
**TOWN OF KENSINGTON,
MARYLAND**

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

**For the Years Ended
June 30, 2023 and 2022**

LSWG

**CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS**

TOWN OF KENSINGTON, MARYLAND
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June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining aggregate information of the Town of Kensington, Maryland (the Town), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining aggregate information of the Town of Kensington, Maryland, as of June 30, 2023 and 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Kensington, Maryland, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Kensington, Maryland's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Kensington, Maryland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Kensington, Maryland's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule – general fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquiries 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.

LSWG, P.A.

Rockville, Maryland
October 30, 2023

MANAGEMENT'S 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, 2023. 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 \$7,724,030 (net position). Of this amount, \$5,322,840 (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 \$825,118 for the fiscal year compared with an increase of \$415,293 in the prior year.
- Revenues in the Statement of Program Activities increased by \$740,131 (27%) when compared to the prior year. Expenses in the Statement of Program Activities increased by \$330,306 (14%) 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 \$5,387,244, an increase of \$753,824 in comparison with the prior year. Out of this fund balance, approximately 5%, \$246,806, is classified as unassigned and available for spending at the government's discretion. Of the remaining \$5,140,438 balance, \$38,015 is designated as nonspendable and represents prepaid expenses; \$136,183 is committed and under contract for the Bridge Reconstruction and Renovation Program within Capital Projects Fund; \$3,993,278 is assigned for other projects within the Capital Projects Fund; and \$972,962 is assigned for next year's operations included in the General Fund.
- The General Funds total revenues were \$173,683 under budget and expenditures were \$426,650 under budget.
- The Town received the second payment, \$1,148,193, from the American Rescue Plan Act (ARPA), which is included in deferred inflows until the related eligible expenditures are incurred. The Town began using \$9,800 of the ARPA funds in this fiscal year to begin the engineering phase for upgrading the storm drain network and plans on using the remaining ARPA funds of \$2,285,728 to improve the Town's storm drain network.
- In this fiscal year, the Town:
 1. Awarded an Engineering, Design, and Construction Management contract to Brudis & Associate, Inc., for the recommended improvements and repairs of the Town's three (3) bridges.
 - a. An RFP for construction will be issued in FY24.

2. Installed electricity to Clum-Kennedy and Reinhardt Parks to allow for security cameras.
3. Installed a Gazebo at the Kensington Dog Run.
4. Installed a new sidewalk along EB Metropolitan Avenue to connect the existing sidewalk that ends at the Dog Run with the RideOn Bus Stop.
5. Installed a new sidewalk along EB Kaiser Place.
6. Reset the existing brick sidewalk along the 3900 block of Washington Street.
7. Purchased a Kubota RTV for the Public Works Department.
8. Installed two (2) new crosswalks within a designated School Zone and replaced six (6) existing crosswalks with new thermoplastic infill.
9. Planted 40 trees within the Town's right-of-way and parks.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis intends to serve as an introduction to the Town of Kensington's basic financial statements. The Town of Kensington's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required 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, 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 two governmental funds, the general fund and the capital projects fund.

General Fund - General 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 a general fund and a capital projects fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance, which are both considered to be major funds.

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

Capital Project Fund. The Town also has a capital project fund to account for the non-lapsing capital expenditures. Non-lapsing capital expenditures include funds for infrastructure and capital assets in general government, parks and recreation, public safety, and public works. The Town adopts as part of the budget ordinance a capital project fund.

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 \$7,724,030 at the close of the most recent fiscal year as compared with \$6,898,912 at the end of the prior year. Approximately 31% 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	\$ 7,868,968
Capital assets	<u>2,401,190</u>
Total assets	<u>10,270,158</u>
Other liabilities	<u>2,546,128</u>
Total liabilities	<u>2,546,128</u>
Invested in capital assets, net of related debt	\$ 2,401,190
Unrestricted	<u>5,322,840</u>
Total Net Position	<u>\$ 7,724,030</u>

The unrestricted net position of \$5,322,840 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 \$825,118.

Town of Kensington Changes in Net Position

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 85,382
Operating grants and contributions	131,400
General revenues:	
Taxes	2,725,012
Other	<u>586,264</u>
Total Revenues	<u>\$ 3,528,058</u>
Expenses:	
General government	\$ 997,419
Building and zoning	124,593
Public safety	225,899
Parks and recreation	159,846
Public works	<u>1,195,183</u>
Total Expenses	<u>\$ 2,702,940</u>
Increase in net position	\$ 825,118
Net position on July 1, 2022	<u>6,898,912</u>
Net position on June 30, 2023	<u>\$ 7,724,030</u>

- Taxes of \$2,725,012 comprised 77% of the total revenues received, which was \$3,528,058. Most of this balance is the product of property and income taxes. Taxes in the prior year were \$2,265,479 representing 81% of total revenues in that year of \$2,787,927.

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 \$5,387,244, an increase of \$753,824 in comparison with the prior year. This increase is mostly attributable to an increase in investment income and income tax revenue.

Approximately 5% of this amount, \$246,806, constitutes the unassigned fund balance, which is available for future spending at the government's discretion. The remainder of the fund, \$5,140,438, has been reserved for prepaid expenses, capital projects in the capital projects fund, and for projected use to fund next year's budget due to additional funds added to the capital improvement fund.

