



# FY 2017

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

**For the Fiscal Year Ended  
June 30, 2017**





*Gaithersburg*

**City of Gaithersburg,  
Maryland**

**Comprehensive Annual Financial Report**

Including Independent Auditors' Report

For the Fiscal Year Ended  
June 30, 2017

Prepared by

The Dedicated Staff of the City's  
Department of Finance and Administration

**City of Gaithersburg, Maryland**

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**City of Gaithersburg, Maryland**

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# Introductory Section





**Winter Lights**



**Gaithersburg**  
A CHARACTER COUNTS! CITY

October 23, 2017

To the Mayor and City Council and  
To the Residents of the City of Gaithersburg, Maryland:

State law requires that all general purpose local governments publish, within four months of the close of each Fiscal Year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement and the provisions of the City's Charter, Section 53, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Gaithersburg (City), Maryland, for the year ending June 30, 2017.

Management assumes full responsibility for the completeness and reliability of all the information presented in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have 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's financial statements have been independently audited by CohnReznick, LLP, a firm of licensed certified public accountants. The independent auditors have issued an unmodified opinion on the City's financial statements for the year ended June 30, 2017. The independent auditor's report is presented as the first component of the Financial Section of the CAFR.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE CITY**

Gaithersburg began in 1765 as a small agricultural settlement known as Log Town. In 1850, the post office was named "Forest Oak." The town officially became "Gaithersburg" when it was incorporated on April 5, 1878.

The City occupies just over 10 square miles and, according to the 2016 U.S. Census Bureau estimates, has a population of 69,562. The City provides many services including: public safety, licensing and permitting, building inspections, housing and community services, street maintenance, snow removal, recycling, parks, recreation and cultural activities. Fire & rescue, schools, library and health services are provided by Montgomery County. Water and sanitary sewer services are provided by Washington Suburban Sanitary Commission which is a legally separate entity that provides these services to a number of cities and counties within Maryland.

City of Gaithersburg • 31 South Summit Avenue, Gaithersburg, Maryland 20877-2038  
301-258-6300 • FAX 301-948-6149 • [cityhall@gaitthersburgmd.gov](mailto:cityhall@gaitthersburgmd.gov) • [gaitthersburgmd.gov](http://gaitthersburgmd.gov)

MAYOR  
Jud Ashman

COUNCIL MEMBERS  
Neil Harris  
Yvette D. Monroe  
Michael A. Sesma  
Ryan Spiegel  
Robert T. Wu

CITY MANAGER  
Tony Tomasello

## **ECONOMIC CONDITION AND OUTLOOK**

Located less than 15 miles from Washington, DC, the City is a major international hub of biotechnology and information technology companies. The City offers businesses a stable, attractive community with a highly educated workforce, where it is estimated that nearly 24 percent of residents have graduate or professional degrees. Labor market participation is high with estimated employment above 37,346 (U.S. Census Bureau Community Facts). According to the Maryland Department of Labor, Licensing and Regulation as of August 2017, the average year-to-date unemployment rate was 3 percent, below the Maryland average of 3.9 percent for the same period.

The City's commercial real estate market is diverse, providing businesses with competitive choices in the location selection process. Major employers include: MedImmune (Biologics Research & Development – Headquarters), Emergent Biosolutions (Biologics R&D - Headquarters), Leidos (Information Systems – Defense), and Sodexo (Food & Facilities Management – Headquarters). Class A & B office vacancy is approximately 7.2 percent, among the lowest in the Washington, DC region. There are 11 Federal Government research and regulatory agencies within a 10-mile radius of the City, including the National Institute of Standards & Technology at the center of the City, which create an environment that stimulates entrepreneurial activity.

The City continues to experience solid economic growth. This is evidenced by the continued increases in property values, hotel tax receipts and income taxes. Revenues in these categories grew by 5.8 percent in 2016 and 4.2 percent in 2017. Additionally, the City completed a new annexation agreement in 2017 to bring another 23 acres into the City boundaries.

## **LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES**

As a debt-free community, the City has a strong history of ensuring that adequate funding is available for the City's growing capital needs. One such example is the Asset Replacement Fund. For many years the City set aside funding for replacement of existing equipment within the General Fund. During 2017, these balances were transferred to a dedicated fund in order to provide increased transparency over the amounts being set aside and the amounts being purchased from these funds. The City annually reviews equipment inventory lists in order to determine how much funding should be set aside in a calculation that approximates depreciation. The goal of this process is to ensure that when an asset needs to be retired the funding is available. This ensures that operations are not impacted due to a lack of financing and keeps the City from needing to issue debt.

The City maintains a five year Capital Improvements Plan (CIP). This plan allows the City to program capital needs far enough in advance to ensure the funding is in place, without needing to borrow. The City's CIP has peaked in recent years with several large projects underway. Although the actual spending within the CIP Fund was only \$3.4 million in 2017, another \$5.9 million has been committed in the form of purchase orders through June 30, 2017. The 2018 CIP includes funding for \$24.7 million in projects, including the creation of a new park on the former Consumer Product Safety Commission property and construction of a new police station.

## **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 for its Comprehensive Annual Financial Report for the year that ended June 30, 2016. 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 has received a Certificate of Achievement for 39 consecutive years (Fiscal Years 1978-2016). 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**

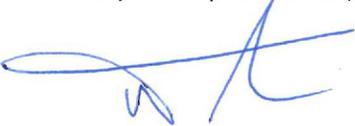
GFOA presented an award of Distinguished Presentation to the City for its annual budget for the Fiscal Year beginning July 1, 2016. In order to receive this award, a governmental unit must publish a document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is only valid for a period of one year. The City is proud to be the recipient of the award for the fifteenth consecutive year (Fiscal Years 2003-2016). It is our belief the current budget continues to conform to program requirements and we have submitted it to GFOA to determine its eligibility for another award.

#### **ACKNOWLEDGMENTS**

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

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

Respectfully submitted,



Tony Tomasello  
City Manager



Stephanie M. Walker, CPA, CPFO  
Director of Finance and Administration



Government Finance Officers Association

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

Presented to

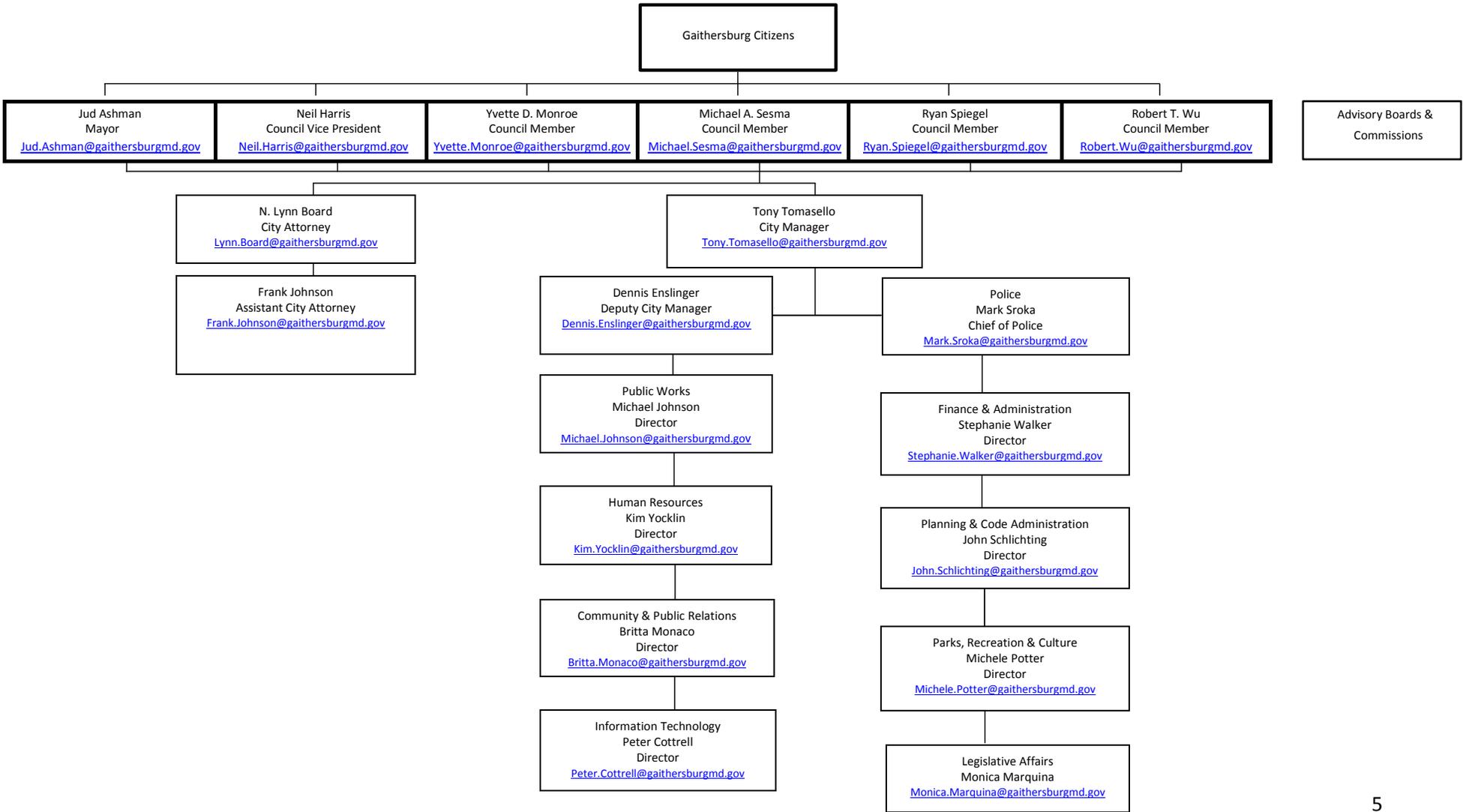
**City of Gaithersburg  
Maryland**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# City of Gaithersburg, Maryland



**City of Gaithersburg, Maryland**

**Directory of City Officials**

**Title**

Mayor  
City Council

City Manager  
Deputy City Manager

City Attorney

**Department Directors**

Community & Public Relations  
Human Resources  
Information Technology  
Parks, Recreation & Culture  
Planning & Code Administration  
Police  
Public Works

**Department of Finance and Administration**

Accounting Specialist  
Administrative Assistant  
Budget & Procurement Analyst  
Comptroller  
Director  
Payroll Coordinator  
Procurement Division Chief  
Procurement Manager  
Senior Accounting Technician  
Staff Accountant

**Name**

Jud Ashman  
Neil Harris  
Yvette D. Monroe  
Michael A. Sesma  
Ryan Spiegel  
Robert T. Wu

Tony Tomasello  
Dennis Enslinger

N. Lynn Board

Britta Monaco  
Kim Yocklin  
Peter Cottrell  
Michele Potter  
John Schlichting  
Mark Sroka  
Michael Johnson

Betty Woods  
Brittan Saravia  
JJ Knechtel  
Ling Yan Angela Woo, CPA  
Stephanie M. Walker, CPA, CPFO  
Larry Salins  
Beth Kirk  
Wesley Rhodes  
Witarani Doyle  
Francis Dohnji

# Financial Section



Independent Auditor's Report

To the City Council  
City of Gaithersburg, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund of the City of Gaithersburg, Maryland (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

*Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund of the City of Gaithersburg, Maryland, as of June 30, 2017, and the respective changes in financial position and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 23 and the Required Supplementary Information - Schedule of Changes in the City's Net OPEB liability and Related Ratios on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gaithersburg, Maryland's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, General Fund budgetary comparison schedules, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining, individual nonmajor fund financial statements and the General Fund budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the General Fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2017, on our consideration of the City of Gaithersburg, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Gaithersburg, Maryland's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland  
October 23, 2017

## City of Gaithersburg, Maryland

### Management's Discussion and Analysis June 30, 2017

#### Introduction

This Management's Discussion and Analysis (MD&A) section of the City's annual financial report is prepared by the City's senior management and presents a discussion and analysis of the financial performance for the fiscal year ended June 30, 2017. 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 2017

- The City's government-wide net position increased by \$10.1 million.
- The General Fund, which is reported using a current financial resource basis of accounting, showed a decrease in fund balance of \$14.7 million after making a \$13.2 million transfer to the Capital Projects Fund. The decrease also reflects a transfer of \$10.3 million to establish the Asset Replacement Fund.
- Total governmental funds' fund balance increased by \$11.9 million to \$128.4 million.
- Capital expenditures of \$5.4 million included many projects and equipment, the largest of which were: construction of a salt storage building; replacement of the City Hall roof; commencement of construction of the Olde Towne Park Plaza; continued design work on the new police station building; renovation of the caddy shack building; and the purchase of three Tracless mower/snow blowers and 21 other vehicles.

#### Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary and other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### Government-Wide Statements

The first two financial statements following this MD&A are called *government-wide financial statements*. These statements consist of a Statement of Net Position and a Statement of Activities. They report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position is similar to a Balance Sheet and 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) along with capital assets and long-term obligations. All infrastructure assets built or purchased by the City and infrastructure dedicated by developers are included in the accompanying government-wide financial statements. The difference between the City's assets and liabilities is reported as net position. Over time, increases or decreases in the system's net position are an indicator of whether its financial position is improving or deteriorating, respectively. However, to assess the City's overall health, one needs 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 similar to an Income Statement and 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.

## City of Gaithersburg, Maryland

### Management's Discussion and Analysis

June 30, 2017

Jointly, these statements group all of the activities of the City together and are designed to provide both *short-term* and *long-term* information about the City's *overall* financial status. In the government-wide financial statements, the activities of the City are maintained within one category:

- *Governmental Activities:* The City's basic services are reported here: Public Works, Police, Planning and Code, Parks, Recreation and Culture, and General Government. The activities are financed by substantially all types of City revenues.

#### Fund Financial Statements

The remaining statements are *fund financial statements* which 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 financial requirements. The funds of the City can be divided into two categories, governmental funds and fiduciary funds.

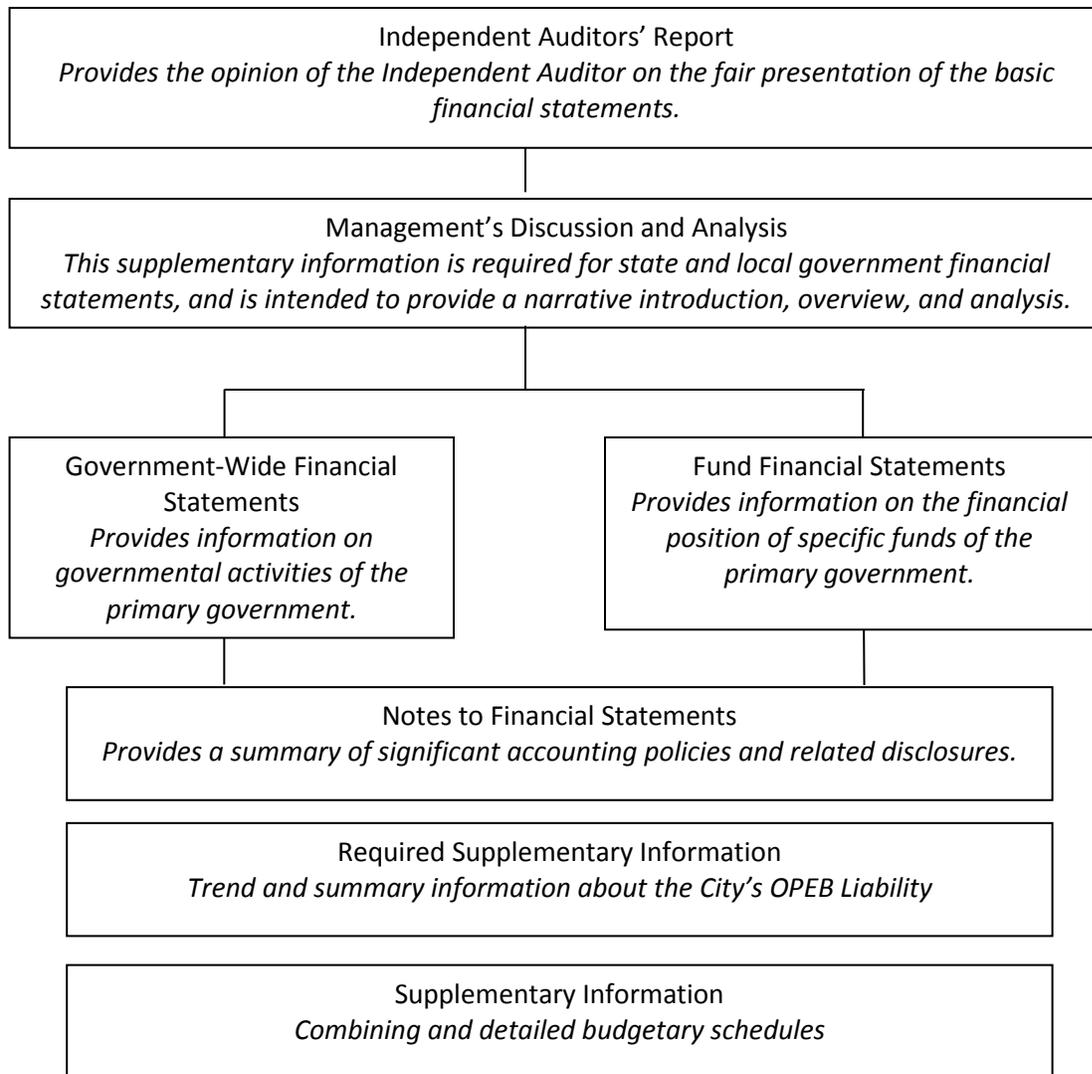
- *Governmental funds:* The City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for future spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation of the governmental funds balance sheet to the statement of net position and a separate reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities. The City of Gaithersburg maintains five governmental funds. Two of these funds are considered to be major funds: the General Fund and the CIP Fund. Three of these funds are considered to be non-major funds: the Forest Conservation, Stormwater Management and the Asset Replacement Funds.
- *Fiduciary funds:* These funds are used to account for resources held for the benefit of parties outside the government (where the City acts solely as trustee or agent). Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. 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. The City reports two fiduciary funds: the Other Post-Employment Benefit (OPEB) trust fund and a private purpose trust fund used to report resources held to provide interest income for funding recreational scholarships.

