

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2013**



Town of Forest Heights
Forest Heights, Maryland

FRANCIS J. DISALVO CERTIFIED PUBLIC ACCOUNTANT

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

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FRANCIS J. DiSALVO

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, 2013, 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. We 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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, 2013, 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 11 and 31 and 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 us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued my report dated November 25, 2013, 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
November 25, 2013

TOWN OF FOREST HEIGHTS, MARYLAND

Management Discussion and Analysis

For the Year Ended June 30, 2013

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, 2013. 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 and deferred outflows of resources of the TOWN OF FOREST HEIGHTS exceeded its liabilities at the close of the most recent fiscal year by \$6,033,282 (*net position*). Of this amount, \$6,014,968 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The TOWN OF FOREST HEIGHTS' total net position increased by \$689,597.
- At the close of the current fiscal year, the TOWN OF FOREST HEIGHTS general fund reported a fund balance of \$1,720,141, a decrease of \$43,797 in comparison with the prior year. This decrease was due in large part to infrastructure improvements and the acquisition of the land and building for the new police and public works facility. Approximately 79% of this amount (\$1,364,512) 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 \$1,659,934 or approximately 64% of total general fund expenditures.
- The TOWN OF FOREST HEIGHTS' long-term debt consists of only accumulated unused compensated absences which experienced a net increase of \$2,997 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 \$1,541,298 in FY 2012 to \$818,023 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.

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.

TOWN OF FOREST HEIGHTS, MARYLAND

Management Discussion and Analysis

For the Year Ended June 30, 2013

Government-wide financial statements (continued)

The statement of activities presents information showing how the government's net position changed during fiscal year 2013. 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.

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, 2013

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 position ➤ 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, 2013

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 \$6,033,282 at the close of the fiscal year ended June 30, 2013.

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, 2013 and 2012.

Condensed Statement of Net Position

	Governmental Activities	
	2013	2012
Assets		
Current and other assets	\$ 1,828,364	\$ 2,019,940
Capital Assets - Net of Depreciation	4,325,888	3,592,448
Total assets	\$ 6,154,252	\$ 5,612,388
Liabilities		
Long-term liabilities outstanding	\$ 27,318	\$ 24,321
Other Liabilities	93,652	244,382
Total liabilities	\$ 120,970	\$ 268,703
Net Position	\$ 6,033,282	\$ 5,343,685
Net Position		
Invested in capital assets, <i>net of related debt</i>	\$ 4,325,888	\$ 3,592,448
Restricted	18,314	278
Unrestricted Surplus (Deficit)	1,689,080	1,750,959
Total Net Position	\$ 6,033,282	\$ 5,343,685

TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2013

The Town's revenue totaled \$2,764,913 (see Chart A). Speed Camera fines and other fines and fees comprised 30% of the Town's revenue. 36% of the Town's revenue comes from real property taxes, and 44 cents of every dollar comes from some type of tax (see Chart A). The Town's expenses cover a range of services, with about 46% related to public safety, 23% to public works and 31% to administration (see Chart B).

