

Mayor Tracey Furman

**Council Member Darin Bartram
Council Member Nate Engle**



**Council Member Conor Crimmins
Council Member Bridget Hill-Zayat**

Released: November 6, 2020

**Monday, November 9, 2020
Town Council Meeting, 7:00 pm**

The Town Council Meeting will be held through the Zoom Video Conferencing application. We recommend downloading the Zoom app prior to the meeting at the following link: www.zoom.us

The Council Meeting will begin at 7:00 pm and access to the meeting will be through the following Zoom Video Conferencing link:

<https://us02web.zoom.us/j/82606549998?pwd=WVVpL3BCZEtSWFBuazBkZGhhd3FnZz09>

Meeting ID: 826 0654 9998

Password: 845374

Or you may join the meeting by calling: +1 301 715 8592 US (Germantown) and entering the Meeting ID and Password above.

CALL TO ORDER

MOMENT OF SILENCE

APPROVAL OF MINUTES

Town Council Meeting Minutes of October 19, 2020

FROM THE MAYOR AND TOWN COUNCIL

1. **Audit Committee Report** – Acknowledge receipt of the Audit Commission's report for the Fiscal Year Ending June 30, 2020 (FY20).
2. **Summit Avenue Extension** – Discussion and update from the November 3, 2020 meeting with the Montgomery County Department of Transportation (MCDOT) on the proposed Summit Avenue Extension project.
3. **3900 block Plyers Mill Road** – Discuss removing the westbound Stop sign along the 3900 block of Plyers Mill Road at Summit Avenue at the request of the Montgomery County Department of Transportation (MCDOT).

**Town of Kensington 3710 Mitchell Street Kensington, MD 20895
Phone 301.949.2424 Fax 301.949.4925
www.tok.md.gov**

4. **Development Review Board** – Review the request by 10509 Summit Venture, LLC, to repurpose the public right-of-way at the west end of Kaiser Place as Open Space.
5. **Thrive Montgomery 2050** – Discuss and reviewing endorsing a letter drafted by municipalities within Montgomery County addressing concerns with the proposed Thrive Montgomery 2050 plan.
6. **Town Elections Sub-Committee** - Update and discussion of the proposed options and revisions to the Town Charter and Code for future Elections.
7. **Pedestrian and Bicycle Access and Safety Working Group** – Update from the Working Group from the October 31, 2020 Walkability Audit Training.

FROM THE TOWN MANAGER AND STAFF

1. **Town Leaf Collection** – Update on the Town leaf collection, which will run from November 9, 2020 through December 11, 2020
2. **Brine and Salt Winter Roadway Applications** – Update on alternative roadway applications during winter storms from rock salt.

PUBLIC APPEARANCES

(The public is invited to speak on any subject that is not a topic on tonight's agenda)

ORDINANCES, RESOLUTIONS, AND REGULATIONS

(Ordinances, resolutions, and regulations to be introduced or adopted following appropriate procedures required by the Town Code; or resolutions that may require discussion by the Mayor and Council prior to approval)

1. **Resolution No. R-13-2020** – A Resolution of the Mayor and Council of the Town of Kensington Proclaiming November to be Municipal Government Works Month in Kensington, Maryland.
2. **Resolution No. R-14-2020** – A Resolution of the Mayor and Council of the Town of Kensington authorizing the Town Manager to renegotiate the lease agreement with Montgomery Municipal Cable (MMC) for the use of certain space within Town Hall for MMC's Cable Studio.

ADJOURNMENT

(The Mayor and Council may move to close the meeting and may move to reopen the meeting)

THE NEXT SCHEDULED MEETING(S) OF THE MAYOR AND TOWN COUNCIL WILL BE HELD:

Monday, December 14, 2020, 7:00 pm

REPORT OF THE AUDIT COMMITTEE – TOWN OF KENSINGTON

Audited Financial Statements for the Year Ended June 30, 2020

The primary role of the Audit Committee is to assist the Mayor and the Council in the oversight of the Town of Kensington's accounting and financial reporting process and to interact directly with, and evaluate, the performance of the Town's independent auditors.

The Audit Committee has reviewed the Town's audited financial statements for the year ended June 30, 2020 ("AFS"). As part of the review process, the Audit Committee had a Zoom meeting on October 22, 2020 with Town Manager, Matt Hoffman, Clerk/Treasurer, Susan Engels, and two representatives of the Town's independent auditors (Linton Shafer, Warfield & Garrett, PA), Eva Webb and Debbie Free.

The Audit Committee and the others present discussed the overall plans for, and scope of, the audit, the results of the audit examination, the auditor's evaluation of the Town's internal controls, and the overall quality of the Town's financial reporting.

Based on these reviews and discussions, the Audit Committee recommends to the Mayor and Council that the audited financial statements of the Town for the year ended June 30, 2020 be accepted as submitted.

By the Audit Committee:

Jeffery P. Capron
Leslie Olson
Kerry Thompson

Submitted: November 2, 2020

**TOWN OF KENSINGTON,
MARYLAND**

**Financial Statements, Supplementary
Information and Independent
Auditor's Report**

**For the Years Ended
June 30, 2020 and 2019**

LSWG

**CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS**

TOWN OF KENSINGTON, MARYLAND
Table of Contents
June 30, 2020 and 2019

DESCRIPTION	EXHIBIT
Independent Auditor's Report	
Management's Discussion and Analysis	
Basic Financial Statements	
Government-Wide Financial Statements:	
Statements of Net Position	A-1
Statement of Program Activities	A-2 and A-3
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheets	A-4
Statements of Revenues, Expenditures and Changes in Fund Balances	A-5
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Program Activities	A-6
Notes to Financial Statements	A-7
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	B-1
Notes to Required Supplementary Information	B-2

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the
Town of Kensington, Maryland

We have audited the accompanying financial statements of the governmental activities and the general fund of the Town of Kensington, Maryland (the Town), as of and for the years ended June 30, 2020 and 2019, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our 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 Kensington, Maryland as of June 30, 2020 and 2019, and the respective changes in financial position for the years 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 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. We 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Linton Shafer Warfield & Garrett, P.A.

Rockville, Maryland

October 24, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Set forth below is an overview of the Town of Kensington's financial statements and analysis of the financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the following information.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Town of Kensington exceeded its liabilities and deferred inflows at the close of the fiscal year by \$5,689,943 (net position). Of this amount, \$3,548,512 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town of Kensington's total net position increased by \$182,881 for the fiscal year compared with an increase of \$477,536 in the prior year.
- Revenues in the Statement of Program Activities decreased by \$245,982 (9%) when compared to the prior year. Expenses in the Statement of Program Activities increased by \$48,674 (2%) when compared to the prior year.
- At the close of the fiscal year, the Town of Kensington's Governmental Funds reported an ending fund balance of \$3,318,884, an increase of \$256,191 in comparison with the prior year. Out of this fund balance, approximately 21%, \$710,906, is classified as unassigned and available for spending at the government's discretion. Of the remaining \$2,607,978 balance, \$25,150 is nonspendable as it was designated a prepaid expense; \$172,718 is committed and under contract for the capital improvement project street reconstruction and renovation; \$1,747,384 is assigned for other capital improvement projects; and \$662,726 is assigned for next year's operations including capital outlay.
- The Governmental Funds total revenues were \$287,734 over budget and expenditures after capital improvement projects were \$734,122 under budget.
- As a result of the U.S. Supreme Court decision on the Wynne Case, the State of Maryland is requiring Maryland local governments to refund the estimated portion of income tax paid to the local governments in previous years, consisting of the local portion of the tax, which the State may have to re-pay taxpayers that file amended returns claiming a refund for the credit applicable to the local tax rate. The Town has recorded an estimated liability of \$78,677 in the Statements of Net Position which will be deducted from state income tax payments received from the State of Maryland over twenty quarters beginning May 1, 2021.

