

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2015**



Town of Forest Heights
Forest Heights, Maryland

FRANCIS J. DISALVO CERTIFIED PUBLIC ACCOUNTANT

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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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

FRANCIS J. DiSALVO

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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 34 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2015, 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 30, 2015

TOWN OF FOREST HEIGHTS, MARYLAND

Management Discussion and Analysis

For the Year Ended June 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with the TOWN OF FOREST HEIGHTS' financial statements which immediately follow this section.

Financial Highlights

- The assets of the TOWN OF FOREST HEIGHTS exceeded its liabilities at the close of the most recent fiscal year by \$6,462,200 (*net position*). The vast majority of the Town's net assets of \$4,786,336, net of related debt, are capital assets which generally do not generate revenue nor can they be sold to generate liquid capital. Of the remaining \$1,675,864 in net position, \$1,627,151 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The TOWN OF FOREST HEIGHTS' total net position increased by \$454,863.
- At the close of the current fiscal year, the TOWN OF FOREST HEIGHTS general fund reported a fund balance of \$1,703,047, an increase of \$415,981 in comparison with the prior year. Approximately 68% of this amount (\$1,159,720) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance (the combined fund balance less the total of the *non-spendable, committed, and assigned* components of *fund balance*) for the general fund was \$1,159,720 or approximately 49.8% 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 \$5,478 from the prior year to \$32,318 at year-end.
- 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 increase of 14.7% in fines and fees from \$766,950 in fiscal year 2014 to \$879,926 in the current fiscal year.

Overview of Financial Statements

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

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

TOWN OF FOREST HEIGHTS, MARYLAND

Management Discussion and Analysis

For the Year Ended June 30, 2015

Government-wide financial statements (continued)

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

The statement of activities presents information showing how the government's net position changed during fiscal year 2015. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

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

TOWN OF FOREST HEIGHTS, MARYLAND

Management Discussion and Analysis

For the Year Ended June 30, 2015

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, 2015

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, 2015

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 \$6,462,200 at the close of the fiscal year ended June 30, 2015.

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, 2015 and 2014.

Condensed Statement of Net Position

	Governmental Activities	
	2015	2014
Assets		
Current and other assets	\$ 2,025,351	\$ 1,673,487
Capital Assets - Net of Depreciation	4,786,336	4,740,316
Total assets	\$ 6,811,687	\$ 6,413,803
Liabilities		
Long-term liabilities outstanding	\$ 32,318	\$ 26,840
Other Liabilities	317,169	379,626
Total liabilities	\$ 349,487	\$ 406,466
Net Position	\$ 6,462,200	\$ 6,007,337
Net Position		
Invested in capital assets	\$ 4,786,336	\$ 4,740,316
Restricted	48,813	29,521
Unrestricted	1,627,051	1,237,500
Total Net Position	\$ 6,462,200	\$ 6,007,337

TOWN OF FOREST HEIGHTS, MARYLAND

Management Discussion and Analysis

For the Year Ended June 30, 2015

The Town's revenue totaled \$2,742,248 (see Chart A). Speed Camera fines and other fines and fees comprised 33% of the Town's revenue. 36% of the Town's revenue comes from real property taxes, and 45 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, 25% to public works and 29% to administration (see Chart B).

