

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2011**



Town of Forest Heights
Forest Heights, Maryland

FRANCIS J. DISALVO CERTIFIED PUBLIC ACCOUNTANT

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Table of Contents

REPORTS	
Independent Auditor's Report	1 & 2
Management's Discussion and Analysis	3 to 10
FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet—Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	15
Reconciliation of the Government Fund, Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Notes to the Financial Statements	17 to 28
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund Schedule of Revenues & Expenditures - Budget and Actual	30 & 31
Notes to Required Supplementary Information	32

FRANCIS J. DiSALVO

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the 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 as of and for the year ended June 30, 2011, which collectively comprise the Town of Forest Height's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Forest Heights' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement's presentation. I believe that my audit provides a reasonable basis for my opinion.

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 major fund information of the Town of Forest Heights as of June 30, 2011, and the respective changes in financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 4, 2012 on my consideration of the Town of Forest Height's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with auditing standards general accepted in the United States of America and should be considered in assessing the results of my audit.

FRANCIS J. DiSALVO

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 10 and 30 through 32 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.

A handwritten signature in black ink, reading "Francis J. DiSalvo CPA". The signature is written in a cursive style with a large, looping initial "F".

Suitland, Maryland
September 4, 2012

TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2011

This section of the Town of Forest Height's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2011. Please read it with the Town's financial statements, which immediately follow this section.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the fiscal year ended June 30, 2011 by \$3,690,344 (Net Assets). The majority of the Town's net assets of \$2,449,632, net of related debt, are capital assets which generally do not generate revenue nor can they be sold to generate liquid capital. At year-end, the Town's net assets increased by \$1,076,691.

As of the close of the fiscal year ended June 30, 2011, the Town's general fund reported a surplus of \$1,254,461, an increase of \$601,321 in comparison to the prior year. The Town's total long-term obligations decreased by \$57,496 to \$33,707.

During this year, the Town fully implemented its speed camera program to improve public safety on Indian Head Highway and Livingston Road. Fines and fees from this program went from \$88,630 in fiscal year 2010 to \$3,071,276 in fiscal year 2011. Administrative fees paid to the speed camera vendor and the Comptroller of Maryland totaled \$2,089,265. The Town's management anticipates a decline in this revenue as public awareness of the speed camera program increases.

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.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during fiscal year 2011. All changes in net assets 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.

TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2011

Both of 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 on 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.

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, 2011

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.

	GOVERNMENT-WIDE STATEMENTS	FUND FINANCIAL STATEMENTS GOVERNMENTAL FUNDS
SCOPE	ENTIRE TOWN (EXCEPT FIDUCIARY FUNDS)	THE ACTIVITIES OF THE TOWN THAT ARE NOT PROPRIETARY OR FIDUCIARY.
Required financial Statements	<ul style="list-style-type: none"> ➤ Statement of net assets ➤ Statement of activities 	<ul style="list-style-type: none"> ➤ Balance sheet ➤ Statement of revenues, expenditures, and changes in fund balances
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, 2011

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's combined assets exceeded liabilities by \$3,690,344 at the close of the fiscal year ended June 30, 2011.

The Town's net assets 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 Assets for the Town as of June 30, 2011 and 2010.

Condensed Statement of Net Assets

	Governmental Activities	
	2011	2010
Assets		
Current and other assets	\$ 2,332,387	\$ 618,491
Capital Assets - Net of Depreciation	2,449,632	2,150,716
Total assets	4,782,019	2,769,207
Liabilities		
Long-term liabilities outstanding	33,707	91,203
Other Liabilities	1,057,968	64,351
Total liabilities	1,091,675	155,554
Net Assets	3,690,344	2,613,653
Net Assets		
Invested in capital assets, <i>net of related debt</i>	\$ 2,449,632	\$ 1,985,733
Restricted	11,028	-
Unrestricted Surplus (Deficit)	1,229,684	627,920
Total net assets	\$ 3,690,344	\$ 2,613,653

TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2011

The Town's revenue totaled \$4,587,481 (see Chart A). Speed Camera Fines & Fees comprised 67% of the Town's revenue. 23% of the Town's revenue comes from real property taxes, and 29 cents of every dollar comes from some type of tax (see Chart A). The Town's expenses cover a range of services, with about 75% related to public safety, 14% to public works and 11% to administration (see Chart B).

