

CITY OF KENNESAW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015

Prepared By:
Gina Auld
Finance Director

CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION (Unaudited)	
Letter of Transmittal.....	i-vii
GFOA Certificate of Achievement.....	viii
Principal Officials	ix
Organizational Chart	x
FINANCIAL SECTION	
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis	4-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	20
Statement of Net Position – Proprietary Funds.....	21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds.....	23
Notes to Financial Statements.....	24-59
Required Supplementary Information:	
Schedule of Funding Progress	60
Schedule of Changes in the City's Net Pension Liability and Related Ratios.....	61
Schedule of City Contributions	62
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	64
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Asset Forfeiture Fund	65
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Treasury Equitable Sharing Fund	66
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – E911 Fund.....	67

CITY OF KENNESAW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION (CONTINUED)	
Combining and Individual Fund Statements and Schedules (Continued):	
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances – Budget and Actual – Hotel/Motel Fund.....	68
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances – Budget and Actual – Cemetery Fund.....	69
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances – Budget and Actual – Impact Fees Fund	70
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances – Budget and Actual – Urban Redevelopment Agency Fund.....	71
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances – Budget and Actual – Downtown Development Authority Fund.....	72
Schedule of Expenditures of Special Purpose	
Local Option Sales Tax	73
Balance Sheet – Component Unit – Development Authority.....	74
Statement of Revenues, Expenditures, and Changes in Fund Balance –	
Component Unit – Development Authority.....	75
STATISTICAL SECTION (Unaudited)	
Net Position by Component	76
Changes in Net Position	77 and 78
Fund Balances of Governmental Funds	79
Changes in Fund Balances of Governmental Funds.....	80
Assessed Value and Estimated Actual Value – All Taxable Property.....	81
Property Tax Rates – All Overlapping Governments.....	82
Principal Taxpayers.....	83
Property Tax Levies and Collections	84
Ratios of Outstanding Debt by Type	85
Ratios of General Bonded Debt Outstanding.....	86
Direct and Overlapping Governmental Activities Debt	87
Legal Debt Margin Information	88
Demographic and Economic Statistics.....	89
Principal Employers	90
Full-time Equivalent City Government Employees by Function.....	91
Operating Indicators by Function.....	92
Capital Asset Statistics by Function	93

CITY OF KENNESAW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	94 and 95
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	96-98
Schedule of Expenditures of Federal Awards	99
Note to Schedule of Expenditures of Federal Awards	100
Schedule of Findings and Questioned Costs	101-105
Schedule of Prior Audit Findings	106

INTRODUCTORY SECTION

MAYOR
Mark Mathews

City Manager
Jeff Drobney

City Clerk, MMC
Debra Taylor



COUNCIL
Mayor Pro Tem Jim Sebastian
Leonard Church
Tim Killingsworth
Cris Welsh

March 23, 2016

To the Honorable Mayor, Members of the City Council
And Citizens of the City of Kennesaw

The Comprehensive Annual Financial Report (CAFR) of the City of Kennesaw, Georgia, for the fiscal year ended September 30, 2015, is submitted herewith. Georgia state law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data presented is accurate in all material respects and that it is presented in a manner designed to set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable interested citizens to gain a reasonable understanding of the City's financial activities have been included.

Mauldin & Jenkins, LLC have issued an unmodified ("clean") opinion on the City of Kennesaw financial statements for the fiscal year ended September 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The City of Kennesaw receives financial assistance through various federal grant programs. As required by the Single Audit Act of 1984, P.L. 98-502 and amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, audits of programs receiving federal grants have been performed for the fiscal year ended September 30, 2015. The required reports on supplementary information, compliance, internal controls and various supplementary schedules are included under the Compliance Section.

Profile of the Government

The City of Kennesaw, originally named Big Shanty, incorporated in 1887. It is situated in the northwest part of Georgia in the Atlanta Metropolitan Area. The City, located in Cobb County, is considered to be in the top growth rank of the country. The City currently has a land area of 9.67 square miles and a population of approximately 34,432.



currently has a land area of 9.67 square miles and a population of approximately 34,432. The City has the power, by State statute, to extend its corporate limits by annexation, which is done by request of citizens or at the City's initiation. Annexations must be approved by the City Council. A major priority, established by the City Council, is future growth potential which is accomplished through an aggressive policy of incremental annexations based on a comprehensive, planned strategy.

The City is a home-rule charter city in the State of Georgia and has operated under the Council-Manager form of government since September 1996. The Mayor and Council members are elected for four-year terms. Council member terms are staggered and members are elected at large. The Mayor and five Council members are vested with policymaking and legislative authority for the City. The Council is responsible for passing ordinances, adopting the budget, appointing committees, hiring the City Manager, making appointments of the City attorney, auditor and City engineer as well as other City employees. The City Manager is responsible for carrying out the policies and ordinances of the Council, overseeing the day to day operations of the City, and insuring fiscal stability.

The financial statements contained herein include all activities and functions of the City of Kennesaw that are under the jurisdiction of the Mayor and Council, as set forth in state and local law. Additionally, one discretely presented component unit is included in these financial statements because of its operational and financial relationship to the City. The Kennesaw Development Authority is dedicated to the sound economic development of the City of Kennesaw. It serves the retention and expansion needs of existing businesses and offers aid to businesses looking to locate in the Kennesaw area. Additional information on this legally separate entity can be found under the Basic Financial Statements section.

The City provides a broad range of municipal government and utility services. Included in these services are traditional city functions such as police protection, road and street maintenance, culture and recreation, public improvements, planning and zoning, building inspection, code enforcement, and general administrative services. In addition to general government activities, the City has four enterprise operations including sanitation, stormwater, museum and botanical gardens.

The City maintains extensive budgetary controls with the objective of compliance with legal provisions embodied in the annual budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amounts) is at the departmental level for the General Fund and at the total expenditure level for the remaining funds. The City's budget procedures are more fully explained in the notes to the financial statements.

The goals of the City's financial operations are to comply with legal requirements established by the State of Georgia, national standards for local government financial operations established by national organizations such as the Government Finance Officers Association, the Governmental Accounting Standards Board, the Association of Government Accountants and to provide accurate, timely financial information to elected officials, management, and the citizens.



Local Economy

The City is part of metro Atlanta and benefits from the large, diverse economy. As with all of metro Atlanta and the State of Georgia, the City began to experience a downturn in growth of businesses and jobs and a slowdown in development in early 2008. That trend continued through the first half of 2011. The second half of 2011 and 2012 saw a return of economic activity in industrial, retail, logistics, professional services and residential sectors. The rate of growth continued to increase in 2015 over 2014 in all these sectors. Commitment to new projects and expansions continue to take longer than pre-2008 due to a longer due diligence period and conservative financing environment. We anticipate in 2016 seeing continued improvement to economic growth. The City will continue to see improvement in real estate values, unemployment, capital investment and the lending environment. We have seen marked reduction in office, retail and industrial vacancy rates in 2015. Job creation increased in 2015 and is projected to continue through 2016 by both the State, Kennesaw State University (KSU) Economic Forecast Center, Cobb County and the City.

Historically, Kennesaw changed from a small, rural town to a growing bedroom community with associated retail and services. In the last two decades the City's economy has diversified with several industrial parks and business parks. The City's proximity to Interstate 75, U. S. Highway 41 and McCollum Airport has added significant commercial and industrial development, especially in light industrial and distribution. The area has varied manufacturing, industrial, corporate office and retail space with employers that create a diversified economy and stable employment rate. The growth of KSU continues to have a major positive impact on the local economy. With the merger of Southern Polytechnic and KSU, the enrollment has grown to 32,000. According to the Atlanta Regional Commission (ARC), the I-75 corridor will continue to be a high growth area over the next 20 years. Kennesaw's population is becoming younger and more educated, supporting the trend for the City's economy to transform from a bedroom community to a self-sustaining economy. In the last two years household income and individual personal income have increased. The percentage of City revenue derived from light industrial, retail and professional services will continue to increase relative to residential. The commercial and industrial land area to residential land area ratio has improved to 38/72%. This is a shift of 8% in the last six years. The City added approximately 180-200 new jobs in 2015 through several logistics and manufacturing expansions and relocations, professional service growth and new retail and restaurant businesses. New capital investment of \$47M also occurred. New businesses include, but are not limited to, enzyme/probiotic manufacturing, industrial adhesives, medical services, construction materials, financial services, and software development among others. Developments that are in construction and scheduled to open by end of 2017 will add over 1,000 new jobs. Overall, the total portfolio of business licenses has continued to grow at a moderate pace. The number of business licenses increased in 2015 over 2014. Construction permit activity continues to increase. In 2015 permits issued increased by 120 over 2014. We anticipate further expansion in new businesses, expansion of existing businesses, investment in equipment and real estate and job creation through 2016 assuming the State and Regional economy continues to expand as forecasted by the State and Atlanta Regional Commission (ARC).



Long term financial planning

In March 2011, voters approved the Special Purpose Local Option Sales Tax (SPLOST). This one cent sales tax program, which is significantly supported by non-residents, funds various improvements around the City. Since this SPLOST began, the improvements total: \$1,999,223 for Road, Street and Bridge Projects and \$2,385,520 for Parks Projects. This SPLOST program runs from January 2012 until December 2015. Total revenue generated for the SPLOST program since this SPLOST began is \$22,376,542 with expenditures totaling \$4,384,743.

In September 2005, voters approved a one cent Special Purpose Local Option Sales Tax (SPLOST) that ceased collections in December 2011. Since this SPLOST began, the improvements total: \$4,932,221 for Road, Street and Bridge Projects and \$428,526 for 800MHz Core Replacement. Total revenue generated for the SPLOST program since this SPLOST began is \$8,469,697 with expenditures totaling \$5,360,747.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the total tax digest. The current debt limitation for the City is \$108,916,176, which is in excess of the City's outstanding general obligation debt of \$10,640,000.

Major Initiatives

In late 2014, the Mayor and Council adopted a new set of goals for 2015-2020. They were developed over the course of 2014 and provided the frame work for 2015 economic initiatives and strategies for 2015-2020. Key elements of these goals as they relate to economic development include: a) quality housing choices, b) retain and expand existing businesses, c) recruit new businesses in sectors of strength including logistics, light manufacturing, health care, technology and tourism, d) redevelop downtown core, e) redevelop key corridors including Cobb Parkway, Cherokee Street, and Barrett Parkway. A supporting strategy is strategic annexations targeting commercial and industrial development and improving service delivery. The City continues to pursue strategic annexations that analysis demonstrates will have a positive impact on our economic and the City's finances. We are actively working on four annexations in 2015 with a goal to annex approximately 50-70 acres in 2016. The City remains committed to redevelopment of downtown. There are three mixed use developments in different development stages the City anticipates being completed in the next two years. The Kennesaw Development Authority (KDA) assembled and acquired a five-acre tract downtown and worked with a developer to build a mixed-use development. Construction was completed the end of 2015 on the \$38M project. Construction of a second mixed project is scheduled to start the spring of 2016 with completion in 12 months. Project value is \$25M. A third project will start summer of 2016 with 15,000 square feet of retail to be finished first half 2017. In addition, four other smaller downtown commercial projects were completed in 2015. A total of 27,000 square feet of new commercial space was added to downtown in 2015. We are working on plans that will add an additional 60,000 square feet of commercial space downtown over the next 3-4 years. Focus will be on restaurant, entertainment and specialty retail. A total of 450 residential units are in the pipeline to be added to the downtown area.



Kennesaw is experiencing significant growth associated with Kennesaw State University (KSU). Three private, purpose built student housing projects totaling 1,000 beds valued at \$80 million opened between 2011 and 2014 with 100% occupancy. This growth in student population and their disposable income has had a positive effect on retail and restaurants in the City.

KSU is merging with Southern Polytechnic. The merger will be completed in 2016. Student population will be 32,000, creating the third largest State University. KSU has been designated a Research University and they started Division 1 football in 2015. All these factors have a positive impact on jobs, housing, total, business start-ups, tourism and entertainment in the KSU market area.

Current trends indicated industrial and commercial vacancy rates will decline, and employment will continue to increase in areas of manufacturing, logistics, e-commercial, professional services, and healthcare in 2016. Kennesaw has twelve (12) identified Redevelopment Areas. We are actively working six and marketing the other areas for redevelopment.

The residential sector has rebounded in Kennesaw for new homes. Five residential developments that stalled in 2008 have been reactivated. In 2015, all remaining lots have been built-out. Forty new homes were added. A new 60 home “active senior” residential project is in construction with half the units built in 2015 and a second phase to be completed the end of 2016. In addition, one of the mixed use projects downtown was completed in 2015 adding 252 multi-family units. A second mixed use project downtown will start construction spring 2016 and will add 160 multi-family units in 2016. The multifamily units are renting at the high end of the rental market for this submarket. A new 28-unit townhouse project will start construction late 2016 or the first half of 2017 and will be completed over a 24-month period. Two luxury, age-restricted multi-family projects will start construction in 2016. One is 75 units and is scheduled to be completed 2017. The second under construction will be 180 units and is scheduled to be completed 2017. A 20-unit single family detached neighborhood will start construction in the spring of 2016 and be completed over an 18-month timeframe. A total of 750 new residential units with a value of \$145M are in the development pipeline to be completed from 2015 through 2017.

The development activity for other projects continued throughout 2015 indicating further strengthening of the economy. A 300,000 square feet, \$140M retail project is in construction and scheduled to be completed late 2017, a 40,000 square foot fitness center is planned to start construction 2016, a \$56M critical care nursing facility is in construction with completion planned late 2017 or the first half of 2018, and expansion of professional businesses in areas of technology, engineering and legal continue. The dining and entertainment sector continues to grow. Six new restaurants opened. More than 20 additional restaurants are scheduled to open over the next three years. A special event/other music venue is planned downtown. Over 60,000 square feet of vacant industrial space has been leased in 2015. Construction of three new light manufacturing buildings will add 60,000 square feet in 2016. All three are in construction. The City is working with businesses that will add over 300,000 square feet of new office, logistics, and manufacturing space over the next 30 months if they move forward.



Kennesaw continues to develop tourism assets and leverage those assets for increased tourism spending. The City's museum and garden increased programming and attendance in 2015. A new skateboard facility that opened in Swift Cantrell Park is generating significant economic activity. The Burnt Hickory Brewer and Lazy Guy Distillery are drawing significant visitors. The I-75 corridor from Cobb/Galleria to Cherokee County is becoming a significant sports corridor that will generate increased tourism and travel activity. The Atlanta Braves relocating, MLS soccer complex, pro lacrosse team and KSU football are creating a dynamic environment.

Kennesaw continues to expand the economic development tools available for business retention, expansion and recruitment. Kennesaw has applied to Georgia Department of Community Affairs (DCA) for Opportunity Zone designation for two areas (awaiting action in 2016), refined the economic incentives program and continued to leverage existing state programs in 2015. These are being done in a coordinated approach with Mayor and Council goals.

In addition, during 2015 the City completed a major update to the downtown masterplan and the Cherokee Street corridor masterplan. A new form-based code for downtown and Cherokee Street corridor will be adopted in 2016. All of these will provide direction and incentive for redevelopment.

Another significant contributor to economic growth will be transportation improvements. As a result of SPLOST dollars committed through the 2005, 2011 and 2016 SPLOST programs, significant road improvements will be completed over the next five (5) years in targeted redevelopment areas, downtown and commercial corridors. Downtown, Barrett Parkway, Cobb Parkway, Old Highway 41, Rutledge/N Main and Cherokee Streets are scheduled for improvement. The first downtown improvements will start in 2016. These include the rebuilding of Dallas Street, Watts Drive and a new round-about. In addition, GDOT has a major lane expansion of I-75 and reconstruction of the I-75/Wade Green intersection underway. McCollum Airport continues to expand with an improved runway, new hangers, new control tower, as well as a customs office added in 2015. All of these transportation improvements will support continued economic growth.

Relevant Financial Policies

Financial policies established by the City are to provide a sound basis for future financial planning and conservative management. These policies include a balanced annual operating budget, a stable and diversified revenue structure, designation of fund balances and a multi-year capital improvement program.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial reports for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.



All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kennesaw for its comprehensive annual financial report for the year ended September 30, 2014. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We wish to take this opportunity to thank the Mayor and Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. In closing, the preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the City Manager and the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation.

Most of all, we would like to thank the citizens of Kennesaw and all of the volunteer committees for their extraordinary level of community involvement, extending beyond personal interest, which continues to make the City of Kennesaw an excellent place to live and work.

Respectfully submitted,



Gina Auld, CPA
Finance Director





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Kennesaw
Georgia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

CITY OF KENNESAW, GEORGIA
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2015

ELECTED OFFICIALS

Mark Mathews	Mayor
Leonard Church	Council Member
Tim Killingsworth	Council Member
Jim Sebastian	Mayor Pro Tem/Council Member
Cris Welsh	Council Member
Vacant	Council Member

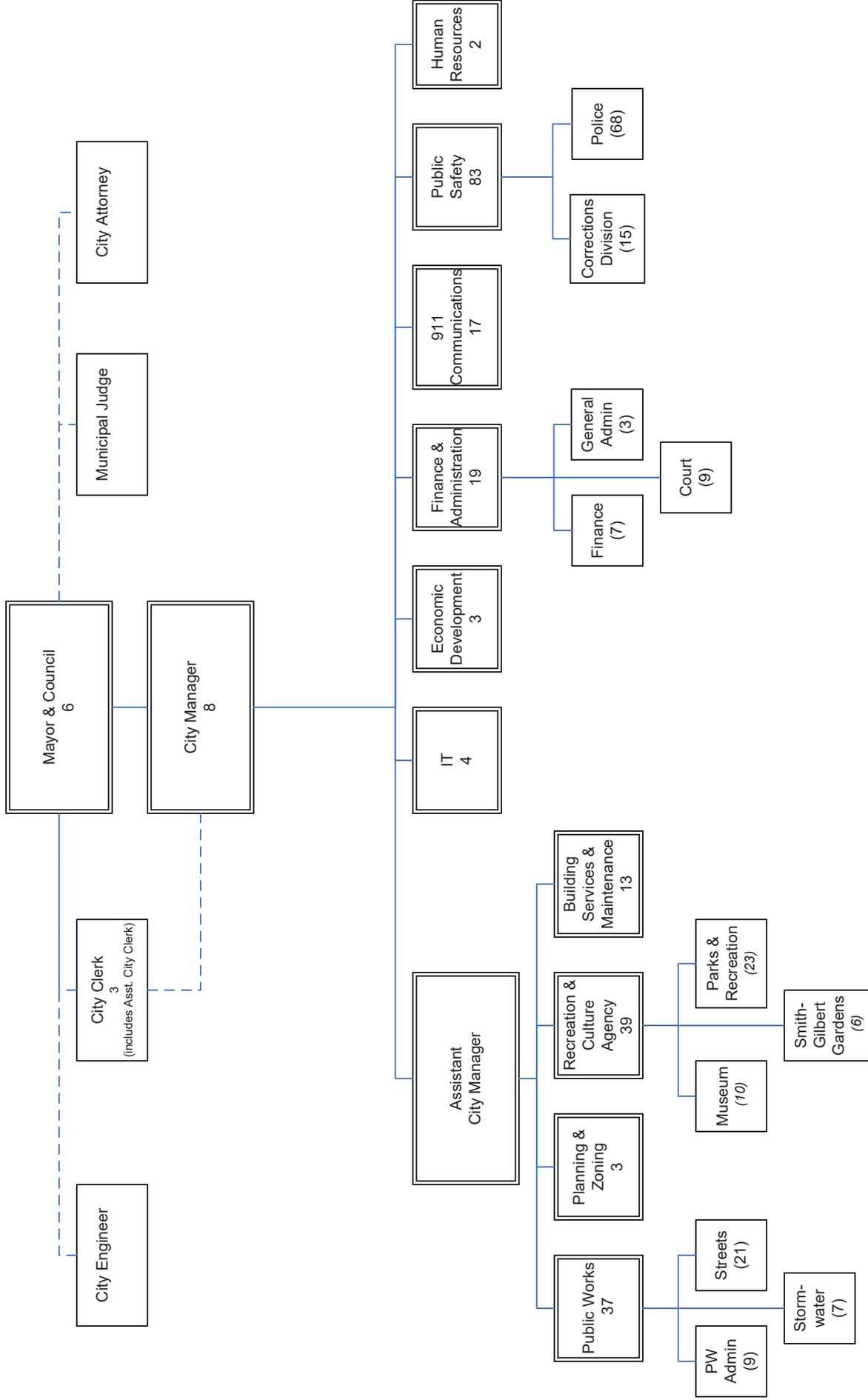
CITY ADMINISTRATION

Jeff Drobney
City Manager

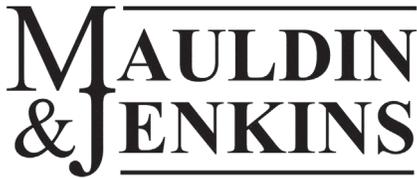
Bentley, Bentley, Bentley	Attorney
Phillip Taylor	Municipal Court Judge
Gina Auld	Finance Director
Richard Banz	Museum Executive Director
Bobbie Duke	E911 Director
Robert Fox	Community Development Director
Mark Rice	Chief Building Official
Debbie Harris	Assistant City Clerk
Darryl Simmons	Planning & Zoning Administrator
Paul Sprague	GIS Coordinator
Debra Taylor	City Clerk
Doug Taylor	Parks & Recreation Director
Earnie Via	Public Works Director
William Westenberger	Chief of Police

City of Kennesaw

Organization Chart-City Wide- 237



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
Of City Council
City of Kennesaw, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennesaw, Georgia as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Kennesaw, Georgia'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennesaw, Georgia as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 11 and 20, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of October 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress, the Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions, on pages 4 through 14, 60, 61 and 62 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kennesaw, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards (collectively "the supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2016 on our consideration of the City of Kennesaw, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kennesaw, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 23, 2016

September 30, 2015

City of Kennesaw, Georgia

This section of the City of Kennesaw, Georgia's (the City) annual report provides readers with a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal which can be found at the front of this report.

