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TOWN OF FOREST HEIGHTS, MARYLAND

FINANCIAL STATEMENTS

JUNE 30, 2002

**RUSSELL B. SCOTT**  
*Certified Public Accountant*  
9560 Pennsylvania Ave., Unit 105  
Upper Marlboro, Maryland 20772  
(301) 599-6664

December 21, 2002

JAN 3 RECD

To The  
Council of Forest Heights  
Town of Forest Heights, Maryland

Gentlemen:

Pursuant to agreement, I have completed an examination of the books and records of the Town of Forest Heights for the fiscal year ended June 30, 2002, and am submitting herewith the following:

Auditor's Certification - General Financial Statements  
Exhibit A - Combined Balance Sheet - All Funds  
Exhibit B - Schedule of Changes in Fund Balances  
Exhibit C - Statement of Revenues - Budget and Actual  
Exhibit D - Statement of Expenditures - Budget and Actual  
Notes to Financial Statements

**RUSSELL B. SCOTT**

*Certified Public Accountant*

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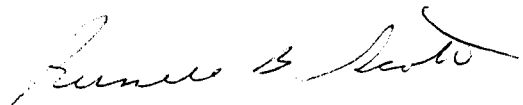
To the Council of Forest Heights  
Town of Forest Heights, Maryland

Gentlemen:

I, an independent certified public accountant, have audited the accompanying Balance Sheets of the funds of the Town of Forest Heights, Maryland, as of June 30, 2002, and the related Statements of Revenues, Expenditures and Fund Balances for the year then ended. The financial statements are the responsibility of the town's management. My responsibility is to express an opinion on these Financial Statements based on my audit. My audit included tests to determine that the uniform system of accounts was maintained and adhered to in compliance with the requirements of the Department of Fiscal Services, and, in addition, I have reviewed the Federal and State Aid Grant Programs for compliance with OMB circular A-128, applied on a consistent basis. I conducted my audit in accordance with generally accepted auditing standards as the standard for financial and compliance audits contained in the U.S. General Accounting Office and Government Auditing Standards, generally accepted in the United States of America. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the statements and schedules are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the statements and schedules. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement and schedule presentation. I believe that my audit proved a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly in all material respects the financial position of the Town of Forest Heights, Maryland as of June 30, 2002 and the results of its operations for the year then ended in conformity with generally accepted accounting principles, generally accepted in the United States of America.

As a part of my examination, I have reviewed and tested the system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements. Such study and evaluation disclosed no material weaknesses or inefficiencies which effect the financial statements taken as a whole.



Town of Forest Heights, Maryland  
Combined Balance Sheet - All Funds  
June 30, 2002

|  | <u>Total</u>     | <u>General<br/>Fund</u>     | <u>Special<br/>Revenue<br/>Fund</u> | <u>Fixed<br/>Assets</u>     |
|--|------------------|-----------------------------|-------------------------------------|-----------------------------|
| <u>Assets</u>                                  |                  |                             |                                     |                             |
| Cash - Checking Account                        | \$104,555        | \$103,044                   | \$ 1,511                            | \$                          |
| Cash on Hand                                   | 200              | 200                         |                                     |                             |
| Cash - MM Savings Accounts                     | 17,141           | 17,141                      |                                     |                             |
| Certificates of Deposit                        | 100,117          | 100,117                     |                                     |                             |
| Accounts Receivable                            | 3,543            | 3,543                       |                                     |                             |
| Real Estate Taxes Receivable                   | 5,156            | 5,156                       |                                     |                             |
| General Fixed Assets                           | <u>378,298</u>   | <u>                    </u> | <u>                    </u>         | <u>378,298</u>              |
| <u>Total Assets</u> (Note)                     | <u>\$609,010</u> | <u>\$229,201</u>            | <u>\$ 1,511</u>                     | <u>\$378,298</u>            |
| <br><u>Liabilities and Fund Balances</u>       |                  |                             |                                     |                             |
| <u>Liabilities</u>                             |                  |                             |                                     |                             |
| Accounts Payable                               | \$ 21,231        | \$ 21,231                   |                                     |                             |
| Notes Payable                                  | 31,963           | 31,963                      |                                     |                             |
| Accrued Expenditures                           | <u>7,618</u>     | <u>7,618</u>                |                                     |                             |
| <u>Total Liabilities</u>                       | <u>\$ 60,812</u> | <u>\$ 60,812</u>            |                                     |                             |
| <br><u>Fund Balances</u>                       |                  |                             |                                     |                             |
| Investment in General<br>Fixed Assets          | \$378,298        | \$                          | \$                                  | \$378,298                   |
| Appropriated                                   | 1,511            |                             | 1,511                               |                             |
| Unappropriated                                 | <u>168,389</u>   | <u>168,389</u>              | <u>                    </u>         | <u>                    </u> |
| <u>Total Fund Balances</u>                     | <u>\$548,198</u> | <u>\$168,389</u>            | <u>\$ 1,511</u>                     | <u>\$378,298</u>            |
| <u>Total Liabilities and<br/>Fund Balances</u> | <u>\$609,010</u> | <u>\$229,201</u>            | <u>\$ 1,511</u>                     | <u>\$378,298</u>            |

