

December 24, 2003

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, 2003, 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

December 24, 2003

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, 2003, 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, 2003 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, 2003

	<u>Total</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Fixed Assets</u>
<u>Assets</u>				
Cash - Checking Account	\$91,141	\$44,046	\$ 47,095	\$
Cash on Hand	200	200		
Cash - MM Savings Accounts	17,180	17,180		
Certificates of Deposit	124,678	124,678		
Accounts Receivable	8,976	8,976		
Real Estate Taxes Receivable	82,993	82,993		
General Fixed Assets	<u>380,969</u>	<u> </u>	<u> </u>	<u>380,969</u>
<u>Total Assets</u> (Note)	<u>\$706,137</u>	<u>\$278,073</u>	<u>\$ 47,095</u>	<u>\$380,969</u>
 <u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 23,890	\$ 23,890		
Notes Payable	16,527	16,527		
Accrued Expenditures	<u>7,011</u>	<u>7,011</u>		
<u>Total Liabilities</u>	<u>\$ 47,428</u>	<u>\$ 47,428</u>		
 <u>Fund Balances</u>				
Investment in General Fixed Assets	\$380,969	\$	\$	\$380,969
Appropriated	47,095		47,095	
Unappropriated	<u>230,645</u>	<u>230,645</u>	<u> </u>	<u> </u>
<u>Total Fund Balances</u>	<u>\$658,709</u>	<u>\$230,645</u>	<u>\$ 47,095</u>	<u>\$380,969</u>
 <u>Total Liabilities and Fund Balances</u>	 <u>\$706,137</u>	 <u>\$278,073</u>	 <u>\$ 47,095</u>	 <u>\$380,969</u>

Note: Columns totals presented for memorandum purposes only.

Town of Forest Heights, Maryland
Schedule of Changes in Fund Balances
Year Ended June 30, 2003

	<u>Total</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>General Fixed Asset</u>
<u>Fund Balance July 1, 2003</u>	\$ 548,198	\$168,389	\$ 1,511	\$378,298
Additions:				
Revenue: Exhibit C	661,447	562,776	98,671	
Capital Assets Acquired	<u>2,671</u>			<u>2,671</u>
<u>Total Beginning Balances And Additions</u>	\$1,212,316	\$731,165	\$100,182	\$380,969
Less:				
Expenditures: Exhibit D	553,607	501,520	53,087	
Capital Assets Disposed Of	<u>-0-</u>			<u>-0-</u>
<u>Fund Balances June 30, 2003</u>	<u>\$658,709</u>	<u>\$230,645</u>	<u>\$ 47,095</u>	<u>\$380,969</u>

(NOTE)

Note: Columns totals presented for memorandum purposes only.

Town of Forest Heights, Maryland
Statement of Revenues
For the Year Ended June 30, 2003

	<u>Budget</u> 7/01/02 6/30/03	<u>Actual</u> 7/01/02 6/30/03	<u>Actual</u> Over (Under) Budget
<u>General Fund</u>			
Real Property Taxes	\$266,677	\$270,074	\$ 3,397
Interest & Penalties-Del. Taxes	500	3,556	3,056
Franchise Taxes	10,500	296	(10,204)
Income Taxes	120,000	168,129	48,129
State Grant - Police Protect.	25,575	33,417	7,842
Per Capita Disposal Fee	7,996	5,997	(1,999)
Earnings on Investments	9,000	4,495	(4,505)
Fines and Vehicle Releases	450	165	(285)
Municipal Building Rental	10,000	10,342	342
Cable Television Franchise Fee	22,000	23,341	1,341
Red Light Program	0	1,145	1,145
Tangible Personal Property Taxes	5,500	2,126	(3,374)
Donations	0	1,080	1,080
Miscellaneous	600	25,353	24,753
Disposal-Metal Products	1,600	1,989	389
Write Off Prior Stale Checks	0	10,971	10,975
Business Licence	0	296	296
	<u>\$480,398</u>	<u>\$562,776</u>	<u>\$ 82,378</u>
<u>Special Revenue Fund</u>			
Highway User Revenue	<u>\$118,981</u>	<u>\$ 98,671</u>	<u>\$(20,310)</u>
	<u>\$599,379</u>	<u>\$661,443</u>	<u>\$ 62,068</u>