Financial Highlights

- The City's total assets exceed liabilities by \$76,560,064 at the end of the year. This amount includes \$54,083,388 invested in capital assets net of accumulated depreciation and related debt, restricted net position of \$30,325,102 and unrestricted net position deficit of \$7,848,426.
- The City's total net position increased by \$7,816,735 (11%) to \$76,560,064. The net position for governmental activities increased by \$7,029,365 (13%) and business-type net position increased by \$787,370 (6%).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$34,219,575, an increase of \$4,158,032. The net unassigned fund balance is a deficit of \$4,589,290.
- At the end of the current fiscal year, unassigned fund balance for the general fund is a deficit of \$3,893,417.
- The City's total debt decreased by \$184,342 (.6%) during the current fiscal year due to the principal payments on General Obligation and Revenue Bonds exceeding the increase in the OPEB Obligation and the Net Pension Liability.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, 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 City is improving or deteriorating.

The *statement of 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 flow in future periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities** – These include the basic services provided by the City including general administration, public safety, public works, culture and recreation, housing and development.
- **Business-type activities** – These include services for which the City charges specific fees which are meant to cover the cost of providing the services. These include sanitation (solid waste collection), the Southern Museum of Civil War and Locomotive History, stormwater (maintenance and upgrades to stormwater system) and the Smith-Gilbert Gardens.

September 30, 2015

City of Kennesaw, Georgia

-
- **Component units** – Included in the component units for the City is the Kennesaw Development Authority. Although this organization is a separate legal entity, the City is financially accountable for it.

Governmental activities and business-type activities are consolidated and add to the total for the primary government.

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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, SPLOST fund and the Urban Redevelopment Agency fund which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts annual appropriated budgets for its governmental funds except for the SPLOST and capital project funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sanitation, Museum, Stormwater and Gardens. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its risk management activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sanitation, Museum, Stormwater and Gardens. Sanitation, Museum and Stormwater are considered to be major funds of the City. The internal service fund is also presented in proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the 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. The notes to the financial statements can be found beginning on page 24 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 60 of this report.

September 30, 2015

City of Kennesaw, Georgia

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and other post-employment benefits. Combining and individual fund statements and schedules can be found beginning on page 63 of this report.

Government-wide Financial Analysis

The following table reflects the condensed Statement of Net Position for the current year. The City's net position increased by \$7,816,735 (11%) in fiscal year 2015. The net position of the governmental activities include \$41,353,883 net investment in capital assets. Capital assets of \$56,669,359 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation. Related debt includes bonds of \$20,275,068, notes payable of \$320,916 and capital leases of \$932,847.

The net position of the business-type activities include \$12,729,505 net investment in capital assets. Capital assets of \$12,765,751 include land, building, other improvements, equipment, and museum artifacts, net of accumulated depreciation.

For more detailed information, see the Statement of Net Position on page 15 of the financial statements and the notes to the financial statements.

September 30, 2015

City of Kennesaw, Georgia

Table 1
Statement of Net Position
As of September 30
(in thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total %</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2014-15</u>
ASSETS							
Current and other assets	\$ 40,660	\$ 37,071	\$ 2,871	\$ 2,444	\$ 43,531	\$ 39,515	10%
Capital assets	56,669	54,274	12,766	12,229	69,435	66,503	4%
Total Assets	97,329	91,345	15,637	14,673	112,966	106,018	7%
Deferred outflows of resources:							
Pension plan contributions subsequent to measurement date	878	763	56	49	\$ 934	\$ 812	15%
Pension plan experience differences	419	-	27	-	446	-	100%
Pension plan assumption changes	103	-	6	-	109	-	100%
Total deferred outflows of resources	1,400	763	89	49	1,489	812	83%
LIABILITIES							
Current and other liabilities	8,033	8,402	1,197	1,041	9,230	9,443	-2%
Long-term debt outstanding	27,581	27,915	772	730	28,353	28,645	-1%
Total Liabilities	35,614	36,317	1,969	1,771	37,583	38,088	-1%
Deferred inflows of resources:							
Net difference between projected and actual pension plan investment earnings	294	-	19	-	313	-	100%
Total deferred inflows of resources	294	-	19	-	313	-	100%
NET POSITION							
Net investment in capital assets	41,354	38,371	12,730	12,229	54,084	50,600	7%
Restricted	30,325	26,084	-	-	30,325	26,084	16%
Unrestricted	(8,858)	(8,663)	1,009	722	(7,849)	(7,941)	-1%
Total Net Position	\$ 62,821	\$ 55,792	\$ 13,739	\$ 12,951	\$ 76,560	\$ 68,743	11%

Changes in Net Position

The City's total revenues before transfers were \$31,732,590 in fiscal year 2015. Expenses before transfers were \$23,915,855 during that same period. Governmental and business-type activities combined provided a \$7,816,735 increase in net position.

Governmental activities revenues, before transfers, were \$27,378,573 and included \$4,198,602 charges for services, \$7,385,323 grant and contribution revenues and \$9,743,961 in property taxes. The largest governmental activities expenses were for public safety of \$7,410,419 (police, jail and E911), public works of \$3,699,120, general government of \$4,460,850 and recreation of \$2,265,865. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

September 30, 2015

City of Kennesaw, Georgia

Business-type activity revenues, before transfers, were \$4,354,017 and included \$3,643,111 charges for services and \$709,771 grant and contribution revenues. The largest business-type activity expenses were for salaries and wages of \$917,601, other professional services of \$1,311,181 and marketing of \$136,970.

Table 2
Changes in Net Position
For The Fiscal Year Ended September 30
(in thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total %</u> <u>Change</u> <u>2014-15</u>
	<u>2015</u>	<u>2014 (1)</u>	<u>2015</u>	<u>2014 (1)</u>	<u>2015</u>	<u>2014</u>	
Revenues							
Program Revenues							
Charges for services	\$ 4,199	\$ 4,427	\$ 3,643	\$ 3,130	\$ 7,842	\$ 7,557	4%
Operating grants and contributions	742	384	-	-	742	384	93%
Capital grants and contributions	6,643	7,426	710	264	7,353	7,690	-4%
General revenues							
Property taxes	9,744	9,469	-	-	9,744	9,469	3%
Other taxes	5,523	5,238	-	-	5,523	5,238	5%
Investment income (loss)	527	590	1	1	528	591	-11%
Gain from sale of capital assets	-	14	-	-	-	14	-100%
Total Revenues	27,378	27,548	4,354	3,395	31,732	30,943	3%
Expenses							
General Government	4,461	4,464	-	-	4,461	4,464	0%
Judicial	349	389	-	-	349	389	-10%
Public Safety	7,410	7,990	-	-	7,410	7,990	-7%
Public Works	3,699	4,932	-	-	3,699	4,932	-25%
Culture and Recreation	2,266	2,449	-	-	2,266	2,449	-7%
Housing and Development	957	967	-	-	957	967	-1%
Interest on long-term debt	928	1,203	-	-	928	1,203	-23%
Museum	-	-	1,136	1,233	1,136	1,233	-8%
Sanitation	-	-	1,518	1,477	1,518	1,477	3%
Gardens	-	-	415	355	415	355	17%
Stormwater	-	-	776	-	776	-	100%
Total Expenses	20,070	22,394	3,845	3,065	23,915	25,459	-6%
Excess (Deficiency) before Transfers	7,308	5,154	509	330	7,817	5,484	43%
Transfers	(279)	984	279	(984)	-	-	0%
Increase (Decrease) in Net Position	7,029	6,138	788	(654)	7,817	5,484	43%
Net Position - Beginning before restatement	64,576	58,438	7,660	8,314	72,236	66,752	8%
Restatement	(8,784)	-	5,291	-	(3,493)	-	0%
Net Position- Beginning after restatement	55,792	58,438	12,951	8,314	68,743	66,752	3%
Net Position - Ending	\$ 62,821	\$ 64,576	\$ 13,739	\$ 7,660	\$ 76,560	\$ 72,236	6%

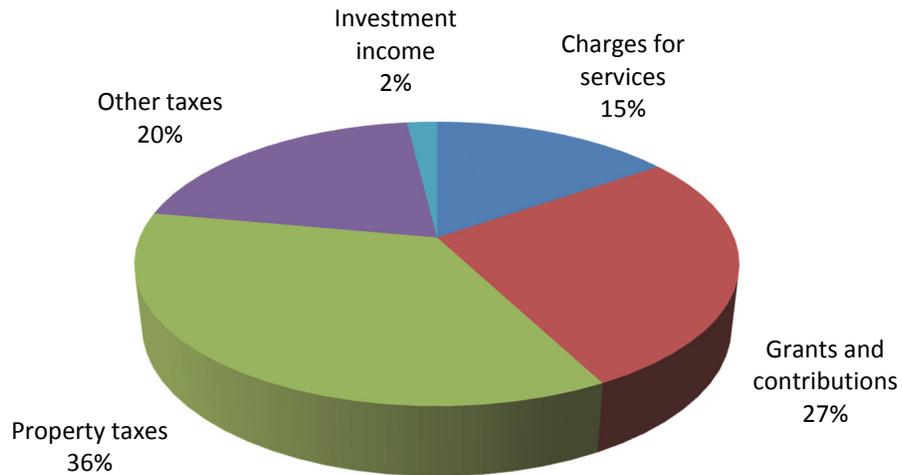
- (1) The effect of the restatement of capital assets and the effects of implementing GASB Statement No. 68 is a decrease of net position of \$8,784,293 and an increase of net position of \$5,291,569 for Governmental Activities and Business-Type Activities, respectively. The effect to previously reported changes in the net position has not been determined.

Governmental Activities

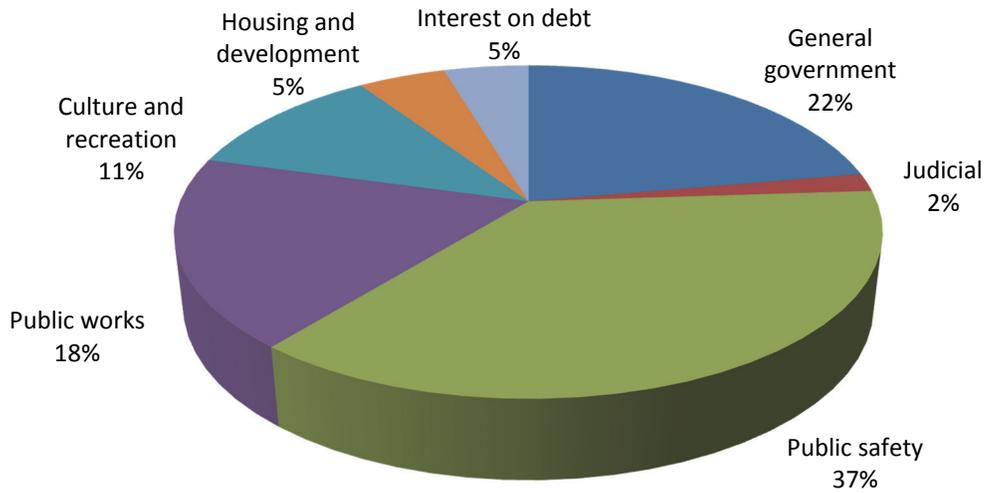
See page 16 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

Table 3 – Governmental Activities

Governmental Revenues



Governmental Expenses



September 30, 2015

City of Kennesaw, Georgia

Revenue Impacts:

- Property taxes of \$9,743,961 provided 36% of governmental revenues for general operations. The M&O millage rate and the bond millage rate remained at 8.00 and 1.50 mills, respectively. The bond millage is restricted to service the debt of the general obligation bond issue for recreation and transportation improvements. Property tax revenue was up in 2015 due to an increase in property values.
- Charges for services for Governmental activities include amounts charged for providing E911 service of \$1,193,919, recreation fees of \$680,250, licenses and permits of \$439,727 and municipal court fines of \$1,062,504. Charges for services revenue was down due to a decrease in fines and forfeitures, impact fees and recreation fees.
- Operating grants and contributions for Governmental activities were up due to the increase in the funds received from Cobb County for House Bill 489.
- Capital grants and contributions for Governmental activities included the sale of land held for resale in the prior year. There was no such activity during the current year; therefore, capital grants and contributions decreased.
- Charges for services revenue for Business-type activities were up due to the adoption of a stormwater fee which is accounted for in a separate stormwater fund. Even though the monthly residential stormwater fee was offset by a reduction in the monthly residential sanitation fee, commercial property owners were assessed a new stormwater fee based on the impervious surface of their property.
- Capital grants and contributions for Business-type activities increased due to grant funding received from the Georgia Department of Transportation and the Kennesaw Museum Foundation for the Railroad Education Center Library and Archives.

Expense Impacts:

- Public Safety expenses experienced a decrease due to the retirement of a long term employee and the transfer of another long term employee to the corrections department. The police department group insurance decreased due to a change from a two tier to a four tier plan. In addition, expenses dropped due to the cost savings from switching to a new short term disability insurance carrier. Due to the large number of employees in the Public Safety area, these types of cost savings have a larger impact. The worker's compensation and property & liability insurance premiums decreased based on favorable claims experience. There was a decrease in vehicle maintenance due to the purchases of new police vehicles. Education and training went down due to the utilization of treasury funds for these expenses. Fuel costs went down due to the reduction in gas prices.
- Culture and Recreation expenses dropped due to the retirement of the assistant parks and recreation director.
- Public Works expenses went down due to the addition of the stormwater utility services. Prior to the current year, the stormwater utility was reported in the general fund. In fiscal year 2015, the City adopted a stormwater fee and began reporting all stormwater activity in a separate enterprise fund.
- Interest on long-term debt decreased due to the 2014 revenue bond issuance costs paid in the prior year.
- Sanitation expenses were up due to an increase in payments to the third party trash service provider as a result of an increase in the customer base of approximately 285 customers.
- The museum expenses went down due to a decrease in marketing expense and salaries. Salaries decreased due to retirement of a long term employee.
- As mentioned above, stormwater expenses are reported separately on the statement of activities rather than in the general fund as in prior years.

September 30, 2015

City of Kennesaw, Georgia

Table 4
Business-type Activities
For The Fiscal Year Ended September 30
(in thousands)

FUND	Program Revenues		Program Expense		Program Income (Loss)	
	2015	2014	2015	2014	2015	2014
Museum	\$ 1,119	\$ 688	\$ 1,137	\$ 1,233	\$ (18)	\$ (545)
Sanitation	2,207	2,599	1,518	1,477	689	1,122
Stormwater	907	-	776	-	131	-
Gardens	120	107	414	355	(294)	(248)
Total	\$ 4,353	\$ 3,394	\$ 3,845	\$ 3,065	\$ 508	\$ 329

Program revenues for business-type activities for fiscal year 2015 were \$4,352,882, a \$958,925 increase compared to the prior year. This increase is due to grant funding the Museum received from the Georgia Department of Transportation and the Kennesaw Museum Foundation for the Railroad Education Center Library and Archives and the addition of the new stormwater utility fund.

Total program expenses for business-type activities were \$3,845,309 in 2015, \$779,795 more than the prior year. The increase is due to the addition of the new stormwater utility fund.

Table 5
Financial Analysis of the City's Major Governmental Funds
(in thousands)

FUND	Fund Balances 9/30/2014	Revenues/ Sources	Expenditures/ Uses	Revenues/Sources Over (Under) Expenditures/Uses	Fund Balances 9/30/2015
General Fund	\$ 6,228	\$ 20,947	\$ 21,139	\$ (192)	\$ 6,036
SPLOST	17,346	6,245	2,171	4,074	21,420
URA	6,200	623	610	13	6,213

At September 30, 2015, the City's governmental funds reported a combined fund balance of \$34,219,575, which is a net increase of \$4,158,032 from the previous year.

General Fund

The General Fund's fund balance decreased by \$191,833 and was \$6,035,833 at year end. Licenses, permits, fines, forfeitures, charges for services, intergovernmental and miscellaneous revenue were under budget.

SPLOST Fund

The SPLOST Fund's fund balance increased by \$4,074,079 and was \$21,420,014 at year end. The City collected over \$6 million in revenues and incurred expenditures of over \$2 million. Revenue was up \$216,000 over the prior year but expenditures increased \$294,000 compared to the prior year. There was an increase in right of way acquisitions for SPLOST projects during fiscal year 2015.

URA Fund

The URA Fund's fund balance increased by \$13,013 and was \$6,213,355 at year end due to actual interest earnings exceeding budget.

September 30, 2015

City of Kennesaw, Georgia

General Fund Budgetary Highlights

A statement comparing the original and final budgets and the variance from the final budget to actual results is included on page 20 of the financial statements.

In September 2014, the City Council appropriated \$20,750,961 for general fund expenditures in the 2015 fiscal year budget. The City's legal level of budgeting control is at the department level for the General Fund and at the total expenditure level for the remaining funds. The City made several budget transfers during the year and any made between departments were approved by the Mayor & Council.

Primary reasons for the differences between the final budget and actual results in the General Fund include:

Revenues:

- Electrical, plumbing and HVAC permits came in under budget.
- Municipal court fines were under budget.
- Charges for Services came in under budget due to Parks & Recreation program fees and community classes being less than projected. Also, prisoner housing fees collected from the City of Marietta were under budget due to fewer inmates being housed in the Kennesaw jail.
- Intergovernmental revenues were under budget because the LCI (Livable Centers Initiative) Grant revenue was recognized in a prior year. A grant for playground equipment was delayed due to the City postponing the project.
- Miscellaneous revenue was under budget due to community center rental and sale of scrap metal revenue being less than projected.

Expenditures:

- Mayor & Council group insurance and other materials and supplies were under budget.
- Financial administration bank charges were under budget due to the bank earnings credit that offset bank charges.
- The police department had the following expenditures come under budget: 800 MHZ radio maintenance fee charged by Cobb County, professional development and fuel cost. Fuel cost was down due to the drop in gas prices.
- Due to the decrease in the number of City of Marietta inmates housed in the Kennesaw jail, prisoner housing expenditures in the corrections department came in under budget.
- Public Works central services had decreases in workers comp, small equipment and Keep Kennesaw Beautiful expenditures.
- Highways and Streets experienced less than anticipated expenditures in uniforms, landscaping materials & supplies and signage.
- Principal expenditures were less than budget due to capital lease principal payments less than anticipated.

Other Financing Sources (Uses):

- Transfers in from the Impact Fee Fund were less than projected. Since these funds were not used during fiscal year 2015, they are budgeted to be used in fiscal year 2016.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounted to \$69,435,110 (net of accumulated depreciation of \$39,184,917). Investment in capital assets includes land, buildings, infrastructure, museum artifacts and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 4%. For more detailed information concerning capital assets, see note 6 to the financial statements.

September 30, 2015

City of Kennesaw, Georgia

Table 6
Capital Assets
September 30
(net of depreciation)
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 14,021	\$ 14,021	\$ 21	\$ 21	\$ 14,042	\$ 14,042
Construction in progress	6,266	4,249	155	274	6,421	4,523
Museum artifacts	-	-	815	802	815	802
Buildings and improvements	7,192	6,657	11,324	10,655	18,516	17,312
Park land	8,455	8,716	-	-	8,455	8,716
Infrastructure	17,708	18,397	-	-	17,708	18,397
Furniture, machinery and equipment	1,582	1,133	323	376	1,905	1,509
Vehicles	1,445	1,101	128	102	1,573	1,203
Total	<u>\$ 56,669</u>	<u>\$ 54,274</u>	<u>\$ 12,766</u>	<u>\$ 12,230</u>	<u>\$ 69,435</u>	<u>\$ 66,504</u>

This year's major capital asset additions included:

Governmental Activities:

- SPLOST Cherokee Street Widening project - \$499,787
- SPLOST Stanley Collins Road project - \$331,826
- SPLOST Smith Gilbert Gardens property purchase for future event building - \$313,993
- Regional Stormwater Management Facility project - \$453,315
- LMIG Resurfacing project - \$231,604
- SPLOST Pine Mountain Road - \$641,419

Long-Term Debt

At the end of fiscal year 2015, the City had \$30,284,628 in outstanding long-term debt. This is a net decrease of \$184,342 compared to the prior year. More detailed information about the City's long-term liabilities is included in note 8 to the financial statements.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the total tax digest. The current debt limitation for the City is \$108,916,176, which is in excess of the City's outstanding general obligation debt.

