

CITY OF KENNESAW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019

Finance Department
Gina Auld
Finance Director

CITY OF KENNESAW, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019

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INTRODUCTORY SECTION

MAYOR

Derek Easterling

City Manager

Jeff Drobney

City Clerk, MMC

Debra Taylor

**COUNCIL**

Mayor Protem Pat Ferris

David Blinkhorn

James Eaton

Chris Henderson

Tracey Viars

March 26, 2020

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, 2019, 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, 2019. 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. The City of Kennesaw is responsible for insuring that adequate internal controls are in place to assure compliance with applicable laws and regulations related to those programs. 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 9.77 square miles and a population of approximately 36,300. 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 five enterprise operations including sanitation, stormwater, streetlights, 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. The Atlanta Regional Commission (ARC) Economic Snapshot for 2019 and forecasting 2020 indicates Metro Atlanta continues to be a natural leader in job growth; wages continue to see positive growth, home prices remain above pre-recession peak, and office and retail construction continue to grow. The regional snapshot accurately reflects the City of Kennesaw economic performance and our projections for 2020. The City's rate of growth continued to increase in 2019 over 2018 in all these sectors. Commitment to new projects and expansions continue to take longer than pre-2008 due to longer due diligence period and conservative financing environment. But, 2018 was a very significant year for projects receiving entitlements, completing due diligence, acquiring land, and closing loans with the support of over \$700 million in new development that will be completed over the next 3-4 years. We are currently in the development and build-out phase for these projects. Several projects will be completed in 2020 with the remainder to be completed by 2023. In 2019, an additional \$130 million of new projects were added to the development pipeline for a total of \$830 million to be built in 2020-2024. The City will continue to see improvement in real estate values (4.8%), unemployment (remains low at 2.7%), and capital investment. We have seen a reduction in office (3.6%), retail (3.6%) and industrial (3.2%) vacancy rates in 2019. Job creation increased in 2019 and is projected to continue through 2020 by both the State Department of Economic Development, Kennesaw State University (KSU) Economic Forecast Center, Cobb County, and the City.

Historically, Kennesaw grew from a small, rural town to an urbanized bedroom community with associated retail and services. In the last two decades, the City's economy has diversified with several industrial and business parks and retail centers. The City's proximity to Interstate 75, U. S. Highway 41 and Cobb County International Airport has supported significant commercial and industrial development, especially in light manufacturing and distribution. The area has diverse space for manufacturing, industrial, corporate office and retail. A number of small and medium employers has created a diversified economy and stable employment rate. The growth of KSU continues to have a positive impact on the local economy. They provide a significant pipeline for new graduates feeding into the economy. Kennesaw sees a direct impact from KSU in health care, life sciences, finance, education, and technology sectors. With the merger of Southern Polytechnic, the enrollment has grown to 36,000. 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 City's economy to transform from a bedroom community to a self-sustaining economy. Over the last five 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 & industrial land area to residential land area ratio has improved to 63/37%. This is a shift of approximately 10% in the last eight years. The City added approximately 500 new jobs in 2019 through several logistics and manufacturing expansions and relocations, professional service growth, and new retail and restaurant businesses. New capital investment of \$70 million occurred in 2019. New businesses include, but are not limited to, logistics manufacturing, retail/restaurants, medical services, utility services, construction materials, financial services, and software development.



In 2020, the following investments are expected to be completed:

- The downtown area will add \$66 million in new development in 2020
- Approximately 500 multifamily units valued at \$105 million
- Approximately 80 new single-family residences valued at \$20 million
- 80,000 square feet of new commercial space valued at \$2.2 million

The number of business licenses increased in 2019 over 2018. Approximately 15 new “brick and mortar” businesses opened in 2019. Overall, the total portfolio of business licenses has continued to grow at a moderate pace. Developments that are in construction and scheduled to open by end of 2021 will add an additional 300 new jobs.

Construction permit activity exceeded projected and budgeted levels in 2019 and they are exceeding the estimated and budgeted forecasts for the first 6 months of the current fiscal year. We anticipate further expansion in new businesses, expansion of existing businesses, investment in equipment and real estate and job creation through 2020 assuming the State and Regional economy continues to expand as forecasted by the State and Atlanta Regional Commission (ARC).

The top employers in the City have remained fairly stable over the past year. They have not added a significant number of jobs but we have seen continued capital investment in their operations. Some of our key businesses such as Atlanta Bonded Warehouse, Deerland Enzyme, and Fabric.com continue to invest and grow. We have seen continued growth in new or expanding small businesses. These are both businesses with brick and mortar presence or service/virtual businesses. New to Kennesaw are co-work facilities, which have opened in the past 24 months and have grown their member base to over 100 businesses. Two additional co-work offices are planned for two mixed-use projects in downtown, to be completed by 2021. Approximately 15 new brick and mortar businesses have opened in the past 12 months. Kennesaw continues to support “craft” businesses that help strongly brand the City. We have two craft beer breweries, and one craft distillery. One of the breweries is completed a major expansion in 2019. Two new breweries are planned for downtown. One will open in 2020 and the second in 2021. Development of a new craft cold brew coffee manufacturing facility will be completed in 2020. These businesses create a craft ecosystem and have had a very positive impact on tourism in the city. The traffic they generate complements the City’s Museum and Garden, creating more synergy in the tourism sector.

Long term financial planning

In November 2014, voters approved a six year one cent Special Purpose Local Option Sales Tax (SPLOST) that will be in effect from January 1, 2016 through December 31, 2021. This tax will fund various road projects, park improvements and facility improvements. Since this SPLOST began, the improvements total: \$7,330,264 for Road, Street and Bridge Projects and \$768,236 for Parks and Facility Improvement Projects. Total revenue generated for the SPLOST program since this SPLOST began is \$24,570,765 with expenditures totaling \$8,098,500.

In March 2011, voters approved the Special Purpose Local Option Sales Tax (SPLOST). This one cent sales tax program funds various improvements around the City. Since this SPLOST began, the improvements total: \$13,923,287 for Road, Street and Bridge Projects and \$4,104,031 for Parks Projects. This SPLOST program ran from January



2012 until December 2015. Total revenue generated for the SPLOST program since this SPLOST began is \$24,002,788 with expenditures totaling \$18,027,318.

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: \$6,216,154 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 \$8,543,913 with expenditures totaling \$6,644,680.

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 \$145,614,133, which is in excess of the City's outstanding general obligation debt of \$8,325,000.

Major Initiatives

In late 2014, the Mayor and Council adopted a new set of goals for 2015-2020. They were the framework for 2017 economic initiatives. 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. The City will develop a new Economic Development Strategy and Implementation Plan in 2020 to provide direction for the next 10 years.

There are approximately 30 active projects in various stages of development in the City. A total of 1,460 multi-family (rental) units valued at \$390 million are in development. 180 units have been completed and the balance are in development. All of these projects are Class "A" heavily amenitized projects with the exception of one affordable senior project. There are 1,040 for-sale residential units in development. Some have been completed and others are in construction or will start within the next 6-12 months. These projects include attached and detached products in a range of price points. Total value is \$200 million. There is over 500,000 square feet of commercial space in development with an estimated value of \$180 million. Approximately 10,000 square feet has been completed in 2019 with another 80,000 square feet in construction, with the balance slated to start site work and vertical construction in 2020-2021. The commercial will have retail, restaurant, hotel, special events, self-storage, and entertainment venues. There are an additional 600,000 square feet of new or substantially renovated industrial space in the pipeline. Kennesaw has made a concerted effort to protect our three key industrial parks. Value of the new industrial space is approximately \$60 million. There are 165,000 square feet of new health care facilities in development. Most of these are concentrated in skilled nursing and assisted living facilities. These projects are estimated at \$44 million. The office market has been the softest development sector for Kennesaw. We are just starting to see planned new investment. The current lease rates relative to new construction costs have made it challenging to invest in new office space. We have 100,000 square feet of new office space valued at \$20 million in development. Much of this is associated with planned mixed-use development or owner-occupied professional office. We continue to see a reduction in vacancy rates for retail, office, and industrial in the City over the past 24 months. Total value on all planned new development in the pipeline is approximately \$830 million, to be completed over the next 4-5 years.



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 economy and the City's finances. The City is actively working on two annexations that would add approximately 60 acres.

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 2019. The Dry County Brewery, Burnt Hickory Brewer and Lazy Guy Distillery draw significant visitors. Dry County Brewery opened in 2016 and completed an expansion in 2019. Two new breweries will be added to downtown in 2020-2021. A new cold brew coffee facility will open in 2020 with a tourism component in downtown. This adds to the critical mass Kennesaw is creating in the alcohol manufacturing and tourism sectors. 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 new park in the Cumberland/Galleria area, MLS soccer complex in Marietta, pro lacrosse team in Kennesaw and KSU football are creating a dynamic environment.

Cobb County has adopted a new economic development incentive program that will provide additional support to recruit and retain business. Kennesaw continues to expand the economic development tools available for business retention, expansion, and recruitment. Our goal with the Economic Development Strategy and Implementation Plan will be to refine our economic incentives program, ordinances, and codes and continue to leverage existing state programs.

In 2015 the City completed a major update to the downtown masterplan and a masterplan for the Cherokee Street corridor. A new form based code for downtown and Cherokee Street corridor was adopted in 2016. These provided direction and incentive for redevelopment and we are seeing significant development activity in downtown and Cherokee Street as a result.

