

**City of Gaithersburg, Maryland**



**For the Fiscal  
Year Ended  
June 30, 2011**

**Comprehensive  
Annual Financial  
Report**

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Several development projects are underway in Gaithersburg. Pictured on the upper left of the front cover is the Residences at Hidden Creek, a 300-unit apartment complex that replaces an aging retail strip center. On the bottom is a rendering of Archstone Gaithersburg Station, a defining project in Olde Towne that will include 389 apartments and 18,000 square feet of retail space. Property for this substantial development was assembled from several older apartment buildings. Gaithersburg City Hall is pictured on the upper right.



*Gaithersburg*  
A CHARACTER COUNTS! CITY

# **Comprehensive Annual Financial Report**

For the Fiscal Year Ended  
June 30, 2011

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, 2011**

**MAYOR**  
Sidney A. Katz

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

**CITY MANAGER**  
Angel L. Jones

**DIRECTOR OF FINANCE AND ADMINISTRATION**  
Harold W. Belton, CGFM

**INDEPENDENT AUDITORS**  
McGladrey & Pullen, LLP

CITY OF GAITHERSBURG, MARYLAND  
COMPREHENSIVE ANNUAL FINANCIAL  
REPORT

Fiscal Year 2011  
July 1, 2010 – June 30, 2011

**Prepared by:**

**DIRECTOR OF FINANCE AND ADMINISTRATION**

Harold W. Belton, CGFM

**DEPARTMENT OF FINANCE AND ADMINISTRATION**

**Accounting Division**

Tina Smith, CPA, Comptroller

Ling Yan Angela Woo, CPA, Chief Accountant

Sherry Lewis, Accounting Technician

Tammy Majano, Accounting Specialist

Wesley Rhodes, Procurement Officer

Denise Gantz, Administrative Assistant

Betty Woods, Senior Accounting Technician

Louise Kauffmann, Housing and Community Development  
Director

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**WATER PARK AT BOHRER PARK**

# Introductory Section



*Gaithersburg*  
A CHARACTER COUNTS! CITY





*Gaithersburg*  
A CHARACTER COUNTS! CITY

October 28, 2011

To the Mayor and City Council  
City of Gaithersburg, Maryland

This Comprehensive Annual Financial Report is issued for the City of Gaithersburg, Maryland, for the fiscal year ending June 30, 2011. Its purpose is to provide financial information of importance to the decision-making process of the Mayor and City Council, the citizens of Gaithersburg, oversight bodies, and creditors. This report is also a vehicle for City officials to gauge the extent to which sound financial management and reporting practices are being applied to protect the public interest.

A high priority of the City is to maintain a sound financial condition. We believe that our financial results for the year ending June 30, 2011 reflect our commitment to this objective:

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

During Fiscal Year 2011, the City made progress in the areas that make up our Strategic Plan.

- **Public Safety** was enhanced through several initiatives, including an online child sexual predator sting operation that resulted in 11 arrests, a pedestrian safety enforcement effort along the City's busiest roadway, the addition of a second canine unit, the launch of a new web-based system that allows citizens to report traffic offenses, and the deployment of license plate reader units in patrol cars.
- Severe summer storms during this fiscal year tested our **Emergency Response**. With extensive power outages, downed trees and power lines, we were challenged by even the most basic of operations, yet we returned the City to normal operations in record time and kept our staff and residents informed of our efforts and our status throughout.
- Many previously-stalled **Developments** are now moving forward, with significant progress being made on the Crown Farm, Archstone at Olde Towne, the Residences at Hidden Creek, Spectrum at Watkins Mill, and Parklands, to name a few. Together these new communities will account for 4,500 new residential units in the City in the coming years.

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301-258-6300 • FAX 301-948-6149 • TTY 301-258-6430 • cityhall@gaitthersburgmd.gov • www.gaithersburgmd.gov

MAYOR  
Sidney A. Katz

COUNCIL MEMBERS  
Iud Ashman  
Cathy C. Drzyzgula  
Henry F. Marraffa, Jr.  
Michael A. Sesima  
Rvan Spiegel

CITY MANAGER  
Angel L. Jones

October 28, 2011

- Funds within the **Economic Development** Toolbox were leveraged to bring 200 high technology jobs to Gaithersburg. Fiscal Year 2011 saw the completion of an extensive economic development analysis report, the findings of which will be explored by the City's new Economic Development Director, who came on board in the fall of 2011.
- As we develop our community with desirable jobs and amenities, it is important that workers, residents and shoppers can move about with ease. The opening of the long awaited InterCounty Connector improves accessibility to Gaithersburg between the I-95 and I-270 corridors, and a newly established **Transportation** Committee is reviewing and making recommendations on policy matters relating to local and regional traffic and pedestrian initiatives.
- Gaithersburg remains committed to being a leader in the field of **Sustainability**. Recent environmental initiatives include the resumed use of biodiesel fuel, energy audits and efficiency upgrades at City facilities, the installation of LED street lighting in the new Spectrum and Parklands developments, and a unique public/private partnership that used grazing goats to eradicate non-native plant species.
- In the face of decreased operating budgets, it is vital that we use **Technology** to enhance our human resources. Recent initiatives include the automation of our recruitment processes, the streamlining and integration of timekeeping and payroll operations, and the deployment of a system that allows for online permitting.
- **Recreational and Cultural Amenities** add to a sense of community. Our robust programming in recreation and culture was enhanced in Fiscal Year 2011 with the redesign and rededication of the Gaithersburg Community Museum, and the grand opening of Observatory Park, celebrating Gaithersburg's global role in 20<sup>th</sup> century navigation.
- **Communicating** with our residents remains a priority. Efforts have been made to stay connected through increased use of Facebook and YouTube. Our Cable TV station is now integrated with our emergency alert system, allowing for the automatic posting of important messages, and we continue to reach out to our communities through the use of the electronic distribution lists maintained by our homeowners associations, Neighborhood Watch groups and other ListSrvs.

We are proud to receive regional and national recognition for our efforts, including:

- A 33<sup>rd</sup> Certificate of Achievement for Excellence in Financial Reporting and a 9<sup>th</sup> Distinguished Budget Presentation Award by the Government Finance Officers Association of the United States and Canada for the Fiscal Year ending June 30, 2010.
- An award for Excellence in Claims Handling and Reporting from the Local Government Insurance Trust.

To the Mayor and City Council

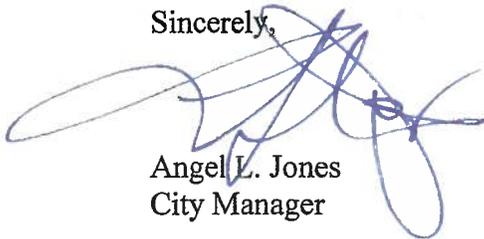
Page 3 of 3

October 28, 2011

- Two awards for achievement in sustainable building for our LEED Platinum Certified Olde Towne Youth Center, one from the American Council of Engineering Companies and one from the U.S. Green Building Council – Maryland Chapter.
- “Banner City/Town” designation from the Maryland Municipal League (MML) for the fourth consecutive year. The program recognizes communities that educate their residents about the importance of municipal government, and that demonstrate a commitment to MML programs and activities through the involvement of their elected and appointed officials.
- A First Place Government Programming Award from the National Association of Telecommunications Officers and Advisors for “Gaithersburg: The Facts,” a production made by our Cable TV staff that premiered at the annual State of the City Dinner.
- Tree City USA for the 22<sup>nd</sup> consecutive year, awarded by the National Arbor Day Foundation, recognizing our commitment to the environment and our aggressive approach to preserving and enhancing the City’s urban forest.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Angel L. Jones', with a large, stylized flourish extending to the left.

Angel L. Jones  
City Manager



**Gaithersburg**  
*A CHARACTER COUNTS! CITY*

October 28, 2011

To the Citizens of the City of Gaithersburg, Maryland:

State law requires that all general purpose local governments publish, within four months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, and the provisions of the City's Charter, Section 53, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Gaithersburg, Maryland, for the year which ended June 30, 2011.

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 & Pullen, 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, 2011 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

City of Gaithersburg • 31 South Summit Avenue, Gaithersburg, Maryland 20877-2098  
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Ryan Spiegel

CITY MANAGER  
Angel L. Jones

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, 2011, 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 2011 met the threshold to require a Single Audit. These reports are available in the City of Gaithersburg, Maryland Single Audit Section of the CAFR.

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

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

## **REPORTING ENTITY**

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

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

## **ECONOMIC CONDITION AND OUTLOOK**

Gaithersburg is centrally located in the heart of Montgomery County. The southeastern border lies 12 miles from the northwestern border of Washington, D.C., and 18.5 miles northwest of the U.S. Capitol Building. Gaithersburg occupies approximately 10 square miles, with a population of 61,172 as of July 2011.

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

Gaithersburg's consistent strategy to attract biotechnology firms continues to reap substantial benefits. MedImmune, one of the 10 largest pharmaceutical companies in the world, has sited its Headquarters in the City and continues to expand its complex annually. MedImmune's neighbors include Digene, GenVec, Antex, Gene Logic, IBM and Lockheed Martin. According to *Expansion Management* magazine, Gaithersburg possesses many attributes these technology firms seek, including a superior work force, good transportation infrastructure, quality of life, competitive operating costs, and a pro-business government.

Due to the current economy, real property tax revenue posted a moderate increase, resulting in an overall increase to total revenues for fiscal year 2011. 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. All of these revenue sources realized some level of reduction in FY 2011.

## **MAJOR INITIATIVES**

In preparing the FY 2011 Budget, the government identified, through a strategic planning process, several major programs needed to meet citizens' requirements for services and to safeguard the environment, in conformity with applicable federal and state standards. These programs:

- Ensure that all planning and development considers and responds to the City's environmental, transportation, economic, social, and civic needs.
- Implement traffic and transportation management strategies to improve the safety, structure and function of streets, transit, bikeways and sidewalks within the City.
- Actively pursue the Olde Towne Blueprint.
- Maintain and enhance priority City services.

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

In the fiscal year ended June 30, 2011 these programs caused no significant impact on the period's financial statements.

The largest capital projects are the construction, retrofit and stream restorations of stormwater management projects, major street reconstruction projects and street resurfacing projects for which \$609,930, \$625,000 and \$550,000 respectively was appropriated in fiscal year 2011.

## **CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gaithersburg for its Comprehensive Annual Financial Report for the year which ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City of Gaithersburg has received a Certificate of Achievement for the last 33 consecutive years (fiscal years 1978-2010). 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, 2010. In order to receive this award, a governmental unit must publish a document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is only valid for a period of one year. The City of Gaithersburg is proud to be the recipient of the award for the ninth consecutive year (fiscal years 2003-2011). It is our belief the current budget continues to conform to program requirements and we have submitted it to GFOA to determine its eligibility for another award.

### **ACKNOWLEDGMENTS**

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

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

Respectfully submitted,



Harold W. Belton, CGFM  
Director of Finance and Administration

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gaithersburg  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

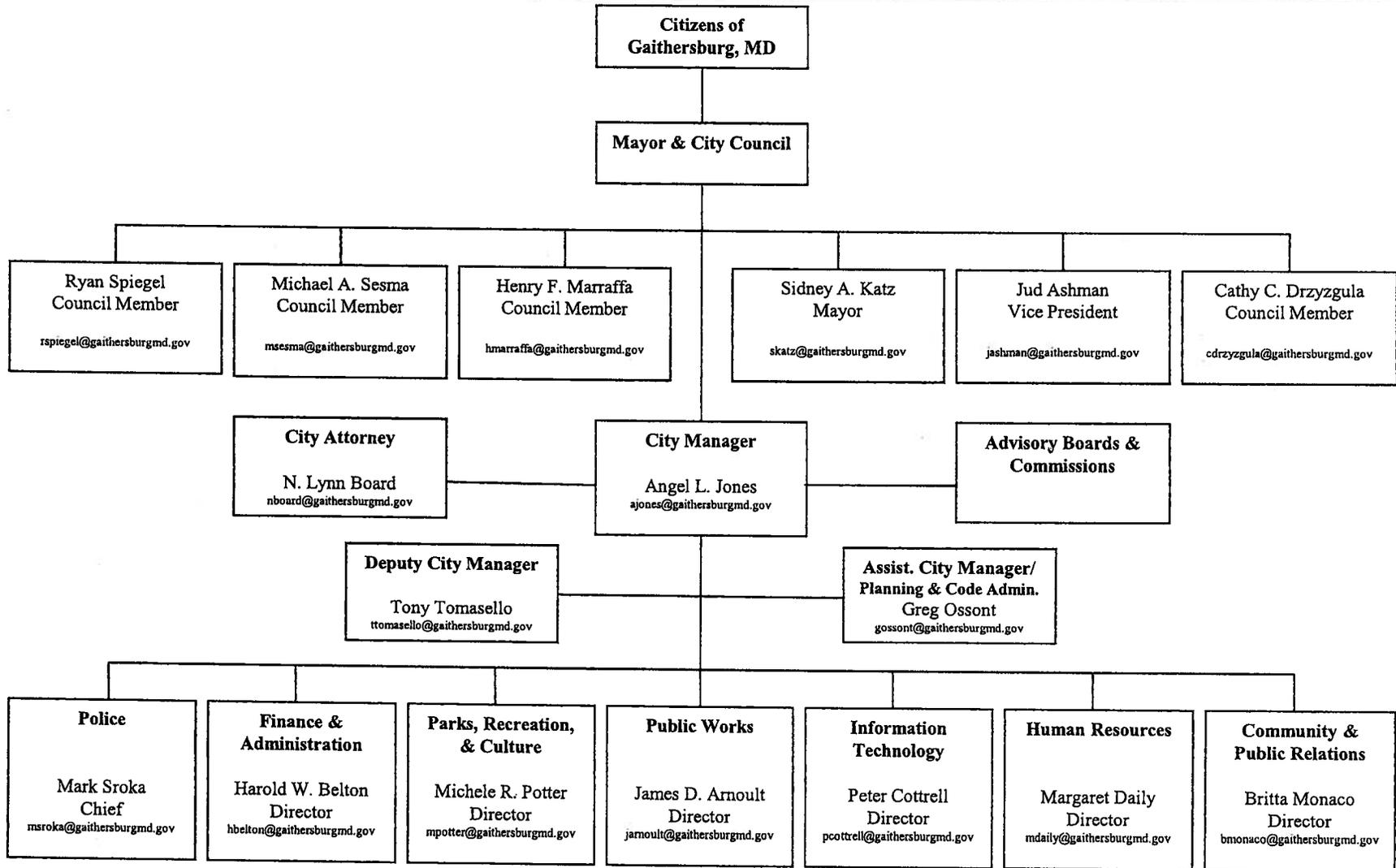
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City of Gaithersburg



# Financial Section



*Gaithersburg*  
A CHARACTER COUNTS! CITY





## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Gaithersburg, Maryland (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gaithersburg, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Gaithersburg, Maryland, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 24, 2011, on our consideration of the City of Gaithersburg, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 13 through 23 and the Required Supplementary Information Schedules of Funding Progress – City of Gaithersburg's OPEB Plan on page 51 are not a required part of the basic financial statements, but they are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gaithersburg, Maryland's basic financial statements. The combining and individual fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financials. The accompanying schedule of expenditures of federal awards, presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*McGladrey & Pullen, LLP*

Frederick, Maryland  
October 24, 2011

**CITY OF GAITHERSBURG, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**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, 2011. 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 2011**

- The City's government-wide net assets increased by 6.2 million.
- The General Fund, on a current financial resource basis, reported an excess of revenues over expenditures and other financing sources and uses of \$10.2 million after making a \$3.0 million transfer to the Capital Projects Fund.
- The City's financial position improved over the past year. Total governmental funds' fund balance increased by 14.2% to \$72.8 million.
- Interest income decreased from \$136K to \$91K, as a result of financial market conditions.
- Capital Projects Fund expenditures of \$4.2 million included completion of the Latitude Observatory Park, Casey Community efficiency upgrade, emergency preparedness, Kronos time keeping implementation, and storm water management projects, street reconstruction and resurfacing.