CHART A

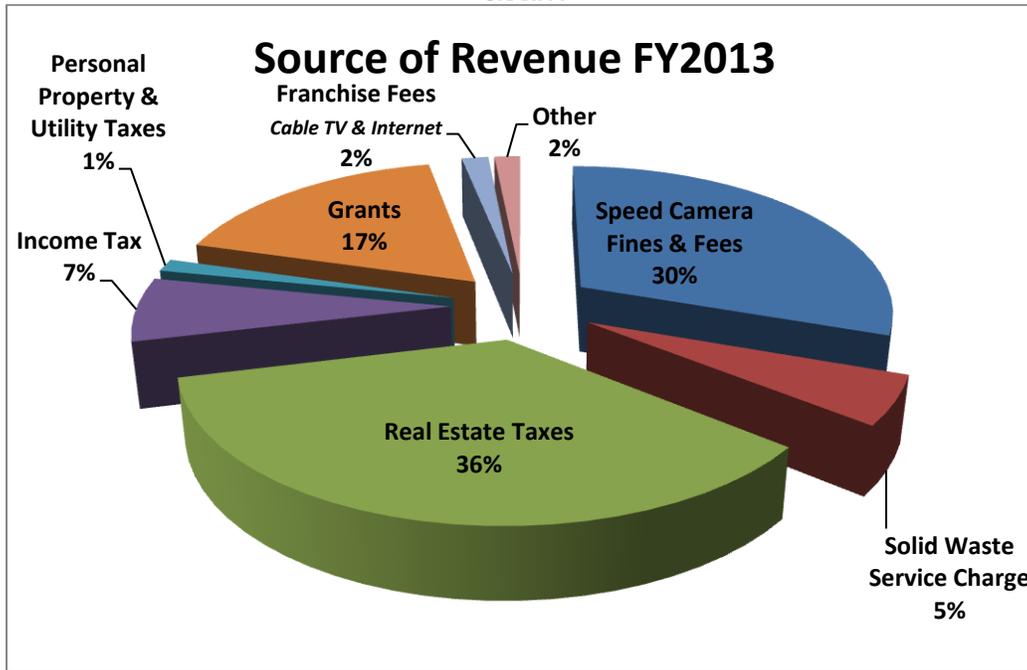
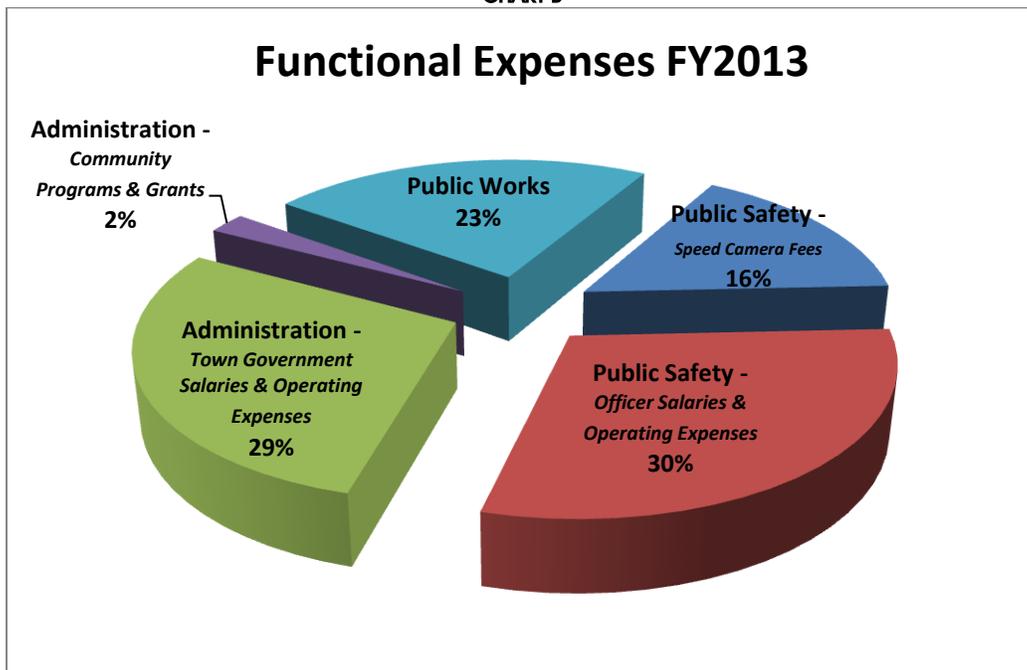


CHART B



TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2013

The following table presents a condensed statement of activities and changes in net position for the Town for the years ended June 30, 2013 and 2012.