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 seven (7) years in targeted redevelopment areas, downtown and commercial corridors. Downtown, Barrett Parkway, Cobb Parkway, Pine Mountain, Old Highway 41, Rutledge/N Main and Cherokee Streets are scheduled for improvement. The first downtown improvements were completed in 2018 and include the rebuild of Dallas Street, Watts Drive, a new round-about, and a public plaza. In addition, GDOT has completed a major lane expansion of I-75 in construction and reconstruction of the I-75/Wade Green intersection. Cobb County International Airport continues to expand with improved runway, new hangers, new control tower and a customs office added in 2016. The airport's masterplan calls for significant expansion and improvements over the next 20 years to handle more traffic and larger planes. All 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, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 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, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF KENNESAW, GEORGIA
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2019

ELECTED OFFICIALS

Derek Easterling	Mayor
Chris Henderson	Mayor Pro Tem/Council Member
David Blinkhorn	Council Member
James 'Doc' Eaton	Council Member
Pat Ferris	Council Member
Tracey Viars	Council Member

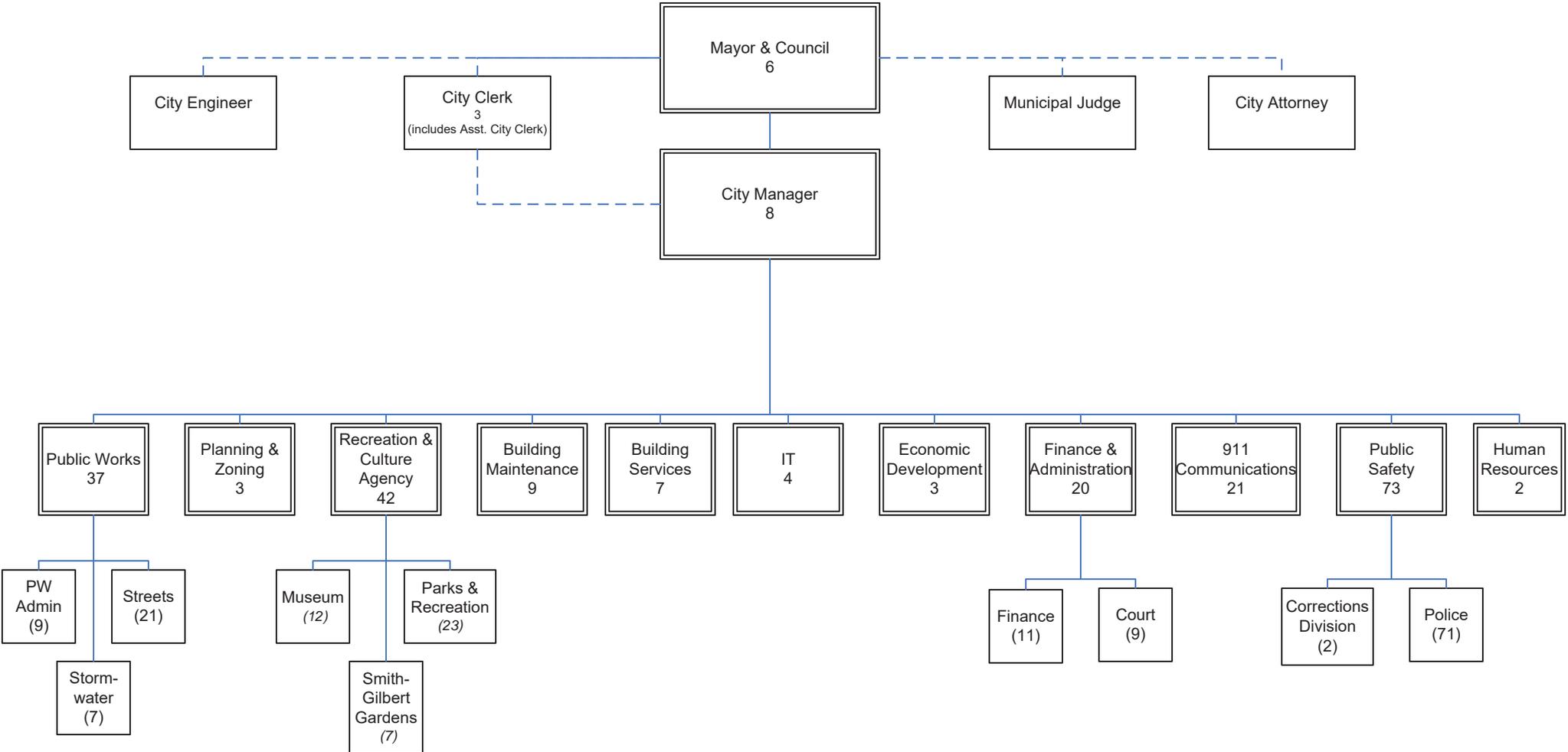
CITY ADMINISTRATION

Jeff Drobney
City Manager

Bentley, Bentley, Bentley	Attorney
Phillip Taylor	Municipal Court Judge
Gina Auld	Finance Director
Robbie Balenger	Building & Facilities Manager
Scott Banks	Building Official
Richard Banz	Museum Executive Director
Linda Davis	E911 Director
Robert Fox	Economic Development Director
Becca Graham	Communications & Engagement Manager
Marty Hughes	Assistant City Manager
Steve Roberts	Parks & Recreation Director
Darryl Simmons	Planning & Zoning Administrator
Stephanie Sordelet	Human Resources Director
Paul Sprague	GIS Coordinator
Ricky Stewart	Public Works Director
Debra Taylor	City Clerk
William Westenberger	Chief of Police

City of Kennesaw

Organization Chart- City Wide- 238



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, 2019, 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, 2019, 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.

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 Changes in the City's Total OPEB Liability and Related Ratios – OPEB Plan, the Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions, as listed in the table of contents, 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 fund statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, 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 fund statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds (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 26, 2020 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 solely 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 the effectiveness of the City of Kennesaw, Georgia's 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

September 30, 2019

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, 2019. 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 and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$112,558,223 at the end of the year. This amount includes \$77,311,784 invested in capital assets net of accumulated depreciation and related debt, restricted net position of \$35,032,274 and unrestricted net position of \$205,871.
- The City's total net position increased by \$16,396,308 (17%) to \$112,558,223. The net position for governmental activities increased by \$15,606,090 (20%) and business-type net position increased by \$790,218 (5%).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$40,288,261, an increase of \$9,899,331. The net unassigned fund balance is \$5,415,115.
- At the end of the current fiscal year, unassigned fund balance for the general fund is \$5,469,476.
- The City's total debt decreased by \$1,921,301 (7%) during the current fiscal year due to the principal payments on General Obligation Bonds, Revenue Bonds and Financed Purchases exceeding the increase in the OPEB Liability. The Net Pension Liability decreased \$515,716.

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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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), streetlights and the Smith-Gilbert Gardens.
- **Component units** – Included in the discretely presented 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 and SPLOST fund which are considered to be major funds. Data from the other nine 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 16-21 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, Streetlights 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 major funds: Sanitation, Museum, Stormwater. Data from the nonmajor funds, Streetlights and Gardens, are combined in a single, aggregated presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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Individual fund data for each of these nonmajor proprietary funds is provided in the form of *combining statements* elsewhere in this report. The internal service fund is also presented in proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 22-24 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 25 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 progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 63 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and other postemployment benefits. Combining and individual fund statements and schedules can be found beginning on page 66 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 \$16,396,308 (17%) during fiscal year 2019. The net position of the governmental activities includes \$63,615,691 net investment in capital assets. Capital assets of \$79,864,957 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation. Related debt includes bonds of \$15,391,910, financed purchases of \$456,901 and retainage payables of \$400,455.

The net position of the business-type activities includes \$13,696,093 net investment in capital assets. Capital assets of \$13,854,091 include land, building, other improvements, equipment, and museum artifacts, net of accumulated depreciation. Related debt includes financed purchases of \$157,998.

For more detailed information, see the Statement of Net Position on page 16 of the financial statements and the notes to the financial statements.

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>Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
ASSETS							
Current and other assets	\$ 43,212	\$ 35,690	\$ 4,782	\$ 4,054	\$ 47,994	\$ 39,745	21%
Capital assets	79,865	75,828	13,854	13,931	93,719	89,759	4%
Total Assets	123,077	111,518	18,636	17,985	141,713	129,503	9%
Deferred Outflows of resources:							
Pension related items	1,535	1,710	59	87	\$ 1,594	\$ 1,797	-11%
OPEB Related Items	78	78	-	-	78	78	0%
Total deferred outflows of resources	1,613	1,788	59	87	1,672	1,875	-11%
LIABILITIES							
Current and other liabilities	4,435	7,276	1,214	1,264	5,649	8,540	-34%
Long-term debt outstanding	23,361	25,084	250	361	23,611	25,445	-7%
Total Liabilities	27,796	32,360	1,464	1,625	29,260	33,985	-14%
Deferred Inflows of resources:							
OPEB Related Items	574	330	-	-	574	330	74%
Pension related items	955	857	37	44	992	901	10%
Total deferred inflows of resources	1,529	1,187	37	44	1,566	1,231	27%
NET POSITION							
Net investment in capital assets	63,616	58,213	13,696	13,717	77,312	71,930	7%
Restricted	35,032	28,432	-	-	35,032	28,432	23%
Unrestricted	(3,283)	(6,886)	3,498	2,686	215	(4,200)	105%
Total Net Position	\$ 95,365	\$ 79,759	\$ 17,194	\$ 16,403	\$ 112,559	\$ 96,162	17%

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City of Kennesaw, Georgia

Changes in Net Position

The City's total revenues before transfers were \$42,015,753 in fiscal year 2019. Expenses before transfers were \$25,619,445 during that same period. Governmental and business-type activities combined provided a \$16,396,308 increase in net position.

Governmental activities revenues, before transfers, were \$37,066,819 and included \$4,950,184 charges for services, \$11,760,848 grant and contribution revenues and \$12,584,176 in property taxes. The largest governmental activities expenses were for public safety of \$8,635,869 (police, jail and E911), public works of \$3,404,917, general government of \$4,663,769 and culture and recreation of \$2,015,047. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues, before transfers, were \$4,948,934 and included \$4,757,408 charges for services and \$131,930 grant and contribution revenues. The largest business-type activity expenses were for salaries and wages of \$1,036,480, other professional services of \$1,663,034 and marketing of \$44,391.