- In this fiscal year the Town:
 - (1) Completed scheduled resurfacing projects within the Town;
 - (2) Established the Kensington Dog Run Park (3 year easement with Konterra for the use of the property at 10450 Metropolitan Avenue);
 - (3) Hired three Montgomery County Police Officers through the Secondary Employment Agreement to enforce traffic restrictions within the Town on a part-time basis;
 - (4) Purchased a new trailer for the Public Works Department; and
 - (5) Entered into an agreement with Montgomery County to transfer certain roads within the newly annexed area to the Town. The Town will accept jurisdiction over and maintenance responsibility for these roads and accompanying drainage facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position presents information on all of the Town of Kensington's (i) assets and deferred outflows and (ii) liabilities and deferred inflows, 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 of Kensington is improving or deteriorating.

The Statement of Program Activities presents information showing how the government's net position changed during the most recent fiscal year. 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements of the Town of Kensington are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town of Kensington include general government, building, public works, public safety, and parks and recreation. The government-wide financial statements report only on the Town of Kensington.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Kensington, like other local and state governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town of Kensington currently has only governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Kensington maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement which is considered to be a major fund.

The Town of Kensington adopts an annual appropriated budget ordinance for its governmental fund. A budgetary comparison statement has been provided for the governmental fund to demonstrate compliance with this budget.

NOTES TO THE BASIC 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Kensington, assets and deferred outflows exceeded liabilities and deferred inflows by \$5,689,943 at the close of the most recent fiscal year as compared with \$5,157,062 at the end of the prior year. Approximately 38% of the Town of Kensington's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Kensington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Town of Kensington's Net Position

	<u>Governmental Activities</u>
Current and other assets	\$ 3,749,559
Capital assets	<u>2,141,431</u>
Total assets	<u>5,890,990</u>
Other liabilities *	<u>201,047</u>
Total liabilities	<u>201,047</u>
Invested in capital assets, net of related debt	\$ 2,141,431
Unrestricted	<u>3,548,512</u>
Total Net Position	<u>\$ 5,689,943</u>

*Includes income tax credit liability of \$78,677.

The unrestricted net position of \$3,548,512 is used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the Town of Kensington's net position by \$182,881.

Town of Kensington Changes in Net Position

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 101,394
Operating grants and contributions	93,925
General revenues:	
Taxes	2,188,832
Other	<u>230,492</u>
Total Revenues	<u>\$ 2,614,643</u>
Expenses:	
General government	\$ 807,631
Building and zoning	102,420
Public safety	194,743
Parks and recreation	95,640
Public works	<u>1,231,328</u>
Total Expenses	<u>\$ 2,431,762</u>
Increase in net position	\$ 182,881
Net position on July 1, 2019	<u>5,507,062</u>
Net position on June 30, 2020	<u>\$ 5,689,943</u>

- Taxes of \$2,188,832 comprised 84% of the total revenues of \$2,614,643. Most of this balance is the product of property and income taxes. Taxes in the prior year were \$2,010,014 representing 70% of total revenues in that year of \$2,860,624.

FUND FINANCIAL ANALYSIS

The Town of Kensington uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental Funds. The focus of the Town of Kensington's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Kensington's financing requirements. In particular, the 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.

As of the end of the current fiscal year, the Town of Kensington's governmental funds reported combined ending fund balances of \$3,318,884, an increase of \$256,191 in comparison with the prior year.

Approximately 21% of this amount, \$710,906, constitutes the unassigned fund balance, which is available for future spending at the government's discretion. The remainder of the fund, \$2,607,978, has been reserved for prepaid expenses, capital improvement projects in the CIP Budget, and for projected use to fund next year's budget due to additional funds added to the capital improvement budget.

Total Fund Balance at June 30, 2020	\$3,318,884
Nonspendable for Prepaid Expenses	(25,150)
Committed for Capital Improvement Projects for Street Reconstruction and Renovations (Under contract)	(172,718)
Assigned for Capital Improvement Projects (Not under contract)	(1,747,384)
Assigned for FY 2020-21 Budget (includes operating and CIP)	<u>(662,726)</u>
Unassigned Fund Balance	<u>\$ 710,906</u>

Governmental Fund Budgetary Highlights. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as County and State grants; and (3) increases in appropriations that become necessary to maintain services.

The Town of Kensington did not make any budget amendments to the adopted budget during the fiscal year.

Revenues and other financing sources at the end of the Fiscal Year exceeded expenditures by \$256,191 within the Governmental Fund, which was directly attributed to the higher than anticipated revenue from income tax. In addition, certain projects within the non-lapsing CIP fund had yet to commence.

Expenditures were \$734,122 less than budgeted, which was attributed to the philosophy of budgeting generously for unanticipated expenditures and also by the intentional delay to fill certain open positions due to the unknown financial impact from COVID-19.

For reference, the Town Charter was amended during the 2009-10 Fiscal Year to allow for non-lapsing capital project expenditures. Subsequently, \$1,747,384 has been assigned from the fund balance for ongoing and future capital projects, which includes Streetlight Acquisitions and Replacements; Park and Playground Improvements; Town Hall Renovations; Vehicle, Equipment and Capital Replacements; Bridge Renovation and Repair; Storm Drain Reconstruction and Renovation; Flood Plain Protection and Land Acquisition; Public Works Garage Replacement and Land Acquisition; and Town Hall Drill Floor Replacement. In addition, \$172,718 has been committed from the Street Reconstruction and Renovation fund within an existing contract.

The Fiscal Year ending June 30, 2019 assigned and committed funds for the non-lapsing capital improvement budget with \$1,607,478. In this fiscal year, an additional \$860,659 was added for capital improvement projects, while \$548,035 was spent for capital improvement projects. This resulted in an assigned and committed fund balance for the capital improvement budget of \$1,920,102 at the end of this fiscal year.

Governmental Fund Budget Highlights

	<u>Adopted Budget</u>	<u>Actual</u>
Revenues		
Taxes – Local	\$1,290,155	\$1,344,882
Taxes – Shared Revenues	618,595	838,781
Licenses & Permits	48,278	62,641
Intergovernmental Revenue	263,485	254,360
Fines and Forfeitures	19,327	5,080
Other	<u>81,900</u>	<u>103,730</u>
Total Revenue	<u>2,321,740</u>	<u>2,609,474</u>
Expenditures		
General Government	1,016,613	851,530
Public Works	863,537	683,026
Public Safety	256,013	193,200
Parks	<u>90,583</u>	<u>77,492</u>
– Total Operating	<u>2,226,746</u>	<u>1,805,248</u>

Capital Improvements**	<u>850,659</u>	<u>548,035</u>
Total Expenditures	<u>3,077,405</u>	<u>2,353,283</u>
Change in fund balance	\$ <u>(755,666)</u>	\$ <u>256,191</u>

**Non-lapsing Capital Improvement Budget at July 1, 2019 was \$1,607,478.

CAPITAL ASSETS

The Town's capitalization policy is to capitalize fixed assets at a threshold of \$5,000.

At the end of the fiscal year, the Town governmental activities have invested \$2,141,431 in a variety of capital assets and infrastructure, as reflected in the following schedule. These assets include land, land improvements, buildings and improvements, machinery, equipment, vehicles, and park and playground equipment. Total depreciation was \$115,598.

Governmental Activities - Capital Assets

	<u>Governmental Activities</u>
Non-Depreciable Assets	
Land	\$ 264,353
Land Improvement	995,894
Other Capital Assets	
Buildings & Improvements	1,986,924
Equipment	631,303
Infrastructure	<u>413,782</u>
Total Capital Assets	4,292,256
Accumulated Depreciation on Other Capital Assets	<u>(2,150,825)</u>
Net Capital Assets	<u>\$ 2,141,431</u>

LONG-TERM DEBT

The State tax credit liability of \$74,743 and the long-term portion of accrued compensated absences of \$50,348 represent the outstanding debt obligations of the Town.

NEXT YEAR'S BUDGET HIGHLIGHTS

The Town adopted the Budget for Fiscal Year 2020-2021 on May 11, 2020. The Budget was prepared prior to fully knowing the affects of COVID-19 and the Town will continue to monitor expenses and revenues throughout the year.

For Fiscal Year 2020-2021 the Real Property tax rate remained unchanged from the prior year at a rate of \$0.1312 per one hundred dollars of assessed value; the Corporate and Personal Property tax rate remained unchanged from the prior year at a rate of \$0.80 per one hundred dollars of assessed value; and the Public Utility tax rate remained unchanged from the prior year at a rate of \$5.00 per one hundred dollars of assessed value.

