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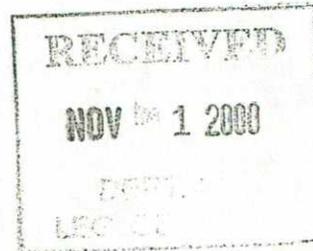
October 25, 2000

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, 2000, 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



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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, 2000, 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. 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, 2000 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

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.



Exhibit A

Town of Forest Heights, Maryland
Combined Balance Sheet - All Funds
June 30, 2000

	<u>Total</u>	<u>Special General Fund</u>	<u>General Revenue Fund</u>	<u>Fixed Assets</u>
<u>Assets</u>				
Cash - Checking Account	\$ 44,880	\$ 19,880	\$ 25,000	\$
Cash on Hand	200	200		
Cash - MM Savings Accounts	97,170	27,952	69,218	
Certificates of Deposit	161,891	161,891		
Accounts Receivable	2,019	2,019		
Real Estate Taxes Receivable	2,637	2,637		
General Fixed Assets	<u>326,086</u>	<u> </u>	<u> </u>	<u>326,086</u>
<u>Total Assets (Note)</u>	<u>\$634,883</u>	<u>\$214,579</u>	<u>\$ 94,218</u>	<u>\$326,086</u>
 <u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 9,706	\$ 9,706		
Accrued Expenditures	<u>6,136</u>	<u>6,136</u>		
<u>Total Liabilities</u>	<u>\$ 15,842</u>	<u>\$ 15,842</u>		
 <u>Fund Balances</u>				
Investment in General Fixed Assets	\$326,086	\$	\$	\$326,086
Appropriated	94,218		94,218	
Unappropriated	<u>198,737</u>	<u>198,737</u>	<u> </u>	<u> </u>
<u>Total Fund Balances</u>	<u>\$619,041</u>	<u>\$198,737</u>	<u>\$ 94,218</u>	<u>\$326,086</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$634,883</u>	<u>\$214,579</u>	<u>\$ 94,218</u>	<u>\$326,086</u>

Note: Columnar totals presented for memorandum purposes only.

Exhibit B

Town of Forest Heights, Maryland
Schedule of Changes in Fund Balances
Year Ended June 30, 2000

	<u>Total</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>General Fixed Assets</u>
<u>Fund Balance July 1, 1999</u>	\$ 590,005	\$186,097	\$ 74,405	\$329,503
Additions:				
Prior Year Adjust.- Note 5	7,894	7,894		
Revenue: Exhibit C	552,286	422,421	129,865	
Capital Assets Acquired	<u>5,083</u>	<u> </u>	<u> </u>	<u>5,083</u>
<u>Total Beginning Balances And Additions</u>	\$1,155,268	\$616,412	\$204,270	\$334,586
Less:				
Expenditures: Exhibit D	527,727	417,675	110,052	
Capital Assets Disposed Of	<u>8,500</u>			<u>8,500</u>
<u>Fund Balances June 30, 2000</u> (Note)	<u>\$ 619,041</u>	<u>\$198,737</u>	<u>\$ 94,218</u>	<u>\$326,086</u>

Note: Columnar totals presented for memorandum purposes only.

Exhibit C

Town of Forest Heights, Maryland
Statement of Revenues
For the Year Ended June 30, 2000

	Budget 7/01/99 <u>6/30/00</u>	Actual 7/01/99 <u>6/30/00</u>	Actual Over (Under) <u>Budget</u>
<u>General Fund</u>			
Real Property Taxes	\$213,000	\$214,269	\$ 1,269
Interest & Penalties-Del. Taxes	1,200	2,673	1,473
Public Utilities	0	9,080	9,080
Income Taxes	116,000	110,856	(5,144)
State Grant - Police Protect.	29,500	26,494	(3,006)
Per Capita Disposal Fee	8,000	9,995	1,995
Earnings on Investments	5,800	10,558	4,758
Fines and Vehicle Releases	1,800	285	(1,515)
Municipal Building Rental	3,000	11,125	8,125
Cable Television Franchise Fee	17,500	18,473	973
Miscellaneous	1,200	3,031	1,831
Proceeds - Vehicles Sales	<u>0</u>	<u>5,582</u>	<u>5,582</u>
<u>Total General Fund</u>	<u>\$397,000</u>	<u>\$422,421</u>	<u>\$ 25,421</u>
<u>Special Revenue Fund</u>			
Highway User Revenue	<u>\$105,000</u>	<u>\$129,865</u>	<u>\$ 24,865</u>
<u>Total Revenue</u>	<u>\$502,000</u>	<u>\$552,286</u>	<u>\$ 50,286</u>