CHART A

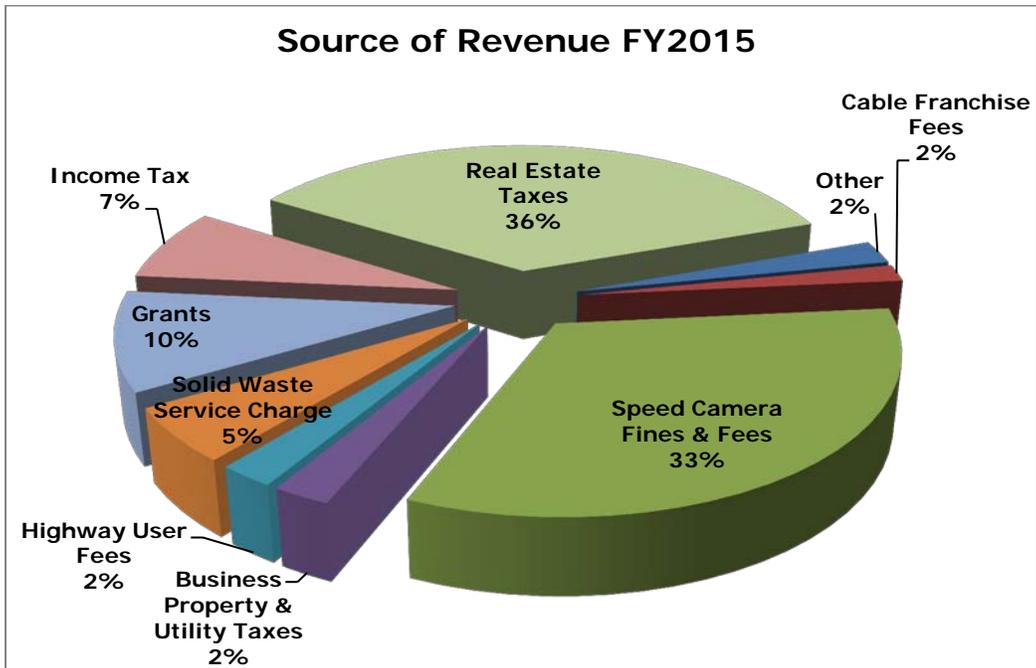
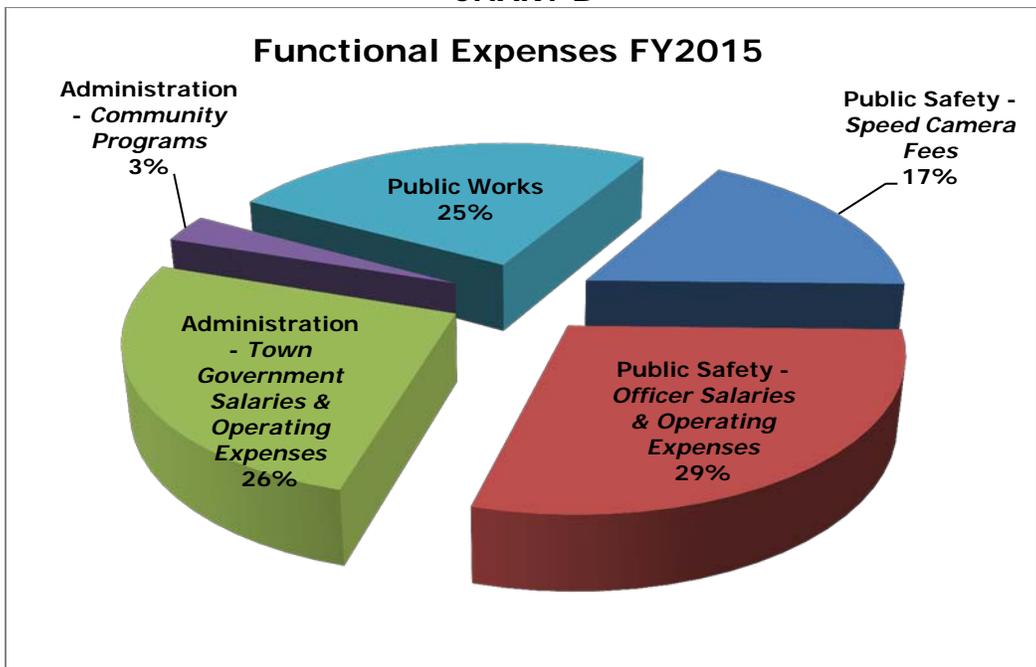


CHART B



TOWN OF FOREST HEIGHTS, MARYLAND
Management Discussion and Analysis
For the Year Ended June 30, 2015

The following table presents a condensed statement of activities and changes in net position for the Town for the years ended June 30, 2015 and 2014.