Town of Forest Heights, Maryland
Statement of Expenditures
For the Year Ended June 30, 2003

	Budget	Actual	Actual
	7/01/02	7/01/02	Under
	<u>6/30/03</u>	<u>6/30/03</u>	(Over)
			<u>Budget</u>
<u>General Fund</u>			
<u>General Administration</u>			
Salaries - Mayor & Council	\$ 8,600	\$ 7,726	\$ 874
Salaries - Admin. Office	52,516	25,486	27,030
Telephone	4,834	1,442	3,392
Salaries - News	1,100	253	847
Insurance - Fidelity Bond	250	1,724	(1,474)
Soc. Sec. Tax Expense & Medicare	938	2,544	(1,606)
Insurance - Liability	1,985	9,650	(7,665)
Insurance - Workmen's Comp.	633	2,909	(2,276)
Miscellaneous	1,831	11,801	(9,970)
Dues & MML Exp.	2,500	304	2,196
Admin. Office - Clerk - Mayor	1,417	1,386	31
Election Expense	1,500	0	1,500
Postage	300	380	(80)
Other	221	14,115	(13,894)
Office Expense	250	2,460	(2,210)
Auditing	7,590	7,500	90
Legal Fees	1,000	2,350	(1,350)
Public Relations	7,000	3,910	3,090
Special Youth Grant & Summer Camp	0	1,781	(1,781)
News Expense	2,000	1,067	933
Capital Improvements	0	2,671	(2,671)
Retirement Plan	337	6,187	(5,850)
Supplies and Miscellaneous	1,500	11,251	(9,751)
<u>Total General Administration</u>	<u>\$ 98,302</u>	<u>\$118,897</u>	<u>\$ (20,595)</u>
 <u>Municipal Building</u>			
Salaries	\$ 5,320	\$ 13,723	\$ (8,403)
Janitorial Supplies	1,000	663	337
Utilities	5,168	5,939	(771)
Social Security & Medicare	0	749	(749)
Exterminating	264	304	(40)
Supplies and Miscellaneous	388	710	(322)
Repairs - General	500	1,904	(1404)
Telephone	360	268	92
Building - Custody	1,000	1,372	(372)
Retirement Plan	0	799	(799)
<u>Total Municipal Building</u>	<u>\$ 14,000</u>	<u>\$ 26,431</u>	<u>\$ (12,431)</u>

Town of Forest Heights, Maryland
Statement of Expenditures
For the Year Ended June 30, 2003

	<u>Budget</u> 7/01/02 6/30/03	<u>Actual</u> 7/01/02 6/30/03	<u>Actual</u> <u>Under</u> <u>(Over)</u> <u>Budget</u>
<u>Police</u>			
Salaries - Enforcement	\$147,270	\$90,861	\$ 56,409
Salaries - Court	70	0	70
Salaries - Clerk	8,320	10,614	(2,294)
Salaries - Equipment Repair	300	0	300
Police Uniform Cleaning	1,300	550	750
Gas & Oil	5,700	5,049	651
Repairs to Equipment	759	5,144	(4,385)
Social Security & Medicare	0	1,767	(1,767)
Uniforms	1,115	1,537	(422)
Dues, Conferences & Meetings	50	0	50
Insurance - Vehicle	5,800	5,800	0
Insurance - Medical	8,567	11,298	(2,731)
Insurance - Liability	7,086	7,086	0
Insurance - Workmen's Comp.	5,300	14,745	(9,445)
Other	442	12,410	(11,968)
Medical Expense	0	160	(160)
Radio Maintenance	500	360	140
Telephone	1,300	1,160	140
Training	200	602	(402)
Forms, Copies & Printing	1,200	760	440
Postage	60	64	(4)
Retirement Plan	3,667	6,092	(2,425)
Police - Supplies & Misc.	200	0	200
Crime Prevention	67	1,600	(1,533)
Office Supplies & Expenses	300	720	(420)
Miscellaneous	0	10,474	(10,474)
Red light Program	1,004	0	1,004
Capital Improvement	7,700	0	7,700
<u>Total Police</u>	<u>\$208,277</u>	<u>\$188,853</u>	<u>\$ 19,424</u>
<u>Street Lighting</u>	<u>\$ 25,000</u>	<u>\$ 14,560</u>	<u>\$ 10,440</u>
<u>Waste Collection and Disposal</u>	<u>\$148,665</u>	<u>\$149,023</u>	<u>\$ (358)</u>
<u>Parks</u>			
Salaries	\$ 1,500	\$ 2,000	\$(500)
Parks Expense	430	411	19
Beautification	150	0	150
Social Security & Medicare	0	153	(153)
Restoration Assessment	0	0	0
Miscellaneous	795	192	603
<u>Total Parks</u>	<u>\$ 2,875</u>	<u>\$ 2,756</u>	<u>\$ 119</u>
<u>Total General Fund</u>	<u>\$497,119</u>	<u>\$500,520</u>	<u>\$ (3,401)</u>