**Overview of the Financial Statements**

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

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

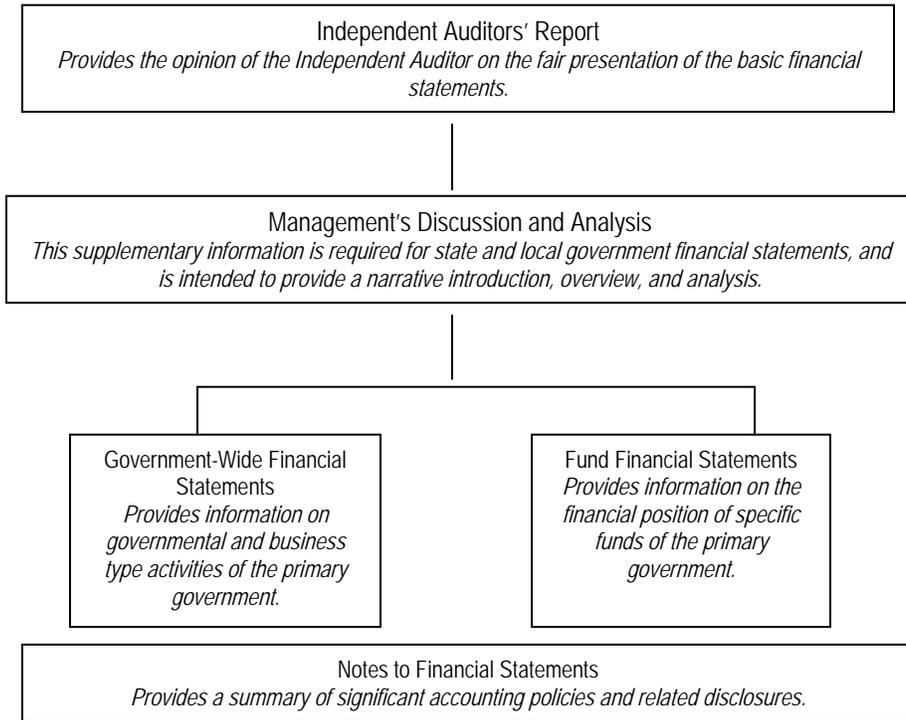
The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the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

**CITY OF GAITHERSBURG, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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, 2011**

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

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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, 2011**

**Government-Wide Statements**

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

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

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

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

**Fund Financial Statements**

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

- Governmental funds, and
- Fiduciary funds.
- *Governmental funds:* The City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for future spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation of the governmental funds balance sheet to the statement of net assets and a separate reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities. The City of Gaithersburg maintains only two governmental funds, those being the General Fund and Capital Projects Fund.
- *Fiduciary funds:* The City is the trustee, or *fiduciary*, for assets that belong to its employees' pension plan, retiree benefit trust, private purpose trusts, and agency funds. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the government-wide financial statements because the assets cannot be used to finance operations.

**CITY OF GAITHERSBURG, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Financial Analysis of the City as a Whole**

Statement of Net Assets: The following table presents a summary of the Statement of Net Assets for the City as of June 30, 2011 with a FY 2010 comparative analysis:

	Governmental Activities	
	2011	2010
<b>Figure 3</b>		
<b>Condensed Statement of Net Assets</b>		
Current and other assets	\$ 80,858,202	\$ 69,897,907
Capital assets	98,705,783	99,881,968
<b>Total assets</b>	<b>179,563,985</b>	<b>169,779,875</b>
Long-term liabilities outstanding	8,143,363	5,946,463
Other liabilities	5,345,751	4,004,858
<b>Total liabilities</b>	<b>13,489,114</b>	<b>9,951,321</b>
Net assets		
Invested in capital assets	98,705,783	99,881,968
Unrestricted	67,369,088	59,946,586
<b>Total net assets</b>	<b>\$ 166,074,871</b>	<b>\$ 159,828,554</b>

The City's assets exceeded its liabilities at the close of FY 2011 by \$166.1 million. By far the largest portion of the City's net assets reflects its investment in capital assets, (e.g., land, buildings, improvements, furniture and equipment, infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Activities: The City's total revenues were \$51.7 million. Local property taxes funding amounted to \$24.7 million; intergovernmental funding, \$10.3 million; charges for services, \$11.5 million; operating grants and contributions, \$0.7 million; and capital grants and contributions, \$1.4 million. The remaining \$3.1 million primarily came from admission and amusement and hotel and motel taxes, and investment earnings.

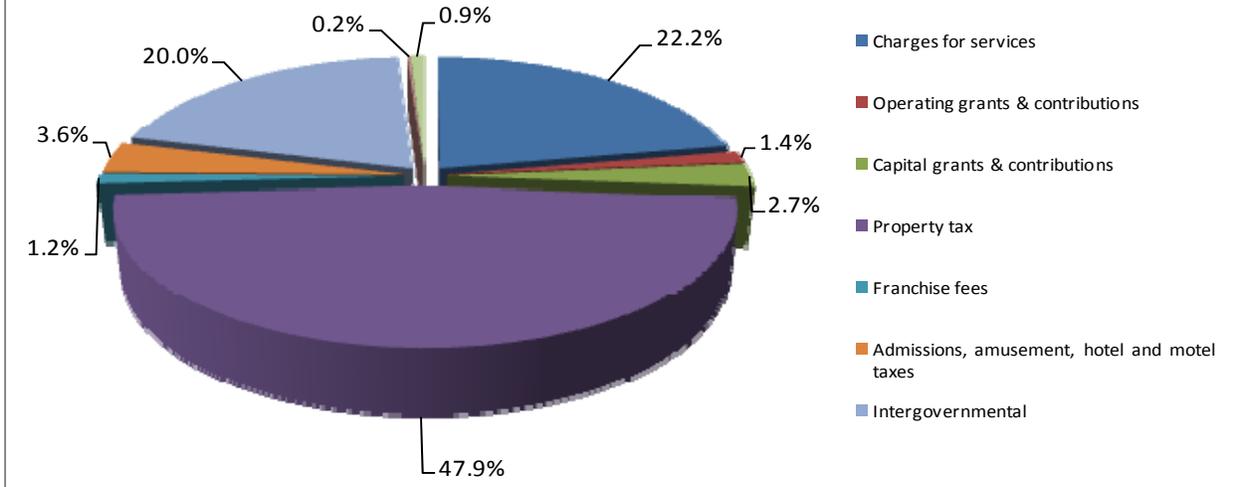
**CITY OF GAITHERSBURG, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Figure 4  
Condensed Statement of Activities**

	Governmental Activities	
	2011	2010
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 11,457,985	\$ 9,446,680
Operating grants & contributions	709,575	2,246,034
Capital grants & contributions	1,400,883	464,815
General revenues:		
Property tax	24,723,315	20,357,547
Franchise fees	611,947	553,860
Admissions, amusement, hotel and motel taxes	1,877,403	1,952,656
Intergovernmental	10,341,660	9,393,667
Investment earnings	91,395	135,532
Other	452,943	682,179
<b>Total revenues</b>	51,667,106	45,232,970
<b>Expenses</b>		
General government	15,481,747	13,385,568
Public safety	10,273,073	11,148,695
Public works	11,524,148	12,246,680
Parks and recreation	6,131,521	7,280,057
Community services and development	2,010,300	2,151,366
<b>Total expenses</b>	45,420,789	46,212,366
 <b>Change in net assets</b>	 \$ 6,246,317	 \$ (979,396)

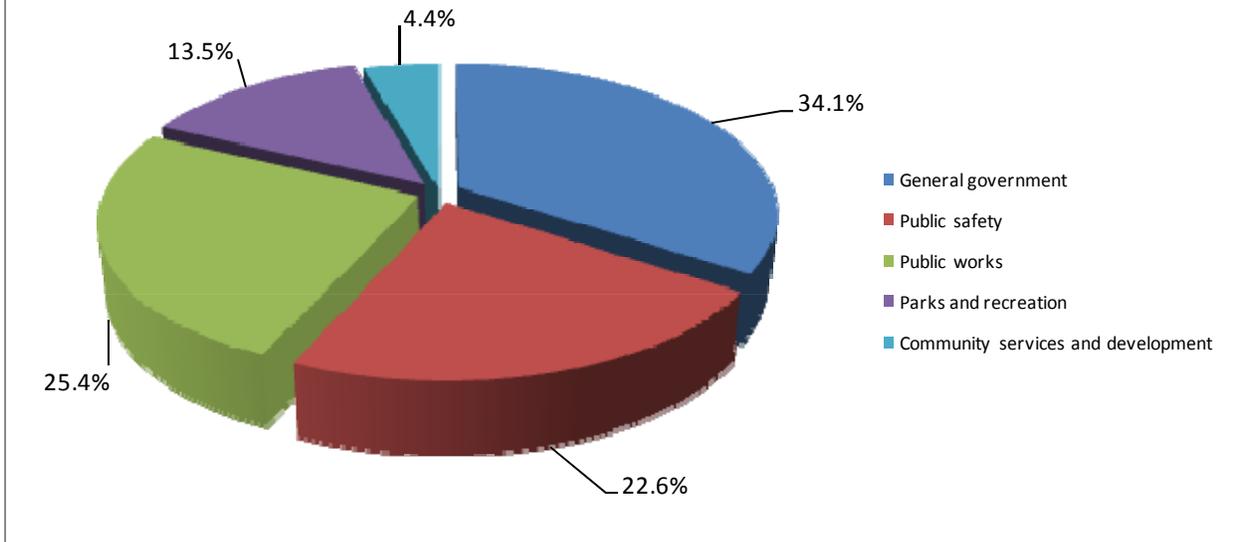
**CITY OF GAITHERSBURG, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Figure 5 Sources of Revenues FY-2011  
Governmental Activities - \$51.7 million**



The cost of governmental activities for FY 2011 was \$45.4 million. As the chart below indicates, Public Safety and Public Works are two of the largest programs; however, the highest priority is placed on Public Safety, for which current year expenses totaled \$10.3 million. Major cost increases in fiscal year 2011 were attributable to increases in speed camera processing fee, which was offset by the additional speed camera revenue, and additional costs incurred due to major wind storms, Hurricane Earl and a micro-bust wind storm.

**Figure 6 Expenses FY-2011  
Governmental Activities - \$45.4 million**



**CITY OF GAITHERSBURG, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Governmental Activities**

General revenues for the governmental activities were \$38.1 million, while total expenses, net of charges for services and grants and contribution, were \$31.9 million. The increase in net assets for governmental activities was \$6.2 million and can be largely attributed the following:

- Capital outlays of \$2.2 million offset by depreciation expense of \$3.3 million as accounted for in accordance with GASB 34,
- Property taxes increased by \$4.3 million during the year. This increase is based on the assessments of new growth and property values, as determined by the State of Maryland Department of Assessments and Taxation.
- Intergovernmental represent primarily grants and aid from the Federal, State and County governments. The majority of such revenues was received from the State for Income Tax (\$8.6 million), and
- Expenditure decreased one million compared to the prior year. It is due to the concerted efforts to generate savings by all departments.

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**

	2011			2010		
	Cost Of Services	Program Revenues	Net Cost Of Services	Cost Of Services	Program Revenues	Net Cost Of Services
General government	\$15,481,747	\$ 2,808,890	\$ (12,672,857)	\$12,907,455	\$ 2,121,622	\$ (10,785,833)
Public safety	10,273,073	3,944,317	(6,328,756)	11,148,695	3,083,377	(8,065,318)
Public works	11,524,148	2,118,700	(9,405,448)	12,246,680	1,745,042	(10,501,638)
Parks and recreation	6,131,521	3,293,405	(2,838,116)	7,280,057	3,119,350	(4,160,707)
Community services and development	2,010,300	1,403,131	(607,169)	2,151,366	2,088,138	(63,228)
<b>Total</b>	<b>\$45,420,789</b>	<b>\$13,568,443</b>	<b>\$ (31,852,346)</b>	<b>\$45,734,253</b>	<b>\$12,157,529</b>	<b>\$ (33,576,724)</b>

The cost of all governmental activities this year was \$45.4 million. Some of the cost of government activities was paid by those who directly benefited from the programs (\$11.5 million) and other governments organizations that subsidized certain programs with grants and contributions (\$2.1 million). Of the \$31.9 million net cost of services, the amount that our taxpayers paid for the activities through City property taxes was \$24.7 million.

**CITY OF GAITHERSBURG, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**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 \$72.8 million; an increase of \$9.1 million over last year's ending fund balance of \$63.7 million.

General Fund (Governmental): The general fund had less expenditures than revenues in 2011, thereby increasing total fund balance to \$43.2 million. It is important to note that the net change in fund balance is \$10.3 million. This figure is calculated on the modified accrual basis and is slightly different from the \$10.4 million budgetary basis surplus. This difference is due to the treatment of prior and current year encumbrances.

Capital Projects Fund (Governmental): The Capital Projects Fund showed a \$1.2 million decrease in fund balance. Capital Projects Funds' total fund balance of \$29.5 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 31<sup>st</sup> 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 \$3.5 million, while actual expenditures and net transfers out were less than final budget by \$3.4 million. Actual expenditures of \$37.7 million were \$3.4 million less than budgeted due primarily to the concerted efforts of each department to generate savings in anticipation of FY 2011 revenue shortfalls. These savings are to be carried forward to FY 2012.

The largest revenue source for the General Fund is City property tax. In FY 2011, property tax revenues of \$24.9 million represented 49 percent of total revenues for the General Fund, and were 2.1% percent less than the budget estimate 2011. It is due to a development project budgeted for not beginning construction.



**CITY OF GAITHERSBURG, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Capital Asset and Debt Administration**

**Capital Assets**

By the end of 2011, the City had invested \$98.7 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 \$3.3 million, while additions to buildings, infrastructure, improvements, and equipment and furniture amounted to \$2.2 million. More detailed information about capital assets can be found in Note 6 to the basic financial statements.

	Governmental Activities	
	2011	2010
Land	\$ 37,616,909	\$ 37,616,909
Buildings	21,662,250	21,696,957
Improvements other than buildings	3,239,583	3,261,156
Machinery and equipment	2,782,045	2,796,135
Infrastructure	32,385,723	33,488,536
Construction in progress	1,019,273	1,022,275
<b>Total capital assets, net</b>	<b>\$ 98,705,783</b>	<b>\$ 99,881,968</b>

The fiscal year 2011 capital projects spending amounted to \$4.2 million for capital projects, principally in four areas: a renovated Latitude Observatory Park, Casey Community efficiency upgrade, annual expenditures for street resurfacing, street reconstruction, and sidewalk and handicapped ramps.

**Debt**

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

	Governmental Activities	
	2011	2010
Compensated absences:		
Vacation	\$ 1,236,000	\$ 1,121,207
Sick leave	739,631	600,135
	1,975,631	1,721,342
Net OPEB obligation	6,167,732	4,225,121
<b>Total long-term debt</b>	<b>\$ 8,143,363</b>	<b>\$ 5,946,463</b>

**CITY OF GAITHERSBURG, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Factors Bearing on the City's Future**

The following economic factors are reflected in the City's FY 2012 budget:

- The City's economic projections in the FY 2012 budget are based on plans for projected development on the remaining amount of undeveloped land in the City. Based on economic factors, licenses and permits are projected at a 6% decrease from FY 2011 actual. The 6% (168K) is primarily from construction permits.
- As we go forward, maintaining property assessments at a minimal increase and income tax collections at current levels are being factored in future projects.
- Reductions in shared revenues and grants from Federal, State and County sources were factored into assumptions.
- Economic factors of the State, County and City are considered and reviewed for challenges that may cause adversely affect on our ability to fulfill all FY 2012 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](http://www.gaithersburgmd.gov).