Condensed Statement of Activities and Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
Program Revenues		
Charges for Services	\$ 1,094,163	\$ 950,772
Operating grants and Contributions	204,327	172,335
Capital grants and Contributions	71,447	37,384
General Revenues		
Property Taxes	1,039,209	1,007,436
Intergovernmental	266,207	195,912
Franchise Fees	46,584	44,202
Other	20,311	11,948
Total Revenues	\$ 2,742,248	\$ 2,419,989
Expenses		
Administration	\$ 657,189	\$ 797,185
Public Safety	1,051,845	963,428
Public Works	578,351	525,321
Total Expenses	\$ 2,287,385	\$ 2,285,934
Increase in Net Position	\$ 454,863	\$ 134,055
Net Position - <i>beginning</i>	6,007,337	5,873,282
Net position - ending	\$ 6,462,200	\$ 6,007,337

TOWN OF FOREST HEIGHTS, MARYLAND

Management Discussion and Analysis

For the Year Ended June 30, 2015

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 \$1,703,047, an increase of \$415,981 over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The supplemental appropriations can be briefly described as follows: During the fiscal year, the Town revised the originally adopted budget. Generally, budget amendments fall into one of three categories:

- Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available;
- Amendments made to recognize new funding amounts from external sources, such as federal and state grants; and
- Increases in appropriations that become necessary to maintain services.

The most significant difference between estimated revenues and actual revenues were increases as follows: *Property Taxes*: \$11,767; *Speed Camera Fines and Fees*: \$45,388; and *Municipal Building Rental*: \$12,220.

Actual expenditures and other financing uses were \$412,335 less than the final amended budget. These differences can be briefly summarized as follows:

- Administration expenditures were \$58,012 less than expected due to lower than expected salaries, communications, general operating costs, and investments in equipment.
- Public Safety expenditures were \$21,711 less than expected due to lower than expected general operating expenses.
- Public Works expenditures were \$303,741 less than expected due primarily to less than expected capital outlay expenditures of \$196,474 with salaries and general operating expenses comprising the balance.
- Miscellaneous expenditures were \$28,871 less than expected due primarily to the reduction in employee fringe benefits which is a reflection of reduced spending in salaries in all departments.

TOWN OF FOREST HEIGHTS, MARYLAND

Management Discussion and Analysis

For the Year Ended June 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Revenues and other financing sources amounted to \$2,745,747 in fiscal year 2015, an increase of 13% from fiscal year 2014. General property taxes produced \$24,735 more revenue than fiscal year 2014, an increase of 2.4% from fiscal year 2014 due to the stabilization in the real estate assessable tax base.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town's investment in capital assets for its governmental activities as of June 30, 2015 was \$4,786,336 (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings, vehicles, equipment, streets and infrastructure. The following is a summary of the capital assets for the years ended June 30, 2015 and 2014.

Capital Assets Net of Depreciation

	Governmental Activities	
	2015	2014
Land	\$ 76,741	\$ 76,741
Construction in Progress	703,017	640,950
Buildings	742,692	756,559
Vehicles	70,008	102,186
Equipment	147,842	175,284
Streets & Infrastructure	3,046,036	2,988,596
Total	\$ 4,786,336	\$ 4,740,316

- Under the Governmental Activities Capital Assets, the balance of \$703,017 for Construction in Progress includes: acquisition of the Modoc building, \$133,133, engineering and design fees for the (i) reconstruction of North Huron Drive, \$157,599, and (ii) the Rolph Drive drainage improvement, \$239,948; architectural plans for the municipal and Modoc buildings, \$24,582, and Green storm water infrastructure design, \$147,755.

Long Term Debt: The long-term debt consists of accumulated unused compensated absences which increased by \$5,478 from 2014 to 2015.

Long-term Liabilities

	Governmental Activities	
	2015	2014
Accumulated Unused Compensated Absences	\$ 32,318	\$ 26,840
Total	\$ 32,318	\$ 26,840

TOWN OF FOREST HEIGHTS, MARYLAND

Management Discussion and Analysis

For the Year Ended June 30, 2015

HIGHLIGHTS

Forest Heights continues to lead the County as a "Trend Setter" while addressing many infrastructure problems that were neglected over the past decades. Fiscal year 2016 is expected to be even more productive. Highlighted successes in fiscal year 2015 include the following:

- Town Council approved the acceptance of a grant from Maryland Department of Energy for two Nissan electric vehicles to be used by Code Enforcement and Administration which will lower the usage of fossil fuel, in addition to reducing the town's carbon foot print.
- Successful implementation of the town's permitting process for utility companies doing work in Forest Heights.
- Numerous accomplishments by our Public Safety Employees, which has resulted in a much safer community for our residents.
- In March, 2015, the annexing process of several parcels of surrounding public land was completed. This has resulted in Forest Heights tripling its landmass.
- The town received grant approvals totaling over \$600,000, which will allow the town to complete the reconstruction of several streets: Rolph Drive, when completed, will include tree boxes to help control storm water and North Huron Drive, through funding by the Safe Route to Schools program, will have new sidewalks. A Community Legacy grant was accepted by the Town Council for remodeling 606 Modoc Lane for the Public Safety/Public Works offices. Architectural plans and permits have been obtained for remodeling the lower portion of the Municipal Center to be completed in fiscal year 2016.
- Construction of the town's first Tot Lot was completed with the assistance of over 50 volunteers and grants totaling \$48,000 along with town funds.
- The town, utilizing the services of a third party collection agency, was able to collect approximately \$170,000 in delinquent speed camera fees.
- Connection to Prince George's County I-Net program was completed and upgrading of the IT system continues as the buildings are remodeled.
- The town continues to utilize the internet for expansion of community outreach through social media, i.e. the town website, Facebook page, Twitter, in addition to the printed newsletter that is mailed to each resident of the town.
- Program highlights for the community includes: the successful Youth Theater Program play "Annie" working in partnership with the Forest Heights Elementary School, the town's senior exercise program working in collaboration with the Y.M.C.A. continues to grow, partnering with the Glass Manor community for a Harvest Day, in addition to the annual Haunted House. The town has received several medals and recognition for participation in the Let's Move Program and the Healthy Eating Active Living Program in FY 2015.
- Monthly finance reports are being provided to our department heads, which will allow them to respond promptly when necessary based on revenue and expense trends. Furthermore, the continued growth in professionalism all of our employees have made over the past few years is apparent, especially in the area of the procurement process.

TOWN OF FOREST HEIGHTS, MARYLAND

Management Discussion and Analysis

For the Year Ended June 30, 2015

ECONOMIC FACTORS AND NEW YEAR'S BUDGET AND RATES

- The unemployment rate for Prince Georges County from the Maryland Department of Labor, Licensing and Regulations for September 2015 is 5.1%. This is higher than the State average of 5.0% but is the same as the national average of 5.1%.
- During fiscal year 2015 the Town annexed approximately 736 acres of public lands surrounding the Town. While no economic impact will occur from this annexation, the Town will be positioned for future growth. This is especially critical due to the limited vacant residential, commercial or developable property to accommodate growth within the Town's existing boundaries.
- Continued efforts to negotiate Comcast Peg Grant Fees will enable cable access programming and the construction of a media studio for the Town.
- The Town opted out of Prince Georges County Department of Housing and Community Development (DHCD) for the next three years and joined the state DHCD program. The state's program allows for a more competitive grant process that if awarded will allow the Town to address much needed infrastructure repair and upgrading.
- Continued efforts are made to ensure that an agreement will be made between the Town and the County regarding a share of the impact fee from the MGM Casino similar to agreements made by other counties in the state. The agreement between Worchester County and municipalities in that county are of particular interest to the town.
- Highway User Revenue funds have continued to rise which allows the Town to address street and road improvements within the town.

These factors, as well as many others, were considered in preparing the Town's budget for fiscal year 2016. The Town of Forest Heights has again taken a very conservative approach when considering the fiscal year 2016 budget. Although, the Town approved different tax rates for residential and commercial real estate, the Town Council agreed to keep the residential rate the same and the commercial rate consistent with the recommended Maryland constant yield tax rate. The Town included new capital expenditures in the budget largely for street improvements. These capital expenditures are to be funded with grant and bond proceeds in addition to Town funds.

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, 2015

Assets

Cash & Cash Equivalents	\$	1,778,849
Real Estate Taxes Receivable - net		5,883
Personal Property Taxes Receivable - net		3,711
Grants Receivable		178,425
Franchise Fees Receivable		11,344
Due from other Governments		4,553
Speed Camera Fines & Fees - <i>Due from Vendor</i>		26,904
Other Receivables		12,736
Employee Loans		-
Prepaid Expenses		2,946
Capital Assets		
Nondepreciable assets - <i>Land & Construction in Progress</i>		779,758
Depreciable assets, net		4,006,578
		4,006,578
Total assets	\$	6,811,687