Assigned funds from the fund balance include \$3,993,278 for capital improvement projects in the capital projects fund and \$972,962 to fund next year's budget in the general fund resulting in a total assigned fund balance at the end of this fiscal year of \$4,966,240. Committed funds in the capital projects fund from the fund balance include \$136,183 for the existing Engineering, Design, and Management contract with Brudis & Associates, Inc., for the Bridge Repair project.

Total Fund Balance at June 30, 2023	\$5,387,244
Nonspendable for Prepaid Expenses	(38,015)
Committed for Capital Project Budget for Bridge Reconstruction & Renovation Program (Under contract)	(136,183)
Assigned for Capital Projects Budget (Not under contract)	(3,993,278)
Assigned for FY 2023-24 Budget (includes general fund)	<u>(972,962)</u>
Unassigned Fund Balance*	<u>\$ 246,806</u>

*The Unassigned Fund Balance does not include \$2,285,728 received from the ARPA grant, which is deferred revenue until the expenses are incurred.

General 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 exceeded expenditures by \$753,824 within the Government Fund at the end of the fiscal year.

Revenues were less than the budget forecast due to the first ARPA payment of \$1,147,335 being included in the budget, of which, \$1,137,535 was not realized as income in this fiscal year.

Expenditures were less than the budget forecast by \$426,650 for the fiscal year, which is mostly attributable to holding off from filling a full-time Public Works position; a part-time general government position; and budgeting for a fourth Officer to the Town's secondary employment agreement with Montgomery County Police, which remains vacant.

General Fund Budget Highlights

	<u>Adopted Budget</u>	<u>Actual</u>
Revenues		
Taxes – Local	\$1,415,562	\$1,526,271
Taxes – Shared Revenues	680,500	1,186,884
Licenses & Permits	46,546	53,824
Intergovernmental Revenue	373,796	382,824
Fines and Forfeitures	3,500	2,048
Grants – ARPA	1,147,335	9,800
Grants – Other	-	9,000
Other	<u>18,500</u>	<u>341,405</u>
Total Revenue	<u>3,685,739</u>	<u>3,512,056</u>
Expenditures		
General Government	1,231,012	1,039,703
Public Works	997,744	882,757
Public Safety	308,490	224,007
Parks and Recreation	<u>144,800</u>	<u>108,929</u>
Total Expenditures	\$ <u>2,682,046</u>	<u>2,255,396</u>
Change in fund balance	\$ <u>\$1,003,693</u>	<u>\$ 753,824</u>

Capital Projects Fund Highlights

For reference, the Town Charter was amended during the 2009-10 Fiscal Year to allow for non-lapsing capital project expenditures. Subsequently, \$3,993,278 has been assigned from the fund balance for ongoing and future capital projects, which includes Facilities Capital Reserve; Property Acquisition; Town Hall Improvements; Town Parks and Playground Improvements; Street Light Replacement Program; Bridge Reconstruction and Renovation Program; Equipment and Vehicle Replacement Program; Pavement Management Program; Public Works Facility Improvements; and Storm Drain Reconstruction & Renovation Program; in addition, \$136,183 has been committed for an existing contract within the Bridge Reconstruction and Renovation Program.

The Fiscal Year ending June 30, 2022, non-lapsing CIP budget assigned and committed funds were \$2,770,175. In the current fiscal year, an additional \$1,862,122 was added for capital improvement projects, while \$502,836 was expended for capital improvement projects. This resulted in an assigned and committed fund balance for the CIP budget of \$4,129,461 at the end of this fiscal year.

Capital Project Fund June 30, 2022	\$2,770,175
Transfers to Capital Project Fund	1,862,122
Capital Projects Fund Expenditures	<u>502,836</u>
Capital Project Fund June 30, 2023	<u>\$4,129,461</u>

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 \$2,401,190 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 \$112,739.

Governmental Activities - Capital Assets

	<u>Governmental Activities</u>
Non-Depreciable Assets	
Land	\$ 264,353
Land Improvements	995,894
Other Capital Assets	
Buildings & Improvements	2,211,544
Leasehold Improvements	30,060
Equipment	647,054
Infrastructure	<u>680,780</u>
Total Capital Assets	4,829,685
Accumulated Depreciation	<u>(2,428,495)</u>
Net Capital Assets	<u>\$ 2,401,190</u>

LONG-TERM DEBT

The long-term portion of accrued compensated absences of \$78,559 represents the outstanding debt obligations of the Town.

NEXT YEAR'S BUDGET HIGHLIGHTS

The Town adopted the Fiscal Year 2023-2024 Budget on May 8, 2023.

For Fiscal Year 2023-2024 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 \$972,962 from the prior year's unassigned fund balance for spending within the Fiscal Year 2023-2024 budget. This appropriation, which includes the final ARPA payment, adds \$2,145,759 to the non-lapsing Capital Projects Fund. The Town is planning to acquire certain property and address a number of infrastructure needs within the upcoming fiscal year, to include:

1. Acquire a property for a future Public Works Facility.
2. Acquire land to help with storm water mitigation.
3. Acquire land to help with public parking within the Town's business district.
4. Issue a construction RFP for the recommended improvements and repairs to the Town's three (3) bridges.
5. Reconfigure the intersections of Plyers Mill Road/St. Paul Street, along with St. Paul Street/McComas Avenue, to help with traffic mitigation and improve pedestrian safety.
6. Add and/or expand storm drain options along St. Paul Street, Farragut Avenue, Oberon Street, and Kensington Parkway.
7. Address storm water and flooding concerns within the Town's C-line storm drain network.
8. Issue an Engineering and Design RFP for a future Public Works Facility.
9. Continue to upgrade and improve the Town's infrastructure through ADA and sidewalk improvements.

