

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2014**

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**Town of Forest Heights**  
Forest Heights, Maryland

FRANCIS J. DISALVO CERTIFIED PUBLIC ACCOUNTANT

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6107 ELMENDORF DRIVE SUITLAND, MARYLAND 20746 • VOICE (301)568-1100  
FACSIMILE (301)736-6290 • E-MAIL: FDISALVO@AOL.COM

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**CERTIFIED PUBLIC ACCOUNTANT**

**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Town Council  
Town of Forest Heights, Maryland

I have audited the accompanying financial statements of the governmental activities and the general fund of the Town of Forest Heights, Maryland, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town'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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Town of Forest Heights, Maryland, as of June 30, 2014, 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 and budgetary comparison information on pages 3 through 13 and 34 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated December 15, 2014, on my consideration of the Town of Forest Heights, Maryland's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Forest Heights, Maryland's internal control over financial reporting and compliance.



Suitland, Maryland  
December 15, 2014

# TOWN OF FOREST HEIGHTS, MARYLAND

## Management Discussion and Analysis

For the Year Ended June 30, 2014

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As management of the TOWN OF FOREST HEIGHTS, we offer readers of the TOWN OF FOREST HEIGHTS' financial statements this narrative overview and analysis of the financial activities of the TOWN OF FOREST HEIGHTS for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the TOWN OF FOREST HEIGHTS' financial statements which immediately follow this section.

### Financial Highlights

- The assets of the TOWN OF FOREST HEIGHTS exceeded its liabilities at the close of the most recent fiscal year by \$6,007,337 (*net position*). The vast majority of the Town's net assets of \$4,740,316, net of related debt, are capital assets which generally do not generate revenue nor can they be sold to generate liquid capital. Of the remaining \$1,267,021 in net position, \$1,237,500 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The TOWN OF FOREST HEIGHTS' total net position increased by \$134,055.
- At the close of the current fiscal year, the TOWN OF FOREST HEIGHTS general fund reported a fund balance of \$1,287,066, a decrease of \$273,476 in comparison with the prior year. This decrease was due in large part to ongoing improvements to the Town's streets. Approximately 39% of this amount (\$502,466) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned, and unassigned* components of *fund balance*) for the general fund was \$502,466 or approximately 18.6% of total general fund expenditures.
- The TOWN OF FOREST HEIGHTS' long-term debt consists of only accumulated unused compensated absences which experienced a net decrease of \$478 from the prior year.
- Awareness of the TOWN OF FOREST HEIGHTS' speed camera program continued to improve public safety on Indian Head Highway and Livingston Road. The Town experienced an anticipated decline in fines and fees from \$818,023 in fiscal year 2013 to \$766,950 in the current fiscal year.

### Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide statements, 2) fund statements and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Management Discussion and Analysis

For the Year Ended June 30, 2014

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### **Government-wide financial statements (continued)**

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. To assess the overall health of the Town, you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of the Town's roads.

The statement of activities presents information showing how the government's net position changed during fiscal year 2014. 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.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the Town include general government, public safety, and public works. *The Town has no business-type activities. In the government-wide financial statements, the Town's activities are in one category.*

- Governmental Activities: Most of the Town's basic services are included here, such as the police, public works, and general administration. Property taxes and state and federal grants finance most of these activities.

**Fund Financial Statements.** The fund financial statements provide more detailed information about the Town's only fund, the General Fund (not the Town as a whole). Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. *The Town has one major fund, the general fund.*

- General fund: The Town's basic services are included in the general fund, which focus on how cash and other financial assets can be readily converted to cash flow in and out and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. Consequently, the general fund statement provides a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the reconciliation statements that explain the relationship (or differences) between them.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Management Discussion and Analysis

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For the Year Ended June 30, 2014

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**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The town adopts an annual budget for its general fund. A budgetary comparison for the general fund is presented immediately after the basic financial statements to demonstrate compliance with this budget.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Management Discussion and Analysis

For the Year Ended June 30, 2014

### Major features of the Government-Wide and Fund Financial Statements

The chart below summarizes the major features of the Town’s financial statements, including the portion of the activities they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis highlights the structure and content of each of the statements.

	<b>GOVERNMENT-WIDE STATEMENTS</b>	<b>FUND FINANCIAL STATEMENTS GOVERNMENTAL FUNDS</b>
<b>SCOPE</b>	<b>ENTIRE TOWN (EXCEPT FIDUCIARY FUNDS)</b>	<b>THE ACTIVITIES OF THE TOWN THAT ARE NOT PROPRIETARY OR FIDUCIARY.</b>
Required financial Statements	<ul style="list-style-type: none"> <li>➤ Statement of net position</li> <li>➤ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Balance sheet</li> <li>➤ Statement of revenues, expenditures, and changes in fund balances</li> </ul>
Accounting basis and measurement focus.	Accrual accounting and economic resources’ focus.	Modified accrual accounting and current financial 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.
Type of in-flow/out-flow information.	All revenues and expenses during the year.	Revenues for which cash is received, expenditures when goods or services have been received, and related liabilities that are due and payable.

TOWN OF FOREST HEIGHTS, MARYLAND  
Management Discussion and Analysis  
For the Year Ended June 30, 2014

**Government-wide Financial Analysis**

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$6,007,337 at the close of the fiscal year ended June 30, 2014.

The Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the Statement of Net Position for the Town as of June 30, 2014 and 2013.