City Of Gaithersburg, Maryland

Statement Of Net Assets

June 30, 2011

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,080,040
Investments	74,539,933
Receivables:	
Property taxes, net	64,145
Due from other governments	3,490,498
Other, net	540,777
Inventory	48,065
Prepays	94,744
Capital assets:	
Land	37,616,909
Buildings	33,492,739
Improvements other than buildings	8,957,093
Machinery and equipment	12,071,384
Infrastructure	65,187,255
Construction-in-progress	1,019,273
Less: accumulated depreciation	(59,638,870)
<b>Total assets</b>	<u>179,563,985</u>
<b>Liabilities</b>	
Accounts payable	1,384,071
Due to other governments	73,891
Accrued liabilities	1,235,820
Deposits	2,077,968
Deferred revenue	574,001
Non-current liabilities:	
Due within one year:	
Accumulated unused compensated absences	575,043
Due in more than one year:	
Accumulated unused compensated absences	1,400,588
Other postemployment benefit liability	6,167,732
<b>Total liabilities</b>	<u>13,489,114</u>
<b>Net Assets</b>	
Invested in capital assets	98,705,783
Unrestricted	67,369,088
<b>Total net assets</b>	<u>\$ 166,074,871</u>

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

Statement Of Activities  
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Capital Grants And Contributions	Net (Expense) Revenue And Changes In Net Assets
		Charges For Services	Operating Grants And Contributions		
<b>Governmental activities:</b>					
General government	\$ 15,481,747	\$ 2,793,156	\$ 15,734	\$ -	\$ (12,672,857)
Public safety	10,273,073	3,566,588	377,729	-	(6,328,756)
Public works	11,524,148	1,834,855	-	283,845	(9,405,448)
Parks and recreation	6,131,521	3,263,386	30,019	-	(2,838,116)
Community services and development	2,010,300	-	286,093	1,117,038	(607,169)
<b>Total governmental activities</b>	<b>\$ 45,420,789</b>	<b>\$ 11,457,985</b>	<b>\$ 709,575</b>	<b>\$ 1,400,883</b>	<b>(31,852,346)</b>
<b>General revenues:</b>					
Property tax					24,723,315
Franchise fees					611,947
Admissions, amusement, and hotel tax					1,877,403
Intergovernmental not restricted to specific programs					10,341,660
Investment earnings					91,395
Miscellaneous revenues					452,943
<b>Total general revenues</b>					<b>38,098,663</b>
<b>Change in net assets</b>					<b>6,246,317</b>
<b>Net assets:</b>					
Beginning					159,828,554
Ending					<b>\$ 166,074,871</b>

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

Balance Sheet – Governmental Funds  
June 30, 2011

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 2,080,040	\$ -	\$ 2,080,040
Investments	74,539,933	-	74,539,933
Taxes receivable, net	64,145	-	64,145
Prepays	94,744	-	94,744
Inventory	48,065	-	48,065
Due from other funds	-	29,734,840	29,734,840
Due from other governments	3,490,498	-	3,490,498
Other receivables	540,777	-	540,777
<b>Total assets</b>	<b>\$ 80,858,202</b>	<b>\$ 29,734,840</b>	<b>\$ 110,593,042</b>
<b>Liabilities And Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 727,851	\$ 201,798	\$ 929,649
Accrued liabilities	1,235,820	-	1,235,820
Deposits	2,077,968	-	2,077,968
Deferred revenue	3,308,491	-	3,308,491
Due to other governments	73,891	-	73,891
Due to other funds	30,189,262	-	30,189,262
<b>Total liabilities</b>	<b>37,613,283</b>	<b>201,798</b>	<b>37,815,081</b>
Fund balances:			
Non-spendable	142,809	-	142,809
Committed	-	3,979,595	3,979,595
Assigned	10,082,400	25,553,447	35,635,847
Unassigned	33,019,710	-	33,019,710
<b>Total fund balances</b>	<b>43,244,919</b>	<b>29,533,042</b>	<b>72,777,961</b>
<b>Total liabilities and fund balances</b>	<b>\$ 80,858,202</b>	<b>\$ 29,734,840</b>	<b>\$ 110,593,042</b>

See Notes To Basic Financial Statements.

**City Of Gaithersburg, Maryland**

**Reconciliation Of The Balance Sheet Of Governmental Funds  
To The Statement Of Net Assets  
June 30, 2011**

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Total fund balance – governmental funds		\$	72,777,961
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
Cost of capital assets	\$	158,344,653	
Accumulated depreciation		<u>(59,638,870)</u>	98,705,783
Long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.			
			2,734,490
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Net OPEB obligation		(6,167,732)	
Accumulated unused compensated absences		<u>(1,975,631)</u>	<u>(8,143,363)</u>
<b>Net assets of governmental activities</b>			<b><u>\$ 166,074,871</u></b>

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, 2011

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>			
Taxes and special assessments	\$ 26,824,666	\$ -	\$ 26,824,666
Licenses and permits	4,348,232	-	4,348,232
Intergovernmental	11,793,049	-	11,793,049
Charges for services	5,001,975	-	5,001,975
Fines and forfeitures	2,601,188	-	2,601,188
Investment earnings	91,395	-	91,395
Miscellaneous	452,943	-	452,943
<b>Total revenues</b>	<b>51,113,448</b>	<b>-</b>	<b>51,113,448</b>
<b>Expenditures:</b>			
Current:			
General government	8,875,244	-	8,875,244
Public safety	10,134,668	-	10,134,668
Public works	8,369,405	-	8,369,405
Parks and recreation	5,982,291	-	5,982,291
Community services and development	2,010,300	-	2,010,300
Miscellaneous	2,468,850	-	2,468,850
Capital outlay	-	4,232,069	4,232,069
<b>Total expenditures</b>	<b>37,840,758</b>	<b>4,232,069</b>	<b>42,072,827</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>13,272,690</b>	<b>(4,232,069)</b>	<b>9,040,621</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	3,046,732	3,046,732
Transfers out	(3,046,732)	-	(3,046,732)
Proceeds from sale of fixed assets	25,125	-	25,125
<b>Total other financing sources (uses)</b>	<b>(3,021,607)</b>	<b>3,046,732</b>	<b>25,125</b>
<b>Net change in fund balances</b>	<b>10,251,083</b>	<b>(1,185,337)</b>	<b>9,065,746</b>
<b>Fund Balance:</b>			
Beginning	32,993,836	30,718,379	63,712,215
Ending	<b>\$ 43,244,919</b>	<b>\$ 29,533,042</b>	<b>\$ 72,777,961</b>

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, 2011**

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Total net change in fund balances – governmental funds		\$ 9,065,746
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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	\$ 2,215,124		
Depreciation	<u>(3,346,521)</u>		(1,131,397)

In the statement of activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by costs of the capital assets sold less any accumulated depreciation:

Asset disposals	(743,005)		
Accumulated depreciation	<u>698,215</u>		(44,790)

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

553,658

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

(1,942,611)

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.

(254,289)

**Change in net assets of governmental activities**

\$ 6,246,317

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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Positive (Negative)
	Original	Amended		
<b>Revenues:</b>				
Taxes and special assessments	\$ 27,150,000	\$ 27,150,000	\$ 26,824,666	\$ (325,334)
Licenses and permits	2,780,530	2,780,530	4,348,232	1,567,702
Intergovernmental	10,743,745	10,743,745	11,793,049	1,049,304
Charges for services	4,877,185	4,877,185	5,001,975	124,790
Fines and forfeitures	881,000	881,000	2,601,188	1,720,188
Investment earnings	800,000	800,000	91,395	(708,605)
Miscellaneous	411,990	411,990	452,943	40,953
<b>Total revenues</b>	<b>47,644,450</b>	<b>47,644,450</b>	<b>51,113,448</b>	<b>3,468,998</b>
<b>Expenditures:</b>				
General government	9,075,190	9,331,545	8,732,595	598,950
Public safety	9,959,017	10,216,282	10,131,368	84,914
Public works	8,662,788	8,742,448	8,392,461	349,987
Parks and recreation	6,251,882	6,265,077	5,971,057	294,020
Community services and development	2,039,721	2,047,381	2,009,220	38,161
Miscellaneous	5,158,590	4,544,455	2,487,524	2,056,931
<b>Total expenditures</b>	<b>41,147,188</b>	<b>41,147,188</b>	<b>37,724,225</b>	<b>3,422,963</b>
<b>Excess of revenues over expenditures</b>	<b>6,497,262</b>	<b>6,497,262</b>	<b>13,389,223</b>	<b>6,891,961</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(3,046,732)	(3,046,732)	(3,046,732)	-
Sale of fixed assets	-	-	25,125	25,125
	<b>(3,046,732)</b>	<b>(3,046,732)</b>	<b>(3,021,607)</b>	<b>25,125</b>
<b>Net change in fund balance</b>	<b>\$ 3,450,530</b>	<b>\$ 3,450,530</b>	<b>10,367,616</b>	<b>\$ 6,917,086</b>
Adjustments to conform with generally accepted accounting principles			(116,533)	
<b>Fund Balance:</b>				
Beginning			32,993,836	
Ending			<u>\$ 43,244,919</u>	

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

Statement Of Fiduciary Net Assets – Fiduciary Funds

June 30, 2011

	Pension Trust Funds	Private-Purpose Trust Fund	Agency Funds
<b>Assets</b>			
Investments:			
Open-end mutual funds	\$ 47,769,015	\$ -	\$ -
Certificate of deposit	-	13,497	-
Due from other funds	301,022	2,000	151,400
<b>Total assets</b>	<u>\$ 48,070,037</u>	<u>\$ 15,497</u>	<u>\$ 151,400</u>
<b>Liabilities</b>			
Deposits	\$ -	\$ -	<u>\$ 151,400</u>
<b>Net Assets</b>			
Held in trust for pension benefits and other purposes	<u>\$ 48,070,037</u>	<u>\$ 15,497</u>	

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

Statement Of Changes In Fiduciary Net Assets - Fiduciary Funds  
Year Ended June 30, 2011

	Pension Trust Funds	Private-Purpose Trust Fund
<hr/>		
Additions:		
Contributions:		
Employee	\$ 1,559,898	\$ -
Employer	1,985,071	-
Interest and gains (losses)	8,249,671	76
Other	236,473	2,000
<b>Total additions</b>	<u>12,031,113</u>	<u>2,076</u>
Deductions:		
Benefits and withdrawals	<u>3,657,075</u>	-
<b>Change in net assets</b>	8,374,038	2,076
Net Assets:		
Beginning	<u>39,695,999</u>	<u>13,421</u>
Ending	<u>\$ 48,070,037</u>	<u>\$ 15,497</u>

See Notes To Basic Financial Statements.

## City Of Gaithersburg, Maryland

### Notes To Basic Financial Statements

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#### Note 1. Overview And Summary Of Significant Accounting Policies

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

##### A. Financial Reporting Entity

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

##### B. Government-Wide and Fund Financial Statements

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

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

Statement of Activities: This statement demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. The City does not allocate indirect expenses.

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

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

## City Of Gaithersburg, Maryland

### Notes To Basic Financial Statements

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

##### C. Fund Accounting

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

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

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

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

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

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

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

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

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

Notes To Basic Financial Statements

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

**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fund financial statements for the Pension Trust, Private-Purpose Trust, and Retiree Benefit Trust funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

Property taxes are recognized as a receivable at the time they are levied. The City's property tax is levied on property values as assessed on January 1, billed on July 1, and payable either by September 30, or in two equal installments on September 30 and December 31. Property taxes are attached as an enforceable lien on the underlying properties as of the succeeding June 1, and are thereafter sold at public auction. Montgomery County, Maryland bills and collects property taxes for the City and remits cash collections to the City once a month. Property taxes are considered available if received within 31 days of year-end. Delinquent tax receivables not received within 31 days of year-end are reflected as deferred revenue and are recognized at the date of receipt. The City's tax rate for the collection year ended June 30, 2011, was \$.262 per \$100 of assessed valuation.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**City Of Gaithersburg, Maryland**

**Notes To Basic Financial Statements**

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

**E. Encumbrances**

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

**F. Use of Estimates**

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

**G. Cash and Cash Equivalents**

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

**H. Investments**

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

**I. Receivables**

Receivables are carried at original invoice amount less an estimate made for doubtful accounts. It is management's policy to use the aggregate of all accounts that are delinquent three years or more on property taxes as the basis and determination of the allowance for doubtful accounts. At June 30, 2011, the aggregate of property tax accounts, delinquent three years or more, was \$39,504. 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, 2011, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

**City Of Gaithersburg, Maryland**

**Notes To Basic Financial Statements**

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

**L. Capital Assets**

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

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

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

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

**M. Deferred Revenues**

Deferred revenues in the governmental funds represent amounts due that are measurable but not available, in the amount of \$2,734,490. The remaining amount of \$574,001 represents amounts received before June 30, 2011, for services to be provided by the City in fiscal year 2012.

**N. Inter-Fund Transactions**

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

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

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

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

## City Of Gaithersburg, Maryland

### Notes To Basic Financial Statements

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

##### O. Compensated Absences

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

Employees earn annual vacation leave at the rate of 12 days per year for one to three years of service; 15 days per year for three to six years of service; 18 days per year for six to nine years of service; 21 days per year for 9 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, 2011, no accumulated unpaid vacation or sick leave had matured, resulting in it being maintained separately and being a reconciling item between the fund and government-wide financial statement presentations.

##### P. Fund Balance

The City was required to adopt GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011. The categories of fund balance presented in the City's financial statements have changed as a result of implementing this statement; see Note 8 for further details. 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. The City Manager and the Director of Finance and Administration have the authority to establish assignments of fund balance. The City first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. When unrestricted amounts are considered to have been spent, the City considers committed amounts first, then assigned, and finally unassigned when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

##### Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. As of June 30, 2011, the City had no debt associated with acquisition of capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**City Of Gaithersburg, Maryland**

**Notes To Basic Financial Statements**

**Note 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	\$ 51,113,448	\$ 37,724,225	\$ (3,021,607)	\$ 10,367,616
Prior year encumbrances outstanding, 6/30/10	-	726,543	-	(726,543)
Current year encumbrances outstanding, 6/30/11	-	(610,010)	-	610,010
GAAP basis	<u>\$ 51,113,448</u>	<u>\$ 37,840,758</u>	<u>\$ (3,021,607)</u>	<u>\$ 10,251,083</u>

## City Of Gaithersburg, Maryland

### Notes To Basic Financial Statements

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#### 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, 2011, 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, 2011:

Investment Type	General Fund	Trust Fund	Private-Purpose Trust Fund
State Treasurer's Investment Pool	\$ 28,832,845	\$ -	\$ -
Montgomery County's General Investment Fund	45,390,522	-	-
Certificates of deposit	316,566	-	13,497
Open-end mutual funds	-	47,769,015	-
	<u>\$ 74,539,933</u>	<u>\$ 47,769,015</u>	<u>\$ 13,497</u>

###### *Credit risk*

The Mayor and Council of Gaithersburg recognize that their authority to invest the public funds of the City derives from Section 6-222 of the State of Maryland's Finance and Procurement Article, as well as Article 95, Section 22-22N of the annotated Code of Maryland. Authority to invest City funds in compliance with provisions of these State statutes is delegated to the Director of Finance. Consequently, the City invests in the Maryland Local Government Investment Pool (MLGIP), which is under the administrative control of the Maryland State Treasurer's Office and the Montgomery County General Investment Fund, which is under the administrative control of the Montgomery County Department of Finance. These investment pools invest only in securities allowed by Maryland State statutes. The fair value of these pools is the same as the value of the respective pool share. The investment pools seek to maintain a constant value of \$1 per share. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating), and the Montgomery County General Investment Fund is not rated. The City places no limit on the amount the City may invest in any one issuer. Pension and retiree benefit trusts are invested in pooled mutual funds, which are unrated. The City does not have a formal investment policy for credit risk.

###### *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities. Investments in the MLGIP are highly liquid and primarily consist of money market funds. Investments in the Montgomery County General Investment Fund consist of various instruments with varying maturities, the majority of which are less than one year, with no maturities greater than two years. Certificates of deposit have maturities of less than one year. A portion of the trust fund mutual funds is invested in bond funds. These funds consist of debt instruments with varying maturities. The City does not have a formal investment policy for interest rate risk.