Condensed Statement of Activities and Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues		
Program Revenues		
Charges for Services	\$ 155,929	\$ 152,698
Operating grants and Contributions	41,191	46,825
Capital grants and Contributions	437,131	798,173
General Revenues		
Property Taxes	1,021,581	914,809
Intergovernmental	217,148	214,508
Speed Camera Fines & Fees	839,796	1,541,298
Other	52,137	121,195
Total Revenues	\$ 2,764,913	\$ 3,789,506
Expenses		
Administration	\$ 641,488	\$ 457,692
Public Safety	950,740	1,166,900
Public Works	483,088	511,573
Total Expenses	\$ 2,075,316	\$ 2,136,165
Increase in Net Position	\$ 689,597	\$ 1,653,341
Net Position <i>beginning of year</i>	5,343,685	3,690,344
Total net position	\$ 6,033,282	\$ 5,343,685

TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2013

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 \$1,720,141, a decrease of \$43,797 over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, resources available for appropriation were \$2.427 million below the budgeted amount.

The most significant differences between estimated revenues and actual revenues were as follows:

Revenue Source	Estimated Revenue	Actual Revenue	Difference
Grants & Bond Bills	\$ 2,463,050	\$ 233,036	\$ (2,230,014)
Speed Camera Fines	1,092,000	818,023	(273,977)
Municipal Building Rentals	20,000	3,700	(16,300)

- *Grants and Bond Bills:* When preparing the budget for the upcoming year, it had been the policy of the Town to include amounts of prospective grants. The FY 2013 budget includes several such grants some of which were funded in FY 2013. However, funding for some grants will not be received until FY 2014 and a few were not approved. Reductions and timing of State and County funding affected grant resources available for appropriations which comprised most of the shortfall.
- *Speed Camera Revenues:* As public awareness of the speed camera program on Indian Head Highway and Livingston Road continued to improve public safety through driving speeds in compliance with posted limits, the revenue generated from fines and fees will decrease. The Town's estimate of these fees was overstated.
- *Municipal Building Rental Income:* The Town offers its hall for rent to the public. The Town's estimate of these rental fees was overstated.

On the other hand, actual expenditures were \$2.77 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 and County grants.

TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town's investment in capital assets for its governmental activities as of June 30, 2013 was \$4,325,888 (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 for the years ended June 30, 2013 and 2012.

Capital Assets Net of Depreciation

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 76,741	\$ 5,039
Construction on Progress	297,482	118,149
Buildings	743,766	750,787
Vehicles	124,486	120,912
Equipment	125,707	125,159
Street & Infrastructure	<u>2,957,706</u>	<u>2,472,402</u>
Total	<u>\$ 4,325,888</u>	<u>\$ 3,592,448</u>

Long Term Debt: The long-term debt consists of accumulated unused compensated absences which increased by \$2,997 from 2012 to 2013.

Long-term Liabilities

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Accumulated Unused Vacation Leave	<u>\$ 27,318</u>	<u>\$ 24,321</u>
Total	<u>\$ 27,318</u>	<u>\$ 24,321</u>

TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2013

HIGHLIGHTS

The Town made substantial progress in FY 2013 at the direction of the Mayor and Council. The highlights include the following:

- The Forest Heights Sustainability Plan was submitted to the Maryland Department of Housing and Community Development.
- Colonel Stewart Russell, retired 3rd ranking officer with the Maryland State Police, was hired as the Police Chief.
- Stanley Mosley, retired Executive from NIH was hired as the Public Works Supervisor.
- The Council approved a revision of the Employee Handbook, and adopted a Purchasing Policy and Safety Policy.
- New job descriptions were submitted to the Mayor and Council by the Town Administrator and employees.
- A salary compensation plan was submitted by the Town Administrator to the Mayor and Council.
- A grant application with the Maryland Energy Administration (\$72,500) was approved.
- A Community Development Block Grant request with Prince Georges County was approved (\$18,500) to fund a Reading Specialist and to conduct a Scholastic Achievement contest.
- New street sign installation work was completed.
- Several streets were milled and paved in Wards II & III (94,000 Sq ft) by Washington Gas which saved the Town about \$160,000. Additional milling, paving and apron repair was completed on S. Huron Drive, Onondaga Drive and Black Hawk Drive at a cost of \$233,000.
- A new 6" sewer line (136 L. FT and 3 clean outs) was installed by WSSC from the Municipal Center to the WSSC main line on Arapahoe Drive which saved the Town \$48,300 (WSSC previously failed to connect the Town to their new line when it was completed).
- Charter Amendments, Resolutions and Ordinances were updated with respect to the Codification requirements.
- Residential property was purchased contiguous to the Town Property for our new police Station.
- A collections program was initiated to facilitate the collection of out of state speeding citations.
- Received notification of a \$300,000 grant from Prince George's County that was approved to assist the Town with streets, sidewalks and storm water runoff in Wards II & III.
- Submitted a grant request to Kaboom (\$20,000) to develop a TOT LOT at Mohican Drive and Fox Way.
- Residents offered water/sewer line service warranty program through the National League of Cities.

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, 2013

Assets

Cash & Cash Equivalents	\$	1,718,927
Real Estate Taxes Receivable - net		12,534
Personal Property Taxes Receivable - net		2,173
Grants Receivable		20,190
Franchise Fees Receivable		11,414
Due from other Governments		4,152
Speed Camera Fines & Fees - <i>Due from Vendor</i>		11,951
Employee Loans		3,309
Prepaid Expenses		38,584
Other Assets		5,130
Capital Assets		
Nondepreciable assets - <i>Land & Construction in Progress</i>		374,222
Depreciable assets, net		3,951,666
Total assets	\$	6,154,252

Liabilities

Accounts payable	\$	70,752
Revolving Credit Accounts		3,786
Due to Other Governments		2,975
Accrued liabilities		16,139
Noncurrent liabilities		
Compensated Absences Due in more than one year		27,318
Total liabilities	\$	120,970

Net Position

Invested in capital assets	\$	4,325,888
Restricted		18,314
Unrestricted		1,689,080
Total Net Position	\$	6,033,282

TOWN OF FOREST HEIGHTS, MARYLAND
Statement of Activities
For the Year Ended June 30, 2013

<i>Function Programs</i>	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charge for Service	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 641,488	\$ 7,001	\$ -	\$ 18,036	\$ (616,451)
Public Safety	950,740	-	-	23,155	(927,585)
Public Works	483,089	146,330	437,131	-	100,372
<i>Total Governmental Activities</i>	<u>\$ 2,075,317</u>	<u>\$ 153,331</u>	<u>\$ 437,131</u>	<u>\$ 41,191</u>	<u>\$ (1,443,664)</u>

General Revenues

Real Estate Tax	\$ 984,103
Income Tax	191,264
Highway User Revenue	17,888
Cable Franchise Fees	44,956
Tangible Personal Property & Utility Taxes	37,479
Building, Occupancy, & Rental Permits	3,700
Speed Camera Fines & Fees	818,023
Fines & Forfeitures	21,773
Waste Disposal Rebates	7,996
Unrestricted Investment Income	2,631
Miscellaneous	3,448
Total General Revenue	<u>\$ 2,133,261</u>
Change in Net Position	\$ 689,597
Net Position - beginning	<u>5,343,685</u>
Net Position - ending	<u>\$ 6,033,282</u>

TOWN OF FOREST HEIGHTS, MARYLAND
 Balance Sheet
 Governmental Funds – General Fund
 As of June 30, 2013

Assets

Cash & Cash Equivalents	\$	1,718,927
Real Estate Taxes Receivable - net		12,534
Personal Property Taxes Receivable - net		2,173
Grants Receivable		20,190
Franchise Fees Receivable		11,414
Due from other Governments		4,152
Speed Camera Fines & Fees - <i>Due from Vendor</i>		11,951
Employee Loans		3,309
Prepaid Expenses		38,584
Other Assets		5,130
Total assets	\$	1,828,364