American Rescue Plan Act (ARPA):

The Town was awarded \$2,295,528 in Coronavirus State and Local Fiscal Recovery Funds (SLFRF) through the American Rescue Plan Act (ARPA), which was signed into Federal law in March 2021; \$1,147,335 of the award was received August 27, 2021 and the remaining \$1,148,193 was received August 4, 2022. The Town anticipates using the majority of these funds to address storm water management issues in Town, as outlined within our FY24 Budget Highlights.

ECONOMIC FACTORS

The major economic factor affecting the Town of Kensington is the continued rapid rate of inflation. More specifically, we are seeing substantial increases within recent bids and RFP's for engineering and construction services, which may limit the number and scope of projects moving forward.

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, 2023 and 2022

	Governmental Activities <u>2023</u>	Governmental Activities <u>2022</u>
Assets		
Cash and cash equivalents	\$ 233,878	\$ 284,921
Investments	7,478,821	5,734,638
Receivables, net	69,919	15,660
Due from other governments	48,335	80,018
Prepaid expenses	38,015	31,852
Capital assets, net	<u>2,401,190</u>	<u>2,327,659</u>
Total Assets	<u>10,270,158</u>	<u>8,474,748</u>
Deferred Outflows	<u>-</u>	<u>-</u>
Liabilities		
Accounts payable	141,515	331,913
Builder deposits	10,500	10,500
Accrued salaries	19,133	13,647
Accrued compensated absences	<u>84,059</u>	<u>67,180</u>
Total Liabilities	<u>255,207</u>	<u>423,240</u>
Deferred Inflows	<u>2,290,921</u>	<u>1,152,596</u>
Net Position		
Invested in capital assets, net	2,401,190	2,327,659
Unrestricted	<u>5,322,840</u>	<u>4,571,253</u>
Total Net Position	<u><u>\$ 7,724,030</u></u>	<u><u>\$ 6,898,912</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, 2023**

		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	\$ 997,419	\$ -	\$ 19,710	\$ (977,709)	\$ (977,709)
Building and zoning	124,593	53,824	-	(70,769)	(70,769)
Public works	1,195,183	-	111,690	(1,083,493)	(1,083,493)
Public safety	225,899	4,973	-	(220,926)	(220,926)
Parks and recreation	159,846	26,585	-	(133,261)	(133,261)
Total Governmental Activities	<u>\$ 2,702,940</u>	<u>\$ 85,382</u>	<u>\$ 131,400</u>	(2,486,158)	(2,486,158)
General Revenues					
Property taxes				1,538,128	1,538,128
State shared taxes				1,186,884	1,186,884
Intergovernmental				271,134	271,134
Investment income				273,273	273,273
Miscellaneous				41,857	41,857
Total General Revenues				<u>3,311,276</u>	<u>3,311,276</u>
Changes in Net Position				825,118	825,118
Net Position, Beginning of Year				<u>6,898,912</u>	<u>6,898,912</u>
Net Position, End of Year				<u>\$ 7,724,030</u>	<u>\$ 7,724,030</u>

The accompanying notes are an integral part of this statement.

Town of Kensington, Maryland
Statement of Program Activities
For the Year Ended June 30, 2022

		Program Revenue		Net (Expenses)	
		Charges for	Operating Grants	Revenue and	
	Expenses	Services	and Contributions	Changes in	
				Governmental	Total
				Activities	
Functions/Programs					
Governmental Activities					
General government	\$ 750,483	\$ -	\$ -	\$ (750,483)	\$ (750,483)
Building and zoning	120,411	64,545	-	(55,866)	(55,866)
Public works	1,130,045	-	114,099	(1,015,946)	(1,015,946)
Public safety	220,944	3,242	-	(217,702)	(217,702)
Parks and recreation	150,751	16,303	-	(134,448)	(134,448)
Total Governmental Activities	<u>\$ 2,372,634</u>	<u>\$ 84,090</u>	<u>\$ 114,099</u>	(2,174,445)	(2,174,445)
General Revenues					
Property taxes				1,451,599	1,451,599
State shared taxes				813,880	813,880
Intergovernmental				299,255	299,255
Investment income				13,572	13,572
Miscellaneous				11,432	11,432
Total General Revenues				<u>2,589,738</u>	<u>2,589,738</u>
Changes in Net Position				415,293	415,293
Net Position, Beginning of Year				<u>6,483,619</u>	<u>6,483,619</u>
Net Position, End of Year				<u>\$ 6,898,912</u>	<u>\$ 6,898,912</u>

The accompanying notes are an integral part of this statement.