Note: Columnar totals presented for memorandum purposes only.

Town of Forest Heights, Maryland  
Schedule of Changes in Fund Balances  
Year Ended June 30, 2002

|   | <u>Total</u>      | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>General<br/>Fixed<br/>Assets</u> |
|---|-------------------|-------------------------|-------------------------------------|-------------------------------------|
| <u>Fund Balance July 1, 2001</u>                  | \$ 618,879        | \$213,353               | \$ 97,439                           | \$308,087                           |
| Additions:  |                   |                         |                                     |                                     |
| Revenue: Exhibit C                                | 702,277           | 602,099                 | 100,178                             |                                     |
| Capital Assets Acquired                           | <u>72,471</u>     | <u>          </u>       | <u>          </u>                   | <u>72,471</u>                       |
| <u>Total Beginning Balances<br/>And Additions</u> | \$1,393,627       | \$815,452               | \$197,617                           | \$380,558                           |
| Less:   |                   |                         |                                     |                                     |
| Expenditures: Exhibit D                           | 843,169           | 647,063                 | 196,106                             |                                     |
| Capital Assets Disposed Of                        | <u>2,260</u>      |                         |                                     | <u>2,260</u>                        |
| <u>Fund Balances June 30, 2002</u><br>(Note)      | <u>\$ 548,198</u> | <u>\$168,389</u>        | <u>\$ 1,511</u>                     | <u>\$378,298</u>                    |

Note: Columnar totals presented for memorandum purposes only.

Town of Forest Heights, Maryland  
Statement of Revenues  
For the Year Ended June 30, 2002