**Condensed Statement of Net Position**

	Governmental Activities	
	2014	2013
<b>Assets</b>		
Current and other assets	\$ 1,673,487	\$ 1,828,364
Capital Assets - Net of Depreciation	4,740,316	4,325,888
<b>Total assets</b>	<b>\$ 6,413,803</b>	<b>\$ 6,154,252</b>
<b>Liabilities</b>		
Long-term liabilities outstanding	\$ 26,840	\$ 27,318
Other Liabilities	379,626	253,652
<b>Total liabilities</b>	<b>\$ 406,466</b>	<b>\$ 280,970</b>
<b>Net Position</b>	<b>\$ 6,007,337</b>	<b>\$ 5,873,282</b>
<b>Net Position</b>		
Invested in capital assets	\$ 4,740,316	\$ 4,325,888
Restricted	29,521	18,314
Unrestricted	1,237,500	1,529,080
<b>Total Net Position</b>	<b>\$ 6,007,337</b>	<b>\$ 5,873,282</b>

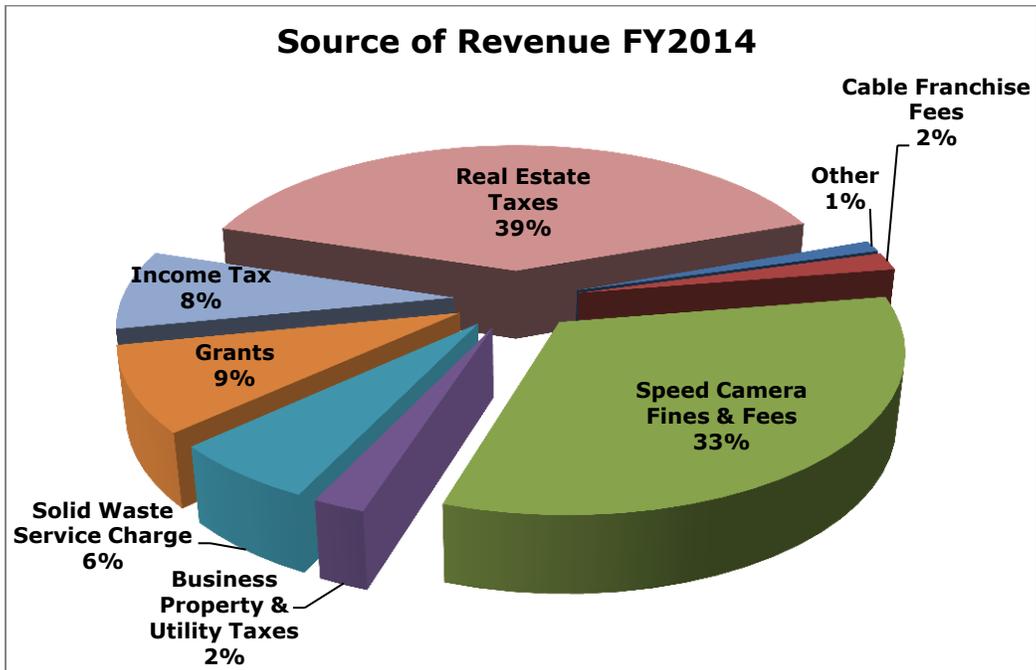
# TOWN OF FOREST HEIGHTS, MARYLAND

## Management Discussion and Analysis

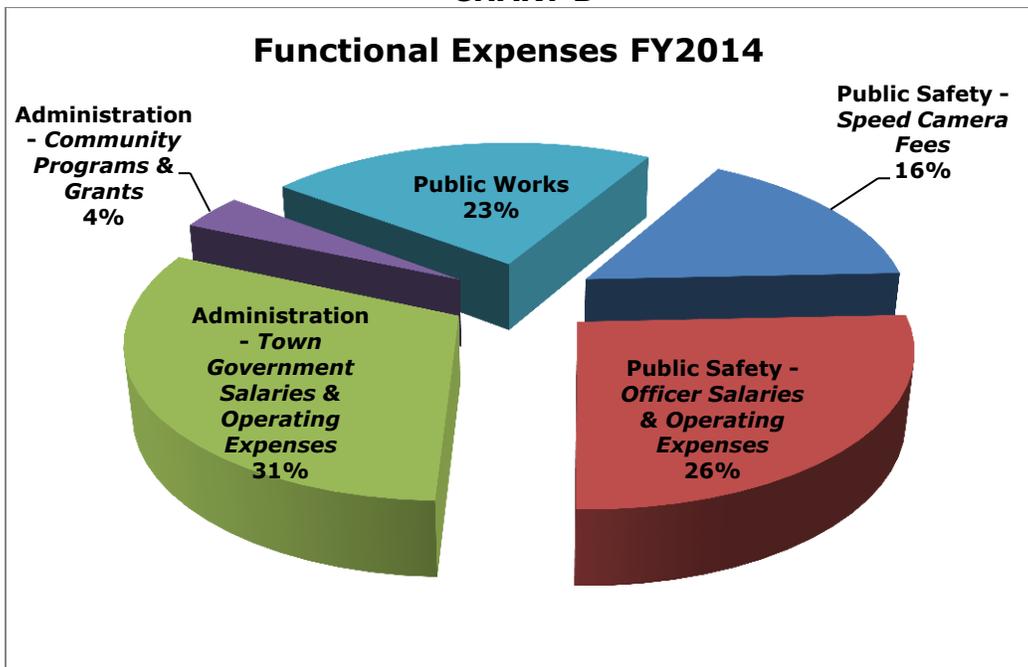
For the Year Ended June 30, 2014

The Town's revenue totaled \$2,419,989 (see Chart A). Speed Camera fines and other fines and fees comprised 33% of the Town's revenue. 39% of the Town's revenue comes from real property taxes, and 49 cents of every dollar comes from some type of tax (see Chart A). The Town's expenses cover a range of services, with about 42% related to public safety, 23% to public works and 35% to administration (see Chart B).

**CHART A**



**CHART B**



# TOWN OF FOREST HEIGHTS, MARYLAND

## Management Discussion and Analysis

For the Year Ended June 30, 2014

The following table presents a condensed statement of activities and changes in net position for the Town for the years ended June 30, 2014 and 2013.

