



FY 2020

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

**For the Fiscal Year Ended
June 30, 2020**



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Gaithersburg

**City of Gaithersburg,
Maryland**

Comprehensive Annual Financial Report

Including Independent Auditors' Report

For the Fiscal Year Ended
June 30, 2020

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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Gaithersburg Aquatic Center

Introductory Section





Farmers Market at Casey Community Center



October 30, 2020

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 of Gaithersburg ("City") Charter, Section 53, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City for the year ending June 30, 2020.

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, 2020. 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 it should be read in conjunction with it.

PROFILE OF THE CITY

The City 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 2019 U.S. Census Bureau estimates, has a population of 69,985. 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 and 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 • gaitthersburgmd.gov

MAYOR
Jud Ashman

COUNCIL MEMBERS
Neil Harris
Laurie-Anne Sayles
Michael A. Sesma
Ryan Spiegel
Robert T. Wu

CITY MANAGER
Tanisha R. Briley

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 27% of residents over age 25 have graduate or professional degrees. Labor market participation is high with estimated employment above 33,919 (U.S. Census Bureau Community Facts). According to the Maryland Department of Labor, Licensing and Regulation, the City began 2020 with a monthly unemployment rate of 3.0%, below the statewide rate of 3.6%. Pandemic-related disruptions caused fluctuations in the labor market and, as of August 2020, the monthly unemployment rate was 7.6% (7.0% statewide). Previously, approximately 15.4% of the City's employment base worked in the sectors of Accommodation/Food Service and Retail Trade, where the majority of recent layoffs occurred due to government mandated restrictions.

The City's diverse commercial real estate market provides businesses with competitive choices in the location selection process. Major employers include AstraZeneca (previously MedImmune, Biologics Research & Development – Headquarters), Leidos (Information Systems – Defense), Asbury Methodist Village (Senior Living Facility), and Hughes Network Systems, LLC (networking technologies). Class A & B office vacancy is approximately 6.0%. Although the rate improved modestly from 2019, risk of increased vacancies due to changing workforce behavior remains. In particular, the growth in remote work combined with staggered office lease expirations will constrain office leasing activity in the near future.

While decline in office space demand could disrupt tax revenue, the City's light industrial and life sciences properties are experiencing heightened demand and associated growth in rents. Federal government investment in Gaithersburg companies for development of Coronavirus vaccines and COVID therapeutics has exceeded \$2.8 billion, causing local expansions. Traditionally, the presence of eleven (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, has stimulated entrepreneurial activity within the fields of science and technology.

Hotel tax receipts saw a decline in the last quarter due the pandemic. Before COVID-19, hotel and motel tax receipts were on track to meet the budgeted amount. As a result of the Governor's stay-at-home Executive Orders and cancellation of most public activities, the fourth quarter witnessed a significant decline and ended the year at 72 percent of the hotel and motel tax budget. Income tax ended the year at 97 percent, slightly under budget due to the income tax filing extension granted until July 2020. Real estate tax revenue grew by 4.1% in both 2019 and 2020, demonstrating solid economic growth prior to the pandemic.

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. The City annually reviews equipment inventory lists in order to determine how much funding should be set aside, using a calculation that approximates depreciation. The goal of this process is to ensure that when an asset is ready to be replaced, funding is available to purchase a new one. This ensures that operations are not impacted due to a lack of financing, and it keeps the City from needing to issue debt to cover these types of expenditures.

The City maintains a five year Capital Improvements Plan (CIP). This plan allows the City to estimate capital needs far enough in advance to ensure the funding is in place, without requiring additional financing. The City's CIP has peaked in recent years with several large projects underway. Although the actual spending within the CIP Fund was \$8.5 million in 2020, another \$18.0 million has been committed and/or assigned in the form of

purchase orders at year-end. The FY 2021 CIP budget anticipates contracting and/or spending \$37.4 million in future projects, including the creation of a new park on the former Consumer Product Safety Commission property and the 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, 2019. The Certificate of Achievement is a prestigious national award, which recognizes 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 CAFR, the contents of which conform to the program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America (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 42 consecutive years (Fiscal Years 1978-2019). We believe our current report continues to conform to Certificate of Achievement Program requirements and we are submitting it to the GFOA for review.

DISTINGUISHED BUDGET PRESENTATION

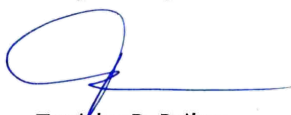
GFOA presented an award of Distinguished Presentation to the City for its annual budget for the Fiscal Year beginning July 1, 2019. In order to receive this award, a governmental unit must publish a document that meets program criteria as a policy document, as an operations guide, as a financial plan, 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 18 consecutive years (Fiscal Years 2003-2019). 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 various City staff who 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,



Tanisha R. Briley
City Manager



Janice G. Hartman, CPA
Acting 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

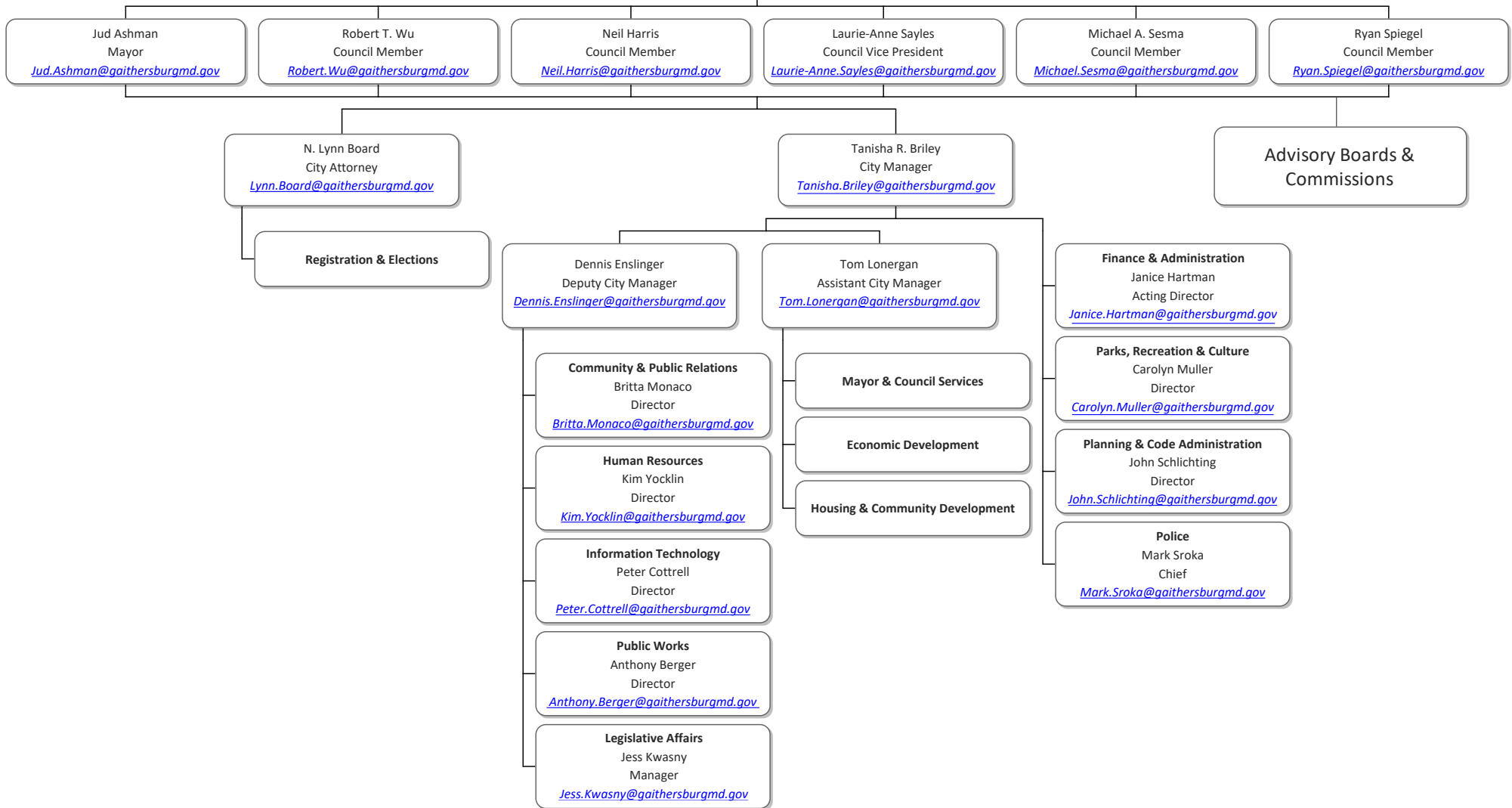
June 30, 2019

Christopher P. Morrill

Executive Director/CEO

City of Gaithersburg, Maryland

Gaithersburg Citizens



City of Gaithersburg, Maryland

Directory of City Officials

Title

Mayor
City Council

Name

Jud Ashman
Neil Harris
Laurie-Anne Sayles
Michael A. Sesma
Ryan Spiegel
Robert T. Wu

City Manager
Deputy City Manager
Assistant City Manager

Tanisha R. Briley
Dennis Enslinger
Tom Lonergan

City Attorney

N. Lynn Board

Department Directors

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

Britta Monaco
Kim Yocklin
Peter Cottrell
Carolyn Muller
John Schlichting
Mark Sroka
Anthony Berger

Department of Finance and Administration

Accountant II
Accounting Specialist
Acting Director/Comptroller
Administrative Assistant II
Chief Accountant
Payroll Coordinator
Procurement Division Chief
Senior Accounting Technician
Senior Budget Analyst

Tigist Ayele, CPA
Diana Aquinaga
Janice G. Hartman, CPA
Brittany Saravia
Francis Dohnji
Larry Salins
Melayne A. C. Richards
Witarani Doyle
Nathan Bassett

Financial Section



Independent Auditor's Report

To the Honorable Mayor, Members of the City Council and City Manager
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, 2020, 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, 2020, and the respective changes in financial position 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, as described in the table of contents, are the responsibility of management, 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 30, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Gaithersburg, Maryland's 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.

CohnReznick LLP

Baltimore, Maryland
October 30, 2020



Construction of Discovery Park

City of Gaithersburg, Maryland

Management's Discussion and Analysis June 30, 2020

Introduction

This Management's Discussion and Analysis (MD&A) section of the City's CAFR 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, 2020. 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 2020

- The City's government-wide net position increased by \$15.4 million and long-term liabilities decreased by \$4.3 million as a result of the employer contribution and changes in plan assumptions to other post-employment benefits (OPEB).
- The General Fund, the primary operating fund of the City, showed an increase in fund balance of \$2.0 million compared to the budgeted decrease of \$2.1 million. This increase is due to savings in normal operations as a result of COVID-19 shutdowns. This includes savings in program expenses and personnel costs as the part time workforce was greatly reduced and new hires were delayed in the fourth quarter.
- Total governmental funds' fund balance increased by \$7.4 million to \$150.5 million as funds were set aside for future capital and stormwater projects.
- Citywide capital expenditures of \$10.4 million covered many projects, including the following: the construction of Discovery Park, roof replacements for the Arts Barn and Community Museum, Arts Barn Boiler Replacement, Washingtonian Woods walking path, Road Resurfacing and Reconstruction; Stormwater; continued design work on the new police station and Mayor and City Council Chambers; two passenger buses and two freightliner loaders.

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 City'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.

City of Gaithersburg, Maryland

Management's Discussion and Analysis June 30, 2020

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.

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 which include the following: Public Works, Public Safety, Planning & Code, Parks & Recreation, and General Government. These activities are financed by various forms 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 maintains six governmental funds. Three of these funds are considered to be major funds: the General Fund, CIP Fund, and the Stormwater Management Fund. Three of these funds are considered to be non-major funds: the Forest Conservation, the Asset Replacement Fund, and the Housing Program Fund.
- *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.

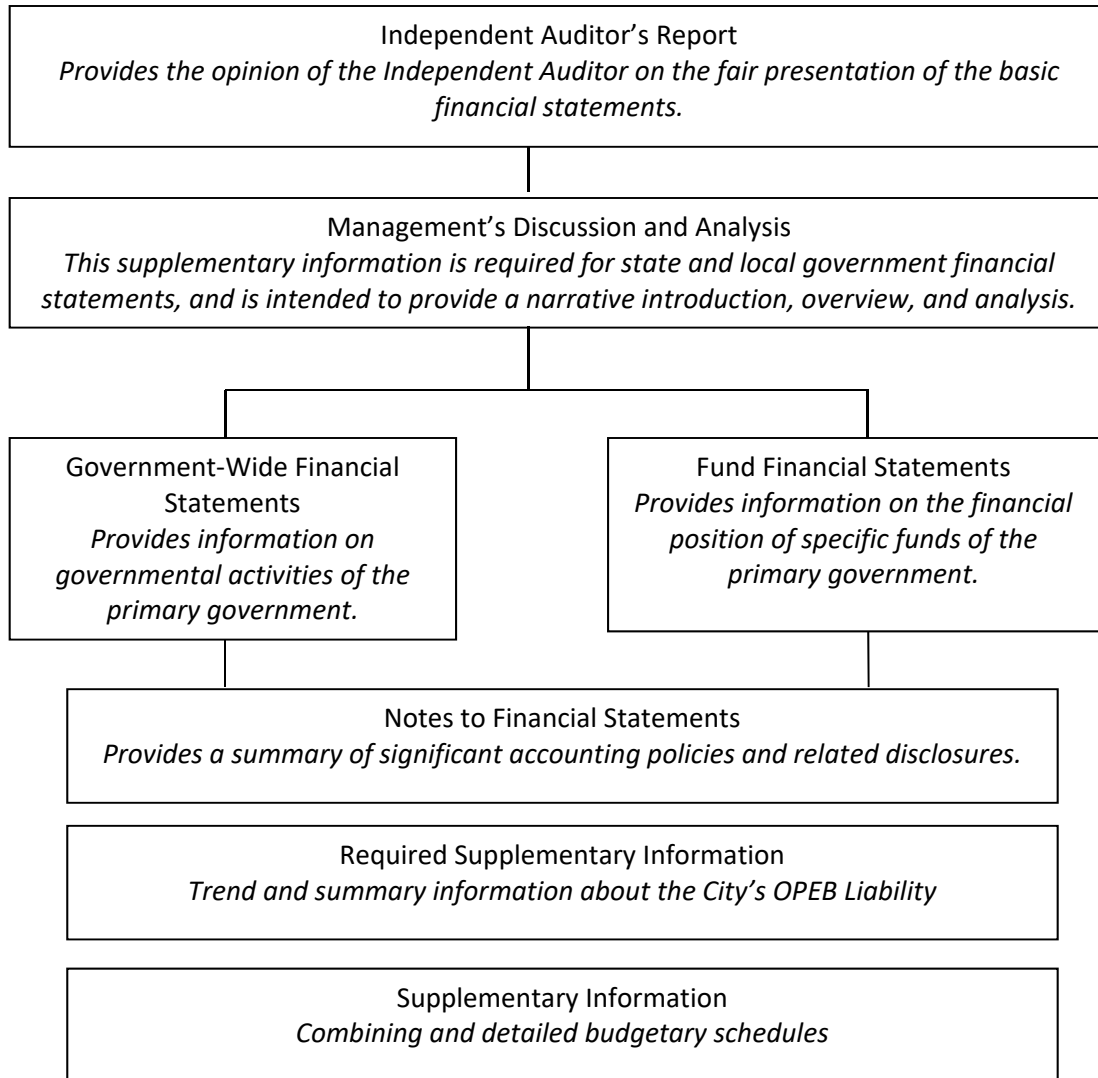
The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The notes are followed by a section of required supplementary information that provides trend information about the City's net Other Postemployment Benefits (OPEB) 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

City of Gaithersburg, Maryland

Management’s Discussion and Analysis
June 30, 2020

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, 2020**

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

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire City (except fiduciary funds)	The activities of the City that are not fiduciary funds, such as Public Safety, Parks & Recreation, Public Works, Planning & 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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/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, 2020**

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, 2020 with a FY 2019 comparative analysis:

Figure 3 - Condensed Statement of Net Position

Governmental Activities	2020	2019	Change	% Chg
Assets				
Current and other assets	\$ 166,075,424	\$ 154,148,707	\$ 11,926,717	7.74%
Capital assets	110,608,034	108,073,293	2,534,741	2.35%
Total assets	<u>276,683,458</u>	<u>262,222,000</u>	<u>14,461,458</u>	<u>5.51%</u>
Deferred outflows of resources	<u>1,983,652</u>	<u>5,789,271</u>	<u>(3,805,619)</u>	<u>-65.74%</u>
Liabilities				
Long-term liabilities	24,068,978	28,347,098	(4,278,120)	-15.09%
Other liabilities	6,992,260	5,604,892	1,387,368	24.75%
Total liabilities	<u>31,061,238</u>	<u>33,951,990</u>	<u>(2,890,752)</u>	<u>-8.51%</u>
Deferred inflows of resources	<u>18,998,602</u>	<u>20,839,869</u>	<u>(1,841,267)</u>	<u>-8.84%</u>
Net position				
Net investment in capital assets	110,608,034	108,073,293	2,534,741	2.35%
Restricted	19,515,420	15,520,727	3,994,693	25.74%
Unrestricted	98,483,816	89,625,392	8,858,424	9.88%
Total net position	<u>\$ 228,607,270</u>	<u>\$ 213,219,412</u>	<u>\$ 15,387,858</u>	<u>7.22%</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 \$11.9 million. Much of this increase relates to an increase in cash and investments of \$9.2 million during the year. Cash balances increased mainly due to accumulated funds for stormwater projects (\$5.7 million). The City began a stormwater fee program during FY 2016 because of pending State of Maryland stormwater management regulations. These regulations require a reduction of 20 percent of stormwater runoff during the City's seven year permit period. The City's stormwater management capital plan calls for approximately \$27.5 million in capital projects over the next seven years. Since the City does not issue debt for capital projects. These cash balances will be needed during the City's seven year permit period in order to fund these capital projects.