|                                  | Budget<br>7/01/01<br><u>6/30/02</u> | Actual<br>7/01/01<br><u>6/30/02</u> | Actual<br>Over<br>(Under)<br><u>Budget</u> |
|----------------------------------|-------------------------------------|-------------------------------------|--|
| <u>General Fund</u>              |                                     |                                     |  |
| Real Property Taxes              | \$263,000                           | \$268,553                           | \$ 5,553                                   |
| Interest & Penalties-Del. Taxes  | 1,000                               | 1,897                               | 897  |
| Public Utilities                 | 9,900                               | 10,835                              | 935  |
| Income Taxes                     | 115,800                             | 148,709                             | 32,909                                     |
| State Grant - Police Protect.    | 25,575                              | 25,691                              | 116  |
| Per Capita Disposal Fee          | 8,000                               | 7,997                               | ( 3)                                       |
| Earnings on Investments          | 12,800                              | 4,395                               | ( 8,405)                                   |
| Fines and Vehicle Releases       | 350                                 | 125                                 | ( 225)                                     |
| Municipal Building Rental        | 8,000                               | 13,930                              | 5,930                                      |
| Cable Television Franchise Fee   | 20,000                              | 21,798                              | 1,798                                      |
| Red Light Program                | 10,000                              | 63,701                              | 53,701                                     |
| Tangible Personal Property Taxes | 4,500                               | 7,299                               | 2,799                                      |
| Proceeds - Vehicles Sales        | 0                                   | 295                                 | 295  |
| Miscellaneous                    | 1,446                               | 5,762                               | 4,316                                      |
| CDBD (HUD Grant)                 | 150,000                             | 0                                   | (150,000)                                  |
| Special Approp. Youth Grant      | 0                                   | 5,000                               | 5,000                                      |
| GOCCP Grant Crime Control        | <u>0</u>                            | <u>16,112</u>                       | <u>16,112</u>                              |
| <u>Total General Fund</u>        | <u>\$630,371</u>                    | <u>\$602,099</u>                    | <u>\$(28,272)</u>                          |
| <br><u>Special Revenue Fund</u>  |                                     |                                     |  |
| Highway User Revenue             | <u>\$115,531</u>                    | <u>\$100,178</u>                    | <u>\$(15,353)</u>                          |
| <u>Total Revenue</u>             | <u>\$745,902</u>                    | <u>\$702,277</u>                    | <u>\$(43,625)</u>                          |

Town of Forest Heights, Maryland  
Statement of Expenditures  
For the Year Ended June 30, 2002

|                                     | Budget<br>7/01/01<br><u>6/30/02</u> | Actual<br>7/01/01<br><u>6/30/02</u> | Actual<br>Under<br>(Over)<br><u>Budget</u> |
|-------------------------------------|-------------------------------------|-------------------------------------|--|
| <u>General Fund</u>                 |                                     |                                     |  |
| <u>General Administration</u>       |                                     |                                     |  |
| Salaries - Mayor & Council          | \$ 8,600                            | \$ 10,375                           | \$ ( 1,775)                                |
| Salaries - Admin. Office            | 52,516                              | 48,102                              | 4,414)                                     |
| Telephone                           | 4,834                               | 2,220                               | 2,614                                      |
| Salaries - News                     | 1,100                               | 711                                 | 389  |
| Salaries - Elections                | 250                                 | 432                                 | ( 182)                                     |
| Soc. Sec. Tax Expense & Medicare    | 938                                 | 4,561                               | ( 3,623)                                   |
| Insurance - Liability               | 1,985                               | 1,982                               | 3  |
| Insurance - Workmen's Comp.         | 633                                 | 1,233                               | ( 600)                                     |
| Miscellaneous                       | 1,831                               | 3,256                               | ( 1,425)                                   |
| Dues & MML Exp.                     | 2,500                               | 3,517                               | ( 1,017)                                   |
| Admin. Office - Clerk - Mayor       | 1,417                               | 2,334                               | ( 917)                                     |
| Election Expense                    | 1,500                               | 50                                  | 1,450                                      |
| Postage                             | 300                                 | 425                                 | ( 125)                                     |
| Refreshments                        | 221                                 | 174                                 | 47   |
| Treasurer's Office Expense          | 250                                 | 1,820                               | ( 1,570)                                   |
| Auditing                            | 7,590                               | 7,500                               | 90   |
| Legal Fees                          | 1,000                               | 1,408                               | ( 408)                                     |
| Public Relations                    | 7,000                               | 5,895                               | 1,105                                      |
| Special Youth Grant & Summer Camp   | 0                                   | 5,347                               | ( 5,347)                                   |
| News Expense                        | 2,000                               | 2,444                               | ( 444)                                     |
| Capital Improvements                | 0                                   | 5,505                               | ( 5,505)                                   |
| Retirement Plan                     | 337                                 | 1,556                               | ( 1,219)                                   |
| Supplies and Miscellaneous          | 1,500                               | 1,653                               | ( 153)                                     |
| <u>Total General Administration</u> | <u>\$ 98,302</u>                    | <u>\$112,500</u>                    | <u>\$ (14,198)</u>                         |
| <br><u>Municipal Building</u>       |                                     |                                     |  |
| Salaries                            | \$ 5,320                            | \$ 5,063                            | \$ 257                                     |
| Janitorial Supplies                 | 1,000                               | 305                                 | 695  |
| Utilities                           | 5,168                               | 5,084                               | 84   |
| Social Security & Medicare          | 0                                   | 387                                 | ( 387)                                     |
| Exterminating                       | 264                                 | 220                                 | 44   |
| Supplies and Miscellaneous          | 388                                 | 304                                 | 84   |
| Repairs - General                   | 500                                 | 2,873                               | ( 2,373)                                   |
| Telephone                           | 360                                 | 833                                 | ( 473)                                     |
| Building - Custody                  | 1,000                               | 450                                 | 550  |
| Retirement Plan                     | 0                                   | 0                                   | 0  |
| <u>Total Municipal Building</u>     | <u>\$ 14,000</u>                    | <u>\$ 15,519</u>                    | <u>\$ ( 1,519)</u>                         |