September 30, 2015

City of Kennesaw, Georgia

Table 7
Outstanding Debt at September 30
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 10,640	\$ 11,155	\$ -	\$ -	\$ 10,640	\$ 11,155
Revenue Bonds	9,635	10,243	-	-	9,635	10,243
Leases Payable	933	369	36	-	969	369
Notes Payable	321	337	-	-	321	337
OPEB obligation	3,052	2,853	475	452	3,527	3,305
Net pension liability	4,201	4,046	269	259	4,470	4,305
Compensated absences	677	713	45	42	722	755
Total	\$ 29,459	\$ 29,716	\$ 825	\$ 753	\$ 30,284	\$ 30,469

Economic and Next Year's Budget and Rates

Funding for the City's governmental activities is derived from property tax, other taxes (occupational taxes), fees (franchise fees, building permits) and grants. During the FY 2015 budget process, the City considered projections from Cobb County to estimate tax revenues and the local economy for other revenues for the proposed budget. The City's general fund budget for FY 2016 was approximately \$550,000 more than FY 2015 based on these projections. The FY 2016 budget was \$21,305,621. The increase in the FY 2016 general fund budget is due primarily to the increase in property tax revenue for increased property values and capital lease proceeds for financing vehicles and equipment.

The City adopted a Stormwater fee effective December 2014 and began reporting the Stormwater activity in a separate enterprise fund. The fee is based on the concept that every property in a watershed contributes to stormwater runoff and should support the operation, maintenance and rehabilitation of stormwater drainage systems. The City also approved a reduction in the residential Sanitation fee by the same amount as the residential stormwater fee to offset this new fee so residential property owners' total fees would not increase.

The 2016 SPLOST was approved by the voters in November 2014 and collections will begin in January 2016. The City is expected to receive a total of \$24.5 million which consists of \$20 million for infrastructure and transportation projects, \$1.5 million for park improvements and \$3 million for property acquisitions to support Economic Development.

The City resurfaces streets under the Georgia Department of Transportation's Local Maintenance and Improvement Grant (LMIG). Under the LMIG program guidelines, the City is responsible for a 30% match of the City's total resurfacing cost to obtain the LMIG funds. The City received \$203,323 in LMIG funding during FY 2015 and expects to receive \$202,220 for FY 2016. The City relies on SPLOST, LMIG and local funds for resurfacing projects.

Financial Contact

This financial report is designed to provide a general overview of the City's finances, comply with finance related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Finance Director at 2529 J. O. Stephenson Avenue, Kennesaw, Georgia 30144.

CITY OF KENNESAW, GEORGIA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

ASSETS	Primary Government			Component Unit
	Governmental	Business-type	Total	Development Authority
	Activities	Activities		
Cash and cash equivalents	\$ 28,928,615	\$ 806,609	\$ 29,735,224	\$ 94,381
Taxes receivable	2,311,996	-	2,311,996	-
Other receivables	428,328	-	428,328	-
Accounts receivable, net of allowances	-	406,651	406,651	23,750
Due from other governments	1,179,990	-	1,179,990	-
Due from component unit	220,440	-	220,440	-
Internal balances	(1,536,122)	1,536,122	-	-
Land held for resale	-	-	-	218,094
Inventory	4,447	97,171	101,618	-
Prepaid items	191,014	24,873	215,887	-
Restricted cash	2,091,879	-	2,091,879	-
Restricted investments	6,652,863	-	6,652,863	-
Note receivable	186,500	-	186,500	-
Capital assets:				
Non-depreciable	20,287,719	991,612	21,279,331	-
Depreciable, net of accumulated depreciation	36,381,640	11,774,139	48,155,779	-
Total assets	97,329,309	15,637,177	112,966,486	336,225
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan contributions subsequent to measurement date	877,416	56,085	933,501	-
Pension plan experience differences	419,100	26,790	445,890	-
Pension plan assumption changes	103,289	6,601	109,890	-
Total deferred outflows of resources	1,399,805	89,476	1,489,281	-
LIABILITIES				
Accounts payable	861,819	340,703	1,202,522	152,556
Accrued liabilities	1,104,057	544,008	1,648,065	-
Accrued interest payable	188,903	-	188,903	-
Unearned revenue	-	259,161	259,161	-
Due to primary government	-	-	-	220,440
Tax anticipation note payable	4,000,000	-	4,000,000	-
Net OPEB obligation due in more than one year	3,052,565	475,106	3,527,671	-
Compensated absences, due within one year	528,217	45,453	573,670	-
Compensated absences, due in more than one year	148,890	-	148,890	-
Notes payable, due within one year	16,375	-	16,375	-
Notes payable, due in more than one year	304,541	-	304,541	-
Capital leases, due within one year	198,529	7,789	206,318	-
Capital leases, due in more than one year	734,318	28,457	762,775	-
Bonds payable, due within one year	1,135,000	-	1,135,000	-
Bonds payable, due in more than one year	19,140,068	-	19,140,068	-
Net pension liability, due in more than one year	4,200,805	268,515	4,469,320	-
Total liabilities	35,614,087	1,969,192	37,583,279	372,996
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual pension plan investment earnings	293,655	18,769	312,424	-
Total deferred inflows of resources	293,655	18,769	312,424	-
NET POSITION				
Net investment in capital assets	41,353,883	12,729,505	54,083,388	-
Restricted for:				
Law enforcement	124,687	-	124,687	-
Tourism	11,713	-	11,713	-
Capital projects	21,443,960	-	21,443,960	-
Debt service	779,410	-	779,410	-
Voter approved use	7,965,332	-	7,965,332	-
Unrestricted	(8,857,613)	1,009,187	(7,848,426)	(36,771)
Total net position	\$ 62,821,372	\$ 13,738,692	\$ 76,560,064	\$ (36,771)

The accompanying notes are an integral part of these financial statements.

CITY OF KENNESAW, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,460,850	\$ 181,499	\$ 709,912	\$ -
Judicial	348,800	946,319	32,032	-
Public safety	7,410,419	1,555,379	-	-
Public works	3,699,120	217,117	-	6,618,911
Culture and recreation	2,265,865	828,019	-	24,468
Housing and development	957,354	470,269	-	-
Interest on long-term debt	928,138	-	-	-
Total governmental activities	<u>20,070,546</u>	<u>4,198,602</u>	<u>741,944</u>	<u>6,643,379</u>
Business-type activities:				
Sanitation	1,518,213	2,206,876	-	-
Museum	1,136,658	413,818	-	704,771
Gardens	414,602	115,540	-	5,000
Stormwater	775,836	906,877	-	-
Total business-type activities	<u>3,845,309</u>	<u>3,643,111</u>	<u>-</u>	<u>709,771</u>
Total primary government	<u>\$ 23,915,855</u>	<u>\$ 7,841,713</u>	<u>\$ 741,944</u>	<u>\$ 7,353,150</u>
Component unit:				
Development Authority	\$ 208,201	\$ -	\$ -	\$ -
Total component unit	<u>\$ 208,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Property taxes
 Franchise taxes
 Insurance premium taxes
 Business taxes
 Other taxes
 Net investment income
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position, beginning of year, restated
 Net position, end of year

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Development Authority
\$ (3,569,439)	\$ -	\$ (3,569,439)	\$ -
629,551	-	629,551	-
(5,855,040)	-	(5,855,040)	-
3,136,908	-	3,136,908	-
(1,413,378)	-	(1,413,378)	-
(487,085)	-	(487,085)	-
(928,138)	-	(928,138)	-
<u>(8,486,621)</u>	<u>-</u>	<u>(8,486,621)</u>	<u>-</u>
-	688,663	688,663	-
-	(18,069)	(18,069)	-
-	(294,062)	(294,062)	-
<u>-</u>	<u>131,041</u>	<u>131,041</u>	<u>-</u>
<u>-</u>	<u>507,573</u>	<u>507,573</u>	<u>-</u>
<u>(8,486,621)</u>	<u>507,573</u>	<u>(7,979,048)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(208,201)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(208,201)</u>
9,743,961	-	9,743,961	-
1,788,362	-	1,788,362	-
1,745,554	-	1,745,554	-
1,235,665	-	1,235,665	-
753,443	-	753,443	-
527,663	1,135	528,798	124
-	-	-	66,031
<u>(278,662)</u>	<u>278,662</u>	<u>-</u>	<u>-</u>
<u>15,515,986</u>	<u>279,797</u>	<u>15,795,783</u>	<u>66,155</u>
7,029,365	787,370	7,816,735	(142,046)
55,792,007	12,951,322	68,743,329	105,275
<u>\$ 62,821,372</u>	<u>\$ 13,738,692</u>	<u>\$ 76,560,064</u>	<u>\$ (36,771)</u>

CITY OF KENNESAW, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

ASSETS	General Fund	SPLOST Fund	Urban Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,533,481	\$ 20,518,118	\$ 6,213,355	\$ 653,962	\$ 28,918,916
Taxes receivable	2,280,889	-	-	31,107	2,311,996
Other receivables	143,914	-	-	284,414	428,328
Due from other governments	141,851	1,038,139	-	-	1,179,990
Due from other funds	1,720	-	-	223	1,943
Due from component unit	220,440	-	-	-	220,440
Restricted cash	2,091,879	-	-	-	2,091,879
Restricted investments	6,652,863	-	-	-	6,652,863
Advances to other funds	958,972	-	-	496,756	1,455,728
Inventory	4,447	-	-	-	4,447
Prepaid expenditures	185,029	-	-	5,985	191,014
Notes receivable	-	-	-	186,500	186,500
Total assets	\$ 14,215,485	\$ 21,556,257	\$ 6,213,355	\$ 1,658,947	\$ 43,644,044
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 589,605	\$ 136,243	\$ -	\$ 83,760	\$ 809,608
Accrued liabilities	857,225	-	-	38,344	895,569
Due to other funds	266,844	-	-	27,498	294,342
Advances from other funds	1,976,098	-	-	958,972	2,935,070
Tax anticipation note payable	4,000,000	-	-	-	4,000,000
Accrued interest	9,515	-	-	-	9,515
Total liabilities	7,699,287	136,243	-	1,108,574	8,944,104
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	480,365	-	-	-	480,365
Total deferred inflows of resources	480,365	-	-	-	480,365
FUND BALANCES					
Fund balances:					
Nonspendable:					
Long-term advances	958,972	-	-	496,756	1,455,728
Inventories	4,447	-	-	-	4,447
Prepaid expenditures	185,029	-	-	5,985	191,014
Notes receivable	-	-	-	186,500	186,500
Restricted:					
Law enforcement	36,060	-	-	88,627	124,687
Culture and recreation	-	-	-	11,713	11,713
Capital projects	-	21,420,014	6,213,355	23,946	27,657,315
Debt service	779,410	-	-	-	779,410
Voter approved use	7,965,332	-	-	-	7,965,332
Committed:					
Cemetery maintenance	-	-	-	23,686	23,686
Assigned:					
Capital projects	-	-	-	409,033	409,033
Unassigned	(3,893,417)	-	-	(695,873)	(4,589,290)
Total fund balances	6,035,833	21,420,014	6,213,355	550,373	34,219,575
Total liabilities, deferred inflows of resources and fund balances	\$ 14,215,485	\$ 21,556,257	\$ 6,213,355	\$ 1,658,947	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.					56,669,359
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.					480,365
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.					(22,385,326)
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.					(3,094,655)
Net OPEB obligations are not due and payable in the current period and, therefore are not reported in the funds.					(3,052,565)
Internal service funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities.					(15,381)
Net position of governmental activities					\$ 62,821,372

The accompanying notes are an integral part of these financial statements.

CITY OF KENNESAW, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Urban Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 15,191,624	\$ -	\$ -	\$ 68,109	\$ 15,259,733
Licenses and permits	514,121	-	-	32,156	546,277
Intergovernmental	1,261,121	6,198,180	-	-	7,459,301
Fines and forfeitures	1,062,504	-	-	167,125	1,229,629
Charges for services	898,434	-	-	1,261,676	2,160,110
Contributions	24,468	-	-	32,562	57,030
Net investment income	511,000	46,411	15,513	1,091	574,015
Other revenues	216,175	-	-	-	216,175
Total revenues	<u>19,679,447</u>	<u>6,244,591</u>	<u>15,513</u>	<u>1,562,719</u>	<u>27,502,270</u>
EXPENDITURES					
Current:					
General government	4,206,658	-	-	-	4,206,658
Judicial	343,440	-	-	-	343,440
Public safety	6,017,005	-	-	1,142,374	7,159,379
Public works	2,497,242	-	-	19,199	2,516,441
Culture and recreation	1,952,081	-	-	33,828	1,985,909
Housing and development	908,897	-	-	24,998	933,895
Capital outlay	1,657,564	2,170,512	-	594,469	4,422,545
Debt service:					
Principal retirements	712,277	-	295,000	325,759	1,333,036
Interest and fiscal charges	475,316	-	314,583	142,159	932,058
Total expenditures	<u>18,770,480</u>	<u>2,170,512</u>	<u>609,583</u>	<u>2,282,786</u>	<u>23,833,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>908,967</u>	<u>4,074,079</u>	<u>(594,070)</u>	<u>(720,067)</u>	<u>3,668,909</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	6,520	-	-	-	6,520
Issuance of capital lease	761,265	-	-	-	761,265
Transfers in	500,000	-	607,083	1,018,466	2,125,549
Transfers out	(2,368,585)	-	-	(35,626)	(2,404,211)
Total other financing sources (uses)	<u>(1,100,800)</u>	<u>-</u>	<u>607,083</u>	<u>982,840</u>	<u>489,123</u>
Net change in fund balance	(191,833)	4,074,079	13,013	262,773	4,158,032
FUND BALANCES, beginning of year, restated	<u>6,227,666</u>	<u>17,345,935</u>	<u>6,200,342</u>	<u>287,600</u>	<u>30,061,543</u>
FUND BALANCES, end of year	<u>\$ 6,035,833</u>	<u>\$ 21,420,014</u>	<u>\$ 6,213,355</u>	<u>\$ 550,373</u>	<u>\$ 34,219,575</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KENNESAW, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 4,158,032
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	2,413,086
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, sales and trade-ins) is to decrease net position.	(18,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(123,756)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	571,771
Internal service funds are used by management to charge the costs of health and workers' compensation insurance to individual funds. The net expenses of the internal service funds is reported with governmental activities.	111
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>28,121</u>
Change in net position - governmental activities	<u>\$ 7,029,365</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KENNESAW, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 14,771,479	\$ 15,154,240	\$ 15,191,624	\$ 37,384
Licenses and permits	531,183	531,183	514,121	(17,062)
Fines and forfeitures	1,150,000	1,150,000	1,062,504	(87,496)
Charges for services	967,416	977,643	898,434	(79,209)
Intergovernmental	1,115,158	1,304,158	1,261,121	(43,037)
Contributions	8,500	21,000	24,468	3,468
Net investment income	478,671	510,671	511,000	329
Miscellaneous	155,000	228,913	216,175	(12,738)
Total revenues	19,177,407	19,877,808	19,679,447	(198,361)
EXPENDITURES				
Current:				
General government:				
Mayor and council	527,866	446,966	441,455	5,511
City manager	781,802	813,402	808,722	4,680
Financial administration	702,254	725,704	717,470	8,234
Legal and audit	214,200	247,200	246,750	450
Information technology	1,015,648	979,781	975,397	4,384
Buildings	1,029,869	1,021,660	1,016,864	4,796
Total general government	4,271,639	4,234,713	4,206,658	28,055
Judicial	363,804	346,204	343,440	2,764
Public safety:				
Police	5,151,513	5,225,383	5,173,371	52,012
Corrections	826,086	851,313	843,634	7,679
Total public safety	5,977,599	6,076,696	6,017,005	59,691
Public works:				
Central services	616,553	617,548	610,557	6,991
Highways and streets	1,881,457	1,908,146	1,886,685	21,461
Total public works	2,498,010	2,525,694	2,497,242	28,452
Culture and recreation	2,038,044	1,974,044	1,952,081	21,963
Housing and development:				
Construction and inspection	413,177	408,877	404,516	4,361
Planning and zoning	219,050	221,150	219,291	1,859
Economic development	297,084	287,084	285,090	1,994
Total housing and development	929,311	917,111	908,897	8,214
Capital outlay	1,230,410	1,659,855	1,657,564	2,291
Debt service:				
Principal	1,083,772	716,092	712,277	3,815
Interest	596,760	472,440	475,316	(2,876)
Total debt service	1,680,532	1,188,532	1,187,593	939
Total expenditures	18,989,349	18,922,849	18,770,480	152,369
Excess of revenues over expenditures	188,058	954,959	908,967	(45,992)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	10,000	6,520	(3,480)
Issuance of capital lease	509,390	759,390	761,265	1,875
Transfers in	1,054,164	667,516	500,000	(167,516)
Transfers out	(1,761,612)	(2,391,865)	(2,368,585)	23,280
Total other financing sources (uses)	(188,058)	(954,959)	(1,100,800)	(145,841)
Net change in fund balances	-	-	(191,833)	(191,833)
FUND BALANCES, beginning of year, restated	6,227,666	6,227,666	6,227,666	-
FUND BALANCES, end of year	\$ 6,227,666	\$ 6,227,666	\$ 6,035,833	\$ (191,833)

The accompanying notes are an integral part of these financial statements.

CITY OF KENNESAW, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015**

ASSETS	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Sanitation Fund	Museum Fund	Stormwater Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	
CURRENT ASSETS						
Cash	\$ 513,660	\$ 50,943	\$ 163,088	\$ 78,918	\$ 806,609	\$ 9,699
Accounts receivable	221,536	39,495	145,620	-	406,651	-
Due from other funds	921	27,575	197,093	1,924	227,513	268,520
Inventory	-	92,802	-	4,369	97,171	-
Prepays	30	9,570	15,002	271	24,873	-
Total current assets	<u>736,147</u>	<u>220,385</u>	<u>520,803</u>	<u>85,482</u>	<u>1,562,817</u>	<u>278,219</u>
NONCURRENT ASSETS						
Advances to other funds	1,479,342	-	-	-	1,479,342	-
Capital assets:						
Non-depreciable assets	-	822,037	169,575	-	991,612	-
Depreciable assets	307,725	8,729,061	9,837,224	97,310	18,971,320	-
Accumulated depreciation	(160,384)	(2,627,507)	(4,357,527)	(51,763)	(7,197,181)	-
Total capital assets	<u>147,341</u>	<u>6,923,591</u>	<u>5,649,272</u>	<u>45,547</u>	<u>12,765,751</u>	<u>-</u>
Total noncurrent assets	<u>1,626,683</u>	<u>6,923,591</u>	<u>5,649,272</u>	<u>45,547</u>	<u>14,245,093</u>	<u>-</u>
Total assets	<u>2,362,830</u>	<u>7,143,976</u>	<u>6,170,075</u>	<u>131,029</u>	<u>15,807,910</u>	<u>278,219</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan contributions subsequent to measurement date	4,076	-	52,009	-	56,085	-
Pension plan experience differences	1,947	-	24,843	-	26,790	-
Pension plan assumption changes	480	-	6,121	-	6,601	-
Total deferred outflows of resources	<u>6,503</u>	<u>-</u>	<u>82,973</u>	<u>-</u>	<u>89,476</u>	<u>-</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	224,548	95,057	11,649	9,449	340,703	52,211
Accrued liabilities	2,639	17,035	14,176	12,181	46,031	208,488
Due to other funds	187,422	-	-	-	187,422	16,212
Deposits payable	497,977	-	-	-	497,977	-
Capital lease payable	-	-	7,789	-	7,789	-
Compensated absences payable	6,894	12,723	15,615	10,221	45,453	-
Unearned revenue	171,046	-	88,115	-	259,161	-
Total current liabilities	<u>1,090,526</u>	<u>124,815</u>	<u>137,344</u>	<u>31,851</u>	<u>1,384,536</u>	<u>276,911</u>
NONCURRENT LIABILITIES						
Capital lease payable	-	-	28,457	-	28,457	-
Net OPEB liability	170,435	157,648	83,366	63,657	475,106	-
Net pension liability	19,512	-	249,003	-	268,515	-
Total noncurrent liabilities	<u>189,947</u>	<u>157,648</u>	<u>360,826</u>	<u>63,657</u>	<u>772,078</u>	<u>-</u>
Total liabilities	<u>1,280,473</u>	<u>282,463</u>	<u>498,170</u>	<u>95,508</u>	<u>2,156,614</u>	<u>276,911</u>
DEFERRED INFLOWS OF RESOURCES						
Net difference between projected and actual pension plan investment earnings	1,364	-	17,405	-	18,769	-
Total deferred inflows of resources	<u>1,364</u>	<u>-</u>	<u>17,405</u>	<u>-</u>	<u>18,769</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	147,341	6,923,591	5,613,026	45,547	12,729,505	-
Unrestricted	940,155	(62,078)	124,447	(10,026)	992,498	1,308
Total net position	<u>\$ 1,087,496</u>	<u>\$ 6,861,513</u>	<u>\$ 5,737,473</u>	<u>\$ 35,521</u>	<u>13,722,003</u>	<u>\$ 1,308</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds					16,689	
Net position of business-type activities					<u>\$ 13,738,692</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF KENNESAW, GEORGIA