Town of Forest Heights, Maryland
Statement of Expenditures
For the Year Ended June 30, 2000

	Budget 7/01/99 <u>6/30/00</u>	Actual 7/01/99 <u>6/30/00</u>	Actual Under (Over) <u>Budget</u>
<u>General Fund</u>			
<u>General Administration</u>			
Salaries - Mayor & Council	\$ 8,600	\$ 8,121	\$ 479
Salaries - Admin. Office	29,200	29,141	59
Telephone	0	419	(419)
Salaries - News	900	1,250	(350)
Salaries - Elections	250	245	5
Soc. Sec. Tax Expense & Medicare	2,000	16,293	(14,293)
Insurance - Medical	400	0	400
Insurance - Liability	300	201	99
Insurance - Workmen's Comp.	800	1,148	(348)
Insurance - Fidelity Bond	100	231	(131)
Dues & MML Exp.	1,600	2,453	(853)
Admin. Office Expense	0	0	0
Election Expense	270	24	246
Postage & Office Expense	600	258	342
Refreshments	200	502	(302)
Treasurer's Office Expense	360	1,282	(922)
Auditing	7,500	7,500	0
Legal Fees	600	933	(333)
Public Relations	100	295	(195)
News Expense	1,950	1,885	65
Capital Improvements	500	0	500
Retirement Plan	1,100	2,045	(945)
Unemployment Compensation	2,000	0	2,000
Supplies and Miscellaneous	400	392	8
<u>Total General Administration</u>	<u>\$ 59,730</u>	<u>\$ 74,618</u>	<u>\$(14,888)</u>
<u>Municipal Building</u>			
Salaries	\$ 4,000	\$ 8,442	\$(4,442)
Janitorial Supplies	700	732	(32)
Utilities	4,000	5,165	(1,165)
Insurance - Fire	1,000	0	1,000
Insurance - Liability	500	0	500
Exterminating	300	427	(127)
Supplies and Miscellaneous	400	1,160	(760)
Repairs - General	1,700	100	1,600
Telephone	0	590	(590)
Maintenance Supplies	200	904	(704)
Retirement Plan	0	0	0
<u>Total Municipal Building</u>	<u>\$ 12,800</u>	<u>\$ 17,520</u>	<u>\$(4,720)</u>

Town of Forest Heights, Maryland
Statement of Expenditures
For the Year Ended June 30, 2000

	Budget 7/01/99 <u>6/30/00</u>	Actual 7/01/99 <u>6/30/00</u>	Actual Under (Over) <u>Budget</u>
<u>Police</u>			
Salaries - Enforcement	\$125,000	\$117,983	\$ 7,017
Salaries - Court	1,300	0	1,300
Salaries - Clerk	7,800	7,800	0
Salaries - Equipment Repair	2,000	1,023	977
Police Uniform Cleaning	1,300	1,609	(309)
Gas & Oil	2,600	6,104	(3,504)
Repairs to Equipment	5,000	6,451	(1,451)
Parking Fees	0	0	0
Uniforms	500	4,383	(3,883)
Dues, Conferences & Meetings	250	0	250
Insurance - Vehicle	11,700	12,786	(1,086)
Insurance - Medical	8,000	6,424	1,576
Insurance - Liability	2,000	402	1,598
Insurance - Workmen's Comp.	7,000	5,432	1,568
Insurance - Life	500	613	(113)
Medical Expense	200	1,492	(1,292)
Radio Maintenance	100	329	(229)
Telephone	1,700	2,104	(404)
Training	350	450	(100)
Forms, Copies & Printing	800	1,763	(963)
Postage	100	228	(128)
Retirement Plan	7,000	4,091	2,909
Police - Supplies & Misc.	500	1,561	(1,061)
Crime Prevention	100	3,634	(3,534)
Office Supplies & Expenses	100	614	(514)
Car Washing	300	140	160
Signs	50	314	(264)
Capital Improvement	1,500	2,214	(714)
<u>Total Police</u>	<u>\$187,750</u>	<u>\$189,944</u>	<u>\$(2,194)</u>
<u>Street Lighting</u>	<u>\$ 25,000</u>	<u>\$ 25,194</u>	<u>\$(194)</u>
<u>Waste Collection and Disposal</u>	<u>\$108,000</u>	<u>\$108,155</u>	<u>\$(155)</u>
<u>Parks</u>			
Salaries	\$ 1,300	\$ 1,997	\$(697)
Parks Expense	250	231	19
Beautification	15	16	(1)
Medicare	0	0	0
Spraying	0	0	0
Pruning	0	0	0
<u>Total Parks</u>	<u>\$ 1,565</u>	<u>\$ 2,244</u>	<u>\$(679)</u>
<u>Total General Fund</u>	<u>\$394,845</u>	<u>\$417,675</u>	<u>\$(22,830)</u>