Changes in capital assets are discussed within that section of this report.

City of Gaithersburg, Maryland

Management's Discussion and Analysis June 30, 2020

Deferred outflows and inflows represent future expenses related to the City's OPEB liability. Deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension/OPEB plan investment earnings are aggregated and reported as a net deferred outflow of resources or as a net deferred inflow of resources. The deferred outflows decrease results from a reduction in liability due to differences between expected and actual experiences. The decrease in deferred inflow results from aggregating the deferred outflows and inflows related to changes in actuarial assumptions. The deferred outflow and inflows are amortized into expense over the average remaining service life of employees (nine years).

The City made changes to the OPEB plan for future employees hired after July 1, 2018 in FY 2018. As a result of this change, the City changed from a lower blended discount rate of 3.98% used in FY 2017 to a discount rate of 6.25% in FY 2018. This discount rate of 6.25% is applicable to FY 2020. The net OPEB obligation decreased by \$4.4 million and the fiduciary net position increased by \$2.9 million, from contributions of \$3.1 million by the City and investment income of \$0.9 million, offset by benefit payments of \$1.1 million.

Other liabilities include accounts payable, accrued payroll and related benefit liabilities, unearned revenue, and deposits related to development work that will be refunded.

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 \$4.0 million. This increase was due to stormwater user fees exceeding spending as funds are accumulated for upcoming capital projects.

Unrestricted net position represents the remaining category of equity after net investment in capital assets and restricted net position has 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, 2020**

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 FY 2020 and FY 2019. Significant changes year over year are discussed following the table.

Figure 4 - Condensed Statement of Activities

Governmental Activities	2020	2019	Change	% Chg
Revenues				
Program revenues				
Charges for services	\$ 15,385,694	\$ 16,410,216	\$ (1,024,522)	-6.24%
Operating grants and contributions	2,439,428	1,499,477	939,951	62.69%
Capital grants and contributions	2,317,530	1,775,943	541,587	30.50%
General revenues				
Property tax	30,157,599	28,730,598	1,427,001	4.97%
Franchise fees	979,581	951,888	27,693	2.91%
Admissions, amusement, hotel tax	2,284,180	2,251,143	33,037	1.47%
Intergovernmental, not restricted	15,670,875	15,244,519	426,356	2.80%
Investment earnings	4,673,875	4,625,457	48,418	1.05%
Other	<u>1,355,491</u>	<u>2,060,338</u>	<u>(704,847)</u>	<u>-34.21%</u>
Total revenue	<u>75,264,253</u>	<u>73,549,579</u>	<u>1,714,674</u>	<u>2.33%</u>
Expenses				
General government	20,384,264	19,583,229	801,035	4.09%
Public safety	12,567,588	12,100,925	466,663	3.86%
Public works	15,819,024	15,497,314	321,710	2.08%
Parks & recreation	8,226,326	9,693,087	(1,466,761)	-15.13%
Community services & development	<u>2,879,193</u>	<u>2,826,109</u>	<u>53,084</u>	<u>1.88%</u>
Total expenses	<u>59,876,395</u>	<u>59,700,664</u>	<u>175,731</u>	<u>0.29%</u>
Change in net position	15,387,858	13,848,915	1,538,943	11.11%
Beginning net position	<u>213,219,412</u>	<u>199,370,497</u>		
Ending net position	<u>\$ 228,607,270</u>	<u>\$ 213,219,412</u>		

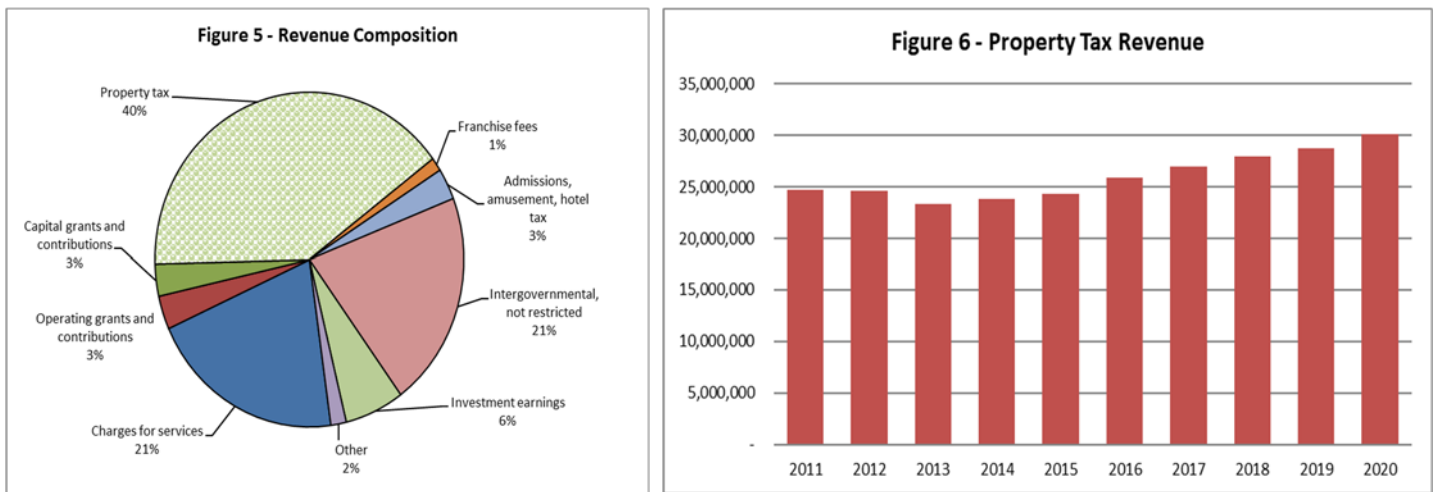
City of Gaithersburg, Maryland

Management's Discussion and Analysis June 30, 2020

Revenues

The chart to the left shows the composition of the City's revenue by sources. The City's largest revenue sources are property taxes, charges for services, and intergovernmental revenues not restricted to a specific purpose.

The overall composition has remained similar from FY 2019 to FY 2020.



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 2020 property tax revenue grew approximately 5.0 percent primarily due to increased property value appreciation.

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. Charges for services decreased by \$1.0 million due to COVID-19 closures during the fourth quarter. Many of the City's facilities were closed throughout Q4 due to the Governor's stay-at-home Executive Orders and cancellation of most public activities. While City facilities have reopened and some activities have resumed, participation is greatly limited. The City expects charges for services to continue to decline through FY 2021 as the pandemic continues.

Operating grants and contributions include the State of Maryland (State) police grant, a federal grant for housing, and several smaller grants for homeless programs and nutrition. The State Police Grant remained steady; an additional \$1 million of revenue was due to an appropriation from the State in FY20 specifically for the reimbursement of construction costs on the new police station.

Capital grants and contributions can fluctuate significantly on an annual basis. The City receives funding from the State on an annual basis in the form of highway user fees, which is one of the primary revenues reported in this category. Other revenues in this category tend to be isolated in nature. This category increased in FY 2020 compared to FY 2019, due to a State Open Space Grant of \$535,000 received for the Water Park.

Intergovernmental revenues, not restricted to specific programs, include the City's share of income taxes. This category increased by 2.8 percent over the previous year. The City maintained its strong income tax growth for FY 2020. This growth is also impacted by the funds held in the State's income tax reserve fund, which is included in

City of Gaithersburg, Maryland

**Management’s Discussion and Analysis
June 30, 2020**

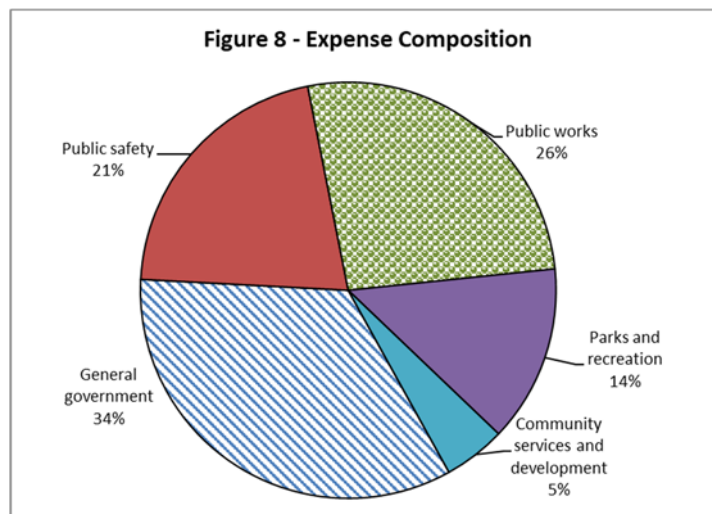
governmental activities revenue. This reserve fund represents money received by the State for estimated tax payments where the final tax return has not been completed. The reserve increased by \$1.3 million (or 33.3%) in FY 2020, likely related to the extension of income tax filing deadlines until July 2020. We expect to see slower growth or even a decrease in income tax revenue in future years due to the impact of COVID-19.

Investment earnings remained consistent from FY2019 to FY 2020. Interest earnings decreased 17.3% as average interest rates dropped, e.g. the one-year treasury rate decreased from an average of 2.48% as of June 30, 2019 to 1.17% as of June 30, 2020. The decrease in interest earnings was offset by a stronger performance in unrealized gains in FY 2020 compared to FY 2019. The City is required to recognize changes in the market value on investments as increases or decreases to investment income. The majority of the City’s investments are held until maturity, thus unrealized gains and losses are rarely realized. Unrealized gains represent changes in market value which typically increase as interest rates decrease for fixed income investments. The table to the right summarizes the City’s unrealized gains and losses compared to interest earnings in FY 2019 and FY 2020.

Figure 7 - Interest Income		
Governmental Activities	2020	2019
Market value gain / (loss)	\$ 2,481,109	\$ 1,974,852
Interest earnings	2,192,766	2,650,605
Total interest income	\$ 4,673,875	\$ 4,625,457

Expenses

The chart below shows the composition of expenses by function. The allocation of total costs across the functions was similar between FY 2019 and FY 2020.



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 increased due to greater personnel costs resulting from less staffing volatility and higher expenses for general supplies and maintenance related to the City’s COVID-19 response.

The public safety function includes police services, building and code enforcement, traffic, and animal control costs. This function experienced an increase of \$467,000 compared to FY 2019 due to reduced employee turnover and increased need for overtime pay for the pandemic response.

City of Gaithersburg, Maryland

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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 \$322,000 primarily due to an increase in recycling costs under a new contract and as the number of households serviced increased as planned for FY 2020.

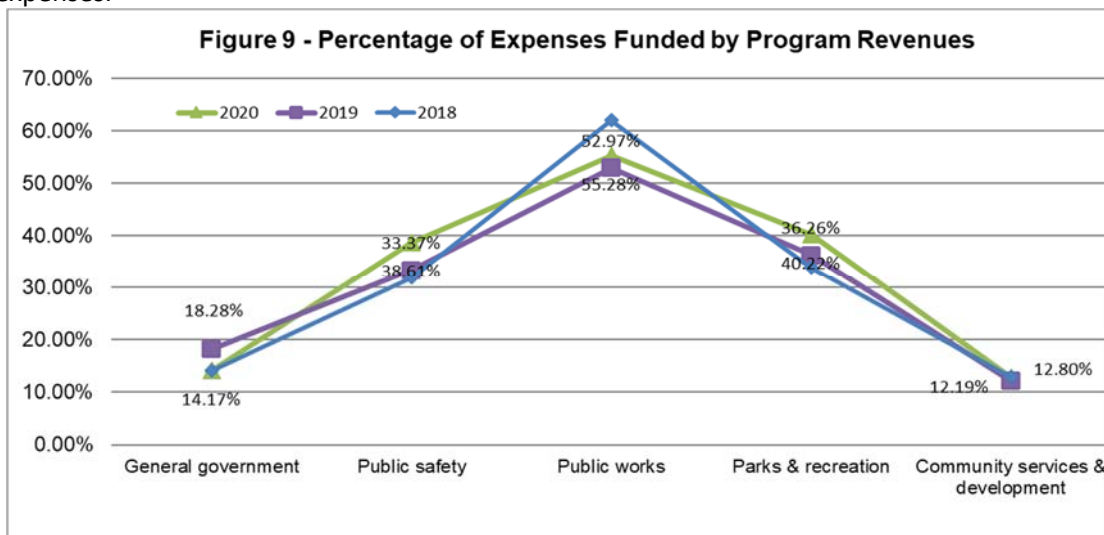
The parks & recreation function includes costs for hosting many programs and special events for people of all ages. Costs for the City's community center, Arts Barn, Mansion, Water Park, miniature golf course, Gaithersburg Aquatic Center, and local parks are also categorized in this function. Expenses within this function decreased by \$1.5 million between FY 2019 and FY 2020. The savings were due to reduced part-time staffing, decreases in rental and use costs, professional services, and entertainment as most activities and programs were canceled during the fourth quarter of FY 2020.

Community services & development includes costs for the Benjamin Gaither Center, contributions to local schools and nonprofits, and homeless assistance. Expenses within this function have remained consistent between FY 2019 and FY 2020.

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 based on changes in revenues and expenses identified above. Because both revenues and expenses impact this chart, 2018 data was included to better illustrate the changes.

General government funded percentage decreased in FY 2020 due to decreases in electrical permits and zoning fees while there was an increase in expenses related to the pandemic. Community services funded percentage remains consistent year over year. The funded percentage for the parks & recreation function increased as revenues for programs and activities decreased and there were increased savings for expenses due to the shutdown. The public safety and public works funded percentages increased as program revenues increased more than the expenses.



City of Gaithersburg, Maryland

Management's Discussion and Analysis

June 30, 2020

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 \$150.5 million, an increase of \$7.4 million over FY 2019's fund balance.

General Fund: The General Fund received \$2.0 million more than was spent, thereby increasing the total fund balance to \$48.4 million. Overall revenues were consistent with the FY 2020 budget; however, there was a cost savings as the pandemic reduced many of the City's planned activities in the fourth quarter. More detail on these variances are discussed within the General Fund budgetary highlights section of this report.

CIP Fund: The CIP Fund reported a decrease in fund balance of \$1.0 million due to the ramping up of spending on current projects. The largest of these new projects include the construction of the new police station, which is currently under construction and planned for completion in late FY2021. Discovery Park was under construction in FY 2020 and opened to the public in September 2020. Another major project is a new park at the former Consumer Products Safety Commission site. The project design was completed in FY 2020 and construction will commence in FY 2021. Fund balances in the CIP fund represents authorized and funded projects that are not complete as well as funding set aside for future projects.