Town of Forest Heights, Maryland  
Statement of Expenditures  
For the Year Ended June 30, 2002

|                                      | Budget<br>7/01/01<br><u>6/30/02</u> | Actual<br>7/01/01<br><u>6/30/02</u> | Actual<br>Under<br>(Over)<br><u>Budget</u> |
|--------------------------------------|-------------------------------------|-------------------------------------|--|
| <u>Police</u>                        |                                     |                                     |  |
| Salaries - Enforcement               | \$147,270                           | \$132,896                           | \$ 14,374                                  |
| Salaries - Court                     | 70                                  | 34                                  | 36   |
| Salaries - Clerk                     | 8,320                               | 7,295                               | 1,025                                      |
| Salaries - Equipment Repair          | 300                                 | 223                                 | 77   |
| Police Uniform Cleaning              | 1,300                               | 650                                 | 650  |
| Gas & Oil                            | 5,700                               | 5,727                               | ( 27)                                      |
| Repairs to Equipment                 | 759                                 | 4,447                               | ( 3,688)                                   |
| Social Security & Medicare           | 0                                   | 10,167                              | ( 10,167)                                  |
| Uniforms                             | 1,115                               | 1,756                               | ( 641)                                     |
| Dues, Conferences & Meetings         | 50                                  | 0                                   | 50   |
| Insurance - Vehicle                  | 5,800                               | 5,800                               | 0  |
| Insurance - Medical                  | 8,567                               | 10,568                              | ( 2,001)                                   |
| Insurance - Liability                | 7,086                               | 7,086                               | 0  |
| Insurance - Workmen's Comp.          | 5,300                               | 10,490                              | ( 5,190)                                   |
| Insurance - Life                     | 442                                 | 207                                 | 235  |
| Medical Expense                      | 0                                   | 0                                   | 0  |
| Radio Maintenance                    | 500                                 | 0                                   | 500  |
| Telephone                            | 1,300                               | 2,302                               | ( 1,002)                                   |
| Training                             | 200                                 | 0                                   | 200  |
| Forms, Copies & Printing             | 1,200                               | 793                                 | 407  |
| Postage                              | 60                                  | 0                                   | 60   |
| Retirement Plan                      | 3,667                               | 3,946                               | ( 279)                                     |
| Police - Supplies & Misc.            | 200                                 | 0                                   | 200  |
| Crime Prevention                     | 67                                  | 1,923                               | ( 1,856)                                   |
| Office Supplies & Expenses           | 300                                 | 684                                 | ( 384)                                     |
| Miscellaneous                        | 0                                   | 233                                 | ( 233)                                     |
| Red Light Program                    | 1,004                               | 99,206                              | ( 98,202)                                  |
| Capital Improvement                  | 7,700                               | 61,886                              | ( 54,186)                                  |
| <u>Total Police</u>                  | <u>\$208,277</u>                    | <u>\$368,319</u>                    | <u>\$ (160,042)</u>                        |
| <u>Street Lighting</u>               | <u>\$ 25,000</u>                    | <u>\$ 21,199</u>                    | <u>\$ 3,801</u>                            |
| <u>Waste Collection and Disposal</u> | <u>\$127,000</u>                    | <u>\$127,928</u>                    | <u>\$ ( 928)</u>                           |
| <u>Parks</u>                         |                                     |                                     |  |
| Salaries                             | \$ 1,500                            | \$ 787                              | \$ 713                                     |
| Parks Expense                        | 430                                 | 599                                 | ( 169)                                     |
| Beautification                       | 150                                 | 75                                  | 75   |
| Social Security & Medicare           | 0                                   | 60                                  | ( 60)                                      |
| Restoration Assessment               | 0                                   | 0                                   | 0  |
| Miscellaneous                        | 795                                 | 77                                  | 718  |
| <u>Total Parks</u>                   | <u>\$ 2,875</u>                     | <u>\$ 1,598</u>                     | <u>\$ 1,277</u>                            |
| <u>Total General Fund</u>            | <u>\$475,454</u>                    | <u>\$647,063</u>                    | <u>\$ (171,609)</u>                        |