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Sanitation Fund	Museum Fund	Stormwater Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	
OPERATING REVENUE						
Sanitation fees	\$ 2,206,286	\$ -	\$ -	\$ -	\$ 2,206,286	\$ -
Stormwater fees	-	-	906,877	-	906,877	-
Charges for sales and services	-	322,237	-	70,828	393,065	2,793,983
Miscellaneous	590	91,581	-	44,712	136,883	-
Total operating revenues	<u>2,206,876</u>	<u>413,818</u>	<u>906,877</u>	<u>115,540</u>	<u>3,643,111</u>	<u>2,793,983</u>
OPERATING EXPENSES						
Cost of sales and services	1,477,990	931,689	559,179	405,671	3,374,529	124,798
Claims	-	-	-	-	-	2,669,126
Depreciation	31,553	204,972	216,659	8,933	462,117	-
Total operating expenses	<u>1,509,543</u>	<u>1,136,661</u>	<u>775,838</u>	<u>414,604</u>	<u>3,836,646</u>	<u>2,793,924</u>
Operating income (loss)	<u>697,333</u>	<u>(722,843)</u>	<u>131,039</u>	<u>(299,064)</u>	<u>(193,535)</u>	<u>59</u>
NON-OPERATING INCOME (EXPENSES)						
Interest income	936	105	3	91	1,135	59
Loss on disposal of property	(8,670)	-	-	-	(8,670)	-
Total non-operating income (expenses)	<u>(7,734)</u>	<u>105</u>	<u>3</u>	<u>91</u>	<u>(7,535)</u>	<u>59</u>
Income (loss) before transfers and contributions	<u>689,599</u>	<u>(722,738)</u>	<u>131,042</u>	<u>(298,973)</u>	<u>(201,070)</u>	<u>118</u>
Capital contributions	-	704,771	-	5,000	709,771	-
Transfers in	-	314,789	299,613	294,898	909,300	-
Transfers out	(630,638)	-	-	-	(630,638)	-
Total capital contributions and transfers	<u>(630,638)</u>	<u>1,019,560</u>	<u>299,613</u>	<u>299,898</u>	<u>988,433</u>	<u>-</u>
Change in net position	58,961	296,822	430,655	925	787,363	118
Total net position, beginning of year, restated	<u>1,028,535</u>	<u>6,564,691</u>	<u>5,306,818</u>	<u>34,596</u>		<u>1,190</u>
Total net position, end of year	<u>\$ 1,087,496</u>	<u>\$ 6,861,513</u>	<u>\$ 5,737,473</u>	<u>\$ 35,521</u>		<u>\$ 1,308</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds					7	
Change in net position of business-type activities					<u>\$ 787,370</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF KENNESAW, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities Internal Service Fund
	Sanitation Fund	Museum Fund	Stormwater Fund	Nonmajor Enterprise Fund Gardens Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 2,027,972	\$ 437,041	\$ 849,372	\$ 134,469	\$ 3,448,854	\$ 3,018,008
Payments to suppliers	(1,100,968)	(309,411)	(124,719)	(77,939)	(1,613,037)	(3,013,443)
Payments to employees	(75,718)	(485,663)	(710,918)	(313,795)	(1,586,094)	-
Net cash provided by (used in) operating activities	851,286	(358,033)	13,735	(257,265)	249,723	4,565
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	-	314,789	299,613	294,898	909,300	-
Transfers out to other funds	(630,638)	-	-	-	(630,638)	-
Net cash provided by (used in) non-capital financing activities	(630,638)	314,789	299,613	294,898	278,662	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	-	(806,857)	(186,509)	-	(993,366)	-
Proceeds from the issuance of capital leases	-	-	44,035	-	44,035	-
Principal payments on capital lease	-	-	(7,789)	-	(7,789)	-
Grants and capital contributions	-	691,357	-	5,000	696,357	-
Net cash provided by (used in) capital and related financing activities	-	(115,500)	(150,263)	5,000	(260,763)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	936	105	3	91	1,135	59
Net cash provided by investing activities	936	105	3	91	1,135	59
Net increase (decrease) in cash	221,584	(158,639)	163,088	42,724	268,757	4,624
Cash, beginning of year	292,076	209,582	-	36,194	537,852	5,075
Cash, end of year	<u>\$ 513,660</u>	<u>\$ 50,943</u>	<u>\$ 163,088</u>	<u>\$ 78,918</u>	<u>\$ 806,609</u>	<u>\$ 9,699</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ 697,333	\$ (722,843)	\$ 131,039	\$ (299,064)	\$ (193,535)	\$ 59
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	31,553	204,972	216,659	8,933	462,117	-
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	65,445	(39,495)	(145,620)	18,929	(100,741)	149,266
Decrease in intergovernmental receivable	-	62,718	-	-	62,718	-
Decrease (increase) in due from other funds	(921)	125,008	(197,093)	(1,924)	(74,930)	74,759
Increase in advances to other funds	(240,089)	-	-	-	(240,089)	-
Decrease in prepaid items	3	11,717	4,358	287	16,365	-
Decrease (increase) in inventory	-	501	-	(1,308)	(807)	-
Increase in pension related deferred outflows of resources	(2,958)	-	(37,728)	-	(40,686)	-
Increase (decrease) in accounts payable	112,809	(2,763)	(47,509)	4,874	67,411	(71,818)
Increase (decrease) in accrued liabilities	1,258	368	(28,839)	2,150	(25,063)	(163,913)
Increase in customer deposits payable	54,120	-	-	-	54,120	-
Increase in OPEB liability	1,178	8,871	6,602	6,147	22,798	-
Increase (decrease) in compensated absences payable	1,551	(1,508)	(2,819)	6,051	3,275	-
Increase (decrease) in unearned revenue	(58,380)	-	88,115	-	29,735	-
Increase in pension related deferred inflows of resources	1,364	-	17,405	-	18,769	-
Increase (decrease) in due to other funds	186,302	(5,579)	-	(2,340)	178,383	16,212
Increase in net pension liability	718	-	9,165	-	9,883	-
Net cash provided by (used in) operating activities	<u>\$ 851,286</u>	<u>\$ (358,033)</u>	<u>\$ 13,735</u>	<u>\$ (257,265)</u>	<u>\$ 249,723</u>	<u>\$ 4,565</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital contributions	<u>\$ -</u>	<u>\$ 13,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,414</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KENNESAW, GEORGIA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Kennesaw, Georgia (the “City”) 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 establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. Reporting Entity

The City operates under a council/manager form of government and provides the following services to its citizens: public safety, public works, parks and recreation, public improvements, and general and administrative services.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

The Kennesaw Development Authority (the “KDA”) has been included as a discretely presented component unit in the accompanying financial statements due to the nature and significance of its relationship with the City. The City appoints its seven member board and all debt issuances must be first approved by the City Council. Financial information with regard to the KDA can be obtained from Kennesaw City Hall. Separate financial statements for the Kennesaw Development Authority are not prepared.

Blended Component Unit

The Kennesaw Urban Redevelopment Agency (the “KURA”) has been included as a blended component unit in the accompanying financial statements. The City appoints its three member board. Although it is legally separate from the City, its sole purpose is to finance construction and acquisitions of the City. The debt and assets of the KURA have been reported as a form of the City’s debt and assets and all debt service activity is reported as debt service activity of the City.

The Kennesaw Downtown Development Authority (the “KDDA”) has been included as a blended component unit in the accompanying financial statements. The City appoints its seven member board and all debt issuances must be first approved by the City Council. The debt of the KDDA is expected to be repaid almost entirely with the City’s resources. The debt and assets of the KDDA have been reported as a form of the City’s debt and assets and all debt service activity is reported as debt service activity of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its discretely presented component unit. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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. Governmental fund financial statements are reported using the current financial 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of intergovernmental revenue which is considered available if collected within 180 days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, 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, if available. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

The **General Fund** is the City'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 **SPLOST Fund** accounts for the receipts of special purpose local option sales tax (SPLOST) funds and expenditures of money for capital projects approved in the SPLOST resolution.

The **Urban Redevelopment Agency** accounts for the resources accumulated and payments made for principal and interest on long-term debt of the City and the activity of the Urban Redevelopment Agency blended component unit.

The City reports the following major proprietary funds:

The **Sanitation Fund** accounts for the collection of fees for garbage collection, disposal and recycling programs and related expenses.

The **Museum Fund** accounts for the activity related to the operation of the City's Museum.

The **Stormwater fund** accounts for the collection of fees for upgrades to stormwater drains and related expenses.

The City also reports the following fund types:

The **Special Revenue Funds** are used to account for specific revenues, such as confiscations and forfeitures, E911 revenues, hotel/motel tax revenues, charges for cemetery plot sales, charges for various impact fee permits and various grants and contributions, which are legally restricted or committed to expenditures for particular purposes.

The **Capital Projects Fund** is used to account for the expenditures of money for major capital projects. This fund is general in nature and may be used to finance any capital project that the City Council designates.

The **Debt Service Funds** are used to accounts for the resources accumulated and payments made for principal and interest on long-term debt of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The **Enterprise Funds** are used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent of the City is that the costs (including depreciation) of providing the goods and services be financed or recovered primarily through user charges.

The **Internal Service Fund** accounts for the accumulation of resources to be used for health insurance related costs, as the City is partially self-insured.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets

Annual appropriated budgets are adopted for all funds, except capital project funds, which have project length budgets. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds. All appropriations lapse at fiscal year end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

E. Deposits and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents. Investments are reported at fair value as determined by quoted market prices.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by a fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

G. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an asset at the time the individual item is purchased. Inventories reported in the governmental funds are equally offset by fund balance, which indicates that they do not constitute “available, spendable resources” even though they are a component of net current assets.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2015, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has reported infrastructure consistent with the retroactive infrastructure reporting requirements of GASB Statement 34.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	30-50
Buildings	10-40
Land improvements	10-40
Machinery and equipment	3-20
Vehicles	3-10

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Deferred Outflows / Inflows of Resources

In addition to liabilities, the financial statements 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows / Inflows of Resources (Continued)

The City also has deferred inflows of resources and deferred outflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources. This amount will reduce the net pension liability in the next fiscal year.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as expenses in the period in which they are incurred.

In the fund financial statements, governmental fund types report the face amount of debt issued and related premiums or discounts as other financing sources and bond issuance costs as expenditures.

M. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity (Continued)

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a formal resolution of the City Council. Only the City Council may modify or rescind the commitment through the passage of a resolution.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council, through resolution, has expressly delegated to the City Manager the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

Net position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. When both restricted and unrestricted amounts of net position are available for use for expenses incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Kennesaw Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$22,385,326 difference are as follows:

Capital leases payable	\$ (932,847)
Notes payable	(320,916)
Bonds payable	(20,225,000)
Bond issuance premium	(50,068)
Accrued interest payable	(179,388)
Compensated absences	(677,107)
	<hr/>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (22,385,326)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (Continued)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Another element of that reconciliation states that “deferred outflows of resources, deferred inflows of resources and the net pension liability are not expected to be liquidated with expendable available resources and therefore are not reported in the funds.” The details of this \$3,094,655 difference are as follows:

Net pension liability	\$ (4,200,805)
Deferred outflows of resources:	
Pension plan contributions	877,416
Pension plan experience differences	419,100
Pension plan assumption changes	103,289
Deferred inflows of resources	
Net difference between projected and actual investment earnings	<u>(293,655)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (3,094,655)</u></u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$2,413,086 difference are as follows:

Capital outlay	\$ 4,444,219
Depreciation expense	<u>(2,031,133)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 2,413,086</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$571,771 difference are as follows:

Proceeds from capital leases	\$ (761,265)
Principal retirement of long-term debt	1,333,036
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 571,771

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$28,121 differences are as follows:

Compensated absences	\$ 35,647
Change in OPEB accrual	(199,673)
Net pension liability and related deferred outflows and inflows of resources	188,227
Amortization of bond issuance premium	3,424
Accrued interest	496
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 28,121

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City of Kennesaw, Georgia employs the following procedures in establishing its annual budget:

1. The City Manager submits a proposed operating budget to the City Council. The operating budget includes proposed expenditures and the means for financing them.
2. Prior to any action by the Council, the City publishes the proposed budget in the official legal organ, other community newspapers and makes copies available to the residents of the City.
3. Public meetings are held to obtain taxpayer comments.
4. The budget is then legally enacted through passage of a resolution by the City Council by October 1 each fiscal year.
5. Budgetary control is exercised at the department level for the General Fund and total expenditures for all other funds. The City Manager is authorized to transfer budget amounts within a department for the General Fund; however, any revisions that alter the total expenditures of a department require a budget amendment by the City Council. The City Manager is authorized to transfer budget amounts within the fund for all other funds; however, a change in total expenditures requires a budget amendment by the City Council. Budget amounts shown in these financial statements reflect amendments approved by the City Council. Such amendments resulted in no supplemental appropriations.

NOTE 4. DEPOSITS AND INVESTMENTS

As of September 30, 2015, the City of Kennesaw had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
Certificate of deposit	1 - 5 years	N/A	\$ 150,000
Federal Home Loan Bank	1 - 5 years	Aaa	602,550
Federal Home Loan Mortgage Corporation	6 - 10 years	AA+	484,138
Federal Home Loan Bank	6 - 10 years	Aaa	1,696,967
Federal Farm Credit Bank	6 - 10 years	Aaa	896,347
Federal Farm Credit Bank	11 - 15 years	Aaa	1,587,018
Federal Home Loan Bank	11 - 15 years	Aaa	839,153
Federal Home Loan Bank	16 - 20 years	Aaa	396,690
Total			\$ 6,652,863

N/A - Not applicable

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk: The City does not have a formal policy that addresses interest rate risk. At September 30, 2015 the above investments were subject to interest rate risk. Interest rate risk is the risk that a government may face should changes in interest rates affect the fair value of its investments.

The above U.S. Government obligations have been reported as restricted investments in the General Fund. These amounts represent proceeds from the prior sale of the City's water and sewer system that are required by an amendment to the City's charter to be put before the City's voters in a public referendum, along with a description of the intended use, for a majority approval by the voters before it may be spent or sold. This amount has also been reported as part of restricted fund balance in the General Fund.

Credit Risk: The City does not have a formal policy to address credit risk aside from adherence to State statutes for investments. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, and City policy, require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2015, the City's and its component units' deposits were properly insured and collateralized.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. Tax bills are levied on October 1. The billings are considered due upon receipt by the taxpayer; however, the actual due date is December 1. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City. Property taxes are recorded as receivables and deferred inflows of resources when assessed. Revenues are recognized in governmental funds when available.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES (Continued)

Receivables at September 30, 2015, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>SPLOST</u>	<u>Sanitation</u>	<u>Museum</u>	<u>Stormwater</u>	<u>Other Nonmajor Funds</u>
Receivables:						
Taxes	\$ 2,390,045	\$ -	\$ -	\$ -	\$ -	\$ 31,107
Accounts	-	-	306,638	39,495	145,620	-
Due from other governments	141,851	1,038,139	-	-	-	-
Other	143,914	-	-	-	-	284,414
Less allowance for uncollectible	(109,156)	-	(85,102)	-	-	-
Net total receivable	<u>\$ 2,566,654</u>	<u>\$ 1,038,139</u>	<u>\$ 221,536</u>	<u>\$ 39,495</u>	<u>\$ 145,620</u>	<u>\$ 315,521</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 14,021,277	\$ -	\$ -	\$ -	\$ 14,021,277
Construction in progress	4,249,018	2,884,069	(866,645)	-	6,266,442
Total	<u>18,270,295</u>	<u>2,884,069</u>	<u>(866,645)</u>	<u>-</u>	<u>20,287,719</u>
Capital assets, being depreciated:					
Buildings	10,918,695	96,283	790,024	-	11,805,002
Infrastructure	37,827,753	196,692	76,621	-	38,101,066
Machinery and equipment	4,016,308	710,077	-	-	4,726,385
Land improvements	9,935,892	-	-	-	9,935,892
Vehicles	3,520,580	557,098	-	(276,647)	3,801,031
Total	<u>66,219,228</u>	<u>1,560,150</u>	<u>866,645</u>	<u>(276,647)</u>	<u>68,369,376</u>
Less accumulated depreciation for:					
Buildings	(4,261,624)	(351,221)	-	-	(4,612,845)
Infrastructure	(19,430,670)	(962,634)	-	-	(20,393,304)
Machinery and equipment	(2,883,437)	(261,011)	-	-	(3,144,448)
Land improvements	(1,220,258)	(260,845)	-	-	(1,481,103)
Vehicles	(2,419,261)	(195,422)	-	258,647	(2,356,036)
Total	<u>(30,215,250)</u>	<u>(2,031,133)</u>	<u>-</u>	<u>258,647</u>	<u>(31,987,736)</u>
Total capital assets, being depreciated, net	<u>36,003,978</u>	<u>(470,983)</u>	<u>866,645</u>	<u>(18,000)</u>	<u>36,381,640</u>
Governmental activities capital assets, net	<u>\$ 54,274,273</u>	<u>\$ 2,413,086</u>	<u>\$ -</u>	<u>\$ (18,000)</u>	<u>\$ 56,669,359</u>

Beginning capital assets for governmental activities and business-type activities were adjusted to account for the transfer of assets to the stormwater fund. See Note 21 for further explanation.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Museum artifacts	\$ 801,623	\$ 13,414	\$ -	\$ -	\$ 815,037
Construction in progress	274,349	28,065	(147,164)	-	155,250
Land	21,325	-	-	-	21,325
Total	<u>1,097,297</u>	<u>41,479</u>	<u>(147,164)</u>	<u>-</u>	<u>991,612</u>
Capital assets, being depreciated:					
Buildings and structures	16,755,173	906,572	147,164	-	17,808,909
Furniture and fixtures	83,736	-	-	-	83,736
Vehicles	256,329	58,729	-	(86,694)	228,364
Machinery and equipment	850,311	-	-	-	850,311
Total	<u>17,945,549</u>	<u>965,301</u>	<u>147,164</u>	<u>(86,694)</u>	<u>18,971,320</u>
Less accumulated depreciation for:					
Buildings and structures	(6,100,191)	(386,095)	-	-	(6,486,286)
Furniture and fixtures	(76,538)	(7,198)	-	-	(83,736)
Vehicles	(154,496)	(23,622)	-	78,024	(100,094)
Machinery and equipment	(481,863)	(45,202)	-	-	(527,065)
Total	<u>(6,813,088)</u>	<u>(462,117)</u>	<u>-</u>	<u>78,024</u>	<u>(7,197,181)</u>
Total capital assets, being depreciated, net	<u>11,132,461</u>	<u>503,184</u>	<u>147,164</u>	<u>(8,670)</u>	<u>11,774,139</u>
Business-type activities capital assets, net	<u>\$ 12,229,758</u>	<u>\$ 544,663</u>	<u>\$ -</u>	<u>\$ (8,670)</u>	<u>\$ 12,765,751</u>

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

Governmental activities:	
General government	\$ 259,761
Judicial	4,352
Public safety	227,294
Public works	1,209,122
Culture and recreation	296,327
Housing and development	34,277
Total depreciation expense - governmental activities	<u>\$ 2,031,133</u>
Business-type activities:	
Sanitation	\$ 31,553
Museum	204,972
Stormwater	216,659
Gardens	8,933
Total depreciation expense - business-type activities	<u>\$ 462,117</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. SHORT-TERM BORROWINGS

The City paid off a tax anticipation note for operating purposes of \$4,000,000 at a local financial institution. The borrowing, with an interest rate of .70%, matured on December 31, 2014. As of September 30, 2015, the principal was paid in full. During the year ending September 30, 2015 the City used a new tax anticipation note for operating purposes; the balance of the note is \$4,000,000. The new note has an interest rate of .78% and matures on December 30, 2015.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2015, was \$16,401.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Tax anticipation note	\$ 4,000,000	\$ 4,000,000	\$ (4,000,000)	\$ 4,000,000

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NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 11,155,000	\$ -	\$ (515,000)	\$ 10,640,000	\$ 535,000
Revenue bonds	10,190,000	-	(605,000)	9,585,000	600,000
Premium on bonds	53,492	-	(3,424)	50,068	-
Notes payable	336,676	-	(15,760)	320,916	16,375
Capital leases	368,858	761,265	(197,276)	932,847	198,529
OPEB obligation	2,852,892	250,602	(50,929)	3,052,565	-
Net pension liability	4,046,180	803,308	(648,683)	4,200,805	-
Compensated absences	712,754	520,380	(556,027)	677,107	528,217
Governmental activity Long-term liabilities	<u>\$ 29,715,852</u>	<u>\$ 2,335,555</u>	<u>\$ (2,592,099)</u>	<u>\$ 29,459,308</u>	<u>\$ 1,878,121</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Capital lease	\$ -	\$ 44,035	\$ (7,789)	\$ 36,246	\$ 7,789
OPEB obligation	452,308	25,035	(2,237)	475,106	-
Net pension liability	258,632	51,345	(41,462)	268,515	-
Compensated absences	42,178	52,604	(49,329)	45,453	45,453
Business-type activity Long-term liabilities	<u>\$ 753,118</u>	<u>\$ 173,019</u>	<u>\$ (100,817)</u>	<u>\$ 825,320</u>	<u>\$ 53,242</u>

For governmental activities, compensated absences, OPEB obligations and the net pension liability are liquidated by the General Fund and E911 Fund. For business-type activities, compensated absences and OPEB obligations are liquidated by all enterprise funds and the net pension liability is liquidated by the sanitation and stormwater funds.