Liabilities

Accounts Payable	\$	85,308
Revolving Credit Accounts		1,133
Unearned Income		204,815
Accrued Liabilities		22,963
Rental Deposits		2,950
Noncurrent Liabilities		
Compensated Absences Due in more than one year		32,318
		32,318
Total liabilities	\$	349,487

Net Position

Invested in capital assets	\$	4,786,336
Restricted		48,713
Unrestricted		1,627,151
		1,627,151
Total Net Position	\$	6,462,200

TOWN OF FOREST HEIGHTS, MARYLAND

Statement of Activities

For the Year Ended June 30, 2015

<i>Function Programs</i>	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charge for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 657,189	\$ 24,220	\$ 29,292	\$ -	\$ (603,677)
Public Safety	1,051,845	900,054	42,155	1,750	(107,886)
Public Works	578,351	161,893	71,171	202,577	(142,710)
<i>Total Governmental Activities</i>	<u>\$ 2,287,385</u>	<u>\$ 1,086,167</u>	<u>\$ 142,618</u>	<u>\$ 204,327</u>	<u>(854,273)</u>
General Revenues					
Real Estate Tax					982,884
Income Tax					203,032
Cable Franchise Fees					46,584
Tangible Personal Property & Utility Taxes					56,325
Unrestricted Investment Income					1,768
Miscellaneous					18,543
Total General Revenue					<u>1,309,136</u>
Change in Net Position					454,863
Net Position - beginning					<u>6,007,337</u>
Net Position - ending					<u>\$ 6,462,200</u>

TOWN OF FOREST HEIGHTS, MARYLAND

Balance Sheet

Governmental Funds – General Fund

As of June 30, 2015

Assets

Cash & Cash Equivalents	\$	1,778,849
Real Estate Taxes Receivable - net		5,883
Personal Property Taxes Receivable - net		3,711
Grants Receivable		178,425
Franchise Fees Receivable		11,344
Due from other Governments		4,553
Speed Camera Fines & Fees - <i>Due from Vendor</i>		26,904
Other Receivables		12,736
Prepaid Expenses		2,946

Total assets \$ 2,025,351

Liabilities

Accounts payable	\$	85,308
Revolving Credit Accounts		1,133
Unearned Grant Income		204,815
Deposits		2,950
Accrued liabilities		22,963

Total liabilities \$ 317,169

Deferred Inflows of Resources

Unavailable revenue-property taxes	\$	5,135
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Fund Balances

Nonspendable	\$	2,946
Restricted		48,713
Committed		426,926
Assigned		64,742
Unassigned		1,159,720
Total fund balances		1,703,047

**Total Liabilities, Deferred Inflows of Resources,
and Fund Balance** \$ 2,025,351

TOWN OF FOREST HEIGHTS, MARYLAND
 Reconciliation of the Governmental Fund Balance Sheet
 To the Statement of Net Position
 For the Year Ended June 30, 2015

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 1,703,047

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

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

Cost of capital assets	\$ 6,536,336	
Accumulated Depreciation	<u>(1,750,000)</u>	4,786,336

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.

5,135

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

Accumulated Unused Compensated Absences		\$ (32,318)
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NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 6,462,200**

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

For the Year Ended June 30, 2015

REVENUES

Property Taxes - Net	\$ 1,040,870
Income Tax	203,032
Cable TV Franchise Fee	46,584
Operating and Capital Grants	346,945
Service Charges for Current Services	185,663
Fines and Forfeitures	20,128
Speed Camera Fines & Fees	879,926
Investment Income	1,768
Miscellaneous	11,331
Total Revenues	\$ 2,736,247

EXPENDITURES

Current	
Administration	\$ 605,762
Public Safety	875,701
Public Works	408,124
Miscellaneous - <i>Payroll Taxes & Employee Benefits</i>	241,787
Capital Outlays	198,392
Total Expenditures	2,329,766
Surplus of Revenues Over Expenditures	406,481
Other Financing Sources	
Sale of Capital Assets	9,500
Net Change in Fund Balance	415,981
Fund Balance - July 1, 2014	1,287,066
Fund Balance - June 30, 2015	\$ 1,703,047

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

For the Year Ended June 30, 2015

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 415,981

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	\$ 198,392	
Depreciation	<u>(150,533)</u>	47,859