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

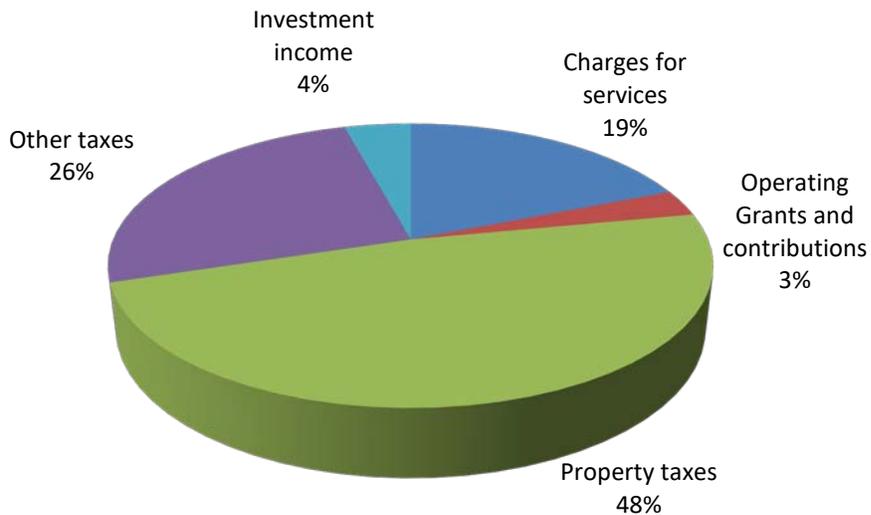
	Governmental Activities		Business-type Activities		Total		Total % Change 2018-19
	2019	2018	2019	2018	2019	2018	
Revenues							
Program Revenues							
Charges for services	\$ 4,950	\$ 4,160	\$ 4,757	\$ 4,445	\$ 9,707	\$ 8,605	13%
Operating grants and contributions	785	755	-	-	785	755	4%
Capital grants and contributions	10,976	6,758	132	40	11,108	6,798	63%
General revenues							
Property taxes	12,584	11,445	-	-	12,584	11,445	10%
Other taxes	6,667	6,375	-	-	6,667	6,375	5%
Gain on sale of capital assets	-	-	2	-	2	-	100%
Investment income (loss)	1,105	(97)	58	3	1,163	(94)	1337%
Total Revenues	37,067	29,396	4,949	4,488	42,016	33,884	24%
Expenses							
General Government	4,664	4,805	-	-	4,664	4,805	-3%
Judicial	393	372	-	-	393	372	6%
Public Safety	8,636	8,180	-	-	8,636	8,180	6%
Public Works	3,405	3,533	-	-	3,405	3,533	-4%
Culture and Recreation	2,015	2,021	-	-	2,015	2,021	0%
Housing and Development	1,249	1,247	-	-	1,249	1,247	0%
Interest on long-term debt	714	794	-	-	714	794	-10%
Museum	-	-	1,154	1,135	1,154	1,135	2%
Sanitation	-	-	1,907	1,817	1,907	1,817	5%
Gardens	-	-	509	484	509	484	5%
Stormwater	-	-	639	738	639	738	-13%
Streetlight	-	-	334	55	334	55	507%
Total Expenses	21,076	20,952	4,543	4,229	25,619	25,181	2%
Excess before Transfers	15,991	8,444	406	259	16,397	8,703	88%
Transfers	(385)	(2,379)	385	2,379	-	-	0%
Increase in Net Position	15,606	6,065	791	2,638	16,397	8,703	88%
Beginning Net Position	79,759	73,694	16,403	13,765	96,162	87,459	10%
Ending Net Position	\$ 95,365	\$ 79,759	\$ 17,194	\$ 16,403	\$ 112,559	\$ 96,162	17%

Governmental Activities

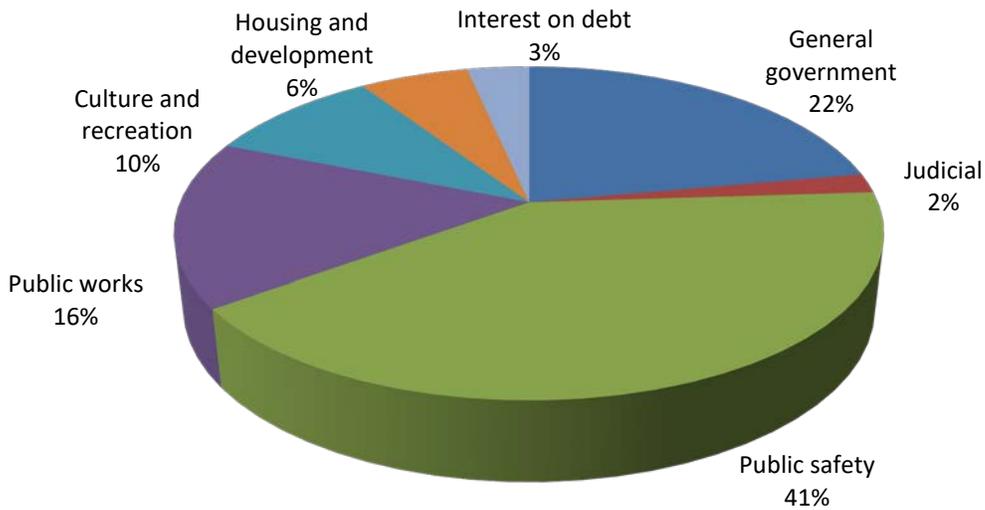
See page 17 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

Table 3 – Governmental Activities

Governmental Revenues



Governmental Expenses



September 30, 2019

City of Kennesaw, Georgia

Revenue Impacts:

- Property taxes of \$12,584,176 provided 62% 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 approximately \$1,139,000 in 2019 due to an increase in property values and new developments.
- Other taxes such as franchise tax, insurance premium tax, financial institution tax and business & occupational tax all increased over the prior year. Franchise tax increased \$127,000, insurance premium tax increased \$136,000 and business & occupational taxes increased \$63,000.
- Charges for services for Governmental activities include amounts charged for providing E911 service of \$1,290,632, culture & recreation fees of \$622,568, licenses and permits of \$1,158,751 and fines & forfeitures of \$1,239,307. Charges for services increased approximately \$790,000 over the prior year due to significant increases in Public Works and Housing & Development revenue. Revenues in the following increased over the prior year: engineering and plan review increased 393%, building permits increased 232%, technology fees increased 208%, electrical permits increased 32%, plumbing permits increased 82% and HVAC permits increased 38%.
- Total Operating grants and contributions for Governmental activities increased \$30,000 due to House Bill 489 revenue and Public Safety grants and donations. The City received approximately \$16,000 more from Cobb County per the House Bill 489 agreement. The agreement constitutes the implementation of the service delivery strategy of Cobb County and the Cobb cities. Per the agreement the allocations are based on the gross digest divided by the total incorporated gross digest. The value of the gross digest increased and Kennesaw's percentage of the gross digest increased. Public Safety grants and donations were up \$14,000.
- Capital grants and contributions for Governmental activities increased approximately \$4,200,000. The increase is due to SPLOST funding received from Cobb County for the recreation center project of \$4,500,000. The recreation center is a joint County/City SPLOST project. The parties entered into an intergovernmental agreement whereby the County would distribute its share of the SPLOST funding to City during fiscal year 2019. The City will bid, award and contract with all professional services related to designing, engineering, constructing and furnishing the recreation center project. Upon completion of the recreation center, the City will own, maintain and operate the facility. The County will have no further obligation or responsibility with respect to the recreation center project or the facility. The recreation center project will begin in fiscal year 2020 and is expected to be completed during 2021.
- Charges for services revenue for Business-type activities increased due to the increase in streetlight and gardens revenues. The City adopted a streetlight district during the prior fiscal year and only billed for two months. Fiscal year 2019 was the first full year of the streetlight billing, which increased revenue by \$300,000 (480%). The Smith Gilbert Gardens had an overall \$31,000 increase (25%) in rental, program and tour fees.
- Capital grants and contributions for Business-type activities increased \$92,000 due to the increase in the artifacts donated to the Museum during the fiscal year.
- Gain on sale of capital assets increased slightly over the prior year due to an increase in assets sold.
- Investment income experienced an increase due to the increase in the fair value of the investment portfolio.

Expense Impacts:

- General Government expenses were down \$142,000 due to decreases in legal and information technology expenses. Less litigation and fewer ordinance revisions resulted in a decrease in legal expenses. The information technology department had decreases in the following areas: portable phones, radio repairs, computer and operating supplies. The City received large discounts on portable phones by moving to AT&T FirstNet. Several projects were delayed such as police in car DVR and cabling projects. In addition, purchases of storage hard drives and Toughbook laptop parts were delayed. Project delays were due to staffing shortage.

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- Judicial expenses increased \$21,000 due to legal fees and software fees. Legal fees varies with the number and nature of cases handled by the solicitor. The City per citation fee charged by the software vendor increased during the fiscal year.
- Public Safety expenses increased \$456,000. The Police Department had increases in the following expenses: salaries, group insurance, property and liability insurance, and small equipment. The City was fully staffed and under their new pay scale provided pay increases based on tenure and obtaining certain education levels. New body cameras were purchased during the year.
- Public Works salaries and benefits increased \$171,000 and streetlight expenses decreased \$300,000 resulting in a net decrease of \$129,000 overall. Several vacant positions were filled during the fiscal year which increased Public Works salaries and benefits. The City adopted a streetlight district during fiscal year 2018 and began reporting streetlight expenses a separate enterprise fund. This was the first full year of billing streetlights in the separate fund.
- Culture and Recreation expenses decreased slightly due to a decrease in amounts paid to instructors. Enrollment for classes held at the community center dropped during the year.
- Housing and Development expenses increased due to the addition of a Code Enforcement position.
- Interest on long-term debt decreased as the portion of the debt service payments allocated to interest on the 2001 and 2003 Revenue bonds and the 2004/2005 General Obligation bonds decreased. Each year, a larger portion of these debt service payments are applied towards the principal balance.
- The Sanitation Fund's expenses increased due to a 3.29% increase in fees charged by the third party service provider for the City's Sanitation services.
- The Museum and Gardens expenses increased due to an increase in group insurance.
- Stormwater salaries and benefits decreased due to several vacant positions during the year.
- Streetlight expenses increased due to first full year of billing in the new enterprise fund.

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

FUND	Program Revenues		Program Expense		Program Income (Loss)	
	2019	2018	2019	2018	2019	2018
Museum	\$ 592	\$ 497	\$ 1,154	\$ 1,135	\$ (562)	\$ (638)
Sanitation	2,543	2,533	1,907	1,817	636	716
Stormwater	1,242	1,271	639	737	603	534
Gardens	153	122	509	484	(356)	(362)
Streetlight	359	62	334	55	25	7
Total	<u>\$ 4,889</u>	<u>\$ 4,485</u>	<u>\$ 4,543</u>	<u>\$ 4,228</u>	<u>\$ 346</u>	<u>\$ 257</u>

Program revenues for business-type activities for fiscal year 2019 were \$4,889,338, a \$404,788 increase compared to the prior year. Museum revenue was up due to an increase in donations of museum artifacts. Sanitation had increases in residential, commercial and bulk pick up revenues. Stormwater revenues decreased due to transition between owners during new developments. The Gardens revenues increased due to increased rental, program and tours fees. The Streetlight Fund revenues increased since this was the first full year of billing in the new enterprise fund.