CHART A

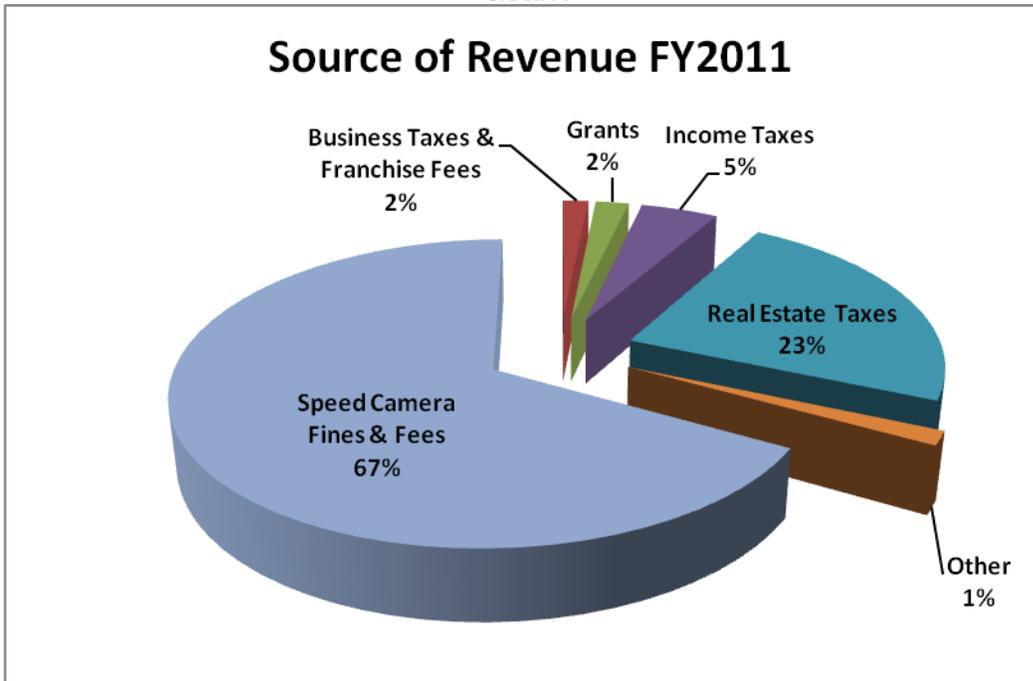
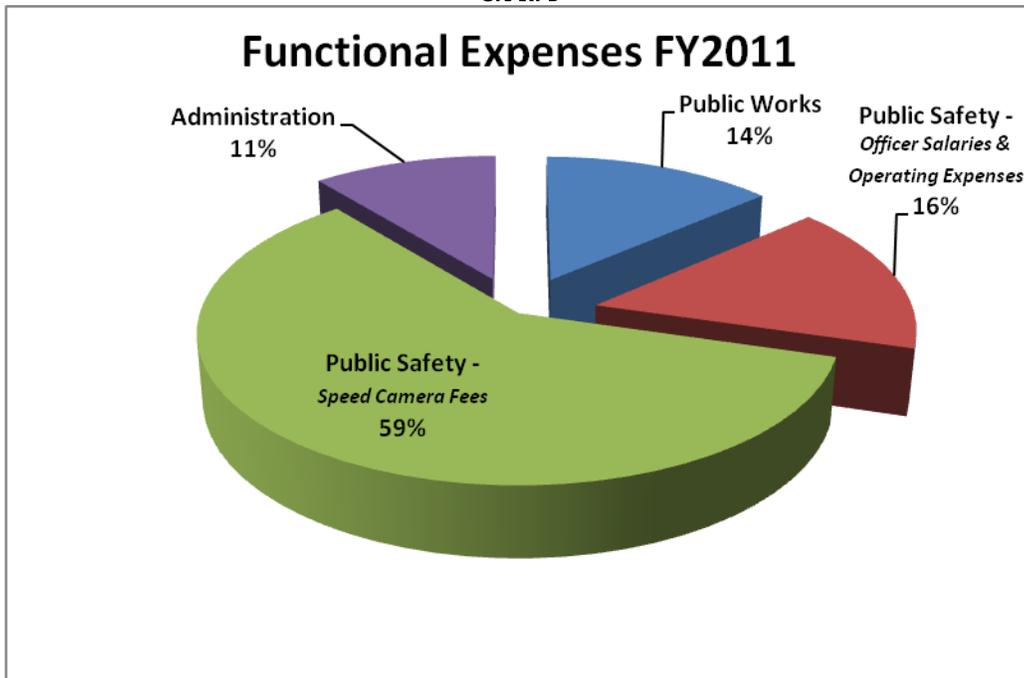