### Condensed Statement of Activities and Changes in Net Position

	Governmental Activities	
	2014	2013*
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 950,772	\$ 993,526
Operating grants and Contributions	172,335	41,191
Capital grants and Contributions	37,384	277,131
General Revenues		
Property Taxes	1,007,436	1,021,581
Intergovernmental	195,912	217,148
Franchise Fees	44,202	44,956
Other	11,948	9,380
<b>Total Revenues</b>	<b>\$ 2,419,989</b>	<b>\$ 2,604,913</b>
<b>Expenses</b>		
Administration	\$ 797,185	\$ 641,488
Public Safety	963,428	950,740
Public Works	525,321	483,088
<b>Total Expenses</b>	<b>\$ 2,285,934</b>	<b>\$ 2,075,316</b>
Increase in Net Position	\$ 134,055	\$ 529,597
Net Position - <i>beginning</i>	5,873,282	5,343,685
<b>Net position - ending</b>	<b>\$ 6,007,337</b>	<b>\$ 5,873,282</b>

\* The condensed statements of net position and activities as of and for the year ended June 30, 2013 in this management discussion and analysis have been restated to correct grant revenues previously recorded as revenues. During the current year, it was determined that \$160,000 of previously reported grant revenues had not been earned and should not have been reported as revenues at June 30, 2013. This misstatement had the effect of overstating the net position and related increase in net position in the government wide financial statements as of and for the year ended June 30, 2013. In addition, the governmental funds fund balance of the general fund and related change in fund balance of the general fund were also overstated by \$160,000 as of and for the year ended June 30, 2013. The beginning net position and fund balances in the current year financial statements have been restated for the effects of this misstatement in our previously issued financial statements.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Management Discussion and Analysis

For the Year Ended June 30, 2014

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### **FUND FINANCIAL STATEMENT ANALYSIS**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the general fund, the chief operating fund of the Town, reported an ending fund balance of \$1,287,066, a decrease of \$273,076 over the prior year.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's final budget differs from the original budget in that it contains Town Council approved supplemental appropriations and transfers between activities. The amount of transfers between the major expenditure functions was relatively minor. The supplemental appropriations can be briefly described as follows:

- \$250,000 – Additional funds from the Fund balance were approved to fund the unexpected shortfall in available grant proceeds for ongoing costs associated with street improvements. The expected income from grants was reduced by \$150,000.

The most significant difference between estimated revenues and actual revenues was as follows:

- *Grants and Bond Bills:* When preparing the original budget for the upcoming year, it had been the policy of the Town to include amounts of prospective grants of \$1,722,779. As the Town became aware that reductions and timing of State and County funding affected grant resources available for appropriations, the Town reduced its expectations to \$481,079 in the final budget. Grant funding of \$300,000 was not received due to infrastructure construction delays.

Actual expenditures and other financing uses were \$261,691 less than the final amended budget. These differences can be briefly summarized as follows:

- Administration expenditures were \$62,401 less than expected due to lower than expected salaries, communications, and general operating costs.
- Public Safety expenditures were \$28,010 less than expected due to lower than expected salaries, capital outlay, and general operating expenses.
- Public Works expenditures were \$145,425 less than expected due primarily to less than expected capital outlay expenditures of \$118,396 with salaries and general operating expenses comprising the balance.
- Miscellaneous expenditures were \$25,855 less than expected due primarily to the reduction in employee fringe benefits which is a reflection of reduced spending in salaries in all departments.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Management Discussion and Analysis

For the Year Ended June 30, 2014

### GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Revenues and other financing sources amounted to \$2,429,078 in fiscal year 2014, a decrease of 4.74% from fiscal year 2013. General property taxes produced \$7,677 less revenue than fiscal year 2013, a decrease in .64% from fiscal year 2013 due to a decrease in the real estate assessable tax base.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets:** The Town's investment in capital assets for its governmental activities as of June 30, 2014 was \$4,740,316 (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings, vehicles, equipment, streets and infrastructure. The following is a summary of the capital assets for the years ended June 30, 2014 and 2013.

#### Capital Assets Net of Depreciation

	Governmental Activities	
	2014	2013
Land	\$ 76,741	\$ 76,741
Construction in Progress	640,950	297,482
Buildings	756,559	743,766
Vehicles	102,186	124,486
Equipment	175,284	125,707
Streets & Infrastructure	2,988,596	2,957,706
<b>Total</b>	<b>\$ 4,740,316</b>	<b>\$ 4,325,888</b>

- Under the Governmental Activities Capital Assets, the balance of \$640,950 for Construction in Progress includes: acquisition of the Modoc building, \$133,133, engineering and design fees for the (i) reconstruction of North Huron Drive, \$123,610, and (ii) the Rolph Drive drainage improvement, \$218,297, architectural plans for the municipal and Modoc buildings, \$12,900, Green storm water infrastructure design, \$147,755, and \$5,255 for various other projects.

**Long Term Debt:** The long-term debt consists of accumulated unused compensated absences which decreased by \$478 from 2013 to 2014.

#### Long-term Liabilities

	Governmental Activities	
	2014	2013
Accumulated Unused Compensated Absences	\$ 26,840	\$ 27,318
<b>Total</b>	<b>\$ 26,840</b>	<b>\$ 27,318</b>

# TOWN OF FOREST HEIGHTS, MARYLAND

## Management Discussion and Analysis

For the Year Ended June 30, 2014

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### HIGHLIGHTS

Given the complexity of the issues and the need for increased revenues, the Town has made progress in fiscal year 2014 at the direction of the Mayor and Council. The highlights include the following:

- Grants totaling \$72,212 were awarded from Kaboom, the Maryland Department of Natural Resources and the Maryland National Capitol Park and Planning Commission Project Open Space which funded the building of the Fox-Mo TOT-LOT at Fox Way and Mohican Drive.
- Prince George's County Department of Public Works authorized \$300,000 to support work on streets, sidewalks, and storm water runoff in Wards II and III.
- The Town received grants from the Maryland Energy Administration totaling \$117,500 as follows: \$35,000 for residential energy conservation, \$37,500 to purchase an electric lightweight pickup for Public Works (the electric vehicle is one of the first approved by MEA) and \$45,000 to purchase two electric vehicles to be used by Town's Code Enforcement staff and Administration. These vehicles will allow the Town to reduce energy costs by 20% or more.
- Application for the "State Highway Safe Routes to School Grant" was approved for \$211,000 which will provide sidewalks for North Huron Drive.
- The Town implemented a new collection program which recovered \$193,000 in delinquent speed camera citations issued to out-of-state and Maryland motorists.
- Partnerships with the YMCA and BB&T Bank enabled the Town to provide our seniors with Healthy Living and Financial Literacy Programs.
- The Town is partnering with a local Foundation to develop a Youth Educational Radio Station Program.
- Zero new Workers Compensation Claims in FY 2014. The Town's current Mode Rate (1.56%) goes back to WC claims filed in FY 2010 and FY 2011.
- The Town invested in a Leaf Vacuum and Street Vacuum in FY 2014 which will allow the Public Works department to provide the residents better service regarding leaf collection in the fall as well as keep our storm sewers free from debris.
- The passage of an Ordinance classifying Real Property for taxation at different rates for non-commercial and commercial.
- The Town joined the Prince George's County Internet Network (I-Net) which, in the future, will provide the Town access to County communications and emergency services.
- To improve crime prevention, new surveillance cameras were installed on Seneca Drive, Indian Head Highway, Comanche Drive and Livingston Road. These cameras complement the existing surveillance camera at the Municipal Center and the four cameras along Livingston Road.
- Street repairs were performed at Sachem Drive, Modoc Lane and Miles Drive intersection as well a portion of Seneca Drive including the curbs and driveway ramps.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Management Discussion and Analysis

For the Year Ended June 30, 2014

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### **ECONOMIC FACTORS AND NEW YEAR'S BUDGET AND RATES**

- The unemployment rate for Prince Georges County from the Maryland Department of Labor, Licensing and Regulations for October 2014 is 5.7%. This is higher than the State average of 5.4% but is lower than the national average of 5.8%.
- Real property tax revenues are expected to be stable for fiscal year 2015 in Forest Heights.
- The Town approved the first new home development project in recent years.
- The Town is bordered on the south by the National Harbor Conference Center and Resort and the planned MGM Resort Casino. While these developments are expected to have a positive influence on property values they also place additional burdens on the Town's resources.
- Although Highway User Revenue funds increased slightly this fiscal year, we are substantially short of our original funding estimate to meet our street and roads improvements budget. Passage of the Constitutional Amendment prohibiting the transfer of Transportation Trust Funds into the State's General Fund should have a positive impact on state support for the Town's road improvements.

These factors, as well as many others, were considered in preparing the Town's budget for fiscal year 2015. Because of the economic problems which continue to plague our nation, The Town of Forest Heights has again taken a very conservative approach when considering the fiscal year 2015 budget. The Town Council agreed to keep the tax rates the same as fiscal year 2014. The Town included only a few minimal new capital expenditures in the budget, with the exception of those capital expenditures to be funded through approved grants and some minor equipment purchases.

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayer's, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Treasurer's Office, Town of Forest Heights, 5508 Arapahoe Drive, Forest Heights, Maryland 20745-1998 or call (301)839-1030.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Statement of Net Position

As of June 30, 2014

### Assets

Cash & Cash Equivalents	\$	1,524,328
Real Estate Taxes Receivable - net		4,694
Personal Property Taxes Receivable - net		2,102
Grants Receivable		77,390
Franchise Fees Receivable		11,828
Due from other Governments		8,067
Speed Camera Fines & Fees - <i>Due from Vendor</i>		16,707
Other Receivables		7,838
Employee Loans		1,250
Prepaid Expenses		19,284
Capital Assets		
Nondepreciable assets - <i>Land &amp; Construction in Progress</i>		717,690
Depreciable assets, net		4,022,625
		4,022,625
<b>Total assets</b>	<b>\$</b>	<b>6,413,803</b>

### Liabilities

Accounts Payable	\$	172,152
Revolving Credit Accounts		3,962
Unearned Income		180,000
Accrued Liabilities		20,262
Rental Deposits		3,250
Noncurrent Liabilities		
Compensated Absences Due in more than one year		26,840
		26,840
<b>Total liabilities</b>	<b>\$</b>	<b>406,466</b>

### Net Position

Invested in capital assets	\$	4,740,316
Restricted		29,521
Unrestricted		1,237,500
		1,237,500
<b>Total Net Position</b>	<b>\$</b>	<b>6,007,337</b>

TOWN OF FOREST HEIGHTS, MARYLAND

Statement of Activities

For the Year Ended June 30, 2014

<i>Function Programs</i>	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charge for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 797,185	\$ 16,435	\$ 62,754	\$ -	\$ (717,996)
Public Safety	963,428	787,649	40,239	-	(135,540)
Public Works	525,321	146,688	69,342	37,384	(271,907)
<i>Total Governmental Activities</i>	<u>\$ 2,285,934</u>	<u>\$ 950,772</u>	<u>\$ 172,335</u>	<u>\$ 37,384</u>	<u>(1,125,443)</u>

General Revenues

Real Estate Tax	956,071
Income Tax	195,912
Cable Franchise Fees	44,202
Tangible Personal Property & Utility Taxes	51,365
Unrestricted Investment Income	2,176
Miscellaneous	9,772
<b>Total General Revenue</b>	<u>1,259,498</u>
Change in Net Position	<u>134,055</u>
Net Position - beginning, as previously reported	6,033,282
Adjustment to Restate Net Position (see Note 10)	<u>(160,000)</u>
Net Position - beginning, as restated	<u>5,873,282</u>
Net Position - ending	<u>\$ 6,007,337</u>

TOWN OF FOREST HEIGHTS, MARYLAND

Balance Sheet

Governmental Funds – General Fund

As of June 30, 2014

**Assets**

Cash & Cash Equivalents	\$	1,524,328
Real Estate Taxes Receivable - net		4,694
Personal Property Taxes Receivable - net		2,102
Grants Receivable		77,390
Franchise Fees Receivable		11,828
Due from other Governments		8,067
Speed Camera Fines & Fees - <i>Due from Vendor</i>		16,707
Other Receivables		7,838
Employee Loans		1,250
Prepaid Expenses		19,284