Stormwater Management Fund: The Stormwater Management Fund reported an increase of \$5.8 million in fund balance to provide for future capital funding. The City's stormwater management capital plan calls for approximately \$27.5 million in future capital projects over the next seven years. Since the City does not issue debt for capital projects, these cash balances will be needed during the City's seven year permit period in order to fund ongoing/future capital projects.

Non-Major Funds: The Non-Major funds reported an increase in fund balance of a cumulative \$700,000 mainly due to housing initiative fees in lieu received to support the affordable housing program and the Housing Fund transfer from the General Fund.

General Fund Budgetary Highlights

In accordance with a Resolution of the Mayor and City Council, the City Manager is authorized to make transfers only after May 31st of each year so long as no activity budget is increased more than 25 percent. The resolution requires any changes to the budget exceeding 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 purchase orders 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 2020.

Revenues

Overall, the City's General Fund revenue approximated the budgeted amount. However, there were swings between categories for several reasons:

- Licenses and permits were under budget by \$172,000, in total. The City experienced a reduction in licensing revenue in the fourth quarter due to the pandemic. The table below shows year over year comparisons related to this revenue stream. Construction projects can create large swings in revenue as the table shows. In FY 2021, the City expects this revenue stream to be in line with FY 2020 as there continues to be several construction projects in place.

City of Gaithersburg, Maryland

**Management's Discussion and Analysis
June 30, 2020**

Figure 10 - Licenses and permits

General Fund	2020	2019	2018	2017	2016	2015
Actual	\$ 4,128,350	\$ 4,970,524	\$ 3,812,595	\$ 5,439,804	\$ 5,485,935	\$ 4,446,245
Budget	4,299,970	4,024,910	4,735,820	4,249,183	3,969,580	3,626,200
Over / (Under)	\$ (171,620)	\$ 945,614	\$ (923,225)	\$ 1,190,621	\$ 1,516,355	\$ 820,045

- Intergovernmental revenues were under budget by \$1.7 million due to timing delays. While the City did not receive the State police grant of \$1.0 million for the construction of the new police station, it anticipates receiving this revenue in FY 2021. The Highway User Revenue grant was delayed in the fourth quarter, so the grant revenue will be recognized in FY 2021.
- Charges for services were under budget by \$938,000. Recreation program fees, water park revenues, and facility rentals all contributed to this revenue variance due to the cancellation of programs, events, and facility rentals in the fourth quarter of 2020.
- Fines & Forfeiture revenue was under budget by \$328,000. A decrease in photo radar revenue accounts for most of this variance. The revenue was under budget by \$282,000 as this was impacted by reduced traffic in the fourth quarter.
- Local tax revenue was over budget by \$860,000 due to higher collections than planned for real estate taxes. This overage helped to offset some of the above shortfalls caused by COVID-19 disruptions.
- Interest income was over budget by \$1.7 million due to an increase in unrealized gains, and Miscellaneous revenue was over budget by \$572,000 due to a larger refund than expected for reduced health insurance claims.

Expenditures

General Fund expenditures came in at \$3.8 million, or 7.1 percent, under budget due to the City's strong budgetary controls and cancellation of many activities due to COVID-19. Some of the significant differences between actuals and budgets are identified below:

- The City's non-departmental activity was under budget by \$743,000 as the \$500,000 budgeted for contingency was not spent. Additionally, vacation and sick leave payouts are budgeted within this activity at \$354,000, but are charged to the activity where the employee works. These savings were offset by an increase in miscellaneous expense as general COVID-19 supplies for the City were recorded to this account.
- Several departments experienced significant cost savings because of COVID-19. While some expenses such as cleaning supplies and personal protection equipment increased, many costs were reduced or eliminated as a result of reduced travel and then cancellation of events and programs. Some of the departments with the most savings include the Water Park (savings of \$342,000), Summer Programs (savings of \$226,000), Streets & Special Projects (savings of \$280,000), and Planning (savings of \$192,000).

City of Gaithersburg, Maryland

**Management’s Discussion and Analysis
June 30, 2020**

Transfers

Transfers out were in line with the budgeted amount of \$10.3 million and included transfers to the CIP, Stormwater, Housing, and Asset Replacement Funds. Transfers to Other Post-Employment Retirement Benefits (OPEB) were \$3.1 million. These funds assisted the increase in the fiduciary net position from \$17.7 million to \$20.6 million.

Capital Asset and Debt Administration

Capital Assets - By the end of the year, the City had invested \$110.6 million (net of depreciation) in a broad range of capital assets, including buildings, athletic facilities, vehicles, equipment, and infrastructure. Total depreciation expense for FY 2020 was \$4.9 million, and additions to buildings, infrastructure, improvements, and equipment and furniture amounted to \$3.1 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	2020	2019
Land	\$ 43,143,623	\$ 43,143,623
Buildings	19,877,147	20,731,205
Improvements other than buildings	7,839,668	7,800,082
Machinery and equipment	4,784,379	4,892,105
Intangibles	164,009	210,784
Infrastructure	23,171,205	24,195,862
Construction in progress	11,628,003	7,099,632
Total capital assets, net	<u>\$ 110,608,034</u>	<u>\$ 108,073,293</u>

- Completion of the Arts Barn and Community Museum Roof Replacements and Arts Barn Boiler Replacement;
- Substantial completion of Discovery Park;
- Construction work on the new police station and Mayor and City Council Chambers;
- Various Road Resurfacing and Reconstruction projects; and
- Continued design work on the new park at the former Consumer Products Safety Commission site.

Capital asset additions also included the purchase of various vehicles and small equipment.

Debt Administration - The City 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.

The City’s net OPEB liability decreased as the City implemented changes to the OPEB plan for employees hired after July 1, 2018. As a result, the City was no longer required to use a blended discount rate in the calculation of the liability. See Notes 8 – 10 for more information on these liabilities.

City of Gaithersburg, Maryland

**Management's Discussion and Analysis
June 30, 2020**

Figure 12 - Long-term Obligations

<u>Governmental Activities</u>	<u>2020</u>	<u>2019</u>
Compensated absences		
Vacation	\$ 2,093,199	\$ 1,841,849
Sick	<u>1,007,647</u>	<u>1,119,344</u>
Total compensated absences	<u>3,100,846</u>	<u>2,961,193</u>
Net OPEB obligation	<u>20,785,892</u>	<u>25,204,317</u>
Income tax duplication liability	<u>182,241</u>	<u>181,588</u>
Total long-term debt	<u>\$ 24,068,979</u>	<u>\$ 28,347,098</u>

Factors Impacting the City's Future

The following economic factors are reflected in the City's FY 2021 budget:

- The City made changes to the OPEB plan for employees hired after July 1, 2018 during FY 2018. This change resulted in a significant decrease in the long-term liability related to these benefits. This change assisted in stabilizing the ongoing costs of the OPEB plan. Combined with that change, the City was able to contribute the budgeted amount of \$3.1 million to the OPEB trust in FY 2020 and plans to contribute \$3.2 million in FY 2021.
- The 2021 budget includes the use of \$2.6 million in fund balance as compared to the budgeted amount of \$2.1 million in FY 2020. These funds will be used for one-time appropriations of capital projects and contingency funding. The City has no plans to subsidize FY 2021 operations.
- With the COVID-19 pandemic continuing into FY 2021, we expect to see impacts to the City's revenue and expenditures. We anticipate that we will continue to see low revenue in Charges for Services as group gatherings and large events are still restricted. The City also anticipates that Hotel and Motel Tax and Admissions and Amusements Tax revenue will continue to be significantly impacted. The City also expects to see long-term impacts to commercial real estate as online shopping flourishes and teleworking continue. The City is fortunate to have a diverse real estate market to help mitigate some of this risk. The City's biotechnology and information technology companies will see less of an impact in the coming years. The City is actively looking for ways to enter new markets and anticipate changes in the economy.

Contacting the City's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, vendors, and employees of the City 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

City of Gaithersburg, Maryland

Statement of Net Position
As of June 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 69,516,658
Investments	80,664,841
Receivables, net of allowance for uncollectibles	10,434,849
Prepays	313,991
Inventory	31,727
Long-term receivables	5,113,358
Capital assets	
Land	43,143,623
Buildings	38,667,766
Improvements other than buildings	18,872,347
Machinery and equipment	16,111,502
Intangibles	284,324
Infrastructure	69,137,468
Construction-in-progress	11,628,003
Less: accumulated depreciation	<u>(87,236,999)</u>
Total assets	<u>276,683,458</u>
Deferred outflows of resources	
Deferred outflows from OPEB	<u>1,983,652</u>
Liabilities	
Accounts payable	4,817,519
Accrued liabilities	1,509,524
Unearned recreation fee revenue	90,343
Deposits	574,873
Non-current liabilities	
Due within one year	1,364,153
Due in more than one year	<u>22,704,826</u>
Total liabilities	<u>31,061,238</u>
Deferred inflows of resources	
Deferred inflows from OPEB	<u>18,998,602</u>
Net Position	
Net investment in capital assets	110,608,034
Restricted for:	
Sports program	11,671
Holiday giving	7,230
Public safety	88,978
Stream and infrastructure improvements	141,004
Transportation projects	2,771,818
Stormwater	15,734,842
Forest conservation	<u>759,877</u>
Total Restricted	19,515,420
Unrestricted	<u>98,483,816</u>
Total net position	<u><u>\$ 228,607,270</u></u>

See Notes to Basic Financial Statements.

City of Gaithersburg, Maryland

**Statement of Activities
For the Year Ended June 30, 2020**

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	
Governmental Activities					
General government	\$ 20,384,264	\$ 2,483,898	\$ 382,478	\$ 1,764	\$ (17,516,124)
Public safety	12,567,588	3,189,655	1,658,548	4,479	(7,714,906)
Public works	15,819,024	6,968,352	-	1,776,287	(7,074,385)
Parks & recreation	8,226,326	2,618,748	155,044	535,000	(4,917,534)
Community services & development	2,879,193	125,041	243,358	-	(2,510,794)
Total governmental activities	\$ 59,876,395	\$ 15,385,694	\$ 2,439,428	\$ 2,317,530	(39,733,743)
 General Revenues					
Property tax					30,157,599
Franchise fees					979,581
Admissions, amusement, and hotel taxes					2,284,180
Intergovernmental not restricted to specific programs					15,670,875
Investment earnings					4,673,875
Miscellaneous revenues					1,355,491
Total general revenues					55,121,601
Change in net position					15,387,858
 Net Position					
Beginning					213,219,412
Ending					\$ 228,607,270

See Notes to Basic Financial Statements.

City of Gaithersburg, Maryland

Balance Sheet – Governmental Funds
As of June 30, 2020

	General Fund	CIP Fund	Stormwater Management Fund	Non-Major Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 9,461,199	\$ 35,484,500	\$ 15,057,382	\$ 9,513,577	\$ 69,516,658
Investments	40,627,869	23,656,333	10,038,254	6,342,385	80,664,841
Property taxes, net of allowance	448,878	-	-	-	448,878
Due from other governments	7,559,299	-	-	-	7,559,299
Other receivables, net of allowances	1,565,597	-	858,560	2,515	2,426,672
Prepays	313,991	-	-	-	313,991
Inventory	31,727	-	-	-	31,727
Long-term receivables	-	-	-	5,113,358	5,113,358
Total assets	<u>\$ 60,008,560</u>	<u>\$ 59,140,833</u>	<u>\$ 25,954,196</u>	<u>\$ 20,971,835</u>	<u>\$ 166,075,424</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 1,823,883	\$ 2,598,640	\$ 87,090	\$ 307,906	\$ 4,817,519
Accrued liabilities	1,486,216	-	23,308	-	1,509,524
Unearned recreation fee revenue	90,343	-	-	-	90,343
Deposits	574,873	-	-	-	574,873
Total liabilities	<u>3,975,315</u>	<u>2,598,640</u>	<u>110,398</u>	<u>307,906</u>	<u>6,992,259</u>
Deferred inflow of resources					
Unavailable revenues	7,666,570	-	857,720	82,501	8,606,791
Total deferred inflow of resources	<u>7,666,570</u>	<u>-</u>	<u>857,720</u>	<u>82,501</u>	<u>8,606,791</u>
Fund balances					
Non-spendable					
Prepays	313,991	-	-	-	313,991
Inventories	31,727	-	-	-	31,727
Restricted	499,683	2,521,018	15,734,842	759,877	19,515,420
Committed	298,696	17,445,574	743,068	4,939,232	23,426,570
Assigned	2,991,430	36,575,601	8,508,168	14,882,319	62,957,518
Unassigned	44,231,148	-	-	-	44,231,148
Total fund balances	<u>48,366,675</u>	<u>56,542,193</u>	<u>24,986,078</u>	<u>20,581,428</u>	<u>150,476,374</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 60,008,560</u>	<u>\$ 59,140,833</u>	<u>\$ 25,954,196</u>	<u>\$ 20,971,835</u>	<u>\$ 166,075,424</u>

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, 2020**

Total fund balance – governmental funds		\$ 150,476,374
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost of capital assets	197,845,033	
Accumulated depreciation	<u>(87,236,999)</u>	110,608,034
Income taxes, fines and forfeitures, and other revenues in the statement of activities do not provide financial resources within the period of availability so they are not reported as revenue in the governmental funds		
		8,606,791
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.		
Net OPEB obligation		(20,785,892)
Deferred outflows from OPEB		1,983,652
Deferred inflows from OPEB		(18,998,602)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Income tax duplication liability		(182,241)
Accumulated unused compensated absences		<u>(3,100,846)</u>
Net position of governmental activities		<u>\$ 228,607,270</u>

City of Gaithersburg, Maryland

Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
For the Year Ended June 30, 2020

	General Fund	CIP Fund	Stormwater Management Fund	Non-Major Funds	Total Governmental Funds
Revenues					
Taxes	\$ 32,181,067	\$ -	\$ -	\$ -	\$ 32,181,067
Licenses and permits	4,128,350	-	-	-	4,128,350
Intergovernmental	17,466,431	-	-	171,181	17,637,612
Charges for services	4,579,480	-	5,317,938	-	9,897,418
Fines and forfeitures	2,164,421	-	-	-	2,164,421
Interest income	3,794,269	-	736,595	154,584	4,685,448
Miscellaneous	1,488,107	-	-	172,377	1,660,484
Total revenues	<u>65,802,125</u>	<u>-</u>	<u>6,054,533</u>	<u>498,142</u>	<u>72,354,800</u>
Expenditures					
Current					
General government	18,078,308	-	-	11,900	18,090,208
Public safety	12,057,576	-	-	-	12,057,576
Public works	10,228,161	-	991,544	13,794	11,233,499
Parks & recreation	7,306,326	-	-	-	7,306,326
Community services & development	2,858,014	-	-	-	2,858,014
Contribution to OPEB trust	3,100,000	-	-	-	3,100,000
Capital outlay	-	7,972,349	540,927	1,870,003	10,383,279
Total expenditures	<u>53,628,385</u>	<u>7,972,349</u>	<u>1,532,471</u>	<u>1,895,697</u>	<u>65,028,902</u>
Excess (deficiency) of revenues over expenditures	<u>12,173,740</u>	<u>(7,972,349)</u>	<u>4,522,062</u>	<u>(1,397,555)</u>	<u>7,325,898</u>
Other Financing Sources (Uses)					
Transfers in	-	6,980,001	1,233,382	2,098,000	10,311,383
Transfers out	(10,311,383)	-	-	-	(10,311,383)
Proceeds from sale of capital assets	110,585	-	-	-	110,585
Total other financing sources (uses)	<u>(10,200,798)</u>	<u>6,980,001</u>	<u>1,233,382</u>	<u>2,098,000</u>	<u>110,585</u>
Net change in fund balances	<u>1,972,942</u>	<u>(992,348)</u>	<u>5,755,444</u>	<u>700,445</u>	<u>7,436,483</u>
Fund Balances					
Beginning	<u>46,393,733</u>	<u>57,534,541</u>	<u>19,230,634</u>	<u>19,880,983</u>	<u>143,039,891</u>
Ending	<u>\$ 48,366,675</u>	<u>\$ 56,542,193</u>	<u>\$ 24,986,078</u>	<u>\$ 20,581,428</u>	<u>\$ 150,476,374</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, 2020**

Total net change in fund balances – governmental funds	\$ 7,436,483
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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	7,657,196	
Depreciation	<u>(4,873,131)</u>	2,784,065