CHART B



TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2011

The following table presents a condensed statement of activities and changes in net assets for the Town for the year ended June 30, 2011 and 2010.

Condensed Statement of Activities and Changes in Net Assets

Revenues	Governmental Activities	
	2011	2010
Program Revenues		
Charges for Services	\$ 11,808	\$ 10,467
Operating grants and Contributions	92,645	72,636
Capital grants and Contributions	-	376,572
General Revenues		
Property Taxes	1,102,562	1,101,443
Intergovernmental	228,868	210,929
Speed Camera Fines & Fees	3,071,276	88,630
Other	80,322	88,560
Total Revenues	\$ 4,587,481	\$ 1,949,237
Expenses		
Administration	\$ 383,758	\$ 308,557
Public Safety	2,649,662	494,620
Public Works	477,370	471,265
Total Expenses	\$ 3,510,790	\$ 1,274,442
Increase (Decrease) in Net Assets	\$ 1,076,691	\$ 674,795
Net Assets <i>as of July 1, 2010 and 2009</i>	2,613,653	1,938,858
Total net assets	\$ 3,690,344	\$ 2,613,653

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 \$1,254,461, an increase of \$601,321 over the prior year.

TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2011

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, resources available for appropriation were \$1.268 million below the budgeted amount. Reductions in State funding affected grant resources available for appropriations which comprised most of the shortfall. On the other hand, actual expenditures were \$1.869 million less than budgeted. This reduction was due in large part to the postponement of infrastructure improvements that were to have been funded by State grants. During its first full year of implementation, speed camera fines and fees reached \$3.071 million, exceeding the budgeted amount by \$191 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town's investment in capital assets for its governmental activities as of June 30, 2011 was \$2,449,632 (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings, vehicles, and equipment. The following is a summary of the capital assets.

Capital Assets Net of Depreciation

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 5,039	\$ 5,039
Construction on Progress	138,987	235,564
Buildings	633,811	272,657
Vehicles	161,932	103,526
Equipment	144,319	44,018
Street & Infrastructure	<u>1,365,544</u>	<u>1,390,912</u>
Total	<u>\$ 2,449,632</u>	<u>\$ 2,051,716</u>

Long Term Debt: The long-term debt consists of accumulated unused compensated absences. Long-term debt decreased by \$57,496 from the prior year.

Long-term Liabilities

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Capital Lease Liability	\$ -	\$ 47,684
Installment Loan	-	18,300
Accumulated unused vacation leave	<u>33,707</u>	<u>25,219</u>
Total	<u>\$ 33,707</u>	<u>\$ 91,203</u>

TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2011

HIGHLIGHTS

The Town of Forest Heights made major changes and improvements beginning in March 2011 regarding the Town's finances, reporting, budgeting procedures and accountability.

Many of these changes were due to the election of a new Mayor, as well as a determined Town Council working together to change the Town's Financial, Management, and Leadership image at the State, County, and Local level.