The Mayor and Town Council appropriated \$662,726 from the unassigned fund balance for spending within the Fiscal Year 2020-2021 budget which includes an addition of \$760,043 to the non-lapsing Capital Improvement Budget. The Capital Improvement funds will be reorganized during the 2020-2021 Fiscal Year and a significant portion of these funds will be allocated towards addressing future infrastructure needs within the Town.

The Town was awarded a Program Open Space grant for improvements at Clum-Kennedy Park. The improvements include a new brick walking path, rebuilt grape arbor, and garden enhancements and will be completed in Fiscal Year 2020-2021.

Special Purpose Grant

On April 30, 2017 the Department of Housing and Urban Development (HUD) Office of Asset Management and Portfolio Oversight (OAMPO) requested any information the Town had on the status of a special purpose grant for \$350,000 that was awarded on February 24, 1994.

After researching historical documents and financial statements, a letter was sent from the Town to HUD on June 12, 2017 providing information and copies of historical documents the Town had relating to the grant. The grant, which was primarily for the HVAC system for Town Hall/Community Center, was spent in 1996 and 1997 and never collected. The Town's financial statements were adjusted in 2001 to show the funds due from HUD for Armory renovations were deemed uncollectible.

On June 14, 2019 a letter was received from HUD OAMPO approving the Town to withdraw the balance from the Special Purpose Grant awarded by HUD on February 24, 1994.

The Town obtained access to the HUD eLOCCS system for disbursements and requested the funds on August 29, 2019 per HUD's instructions.

HUD personnel have been working to obtain approval in the specific area to release the funds to the Town of Kensington. The most recent update was provided in October, 2020 which stated that HUD is in the process of adding the code to their approval level in eLOCCS system so that the payment can be completed and that they will let the Town know if any additional information is needed.

ECONOMIC FACTORS

The major economic factors that may affect the Town of Kensington is the impact of COVID-19 on revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Kensington's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager or Clerk/Treasurer of the Town of Kensington, 3710 Mitchell Street, Kensington, Maryland, 20895.

Town of Kensington, Maryland
Statements of Net Position
June 30, 2020

	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>
Assets		
Cash and cash equivalents	\$ 325,009	\$ 252,151
Investments	2,977,458	2,887,826
Receivables, net	28,028	20,514
Due from other governments	393,914	408,864
Prepaid expenses	25,150	26,823
Capital assets, net	<u>2,141,431</u>	<u>2,212,281</u>
Total Assets	<u>5,890,990</u>	<u>5,808,459</u>
Deferred Outflows	<u>-</u>	<u>-</u>
Liabilities		
Accounts payable	32,408	141,579
Builder deposits	10,173	5,173
Accrued salaries	21,834	14,600
Accrued compensated absences	51,654	48,224
Unearned revenues	6,301	13,144
State tax credit liability - current portion	3,934	0
Long-Term Liabilities		
Due in more than one year		
State tax credit liability - net of current portion	<u>74,743</u>	<u>78,677</u>
Total Liabilities	<u>201,047</u>	<u>301,397</u>
Deferred Inflows	<u>-</u>	<u>-</u>
Net Position		
Invested in capital assets, net	2,141,431	2,212,281
Unrestricted	<u>3,548,512</u>	<u>3,294,781</u>
Total Net Position	<u><u>\$ 5,689,943</u></u>	<u><u>\$ 5,507,062</u></u>

The accompanying notes are an integral part of these statements.

Town of Kensington, Maryland
Statement of Program Activities
For the Year Ended June 30, 2020

		Program Revenue		Net (Expenses)	Total
		Charges for	Operating Grants	Revenue and	
	Expenses	Services	and Contributions	Changes in	
				Governmental	
				Activities	
Functions/Programs					
Governmental Activities					
General government	\$ 807,631	\$ -	\$ -	\$ (807,631)	\$ (807,631)
Building and zoning	102,420	79,906	-	(22,514)	(22,514)
Public works	1,231,328	-	93,325	(1,138,003)	(1,138,003)
Public safety	194,743	5,080	-	(189,663)	(189,663)
Parks and recreation	95,640	16,408	600	(78,632)	(78,632)
Total Governmental Activities	<u>\$ 2,431,762</u>	<u>\$ 101,394</u>	<u>\$ 93,925</u>	(2,236,443)	(2,236,443)
General Revenues					
Property taxes				1,350,051	1,350,051
State shared taxes				838,781	838,781
Intergovernmental				161,035	161,035
Investment income				55,976	55,976
Miscellaneous				13,481	13,481
Total General Revenues				<u>2,419,324</u>	<u>2,419,324</u>
Changes in Net Position				182,881	182,881
Net Position, Beginning of Year				<u>5,507,062</u>	<u>5,507,062</u>
Net Position, End of Year				<u>\$ 5,689,943</u>	<u>\$ 5,689,943</u>

The accompanying notes are an integral part of this statement.

Exhibit A-3

**Town of Kensington, Maryland
Statement of Program Activities
For the Year Ended June 30, 2019**

		Program Revenue		Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
	Expenses				Total
Functions/Programs					
Governmental Activities					
General government	\$ 668,047	\$ -	\$ 350,000	\$ (318,047)	\$ (318,047)
Building and zoning	136,259	118,055	-	(18,204)	(18,204)
Public works	1,259,289	-	80,595	(1,178,694)	(1,178,694)
Public safety	203,613	466	-	(203,147)	(203,147)
Parks and recreation	115,880	16,655	33,879	(65,346)	(65,346)
Total Governmental Activities	<u>\$ 2,383,088</u>	<u>\$ 135,176</u>	<u>\$ 464,474</u>	(1,783,438)	(1,783,438)
General Revenues					
Property taxes				1,302,521	1,302,521
State shared taxes				707,493	707,493
Intergovernmental				161,035	161,035
Investment income				73,019	73,019
Wynne case refunds				(9,835)	(9,835)
Miscellaneous				26,741	26,741
Total General Revenues				<u>2,260,974</u>	<u>2,260,974</u>
Changes in Net Position				477,536	477,536
Net Position, Beginning of Year				<u>5,029,526</u>	<u>5,029,526</u>
Net Position, End of Year				<u>\$ 5,507,062</u>	<u>\$ 5,507,062</u>

The accompanying notes are an integral part of this statement.

Town of Kensington, Maryland
Balance Sheets
Governmental Funds
June 30, 2020 and 2019

	General Fund <u>2020</u>	General Fund <u>2019</u>
Assets		
Cash and cash equivalents	\$ 325,009	\$ 252,151
Investments	2,977,458	2,887,826
Receivables, net	28,028	20,514
Due from other governments	43,914	58,864
Prepaid expenses	<u>25,150</u>	<u>26,823</u>
Total Assets	<u>3,399,559</u>	<u>3,246,178</u>
Deferred Outflows	<u>-</u>	<u>-</u>
Liabilities		
Accounts payable	32,408	141,579
Builder deposits	10,173	5,173
Accrued salaries	21,834	14,600
Accrued compensated absences - current	1,306	5,505
Unearned revenues	<u>6,301</u>	<u>13,144</u>
Total Liabilities	<u>72,022</u>	<u>180,001</u>
Deferred Inflows	<u>8,653</u>	<u>3,484</u>
Fund Balance		
Nonspendable	25,150	26,823
Committed	172,718	152,913
Assigned	2,410,110	2,220,231
Unassigned	<u>710,906</u>	<u>662,726</u>
Total Fund Balance	<u>\$ 3,318,884</u>	<u>\$ 3,062,693</u>
Reconciliation of Total Governmental Fund Balance To Net Position of the Governmental Activities		
Total Governmental Fund Balance	\$ 3,318,884	\$ 3,062,693
Amounts reported for governmental activities in the statement of net position are different because:		
Property tax revenues in the Statement of Program Activities that do not provide current financial resources are not reported as revenues in the funds.	8,653	3,484
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	2,141,431	2,212,281
State income tax credit liability expensed in the government-wide financial statements not reported as expenditures in the fund financial statements.	(78,677)	(78,677)
Compensated absences not requiring current financial resources and therefore not reported as expenditures in the fund financial statements.	(50,348)	(42,719)
Grant revenue in the Statement of Program Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>350,000</u>	<u>350,000</u>
Net Position of Governmental Activities	<u>\$ 5,689,943</u>	<u>\$ 5,507,062</u>

The accompanying notes are an integral part of these statements.