Town of Kensington, Maryland
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 233,878	\$ -	\$ 233,878
Investments	7,478,821	-	7,478,821
Receivables, net	69,919	-	69,919
Due from other governments	48,335	-	48,335
Due from other funds	-	4,129,461	4,129,461
Prepaid expenses	38,015	-	38,015
Total Assets	<u>7,868,968</u>	<u>4,129,461</u>	<u>11,998,429</u>
Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Accounts payable	141,515	-	141,515
Builder deposits	10,500	-	10,500
Accrued salaries	19,133	-	19,133
Accrued compensated absences - current	5,500	-	5,500
Due to other funds	4,129,461	-	4,129,461
Total Liabilities	<u>4,306,109</u>	<u>-</u>	<u>4,306,109</u>
Deferred Inflows	<u>2,305,076</u>	<u>-</u>	<u>2,305,076</u>
Fund Balance			
Nonspendable	38,015	-	38,015
Committed	-	136,183	136,183
Assigned	972,962	3,993,278	4,966,240
Unassigned	246,806	-	246,806
Total Fund Balance	<u>\$ 1,257,783</u>	<u>\$ 4,129,461</u>	<u>\$ 5,387,244</u>
Reconciliation of Total Governmental Fund Balance To Net Position of the Governmental Activities			
Total Governmental Fund Balance			\$ 5,387,244
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.			14,155
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.			2,401,190
Compensated absences not requiring current financial resources and therefore not reported as expenditures in the fund financial statements.			<u>(78,559)</u>
Net Position of Governmental Activities			<u>\$ 7,724,030</u>

The accompanying notes are an integral part of this statement.

Town of Kensington, Maryland
Balance Sheet
Governmental Funds - Restated
June 30, 2022

	General	Capital	Total
	Fund	Projects	Governmental
Assets	Fund	Fund	Funds
Cash and cash equivalents	\$ 284,921	\$ -	\$ 284,921
Investments	5,734,638	-	5,734,638
Receivables, net	15,660	-	15,660
Due from other governments	80,018	-	80,018
Due from other funds	-	2,770,175	2,770,175
Prepaid expenses	31,852	-	31,852
Total Assets	<u>6,147,089</u>	<u>2,770,175</u>	<u>8,917,264</u>
Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Accounts payable	331,913	-	331,913
Builder deposits	10,500	-	10,500
Accrued salaries	13,647	-	13,647
Accrued compensated absences - current	2,715	-	2,715
Due to other funds	2,770,175	-	2,770,175
Total Liabilities	<u>3,128,950</u>	<u>-</u>	<u>3,128,950</u>
Deferred Inflows	<u>1,154,894</u>	<u>-</u>	<u>1,154,894</u>
Fund Balance			
Nonspendable	31,852	-	31,852
Committed	-	98,276	98,276
Assigned	858,431	2,671,899	3,530,330
Unassigned	972,962	-	972,962
Total Fund Balance	<u>\$ 1,863,245</u>	<u>\$ 2,770,175</u>	<u>\$ 4,633,420</u>

Reconciliation of Total Governmental Fund Balance To Net

Position of the Governmental Activities

Total Governmental Fund Balance	\$ 4,633,420
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.	2,298
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	2,327,659
Compensated absences not requiring current financial resources and therefore not reported as expenditures in the fund financial statements.	<u>(64,465)</u>
Net Position of Governmental Activities	<u>\$ 6,898,912</u>

The accompanying notes are an integral part of this statement.

Town of Kensington, Maryland
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
General property taxes	\$ 1,526,271	\$ -	\$ 1,526,271
State shared taxes	1,186,884	-	1,186,884
Licenses and permits	53,824	-	53,824
Fines and forfeitures	2,048	-	2,048
Municipal events	11,318	-	11,318
Intergovernmental revenues	382,824	-	382,824
Miscellaneous	56,814	-	56,814
Grants	18,800	-	18,800
Net investment income	273,273	-	273,273
Total Revenues	<u>3,512,056</u>	<u>-</u>	<u>3,512,056</u>
Expenditures			
General government	1,039,703	60,235	1,099,938
Public works	882,757	371,091	1,253,848
Public safety	224,007	-	224,007
Parks and recreation	108,929	71,510	180,439
Total Expenditures	<u>2,255,396</u>	<u>502,836</u>	<u>2,758,232</u>
Change in Fund Balance	1,256,660	(502,836)	753,824
Other Financing Sources (Uses)			
Operating transfers in (out)	<u>(1,862,122)</u>	<u>1,862,122</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(605,462)	1,359,286	753,824
Fund Balance at Beginning of Year	<u>1,863,245</u>	<u>2,770,175</u>	<u>4,633,420</u>
Fund Balance at End of Year	<u><u>\$ 1,257,783</u></u>	<u><u>\$ 4,129,461</u></u>	<u><u>\$ 5,387,244</u></u>

The accompanying notes are an integral part of this statement.