**City of Gaithersburg, Maryland**

**Management's Discussion and Analysis  
June 30, 2017**

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The notes are followed by a section of required supplementary information that provides trend information about the City's net other postemployment benefits (OPEB) liability and by supplementary information. Supplementary information includes the City's combining non-major fund financial schedules and additional budget to actual detail schedules. Figure 1 shows how the various parts of this annual report are arranged and related to one another. The chart below summarizes the major sections of the City's financial statements, including the portion of the activities they cover and the types of information they contain. Figure 2 summarizes the differences between the financial statements and 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, 2017**

**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 fiduciary funds, 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 other post-employment benefits held in a trust.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</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 Position</li> <li>• Statement of Changes in Fiduciary Net Position</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/out-flow 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, 2017**

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

Statement of Net Position: The following table presents a summary of the Statement of Net Position for the City as of June 30, 2017 with a FY 2016 comparative analysis:

**Figure 3 - Condensed Statement of Net Position**

Governmental Activities	2017	2016	Change	% Chg
<b>Assets</b>				
Current and other assets	\$ 136,996,685	\$ 124,233,493	\$ 12,763,192	10.27%
Capital assets	<u>107,678,373</u>	<u>107,492,726</u>	<u>185,647</u>	<u>0.17%</u>
Total assets	<u>244,675,058</u>	<u>231,726,219</u>	<u>12,948,839</u>	<u>5.59%</u>
Deferred outflows of resources	<u>5,503,720</u>	<u>6,385,000</u>	<u>(881,280)</u>	<u>-13.80%</u>
<b>Liabilities</b>				
Long-term liabilities	46,476,654	51,382,490	(4,905,836)	-9.55%
Other liabilities	<u>5,180,388</u>	<u>4,608,533</u>	<u>571,855</u>	<u>12.41%</u>
Total liabilities	<u>51,657,042</u>	<u>55,991,023</u>	<u>(4,333,981)</u>	<u>-7.74%</u>
Deferred inflows of resources	<u>6,240,247</u>	<u>-</u>	<u>6,240,247</u>	<u>0.00%</u>
<b>Net position</b>				
Net investment in capital assets	107,678,373	107,492,726	185,647	0.17%
Restricted	9,468,351	3,474,680	5,993,671	172.50%
Unrestricted	<u>75,134,765</u>	<u>71,152,790</u>	<u>3,981,975</u>	<u>5.60%</u>
Total net position	<u>\$ 192,281,489</u>	<u>\$ 182,120,196</u>	<u>\$ 10,161,293</u>	<u>5.58%</u>

Current and other assets for governmental activities primarily represent cash, property taxes receivable, amounts due from other governments, miscellaneous receivables, prepaid items, and long-term loans receivable. Total current and other assets increased by \$12.8 million. Much of this increase relates to an increase in cash and investments during the year. Cash balances increased as the City accumulated funds for stormwater projects (\$3.5 million) and future capital projects (\$12.3 million). The City began a new stormwater fee program during FY16 because of pending State of Maryland stormwater management regulations. These regulations will require a reduction of 20 percent of stormwater over the City's permit period. The State has not yet finalized the approval of the City's permit and the beginning of the permit period. The City will continue to undertake design work but has placed most projects on hold until the permit has been issued. The City does not issue debt for capital projects, but rather saves for future capital purchases. The capital funds that were accumulated in 2017 will be for the following future projects: transportation improvements; street reconstruction; creation of the Olde Towne Park Plaza; and construction of a new park and recreation facility at the former Consumer Product Safety Commission site.

**City of Gaithersburg, Maryland**

**Management's Discussion and Analysis**

**June 30, 2017**

Changes in capital assets and long-term liabilities are discussed within those sections of this report.

Deferred outflows and inflows represent the future expenses related to the City's OPEB liability. Changes in actuarial assumptions are included as either deferred outflows or inflows and charged to expense in future years. These amounts will fluctuate annually as new assumptions are used.

Other liabilities include accounts payable, accrued payroll and related benefit liabilities, and deposits related to development work that will be refunded. Accounts payable increased in FY17 due to several capital projects in progress at year end.

By far the largest portion of the City's net position reflects its investment in capital assets, (e.g., land, buildings, improvements, furniture and equipment, infrastructure). The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. The net investment in capital assets can be thought of as the City's equity in capital assets. As mentioned previously, the City does not utilize debt financing, so the net investment in capital assets is 100 percent. Additions to capital assets are discussed later in this report.

Restricted net position represents money that was unspent at year end and is subject to third party restrictions on how it can be used. Full details of the City's restricted net position can be found within the notes to the financial statements, but larger restrictions include forest conservation funds, stream and infrastructure improvements, public safety activities, transportation projects, and stormwater management. This category increased by \$6.0 million. This increase was due to additions in the stormwater fund of \$3.5 million which is restricted for stormwater management. This increase also resulted from the receipt of \$2.5 million from a development agreement which is restricted for transportation improvements.

Unrestricted net position represents the remaining category of equity after net investment in capital assets and restricted net position have been calculated. Unrestricted net position increased as funds were accumulated for future capital purposes during the year.

**City of Gaithersburg, Maryland**

**Management's Discussion and Analysis  
June 30, 2017**

Statement of Activities: The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The table below summarizes the Statements of Activities for 2017 and 2016. Significant changes year over year are discussed following the table.

**Figure 4 - Condensed Statement of Activities**

Governmental Activities	2017	2016	Change	% Chg
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 16,609,842	\$ 17,091,159	\$ (481,317)	-2.82%
Operating grants and contributions	1,894,132	1,449,938	444,194	30.64%
Capital grants and contributions	4,111,152	1,347,770	2,763,382	205.03%
General revenues				
Property tax	26,988,696	25,846,114	1,142,582	4.42%
Franchise fees	934,275	921,784	12,491	1.36%
Admissions, amusement, hotel tax	2,493,425	2,487,526	5,899	0.24%
Intergovernmental, not restricted	12,708,505	12,522,102	186,403	1.49%
Investment earnings	206,501	881,004	(674,503)	-76.56%
Other	613,869	788,138	(174,269)	-22.11%
Total revenue	<u>66,560,397</u>	<u>63,335,535</u>	<u>3,224,862</u>	<u>5.09%</u>
<b>Expenses</b>				
General government	18,308,169	19,165,828	(857,659)	-4.47%
Public safety	12,879,218	13,409,073	(529,855)	-3.95%
Public works	13,692,879	12,954,346	738,533	5.70%
Parks and recreation	8,771,811	8,719,722	52,089	0.60%
Community services and development	2,747,027	3,139,656	(392,629)	-12.51%
Total expenses	<u>56,399,104</u>	<u>57,388,625</u>	<u>(989,521)</u>	<u>-1.72%</u>
Change in net position	10,161,293	5,946,910	4,214,383	70.87%
Beginning net position	<u>182,120,196</u>	<u>176,173,286</u>		
Ending net position	<u>\$ 192,281,489</u>	<u>\$ 182,120,196</u>		

## City of Gaithersburg, Maryland

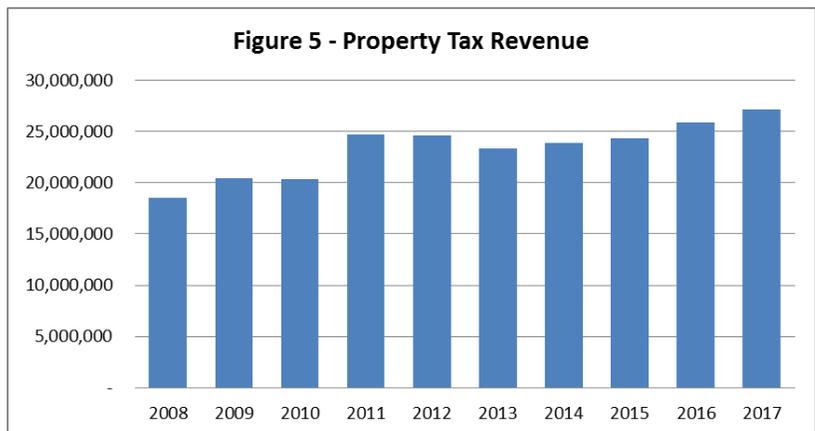
### Management's Discussion and Analysis June 30, 2017

#### Revenues

Charges for services are the City's second largest revenue category after taxes. Some of the larger revenues in this category include: police tickets and fines, photo radar tickets, stormwater and recycling fees, building permits and licenses, forest conservation fees, and recreation fees. This category of revenue has remained relatively consistent year over year.

Operating grants and contributions include the State police grant, a federal grant for housing, and several smaller grants for homeless programs and nutrition. This category of revenue increased in 2017 as the City received a reimbursement from the Federal Emergency Management Agency (FEMA) related to a snow event during the previous year. This grant was not received in 2016. Additionally the City received approximately \$200,000 more funding from the State for police services in 2017.

Capital grants and contributions can fluctuate significantly on an annual basis. The City annually receives funding from the State in the form of highway user fees which is one of the other primary revenues reported in this category. Other revenues in this category tend to be one-time. This category increased in 2017 due to a \$2.5 million payment received from a developer for transportation improvements.



The City's property tax rate has remained the same since 2010, meaning that the City only receives additional revenue when property values appreciate. The chart to the right illustrates the City's property tax revenues for the last several years. The City's 2017 property tax revenue grew approximately 4.4 percent due to increased property value appreciation.

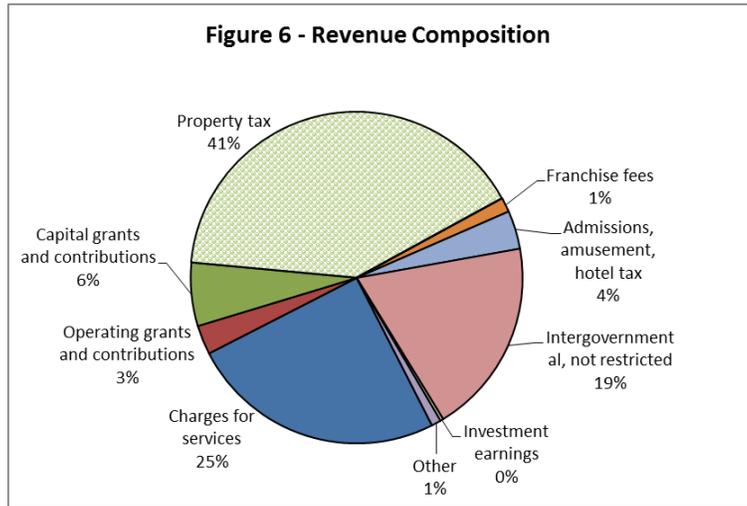
Intergovernmental revenues, not restricted to specific programs, include the City's share of income taxes and a payment from Montgomery County toward duplication of services. This revenue remained relatively consistent year over year.

Investment earnings decreased in 2017 due to unrealized market value losses. The City is required to recognize changes in the market value on investments as increases or decreases to investment income. Since a significant number of investments are held until maturity, many of these gains or losses will not be realized. In 2016 investment income included approximately \$363,500 of unrealized gains, whereas 2017 earnings included \$1,052,400 in unrealized losses. Since the City invests in high quality investments these losses represent changes in market value due primarily to high interest rates at year end as compared to when the investment was originally purchased. Realized gains and interest earning for 2016 were \$428,000 compared to \$1,226,000 in 2017. Total interest income, including interest earnings, and realized and unrealized gains and losses was \$881,004 in 2016 and \$206,501 in 2017.

## City of Gaithersburg, Maryland

### Management's Discussion and Analysis June 30, 2017

The chart to the right shows the composition of the City's revenue by sources. The overall composition has remained similar from 2016 to 2017.



### Expenses

The general government function includes the City's administrative, management and legislative activities, maintenance on all City facilities, economic development, planning administration, and public information activities. General government expenses decreased by \$858,000 due to a combination of items:

- 2016 expenses included \$353,000 in tax abatement expenses which are now categorized as a reduction of revenue.
- Administration of the City's speed camera program decreased by \$214,000 due to a change in contract administration from a per ticket fee to a flat monthly administration fee. 2016 included a run out period where both types of fees were charged as older tickets were billed under the old agreement. Revenue related to this program was flat year over year. Under the new agreement the administration costs were only 35% of the revenue in 2017.

The public safety function includes police services, building and code enforcement, traffic, and animal control costs. This function decreased from 2016 primarily due to non-capitalized outlay expenses of \$555,000 incurred in 2016.

The public works function represents maintenance costs for municipal parks, fleet and streets, as well as street lighting, landscaping and forestry, recycling, engineering, and street projects. Expenses within public works increased by \$738,000 primarily for the following reasons:

- Approximately \$253,000 of additional costs were realized within the stormwater fund as this program became more fully staffed during 2017 and began new activities including inspection and grants for stormwater improvements.
- The City also incurred approximately \$425,000 in costs for the repair of the road and stormwater culvert along Rabbitt Road

The parks and recreation function includes costs for hosting many programs and special events for people of all ages. Costs for the City's community center, Arts Barn, Mansion, Water Park, miniature golf course,

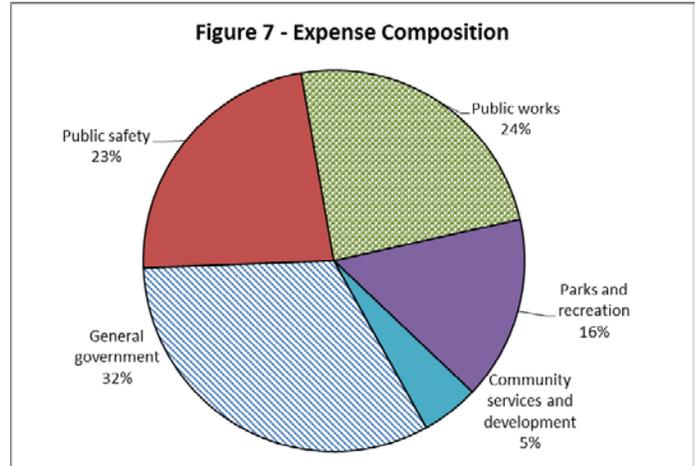
**City of Gaithersburg, Maryland**

**Management’s Discussion and Analysis  
June 30, 2017**

Gaithersburg Aquatic Center, and parks are also categorized here. Expenses within this function have remained consistent between the two years.

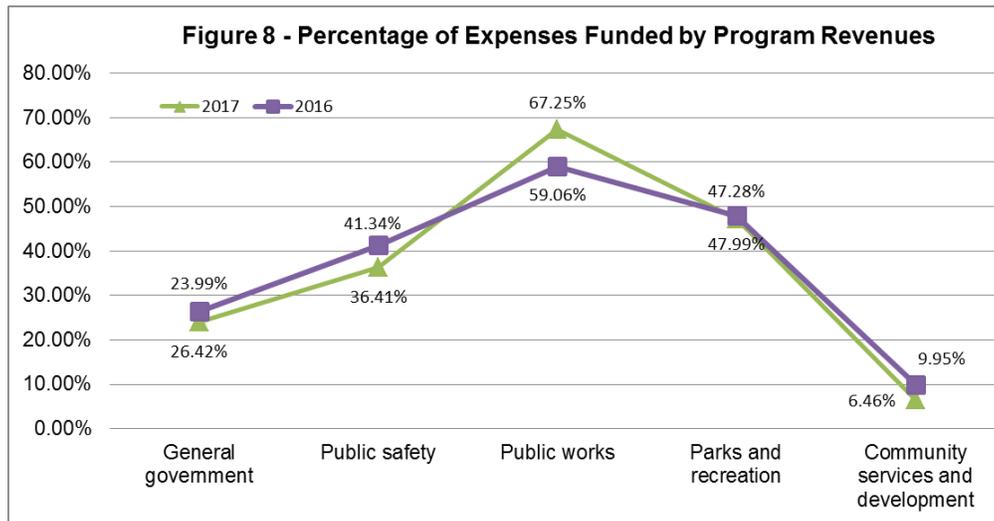
Community services and development includes costs for the Benjamin Gaither Center, contributions to local schools and nonprofits, and homeless assistance. The 2016 expenses included an additional \$225,000 in OPEB charges over the amount allocated in 2017.

The chart to the right shows the composition of expenses by function. The allocation of total costs across the functions was similar between 2016 and 2017.



**Net Costs**

As mentioned in the revenues section, program revenues are intended to pay for a certain activity or function and include charges for services, operating grants and capital grants. The chart below illustrates how much of each function’s expenses are funded by program revenues. All expenses not funded through program revenues are financed with general revenues, primarily taxes. The percentages funded by program revenues fluctuate annually due to one-time grants. The largest change year over year relates to the public works functions due to the transportation contribution received in 2017.



**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 \$128.4 million, an increase of \$11.9 million over last year’s ending fund balance.

## City of Gaithersburg, Maryland

### Management's Discussion and Analysis

June 30, 2017

General Fund: The General Fund spent \$14.7 million more than was taken in, thereby decreasing the total fund balance to \$61.3 million. This decrease included the transfer of \$10.3 million to establish the Asset Replacement Fund. These funds had been shown as assigned fund balance within the General Fund in previous years. Excluding the effect of that transfer, the City used \$4.4 million of General Fund balance. The City planned to spend down fund balance in 2017 by \$10.8 million. However, less fund balance was used because revenues exceeded expectations by \$4.8 million and expenditures were less than expected by \$2.2 million. These variances are discussed below within the General Fund budgetary highlights section of this report.

CIP Fund: The CIP Fund reported an increase in fund balance of \$12.3 million as the City set aside funding for future projects, which was discussed with the change in cash position earlier in this report. This total fund balance represents authorized and funded projects that are not complete as well as funding set aside for future projects.

Non-Major Funds: The fund balance increased by \$14.3 million. Of this \$3.5 million is related to the Stormwater Management Fund and \$10.8 million is within the Asset Replacement Fund. The Stormwater funds are being accumulated in order to construct stormwater improvements once the State has issued the City's stormwater management permit. The majority of the increase in fund balance for Asset Replacement represents the initial transfer of balances of \$10.3 million, from the General Fund to establish this dedicated fund. The General Fund also transferred \$2.0 million to the Asset Replacement Fund which represented new funds set aside for replacing assets in future years, of which only \$1.5 million was spent in 2017.

#### 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 25 percent to go before the Mayor and City Council for adoption. The City code allows for encumbered balances to carry forward to future years. This is accomplished through a budget adjustment. All open purchases at year end are added to the subsequent year's budgetary authorization. No other adjustments or amendments were made to the City's budget during 2017.

#### Revenues

Overall the City's General Fund took in \$4.8 million more in revenue than was budgeted. Generally, the City budgets revenues conservatively in order to insulate itself against unknown downturns. Additionally since municipal budgets are developed midway through the previous fiscal year, revenue growth in budgeting lags the actual results by approximately one full year. Thus, the 2017 budget is more closely aligned to the 2015 actual results. The City has been fortunate in experiencing significant growth in several revenue areas during 2016 and 2017, which resulted in revenues exceeding budget in the following areas:

- Tax revenues exceeded budget by \$1.3 million or 4.6 percent. The City has not raised the tax rate since 2011. The growth in the tax base has even outpaced that estimated by the State which handles all assessment services.
- In total licenses and permits exceeded revenue by \$1.2 million. The majority of this variance related to building permits which came in over budget by \$535,000 or 28%. The City has been conservative in budgeting for growth within this revenue category. Actual permits have substantially exceeded the City's expectations, in particular for commercial permits, which resulted in revenues exceeding budgets for the building permit and other related permit categories.

## City of Gaithersburg, Maryland

### Management's Discussion and Analysis June 30, 2017

- Intergovernmental revenues surpassed budget by \$1.3 million, mainly related to income taxes. Income taxes are considered to be shared revenues, so they are included in intergovernmental revenue rather than taxes. While the City only experienced a 3 percent increase in income taxes in 2017, we expected an overall decrease in income tax revenue due to an allocation error at the State level. During 2016, the City was notified that many income tax returns had been allocated to being within the City boundaries when the taxpayer did not actually live within the City limits. The State Comptroller's office indicated that this would be corrected in 2017 and estimated the impact of this change at approximately \$1.0 million. The actual growth in income taxes exceeded any change in revenue due to the reallocation of taxpayer returns. The State has forgiven, through legislation, any prior year's over-allocation of revenue that may have occurred due to this error.
- Fines and forfeitures are made up primarily of revenue related to the speed camera program. The budget for this revenue was based on the 2015 revenue with a slight decline expected as more drivers conform to speed limits. This revenue increased in 2016 which was not reflected in the 2017 budget. 2017 revenues were similar to 2016 level, resulting in 2017 revenue exceeding budget by \$523,000.