Total program expenses for business-type activities were \$4,543,730 in 2019, \$315,888 more than the prior year. Museum, Sanitation, Gardens and Streetlights had an increase in expenses while Stormwater had a decrease in expenses. Museum and Gardens had increases in group insurance. The Sanitation Fund’s contract with the third party provider increased by 3.29%. Sanitation salaries were up over prior year due to a position being vacant for four months in the prior year. Stormwater salaries and benefits expenses decreased because of vacant positions. The Streetlight Fund had an increase due to energy and electricity expenses reported in this new fund for a full year. The City began billing property owners for the cost to provide streetlights citywide in September 2018.

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

FUND	Fund Balances 9/30/2018	Revenues/ Sources	Expenditures/ Uses	Revenues/Sources Over (Under) Expenditures/Uses	Fund Balances 9/30/2019
General Fund	\$ 9,760	\$ 25,075	\$ 20,710	\$ 4,365	\$ 14,125
SPLOST	19,715	10,791	5,472	5,319	25,034

At September 30, 2019, the City’s governmental funds reported a combined fund balance of \$40,288,261, which is a net increase of \$9,899,331 from the previous year.

General Fund

The General Fund’s fund balance increased by \$4,364,706 and was \$14,124,993 at year end. Revenues exceeded the budget by approximately \$2,247,000 and expenditures were under by budget by approximately \$2,523,000. Revenues increased \$2,854,892 (13%) over prior year. All categories of taxes increased except financial institution, intangible and alcoholic beverage tax. Real and personal property taxes increased \$754,000, business/occupational taxes increased \$63,000, insurance premium taxes increased \$136,000, franchise taxes increased \$127,000, real estate taxes increased \$7,000 and TAVT increased \$9,000. All of these increases were due to the improved economy and improved value of the City’s tax base to pre-recession values. The \$508,000 increase in licenses and permits was primarily due to the increase in building permits from new developments. Fines and forfeitures were up \$24,000. Charges for services decreased by \$18,000 due to lower enrollment in Parks & Recreation classes. Intergovernmental revenue was up \$52,000 (4%) due to increases in CDBG, LMIG and HB489 funding. Net investment income was up \$1,186,000 due to the increase in the fair value of the investment portfolio. Expenditures and Other Financing Uses increased approximately \$713,000 from the prior year and came in under budget by \$2,117,000 thereby increasing fund balance. Expenditures decreased from the prior year in the following departments: General Government, Public Works and Culture & Recreation. General Government expenditures decreased in the two departments: Legal and Information Technology. Fewer lawsuits and ordinance revisions resulted in lower legal fees. The Information Technology department was able to cut costs by switching City phones to AT&T FirstNet and several projects were delayed due to a vacant position. The streetlight expenditures were reported in the new Streetlight Fund for the first full fiscal year which decreased the streetlight expenditures in the Public Works department. Culture & Recreation expenditures were down due to a decline in recreation class enrollment. Judicial, Public Safety, Housing & Development and Capital Outlay had an increase in expenditures. Legal and software maintenance increased in the judicial department. Public Safety had increases in salaries, benefits and small equipment. Housing & Development expenditures were up due to the addition of a Code Enforcement position. Capital Outlay had an increase due to the purchase of new vehicles for several departments.

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SPLOST Fund

The SPLOST Fund's fund balance increased by \$5,318,529 and was \$25,033,637 at year end. The City collected approximately \$10.8 million in revenues and incurred expenditures of approximately \$5.5 million. The City has \$2 million remaining to spend on 2005 SPLOST projects. These funds are to be used for the Old Highway 41 Project which was awarded during fiscal year 2019 and is to be completed in the next fiscal year. The City collected the last of the 2011 SPLOST distributions during fiscal year 2016 and has \$6.9 million remaining to spend. The following 2011 projects are still in process: Cherokee Street, Stanley Road /Collins, resurfacing, infrastructure preservation, Depot Park and Smith Gilbert Garden's event building. The City has collected approximately \$24.6 million in 2016 SPLOST dollars. All of the 2016 projects as listed on the Schedule of Expenditures of SPLOST are still in process.

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 21 of the financial statements.

In September 2018, the City Council appropriated \$23,181,348 for general fund expenditures and transfers out in the 2019 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 and Council.

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

Overall revenues had a net favorable variance of approximately \$2,247,000 with the largest variances as follows:

- Taxes exceeded the budget by approximately \$1,237,000 due to favorable variances in real & personal, business/occupational, insurance premium, franchise, intangibles, real estate transfer and title ad valorem taxes. The combination of the City's property values returning to pre-recession values, new development and increased buying and selling of property has increased all areas of tax revenue.
- Licenses and permits revenue came in over budget due to increase in building permits.
- Investment income was over budget due to the increase in the fair value of the investment portfolio.

Expenditures:

The City had favorable budget expenditure variances in every function. The largest favorable variances were in the following departments: Mayor & Council, Legal and Audit, City Manager, Information Technology, Buildings, Police, Corrections, Economic Development, Capital Outlay and Debt Service.

- Mayor & Council expenditures were below budget due to budgeting for working capital reserves.
- Legal expenditures were below budget due to less litigation and fewer ordinance revisions.
- Information Technology had a favorable variance due to cost savings by switching cellphone providers and delays in the radio project, off site storage project and the cabling project.
- The Building department's salaries, janitorial supplies and electricity costs were less than budget due to several vacant custodial positions, the delay in purchasing various supplies and lower energy costs.
- The Police department was under budget in overtime, education & training, equipment repair & maintenance, police materials & supplies and small equipment.
- The Corrections department was under budget in prisoner housing fees paid to the City of Acworth, Georgia. Fiscal year 2019 was the second year of outsourcing inmate housing to another city and the number of inmates was significantly lower than anticipated.
- Economic Development was under budget in salaries due to one vacant position and under budget in downtown development expenditures.
- Capital outlay was under budget due to the delay in street resurfacing.
- Debt Service was under budget because the City did not issue any Tax Anticipation Notes (TANs) and financed fewer vehicles than planned.

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Other Financing Sources (Uses):

- Financed purchases came in under budget due to fewer financed purchases entered into during the year.
- Transfers in from the E911 Fund came in under budget.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounted to \$93,719,048 (net of accumulated depreciation of \$48,888,324). 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.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 12,145	\$ 12,145	\$ 2,042	\$ 2,042	\$ 14,187	\$ 14,187
Construction in progress	16,274	11,530	-	-	16,274	11,530
Museum artifacts	-	-	1,062	932	1,062	932
Buildings and improvements	12,004	12,486	10,165	10,401	22,169	22,887
Park land	7,784	7,944	-	-	7,784	7,944
Infrastructure	28,187	28,350	-	-	28,187	28,350
Furniture, machinery and equipment	1,488	1,504	382	321	1,870	1,825
Vehicles	1,983	1,869	203	235	2,186	2,104
Total	\$ 79,865	\$ 75,828	\$ 13,854	\$ 13,931	\$ 93,719	\$ 89,759

This year's major capital asset additions included:

Governmental Activities:

- SPLOST Old Highway 41 Project - \$885,560
- SPLOST Pine Mountain Road - \$2,611,612
- SPLOST Cherokee Street - \$511,334
- SPLOST Depot Park Improvements - \$402,050
- SPLOST Sardis Street Extension Project - \$206,745
- CDBG Butler Creek - \$199,338

Long-Term Debt

At the end of fiscal year 2019, the City had \$25,678,814 in outstanding long-term debt. This is a net decrease of \$1,921,301 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 \$145,614,133, which is in excess of the City's outstanding general obligation debt.

Table 7
Outstanding Debt at September 30
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ 8,325	\$ 8,945	\$ -	\$ -	\$ 8,325	\$ 8,945
Revenue bonds	7,067	7,750	-	-	7,067	7,750
Financed purchases from direct borrowings	457	545	158	214	615	759
OPEB liability	5,455	5,348	-	-	5,455	5,348
Net pension liability	3,314	3,830	127	196	3,441	4,026
Compensated absences	728	712	48	60	776	772
Total	<u>\$ 25,346</u>	<u>\$ 27,130</u>	<u>\$ 333</u>	<u>\$ 470</u>	<u>\$ 25,679</u>	<u>\$ 27,600</u>

Economic and Next Year's Budget and Rates

The City's governmental activities are funded by property taxes, other taxes such as business/occupational taxes and insurance premium taxes, grants & contributions and charges for services such as parks & recreation program fees. During the 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 of \$24,388,681 for fiscal year 2020 was approximately \$1,200,000 (5%) more than fiscal year 2019 based on these projections. Taxes were budgeted at an increase of \$740,000 based on the growth of the tax digest and anticipated increases in insurance premium taxes and business/occupational taxes. Use of reserves was budgeted at an increase of \$215,000. The City's 2020 budget does not include costs for issuing Tax Anticipation Notes (TANs). The elimination of short-term debt borrowing was a goal of the City and the City was able to meet this goal much sooner than anticipated.

Even though the third party who provides Sanitation services for the City increased their rates during fiscal year 2019, the City was able to absorb those increases during fiscal year 2019 and budgeted to do the same during fiscal year 2020.

The special streetlight district established during fiscal year 2018 has improved the financial condition of the General Fund. The City established a special streetlight district to provide for the collection of a service fee to cover the cost to provide and maintain the service of the provision of streetlights citywide, to establish standards for the construction of streetlights and to establish procedures to be followed by developers in all new subdivisions. The new enterprise fund reports streetlight revenues and expenditures. The fiscal year 2020 streetlight budget includes a full year of streetlight fees.

The City's healthcare costs were up \$386,000 during fiscal year 2019 and would have even been higher had the City not implemented the spousal exclusion during fiscal year 2018. The City is constantly monitoring ways to lower healthcare costs such as wellness programs whereby employees can receive incentives for their participation in the wellness program. The City switched health care providers effective with fiscal year 2020 to lower costs.