Town of Kensington, Maryland
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds - Restated
For the Year Ended June 30, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
General property taxes	\$ 1,468,281	\$ -	\$ 1,468,281
State shared taxes	813,881	-	813,881
Licenses and permits	64,545	-	64,545
Fines and forfeitures	3,242	-	3,242
Municipal events	8,468	-	8,468
Intergovernmental revenues	412,654	-	412,654
Miscellaneous	23,839	-	23,839
Net investment income	13,572	-	13,572
Total Revenues	<u>2,808,482</u>	<u>-</u>	<u>2,808,482</u>
Expenditures			
General government	855,559	161,047	1,016,606
Public works	752,457	383,916	1,136,373
Public safety	221,548	-	221,548
Parks and recreation	105,209	32,697	137,906
Total Expenditures	<u>1,934,773</u>	<u>577,660</u>	<u>2,512,433</u>
Change in Fund Balance	873,709	(577,660)	296,049
Other Financing Sources (Uses)			
Operating transfers in (out)	<u>(958,492)</u>	<u>958,492</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(84,783)	380,832	296,049
Fund Balance at Beginning of Year	<u>1,948,028</u>	<u>2,389,343</u>	<u>4,337,371</u>
Fund Balance at End of Year	<u><u>\$ 1,863,245</u></u>	<u><u>\$ 2,770,175</u></u>	<u><u>\$ 4,633,420</u></u>

The accompanying notes are an integral part of this statement.

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 753,824	\$ 296,049
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.	11,857	(16,682)
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 (did not) exceed capital outlay expenditures.	73,531	94,559
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.	(14,094)	(6,133)
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.	<u>-</u>	<u>47,500</u>
Net Changes in Net Position	<u>\$ 825,118</u>	<u>\$ 415,293</u>

The accompanying notes are an integral part of these statements.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

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. GASB Statement No. 34 includes 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, 2023 and 2022

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, 2023 and 2022

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 funds:

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.

The Capital Projects Fund – The capital projects fund is used to account for financial resources and expenditures applied to the construction of capital facilities and major purchased items for all governmental fund types.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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, 2023 and 2022 was \$680,780 and \$537,535, 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.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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 per calendar year. 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.

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, 2023 and 2022 were .1312 per \$100 of assessed taxable value. The corporate and personal property tax rates for the Town for the fiscal years ended June 30, 2023 and 2022 were .80 per \$100 of assessed taxable value. The public utility tax rates for the Town for the fiscal years ended June 30, 2023 and 2022 were 5.00 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 \$0 and \$4,312 has been established for delinquent property taxes at June 30, 2023 and 2022, 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 that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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. The Town has no deferred outflows of resources for the years ended June 30, 2023 and 2022.

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. The Town’s deferred inflows of resources consist of grant funds received but not spent, property taxes and unearned income collected for the farmer’s market.

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”.

9. Reclassifications – certain prior year amounts have been reclassified to conform to the current year presentation.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

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.

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.

At June 30, 2023 and 2022, the carrying amount of the Town's deposits totaled \$233,878 and \$284,921 and the bank balances totaled \$392,781 and \$309,829, respectively. Of the bank balances at June 30, 2023 and 2022, \$250,000 was covered by FDIC, respectively. For fiscal year ended June 30, 2022 the remaining balance was collateralized at a local bank.

For fiscal year ended June 30, 2023, \$94,645 is not covered by FDIC or collateralized. This violation of State statute was corrected on September 27, 2023.

Investments – Maryland Local Government Investment Pool

The Town is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single Baltimore-based financial institution, PNC Bank. An MLGIP advisory committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The MLGIP has an AAAM rating. The fair value of the pool is the same as the value of the pooled shares. At June 30, 2023 and 2022, the Town had \$5,731,279 and \$5,041,606, respectively invested in the Pool.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments – Montgomery County Maryland Investment Pool

The Town is a participant of the Montgomery County Maryland Investment Pool. These funds are part of collateralized investment pools. The Fund is managed by Montgomery County, Maryland, with oversight by the investment committee and in compliance with the Annotated Code of Maryland. The investment pool is comprised of commercial paper, the Maryland Local Government Investment Pool (MLGIP), and U.S. Government securities. The fair value of the pool is the same as the value of the pooled shares. Investment income during the year is allocated to pool participants based upon their average equity in the pool. At June 30, 2023 and 2022, the Town had \$491,336 and \$474,867, respectively invested in the Pool.

Investment Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, The Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. There are three categories of custodial credit risk. Category 1 includes investments that are insured or registered or where securities are held by the Town or its agents, 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 where the securities are held by the financial institution's trust department or agent, but not in the Town's name. At June 30, 2023 and 2022, all of the Town investments are insured or registered, or for which the securities are held by the Town or its agent in the Town's name or are invested in the MLGIP and Montgomery County Maryland Investment Pool.

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, 2023 and 2022:

- Maryland Local Government Investment Pool mutual funds of \$5,731,279 and \$5,041,606, respectively and are valued using quoted market prices (Level 1 inputs).

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Detailed Notes on All Funds (Continued)

A. Deposits and Investments (continued)

- Montgomery County Investment Pool mutual funds of \$491,336 and \$474,867, respectively and are valued using quoted market prices (Level 1 inputs).
- Certificates of Deposit of \$0 and \$218,164, respectively and are valued using in prices quotes in active markets for these securities.
- Treasury bills of \$1,256,206 and \$0, respectively and are valued using in price quotes in active markets for securities.