#### Expenditures

During 2017 the City's General Fund came in \$2.2 million or 4.4 percent under budget in expenditures. City departments generally come in under budget due to the City's strong budgetary controls. Some of the other significant differences between final and actual budgets are identified below:

- The housing and community development activity came in under budget by \$548,000. The majority of this relates to the Gaithersburg Homeownership Assistance Loan program which is budgeted as an expenditure, but for accounting purposes is shown as loans receivable. Total loans distributed in 2017 were \$595,000 (\$94,000 of this was funded from loan repayments).
- The City budgeted \$533,000 (\$500,000 of new funding and \$33,000 carried forward due to an open purchase order) for contingency, of which only \$47,400 was needed; and
- An additional \$600,000 was transferred to the OPEB trust for future benefits.

#### Transfers

Transfers out exceeded the budget by \$10,950,000. Of this amount, \$10,267,000 was the initial funding for the establishment of the Asset Replacement Fund. These funds were included as beginning fund balance within the budget rather than being shown as a transfer as required by accounting standards. The City also authorized an additional \$675,000 transfer during the year to the Asset Replacement Fund as funds became available.

**City of Gaithersburg, Maryland**

**Management's Discussion and Analysis  
June 30, 2017**

**Capital Asset and Debt Administration**

**Capital Assets** - By the end of the year, the City had invested \$107.7 million (net of depreciation) in a broad range of capital assets, including buildings, athletic facilities, vehicles, equipment, and infrastructure. Total depreciation expense for the year was \$4.1 million, and additions to buildings, infrastructure, improvements, and equipment and furniture amounted to \$4.3 million. More detailed information about capital assets can be found in Note 7. During the fiscal year, the City completed the following significant projects:

Governmental Activities	2017	2016
Land	\$ 42,806,431	\$ 42,914,674
Buildings	22,073,081	21,231,492
Improvements other than buildings	5,803,785	6,129,423
Machinery and equipment	3,796,471	3,154,028
Intangibles	183,018	174,534
Infrastructure	26,668,545	28,311,952
Construction in progress	6,347,042	5,576,623
Total capital assets, net	<u>\$ 107,678,373</u>	<u>\$ 107,492,726</u>

- Renovation of the Olde Towne parking garage elevator shaft and staircase;
- Construction of a new salt storage building at Public Works;
- Renovations at the miniature golf course to the restrooms and caddy shack building;
- Design and commencement of construction work on the Olde Towne Park Plaza; and
- Commencement of roof replacement project at City Hall.

Capital asset additions also included the purchase of three Tracless mower/snow blowers and 21 other vehicles.

**Debt Administration** - 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 instruments. The City’s long-term obligations consist only of compensated absences payable, other post-employment benefits, and income tax duplication liability. During 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 75 which required the City to record the entire balance of unfunded postemployment benefits as a liability. The City’s 2016 net OPEB liability was restated for that change.

The City’s net OPEB liability decreased due primarily to changes in the interest rate and other actuarial assumptions used. See Notes 8 – 10 for more information on these liabilities.

Governmental Activities	2017	2016
Compensated absences		
Vaction	\$ 1,972,792	\$ 1,955,578
Sick	1,105,677	1,097,832
Total compensated absences	<u>3,078,469</u>	<u>3,053,410</u>
Net OPEB obligation	<u>43,216,597</u>	<u>48,181,871</u>
Income tax duplication liability	181,588	147,209
Total long-term debt	<u>\$ 46,476,654</u>	<u>\$ 51,382,490</u>

## **City of Gaithersburg, Maryland**

### **Management's Discussion and Analysis**

**June 30, 2017**

#### **Factors Impacting the City's Future**

The following economic factors are reflected in the City's FY 2018 budget:

- The City created a trust account to fund future other post-employment benefits. The City continues to put more money into the trust than it expects to pay out in claims. Approximately \$2.2 million has been allocated within the 2018 budget.
- The City has begun several projects to assess the condition of its large infrastructure assets. The first phase looked at City roads. This did not result in significantly different funding needs. However, the results of the study indicated a different mix of funding priorities between street resurfacing and complete overlays. Other portions of this project include facility needs assessments, some of which will occur in 2018 and others in future years. These may result in the need to substantially increase capital spending on facilities, bridges and other infrastructure, and stormwater management in future years. Since the City does not rely on bonding for capital projects, it is expected that future budgets will continue to draw down fund balances that have been accumulated in past years.
- The 2018 budget for revenues was substantially higher than 2017 by \$6.5 million, 12 percent, which recognizes that previous year's budgeted revenues lagged behind the growth that the City has been experiencing.
- The 2018 budget includes the use of \$5.6 million in fund balance as compared to \$10.9 million in 2017. This reflects the change in revenue budgeting and a slight decrease in the transfer to the CIP fund by \$1.9 million as fewer large projects were in the funding stages. (The past several years have been savings years for large projects such as the police station and additional park sites.)

#### **Contacting the City's Financial Management**

This financial report is designed to provide the citizens, taxpayers, customers, vendors, 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 at:

City of Gaithersburg  
31 South Summit Avenue  
Gaithersburg, MD 20877  
Phone: 301-258-6320  
Fax: 301-258-6326  
[www.gaithersburgmd.gov](http://www.gaithersburgmd.gov)

City of Gaithersburg, Maryland

Statement of Net Position  
As of June 30, 2017

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 50,873,966
Investments	76,548,848
Receivables, net of allowance for uncollectibles	6,211,907
Prepays	307,937
Inventory	19,583
Long-term receivables	3,034,444
Capital assets	
Land	42,806,431
Buildings	38,449,178
Improvements other than buildings	14,663,556
Machinery and equipment	13,835,938
Intangibles	258,049
Infrastructure	68,789,220
Construction-in-progress	6,347,042
Less: accumulated depreciation	<u>(77,471,041)</u>
<b>Total assets</b>	<u>244,675,058</u>
<b>Deferred outflows of resources</b>	
Deferred outflows from OPEB	<u>5,503,720</u>
<b>Liabilities</b>	
Accounts payable	2,128,655
Accrued liabilities	1,247,532
Deposits	1,804,201
Non-current liabilities	
Due within one year	1,182,649
Due in more than one year	<u>45,294,005</u>
<b>Total liabilities</b>	<u>51,657,042</u>
<b>Deferred inflows of resources</b>	
Deferred inflows from OPEB	<u>6,240,247</u>
<b>Net Position</b>	
Net investment in capital assets	107,678,373
Restricted for:	
Sports program	11,671
Holiday giving	17,908
Public safety	59,605
Stream and infrastructure improvements	141,004
Transportation projects	2,771,818
Stormwater	5,756,777
Forest conservation	<u>709,568</u>
Total Restricted	9,468,351
Unrestricted	<u>75,134,765</u>
<b>Total net position</b>	<u>\$ 192,281,489</u>

See Notes to Basic Financial Statements.

City of Gaithersburg, Maryland

Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
General government	\$ 18,308,169	\$ 3,899,801	\$ 476,832	\$ 15,000	\$ (13,916,536)
Public safety	12,879,218	3,858,779	826,355	4,719	(8,189,365)
Public works	13,692,879	5,047,293	236,197	3,925,433	(4,483,956)
Parks and recreation	8,771,811	3,803,969	177,279	166,000	(4,624,563)
Community services and development	<u>2,747,027</u>	<u>-</u>	<u>177,469</u>	<u>-</u>	<u>(2,569,558)</u>
<b>Total governmental activities</b>	<u>\$ 56,399,104</u>	<u>\$16,609,842</u>	<u>\$ 1,894,132</u>	<u>\$ 4,111,152</u>	<u>(33,783,978)</u>
<b>General Revenues</b>					
Property tax					26,988,696
Franchise fees					934,275
Admissions, amusement, and hotel taxes					2,493,425
Intergovernmental not restricted to specific programs					12,708,505
Investment earnings					206,501
Miscellaneous revenues					<u>613,869</u>
<b>Total general revenues</b>					<u>43,945,271</u>
<b>Change in net position</b>					<u>10,161,293</u>
<b>Net Position</b>					
Beginning					<u>182,120,196</u>
Ending					<u>\$ 192,281,489</u>

See Notes to Basic Financial Statements.

City of Gaithersburg, Maryland

Balance Sheet – Governmental Funds  
As of June 30, 2017

	General Fund	CIP Fund	Non-Major Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 23,588,676	\$ 18,670,968	\$ 8,614,322	\$ 50,873,966
Investments	35,620,914	28,006,452	12,921,482	76,548,848
Property taxes, net of allowance of \$150,880	142,522	-	-	142,522
Due from other governments	3,861,766	-	-	3,861,766
Other receivables, net of allowances of \$162,735 & \$1,897	1,708,937	-	498,682	2,207,619
Prepays	307,937	-	-	307,937
Inventory	19,583	-	-	19,583
Long-term receivables	3,034,444	-	-	3,034,444
<b>Total assets</b>	<b>\$ 68,284,779</b>	<b>\$ 46,677,420</b>	<b>\$ 22,034,486</b>	<b>\$ 136,996,685</b>
<b>Liabilities, Deferred Inflow of Resources, and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 1,009,913	\$ 634,850	\$ 483,892	\$ 2,128,655
Accrued liabilities	1,237,097	-	10,435	1,247,532
Deposits	1,804,201	-	-	1,804,201
<b>Total liabilities</b>	<b>4,051,211</b>	<b>634,850</b>	<b>494,327</b>	<b>5,180,388</b>
Deferred inflow of resources				
Unavailable revenues	2,946,465	-	498,682	3,445,147
<b>Total deferred inflow of resources</b>	<b>2,946,465</b>	<b>-</b>	<b>498,682</b>	<b>3,445,147</b>
Fund balances				
Non-spendable				
Prepays	307,937	-	-	307,937
Inventories	19,583	-	-	19,583
Restricted	480,988	2,521,018	6,466,345	9,468,351
Committed	1,987,523	5,634,837	659,688	8,282,048
Assigned	5,945,235	37,886,715	13,915,444	57,747,394
Unassigned	52,545,837	-	-	52,545,837
<b>Total fund balances</b>	<b>61,287,103</b>	<b>46,042,570</b>	<b>21,041,477</b>	<b>128,371,150</b>
<b>Total liabilities, deferred inflow of resources, and fund balances</b>	<b>\$ 68,284,779</b>	<b>\$ 46,677,420</b>	<b>\$ 22,034,486</b>	<b>\$ 136,996,685</b>

See Notes to Basic Financial Statements.

**City of Gaithersburg, Maryland**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
As of June 30, 2017**

Total fund balance – governmental funds		\$ 128,371,150
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.</p>		
Cost of capital assets	185,149,414	
Accumulated depreciation	<u>(77,471,041)</u>	107,678,373
<p>Income taxes, fines and forfeitures, and other revenues in the statement of activities that do not provide financial resources within the period of availability so they are not reported as revenue in the governmental funds</p>		
		3,445,147
<p>The net OPEB obligation and the related deferred outflows and inflows do not represent financial resources or the use of financial resources within the current period and are not reported in the governmental funds.</p>		
Net OPEB obligation		(43,216,597)
Deferred outflows from OPEB		5,503,720
Deferred inflows from OPEB		(6,240,247)
<p>Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.</p>		
Income tax duplication liability		(181,588)
Accumulated unused compensated absences		<u>(3,078,469)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 192,281,489</u></b>

City of Gaithersburg, Maryland

Statement of Revenues, Expenditures, and Changes  
in Fund Balances – Governmental Funds  
For the Year Ended June 30, 2017

	General Fund	CIP Fund	Non-Major Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 29,666,991	\$ -	\$ -	\$ 29,666,991
Licenses and permits	5,439,804	-	34,123	5,473,927
Intergovernmental	15,808,917	-	-	15,808,917
Charges for services	5,493,990	-	3,545,479	9,039,469
Fines and forfeitures	2,863,272	-	-	2,863,272
Interest income	153,645	-	37,665	191,310
Miscellaneous	1,002,383	2,521,018	-	3,523,401
<b>Total revenues</b>	<u>60,429,002</u>	<u>2,521,018</u>	<u>3,617,267</u>	<u>66,567,287</u>
<b>Expenditures</b>				
Current				
General government	15,616,201	-	-	15,616,201
Public safety	11,444,013	-	-	11,444,013
Public works	9,053,836	-	624,487	9,678,323
Parks and recreation	7,841,854	-	-	7,841,854
Community services and development	2,615,745	-	-	2,615,745
Contribution to OPEB trust	2,200,000	-	-	2,200,000
Capital outlay	-	3,426,234	2,016,683	5,442,917
<b>Total expenditures</b>	<u>48,771,649</u>	<u>3,426,234</u>	<u>2,641,170</u>	<u>54,839,053</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>11,657,353</u>	<u>(905,216)</u>	<u>976,097</u>	<u>11,728,234</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	13,186,600	13,331,336	26,517,936
Transfers out	(26,504,154)	(13,782)	-	(26,517,936)
Proceeds from sale of capital assets	159,186	-	-	159,186
<b>Total other financing sources (uses)</b>	<u>(26,344,968)</u>	<u>13,172,818</u>	<u>13,331,336</u>	<u>159,186</u>
<b>Net change in fund balances</b>	<u>(14,687,615)</u>	<u>12,267,602</u>	<u>14,307,433</u>	<u>11,887,420</u>
<b>Fund Balances</b>				
Beginning	<u>75,974,718</u>	<u>33,774,968</u>	<u>6,734,044</u>	<u>116,483,730</u>
Ending	<u>\$ 61,287,103</u>	<u>\$ 46,042,570</u>	<u>\$ 21,041,477</u>	<u>\$ 128,371,150</u>

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  
For the Year Ended June 30, 2017**

Total net change in fund balances – governmental funds	\$11,887,420
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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 capital outlays exceed depreciation expense in the current period:

Capitalized outlays	4,453,267	
Depreciation	<u>(4,095,723)</u>	357,544

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

Asset disposals	(755,787)	
Accumulated depreciation	<u>583,890</u>	(171,897)

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

303,917

The net OPEB obligation relates to funding for future retiree health benefit payments, which are not considered current. The net OPEB obligation increased in the current fiscal year.

(2,156,253)

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.

Income tax duplication expense (increased) / decreased	(34,379)	
Unused compensated absences (increased) / decreased	<u>(25,059)</u>	

<b>Change in net position of governmental activities</b>	<b><u>\$10,161,293</u></b>
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City of Gaithersburg, Maryland

Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Budget and Actual – General Fund  
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 28,357,700	\$ 28,357,700	\$ 29,666,991	\$ 1,309,291
Licenses and permits	4,249,183	4,249,183	5,439,804	1,190,621
Intergovernmental	14,471,893	14,471,893	15,808,917	1,337,024
Charges for services	5,240,680	5,240,680	5,493,990	253,310
Fines and forfeitures	2,340,000	2,340,000	2,863,272	523,272
Interest income	414,720	414,720	153,645	(261,075)
Miscellaneous	527,505	527,505	1,002,383	474,878
<b>Total revenues</b>	<u>55,601,681</u>	<u>55,601,681</u>	<u>60,429,002</u>	<u>4,827,321</u>
<b>Expenditures</b>				
General government	17,534,134	17,582,889	15,616,201	1,966,688
Public safety	11,634,567	11,618,439	11,444,013	174,426
Public works	9,819,069	9,706,052	9,053,836	652,216
Parks and recreation	7,741,513	7,730,778	7,841,854	(111,076)
Community services and development	2,749,187	2,749,187	2,615,745	133,442
Contribution to OPEB trust	1,600,000	1,600,000	2,200,000	(600,000)
<b>Total expenditures</b>	<u>51,078,470</u>	<u>50,987,345</u>	<u>48,771,649</u>	<u>2,215,696</u>
<b>Excess of revenues over expenditures</b>	4,523,211	4,614,336	11,657,353	7,134,142
<b>Other Financing Sources (Uses)</b>				
Transfers out	(15,554,087)	(15,554,087)	(26,504,154)	(10,950,067)
Proceeds from sale of capital assets	100,000	100,000	159,186	59,186
<b>Total other financing uses</b>	<u>(15,454,087)</u>	<u>(15,454,087)</u>	<u>(26,344,968)</u>	<u>(10,890,881)</u>
<b>Net change in fund balance</b>	<u>\$ (10,930,876)</u>	<u>\$ (10,839,751)</u>	(14,687,615)	<u>\$ (3,756,739)</u>
<b>Fund Balance</b>				
Beginning			<u>75,974,718</u>	
Ending			<u>\$ 61,287,103</u>	

See Notes to Basic Financial Statements.



**Memorial Day Observance**

**City of Gaithersburg, Maryland**

**Statement of Fiduciary Net Position – Fiduciary Funds  
As of June 30, 2017**

	Pension Trust - OPEB Trust Fund	Private-Purpose Trust Fund
<b>Assets</b>		
Cash and cash equivalents	10,633,861	15,609
<b>Total assets</b>	10,633,861	15,609
<b>Liabilities</b>		
Claim reimbursements due to primary government	125,724	-
<b>Total liabilities</b>	125,724	-
<b>Net Position</b>		
Net position restricted for postemployment benefits other than pensions	10,508,137	-
Net position held in trust	-	15,609
<b>Total net position</b>	\$ 10,508,137	\$ 15,609

See Notes to Basic Financial Statements.

**City of Gaithersburg, Maryland**

**Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
For the Year Ended June 30, 2017**

	Pension Trust - OPEB Trust Fund	Private-Purpose Trust Fund
	<u>                    </u>	<u>                    </u>
Additions		
Contributions		
Employer	\$ 2,200,000	\$ -
Interest and gains	<u>1,118,555</u>	<u>6</u>
<b>Total additions</b>	<u>3,318,555</u>	<u>6</u>
 Deductions		
Benefits and withdrawals	<u>568,547</u>	<u>-</u>
<b>Change in net position</b>	2,750,008	6
 Net Position		
Beginning	<u>7,758,129</u>	<u>15,603</u>
Ending	<u>\$ 10,508,137</u>	<u>\$ 15,609</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 accounting policies of the City of Gaithersburg, Maryland (the City) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB). The City has implemented all GASB Statements through Statement No. 82 and Statement No. 85 for these financial statements.

##### **A. Financial Reporting Entity**

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

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

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

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

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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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. The emphasis of fund financial statements is on major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

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.

#### **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, fund balance/net position, revenues, and expenditures or expenses, as appropriate. The City has the following funds and fund types:

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 current financial position, rather than upon net income determination. The following comprise the City's governmental funds:

General Fund: The General Fund is the primary 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 Funds: Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities, technology projects and existing City facilities. The City maintains one major and one non-major Capital Projects Fund:

- Capital Improvements Plan (CIP) Fund: This fund is used to account for funds assigned for capital projects or allocated for saving for future capital projects. This is reported as a major fund.
- Asset Replacement Fund: This fund is used to account for funds set aside for the replacement of existing City equipment, vehicles, large software and computer hardware. This is reported as a non-major fund.

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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Special Revenue Funds: The City uses a Special Revenue Funds to demonstrate compliance over the spending of revenues restricted for specific purposes. The City maintains two non-major Special Revenue Funds:

- **Forest Conservation Fund:** This is used to account for revenues which were collected through the City's forestry in-lieu-of fee. These fees are generated when developments are unable to meet certain forestry requirements on their property. This fund may also report interest earnings required to accumulate on the balance.
- **Storm Water Management Fund:** This fund is used to account for financial resources to be used for the acquisition or construction of the City's storm water management initiative and accounts for the associated revenues from the storm water program fees. This fund may also report interest earnings required to accumulate on the balance.

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. The City reports the following Fiduciary Funds:

OPEB Trust Fund: Retiree benefit trust funds are accounted for in essentially the same manner as government-wide financial statements as well; The City's Retiree Benefit Fund accounts for contributions made by the City to finance future other postemployment benefit (OPEB) payments and held in an irrevocable trust account.