Liabilities

Accounts payable	\$	70,752
Revolving Credit Accounts		3,786
Due to Other Governments		2,975
Accrued liabilities		16,139
Total liabilities	\$	93,652

Deferred Inflows of Resources

Unavailable revenue-property taxes	\$	14,571
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Fund Balances

Nonspendable	\$	41,893
Restricted		18,314
Committed		195,422
Assigned		100,000
Unassigned		1,364,512
Total fund balances		1,720,141

Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$	1,828,364
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TOWN OF FOREST HEIGHTS, MARYLAND
Reconciliation of the Governmental Fund Balance Sheet
To the Statement of Net Position
For the Year Ended June 30, 2013

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS **\$ 1,720,141**

AMOUNTS REPORTED AS GOVERNMENTAL ACTIVITIES
IN THE STATEMENT OF NET POSITION (PAGE 11) 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	\$ 5,794,470	
Accumulated Depreciation	<u>(1,468,582)</u>	
		4,325,888

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. 14,571

Accumulated Unused Compensated Absences		\$ (27,318)
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NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 6,033,282**

TOWN OF FOREST HEIGHTS, MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

REVENUES

Property Taxes - Net	\$ 1,018,629
Income Tax	191,264
Highway User Revenue	17,888
Cable TV Franchise Fee	44,956
Operating and Capital Grants	266,191
Waste Disposal Rebates	7,996
Service Charges for Current Services	153,331
Fines and Forfeitures	21,773
Speed Camera Fines & Fees	818,023
Building, Occupancy, & Rental Permits	3,700
Investment Income	2,631
Miscellaneous	3,448
	2,549,830
Total Revenues	\$ 2,549,830

EXPENDITURES

Current

Administration	\$ 561,870
Public Safety	781,755
Public Works	344,583
Capital Outlays	666,905
Miscellaneous - <i>Payroll Taxes & Employee Benefits</i>	238,514
	2,593,627
TOTAL EXPENDITURES	2,593,627
DEFICIT OF REVENUES OVER EXPENDITURES	\$ (43,797)
FUND BALANCE - July 1, 2012	1,763,938
FUND BALANCE - June 30, 2013	\$ 1,720,141

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, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (43,797)

**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	\$ 666,905	
Depreciation	<u>(141,682)</u>	525,223

In the statement of activities, donated capital assets are reported as revenues, capitalized, and depreciated. In the governmental fund, when the government receives a donated asset that it intends to use as a general capital asset, no entry is required because no financial resource flow has taken place. This is the amount of donated assets for 2013.

212,131

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.

(6,911)

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.

2,951

CHANGE IN NET POSITION OF THE GOVERNMENTAL ACTIVITIES \$ 689,597

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2013

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 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, 2013

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, 2013

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, 2013

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.

Governmental funds reported deferred inflows 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 reported in the governmental fund were as follows:

Deferred Inflows	Unavailable
Real Property Taxes	\$ 12,534
Personal Property Taxes	2,037
Total Deferred Inflow	\$ 14,571

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2013

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 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.

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications:

- Government-Wide Statements: Equity is classified as net position 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 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 (\$18,036).
 - (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: Governmental fund equity is classified as fund balance. The Town classifies governmental fund balances as follows:
 - (d) 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 (\$38,524) and long term receivables (\$3,309).
 - (e) 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 the Forest Heights Dictionary Program (\$278) and post secondary education (PEG) grants of (\$18,036).
 - (f) 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 commitments for the rainy day fund (\$75,000), surveillance camera systems (\$52,330), professional fees (\$20,923), Forest Heights Day (\$175), and capital outlay and repairs of (\$46,994).
 - (g) 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 renovation of its public safety and public works facility (\$100,000).
 - (h) Unassigned: Amounts available for any purpose that are not classified as nonspendable, restricted, committed, or assigned.