The highlights are as follows:

- Expanded use of the Town attorney.
- Hiring of a Town Administrator in April of 2011.
- Hiring of a full-time Treasurer in May 2011 to be effective July 1, 2011.
- Adoption of functional accounting procedures.
- Adoption of new purchasing procedures.
- Hiring of a full-time code enforcement officer.
- Secured numerous grants for Code Enforcement, Solar Panels, Police Vehicles, and Zero Runoff at the municipal center.
- Purchasing of Fidelity Bond Insurance.
- Approved 6 year Trash Contract that saves the Town \$660,000 over seven years.
- Assigning more responsibility to the Department Heads to develop, operate, and control their budgets.
- Monitoring Town expenses more closely, especially in those areas where there appeared to be excessive spending.
- The development of a Community Development Corporation with application for a 501(c)3 designation.

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 Assets

As of June 30, 2011

Assets

Cash & Cash Equivalents	\$	2,134,079
Real Estate Taxes Receivable - net		14,026
Personal Property Taxes Receivable - net		22,356
Grants Receivable		2,766
Franchise Fees Receivable		8,313
Due from other Governments		48,815
Speed Camera Fines & Fees - <i>Due from Vendor</i>		91,458
Employee Loans		3,133
Prepaid Expenses		4,381
Other Assets		3,060
Capital Assets		
Nondepreciable assets - <i>Land & Construction in Progress</i>		144,026
Depreciable assets, net		2,305,606
Total assets	\$	4,782,019

Liabilities

Accounts payable	\$	48,377
Revolving Credit Accounts		1,182
Accrued liabilities		32,969
Due Other Governments - <i>Comptroller of MD - Speed Camera</i>		868,380
Unearned Income - <i>Refundable Grant</i>		107,060
Noncurrent liabilities		
Compensated Absences Due in more than one year		33,707
Total liabilities	\$	1,091,675

Net Assets

Invested in capital assets, net of related debt	\$	2,449,632
Restricted		11,028
Unrestricted		1,229,684
Total net assets	\$	3,690,344

TOWN OF FOREST HEIGHTS, MARYLAND

Statement of Activities

For the Year Ended June 30, 2011

<i>Function/Programs</i>	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charge for Service	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Administration	\$ 383,758	\$ 4,504	\$ 11,968	\$ (367,286)
Public Safety	2,646,567	6,603	63,127	(2,576,837)
Public Works	477,370	701	17,550	(459,119)
Interest on Long-term Debt	3,096	-	-	(3,096)
Total Governmental Activities	\$ 3,510,791	\$ 11,808	\$ 92,645	\$ (3,406,338)

General Revenues

Real Estate Tax	\$ 1,065,206
Income Tax	216,223
Highway User Revenue	4,650
Cable Franchise Fees	35,172
Tangible Personal Property & Utility Taxes	37,357
Building & Rental Permits	3,051
Speed Camera Fines & Fees	3,071,276
Fines & Forfeitures	24,585
Waste Disposal Rebates	7,996
Unrestricted Investment Income	2,363
Miscellaneous	15,150
Total General Revenue	\$ 4,483,029
Change in Net Assets	\$ 1,076,691
Net Assets - beginning	2,613,653
Net Assets - ending	\$ 3,690,344

TOWN OF FOREST HEIGHTS, MARYLAND

Balance Sheet Governmental Funds As of June 30, 2011

Assets

Cash & Cash Equivalents	\$ 2,134,079
Real Estate Taxes Receivable - net	14,026
Personal Property Taxes Receivable - net	22,356
Grants Receivable	2,766
Franchise Fees Receivable	8,313
Due from other Governments	48,815
Speed Camera Fines & Fees - <i>Due from Vendor</i>	91,458
Employee Loans	3,133
Prepaid Expenses	4,381
Other Assets	3,060
Total assets	\$ 2,332,387

Liabilities

Accounts payable	\$ 48,377
Revolving Credit Accounts	1,182
Accrued liabilities	32,969
Due Other Governments - <i>Comptroller of MD - Speed Camera</i>	868,380
Unearned Income - <i>Refundable Grant</i>	107,060
Deferred Revenue	19,958
Total liabilities	\$ 1,077,926

Fund Equity

Fund Balances	
Nonspendable	\$ 7,514
Restricted	11,028
Committed	1,500
Assigned	73,560
Unassigned	1,160,859
Total fund balances	1,254,461
Total Liabilities and Fund Equity	\$ 2,332,387