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	(1,254,231)	
Accumulated depreciation	<u>1,004,903</u>	(249,328)

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).	3,102,868
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The net OPEB obligation relates to funding for future retiree health benefit payments, which are not considered current. The net OPEB obligation decreased in the current fiscal year.	2,454,083
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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		(660)
Unused compensated absences (increased) / decreased		<u>(139,653)</u>

Change in net position of governmental activities	<u>\$ 15,387,858</u>
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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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 31,320,908	\$ 31,320,908	\$ 32,181,067	\$ 860,159
Licenses and permits	4,299,970	4,299,970	4,128,350	(171,620)
Intergovernmental	19,135,659	19,135,659	17,466,431	(1,669,228)
Charges for services	5,516,730	5,516,730	4,579,480	(937,250)
Fines and forfeitures	2,492,000	2,492,000	2,164,421	(327,579)
Interest income	2,070,000	2,070,000	3,794,269	1,724,269
Miscellaneous	916,330	916,330	1,488,107	571,777
Total revenues	<u>65,751,597</u>	<u>65,751,597</u>	<u>65,802,125</u>	<u>50,528</u>
Expenditures				
General government	19,783,015	19,754,213	18,078,308	1,675,905
Public safety	12,098,432	12,094,681	12,057,576	37,105
Public works	11,007,821	10,835,296	10,228,161	607,135
Parks and recreation	8,761,484	8,743,056	7,306,326	1,436,730
Community services and development	2,963,770	2,896,770	2,858,014	38,756
Contribution to OPEB trust	3,100,000	3,100,000	3,100,000	-
Total expenditures	<u>57,714,522</u>	<u>57,424,016</u>	<u>53,628,385</u>	<u>3,795,631</u>
Excess of revenues over expenditures	8,037,075	8,327,581	12,173,740	3,846,159
Other Financing Sources (Uses)				
Transfers out	(10,310,365)	(10,310,365)	(10,311,383)	(1,018)
Proceeds from sale of capital assets	150,000	150,000	110,585	(39,415)
Total other financing uses	<u>(10,160,365)</u>	<u>(10,160,365)</u>	<u>(10,200,798)</u>	<u>(40,433)</u>
Net change in fund balance	<u>\$ (2,123,290)</u>	<u>\$ (1,832,784)</u>	\$ 1,972,942	<u>\$ 3,805,726</u>
Fund Balance				
Beginning			<u>46,393,733</u>	
Ending			<u>\$ 48,366,675</u>	

See Notes to Basic Financial Statements.

City of Gaithersburg, Maryland

**Statement of Fiduciary Net Position – Fiduciary Funds
As of June 30, 2020**

	Pension Trust - OPEB Trust Fund	Private-Purpose Trust Fund
Assets		
Cash and cash equivalents	\$ 20,793,014	\$ 15,629
Total assets	20,793,014	15,629
Liabilities		
Claim reimbursements due to primary government	202,866	-
Total liabilities	202,866	-
Net Position		
Net position restricted for postemployment benefits other than pensions	20,590,148	-
Net position held in trust	-	15,629
Total net position	\$ 20,590,148	\$ 15,629

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, 2020**

	Pension Trust - OPEB Trust Fund	Private-Purpose Trust Fund
Additions		
Contributions		
Employer	\$ 3,100,000	\$ -
Interest and gains	<u>859,779</u>	<u>7</u>
Total additions	<u>3,959,779</u>	<u>7</u>
Deductions		
Benefits and withdrawals	<u>1,053,686</u>	<u>-</u>
Change in net position	2,906,093	7
Net Position		
Beginning	<u>17,684,055</u>	<u>15,622</u>
Ending	<u>\$ 20,590,148</u>	<u>\$ 15,629</u>

See Notes to Basic Financial Statements.

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

Note 1 Overview and Summary of Significant Accounting Policies

The 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

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 nonmajor 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 nonmajor Capital Projects Fund:

- Capital Improvements Plan (CIP) Fund (Major fund): This fund is used to account for funds assigned for capital projects or allocated for future capital projects. This is reported as a major fund.
- Asset Replacement Fund (Nonmajor 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 nonmajor fund.

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

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 one major and two nonmajor Special Revenue Funds:

- Stormwater Management Fund (Major Fund): This fund is used to account for financial resources to be used for the acquisition or construction of the City's stormwater management initiative and accounts for the associated revenues from the stormwater program fees. This fund may also report interest earnings required to accumulate on the balance.
- Forest Conservation Fund (Nonmajor 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.
- Housing Program Fund (Nonmajor fund): This is used to account for revenues which were collected through the City's housing fee-in-lieu agreements, such as the Community Development Block Grant (CDBG) funds for the City's housing program and City assigned funding for housing. Fees-in-lieu may be generated when new housing developments cannot meet all affordable housing requirements. This fund may also report repayments on housing loans initiated from these resources.

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: OPEB Trust Funds are accounted for in essentially the same manner as government-wide financial statements as well; The City's OPEB Trust Fund accounts for contributions made by the City to finance future 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 fund 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 OPEB 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.

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

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.

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, 2020 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.

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

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.

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 revenues 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 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.

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

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.

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 made on behalf of 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 would be reported in the government-wide financial statements as "internal balances."

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

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 balance, 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, which is the deferred outflow of resources related to OPEB expense recognition.

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 the differences between expected and actual experience which 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 balance, that applies to a future period, therefore it 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

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 balances 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. Prior to July 1, the budget for the General Fund is legally enacted through passage of an ordinance.

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

- 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.

- 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.

- The City's budget is adopted at the departmental level as presented within the Supplementary Information section of this document. GAAP reporting requires expenditures be reported by function rather than by department; expenditures for the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual have been reclassified to be presented by functional category.

Note 3 Cash, Cash Equivalents, and Investments

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

	Governmental Activities	OPEB Trust Fund	Private Purpose Trust Fund	Associated Risks
<u>Cash and cash equivalents</u>				
Bank deposits	\$ 6,824,876	\$ -	\$ 2,000	Custodial credit deposits
MLGIP	57,213,290	-	-	Credit, interest rate
Certificates of deposit	-	-	13,629	Custodial credit deposits
Money market	5,478,492	-	-	Credit, interest rate
CIT	-	20,793,014	-	Credit, interest rate
Sub-Total	<u>69,516,658</u>	<u>20,793,014</u>	<u>15,629</u>	
<u>Investments</u>				
Commercial paper	2,498,825	-	-	Custodial credit, credit, interest rate, concentration
US agency securities	20,785,311	-	-	Custodial credit, credit, interest rate, concentration
US treasury securities	57,380,705	-	-	Custodial credit, interest rate
Sub-Total	<u>80,664,841</u>	<u>-</u>	<u>-</u>	
Total	<u>\$ 150,181,499</u>	<u>\$ 20,793,014</u>	<u>\$ 15,629</u>	

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

The Mayor and Council of the City recognize that their authority to invest 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. 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, 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 per 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 accounting principles generally accepted in the United States of America (GAAP). 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	\$ 2,498,825	\$ -	\$ 2,498,825	\$ -
US agency securities	20,785,311	-	20,785,311	-
US treasury securities	<u>57,380,705</u>	<u>57,380,705</u>	-	-
 Total investments by fair value level	 <u>\$ 80,664,841</u>	 <u>\$ 57,380,705</u>	 <u>\$ 23,284,136</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

- Amounts invested in 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

- 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, 2020, 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&P Rating</u>	<u>Amount</u>
MLGIP	AAAm	\$ 57,213,290
Money market	AAAm	5,478,492
CIT	unrated	20,793,014
Commercial paper	A-1	2,498,825
US agency securities	AA+	20,785,311
US treasury securities	AA+	57,380,705

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, 2020, 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	\$ 57,213,290	\$ 57,213,290	\$ -	\$ -	\$ -	\$ -
Money market	5,478,492	5,478,492	-	-	-	-
CIT	20,793,014	20,793,014	-	-	-	-
Commercial paper	2,498,825	2,498,825	-	-	-	-
US agency securities	20,785,311	9,320,883	4,029,811	-	-	7,434,617
US treasury securities	57,380,705	7,676,054	15,139,221	14,535,385	11,876,045	8,154,000
Total	\$ 164,149,637	\$ 102,980,558	\$ 19,169,032	\$ 14,535,385	\$ 11,876,045	\$ 15,588,617

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, 2020, the City had \$12,144,906 in US agency securities issued by Federal National Mortgage which totaled 8.1% of the City's total portfolio.

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

Note 4 Receivables

Receivables at June 30, 2020 reported in the General and Stormwater Funds consist of the following:

	Governmental Activities
Property taxes	
Current year	\$ 318,700
Previous years'	347,983
Allowance on taxes more than 3 years old	(217,805)
Total property taxes	448,878
Due from other governments	
County	13,259
State	7,479,482
Federal	66,558
Total due from other governments	7,559,299
Other receivables	
Cable TV fees	245,427
Police tickets and fines	778,800
OPEB Trust reimbursement	202,866
Stormwater fees	1,195,734
Accrued interest	334,645
Hotel taxes	28,310
Miscellaneous	118,152
Allowance on stormwater fees	(337,174)
Allowance on police tickets and fines	(140,088)
Total other receivables	2,426,672
Total	\$ 10,434,849

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 and also defer revenue recognition in connection with resources that have been received, but not yet earned. Unavailable revenues as of June 30, 2020 are as follows:

	Unavailable
Income tax reserve	\$ 5,094,048
Property taxes receivable	431,931
Interest income	148,063
Police fines and tickets	510,062
Highway user receivable	394,216
Capital grants unit receivable	1,000,000
Other receivables	88,250
Total General Fund	7,666,570
Stormwater charges	857,720
Nonmajor Funds	
Forgivable loan	82,501
Total Nonmajor Funds	82,501
Total Governmental Funds	\$ 8,606,791

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	Stormwater Management	Housing Program	Asset Replacement		
General Fund	\$ 6,980,001	\$ -	\$ -	\$ -	\$ 6,980,001	Capital funding
General Fund	-	1,062,817	240,000	-	1,302,817	Operating subsidy
General Fund	-	141,871	-	-	141,871	Stormwater fee on City-owned properties
General Fund	-	28,694	-	-	28,694	General fund contribution for hardship properties
General Fund	-	-	-	1,858,000	1,858,000	Savings for future asset replacement
Total	<u>\$ 6,980,001</u>	<u>\$ 1,233,382</u>	<u>\$ 240,000</u>	<u>\$ 1,858,000</u>	<u>\$ 10,311,383</u>	

Note 6 Long-Term Receivables

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

	<u>Governmental Activities</u>
Long-term receivables	
Gaithersburg Homeownership Assistance Loan Program	\$ 4,294,858
Forgivable property improvement loan	82,500
Developer note receivable	736,000
Total	<u>\$ 5,113,358</u>

These amounts are included on the governmental activities statement of net position and recorded in the Housing Program Fund within the governmental fund financial statements.

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 227 individual loans ranging from \$4,700 to \$25,000 had been made totaling \$4,294,858. Of these loans, 37 were made during FY 2020 totaling \$703,137. The City received \$132,536 in repayments during FY 2020, \$30,000 in FY 2019, and \$58,000 during FY 2018. The proceeds from these loan repayments will remain assigned for housing projects. As such, these balances are included in assigned fund balance within the Housing Program Fund, along with other funding assigned for GHALP.

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

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 (year 2020) 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, was due on January 1, 2020. As of August 19, 2020, a first amendment to the deed of trust note was executed that extended the repayment date to December 31, 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 \$-0- 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, was due on January 1, 2020. As of August 19, 2020, a first amendment to the deed of trust note was executed that extended the repayment date to December 31, 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 \$-0- 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 Housing Program 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, 2019	Additions/ Transfers	Deletions/ Transfers	Balance, June 30, 2020
Capital assets not being depreciated				
Land	\$ 43,143,623	\$ -	\$ -	\$ 43,143,623
Construction-in-progress	<u>7,099,632</u>	<u>6,187,224</u>	<u>(1,658,853)</u>	<u>11,628,003</u>
Total assets not being depreciated	<u>50,243,255</u>	<u>6,187,224</u>	<u>(1,658,853)</u>	<u>54,771,626</u>
Capital assets being depreciated				
Buildings	38,875,133	366,349	(573,716)	38,667,766
Improvements other than buildings	17,878,700	993,647	-	18,872,347
Machinery and equipment	15,283,771	1,476,777	(649,046)	16,111,502
Intangibles	284,324	-	-	284,324
Infrastructure	<u>68,876,886</u>	<u>292,054</u>	<u>(31,472)</u>	<u>69,137,468</u>
Total assets being depreciated	<u>141,198,814</u>	<u>3,128,827</u>	<u>(1,254,234)</u>	<u>143,073,407</u>
Less accumulated depreciation for				
Buildings	(18,143,929)	(971,080)	324,390	(18,790,619)
Improvements other than buildings	(10,078,618)	(954,061)	-	(11,032,679)
Machinery and equipment	(10,391,666)	(1,584,503)	649,046	(11,327,123)
Intangibles	(73,540)	(46,775)	-	(120,315)
Infrastructure	<u>(44,681,023)</u>	<u>(1,316,712)</u>	<u>31,472</u>	<u>(45,966,263)</u>
Total accumulated depreciation	<u>(83,368,776)</u>	<u>(4,873,131)</u>	<u>1,004,908</u>	<u>(87,236,999)</u>
 Capital assets, net	 <u>\$ 108,073,293</u>	 <u>\$ 4,442,920</u>	 <u>\$ (1,908,179)</u>	 <u>\$ 110,608,034</u>

Depreciation expense was charged to governmental functions for the year ended June 30, 2020 as follows:

General government	\$ 1,432,030
Public safety	386,040
Public works	2,217,888
Parks and recreation	834,126
Community services and development	<u>3,047</u>
Total depreciation	<u>\$ 4,873,131</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 of Maryland for income tax claims (See Note 10). All long-term liabilities 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	\$ 1,841,849	\$ 1,295,522	\$ (1,044,172)	\$ 2,093,199	\$ 1,222,166
Sick	1,119,344	95,946	(207,643)	1,007,647	132,875
Total compensated absences	<u>2,961,193</u>	<u>1,391,468</u>	<u>(1,251,815)</u>	<u>3,100,846</u>	<u>1,355,041</u>
Net OPEB liability	25,204,317	4,279,320	(8,697,745)	20,785,892	-
Income tax duplication liability	181,581	660	-	182,241	9,112
Total other liabilities	<u>25,385,898</u>	<u>4,279,980</u>	<u>(8,697,745)</u>	<u>20,968,133</u>	<u>9,112</u>
 Total long-term liabilities	 <u>\$ 28,347,091</u>	 <u>\$ 5,671,448</u>	 <u>\$ (9,949,560)</u>	 <u>\$ 24,068,979</u>	 <u>\$ 1,364,153</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 are established and may be amended by the City Manager. The City does not issue separate OPEB Plan financial statements. All required disclosures have been included within this report. The significant accounting policies of the plan are covered in Note 1 of the notes to the financial statements.

Employees covered by benefit terms: Substantially all full-time employees may qualify for these benefits. As of June 30, 2020, the following employees were covered by the benefit terms:

Retired employees	96
Active employees	<u>306</u>
Total plan members	<u><u>402</u></u>

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

Eligibility: Not all 306 active employees will meet the qualifications to retire and receive OPEB benefits. The table above includes 65 active employees and 23 retirees who opted out of medical coverage. To be eligible for the General Retirement Plan, 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 healthcare premium cost of the lowest Health Maintenance Organization (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.

Benefits provided for employees hired prior to July 1, 2018: For General Retirement retirees, the City pays 85% of the health care and dental premiums, while retirees contribute the remaining 15%. For Early Retirement Plan retirees, the City pays 80% of the health care and dental premiums, while retirees contribute the remaining 20%.

Benefits provided for employees hired on or after July 1, 2018: The City's share of premium was reduced from 85% to 75% for medical and dental premiums. Supplemental medical coverage is no longer provided to Medicare eligible retirees and spouses.

For all eligible employees, regardless of hire date, the City pays 100% of the life insurance and the long-term care premiums. Active employees are not required to contribute to the OPEB Plan.