Capital Leases - Equipment. The City has entered into lease agreements as lessee for financing the acquisition of equipment (vehicles), machinery, and improvements used in general governmental activities. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inception. As of September 30, 2015, the City had governmental activities machinery and equipment under capital leases with a cost of \$1,412,368 and accumulated depreciation of \$136,471 for a net book value of \$1,275,897, and business-type activities vehicles with a cost and net book value of \$44,035.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

The City's total capital lease debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2016	\$ 216,026	\$ 7,789
2017	254,951	7,789
2018	178,511	7,789
2019	178,511	7,789
2020	112,177	7,789
2021	37,932	-
Total minimum lease payments	<u>978,108</u>	<u>38,945</u>
Less amount representing interest	45,261	2,699
Present value of future minimum lease payments	<u>\$ 932,847</u>	<u>\$ 36,246</u>

General Obligation Bonds. In November 2004 and January 2005 the City issued \$9,000,000 and \$6,000,000, respectively, of Various Purpose Series 2004 & 2005 General Obligation Bonds. The proceeds from the bonds will be used to pay for the costs of acquiring, constructing, equipping and renovating certain transportation projects, and parks and recreation projects, as well as the issuance costs.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The bonds were issued as 25-year serial bonds with interest rates of 4.12%. General obligation bond debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 535,000	\$ 427,347	\$ 962,347
2017	565,000	404,687	969,687
2018	595,000	380,791	975,791
2019	620,000	355,762	975,762
2020	650,000	329,600	979,600
2021-2025	3,810,000	1,205,100	5,015,100
2026-2029	3,865,000	329,291	4,194,291
Total	<u>\$ 10,640,000</u>	<u>\$ 3,432,578</u>	<u>\$ 14,072,578</u>

Revenue Bonds. In October 2003 the Kennesaw Urban Redevelopment Agency (KURA), a blended component unit, issued \$2,100,000 of Series 2003 Revenue Bonds. The bonds bear interest at 3.95% and are payable each February 1 and August 1 starting in 2005 through 2019. The proceeds from the bond issue were used to pay for the costs of expanding City Hall, as well as the issuance costs.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Additionally, in February 2014 the KURA issued \$3,620,000 and \$2,805,000 of Series 2014A and 2014B Revenue Bonds, respectively to finance the costs of acquiring a parking deck and adjacent surface parking in the downtown Kennesaw area. Series 2014A Revenue Bonds bear interest between 3.75% and 5.125% and are payable each February 1 and August 1 starting in 2014 through 2044. Series 2014B Revenue Bonds bear interest between 2.00% and 5.25% and are payable each February 1 and August 1 starting in 2014 through 2032.

The Kennesaw Downtown Development Authority (“KDDA”), a blended component unit, issued \$4,990,000 of revenue bonds in 2001 to expand the Southern Museum of Civil War and Locomotive History. The City entered into a contract with KDDA whereby the City agreed to pay the bond trustee an amount equal to the annual debt service on the bonds. The bonds bear interest at a rate of 4.48% annually and are due on June 1 each year, beginning in 2002 through 2021.

The Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 600,000	\$ 410,457	\$ 1,010,457
2017	625,000	386,793	1,011,793
2018	650,000	361,510	1,011,510
2019	680,000	334,471	1,014,471
2020	515,000	309,405	824,405
2021-2025	1,560,000	1,268,477	2,828,477
2026-2030	905,000	1,041,119	1,946,119
2031-2035	1,175,000	787,581	1,962,581
2036-2040	1,460,000	515,500	1,975,500
2041-2044	1,415,000	148,234	1,563,234
Total	<u>\$ 9,585,000</u>	<u>\$ 5,563,547</u>	<u>\$ 15,148,547</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Note payable. In February 2012 the KDDA entered into a note payable with a local financial institution; the note was used to acquire real estate and the attached building at 2765 Main Street Kennesaw, GA 30144. The note was originally executed for \$250,000, with an interest rate of 4.75%. The note is paid each month beginning July 3, 2012 through February 3, 2017. The debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending September 30,			
2016	\$ 9,116	\$ 10,576	\$ 19,692
2017	214,046	4,289	218,335
Total	<u>\$ 223,162</u>	<u>\$ 14,865</u>	<u>\$ 238,027</u>

Additionally, in February 2012, the KDDA entered into a note payable with a local financial institution; the agreement was used for building improvements to the property purchased at 2765 Main Street Kennesaw, GA 30144. The agreement was originally executed for \$119,850, with an interest rate of 3.10%. The agreement is paid each month beginning July 3, 2012 through January 3, 2017. The debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending September 30,			
2016	\$ 7,259	\$ 2,976	\$ 10,235
2017	90,495	941	91,436
Total	<u>\$ 97,754</u>	<u>\$ 3,917</u>	<u>\$ 101,671</u>

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2015, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 1,720
Internal service fund	General fund	266,844
Museum fund	Nonmajor governmental funds	23,879
Internal service fund	Nonmajor governmental funds	1,676
Stormwater fund	Sanitation fund	187,422
Sanitation fund	Internal service fund	921
Museum fund	Internal service fund	3,696
Stormwater fund	Internal service fund	9,671
Nonmajor enterprise funds	Internal service fund	1,924
Nonmajor governmental funds	Nonmajor governmental funds	223
		<u>\$ 497,976</u>

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Advances to/from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 496,756
Sanitation fund	General fund	1,479,342
General fund	Nonmajor governmental funds	958,972
		<u>\$ 2,935,070</u>

The amounts payable to the General Fund relate to E-911 equipment startup costs paid for by the General fund and an advance to the Kennesaw Downtown Development Authority from the General Fund. The amounts payable to the Sanitation Fund and the Impact Fees Fund from the General Fund relate to interfund borrowings for General Fund operations.

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General Fund	Component unit - Development Authority	<u>\$ 220,440</u>

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Sanitation fund	<u>\$ 500,000</u>
Stormwater fund	Sanitation fund	<u>\$ 130,638</u>
Museum fund	General fund	\$ 279,163
Museum fund	Nonmajor governmental funds	35,626
		<u>\$ 314,789</u>
Urban redevelopment fund	General fund	<u>\$ 607,083</u>
Nonmajor governmental funds	General fund	<u>\$ 1,018,466</u>
Stormwater fund	General fund	<u>\$ 168,975</u>
Nonmajor enterprise funds	General fund	<u>\$ 294,898</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounts for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OPERATING LEASES

The City leases copy machines under non-cancelable operating leases. Total costs for such leases were \$28,259 for the fiscal year ended September 30, 2015. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	
2016	\$ 26,376
2017	26,376
2018	26,376
2019	26,376
	<u>\$ 105,504</u>

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Kennesaw Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees who work at least thirty hours a week are eligible to participate after one year. Elected officials have no waiting period for eligibility. Benefits vest after ten years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 2.0% of final average earnings in excess of covered compensation. Under the old plan, which some employees are still participating, an employee may elect early retirement at the age of 55 provided he has a minimum of ten years total credited service. If he retires between the ages of 55-65, there will be a reduced monthly benefit. To receive full benefits, an employee must be employed until age 65. The benefit is calculated on the last five year's highest averaged earnings. The employees who are still under this plan do not contribute toward the plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Under the new plan of the Rule of 75, added in March 2003, an employee can retire with full benefits when their age plus years of service equal 75, and have ten years total credited service. The employees who are under the Rule of 75 are required to contribute 2% of their income every pay period toward the plan. The monthly benefit is calculated on the last three years' highest averaged earnings.

Elected officials are entitled to \$65 for each year of service after reaching normal retirement age.

Plan Membership. At January 1, 2015, the date of the most recent actuarial valuation, there were 270 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	56
Terminated vested participants not yet receiving benefits	35
Active employees - vested	76
Active employees - nonvested	103
Total	<u>270</u>

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan, as adopted by the City Council, is to contribute an amount equal to or greater than the recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the year ended September 30, 2015, the active member contribution rate was 2.00% of annual pay and the City's actuarially determined contribution rate was 11.34% of covered payroll. City contributions to the Plan were \$933,501 for the year ended September 30, 2015.

Net Pension Liability of the City

Effective October 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Actuarial assumptions. The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates for the January 1, 2014 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2013.

Cost of living adjustments were assumed to be 0.00%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the table below.

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	50%	5.95%
International equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	—%	
Total	<u>100%</u>	

* Rates shown are net of the 3.25% assumed rate of inflation

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended September 30, 2015 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/14	\$ 15,013,356	\$ 10,708,544	\$ 4,304,812
Changes for the year:			
Service cost	535,589	-	535,589
Interest	1,138,176	-	1,138,176
Differences between expected and actual experience	535,069	-	535,069
Assumption Changes	131,867	-	131,867
Contributions—employer	-	812,088	(812,088)
Contributions—employee	-	155,925	(155,925)
Net investment income	-	1,231,684	(1,231,684)
Benefit payments, including refunds of employee contributions	(654,436)	(654,436)	-
Administrative expense	-	(23,504)	23,504
Other changes	-	-	-
Net changes	1,686,265	1,521,757	164,508
Balances at 9/30/15	\$ 16,699,621	\$ 12,230,301	\$ 4,469,320

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 6,745,008	\$ 4,469,320	\$ 2,589,919

Changes in the Net Pension Liability of the City. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$733,240. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 445,890	\$ -
Changes in assumptions	109,890	-
Net difference between projected and actual earnings on pension plan investments	-	312,424
City contributions subsequent to the measurement date	933,501	-
Total	\$ 1,489,281	\$ 312,424

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

City contributions subsequent to the measurement date of \$933,501 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2016	\$ 33,050
2017	33,050
2018	33,050
2019	33,050
2020	111,156
Total	<u>\$ 243,356</u>

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City of Kennesaw Other Postretirement Benefits Plan (the "OPEB Plan") is a single-employer defined benefit postretirement health care, dental and vision plan, or other postemployment benefit (OPEB) plan. The City has not elected to advance fund the plan, but rather maintains the plan on a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. The City Council, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. There are no separately issued financial statements related to the City's OPEB Plan.

Benefits

Eligible retirees and former employees are offered the same health, prescription drug, and dental coverage as active employees. The City pays 100% of the employee premium and 0% of family premium for the POS plan and 100% of the employee premium and 0% of family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of \$1,000 per year per individual or \$3,000 per family for the POS plan and \$6,350 per individual and \$12,700 per family for the EPO plan. The individual limits of coverage by the City total \$190,000 per individual per calendar year for the first claimant and \$125,000 per individual per calendar year for subsequent claimants. The City only pays one aggregate claim totaling \$190,000 for both the active employees and retirees combined. After individual limits are met, the insurance carrier covers additional claims.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Eligibility

Eligible participants for Other Postemployment Benefits include:

1. Retired employees meeting the rule of 70 (age + years of service = 70); and
2. Employee must be receiving a pension from GMA.

Plan Membership

As of January 1, 2015, the most recent actuarial valuation date, the Plan membership included the following categories of participants:

Retirees, beneficiaries, and dependents	11
Active participants	179
	190

City Contributions

The annual required contribution for the current year was determined as part of the January 1, 2015, actuarial valuation. The actuarial assumptions included:

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Market Value
Assumed Rate of Return on Investments	4.00%
Annual Inflation	3.25%
Healthcare Cost Trend Rate	7.50%
Ultimate Healthcare Cost Trend Rate	5.00%
Year of Ultimate Trend Rate	2020
Amortization Method	Level dollar, closed
Remaining Amortization Period	19 years

The following is a schedule of funding progress using the projected unit credit method. As of the most recent valuation date, January 1, 2015, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2015	\$ -	\$ 5,116,174	\$ 5,116,174	0.0%	\$ 7,640,009	66.97%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial accrued liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2015.

Annual OPEB Cost

The City's actuarially determined contribution, OPEB cost and increase in net OPEB obligation for the year ended September 30, 2015, is as follows:

Annual required contribution	\$ 698,755
Interest on net OPEB obligation	119,437
Adjustments to annual required contribution	<u>(542,555)</u>
Annual OPEB cost	275,637
Contributions made	<u>53,166</u>
Increase in net OPEB obligation	222,471
Net OPEB obligation, beginning of year	3,305,200
Net OPEB obligation, end of year	<u><u>\$ 3,527,671</u></u>

The recommended contribution was determined as part of the January 1, 2015 actuarial valuation. The chart below shows the annual OPEB cost for the current and two preceding years, along with the percentage actually contributed by the City.

Schedule of Employer Costs and Contributions

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Employer</u> <u>Contribution</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
September 30, 2015	\$ 275,637	\$ 53,166	19%	\$ 3,527,671
September 30, 2014	593,777	9,810	2%	3,305,200
September 30, 2013	566,603	7,959	1%	2,721,233

NOTE 13. DEFINED CONTRIBUTION PENSION PLAN

The City of Kennesaw's Internal Revenue Code Section 457 and 401(a) Plans are deferred compensation plans and qualify as a defined contribution pension plan. The Plan is administered by Valic and Nationwide for all full time employees. Participants are required to contribute a minimum of 2% of their annual compensation and the City will match up to 1% of contributions. Plan provisions and contribution requirements are established and may be amended by the City's Council. At September 30, 2015, there were 83 plan members. During the year ending September 30, 2015 employee contributions were \$204,908 and employer contributions were \$43,460.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. FUND DEFICITS

For the year ended September 30, 2015, the City's E911 Fund and Downtown Development Authority Fund had fund deficits of \$480,673 and \$22,715 respectively. The fund deficit in the E911 Fund will be reduced through future user charges and General Fund appropriations, as needed. The fund deficit in the Downtown Development Authority Fund will be reduced through increased General Fund appropriations, as needed.

NOTE 15. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Atlanta, Georgia area, is a member of the Atlanta Regional Commission (ARC). Dues to the ARC are assessed at the County level and are, accordingly, paid by Cobb County. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The ARC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

NOTE 16. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is partially self-insured for medical claims. The self-insurance plan is described below. The City has purchased insurance for all other risks of loss, including workers compensation. The City uses Georgia Interlocal Risk Management Agency (GIRMA) and Worker's Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments, as their property/liability insurance and workers compensation insurance providers.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. RISK MANAGEMENT (Continued)

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims have not exceeded the coverages in the last three fiscal years.

Active Employees. The City is partially self-insured for employee medical claims. The City pays 91% of the employee premium and 86% of the employee/child, employee/spouse and family premium for the POS plan and 92% of the employee premium and 89% of the employee/child, employee/spouse and family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of \$1,000 per year per individual or \$3,000 per family for the POS plan and \$6,350 per individual and \$12,700 per family for the EPO plan. Each employee's portion of the medical premium cost is withheld from that employee's paycheck.

The City has a specific deductible of \$125,000 and an aggregating corridor or split fund of \$65,000. The City pays aggregate claims up to \$190,000 for the first employee to reach this amount and pays up to \$125,000 for each subsequent employee. In addition to the aggregate limit, the City's self-insurance is limited to \$125,000 per individual per calendar year. After the claims reach these amounts, a private insurance carrier will pay the remaining claims. The City has entered into a contract with a third party to administer the program. This activity is reported in the Self-Insurance Fund and in the government-wide financial statements.

The City has accrued a liability for medical claims that were incurred but not paid before fiscal year end.

Retirees. The City provides medical coverage for retirees of the City up to the age of 65.

The City pays 100% of the employee premium and 0% of family premium for the POS plan and 100% of the employee premium and 0% of family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of \$1,000 per year per individual or \$3,000 per family for the POS plan and \$6,350 per individual and \$12,700 per family for the EPO plan. The retirees' medical claims are included in the annual limit discussed above. The individual limits of coverage by the City total \$190,000 per individual per calendar year for the first claimant and \$125,000 per individual per calendar year for subsequent claimants. The City only pays one aggregate claim totaling \$190,000 for both the active employees and retirees combined. After individual limits are met, the private insurance carrier covers additional claims, which is reported in the General Fund. The following table describes the activity related to employee and retiree medical claims. The end of year claims liability is reported as a current liability in the internal service fund because it is anticipated to be paid within one fiscal year and includes consideration for claims that have been incurred but not reported. Currently, 11 retirees are eligible for postretirement benefits. These postretirement benefits are funded on a pay-as-you go basis and totaled \$53,166 for the year ended September 30, 2015.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. RISK MANAGEMENT (Continued)

Changes in the claims liability for the years ended September 30, 2015 and 2014 are as follows:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2015	\$ 372,401	\$ 2,309,068	\$ 2,472,981	\$ 208,488
2014	\$ 230,822	\$ 3,154,869	\$ 3,013,290	\$ 372,401

NOTE 17. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of City operations. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Contractual Commitments:

For the fiscal year ended September 30, 2015, contractual commitments on uncompleted contracts were \$97,622.

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTE 18. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 8%. Revenues were \$68,109 for the year ended September 30, 2015. Of this amount 100%, or \$68,109, was expended. Expenditures of the tax were used to promote tourism, conventions, and trade shows to operate, maintain, and market a conference center facility as required by O.C.G.A. 48-13-51.

NOTES TO FINANCIAL STATEMENTS

NOTE 19. RESTRICTED FUND BALANCE

The City has reported \$7,965,332 of the General Fund's fund balance as restricted for voter approved use. This amount is also reported as restricted in the government-wide statement of net position. In 2005, the City sold the infrastructure from their water and sewer system to Cobb County and these are the proceeds from that sale. The City deposited the funds into a restricted investment and enacted a city ordinance requiring the council to obtain voter approval, through a city-wide vote, for any and all uses of the proceeds, for which the purpose is required to be determined at that time. Council has no intentions or plans for the use of the funds as of September 30, 2015.

NOTE 20. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 11 above, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective October 1, 2014. The new standards significantly changed the City's accounting for pension amounts. As a result of this change in accounting principle, the City was required to restate beginning net position for the following:

Governmental activities:

City's net pension liability, beginning balance	\$ (4,046,180)
Deferred outflows of resources, pension related items, beginning balance	763,298
Net effect on beginning net position of governmental activities for change in accounting principle	\$ (3,282,882)

Business-type activities:

City's net pension liability, beginning balance	\$ (258,632)
Deferred outflows of resources, pension related items, beginning balance	48,790
Net effect of beginning net position on business-type activities for change in accounting principle	\$ (209,842)

Stormwater fund:

City's net pension liability, beginning balance	\$ (239,838)
Deferred outflows of resources, pension related items, beginning balance	45,245
Net effect on beginning net position on the stormwater fund for change in accounting principle	\$ (194,593)

Sanitation fund:

Net position, sanitation fund, as previously reported	\$ 1,043,784
City's net pension liability, beginning balance	(18,794)
Deferred outflows of resources, pension related items, beginning balance	3,545
Beginning net position, sanitation fund, restated	\$ 1,028,535

NOTES TO FINANCIAL STATEMENTS

NOTE 21. CHANGE IN REPORTING ENTITY

The City has determined a restatement of the fund balance and net positions of the general fund, the governmental activities, the stormwater fund and the business-type activities, respectively, were required to recognize the change in reporting entity for the recognition of the stormwater fund, effective for the fiscal year beginning October 1, 2014. For the fiscal year ended September 30, 2014 the stormwater activity was reported in the general fund; however, the City has determined the current plans for the charges for services for stormwater will require the City to track the charges for services and the costs of those services separately in an enterprise fund.

Net position, governmental activities, previously reported	\$ 64,576,300
Transferring capital assets to the stormwater fund	(5,679,422)
Transferring compensated absences to the stormwater fund	18,434
Transferring net OPEB obligation to the stormwater fund	76,764
Transferring prepaids to the stormwater fund	(19,360)
Transferring accounts payable to the stormwater fund	59,158
Transferring salaries payable to the stormwater fund	43,015
Net effect on beginning net position of governmental activities for change in accounting principle (Note 20)	<u>(3,282,882)</u>
Net position, governmental activities, restated	<u><u>\$ 55,792,007</u></u>
Net position, business-type activities, previously reported	\$ 7,659,753
Transferring capital assets to the stormwater fund	5,679,422
Transferring compensated absences to the stormwater fund	(18,434)
Transferring net OPEB obligation to the stormwater fund	(76,764)
Transferring prepaids to the stormwater fund	19,360
Transferring accounts payable to the stormwater fund	(59,158)
Transferring salaries payable to the stormwater fund	(43,015)
Net effect on beginning net position of business-type activities for change in accounting principle (Note 20)	<u>(209,842)</u>
Net position, business-type activities, restated	<u><u>\$ 12,951,322</u></u>
Fund Balance, general fund, previously reported	\$ 6,144,853
Transferring prepaids to the stormwater fund	(19,360)
Transferring accounts payable to the stormwater fund	59,158
Transferring salaries payable to the stormwater fund	43,015
Fund balance, general fund, restated	<u><u>\$ 6,227,666</u></u>
Net position, stormwater fund, previously reported	\$ -
Transferring capital assets to the stormwater fund	5,679,422
Transferring compensated absences to the stormwater fund	(18,434)
Transferring net OPEB obligation to the stormwater fund	(76,764)
Transferring prepaids to the stormwater fund	19,360
Transferring accounts payable to the stormwater fund	(59,158)
Transferring salaries payable to the stormwater fund	(43,015)
Net effect on beginning net position of governmental activities for change in accounting principle (Note 20)	<u>(194,593)</u>
Net position, stormwater fund, restated	<u><u>\$ 5,306,818</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENNESAW, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Other Post-Employment Benefit Plan							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)	
1/1/2015	\$ -	\$ 5,116,174	\$ 5,116,174	0.00%	\$ 7,640,009	66.97%	
1/1/2013	-	4,326,625	4,326,625	0.00%	7,359,072	58.79%	
1/1/2011	-	3,784,934	3,784,934	0.00%	7,461,575	50.73%	
9/30/2009	-	2,604,421	2,604,421	0.00%	7,906,662	32.94%	

Note: See assumptions used for the above schedule in Note 12 to the financial statements.