Town of Kensington, Maryland
Statements of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Years Ended June 30, 2020 and 2019

	2020	2019
	General	General
	Fund	Fund
	<u> </u>	<u> </u>
Revenues		
General property taxes	\$ 1,344,882	\$ 1,303,353
State shared taxes	838,781	707,493
Licenses and permits	62,641	81,410
Fines and forfeitures	5,080	466
Municipal events	16,408	16,655
Intergovernmental revenues	254,360	241,630
Miscellaneous	31,346	65,047
Grants	-	33,779
Net investment income	<u>55,976</u>	<u>73,019</u>
 Total Revenues	 <u>2,609,474</u>	 <u>2,522,852</u>
 Expenditures		
General government	851,530	919,221
Public works	1,203,206	1,297,627
Public safety	193,200	203,614
Parks and recreation	<u>105,347</u>	<u>170,993</u>
 Total Expenditures	 <u>2,353,283</u>	 <u>2,591,455</u>
 Excess of Revenues Over (Under) Expenditures	 256,191	 (68,603)
 Fund Balance at Beginning of Year	 <u>3,062,693</u>	 <u>3,131,296</u>
 Fund Balance at End of Year	 <u><u>\$ 3,318,884</u></u>	 <u><u>\$ 3,062,693</u></u>

The accompanying notes are an integral part of these statements.

Town of Kensington, Maryland
Reconciliation of the Statements of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statements of Program Activities
For the Years Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 256,191	\$ (68,603)
Amounts reported for governmental activities in the Statements of Program Activities are different because:		
Property tax revenues in the Statement of Program Activities that (do) do not provide current financial resources (are) are not reported as revenues in the funds.	5,169	(832)
Governmental funds report capital outlays as expenditures in the Statements of Program Activities for the cost of those assets in the period acquired, but expensed over the estimated useful lives as depreciation expense in the government-wide financial statements. Amount by which depreciation expense (did not) exceed capital outlay expenditures.	(70,850)	(42,221)
Compensated absences in the Statement of Program Activities not requiring the use of current financial resources and therefore are (are not) reported as expenditures in the governmental funds.	(7,629)	4,266
Net pension liability expensed in the government-wide financial statements not requiring the use of current financial resources and therefore are (are not) reported as expenditures in the governmental funds.	-	244,761
State income tax refund expense in the government-wide financial statements not requiring the use of current financial resources and therefore are (are not) reported as expenditures in the governmental funds.	-	(9,835)
Grant revenues in the Statement of Program Activities that (do) do not provide current financial resources (are) are not reported as revenues in the funds.	-	350,000
Net Changes in Net Position	<u>\$ 182,881</u>	<u>\$ 477,536</u>

The accompanying notes are an integral part of these statements.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Town of Kensington (Town) was incorporated April 6, 1894 under the laws of the State of Maryland. The Town operates under a Mayor and Council-Manager form of government consisting of a Mayor, Town Council and a Town Manager. The Town provides the following services as authorized by its charter: streets, sanitation, building inspection and general administration services. The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for established governmental and financial reporting principles. The Town implemented accounting and financial reporting requirements of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments. GASB Statement No. 34 added the following components to the financial statements:

Management's Discussion and Analysis – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Program Activities. These statements report financial information for the Town as a whole.

Statement of Net Position – The Statement of Net Position displays the financial position of the Town. All assets, deferred outflows, liabilities and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position. The net position of a government is broken into three categories –1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities – The Statement of Program Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants.)

Budgetary Comparison Schedules – 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 operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

The financial statements were prepared in accordance with GASB Statement No.14, The Financial Reporting Entity, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with the basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town of Kensington. There are no organizations for which the Town is financially accountable and there are no component units of the Town.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The reporting model focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary fund. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Program Activities) 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 primarily rely on fees and charges for support. The Town does not have any business-type activities or fiduciary activities at this time.

The Statement of Program Activities 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 properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Governmental fund financial statements are reported using the current resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, utility taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent years' operations. For governmental fund financial statements unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Town has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the deferred inflow for unearned revenue is removed from the balance sheet and revenue is recognized.

The Town reports the following major governmental fund:

The General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Deposits and Investments

Cash and cash equivalents, which are cash and short-term investments with maturities of three months or less, include cash on hand and demand deposit accounts.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position
(Continued)**

2. Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 2004 are not reported in the basic financial statements. Total infrastructure for June 30, 2020 and 2019 was \$413,782 and \$406,314, respectively. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure - 40 years
Buildings - 20 years
Improvements - 20 years
Office and other equipment - 5 to 15 years

3. Prepaid Items

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

4. Compensated Absences

Town employees are granted vacation in varying amounts based on length of service. Carryover is limited to two hundred and forty (240) hours. Unused vacation pay, if any, is paid with the employee's termination or retirement. Those amounts estimated to be liquidated with expendable available financial resources from the general fund are reported as an expenditure and a fund liability of the general fund.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position
(Continued)**

5. Property Taxes

Property taxes for the current year were assessed by the State Department of Assessments and Taxation and collected by Montgomery County and subsequently remitted to the Town. Property taxes are assessed on July 1st and are due and payable according to applicable laws. All unpaid taxes levied July 1st become delinquent on October 1st and January 1st. The real property tax rate for the Town for fiscal years ended June 30, 2020 and 2019 was .1312 and .136 per \$100 of assessed taxable value, respectively. The corporate and personal property tax rates for the Town for the fiscal years ended June 30, 2020 and 2019 was .80 and .75 per \$100 of assessed taxable value, respectively. The public utility tax rates for the Town for the fiscal years ended June 30, 2020 and 2019 was 5.00 and 4.60 per \$100 of assessed taxable value, respectively. Procedures for the collection of delinquent taxes by Montgomery County are provided for in the laws of Maryland. An allowance account of \$8,197 and \$10,934 has been established for delinquent property taxes at June 30, 2020 and 2019, respectively.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position
(Continued)**

In addition to liabilities, the statement of financial position 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently recognizes unearned revenues (“unavailable” tax revenue received more than 60 days after year-end) as a deferred inflow.

8. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net position is classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance and the government-wide statement of net position:

The governmental fund balance sheet includes reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 3 – Detailed Notes on All Funds

A. Deposits and Investments

Deposits

State statutes require all deposits be insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized.

Town administration is authorized to invest in those instruments authorized by Maryland Statutes. Cash and cash equivalents as presented on the balance sheet and statement of net position include: deposits (cash), the Montgomery County Investment Pool and the Maryland Local Government Investment Pool. The Investment Pool is reported at fair market value, which is the same as cost.

At June 30, 2020 and 2019, the carrying amount of the Town's deposits totaled \$325,009 and \$252,151 and the bank balances totaled \$330,975 and \$255,527, respectively. Of the bank balances at June 30, 2020 and 2019, \$250,000 was covered by FDIC, respectively, and the remaining balance was covered by collateral held the by Bank of New York Mellon.

Investments

The Town's investments are categorized to give an indication of the level of custodial credit risk assumed by the Town at year-end. Category 1 includes investments that are insured or registered or where securities are held by the Town or its agent, in the Town's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the Town's name holds the securities. Category 3 includes uninsured and unregistered investments where the securities are held by the financial institution's trust department or agent, but not in the Town's name.