Contributions: The contribution requirements of plan members and the City are established and may be amended by the City Manager. The annual contribution to the trust 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. In 2020, the City contributed \$3,100,000 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, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50%
Salary increases	4.20 - 7.20%
Investment rate of return	6.25%
Healthcare cost trend rates	4.00%
Mortality rate	Pub2010- with scale MP-2019

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial study for the period July 1, 2019 - June 30, 2020.

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 6.25%. 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 assets are not expected to be exhausted in future years.

Net OPEB Trust Fund 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, 2019	\$ 42,888,372	\$ 17,684,055	\$ 25,204,317
Changes for the year			
Service cost	1,631,724	-	1,631,724
Interest	2,647,596	-	2,647,596
Experience losses	(32,765)	-	(32,765)
Employer contributions	-	3,100,000	(3,100,000)
Net investment income	-	859,779	(859,779)
Changes in assumptions	(4,705,201)	-	(4,705,201)
Benefit payments	(1,053,686)	(1,053,686)	-
Net changes	(1,512,332)	2,906,093	(4,418,425)
Ending balance - June 30, 2020	<u>\$ 41,376,040</u>	<u>\$ 20,590,148</u>	<u>\$ 20,785,892</u>
Funded status		49.76%	

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

Sensitivity of the net OPEB liability to changes in the discount rate and 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 a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Discount	1% Increase
	<u>5.25%</u>	<u>Rate 6.25%</u>	<u>7.25%</u>
Net OPEB liability	\$ 27,613,993	\$ 20,785,892	\$ 15,288,795

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 or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare	1% Increase
	<u>3.00%</u>	<u>Cost Trend</u>	<u>Rate 4.00%</u>
		<u>5.00%</u>	
Net OPEB liability	\$ 14,839,370	\$ 20,785,892	\$ 28,401,817

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$645,927. As of June 30, 2020, 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	\$ 1,809,637	\$ -
Changes in assumptions	-	(18,998,602)
Difference between expected and actual experience	<u>174,015</u>	<u>-</u>
Total	<u>\$ 1,983,652</u>	<u>\$ (18,998,602)</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>
2020	\$ (2,603,817)
2021	(2,487,350)
2022	(2,442,992)
2023	(3,319,247)
2024	(2,569,161)
Thereafter	<u>(3,592,383)</u>
Total	<u>\$ (17,014,950)</u>

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

Note 10 Income Tax Duplication Liability

The State of Maryland was involved in 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. The outcome of the case was in favor of the taxpayers. In order to receive a refund related to the above case, the 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 would be deducted from the City's local income tax payment beginning in FY 21. As of June 30, 2020, \$182,241, which includes \$6,440 of interest, was recorded as long-term liability on the statement of net position.

Note 11 Fund Balance

The details of Governmental fund balances are summarized as follows:

	General Fund	CIP Fund	Stormwater Management Fund	Nonmajor Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-spendable				
Prepays	\$ 313,991	\$ -	\$ -	\$ -
Inventory	31,727	-	-	-
Total non-spendable	<u>345,718</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for				
Sports program	11,671	-	-	-
Holiday giving	7,230	-	-	-
Public safety activities	88,978	-	-	-
Stream and infrastructure improvements	141,004	-	-	-
Transportation projects	250,800	2,521,018	-	-
Stormwater	-	-	15,734,842	-
Forest conservation	-	-	-	759,877
Total restricted	<u>499,683</u>	<u>2,521,018</u>	<u>15,734,842</u>	<u>759,877</u>
Committed for				
Housing projects	-	-	-	3,106,408
Capital projects and equipment	298,696	17,445,574	743,068	1,832,824
Total committed	<u>298,696</u>	<u>17,445,574</u>	<u>743,068</u>	<u>4,939,232</u>
Assigned for				
Economic development opportunity grants	2,208,567	-	-	-
Economic development toolbox grants	372,403	-	-	-
GHALP	-	-	-	4,294,856
Housing projects	-	-	-	736,001
Encumbrances for operations	347,143	-	59,557	-
Stormwater	-	-	8,212,219	-
Capital projects and equipment	63,317	36,575,601	236,392	9,851,462
Total assigned	<u>2,991,430</u>	<u>36,575,601</u>	<u>8,508,168</u>	<u>14,882,319</u>
Unassigned	<u>44,231,148</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 48,366,675</u>	<u>\$ 56,542,193</u>	<u>\$ 24,986,078</u>	<u>\$ 20,581,428</u>

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 retirement 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:

Plan Description	401a	401k	401a supplemental	Medicare RHS
Covered employees	all full-time	all full-time, with employee match	public safety and public works	all full-time employees hired on or after July 1, 2018
Plan Members				
Benefits Provided	8% of salary	3% of salary, with 5% employee match	up to 5% of salary, with 10% employee match	Employer contributions of \$76.93 per pay period
Vesting period years of service				
1	0%	0%	0%	0%
2	0%	0%	0%	0%
3	33%	33%	0%	100%
4	67%	67%	0%	100%
5	100%	100%	0%	100%
6	100%	100%	20%	100%
7	100%	100%	40%	100%
8	100%	100%	60%	100%
9	100%	100%	80%	100%
10	100%	100%	100%	100%

Unvested, forfeited amounts are available to the City to offset future retirement plan payments. The table below summarizes the retirement plan expense for the year ended June 30, 2020:

Pension Expense	401a	401k	401a supplemental	Medicare RHS
Retirement plan expense	\$ 2,071,339	\$ 672,414	\$ 424,764	\$ 99,701
Forfeitures applied	(141,400)	(41,000)	(13,800)	-
Net retirement plan expense	<u>\$ 1,929,939</u>	<u>\$ 631,414</u>	<u>\$ 410,964</u>	<u>\$ 99,701</u>

The City has retirement plan liability.

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

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 Mayor and 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 2020, the City had six tax abatement agreements in place and abated approximately \$315,842 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 \$249,823 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 estimated premiums of \$407,721 to Montgomery County, of which the entire balance remains payable as of June 30, 2020.

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, stormwater management, traffic signalization, other capital improvement projects and general operating contracts. As of June 30, 2020, encumbrances for contracts were \$709,156 in the General Fund,

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

\$17,703,310 in the CIP Fund, \$1,039,017 in the Stormwater Management Fund, and \$2,057,718 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.

COVID-19: On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide which caused a shutdown of the City. As of the date of this filing, the City has developed a Phased Restoration Plan that outlines the reopening plan from the initial shutdown. The City is currently in Phase 2 of the reopening plan in which walk-in services are allowed only at City Hall, the Activity Center and the Police Station with safety protocols in place. City Hall hours and staffing may be limited as many employees continue to telework. Montgomery County is reviewing health data regularly making determinations about expanding openings which would impact the City. There is still considerable amount of uncertainty around the timeline of completion of the reopening plan. The City expects this matter to continue to negatively impact the City's financial condition, results of operations, or cash flows, but cannot reasonably estimate the impact at this time.

Note 16 Conduit Debt Obligations

The City has approved the issuance of economic development revenue bonds for the benefit of Asbury Methodist Village, Incorporated (Asbury), 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. During the fiscal year ended June 30, 2020, Asbury issued bonds in the amount of \$16,009,000, the proceeds of which, along with debt service reserve funds on hand and estimated premiums were used to refund existing debt service. As of June 30, 2020, there were two bond issuances outstanding with an aggregate balance of \$109,817,000. The full faith and credit of the City has not been pledged in support of the bonds, and in the event of default, the City cannot be held liable.

Note 17 Subsequent Event

The City has not identified any subsequent events that would require potential financial statement disclosure through October 30, 2020, which represents the date the financial statements were available to be issued.

Note 18 New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2020, 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.

City of Gaithersburg, Maryland

Notes to Basic Financial Statements

- GASB Statement No. 84, *Fiduciary Activities* will be effective for the City beginning with its year ending June 30, 2021. 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.
- GASB Statement No. 87, *Leases*, will be effective for the City beginning with its year ending June 30, 2022. 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.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the City beginning with its year ending June 30, 2021. This statement removes the requirement to capitalize interest during construction.
- GASB Statement No. 90, *Majority Equity Interests*, will be effective for the City beginning with its year ending June 30, 2021. This statement defines and provides guidance on the appropriate accounting treatment of majority equity interests.
- GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the City beginning with its year ending June 30, 2023. This statement defines and provides guidance on the presentation of a single method of reporting conduit debt obligations.
- GASB Statement No. 92, *Omnibus 2020*, will be effective for the City beginning with its year ending June 30, 2022.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will be effective for the City June 30, 2022. The requirement in paragraph 11b is effective for the City beginning with its year ending June 30, 2023. All other requirements of this Statement are effective for the City beginning with its year ending June 30, 2021.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will be effective for the City beginning with its year ending June 30, 2023.
- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, has been effective for the City since the year ended June 30, 2019.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, will be effective for the City beginning with its year ending June 30, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, will be effective for the City immediately related to paragraphs 4 and 5. All other requirements of the Statement are effective for fiscal years beginning after June 30, 2022.



Oktoberfest

Required Supplementary Information Section





Martin Luther King, Jr. Day of Service

City of Gaithersburg, Maryland

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

	2020	2019	2018	2017	2016
Total OPEB liability					
Service cost	\$ 1,631,724	\$ 1,568,965	\$ 3,068,323	\$ 2,967,911	\$ 2,427,000
Interest	2,647,596	2,451,107	2,124,337	1,881,173	1,833,000
Experience losses	(32,765)	266,934	2,369,093	103,499	-
Changes in assumptions	(4,705,201)	-	(21,020,509)	(6,599,302)	6,658,997
Benefit payments	<u>(1,053,686)</u>	<u>(965,773)</u>	<u>(698,839)</u>	<u>(568,547)</u>	<u>(676,997)</u>
Net change in total OPEB liability	(1,512,332)	3,321,233	(14,157,595)	(2,215,266)	10,242,000
Beginning total OPEB liability	<u>42,888,372</u>	<u>39,567,139</u>	<u>53,724,734</u>	<u>55,940,000</u>	<u>45,698,000</u>
Ending total OPEB liability (a)	<u>\$41,376,040</u>	<u>\$42,888,372</u>	<u>\$ 39,567,139</u>	<u>\$53,724,734</u>	<u>\$ 55,940,000</u>
Plan fiduciary net position					
Employer contributions	\$ 3,100,000	\$ 5,000,000	\$ 2,200,000	\$ 2,326,000	\$ 1,326,000
Net investment income	859,779	715,041	925,489	1,118,555	(103,118)
Benefit payments	<u>(1,053,686)</u>	<u>(965,773)</u>	<u>(698,839)</u>	<u>(694,547)</u>	<u>(676,997)</u>
Net change in fiduciary net position	2,906,093	4,749,268	2,426,650	2,750,008	545,885
Beginning fiduciary net position	<u>17,684,055</u>	<u>12,934,787</u>	<u>10,508,137</u>	<u>7,758,129</u>	<u>7,212,244</u>
Ending fiduciary net position (b)	<u>\$20,590,148</u>	<u>\$17,684,055</u>	<u>\$ 12,934,787</u>	<u>\$10,508,137</u>	<u>\$ 7,758,129</u>
City's net OPEB liability - ending (a) - (b)	20,785,892	25,204,317	26,632,352	43,216,597	48,181,871
Plan fiduciary net position as a percentage of the total OPEB liability	49.76%	41.23%	32.69%	19.56%	13.87%
Covered payroll	25,221,807	23,888,943	23,661,849	21,426,009	20,709,628
City's net OPEB liability as a percentage of covered payroll	82.41%	105.51%	112.55%	201.70%	232.65%
Expected average remaining service years of all participants	9	9	9	8	8
Annual money-weighted rate of return	8.22%	8.22%	8.22%	13.05%	-1.35%

Notes to schedule:

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

Discount rate	6.25%	6.25%	6.25%	3.98%	3.38%
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Due to future benefit changes the City was not required to use a blended discount rate as the cross-over test was met for future years

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

Actuarial assumptions : The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.50%
Salary increases	4.20%-7.20%
Investment rate of return	6.25%
Healthcare cost trend rates	4.00%
Mortality rate	Pub-2010 with scale MP-2019



Kentlands Mansion

Supplementary Information Section



City of Gaithersburg, Maryland

Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2020

	Special Revenue		Capital Projects	Total Non-Major Funds
	Forest Conservation Fund	Housing Program Fund	Asset Replacement Fund	
Assets				
Cash and cash equivalents	\$ 454,465	\$ 1,876,387	\$ 7,182,725	\$ 9,513,577
Investments	302,977	1,250,924	4,788,484	6,342,385
Other receivables	2,515	-	-	2,515
Long-term receivables	-	5,113,358	-	5,113,358
Total assets	<u>\$ 759,957</u>	<u>\$ 8,240,669</u>	<u>\$ 11,971,209</u>	<u>\$ 20,971,835</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 80	\$ -	\$ 307,826	\$ 307,906
Total liabilities	<u>80</u>	<u>-</u>	<u>307,826</u>	<u>307,906</u>
Deferred inflow of resources				
Unavailable revenues	-	82,501	-	82,501
Total deferred inflow of resources	<u>-</u>	<u>82,501</u>	<u>-</u>	<u>82,501</u>
Fund balances				
Restricted	759,877	-	-	759,877
Committed	-	3,106,408	1,832,824	4,939,232
Assigned	-	5,051,760	9,830,559	14,882,319
Total fund balances	<u>759,877</u>	<u>8,158,168</u>	<u>11,663,383</u>	<u>20,581,428</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 759,957</u>	<u>\$ 8,240,669</u>	<u>\$ 11,971,209</u>	<u>\$ 20,971,835</u>

City of Gaithersburg, Maryland

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2020**

	<u>Special Revenue</u>		<u>Capital Projects</u>	Total Non-Major Funds
	Forest Conservation Fund	Housing Program Fund	Asset Replacement Fund	
Revenues				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	171,181	-	171,181
Charges for services	-	-	-	-
Interest income	22,589	131,995	-	154,584
Miscellaneous	30,000	142,377	-	172,377
Total revenues	<u>52,589</u>	<u>445,553</u>	<u>-</u>	<u>498,142</u>
Expenditures				
Current				
General government	-	11,900	-	11,900
Public works	13,794	-	-	13,794
Capital outlay	-	-	1,870,003	1,870,003
Total expenditures	<u>13,794</u>	<u>11,900</u>	<u>1,870,003</u>	<u>1,895,697</u>
Excess (deficiency) of revenues over expenditures	<u>38,795</u>	<u>433,653</u>	<u>(1,870,003)</u>	<u>(1,397,555)</u>
Other Financing Sources (Uses)				
Transfers in	-	240,000	1,858,000	2,098,000
Net change in fund balances	<u>38,795</u>	<u>673,653</u>	<u>(12,003)</u>	<u>700,445</u>
Fund Balances				
Beginning	<u>721,082</u>	<u>7,484,515</u>	<u>11,675,386</u>	<u>19,880,983</u>
Ending	<u>\$ 759,877</u>	<u>\$ 8,158,168</u>	<u>\$ 11,663,383</u>	<u>\$ 20,581,428</u>

City of Gaithersburg, Maryland

Schedule of Revenues – Budget and Actual - General Fund
 Year Ended June 30, 2020
 (With Comparative Totals for 2019)