CITY OF KENNESAW, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2015
Total pension liability	
Service cost	\$ 535,589
Interest on total pension liability	1,138,176
Differences between expected and actual experience	535,069
Changes of assumptions	131,867
Benefit payments, including refunds of employee contributions	(654,436)
Net change in total pension liability	1,686,265
Total pension liability - beginning	15,013,356
Total pension liability - ending (a)	\$ 16,699,621
Plan fiduciary net position	
Contributions - employer	\$ 812,088
Contributions - employee	155,925
Net investment income	1,231,684
Benefit payments, including refunds of member contributions	(654,436)
Administrative expenses	(23,504)
Net change in plan fiduciary net position	1,521,757
Plan fiduciary net position - beginning	10,708,544
Plan fiduciary net position - ending (b)	\$ 12,230,301
City's net pension liability - ending (a) - (b)	\$ 4,469,320
Plan fiduciary net position as a percentage of the total pension liability	73.24%
Covered-employee payroll	\$ 7,702,593
City's net pension liability as a percentage of covered-employee payroll	58.02%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF KENNESAW, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN SCHEDULE OF CITY CONTRIBUTIONS

	2015
Actuarially determined contribution	\$ 859,675
Contributions in relation to the actuarially determined contribution	933,501
Contribution deficiency (excess)	\$ (73,826)
Covered-employee payroll	\$ 7,580,908
Contributions as a percentage of covered-employee payroll	12.31%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	January 1, 2015
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.75% - 8.25% (including 3.25% for inflation)
Cost-of-living Adjustment	N/A
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective period of 10 years

(2) The schedule will present 10 years of information once it is accumulated.

CITY OF KENNESAW, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Asset Forfeiture Fund – This fund is used to account for the City's share of monies that have been forfeited through the court system that are restricted for law enforcement purposes.

Treasury Equitable Sharing Fund – This fund is used to account for the City's share of monies that have been forfeited through the court system that are restricted for law enforcement purposes.

E911 Fund – To account for the collection and expenditures of E911 fees, which are restricted by state law.

Hotel/Motel Fund – To account for the 8% lodging tax levied in the City which are restricted by state law.

Cemetery Fund – To account for sales of cemetery plots and the cost of maintenance associated with them, as committed by the City Council.

Impact Fees Fund – To account for collections of various development impact fees and the related capital expenditures, which are restricted by state law.

Capital Projects Fund

Capital Projects Fund – This fund accounts for the expenditures of money for major capital projects. This fund is general in nature and may be used to finance any capital project that the City Council designates.

Debt Service Fund

Downtown Development Authority – This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the City and the activity of the Downtown Development Authority blended component unit.

CITY OF KENNESAW, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

ASSETS	Special Revenue Funds					Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds	
	Asset Forfeiture Fund	Treasury Equitable Sharing Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Capital Projects Fund		Downtown Development Authority
Cash and cash equivalents	\$ 32,861	\$ 71,006	\$ 7,380	\$ 19,945	\$ 24,054	\$ 23,946	\$ 447,626	\$ 27,144	\$ 653,962
Taxes receivable	-	-	-	31,107	-	-	-	-	31,107
Other receivables	-	-	284,364	-	-	-	-	50	284,414
Prepaid expenditures	-	-	5,985	-	-	-	-	-	5,985
Due from other funds	-	223	-	-	-	-	-	-	223
Advances to other funds	-	-	-	-	-	496,756	-	-	496,756
Notes receivable	-	-	-	-	-	-	-	186,500	186,500
Total assets	\$ 32,861	\$ 71,229	\$ 297,729	\$ 51,052	\$ 24,054	\$ 520,702	\$ 447,626	\$ 213,694	\$ 1,658,947
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ 13,153	\$ 592	\$ 16,300	\$ 17,832	\$ 143	\$ -	\$ 31,493	\$ 4,247	\$ 83,760
Accrued liabilities	-	-	28,244	-	-	-	7,100	3,000	38,344
Due to other funds	223	1,495	4,048	21,507	225	-	-	-	27,498
Advances from other funds	-	-	729,810	-	-	-	-	229,162	958,972
Total liabilities	13,376	2,087	778,402	39,339	368	-	38,593	236,409	1,108,574
FUND BALANCES									
Fund Balances:									
Nonspendable:									
Prepays	-	-	5,985	-	-	-	-	-	5,985
Long-term advances	-	-	-	-	-	496,756	-	-	496,756
Notes receivable	-	-	-	-	-	-	-	186,500	186,500
Restricted:									
Capital Projects	-	-	-	-	-	23,946	-	-	23,946
Law enforcement	19,485	69,142	-	-	-	-	-	-	88,627
Tourism	-	-	-	11,713	-	-	-	-	11,713
Committed:									
Cemetery maintenance	-	-	-	-	23,686	-	-	-	23,686
Assigned:									
Capital projects	-	-	-	-	-	-	409,033	-	409,033
Unassigned	-	-	(486,658)	-	-	-	-	(209,215)	(695,873)
Total fund balances	19,485	69,142	(480,673)	11,713	23,686	520,702	409,033	(22,715)	550,373
Total liabilities and fund balances	\$ 32,861	\$ 71,229	\$ 297,729	\$ 51,052	\$ 24,054	\$ 520,702	\$ 447,626	\$ 213,694	\$ 1,658,947

CITY OF KENNESAW, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds					Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds	
	Asset Forfeiture Fund	Treasury Equitable Sharing Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Capital Projects Fund		Downtown Development Authority
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 68,109	\$ -	\$ -	\$ -	\$ -	\$ 68,109
Licenses and permits	-	-	-	-	-	32,156	-	-	32,156
Fines and forfeitures	2,627	164,498	-	-	-	-	-	-	167,125
Charges for services	-	-	1,193,919	1,353	3,706	-	-	62,698	1,261,676
Contributions	-	-	-	-	2,562	-	30,000	-	32,562
Interest	18	226	328	35	37	23	408	16	1,091
Total revenues	2,645	164,724	1,194,247	69,497	6,305	32,179	30,408	62,714	1,562,719
EXPENDITURES									
Current									
Public safety	5,539	149,264	987,571	-	-	-	-	-	1,142,374
Public works	-	-	-	-	19,199	-	-	-	19,199
Culture and recreation	-	-	-	33,828	-	-	-	-	33,828
Housing and development	-	-	-	-	-	-	-	24,998	24,998
Capital outlay	-	85,509	-	-	-	-	508,960	-	594,469
Debt service									
Principal retirements	-	-	-	-	-	-	-	325,759	325,759
Interest and fiscal charges	-	-	-	-	-	-	-	142,159	142,159
Total expenditures	5,539	234,773	987,571	33,828	19,199	-	508,960	492,916	2,282,786
Excess (deficiency) of revenues over (under) expenditures	(2,894)	(70,049)	206,676	35,669	(12,894)	32,179	(478,552)	(430,202)	(720,067)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	554,893	463,573	1,018,466
Transfers out	-	-	-	(35,626)	-	-	-	-	(35,626)
Total other financing sources (uses)	-	-	-	(35,626)	-	-	554,893	463,573	982,840
Net change in fund balances	(2,894)	(70,049)	206,676	43	(12,894)	32,179	76,341	33,371	262,773
FUND BALANCES (DEFICIT), beginning of year									
	22,379	139,191	(687,349)	11,670	36,580	488,523	332,692	(56,086)	287,600
FUND BALANCES (DEFICIT), end of year									
	\$ 19,485	\$ 69,142	\$ (480,673)	\$ 11,713	\$ 23,686	\$ 520,702	\$ 409,033	\$ (22,715)	\$ 550,373

**CITY OF KENNESAW, GEORGIA
ASSET FORFEITURE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 6,860	\$ 16,860	\$ 2,627	\$ (14,233)
Interest	30	30	18	(12)
Total revenues	<u>6,890</u>	<u>16,890</u>	<u>2,645</u>	<u>(14,245)</u>
EXPENDITURES				
Public safety	<u>6,890</u>	<u>16,890</u>	<u>5,539</u>	<u>11,351</u>
Net change in fund balances	-	-	(2,894)	(2,894)
FUND BALANCES, beginning of year	<u>22,379</u>	<u>22,379</u>	<u>22,379</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 22,379</u>	<u>\$ 22,379</u>	<u>\$ 19,485</u>	<u>\$ (2,894)</u>

**CITY OF KENNESAW, GEORGIA
TREASURY EQUITABLE SHARING FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 202,000	\$ 304,728	\$ 164,498	\$ (140,230)
Interest	700	700	226	(474)
Total revenues	<u>202,700</u>	<u>305,428</u>	<u>164,724</u>	<u>(140,704)</u>
EXPENDITURES				
Public safety	52,700	149,428	149,264	164
Capital outlay	150,000	156,000	85,509	70,491
Total expenditures	<u>202,700</u>	<u>305,428</u>	<u>234,773</u>	<u>70,655</u>
Net change in fund balances	-	-	(70,049)	(70,049)
FUND BALANCES, beginning of year	<u>139,191</u>	<u>139,191</u>	<u>139,191</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 139,191</u>	<u>\$ 139,191</u>	<u>\$ 69,142</u>	<u>\$ (70,049)</u>

CITY OF KENNESAW, GEORGIA
E911 FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 1,098,677	\$ 1,098,677	\$ 1,193,919	\$ 95,242
Interest	140	140	328	188
Total revenues	<u>1,098,817</u>	<u>1,098,817</u>	<u>1,194,247</u>	<u>95,430</u>
EXPENDITURES				
Public safety	<u>1,118,578</u>	<u>1,060,086</u>	<u>987,571</u>	<u>72,515</u>
Excess (deficiency) of revenues over expenditures	(19,761)	38,731	206,676	167,945
OTHER FINANCING SOURCES				
Transfers in	19,761	19,761	-	(19,761)
Transfers out	<u>-</u>	<u>(58,492)</u>	<u>-</u>	<u>58,492</u>
Net change in fund balances	-	-	206,676	206,676
FUND BALANCES (DEFICIT), beginning of year	<u>(687,349)</u>	<u>(687,349)</u>	<u>(687,349)</u>	<u>-</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ (687,349)</u>	<u>\$ (687,349)</u>	<u>\$ (480,673)</u>	<u>\$ 206,676</u>

**CITY OF KENNESAW, GEORGIA
HOTEL MOTEL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 37,200	\$ 69,000	\$ 68,109	\$ (891)
Charges for services	750	1,450	1,353	(97)
Interest	25	25	35	10
Total revenues	<u>37,975</u>	<u>70,475</u>	<u>69,497</u>	<u>(978)</u>
EXPENDITURES				
Culture and recreation	<u>18,750</u>	<u>34,750</u>	<u>33,828</u>	<u>922</u>
Excess of revenues over expenditures	19,225	35,725	35,669	(56)
OTHER FINANCING USES				
Transfers out	<u>(19,225)</u>	<u>(35,725)</u>	<u>(35,626)</u>	<u>99</u>
Net change in fund balances	-	-	43	43
FUND BALANCES, beginning of year	<u>11,670</u>	<u>11,670</u>	<u>11,670</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 11,670</u>	<u>\$ 11,670</u>	<u>\$ 11,713</u>	<u>\$ 43</u>

**CITY OF KENNESAW, GEORGIA
CEMETERY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 16,100	\$ 16,531	\$ 3,706	\$ (12,825)
Contributions	-	5,509	2,562	(2,947)
Interest	41	41	37	(4)
Total revenues	<u>16,141</u>	<u>22,081</u>	<u>6,305</u>	<u>(15,776)</u>
EXPENDITURES				
Public works	<u>17,300</u>	<u>23,240</u>	<u>19,199</u>	<u>4,041</u>
Net change in fund balances	(1,159)	(1,159)	(12,894)	(11,735)
FUND BALANCES, beginning of year	<u>36,580</u>	<u>36,580</u>	<u>36,580</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 35,421</u>	<u>\$ 35,421</u>	<u>\$ 23,686</u>	<u>\$ (11,735)</u>

**CITY OF KENNESAW ,GEORGIA
IMPACT FEES FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 109,000	\$ 109,000	\$ 32,156	\$ (76,844)
Interest	<u>24</u>	<u>24</u>	<u>23</u>	<u>(1)</u>
Total revenues	<u>109,024</u>	<u>109,024</u>	<u>32,179</u>	<u>(76,845)</u>
EXPENDITURES				
Public works	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	109,024	109,024	32,179	(76,845)
OTHER FINANCING USES				
Transfers out	<u>(109,024)</u>	<u>(109,024)</u>	<u>-</u>	<u>109,024</u>
Net change in fund balances	-	-	32,179	32,179
FUND BALANCES, beginning of year	<u>488,523</u>	<u>488,523</u>	<u>488,523</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 488,523</u>	<u>\$ 488,523</u>	<u>\$ 520,702</u>	<u>\$ 32,179</u>

**CITY OF KENNESAW ,GEORGIA
URBAN REDEVELOPMENT AGENCY**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 3,000	\$ 7,300	\$ 15,513	\$ 8,213
Total revenues	<u>3,000</u>	<u>7,300</u>	<u>15,513</u>	<u>8,213</u>
EXPENDITURES				
Debt service				
Principal	295,000	295,000	295,000	-
Interest and fiscal charges	<u>310,634</u>	<u>314,934</u>	<u>314,583</u>	<u>351</u>
Total expenditures	<u>605,634</u>	<u>609,934</u>	<u>609,583</u>	<u>351</u>
Deficiency of revenues over expenditures	(602,634)	(602,634)	(594,070)	8,564
OTHER FINANCING SOURCES				
Transfers in	<u>602,634</u>	<u>602,634</u>	<u>607,083</u>	<u>4,449</u>
Net change in fund balances	-	-	13,013	13,013
FUND BALANCES, beginning of year	<u>6,200,342</u>	<u>6,200,342</u>	<u>6,200,342</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 6,200,342</u>	<u>\$ 6,200,342</u>	<u>\$ 6,213,355</u>	<u>\$ 13,013</u>

**CITY OF KENNESAW ,GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 114,900	\$ 114,900	\$ 62,698	\$ (52,202)
Interest	30	30	16	(14)
Total revenues	<u>114,930</u>	<u>114,930</u>	<u>62,714</u>	<u>(52,216)</u>
EXPENDITURES				
Housing and development	112,793	85,568	24,998	60,570
Debt service				
Principal	354,413	354,413	325,759	28,654
Interest and fiscal charges	<u>142,159</u>	<u>142,159</u>	<u>142,159</u>	<u>-</u>
Total expenditures	<u>609,365</u>	<u>582,140</u>	<u>492,916</u>	<u>89,224</u>
Deficiency of revenues over expenditures	(494,435)	(467,210)	(430,202)	37,008
OTHER FINANCING SOURCES				
Transfers in	<u>494,435</u>	<u>467,210</u>	<u>463,573</u>	<u>(3,637)</u>
Net change in fund balances	-	-	33,371	33,371
FUND BALANCES (DEFICIT), beginning of year	<u>(56,086)</u>	<u>(56,086)</u>	<u>(56,086)</u>	<u>-</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ (56,086)</u>	<u>\$ (56,086)</u>	<u>\$ (22,715)</u>	<u>\$ 33,371</u>

CITY OF KENNESAW, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL
PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED SEPTEMBER 30, 2015

PROJECT	ESTIMATED COST		EXPENDITURES			PERCENTAGE OF COMPLETION
	ORIGINAL	CURRENT	PRIOR	CURRENT	TOTAL	
SPLOST I - 2005 SPLOST						
Stanley Road/Collins Road	\$ 1,900,000	\$ 879,178	\$ 455,737	\$ 331,826	\$ 787,563	89.58 %
Old Highway 41	2,600,000	2,600,000	469,745	66,984	536,729	20.64
Kennesaw Due West Road	750,000	750,000	750,000	-	750,000	100.00
Pine Mountain Road @US 41	300,000	300,000	300,000	-	300,000	100.00
Rutledge Road	900,000	900,000	480,551	43,293	523,844	58.20
Jiles Road	9,900,000	3,507 (1)	3,507	-	3,507	100.00
Cherokee Street	3,750,000	1,472,820	922,745	499,787	1,422,532	96.59
McCollum Parkway	200,000	- (1)	-	-	-	-
Barrett Parkway	520,300	- (1)	-	-	-	-
Pine Mountain Court & US 41	200,000	200,000	12,285	-	12,285	6.14
Cobb International Boulevard	1,000,000	- (1)	-	-	-	-
Sidewalk Projects	410,900	378,535	132,622	14,695	147,317	38.92
Resurfacing Projects	520,774	448,444	448,444	-	448,444	100.00
800 MHZ Radios	353,943	428,766	428,526	-	428,526	99.94
TOTAL 2005 SPLOST	\$ 23,305,917	\$ 8,361,250	\$ 4,404,162	\$ 956,585	\$ 5,360,747	
SPLOST II - 2011 SPLOST						
Pine Mountain Road	\$ 6,492,254	\$ 6,492,254	\$ 346,296	\$ 641,419	\$ 987,715	15.21 %
Cherokee Street	5,000,000	3,000,000	-	-	-	-
Stanley Road/Collins Road	1,150,032	1,150,032	-	-	-	-
McCollum Parkway	388,000	388,001	388,001	-	388,001	100.00
Cobb International Blvd	1,500,000	1,500,000	27,353	-	27,353	1.82
Sidewalk Projects	535,353	535,353	-	-	-	-
Resurfacing Projects	413,650	413,650	162,166	40,012	202,178	48.88
Infrastructure Preservation	1,101,710	3,101,710	264,652	129,324	393,976	12.70
Skate Park	750,000	984,094	984,094	-	984,094	100.00
Depot Park Improvements	2,100,000	50,000	-	-	-	-
Smith Gilbert Gardens Event Building	1,800,000	2,550,000	40,875	313,993	354,868	13.92
Swift Cantrell Park Parking	650,000	2,125,991	825,991	6,536	832,527	39.16
Community Center Renovation	226,999	226,999	131,388	82,643	214,031	94.29
TOTAL 2011 SPLOST	\$ 22,107,998	\$ 22,518,084	\$ 3,170,816	\$ 1,213,927	\$ 4,384,743	
Total SPLOST expenditures				\$ 2,170,512		

(1) Cobb County elected to undertake these 2005 SPLOST projects. Therefore, these project costs are not the responsibility of the City and there are no current costs recorded in the City's general ledger.

**COMPONENT UNIT –
DEVELOPMENT AUTHORITY**

CITY OF KENNESAW, GEORGIA

BALANCE SHEET COMPONENT UNIT - DEVELOPMENT AUTHORITY SEPTEMBER 30, 2015

ASSETS	
Cash	\$ 94,381
Other receivables	23,750
Land held for resale	<u>218,094</u>
Total assets	<u>\$ 336,225</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 152,556
Due to primary government	<u>220,440</u>
Total liabilities	<u>372,996</u>
FUND BALANCE	
Unassigned	<u>(36,771)</u>
Total liabilities and fund balance	<u>\$ 336,225</u>

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE YEAR ENDED SEPTEMBER 30, 2015

REVENUES

Interest income	\$	124
Miscellaneous		<u>66,031</u>
Total revenues		<u>66,155</u>

EXPENDITURES

Housing and development		<u>208,201</u>
Net change in fund balance		<u>(142,046)</u>

FUND BALANCE, beginning of year		<u>105,275</u>
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FUND BALANCE (DEFICIT), end of year	\$	<u><u>(36,771)</u></u>
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STATISTICAL SECTION

This part of the City of Kennesaw’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

	<u>Page</u>
Financial Trends	76
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	81
These schedules contain information to help the reader assess the City’s most significant local revenue source, property tax.	
Debt Capacity	85
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information	89
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
Operating Information	92
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

CITY OF KENNESAW, GEORGIA

NET POSITION BY COMPONENT LAST TEN YEARS

(accrual basis of accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities				
Net investment in capital assets	\$ 41,353,883	\$ 44,050,011	\$ 38,848,625	\$ 38,194,452
Restricted	30,325,102	26,084,186	24,496,830	22,999,987
Unrestricted	<u>(8,857,613)</u>	<u>(5,557,897)</u>	<u>(5,381,866)</u>	<u>(4,069,805)</u>
Total governmental activities net position	<u>\$ 62,821,372</u>	<u>\$ 64,576,300</u>	<u>\$ 57,963,589</u>	<u>\$ 57,124,634</u>
Business-type activities				
Net investment in capital assets	\$ 12,729,505	\$ 6,550,336	\$ 6,517,447	\$ 3,601,055
Restricted	-	-	-	-
Unrestricted	<u>1,009,187</u>	<u>1,109,417</u>	<u>1,796,730</u>	<u>1,263,195</u>
Total business-type activities net position	<u>\$ 13,738,692</u>	<u>\$ 7,659,753</u>	<u>\$ 8,314,177</u>	<u>\$ 4,864,250</u>
Primary government				
Net investment in capital assets	\$ 54,083,388	\$ 50,600,347	\$ 45,366,072	\$ 41,795,507
Restricted	30,325,102	26,084,186	24,496,830	22,999,987
Unrestricted	<u>(7,848,426)</u>	<u>(4,448,480)</u>	<u>(3,585,136)</u>	<u>(2,806,610)</u>
Total primary government net position	<u>\$ 76,560,064</u>	<u>\$ 72,236,053</u>	<u>\$ 66,277,766</u>	<u>\$ 61,988,884</u>

(1) The City implemented the retroactive infrastructure reporting provision of GASB 34 in 2008.

(2) This represents the \$8 million of restricted assets described in the footnotes; this amount was not reported as restricted in 2008.