June 30, 2020						
	Category				Fair	
	1	2	3	Cost	Value	
Mutual Funds	\$ 380,344	\$ -	\$ -	\$ 380,344	\$ 371,132	
Certificate of						
Deposit	\$ 174,665	\$ -	\$ -	\$ 174,665	\$ 174,910	
Total	<u>\$ 555,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>555,009</u>	<u>546,042</u>	
Investment in County Investment Pool				272,996	272,996	
Investment in State Treasurer's Investment Pool				<u>2,158,420</u>	<u>2,158,420</u>	
Total Investments				<u>\$2,986,425</u>	<u>\$2,977,458</u>	

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 3 – Detailed Notes on All Funds (Continued)

A. Deposits and Investments (continued)

Investments (continued)

June 30, 2019					
	Category			Cost	Fair Value
	1	2	3		
Mutual Funds	\$ 545,416	\$ -	\$ -	\$ 545,416	\$ 528,511
Total	<u>\$ 545,416</u>	<u>\$ -</u>	<u>\$ -</u>	545,416	528,511
Investment in County Investment Pool				268,282	268,282
Investment in State Treasurer's Investment Pool				<u>2,091,033</u>	<u>2,091,033</u>
Total Investments				<u>\$2,904,731</u>	<u>\$2,887,826</u>

Reconciliation to Government –Wide Statement of Net Position at June 30:

	<u>2020</u>	<u>2019</u>
Unrestricted investments	\$ <u>2,977,458</u>	\$ <u>2,887,826</u>
Total	<u>\$ 2,977,458</u>	<u>\$ 2,887,826</u>

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2020 and 2019:

- Maryland Local Government Investment Pool mutual funds of \$2,158,420 and \$2,091,033, respectively and are valued using quoted market prices (Level 1 inputs).
- Montgomery County Investment Pool mutual funds of \$272,996 and \$268,282, respectively and are valued using quoted market prices (Level 1 inputs).

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 3 – Detailed Notes on All Funds (Continued)

A. Deposits and Investments (continued)

Investments (continued)

- Registered mutual funds with investment advisors of \$546,042 and \$528,511, respectively and are valued using quoted market prices (Level 1 inputs).

B. Receivables

Receivables as of June 30, 2020 and 2019 for the Town's individual major and non-major governmental funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>2020</u>	<u>2019</u>
Receivables		
Property taxes	\$ 20,894	\$ 22,904
Other	<u>15,331</u>	<u>8,544</u>
Gross receivables	36,225	31,448
Less: allowance for uncollectibles	<u>(8,197)</u>	<u>(10,934)</u>
Total Receivables - Net	<u><u>\$ 28,028</u></u>	<u><u>\$ 20,514</u></u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

C. Due From Other Governments

Due from other governments represents accrued revenue at June 30, 2020 and 2019 consisting of the following:

Governmental Activities:

	<u>2020</u>	<u>2019</u>
Primary Government		
Federal - General fund	\$ 350,000	\$ 350,000
State - General fund	24,407	41,542
County - General fund	<u>19,507</u>	<u>17,322</u>
Total Primary Government	<u><u>\$ 393,914</u></u>	<u><u>\$ 408,864</u></u>

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 3 – Detailed Notes on All Funds (Continued)

C. Due from Other Governments (continued)

Governmental Funds:

	<u>2020</u>	<u>2019</u>
Primary Government		
State - General fund	\$ 24,407	\$ 41,542
County - General fund	<u>19,507</u>	<u>17,322</u>
Total Primary Government	<u><u>\$ 43,914</u></u>	<u><u>\$ 58,864</u></u>

D. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable – such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable and property held for resale.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or by law through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the Mayor and Council of the Town of Kensington.

Assigned fund balance – includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance – is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 3 – Detailed Notes on All Funds (Continued)

D. Fund Balance (Continued)

Assigned Fund Balance

The Town's assigned fund balance includes the projected use of fund balance for operating and capital improvement projects deficit as approved in the subsequent years' budget, and includes the intended use for special projects encumbered by the Mayor and Town Council under the direction of the Town Manager.

The following schedule lists these assigned fund balances as of June 30:

	<u>2020</u>	<u>2019</u>
Vehicle equipment and capital replacement	\$ 219,743	\$ 156,318
Street light acquisition and replacement	240,392	240,392
Park and play area improvement	49,785	42,640
Town hall renovations	180,668	149,668
Bridge renovations and repair	129,000	119,000
Storm drain reconstruction and renovation	129,000	119,000
Flood plain protection and land acquisition	131,000	119,000
Land acquisition and construction of new public works building	628,796	479,547
Town hall drill floor replacement	39,000	29,000
	<u>1,747,384</u>	<u>1,454,565</u>
To fund subsequent year budget	662,726	765,666
Total Assigned Fund Balance	<u><u>\$2,410,110</u></u>	<u><u>\$2,220,231</u></u>

Committed Fund Balance

The Town's committed fund balance includes the projected use of fund balance for street reconstruction and renovation programs for which a contract has been signed. For the years ended June 30, 2020 and 2019 the committed fund balance was \$172,718 and \$152,913, respectively.

Order of Fund Balance Spending Policy

The Town's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 3 – Detailed Notes on All Funds (Continued)

D. Fund Balance (Continued)

First non-spendable fund balance is determined. Then restricted fund balances for specific purposes are determined, followed by committed fund balance and assigned fund balance. Unassigned fund balance cannot fall to a negative balance.

E. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>June 30,</u> <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30,</u> <u>2020</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 264,353	\$ -	\$ -	\$ 264,353
Land improvements	<u>995,894</u>	<u>-</u>	<u>-</u>	<u>995,894</u>
Total capital assets, not being depreciated	<u>1,260,247</u>	<u>-</u>	<u>-</u>	<u>1,260,247</u>
Capital assets, being depreciated				
Infrastructure	406,314	7,468	-	413,782
Buildings and improvements	1,986,924	-	-	1,986,924
Equipment	<u>701,448</u>	<u>37,280</u>	<u>(107,425)</u>	<u>631,303</u>
Total capital assets, being depreciated	3,094,686	44,748	(107,425)	3,032,009
Less accumulated depreciation for:				
Infrastructure	(126,192)	(13,537)	-	(139,729)
Buildings and improvements	(1,594,897)	(54,018)	-	(1,648,915)
Equipment	<u>(421,563)</u>	<u>(48,043)</u>	<u>107,425</u>	<u>(362,181)</u>
Total accumulated depreciation	(2,142,652)	(115,598)	107,425	(2,150,825)
Total capital assets, being depreciated, net	<u>952,034</u>	<u>(70,850)</u>	<u>-</u>	<u>881,184</u>
Governmental activities capital assets, net	<u>\$ 2,212,281</u>	<u>\$ (70,850)</u>	<u>\$ -</u>	<u>\$ 2,141,431</u>

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 3 – Detailed Notes on All Funds (Continued)

E. Capital Assets (Continued)

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

Government activities:	<u>2020</u>	<u>2019</u>
General government	\$ 4,949	\$ 5,470
Building	54,018	54,020
Public works	38,483	46,867
Parks and recreation	<u>18,148</u>	<u>10,650</u>
Total depreciation expense, government activities	<u><u>\$ 115,598</u></u>	<u><u>\$ 117,007</u></u>

F. Long-Term Debt

Changes in accrued compensated absences:

	<u>2020</u>	<u>2019</u>
Long-term balance beginning of year	\$ 42,719	\$ 46,985
Additions	8,935	1,239
Less: current portion	<u>(1,306)</u>	<u>(5,505)</u>
Long-term balance end of year	<u><u>\$ 50,348</u></u>	<u><u>\$ 42,719</u></u>

Note 4 – Commitment and Contingencies

Risk Management

The Town is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Town carries insurance through Local Government Insurance Trust. For the years ended June 30, 2020 and 2019 the Town paid annual premiums of approximately \$15,409 and \$15,123, respectively, to the pool for its general, auto, umbrella and property insurance coverage. Claims over the past three years have been significantly less than that amount. The agreement with the pool provides that the pool will be self-sustaining through member premiums, and will reinsure through commercial companies for claims in excess of \$1,000,000. The Town continues to carry commercial insurance for health, dental, life, short-term disability and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage, and no significant reductions in insurance coverage have occurred, in any of the past three fiscal years.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 4 – Commitment and Contingencies (Continued)

License Agreement

In February 2010, the Town entered into a license agreement with Montgomery County Maryland to design and construct a surface parking lot on property owned by Konterra Limited Partnership. Konterra Limited Partnership has granted a permanent and perpetual easement to the County for the land containing the parking lot. In prior years the Town has received \$446,600 to assist in funding construction, and the Town has funded the additional construction costs. The County has granted the Town the right to the exclusive use of the lot under the license agreement for ten years beginning February 11, 2010, with three additional ten-year option periods. If the Town is not notified of the County's intent to terminate the agreement, the agreement will automatically renew. The Town is currently on option year one. In consideration of services provided by the Town, the Town shall pay a quarterly fee to the County consisting of a percentage of the gross revenues from parking lot operations after deducting maintenance expenses and the additional construction costs incurred by the Town. Approximately \$27,400 of parking lot revenue has been collected by the Town to date.