	2020				2019 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	
Taxes					
Real estate taxes	\$ 27,095,708	\$ 27,095,708	\$ 28,249,425	\$ 1,153,717	\$ 27,191,583
Personal property taxes	1,763,200	1,763,200	1,599,905	(163,295)	1,467,298
Penalties and interest	39,000	39,000	47,556	8,556	46,725
Hotel tax	1,123,000	1,123,000	808,161	(314,839)	1,126,287
Admissions tax	1,300,000	1,300,000	1,476,020	176,020	1,124,856
Total taxes	31,320,908	31,320,908	32,181,067	860,159	30,956,749
Licenses and Permits					
Street permits	30,000	30,000	57,861	27,861	273,609
Amusement licenses	34,150	34,150	35,250	1,100	20,550
Traders licenses	127,000	127,000	18,386	(108,614)	126,062
Electricians licenses	52,000	52,000	56,175	4,175	32,550
Rental housing licenses	790,870	790,870	653,328	(137,542)	873,580
Bus shelter franchise fee	18,000	18,000	9,736	(8,264)	7,468
CATV franchise	1,084,000	1,084,000	975,243	(108,757)	939,022
CATV PEG	50,000	50,000	47,117	(2,883)	49,068
Animal licenses	30,000	30,000	21,360	(8,640)	27,850
Building permits	1,300,000	1,300,000	1,406,608	106,608	1,626,348
Deck Permits	9,000	9,000	7,775	(1,225)	6,270
Electrical permits	160,000	160,000	182,783	22,783	217,225
Utility permits	12,000	12,000	6,342	(5,658)	8,032
Occupancy permits	75,000	75,000	87,350	12,350	55,400
Sign permits	21,000	21,000	22,181	1,181	30,138
Fire protection permits	209,000	209,000	237,085	28,085	266,257
Mechanical permits	140,000	140,000	136,772	(3,228)	183,820
Special events permits	11,000	11,000	8,205	(2,795)	12,872
Grading permits	25,000	25,000	23,383	(1,617)	39,284
On site improvements	80,000	80,000	39,057	(40,943)	72,802
Stormwater management permits	20,000	20,000	78,513	58,513	79,584
Other permits	21,950	21,950	17,840	(4,110)	22,733
Total licenses and permits	4,299,970	4,299,970	4,128,350	(171,620)	4,970,524

City of Gaithersburg, Maryland

Schedule of Revenues – Budget and Actual - General Fund
 Year Ended June 30, 2020
 (With Comparative Totals for 2019)

(continued)

	2020			Variance with Final Budget Positive (Negative)	2019 Actual
	Original Budget	Final Budget	Actual		
Intergovernmental					
Federal grants					
Community development	\$ 141,418	\$ 141,418	\$ 156,680	\$ 15,262	\$ 124,309
Transitional housing	6,000	6,000	7,500	1,500	5,860
DOJ police equipment	9,386	9,386	4,479	(4,907)	5,484
Miscellaneous	33,600	33,600	15,860	(17,740)	27,212
State grants					
Open Space	500,000	500,000	535,000	35,000	-
Police	667,746	667,746	642,688	(25,058)	662,867
Arts	60,000	60,000	113,193	53,193	60,000
Olde Towne revitalization and plaza	-	-	-	-	200,000
Miscellaneous	1,000,000	1,000,000	1,764	(998,236)	42,023
State-shared taxes					
Highway user	1,918,609	1,918,609	1,470,576	(448,033)	1,439,931
County grants and shared taxes					
County revenue sharing	1,206,567	1,206,567	1,206,567	-	1,206,567
Income tax	13,400,000	13,400,000	13,192,477	(207,523)	13,018,186
Impact tax	-	-	-	-	1,593,898
Homeless program	72,333	72,333	77,873	5,540	68,733
Nutrition program	60,000	60,000	38,206	(21,794)	63,041
Miscellaneous	60,000	60,000	3,568	(56,432)	2,645
Total intergovernmental	19,135,659	19,135,659	17,466,431	(1,669,228)	18,520,756
Charges for Services					
Automation fee	180,000	180,000	216,271	36,271	272,363
Zoning fees	127,000	127,000	108,531	(18,469)	168,001
Recreation program fees	1,173,950	1,173,950	843,237	(330,713)	1,129,811
Casey Community Center	230,000	230,000	161,558	(68,442)	230,254
Water Park	700,000	700,000	393,822	(306,178)	543,232
Kentlands Mansion	163,000	163,000	89,060	(73,940)	144,782

City of Gaithersburg, Maryland

Schedule of Revenues – Budget and Actual - General Fund
Year Ended June 30, 2020
(With Comparative Totals for 2019)

(concluded)

	2020				2019 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	
Special events	\$ 107,325	\$ 107,325	\$ 58,913	\$ (48,412)	\$ 96,106
Gaithersburg Aquatic Center	160,000	160,000	146,420	(13,580)	187,870
Skate park	9,300	9,300	13,265	3,965	12,537
Group picnics	62,000	62,000	39,625	(22,375)	49,815
Winter Lights	330,000	330,000	422,937	92,937	353,964
Miniature golf revenue	100,000	100,000	68,089	(31,911)	91,243
Youth Center in Olde Towne	21,800	21,800	13,612	(8,188)	17,339
Activity Center programs	226,000	226,000	172,840	(53,160)	230,612
Gaithersburg Arts Barn	253,000	253,000	177,871	(75,129)	274,127
Gaithersburg Youth Center	8,400	8,400	6,261	(2,139)	4,679
Community Museum	9,000	9,000	8,533	(467)	13,330
Membership fee – dog exercise	1,800	1,800	780	(1,020)	2,220
Senior Center	165,000	165,000	125,041	(39,959)	155,087
Environmental fees	3,761	3,761	3,985	224	3,985
Stormwater management fees	-	-	55,187	55,187	89,644
Recycling collections	1,419,924	1,419,924	1,412,711	(7,213)	1,219,080
Passports	60,000	60,000	39,095	(20,905)	68,495
Miscellaneous	5,470	5,470	1,836	(3,634)	4,987
Total charges for services	<u>5,516,730</u>	<u>5,516,730</u>	<u>4,579,480</u>	<u>(937,250)</u>	<u>5,363,563</u>
Fines and Forfeitures					
Ordinance fines	2,492,000	2,492,000	2,164,421	(327,579)	2,204,866
Interest income	<u>2,070,000</u>	<u>2,070,000</u>	<u>3,794,269</u>	<u>1,724,269</u>	<u>3,901,126</u>
Miscellaneous Revenue					
Rents	152,360	152,360	142,758	(9,602)	147,509
Contributions	98,600	98,600	115,681	17,081	95,210
Miscellaneous	665,370	665,370	1,229,668	564,298	807,391
Total miscellaneous	<u>916,330</u>	<u>916,330</u>	<u>1,488,107</u>	<u>571,777</u>	<u>1,050,110</u>
Total revenue	<u>65,751,597</u>	<u>65,751,597</u>	<u>65,802,125</u>	<u>50,528</u>	<u>66,967,694</u>
Other Financing Sources					
Proceeds from sale of capital assets	150,000	150,000	110,585	(39,415)	172,003
Total revenue and other financing sources	<u>\$ 65,901,597</u>	<u>\$ 65,901,597</u>	<u>\$ 65,912,710</u>	<u>\$ 11,113</u>	<u>\$ 67,139,697</u>



Veteran's Day Event

City of Gaithersburg, Maryland

Schedule of Departmental Expenditures – Budget and Actual - General Fund
 Year Ended June 30, 2020
 (With Comparative Totals for 2019)

	2020			Variance with Final Budget Positive (Negative)	2019 Actual
	Original Budget	Final Budget	Actual		
City Manager's Office					
Mayor and City Council	\$ 415,837	\$ 415,837	\$ 403,116	\$ 12,721	\$ 403,160
Legal services	787,359	769,307	765,529	3,778	714,424
Registration and elections	61,750	61,750	53,948	7,802	1,428
Office of the City Manager	894,221	871,150	990,501	(119,351)	817,178
Economic and business development	498,357	499,377	461,534	37,843	470,508
Environmental services	122,739	122,739	91,388	31,351	48,728
Housing and community development	338,712	349,062	284,809	64,253	301,087
Total city manager's office	<u>3,118,975</u>	<u>3,089,222</u>	<u>3,050,825</u>	<u>38,397</u>	<u>2,756,513</u>
Human resources	<u>1,206,908</u>	<u>1,206,234</u>	<u>1,200,622</u>	<u>5,612</u>	<u>1,165,383</u>
Community and Public Relations					
Public information	1,056,155	1,056,155	973,566	82,589	934,767
Gaithersburg television	302,180	304,733	302,628	2,105	304,580
Community services	1,635,789	1,568,789	1,593,014	(24,225)	1,548,726
Homeless assistance	513,648	513,648	537,452	(23,804)	528,155
Total community and public relations	<u>3,507,772</u>	<u>3,443,325</u>	<u>3,406,660</u>	<u>36,665</u>	<u>3,316,228</u>
Finance and Administration					
Finance and administration	1,590,485	1,623,985	1,508,730	115,255	1,331,736
General services	54,176	54,176	43,700	10,476	49,250
Non-departmental	3,347,089	3,348,227	2,605,611	742,616	2,859,024
Total finance and administration	<u>4,991,750</u>	<u>5,026,388</u>	<u>4,158,041</u>	<u>868,347</u>	<u>4,240,010</u>
Information Technology					
Information technology	1,809,484	1,809,484	1,809,422	62	1,753,242
Geographic information services	328,074	328,074	326,546	1,528	300,134
Total information technology	<u>2,137,558</u>	<u>2,137,558</u>	<u>2,135,968</u>	<u>1,590</u>	<u>2,053,376</u>

City of Gaithersburg, Maryland

Schedule of Departmental Expenditures – Budget and Actual - General Fund
 Year Ended June 30, 2020
 (With Comparative Totals for 2019)

(continued)

	2020			Variance with Final Budget Positive (Negative)	2019 Actual
	Original Budget	Final Budget	Actual		
Parks, Recreation and Culture					
Administration	\$ 896,859	\$ 881,443	\$ 935,638	\$ (54,196)	\$ 855,916
Recreation programs and sports	939,038	944,518	826,006	118,512	1,012,940
Recreation classes	303,841	303,851	249,580	54,271	266,825
Youth services	397,048	397,048	326,781	70,267	472,064
Summer programs	666,244	667,365	441,221	226,144	569,091
Gaithersburg Youth Center	273,538	273,538	244,854	28,684	232,015
Skate park	41,941	41,941	21,813	20,128	36,788
Casey Community Center	438,694	439,979	342,975	97,004	551,669
Water park	872,961	878,597	536,687	341,910	653,831
Gaithersburg Arts Barn	519,987	515,953	382,993	132,960	555,993
Youth Center in Olde Towne	340,605	340,605	264,473	76,132	327,311
Senior program	814,333	814,333	727,548	86,785	785,321
Activities Center at Bohrer park	534,766	534,766	507,773	26,993	515,717
Gaithersburg Aquatic Center	315,029	314,224	290,357	23,867	317,040
Miniature golf course	99,764	99,764	98,927	837	75,007
Picnic pavilions	25,011	25,011	18,254	6,757	21,453
Winter Lights	236,754	236,306	194,696	41,610	257,979
Special events	1,228,478	1,219,220	1,048,071	171,149	1,340,439
Museums	227,460	225,460	206,610	18,850	225,856
Kentlands Mansion	403,466	403,466	368,617	34,849	350,171
Total parks, recreation and culture	9,575,817	9,557,388	8,033,874	1,523,514	9,423,426
Planning and Code Administration					
Planning	906,286	919,133	907,064	12,069	824,270
Planning and code administration	1,240,842	1,240,842	1,060,787	180,055	1,212,957
Permits and inspections	1,725,106	1,721,331	1,700,161	21,170	1,703,741
Neighborhood services	1,155,652	1,183,286	1,183,506	(220)	1,026,467
Animal control	424,066	424,066	368,542	55,524	381,754
Total planning and code administration	5,451,952	5,488,658	5,220,060	268,598	5,149,189
Police department	9,628,798	9,628,822	9,715,040	(86,218)	9,042,909

City of Gaithersburg, Maryland

Schedule of Departmental Expenditures – Budget and Actual - General Fund
 Year Ended June 30, 2020
 (With Comparative Totals for 2019)

(continued)

	2020			Variance with Final Budget Positive (Negative)	2019 Actual
	Original Budget	Final Budget	Actual		
Public Works					
Facilities management	\$ 1,905,893	\$ 1,898,061	\$ 1,738,103	\$ 159,958	\$ 1,688,336
Building and grounds					
City Hall	160,910	169,127	132,934	36,193	122,516
Police station	94,522	92,147	80,232	11,915	50,864
Public service facility	242,176	219,661	202,939	16,722	162,782
Train station	29,290	29,290	26,008	3,282	25,363
Kentlands Firehours	-	-	18	(18)	-
Kentlands Mansion	90,737	87,226	45,671	41,555	46,377
Benjamin Gaither Center	90,261	88,077	64,453	23,624	75,318
Casey Community Center	157,744	153,869	130,784	23,085	153,488
Olde Towne Pavilion	6,023	6,023	2,389	3,634	3,465
Public safety facility	38,423	37,160	46,573	(9,413)	58,219
Gaithersburg Aquatic Center	15,074	14,461	11,677	2,784	15,572
Activity Center at Bohrer Park	274,736	267,892	262,056	5,836	256,439
Gaithersburg Arts Barn	86,350	84,000	49,980	34,020	66,999
Water Park at Bohrer Park	126,618	103,961	72,123	31,838	141,717
Miniature golf course	16,058	16,058	12,297	3,761	19,299
Skate park	9,117	9,117	1,669	7,448	9,768
Youth Center in Olde Towne	56,347	55,422	52,790	2,632	34,457
Youth Center at Robertson Park	67,220	64,427	53,674	10,753	44,190
Future park site	29,293	29,343	12,378	16,965	23,424
Parking facility	126,855	125,558	70,883	54,675	84,176
Homeland	43,062	39,782	35,670	4,112	-
Public works administration	785,003	785,003	822,814	(37,811)	670,972
Streets and special projects	1,057,180	1,057,163	776,758	280,405	876,704
Fleet maintenance	663,254	663,254	657,651	5,603	632,271
Landscaping and forestry	1,264,585	1,265,365	1,099,005	166,360	1,229,585
City stormwater	10,450	10,450	546	9,904	1,187
Municipal parks maintenance	2,104,092	2,026,269	1,986,473	39,796	1,890,234
Mowing and bulk pick-up	2,220,438	2,220,438	2,126,574	93,864	2,054,550
Recycling	1,246,166	1,228,252	1,317,900	(89,648)	1,024,797
Engineering services	951,653	874,102	774,137	99,965	626,292
Street lighting	705,000	705,000	666,303	38,697	678,018
Traffic engineering	320,462	320,462	273,833	46,629	329,613
Total public works	<u>14,994,992</u>	<u>14,746,420</u>	<u>13,607,295</u>	<u>1,139,125</u>	<u>13,096,992</u>
Total expenditures	<u>54,614,522</u>	<u>54,324,016</u>	<u>50,528,385</u>	<u>3,795,631</u>	<u>50,244,026</u>

City of Gaithersburg, Maryland

Schedule of Departmental Expenditures – Budget and Actual - General Fund
 Year Ended June 30, 2020
 (With Comparative Totals for 2019)

(concluded)

	2020			Variance with Final Budget Positive (Negative)	2019 Actual
	Original Budget	Final Budget	Actual		
Transfers Out					
CIP	\$ 6,350,000	\$ 6,350,000	\$ 6,350,000	\$ -	\$ 10,875,800
Stormwater Management	1,232,365	1,232,365	1,233,383	(1,018)	1,215,977
Housing Program	240,000	240,000	240,000	-	240,000
Asset Replacement	2,488,000	2,488,000	2,488,000	-	2,174,000
OPEB Trust	3,100,000	3,100,000	3,100,000	-	5,000,000
Total transfers out	<u>13,410,365</u>	<u>13,410,365</u>	<u>13,411,383</u>	<u>(1,018)</u>	<u>19,505,777</u>
Total expenditures and other financing uses	<u>\$ 68,024,887</u>	<u>\$ 67,734,381</u>	<u>\$ 63,939,768</u>	<u>\$ 3,794,613</u>	<u>\$ 69,749,803</u>

The City's budget is adopted at the departmental level as presented above. GAAP reporting requires expenditures be reported by function rather than by department; expenditures for the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (page 30) have been reclassified to be presented by functional category, as required by GAAP.