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences earned were less than amounts used. (5,478)

In the statement of activities, the gain on the disposition of assets is reported, where in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the costs of the capital asset sold less any accumulated depreciation. (1,838)

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. (1,661)

CHANGE IN NET POSITION OF THE GOVERNMENTAL ACTIVITIES \$ 454,863

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting entity

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions and authorities for which the Town is financially accountable. The Town has also considered all other potential organizations for which the nature and significance of their relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of the organization's governing body, and the ability of the Town to impose its will on that organization, or the potential for that organization to provide specific benefits to or impose specific financial burdens on the Town. Based on these criteria, there are no other organizations or agencies that should be included in these basic financial statements.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements: The government-wide financial statements report information on all of the non-fiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Presently, the Town does not have any business-type activities.

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

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

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, 2015

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.

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

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accounts receivable. Major receivable balances for the governmental activities include taxes, franchise taxes, and grants.

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

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

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

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

<u>Deferred Inflows</u>	<u>Unavailable</u>
Real Property Taxes	\$ 3,033
Personal Property Taxes	<u>2,102</u>
Total Deferred Inflow	<u>\$ 5,135</u>

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

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.

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Equity Classifications:

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

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

Restricted Net Position: Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation. The restricted net asset balance reported consists of the Forest Heights Dictionary Program (\$178) and post-secondary education (PEG) grants of (\$48,535).

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

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

Non-spendable: Amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints. The non-spendable fund balance reported in the General Fund consists of prepaid costs (\$2,946).

Restricted: Amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation. The restricted fund balance reported in the General Fund consists of the Forest Heights Dictionary Program (\$178) and post-secondary education (PEG) grants of (\$48,535).

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

<u>Committed for:</u>	
Capital Improvements - Streets & Equipment	\$ 317,843
Economic Stabilization (Rainy Day) Fund	54,285
Professional Fees	19,700
Debt Repayment	33,086
Contracted Street Repairs	1,575
Senior Exercise Program	437
	<u>\$ 426,926</u>

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

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

<u>Assigned for:</u>	
Capital Outlay - Telecommunications Upgrade	\$ 39,742
Annexation Consultants	25,000
	<u>\$ 64,742</u>

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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, 2015, \$54,285 was committed for the "rainy day" fund. The Town does not have a minimum fund balance policy.

F. Revenues, Expenditures, and Expenses

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

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

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

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The rate for the fiscal year ended June 30, 2015 was \$0.6248 per \$100 of assessed value for residential real property plus a bulk trash flat tax fee of \$160.68 per home; \$0.6258 per \$100 of assessed value for commercial real property and \$1.75 per \$100 of assessed value for business personal property.

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

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 \$1,778,849 and the bank balances were \$1,802,161. 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, 2015, the Town's bank balances were not exposed to any custodial credit risk since all deposits were fully insured or collateralized. Of the bank balances, \$250,000 was covered by federal depository insurance, and \$1,552,161 was covered by collateral pledged to the Town by TD Bank in the form of an irrevocable standby letter of credit from the Federal Home Loan Bank of Pittsburgh as required by the Town's collateralization policy.

NOTE 3. DUE FROM OTHER GOVERNMENTS

The June 30, 2015 general fund balance due from other governments is as follows:

State of Maryland - highway user fees	\$ 4,553
Total	<u>\$ 4,553</u>

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions Completions</u>	<u>Retirements Adjustments</u>	<u>Balance June 30, 2015</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 76,741	\$ -	\$ -	\$ 76,741
Construction in Progress	640,950	62,067	-	703,017
Total Capital Assets not being Depreciated	<u>717,691</u>	<u>62,067</u>	<u>-</u>	<u>779,758</u>
Capital assets being depreciated				
Improvements	66,468	53,579	-	120,047
Buildings	957,279	5,936	-	963,215
Infrastructure	4,011,556	33,145	-	4,044,701
Vehicles	325,708	-	(20,993)	304,715
Equipment	282,932	43,664	(2,696)	323,900
Total Capital Assets being Depreciated	<u>5,643,943</u>	<u>136,324</u>	<u>(23,689)</u>	<u>5,756,578</u>
Less accumulated depreciation for				
Improvements	(29,878)	(2,603)	-	(32,481)
Buildings	(200,720)	(19,803)	-	(220,523)
Infrastructure	(1,059,550)	(59,628)	-	(1,119,178)
Vehicles	(223,522)	(32,117)	20,933	(234,706)
Equipment	(107,648)	(36,382)	918	(143,112)
Total Accumulated Depreciation	<u>(1,621,318)</u>	<u>(150,533)</u>	<u>21,851</u>	<u>(1,750,000)</u>
Total Capital Assets being Depreciated, Net	<u>4,022,625</u>	<u>(14,209)</u>	<u>(1,838)</u>	<u>4,006,578</u>
Government Activities Capital Assets, Net	<u>\$4,740,316</u>	<u>\$ 47,858</u>	<u>\$ (1,838)</u>	<u>\$ 4,786,336</u>