Town of Forest Heights, Maryland  
Statement of Expenditures  
For the Year Ended June 30, 2002

|                                   | Budget               | Actual               | Actual                 |
|-----------------------------------|----------------------|----------------------|------------------------|
|                                   | 7/01/01              | 7/01/01              | Under                  |
|                                   | <u>6/30/02</u>       | <u>6/30/02</u>       | (Over)                 |
|                                   |                      |                      | <u>Budget</u>          |
| <u>Special Revenue Fund</u>       |                      |                      |                        |
| <u>Roads and Drainage</u>         |                      |                      |                        |
| Salaries - Maintenance            | \$ 47,629            | \$ 53,636            | \$( 6,007)             |
| Salaries - Snow Removal           | 100                  | 153                  | ( 53)                  |
| Salaries - Equipment Repair       | 4,000                | 5,164                | ( 1,164)               |
| Gas and Oil                       | 1,800                | 1,364                | 436                    |
| Repairs to Equipment              | 1,340                | 1,775                | ( 435)                 |
| Sand and Salt                     | 0                    | 0                    | 0                      |
| Tools                             | 1,000                | 1,492                | ( 492)                 |
| Equipment Rental                  | 100                  | 0                    | 100                    |
| Paving, Resurfacing, Patching     | 45,670               | 81,771               | ( 36,101)              |
| Curb Replacement                  | 0                    | 0                    | 0                      |
| Capital Outlay                    | 0                    | 5,080                | ( 5,080)               |
| Supplies Expense                  | 0                    | 1,583                | ( 1,583)               |
| Signs - Traffic                   | 500                  | 711                  | ( 211)                 |
| Insurance - Vehicles              | 2,164                | 2,200                | ( 36)                  |
| Insurance - Workmen's Comp.       | 1,978                | 4,121                | ( 2,143)               |
| Insurance - Medical               | 6,022                | 10,785               | ( 4,763)               |
| Insurance - Liability             | 2,800                | 2,756                | 44                     |
| Retirement Plan                   | 1,054                | 1,338                | ( 284)                 |
| Supplies - Repairs and Maint.     | 1,833                | 2,468                | ( 635)                 |
| Uniforms & Maintenance            | 1,600                | 1,294                | 306                    |
| Garage Maintenance & Repair       | 0                    | 3,271                | ( 3,271)               |
| Paint & Supplies - Traffic        | 700                  | 571                  | 129                    |
| Tree & Brush Removal              | 9,390                | 9,715                | ( 325)                 |
| Snow Removal                      | 0                    | 174                  | ( 174)                 |
| Social Security & Medicare        | 0                    | 4,510                | ( 4,510)               |
| Miscellaneous                     | 320                  | 174                  | 146                    |
| <u>Total Special Revenue Fund</u> | <u>\$130,000</u>     | <u>\$196,106</u>     | <u>\$( 66,106 )</u>    |
| <br><u>Total Expenditures</u>     | <br><u>\$605,454</u> | <br><u>\$843,169</u> | <br><u>\$(237,715)</u> |