Town of Forest Heights, Maryland
Statement of Expenditures
For the Year Ended June 30, 2003

	Budget 7/01/02 <u>6/30/03</u>	Actual 7/01/02 <u>6/30/03</u>	Actual Under (Over) <u>Budget</u>
<u>Special Revenue Fund</u>			
<u>Roads and Drainage</u>			
Salaries - Maintenance	\$ 47,629	\$ 32,165	\$ 15,464
Salaries - Snow Removal	100	0	100
Salaries - Equipment Repair	4,000	0	4,000
Gas and Oil	1,800	1,253	547
Repairs to Equipment	1,340	2,331	(991)
Sand and Salt	0	0	0
Tools	1,000	0	1,000
Equipment Rental	100	0	100
Paving, Resurfacing, Patching	45,670	4,300	41,370
Curb Replacement	0	0	0
Capital Outlay	0	0	0
Supplies Expense	0	980	(980)
Signs - Traffic	500	210	290
Insurance - Vehicles	2,164	900	1,264
Insurance - Workmen's Comp.	1,978	1,773	205
Insurance - Medical	6,022	4,203	1,819
Insurance - Liability	2,800	0	2,800
Retirement Plan	1,054	0	1,054
Supplies - Repairs and Maint.	1,833	1,556	277
Uniforms & Maintenance	1,600	367	1,233
Garage Maintenance & Repair	0	0	0
Paint & Supplies - Traffic	700	0	700
Tree & Brush Removal	9,390	650	8,740
Snow Removal	0	94	(94)
Social Security & Medicare	0	2,285	(2,285)
Miscellaneous	320	20	300
<u>Total Special Revenue Fund</u>	<u>\$130,000</u>	<u>\$ 53,087</u>	<u>\$ 76,913</u>
 <u>Total Expenditures</u>	 <u>\$627,119</u>	 <u>\$553,607</u>	 <u>\$ (73,512)</u>

Town of Forest Heights, Maryland
Notes to Financial Statements
June 30, 2003

(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, 2003, were comprised of the following:

Checking Account - Bank of America	<u>\$ 91,141.00</u>
Savings Acct - Bank of America - 3303	282.09
Money Market Savings First Union - 2966713	4,287.78
Money Market Savings-1st Liberty Fed. 08-26-09	609.96
1 st . Liberty Nat. Bank-1st. Liberty- 08-61-09	<u>12,000.80</u>
	<u>\$ 17,179.83</u>
C.D. Frist Liberty Nat. Bank- 08-60-09	12,606.01
C.D. Frist Liberty Nat. Bank	5,597.36
C.D. B.B.&T - 5850059189	12,149.83
C.D. B.B.&T - 5850066258	11,818.72
C.D. B.B.&T - 5850066266	11,818.72
C.D. B.B.&T - 58500066312	14,900.94
C.D. B.B.&T - 5153117677	37,329.00
C.D. B.B.&T - Collateralial Notes	
F.H.L.B. 1 Time CL-05/04	10,347.00
F.H.L.B. 1 Time CL-05/04	3,094.00
F.H.L.B. 1 Time CL-05/04	1,031.00
F.H.L.B. S/A Call CC/OT	<u>3,987.00</u>
	<u>\$124,677.00</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.