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 the government-wide financial statements; that is, the measurement focus is upon income determination, financial position, and cash flows. The City's Sam and Claire Rosen Trust Fund is included as a private-purpose trust fund. This fund accounts for interest earned on the balance held to provide for recreational sports scholarships.

#### **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 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.

In contrast, 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, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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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. Property on which taxes are not paid by the succeeding June 1 may be 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 and expected to be repaid are reflected as earned, but not available revenue and are recognized at the date of receipt. The City's tax rate for the collection year ended June 30, 2017 was \$0.262 per \$100 of assessed valuation.

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

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

#### **E. Encumbrances**

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

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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#### **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, Cash Equivalents and Investments**

To facilitate effective management of the City's resources, substantially all operating cash is combined into one pooled account and reported in the General Fund. Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

All cash, cash equivalents and investments are reported at fair value except for the position in the Maryland Local Government Investment Pool (MLGIP) and the OPEB Collective Investment Trust (CIT), (collectively the External Investment Pools). The External Investment Pools operate in conformity with all of the requirements of the Securities and Exchange Commission (SEC) Rule 2(a)-7 as promulgated under the Investment Compact Act of 1940, as amended. Accordingly, the External Investment Pools qualify as 2(a)7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

#### **H. Receivables**

Receivables are carried at original invoice amount less an estimate for doubtful accounts. It is management's policy to use the aggregate of all accounts that are delinquent three or more years on property taxes as the basis and determination of the allowance for doubtful accounts.

The allowance for doubtful accounts on property taxes and stormwater fees has been established as all receivables older than three years. The allowance for police tickets and fines is based on a review of all historical collections. Receivables are written off when deemed uncollectible and recoveries of receivables previously written off are recorded when received.

#### **I. 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.

#### **J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the current year, 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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**K. Capital Assets**

Capital assets, including land, buildings, improvements, equipment, software 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, donated works of art, and capital assets received as part of a service concession arrangement are recorded at acquisition value.

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>Asset</u>	<u>Lives</u>
Buildings	15 – 40
Improvements other than buildings	15
Machinery and equipment	5 – 10
Intangible software	5 – 10
Infrastructure	15 – 50

**L. Inter-Fund Transactions**

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.

Activities 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 would be reported in the government-wide financial statements as "internal balances."

**M. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position, or fund balances, that applies to a future period and so will not be recognized in an outflow of resources (expense/expenditure) until that time. The City only has one item that qualifies for reporting in this category, deferred outflow of resources related to OPEB expense recognition.

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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Additional deferred outflows and/or deferred inflows of resources also arise from other OPEB transactions, specifically the net difference between projected and actual investment earnings, changes in OPEB assumptions, and differences between the expected and actual experience are required to be charged to OPEB expense over future periods. As such, those balances are reported as either a deferred outflow or a deferred inflow depending on the direction of the change.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position, or fund balances, that applies to a future period and so will not be recognized in an inflow of resources (revenue) until that time. One item that qualifies for reporting in this category, which arises only under the modified accrual basis of accounting, is unavailable revenue. Accordingly, it is reported only in the governmental funds balance sheet. The City reports unavailable revenues from income taxes, property taxes, fines and forfeitures and other receivables not collected within the period of availability. These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

#### **N. Compensated Absences**

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

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

For governmental fund types, the amount of accumulated unpaid vacation and sick leave that is payable from available resources is recorded as a liability of the respective fund only if it has matured, for example, as a result of employee retirements and resignations.

#### **O. Fund Balance**

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

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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

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

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority, the Mayor and City Council, are to be reported as committed fund balance. The action to establish, modify, or rescind commitments would be a majority vote of the Council taken at a public meeting.

#### **P. Net Position**

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position categorized as net investment in capital assets, consists of capital assets, less accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. As of year-end the City had no debt associated with acquisition of capital assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### **Note 2. Stewardship, Compliance, and Accountability**

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

- Prior to May 2, the City Manager submits to the City Council a proposed operating and capital budget at the program level within each department for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Expenditures may not legally exceed budgeted appropriations at the department level.
- A public hearing is held to obtain taxpayer comments.

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

- Prior to July 1, the budget for the General Fund is legally enacted through passage of an ordinance.
- The City Council is authorized to transfer budgeted amounts between programs 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 as long as no activity area budget is increased more than 25 percent.
- Spending authorization for purchase orders encumbered during the budget year and not spent as of the end of the year is carried forward and added to the subsequent years' budget.
- The City follows Generally Accepted Accounting Principles (GAAP) for budgeting with one exception. Open encumbrances at the end of the year are added to the subsequent years' budgetary authority. Actual amounts are charged based on GAAP. Unencumbered appropriations of the operating budget lapse at the end of each fiscal year. All appropriations for the capital budget are deemed re-appropriated without inclusion in the budget for the subsequent year unless the City Council shall specifically provide that such appropriations are not re-appropriated.

**Note 3. Cash, Cash Equivalents, and Investments**

The City's cash, cash equivalents and investments consisted of the following at year-end:

	FY17			
	Governmental Activities	OPEB Trust Fund	Private Purpose Trust Fund	Associated Risks
<u>Cash and cash equivalents</u>				
Bank deposits	\$ 3,651,816	\$ -	\$ 2,000	Custodial credit deposits
MLGIP	44,691,574	-	-	Credit, interest rate
Certificates of deposit	-	-	13,609	Custodial credit deposits
Money market	2,530,576	-	-	Credit, interest rate
CIT	-	10,633,861	-	Credit, interest rate
Sub-Total	50,873,966	10,633,861	15,609	
<u>Investments</u>				
Commercial paper	4,677,214	-	-	Custodial credit, credit, interest rate, concentration
US agency securities	32,303,719	-	-	Custodial credit, credit, interest rate, concentration
US treasury securities	39,567,915	-	-	Custodial credit, interest rate
Sub-Total	76,548,848	-	-	
<b>Total</b>	<b>\$ 127,422,814</b>	<b>\$ 10,633,861</b>	<b>\$ 15,609</b>	

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

The Mayor and Council of the City 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 and Administration. MLGIP is under the administrative control of the Maryland State Treasurer's. This investment pool invests only in securities allowed by Maryland State statutes.

The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940. There are no limitations on participant withdrawals.

The CIT is a Collective Investment Trust (CIT) Fund is an investment vehicle which is only available for qualified retirement plans. This CIT is sponsored by ICMA-RC. The CIT is a pooled investment that is exempt from registration under the Investment Company Act pursuant to section 3(c)(11) of the Investment Company Act. The CIT uses unit value accounting to establish a share price which is valued daily.

#### *Fair Value Hierarchy*

Some of the amounts shown above are considered investments that are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of year-end:

Asset type	Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Commercial paper	\$ 4,677,214	\$ -	\$ 4,677,214	\$ -
US agency securities	32,303,719	-	32,303,719	-
US treasury securities	<u>39,567,915</u>	<u>39,567,915</u>	-	-
Total Investments by fair value level	<u>\$ 76,548,848</u>	<u>\$ 39,567,915</u>	<u>\$ 36,980,933</u>	<u>\$ -</u>

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quote prices.

- Amounts invested in US treasury securities are comprised of securities valued using quoted market prices (Level 1) which are then allocated to position holders. These funds are required to publish their daily net asset value and to transact at that price.

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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- Amounts invested in CIT, commercial paper and US agency securities are comprised of securities which are priced by industry standard vendors, using observable inputs such as benchmark yields, reported trades broker/dealer quotes, and issuer spreads (Level 2) which are then allocated to position holders at a per unit value.

#### *Custodial credit risk deposits*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. 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 year-end 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.

#### *Custodial credit risk for investments*

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. The City's investment policy requires that securities are held by a third party custodian.

#### *Credit risk*

Credit risk is the risk the City would lose money due to a default by the security issuers or backer. The City's investment policy reduces the exposure to this risk by restricting the authorized investments to the following:

- U.S. Government Securities - these securities include obligations for which the United States has pledged its full faith and credit for the payment of interest and principal;
- U.S. Agency Securities - Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of congress;
- Repurchase Agreements - entered into with financial institutions that sign master repurchase agreements and that maintain collateralization of at least 102% of the principal amount and comply with other safekeeping and collateral requirements;
- Certificates of Deposit and Time Deposits, including deposits to Certificate of Deposit Account Registry Service (CDARS) - Banks and savings and loan associations must maintain collateralization that equals or exceeds that amount of the deposit not federally insured and comply with other safekeeping and collateral requirements;
- Bankers' Acceptances - issued by a bank with a short-term debt rating in the highest letter and numerical rating by at least one national recognized statistical rating organization as designated by the United States Securities and Exchange Commission (SEC) or the State Treasurer;

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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- Municipal Bonds - amounts treated by the Internal Revenue Service as bond sale proceeds only, bonds, notes or other obligations of investment grade in the highest quality letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the SEC issued by or on behalf of this or any other state or any agency, department, county, municipal or public corporation special district authority, or political subdivision thereof, or in any fund or trust that invests only in securities of the type described in this item;
- Commercial Paper - issued by a company that has received the highest letter and numerical rating by at least two nationally recognized statistical rating organization as designated by the United States Securities and Exchange Commission, provided that such commercial paper may not exceed 10% of the total investments made under this subsection;
- Money Market Mutual Funds - that contain only securities of the organizations listed in items 1,2, 3 and 4 above; are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, U.S.C. § 80(A), as amended and operated in accordance with rule 2A-7 of the Investment Company Act of 1940, 17 C.F.R. § 270-2A-7, as amended; and that has received the highest rating from at least one nationally recognized statistical rating organization as designated by the United States Securities and Exchange Commission;
- Pooled Investments - Any investment portfolio created under the Maryland Local Government Investment Pool, defined under the Local Government Article, Sections 17-301 through 17-309 of the Annotated Code of Maryland, that is administered by the State Treasurer;
- Montgomery County Pooled Investment Fund; and
- Any other investments expressly permitted by §6-222 of Maryland State Finance and Procurement Code, as well as any future amendments to this State Code and other future state laws that supersede or supplement this State Code, as applicable.

The City's cash, cash equivalents, and investments in the OPEB trust are not subject to this investment policy.

As of June 30, 2017, the City held cash equivalents and investments which were exposed to credit risk. These assets had the following credit ratings:

<u>Cash equivalent and investment</u>	<u>S&amp;P Rating</u>	<u>Amount</u>
MLGIP	AAAm	\$ 44,691,574
Money market	AAAm	2,530,576
CIT	unrated	10,633,861
Commercial paper	A-1+	1,393,172
Commercial paper	A-1	3,284,042
US agency securities	AA+	32,303,719

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

*Interest rate risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy limits investments to five years. As of June 30, 2017, the City's cash equivalents and investments had the following maturities:

	Amount	Maturity in years				
		< 1 year	1 - 2	2 - 3	3 - 4	4 - 5
MLGIP	\$ 44,691,574	\$44,691,574	\$ -	\$ -	\$ -	\$ -
Money market	2,530,576	2,530,576	-	-	-	-
CIT	10,633,861	10,633,861	-	-	-	-
Commercial paper	4,677,214	4,677,214	-	-	-	-
US agency securities	32,303,719	2,224,633	10,744,829	7,749,694	9,199,372	2,385,191
US treasury securities	39,567,915	11,507,260	3,620,154	6,623,884	10,940,976	6,875,641
<b>Total</b>	<b>\$ 134,404,859</b>	<b>\$ 76,265,118</b>	<b>\$ 14,364,983</b>	<b>\$ 14,373,578</b>	<b>\$ 20,140,348</b>	<b>\$ 9,260,832</b>

*Concentration of credit risk*

Concentration of credit risk is the risk that losses become substantial due to the magnitude of the City's investment in a single issuer. To reduce these risks the City's investment policy limits the investment portfolio allocations by investment type and individual issuer as follows:

Security Type	Maximum Allocation At Purchase	Maximum Issuer At Purchase
US treasury securities	100%	N/A
US agency securities	75%	30%
Repurchase agreements	50%	30%
Certificates of Deposit & CDARS	25%	5%
Bankers Acceptances	25%	10%
Municipal Bonds	25%	10%
Commercial Paper	10%	5%
Money Market Mutual Funds	50%	25%
MLGIP	100%	N/A
Montgomery County Pooled Investment Fund	25%	N/A

As of June 30, 2017, the City had \$15,791,250 in US agency securities issued by Federal National Mortgage Association and \$11,133,748 in US agency securities issued by the Federal Home Loan Mortgage Corporation, which exceeded 5% of the City's total portfolio.

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

**Note 4. Receivables**

Receivables at June 30, 2017, consist of the following:

	Governmental Activities
Property taxes	
Current year	\$ 66,919
Previous years'	226,483
Allowance on taxes more than 3 years old	<u>(150,880)</u>
Total property taxes	<u>142,522</u>
Due from other governments	
County	6,235
State	3,805,391
Federal	<u>50,140</u>
Total due from other governments	<u>3,861,766</u>
Other receivables	
Cable TV fees	240,994
Police tickets and fines	883,883
OPEB Trust reimbursement	125,724
Stormwater fees	500,579
Accrued interest	270,661
Miscellaneous	350,410
Allowance on stormwater fees	(1,897)
Allowance on police tickets and fines	<u>(162,735)</u>
Total other receivables	<u>2,207,619</u>
Total	<u>\$ 6,211,907</u>

These receivables are reported within the General Fund and the Stormwater Fund.

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The table to the right details the components of deferred inflows reported in the governmental funds.

	Unavailable
Income tax reserve	\$ 2,118,513
Property taxes receivable	135,550
Interest income	104,285
Police fines and tickets	476,127
Forgivable loan	82,500
Other	<u>29,490</u>
Total General Fund	<u>2,946,465</u>
Nonmajor Funds	
Stormwater charges	<u>498,682</u>
Total Governmental Funds	<u>\$ 3,445,147</u>

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

**Note 5. Inter-Fund Transfers**

During the fiscal year, the following amounts were transferred between funds of the City:

Transferred From	Transferred To			Total	Purpose
	CIP	Nonmajor			
		Stormwater	Asset Replacement		
General Fund	\$ 13,186,600	\$ -	\$ -	\$ 13,186,600	Capital funding
General Fund	-	931,000	-	931,000	Operating subsidy
General Fund	-	92,050	-	92,050	Stormwater fee on City owned properties
General Fund	-	33,842	-	33,842	General fund contribution for hardship properties
General Fund	-	-	1,993,487	1,993,487	Savings for future asset replacement
General Fund	-	-	10,267,175	10,267,175	Transfer existing asset replacement balances to new fund
Sub-total	<u>13,186,600</u>	<u>1,056,892</u>	<u>12,260,662</u>	<u>26,504,154</u>	
CIP	-	13,782	-	13,782	Remaining balance on Stormwater capital project
Total	<u>\$ 13,186,600</u>	<u>\$ 1,070,674</u>	<u>\$ 12,260,662</u>	<u>\$ 26,517,936</u>	

**Note 6. Long-Term Receivables**

The City's long-term receivables consist of the following:

	Governmental Activities
Long-term receivables	
Gaithersburg Homeownership Assistance Loan Program	\$ 2,189,980
Forgivable property improvement loan	82,500
Developer note receivable	761,964
Total	<u>\$ 3,034,444</u>

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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#### **A. Gaithersburg Homeownership Assistance Loan Program (GHALP)**

In order to help reduce barriers for homeownership, the City has developed a down-payment assistance program. This program provides loan funds towards a down payment and closing costs to qualified individuals and families. The loans bear no interest. Principal is to be repaid on the loans if the unit is no longer owner occupied, or when the unit is refinanced or sold. The City's loan is secured by a second mortgage on the property. At year-end a total of 132 individual loans ranging from \$4,700 to \$25,000 had been made totaling \$2,189,980. Of these loans, 35 were made during 2017 totaling \$594,964. The City received \$93,850 in repayments during 2017. The proceeds from these loan repayments will remain assigned for housing projects. As such these balances are included in assigned fund balance within the General Fund, along with other funding assigned for GHALP.

#### **B. Forgivable Property Improvement Loan**

During 2015 the City provided a forgivable loan to a local apartment building to assist with renovations in the amount of \$82,500. The loan is interest free and will be forgiven after five years assuming the facility continues to be operated in its current state for all five years.

#### **C. Developer Note Receivable**

On December 19, 2012, the City entered into a loan agreement with a third party to finance renovations to a 32-unit residential facility in the amount of \$486,000 to support the City's Affordable Housing Initiative. The terms of the note call for annual interest-only payments at a rate of two percent per annum commencing on January 1, 2014. Interest payments may be deferred until the project has positive cash flow. The entire unpaid balance, together with accrued interest, is due on January 1, 2020. The loan is secured, in a second lien position, by a deed of trust on the land and any structures erected or placed on the land, and an assignment of rents. The outstanding balance on this loan at year end was \$486,000 in principal and \$17,916 in accrued interest.

On April 14, 2014, the City entered into a loan agreement with the same third party above to provide residential rental housing for lower-income households in the amount of \$250,000 to support the City's Affordable Housing Initiative. The terms of the note call for annual installments at the lesser of interest at a rate of two percent per annum or fifty percent of net cash flow commencing on June 1, 2016. The entire unpaid balance, together with accrued interest, is due on January 1, 2020. The loan is secured by a deed of trust, security agreement and assignment of rents. The outstanding balance on this loan at year end was \$250,000 in principal and \$8,542 in accrued interest.

As the proceeds received on these two loans will remain assigned for housing projects, the balances have been reported as fund balance assigned for housing projects within the General Fund.