**City Of Gaithersburg, Maryland**

**Notes To Basic Financial Statements**

**Note 3. Cash And Investments (Continued)**

*Custodial credit risk*

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the City will not recover the value of the investment or collateral securities that are in the possession of an outside party. Except for the certificates of deposit, the remaining investments of the City were not exposed to custodial credit risk at June 30, 2011. 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, 2011, consist of the following:

	General Fund	Capital Projects Fund	Total Governmental Activities
<b>Due from other governments:</b>			
County	\$ 7,944	\$ -	\$ 7,944
State	3,276,192	-	3,276,192
Federal	206,362	-	206,362
	<u>\$ 3,490,498</u>	<u>\$ -</u>	<u>\$ 3,490,498</u>
<b>Other receivables:</b>			
Cable TV fees	\$ 172,504	\$ -	\$ 172,504
Police tickets and fines	137,365	-	137,365
OPEB Trust reimbursement	63,266	-	63,266
Miscellaneous	167,642	-	167,642
	<u>\$ 540,777</u>	<u>\$ -</u>	<u>\$ 540,777</u>

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

Inter-fund receivable and payable balances at June 30, 2011, are as follows:

Due From Fund	Due To Fund General Fund
Capital Projects Fund	\$ 29,734,840
Pension Trust Fund	301,022
Private-Purpose Trust Fund	2,000
Agency Fund	151,400
	<u>\$ 30,189,262</u>

The balance of \$29,734,840, 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, 2011, 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 \$3,046,732.

**City Of Gaithersburg, Maryland**

**Notes To Basic Financial Statements**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2011, consisted of the following:

Governmental Activities	Balance July 1, 2010	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 37,616,909	\$ -	\$ -	\$ 37,616,909
Construction-in-progress	1,022,275	166,462	(169,464)	1,019,273
	<u>38,639,184</u>	<u>166,462</u>	<u>(169,464)</u>	<u>38,636,182</u>
Capital assets being depreciated:				
Buildings	32,698,478	811,095	(16,834)	33,492,739
Improvements other than buildings	8,656,727	323,827	(23,461)	8,957,093
Machinery and equipment	11,770,217	999,206	(698,039)	12,071,384
Infrastructure	65,107,926	84,000	(4,671)	65,187,255
	<u>118,233,348</u>	<u>2,218,128</u>	<u>(743,005)</u>	<u>119,708,471</u>
Less accumulated depreciation for:				
Buildings	(11,001,521)	(837,718)	8,750	(11,830,489)
Improvements other than buildings	(5,395,571)	(345,399)	23,460	(5,717,510)
Machinery and equipment	(8,974,082)	(978,008)	662,751	(9,289,339)
Infrastructure	(31,619,390)	(1,185,396)	3,254	(32,801,532)
	<u>(56,990,564)</u>	<u>(3,346,521)</u>	<u>698,215</u>	<u>(59,638,870)</u>
<b>Capital assets, net</b>	<u>\$ 99,881,968</u>	<u>\$ (961,931)</u>	<u>\$ (214,254)</u>	<u>\$ 98,705,783</u>

Depreciation expense was charged to governmental functions for the year ended June 30, 2011, as follows:

General government	\$ 833,871
Public safety	343,616
Public works	1,771,903
Parks and recreation	397,131
	<u>\$ 3,346,521</u>

**City Of Gaithersburg, Maryland**

**Notes To Basic Financial Statements**

**Note 7. Long-Term Liabilities**

At June 30, 2011, 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, 2011:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
<b>Compensated absences:</b>					
Vacation	\$ 1,121,207	\$ 311,035	\$ (196,242)	\$ 1,236,000	\$ 575,043
Sick leave	600,135	236,152	(96,656)	739,631	-
	<u>1,721,342</u>	<u>547,187</u>	<u>(292,898)</u>	<u>1,975,631</u>	<u>575,043</u>
<b>OPEB liability</b>					
	4,225,121	2,191,000	(248,389)	6,167,732	-
	<u>\$ 5,946,463</u>	<u>\$ 2,738,187</u>	<u>\$ (541,287)</u>	<u>\$ 8,143,363</u>	<u>\$ 575,043</u>

**Note 8. Fund Balance**

Governmental fund balances at June 30, 2011, are summarized as follows:

	General Fund	Capital Projects Fund
<b>Non-spendable:</b>		
Prepays	\$ 94,744	\$ -
Inventory	48,065	-
	<u>142,809</u>	<u>-</u>
<b>Committed to:</b>		
Capital projects	-	3,979,595
<b>Assigned to:</b>		
Vehicle and equipment replacement	7,401,013	-
Economic development	1,846,434	-
Self-insurance	205,688	-
Training	19,255	-
General government	487,001	-
Public works	31,035	-
Other	91,974	-
Other capital projects	-	25,553,447
	<u>10,082,400</u>	<u>25,553,447</u>
<b>Unassigned</b>		
	33,019,710	-
<b>Total fund balances</b>	<u>\$ 43,244,919</u>	<u>\$ 29,533,042</u>

**City Of Gaithersburg, Maryland**

**Notes To Basic Financial Statements**

**Note 9. Pension Plans**

The City maintains one single-employer, non-contributory defined contribution pension plan covering all full-time employees. The pension plan is maintained as a Pension Trust Fund. The City also maintains a single-employer, defined benefit postretirement healthcare and insurance plan for qualifying retirees and disable employees. These plans are further discussed in Notes 10 and 11.

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

**City Of Gaithersburg, Maryland**

**Combining Statement Of Fiduciary Net Assets – Pension Trust Funds  
June 30, 2011**

	Pension Trust Fund	Retiree Benefit Trust Fund	Total
<b>Assets</b>			
Investments:			
Open-end mutual funds	\$ 44,782,841	\$ 2,986,174	\$ 47,769,015
Due from other funds	301,022	-	301,022
<b>Total assets</b>	<b>\$ 45,083,863</b>	<b>\$ 2,986,174</b>	<b>\$ 48,070,037</b>
<b>Net Assets</b>			
Held in trust for pension benefits and other purposes	\$ 45,083,863	\$ 2,986,174	\$ 48,070,037

**Combining Statement Of Fiduciary Net Assets – Pension Trust Funds  
Year Ended June 30, 2011**

	Pension Trust Fund	Retiree Benefit Trust Fund	Total
<b>Additions:</b>			
Contributions:			
Employee	\$ 1,104,898	\$ 455,000	\$ 1,559,898
Employer	1,985,071	-	1,985,071
Interest and gains (losses)	7,719,741	529,930	8,249,671
Other	236,473	-	236,473
<b>Total additions</b>	<b>11,046,183</b>	<b>984,930</b>	<b>12,031,113</b>
<b>Deductions:</b>			
Benefits and withdrawals	3,404,613	252,462	3,657,075
<b>Change in net assets</b>	<b>7,641,570</b>	<b>732,468</b>	<b>8,374,038</b>
<b>Net Assets:</b>			
Beginning	37,442,291	2,253,708	39,695,999
Ending	\$ 45,083,861	\$ 2,986,176	\$ 48,070,037

## City Of Gaithersburg, Maryland

### Notes To Basic Financial Statements

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#### Note 10. Retirement, Savings, And Deferred Compensation Plans

The City has its own (single employer) non-contributory defined contribution pension plan covering all full-time employees. The City contributes 8.0 percent of annual salary for participating employees. Employees are eligible to participate immediately upon hire. Participants fully vest over five years in the City's contribution to the plan. A supplemental retirement plan contribution up to 2 percent is also available for the eligible public safety and public works full-time employees since August 2005, with up to an additional 3 percent for these employees who also participate in the City's 457 plan. The amount of the City's covered payroll was \$15,516,025 and \$16,150,559, and its total payroll for all employees was \$20,021,302 and \$20,950,267, for the years ended June 30, 2011 and 2010, respectively. Required employer contributions of \$1,241,282 and \$1,293,632, or 8.0 percent of covered payroll, were made to the plan for the years ended June 30, 2011 and 2010, 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 \$1,104,898 and \$1,188,978, or 7.12 percent and 7.36 percent of covered payroll, for the years ended June 30, 2011 and 2010, 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 \$434,126 and \$423,749, or 2.80 percent and 2.62 percent of covered payroll, were made to the Plan for the years ended June 30, 2011 and 2010, 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**

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**Note 11. Postretirement Healthcare and Life Insurance**

Plan description: The City has a plan (single-employer), which provides hospitalization, dental, and life insurance benefits for qualifying retirees and disabled employees. The personnel ordinance requires that the City pay 100 percent of the life insurance premiums and 85 percent of the hospitalization and dental premiums. To be eligible for General Retirement, retirees must meet certain age and service requirements. The sum of the retiree's age and number of service years must be at least 75, with a minimum age of 50 and a minimum of 15 years of service. There are currently 41 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 2011 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). During the year ended June 30, 2011, the City made contributions to the Trust in the amount of \$455,000.

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 \$1,285,000 and the amortization of unfunded accrued liability of \$887,000. The City's implicit subsidy contributed to the plan for the year ended June 30, 2011, amounted to \$67,000. The City received reimbursement from the Trust in the amount of \$273,611 for previous pay-as-you-go funding.

Annual OPEB cost and net OPEB obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC discussed above of \$2,172,000, plus interest on the net OPEB obligation of \$201,000, less amortization of \$182,000 on the net OPEB obligation. A historical trend of the City's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 1,480,000	46.70%	\$ 2,076,560
2010	2,381,000	9.90%	4,225,121
2011	2,191,000	11.34%	6,167,732

## City Of Gaithersburg, Maryland

### Notes To Basic Financial Statements

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#### Note 11. Postretirement Healthcare and Life Insurance (Continued)

Funded status and funding progress: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, 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, 2010, actuarial valuation, the projected unit credit, with proration to assumed retirement date, actuarial cost method was used. Significant actuarial assumptions used include (a) a rate of return on the investment of 4.75 percent per year compounded annually; (b) projected salary increases of 3.5 percent compounded annually (used for amortization purposes); (c) annual medical and prescription drug trend rate of 8.02 percent initially, reduced annually to arrive at an ultimate healthcare cost trend of 4.1 percent; (d) rates of mortality based upon RP-2000 Healthy Mortality Table; (e) termination of service rates based upon sex and length of service, ranging from 161 individuals down to 45 for the first ten years of service, and ranging from 52 down to 28 after ten years of service; and (f) claims costs based upon age-adjusted premiums for single or family coverage, with explicit costs ranging from \$3,776 to \$8,842, medical and drug costs ranging from \$4,840 to \$16,903, and dental costs ranging from \$496 to \$1,784. 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 27 years for year ended June 30, 2011.

## City Of Gaithersburg, Maryland

### Notes To Basic Financial Statements

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#### Note 12. Risk Management

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

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members to reduce the possibility of assessments. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. During fiscal year 2011, the City paid premiums of \$247,335 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 2011, the City paid premiums of \$369,230 to Montgomery County.

#### Note 13. Commitments And Contingencies

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

Capital Projects: The City is committed under various contracts pertaining to street resurfacing, storm water management, traffic signalization, and other capital improvement program projects totaling \$3,979,595 at June 30, 2011. All contracts binding as of June 30, 2011, 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

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#### **Note 14. Senior Citizens Center Agreement**

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

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

The City's share of the costs of acquiring and renovating the property is included in capital assets in the amount of \$667,485. The costs of operations of the senior citizens center are accounted for in the General Fund of the City.

#### **Note 15. Conduit Debt Obligation**

The total conduit debt outstanding at June 30, 2011, was \$140,135,000 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.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2011, 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 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the City beginning with its year ending June 30, 2013. This statement requires governments to account for and report Service Concession Arrangements in the same manner by establishing recognition, measurement, and disclosure requirements for both transferors and governmental operators.

## City Of Gaithersburg, Maryland

### Notes To Basic Financial Statements

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

- GASB Statement Number 61, *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, will be effective for the City beginning with its year ending June 30, 2013. This statement addresses reporting entity issues that have arisen since the issuance of GASB Statements No. 14 and No. 34, to improve financial reporting for a governmental financial reporting entity. This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units. In addition, this statement should be applied to nongovernmental component units when they are included in a governmental financial reporting entity.
- GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the City beginning with its year ending June 30, 2013. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.
- GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the City beginning with its year ending June 30, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4 introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Additionally, this Statement amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.
- GASB Statement Number 64, *Derivative Instruments – Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*, will be effective for the City beginning with its year ending June 30, 2012. This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider, and whether hedge accounting should continue to be applied.

# Required Supplemental Information Section



*Gaithersburg*  
A CHARACTER COUNTS! CITY



**City Of Gaithersburg, Maryland**

**Required Supplementary Information  
(Unaudited – See Accompanying Independent Auditor’s Report)**

**Postretirement Healthcare And Insurance Plan  
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, 2005	\$ -	\$ 20,768,000	\$ 20,768,000	0.00%	\$ 11,752,939	176.70%
July 1, 2009	2,200,000	24,884,000	22,684,000	8.84%	17,550,843	129.25%
July 1, 2010	2,250,000	22,836,000	20,586,000	9.85%	16,150,559	127.46%

See Notes To Basic Financial Statements.

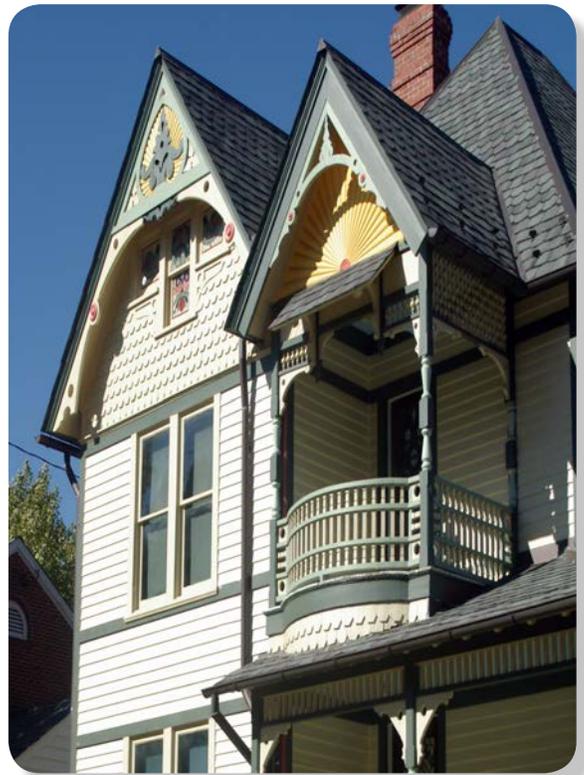


**CONCERT HALL PAVILION**

# Supplemental Information Section



*Gaithersburg*  
A CHARACTER COUNTS! CITY



City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund  
 Year Ended June 30, 2011  
 (With Comparative Totals For 2010)

	2011				2010 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
<b>Taxes and special assessments:</b>					
Real estate taxes	\$ 23,300,000	\$ 23,300,000	\$ 23,426,285	\$ 126,285	\$ 18,681,468
Personal property taxes	1,400,000	1,400,000	1,483,870	83,870	1,547,353
Prior year's taxes	700,000	700,000	(45,259)	(745,259)	43,423
Penalties and interest	75,000	75,000	82,367	7,367	63,531
Admissions, amusement, and hotel tax	1,675,000	1,675,000	1,877,403	202,403	1,952,656
<b>Total taxes and special assessments</b>	<b>27,150,000</b>	<b>27,150,000</b>	<b>26,824,666</b>	<b>(325,334)</b>	<b>22,288,431</b>
<b>Licenses and permits:</b>					
Street permits	38,000	38,000	183,776	145,776	21,717
Telecommunications/utility permits	50,000	50,000	50,000	-	75,000
Amusement licenses	27,000	27,000	26,700	(300)	28,365
Traders licenses	100,000	100,000	153,815	53,815	121,992
Hawkers/peddlers licenses	2,500	2,500	9,000	6,500	8,500
Electricians licenses	28,000	28,000	41,800	13,800	64,315
Rental housing licenses	556,830	556,830	593,845	37,015	529,320
Bus shelter franchise fee	21,000	21,000	17,828	(3,172)	21,864
CATV franchise	525,000	525,000	594,119	69,119	531,996
CATV access fees	55,000	55,000	-	(55,000)	-
Animal licenses	19,250	19,250	21,669	2,419	19,815
Pet shop/commercial kennel	750	750	1,000	250	750
Building permits	850,000	850,000	1,520,752	670,752	1,189,649
Electrical permits	110,000	110,000	201,629	91,629	145,440
Occupancy permits	90,000	90,000	118,005	28,005	123,430
Sign permits	10,000	10,000	18,044	8,044	16,529
Mechanical permits	65,000	65,000	156,124	91,124	60,859
Grading permits	65,000	65,000	226,915	161,915	36,258
On site improvements	50,000	50,000	165,937	115,937	145,803
Fire protection permits	110,000	110,000	227,404	117,404	143,620
Special events permits	7,000	7,000	19,670	12,670	12,966
Home occupation permits	200	200	200	-	120
<b>Total licenses and permits</b>	<b>2,780,530</b>	<b>2,780,530</b>	<b>4,348,232</b>	<b>1,567,702</b>	<b>3,298,308</b>