B. Receivables

Receivables as of June 30, 2023 and 2022 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>2023</u>	<u>2022</u>
Receivables		
Property taxes	\$ 14,155	\$ 11,807
Other	<u>55,764</u>	<u>8,165</u>
Gross receivables	69,919	19,972
Less: allowance for uncollectibles	<u>-</u>	<u>(4,312)</u>
Total Receivables - Net	<u><u>\$ 69,919</u></u>	<u><u>\$ 15,660</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.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Detailed Notes on All Funds (Continued)

C. Due From Other Governments

Due from other governments represents accrued revenue at June 30, 2023 and 2022 consisting of the following:

Governmental Activities:

	<u>2023</u>	<u>2022</u>
Primary Government		
State - General fund	\$ 32,456	\$ 52,379
County - General fund	<u>15,879</u>	<u>27,639</u>
Total Primary Government	<u><u>\$ 48,335</u></u>	<u><u>\$ 80,018</u></u>

Governmental Funds:

	<u>2023</u>	<u>2022</u>
Primary Government		
State - General fund	\$ 32,456	\$ 52,379
County - General fund	<u>15,879</u>	<u>27,639</u>
Total Primary Government	<u><u>\$ 48,335</u></u>	<u><u>\$ 80,018</u></u>

D. Fund Balance

The Governmental Accounting Standards Board (GASB) 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.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Detailed Notes on All Funds (Continued)

D. Fund Balance (continued)

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.

Nonspendable Fund Balance

The Town's nonspendable fund balance includes prepaid expenses of \$38,015 and \$31,852 for the years ended June 30, 2023 and 2022, respectively.

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 the assigned fund balances in the capital projects fund as of June 30:

	<u>2023</u>	<u>2022</u>
Equipment and vehicle replacement program	\$ 271,139	\$ 299,786
Street light replacement program	36,317	47,705
Town parks and playground improvements	99,518	121,028
Town hall improvements	165,560	156,108
Bridge reconstruction and renovation program	143,871	239,000
Storm drain reconstruction and renovation program	1,273,017	137,620
Property acquisition	987,796	753,796
Public works facility improvement	150,000	150,000
Facilities capital reserve	250,000	200,000
Pavement management program	616,060	566,856
Total Assigned Fund Balance	<u><u>\$ 3,993,278</u></u>	<u><u>\$ 2,671,899</u></u>

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Detailed Notes on All Funds (Continued)

D. Fund Balance (Continued)

Assigned fund balance in the general fund of \$972,962 and \$858,431 for the years ended June 30, 2023 and 2022, respectively includes amounts to fund the subsequent fiscal year budget.

Committed Fund Balance

The Town's committed fund balance in the capital projects fund includes bridge reconstruction and renovation program for which a contract has been signed. For the years ended June 30, 2023 and 2022 the committed fund balance was \$136,183 and \$98,276, 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.

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.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Detailed Notes on All Funds (Continued)

E. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	June 30, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	June 30, <u>2023</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 264,353	\$ -	\$ -	\$ 264,353
Land improvements	<u>1,068,259</u>	<u>-</u>	<u>(72,365)</u>	<u>995,894</u>
Total capital assets, not being depreciated	<u>1,332,612</u>	<u>-</u>	<u>(72,365)</u>	<u>1,260,247</u>
Capital assets, being depreciated				
Infrastructure	537,535	70,880	72,365	680,780
Buildings and improvements	2,174,602	36,942	-	2,211,544
Leasehold improvements	-	30,060	-	30,060
Equipment	<u>629,293</u>	<u>44,243</u>	<u>(26,482)</u>	<u>647,054</u>
Total capital assets, being depreciated	3,341,430	182,125	45,883	3,569,438
Less accumulated depreciation for:				
Infrastructure	(169,417)	(18,838)	-	(188,255)
Buildings and improvements	(1,728,285)	(49,457)	-	(1,777,742)
Leasehold improvements	-	(3,055)	-	(3,055)
Equipment	<u>(448,681)</u>	<u>(41,389)</u>	<u>30,627</u>	<u>(459,443)</u>
Total accumulated depreciation	(2,346,383)	(112,739)	30,627	(2,428,495)
Total capital assets, being depreciated, net	<u>995,047</u>	<u>69,386</u>	<u>76,510</u>	<u>1,140,943</u>
Governmental activities capital assets, net	<u>\$ 2,327,659</u>	<u>\$ 69,386</u>	<u>\$ 4,145</u>	<u>\$ 2,401,190</u>

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

Government activities:	<u>2023</u>	<u>2022</u>
General government	\$ 1,276	\$ 319
Building	49,457	50,899
Public works	36,943	39,619
Parks and recreation	25,063	26,310
Total depreciation expense, government activities	<u>\$ 112,739</u>	<u>\$ 117,147</u>

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Detailed Notes on All Funds (Continued)

F. Long-Term Debt

Changes in accrued compensated absences:

	<u>2023</u>	<u>2022</u>
Long-term balance beginning of year	\$ 64,465	\$ 58,332
Additions	19,594	8,848
Less: current portion	<u>(5,500)</u>	<u>(2,715)</u>
Long-term balance end of year	<u><u>\$ 78,559</u></u>	<u><u>\$ 64,465</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, 2023 and 2022 the Town paid annual premiums of approximately \$15,291 and \$15,505, 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, 2023 and 2022

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 in year three of option period 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.

Montgomery Municipal Cable

Effective November 20, 2003, the Town entered into an agreement with Montgomery Municipal Cable, Inc. (MMC) for the use of certain facilities at the Town's Town Hall. In exchange MMC agreed that all cable franchise fees received by the Town from the County, (that otherwise would have been required to be remitted to MMC) could be retained by the Town. The agreement, originally expected to end on November 20, 2020, is now renewed and will continue until November 19, 2030. The franchise fees collected pursuant to this agreement are \$24,301 and \$26,568 for the fiscal years ended June 30, 2023 and 2022, respectively.