Montgomery Municipal Cable

Effective November 20, 2003, the Town entered into an agreement with Montgomery Municipal Cable, Inc. for use of facilities at Town Hall. In consideration all cable franchise fees received by the Town from the County shall be retained by the Town. These payments would otherwise be required to be remitted to Montgomery Municipal Cable, Inc. This agreement expires November 20, 2020, with an automatic renewal period of two years.

Easement Agreement

Effective August 9, 2019, The Town was granted an easement on property owned by Konterra Limited Partnership on Metropolitan Avenue in the Town. This easement was created in order to permit the Town to construct, install, operate, control and maintain within the easement area a dog park. The agreement shall remain in full force and effect for a minimum of three years from August 9, 2019.

Road Transfer Agreement

Effective August 19, 2019, the Town entered an agreement with Montgomery County, Maryland to transfer certain roads within the newly annexed area of the Town to the Town for \$1. The Town accepts control and jurisdiction over and maintenance responsibility for these roads and accompanying drainage facilities.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 5 - Retirement Plans

Effective August 1, 2010, the Town has established a 401A money purchase retirement plan known as the Town of Kensington Retirement Plan to benefit employees by providing funds for retirement. All full time employees hired after January 1, 2009 are eligible to participate in the 401A money purchase plan as well as the eligible employees who were in the terminated defined benefit plan.

The employer shall contribute 10% of employee compensation as long as the employee contributes 5% into the 457 deferred compensation plan. Employees are fully vested in employer contributions after five years of service. The contributions made for the fiscal years ending June 30, 2020 and 2019 were \$71,536 and \$58,024, respectively.

Effective August 1, 2010, the Town has established a 457 deferred compensation plan known as the Town of Kensington Deferred Compensation plan for its employees. This plan allows pretax deferrals from employees up to the maximum set by IRS regulations. Employees are fully vested in the pretax deferrals made to this plan.

Note 6 – Grants

The Town receives financial assistance from federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any unallowed disbursements resulting from such audits could become a liability of the Town. In the opinion of Town management, no material refunds will be required as a result of unallowed disbursements (if any), by the grantor agencies.

Note 7 – Wynne Case

Maryland's individual income tax is composed of a state and a local rate. Maryland residents were allowed a credit for taxes paid to other states, but the credit was allowed against only the state portion of the tax and not against the local tax portion. The U.S. Supreme Court ruled this practice to be unconstitutional because it results in double taxation of income earned outside of Maryland. As a result, the State of Maryland is requiring Maryland local governments to refund the estimated portion of income tax paid to the local governments in years 2008-2014, consisting of the local portion of the tax, that the state may have to re-pay taxpayers that file amended returns claiming a refund for the credit applicable to the local tax rate. The Town's estimated obligation for State taxes to be refunded to the State is \$78,677 as of June 30, 2020 and 2019, respectively and is recorded in the liabilities section of the Statements of Net Position. This amount will be repaid to the State over twenty quarters beginning May 1, 2021.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2020 and 2019

Note 8 - Uncertainty

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. While the Town's operations have not been significantly impacted by the pandemic so far, this continues to be an evolving situation and its potential effects on the Town cannot be fully estimated at this time.

Note 9 – Subsequent Events

Management has evaluated subsequent events through October 24, 2020, the date that the financial statements were available to be issued. There were no significant events to report.

TOWN OF KENSINGTON, MARYLAND
Notes to Required Supplementary Information
June 30, 2020

Note 1 – Summary of Significant Budget Policies

The Town Council annually adopts a budget for the General Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund. On May 13, 2019, the Town Council approved the original adopted budget.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Appropriations lapse at year end with the exception of capital improvement projects. The Town carried over \$2,582,828 in committed and assigned fund balances for the year ended June 30, 2020.

Note 2 – Material Violations

There were no material violations of the annual appropriated budgets for the General Fund for the fiscal year ended June 30, 2020. In addition, there were no excesses of budgetary expenditures for that period.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				Positive
Taxes				(Negative)
Local				
Real property tax	\$ 763,592	\$ 763,592	\$ 772,714	\$ 9,122
Personal and ordinary business	93,580	93,580	134,553	40,973
Public utilities tax	432,983	432,983	437,445	4,462
Total Taxes - Local	1,290,155	1,290,155	1,344,712	54,557
Additions and abatements - prior years	-	-	170	170
Total Taxes - Local - Net	1,290,155	1,290,155	1,344,882	54,727
State Shared				
Income taxes	618,345	618,345	838,623	220,278
Admissions and amusements tax	250	250	158	(92)
Total Taxes - State Shared	618,595	618,595	838,781	220,186
Total Taxes	1,908,750	1,908,750	2,183,663	274,913
Licenses and Permits				
Building permits	5,000	5,000	18,969	13,969
Parking permits	5,270	5,270	8,238	2,968
Traders' licenses	9,000	9,000	6,779	(2,221)
Cable franchise tax	29,008	29,008	28,655	(353)
Total Licenses and Permits	48,278	48,278	62,641	14,363
Intergovernmental Revenues				
County tax duplication payment	156,806	156,806	156,809	3
State highway user	102,453	102,453	93,325	(9,128)
Financial corporation -bank shares	4,226	4,226	4,226	-
Total Intergovernmental Revenues	\$ 263,485	\$ 263,485	\$ 254,360	\$ (9,125)

Continued

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Fines and Forfeitures				
Code infractions	\$ 1,000	\$ 1,000	\$ 1,526	\$ 526
Speed camera revenue	<u>18,327</u>	<u>18,327</u>	<u>3,554</u>	<u>(14,773)</u>
Total Fines and Forfeitures	<u>19,327</u>	<u>19,327</u>	<u>5,080</u>	<u>(14,247)</u>
Miscellaneous				
Town hall rentals	30,000	30,000	15,035	(14,965)
Miscellaneous revenues	8,400	8,400	16,311	7,911
Municipal events	13,500	13,500	16,408	2,908
Investment income - net	<u>30,000</u>	<u>30,000</u>	<u>55,976</u>	<u>25,976</u>
Total Miscellaneous	<u>81,900</u>	<u>81,900</u>	<u>103,730</u>	<u>21,830</u>
Total Revenues	<u>\$ 2,321,740</u>	<u>\$ 2,321,740</u>	<u>\$ 2,609,474</u>	<u>\$ 287,734</u>

Continued

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Legislative and Executive				
Mayor and council	\$ 24,000	\$ 24,000	\$ 24,000	\$ -
Mayor and council travel	13,680	13,680	8,870	4,810
Total Legislative and Executive	37,680	37,680	32,870	4,810
Financial Administration				
Administrative salaries	481,734	481,734	451,910	29,824
Health/life/disability benefits	43,991	43,991	40,338	3,653
Payroll taxes	36,980	36,980	35,197	1,783
Employee retirement and pension fund	40,273	40,273	41,790	(1,517)
Professional services	40,865	40,865	20,311	20,554
Audit	10,700	10,700	10,700	-
Attorney	40,000	40,000	47,030	(7,030)
Dues and fees	9,797	9,797	9,440	357
Office expense	27,874	27,874	26,043	1,831
Insurance	21,000	21,000	15,409	5,591
Workers compensation insurance	9,292	9,292	4,913	4,379
Training, seminars, etc.	7,850	7,850	164	7,686
Total Financial Administration	770,356	770,356	703,245	67,111
Municipal Building				
Town Hall repairs and maintenance	42,615	42,615	21,021	21,594
Town Hall utilities	49,387	49,387	25,243	24,144
Town Hall equipment	8,000	8,000	2,137	5,863
Total Municipal Building	100,002	100,002	48,401	51,601
Other General Government				
Office equipment	500	500	2,207	(1,707)
Commercial revitalization	95,075	95,075	63,661	31,414
Miscellaneous	3,000	3,000	1,146	1,854
Contingency	10,000	10,000	-	10,000
Total Other General Government	108,575	108,575	67,014	41,561
Total General Government				
Expenditures	\$ 1,016,613	\$ 1,016,613	\$ 851,530	\$ 165,083