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund  
 Year Ended June 30, 2011  
 (With Comparative Totals For 2010)

	2011			Variance With Amended Budget	2010
	Original Budget	Amended Budget	Actual	Positive (Negative)	Actual
Intergovernmental:					
State-shared taxes:					
Highway user	164,100	164,100	155,859	(8,241)	217,685
County grants and shared taxes:					
Financial corporations	2,645	2,645	2,645	-	2,645
County revenue sharing	1,045,000	1,045,000	1,045,654	654	1,230,181
Income tax	8,000,000	8,000,000	8,601,966	601,966	9,187,114
Homeless program	8,900	8,900	9,040	140	9,614
Seniors program	-	-	-	-	100,000
Nutrition program	38,000	38,000	47,094	9,094	40,836
MCPS	1,300	1,300	-	(1,300)	-
Miscellaneous	7,200	7,200	4,662	(2,538)	6,364
State grants:					
Police	400,300	400,300	377,729	(22,571)	377,729
Homeless program	5,700	5,700	6,314	614	5,628
Arts	32,000	32,000	28,577	(3,423)	27,297
Miscellaneous	108,000	108,000	27,664	(80,336)	18,395
Olde Towne revitalization	-	-	27,986	27,986	21,998
Capital grant - observatory	-	-	100,000	100,000	700,000
SHA - green park	30,000	30,000	-	(30,000)	25,000
Department of Energy	160,000	160,000	-	(160,000)	-
Department of Natural Resources	76,000	76,000	1,442	(74,558)	-
Federal grants:					
Community development	486,600	486,600	1,117,038	630,438	247,130
Transitional housing	128,000	128,000	127,201	(799)	128,246
Emergency efficiency and conservation	-	-	15,734	15,734	569,191
FEMA	-	-	-	-	209,000
Miscellaneous	50,000	50,000	96,444	46,444	4,091
<b>Total intergovernmental</b>	<b>10,743,745</b>	<b>10,743,745</b>	<b>11,793,049</b>	<b>1,049,304</b>	<b>13,128,144</b>

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund  
 Year Ended June 30, 2011  
 (With Comparative Totals For 2010)

	2011			Variance With Amended Budget Positive (Negative)	2010 Actual
	Original Budget	Amended Budget	Actual		
Charges for services:					
Automation fee	200,000	200,000	-	(200,000)	-
Zoning fees	75,000	75,000	153,865	78,865	92,291
Casey Community Center	165,000	165,000	164,318	(682)	162,586
Pool	305,000	305,000	371,452	66,452	386,542
Gaithersburg Aquatic Center	215,000	215,000	287,881	72,881	271,106
Miniature golf revenue	105,000	105,000	123,940	18,940	118,068
Group picnics	51,000	51,000	52,768	1,768	50,638
Recreation fees	1,200,080	1,200,080	1,179,705	(20,375)	1,133,490
Winter Lights	230,000	230,000	230,449	449	169,595
Gaithersburg Arts Barn	104,000	104,000	104,515	515	109,098
Council of the arts	15,000	15,000	28,635	13,635	19,772
Gaithersburg Youth Center	75,000	75,000	57,859	(17,141)	64,765
Teen Center	18,000	18,000	21,793	3,793	21,098
Kentlands Mansion	130,000	130,000	137,354	7,354	126,731
Special events	69,000	69,000	79,665	10,665	54,712
Community events	11,550	11,550	1,011	(10,539)	816
Senior Center revenue	105,125	105,125	85,771	(19,354)	81,103
Stormwater management fees	35,000	35,000	161,633	126,633	95,830
Recycling collections	822,200	822,200	827,853	5,653	818,408
Rental – Senior Center	22,000	22,000	28,607	6,607	22,050
Membership fee – dog exercise	5,000	5,000	2,945	(2,055)	3,835
Activity Center programs	260,000	260,000	253,431	(6,569)	255,132
Food services	3,300	3,300	3,645	345	3,645
Skate park	45,000	45,000	30,917	(14,083)	41,106
Environmental fees	1,000	1,000	20,190	19,190	4,570
Water quality protection	609,930	609,930	591,403	(18,527)	586,832
Miscellaneous	-	-	370	370	105
<b>Total charges for services</b>	<b>4,877,185</b>	<b>4,877,185</b>	<b>5,001,975</b>	<b>124,790</b>	<b>4,693,924</b>
Fines and forfeitures:					
Ordinance fines	881,000	881,000	2,601,188	1,720,188	2,008,308

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund  
 Year Ended June 30, 2011  
 (With Comparative Totals For 2010)

	2011				2010 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
Investment earnings	800,000	800,000	91,395	(708,605)	135,532
Miscellaneous revenue:					
Rents	138,500	138,500	143,935	5,435	119,639
Miscellaneous	133,500	133,500	132,118	(1,382)	361,830
Sale of materials	2,500	2,500	16,748	14,248	12,970
Contributions	125,490	125,490	112,339	(13,151)	157,248
Passports	10,000	10,000	18,225	8,225	14,125
Community promotion	1,000	1,000	536	(464)	1,290
Expenditure reimbursement	1,000	1,000	29,042	28,042	15,077
<b>Total miscellaneous</b>	<b>411,990</b>	<b>411,990</b>	<b>452,943</b>	<b>40,953</b>	<b>682,179</b>
<b>Total revenue –     budgetary basis</b>	<b>\$ 47,644,450</b>	<b>\$ 47,644,450</b>	<b>51,113,448</b>	<b>\$ 3,468,998</b>	<b>46,234,826</b>
Adjustments to conform with generally accepted accounting principles			-		-
<b>Total revenue – GAAP basis</b>			<b>\$ 51,113,448</b>		<b>\$ 46,234,826</b>

City Of Gaithersburg, Maryland

Schedule Of Expenditures And Encumbrances – Budget And Actual  
 (Budgetary Basis) – General Fund  
 Year Ended June 30, 2011  
 (With Comparative Totals For 2010)

	2011					2010
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)		Actual
General government:						
Mayor and City Council	\$ 229,702	\$ 243,152	\$ 238,097	\$ 5,055	\$	242,407
City Manager	455,186	462,086	364,611	97,475		505,421
Economic and community development	475,885	478,600	455,667	22,933		506,450
Environmental affairs	126,203	127,053	126,657	396		185,253
Registration and elections	2,000	2,000	-	2,000		35,760
Finance and administration	904,910	955,270	951,679	3,591		907,493
Legal	331,862	336,462	332,713	3,749		383,418
Planning	1,132,330	1,133,630	1,131,787	1,843		1,139,299
Information technology	1,008,040	1,032,650	1,016,184	16,466		960,951
Human resources	571,629	620,684	616,089	4,595		662,894
Housing and community development	280,302	307,707	304,624	3,083		279,772
General services	105,515	95,515	47,068	48,447		54,574
Facilities management	1,251,014	1,122,524	997,730	124,794		1,030,187
Building and grounds:						
City Hall	168,900	223,900	220,020	3,880		237,706
Police	71,386	71,386	60,425	10,961		101,493
Public services	98,289	133,289	127,747	5,542		210,195
Kentlands firehouse	320	320	119	201		218
Gaithersburg Arts Barn	55,125	81,125	79,260	1,865		78,751
Train station	27,355	27,355	24,040	3,315		28,654
Kentlands Mansion	43,164	92,164	76,337	15,827		35,909
Senior Center	54,529	67,129	67,116	13		74,064
Casey Community Center	110,195	129,195	127,492	1,703		153,741
Old Towne Pavilion	3,590	3,590	2,652	938		2,872
Teen Center	51,284	51,284	36,885	14,399		40,334
Activity Center at Bohrer Park	301,602	281,877	259,049	22,828		284,723
Water park	105,660	129,660	126,747	2,913		135,158
Miniature golf course	15,975	15,975	8,975	7,000		15,340
Skate park	3,210	3,210	2,997	213		4,278
Parking facility	121,105	136,105	134,655	1,450		112,147
Gaithersburg Youth Center	64,000	48,725	35,706	13,019		45,920
Miscellaneous	31,402	44,402	42,481	1,921		35,702
Public information	534,697	534,697	474,263	60,434		523,577
Cable television – Channel 54	338,824	338,824	242,723	96,101		649,366
<b>Total general government</b>	<b>9,075,190</b>	<b>9,331,545</b>	<b>8,732,595</b>	<b>598,950</b>		<b>9,664,027</b>

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Expenditures And Encumbrances – Budget And Actual  
 (Budgetary Basis) – General Fund (Continued)  
 Year Ended June 30, 2011  
 (With Comparative Totals For 2010)

	2011				2010 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
Public safety:					
Police	7,200,337	7,347,212	7,307,709	39,503	7,267,047
Building and code administration	2,059,315	2,114,820	2,113,513	1,307	2,115,743
Traffic engineering	235,600	236,230	192,822	43,408	177,128
Animal control	463,765	518,020	517,324	696	463,069
<b>Total public safety</b>	<b>9,959,017</b>	<b>10,216,282</b>	<b>10,131,368</b>	<b>84,914</b>	<b>10,022,987</b>
Public works:					
Public works administration	676,778	693,433	674,624	18,809	686,067
Municipal parks maintenance	1,692,800	1,768,010	1,765,481	2,529	1,794,378
Engineering services	327,584	327,584	323,804	3,780	322,233
Streets and special projects	1,270,882	1,216,217	1,125,120	91,097	1,578,955
Fleet maintenance	619,850	659,265	655,548	3,717	560,453
Street lighting	717,546	717,546	616,569	100,977	629,182
Landscaping and forestry	958,386	971,771	968,476	3,295	1,092,050
Mowing and bulk pick-up	1,716,330	1,705,990	1,651,864	54,126	1,874,961
Recycling	682,632	682,632	610,975	71,657	684,343
<b>Total public works</b>	<b>8,662,788</b>	<b>8,742,448</b>	<b>8,392,461</b>	<b>349,987</b>	<b>9,222,622</b>

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Expenditures And Encumbrances – Budget And Actual  
 (Budgetary Basis) – General Fund  
 Year Ended June 30, 2011  
 (With Comparative Totals For 2010)

	2011				2010
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	Actual
Parks, recreation and culture:					
Administration	581,124	589,024	585,246	3,778	566,238
Recreation programs and sports	760,721	760,721	744,193	16,528	797,716
Special events	705,392	708,862	698,845	10,017	766,017
Summer programs	512,882	537,882	527,568	10,314	533,435
Gaithersburg Youth Center	207,674	209,484	203,192	6,292	234,733
Skate park	47,491	37,491	29,242	8,249	42,884
Recreation classes	330,378	320,378	312,143	8,235	320,296
Casey Community Center	315,671	287,771	282,199	5,572	313,660
Water park	393,104	387,919	363,805	24,114	405,576
Aquatic facilities	295,400	295,400	268,666	26,734	265,469
Picnic pavilions	18,840	18,840	11,844	6,996	17,247
Gaithersburg Arts Barn	215,778	215,778	212,352	3,426	238,725
Kentlands Mansion	325,866	327,051	267,516	59,535	379,428
Winter Lights	142,133	142,133	104,849	37,284	133,290
Miniature golf course	90,240	90,240	72,438	17,802	72,768
Cultural arts programs	277,056	291,621	281,927	9,694	299,467
Youth services	379,772	388,332	384,811	3,521	427,705
Activities center at Bohrer park	404,740	406,120	380,081	26,039	418,364
Old Towne Youth Center	242,620	245,030	240,140	4,890	260,561
Food service	5,000	5,000	-	5,000	232
<b>Total parks, recreation and culture</b>	<b>6,251,882</b>	<b>6,265,077</b>	<b>5,971,057</b>	<b>294,020</b>	<b>6,493,811</b>
Community services and development:					
Senior program	560,951	547,821	522,328	25,493	600,499
Human services	1,036,280	1,052,520	1,041,567	10,953	1,026,021
Homeless assistance	442,490	447,040	445,325	1,715	446,223
<b>Total community services and development</b>	<b>2,039,721</b>	<b>2,047,381</b>	<b>2,009,220</b>	<b>38,161</b>	<b>2,072,743</b>
Miscellaneous:					
Contingency	500,000	500,000	36,013	463,987	(156,240)
Non-departmental	4,203,590	3,589,455	1,996,511	1,592,944	1,549,724
OPEB contribution	455,000	455,000	455,000	-	-
<b>Total miscellaneous</b>	<b>5,158,590</b>	<b>4,544,455</b>	<b>2,487,524</b>	<b>2,056,931</b>	<b>1,393,484</b>
<b>Total expenditures and encumbrances – budgetary basis</b>	<b>\$ 41,147,188</b>	<b>\$ 41,147,188</b>	<b>37,724,225</b>	<b>\$ 3,422,963</b>	<b>38,869,674</b>
Adjustments to conform with generally accepted accounting principles			116,533		428,926
<b>Total expenditures – GAAP basis</b>			<b>\$ 37,840,758</b>		<b>\$ 39,298,600</b>

City Of Gaithersburg, Maryland

Statement Of Changes in Assets and Liabilities – Agency Fund  
Year Ended June 30, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<b>Assets</b>				
Due from other funds	\$ 185,879	\$ 21,442	\$ (55,921)	\$ 151,400
<b>Liabilities</b>				
Deposits	\$ 185,879	\$ 21,442	\$ (55,921)	\$ 151,400

# Statistical Section



*Gaithersburg*  
A CHARACTER COUNTS! CITY



## TABLE OF CONTENTS STATISTICAL SECTION

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

	<u>Page(s)</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	60-66
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and the room tax.	67-71
<b>Debt Capacity</b> 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.	72-73
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	74-75
<b>Operating Information</b> 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.	76-84

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003, schedules presenting government-wide information begins with that year.