September 30, 2019

City of Kennesaw, Georgia

Included in the fiscal year 2020 budget were funds for working capital reserve, replace aging vehicle fleet, providing a Cost of Living Adjustment to employees and adding new positions in the finance and police departments. Also included in the budget were unfreezing positions in the City Clerk, Construction & Inspection and Information Technology departments.

The preliminary phase of the truck route signage study approved during fiscal year 2018 is complete. The primary purpose of the truck route is to provide dynamic messaging to direct trucks to appropriate routes. The next phase, truck route construction, is included in the fiscal year 2020 budget.

The 2016 SPLOST was approved by the voters in November 2014 and collections began in January 2016. Total funding from this SPLOST is scheduled to be \$26.3 million that consists of \$21.5 million for infrastructure and transportation projects, \$1.7 million for park improvements, \$125,000 for police vehicles and \$3 million for property acquisitions to support Economic Development. Included in the fiscal year 2020 budget are the remaining SPLOST dollars to be spent over the length of the projects: 2005 SPLOST \$3 million, 2011 SPLOST \$7.4 million and 2016 SPLOST \$23.4 million.

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 \$300,997 in LMIG funding during FY 2019 and expects to receive \$324,072 for FY 2020. The City relies on SPLOST and LMIG 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, 2019**

ASSETS	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Development Authority
Cash and cash equivalents	\$ 29,837,178	\$ 4,542,356	\$ 34,379,534	\$ 133,086
Investments	160,356	-	160,356	-
Taxes receivable	2,442,949	-	2,442,949	-
Other receivables	371,609	-	371,609	-
Accounts receivable, net of allowances	-	456,530	456,530	19,344
Due from other governments	1,379,320	-	1,379,320	-
Internal balances	344,433	(344,433)	-	-
Inventory	7,811	103,051	110,862	-
Prepaid items	192,095	24,799	216,894	-
Restricted cash	663,987	-	663,987	-
Restricted investments	7,679,070	-	7,679,070	-
Note receivable	33,269	-	33,269	-
Investment in joint venture	100,000	-	100,000	-
Capital assets:				
Non-depreciable	28,418,807	3,104,758	31,523,565	-
Depreciable, net of accumulated depreciation	51,446,150	10,749,333	62,195,483	-
Total assets	123,077,034	18,636,394	141,713,428	152,430
DEFERRED OUTFLOWS OF RESOURCES				
OPEB related items	77,948	-	77,948	-
Pension related items	1,534,900	58,909	1,593,809	-
Total deferred outflows of resources	1,612,848	58,909	1,671,757	-
LIABILITIES				
Accounts payable	858,015	161,058	1,019,073	148
Accrued liabilities	1,463,637	638,339	2,101,976	-
Accrued interest payable	127,972	-	127,972	-
Unearned revenue	-	333,054	333,054	-
Compensated absences, due within one year	602,652	47,353	650,005	-
Compensated absences, due in more than one year	125,272	-	125,272	-
Financed purchases, due within one year	217,546	35,545	253,091	-
Financed purchases, due in more than one year	239,355	122,453	361,808	-
Bonds payable, due within one year	1,165,000	-	1,165,000	-
Bonds payable, due in more than one year	14,226,910	-	14,226,910	-
Net pension liability, due in more than one year	3,314,148	127,194	3,441,342	-
Total OPEB liability, due in more than one year	5,455,386	-	5,455,386	-
Total liabilities	27,795,893	1,464,996	29,260,889	148
DEFERRED INFLOWS OF RESOURCES				
OPEB related items	573,794	-	573,794	-
Pension related items	955,603	36,676	992,279	-
Total deferred inflows of resources	1,529,397	36,676	1,566,073	-
NET POSITION				
Net investment in capital assets	63,615,691	13,696,093	77,311,784	-
Restricted for:				
Law enforcement	730,943	-	730,943	-
Culture and recreation	12,035	-	12,035	-
Capital projects	26,079,459	-	26,079,459	-
Debt service	514,818	-	514,818	-
Voter approved use	7,703,313	-	7,703,313	-
Unrestricted	(3,291,667)	3,497,538	205,871	152,282
Total net position	\$ 95,364,592	\$ 17,193,631	\$ 112,558,223	\$ 152,282

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, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 4,663,769	\$ 202,471	\$ 770,760	\$ -
Judicial	393,208	1,099,181	-	-
Public safety	8,635,869	1,474,411	14,205	9,422
Public works	3,404,917	729,847	-	10,966,461
Culture and recreation	2,015,047	622,568	-	-
Housing and development	1,249,238	821,706	-	-
Interest on long-term debt	713,667	-	-	-
Total governmental activities	<u>21,075,715</u>	<u>4,950,184</u>	<u>784,965</u>	<u>10,975,883</u>
Business-type activities:				
Sanitation	1,906,567	2,542,701	-	-
Museum	1,154,357	460,022	-	131,930
Gardens	509,156	153,211	-	-
Stormwater	639,354	1,242,284	-	-
Streetlight	334,296	359,190	-	-
Total business-type activities	<u>4,543,730</u>	<u>4,757,408</u>	<u>-</u>	<u>131,930</u>
Total primary government	<u>\$ 25,619,445</u>	<u>\$ 9,707,592</u>	<u>\$ 784,965</u>	<u>\$ 11,107,813</u>
Component unit:				
Development Authority	\$ 12,287	\$ -	\$ -	\$ -
Total component unit	<u>\$ 12,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Franchise taxes				
Insurance premium taxes				
Business taxes				
Other taxes				
Net investment income				
Miscellaneous				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
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
\$ (3,690,538)	\$ -	\$ (3,690,538)	\$ -
705,973	-	705,973	-
(7,137,831)	-	(7,137,831)	-
8,291,391	-	8,291,391	-
(1,392,479)	-	(1,392,479)	-
(427,532)	-	(427,532)	-
(713,667)	-	(713,667)	-
(4,364,683)	-	(4,364,683)	-
-	636,134	636,134	-
-	(562,405)	(562,405)	-
-	(355,945)	(355,945)	-
-	602,930	602,930	-
-	24,894	24,894	-
-	345,608	345,608	-
(4,364,683)	345,608	(4,019,075)	-
-	-	-	(12,287)
-	-	-	(12,287)
12,584,176	-	12,584,176	-
1,905,748	-	1,905,748	-
2,329,114	-	2,329,114	-
1,465,211	-	1,465,211	-
966,156	-	966,156	-
1,105,382	57,946	1,163,328	1,330
-	-	-	64,374
-	1,650	1,650	-
(385,014)	385,014	-	-
19,970,773	444,610	20,415,383	65,704
15,606,090	790,218	16,396,308	53,417
79,758,502	16,403,413	96,161,915	98,865
\$ 95,364,592	\$ 17,193,631	\$ 112,558,223	\$ 152,282

CITY OF KENNESAW, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 3,953,213	\$ 24,800,375	\$ 1,056,221	\$ 29,809,809
Investments	160,356	-	-	160,356
Taxes receivable	2,432,242	-	10,707	2,442,949
Other receivables	102,373	-	209,207	311,580
Due from other governments	107,368	1,271,952	-	1,379,320
Due from other funds	395,788	-	70,924	466,712
Restricted cash	663,987	-	-	663,987
Restricted investments	7,679,070	-	-	7,679,070
Advances to other funds	110,152	-	-	110,152
Inventory	7,811	-	-	7,811
Prepaid items	180,024	-	8,294	188,318
Notes receivable	-	-	33,269	33,269
Total assets	\$ 15,792,384	\$ 26,072,327	\$ 1,388,622	\$ 43,253,333
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 489,090	\$ 330,013	\$ 18,220	\$ 837,323
Accrued liabilities	590,492	400,455	19,790	1,010,737
Due to other funds	520,297	-	110,829	631,126
Advances from other funds	-	-	110,152	110,152
Total liabilities	1,599,879	730,468	258,991	2,589,338
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	67,512	-	-	67,512
Unavailable revenues - other	-	308,222	-	308,222
Total deferred inflows of resources	67,512	308,222	-	375,734
FUND BALANCES				
Fund balances:				
Nonspendable:				
Long-term advances	110,152	-	-	110,152
Inventories	7,811	-	-	7,811
Prepaid items	180,024	-	8,294	188,318
Restricted:				
Law enforcement	14,473	-	708,176	722,649
Culture and recreation	-	-	12,035	12,035
Capital projects	-	25,033,637	337,145	25,370,782
Debt service	639,744	-	3,046	642,790
Voter approved use	7,703,313	-	-	7,703,313
Committed:				
Cemetery maintenance	-	-	39,151	39,151
Assigned:				
Capital projects	-	-	76,145	76,145
Unassigned	5,469,476	-	(54,361)	5,415,115
Total fund balances	14,124,993	25,033,637	1,129,631	40,288,261
Total liabilities, deferred inflows of resources and fund balances	\$ 15,792,384	\$ 26,072,327	\$ 1,388,622	
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 governmental funds.				79,864,957
Investment in joint venture is not a financial resource and, therefore is not reported in the governmental funds.				100,000
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.				375,734
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds.				(16,704,707)
The net pension liability, total OPEB liability, and related deferred inflows and outflows of resources related to the City's defined benefit pension and OPEB plans are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.				(8,686,083)
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.				126,430
Net position of governmental activities				\$ 95,364,592