Town of Forest Heights, Maryland  
Notes to Financial Statements  
June 30, 2002

(1) Summary of Significant Accounting Policies

- (a) The accounting records are being maintained on the modified accrual basis of accounting.
- (b) The acquisitions of General Fixed Assets are included in the applicable expenditure category of Capital Outlay. In addition, the acquisition is recorded as an increase in the asset account, fixed Assets or Capital Assets, and also in the Fund Balance Account, Investment in General Fixed Assets. The amounts are recorded at Acquisition Cost. Depreciation is not computed on the fixed assets in these categories. As the capital asset is disposed of, the applicable acquisition cost amount is removed from the accounts.

(2) Balance Sheet

The total cash and investments at June 30, 2002, were comprised of the following:

|   |                  |
|---|------------------|
| Checking Account - Bank of America            | <u>\$103,044</u> |
| Savings Acct - Bank of America - 3303         | 375              |
| Money Market Savings First Union - 2966713    | 4,288            |
| Money Market Savings-Enterprise Fed. 08-26-09 | 478              |
| Savings Acct-Enterprise Fed. 08-61-09         | <u>12,000</u>    |
|   | <u>\$ 17,141</u> |
| <br>  |                  |
| C.D. Enterprise Fed. 08-60-09                 | 12,342           |
| C.D. Enterprise Fed. 402                      | 5,493            |
| C.D. B.B.&T - 5850059189                      | 11,010           |
| C.D. B.B.&T - 5850066258                      | 11,361           |
| C.D. B.B.&T - 5850066266                      | 11,361           |
| C.D. B.B.&T - 5850066274                      | 11,361           |
| C.D. B.B.&T - 5850066290                      | 11,361           |
| C.D. B.B.&T - 5850066304                      | 11,361           |
| C.D. B.B.&T - 58500066312                     | <u>14,467</u>    |
|   | <u>\$100,117</u> |

(3) Summary of pension plan matters

The Town of Forest Heights, as a single employer, adopted a six percent Money Purchase Pension Plan. This Plan was last amended effective July 1, 1989 to bring it into compliance with the Internal Revenue Code. The Plan may be amended in the future by the Town Council. No future amendment would serve to divest any vested participant.

A money purchase pension plan is categorized as a defined contribution plan. The Mayor and/or Treasurer of the Town are the designated Plan Administrators. The Trustee is Reliance Trust Company. This Trust Fund is a separate Fiduciary Fund.

All employees who have completed six months of service with 501 hours of paid service and attained the age of 20 ½ are eligible to participate in the plan. The current employee membership is ten.

Once a participant enters the plan, vesting is on a seven year basis as follows:

| <u>Years of Service</u> | <u>Percentage</u> |
|-------------------------|-------------------|
| 1                       | 0%                |
| 2                       | 0%                |
| 3                       | 20%               |
| 4                       | 40%               |
| 5                       | 60%               |
| 6                       | 80%               |
| 7                       | 100%              |

A money purchase pension plan is a mandatory annual contribution plan. There are no plan requirements for employee contributions.

The Reliance Trust Company as Trustee maintains the plan records on an accrual method of accounting. Plan assets are valued at current market value, which is cash plus the median valuation of assets publicly traded.

- (4) The budget figures for the year ended 06/30/2002, prepared by the previous treasurer included an amount of \$175,000.00 in the category of Capital Improvements. This was not categorized into specific funds. As a result this figure on the report was omitted in the budget columns. The total actual Capital Expenditures for the fiscal year ended 06/30/2002 was in the amount of \$72,471.00