Touch A Truck Event

Statistical Section



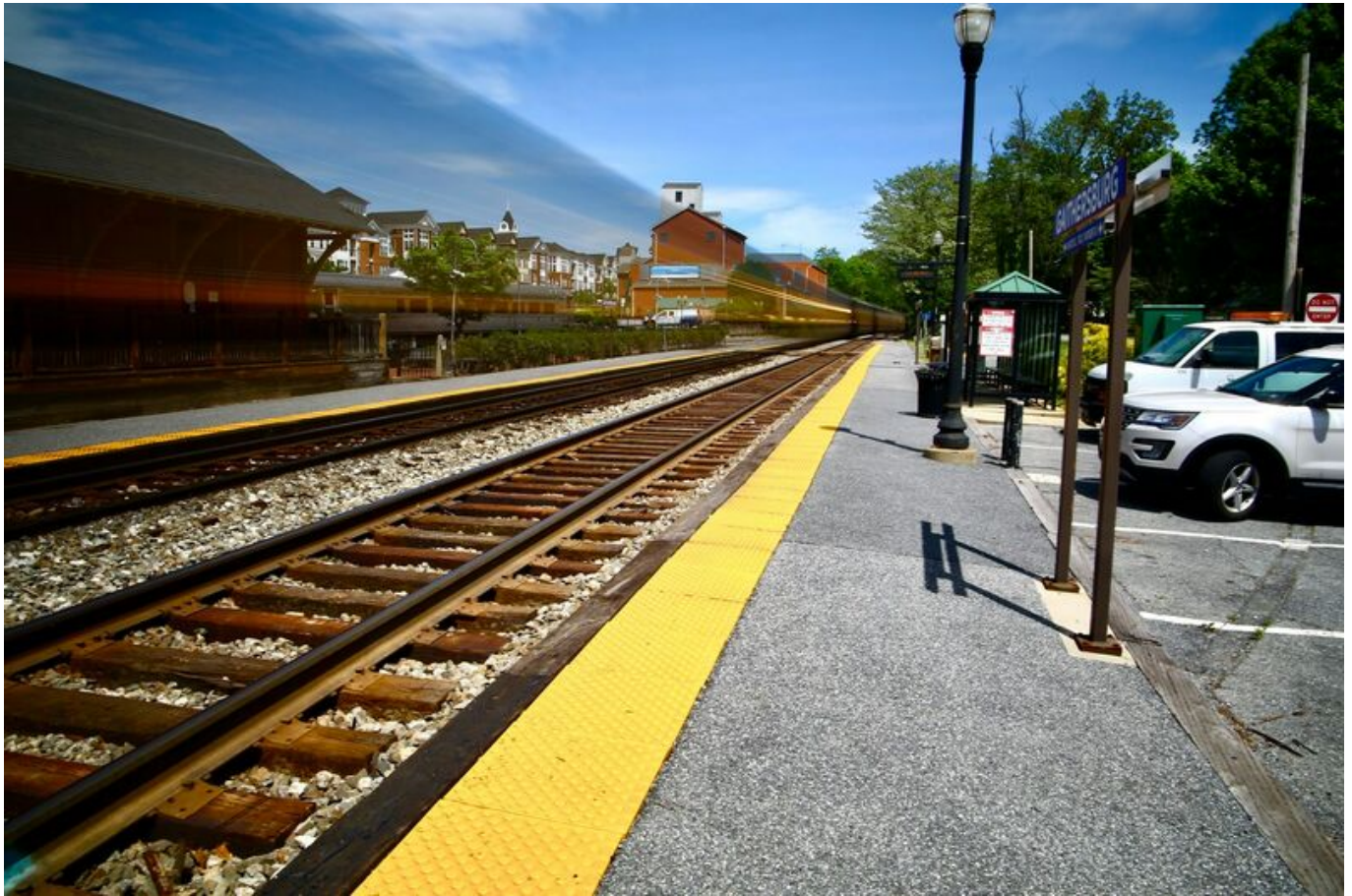
TABLE OF CONTENTS
STATISTICAL SECTION

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

Page(s)

Financial Trends	69–73
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	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.	
Debt Capacity	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.	
Economic and Demographic Information	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.	
Operating Information	82–86
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.



**Train Passing by
Gaithersburg's
Community Museum**

City of Gaithersburg, Maryland

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities										
Net investment in capital assets	\$ 110,608,034	\$ 108,073,293	\$ 109,193,844	\$ 107,678,373	\$ 107,492,726	\$ 103,485,802	\$ 101,260,797	\$ 96,693,648	\$ 99,456,894	\$ 98,705,783
Restricted	19,515,420	15,520,727	11,975,377	9,468,351	3,474,680	1,241,199	-	-	-	-
Unrestricted	<u>98,483,816</u>	<u>89,625,392</u>	<u>78,201,276</u>	<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>
Total Governmental Activities										
Net Position	<u>\$ 228,607,270</u>	<u>\$ 213,219,412</u>	<u>\$ 199,370,497</u>	<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>

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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
General Government	\$ 20,384,264	\$ 19,583,229	\$ 19,630,246	\$ 18,308,169	\$ 19,165,828	\$ 16,504,191	\$ 15,483,111	\$ 17,151,788	\$ 16,369,822	\$ 15,481,747
Public Safety	12,567,588	12,100,925	12,651,404	12,879,218	13,409,073	12,562,415	11,654,483	10,568,639	10,538,639	10,273,073
Public Works	15,819,024	15,497,314	14,672,065	13,692,879	12,954,346	10,305,125	14,102,911	12,374,419	13,138,836	11,524,148
Park, Recreation & Culture	8,226,326	9,693,087	9,062,499	8,771,811	8,719,722	8,325,520	6,259,327	6,254,667	5,659,702	6,131,521
Community Services & Development	2,879,193	2,826,109	2,908,824	2,747,027	3,139,656	2,559,169	2,260,865	2,217,111	2,089,330	2,010,300
Miscellaneous*	-	-	-	-	-	-	-	-	-	-
Total Expenses	59,876,395	59,700,664	58,925,038	56,399,104	57,388,625	50,256,420	49,760,697	48,566,624	47,796,329	45,420,789
Program Revenues										
Charges for Services:										
General Government	2,483,898	3,033,466	2,258,721	3,899,801	3,804,063	3,012,450	2,640,480	3,596,714	2,731,495	2,793,156
Public Safety	3,189,655	3,342,786	3,351,511	3,858,779	4,585,220	3,331,546	3,538,543	4,090,633	4,295,957	3,566,588
Public Works	6,968,352	6,480,804	5,799,562	5,047,293	4,755,402	3,156,696	2,426,075	2,301,691	2,630,871	1,834,855
Park, Recreation & Culture	2,618,748	3,398,073	2,949,980	3,803,969	3,862,799	3,809,545	3,448,852	3,346,990	3,412,020	3,263,386
Community Services & Development	125,041	155,087	145,922	-	-	-	-	-	-	-
Operating Grants and Contributions	2,439,428	1,499,477	1,505,737	1,894,132	935,022	922,928	1,184,147	1,981,372	751,938	709,575
Capital Grants and Contributions	2,317,530	1,775,943	3,337,167	4,111,152	1,767,652	2,824,717	4,824,259	917,287	1,312,834	1,400,883
Total Program Revenues	20,142,652	19,685,636	19,348,600	22,615,126	19,710,158	17,057,882	18,062,356	16,234,687	15,135,115	13,568,443
Net (Expense)/Revenue	(39,733,743)	(40,015,028)	(39,576,438)	(33,783,978)	(37,678,467)	(33,198,538)	(31,698,341)	(32,331,937)	(32,661,214)	(31,852,346)
General Revenues										
Property Taxes	30,157,599	28,730,598	27,991,501	26,988,696	25,846,114	24,309,643	23,855,427	23,294,315	24,575,499	24,723,315
Franchise Fees	979,581	951,888	906,801	934,275	921,784	902,479	832,395	777,606	689,385	611,947
Admissions, Amusement, Hotel & Motel Tax	2,284,180	2,251,143	2,377,436	2,493,425	2,487,526	2,293,951	2,429,703	2,269,995	2,395,490	1,877,403
Intergovernmental not Restricted to Specific Programs	15,670,875	15,244,519	13,675,383	12,708,505	12,522,102	12,780,222	12,099,303	10,159,237	9,986,624	10,341,660
Investment Earnings	4,673,875	4,625,457	720,410	206,501	881,004	80,324	76,838	114,189	54,191	91,395
Gain (loss) on Sale of Capital Assets	-	(32,666)	236,504	-	115,249	95,852	-	-	-	-
Miscellaneous	1,355,491	2,093,004	757,411	613,869	851,598	713,899	1,568,659	4,832,201	468,463	452,943
Total General Revenues	55,121,601	53,863,943	46,665,446	43,945,271	43,625,377	41,176,370	40,862,325	41,447,543	38,169,652	38,098,663
Change in Net Position	\$ 15,387,858	\$ 13,848,915	\$ 7,089,008	\$ 10,161,293	\$ 5,946,910	\$ 7,977,832	\$ 9,163,984	\$ 9,115,606	\$ 5,508,438	\$ 6,246,317

The City does not use business-type activities.

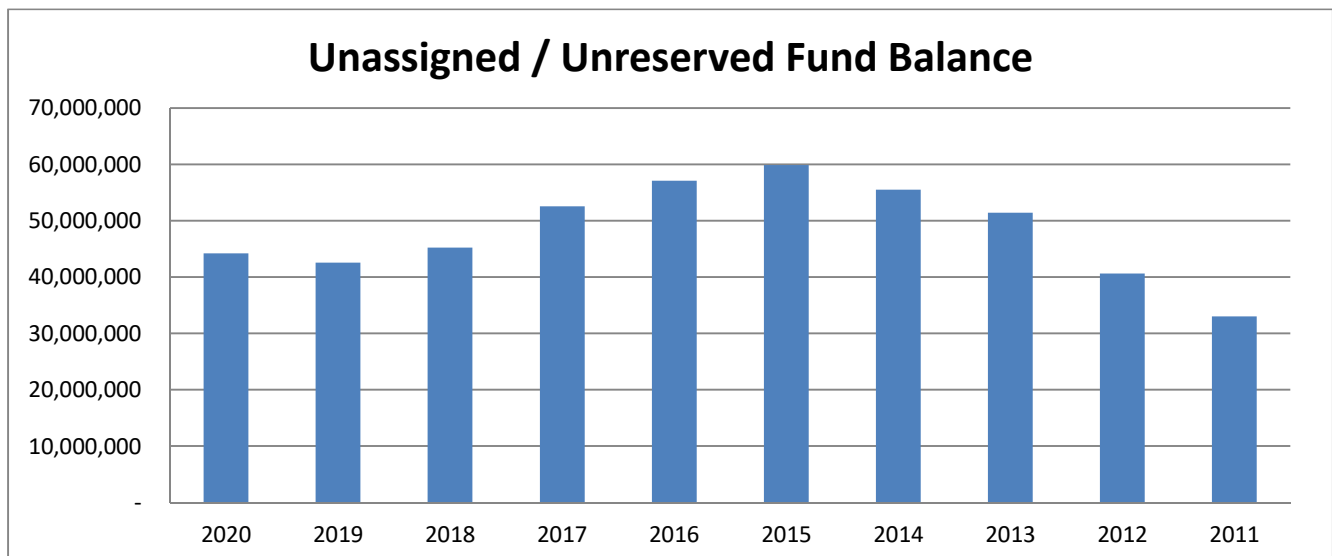
Beginning in FY20, the Loss on the Sale of Capital Assets has been combined with General Government Expenses.

City of Gaithersburg, Maryland

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

	2020	2019	2018	2017	2016
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved					
Non-spendable *	345,718	367,114	295,517	327,520	222,316
Restricted *	499,683	499,816	508,616	480,988	475,671
Committed *	298,696	155,374	33,701	1,987,523	3,117,523
Assigned *	2,991,430	2,781,154	2,948,034	5,945,235	15,047,154
Unassigned *	44,231,148	42,590,275	45,217,971	52,545,837	57,112,054
Total General Fund	\$ 48,366,675	\$ 46,393,733	\$ 49,003,839	\$ 61,287,103	\$ 75,974,718
All Other Governmental Funds					
Reserved		-	-	-	-
Restricted *	19,015,757	15,020,911	11,466,761	8,987,363	2,986,643
Committed *	23,127,874	9,667,978	5,091,622	6,294,525	2,210,349
Assigned/Designated	59,966,068	71,957,269	65,969,331	51,802,159	35,312,020
Total All Other Governmental Funds	102,109,699	96,646,158	82,527,714	67,084,047	40,509,012
Total Governmental Funds	\$ 150,476,374	\$ 143,039,891	\$ 131,531,553	\$ 128,371,150	\$ 116,483,730

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

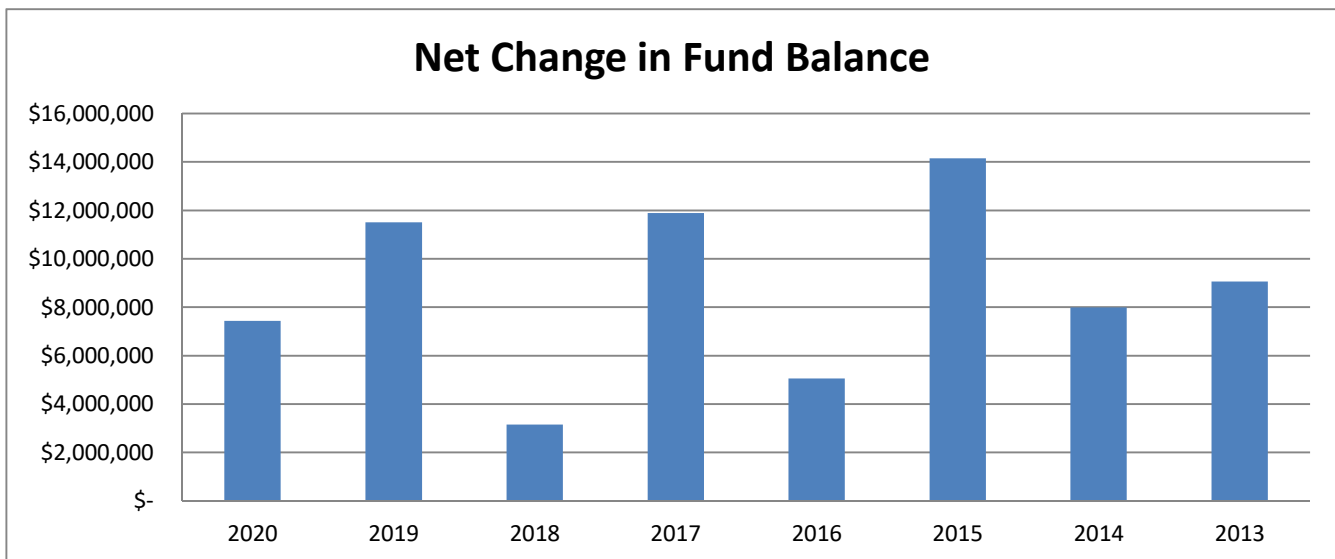


City of Gaithersburg, Maryland

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

	2015	2014	2013	2012	2011
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Non-spendable *	173,933	1,235,084	666,682	416,567	142,809
Restricted *	506,812	-	-	-	-
Committed *	3,116,773	3,600,000	2,514,000	-	-
Assigned *	14,414,580	11,964,092	11,556,843	11,081,062	10,082,400
Unassigned *	59,860,713	55,540,429	51,441,048	40,627,029	33,019,710
Total General Fund	\$ 78,072,811	\$ 72,339,605	\$ 66,178,573	\$ 52,124,658	\$ 43,244,919
All Other Governmental Funds					
Reserved	-	-	-	-	-
Restricted *	734,387	-	-	-	-
Committed	2,636,241	4,625,532	5,139,711	3,266,162	3,979,595
Assigned/Designated	29,978,072	25,395,463	23,602,478	25,377,502	25,553,447
Total All Other Governmental Funds	33,348,700	30,020,995	28,742,189	28,643,664	29,533,042
Total Governmental Funds	\$ 111,421,511	\$ 102,360,600	\$ 94,920,762	\$ 80,768,322	\$ 72,777,961