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, 2019**

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 18,929,153	\$ -	\$ 27,657	\$ 18,956,810
Licenses and permits	973,936	-	184,815	1,158,751
Intergovernmental	1,274,418	10,466,126	-	11,740,544
Fines and forfeitures	1,099,181	-	140,126	1,239,307
Charges for services	716,180	-	1,312,761	2,028,941
Contributions	6,099	-	-	6,099
Net investment income	1,087,578	324,857	16,219	1,428,654
Miscellaneous	198,328	-	14,205	212,533
Total revenues	<u>24,284,873</u>	<u>10,790,983</u>	<u>1,695,783</u>	<u>36,771,639</u>
EXPENDITURES				
Current:				
General government	4,156,524	-	-	4,156,524
Judicial	399,548	-	-	399,548
Public safety	7,233,519	-	1,136,272	8,369,791
Public works	2,061,548	-	222,221	2,283,769
Culture and recreation	1,694,486	-	13,344	1,707,830
Housing and development	1,046,628	-	117,113	1,163,741
Capital outlay	842,968	5,472,454	-	6,315,422
Debt service:				
Principal retirements	899,692	-	680,000	1,579,692
Interest and fiscal charges	384,090	-	341,592	725,682
Total expenditures	<u>18,719,003</u>	<u>5,472,454</u>	<u>2,510,542</u>	<u>26,701,999</u>
Excess (deficiency) of revenues over expenditures	<u>5,565,870</u>	<u>5,318,529</u>	<u>(814,759)</u>	<u>10,069,640</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	23,691	-	-	23,691
Financed purchases	191,014	-	-	191,014
Transfers in	575,000	-	1,045,702	1,620,702
Transfers out	(1,990,869)	-	(14,847)	(2,005,716)
Total other financing sources (uses)	<u>(1,201,164)</u>	<u>-</u>	<u>1,030,855</u>	<u>(170,309)</u>
Net change in fund balance	4,364,706	5,318,529	216,096	9,899,331
FUND BALANCES, beginning of year	<u>9,760,287</u>	<u>19,715,108</u>	<u>913,535</u>	<u>30,388,930</u>
FUND BALANCES, end of year	<u>\$ 14,124,993</u>	<u>\$ 25,033,637</u>	<u>\$ 1,129,631</u>	<u>\$ 40,288,261</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, 2019**

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

Net change in fund balances - total governmental funds	\$ 9,899,331
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.	4,086,523
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	293,595
The net effect of various miscellaneous transactions involving capital assets (i.e., sales) is to decrease net position.	(49,488)
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.	1,388,678
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.	189
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.	(12,738)
Change in net position - governmental activities	<u>\$ 15,606,090</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, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 17,691,710	\$ 17,691,710	\$ 18,929,153	\$ 1,237,443
Licenses and permits	418,550	448,550	973,936	525,386
Fines and forfeitures	1,110,000	1,110,000	1,099,181	(10,819)
Charges for services	863,571	863,571	716,180	(147,391)
Intergovernmental	1,260,000	1,260,000	1,274,418	14,418
Contributions	25,000	25,000	6,099	(18,901)
Net investment income	451,900	451,900	1,087,578	635,678
Miscellaneous	138,286	186,792	198,328	11,536
Total revenues	21,959,017	22,037,523	24,284,873	2,247,350
EXPENDITURES				
Current:				
General government:				
Mayor and council	408,723	1,003,253	348,560	654,693
City manager	1,310,817	716,287	620,937	95,350
Financial administration	795,488	795,488	793,066	2,422
Human resources	325,953	325,953	271,436	54,517
Legal and audit	410,200	410,200	269,394	140,806
Information technology	1,026,501	1,002,251	838,922	163,329
Buildings	1,133,746	1,133,746	1,014,209	119,537
Total general government	5,411,428	5,387,178	4,156,524	1,230,654
Judicial	399,599	400,999	399,548	1,451
Public safety:				
Police	6,968,985	7,126,486	6,922,129	204,357
Corrections	386,589	386,589	310,098	76,491
E911	350	350	1,292	(942)
Total public safety	7,355,924	7,513,425	7,233,519	279,906
Public works:				
Central services	600,910	712,910	704,334	8,576
Highways and streets	1,449,450	1,357,450	1,357,214	236
Total public works	2,050,360	2,070,360	2,061,548	8,812
Culture and recreation	2,133,723	2,133,723	1,694,486	439,237
Housing and development:				
Construction and inspection	515,861	545,861	532,885	12,976
Planning and zoning	218,757	219,757	219,745	12
Economic development	391,435	366,517	293,998	72,519
Total housing and development	1,126,053	1,132,135	1,046,628	85,507
Capital outlay	1,192,800	1,264,500	842,968	421,532
Debt service:				
Principal	926,725	926,725	899,692	27,033
Interest	413,306	413,306	384,090	29,216
Total debt service	1,340,031	1,340,031	1,283,782	56,249
Total expenditures	21,009,918	21,242,351	18,719,003	2,523,348
Excess of revenues over expenditures	949,099	795,172	5,565,870	4,770,698
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	5,000	23,691	18,691
Financed purchases	315,000	315,000	191,014	(123,986)
Transfers in	902,331	903,731	575,000	(328,731)
Transfers out	(2,171,430)	(2,018,903)	(1,990,869)	28,034
Total other financing sources (uses)	(949,099)	(795,172)	(1,201,164)	(405,992)
Net change in fund balances	-	-	4,364,706	4,364,706
FUND BALANCES, beginning of year	9,760,287	9,760,287	9,760,287	-
FUND BALANCES, end of year	\$ 9,760,287	\$ 9,760,287	\$ 14,124,993	\$ 4,364,706

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

CITY OF KENNESAW, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019**

ASSETS	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Sanitation Fund	Museum Fund	Stormwater Fund	Nonmajor Enterprise Funds	Totals	
CURRENT ASSETS						
Cash	\$ 1,673,167	\$ 400,725	\$ 2,295,479	\$ 172,985	\$ 4,542,356	\$ 27,369
Accounts receivable	243,615	-	164,468	48,447	456,530	60,029
Due from other funds	-	6,847	95,874	45,871	148,592	542,217
Inventory	-	101,436	-	1,615	103,051	-
Prepaid items	18	13,327	11,069	385	24,799	3,777
Total current assets	<u>1,916,800</u>	<u>522,335</u>	<u>2,566,890</u>	<u>269,303</u>	<u>5,275,328</u>	<u>633,392</u>
NONCURRENT ASSETS						
Capital assets:						
Non-depreciable assets	-	1,069,379	14,325	2,021,054	3,104,758	-
Depreciable assets	307,725	8,734,773	10,715,727	97,310	19,855,535	-
Accumulated depreciation	(245,193)	(3,492,106)	(5,302,226)	(66,677)	(9,106,202)	-
Total capital assets	<u>62,532</u>	<u>6,312,046</u>	<u>5,427,826</u>	<u>2,051,687</u>	<u>13,854,091</u>	<u>-</u>
Total noncurrent assets	<u>62,532</u>	<u>6,312,046</u>	<u>5,427,826</u>	<u>2,051,687</u>	<u>13,854,091</u>	<u>-</u>
Total assets	<u>1,979,332</u>	<u>6,834,381</u>	<u>7,994,716</u>	<u>2,320,990</u>	<u>19,129,419</u>	<u>633,392</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	19,610	-	39,299	-	58,909	-
Total deferred outflows of resources	<u>19,610</u>	<u>-</u>	<u>39,299</u>	<u>-</u>	<u>58,909</u>	<u>-</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	139,043	10,101	983	10,931	161,058	20,692
Accrued liabilities	1,824	11,550	4,070	5,998	23,442	452,900
Due to other funds	151,628	233,433	21,906	119,428	526,395	-
Deposits payable	614,897	-	-	-	614,897	-
Financed purchases payable	-	-	35,545	-	35,545	-
Compensated absences payable	8,287	12,615	9,032	17,419	47,353	-
Unearned revenue	203,163	-	99,916	29,975	333,054	-
Total current liabilities	<u>1,118,842</u>	<u>267,699</u>	<u>171,452</u>	<u>183,751</u>	<u>1,741,744</u>	<u>473,592</u>
NONCURRENT LIABILITIES						
Financed purchases payable	-	-	122,453	-	122,453	-
Net pension liability	42,340	-	84,854	-	127,194	-
Total noncurrent liabilities	<u>42,340</u>	<u>-</u>	<u>207,307</u>	<u>-</u>	<u>249,647</u>	<u>-</u>
Total liabilities	<u>1,161,182</u>	<u>267,699</u>	<u>378,759</u>	<u>183,751</u>	<u>1,991,391</u>	<u>473,592</u>
DEFERRED INFLOWS OF RESOURCES						
Pension related items	12,209	-	24,467	-	36,676	-
Total deferred inflows of resources	<u>12,209</u>	<u>-</u>	<u>24,467</u>	<u>-</u>	<u>36,676</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	62,532	6,312,046	5,269,828	2,051,687	13,696,093	-
Unrestricted	763,019	254,636	2,360,961	85,552	3,464,168	159,800
Total net position	<u>\$ 825,551</u>	<u>\$ 6,566,682</u>	<u>\$ 7,630,789</u>	<u>\$ 2,137,239</u>	<u>17,160,261</u>	<u>\$ 159,800</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds					33,370	
Net position of business-type activities					<u>\$ 17,193,631</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, 2019

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities Internal Service Fund
	Sanitation Fund	Museum Fund	Stormwater Fund	Nonmajor Enterprise Funds		
OPERATING REVENUE						
Sanitation fees	\$ 2,539,265	\$ -	\$ -	\$ -	\$ 2,539,265	\$ -
Stormwater fees	-	-	1,242,284	-	1,242,284	-
Charges for sales and services	2,913	335,532	-	443,673	782,118	2,932,905
Miscellaneous	523	124,490	-	68,728	193,741	-
Total operating revenues	<u>2,542,701</u>	<u>460,022</u>	<u>1,242,284</u>	<u>512,401</u>	<u>4,757,408</u>	<u>2,932,905</u>
OPERATING EXPENSES						
Cost of sales and services	1,890,397	939,805	360,004	839,678	4,029,884	142,063
Claims	-	-	-	-	-	2,792,393
Depreciation	16,158	214,481	271,995	3,728	506,362	-
Total operating expenses	<u>1,906,555</u>	<u>1,154,286</u>	<u>631,999</u>	<u>843,406</u>	<u>4,536,246</u>	<u>2,934,456</u>
Operating income (loss)	<u>636,146</u>	<u>(694,264)</u>	<u>610,285</u>	<u>(331,005)</u>	<u>221,162</u>	<u>(1,551)</u>
NON-OPERATING INCOME (EXPENSES)						
Interest income	27,249	3,662	25,411	1,624	57,946	1,585
Interest expense	-	-	(7,329)	-	(7,329)	-
Gain on sale of capital assets	-	-	1,650	-	1,650	-
Total non-operating income	<u>27,249</u>	<u>3,662</u>	<u>19,732</u>	<u>1,624</u>	<u>52,267</u>	<u>1,585</u>
Income (loss) before transfers and contributions	<u>663,395</u>	<u>(690,602)</u>	<u>630,017</u>	<u>(329,381)</u>	<u>273,429</u>	<u>34</u>
Capital contributions	-	131,930	-	-	131,930	-
Transfers in	-	564,872	-	395,142	960,014	-
Transfers out	(500,000)	-	(75,000)	-	(575,000)	-
Total capital contributions and transfers	<u>(500,000)</u>	<u>696,802</u>	<u>(75,000)</u>	<u>395,142</u>	<u>516,944</u>	<u>-</u>
Change in net position	<u>163,395</u>	<u>6,200</u>	<u>555,017</u>	<u>65,761</u>	<u>790,373</u>	<u>34</u>
Total net position, beginning of year	<u>662,156</u>	<u>6,560,482</u>	<u>7,075,772</u>	<u>2,071,478</u>		<u>159,766</u>
Total net position, end of year	<u>\$ 825,551</u>	<u>\$ 6,566,682</u>	<u>\$ 7,630,789</u>	<u>\$ 2,137,239</u>		<u>\$ 159,800</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds					(155)	
Change in net position of business-type activities					<u>\$ 790,218</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, 2019