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

**Note 7. Capital Assets**

Capital asset activity for the year consisted of the following:

	Balance, July 1, 2016	Additions/ Transfers	Deletions/ Transfers	Balance, June 30, 2017
Capital assets not being depreciated				
Land	\$ 42,914,674	\$ -	\$ (108,243)	\$ 42,806,431
Construction-in-progress	<u>5,576,623</u>	<u>2,161,064</u>	<u>(1,390,645)</u>	<u>6,347,042</u>
Total assets not being depreciated	<u>48,491,297</u>	<u>2,161,064</u>	<u>(1,498,888)</u>	<u>49,153,473</u>
Capital assets being depreciated				
Buildings	36,745,261	1,703,917	-	38,449,178
Improvements other than buildings	14,353,108	318,448	(8,000)	14,663,556
Machinery and equipment	12,802,081	1,573,104	(539,247)	13,835,938
Intangibles	226,670	31,379	-	258,049
Infrastructure	<u>68,833,517</u>	<u>56,000</u>	<u>(100,297)</u>	<u>68,789,220</u>
Total assets being depreciated	<u>132,960,637</u>	<u>3,682,848</u>	<u>(647,544)</u>	<u>135,995,941</u>
Less accumulated depreciation for				
Buildings	(15,513,769)	(862,328)	-	(16,376,097)
Improvements other than buildings	(8,223,685)	(644,086)	8,000	(8,859,771)
Machinery and equipment	(9,648,053)	(909,460)	518,046	(10,039,467)
Intangibles	(52,136)	(22,895)	-	(75,031)
Infrastructure	<u>(40,521,565)</u>	<u>(1,656,954)</u>	<u>57,844</u>	<u>(42,120,675)</u>
Total accumulated depreciation	<u>(73,959,208)</u>	<u>(4,095,723)</u>	<u>583,890</u>	<u>(77,471,041)</u>
<b>Capital assets, net</b>	<u>\$ 107,492,726</u>	<u>\$ 1,748,189</u>	<u>\$ (1,562,542)</u>	<u>\$ 107,678,373</u>

Depreciation expense was charged to governmental functions for the year ended June 30, 2017 as follows:

General government	\$ 1,124,838
Public safety	347,397
Public works	2,088,996
Parks and recreation	534,238
Community services and development	<u>254</u>
Total depreciation	<u>\$ 4,095,723</u>

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

**Note 8. Long-Term Liabilities**

The City's long-term liabilities consist of accumulated unused compensated absences, other postemployment benefits liabilities and a liability to the State for income tax claims. 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:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Compensated absences					
Vacation	\$ 1,955,578	\$ 1,247,201	\$ (1,229,987)	\$ 1,972,792	\$ 1,116,918
Sick	1,097,832	90,463	(82,618)	1,105,677	65,731
Total compensated absences	<u>3,053,410</u>	<u>1,337,664</u>	<u>(1,312,605)</u>	<u>3,078,469</u>	<u>1,182,649</u>
Net OPEB liability	48,181,871	4,952,583	(9,917,857)	43,216,597	-
Income tax duplication liability	147,209	34,379	-	181,588	-
Total other liabilities	<u>48,329,080</u>	<u>4,986,962</u>	<u>(9,917,857)</u>	<u>43,398,185</u>	<u>-</u>
 Total long-term liabilities	 <u>\$51,382,490</u>	 <u>\$ 6,324,626</u>	 <u>\$ (11,230,462)</u>	 <u>\$ 46,476,654</u>	 <u>\$ 1,182,649</u>

**Note 9. Postretirement Healthcare and Life Insurance**

Plan Description: Other Post-Employment Benefit plan (OPEB Plan) is a single-employer defined benefit healthcare plan administered by the City. The OPEB Plan provides health care, dental, and life insurance benefits for qualifying retirees, disabled employees and their spouses. Employer and plan member contributions and benefit levels were established by the Mayor and City Council via the personnel ordinance and may be amended by that body. The City does not issue separate OPEB Plan financial statements, all required disclosure has been included within this report. The significant accounting policies of the plan are covered in Note 1 of the note to the financial statements.

*Employees covered by benefit terms:* Substantially all full-time employees may qualify for these benefits. At June 1, 2017, the following employees were covered by the benefit terms:

Retirees currently receiving benefits	72
Active employees	<u>298</u>
Total plan members	<u><u>370</u></u>

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

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*Benefits provided:* Not all 298 active employees will meet the qualifications to retire and receive OPEB benefits; the table above includes 56 employees and 16 retirees who opted out of medical coverage. 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. To retire under the Early Retirement Plan, the employee must be at least 46 years of age and have a minimum of 20 years of service. Employees retiring under the Early Retirement Plan pay an additional 5% of the health care premium cost of the lowest HMO offered at the time of retirement. All other benefits afforded to a retiree at the time of retirement remain the same, whether an employee retires under the General Retirement Plan or the Early Retirement Plan.

*Contributions:* The contribution requirements of plan members and the City are established and may be amended by the Mayor and City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually during the budget process. Additional contributions may be identified during the year by the City Manager. There are no contractual terms requiring a specific funding level. The City currently funds more than the amount needed under a pay-as-you-go funding mechanism.

For 2017, the City contributed \$2,200,000 to the OPEB Plan. The personnel ordinance requires that the City pay 100% of the life insurance and the long-term care premiums. For General Retirement retirees, the City pays 85% of the health care and dental premiums, while retirees contribute the remaining 15%. For Early Retirement retirees, the City pays 80% of the health care and dental premiums, while retirees contribute the remaining 20%. Active employees are not required to contribute to the OPEB Plan. The contribution amount is determined annually based on budgetary funding availability with a long term goal of fully funding the obligation. There are no statutory or other legally required contribution levels.

**Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2016 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 1, 2016. The liability was rolled forward for the year ended June 30, 2017.

*Actuarial assumptions:* The total OPEB liability in the June 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.30%
Salary increases	4.2 - 6.45%
Investment rate of return	6.25%
Healthcare cost trend rates*	5.6% for 2017 to an ultimate rate of 3.76%

The actuarial assumptions used in the June 1, 2016 valuation were based on the results of an actuarial study for the period July 1, 2015 - June 30, 2016.

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

*Long-term expected rate of return:* An expected real rate of return was not provided for the asset profile. The 10-year average rate of return for the portfolio was 5.7%. The 10-year geometric average inflation was 1.7% which is 60 basis points lower than the inflation assumption for the long-term medical trend model. The actual return was adjusted by 60 basis points and rounded to the nearest 25 basis points to select the long-term rate of return assumption of 6.25%.

*Discount rate:* The discount rate used to measure the total OPEB liability was 3.98%. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at the same level as the subsequent years' adopted budget. Based on this assumption, the OPEB plan's asset are expected to be exhausted in future years. Benefits that are paid prior to the estimated date that assets are exhausted are discounted at the expected rate of return of 6.25% as of June 30, 2016 and 2015. Benefits that are paid after the trust fund is expected to be exhausted are discounted based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. For this valuation, the bond rates used as of June 30, 2017 and 2016 were 3.58% and 3.01%, respectively, and they represent the bond rates published by the Federal Reserve in the following link: <http://www.federalreserve.gov/releases/h15/data.htm>. Therefore, the blended discount rates used as of June 30, 2017 and 2016 were 3.98% and 3.38%, respectively.

**Net OPEB Plan's Fiduciary Net Position**

The elements of the OPEB Plan's basic financial statements are included within the Statement of Fiduciary Net Position - Fiduciary Funds and Statement of Changes in Fiduciary Net Position - Fiduciary Funds, in the accompanying financial statements.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Beginning Balance - June 30, 2016	\$ 55,940,000	\$ 7,758,129	\$ 48,181,871
Changes for the year			
Service cost	2,967,911	-	2,967,911
Interest	1,881,173	-	1,881,173
Experience losses	103,499	-	103,499
Employer contributions			
Employer trust contributions	-	2,200,000	(2,200,000)
Implicit rate subsidy	-	126,000	(126,000)
Total employer contributions	-	2,326,000	(2,326,000)
Net investment income	-	1,118,555	(1,118,555)
Changes in assumptions	(6,599,302)	-	(6,599,302)
Benefit payments			
Benefit payments - Explicit	(568,547)	(568,547)	-
Benefit payments - Implicit	-	(126,000)	126,000
Total benefit payments	(568,547)	(694,547)	126,000
Net changes	(2,215,266)	2,750,008	(4,965,274)
Ending balance - June 30, 2017	<u>\$ 53,724,734</u>	<u>\$ 10,508,137</u>	<u>\$ 43,216,597</u>

Funded status

19.56%

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

*Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates:* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current discount rate:

	1% Decrease	Discount	1% Increase
	<u>2.98%</u>	<u>Rate 3.98%</u>	<u>4.98%</u>
Net OPEB liability	\$54,836,462	\$43,216,597	\$34,247,922

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1-percentage-point lower (4.6%) or 1-percentage-point higher (6.6%) than the current healthcare cost trend rates:

	1% Decrease	Health Care	1% Increase
	<u>4.6%</u>	<u>Cost Trend</u>	<u>Rate 5.6%</u>
		<u>6.6%</u>	
Net OPEB liability	\$32,896,582	\$43,216,597	\$57,198,787

**OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2017, the City recognized OPEB expense of \$4,356,253. At June 30, 2017, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	Deferred
	Outflow of	Inflow of
	<u>Resources</u>	<u>Resources</u>
Net difference between projects and actual earnings on OPEB plan investments	\$ 90,562	\$ -
Changes in assumptions	4,994,568	5,774,391
Difference between expected and actual experience	<u>418,590</u>	<u>465,856</u>
Total	<u>\$ 5,503,720</u>	<u>\$ 6,240,247</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending</u>	<u>Total</u>
2018	\$ 43,518
2019	43,518
2020	43,518
2021	(96,012)
2022	20,452
Thereafter	<u>(791,521)</u>
Total	<u>\$ (736,527)</u>

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

**Note 10. Income Tax Duplication Liability**

The State of Maryland lost a case related to income tax duplication, where taxpayers with income tax liabilities in multiple states had not been allowed a credit for local income taxes paid to other jurisdictions. In order to receive a refund, taxpayers are required to file an amended state tax return. The State of Maryland has indicated that any reduction in taxes due to the City's would be deducted from the City's local income tax payment beginning in 2019. As of June 30, 2017, \$181,588, which includes \$6,475 of interest, was recorded as long-term liability.

**Note 11. Fund Balance**

The details of Governmental fund balances are summarized as follows:

	General Fund	CIP Fund	Non-Major Funds
Non-spendable			
Prepays	\$ 307,937	\$ -	\$ -
Inventory	19,583	-	-
Total non-spendable	327,520	-	-
Restricted for			
Sports program	11,671	-	-
Holiday giving	17,908	-	-
Public safety activities	59,605	-	-
Stream and infrastructure improvements	141,004	-	-
Transportation projects	250,800	2,521,018	-
Stormwater	-	-	5,756,777
Forest conservation	-	-	709,568
Total restricted	480,988	2,521,018	6,466,345
Committed for			
Housing projects	1,987,523	-	-
Capital projects and equipment	-	5,634,837	659,688
Total committed	1,987,523	5,634,837	659,688
Assigned for			
Economic development opportunity grants	2,208,567	-	-
Economic development toolbox grants	131,365	-	-
GHALP	2,259,644	-	-
Housing projects	761,964	-	-
Encumbrances for operations	239,575	-	-
Stormwater	-	-	3,771,182
Capital projects and equipment	344,120	37,886,715	10,144,262
Total assigned	5,945,235	37,886,715	13,915,444
Unassigned	52,545,837	-	-
Total fund balances	\$ 61,287,103	\$ 46,042,570	\$ 21,041,477

**City of Gaithersburg, Maryland**

**Notes to Basic Financial Statements**

Encumbrances included various expenditures that have been assigned for future services that are to be provided to the City such as professional, landscaping, refuse collection services, as well as for the purchase of future assets (machinery and equipment) for various departments.

**Note 12. Retirement Plans**

The City offers three single-employer, defined contribution pension plans, all authorized under Section 401 of the Internal Revenue Code. The plans and contribution rates were established by the Mayor and City Council, who would authorize any plan amendments. The plans are administered by ICMA-RC, a nonprofit independent financial services corporation. The table below summarizes each plan:

<u>Plan Description</u>	<u>401a</u>	<u>401k</u>	<u>401a supplemental</u>
Covered employees	all full-time	all full-time, with employee match	public safety and public works
Plan Members			
Benefits Provided	8% of salary	3% of salary, with 5% employee match	up to 5% of salary, with 10% employee match
Vesting period years of service			
1	0%	0%	0%
2	0%	0%	0%
3	33%	33%	0%
4	67%	67%	0%
5	100%	100%	0%
6	100%	100%	20%
7	100%	100%	40%
8	100%	100%	60%
9	100%	100%	80%
10	100%	100%	100%

Unvested, forfeited amounts are available to the City to offset future pension payments. The table below summarizes pension expense for the year ended June 30, 2017:

<u>Pension Expense</u>	<u>401a</u>	<u>401k</u>	<u>401a supplemental</u>
Pension expense	\$ 1,694,423	\$ 589,452	\$ 395,215
Forfeitures applied	(80,700)	(27,300)	(32,270)
Net pension expense	<u>\$ 1,613,723</u>	<u>\$ 562,152</u>	<u>\$ 362,945</u>

The City has no pension liability.

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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#### **Note 13. Tax Abatements**

The City does not have a formal tax abatement program. Tax abatements, instead, are provided through the execution of individual tax abatement agreements. These agreements are authorized through the approval of a Resolution by the City Council. These agreements either reduce the assessed value or refund municipal property taxes paid by the taxpayer. Some of the abatements abate 100% of the City's municipal taxes and others abate the difference between the property tax owed in the current year and the property tax that would have been owed if the property were not within the City boundaries. There are no recapture provisions as the primary reason for the abatement is the annexation of the property into the City. During 2017, the City had seven tax abatement agreements in place and abated approximately \$155,500 in real property tax revenue.

The City has established a threshold of 2% of the subsequent year's property tax budget as a minimum level for providing individual disclosure within these financial statements. None of these agreements met this threshold for individual disclosure.

#### **Note 14. 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 the fiscal year, the City paid premiums of \$266,301 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 the fiscal year, the City paid premiums of \$230,352 to Montgomery County.

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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#### **Note 15. 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.

Open Contracts: The City is committed under various contracts pertaining to street resurfacing, storm water management, traffic signalization, other capital improvement projects and general operating contracts. At June 30, 2017, encumbrances for contracts were \$583,695 in the General Fund, \$6,088,722 in the CIP Fund, \$970,586 in the Storm Water Management Fund, \$919,339 in the Asset Replacement Fund. These have been reported as assigned or committed within the appropriate 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 not audited in accordance with Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (the Uniform Guidance) for the current year as the threshold of \$750,000 of federal expenditures were not met. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

#### **Note 16. Conduit Debt Obligation**

The City has approved the issuance of economic development revenue bonds for the benefit of Asbury Methodist Village, Incorporated, an assisted living facility. This debt is secured by the revenues of the facility and do not constitute an indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year-end, there were three bond issuances outstanding with an aggregate balance of \$120,485,000. 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 17. New Governmental Accounting Standards Board (GASB) Standards**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2017, that have effective dates that may impact future financial presentations. The full statements are available on the GASB's website. 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 No. 83, *Certain Asset Retirement Obligations* will be effective for the City beginning with its year ending June 30, 2019. This statement addresses accounting and financial reporting requirements for asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.
- GASB Statement No. 84, *Fiduciary Activities* will be effective for the City beginning with its year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on 1) whether a government is controlling the assets of the activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

## City of Gaithersburg, Maryland

### Notes to Basic Financial Statements

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- GASB Statement No. 86, *Certain Debt Extinguishment Issues* will be effective for the City beginning with its year ending June 30, 2018. This statement establishes accounting and financial reporting guidelines for in-substance defeasance of debt in which existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.
- GASB Statement No. 87, *Leases*, will be effective for the City beginning with its year ending June 30, 2021. This statement removes the traditional classifications of leases as operating or capital and recognizes all leases as financing tools, resulting in reporting of lease transactions as both a liability and an intangible right to use the leased asset. This statement defines lease transactions and establishes the new accounting and financial reporting requirements.



**Oktoberfest 2016**

# Required Supplementary Information Section



**City of Gaithersburg, Maryland**

**Required Supplementary Information  
Schedule of Changes in the City's Net OPEB Liability and Related Ratios**

	2017	2016
Total OPEB liability		
Service cost	\$ 2,967,911	\$ 2,427,000
Interest	1,881,173	1,833,000
Experience losses	103,499	-
Changes in assumptions	(6,599,302)	6,658,997
Benefit payments	(568,547)	(676,997)
Net change in total OPEB liability	(2,215,266)	10,242,000
Beginning total OPEB liability	55,940,000	45,698,000
Ending total OPEB liability (a)	\$ 53,724,734	\$ 55,940,000
Plan fiduciary net position		
Employer contributions	\$ 2,326,000	\$ 1,326,000
Net investment income	1,118,555	(103,118)
Benefit payments	(694,547)	(676,997)
Net change in fiduciary net position	2,750,008	545,885
Beginning fiduciary net position	7,758,129	7,212,244
Ending fiduciary net position (b)	\$ 10,508,137	\$ 7,758,129
City's net OPEB liability - ending (a) - (b)	43,216,597	48,181,871
Plan fiduciary net position as a percentage of the total OPEB liability	19.56%	13.87%
Covered-employee payroll	21,426,009	20,709,628
City's net OPEB liability as a percentage of covered-employee payroll	201.70%	232.65%

Notes to schedule:

*Changes in assumptions:* reflects the effect of changes in the discount rate each period.

A discount rate of 4.14% was used in 2015, 3.38% in 2016 and 3.98% in 2017.

The above schedule is presented to illustrate the requirement for specified information for 10 years. Until a full 10 year trend is compiled, information is only presented for those year(s) for which the information is available



**Public Art Sculpture Watkins  
Mill Town Center**

# Supplementary Information Section





**Smokehouse**

**City of Gaithersburg, Maryland**

**Balance Sheet – Non-Major Funds**

**As of June 30, 2017**

	Special Revenue		Capital Projects	
	Forest Conservation Fund	Storm Water Management Fund	Asset Replacement Fund	Total Non-Major Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 290,487	\$ 3,889,767	\$ 4,434,068	\$ 8,614,322
Investments	435,731	5,834,650	6,651,101	12,921,482
Other receivables, net of allowance of \$1,897	-	498,682	-	498,682
<b>Total assets</b>	<b>\$ 726,218</b>	<b>\$ 10,223,099</b>	<b>\$ 11,085,169</b>	<b>\$ 22,034,486</b>
<b>Liabilities, Deferred Inflow of Resources, and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 16,650	\$ 186,023	\$ 281,219	\$ 483,892
Accrued liabilities	-	10,435	-	10,435
<b>Total liabilities</b>	<b>16,650</b>	<b>196,458</b>	<b>281,219</b>	<b>494,327</b>
Deferred inflow of resources				
Unavailable revenues	-	498,682	-	498,682
<b>Total deferred inflow of resources</b>	<b>-</b>	<b>498,682</b>	<b>-</b>	<b>498,682</b>
Fund balances				
Restricted	709,568	5,756,777	-	6,466,345
Committed	-	-	659,688	659,688
Assigned	-	3,771,182	10,144,262	13,915,444
<b>Total fund balances</b>	<b>709,568</b>	<b>9,527,959</b>	<b>10,803,950</b>	<b>21,041,477</b>
<b>Total liabilities, deferred inflow of resources, and fund balances</b>	<b>\$ 726,218</b>	<b>\$ 10,223,099</b>	<b>\$ 11,085,169</b>	<b>\$ 22,034,486</b>

**City of Gaithersburg, Maryland**

**Statement of Revenues, Expenditures, and Changes  
in Fund Balances – Non-Major Funds  
For the Year Ended June 30, 2017**

	Special Revenue		Capital Projects	Total Non-Major Funds
	Forest Conservation Fund	Storm Water Management Fund	Asset Replacement Fund	
<b>Revenues</b>				
Licenses and permits	\$ 34,123	\$ -	\$ -	\$ 34,123
Charges for services	-	3,545,479	-	3,545,479
Interest income	1,518	36,147	-	37,665
<b>Total revenues</b>	<u>35,641</u>	<u>3,581,626</u>	<u>-</u>	<u>3,617,267</u>
<b>Expenditures</b>				
Current				
Public works	72,826	551,661	-	624,487
Capital outlay	-	559,971	1,456,712	2,016,683
<b>Total expenditures</b>	<u>72,826</u>	<u>1,111,632</u>	<u>1,456,712</u>	<u>2,641,170</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(37,185)</u>	<u>2,469,994</u>	<u>(1,456,712)</u>	<u>976,097</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	1,070,674	12,260,662	13,331,336
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>1,070,674</u>	<u>12,260,662</u>	<u>13,331,336</u>
<b>Net change in fund balances</b>	<u>(37,185)</u>	<u>3,540,668</u>	<u>10,803,950</u>	<u>14,307,433</u>
<b>Fund Balances</b>				
Beginning	<u>746,753</u>	<u>5,987,291</u>	<u>-</u>	<u>6,734,044</u>
Ending	<u>\$ 709,568</u>	<u>\$ 9,527,959</u>	<u>\$ 10,803,950</u>	<u>\$ 21,041,477</u>