Town of Forest Heights, Maryland
Statement of Expenditures
For the Year Ended June 30, 2000

	<u>Budget</u> 7/01/99 6/30/00	<u>Actual</u> 7/01/99 6/30/00	<u>Actual</u> <u>Under</u> <u>(Over)</u> <u>Budget</u>
<u>Special Revenue Fund</u>			
<u>Roads and Drainage</u>			
Salaries - Maintenance	\$ 35,900	\$ 29,489	\$ 6,411
Salaries - Snow Removal	100	1,506	(1,406)
Salaries - Maintenance Supervisor	0	0	0
Salaries - Equipment Repair	3,000	6,191	(3,191)
Gas and Oil	700	2,518	(1,818)
Repairs to Equipment	800	827	(27)
Sand and Salt	500	0	500
Tools	300	1,606	(1,306)
Equipment Rental	200	266	(66)
Paving, Resurfacing, Patching	41,350	38,110	3,240
Curb Replacement	1,000	0	1,000
Capital Outlay	1,500	2,868	(1,368)
Supplies Expense	300	862	(562)
Signs - Traffic	150	2,900	(2,750)
Insurance - Vehicles	8,700	8,881	(181)
Insurance - Workmen's Comp.	2,500	2,639	(139)
Insurance - Medical	2,400	3,284	(884)
Insurance - Liability	1,200	401	799
Retirement Plan	3,800	0	3,800
Supplies - Repairs and Maint.	200	3,062	(2,862)
Uniforms	900	1,095	(195)
Street Sweeping	100	0	100
Paint & Supplies - Traffic	500	264	236
Tree & Brush Removal	800	2,513	(1,713)
Snow Removal	100	0	100
Sidewalks	80	0	80
Miscellaneous	0	770	(770)
<u>Total Special Revenue Fund</u>	<u>\$107,080</u>	<u>\$110,052</u>	<u>\$(2,972)</u>
 <u>Total Expenditures</u>	 <u>\$501,925</u>	 <u>\$527,727</u>	 <u>\$(25,802)</u>

Town of Forest Heights, Maryland
Notes to Financial Statements
June 30, 2000

(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, 2000, were comprised of the following:

Checking Account - Bank of America	<u>\$ 44,880</u>
Savings Acct - Bank of America	724
Money Market Savings First Union - 2966713	44,052
Money Market Savings-Enterprise Fed. 08-26-09	40,394
Savings Acct-Enterprise Fed. 08-61-09	<u>12,000</u>
	<u>\$ 97,170</u>
C.D. First Union - 59336	\$ 13,796
C.D. Enterprise Fed. 08-60-09	11,450
C.D. Enterprise Fed. 402	38,008
C.D. B.B.&T - 5850059189	31,691
C.D. B.B.&T - 5850066258	10,693
C.D. B.B.&T - 5850066266	10,693
C.D. B.B.&T - 5850066274	10,693
C.D. B.B.&T - 5850066290	10,693
C.D. B.B.&T - 5850066304	10,693
C.D. B.B.&T - 58500066312	<u>13,481</u>
	<u>\$161,891</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) Note 5 of the Notes to Financial Statements in the 06/30/98 Audit Report referred to the Town being the subject to an investigation by the United States Attorney for the District of Maryland, and the Federal Government has made a demand in the amount of \$400,000 for damages. At this juncture no settlement has been reached. However, the anticipated final settlement is significantly lower, below a \$100,000 outlay.

- (5) Subsequent to the issuance of the 06/30/99 Financial Statements, the Reliance Trust Company notified the town that a credit was due to be applied to the 06/30/99 previously computed contribution of \$8,937. In lieu of reducing the 06/30/2000 accrual, a prior period adjustment for the credit of \$7,894 was made to the 06/30/99 Unappropriated Fund Balance.