**GAITHERSBURG LATITUDE OBSERVATORY**

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities									
Invested in Capital Assets	\$ 98,705,783	\$ 99,881,968	\$ 101,308,114	\$ 101,079,002	\$ 102,235,261	\$ 103,385,743	\$ 105,089,489	\$ 104,360,134	\$ 102,590,615
Unrestricted	67,369,088	59,946,586	59,499,836	56,869,084	50,679,018	49,091,738	41,301,909	39,171,939	37,736,850
<i>Total Governmental Activities Net Assets</i>	<u>\$ 166,074,871</u>	<u>\$ 159,828,554</u>	<u>\$ 160,807,950</u>	<u>\$ 157,948,086</u>	<u>\$ 152,914,279</u>	<u>\$ 152,477,481</u>	<u>\$ 146,391,398</u>	<u>\$ 143,532,073</u>	<u>\$ 140,327,465</u>

**City of Gaithersburg, Maryland**

Changes in Net Assets

Last Nine Fiscal Years

*(accrual basis of accounting)*

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>									
Governmental Activities:									
General Government	\$ 15,481,747	\$ 12,907,455	\$ 11,641,478	\$ 10,536,978	\$ 8,745,788	\$ 8,210,925	\$ 6,929,027	\$ 6,978,070	\$ 6,605,324
Public Safety	10,273,073	11,148,695	11,281,073	10,918,534	9,118,647	7,876,021	6,479,474	5,976,365	5,545,727
Public Works	11,524,148	12,246,680	11,438,388	10,811,440	9,746,888	9,412,588	9,237,552	9,222,580	5,946,142
Park, Recreation & Culture	6,131,521	7,280,057	7,255,705	9,118,751	8,538,526	7,940,172	6,858,152	6,591,139	6,332,747
Community Services & Development	2,010,300	2,151,366	2,103,765	2,148,811	1,897,647	1,871,188	1,777,491	1,582,419	1,499,289
Miscellaneous	-	- *	1,536,547	1,797,067	4,258,951	1,174,091	1,263,435	642,433	1,039,064
<b>Total Governmental Activities Expenses</b>	<b>45,420,789</b>	<b>45,734,253</b>	<b>45,256,956</b>	<b>45,331,581</b>	<b>42,306,447</b>	<b>36,484,985</b>	<b>32,545,131</b>	<b>30,993,006</b>	<b>26,968,293</b>
<b>Program Revenues</b>									
Governmental Activities:									
Charges for Services:									
General Government	2,793,156	2,121,622	1,703,735	1,855,587	1,175,102	1,649,170	2,343,286	1,880,197	148,008
Public Safety	3,566,588	2,705,648	1,381,525	1,897,490	799,743	782,440	950,677	906,313	110,452
Public Works	1,834,855	1,527,357	1,400,167	1,631,297	1,333,515	1,375,813	999,598	738,210	899,183
Park, Recreation & Culture	3,263,386	3,092,053	3,014,450	3,049,408	3,072,008	2,989,088	2,929,167	2,084,867	2,605,305
Operating Grants and Contributions	709,575	2,246,034	1,202,924	1,569,161	2,141,875	1,561,444	938,266	1,103,083	3,766,654
Capital Grants and Contributions	1,400,883	464,815	2,206,960	2,696,447	2,364,816	2,386,066	2,789,941	3,794,716	5,485,835
<b>Total Governmental Activities Program Revenues</b>	<b>\$ 13,568,443</b>	<b>\$ 12,157,529</b>	<b>\$ 10,909,761</b>	<b>\$ 12,699,390</b>	<b>\$ 10,887,059</b>	<b>\$ 10,744,021</b>	<b>\$ 10,950,935</b>	<b>\$ 10,507,386</b>	<b>\$ 13,015,437</b>

The city began combining Miscellaneous Expenses with General Government beginning FY10

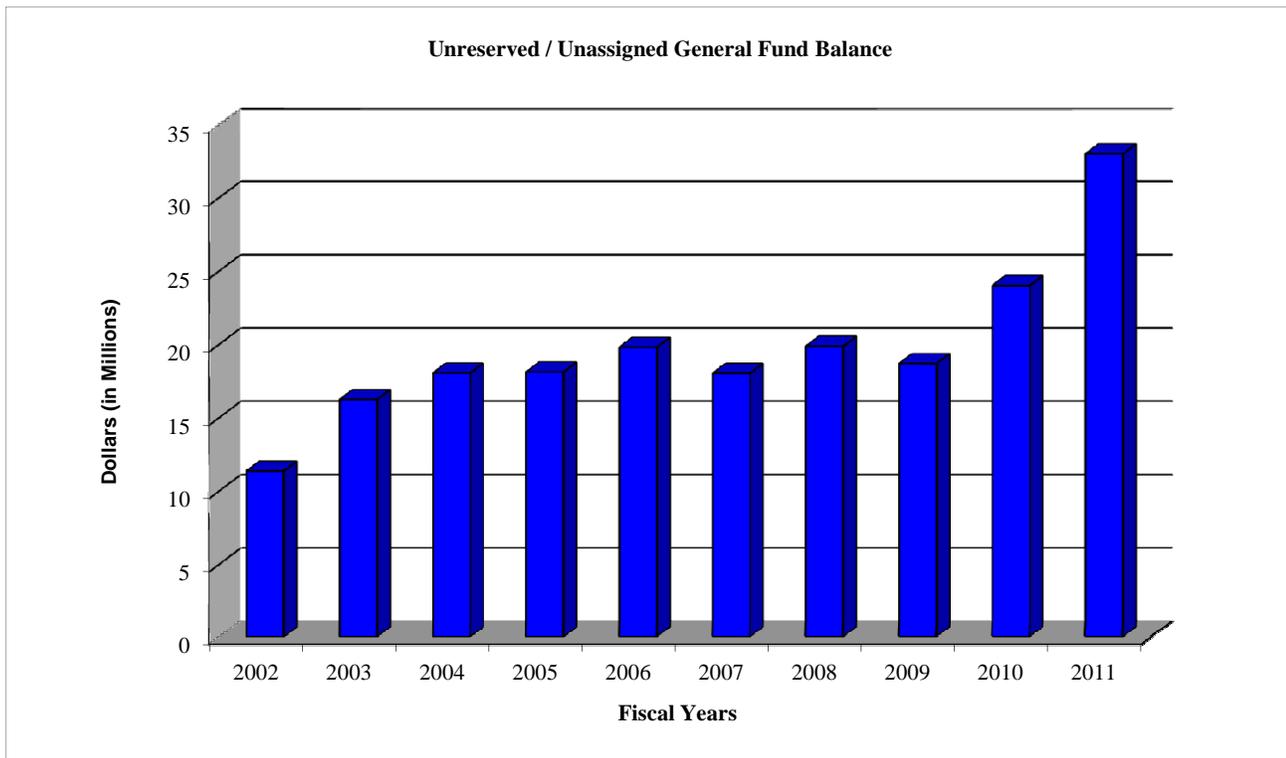
**City of Gaithersburg, Maryland**  
Changes in Net Assets (continued)  
Last Nine Fiscal Years  
*(accrual basis of accounting)*

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Net (Expense)/Revenue</b>									
Governmental Activities	\$ (31,852,346)	\$ (33,576,724)	\$ (34,347,195)	\$ (32,632,191)	\$ (31,419,388)	\$ (25,740,964)	\$ (21,594,196)	\$ (19,765,620)	\$ (13,952,856)
<i>Total Primary Government Net Expense</i>	<u>(31,852,346)</u>	<u>(33,576,724)</u>	<u>(34,347,195)</u>	<u>(32,632,191)</u>	<u>(31,419,388)</u>	<u>(25,740,964)</u>	<u>(21,594,196)</u>	<u>(19,765,620)</u>	<u>(13,952,856)</u>
<b>General Revenues</b>									
Governmental Activities:									
Property Taxes	24,723,315	20,357,547	20,455,347	18,516,490	16,454,046	14,114,464	13,310,028	12,538,737	11,151,698
Franchise Fees	611,947	553,860	494,925	599,253	557,181	483,125	444,881	440,892	380,807
Admissions, Amusement, Hotel & Motel Tax	1,877,403	1,952,656	1,718,650	830,156	985,453	1,165,087	1,008,836	887,000	672,731
Intergovernmental not Restricted to Specific Programs	10,341,660	9,393,667	9,889,917	10,108,343	9,808,731	8,779,326	8,008,710	7,900,819	7,413,523
Investment Earnings	91,395	135,532	930,421	2,212,859	2,627,160	1,925,574	870,163	424,765	527,717
Gain (loss) on Sale of Capital Assets	-	(478,113)	1,497,522	-	-	1,860,248	-	-	-
Miscellaneous	452,943	682,179	683,730	5,398,897	1,423,615	853,929	810,903	778,015	1,105,466
<i>Total Governmental Activities General Revenues</i>	<u>38,098,663</u>	<u>32,597,328</u>	<u>35,670,512</u>	<u>37,665,998</u>	<u>31,856,186</u>	<u>29,181,753</u>	<u>24,453,521</u>	<u>22,970,228</u>	<u>21,251,942</u>
<b>Change in Net Assets</b>	<u>\$ 6,246,317</u>	<u>\$ (979,396)</u>	<u>\$ 1,323,317</u>	<u>\$ 5,033,807</u>	<u>\$ 436,798</u>	<u>\$ 3,440,789</u>	<u>\$ 2,859,325</u>	<u>\$ 3,204,608</u>	<u>\$ 7,299,086</u>

**City of Gaithersburg, Maryland**  
**Fund Balances, Governmental Funds**  
**Last 10 Fiscal Years**  
*(modified accrual basis of accounting)*

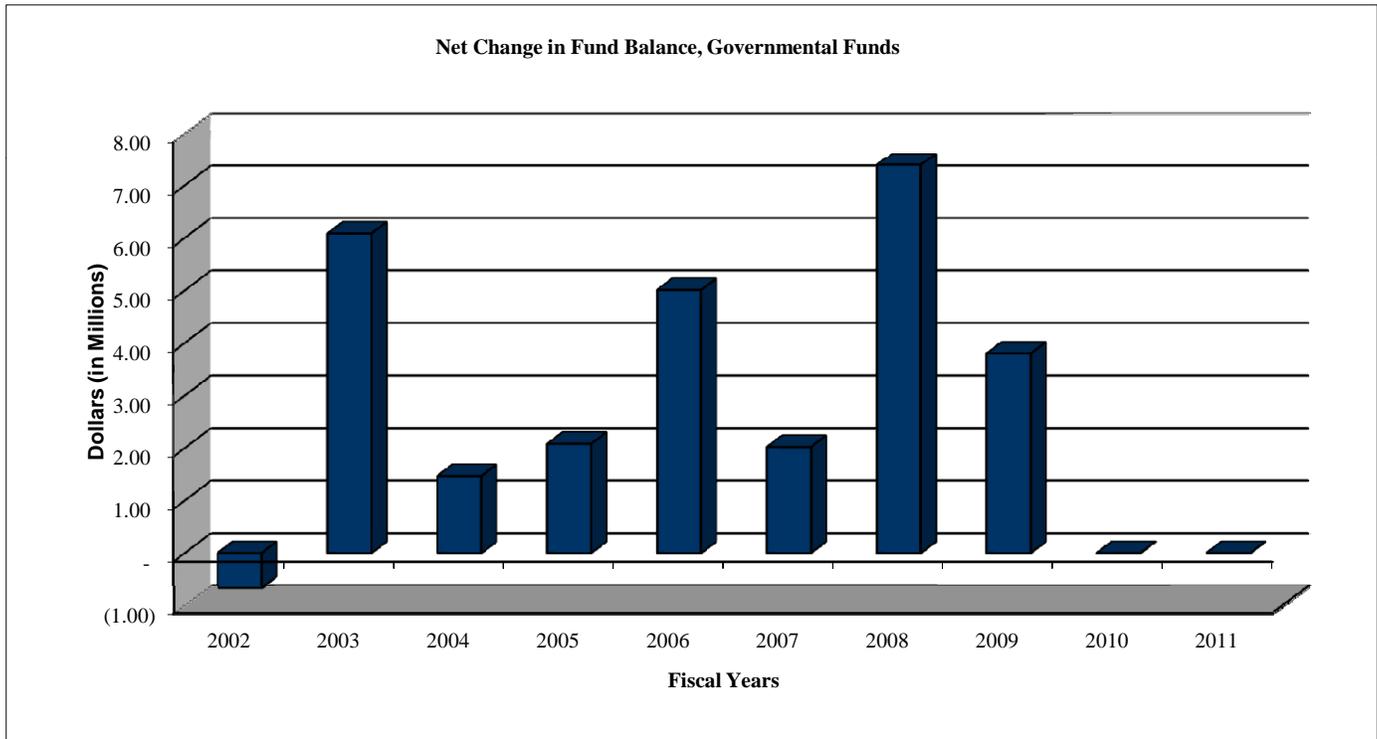
	2011	2010	2009	2008	2007
<b>General Fund</b>					
Reserved for Encumbrances and Other	\$ -	\$ 8,954,030	\$ 12,431,003	\$ 11,224,516	\$ 10,629,786
Unreserved	-	24,039,806	18,723,646	19,902,437	18,055,440
Non-spendable *	142,809				
Assigned *	10,082,400				
Unassigned *	33,019,710				
<b>Total General Fund</b>	<b>\$ 43,244,919</b>	<b>\$ 32,993,836</b>	<b>\$ 31,154,649</b>	<b>\$ 31,126,953</b>	<b>\$ 28,685,226</b>
<b>All Other Governmental Funds</b>					
Reserved for Encumbrances	\$ -	\$ 2,608,276	\$ 3,772,000	\$ 3,238,750	\$ 3,993,897
Committed	3,979,595				
Assigned/Designated, Reported in:					
Capital Projects Funds	25,553,447	28,110,103	25,496,419	22,259,138	16,549,764
<b>Total All Other Governmental Funds</b>	<b>29,533,042</b>	<b>30,718,379</b>	<b>29,268,419</b>	<b>25,497,888</b>	<b>20,543,661</b>
<b>Total Governmental Funds</b>	<b>\$ 72,777,961</b>	<b>\$ 63,712,215</b>	<b>\$ 60,423,068</b>	<b>\$ 56,624,841</b>	<b>\$ 49,228,887</b>
<b>Unassigned/Unreserved General Fund</b>					
Balance as a Percentage of Expenditures	87.3%	61.2%	51.7%	59.5%	61.3%

\* 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 10 Fiscal Years**  
*(modified accrual basis of accounting)*

	2006	2005	2004	2003	2002
<b>General Fund</b>					
Reserved for Encumbrances and Other	\$ 12,437,949	\$ 12,934,815	\$ 10,068,026	\$ 9,544,154	\$ 8,806,011
Unreserved	19,827,024	18,148,339	18,076,256	16,271,512	11,385,958
<b>Total General Fund</b>	<b>\$ 32,264,973</b>	<b>\$ 31,083,154</b>	<b>\$ 28,144,282</b>	<b>\$ 25,815,666</b>	<b>\$ 20,191,969</b>
<b>All Other Governmental Funds</b>					
Reserved for Encumbrances	\$ 1,686,943	\$ 3,375,847	\$ 4,592,300	\$ 3,937,907	\$ 2,509,092
Designated, Reported in:					
Capital Projects Funds	13,255,730	7,741,939	7,383,977	8,899,014	9,868,484
<b>Total All Other Governmental Funds</b>	<b>14,942,673</b>	<b>11,117,786</b>	<b>11,976,277</b>	<b>12,836,921</b>	<b>12,377,576</b>
<b>Total Governmental Funds</b>	<b>\$ 47,207,646</b>	<b>\$ 42,200,940</b>	<b>\$ 40,120,559</b>	<b>\$ 38,652,587</b>	<b>\$ 32,569,545</b>
 Unreserved General Fund Balance as a Percentage of Expenditures	 71.7%	 69.7%	 73.2%	 62.4%	 51.2%



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

	2011	2010	2009	2008	2007
<b>Revenues</b>					
Taxes and special assessments	\$ 26,824,666	\$ 22,288,431	\$ 22,136,525	\$ 19,262,581	\$ 17,563,444
Licenses and Permits	4,348,232	3,298,308	2,887,975	3,006,104	2,350,832
Intergovernment	11,793,049	13,128,144	13,427,699	14,237,049	14,365,733
Charges for Services	5,001,975	4,693,924	4,496,354	4,652,709	4,421,041
Fines and Forfeitures	2,601,188	2,008,308	610,473	1,374,222	165,676
Investment earnings	91,395	135,532	930,421	2,212,859	2,627,160
Miscellaneous	452,943	682,179	683,730	5,472,964	1,421,317
<b>Total Revenues</b>	<b>\$ 51,113,448</b>	<b>\$ 46,234,826</b>	<b>\$ 45,173,177</b>	<b>\$ 50,218,488</b>	<b>\$ 42,915,203</b>
<b>Expenditures</b>					
Current:					
General Government	\$ 8,875,244	\$ 9,400,030	\$ 8,783,798	\$ 8,285,566	\$ 7,428,673
Public Safety	10,134,668	10,039,331	10,464,470	9,586,914	8,402,909
Public Works	8,369,405	9,270,532	8,626,303	6,668,288	6,339,144
Parks, Recreation and Culture	5,982,291	6,491,537	6,517,399	7,806,505	7,698,543
Community Services and Development*	2,010,300	2,074,583	2,052,646	2,081,517	1,883,026
Transfer to retiree benefit trust	455,000	-	455,000	401,000	2,552,050
Other	2,013,850	2,022,587	1,074,042	1,391,404	1,693,749
Capital Outlay	4,232,069	3,680,679	5,557,414	6,629,977	4,914,067
<b>Total Expenditures</b>	<b>\$ 42,072,827</b>	<b>\$ 42,979,279</b>	<b>\$ 43,531,072</b>	<b>\$ 42,851,171</b>	<b>\$ 40,912,161</b>
<b>Excess of Revenues Over (Under) Expenditure:</b>	<b>\$ 9,040,621</b>	<b>\$ 3,255,547</b>	<b>\$ 1,642,105</b>	<b>\$ 7,367,317</b>	<b>\$ 2,003,042</b>
<b>Other Financing Sources (Uses)</b>					
Sales of capital assets	\$ 25,125	\$ 33,600	\$ 2,156,122	\$ 28,637	\$ 18,199
Transfers In	3,046,732	5,130,639	9,327,945	11,584,204	10,515,055
Transfers out	(3,046,732)	(5,130,639)	(9,327,945)	(11,584,204)	(10,515,055)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 25,125</b>	<b>\$ 33,600</b>	<b>\$ 2,156,122</b>	<b>\$ 28,637</b>	<b>\$ 18,199</b>
<b>Net Change in Fund Balances</b>	<b>\$ 9,065,746</b>	<b>\$ 3,289,147</b>	<b>\$ 3,798,227</b>	<b>\$ 7,395,954</b>	<b>\$ 2,021,241</b>

\* Fiscal Year 2003 is the first year of required GASB 34 compliance, whereby the reporting of expenditures was expanded to include Community Services and Development.