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. Thereafter either party may terminate the agreement by issuance of a ninety (90) day prior written notice to the other Party. The Town plans on continuing the agreement and no notice has been received from Konterra as of completion of this audit.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 4 – Commitment and Contingencies (Continued)

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.

Copier Lease

On August 11, 2021, the Town entered into a copier lease. The lease payments are \$314 per month and the lease expires August 31, 2026. Minimum lease payments for the next five years are as follows: Fiscal years - 2024 - \$3,768, 2025 - \$3,768, 2026 - \$3,768, 2027 - \$0, 2028 - \$0.

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.

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.

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, 2023 and 2022 were \$75,887 and \$70,026, respectively.

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.

TOWN OF KENSINGTON, MARYLAND
Notes to Financial Statements
June 30, 2023 and 2022

Note 7 - Deferred Inflows

The American Rescue Plan Act (ARPA) was signed into Federal law in March of 2021, and established the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. This program provides financial support to State and Local governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. These funds may be used to cover eligible program costs incurred during the period beginning on March 3, 2021 and ending on December 31, 2024, as long as the award funds incurred by December 31, 2024 are expended by December 31, 2026. Any funds not obligated or expended for eligible uses during this period must be returned to the U.S. Treasury.

The Town applied for and was awarded SLFRF funding passed through the State of Maryland in the amount of \$2,295,548 of which \$1,147,335 was received in August of 2021 with the second payment of \$1,148,193 being received in August of 2022. Revenue recognition of these funds will be deferred until the related eligible expenditures are incurred.

Deferred inflows consist of the following on the Statements of Net Position as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Grant funds received but not spent	\$ 2,285,728	\$ 1,147,335
Unearned income from other sources	5,193	5,261
Total Deferred Inflows	<u>\$ 2,290,921</u>	<u>\$ 1,152,596</u>

Deferred inflows consist of the following on the Balance Sheets – Governmental Funds as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Grant funds received but not spent	\$ 2,285,728	\$ 1,147,335
Unearned income from other sources	5,193	5,261
Property taxes	14,155	2,298
Total Deferred Inflows	<u>\$ 2,305,076</u>	<u>\$ 1,154,894</u>

Note 8 – Subsequent Events

Management has evaluated subsequent events through October 30, 2023, the date that the financial statements were available to be issued. On September 27, 2023, the collateral agreement with the bank was updated to include all accounts at that bank.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	<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	\$ 834,399	\$ 834,399	\$ 876,050	\$ 41,651
Personal and ordinary business	129,144	129,144	155,292	26,148
Public utilities tax	452,019	452,019	507,590	55,571
Total Taxes - Local	1,415,562	1,415,562	1,538,932	123,370
Additions and abatements - prior years	-	-	(12,661)	(12,661)
Total Taxes - Local - Net	1,415,562	1,415,562	1,526,271	110,709
State Shared				
Income taxes	680,000	680,000	1,186,447	506,447
Admissions and amusements tax	500	500	437	(63)
Total Taxes - State Shared	680,500	680,500	1,186,884	506,384
Total Taxes	2,096,062	2,096,062	2,713,155	617,093
Licenses and Permits				
Town building and sign permits	12,000	12,000	21,318	9,318
Parking permits	4,560	4,560	4,694	134
Traders' licenses	4,250	4,250	3,511	(739)
Cable franchise fees	25,736	25,736	24,301	(1,435)
Total Licenses and Permits	46,546	46,546	53,824	7,278
Intergovernmental Revenues				
County tax duplication payment	257,651	257,651	266,908	9,257
State highway user funds	111,919	111,919	111,690	(229)
Financial corporation -bank shares	4,226	4,226	4,226	-
Total Intergovernmental Revenues	\$ 373,796	\$ 373,796	\$ 382,824	\$ 9,028

Continued

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	<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>
Grants				
Grant-ARPA	\$ 1,147,335	\$ 1,147,335	\$ 9,800	\$ (1,137,535)
Other grants	-	-	9,000	9,000
Total Grants	<u>1,147,335</u>	<u>1,147,335</u>	<u>18,800</u>	<u>(1,128,535)</u>
Fines and Forfeitures				
Parking and municipal infractions	1,000	1,000	2,048	1,048
Safe Speed camera program	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Total Fines and Forfeitures	<u>3,500</u>	<u>3,500</u>	<u>2,048</u>	<u>(1,452)</u>
Miscellaneous				
Town hall rentals	4,000	4,000	15,863	11,863
Park Rentals	2,500	2,500	2,330	(170)
Miscellaneous revenues	1,000	1,000	38,621	37,621
Municipal events	6,500	6,500	11,318	4,818
Investment income - net	<u>4,500</u>	<u>4,500</u>	<u>273,273</u>	<u>268,773</u>
Total Miscellaneous	<u>18,500</u>	<u>18,500</u>	<u>341,405</u>	<u>322,905</u>
Total Revenues	<u>\$ 3,685,739</u>	<u>\$ 3,685,739</u>	<u>\$ 3,512,056</u>	<u>\$ (173,683)</u>