**Total assets** \$ 1,673,488

**Liabilities**

Accounts payable	\$	172,793
Revolving Credit Accounts		3,322
Unearned Grant Income		180,000
Deposits		3,250
Accrued liabilities		20,262

**Total liabilities** \$ 379,627

**Deferred Inflows of Resources**

Unavailable revenue-property taxes	\$	6,795
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**Fund Balances**

Nonspendable	\$	19,284
Restricted		29,521
Committed		555,891
Assigned		179,904
Unassigned		502,466

**Total fund balances** 1,287,066

**Total Liabilities, Deferred Inflows of Resources,  
and Fund Balance** \$ 1,673,488

TOWN OF FOREST HEIGHTS, MARYLAND  
 Reconciliation of the Governmental Fund Balance Sheet  
 To the Statement of Net Position  
 For the Year Ended June 30, 2014

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**TOTAL FUND BALANCE - GOVERNMENTAL FUNDS** \$ 1,287,066

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AMOUNTS REPORTED AS GOVERNMENTAL ACTIVITIES  
 IN THE STATEMENT OF NET POSITION (PAGE 14) ARE  
 DIFFERENT BECAUSE

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.

Cost of capital assets	\$ 6,361,634	
Accumulated Depreciation	<u>(1,621,318)</u>	4,740,316

Certain receivables are offset by deferred revenue in the governmental funds since they are not available to pay for current period expenditures. This is the amount of unavailable revenue related to these receivables.

6,795

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Fund.

Accumulated Unused Compensated Absences		\$ (26,840)
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**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 6,007,337**

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TOWN OF FOREST HEIGHTS, MARYLAND  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

For the Year Ended June 30, 2014

**REVENUES**

Property Taxes - Net	\$ 1,016,135
Income Tax	195,912
Cable TV Franchise Fee	44,202
Operating and Capital Grants	209,719
Service Charges for Current Services	166,797
Fines and Forfeitures	17,024
Speed Camera Fines & Fees	766,950
Investment Income	2,176
Miscellaneous	9,763
<b>Total Revenues</b>	<b>\$ 2,428,678</b>

**EXPENDITURES**

**Current**

Administration	\$ 666,325
Public Safety	789,564
Public Works	438,352
Miscellaneous - <i>Payroll Taxes &amp; Employee Benefits</i>	237,275
<b>Capital Outlays</b>	<b>570,638</b>

**TOTAL EXPENDITURES** 2,702,154

**DEFICIT OF REVENUES OVER EXPENDITURES** (273,476)

**OTHER FINANCING SOURCES**

Sale of Capital Assets 400

**NET CHANGE IN FUND BALANCE** (273,076)

**FUND BALANCE - July 1, 2013, As restated** 1,560,142

**FUND BALANCE - June 30, 2014** \$ 1,287,066

TOWN OF FOREST HEIGHTS, MARYLAND  
 Reconciliation of the Government Fund,  
 Statement of Revenues, Expenditures,  
 And Changes in Fund Balances to the Statement of Activities

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For the Year Ended June 30, 2014

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS**      \$    (273,076)

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AMOUNTS REPORTED AS 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 in the current period.

Capital Outlays	\$ 570,638	
Depreciation	<u>(154,897)</u>	415,741

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences earned were less than amounts used.

478

In the statement of activities, the gain on the disposition of assets is reported, where in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the costs of the capital asset sold less any accumulated depreciation.

(390)

Revenues that do not provide current financial resources are not reported as revenue in the governmental funds. The amount of change in unavailable revenue is not reported in the statement of activities.

(8,698)

**CHANGE IN NET POSITION OF THE GOVERNMENTAL ACTIVITIES**      \$    134,055

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# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Forest Heights, Maryland, ("Town") was incorporated in 1949 under the provisions of Maryland State Law. The Town operates under a Council-Mayor form of government and provides a comprehensive range of municipal services as authorized by its Charter.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant accounting policies followed in the preparation of the basic financial statements:

#### A. Reporting entity

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions and authorities for which the Town is financially accountable. The Town has also considered all other potential organizations for which the nature and significance of their relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of the organization's governing body, and the ability of the Town to impose its will on that organization, or the potential for that organization to provide specific benefits to or impose specific financial burdens on the Town. 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 Town. 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. Presently, the Town does not have any business-type activities.

- Statement of Net Position: This statement is designed to display the financial position of the Town 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 Town's net position is reported in three categories – 1) invested in capital assets, 2) restricted, and 3) unrestricted. The Town generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- 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.

Fund Financial Statements: General Fund is the only operating fund of the Town. All general tax revenues and other receipts that are not restricted by law or contractual agreement are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs are paid from the General Fund.

- General Fund Budget-to-Actual Comparison: 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. The Town has reported its General Fund budget-to-actual comparison as required supplementary information.
- Fund Accounting: Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Town has one major governmental fund, the General Fund.

The General Fund is the only operating fund of the Town. This fund is used to account for all financial resources. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs are paid from the General Fund.

#### C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The Town also prepares its budget on a basis consistent with its governmental fund financial statements.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. All other governmental fund revenues are recognized when received.

#### D. Use of Estimates

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

#### E. Assets, liabilities, and net position or equity

Cash and cash equivalents: For the purpose of the Statement of Net Position, cash includes all demand and savings accounts of the Town.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Receivables: In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, franchise taxes, and grants.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as franchise tax and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Deferred Inflows: In addition to liabilities, the 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 that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet.

The governmental funds (general fund) report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental fund were as follows:

<u>Deferred Inflows</u>	<u>Unavailable</u>
Real Property Taxes	\$ 4,694
Personal Property Taxes	2,101
Total Deferred Inflow	<u>\$ 6,795</u>

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets: The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide and/or fund financial statements.

- **Government Wide Financial Statements**: In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. The Town defines capital assets as those, which have an acquisition cost or donated value of at least \$500 and an estimated life of one year or more.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. The Town defines infrastructure assets to be capitalized as any road, street, and sidewalk, which exceed a cost of \$500. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 - 50 Years
Improvements other than buildings	10 - 50 Years
Machinery and equipment	3 - 20 Years
Infrastructure	75 Years

- **Fund Financial Statements**: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt: The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide and/or fund financial statements. All long-term debt to be repaid from governmental resources is reported as a liability in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures.