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities Internal Service Fund
	Sanitation Fund	Museum Fund	Stormwater Fund	Nonmajor Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 2,537,720	\$ 460,188	\$ 1,221,951	\$ 495,850	\$ 4,715,709	\$ 2,759,523
Payments to suppliers	(1,778,983)	(90,267)	(50,297)	(388,025)	(2,307,572)	(2,748,422)
Payments to employees	(131,769)	(638,636)	(315,631)	(388,993)	(1,475,029)	-
Net cash provided by (used in) operating activities	<u>626,968</u>	<u>(268,715)</u>	<u>856,023</u>	<u>(281,168)</u>	<u>933,108</u>	<u>11,101</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	-	564,872	-	395,142	960,014	-
Transfers out to other funds	(500,000)	-	(75,000)	-	(575,000)	-
Net cash provided by (used in) non-capital financing activities	<u>(500,000)</u>	<u>564,872</u>	<u>(75,000)</u>	<u>395,142</u>	<u>385,014</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	-	-	(298,998)	-	(298,998)	-
Proceeds from the sale of capital assets	-	-	1,650	-	1,650	-
Principal payments on financed purchases	-	-	(56,083)	-	(56,083)	-
Interest payments on financed purchases	-	-	(7,329)	-	(7,329)	-
Grants and capital contributions	-	1,349	-	-	1,349	-
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>1,349</u>	<u>(360,760)</u>	<u>-</u>	<u>(359,411)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	27,249	3,662	25,411	1,624	57,946	1,585
Net cash provided by investing activities	<u>27,249</u>	<u>3,662</u>	<u>25,411</u>	<u>1,624</u>	<u>57,946</u>	<u>1,585</u>
Net increase in cash	154,217	301,168	445,674	115,598	1,016,657	12,686
Cash, beginning of year	1,518,950	99,557	1,849,805	57,387	3,525,699	14,683
Cash, end of year	<u>\$ 1,673,167</u>	<u>\$ 400,725</u>	<u>\$ 2,295,479</u>	<u>\$ 172,985</u>	<u>\$ 4,542,356</u>	<u>\$ 27,369</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ 636,146	\$ (694,264)	\$ 610,285	\$ (331,005)	\$ 221,162	\$ (1,551)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	16,158	214,481	271,995	3,728	506,362	-
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	7,956	166	799	(16,551)	(7,630)	88,022
Decrease (increase) in due from other funds	-	(6,691)	14,259	(16,238)	(8,670)	(261,404)
Decrease (increase) in prepaid items	-	7,799	1,645	223	9,667	(3,777)
Increase in inventory	-	(8,176)	-	(14)	(8,190)	-
Decrease in pension related deferred outflows of resources	15,618	-	12,865	-	28,483	-
Increase (decrease) in accounts payable	2,472	5,390	(2,016)	(26,270)	(20,424)	10,003
Increase (decrease) in accrued liabilities	393	2,110	(431)	(198)	1,874	179,808
Increase in customer deposits payable	18,875	-	-	-	18,875	-
Decrease in compensated absences payable	(767)	(1,490)	(6,817)	(3,665)	(12,739)	-
Increase (decrease) in unearned revenue	(31,812)	-	(21,132)	29,975	(22,969)	-
Decrease in pension related deferred inflows of resources	(5,459)	-	(1,695)	-	(7,154)	-
Increase in due to other funds	3,947	211,960	8,240	78,847	302,994	-
Decrease in net pension liability	(36,559)	-	(31,974)	-	(68,533)	-
Net cash provided by (used in) operating activities	<u>\$ 626,968</u>	<u>\$ (268,715)</u>	<u>\$ 856,023</u>	<u>\$ (281,168)</u>	<u>\$ 933,108</u>	<u>\$ 11,101</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital contributions	<u>\$ -</u>	<u>\$ 130,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,581</u>

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

**CITY OF KENNESAW, GEORGIA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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. These factors, along with the eminent domain approval requirement per OCGA 36-42-8, demonstrate the City's ability to impose its will on the KDA. 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 and is repaid entirely with City resources. Separate financial statements for the Kennesaw Urban Redevelopment Agency are not prepared.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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 total outstanding 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. Separate financial statements for the Kennesaw Downtown Development Authority are not prepared.

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 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 account for the resources accumulated and payments made for principal and interest on long-term debt of the City.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Fund Deficits

As of September 30, 2019, the Downtown Development Authority reported a deficit fund balance of \$54,361. The deficit will be relieved by the return of investment in joint venture.

F. 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 made by the City in nonparticipating interest-earning contracts (such as certificates of deposit) are reported at cost. All other investments are reported at fair value and changes in fair value are reported as a component of investment income.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. 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.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2019, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

J. 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 acquisition value. 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)

J. 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

K. 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. Based on historical data collected by the City, the City deems it appropriate to classify its entire business-type activities compensated absences payable balance as short term.

L. 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)

L. 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 and total other postemployment benefit (OPEB) liability. Certain changes in the net pension liability and total OPEB liability are recognized as pension and OPEB 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 and total OPEB 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 and OPEB expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability and total OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense and OPEB 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 and OPEB plan before year end but subsequent to the measurement date of the City's net pension liability and total OPEB liability are reported as deferred outflows of resources. This amount will reduce the net pension liability and total OPEB liability in the next fiscal year.

M. 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.

N. 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)

N. 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)

O. 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.

P. 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 \$16,704,707 difference are as follows:

Financed purchases payable	\$ (456,901)
Bonds payable	(15,355,000)
Premium on bonds	(36,910)
Accrued interest payable	(127,972)
Compensated absences	(727,924)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (16,704,707)</u></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, the net pension liability and total OPEB liability are not expected to be liquidated with expendable available resources and therefore are not reported in the funds.” The details of this \$8,686,083 difference are as follows:

Net pension liability	\$ (3,314,148)
Total OPEB liability	(5,455,386)
Deferred outflows of resources:	
Pension related items	1,534,900
OPEB related items	77,948
Deferred inflows of resources:	
Pension related items	(955,603)
OPEB related items	(573,794)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ (8,686,083)

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 \$4,086,523 difference are as follows:

Capital outlay	\$ 6,576,132
Depreciation expense	(2,489,609)
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>	\$ 4,086,523

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 \$1,388,678 difference are as follows:

Financed purchases payable	\$ (191,014)
Principal retirement of long-term debt	1,579,692
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>	\$ 1,388,678

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 \$12,738 differences are as follows:

Compensated absences	\$ (16,102)
Investment in joint venture	100,000
Total OPEB liability and related deferred outflows and inflows of resources	(351,277)
Net pension liability and related deferred outflows and inflows of resources	242,626
Amortization of bond issuance premium	3,193
Accrued interest	8,822
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position of governmental activities</i>	\$ (12,738)

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.

For the fiscal year ended September 30, 2019, the following funds had actual expenditures in excess of appropriations:

General Fund		
Public Safety - E911	\$	942

These expenditures in excess of appropriations were funded by greater than anticipated revenues and interfund transfers in.

NOTE 4. DEPOSITS AND INVESTMENTS

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 U.S. Government obligations; U.S. Government agency (or other corporation of the U.S. Government) obligations; obligations fully insured or guaranteed by the U.S. Government or a U.S. Government agency; obligations of the State of Georgia or other states; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America; prime bankers' acceptances; repurchase agreements; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2019, information on the credit risk and interest rate risk related to the City's investments is disclosed as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>Reported Value</u>
Certificate of deposit	1 - 5 years	N/A	\$ 160,356
Federal Home Loan Bank	1 - 5 years	Aaa	375,182
Federal Farm Credit Bank	1 - 5 years	Aaa	547,955
Federal Home Loan Mortgage Corp.	6 - 10 years	Aaa	462,658
Federal Home Loan Bank	6 - 10 years	Aaa	1,317,143
Federal Farm Credit Bank	6 - 10 years	Aaa	356,838
Federal National Mortgage Association	6 - 10 years	Aaa	1,782,132
Federal Farm Credit Bank	11 - 15 years	Aaa	548,472
Federal Home Loan Bank	16 - 20 years	Aaa	472,150
Federal National Mortgage Association	16 - 20 years	Aaa	591,836
Tennessee Valley Authority Debenture	16 - 20 years	Aaa	725,255
Fannie Mae Pool	21 - 25 years	N/A	499,449
Total			<u>\$ 7,839,426</u>

N/A - Not applicable

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2019:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$ 998,818	\$ 1,165,657	\$ 2,164,475
Federal Home Loan Mortgage Corp	-	462,658	462,658
Federal National Mortgage Association	1,836,140	537,828	2,373,968
Federal Farm Credit Bank	-	1,453,265	1,453,265
Fannie Mae Pool	-	499,449	499,449
Tennessee Valley Authority Debenture	725,255	-	725,255
Total investments measured at fair value	<u>\$ 3,560,213</u>	<u>\$ 4,118,857</u>	<u>\$ 7,679,070</u>
Investments not reported at fair value:			
Certificates of Deposit			<u>160,356</u>
Total investments			<u>\$ 7,839,426</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

The Federal National Mortgage Association, Tennessee Valley Authority Debenture, and Federal Home Loan Bank classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments. The investment in Federal Home Loan Bank, Federal Home Loan Mortgage Corp, Federal Farm Credit Bank, the Fannie Mae Pool, the, and the Federal National Mortgage Association classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Custodial Credit Risk – Deposits: State statutes require all deposits and investments (other than federal or state government instruments) to be covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the state of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of September 30, 2019, the financial institution holding all of the City's deposits is a participant of the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, required participating banks holding deposits of public funds to pledge collateral at varying rates depending on tier assigned by the State. As of September 30, 2019, all of the City's bank balances were insured and/or collateralized as defined by GASB standards.