Continued

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
General Government				
Legislative and Executive				
Mayor and council compensation	\$ 24,000	\$ 24,000	\$ 21,000	\$ 3,000
Mayor and council - other	16,225	16,225	13,543	2,682
Total Legislative and Executive	40,225	40,225	34,543	5,682
Financial Administration				
Salaries and wages	523,543	523,543	461,471	62,072
Health/life/employee benefits	54,788	54,788	55,167	(379)
Payroll taxes	39,606	39,606	34,802	4,804
Employee retirement	42,621	42,621	41,872	749
Professional services	81,400	81,400	76,711	4,689
Audit	13,000	13,000	13,000	-
Town attorney	50,000	50,000	11,063	38,937
Municipal dues, memberships and fees	10,885	10,885	9,622	1,263
Office expense	32,775	32,775	23,484	9,291
Insurance	21,000	21,000	15,291	5,709
Workers compensation insurance	4,369	4,369	3,393	976
Conferences, training and travel	6,500	6,500	930	5,570
Total Financial Administration	880,487	880,487	746,806	133,681
Municipal Building				
Town Hall maintenance	57,900	57,900	72,454	(14,554)
Town Hall utilities	43,700	43,700	31,290	12,410
Town Hall equipment	6,000	6,000	8,334	(2,334)
Total Municipal Building	107,600	107,600	112,078	(4,478)
Other General Government				
Office equipment/furniture	2,000	2,000	1,515	485
Economic development and commercial revitalization	187,700	187,700	144,761	42,939
Miscellaneous	3,000	3,000	-	3,000
Contingency	10,000	10,000	-	10,000
Total Other General Government	202,700	202,700	146,276	56,424
Total General Government				
Expenditures	\$ 1,231,012	\$ 1,231,012	\$ 1,039,703	\$ 191,309

Continued

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	<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 and wages	\$ 189,308	\$ 189,308	\$ 123,809	\$ 65,499
Health/life/employee benefits	10,960	10,960	10,695	265
Payroll taxes	14,328	14,328	9,810	4,518
Miscellaneous	3,500	3,500	1,390	2,110
Employee retirement	5,616	5,616	5,491	125
Workers compensation insurance	10,278	10,278	7,756	2,522
Traffic control and engineering	15,000	15,000	11,486	3,514
Parking lot lighting	1,500	1,500	766	734
Public street lighting	58,000	58,000	52,804	5,196
Total Public Safety	308,490	308,490	224,007	84,483
Parks and Recreation				
Municipal events	59,050	59,050	40,070	18,980
Park supplies and professional services	24,500	24,500	16,525	7,975
Park utilities	6,250	6,250	4,342	1,908
Park landscaping	55,000	55,000	47,992	7,008
Total Parks and Recreation	\$ 144,800	\$ 144,800	\$ 108,929	\$ 35,871

Continued

Town of Kensington, Maryland
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	<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 and wages	\$ 371,604	\$ 371,604	\$ 302,871	\$ 68,733
Health/life/employee benefits	103,410	103,410	78,488	24,922
Payroll taxes	27,659	27,659	23,501	4,158
Workers compensation insurance	17,088	17,088	13,088	4,000
Employee retirement	34,983	34,983	28,524	6,459
Drug testing	1,000	1,000	45	955
Street maintenance	20,000	20,000	20,880	(880)
Landscaping vegetation management	25,000	25,000	18,361	6,639
Landscaping street trees maintenance	90,000	90,000	122,998	(32,998)
Storm drain maintenance	12,000	12,000	-	12,000
Sidewalk repair	12,000	12,000	32,804	(20,804)
Street sweeping	8,000	8,000	-	8,000
Snow removal	8,500	8,500	-	8,500
Small equipment purchases	12,000	12,000	9,385	2,615
Vehicle fuel expenses	12,500	12,500	8,478	4,022
Shop supplies and tools	3,000	3,000	3,373	(373)
Uniforms, gloves, vests, boots and shirts	3,000	3,000	2,143	857
Miscellaneous	1,000	1,000	210	790
Conference, training and travel	500	500	-	500
Small equipment maintenance and repairs	3,500	3,500	1,571	1,929
Garage maintenance, miscellaneous and utilities	9,000	9,000	7,610	1,390
Vehicle repairs	20,000	20,000	11,746	8,254
Trash, brush and recycling collection	180,000	180,000	173,716	6,284
Leaf collection and other disposal fees	22,000	22,000	22,965	(965)
Total Public Works	<u>997,744</u>	<u>997,744</u>	<u>882,757</u>	<u>114,987</u>
 Total Expenditures	 <u>\$ 2,682,046</u>	 <u>\$ 2,682,046</u>	 <u>\$ 2,255,396</u>	 <u>\$ 426,650</u>

The accompanying notes are an integral part of this schedule.

TOWN OF KENSINGTON, MARYLAND
Notes to Required Supplementary Information
June 30, 2023

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 9, 2022, the Town Council approved the original adopted budget. There were no budget amendments in fiscal year 2023.

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 the annual budget lapse at the end of each fiscal year.

Note 2 – Material Violations

There were no material violations of the general fund annual appropriated budget for the fiscal year ended June 30, 2023. In addition, there were no excesses of budgetary expenditures for that period.

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