Continued

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Public Safety				
Salaries	\$ 143,290	\$ 143,290	\$ 102,383	\$ 40,907
Health/life/disability benefits	11,216	11,216	9,253	1,963
Payroll taxes	11,013	11,013	7,998	3,015
Miscellaneous	500	500	-	500
Employee retirement and pension fund	5,263	5,263	4,978	285
Workers compensation insurance	10,389	10,389	5,588	4,801
Traffic enforcement	-	-	8,538	(8,538)
Traffic control and engineering	12,000	12,000	3,691	8,309
Street lights - parking lot	2,000	2,000	674	1,326
Street lighting	56,142	56,142	46,097	10,045
Building inspector	4,200	4,200	4,000	200
Total Public Safety	<u>256,013</u>	<u>256,013</u>	<u>193,200</u>	<u>62,813</u>
Parks and Recreation				
Municipal events	39,030	39,030	35,728	3,302
Park equipment and maintenance	19,750	19,750	16,494	3,256
Park utilities	1,803	1,803	1,485	318
Park landscaping	30,000	30,000	23,785	6,215
Total Parks and Recreation	<u>\$ 90,583</u>	<u>\$ 90,583</u>	<u>\$ 77,492</u>	<u>\$ 13,091</u>

Continued

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Public Works				
Salaries	\$ 320,770	\$ 320,770	\$ 252,673	\$ 68,097
Health/life/disability benefits	70,292	70,292	65,457	4,835
Payroll taxes	24,406	24,406	19,493	4,913
Workers compensation insurance	23,256	23,256	8,240	15,016
Employee retirement and pension fund	24,490	24,490	24,768	(278)
Drug testing	1,000	1,000	-	1,000
Street maintenance	24,000	24,000	18,693	5,307
Tree maintenance and other landscaping	80,000	80,000	93,244	(13,244)
Storm drain maintenance	20,000	20,000	5,200	14,800
Sidewalk maintenance	20,000	20,000	2,328	17,672
Street sweeping	8,000	8,000	-	8,000
Snow removal	8,500	8,500	-	8,500
Small equipment purchase	7,500	7,500	1,894	5,606
Vehicle fuel expense	9,000	9,000	5,806	3,194
Shop supplies/tools	3,000	3,000	1,900	1,100
Uniforms	2,000	2,000	1,988	12
Miscellaneous	500	500	509	(9)
Training / seminars	500	500	-	500
Small equipment maintenance	5,000	5,000	2,468	2,532
Garage utilities and maintenance	8,422	8,422	2,403	6,019
Vehicle maintenance/repair	20,000	20,000	15,894	4,106
Refuse, recycling, yard waste contract	167,401	167,401	152,827	14,574
Leaf collection and disposal fees	15,500	15,500	7,241	8,259
Total Public Works	<u>863,537</u>	<u>863,537</u>	<u>683,026</u>	<u>180,511</u>
Total Expenditures before Capital Improvement Projects	<u>\$ 2,226,746</u>	<u>\$ 2,226,746</u>	<u>\$ 1,805,248</u>	<u>\$ 421,498</u>

Continued

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Capital Improvement Projects				
General Government				
Town Hall renovations	\$ 31,000	\$ 31,000	\$ -	\$ 31,000
Town Hall drill floor replacement	10,000	10,000	-	10,000
Total	41,000	41,000	-	41,000
Public works				
Street reconstruction & renovation program	525,000	525,000	505,195	19,805
Bridge renovation & repair program	10,000	10,000	-	10,000
Storm drainage reconstruction & renovation	10,000	10,000	-	10,000
Flood plain protection & land acquisition	12,000	12,000	-	12,000
Land acquisition and construction of new public works building	149,249	149,249	-	149,249
Vehicle, equipment and capital replacement	78,410	78,410	14,985	63,425
Total	784,659	784,659	520,180	264,479
Parks				
Park and play area improvements	35,000	35,000	27,855	7,145
Total	35,000	35,000	27,855	7,145
Total Capital Improvement Projects	860,659	860,659	548,035	312,624
 Total Expenditures after Capital Improvement Projects	 \$ 3,087,405	 \$ 3,087,405	 \$ 2,353,283	 \$ 734,122

The accompanying notes are an integral part of this schedule.

TOWN OF KENSINGTON, MARYLAND
Notes to Required Supplementary Information
June 30, 2020

Note 1 – Summary of Significant Budget Policies

The Town Council annually adopts a budget for the General Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund. On May 13, 2019, the Town Council approved the original adopted budget.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Appropriations lapse at year end with the exception of capital improvement projects. The Town carried over \$2,582,828 in committed and assigned fund balances for the year ended June 30, 2020.

Note 2 – Material Violations

There were no material violations of the annual appropriated budgets for the General Fund for the fiscal year ended June 30, 2020. In addition, there were no excesses of budgetary expenditures for that period.

FREDERICK • ROCKVILLE

www.lswgcpa.com

8/3/2020

Micheal Paylor
Chief, Engineering Services
Montgomery County Department of Transportation
Division of Traffic Engineering and Operations
100 Edison Park Dr 4th Floor
Gaithersburg, MD 20878

Dear Mr. Micheal Paylor and Mr. Vincent Ho,

We are contacting you about the intersection of Summit Ave and Plyers Mill Rd in Kensington, MD and whether an additional stop sign should be added or one of the current stop signs should be removed. The KenGar neighborhood has been involved several times over the years in keeping the stop signs in their current configuration. We provide some historical perspective, discuss specific problems encountered over the years divided by the direction of traffic approaching the intersection, and make eight specific suggestions to improve the intersection.

Our family has lived in KenGar for more than 25 years. In the distant past, there was a one lane bridge over the railroad tracks so fewer people used it as a cut thru. If a car was on the bridge, traffic would flow the same way until there was a break in traffic. There was no mechanism to enforce "taking turns." Of course, it was easier to head south in the morning and north in the afternoon. The bridge was reconstructed (we think in the late 90's) as a two-lane bridge. Reconstruction took over 2 years and the residents of the KenGar neighborhood could only leave the neighborhood via Connecticut Avenue.

When the new two-lane bridge was completed, there was no stop sign for **Northbound traffic** on the bridge approaching the intersection of Plyers Mill and Summit Ave. The design of the new bridge made it difficult for northbound drivers on the bridge to see cars leaving KenGar because the concrete wall on the bridge and foliage in the neighborhood along the railroad tracks block the view, and the road level was raised a few feet higher over the road leaving KenGar. All these factors contribute to cars coming across the bridge frequently not seeing traffic coming out of KenGar. Cars frequently did not stop and let us proceed out of the neighborhood unless we moved into the intersection. During rush hour, it was very difficult to get out of the neighborhood. After a few months, the neighborhood petitioned the county to install a stop sign on the bridge side of the intersection.

Currently, the stop sign for Northbound traffic is actually at the end of the level portion of the bridge and prior to the flared portion of the approach to the intersection (about at the end of the red arrow on the satellite view of the intersection in the figure). The intersection of Summit and Plyers Mill Rd is an additional ~19 feet farther from the stop sign. When drivers stop near the current stop sign, they cannot see eastbound traffic approaching the intersection from KenGar for reasons already listed in the prior paragraph. This is a safety design issue that needs to be addressed.

Westbound traffic on Plyers Mill Rd (from Connecticut Av) frequently does not properly yield to Northbound cars turning left from the bridge into KenGar. The Westbound traffic also frequently cuts the corner too tightly as they turn onto the bridge. The flared opening from the end of the bridge to the

actual intersection may contribute to this driving pattern as the opening to the bridge is much wider than the actual bridge (see satellite view). When the Northbound car is stopped in a position where they can see traffic from KenGar, they are dangerously close to the path of Westbound traffic turning onto the bridge. Additionally, Westbound drivers seem to anticipate that the cars coming across the bridge are going to make a right-hand turn, even when the car trying to enter KenGar from the bridge uses their left turn blinker. Sometimes, Westbound cars need to back up because they stop in the middle of the intersection before we can make the left-hand turn. This is the only entry/exit point to our neighborhood so we are completely dependent on this intersection. Removing the stop sign for westbound traffic on Plyers Mill would significantly exacerbate this problem. Finally, there is a stop line painted on Plyers Mill road for westbound traffic entering the neighborhood but it has partially faded and is painted an unorthodox angle.