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

<u>Government Activities</u>	<u>Depreciation</u>
General government and administration	\$ 4,106
Public safety	45,163
Public works	<u>101,264</u>
	<u>\$ 150,533</u>

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

NOTE 5. RETIREMENT PLAN

The Town offers its full-time employees a deferred compensation plan administered by the ICMA Retirement Corporation created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Town employees, permits them to defer a portion of their current salary up to the limits established by the Internal Revenue Service until future years. Town contributions are permissible but not required. During FY 2015 the Town contributed \$34,940 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, 2015.

NOTE 6. COMMITMENTS

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

Years Ending June 30,	Future Annual Amounts
2016	\$ 2,047
Total	\$ 2,047

Changes in long-term debt: The following is a summary of changes in long-term debt for the year ended June 30, 2015.

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
Compensated Absences	\$ 26,840	\$ 22,453	\$ (16,975)	\$ 32,318	\$ -
Totals	\$ 26,840	22,453	\$ (16,975)	\$ 32,318	\$ -

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

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.

NOTE 8. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

NOTE 9. RISK MANAGEMENT

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

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

NOTE 9. RISK MANAGEMENT (continued)

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 2015, the Town paid premiums of \$30,925 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.

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, 2015, 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. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* will be effective for the Town beginning with its year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Government,"* will be effective for the Town beginning with its year ending June 30, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the

TOWN OF FOREST HEIGHTS, MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2015

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

event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

- GASB Statement No. 77, *"Tax Abatement Disclosures,"* will be effective for the Town beginning with its year ending June 30, 2016. The primary objective of this Statement requires state and local governments to disclose key information about their tax abatement agreements that has not been consistently or comprehensively available before.

NOTE 11. SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Town through November 30, 2015 (the date the financial statements were available to be issued).

On July 6, 2015, the Mayor and Council authorized an Ordinance providing for the issuance and sale of public debt (the "Bonds") to be issued under the State of Maryland's Local Government Infrastructure Financing Program, pursuant to the authority of Section 4-230 of the Housing and Community Development Article of the Annotated Code of Maryland as amended. The purpose of this debt is to finance a portion of the cost of the Roadway Improvement Projects, to fund reserves and to pay the costs of the issuance of the Bonds. The loan closed on August 27, 2015 with a principal amount of \$502,024 and an annual interest rate of 2.93% with a maximum repayment period of 15 years.

TOWN OF FOREST HEIGHTS, MARYLAND
General Fund Schedule of Revenues and Expenditures – Budget and Actual