TOWN OF FOREST HEIGHTS, MARYLAND
 Reconciliation of the Governmental Fund Balance Sheet
 To the Statement of Net Assets
 For the Year Ended June 30, 2011

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS **\$ 1,254,461**

**AMOUNTS REPORTED IN GOVERNMENTAL ACTIVITIES
 IN THE STATEMENT OF NET ASSETS ARE
 DIFFERENT BECAUSE**

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

Cost of capital assets	\$ 3,697,951	
Accumulated Depreciation	<u>(1,248,319)</u>	
		2,449,632

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 deferred revenue related to these receivables.

19,958

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

Accumulated Unused Compensated Absences		\$ (33,707)
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NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 3,690,344**

TOWN OF FOREST HEIGHTS, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

REVENUES

Property Taxes - Net	\$ 1,092,071
Income Tax	216,223
Highway User Revenue	4,650
Cable TV Franchise Fee	35,172
Operating and Capital Grants	83,178
Waste Disposal Rebates	7,996
Service Charges for Current Services	7,234
Fines and Forfeitures	24,585
Speed Camera Fines & Fees	3,071,276
Building Permits	3,051
Investment Income	2,363
Miscellaneous	17,924
Total Revenues	\$ 4,565,723

EXPENDITURES

Current	
Administration	\$ 336,862
Public Safety	2,524,076
Public Works	391,802
Capital Outlays	493,115
Miscellaneous - <i>Payroll Taxes & Employee Benefits</i>	149,467
Debt Service - Principal	65,984
Debt Service - Interest	3,096
TOTAL EXPENDITURES	3,964,402
SURPLUS OF REVENUES OVER EXPENDITURES	\$ 601,321
FUND BALANCE - July 1, 2010	653,140
FUND BALANCE - June 30, 2011	\$ 1,254,461

TOWN OF FOREST HEIGHTS, MARYLAND
Reconciliation of the Governmental Fund, Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 601,321**

AMOUNTS REPORTED IN 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	\$ 493,115	
Depreciation	<u>(90,712)</u>	
		402,403

Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of long-term debt repayments for 2011.

65,984

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

Proceeds on Sale of Assets	\$ -	
Book Value of Assets Disposal	<u>(6,288)</u>	
Loss on Disposal of Capital Assets		(6,288)

Expenses in the statement of activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.

(8,487)

Revenues in statement of activities that do not provide current financial resources are not reported as revenues in the fund.

21,758

CHANGE IN NET ASSETS OF THE GOVERNMENTAL ACTIVITIES **\$ 1,076,691**

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2011

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-Manager 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 Assets:** 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 assets are reported in three categories – 1) invested in capital assets, net of related debt, 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, 2011

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 are costs that 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, 2011

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 on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total 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. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. 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. Encumbrances

The Town does not use encumbrances accounting.

F. Assets, liabilities, and net assets or equity

Cash and Investments: For the purpose of the Statement of Net Assets, "cash, including time deposits," includes all demand, savings accounts, and certificate of deposits of the Town. Investments are carried at fair value. Fair value is based on the quoted market price.

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2011

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 sales tax, 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, but not deferred in the government-wide financial statements in accordance with the accrual basis. 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 Revenues: Government funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. The governmental fund also defers revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental fund were as follows:

Deferred Revenue	Unavailable						
Due from other Governments - <i>Code Enforcement Grant</i>	\$ 9,467						
FY 2010 Personal Property Taxes - <i>Billed in FY2012</i>	10,491						
	\$ 19,958						
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Unearned Income</th> <th style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;"></th> </tr> </thead> <tbody> <tr> <td style="border-bottom: 1px solid black;">National Fish & Wildlife - <i>Refundable Grant</i></td> <td style="text-align: right; border-bottom: 1px solid black;">\$ 107,060</td> </tr> <tr> <td></td> <td style="text-align: right; border-bottom: 3px double black;">\$ 107,060</td> </tr> </tbody> </table>		Unearned Income		National Fish & Wildlife - <i>Refundable Grant</i>	\$ 107,060		\$ 107,060
Unearned Income							
National Fish & Wildlife - <i>Refundable Grant</i>	\$ 107,060						
	\$ 107,060						

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **Government Wide Financial Statements:** In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed 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 a 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 certain 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, fixed 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 or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as 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 principle 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 employees separate from service. The Town pays all outstanding annual leave at separation up to one year's accumulation. The accrual is included in the government-wide statements.