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

	2006	2005	2004	2003	2002
<b>Revenues</b>					
Taxes and special assessments	\$ 15,329,572	\$ 14,288,983	\$ 13,497,432	\$ 12,299,149	\$ 11,044,580
Licenses and Permits	2,839,355	3,546,026	2,846,186	2,393,830	3,342,405
Intergovernment	12,376,203	11,736,917	10,618,001	14,652,989	9,949,156
Charges for Services	4,255,294	3,851,601	3,653,432	3,664,998	3,457,067
Fines and Forfeitures	184,987	269,982	270,861	97,950	197,949
Investment earnings	1,925,574	870,163	424,765	527,717	831,396
Miscellaneous	853,929	810,903	2,958,632	1,105,466	397,026
<b>Total Revenues</b>	<b>\$ 37,764,914</b>	<b>\$ 35,374,575</b>	<b>\$ 34,269,309</b>	<b>\$ 34,742,099</b>	<b>\$ 29,219,579</b>
<b>Expenditures</b>					
Current:					
General Government	\$ 6,778,533	\$ 6,272,714	\$ 6,111,467	\$ 5,780,224	\$ 5,530,902
Public Safety	7,163,130	6,573,228	6,201,423	5,584,233	5,090,247
Public Works	5,492,217	5,051,478	5,059,108	4,777,453	4,149,430
Parks, Recreation and Culture	7,006,072	6,713,263	6,384,575	6,023,875	9,122,557
Community Services and Development	1,860,500	1,777,491	1,582,419	1,487,092	-
Transfer to retiree benefit trust	-	-	-	-	-
Other	1,168,328	1,283,143	681,245	1,039,064	2,191,188
Capital Outlay	5,401,735	6,049,046	6,796,200	3,985,566	7,846,247
<b>Total Expenditures</b>	<b>\$ 34,870,515</b>	<b>\$ 33,720,363</b>	<b>\$ 32,816,437</b>	<b>\$ 28,677,507</b>	<b>\$ 33,930,571</b>
<b>Excess of Revenues Over (Under) Expenditure</b>	<b>\$ 2,894,399</b>	<b>\$ 1,654,212</b>	<b>\$ 1,452,872</b>	<b>\$ 6,064,592</b>	<b>\$ (4,710,992)</b>
<b>Other Financing Sources (Uses)</b>					
Sales of capital assets	\$ 2,112,309				
Transfers In	9,226,622	\$ 426,169	\$ 15,100	\$ 18,450	\$ 4,047,276
Transfers out	(9,226,622)	5,190,555	3,920,537	4,444,911	8,029,150
	-	(5,190,555)	(3,920,537)	(4,444,911)	(8,029,150)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 2,112,309</b>	<b>\$ 426,169</b>	<b>\$ 15,100</b>	<b>\$ 18,450</b>	<b>\$ 4,047,276</b>
<b>Net Change in Fund Balances</b>	<b>\$ 5,006,708</b>	<b>\$ 2,080,381</b>	<b>\$ 1,467,972</b>	<b>\$ 6,083,042</b>	<b>\$ (663,716)</b>

**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
2011	\$ 24,864,896	\$ 1,877,403	\$ 8,601,966	\$ 35,344,265
2010	20,272,244	1,952,656	9,187,114	31,412,014
2009	20,336,651	1,718,650	8,787,635	30,842,936
2008	18,344,598	830,156	8,741,260	27,916,014
2007	16,379,040	985,453	8,628,861	25,993,354
2006	14,183,160	1,165,087	7,305,720	22,653,967
2005	13,227,493	1,008,836	6,958,212	21,194,541
2004	12,539,373	887,000	6,732,747	20,159,120
2003	11,564,983	672,731	6,484,421	18,722,135
2002	10,281,266	710,998	6,330,861	17,323,125
Change 2001-2010	141.8%	164.1%	35.9%	104.0%

**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
2011	\$ 9,175,708,584	\$ 87,400,377	\$ 243,496,415	\$ 9,506,605,376	\$ 9,506,605,376	4.03%
2010	8,826,640,580	90,363,370	221,516,130	9,138,520,080	9,138,520,080	-0.02%
2009	8,822,557,075	88,708,679	229,259,434	9,140,525,188	9,140,525,188	11.0%
2009	7,902,294,340	88,986,405	244,650,566	8,235,931,311	8,235,931,311	12.0%
2007	7,029,366,190	96,571,060	228,289,623	7,354,226,873	7,354,226,873	0.3%
2006	7,010,239,417	95,085,977	224,084,580	7,329,409,974	7,329,409,974	36.0%
2005	6,435,021,700	107,679,883	225,612,110	6,768,313,693	5,388,270,239	11.2%
2004	5,005,439,589	111,987,078	221,531,600	5,338,958,267	4,844,344,068	5.2%
2003	* 4,464,294,558	116,466,561	225,771,450	4,806,532,569	4,602,994,028	4.4%
2002	4,288,476,868	121,125,223	239,989,990	4,649,592,081	4,408,996,816	0.8%

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

All Personal Property has always been valued at 100 percent of actual value.

\*\* 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
2011	\$ 24,040,356	\$ 23,501,271	97.76 %	\$ (248,398)	\$ 23,252,873	96.72 %
2010	21,389,471	20,228,821	94.57	43,423	20,272,244	94.78
2009	21,179,664	20,206,336	95.40	130,315	20,336,651	96.02
2008	18,566,771	18,257,510	98.33	87,088	18,344,598	98.80
2007	16,483,710	16,479,710	99.97	(100,669)	16,379,041	99.37
2006	14,507,688	14,275,316	98.40	(92,156)	14,183,160	97.76
2005	13,642,246	13,311,314	97.67	(1,286)	13,310,028	97.56
2004	12,640,534	12,533,437	99.15	114,394	12,647,831	100.06
2003	11,478,573	11,351,057	98.89	22,345	11,373,402	99.08
2002	10,951,176	10,547,730	96.32	(32,447)	10,515,283	96.02

\* "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

2011		
Taxpayer	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
ARE LLC	188,367,700	2.05 %
Medimmune, Inc	172,332,100	1.88
Chi Two Washingtonian LLC ET AL	119,886,400	1.31
Lake Forest Associates	112,689,600	1.23
Saul Holdings LTD Partnership	85,042,800	0.93
Federal Realty Investments TR	83,529,000	0.91
Avalon II Maryland Value III LP	79,935,000	0.87
893 Clopper Road Investors Corp	76,431,500	0.83
MR 270 NMD I LLC	73,845,200	0.80
SFHI LLC	72,813,400	0.79
	<b>\$ 1,064,872,700</b>	<b>11.61 %</b>
<i>Total Assessed Valuation</i>	<b>\$ 9,175,708,584</b>	

2002		
Taxpayer	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Lake Forest Associates	128,109,700	2.99 %
Asbury Methodist Home, Inc	114,089,100	2.66
ARE - 19 Firstfield Road LLC	80,409,000	1.88
Washingtonian Associates LC	55,160,770	1.29
9801 Washinton Office, Inc	52,612,300	1.23
Federal Realty Invesstment Trust	52,448,100	1.22
IBM Corporation	44,253,300	1.03
Saul Holding LP	43,380,640	1.01
893 Clopper road investors	42,814,500	1.00
Loral Federal Systems	40,000,000	0.93
	<b>\$ 653,277,410</b>	<b>15.23 %</b>
<i>Total Assessed Valuation</i>	<b>\$ 4,288,476,868</b>	<b>**</b>

(1) Assessed valuation based on the valuation of property for taxes collected in 2011 and 2002 respectively, and a review of the 10 largest taxpayers for the City.

\*\* FY2002 assessed value is presented at 100 percent in accordance with the October 1, 2001 Maryland General Assembly provision, changing from 40 percent of assessed value.

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	
2011	\$ 0.262	\$ 0.699	\$ 0.112	\$ 0.135	\$ 1.208
2010	0.212	0.683	0.112	0.171	1.178
2009	0.212	0.661	0.112	0.165	1.150
2008	0.212	0.627	0.112	0.185	1.136
2007	0.212	0.624	0.112	0.188	1.136
2006	0.212	0.679	0.112	0.177	1.180
2005	0.212	0.734	0.132	0.167	1.245
2004	0.212	0.751	0.132	0.125	1.220
2003	* 0.212	0.754	0.132	0.125	1.223
2002	0.212	0.741	0.084	0.141	1.178

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

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

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

**City of Gaithersburg, Maryland**  
 Computation of Direct and Overlapping Debt  
 June 30, 2011

Jurisdiction	Total Debt Outstanding	Percentage Applicable to City	Amount Applicable to City of Gaithersburg
<b>Direct</b>			
City of Gaithersburg	\$ 0	0.0%	\$ 0
<b>Overlapping</b>			
Montgomery County	2,689,391,062	0.0%	0
<b>Total Direct and Overlapping Debt</b>	<b>\$ 2,689,391,062</b>	<b>0.0%</b>	<b>0</b>

Source: Montgomery County Department of Finance

**City of Gaithersburg, Maryland**  
Computation of Legal Debt Margin  
As of June 30, 2011

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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	%
2011	61,172	\$ 4,322,719	\$ 70,665	N/A	143,309	5.0	%
2010	58,017	4,000,040	68,946	N/A	140,500	5.6	
2009	57,818	3,834,663	66,323	N/A	137,763	5.3	
2008	59,912	4,071,440	67,957	N/A	137,745	3.3	
2007	60,736	4,041,191	66,537	N/A	137,798	2.7	
2006	58,607	3,783,551	64,558	N/A	139,387	2.8	
2005	57,812	3,475,657	60,120	N/A	139,337	3.1	
2004	56,365	3,197,136	56,722	N/A	139,203	3.2	
2003	55,253	2,938,134	53,176	N/A	138,891	3.3	
2002	53,141	2,753,448	51,814	N/A	136,832	3.5	

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

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

(3) Office of Management and Budget, Montgomery County Government

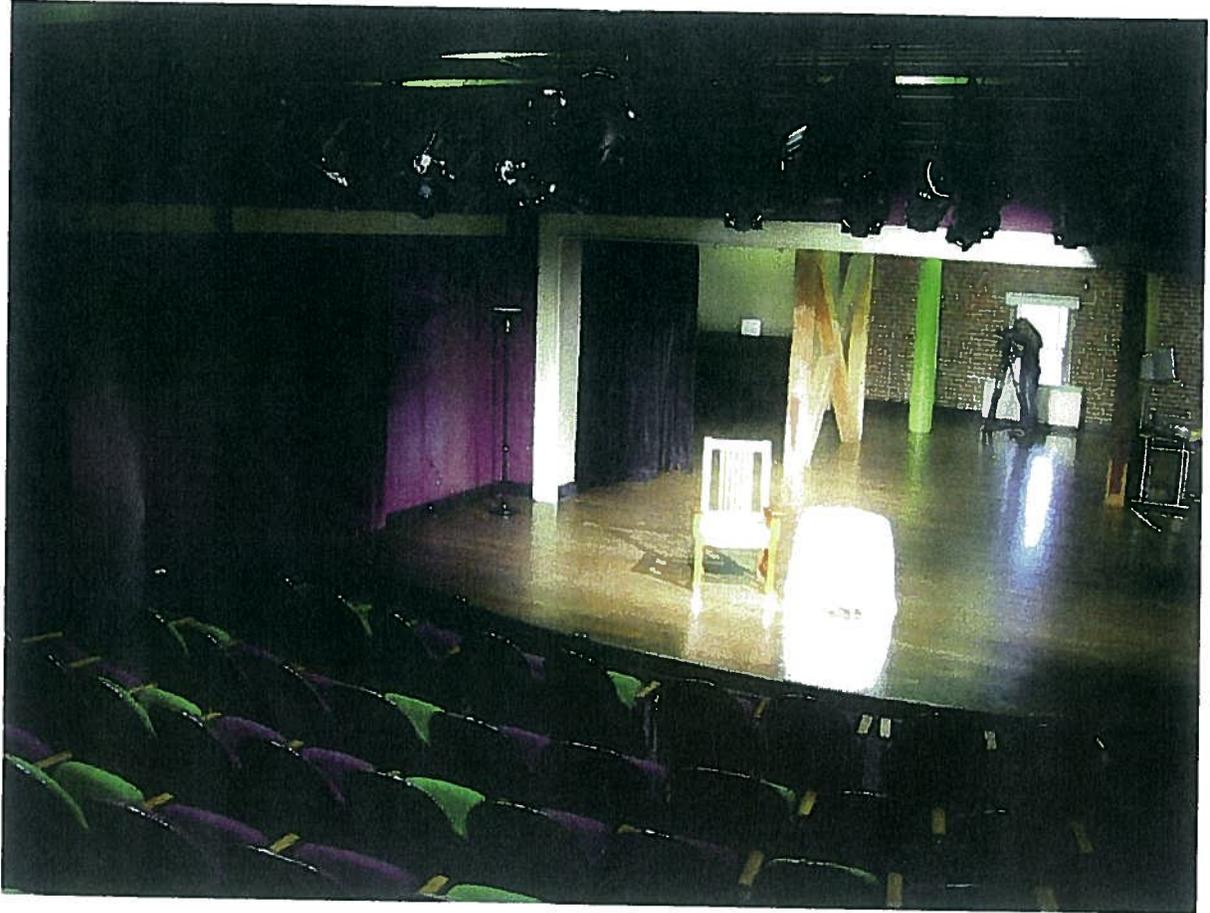
(4) Montgomery County Department of Finance

\* U.S. Census Bureau

**City of Gaithersburg, Maryland**  
Principal Employers  
Current Fiscal Year  
Number of employees for quarter ending June 30, 2011

2011		
Employer	Employees	Percentage of Total City Employment
National Institute of Standards and Technology	2,116	2.03 %
IBM	1,021	0.98
Medimmune	1,100	1.06
Sodexo USA	1,000	0.96
Asbury Atlantic, Inc	805	0.77
The Gazette Newspaper	390	0.37
Gene Logic	362	0.35
Broadsoft, Inc	200	0.19
Digene	300	0.29
Airline Foods	185	0.18
<b>Total</b>	<b>7,479</b>	<b>7.18 %</b>
Total Montgomery County Employees (Data for total employees available for county only)	<u>104,235</u>	

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.