For the Year Ended June 30, 2015

REQUIRED SUPPLEMENTARY
INFORMATION
For the Year Ended June 30, 2015

TOWN OF FOREST HEIGHTS, MARYLAND
General Fund Schedule of Revenues and Expenditures – Budget and Actual
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Taxes				
Town Real Estate Taxes	\$ 974,303	\$ 974,303	\$ 984,544	\$ 10,241
Solid Waste Service Charge	150,236	150,236	150,236	-
Utility Taxes	38,000	38,000	45,234	7,234
Personal Property Taxes	16,800	16,800	11,092	(5,708)
	<u>1,179,339</u>	<u>1,179,339</u>	<u>1,191,106</u>	<u>11,767</u>
Licenses and Permits				
Cable TV Franchise Fee	44,000	44,000	46,584	2,584
Rental Permits	4,150	4,150	5,105	955
Building Permits	500	500	1,700	1,200
Occupancy Permits	2,450	2,450	1,050	(1,400)
	<u>51,100</u>	<u>51,100</u>	<u>54,439</u>	<u>3,339</u>
Intergovernmental				
Income Taxes	170,000	170,000	203,032	33,032
Highway User Revenue	19,335	63,090	63,175	85
Grants & Bond Bills	627,844	263,553	223,619	(39,934)
State Aid to Police	36,798	36,798	42,155	5,357
Parks & Planning	10,000	10,000	10,000	-
Rebates Waste Disposal	7,996	7,996	7,996	-
	<u>871,973</u>	<u>551,437</u>	<u>549,977</u>	<u>(1,460)</u>
Fines and Forfeitures				
Speed Camera	500,000	665,000	710,388	45,388
Speed Camera Collections	80,000	175,000	169,538	(5,462)
Civil Citations	3,500	3,500	10,578	7,078
Municipal & Parking Fines, & Accident Reports	10,000	10,000	9,550	(450)
	<u>593,500</u>	<u>853,500</u>	<u>900,054</u>	<u>46,554</u>
Charges for Services				
Municipal Building Rental	12,000	12,000	24,220	12,220
Grass Cutting	500	500	-	(500)
Metal Pick-up & Tire Disposal	300	300	146	(154)
	<u>12,800</u>	<u>12,800</u>	<u>24,366</u>	<u>11,566</u>
Miscellaneous Revenue				
Investment Interest Income	2,200	2,200	1,768	(432)
Solar Energy	1,000	1,000	1,514	514
Yard Sale	600	600	845	245
Newsletter Advertising	800	800	450	(350)
Sale of Fixed Assets	200	200	9,500	9,300
Miscellaneous	2,800	2,800	11,728	8,928
	<u>7,600</u>	<u>7,600</u>	<u>25,805</u>	<u>18,205</u>
TOTAL REVENUES	<u>\$ 2,716,312</u>	<u>\$ 2,655,776</u>	<u>\$ 2,745,747</u>	<u>\$ 89,971</u>

TOWN OF FOREST HEIGHTS, MARYLAND
General Fund Schedule of Revenues and Expenditures – Budget and Actual
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Administration Expenses				
Salaries	\$ 304,200	\$ 312,100	\$ 312,863	(763)
Operating Expenses	344,926	320,174	292,899	27,275
Capital Outlay	31,500	31,500	-	31,500
	<u>680,626</u>	<u>663,774</u>	<u>605,762</u>	<u>58,012</u>
Public Safety				
Salaries	395,650	373,412	378,029	(4,617)
Operating Expenses	325,800	532,450	497,672	34,778
Capital Outlay	-	-	8,450	(8,450)
	<u>721,450</u>	<u>905,862</u>	<u>884,151</u>	<u>21,711</u>
Public Works				
Salaries	161,855	163,355	160,553	2,802
Operating Expenses	352,236	352,036	247,571	104,465
Capital Outlay	614,702	386,416	189,942	196,474
	<u>1,128,793</u>	<u>901,807</u>	<u>598,066</u>	<u>303,741</u>
Miscellaneous				
Workmen's Compensation	102,088	93,346	75,796	17,550
Health Insurance	46,800	60,800	54,025	6,775
Social Security Contribution	64,367	64,499	63,015	1,484
Unemployment Insurance	12,000	5,000	4,382	618
Retirement Plan Contribution	36,013	36,313	34,940	1,373
Life Insurance	10,500	10,700	9,629	1,071
	<u>271,768</u>	<u>270,658</u>	<u>241,787</u>	<u>28,871</u>
TOTAL EXPENDITURES	<u>2,802,637</u>	<u>2,742,101</u>	<u>2,329,766</u>	<u>412,335</u>
NET CHANGE IN FUND BALANCE*	<u>(86,325)</u>	<u>(86,325)</u>	<u>415,981</u>	<u>502,306</u>
Fund Balance - <i>Beginning of Year</i>	<u>1,287,066</u>	<u>1,287,066</u>	<u>1,287,066</u>	<u>-</u>
Fund Balance - <i>End of Year</i>	<u>\$ 1,200,741</u>	<u>\$ 1,200,741</u>	<u>1,703,047</u>	<u>\$ 502,306</u>

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