2011	2010	2009	2008	2007	2006
\$ 38,211,640	\$ 37,441,454	\$ 37,896,407	\$ 37,419,713 (1)	\$ 13,367,294	\$ 7,020,435
19,214,410	11,728,094	10,453,594 (2)	1,003,306	6,441,818	109,218
(4,009,394)	5,113,083	3,096,897 (2)	9,464,149	9,000,692	18,879,192
<u>\$ 53,416,656</u>	<u>\$ 54,282,631</u>	<u>\$ 51,446,898</u>	<u>\$ 47,887,168</u>	<u>\$ 28,809,804</u>	<u>\$ 26,008,845</u>
\$ 3,397,072	\$ 3,178,418	\$ 2,682,669	\$ 2,583,068	\$ 1,712,372	\$ 1,380,591
-	-	-	-	-	-
1,200,476	1,124,835	1,018,721	159,675	(1,513,521)	(1,295,823)
<u>\$ 4,597,548</u>	<u>\$ 4,303,253</u>	<u>\$ 3,701,390</u>	<u>\$ 2,742,743</u>	<u>\$ 198,851</u>	<u>\$ 84,768</u>
\$ 41,608,712	\$ 40,619,872	\$ 40,579,076	\$ 40,002,781	\$ 15,079,666	\$ 8,401,026
19,214,410	11,728,094	10,453,594	1,003,306	6,441,818	109,218
(2,808,918)	6,237,918	4,115,618	9,623,824	7,487,171	17,583,369
<u>\$ 58,014,204</u>	<u>\$ 58,585,884</u>	<u>\$ 55,148,288</u>	<u>\$ 50,629,911</u>	<u>\$ 29,008,655</u>	<u>\$ 26,093,613</u>

CITY OF KENNESAW, GEORGIA

CHANGES IN NET POSITION LAST TEN YEARS (accrual basis of accounting)

	2015	2014	2013	2012
Expenses				
Governmental activities:				
General government	\$ 4,460,850	\$ 4,464,217	\$ 4,361,757	\$ 4,187,479
Judicial	348,800	388,741	358,613	342,790
Public safety	7,410,419	7,990,403	7,422,621	6,976,574
Public works	3,699,120	4,932,286	4,016,262	3,922,629
Culture and recreation	2,265,865	2,448,490	2,555,138	2,547,847
Housing and development	957,354	966,688	973,555	907,986
Interest on long-term debt	928,138	1,202,899	918,411	804,045
Total governmental activities expenses	20,070,546	22,393,724	20,606,357	19,689,350
Business-type activities:				
Water & sewer (1)	-	-	-	-
Sanitation	1,518,213	1,477,276	1,861,957	1,649,055
Museum	1,136,658	1,232,706	1,141,504	1,307,352
Gardens	414,602	355,532	311,292	319,369
Stormwater	775,836	-	-	-
Total business-type activities expenses	3,845,309	3,065,514	3,314,753	3,275,776
Total primary government expenses	\$ 23,915,855	\$ 25,459,238	\$ 23,921,110	\$ 22,965,126
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 181,499	\$ 187,479	\$ 178,193	\$ 645,807
Judicial	946,319	1,105,127	1,052,313	1,229,945
Public safety	1,555,379	1,474,044	1,373,847	1,197,405
Public works	217,117	373,416	199,081	343,370
Culture and recreation	828,019	817,573	790,486	779,069
Housing and development	470,269	469,286	349,884	313,759
Operating grants and contributions (2)	741,944	383,873	403,672	380,462
Capital grants and contributions (2)	6,643,379	7,425,962	6,580,021	4,668,881
Total governmental activities program revenues	11,583,925	12,236,760	10,927,497	9,558,698
Business-type activities:				
Charges for services:				
Water & sewer (1)	-	-	-	-
Sanitation	2,206,876	2,599,332	2,614,104	2,558,808
Museum	413,818	424,046	413,531	378,466
Gardens	115,540	106,687	125,318	121,803
Stormwater	906,877	-	-	-
Operating grants and contributions (2)	-	-	-	934
Capital grants and contributions (2)	709,771	263,892	68,081	57,794
Total business-type activities program revenues	4,352,882	3,393,957	3,221,034	3,117,805
Total primary government program revenues	\$ 15,936,807	\$ 15,630,717	\$ 14,148,531	\$ 12,676,503

	2011	2010	2009	2008	2007	2006
\$	4,544,161	\$ 4,374,745	\$ 4,340,819	\$ 3,429,896	\$ 3,003,822	\$ 2,739,827
	365,477	343,934	342,310	331,775	355,036	297,730
	7,038,966	7,019,253	6,476,689	6,031,526	5,715,932	5,273,599
	4,035,824	3,634,870	3,600,503 (5)	5,395,444 (5)	2,174,348	2,047,160
	2,682,506	2,563,539	2,448,676	2,468,491	2,117,371	1,853,478
	1,154,875	1,039,995	1,133,464	1,128,271	1,163,980	956,076
	820,746	811,083	674,201	756,053	687,920	729,315
	<u>20,642,555</u>	<u>19,787,419</u>	<u>19,016,662</u>	<u>19,541,456</u>	<u>15,218,409</u>	<u>13,897,185</u>
	-	-	-	-	-	267,612
	1,592,777	1,818,853	1,464,769 (5)	3,189,703 (5)	1,567,615	1,225,111
	1,443,963	1,501,346	1,479,890	1,541,295	1,809,968	1,673,495
	286,949	262,145	227,102	198,087	117,367	-
	-	-	-	-	-	-
	<u>3,323,689</u>	<u>3,582,344</u>	<u>3,171,761</u>	<u>4,929,085</u>	<u>3,494,950</u>	<u>3,166,218</u>
\$	<u>23,966,244</u>	<u>23,369,763</u>	<u>22,188,423</u>	<u>24,470,541</u>	<u>18,713,359</u>	<u>17,063,403</u>
\$	186,426	\$ 167,078	\$ 192,374	\$ 152,329	\$ 166,028	\$ 321,442
	1,413,733	1,397,897	1,259,470	1,298,239	1,438,119 (3)	-
	1,208,972	2,505,270 (9)	1,196,781	1,123,811	862,072 (3)	2,204,458
	124,663	27,878	125,751 (4)	335,261 (4)	-	-
	704,632	581,384	610,907	651,973	488,648	388,197
	249,950	123,922	- (4)	- (4)	212,315	436,080
	373,835	383,215	797,249	730,623	6,600	451,435
	1,954,206	4,013,275 (10)	611,290	309,453	597,003	551,632
	<u>6,216,417</u>	<u>9,199,919</u>	<u>4,793,822</u>	<u>4,601,689</u>	<u>3,770,785</u>	<u>4,353,244</u>
	-	-	-	-	-	250
	2,520,688	2,556,419	2,417,692	2,494,016	2,265,607	1,859,726
	346,393	322,700	351,289	368,151	399,424	406,631
	110,593	33,977	38,366	3,010	1,827	-
	-	-	-	-	-	-
	566	6,353	-	169,877	-	-
	<u>70,306</u>	<u>414,127</u>	<u>112,174</u>	<u>499,992</u>	<u>270,176</u>	<u>73,341</u>
	<u>3,048,546</u>	<u>3,333,576</u>	<u>2,919,521</u>	<u>3,535,046</u>	<u>2,937,034</u>	<u>2,339,948</u>
\$	<u>9,264,963</u>	<u>12,533,495</u>	<u>7,713,343</u>	<u>8,136,735</u>	<u>6,707,819</u>	<u>6,693,192</u>

(continued)

CITY OF KENNESAW, GEORGIA

CHANGES IN NET POSITION LAST TEN YEARS (accrual basis of accounting)

	2015	2014	2013	2012
Net (expense)/revenue				
Governmental activities	\$ (8,486,621)	\$ (10,156,964)	\$ (9,678,860)	\$ (10,130,652)
Business-type activities	507,573	328,443	(93,719)	(157,971)
Total primary government net expense	\$ (7,979,048)	\$ (9,828,521)	\$ (9,772,579)	\$ (10,288,623)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 9,743,961	\$ 9,468,733	\$ 8,377,495	\$ 8,858,088
Franchise taxes	1,788,362	1,685,980	1,690,243	1,721,137
Sales taxes	-	-	-	-
Insurance premium taxes	1,745,554	1,633,900	1,536,325	1,483,792
Business taxes	1,235,665	1,185,735	1,102,144	1,040,848
Other taxes	753,443	732,316	1,361,826	638,106
Unrestricted investment earnings	527,663	590,267	(516,755)	372,157
Gain on sale of capital assets	-	13,742	14,628	5,388
Miscellaneous	-	-	-	-
Transfers	(278,662)	984,249	110,980	(280,886)
Total governmental activities	15,515,986	16,294,922	13,676,886	13,838,630
Business-type activities:				
Unrestricted investment earnings	1,135	1,382	1,345	1,150
Gain on sale of capital assets	-	-	87,918	-
Transfers	278,662	(984,249)	(110,980)	280,886
Total business-type activities	279,797	(982,867)	(21,717)	282,036
Total primary government	\$ 15,795,783	\$ 15,312,055	\$ 13,655,169	\$ 14,120,666
Change in Net Position				
Governmental activities	\$ 7,029,365	\$ 6,137,958	\$ 3,998,026	\$ 3,707,978
Business-type activities	787,370	(654,424)	(115,436)	124,065
Total primary government	\$ 7,816,735	\$ 5,483,534	\$ 3,882,590	\$ 3,832,043

- NOTES:**
- (1) The City sold the water and sewer system in 2005.
 - (2) Grant revenues vary from year to year depending on the federal and state funding received by the City.
 - (3) Prior to 2007, Judicial charges were recorded as Public Safety revenues.
 - (4) Prior to 2008, Public Works charges were reported as Housing and Development revenues.
 - (5) In 2008 the City booked a \$3,000,000 claims payable estimate for pending litigation from employee misconduct in these departments.
 - (6) The City changed the tax levy date from August to October effective 2007, therefore fiscal year 2006 did not have a tax levy.
 - (7) 2007 was the first year of sales tax collections.
 - (8) The settlement relating to litigation mentioned in (5) above was less than expected.
 - (9) In 2010 the City received over \$1 million from federal seizure cases.
 - (10) In 2010 the City received approximately \$2.5 million in GDOT funds for the completion of a construction project. Additionally, the sales tax collected from the County, is now reported as intergovernmental revenue.
 - (11) The sales tax revenue collected from Cobb County are down due to the economy. Additionally the revenue is now reported in intergovernmental revenues (see 10).

2011	2010	2009	2008	2007	2006
\$ (14,426,138)	\$ (10,587,500)	\$ (14,222,840)	\$ (14,939,767)	\$ (11,447,624)	\$ (9,543,941)
(275,143)	(248,768)	(252,240)	(1,394,039)	(557,916)	(826,270)
<u>\$ (14,701,281)</u>	<u>\$ (10,836,268)</u>	<u>\$ (14,475,080)</u>	<u>\$ (16,333,806)</u>	<u>\$ (12,005,540)</u>	<u>\$ (10,370,211)</u>
\$ 9,121,632	\$ 9,684,063	\$ 9,678,422	\$ 9,455,057	\$ 7,854,106	\$ 877,431
1,695,379	1,585,542	1,526,658	1,528,223	1,424,642	1,339,312
-	- (11)	2,855,573	1,623,072 (7)	2,161,106 (7)	-
1,396,948	1,166,804	1,201,730	1,213,111	1,184,731	1,135,767
968,832	962,611	867,084	817,936	677,558	449,532
528,175	550,638	553,177	594,403	574,235	662,250
397,616	323,175	556,094	674,479	874,289	695,606
13,025	-	7,394	1,247	18,037	-
-	-	1,733,333 (8)	-	146,999	46,470
(561,444)	(849,600)	(1,196,895)	(3,853,578)	(667,190)	(591,046)
<u>13,560,163</u>	<u>13,423,233</u>	<u>17,782,570</u>	<u>12,053,950</u>	<u>14,248,513</u>	<u>4,615,322</u>
501	1,031	1,442	10,522	6,102	18,421
7,493	-	12,550	-	-	-
<u>561,444</u>	<u>849,600</u>	<u>1,196,895</u>	<u>3,853,578</u>	<u>667,190</u>	<u>591,046</u>
<u>569,438</u>	<u>850,631</u>	<u>1,210,887</u>	<u>3,864,100</u>	<u>673,292</u>	<u>609,467</u>
<u>\$ 14,129,601</u>	<u>\$ 14,273,864</u>	<u>\$ 18,993,457</u>	<u>\$ 15,918,050</u>	<u>\$ 14,921,805</u>	<u>\$ 5,224,789</u>
\$ (865,975)	\$ 2,835,733	\$ 3,559,730	\$ (2,885,817)	\$ 2,800,889	\$ (4,928,619)
294,295	601,863	958,647	2,470,061	115,376	(216,803)
<u>\$ (571,680)</u>	<u>\$ 3,437,596</u>	<u>\$ 4,518,377</u>	<u>\$ (415,756)</u>	<u>\$ 2,916,265</u>	<u>\$ (5,145,422)</u>

CITY OF KENNESAW, GEORGIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable:				
Long-term advances	958,972	1,178,453	1,237,107	667,428
Inventories	4,447	14,487	18,442	16,806
Prepaid expenditures	185,029	318,015	178,616	349,960
Restricted:				
Public safety	36,060	4,018	4,014	1,105,761
Capital projects	-	-	41,913	-
Debt service	779,410	778,781	678,251	577,822
Voter approved use	7,965,332	7,782,212	7,561,920	8,400,720
Unassigned	<u>(3,893,417)</u>	<u>(3,931,113)</u>	<u>(3,454,424)</u>	<u>(2,599,475)</u>
Total general fund	<u>\$ 6,035,833</u>	<u>\$ 6,144,853</u>	<u>\$ 6,265,839</u>	<u>\$ 8,519,022</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable:				
Longterm advances	496,756	501,826	-	-
Prepaid expenditures	5,985	13,270	6,984	17,992
Notes receivable	186,500	222,500	258,500	-
Restricted:				
Public safety	88,627	161,570	809,494	37,809
Culture and recreation	11,713	11,670	11,650	11,033
Capital projects	27,657,315	23,546,277	13,052,919	10,428,449
Debt service	-	-	2,015,967	2,211,962
Parks and recreation impact fee projects	-	-	320,702	226,431
Committed:				
Cemetery maintenance	23,686	36,580	41,069	32,515
Assigned:				
Cemetery maintenance	-	-	-	8,718
Capital projects	409,033	332,692	-	-
Unassigned	<u>(695,873)</u>	<u>(992,508)</u>	<u>(917,874)</u>	<u>(475,466)</u>
Total all other governmental funds	<u>\$ 28,183,742</u>	<u>\$ 23,833,877</u>	<u>\$ 15,599,411</u>	<u>\$ 12,499,443</u>

(1) The City implemented GASB Statement No. 54 in 2011.

	2011	(1)	2010	2009	2008	2007	2006
\$	-		\$ 13,908,623	\$ 11,570,618	\$ 11,891,538	\$ 10,246,934	\$ 10,738,817
	-		(5,731,538)	(3,487,985)	(3,829,585)	960,458	2,609,311
	622,058		-	-	-	-	-
	15,614		-	-	-	-	-
	169,036		-	-	-	-	-
	1,053,853		-	-	-	-	-
	-		-	-	-	-	-
	-		-	-	-	-	-
	8,541,859		-	-	-	-	-
	(2,700,556)		-	-	-	-	-
\$	<u>7,701,864</u>		<u>\$ 8,177,085</u>	<u>\$ 8,082,633</u>	<u>\$ 8,061,953</u>	<u>\$ 11,207,392</u>	<u>\$ 13,348,128</u>
\$	-		\$ 8,549,327	\$ 2,598	\$ -	\$ 4,509,650	\$ 6,073,896
	-		(264,536)	(202,249)	(289,919)	58,119	(491,277)
	-		581,417	5,740,497	4,319,552	24,635	14,690
	-		-	-	-	-	-
	6,205		-	-	-	-	-
	-		-	-	-	-	-
	38,545		-	-	-	-	-
	11,020		-	-	-	-	-
	7,137,344		-	-	-	-	-
	2,407,939		-	-	-	-	-
	23,850		-	-	-	-	-
	32,515		-	-	-	-	-
	-		-	-	-	-	-
	-		-	-	-	-	-
	(445,774)		-	-	-	-	-
\$	<u>9,211,644</u>		<u>\$ 8,866,208</u>	<u>\$ 5,540,846</u>	<u>\$ 4,029,633</u>	<u>\$ 4,592,404</u>	<u>\$ 5,597,309</u>

CITY OF KENNESAW, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (modified accrual basis of accounting)

	2015	2014	2013	2012
Revenues				
Taxes	\$ 15,259,733	\$ 14,676,153	\$ 14,048,042	\$ 13,630,376
Licenses and permits	546,277	713,680	503,401	623,369
Intergovernmental	7,459,301	6,776,644	6,990,477	5,012,308
Fines and forfeitures	1,229,629	1,426,007	1,250,162	1,366,731
Charges for services	2,160,110	2,076,668	1,983,715	1,840,532
Contributions	57,030	2,600	500	3,250
Net investment income (loss)	574,015	626,178	(487,988)	398,003
Other revenues	216,175	1,074,183	180,425	676,014
Total revenues	27,502,270	27,372,113	24,468,734	23,550,583
Expenditures				
General government	4,206,658	4,072,150	4,015,836	3,847,933
Judicial	343,440	348,644	364,160	327,480
Public safety	7,159,379	7,473,688	7,007,318	6,531,773
Public works	2,516,441	3,439,237	2,538,369	2,439,348
Culture and recreation	1,985,909	2,098,505	2,271,595	2,245,505
Housing and development	933,895	940,042	917,761	876,137
Capital outlay	4,422,545	4,094,162	4,696,980	1,574,897
Debt service				
Principal retirements	1,333,036	3,976,128	1,155,225	702,468
Interest and fiscal charges	932,058	912,834	928,402	784,579
Bond issuance costs	-	284,291	-	-
Total expenditures	23,833,361	27,639,681	23,895,646	19,330,120
Excess (deficiency) of revenues over expenditures	3,668,909	(267,568)	573,088	4,220,463
Other financing sources (uses)				
Proceeds from capital leases	761,265	426,711	-	-
Issuance of long-term debt	-	6,425,000	-	159,992
Premiums on issuance of bonds	-	54,902	-	-
Proceeds from sale of capital assets	6,520	3,700	162,239	5,388
Proceeds from insurance recoveries	-	11,733	-	-
Transfers in	2,125,549	2,678,725	1,944,985	1,385,100
Transfers out	(2,404,211)	(1,694,476)	(1,834,005)	(1,665,986)
Total other financing sources (uses)	489,123	7,906,295	273,219	(115,506)
Net change in fund balances	\$ 4,158,032	\$ 7,638,727	\$ 846,307	\$ 4,104,957
Debt service as a percentage of noncapital expenditures	11.68%	20.81%	10.86%	8.38%

(1) The City changed the property tax levy date from August to October effective 2007, therefore fiscal year 2006 did not have a tax levy.

(2) In 2010 the City received approximately \$2.5 million in GDOT funds for the completion of a construction project. Additionally, the sales tax collected from the County, is now reported as intergovernmental revenue.

(3) In 2010 the City received over \$1 million from federal seizure cases.

(4) In 2010 the URA Fund purchased land and sold approximately \$2 million of land within the same year.

	2011	2010	2009	2008	2007	2006
\$	13,687,767	\$ 13,953,303	\$ 16,637,053	\$ 15,186,590	\$ 13,699,269	\$ 5,073,824 (1)
	361,815	205,316	169,649	345,679	335,027	465,428
	2,620,547	3,605,045 (2)	1,358,869	935,362	588,255	880,265
	1,565,999	2,810,358 (3)	1,309,470	1,299,148	1,438,119	1,409,487
	1,793,016	1,617,446	1,720,527	1,708,812	1,394,036	1,475,263
	416,736	5,537	32,709	-	-	-
	428,410	323,117	555,139	663,168	874,289	695,606
	176,419	207,257	202,598	289,722	162,347	122,055
	<u>21,050,709</u>	<u>22,727,379</u>	<u>21,986,014</u>	<u>20,428,481</u>	<u>18,491,342</u>	<u>10,121,928</u>
	4,146,581	3,890,512	4,232,759	3,249,756	2,596,300	2,731,873
	346,774	318,139	325,283	332,357	570,422	289,526
	6,508,128	6,337,895	6,028,340	6,059,200	5,812,485	5,340,078
	2,518,803	2,336,879	2,197,372	2,304,639	1,441,893	2,126,910
	2,325,691	2,194,288	2,126,137	2,294,879	2,129,853	1,819,192
	1,109,355	983,173	1,103,472	1,162,295	1,155,947	950,474
	2,494,414	5,804,036	2,003,467	3,886,213	6,433,322	1,512,272
	665,292	659,947	686,946	642,890	549,465	499,483
	798,579	842,358	670,378	707,391	682,385	729,315
	-	-	-	-	-	-
	<u>20,913,617</u>	<u>23,367,227</u>	<u>19,374,154</u>	<u>20,639,620</u>	<u>21,372,072</u>	<u>15,999,123</u>
	137,092	(639,848)	2,611,860	(211,139)	(2,880,730)	(5,877,195)
	-	-	-	-	143,100	-
	281,236	2,800,000	94,100	238,472	-	-
	-	-	-	-	-	-
	13,331	2,109,262 (4)	22,828	1,322	18,037	-
	-	-	-	-	-	-
	2,006,770	3,830,210	483,680	551,353	2,032,940	2,605,124
	(2,568,214)	(4,679,810)	(1,680,575)	(4,404,931)	(2,700,130)	(3,196,170)
	<u>(266,877)</u>	<u>4,059,662</u>	<u>(1,079,967)</u>	<u>(3,613,784)</u>	<u>(506,053)</u>	<u>(591,046)</u>
\$	<u>(129,785)</u>	<u>\$ 3,419,814</u>	<u>\$ 1,531,893</u>	<u>\$ (3,824,923)</u>	<u>\$ (3,386,783)</u>	<u>\$ (6,468,241)</u>
	7.95%	8.56%	7.91%	8.77%	9.00%	9.30%

CITY OF KENNESAW, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE - ALL TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year	Real Property						Public Utility
	Residential	Agricultural	Commercial	Industrial	Historical	Conservation	
2006	\$ 552,469,450	\$ 150,468	\$ 333,286,025	\$ 23,793,723	\$ 258,936	\$ 647,580	\$ 7,577,053
2007	595,517,794	150,468	374,045,624	23,736,484	316,928	647,580	8,339,039
2008	635,725,584	150,468	400,881,920	25,344,718	316,928	647,580	8,358,436
2009	640,163,205	150,468	446,312,238	27,500,662	368,876	647,580	7,816,551
2010	638,596,265	150,468	438,612,815	28,456,243	368,876	647,580	9,084,359
2011	576,370,112	150,468	428,273,183	26,052,627	353,636	647,580	8,585,846
2012	546,026,269	156,932	397,828,430	25,038,026	157,740	492,660	8,690,812
2013	471,327,972	156,932	436,178,448	24,367,911	147,900	492,660	10,460,175
2014	464,080,466	142,372	434,681,420	24,525,719	147,900	507,220	11,034,297
2015	503,690,013	128,488	483,386,575	24,324,006	147,900	497,832	11,300,106

Source: Cobb County Tax Commissioner

Note: Tax rates are per \$1,000 of assessed value.