Compensated Absences: Vested or accumulated vacation is accrued when earned by employees and a liability is recorded in the government-wide financial statements. No liability is recorded for non-vesting accumulated rights to receive sick pay benefits, as the Town does not pay these amounts when

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

employees separate from service. The Town pays outstanding annual leave at separation up to one year's accumulation. The liability is included in the government-wide statements, and reported as a long term liability.

#### Equity Classifications:

- Government-Wide Statements: Equity is classified as net position and displayed in three components:

Invested in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation. The restricted net asset balance reported consists of the Forest Heights Dictionary Program (\$278) and post-secondary education (PEG) grants of (\$29,243).

Unrestricted Net Assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

- Fund statements: Governmental fund equity is classified as fund balance. The Town classifies governmental fund balances as follows:

Non-spendable: Amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints. The non-spendable fund balance reported in the General Fund consists of prepaid costs (\$19,284).

Restricted: Amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation. The restricted fund balance reported in the General Fund consists of the Forest Heights Dictionary Program (\$278) and post-secondary education (PEG) grants of (\$29,243).

Committed: Amounts constrained for a specific purpose by the governing body using its highest level of decision making authority. These constraints can only be removed or changed by the same governing body using its decision making authority to reverse a decision. Action to constrain resources should occur prior to end of fiscal year, although the exact amount may be determined subsequent to year end.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

### Committed (continued)

Committed fund balance for governmental funds is further classified as follows:

Committed for:	
Capital Improvements - Streets & Equipment	\$ 373,591
Economic Stabilization (Rainy Day) Fund	150,000
Professional Fees	31,300
Youth Wellness Program	1,000
	<u>\$ 555,891</u>

*Assigned:* Resources that can only be used for specific purposes due to the Town's intent but are not restricted or committed and may be subject to change by the Town Council. The Town Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Assigned fund balance for governmental funds is further classified as follows:

Assigned for:	
Subsequent year's budget	\$ 86,325
Parks & Recreation: Tot Lot equipment	38,019
Public Safety	3,307
Capital Outlay - Telecommunications Upgrade	52,253
	<u>\$ 179,904</u>

*Unassigned:* Amounts available for any purpose that are not classified as non-spendable, restricted, committed, or assigned.

The Mayor and Town Council of Forest Heights is the governing body with the highest level of decision-making authority relative to the Town of Forest Heights' fund balances. The Mayor and the Town Council of Forest Heights through formal action is the only body that can commit or assign fund balances. It is the Mayor and Town Council's policy to first use the restricted fund balances for expenses incurred for which both restricted and unrestricted fund balances are available unless a local match is required.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Where a local match is required, the expense is allocated to restricted and unrestricted fund balances based on the required percentages. In the event that expenditures are made from multiple unrestricted fund balance classifications, the order of fund spending shall be as follows: Committed, Assigned, and Unassigned. The Town has established through ordinance a "rainy day" fund whose use is clearly defined for specific situations that do not occur routinely. At June 30, 2014, \$150,000 was committed for the "rainy day" fund. The Town does not have a minimum fund balance policy.

#### F. Revenues, Expenditures, and Expenses

Revenue Recognition-Property Taxes: Real and personal property taxes are levied at a rate consistent with State law requiring that the State Department of Assessments and Taxation's constant yield tax rate cannot be exceeded without notice to the public of such an intent, and then, only after public hearings are held. The Town Council levies the rate, adopted in the appropriations ordinance, based on the assessed value of the property as determined by the State Department of Assessments and Taxation.

By action of the Maryland General Assembly, triennial assessment in the State became effective in fiscal years after 1980. This act provides that only 1/3 of all property be reassessed every year with all property being reassessed every three years. The assessment increase is phased in over the three-year period.

Taxes are levied as of July 1, become a lien on that date, and are due and payable by October 1, except principal residences, which are due and payable in semiannual installments at July 1 and December 31. Semiannual installments due on December 31 become delinquent January 1. Monthly interest at the rate of 2/3 of 1 percent and a penalty of 1 percent is added to all taxes unpaid. Sale of property for delinquent taxes or tax liens is conducted by Prince George's County during the month of May.

The rate for the fiscal year ended June 30, 2014 was \$0.6248 per \$100 of assessed value for real property plus a bulk trash flat tax fee of \$156 per home; and \$1.75 per \$100 of assessed value for business personal property.

Expenditure/Expenses: In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, governmental funds report expenditures of financial resources by department.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

### **NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The State of Maryland Code allows municipalities to invest surplus funds in financial institutions within the State of Maryland if the financial institution provides collateral with a market value that equals or exceeds the amount by which a deposit exceeds the deposit insurance. Collateral is limited to obligations of or guarantees by the United States government; State, County or Municipal Obligation; obligations of the Inter-American Development Bank; or obligations of the World Bank. Municipalities may also invest in federal obligations or repurchase agreements those obligations secure. The State of Maryland Code requires municipalities have an investment policy. By resolution passed by the Town Council, an investment policy has been adopted.

Deposits: Deposits include cash in checking accounts, savings accounts, and undeposited cash. At fiscal year end, the carrying amount of the Town's deposits was \$1,524,328 and the bank balances were \$1,785,262. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2014, the Town's bank balances were not exposed to any custodial credit risk since all deposits were fully insured or collateralized. Of the bank balances, \$250,000 was covered by federal depository insurance, and \$1,535,262 was covered by collateral pledged to the Town by TD Bank in the form of an irrevocable standby letter of credit from the Federal Home Loan Bank of Pittsburgh as required by the Town's collateralization policy.