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, 2013, \$75,000 was committed for the "rainy day" fund.

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, 2013 was \$0.6248 per \$100 of assessed value for real property plus a bulk trash flat tax fee of \$156 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.

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2013

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 \$1,718,927 and the bank balances were \$1,762,781. 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, 2013, the Town's bank balances were not exposed to any custodial credit risk since all deposits were fully collateralized. Of the bank balances, \$250,000 was covered by federal depository insurance, and \$1,512,781 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.

NOTE 3. DUE FROM OTHER GOVERNMENTS

The June 30, 2013 general fund balance due from other governments is as follows:

	2013
State Of Maryland	\$ 4,152
Total	\$ 4,152

NOTE 4. RETIREMENT PLAN

The Town offers its full-time employees a deferred compensation plan 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 2013 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, 2013.

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions Completions	Retirements Adjustments	Balance June 30, 2013
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,039	\$ 71,702	\$ -	\$ 76,741
Construction in Progress	118,149	179,333	-	297,482
Total Capital Assets not being Depreciated	123,188	251,035	-	374,223
Capital assets being depreciated				
Improvements	32,635	899	5,277	38,811
Buildings	913,983	12,474	(1,001)	925,456
Infrastructure	3,414,391	539,648	(5,275)	3,948,764
Vehicles	261,428	44,425	-	305,853
Equipment	175,621	30,555	(4,813)	201,363
Total Capital Assets being Depreciated	4,798,058	628,001	(5,812)	5,420,247
Less accumulated depreciation for				
Improvements	(28,405)	(508)	65	(28,848)
Buildings	(163,196)	(18,444)	(50)	(181,690)
Infrastructure	(946,219)	(54,805)	3	(1,001,021)
Vehicles	(140,516)	(40,681)	(170)	(181,367)
Equipment	(50,462)	(27,244)	2,050	(75,656)
Total Accumulated Depreciation	(1,328,798)	(141,682)	1,898	(1,468,582)
Total Capital Assets being Depreciated, Net	3,469,260	486,319	(3,914)	3,951,665
Government Activities Capital Assets, Net	<u>\$3,592,448</u>	<u>\$ 737,354</u>	<u>\$ (3,914)</u>	<u>\$ 4,325,888</u>

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

Government Activities	Depreciation
General government and administration	\$ 5,453
Public safety	50,433
Public works	85,796
	<u>\$ 141,682</u>

TOWN OF FOREST HEIGHTS, MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2013

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:

<u>Years Ending June 30,</u>	<u>Future Annual Amounts</u>
2014	3,070
2015	3,070
2016	2,047
Total	<u>\$ 8,187</u>

Changes in long-term debt: The following is a summary of changes in long-term debt for the year ended June 30, 2013.

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Accrued Vacation	\$ 24,321	\$ 6,364	\$ (3,367)	\$ 27,318	\$ -
Totals	<u>\$ 24,321</u>	<u>6,364</u>	<u>\$ (3,367)</u>	<u>\$ 27,318</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, 2013

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 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 2013, the Town paid premiums of \$20,163 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, 2013

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, 2013, 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.