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications:

- Government-Wide Statements: Equity is classified as net assets and displayed in three components:
 - a) Invested in Capital Assets, Net of Related Debt: 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.
 - (b) Restricted Net Assets: 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 fund balance reported consists of post secondary education grants (\$11,028).
 - (c) Unrestricted Net Assets: All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”
- Fund statements: In the fund financial statements, governmental funds report the following classifications of fund balance:
 - (a) Nonspendable: Resources that are nonspendable and are not available for appropriation or are legally restricted by outside parties or creditors for use for a specific purpose. The nonspendable fund balance reported in the General Fund consists of prepaid costs (\$4,381) and long term receivables (\$3,133).
 - (b) Restricted: Resources that have constraints placed on use by external parties such as creditors, grantors, contributors, or other levels of government. The restricted fund balance reported in the General Fund consists of post secondary education grants (\$11,028).
 - (c) Committed: Resources that can only be used for specific purposes due to formal action (legislation, resolution, ordinance, etc.) of the Town Council, the Town's highest level of decision-making authority. Also includes resources that are committed by contract, in which existing/current resources have been specifically committed for satisfying the contract. The committed fund balance for the General Fund consists of a contract commitment for Forest Heights Day (\$1,500).
 - (d) 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 or Management. The assigned fund balance for the General Fund consists of capital outlay for public safety (\$73,560).
 - (e) Unassigned: This classification consists of resources that have not been restricted, committed or assigned to a specific purpose within the General Fund.

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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, 2011 was \$0.5671 per \$100 of assessed value for real property plus a bulk trash flat tax fee of \$216 per home; and \$1.25 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.

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. During FY2011, Management has decided to restrict investments to the use of an interest bearing cash accounts for readily available funds. Only financial institutions covered by the Federal Deposit Insurance Corporation (FDIC) are used.

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments are stated at fair value, in accordance with GASB Statement No. 31.

For purposes of this note disclosure, cash and cash equivalents are classified as either deposits or investments. Deposits include cash in checking accounts, savings accounts, certificates of deposit and undeposited cash.

Deposits: At fiscal year end, the carrying amount of the Town's deposits was \$2,134,079 and the bank balances were \$2,170,597. 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, 2011, the Town's bank balances were not exposed to any custodial credit risk since all deposits were fully collateralized. Of the bank balances, \$270,667 was covered by federal depository insurance, and \$1,899,930 was covered by collateral pledged to the Town in the form of an irrevocable standby letter of credit from the Federal Home Loan Bank of Pittsburgh.

NOTE 3. DUE FROM OTHER GOVERNMENTS

The June 30, 2011 general fund balance due from other governments is as follows:

	2011
State Of Maryland	\$ 28,428
Prince George's County	11,466
Maryland Nat'l Capitol Park & Planning Commission	8,921
Total	\$ 48,815

NOTE 4. PENSION PLANS

Effective July 1, 1997, the Town adopted a Money Purchase Pension Plan administered by the Mayor and Council collectively known as the Trustees. All elected officials and all other employees who work at least 501 hours or complete minimum of 6 months of service and/or attain the age of 20-1/2 are eligible to participate in the plan. Each year, the Town makes a contribution of 6% of each employee's compensation that is subject to income tax. The vesting period of this plan is six years with 100% vested and non-forfeitable interest in the Employer Account. The normal retirement age is 65. In the event of resignations prior to normal age, participants will be vested and have a forfeiture interest in a percentage of the Employer account provided that the years of service for vesting have been met. The Town contributions to the plan net of forfeitures amounted to \$23,975 for the year ended June 30, 2011. The Town has no liability for post retirement benefits at June 30, 2011. In June 2011, the Town adopted a deferred compensation plan under section 457 of the Internal Revenue Code. The Town or employees through salary reductions may contribute up to the limits established by the Internal Revenue Service.