City of Gaithersburg, Maryland

Schedule of Revenues – Budget and Actual - General Fund  
 Year Ended June 30, 2017  
 (With Comparative Totals for 2016)

	2017			Variance with Final Budget Positive (Negative)	2016 Actual
	Original Budget	Final Budget	Actual		
<b>Taxes</b>					
Real estate taxes	\$24,727,000	\$ 24,727,000	\$25,234,297	\$ 507,297	\$ 24,153,339
Personal property taxes	1,210,700	1,210,700	1,873,360	662,660	1,674,254
Penalties and interest	50,000	50,000	65,909	15,909	57,142
Hotel tax	1,120,000	1,120,000	1,240,728	120,728	1,134,798
Admissions tax	1,250,000	1,250,000	1,252,697	2,697	1,352,728
<b>Total taxes</b>	<u>28,357,700</u>	<u>28,357,700</u>	<u>29,666,991</u>	<u>1,309,291</u>	<u>28,372,261</u>
<b>Licenses and Permits</b>					
Street permits	40,000	40,000	10,881	(29,119)	109,878
Amusement licenses	23,000	23,000	19,200	(3,800)	19,200
Traders licenses	140,000	140,000	138,586	(1,414)	123,487
Hawkers/peddlers licenses	5,000	5,000	11,450	6,450	6,750
Electricians licenses	40,000	40,000	29,575	(10,425)	63,000
Rental housing licenses	655,000	655,000	739,198	84,198	748,720
Bus shelter franchise fee	16,000	16,000	25,911	9,911	21,459
CATV franchise	888,000	888,000	908,364	20,364	900,325
CATV PEG	51,600	51,600	51,742	142	52,080
Animal licenses	28,500	28,500	29,030	530	31,975
Building permits	1,400,000	1,400,000	1,935,317	535,317	1,947,702
Deck Permits	18,000	18,000	9,035	(8,965)	10,910
Fence Permits	2,100	2,100	2,950	850	2,415
Swimming Pool Permits	3,000	3,000	1,326	(1,674)	21,610
Tent Permits	5,500	5,500	5,247	(253)	4,572
Trailer Permits	2,200	2,200	3,500	1,300	2,550
Electrical permits	213,000	213,000	268,640	55,640	266,551
Occupancy permits	60,000	60,000	129,000	69,000	55,050
Sign permits	32,000	32,000	25,860	(6,140)	20,463
Fire protection permits	262,000	262,000	294,080	32,080	334,904
Mechanical permits	150,000	150,000	210,616	60,616	185,152
Special events permits	15,000	15,000	11,430	(3,570)	13,205
Grading permits	40,000	40,000	102,767	62,767	142,560
On site improvements	130,000	130,000	402,720	272,720	218,410
Stormwater management permits	28,000	28,000	71,329	43,329	180,737
Other permits	1,283	1,283	2,050	767	2,270
<b>Total licenses and permits</b>	<u>4,249,183</u>	<u>4,249,183</u>	<u>5,439,804</u>	<u>1,190,621</u>	<u>5,485,935</u>

City of Gaithersburg, Maryland

Schedule of Revenues – Budget and Actual - General Fund  
 Year Ended June 30, 2017  
 (With Comparative Totals for 2016)

(continued)

	2017			Variance with Final Budget Positive (Negative)	2016 Actual
	Original Budget	Final Budget	Actual		
<b>Intergovernmental</b>					
Federal grants					
Community development	\$ 353,700	\$ 353,700	\$ 392,343	\$ 38,643	\$ 419,882
Emergency management	-	-	202,074	202,074	-
Transitional housing	57,455	57,455	50,994	(6,461)	141,950
DOJ police equipment	7,000	7,000	4,719	(2,281)	16,858
Miscellaneous	-	-	38,400	38,400	18,398
State grants					
Open Space	66,000	66,000	66,000	-	-
Police	861,702	861,702	787,955	(73,747)	590,766
Homeless program	26,338	26,338	-	(26,338)	-
Arts	39,000	39,000	57,557	18,557	37,557
Miscellaneous	15,000	15,000	17,103	2,103	900
Olde Towne revitalization and plaza	300,000	300,000	78,477	(221,523)	16,873
Maryland state bond bill	280,000	280,000	100,000	(180,000)	-
State-shared taxes					
Highway user	1,394,971	1,394,971	1,322,358	(72,613)	1,314,039
County grants and shared taxes					
Financial corporations	2,645	2,645	2,645	-	2,645
County revenue sharing	1,168,467	1,168,467	1,206,567	38,100	1,168,467
Income tax	9,750,000	9,750,000	11,360,060	1,610,060	11,015,225
Homeless program	85,215	85,215	68,077	(17,138)	35,757
Nutrition program	46,000	46,000	53,588	7,588	57,889
Miscellaneous	18,400	18,400	-	(18,400)	507,297
<b>Total intergovernmental</b>	<b>14,471,893</b>	<b>14,471,893</b>	<b>15,808,917</b>	<b>1,337,024</b>	<b>15,344,503</b>
<b>Charges for Services</b>					
Automation fee	250,000	250,000	340,769	90,769	329,307
Zoning fees	150,000	150,000	112,881	(37,119)	98,547
Recreation fees	1,209,000	1,209,000	1,229,783	20,783	1,200,619
Casey Community Center	195,000	195,000	232,440	37,440	157,351
Pool	685,000	685,000	696,800	11,800	838,791
Kentlands Mansion	140,400	140,400	175,924	35,524	161,878
Cultural arts program	-	-	1,220	1,220	-

City of Gaithersburg, Maryland

Schedule of Revenues – Budget and Actual - General Fund  
Year Ended June 30, 2017  
(With Comparative Totals for 2016)

(concluded)

	2017				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
Special events	\$ 120,000	\$ 120,000	\$ 97,876	\$ (22,124)	\$ 129,579
Gaithersburg Aquatic Center	160,000	160,000	170,326	10,326	156,091
Skate park	12,300	12,300	13,075	775	14,168
Group picnics	60,000	60,000	66,338	6,338	67,170
Winter Lights	250,000	250,000	321,610	71,610	278,271
Miniature golf revenue	122,500	122,500	92,609	(29,891)	119,199
Youth center in Olde Towne	10,000	10,000	13,875	3,875	8,512
Activity Center programs	235,000	235,000	221,665	(13,335)	239,182
Gaithersburg Arts Barn	276,900	276,900	278,958	2,058	294,264
Gaithersburg Youth Center	4,000	4,000	4,430	430	10,009
Community museum	3,200	3,200	6,445	3,245	3,555
Membership fee – dog exercise	2,200	2,200	1,440	(760)	840
Senior Center revenue	132,000	132,000	142,809	10,809	142,123
Rental – Senior Center	23,000	23,000	21,356	(1,644)	24,917
Environmental fees	5,000	5,000	4,895	(105)	3,025
Stormwater management fees	50,000	50,000	67,640	17,640	141,070
Recycling collections	1,140,000	1,140,000	1,164,449	24,449	1,145,928
Miscellaneous	5,180	5,180	14,377	9,197	113,583
<b>Total charges for services</b>	<u>5,240,680</u>	<u>5,240,680</u>	<u>5,493,990</u>	<u>253,310</u>	<u>5,677,979</u>
Fines and Forfeitures					
Ordinance fines	<u>2,340,000</u>	<u>2,340,000</u>	<u>2,863,272</u>	<u>523,272</u>	<u>2,959,850</u>
Interest income	<u>414,720</u>	<u>414,720</u>	<u>153,645</u>	<u>(261,075)</u>	<u>679,695</u>
Miscellaneous Revenue					
Rents	136,605	136,605	139,804	3,199	157,229
Contributions	124,100	124,100	190,554	66,454	126,820
Passports	85,000	85,000	72,950	(12,050)	83,675
Miscellaneous	181,800	181,800	599,075	417,275	363,931
<b>Total miscellaneous</b>	<u>527,505</u>	<u>527,505</u>	<u>1,002,383</u>	<u>474,878</u>	<u>731,655</u>
<b>Total revenue</b>	<u>\$55,601,681</u>	<u>\$ 55,601,681</u>	<u>\$60,429,002</u>	<u>\$ 4,827,321</u>	<u>\$ 59,251,878</u>

City of Gaithersburg, Maryland

Schedule of Expenditures – Budget and Actual - General Fund  
 Year Ended June 30, 2017  
 (With Comparative Totals for 2016)

	2017			Variance with Final Budget Positive (Negative)	2016 Actual
	Original Budget	Final Budget	Actual		
General Government					
Mayor and City Council	\$ 310,280	\$ 310,280	\$ 294,286	\$ 15,994	\$ 293,645
Legal services	558,619	569,105	586,941	(17,836)	572,074
Registration and elections	1,200	1,200	-	1,200	51,511
Office of the City Manager	706,619	706,619	719,577	(12,958)	716,343
Economic and business development	475,238	486,818	608,951	(122,133)	436,096
Environmental services	137,004	137,004	143,819	(6,815)	152,529
Human resources	948,019	948,869	1,021,611	(72,742)	990,039
Finance and administration	1,491,548	1,493,200	1,359,764	133,436	1,213,762
Housing and community development	899,397	887,885	339,442	548,443	297,676
Information technology	1,595,904	1,620,733	1,433,929	186,804	1,509,871
Geographic information services	280,269	274,269	272,126	2,143	271,138
General services	51,609	51,609	49,446	2,163	271,235
Facilities management	1,199,847	1,251,932	1,146,150	105,782	1,095,113
Building and grounds					
City Hall	202,081	203,232	161,325	41,907	137,062
Police station	72,564	73,716	60,364	13,352	62,662
Public service facility	271,810	318,559	169,433	149,126	147,147
Train station	29,568	30,723	21,813	8,910	25,001
Kentlands Mansion	59,285	58,959	50,742	8,217	40,020
Benjamin Gaither Center	124,078	124,040	105,593	18,447	73,536
Casey Community Center	155,441	155,480	139,990	15,490	130,357
Olde Towne Pavilion	4,870	4,870	4,225	645	3,823
Public safety facility	42,010	41,585	50,299	(8,714)	-
Gaithersburg Aquatic Center	19,417	19,844	15,479	4,365	11,276
Activity Center at Bohrer Park	304,624	305,058	266,588	38,470	263,875
Gaithersburg Arts Barn	85,356	85,101	69,344	15,757	80,796
Water Park at Bohrer Park	150,401	150,612	115,387	35,225	94,952
Miniature golf course	17,300	17,291	12,372	4,919	15,652
Skate park	10,300	10,291	2,772	7,519	2,899
Youth Center in Olde Towne	71,541	71,382	48,266	23,116	32,493
Youth Center at Robertson Park	51,356	51,276	45,447	5,829	38,682
Future Park Site	39,755	46,238	3,353	42,885	36,585
Parking facility	83,929	5,573	88,318	(82,745)	77,382
Planning	837,993	839,993	829,486	10,507	824,015
Planning and Code Administration	1,079,040	1,080,234	962,798	117,436	888,074

City of Gaithersburg, Maryland

Schedule of Expenditures – Budget and Actual - General Fund  
 Year Ended June 30, 2017  
 (With Comparative Totals for 2016)

(continued)

	2017			Variance with Final Budget Positive (Negative)	2016 Actual
	Original Budget	Final Budget	Actual		
Neighborhood services	\$ 942,988	\$ 939,902	\$ 827,178	\$ 112,724	\$ 708,535
Public information	837,382	837,382	846,501	(9,119)	824,443
Gaithersburg television	273,970	273,970	269,619	4,351	340,677
Non-departmental	3,111,522	3,098,055	2,473,467	624,588	3,120,936
<b>Total general government</b>	<u>17,534,134</u>	<u>17,582,889</u>	<u>15,616,201</u>	<u>1,966,688</u>	<u>15,851,912</u>
<b>Public Safety</b>					
Permits and inspections	1,757,670	1,748,412	1,750,340	(1,928)	1,686,590
Animal control	485,446	485,446	468,190	17,256	477,009
Police department	9,123,925	9,123,053	8,977,682	145,371	9,124,641
Traffic engineering	267,526	261,528	247,801	13,727	176,811
<b>Total public safety</b>	<u>11,634,567</u>	<u>11,618,439</u>	<u>11,444,013</u>	<u>174,426</u>	<u>11,465,051</u>
<b>Public Works</b>					
Public works administration	809,422	809,422	850,421	(40,999)	841,232
Streets and special projects	978,867	949,110	754,828	194,282	1,412,362
Fleet maintenance	565,436	565,436	558,819	6,617	518,121
Landscaping and forestry	1,113,716	1,110,630	967,363	143,267	990,370
Municipal parks maintenance	2,042,758	2,083,742	1,931,956	151,786	1,853,347
Mowing and bulk pick-up	2,162,653	2,055,714	1,936,964	118,750	1,847,114
Recycling	963,650	961,294	974,398	(13,104)	968,447
Engineering services	557,567	545,704	404,718	140,986	316,337
Street lighting	625,000	625,000	674,369	(49,369)	565,160
<b>Total public works</b>	<u>9,819,069</u>	<u>9,706,052</u>	<u>9,053,836</u>	<u>652,216</u>	<u>9,312,490</u>
<b>Parks, Recreation and Culture</b>					
Administration	769,246	758,511	715,325	43,186	706,934
Recreation programs and sports	908,424	908,424	953,244	(44,820)	913,442
Recreation classes	305,765	305,765	264,498	41,267	283,698
Youth services	457,896	457,896	493,978	(36,082)	455,538
Summer programs	550,640	550,640	571,480	(20,840)	518,223
Gaithersburg Youth Center	215,281	215,281	216,832	(1,551)	220,740
Skate park	33,764	33,764	35,731	(1,967)	31,572
Casey Community Center	351,863	351,863	398,419	(46,556)	356,160
Water park	572,127	572,127	605,564	(33,437)	578,194
Gaithersburg Arts Barn	476,632	476,632	537,163	(60,531)	513,655

City of Gaithersburg, Maryland

Schedule of Expenditures – Budget and Actual - General Fund  
 Year Ended June 30, 2017  
 (With Comparative Totals for 2016)

(concluded)

	2017			Variance with Final Budget Positive (Negative)	2016 Actual
	Original Budget	Final Budget	Actual		
Youth Center in Olde Towne	\$ 296,340	\$ 296,340	\$ 286,626	\$ 9,714	\$ 276,478
Activities center at Bohrer park	472,162	472,162	471,048	1,114	452,401
Gaithersburg Aquatic Center	316,962	316,962	301,875	15,087	256,928
Miniature golf course	96,488	96,488	112,353	(15,865)	83,779
Picnic pavilions	20,447	20,447	18,915	1,532	19,714
Winter Lights	233,765	233,765	221,197	12,568	213,289
Special events	1,122,909	1,122,909	1,095,779	27,130	1,118,699
Museums	187,960	187,960	193,380	(5,420)	177,850
Kentlands Mansion	352,842	352,842	348,447	4,395	357,489
<b>Total parks, recreation and culture</b>	<u>7,741,513</u>	<u>7,730,778</u>	<u>7,841,854</u>	<u>(111,076)</u>	<u>7,534,783</u>
Community Services and Development					
Senior program	737,385	737,385	705,457	31,928	737,620
Community services	1,482,629	1,482,629	1,414,098	68,531	1,414,908
Homeless assistance	529,173	529,173	496,190	32,983	535,258
<b>Total community services and development</b>	<u>2,749,187</u>	<u>2,749,187</u>	<u>2,615,745</u>	<u>133,442</u>	<u>2,687,786</u>
<b>Contribution to OPEB trust</b>	<u>1,600,000</u>	<u>1,600,000</u>	<u>2,200,000</u>	<u>(600,000)</u>	<u>1,200,000</u>
<b>Total expenditures</b>	<u>\$ 51,078,470</u>	<u>\$ 50,987,345</u>	<u>\$ 48,771,649</u>	<u>\$ 2,215,696</u>	<u>\$ 48,052,022</u>



**Oktoberfest 2016**

# Statistical Section



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**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.

Page(s)

<b>Financial Trends</b>	68–73
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	74–78
These schedules contain information to help the reader assess the City’s most significant local revenue sources, the property tax and the room tax.	
<b>Debt Capacity</b>	79
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.	
<b>Economic and Demographic Information</b>	80–81
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<b>Operating Information</b>	82–88
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

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

City of Gaithersburg, Maryland

Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net investment in capital assets	\$ 107,678,373	\$ 107,492,726	\$ 103,485,802	\$ 101,260,797	\$ 96,693,648	\$ 99,456,894	\$ 98,705,783	\$ 99,881,968	\$ 101,308,114	\$ 101,079,002
Restricted	9,468,351	3,474,680	1,241,199	-	-	-	-	-	-	-
Unrestricted	<u>75,134,765</u>	<u>71,152,790</u>	<u>94,938,598</u>	<u>88,602,102</u>	<u>84,005,267</u>	<u>72,126,415</u>	<u>67,369,088</u>	<u>59,946,586</u>	<u>59,499,836</u>	<u>56,869,084</u>
Total Governmental Activities										
Net Position	<u>\$ 192,281,489</u>	<u>\$ 182,120,196</u>	<u>\$ 199,665,599</u>	<u>\$ 189,862,899</u>	<u>\$ 180,698,915</u>	<u>\$ 171,583,309</u>	<u>\$ 166,074,871</u>	<u>\$ 159,828,554</u>	<u>\$ 160,807,950</u>	<u>\$ 157,948,086</u>

Note:

Previous years have not been restated to conform to the current year presentation.