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

TOWN OF FOREST HEIGHTS, MARYLAND
General Fund Schedule of Revenues and Expenditures – Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Taxes				
Town Real Estate Taxes	\$ 969,104	\$ 969,104	\$ 981,563	\$ 12,459
Solid Waste Service Charge	145,860	145,860	145,860	-
Utility Taxes	26,000	26,000	26,368	368
Personal Property Taxes	11,760	11,760	10,698	(1,062)
	1,152,724	1,152,724	1,164,489	11,765
Licenses and Permits				
Cable TV Franchise Fee	39,369	39,369	44,956	5,587
Rental Permits	2,500	2,500	1,275	(1,225)
Building Permits	1,500	1,500	500	(1,000)
Occupancy Permits	2,700	2,700	1,925	(775)
	46,069	46,069	48,656	2,587
Intergovernmental				
Income Taxes	114,755	114,755	191,264	76,509
Highway User Revenue	16,000	16,000	17,888	1,888
Grants & Bond Bills	2,463,050	2,463,050	233,036	(2,230,014)
State Aid to Police	23,155	23,155	23,155	-
Parks & Planning	10,000	10,000	10,000	-
Rebates Waste Disposal	7,996	7,996	7,996	-
	2,634,956	2,634,956	483,339	(2,151,617)
Fines and Forfeitures				
Speed Camera	1,092,000	1,092,000	818,023	(273,977)
Civil Citations	4,000	4,000	3,725	(275)
Municipal & Parking Fines, & Accident Reports	16,000	16,000	18,048	2,048
	1,112,000	1,112,000	839,796	(272,204)
Charges for Services				
Municipal Building Rental	20,000	20,000	3,700	(16,300)
Grass Cutting	900	900	-	(900)
Metal Pick-up & Tire Disposal	400	400	470	70
	21,300	21,300	4,170	(17,130)
Miscellaneous Revenue				
Investment Interest Income	6,000	6,000	2,631	(3,369)
Solar Energy	2,500	2,500	1,811	(689)
Yard Sale	600	600	485	(115)
Newsletter Advertising	800	800	1,005	205
Sale of Fixed Assets	100	100	-	(100)
Miscellaneous	-	-	3,448	3,448
	10,000	10,000	9,380	(620)
TOTAL REVENUES	\$ 4,977,049	\$ 4,977,049	\$ 2,549,830	\$ (2,427,219)

TOWN OF FOREST HEIGHTS, MARYLAND
General Fund Schedule of Revenues and Expenditures – Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Administration Expenses				
Salaries	\$ 277,238	\$ 303,338	\$ 298,774	4,564
Operating Expenses	314,050	334,700	263,096	71,604
Capital Outlay	39,000	37,000	4,000	33,000
	<u>630,288</u>	<u>675,038</u>	<u>565,870</u>	<u>109,168</u>
Public Safety				
Salaries	351,685	351,685	319,714	31,971
Operating Expenses	992,790	806,930	462,042	344,888
Capital Outlay	55,000	65,000	59,917	5,083
	<u>1,399,475</u>	<u>1,223,615</u>	<u>841,673</u>	<u>381,942</u>
Public Works				
Salaries	157,263	138,007	105,790	32,217
Operating Expenses	121,600	268,160	238,793	29,367
Capital Outlay	2,779,700	2,767,500	602,988	2,164,512
	<u>3,058,563</u>	<u>3,173,667</u>	<u>947,571</u>	<u>2,226,096</u>
Miscellaneous				
Workmen's Compensation	88,601	100,257	77,214	23,043
Health Insurance	75,600	66,141	52,354	13,787
Social Security Contribution	59,009	63,118	54,655	8,463
Unemployment Insurance	4,000	12,600	12,220	380
Retirement Plan Contribution	44,865	40,940	34,597	6,343
Life Insurance	3,500	8,525	7,473	1,052
	<u>275,575</u>	<u>291,581</u>	<u>238,513</u>	<u>53,068</u>
TOTAL EXPENDITURES	<u>5,363,901</u>	<u>5,363,901</u>	<u>2,593,627</u>	<u>2,770,274</u>
NET CHANGE IN FUND BALANCE*	<u>(386,852)</u>	<u>(386,852)</u>	<u>(43,797)</u>	<u>343,055</u>
Fund Balance - <i>Beginning of Year</i>	1,763,938	1,763,938	1,763,938	-
Fund Balance - <i>End of Year</i>	<u>\$ 1,377,086</u>	<u>\$ 1,377,086</u>	<u>1,720,141</u>	<u>\$ 343,055</u>

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.