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions Completions	Retirements Adjustments	Balance June 30, 2011
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,039	\$ -	\$ -	\$ 5,039
Construction in Progress	235,564	271,719	(368,296)	138,987
Total Capital Assets not being Depreciated	240,603	271,719	(368,296)	144,026
Capital assets being depreciated				
Improvements	29,209	-	-	29,209
Buildings	407,110	372,525		779,635
Infrastructure	2,272,459	5,276		2,277,735
Vehicles	232,667	96,944	(32,078)	297,533
Equipment	59,566	116,747	(6,500)	169,813
Total Capital Assets being Depreciated	3,001,011	591,492	(38,578)	3,553,925
Less accumulated depreciation for				
Improvements	(27,835)	(253)		(28,088)
Buildings	(134,448)	(11,376)		(145,824)
Infrastructure	(882,924)	(30,388)		(913,312)
Vehicles	(128,456)	(32,936)	25,791	(135,601)
Equipment	(16,235)	(15,759)	6,500	(25,494)
Total Accumulated Depreciation	(1,189,898)	(90,712)	32,291	(1,248,319)
Total Capital Assets being Depreciated, Net	1,811,113	682,204	(70,869)	2,305,606
Government Activities Capital Assets, Net	\$2,051,716	\$ 953,923	\$ (439,165)	\$ 2,449,632

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

Government activities	
General government and administration	\$ 4,423
Public safety	30,971
Public works	55,318
	\$ 90,712

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 6. COMMITMENTS

Operating Lease: In May 2007, the Town entered into a five-year operating lease with Konica-Minolta Leasing for a Konica-Minolta Copier. The future minimum lease payments are as follows:

Year Ended June 30,	Future Annual Amounts
2012	2,386
Total	\$ 2,386

Capital Lease Liability: Ford Motor Credit, monthly payments of \$1,443.13, including interest at 7.3%, secured by an interest in police vehicles. The lease liability was paid in full during the year.

Installment Loan: Ally Bank (successor to GMAC), a non-interest bearing note with monthly payments of \$359. The note was paid in full during the year.

Changes in long-term debt: The following is a summary of changes in long-term debt for the year ended June 30, 2011.

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
Installment Loan	\$ 18,300	\$ -	\$ 18,300	\$ -	\$ -
Capital Lease	47,684	-	47,684	-	-
Accrued Vacation	25,219	8,488	-	33,707	-
	<u>\$ 91,203</u>	<u>8,488</u>	<u>\$ 65,984</u>	<u>\$ 33,707</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, 2011

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 does not employ encumbrance accounting.

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 coming 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 2011, the Town paid premiums of \$16,650 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 fiscal year. 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, 2011

NOTE 10. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2011, that have effective dates that may impact future financial presentations.

Management has not determined what, if any, impact implementation the following statements may have on the financial statements of the Town:

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," will be effective for the Town beginning with its year ending June 30, 2013. This Statement provides guidance for reporting deferred outflows of resources and deferred inflows of resources within the financial statements of governmental entities.

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

TOWN OF FOREST HEIGHTS, MARYLAND
General Fund Schedule of Revenues and Expenditures – Budget and Actual
For the Year Ended June 30, 2011