### **NOTE 3. DUE FROM OTHER GOVERNMENTS**

The June 30, 2014 general fund balance due from other governments is as follows:

State of Maryland - highway user fees	\$ 6,068
Prince George's County - waste disposal rebates	1,999
Total	<u>\$ 8,067</u>

### **NOTE 4. RETIREMENT PLAN**

The Town offers its full-time employees a deferred compensation plan administered by the ICMA Retirement Corporation created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Town employees, permits them to defer a portion of their current salary up to the limits established by the Internal Revenue Service until future years. Town contributions are permissible but not required. During FY 2014 the Town contributed \$34,597 to the plan for full-time employees. Employee contributions are immediately 100% vested. Town contributions vest over time according to the plan terms. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. The Town has no liability for post-retirement benefits at June 30, 2014.

**TOWN OF FOREST HEIGHTS, MARYLAND**

Notes to the Financial Statements

For the Year Ended June 30, 2014

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions Completions	Retirements Adjustments	Balance June 30, 2014
Governmental activities				
Capital assets not being depreciated				
Land	\$ 76,741	\$ -	\$ -	\$ 76,741
Construction in Progress	297,482	343,468	-	640,950
Total Capital Assets not being Depreciated	<u>374,223</u>	<u>343,468</u>	<u>-</u>	<u>717,691</u>
Capital assets being depreciated				
Improvements	38,811	27,657	-	66,468
Buildings	925,456	31,823	-	957,279
Infrastructure	3,948,764	62,792	-	4,011,556
Vehicles	305,853	20,755	(900)	325,708
Equipment	201,363	84,143	(2,574)	282,932
Total Capital Assets being Depreciated	<u>5,420,247</u>	<u>227,170</u>	<u>(3,474)</u>	<u>5,643,943</u>
Less accumulated depreciation for				
Improvements	(28,848)	(1,030)	-	(29,878)
Buildings	(181,690)	(19,030)	-	(200,720)
Infrastructure	(1,001,021)	(58,529)	-	(1,059,550)
Vehicles	(181,367)	(42,665)	510	(223,522)
Equipment	(75,656)	(33,643)	1,651	(107,648)
Total Accumulated Depreciation	<u>(1,468,582)</u>	<u>(154,897)</u>	<u>2,161</u>	<u>(1,621,318)</u>
Total Capital Assets being Depreciated, Net	<u>3,951,665</u>	<u>72,273</u>	<u>(1,313)</u>	<u>4,022,625</u>
Government Activities Capital Assets, Net	<u>\$4,325,888</u>	<u>\$ 415,741</u>	<u>\$ (1,313)</u>	<u>\$ 4,740,316</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Government Activities	Depreciation
General government and administration	\$ 4,052
Public safety	58,341
Public works	92,504
	<u>\$ 154,897</u>

**TOWN OF FOREST HEIGHTS, MARYLAND**

Notes to the Financial Statements

For the Year Ended June 30, 2014

**NOTE 6. COMMITMENTS**

Operating Lease: In January 2012, the Town entered into a four-year operating lease with De Lage Landen for a RICOH Digital Copier System. The future minimum lease payments are as follows:

Years Ending June 30,	Future Annual Amounts
2015	\$ 3,070
2016	2,047
Total	<u>\$ 5,117</u>

Changes in long-term debt: The following is a summary of changes in long-term debt for the year ended June 30, 2014.

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
Compensated Absences	\$ 27,318	\$ 12,795	\$ (13,273)	\$ 26,840	\$ -
Totals	<u>\$ 27,318</u>	<u>12,795</u>	<u>\$ (13,273)</u>	<u>\$ 26,840</u>	<u>\$ -</u>

**NOTE 7. CONTINGENCIES**

The Town is party to legal proceedings which normally occur in government operations. The legal proceedings are not, in the opinion of the Town Attorney, likely to have a material, adverse impact on the financial position of the Town as a whole.

The Town receives financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements, and are subject to audit by grantor agencies. Any disallowed expenditure resulting from such audits could become a liability of the General Fund or other applicable funds. In the opinion of Town management, no material refunds will be required as a result of expenditures disallowed, if any, by the grantor agencies.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

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### **NOTE 8. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information: Budgetary integration is employed as a management control device during the year for the General Fund. An annual budget is adopted for the General Fund. The annual budget is presented at a public hearing before the beginning of the year and enacted by the Town Council before July 1.

In mid-year, budget revisions, if needed, are enacted by the Town Council. A final budget resolution, with revised appropriations, is adopted prior to year-end, as provided in the Town Charter. The staff as deemed necessary can make intradepartmental budget revisions. Appropriations lapse at year-end.

The Town Council approved, by ordinance, the total annual budget consisting of anticipated revenues and proposed expenditures (appropriations). Any subsequent transfer of funds between major appropriations for different purposes must be approved by the Council before becoming effective. All appropriations lapse at the end of the budget year to the extent that they shall not have been expended.

Actual results of operations are presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund on the budgetary basis of accounting in order to provide a meaningful comparison of actual results with budget estimates.

### **NOTE 9. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The general liability risks are financed through the Town's participation in the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML) and the Maryland Association of Counties. The Local Government Insurance Trust is a self-insurance pool offering general liability, excess liability, business auto liability, police legal liability, and public official liability.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members and to reduce the possibility of assessments. The Trust is owned by the participating towns, cities, and counties and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages.

During fiscal year 2014, the Town paid premiums of \$23,804 to the Trust. Settled claims resulting from these risks have not exceeded coverage amounts, and no significant reductions in insurance coverage have occurred in the past three fiscal years. The Town carries commercial insurance for employee health and workers compensation for employee accidents.

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

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### **NOTE 10. PRIOR PERIOD ADJUSTMENT**

During the current year, it was determined that \$160,000 of previously reported grant revenues had not been earned and should not have been reported as revenues at June 30, 2013. This misstatement had the effect of overstating the net position and related increase in net position in the government wide financial statements as of and for the year ended June 30, 2013. In addition, the governmental funds fund balance of the general fund and related change in fund balance of the general fund were also overstated by \$160,000 as of and for the year ended June 30, 2013. The beginning net position and fund balances in the current year financial statements have been restated for the effects of this misstatement in our previously issued financial statements.