**City of Gaithersburg, Maryland**

**Changes in Net Position - Governmental Activities  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses</b>										
General Government	\$ 18,308,169	\$ 19,165,828	\$ 16,504,191	\$ 15,483,111	\$ 17,151,788	\$ 16,369,822	\$ 15,481,747	\$ 12,907,455	\$ 11,641,478	\$ 10,536,978
Public Safety	12,879,218	13,409,073	12,562,415	11,654,483	10,568,639	10,538,639	10,273,073	11,148,695	11,281,073	10,918,534
Public Works	13,692,879	12,954,346	10,305,125	14,102,911	12,374,419	13,138,836	11,524,148	12,246,680	11,438,388	10,811,440
Park, Recreation & Culture	8,771,811	8,719,722	8,325,520	6,259,327	6,254,667	5,659,702	6,131,521	7,280,057	7,255,705	9,118,751
Community Services & Development	2,747,027	3,139,656	2,559,169	2,260,865	2,217,111	2,089,330	2,010,300	2,151,366	2,103,765	2,148,811
Miscellaneous*	-	-	-	-	-	-	-	-	1,536,547	1,797,067
<b>Total Expenses</b>	<b>56,399,104</b>	<b>57,388,625</b>	<b>50,256,420</b>	<b>49,760,697</b>	<b>48,566,624</b>	<b>47,796,329</b>	<b>45,420,789</b>	<b>45,734,253</b>	<b>45,256,956</b>	<b>45,331,581</b>
<b>Program Revenues</b>										
Charges for Services:										
General Government	3,899,801	3,804,063	3,012,450	2,640,480	3,596,714	2,731,495	2,793,156	2,121,622	1,703,735	1,855,587
Public Safety	3,858,779	4,585,220	3,331,546	3,538,543	4,090,633	4,295,957	3,566,588	2,705,648	1,381,525	1,897,490
Public Works	5,047,293	4,755,402	3,156,696	2,426,075	2,301,691	2,630,871	1,834,855	1,527,357	1,400,167	1,631,297
Park, Recreation & Culture	3,803,969	3,862,799	3,809,545	3,448,852	3,346,990	3,412,020	3,263,386	3,092,053	3,014,450	3,049,408
Operating Grants and Contributions	1,894,132	935,022	922,928	1,184,147	1,981,372	751,938	709,575	2,246,034	1,202,924	1,569,161
Capital Grants and Contributions	4,111,152	1,767,652	2,824,717	4,824,259	917,287	1,312,834	1,400,883	464,815	2,206,960	2,696,447
<b>Total Program Revenues</b>	<b>22,615,126</b>	<b>19,710,158</b>	<b>17,057,882</b>	<b>18,062,356</b>	<b>16,234,687</b>	<b>15,135,115</b>	<b>13,568,443</b>	<b>12,157,529</b>	<b>10,909,761</b>	<b>12,699,390</b>
<b>Net (Expense)/Revenue</b>	<b>(33,783,978)</b>	<b>(37,678,467)</b>	<b>(33,198,538)</b>	<b>(31,698,341)</b>	<b>(32,331,937)</b>	<b>(32,661,214)</b>	<b>(31,852,346)</b>	<b>(33,576,724)</b>	<b>(34,347,195)</b>	<b>(32,632,191)</b>
<b>General Revenues</b>										
Property Taxes	26,988,696	25,846,114	24,309,643	23,855,427	23,294,315	24,575,499	24,723,315	20,357,547	20,455,347	18,516,490
Franchise Fees	934,275	921,784	902,479	832,395	777,606	689,385	611,947	553,860	494,925	599,253
Admissions, Amusement, Hotel & Motel Tax	2,493,425	2,487,526	2,293,951	2,429,703	2,269,995	2,395,490	1,877,403	1,952,656	1,718,650	830,156
Intergovernmental not Restricted to Specific Programs	12,708,505	12,522,102	12,780,222	12,099,303	10,159,237	9,986,624	10,341,660	9,393,667	9,889,917	10,108,343
Investment Earnings	206,501	881,004	80,324	76,838	114,189	54,191	91,395	135,532	930,421	2,212,859
Gain (loss) on Sale of Capital Assets	-	115,249	95,852	-	-	-	-	(478,113)	1,497,522	-
Miscellaneous	613,869	851,598	713,899	1,568,659	4,832,201	468,463	452,943	682,179	683,730	5,398,897
<b>Total General Revenues</b>	<b>43,945,271</b>	<b>43,625,377</b>	<b>41,176,370</b>	<b>40,862,325</b>	<b>41,447,543</b>	<b>38,169,652</b>	<b>38,098,663</b>	<b>32,597,328</b>	<b>35,670,512</b>	<b>37,665,998</b>
<b>Change in Net Position</b>	<b>\$ 10,161,293</b>	<b>\$ 5,946,910</b>	<b>\$ 7,977,832</b>	<b>\$ 9,163,984</b>	<b>\$ 9,115,606</b>	<b>\$ 5,508,438</b>	<b>\$ 6,246,317</b>	<b>\$ (979,396)</b>	<b>\$ 1,323,317</b>	<b>\$ 5,033,807</b>

The City does not use business-type activities.

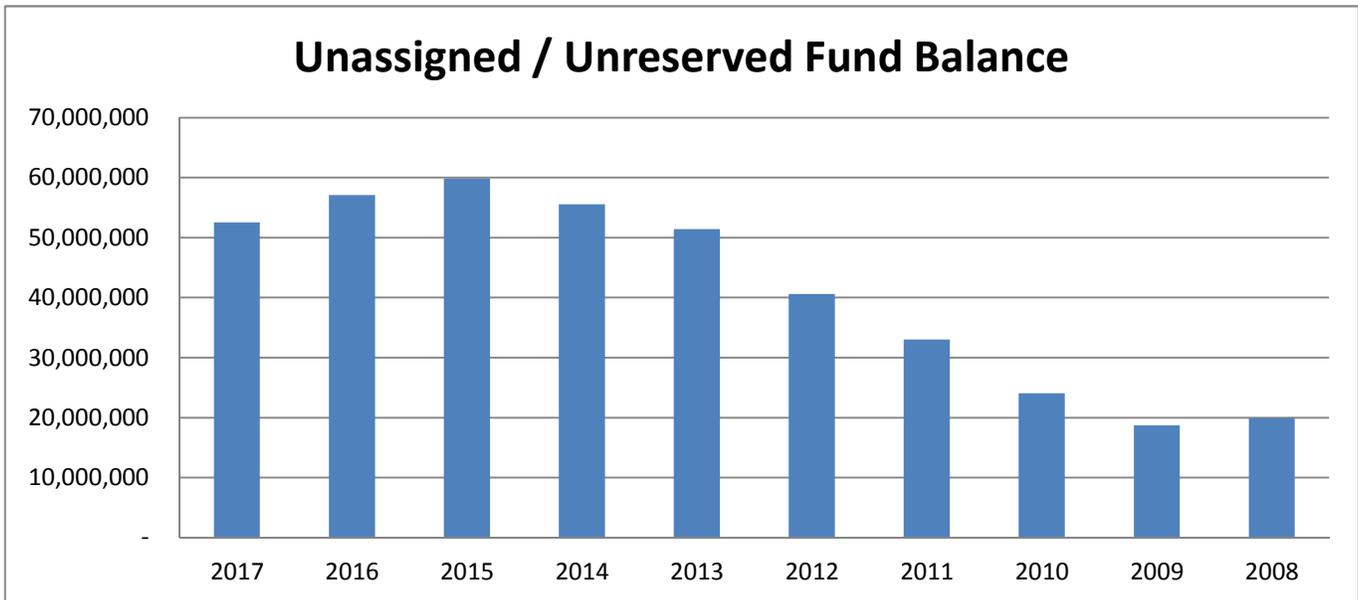
Beginning in FY10 the Miscellaneous Expenses were combined with General Government

**City of Gaithersburg, Maryland**

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

	2017	2016	2015	2014	2013
<b>General Fund</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Non-spendable *	327,520	222,316	173,933	1,235,084	666,682
Restricted *	480,988	475,671	506,812	-	-
Committed *	1,987,523	3,117,523	3,116,773	3,600,000	2,514,000
Assigned *	5,945,235	15,047,154	14,414,580	11,964,092	11,556,843
Unassigned *	52,545,837	57,112,054	59,860,713	55,540,429	51,441,048
<b>Total General Fund</b>	<u>\$ 61,287,103</u>	<u>\$ 75,974,718</u>	<u>\$ 78,072,811</u>	<u>\$ 72,339,605</u>	<u>\$ 66,178,573</u>
<b>All Other Governmental Funds</b>					
Reserved	-	-	-	-	-
Restricted *	8,987,363	2,986,643	734,387	-	-
Committed *	6,294,525	2,210,349	2,636,241	4,625,532	5,139,711
Assigned/Designated	51,802,159	35,312,020	29,978,072	25,395,463	23,602,478
<b>Total All Other Governmental Funds</b>	<u>67,084,047</u>	<u>40,509,012</u>	<u>33,348,700</u>	<u>30,020,995</u>	<u>28,742,189</u>
<b>Total Governmental Funds</b>	<u>\$ 128,371,150</u>	<u>\$ 116,483,730</u>	<u>\$ 111,421,511</u>	<u>\$ 102,360,600</u>	<u>\$ 94,920,762</u>

\* Note - GASB Statement No. 54 altered the classification of governmental fund balances on a prospective basis effective with fiscal year 2011.

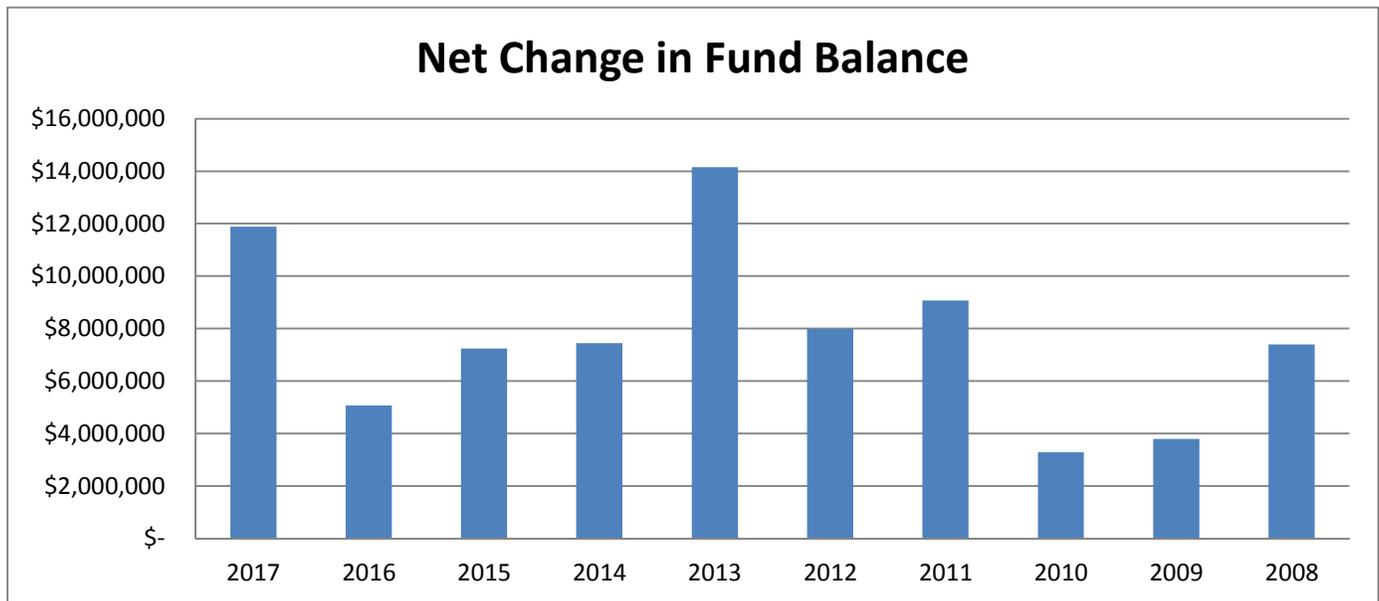


**City of Gaithersburg, Maryland**

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

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

\* Note - FY10 and prior, Unreserve Fund balance is generally the Unassigned Fund Balance. The Reserved included Prepaids, Inventory, and Encumbrances. Prepaids and Inventory are now shown as Non-spendable. Encumbrances are now shown as Assigned.



City of Gaithersburg, Maryland

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

	2017	2016	2015	2014	2013
<b>Revenues</b>					
Taxes	\$ 29,666,991	\$ 28,372,261	\$ 26,394,499	\$ 26,285,130	\$ 25,564,310
Licenses and permits	5,473,927	5,485,935	5,183,854	4,130,419	5,036,887
Intergovernmental	15,808,917	15,344,503	15,820,473	15,544,603	13,504,206
Charges for services	9,039,469	8,788,747	6,721,278	6,253,400	5,979,736
Fines and forfeitures	2,863,272	2,959,850	2,494,883	2,509,987	3,149,250
Interest income	191,310	791,910	80,324	76,838	114,189
Miscellaneous	3,523,401	731,655	1,388,235	2,224,720	3,634,739
Total Revenues	<u>66,567,287</u>	<u>62,474,861</u>	<u>58,083,546</u>	<u>57,025,097</u>	<u>56,983,317</u>
<b>Expenditures</b>					
Current					
General government	15,616,201	15,851,889	14,389,980	14,542,115	14,202,423
Public safety	11,444,013	11,465,055	11,033,960	10,719,779	9,914,172
Public works	9,678,323	9,611,222	8,565,293	8,589,974	8,133,802
Parks and recreation	7,841,854	7,534,789	7,070,672	6,544,528	6,381,842
Community services and development	2,615,745	2,687,790	2,443,962	2,260,327	2,217,111
Transfer to retiree benefit trust	2,200,000	1,200,000	1,310,000	1,310,000	910,000
Capital outlay	5,442,917	9,194,028	6,196,682	5,651,194	3,858,385
Total Expenditures	<u>54,839,053</u>	<u>57,544,773</u>	<u>51,010,549</u>	<u>49,617,917</u>	<u>45,617,735</u>
Excess of Revenues Over (Under) Expenditures	<u>11,728,234</u>	<u>4,930,088</u>	<u>7,072,997</u>	<u>7,407,180</u>	<u>11,365,582</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	159,186	132,131	163,046	32,658	2,786,858
Transfers In	26,517,936	16,963,475	8,790,000	6,930,000	3,956,910
Transfers out	(26,517,936)	(16,963,475)	(8,790,000)	(6,930,000)	(3,956,910)
Total Other Financing Sources (Uses)	<u>159,186</u>	<u>132,131</u>	<u>163,046</u>	<u>32,658</u>	<u>2,786,858</u>
Net Change in Fund Balances	<u>\$ 11,887,420</u>	<u>\$ 5,062,219</u>	<u>\$ 7,236,043</u>	<u>\$ 7,439,838</u>	<u>\$ 14,152,440</u>

City of Gaithersburg, Maryland

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

	2012	2011	2010	2009	2008
<b>Revenues</b>					
Taxes	\$ 26,996,881	\$ 26,824,666	\$ 22,288,431	\$ 22,136,525	\$ 19,262,581
Licenses and permits	4,968,781	4,348,232	3,298,308	2,887,975	3,006,104
Intergovernmental	12,637,614	11,793,049	13,128,144	13,427,699	14,237,049
Charges for services	5,393,662	5,001,975	4,693,924	4,496,354	4,652,709
Fines and forfeitures	3,424,352	2,601,188	2,008,308	610,473	1,374,222
Interest income	54,191	91,395	135,532	930,421	2,212,859
Miscellaneous	468,463	452,943	682,179	683,730	5,472,964
Total Revenues	<u>53,943,944</u>	<u>51,113,448</u>	<u>46,234,826</u>	<u>45,173,177</u>	<u>50,218,488</u>
<b>Expenditures</b>					
Current					
General government	12,249,118	10,889,094	11,422,617	9,857,840	9,676,970
Public safety	10,944,777	10,134,668	10,039,331	10,464,470	9,586,914
Public works	8,087,831	8,369,405	9,270,532	8,626,303	6,668,288
Parks and recreation	6,338,094	5,982,291	6,491,537	6,517,399	7,806,505
Community services and development	2,089,330	2,010,300	2,074,583	2,052,646	2,081,517
Transfer to retiree benefit trust	910,000	455,000	-	455,000	401,000
Capital outlay	5,416,508	4,232,069	3,680,679	5,557,414	6,629,977
Total Expenditures	<u>46,035,658</u>	<u>42,072,827</u>	<u>42,979,279</u>	<u>43,531,072</u>	<u>42,851,171</u>
Excess of Revenues Over (Under) Expenditures	<u>7,908,286</u>	<u>9,040,621</u>	<u>3,255,547</u>	<u>1,642,105</u>	<u>7,367,317</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	82,075	25,125	33,600	2,156,122	28,637
Transfers In	5,437,130	3,046,732	5,130,639	9,327,945	11,584,204
Transfers out	(5,437,130)	(3,046,732)	(5,130,639)	(9,327,945)	(11,584,204)
Total Other Financing Sources (Uses)	<u>82,075</u>	<u>25,125</u>	<u>33,600</u>	<u>2,156,122</u>	<u>28,637</u>
Net Change in Fund Balances	<u>\$ 7,990,361</u>	<u>\$ 9,065,746</u>	<u>\$ 3,289,147</u>	<u>\$ 3,798,227</u>	<u>\$ 7,395,954</u>

**City of Gaithersburg, Maryland**

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

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Year	Property Taxes	Hotel Admissions & Amusement Taxes	Income Taxes	Total
2017	\$ 27,173,566	\$ 2,493,425	\$ 11,360,060	\$ 41,027,051
2016	25,884,735	2,487,526	11,015,225	39,387,486
2015	24,058,278	2,293,951	10,877,634	37,229,863
2014	23,855,427	2,429,703	10,618,077	36,903,207
2013	23,213,637	2,269,995	9,658,350	35,141,982
2012	24,523,341	2,395,490	9,531,397	36,450,228
2011	24,864,896	1,877,403	8,601,966	35,344,265
2010	20,272,244	1,952,656	9,187,114	31,412,014
2009	20,336,651	1,718,650	8,787,635	30,842,936
2008	18,344,598	830,156	8,741,260	27,916,014
Change 2008-2017	48.1%	200.4%	30.0%	47.0%

**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 Taxable Assessed Value	Estimated Actual Taxable Value	Direct Tax Rate	
						Real Property	Personal Property
2017	\$ 9,712,853,586	\$ 81,766,792	\$ 243,422,830	\$ 10,038,043,208	\$ 10,008,762,904	0.262	0.530
2016	9,280,387,955	78,257,170	221,315,472	9,579,960,597	9,537,450,123	0.262	0.530
2015	8,785,480,916	77,098,113	209,293,208	9,071,872,237	9,071,872,237	0.262	0.530
2014	8,769,861,069	72,656,981	231,249,434	9,073,767,484	9,073,767,484	0.262	0.530
2013	8,472,535,115	72,200,000	207,033,019	8,751,768,134	8,751,768,134	0.262	0.530
2012	9,198,377,481	73,934,717	223,681,509	9,495,993,707	9,793,609,934	0.262	0.530
2011	9,175,708,584	87,400,377	243,496,415	9,506,605,376	9,506,605,376	0.262	0.530
2010	8,826,640,580	90,363,370	221,516,130	9,138,520,080	9,138,520,080	0.212	0.530
2009	8,822,557,075	88,708,679	229,259,434	9,140,525,188	9,140,525,188	0.212	0.530
2008	7,902,294,340	88,986,405	244,650,566	8,235,931,311	8,235,931,311	0.212	0.530

Property values are assessed at 100 percent.

\*\* Source: MC Confirmation

**City of Gaithersburg, Maryland**

**Real Property Tax Levies And Collections  
Last Ten Fiscal Years**

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collections To Tax Levy</u>	<u>Collected in Subsequent Periods</u>	<u>Total Tax Collections*</u>	<u>Percent of Total Tax Collections To Tax Levy</u>
2017	\$ 25,324,562	\$ 25,298,231	99.90%	\$ -	\$ 25,298,231	99.90%
2016	24,203,239	24,150,333	99.78%	-	24,150,333	99.78%
2015	23,017,960	22,994,859	99.90%	4,950	22,999,809	99.92%
2014	22,977,036	22,833,113	99.37%	26,032	22,859,145	99.49%
2013	22,198,042	22,103,676	99.57%	52,770	22,156,446	99.81%
2012	24,099,749	23,554,380	97.74%	20,069	23,574,449	97.82%
2011	24,040,356	23,501,271	97.76%	28,282	23,529,553	97.88%
2010	21,389,471	20,228,821	94.57%	28,811	20,257,632	94.71%
2009	21,179,664	20,206,336	95.40%	22,217	20,228,553	95.51%
2008	18,566,771	18,257,510	98.33%	27,008	18,284,518	98.48%

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

**City of Gaithersburg, Maryland**

**Principal Taxpayers  
Current Fiscal Year and Nine Years Ago**

Taxpayer	2017	
	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Medimmune	\$ 225,684,667	2.32%
Asbury	195,423,499	2.01%
BF Saul	170,133,900	1.75%
Alexandria Real Estate Equities	157,249,600	1.62%
RPAI	144,771,500	1.49%
Bozzuto	105,050,100	1.08%
BP Realty Investment	103,813,600	1.07%
Federal Realty Investment Trust	95,612,300	0.98%
Magruder Companies	93,370,633	0.96%
Orlo Faithersburg LLC	90,343,200	0.93%
<b>Total</b>	<b>\$ 1,381,452,999</b>	<b>14.22%</b>
<i>Total Assessed Valuation</i>	<i>\$ 9,712,853,586</i>	

Taxpayer	2008	
	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
ARE LLC	\$ 205,356,600	1.68%
Asbury Methodist Home, Inc	169,129,270	1.38%
Lake Forest Associates	129,571,400	1.06%
Medimmune, Inc	124,004,100	1.01%
CHI Two Washingtonian LLC	105,000,000	0.86%
Federal Realty Investment Trust	81,330,100	0.66%
Saul Holdings LTD Partnership	80,659,400	0.66%
MR 270 NMD LLC	80,493,900	0.66%
893 Clopper Road Investors	70,130,100	0.57%
CLPF-Shady Grove Rentail LP	68,177,200	0.56%
<b>Total</b>	<b>\$ 1,113,852,070</b>	<b>9.09%</b>
<i>Total Assessed Valuation</i>	<i>\$ 12,250,620,005</i>	

(1) Assessed valuation based on the valuation of Real Property for taxes collected in 2017 and 2008 respectively, and a review of the 10 largest taxpayers for the City.