**ARTS BARN THEATRE**

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

<b>Function/Program</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>General Government:</b>					
Mayor and City Council	1	1	1	1	1
Legal Services	2	2	2	-	-
Registrations & Elections	-	-	-	-	-
Office of the City Manager	4	5	5	5	5
Economic & Community Development	2	2	2	3	3
Environmental Affairs	1	1	2	2	2
Human Resources	5	5	5	4	4
Finance & Administration	7	7	6	6	6
Housing & Community Deve	1	1	1	-	-
Information Technology	8	8	8	7	6
Facilities Management	8	8	8	8	7
Buildings and Grounds	-	-	-	-	-
General Services	-	-	-	-	-
Public Information	4	4	4	4	4
Cable Television Channel 13	2	2	2	2	2
Planning	10	10	10	11	11
<b>Public Safety</b>					
Police Services	59	59	58	56	51
Code Administration	20	20	20	20	19
Traffic Engineering	2	2	2	2	2
Animal Control	5	5	4	4	4
<b>Public Works</b>					
Public Works Administration	5	5	5	5	5
Parks Maintenance Division	16	16	16	16	16
Streets & Special Projects	10	10	10	9	9
Fleet Maintenance	6	6	5	5	5
Landscaping & Forestry	13	13	13	13	12
Mowing & Bulk Pick-Up	19	20	20	19	17
Recycling	-	-	-	-	-
Engineering Services	2	2	2	2	1
Street Lighting	-	-	-	-	-
<b>Parks, Recreation &amp; Culture</b>					
Parks, Recreation & Culture	4	5	5	5	5
Recreation Programs & Sports	5	5	5	5	5
Recreation Classes	1	1	1	1	1
Youth Services	3	3	3	3	3
Summer Programs	-	-	-	-	-
Gaithersburg Youth Center	1	1	1	1	1
Olde Towne Youth Center	1	1	1	1	-
Casey Community Center	2	2	2	2	2
Water Park	1	1	1	1	1
Gaithersburg Arts Barn	1	1	1	1	2
Kentlands Mansion	2	2	2	2	2
Cultural Arts Programs	1	1	1	1	1
Special Events	5	4	4	4	4
Gaithersburg Aquatic Center	1	1	1	1	1
Picnic Pavilions	-	-	-	-	-
Winter Lights	1	1	1	1	1
Miniature Golf Course	-	-	-	-	-
Activity Center	4	4	4	4	4
Skate Park	-	-	-	-	-
Food Service	-	-	-	-	-
<b>Community Services and Development</b>					
Seniors Program	5		5	5	5
Human Services	3	3	3	3	3
Homeless Assistance	3	3	3	3	3
Full-Time Employee Totals:	256.0	253.0	255.0	248.0	236.0
Employment Agreement Employee Totals:	6.8	8.3	8.4	10.6	11.6
Part-Time Employee Totals:	99.3	119.4	117.5	117.4	115.8
<b>Total Employees</b>	<b>362.1</b>	<b>380.7</b>	<b>380.9</b>	<b>376.0</b>	<b>363.4</b>

Source: City of Gaithersburg, Maryland 2002-2011 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	2006	2005	2004	2003	2002
<b>General Government:</b>					
Mayor and City Council	1	1	1	1	1
Legal Services	-	-	-	-	-
Registrations & Elections	-	-	-	-	-
Office of the City Manager	6	6	7	6	6
Economic & Community Development	2	2.5	2	2	2
Environmental Affairs	2	1.5	-	-	-
Human Resources	4	3	3	3	3
Finance & Administration	6	6	6	6	6
Housing & Community Deve	-	-	-	-	-
Information Technology	5	5	4	4	5
Facilities Management	5	5	4	5	5
Buildings and Grounds	2	2	2	2	2
General Services	-	-	-	-	-
Public Information	4	4	4	4	4
Cable Television Channel 13	2	3	3	3	3
Planning	12	11	11	11	12
<b>Public Safety</b>					
Police Services	47	45	41	39	39
Code Administration	15	17	17	17	17
Traffic Engineering	2	2	2	2	2
Animal Control	4	4	4	4	4
<b>Public Works</b>					
Public Works Administration	5	5	7	6	6
Parks Maintenance Division	17	16	16	14	13
Streets & Special Projects	9	7	6	6	7
Fleet Maintenance	5	5	5	5	5
Landscaping & Forestry	11	11	11	11	10
Mowing & Bulk Pick-Up	18	18	17	17	18
Recycling	-	-	-	-	-
Engineering Services	1	1	1	1	1
Street Lighting	-	-	-	-	-
<b>Parks, Recreation &amp; Culture</b>					
Parks, Recreation & Culture	5	5	6	7	6
Recreation Programs & Sports	5	4	4	4	5
Recreation Classes	1	1	1	1	1
Youth Services	4	4	4	4	4
Summer Programs	-	-	-	-	-
Gaithersburg Youth Center	-	1	-	-	-
Olde Towne Youth Center	1	-	1	-	-
Casey Community Center	2	2	1	2	2
Water Park	1	1	2	1	1
Gaithersburg Arts Barn	1	1	1	1.5	1
Kentlands Mansion	2	2	4	1.5	1
Cultural Arts Programs	1	1	1	1	1
Special Events	4	4	-	4	2
Gaithersburg Aquatic Center	1	1	1	1	1
Picnic Pavilions	-	-	-	-	-
Winter Lights	1	1	2	1	1
Miniature Golf Course	-	-	-	-	-
Activity Center	4	4	-	2	3
Skate Park	-	-	-	-	-
Food Service	-	-	-	-	-
<b>Community Services and Development</b>					
Seniors Program	5	4	2	4	4
Human Services	3	3	2	2	2
Homeless Assistance	3	2	-	2	2
Full-Time Employee Totals:	228.0	221.0	209.0	208.0	208.0
Employment Agreement Employee Totals:	17.6	18.7	19.5	16.6	19.1
Part-Time Employee Totals:	113.4	108.6	105.3	102.2	110.6
<b>Total Employees</b>	<b>359.0</b>	<b>348.3</b>	<b>333.8</b>	<b>326.8</b>	<b>337.7</b>

Source: City of Gaithersburg, Maryland 2002-2011 Adopted Budgets

**City of Gaithersburg, Maryland**  
 Operating Indicators by Function/Program  
 Last Ten Fiscal Years

Function/Program	2011	2010	2009	2008	2007
<b>General Information</b>					
Population	61,172	58,017	57,818	59,912	60,736
Registered Voters	28,539	28,115	25,469	25,469	27,725
<b>General Government</b>					
Commercial Construction Permits Issued	22	1	11	4	7
Residential Construction Permits Issued	152	125	72	89	126
Estimated Value of Construction	\$ 92,207,832	\$ 24,799,660	\$ 46,746,126	\$ 36,022,880	\$ 30,177,912
Transitional Housing to Permanent Housing	7	13	11	3	6
<b>Public Safety</b>					
Police Officers	46	52	53	49	46
Traffic Citations	8,356	7,858	8,085	5,966	6,803
Calls for Service	8,928	8,653	7,805	7,955	11,956
Fire Marshall Inspector	1	1	1	1	1
Animal Control Officers	4	4	3	3	3
Fire Marshall Inspections	1,684	1,291	1,262	979	1,094
Animal Licenses	2,838	2,596	2,508	2,467	2,477
<b>Solid Waste</b>					
Co-Mingled (tons)	3,343	3,171	2,474	907	579
Newspaper (tons)	N/A	N/A	N/A	1,432	1,449
Yard Waste (tons)	1,259	993	1,014	1,036	934

\* 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

2006	2005	2004	2003	2002
58,607	57,812	56,365	55,253	53,141
25,936	25,936	25,936	25,936	24,631
9	17	11	13	27
134	94	77	273	544
40,815,382	\$ 74,313,532	\$ 25,020,215	\$ 38,415,978	\$ 110,686,357
8	6	8	9	10
45	43	39	36	36
7,818	7,066	4,699	8,733	8,033
17,844	30,995	28,643	24,431	25,145
1	1	1	1	1
3	3	3	3	3
1,527	1,302	2,118	2,313	2,222
2,454	2,472	2,624	2,498	2,249
804	972	745	831	699
1,407	2,013	1,812	1,873	1,525
902	967	1,322	888	543

**City of Gaithersburg, Maryland**  
**Combined Schedule of Cash and Investments - by Financial Institution**  
**June 30, 2011**

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Description	Total
Bank of America	\$2,240,209
PNC Bank	\$132,114
PNC Bank Certificate of Deposit	\$316,566
Total Financial Institutions	\$2,688,889
Petty Cash, Change Funds, Trust Funds and Safe Deposit Escrow:	
General Fund	\$10,251
Pension Trust Fund	\$44,782,841
Retiree Benefit Trust Fund	\$2,986,174
Private-Purpose Trust Fund	\$13,497
Total Petty Cash, Change Funds, Trust Funds and Safe Deposit Escrow	\$47,792,763
Total Cash Deposits in Financial Institutions and on Hand	\$50,481,652
Investments, State Treasurer's Investment Pool	\$28,832,845
Montgomery County's General Investment Fund	\$45,390,522
Total Investments	\$74,223,367
Total Cash and Investments	\$124,705,019



**ACTIVITY CENTER AT BOHRER PARK  
ROOM RENTALS**

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

<b>Function/Program</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>General Information</b>					
Area in Square Miles	10.33	10.33	10.33	10.33	10.33
<b>Public Safety - Police</b>					
Stations	1	1	1	1	1
Number of Patrol Units	66	63	63	58	46
<b>Highways and Streets</b>					
City Streets (miles)	90.51	87.95	87.95	87.95	87.95
County Streets (miles)	6.72	6.06	6.06	6.06	6.06
State Streets (miles)	17.54	17.54	17.54	17.54	17.54
Private Streets (miles)	2.08	3.98	3.98	3.98	3.98
Street Lights	4,115	4,367	4,377	4,368	4,323
<b>Recreation and Culture</b>					
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 **			

\* 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 Recereation and Culture in FY10.

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

2006	2005	2004	2003	2002
10.04	10.04	10.01	10.01	10.01
1	1	1	1	1
57	50	47	47	34
87.95	88.24	87.61	84.92	82.17
5.75	5.34	5.34	5.32	5.25
17.54	17.54	17.54	17.61	19.01
3.98	4.28	4.93	4.93	4.93
3,550	3,350	3,150	2,950	2,775
853.48	853.48	853.48	853.48	853.48
25	25	24	23	22
1	1	1	-	-
1	1	1	1	-
1	1	1	1	-
2	2	2	2	2
1	1	1	1	1
5	4	4	4	4
1	1	1	1	-
12	12	12	12	12

**City of Gaithersburg, Maryland**  
Schedule of Cumulative Appropriations, Expenditures, and Encumbrances - Capital Projects  
From Project Inception Through June 30, 2011

Project Number	Project Name	Cumulative Appropriation	Cumulative Expenditures Plus Encumbrances	Variance Favorable (Unfavorable)
<b>CITY FACILITY:</b>				
70-2	City Hall	\$ 4,423,852	\$ 4,388,263	\$ 35,589
86-3	Latitude Observatory	379,629	379,629	-
93-1	Technology Projects	4,070,863	2,755,987	1,314,876
98-1	Facilities Projects	2,789,887	2,376,753	413,134
01-2	Kentlands Mansion	1,034,473	858,863	175,610
02-1	Kentlands Firehouse	20,000	-	20,000
07-1	Emergency Preparedness	180,000	135,327	44,673
09-1	Police Station Improvement	11,397	11,397	-
10-1	Energy Efficiency and Conservation	528,000	503,262	24,738
	Total City Facility	<u>13,438,101</u>	<u>11,409,481</u>	<u>2,028,620</u>
<b>COMMUNITY ENHANCEMENT</b>				
71-2	Street Lighting	2,426,406	1,875,521	550,885
79-5	Olde Towne Revitalization	3,328,523	3,067,724	260,799
81-4	Property Acquisition and Disposition	14,411,543	14,355,049	56,494
99-4	Olde Towne Park Bell Tower	1,760,000	190,216	1,569,784
00-1	Y Site Development	13,131,052	12,901,874	229,178
04-1	Community Development Block Grant - HUD	4,417,963	4,391,077	26,886
09-2	Historic Preservation at Crown Farm	70,000	-	70,000
09-4	Rolling Stock Project	1,138,148	689,327	448,821
00-0	Contingency and Future Projects	3,393,729	2,369,607	1,024,122
	Total Community Enhancement	<u>44,077,364</u>	<u>39,840,395</u>	<u>4,236,969</u>
<b>TRANSPORTATION/ENVIRONMENT</b>				
79-3	Sidewalks, Handicapped Ramps & Bike Pathways	2,494,016	2,091,601	402,415
82-1	Stormwater Management and Storm Drainage	10,091,408	7,711,503	2,379,905
83-1	Street Resurfacing	16,563,175	16,207,317	355,858
91-3	Street Reconstruction	6,595,661	6,140,869	454,792
92-2	Traffic Calming and Signalization	1,357,536	1,244,961	112,575
98-7	Transit Enhancements	228,800	228,766	34
99-1	North Frederick Avenue Corridor Plan Implementation	165,000	125,457	39,543
07-2	Teachers Way	1,350,400	620,725	729,675
	Total Transportation/Environment	<u>38,845,996</u>	<u>34,371,199</u>	<u>4,474,797</u>

(Continued)

**City of Gaithersburg, Maryland**  
Schedule of Cumulative Appropriations, Expenditures, and Encumbrances - Capital Projects  
From Project Inception Through June 30, 2011

Project Number	Project Name	Cumulative Appropriation	Cumulative Expenditures Plus Encumbrances	Variance Favorable (Unfavorable)
<b>RECREATION/LEISURE</b>				
83-2	Bohrer Park at Summit Hall Farm	\$ 12,661,514	\$ 12,531,826	\$ 129,688
98-2	Winter Lights	176,884	176,884	-
98-4	Art In Public Places	451,509	368,803	82,706
00-4	Renovation/Improvements Of Existing Parks	750,086	563,621	186,465
02-2	Parks and Facility Signage	96,819	96,819	-
03-1	Gaithersburg Aquatic/Recreation Center	13,544,332	706,321	12,838,011
09-3	Gaithersburg Senior Center	2,989,040	-	2,989,040
	Total Recreation/Leisure	<u>30,670,184</u>	<u>14,444,274</u>	<u>16,225,910</u>
<b>Grand Total</b>		<u>\$ 127,031,645</u>	<u>\$ 100,065,349</u>	<u>\$ 26,966,296</u>



**GAITHERSBURG AQUATIC CENTER**

# Single Audit Section



*Gaithersburg*  
A CHARACTER COUNTS! CITY





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

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

We have audited the financial statements of City of Gaithersburg, Maryland (City) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter October 24, 2011.

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

*McGladrey & Pullen, LLP*

Frederick, Maryland  
October 24, 2011



**Independent Auditor's Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133**

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

**Compliance**

We have audited City of Gaithersburg, Maryland's (the City) compliance with the types of compliance requirements described in OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

*McGladrey & Pullen, LLP*

Frederick, Maryland  
October 24, 2011

**City Of Gaithersburg, Maryland**

**Schedule Of Expenditures Of Federal Awards  
Year Ended June 30, 2011**

Program	CFDA Number	Pass-Through Entity Identifying Number	FY11 Revenue Recognized & Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Direct Program:			
Supportive Housing for Persons with Disabilities	14.181	N/A	\$ 64,123
Supportive Housing for Persons with Disabilities	14.181	N/A	<u>63,078</u>
Total for Supportive Housing for Persons with Disabilities			<u>127,201</u>
Community Development Block Grant	14.218	N/A	1,019,519
Community Development Block Grant – ARRA	14.253	N/A	<u>97,519</u>
Total for Community Development Block Grant cluster			<u>1,117,038</u>
<b>Total for U.S. Department of Housing and Urban Development</b>			<u>1,244,239</u>
<b>U.S. Department of Energy</b>			
Direct Program:			
Energy Efficiency and Conservation Block Grant – ARRA	81.128	N/A	<u>15,735</u>
<b>U.S. Department of Justice</b>			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	<u>13,684</u>
<b>Environmental Protection Agency</b>			
Pass-through the Maryland Department of the Environment:			
State Clean Diesel Grant Program – ARRA	66.040	N/A	<u>82,760</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,356,418</u>

See Notes To Schedule Of Expenditures Of Federal Awards.

## **City Of Gaithersburg, Maryland**

### **Notes To The Schedule Of Expenditures Of Federal Awards**

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#### **Note 1. Single Audit Overview**

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

#### **Note 2. Fiscal Period Audited**

Single Audit testing procedures were performed for transactions occurring during the fiscal year ended June 30, 2011.

#### **Note 3. Summary Of Significant Accounting Policies**

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

#### **Note 4. Subgrantees**

The Community Development Block Grant program has subgrantees that received \$56,696 in subawards during the year ended June 30, 2011.

**City Of Gaithersburg, Maryland**

**Schedule Of Findings And Questioned Costs  
Year Ended June 30, 2011**

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**Section I. Summary Of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards:

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218 and 14.253	Community Development Block Grant Cluster

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

Auditee qualified as low-risk auditee?   X   Yes        No

**Section II. Financial Statement Findings**

No matters were reported.

**Section III. Findings And Questioned Costs For Federal Awards**

No matters were reported.

**City Of Gaithersburg, Maryland**

**Summary Schedule Of Prior Audit Findings  
Year Ended June 30, 2011**

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No matters were reported in the prior year.



*Gaithersburg*  
A CHARACTER COUNTS! CITY

**City of Gaithersburg**  
**Department of Finance and Administration**

31 South Summit Avenue  
Gaithersburg, Maryland 20877  
301.258.6320  
[www.gaithersburgmd.gov](http://www.gaithersburgmd.gov)