### **NOTE 11. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2014, that have effective dates that may impact future financial presentations. Management has not determined what, if any, impact implementation the following statements may have on the financial statements of the Town.

GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,"* will be effective for the Town beginning with its year ending June 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,"* will be effective for the Town beginning with its year ending June 30, 2015. The primary objective of this Statement is to amend paragraph 137 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. It also requires that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

### **NOTE 12. SUBSEQUENT EVENTS**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the

# TOWN OF FOREST HEIGHTS, MARYLAND

## Notes to the Financial Statements

For the Year Ended June 30, 2014

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### **SUBSEQUENT EVENTS (CONTINUED)**

balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Town through December 15, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**  
For the Year Ended June 30, 2014

**TOWN OF FOREST HEIGHTS, MARYLAND**  
**General Fund Schedule of Revenues and Expenditures – Budget and Actual**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
<b>Taxes</b>				
Town Real Estate Taxes	\$ 945,974	\$ 945,974	\$ 964,754	\$ 18,780
Solid Waste Service Charge	145,860	145,860	145,860	-
Utility Taxes	25,600	25,600	38,049	12,449
Personal Property Taxes	11,700	11,700	13,332	1,632
	<u>1,129,134</u>	<u>1,129,134</u>	<u>1,161,995</u>	<u>32,861</u>
<b>Licenses and Permits</b>				
Cable TV Franchise Fee	44,000	44,000	44,202	202
Rental Permits	4,125	4,125	1,875	(2,250)
Building Permits	500	500	1,100	600
Occupancy Permits	2,450	2,450	700	(1,750)
	<u>51,075</u>	<u>51,075</u>	<u>47,877</u>	<u>(3,198)</u>
<b>Intergovernmental</b>				
Income Taxes	170,000	170,000	195,912	25,912
Highway User Revenue	19,536	19,536	61,346	41,810
Grants & Bond Bills	1,722,779	481,079	90,248	(390,831)
State Aid to Police	33,325	33,325	40,239	6,914
Parks & Planning	10,000	10,000	9,890	(110)
Rebates Waste Disposal	7,996	7,996	7,996	-
	<u>1,963,636</u>	<u>721,936</u>	<u>405,631</u>	<u>(316,305)</u>
<b>Fines and Forfeitures</b>				
Speed Camera	628,000	628,000	574,160	(53,840)
Speed Camera Collections	100,000	100,000	192,789	92,789
Civil Citations	3,500	3,500	7,449	3,949
Municipal & Parking Fines, & Accident Reports	18,800	18,800	9,575	(9,225)
	<u>750,300</u>	<u>750,300</u>	<u>783,973</u>	<u>33,673</u>
<b>Charges for Services</b>				
Municipal Building Rental	2,500	2,500	16,435	13,935
Grass Cutting	1,000	1,000	-	(1,000)
Metal Pick-up & Tire Disposal	600	600	175	(425)
	<u>4,100</u>	<u>4,100</u>	<u>16,610</u>	<u>12,510</u>
<b>Miscellaneous Revenue</b>				
Investment Interest Income	2,500	2,500	2,176	(324)
Solar Energy	1,000	1,000	653	(347)
Yard Sale	700	700	755	55
Newsletter Advertising	800	800	615	(185)
Sale of Fixed Assets	1,000	1,000	400	(600)
Miscellaneous	1,300	1,300	8,393	7,093
	<u>7,300</u>	<u>7,300</u>	<u>12,992</u>	<u>5,692</u>
<b>TOTAL REVENUES</b>	<u>\$ 3,905,545</u>	<u>\$ 2,663,845</u>	<u>\$ 2,429,078</u>	<u>\$ (234,767)</u>

**TOWN OF FOREST HEIGHTS, MARYLAND**  
**General Fund Schedule of Revenues and Expenditures – Budget and Actual**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
<b>Administration Expenses</b>				
Salaries	\$ 340,746	\$ 334,146	\$ 324,109	10,037
Operating Expenses	393,203	393,968	342,216	51,752
Capital Outlay	3,000	3,000	2,388	612
	<u>736,949</u>	<u>731,114</u>	<u>668,713</u>	<u>62,401</u>
<b>Public Safety</b>				
Salaries	361,278	349,778	338,106	11,672
Operating Expenses	383,357	461,507	451,458	10,049
Capital Outlay	32,000	43,900	37,611	6,289
	<u>776,635</u>	<u>855,185</u>	<u>827,175</u>	<u>28,010</u>
<b>Public Works</b>				
Salaries	172,456	149,956	143,144	6,812
Operating Expenses	325,425	315,425	295,208	20,217
Capital Outlay	1,635,000	649,035	530,639	118,396
	<u>2,132,881</u>	<u>1,114,416</u>	<u>968,991</u>	<u>145,425</u>
<b>Miscellaneous</b>				
Debt Service Principal & Interest	20,000	-	-	-
Workmen's Compensation	90,487	78,487	67,039	11,448
Health Insurance	67,200	54,200	49,013	5,187
Social Security Contribution	67,393	63,393	58,911	4,482
Unemployment Insurance	12,000	17,000	16,841	159
Retirement Plan Contribution	42,800	40,350	37,336	3,014
Life Insurance	9,200	9,700	8,135	1,565
	<u>309,080</u>	<u>263,130</u>	<u>237,275</u>	<u>25,855</u>
<b>TOTAL EXPENDITURES</b>	<u>3,955,545</u>	<u>2,963,845</u>	<u>2,702,154</u>	<u>261,691</u>
<b>NET CHANGE IN FUND BALANCE*</b>	<u>(50,000)</u>	<u>(300,000)</u>	<u>(273,076)</u>	<u>26,924</u>
Fund Balance - <i>Beginning of Year</i>	1,560,142	1,560,142	1,560,142	-
Fund Balance - <i>End of Year</i>	<u>\$ 1,510,142</u>	<u>\$ 1,260,142</u>	<u>1,287,066</u>	<u>\$ 26,924</u>

\* The net change in fund balance deficiency was funded by fund balance.