* Note - FY10 and prior, Unreserved 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)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Taxes	\$ 32,181,067	\$ 30,956,749	\$ 30,358,262	\$ 29,666,991	\$ 28,372,261	\$ 26,394,499	\$ 26,285,130	\$ 25,564,310	\$ 26,996,881	\$ 26,824,666
Licenses and permits	4,128,350	4,970,524	3,825,360	5,473,927	5,485,935	5,183,854	4,130,419	5,036,887	4,968,781	4,348,232
Intergovernmental	17,637,612	18,845,368	16,110,557	15,808,917	15,344,503	15,820,473	15,544,603	13,504,206	12,637,614	11,793,049
Charges for services	9,897,418	10,188,417	9,035,078	9,039,469	8,788,747	6,721,278	6,253,400	5,979,736	5,393,662	5,001,975
Fines and forfeitures	2,164,421	2,204,866	2,471,113	2,863,272	2,959,850	2,494,883	2,509,987	3,149,250	3,424,352	2,601,188
Interest income	4,685,448	4,622,041	668,469	191,310	791,910	80,324	76,838	114,189	54,191	91,395
Miscellaneous	1,660,484	2,494,955	999,891	3,523,401	731,655	1,388,235	2,224,720	3,634,739	468,463	452,943
Total Revenues	<u>72,354,800</u>	<u>74,282,920</u>	<u>63,468,730</u>	<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>	<u>53,943,944</u>	<u>51,113,448</u>
Expenditures										
Current										
General government	18,088,439	17,601,815	16,722,974	15,616,201	15,851,889	14,389,980	14,542,115	14,202,423	12,249,118	10,889,094
Public safety	12,059,345	11,458,015	11,731,181	11,444,013	11,465,055	11,033,960	10,719,779	9,914,172	10,944,777	10,134,668
Public works	11,233,499	10,409,126	10,983,104	9,678,323	9,611,222	8,565,293	8,589,974	8,133,802	8,087,831	8,369,405
Parks and recreation	7,306,326	8,638,084	8,214,823	7,841,854	7,534,789	7,070,672	6,544,528	6,381,842	6,338,094	5,982,291
Community services and development	2,858,014	2,862,202	2,816,969	2,615,745	2,687,790	2,443,962	2,260,327	2,217,111	2,089,330	2,010,300
Transfer to retiree benefit trust	3,100,000	5,000,000	2,200,000	2,200,000	1,200,000	1,310,000	1,310,000	910,000	910,000	455,000
Capital outlay	10,383,279	6,977,343	7,979,928	5,442,917	9,194,028	6,196,682	5,651,194	3,858,385	5,416,508	4,232,069
Total Expenditures	<u>65,028,902</u>	<u>62,946,585</u>	<u>60,648,979</u>	<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>	<u>46,035,658</u>	<u>42,072,827</u>
Excess of Revenues Over (Under)										
Expenditures	<u>7,325,898</u>	<u>11,336,335</u>	<u>2,819,751</u>	<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>	<u>7,908,286</u>	<u>9,040,621</u>
Other Financing Sources (Uses)										
Proceeds from sale of capital assets	110,585	172,003	340,652	159,186	132,131	163,046	32,658	2,786,858	82,075	25,125
Transfers In	10,311,383	14,505,777	19,632,062	26,517,936	16,963,475	8,790,000	6,930,000	3,956,910	5,437,130	3,046,732
Transfers out	(10,311,383)	(14,505,777)	(19,632,062)	(26,517,936)	(16,963,475)	(8,790,000)	(6,930,000)	(3,956,910)	(5,437,130)	(3,046,732)
Total Other Financing Sources (Uses)	<u>110,585</u>	<u>172,003</u>	<u>340,652</u>	<u>159,186</u>	<u>132,131</u>	<u>163,046</u>	<u>32,658</u>	<u>2,786,858</u>	<u>82,075</u>	<u>25,125</u>
Net Change in Fund Balances	<u>\$ 7,436,483</u>	<u>\$ 11,508,338</u>	<u>\$ 3,160,403</u>	<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>	<u>\$ 7,990,361</u>	<u>\$ 9,065,746</u>

City of Gaithersburg, Maryland

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

Year	Property Taxes	Hotel Admissions & Amusement Taxes	Income Taxes	Total
2020	\$ 29,896,886	\$ 2,284,180	\$ 13,192,477	\$ 45,373,543.48
2019	28,705,606	2,251,143	13,018,186	43,974,934
2018	27,980,826	2,377,436	11,784,879	42,143,141
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
Change 2011-2020	20.2%	21.7%	53.4%	28.4%

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	Total
2020	\$ 10,961,047,190	\$ 92,318,964	\$ 204,495,300	\$ 11,257,861,454	\$ 11,777,732,105	0.262	0.530	0.269
2019	10,520,093,928	85,785,998	217,525,810	10,823,405,736	11,494,673,314	0.262	0.530	0.270
2018	10,236,605,722	83,734,151	237,514,340	10,557,854,213	10,997,533,867	0.262	0.530	0.270
2017	9,712,853,586	81,766,792	243,422,830	10,038,043,208	10,008,762,904	0.262	0.530	0.271
2016	9,280,387,955	78,257,170	221,315,472	9,579,960,597	9,537,450,123	0.262	0.530	0.270
2015	8,785,480,916	77,098,113	209,293,208	9,071,872,237	9,071,872,237	0.262	0.530	0.270
2014	8,769,861,069	72,656,981	231,249,434	9,073,767,484	9,073,767,484	0.262	0.530	0.271
2013	8,472,535,115	72,200,000	207,033,019	8,751,768,134	8,751,768,134	0.262	0.530	0.271
2012	9,198,377,481	73,934,717	223,681,509	9,495,993,707	9,793,609,934	0.262	0.530	0.270
2011	9,175,708,584	87,400,377	243,496,415	9,506,605,376	9,506,605,376	0.262	0.530	0.271

Property values are assessed at 100 percent.

** Source: MC Confirmation

City of Gaithersburg, Maryland

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

Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collections To Tax Levy	Collected in Subsequent Periods	Total Tax Collections*	Percent of Total Tax Collections To Tax Levy
2020	\$ 28,589,918	\$ 28,195,191	98.62%	\$ 16,946	\$ 28,212,137	98.68%
2019	27,425,112	27,316,863	99.61%	10,932	\$ 27,327,795	99.65%
2018	26,683,914	26,439,780	99.09%	-	26,439,780	99.09%
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%

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

City of Gaithersburg, Maryland

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

Taxpayer	2020	
	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
AstraZeneca	\$ 365,574,600	3.34%
Asbury	250,505,200	2.29%
Alexandria Real Estate Equities	247,095,200	2.25%
BF Saul	167,061,700	1.52%
RPAI	134,336,900	1.23%
Bozzuto	127,267,300	1.16%
Federal Realty Investment Trust	116,301,000	1.06%
Orlo Gaithersburg LLC	114,653,400	1.05%
KIMCO	106,055,900	0.97%
BP Realty Investment	105,167,500	0.96%
Total	\$ 1,734,018,700	15.82%
<i>Total Assessed Valuation</i>	<i>\$ 10,961,047,190</i>	
Taxpayer	2011	
	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
ARE LLC	\$ 188,367,700	2.05%
Medimmune, Inc	172,332,100	1.88%
CHI Two Washingtonian LLC ET AL	119,886,400	1.31%
Lake Forest Associates	112,689,600	1.23%
Saul Holdings LTD Partnership	85,042,800	0.93%
Federal Realty Investments TR	83,529,000	0.91%
Avalon II Maryland Value III LP	79,935,000	0.87%
893 Clopper Road Investors Corp	76,431,500	0.83%
MR 270 NMD I LLC	73,845,200	0.80%
SFHI LLC	72,813,400	0.79%
Total	\$ 1,064,872,700	11.61%
<i>Total Assessed Valuation</i>	<i>\$ 9,175,708,584</i>	

(1) Assessed valuation based on the valuation of Real Property for taxes collected in 2020 and 2011 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	
2020	0.262	0.716	0.112	0.174	1.264
2019	0.262	0.741	0.112	0.156	1.272
2018	0.262	0.741	0.112	0.156	1.271
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

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, 2020**

Jurisdiction	Total Debt Outstanding	Percentage Applicable to City	Applicable to City of Gaithersburg
Direct			
City of Gaithersburg	\$ -	100.0%	\$ -
Overlapping			
Montgomery County	\$ 4,521,417,384	6.0%	\$ 269,510,366
Total Direct and Overlapping Debt	\$ 4,521,417,384		\$ 269,510,366

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**

Year	(1) Population	Personal Income (\$ in thousands)	(2) Per Capita Income	Median Age	(3) Montgomery County Avg. School Enrollment	(4) Montgomery County Unemployment Rate
2020	70,223	6,642,464	94,591	N/A	164,245	5.5
2019	70,010	6,392,753	91,312	N/A	163,123	3.0
2018	69,769	5,996,495	85,948	N/A	161,936	3.4
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

- (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, 2020**

2020		
Employer	*Employees	Percentage of Total County Employment
AstraZeneca (previously Medimmune)	4,000	0.71%
National Institute of Standards and Technology	2,798	0.50%
Leidos (former Lockheed Martin)	1,515	0.27%
Asbury Methodist Village	771	0.14%
Hughes Network Systems, LLC	729	0.13%
Sodexo USA	536	0.10%
Adventist HealthCare	495	0.09%
GeneDx, Inc.	350	0.06%
Kaiser Permanente	350	0.06%
Emergent BioSolutions	347	0.06%
Total	11,891	2.12%
Total Montgomery County Civilian Labor Force (Data for total employees available for county only)	561,120	

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

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

City of Gaithersburg, Maryland

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

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government:										
Mayor and City Council	1	1	1	1	1	1	1	1	1	1
Legal Services	4	4	3	3	3	3	3	2	2	2
Office of the City Manager	5	5	5	5	5	5	5	4	4	4
Economic & Community Development	2	2	2	2	2	2	2	2	2	2
Environmental Affairs	1	1	1	1	3	3	3	3	1	1
Human Resources	6	5	5	5	5	5	5	5	5	5
Finance & Administration	11	11	11	11	9	9	9	9	8	7
Housing & Community Deve	2	2	2	2	1	1	1	1	1	1
Information Technology	14	14	14	13	12	11	11	10	9	8
Facilities Management	11	11	10	9	9	9	7	8	8	8
Buildings and Grounds	-	-	-	-	-	-	-	-	-	-
Public Information	7	7	6	6	6	6	6	6	6	4
Cable Television Channel 13	2	2	2	2	2	2	2	2	2	2
Planning & Code Administration	8	8	8	8	8	8	8	8	-	-
Planning & Administration	10	10	10	9	7	6	6	6	9	10
Public Safety										
Police Services	69	69	68	68	65	66	65	65	59	59
Code Administration	23	22	21	21	20	20	18	15	20	20
Traffic Engineering	2	2	2	2	2	2	2	2	2	2
Animal Control	4	4	4	4	4	4	4	4	4	5
Public Works										
Public Works Administration	5	5	5	6	6	5	5	5	5	5
Stormwater Management	6	5	4	4	-	-	-	-	-	-
Parks Maintenance Division	19	19	19	18	16	16	16	16	16	16
Streets & Special Projects	6	6	6	6	10	10	10	10	10	10
Fleet Maintenance	5	5	5	5	5	5	6	6	6	6
Landscaping & Forestry	13	13	12	12	12	13	13	13	13	13
Mowing & Bulk Pick-Up	21	22	22	22	20	20	19	19	19	19
Engineering Services	5	5	4	4	4	4	4	3	2	2

City of Gaithersburg, Maryland

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

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Parks, Recreation & Culture										
Parks, Recreation & Culture	5	5	4	4	4	5	5	5	5	4
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	2	3	3	3	3	3	3	3	3	3
Gaithersburg Youth Center	2	2	2	2	2	2	1	1	1	1
Olde Towne Youth Center	2	2	2	2	2	1	1	1	1	1
Casey Community Center	2	2	2	2	2	2	2	2	2	2
Water Park	3.5	2.5	2	2	2	2	2	1	1	1
Gaithersburg Arts Barn	2	2	2	2	2	2	2	2	2	1
Kentlands Mansion	3	3	3	3	3	3	3	3	3	2
Cultural Arts Programs (Comm. Museum)*	1	1	1	1	1	1	2	2	1	1
Special Events	8	7	7	6	6	6	4	4	5	5
Gaithersburg Aquatic Center	1	1	1	1	1	1	1	1	1	1
Winter Lights	-	-	-	-	-	-	-	-	-	1
Miniature Golf Course	0.5	0.5	-	-	-	-	-	1	-	-
Activity Center	4	4	4	4	4	3	3	3	5	4
Community Services and Development										
Seniors Program	6	6	6	7	6	6	5	5	5	5
Community Services	4	4	4	4	4	4	4	3	3	3
Homeless Assistance	4	4	4	4	4	4	3	3	3	3
Full-Time Employee Totals:	<u>318.0</u>	<u>315.0</u>	<u>305.0</u>	<u>301.5</u>	<u>289.0</u>	<u>287.0</u>	<u>278.0</u>	<u>271.0</u>	<u>261.0</u>	<u>256.0</u>
Employment Agreement Employee Totals:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.0</u>	<u>3.0</u>	<u>4.8</u>	<u>6.8</u>
Part-Time Employee Totals:	<u>98.2</u>	<u>103.0</u>	<u>105.7</u>	<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>
Total Employees	<u><u>416.2</u></u>	<u><u>418.0</u></u>	<u><u>410.7</u></u>	<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>

Source: City of Gaithersburg, Maryland 2011-2020 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	2020	2019	2018	2017	2016
General Information					
Population	70,223	70,010	69,769	69,562	68,635
Registered Voters	36,060	36,167	39,908	36,100	34,780
General Government					
Commercial Construction					
Permits Issued Note 1	476	573	615	691	598
Residential Construction					
Permits Issued Note 1	710	702	763	986	903
Estimated Value of Construction	\$ 66,936,927	\$ 17,612,100	\$ 21,692,686	\$ 173,848,726	\$ 135,092,107
Transitional Housing to Permanent Housing	10	12	8	10	11
Public Safety					
Police Officers	56	56	51	58	58
Traffic Citations	4,248	6,987	7,128	7,649	6,424
Calls for Service	19,767	23,920	24,462	35,433	10,885
Fire Marshal Inspector Note 2	4	3.5	3.5	3.5	3.5
Animal Control Officers	4	4	4	4	5
Fire Marshal Inspections	715	831	900	971	1,462
Animal Licenses	1,799	2,763	2,813	2,779	2,882
Solid Waste					
Co-Mingled (tons)	3,425	3,370	3,335	3,551	3,508
Yard Waste (tons)	1,063	890	871	874	860

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	2015	2014	2013	2012	2011
General Information					
Population	67,099	65,690	63,842	62,848	61,172
Registered Voters	32,614	32,203	32,459	31,137	28,539
General Government					
Commercial Construction					
Permits Issued Note 1	750	649	14	49	22
Residential Construction					
Permits Issued Note 1	879	715	221	111	152
Estimated Value of Construction	\$ 255,791,134	\$ 131,330,709	\$ 149,132,741	\$ 31,581,002	\$ 92,207,832
Transitional Housing to Permanent Housing	7	7	8	11	7
Public Safety					
Police Officers	55	59	52	52	46
Traffic Citations	6,829	8,765	10,670	9,359	8,356
Calls for Service	18,849	18,263	32,879	10,194	8,928
Fire Marshal Inspector Note 2	1	1	1	1	1
Animal Control Officers	5	4	4	4	4
Fire Marshal Inspections	1,407	1,368	1,211	1,001	1,684
Animal Licenses	2,900	2,740	1,655	2,882	2,838
Solid Waste					
Co-Mingled (tons)	3,491	3,424	3,395	3,117	3,343
Yard Waste (tons)	970	1,485	1,389	1,251	1,259

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

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

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Information										
Area in Square Miles	10.42	10.42	10.42	10.42	10.39	10.37	10.37	10.37	10.33	10.33
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	75	75	75	76	75	74	73	73	73	66
Highways and Streets										
City Streets (miles)	94.74	94.74	94.47	94.47	92.97	92.97	92.97	92.56	92.56	90.51
County Streets (miles)	5.50	6.30	6.30	6.13	6.72	6.72	6.72	6.72	6.72	6.72
State Streets (miles)	17.81	17.51	17.51	17.36	17.36	17.36	17.34	17.54	17.54	17.54
Private Streets (miles)	2.30	2.35	2.35	2.35	2.35	1.93	1.93	1.93	1.93	2.08
Street Lights (City Maint.)	3,947	3,947	3,831	3,781	3,781	3,781	3,890	4,138	4,115	4,115
Recreation and Culture										
Park Acreage	872.96	872.96	872.96	872.96	872.96	872.96	872.96	853.48	853.48	853.48
Parks	27	27	27	27	27	27	27	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	3	3	3	1	1	1	1	1	1	1
Swimming Pools	3	3	3	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	15	15	14	14	14	14	14	14	14	14
Mansion	1	1	1	1	1	1	1	1	1	1

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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 – gaithersburgmd.gov