	Original & Final Budget	Actual	Over (under)
Taxes			
Town Real Estate Taxes	\$ 1,045,432	\$ 1,065,206	\$ 19,774
Utility Taxes	20,000	25,154	5,154
Personal Property Taxes	15,000	1,712	(13,288)
	<u>1,080,432</u>	<u>1,092,072</u>	<u>11,640</u>
Licenses and Permits			
Cable TV Franchise Fee	23,000	35,172	12,172
Rental Permits	10,000	4,125	(5,875)
Building Permits	500	1,476	976
	<u>33,500</u>	<u>40,773</u>	<u>7,273</u>
Intergovernmental			
Income Taxes	110,000	216,222	106,222
Highway User Revenue	4,861	4,650	(211)
Grants & Bond Bills	1,116,945	51,102	(1,065,843)
State Aid to Police	23,155	23,155	-
Parks & Planning	10,000	9,984	(16)
Rebates Waste Disposal	7,996	7,996	-
	<u>1,272,957</u>	<u>313,109</u>	<u>(959,848)</u>
Fines and Forfeitures			
Red Light Camera	5,000	75	(4,925)
Speed Camera	2,880,000	3,071,276	191,276
Municipal Infractions	10,000	5,408	(4,592)
Parking Fines, Vehicle Release & Accident Reports	2,000	18,070	16,070
	<u>2,897,000</u>	<u>3,094,829</u>	<u>197,829</u>
Charges for Services			
Municipal Building Rental	40,000	2,744	(37,256)
Grass Cutting	1,000	200	(800)
Metal Pick-up & Tire Disposal	500	431	(69)
Fingerprinting	3,000	6,603	3,603
	<u>44,500</u>	<u>9,978</u>	<u>(34,522)</u>
Miscellaneous Revenue			
Investment Interest Income	500	2,363	1,863
Miscellaneous	2,000	12,599	10,599
	<u>2,500</u>	<u>14,962</u>	<u>12,462</u>
Non-revenue Receipts			
Loan Proceeds	250,000	-	(250,000)
Transfer from Unassigned Fund Balance	253,099	-	(253,099)
	<u>503,099</u>	<u>-</u>	<u>(503,099)</u>
TOTAL REVENUES & OTHER FINANCING SOURCES	<u>\$ 5,833,988</u>	<u>\$ 4,565,723</u>	<u>\$ (1,268,265)</u>

TOWN OF FOREST HEIGHTS, MARYLAND
General Fund Schedule of Revenues and Expenditures – Budget and Actual
For the Year Ended June 30, 2011

	Original & Final Budget	Actual	Over (under)
Administration Expenses			
Salaries	\$ 197,286	\$ 134,185	63,101
Operating Expenses	248,975	202,677	46,298
Capital Outlay	55,000	49,778	5,222
	<u>501,261</u>	<u>386,640</u>	<u>114,621</u>
Public Safety			
Salaries	636,877	257,186	379,691
Operating Expenses	2,401,150	2,266,890	134,260
Capital Outlay	159,436	109,397	50,039
	<u>3,197,463</u>	<u>2,633,473</u>	<u>563,990</u>
Public Works			
Salaries	109,551	91,514	18,037
Operating Expenses	313,996	300,289	13,707
Capital Outlay	1,450,184	333,940	1,116,244
	<u>1,873,731</u>	<u>725,743</u>	<u>1,147,988</u>
Miscellaneous			
Workmen's Compensation	18,590	38,309	(19,719)
Health Insurance	55,000	40,210	14,790
Social Security Contribution	49,000	41,283	7,717
Unemployment Insurance	7,320	-	7,320
Retirement Plan Contribution	42,000	23,601	18,399
Life Insurance	4,200	6,063	(1,863)
Debt Service - Principal	65,605	65,984	(379)
Debt Service - Interest	19,818	3,096	16,722
	<u>261,533</u>	<u>218,546</u>	<u>42,987</u>
TOTAL EXPENDITURES	<u>5,833,988</u>	<u>3,964,402</u>	<u>1,869,586</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>601,321</u>	<u>652,781</u>
Fund Balance - <i>Beginning of Year</i>	653,140	653,140	-
Fund Balance - <i>End of Year</i>	<u>\$ 653,140</u>	<u>1,254,461</u>	<u>\$ 652,781</u>

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Required Supplementary Information
For the Year Ended June 30, 2011

BUDGETARY VARIANCES

For the year ended June 30, 2011, expenditures exceeded appropriations in the following activities (the legal level of budgetary control) of the general fund by the following amounts:

Activity	Amount
Workers Compensation Insurance	\$ 19,719
Employee Benefits - <i>Life Insurance</i>	1,863
Debt Service Principal	379

These over expenditures were funded by unexpended appropriations from the remaining activities within each respective area of the general fund.