Property values are assessed at 100 percent.

Source: City of Gaithersburg Finance Department

**City of Gaithersburg, Maryland**

**Real Property Tax Rates - Direct and Overlapping Governments  
(Per \$100 of Assessed Valuation)  
Last Ten Fiscal Years**

Year	Direct Rate	Overlapping			Total
	City of Gaithersburg	Montgomery County	State of Maryland	Transit	
2017	\$ 0.262	\$ 0.773	\$ 0.112	\$ 0.166	\$ 1.313
2016	0.262	0.723	0.112	0.177	1.274
2015	0.262	0.732	0.112	0.177	1.283
2014	0.262	0.759	0.112	0.168	1.301
2013	0.262	0.724	0.112	0.183	1.281
2012	0.262	0.713	0.112	0.183	1.270
2011	0.262	0.699	0.112	0.135	1.208
2010	0.212	0.683	0.112	0.171	1.178
2009	0.212	0.661	0.112	0.165	1.150
2008	0.212	0.627	0.112	0.185	1.136

**NOTES:**

Taxes are levied as of July 1, are due by September 30, and become delinquent the following October 1.

Unless homeowners elect to pay their real property taxes annually, taxes are paid on a semi-annual basis with payments due by September 30 and December 31.

Interest and penalty at 20 percent are assessed on delinquent tax bills.

Property values are assessed at 100 percent.

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

**City of Gaithersburg, Maryland**

**Computation of Direct and Overlapping Debt  
and Legal Debt Margin  
June 30, 2016**

Jurisdiction	Total Debt Outstanding	Percentage Applicable to City	Applicable to City of Gaithersburg
<b>Direct</b>			
City of Gaithersburg	\$ -	100.0%	\$ -
<b>Overlapping</b>			
Montgomery County	\$ 4,335,589,506	5.2%	\$ 224,045,743
<b>Total Direct and Overlapping Debt</b>	<u>\$ 4,335,589,506</u>		<u>\$ 224,045,743</u>

Source:  
Montgomery County Department of Finance, Table 19.

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

**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**

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Year	(1) Population	Personal Income (\$ in thousands)	(2) Per Capita Income	Median Age	(3) Montgomery County Avg. School Enrollment	(4) Montgomery County Unemployment Rate
2017	69,562	\$ 5,718,622	\$ 82,209	N/A	161,302	3.2
2016	68,635	5,391,485	78,553	N/A	156,447	3.4
2015	67,099	5,216,612	77,745	N/A	154,230	4.0
2014	65,690	4,900,277	74,597	N/A	151,289	4.4
2013	63,842	4,644,250	72,746	N/A	149,018	5.0
2012	62,848	4,596,703	73,140	N/A	146,709	5.2
2011	61,172	4,384,870	71,681	N/A	143,309	5.2
2010	58,017	4,035,605	69,559	N/A	140,500	5.6
2009	57,818	3,970,536	68,673	N/A	137,763	5.3
2008	59,912	4,275,680	71,366	N/A	137,745	3.2

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

(2) Montgomery County Department of Finance Demographic Stat.

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

(4) Montgomery County Department of Finance

\* U.S. Census Bureau

**City of Gaithersburg, Maryland**

**Principal Employers  
Current Fiscal Year and Nine Years Ago  
Number of employees for quarter ending June 30, 2017**

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2017

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<u>Employer</u>	<u>*Employees</u>	<u>Percentage of Total City Employment</u>
National Institute of Standards and Technology	2,730	0.49%
Medimmune	2,290	0.41%
Asbury Methodist Village	820	0.15%
Lockheed Martin	736	0.13%
Sodexo USA	570	0.10%
Hughes Network Systems, LLC	450	0.08%
Adventist HealthCare	400	0.07%
Kaiser Permanente	350	0.06%
GXS	346	0.06%
Novavax	<u>300</u>	<u>0.05%</u>
 Total	 <u>8,992</u>	 1.62%
 Total Montgomery County Civilian Labor Force (Data for total employees available for county only)	 <u>554,029</u>	

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2008

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<u>Employer</u>	<u>*Employees</u>	<u>Percentage of Total City Employment</u>
National Institute of Standards and Technology	2,100	1.77%
IBM	1,100	0.93%
Medimmune	1,000	0.84%
Sodexo USA	1,000	0.84%
Asbury Methodist Village	867	0.73%
The Gazette Newspaper	428	0.36%
Gene Logic	362	0.31%
Broadsoft, Inc	200	0.17%
Digene	280	0.24%
Airline Foods	<u>187</u>	<u>0.16%</u>
 Total	 <u>7,524</u>	 6.34%
 Total Montgomery County Civilian Labor Force (Data for total employees available for county only)	 <u>118,661</u>	

Source: MD Dept of Labor Licensing & Regulation, MD Dept of Business & Economic Development, and direct correspondence with the companies.

City of Gaithersburg, Maryland

Full-Time City Government Employees by Function/Program  
Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government:										
Mayor and City Council	1	1	1	1	1	1	1	1	1	1
Legal Services	3	3	3	3	2	2	2	2	2	-
Office of the City Manager	5	5	5	5	4	4	4	5	5	5
Economic & Community Development	2	2	2	2	2	2	2	2	2	3
Environmental Affairs	1	3	3	3	3	1	1	1	2	2
Human Resources	5	5	5	5	5	5	5	5	5	4
Finance & Administration	11	9	9	9	9	8	7	7	6	6
Housing & Community Deve	2	1	1	1	1	1	1	1	1	-
Information Technology	13	12	11	11	10	9	8	8	8	7
Facilities Management	9	9	9	7	8	8	8	8	8	8
Buildings and Grounds	-	-	-	-	-	-	-	-	-	-
Public Information	6	6	6	6	6	6	4	4	4	4
Cable Television Channel 13	2	2	2	2	2	2	2	2	2	2
Planning & Code Administration	8	8	8	8	8	-	-	-	-	-
Planning & Administration	9	7	6	6	6	9	10	10	10	11
Public Safety										
Police Services	68	65	66	65	65	59	59	59	58	56
Code Administration	21	20	20	18	15	20	20	20	20	20
Traffic Engineering	2	2	2	2	2	2	2	2	2	2
Animal Control	4	4	4	4	4	4	5	5	4	4
Public Works										
Public Works Administration	6	6	5	5	5	5	5	5	5	5
Stormwater Management	4	-	-	-	-	-	-	-	-	-
Parks Maintenance Division	18	16	16	16	16	16	16	16	16	16
Streets & Special Projects	6	10	10	10	10	10	10	10	10	9
Fleet Maintenance	5	5	5	6	6	6	6	6	5	5
Landscaping & Forestry	12	12	13	13	13	13	13	13	13	13
Mowing & Bulk Pick-Up	22	20	20	19	19	19	19	20	20	19
Engineering Services	4	4	4	4	3	2	2	2	2	2

**City of Gaithersburg, Maryland**

**Full-Time City Government Employees by Function/Program  
Last Ten Fiscal Years**

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Parks, Recreation &amp; Culture</b>										
Parks, Recreation & Culture	4	4	5	5	5	5	4	5	5	5
Recreation Programs & Sports	5	5	5	5	5	5	5	5	5	5
Recreation Classes	1	1	1	1	1	1	1	1	1	1
Youth Services	3	3	3	3	3	3	3	3	3	3
Gaithersburg Youth Center	2	2	2	1	1	1	1	1	1	1
Olde Towne Youth Center	2	2	1	1	1	1	1	1	1	1
Casey Community Center	2	2	2	2	2	2	2	2	2	2
Water Park	2	2	2	2	1	1	1	1	1	1
Gaithersburg Arts Barn	2	2	2	2	2	2	1	1	1	1
Kentlands Mansion	3	3	3	3	3	3	2	2	2	2
Cultural Arts Programs (Comm. Museum)*	1	1	1	2	2	1	1	1	1	1
Special Events	6	6	6	4	4	5	5	4	4	4
Gaithersburg Aquatic Center	1	1	1	1	1	1	1	1	1	1
Winter Lights	-	-	-	-	-	-	1	1	1	1
Miniature Golf Course	-	-	-	-	1	-	-	-	-	-
Activity Center	4	4	3	3	3	5	4	4	4	4
<b>Community Services and Development</b>										
Seniors Program	7	6	6	5	5	5	5	5	5	5
Community Services	4	4	4	4	3	3	3	3	3	3
Homeless Assistance	4	4	4	3	3	3	3	3	3	3
Full-Time Employee Totals:	301.5	289.0	287.0	278.0	271.0	261.0	256.0	258.0	255.0	248.0
Employment Agreement Employee Totals:			-	2.0	3.0	4.8	6.8	8.3	8.4	10.6
Part-Time Employee Totals:	<u>102.7</u>	<u>101.8</u>	<u>101.8</u>	<u>105.1</u>	<u>101.3</u>	<u>99.4</u>	<u>99.3</u>	<u>119.4</u>	<u>117.5</u>	<u>117.4</u>
<b>Total Employees</b>	<u><u>404.2</u></u>	<u><u>390.8</u></u>	<u><u>388.8</u></u>	<u><u>385.1</u></u>	<u><u>375.3</u></u>	<u><u>365.2</u></u>	<u><u>362.1</u></u>	<u><u>385.7</u></u>	<u><u>380.9</u></u>	<u><u>376.0</u></u>

Source: City of Gaithersburg, Maryland 2008-2018 Adopted Budgets  
Method: Using 1.0 for each full-time employee (FTE).

**City of Gaithersburg, Maryland**

**Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function/Program	2017	2016	2015	2014	2013
<b>General Information</b>					
Population	69,562	68,635	67,099	65,690	63,842
Registered Voters	36,100	34,780	32,614	32,203	32,459
<b>General Government</b>					
Commercial Construction					
Permits Issued Note 1	691	598	750	649	14
Residential Construction					
Permits Issued Note 1	986	903	879	715	221
Estimated Value of Construction	\$ 173,848,726	\$ 135,092,107	\$ 255,791,134	\$ 131,330,709	\$ 149,132,741
Transitional Housing to Permanent Housing	10	11	7	7	8
<b>Public Safety</b>					
Police Officers	58	58	55	59	52
Traffic Citations	7,649	6,424	6,829	8,765	10,670
Calls for Service	35,433	10,885	18,849	18,263	32,879
Fire Marshall Inspector Note 2	3.5	3.5	1	1	1
Animal Control Officers	4	5	5	4	4
Fire Marshall Inspections	971	1,462	1,407	1,368	1,211
Animal Licenses	2,779	2,882	2,900	2,740	1,655
<b>Solid Waste</b>					
Co-Mingled (tons)	3,551	3,508	3,491	3,424	3,395
Yard Waste (tons)	874	860	970	1,485	1,389

Note 1 In FY14, the City began tracking both new and improvement permits.

Note 2 in FY16, FTEs included 1 Fire Marshal, 2.5 Inspectors

City of Gaithersburg, Maryland

Operating Indicators by Function/Program  
Last Ten Fiscal Years

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

Note 1 In FY14, the City began tracking both new and improvement permits.

**City of Gaithersburg, Maryland**

**Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Information</b>										
Area in Square Miles	10.42	10.39	10.37	10.37	10.37	10.33	10.33	10.33	10.33	10.33
<b>Public Safety - Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	76	75	74	73	73	73	66	63	63	58
<b>Highways and Streets</b>										
City Streets (miles)	94.47	92.97	92.97	92.97	92.56	92.56	90.51	87.95	87.95	87.95
County Streets (miles)	6.13	6.72	6.72	6.72	6.72	6.72	6.72	6.06	6.06	6.06
State Streets (miles)	17.36	17.36	17.36	17.34	17.54	17.54	17.54	17.54	17.54	17.54
Private Streets (miles)	2.35	2.35	1.93	1.93	1.93	1.93	2.08	3.98	3.98	3.98
Street Lights (City Maint.)	3,781	3,781	3,781	3,890	4,138	4,115	4,115	4,367	4,377	4,368
<b>Recreation and Culture</b>										
Park Acreage	872.96	872.96	872.96	872.96	853.48	853.48	853.48	853.48	853.48	853.48
Parks	27	27	27	27	25	25	25	25	25	25
Museums	1	1	1	1	1	1	1	1	1	1
Performance Pavilions	1	1	1	1	1	1	1	1	1	1
Skate Parks	1	1	1	1	1	1	1	1	1	1
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Miniature Golf	1	1	1	1	1	1	1	1	1	1
Community Centers	5	5	5	5	5	5	5	5	5	5
Performance Arts	1	1	1	1	1	1	1	1	1	1
Tennis Courts	14	14	14	14	14	14	14	14	14	14
Mansion	1	1	1	1	1	1	1	1	-	-

\* The number of patrol units show in FY 2007 - FY2010 did not include command staff, detectives or parking ticket processing units.

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

**City of Gaithersburg, Maryland**  
 Schedule of Cumulative Appropriations, Expenditures, and Encumbrances - Capital Projects  
 From Project Inception Through June 30, 2017

Project Number	Project Name	Cumulative Appropriation	Cumulative Expenditures Plus Encumbrances	Variance Favorable (Unfavorable)
<b>CITY FACILITY:</b>				
70-2	City Hall	\$ 6,406,495	\$ 5,384,116	\$ 1,022,379
72-2	Public Service Facility	6,056,966	4,880,525	1,176,441
93-1	Technology Projects	6,115,854	4,899,046	1,216,808
98-1	Facilities Projects	7,327,991	5,741,879	1,586,112
01-2	Kentlands Mansion	1,497,497	889,066	608,431
09-1	Police Station Improvement	15,211,397	6,258,910	8,952,487
10-1	Energy Efficiency and Conservation	1,328,000	871,410	456,590
	Total City Facility	<u>43,944,200</u>	<u>28,924,952</u>	<u>15,019,248</u>
<b>COMMUNITY ENHANCEMENT</b>				
71-2	Street Lighting	2,656,406	2,229,096	427,310
79-5	Olde Towne Revitalization	5,458,523	3,185,410	2,273,113
81-4	Property Acquisition and Disposition	16,181,544	14,959,057	1,222,487
99-4A	Olde Towne Park Plaza	1,469,784	2,159,646	(689,862)
00-1	Y Site Development	-	-	-
04-1	Community Development Block Grant - HUD	-	-	-
09-2	Historic Preservation at Crown Farm	2,570,000	26,439	2,543,561
09-4	Rolling Stock Project	1,523,061	1,360,716	162,345
14-1	Quince Orchard Park - Medimmune	1,550,000	457,284	1,092,716
14-2	Consumer Product Safety Commission Park	6,600,000	1,311,289	5,288,711
00-0	Contingency and Future Projects	4,947,363	2,194,803	2,752,560
	Total Community Enhancement	<u>42,956,681</u>	<u>27,883,740</u>	<u>15,072,941</u>
<b>TRANSPORTATION/ENVIRONMENT</b>				
79-3	Sidewalks, Handicapped Ramps & Bike Pathways	3,436,016	2,476,949	959,067
82-1	Stormwater Management and Storm Drainage	-	-	-
83-1	Street Resurfacing	20,803,106	18,971,856	1,831,250
91-3	Street Reconstruction	10,132,710	8,181,388	1,951,322
92-2	Traffic Calming and Signalization	1,848,846	1,339,395	509,451
17-1	Bridges and Culverts	450,000	29,209	420,791
98-7	Transit Enhancements	363,343	221,263	142,080
99-1	North Frederick Avenue Corridor Plan Implementation	254,635	166,578	88,057
07-2	Teachers Way	3,094,664	2,868,052	226,612
	Total Transportation/Environment	<u>40,383,320</u>	<u>34,254,690</u>	<u>6,128,630</u>
<b>RECREATION/LEISURE</b>				
83-2	Bohrer Park at Summit Hall Farm	16,008,142	14,968,965	1,039,177
98-4	Art In Public Places	646,509	497,848	148,661
00-4	Renovation/Improvements Of Existing Parks	2,430,086	2,289,429	140,657
03-1	Gaithersburg Aquatic/Recreation Center	1,706,321	706,321	1,000,000
09-3	Gaithersburg Senior Center	1,007,148	900,703	106,445
13-1	Synthetic Fields	1,105,000	1,019,207	85,793
	Total Recreation/Leisure	<u>22,903,206</u>	<u>20,382,473</u>	<u>2,520,733</u>
	Unallocated / Closed Projects	-	-	-
	<b>Grand Total</b>	<u><u>\$ 150,187,407</u></u>	<u><u>\$ 111,445,855</u></u>	<u><u>\$ 38,741,552</u></u>

**City of Gaithersburg, Maryland**

Schedule of Cumulative Appropriations, Expenditures, and Encumbrances - Stormwater Management  
From Project Inception Through June 30, 2017

<u>Project Number</u>	<u>Project Name</u>	<u>Cumulative Appropriation</u>	<u>Cumulative Expenditures Plus Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
<b>ENVIRONMENT/INFRASTRUCTURE/RESTORATION</b>				
SW001	Green Streets	20,000	-	20,000
SW002	Muddy Branch West Deer Park	5,000	335,601	(330,601)
SW003	Odendhal Avenue	40,000	-	40,000
SW004	Stream Girard Street	160,000	221,403	(61,403)
SW005	Victory Farm	75,000	73,401	1,599
SW006	Amberfield	50,000	79,800	(29,800)
SW007	Stream Lakelands Drive	235,000	109,820	125,180
SW008	Stream Orchard Ridge Drive	125,000	93,509	31,491
SW009	Stream Watkins Mill Road	110,000	135,000	(25,000)
SW010	Stream Travis Avenue	70,000	104,100	(34,100)
SW011	Stream Solitaire Court	120,000	118,000	2,000
SW012	Stream Rabbitt Road	120,000	120,180	(180)
SW013	Inspiration Lane Facility	60,000	-	60,000
SW014	Rabbitt Road Facility	13,200	-	13,200
SW015	Solitaire Court Facility	93,500	70,000	23,500
SW016	Rabbitt Road Culvert Repair	-	435,183	(435,183)
<b>Total Environment/Infrastructure/Restoration</b>		<u>\$ 1,296,700</u>	<u>\$ 1,895,997</u>	<u>\$ (599,297)</u>

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# Comprehensive Annual Financial Report

City of Gaithersburg, MD  
Department of Finance and Administration  
31 South Summit Avenue  
Gaithersburg, Maryland 20877  
301-258-6320 • [www.gaithersburgmd.gov](http://www.gaithersburgmd.gov)