A question was raised recently about installing a stop sign for the **Eastbound traffic** at the intersection of Plyers Mill and Summit Ave, effectively converting it to a three-way stop. This option has been tried in the past. The extra stop sign caused enough problems that the neighborhood wrote to the county and ultimately got the stop sign removed. Particularly in the winter, slippery conditions on the 4-5 degree incline made restarting after a stop almost impossible when leaving KenGar. If the incline was slick, a car would have to back down the incline and then reattempt going up. Under these circumstances, you would hope that no cars came so you could just go through the intersection. The problem with ice on Plyers Mill Rd at this intersection is not limited to snow days. There has been an intermittent but recurrent leak from a water supply line under Plyers Mill Road near the intersection. This causes water to drain down the incline on the KenGar side of the intersection and form a film of ice on many freezing days even without recent snow. Thus, it seems like we are reinventing a traffic problem for the second time by proposing a stop sign for eastbound traffic out of KenGar. History tells us this will be a problem. Signs were added to the two current stop signs already in place indicating that the entrance out of KenGar does not have a stop sign.

Thus, there are a multitude of reasons why this intersection has special importance to the KenGar community. The recent proposal to add a stop sign for eastbound traffic through the intersection is a step backward that has been tried in the past and caused problems as outlined in this letter.

Specific Recommendations:

1. Add flashing lights to the Stop Sign for northbound traffic on the Summit Ave bridge.
2. Paint a stop line close to Plyers Mill Rd so Northbound drivers come to a complete stop in a location where they can actually see eastbound traffic coming out of KenGar.
3. Add a line to divide the bridge into two separate lanes.
4. Add curved lines on the intersection to guide westbound traffic on Plyers Mill into the righthand lane of the bridge without compromising the location where northbound traffic should stop to be able to see traffic coming out of KenGar.
5. Add a cross walk on the east side of the intersection. This was separately proposed to improve pedestrian safety.
6. Repaint the stop line for westbound traffic approaching the intersection. It should be perpendicular to Plyers Mill road and prior to the new cross walk.

7. Do not add a stop sign for Eastbound side traffic approaching the intersection. Alternatively, the County could effectively repair the water leak and re-grade Plyers Mill Rd on the KenGar side of the intersection.
8. We suggest that you invite the KenGar community to discuss this matter prior to any final decision making at the county level.

Sincerely,

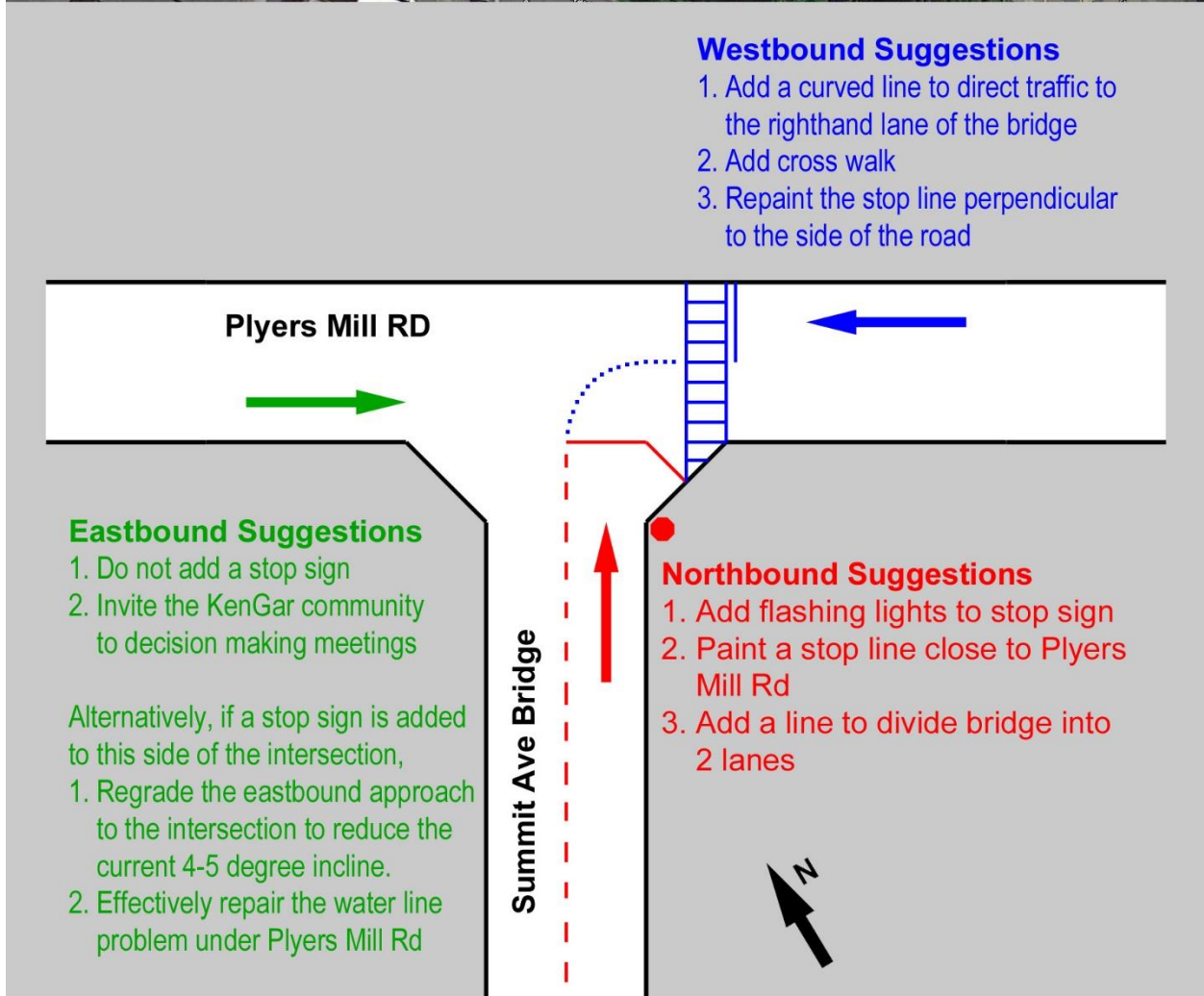
Rita and Andrew Arai
Residents of KenGar

Please see the Satellite image and diagram on the next page...



Westbound Suggestions

1. Add a curved line to direct traffic to the righthand lane of the bridge
2. Add cross walk
3. Repaint the stop line perpendicular to the side of the road





ORG. DATE - 11/3/2020

Resolution No. R-13-2020**Adopted:**

A Resolution of the Mayor and Town Council of Kensington Proclaiming November to be Municipal Government Works Month in Kensington, Maryland.

WHEREAS, the Town of Kensington was incorporated following an Act of the Maryland General Assembly on April 6, 1894; and

WHEREAS, the State of Maryland is home to 157 Municipalities, along with two Special Taxing Districts, represented by the Maryland Municipal League (MML); and

WHEREAS, municipal government represents the most responsive level of government, allowing citizens to have direct access to elected officials; and

WHEREAS, in order to help inform the Kensington community about municipal government and the importance of their participation, the Town of Kensington is proud to promote municipal government awareness; and

WHEREAS, the Town of Kensington has enhanced the quality of life of our respective residents by providing necessary services for the community and creating a wonderful place to live, work, play, and explore.

NOW, THEREFORE, BE IT PROCLAIMED that the Mayor and Council of the Town of Kensington, Maryland, do hereby join with the Maryland Municipal League in declaring November to be Municipal Government Works Month in Kensington, Maryland.

Adopted by the Town Council this 9th day of November, 2020.

Effective this 9th day of November, 2020.

ATTEST: TOWN OF KENSINGTON, MARYLAND

By: _____
Susan C. Engels, Clerk – Treasurer

Tracey C. Furman, Mayor