The City changed the tax levy date from August to October effective 2007, therefore fiscal year 2006 did not have a tax levy.

As a result, fiscal years 2005 and 2006 have the same values.

<u>Personal Property</u>	<u>Other Property</u>	<u>Less: Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$ 71,591,680	\$ 154,313	\$ 123,057,763	\$ 866,871,465	8.25	\$ 2,167,178,663	40.00%
74,361,926	150,120	142,426,862	934,839,101	8.25	2,337,097,753	40.00%
83,152,820	244,629	172,722,496	982,100,587	8.25	2,455,251,468	40.00%
85,844,505	66,936	155,358,522	1,053,512,499	9.50	2,633,781,248	40.00%
85,478,091	57,677	154,075,401	1,047,376,973	9.50	2,618,442,433	40.00%
72,592,026	7,523	164,821,535	948,211,466	9.50	2,370,528,665	40.00%
70,994,022	2,614	130,460,662	918,926,843	9.50	2,297,317,108	40.00%
75,268,310	20,025	123,501,518	894,918,815	9.50	2,237,297,038	40.00%
77,308,852	5,030	111,462,369	900,970,907	9.50	2,252,427,268	40.00%
65,683,994	2,844	144,188,291	944,973,467	9.50	2,362,433,668	40.00%

CITY OF KENNESAW, GEORGIA

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS (Per \$1000 of Assessed Value) LAST TEN YEARS

<u>Calendar Year</u>	<u>City of Kennesaw</u>		<u>Cobb County</u>	<u>Cobb County Schools</u>	<u>State</u>	<u>Total Direct & Overlapping Rates</u>
	<u>Operating Millage</u>	<u>Debt Service Millage</u>				
2006	6.75	1.50	9.72	19.90	0.25	38.12
2007	6.75	1.50	9.38	19.90	0.25	37.78
2008	8.00	1.50	9.60	18.90	0.25	38.25
2009	8.00	1.50	9.60	18.90	0.25	38.25
2010	8.00	1.50	9.60	18.90	0.25	38.25
2011	8.00	1.50	11.11	18.90	0.25	39.76
2012	8.00	1.50	11.11	18.90	0.25	39.76
2013	8.00	1.50	10.91	18.90	0.15	39.46
2014	8.00	1.50	10.71	18.90	0.10	39.21
2015	8.00	1.50	10.51	18.90	0.05	38.96

Source: Cobb County Tax Commissioner

Overlapping rates are those of local and county governments that apply to property owners within the City of Kennesaw.

CITY OF KENNESAW, GEORGIA

**PRINCIPAL TAXPAYERS
CURRENT AND NINE YEARS AGO**

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
CCAL 2 3615 Cherokee Street LLC	\$ 20,572,930	1	2.18 %			
Kennesaw 450 LLC	18,260,800	2	1.93	\$ 15,762,640	1	1.82 %
HM Kennesaw LLC & Columbia Kennesaw LLC	12,480,000	3	1.32	11,800,000	2	1.36
Kennesaw Gardens Associates LLC	10,000,064	4	1.06			
ACC OP Frey LLC	9,596,890	5	1.02			
Atlanta RDC Co.	8,622,972	6	0.91	9,319,656	3	1.08
Owens & Minor Distribution	8,283,384	7	0.88			
Alta Ridenour LLC	7,195,611	8	0.76	6,848,984	7	0.79
Park at Kennesaw LLC	6,920,000	9	0.73	7,457,200	5	0.86
Lakeside Vista Apartments LP	6,189,200	10	0.65	7,325,351	6	0.85
Exeter 3625 Kennesaw LLC						
NNN St. Charles LLC				6,250,000	8	0.72
Walton Ridenour LP				8,535,214	4	0.98
Kennesaw Residential Associates LLC				5,827,000	9	0.67
Barrett Parkway Highway 41 LLC				5,584,596	10	0.64
	<u>\$ 108,121,851</u>		<u>11.44 %</u>	<u>\$ 84,710,641</u>		<u>9.77 %</u>

Source: Cobb County Tax Commissioner

CITY OF KENNESAW, GEORGIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ -	\$ -	0.0%	\$ -	\$ -	0.00%
2007	6,704,112	6,534,412	97.5%	163,504	6,697,916	99.91%
2008	8,335,381	8,190,588	98.3%	134,447	8,325,035	99.88%
2009	8,620,072	8,427,743	97.8%	172,058	8,599,801	99.76%
2010	9,024,356	8,894,329	98.6%	101,466	8,995,795	99.68%
2011	8,476,633	8,303,209	98.0%	109,318	8,412,527	99.24%
2012	8,036,051	7,869,525	97.9%	122,590	7,992,115	99.45%
2013	7,696,157	7,550,158	98.1%	77,467	7,627,625	99.11%
2014	7,744,596	7,585,332	97.9%	55,023	7,640,355	98.65%
2015	8,194,415	8,067,586	98.5%	-	8,067,586	98.45%

Source: Cobb County Tax Commissioner and City of Kennesaw Tax Department.

(1) The City changed the tax levy date from August to October effective 2007, therefore fiscal year 2006 did not have a tax levy.

CITY OF KENNESAW, GEORGIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Notes Payable	Revenue Bonds	Capital Leases	Bonds Payable	Notes Payable	Capital Leases			
2006	\$ 14,625,000	\$ -	\$ 1,885,000	\$ -	\$ -	\$ 4,990,000	\$ 187,838	\$ 21,687,838	2.13%	\$ 672
2007	14,240,000	-	1,770,000	93,635	-	4,770,000	123,573	20,997,208	1.96%	617
2008	13,845,000	-	1,650,000	204,217	-	4,540,000	210,622	20,449,839	3.84%	600
2009	13,440,000	-	1,525,000	141,371	-	4,300,000	116,814	19,523,185	2.00%	600
2010	13,015,000	-	4,200,000	31,424	-	4,050,000	19,125	21,315,549	2.03%	661
2011	12,580,000	-	4,070,000	212,368	-	3,790,000	134,613	20,786,981	2.14%	698
2012	12,125,000	-	3,930,000	264,892	-	3,515,000	242,552	20,077,444	2.36%	720
2013	11,650,000	351,809	7,015,000	158,142	-	-	132,267	19,307,218	1.93%	589
2014	11,155,000	336,676	10,243,492	368,858	-	-	-	22,104,026	2.23%	655
2015	10,640,000	320,916	9,635,068	932,847	-	-	36,246	21,565,077	2.19%	626

(1) See the Demographic and Economic Statistics for personal income and population data.

CITY OF KENNESAW, GEORGIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2006	\$ 14,625,000	0.67%	\$ 453
2007	14,240,000	0.61%	418
2008	13,845,000	0.56%	407
2009	13,440,000	0.51%	413
2010	13,015,000	0.50%	404
2011	12,580,000	0.53%	422
2012	12,125,000	0.53%	435
2013	11,650,000	0.52%	355
2014	11,155,000	0.50%	331
2015	10,640,000	0.45%	309

(1) See the Assessed Value and Estimated Actual Value of Taxable Property for property tax data.

(2) See the Demographic and Economic Statistics for population data.

CITY OF KENNESAW, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT SEPTEMBER 30, 2015

<u>Governmental Unit</u>	<u>Net Governmental Activities Debt Outstanding</u>	<u>Percentage Applicable to City of Kennesaw (1)</u>	<u>Amount Applicable to City of Kennesaw</u>
Debt repaid with property taxes:			
Cobb County General Obligation Debt	\$ 18,440,000	3.69%	\$ 680,436
Total overlapping debt	18,440,000		680,436
City direct debt	21,565,077	100.00%	21,565,077
Total direct and overlapping debt	<u>\$ 40,005,077</u>		<u>\$ 22,245,513</u>

Source: Assessed value data used to estimate applicable percentages provided by the Cobb County Board of Equalization and Assessment. Debt outstanding data provided by Cobb County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kennesaw, Georgia. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

CITY OF KENNESAW, GEORGIA

**LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS**

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt Limit	\$ 86,687,147	\$ 93,483,910	\$ 115,482,308	\$ 120,887,102	\$ 120,145,237
Total net debt applicable to limit	<u>14,625,000</u>	<u>14,240,000</u>	<u>13,845,000</u>	<u>13,440,000</u>	<u>13,015,000</u>
Legal debt margin	<u>\$ 72,062,147</u>	<u>\$ 79,243,910</u>	<u>\$ 101,637,308</u>	<u>\$ 107,447,102</u>	<u>\$ 107,130,237</u>
Total net debt applicable to the limit as a percentage of debt limit	16.87%	15.23%	11.99%	11.12%	10.83%

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt Limit	\$ 111,303,300	\$ 104,938,751	\$ 101,842,033	\$ 101,243,328	\$ 108,916,176
Total net debt applicable to limit	<u>10,172,061</u>	<u>9,913,038</u>	<u>9,634,033</u>	<u>10,526,219</u>	<u>10,010,590</u>
Legal debt margin	<u>\$ 101,131,239</u>	<u>\$ 95,025,713</u>	<u>\$ 92,208,000</u>	<u>\$ 90,717,109</u>	<u>\$ 98,905,586</u>
Total net debt applicable to the limit as a percentage of debt limit	9.14%	9.45%	9.46%	10.40%	9.19%

Assessed Value	\$ 944,973,467
Add back: exempt real property	<u>144,188,291</u>
Total assessed value	1,089,161,758
Debt limit (10% of total assessed value)	108,916,176
Debt applicable to limit:	
General obligation bonds	10,640,000
Less: Amount set aside for repayment of general obligation debt	<u>629,410</u>
Total net debt applicable to limit	<u>10,010,590</u>
Legal debt margin	<u>\$ 98,905,586</u>

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF KENNESAW, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
2006	32,289	\$ 1,017,104	\$ 31,500	33.4	3.7%
2007	34,058	1,072,827	31,500	35.4	4.5%
2008	34,058	532,850	31,500	35.4	5.4%
2009	32,530	977,006	30,034	34.5	10.8%
2010	32,246	1,049,124	32,535	34.9	9.6%
2011	29,783	971,521	32,620	32.3	9.1%
2012	27,890	849,780	30,469	34.4	8.7%
2013	32,789	999,048	30,469	33.0	7.2%
2014	33,748	993,102	29,427	33.3	6.0%
2015	34,432	984,789	28,601	33.6	5.2%

Source: U.S. Census, Georgia Department of Labor, and Cobb County Chamber of Commerce

CITY OF KENNESAW, GEORGIA

PRINCIPAL EMPLOYERS CURRENT AND NINE YEARS AGO

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Atlanta Bonded Warehouse	351	1	1.44 %	150	3	1.26 %
Fabric.com Inc.	249	2	1.02			
Tug Technologies Corporation	193	3	0.79			
Publix Super Market, Inc. # 559	142	4	0.58	138	4	1.16
Cintas Corporation	126	5	0.52	120	5	1.01
Shady Grove Rest Home	125	6	0.51			
Publix Super Market, Inc. # 769	123	7	0.51			
Publix Super Market, Inc. # 1077	116	8	0.48			
Crane Nuclear, Inc.	86	9	0.35			
Owens & Minor Distribution	80	10	0.33			
Tug Manufacturing Company				208	1	1.75
Butch Thompson				176	2	1.48
Consolidated Engineering				100	6	0.84
Pro - Build South LLC				76	7	0.64
Wade Electric, Inc.				60	8	0.50
Image Ink Jet Printing, Inc.				50	9	0.42
Hitachi Maxco, Inc.				25	10	0.21
	1,591		6.53 %	1,103		9.27 %

Source: Various City departments

CITY OF KENNESAW, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Function					
General government	29	26	31	31	33
Judicial	3	3	3	3	3
Public safety					
Police officers	97	81	87	78	82
Public works	33	31	36	26	29
Culture and recreation	39	32	39	33	37
Housing and development	10	9	9	10	9
Sanitation	1	1	7	16	17
Total	<u>212</u>	<u>183</u>	<u>212</u>	<u>197</u>	<u>210</u>

Source: City of Kennesaw department records

2010	2009	2008	2007	2006
28	54	37	32	24
3	3	3	3	3
83	88	84	76	68
29	26	26	27	25
34	27	43	38	43
10	7	7	9	7
15	19	26	23	24
<u>202</u>	<u>224</u>	<u>226</u>	<u>208</u>	<u>194</u>

CITY OF KENNESAW, GEORGIA

OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Police					
Physical arrests	959	1,064	1,223	1,268	1,121
Parking violations	1,184	522	599	552	281
Traffic violations	13,721	13,218	14,733	11,300	14,582
Culture and recreation (1)					
Admissions/fees	\$ 1,203,404	\$ 1,201,026	\$ 1,185,530	\$ 1,159,840	\$ 1,054,081 (2)
Housing and development					
Building permits issued	417	449	421	537	254
Sanitation					
Number of customers	9,010	8,478	8,222	8,105	7,915

Source: City of Kennesaw Departments

N/A - Information not available

Note: Operating indicators are not available for general government, judicial, or public works.

(1) Beginning in 2007, Gardens is included in admissions fees.

(2) Prior to 2010 special event expenditures were netted against the revenue.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	1,839	1,819	1,948	2,188	947
	272	180	141	126	126
	14,755	11,444	10,559	14,026	12,537
\$	838,101	\$ 892,197	\$ 890,289	\$ 735,196	\$ 655,460
	510	466	378	304	243
	8,232	8,300	8,253	7,882	N/A

CITY OF KENNESAW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

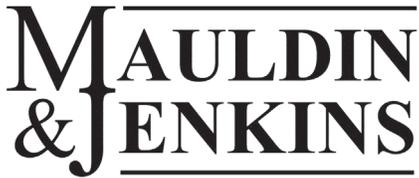
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Function					
Public safety					
Police					
Stations	1	1	1	1	1
Vehicles	86	73	80	76	72
Public works					
Miles of streets	99	99	99	99	99
Culture and recreation					
Acreage	121	121	121	121	121
Baseball/softball fields	11	11	11	11	11
Soccer/football fields	1	1	1	1	1
Sanitation					
Collection vehicles	-	-	3	10	10

Source: Various City departments

Note: Capital asset indicators are not available for the general government, judicial, and housing and development functions.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1	1	1	1	1
70	68	62	56	54
99	99	99	99	98
121	121	121	118	118
11	11	11	11	11
1	1	1	1	1
10	10	10	10	10

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**The Honorable Mayor and Members
of the City Council of
Kennesaw, Georgia**

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennesaw, Georgia as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Kennesaw, Georgia's basic financial statements, and have issued our report thereon dated March 23, 2016. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kennesaw, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kennesaw, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kennesaw, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kennesaw, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

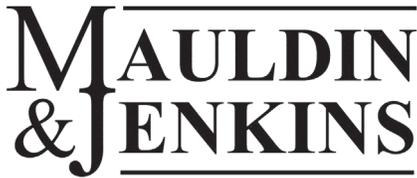
City of Kennesaw, Georgia's Responses to the Findings

The City of Kennesaw, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Kennesaw, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

**The Honorable Mayor and Members
of the City Council of
Kennesaw, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the City of Kennesaw, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Kennesaw, Georgia's major federal programs for the year ended September 30, 2015. The City of Kennesaw, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kennesaw, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kennesaw, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kennesaw, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Kennesaw, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Kennesaw, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kennesaw, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kennesaw, Georgia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 23, 2016

CITY OF KENNESAW GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Total Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Cobb County, Georgia Community Development Block Grant	14.218	CD-12-C12C3-F	\$ 156,680
Total U.S. Department of Housing and Urban Development			<u>156,680</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster Passed through Georgia Department of Transportation Transportation Enhancement Act Program	20.205	TEE-008-00(103)	417,713
Atlanta Regional Commission Program	20.205	UP 1414	<u>44,515</u>
Total Highway Planning and Construction Cluster			<u>462,228</u>
Total U.S. Department of Transportation			<u>462,228</u>
U.S. DEPARTMENT OF JUSTICE			
Equitable Sharing Program	16.922	GA-0330600	<u>234,772</u>
Total U.S. Department of Justice			<u>234,772</u>
Total Expenditures of Federal Awards			<u>\$ 853,680</u>

See note to schedule of expenditures of federal awards.

CITY OF KENNESAW, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Kennesaw, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)? yes no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2015-001 Revenue Recognition

Criteria: Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of the City in accordance with generally accepted accounting principles (GAAP).

Condition: Internal controls were not sufficient to detect a material misstatement in the City's financial statements for the year ended September 30, 2015.

Context/Cause: During our audit for the fiscal year ended September 30, 2015, adjustments were required to correct the interfund balances and revenues at the fund level for the Sanitation and Stormwater Funds:

- In the Sanitation Fund, an adjustment of approximately \$88,000 was required to reduce sanitation fee revenues which were recorded in the incorrect fund as of September 30, 2015.
- In the Stormwater Fund, an adjustment of approximately \$88,000 was required to record stormwater fee revenues which were recorded in the incorrect fund as of September 30, 2015.

Effects: An audit adjustment for approximately \$88,000 was needed to correctly report the interfund balances and revenue in the funds noted above.

Recommendation: We recommend the City carefully review the financial statements and applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is properly stated.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that amounts in the financial statements are properly reported as required by generally accepted accounting principles.

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2015-002 Capital Assets

Criteria: Internal controls should be in place to ensure amounts reported for capital assets and related items are appropriate and properly valued in accordance with GAAP.

Condition: Internal controls were not sufficient to detect certain misstatements in the reporting of the Governmental Activities capital assets, Stormwater capital assets and related accumulated depreciation.

Context/Cause: For the year ended September 30, 2015, the City created a Stormwater fund. During our audit, we noted the Governmental Activities did not properly transfer capital assets, as of October 1, 2014, to the Stormwater fund which should have occurred due to the creation of the new Stormwater fund. In the Governmental Activities and Stormwater fund, an adjustment of approximately \$9,440,000 of cost, \$4,330,000 of accumulated depreciation, and \$194,000 of current year depreciation expense was required. Total adjustments of approximately \$9,634,000 were required to restate capital assets as of October 1, 2014 and record current year expenses as of and for the fiscal year ended September 30, 2015.

Effects: Audit adjustments totaling approximately \$9,634,000 were needed to correctly report the opening balances of capital assets as of October 1, 2014 and report current year expenses for capital assets of the Governmental Activities and Stormwater fund as of and for the fiscal year ended September 30, 2015.

Recommendation: We recommend the City carefully review all opening balances, including capital assets accounts and related items, to ensure transactions are reported appropriately and in accordance with GAAP in relation to the creation of a new enterprise fund.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that balances in the County's financial statements are properly recorded and reported in accordance with GAAP.

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2015-003 Other Postemployment Benefits Obligation and Expenses

Criteria: Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of the City in accordance with GAAP.

Condition: Internal controls were not sufficient to detect a misstatement in the City's financial statements for the year ended September 30, 2014.

Context/Cause: During our audit for the fiscal year ended September 30, 2015, an error was discovered in the reporting of the prior year Other Post-Employment Benefits (OPEB) obligation and expenses:

- Claims payments were not being considered in the actuarial calculations in prior years, resulting in a misstatement of approximately \$319,000 in the City's net OPEB obligation and expenses as of and for the year ended, September 30, 2014.

Effects: The prior year net OPEB obligation was misstated by approximately \$319,000.

Recommendation: We recommend the City carefully review the information provided to the actuaries as well as the resulting calculations to ensure amounts are correctly calculated and reported.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that amounts in the financial statements are properly reported as required by generally accepted accounting principles.

CITY OF KENNESAW, GEORGIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None Reported.

CITY OF KENNESAW, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

None Reported.