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NOTES TO FINANCIAL STATEMENTS

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.

Receivables at September 30, 2019, 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>Stormwater</u>
Receivables:				
Taxes	\$ 2,456,319	\$ -	\$ -	\$ -
Accounts	102,373	-	353,389	172,280
Due from other governments	107,368	1,271,952	-	-
Less allowance for uncollectible	(24,077)	-	(109,774)	(7,812)
Net total receivable	<u>\$ 2,641,983</u>	<u>\$ 1,271,952</u>	<u>\$ 243,615</u>	<u>\$ 164,468</u>

	<u>Other Nonmajor Governmental Funds</u>	<u>Other Nonmajor Proprietary Funds</u>
Receivables:		
Taxes	\$ 10,707	\$ -
Accounts	209,207	50,790
Less allowance for uncollectible	-	(2,343)
Net total receivable	<u>\$ 219,914</u>	<u>\$ 48,447</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2019, 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	\$ 12,145,223	\$ -	\$ -	\$ -	\$ 12,145,223
Construction in progress	11,529,571	5,392,383	(648,370)	-	16,273,584
Total	<u>23,674,794</u>	<u>5,392,383</u>	<u>(648,370)</u>	<u>-</u>	<u>28,418,807</u>
Capital assets, being depreciated:					
Buildings	18,458,356	41,683	-	-	18,500,039
Infrastructure	51,869,832	304,989	648,370	-	52,823,191
Machinery and equipment	4,920,913	181,267	-	(72,601)	5,029,579
Land improvements	10,217,018	114,617	-	-	10,331,635
Vehicles	4,370,104	541,193	-	(367,469)	4,543,828
Total	<u>89,836,223</u>	<u>1,183,749</u>	<u>648,370</u>	<u>(440,070)</u>	<u>91,228,272</u>
Less accumulated depreciation for:					
Buildings	(5,972,293)	(523,675)	-	-	(6,495,968)
Infrastructure	(23,519,511)	(1,116,885)	-	-	(24,636,396)
Machinery and equipment	(3,416,852)	(197,785)	-	72,601	(3,542,036)
Land improvements	(2,272,924)	(274,399)	-	-	(2,547,323)
Vehicles	(2,501,515)	(376,865)	-	317,981	(2,560,399)
Total	<u>(37,683,095)</u>	<u>(2,489,609)</u>	<u>-</u>	<u>390,582</u>	<u>(39,782,122)</u>
Total capital assets, being depreciated, net	<u>52,153,128</u>	<u>(1,305,860)</u>	<u>648,370</u>	<u>(49,488)</u>	<u>51,446,150</u>
Governmental activities capital assets, net	<u>\$ 75,827,922</u>	<u>\$ 4,086,523</u>	<u>\$ -</u>	<u>\$ (49,488)</u>	<u>\$ 79,864,957</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Museum artifacts	\$ 931,798	\$ 130,581	\$ -	\$ 1,062,379
Land	2,042,379	-	-	2,042,379
Total	<u>2,974,177</u>	<u>130,581</u>	<u>-</u>	<u>3,104,758</u>
Capital assets, being depreciated:				
Buildings and structures	18,123,741	181,963	-	18,305,704
Furniture and fixtures	89,448	-	-	89,448
Vehicles	381,589	-	-	381,589
Machinery and equipment	1,004,959	117,035	(43,200)	1,078,794
Total	<u>19,599,737</u>	<u>298,998</u>	<u>(43,200)</u>	<u>19,855,535</u>
Less accumulated depreciation for:				
Buildings and structures	(7,722,693)	(418,248)	-	(8,140,941)
Furniture and fixtures	(85,368)	(816)	-	(86,184)
Vehicles	(147,191)	(31,836)	-	(179,027)
Machinery and equipment	(687,788)	(55,462)	43,200	(700,050)
Total	<u>(8,643,040)</u>	<u>(506,362)</u>	<u>43,200</u>	<u>(9,106,202)</u>
Total capital assets, being depreciated, net	<u>10,956,697</u>	<u>(207,364)</u>	<u>-</u>	<u>10,749,333</u>
Business-type activities capital assets, net	<u>\$ 13,930,874</u>	<u>\$ (76,783)</u>	<u>\$ -</u>	<u>\$ 13,854,091</u>

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

Governmental activities:	
General government	\$ 221,246
Judicial	577
Public safety	356,032
Public works	1,376,537
Culture and recreation	341,420
Housing and development	193,797
Total depreciation expense - governmental activities	<u>\$ 2,489,609</u>
Business-type activities:	
Sanitation	\$ 16,158
Museum	214,481
Stormwater	271,995
Gardens	3,728
Total depreciation expense - business-type activities	<u>\$ 506,362</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. SHORT-TERM BORROWINGS

During the year ending September 30, 2019, the City used a tax anticipation note for operating purposes; the balance of the note was paid off as of September 30, 2019. The note had an interest rate of 2.00% and matured on December 31, 2018.

Total short-term borrowings interest incurred and expensed for the year ended September 30, 2019, was \$14,547.

The following is a summary of the tax anticipation note payable for the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Tax anticipation note	\$ 3,000,000	\$ -	\$ (3,000,000)	\$ -

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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, 2019, 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	\$ 8,945,000	\$ -	\$ (620,000)	\$ 8,325,000	\$ 650,000
Revenue bonds	7,710,000	-	(680,000)	7,030,000	515,000
Premium on bonds	40,103	-	(3,193)	36,910	-
Financed purchases from					
direct borrowings	545,579	191,014	(279,692)	456,901	217,546
Total OPEB liability	5,347,847	517,930	(410,391)	5,455,386	-
Net pension liability	3,829,864	2,176,459	(2,692,175)	3,314,148	-
Compensated absences	711,822	602,571	(586,469)	727,924	602,652
Governmental activity Long-term liabilities	<u>\$ 27,130,215</u>	<u>\$ 3,487,974</u>	<u>\$ (5,271,920)</u>	<u>\$ 25,346,269</u>	<u>\$ 1,985,198</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Financed purchases from					
direct borrowings	\$ 214,081	\$ -	\$ (56,083)	\$ 157,998	\$ 35,545
Net pension liability	195,727	83,531	(152,064)	127,194	-
Compensated absences	60,092	47,857	(60,596)	47,353	47,353
Business-type activity Long-term liabilities	<u>\$ 469,900</u>	<u>\$ 131,388</u>	<u>\$ (268,743)</u>	<u>\$ 332,545</u>	<u>\$ 82,898</u>

For governmental activities, compensated absences, total OPEB liability and the net pension liability are liquidated by the General Fund and E911 Fund. For business-type activities, compensated absences are liquidated by all enterprise funds and the net pension liability is liquidated by the sanitation and stormwater funds. The City has reported 100% of the compensated absences liability for business-type activities as due in one year as historical usage patterns show employees use earned vacation within one year.

Financed Purchases from Direct Borrowings. The City has entered into financed purchase agreements for the acquisition of equipment (vehicles), machinery, and improvements used in general governmental activities. As of September 30, 2019, the City had governmental activities machinery and equipment under financed purchase agreements with a cost of \$1,194,017 and accumulated depreciation of \$326,209 for a net book value of \$867,808, and business-type activities vehicles with a cost of \$268,257 and accumulated depreciation of \$56,686 for a net book value of \$211,571. Annual depreciation of these assets is included in depreciation expense.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

The City's total governmental activities financed purchase payable debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 217,546	\$ 13,225	\$ 230,771
2021	134,124	8,200	142,324
2022	55,817	4,524	60,341
2023	44,734	2,160	46,894
2024	4,680	216	4,896
Total	<u>\$ 456,901</u>	<u>\$ 28,325</u>	<u>\$ 485,226</u>

The City's total business-type activities financed purchase payable debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,545	\$ 6,762	\$ 42,307
2021	36,278	5,127	41,405
2022	37,656	3,617	41,273
2023	34,856	2,049	36,905
2024	13,663	584	14,247
Total	<u>\$ 157,998</u>	<u>\$ 18,139</u>	<u>\$ 176,137</u>

General Obligation Bonds – Direct Placement. In November 2004 and January 2005 the City issued \$9,000,000 and \$6,000,000, respectively, of various purpose, Series 2004 & 2005 direct placement 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>
2020	\$ 650,000	\$ 329,600	\$ 979,600
2021	685,000	302,099	987,099
2022	720,000	273,156	993,156
2023	760,000	242,668	1,002,668
2024	800,000	260,487	1,060,487
2025-2029	4,710,000	505,936	5,215,936
Total	<u>\$ 8,325,000</u>	<u>\$ 1,913,946</u>	<u>\$ 10,238,946</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Revenue Bonds – Direct Placement. 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 direct placement revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 390,000	\$ 46,144	\$ 436,144
2021	410,000	28,224	438,224
2022	425,000	9,520	434,520
Total	<u>\$ 1,225,000</u>	<u>\$ 83,888</u>	<u>\$ 1,308,888</u>

Revenue Bonds. 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.

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 125,000	\$ 263,261	\$ 388,261
2021	135,000	258,061	393,061
2022	140,000	252,561	392,561
2023	145,000	246,680	391,680
2024	150,000	240,224	390,224
2025-2029	860,000	1,085,181	1,945,181
2030-2034	1,120,000	839,006	1,959,006
2035-2039	1,400,000	575,675	1,975,675
2040-2044	1,730,000	225,778	1,955,778
Total	<u>\$ 5,805,000</u>	<u>\$ 3,986,427</u>	<u>\$ 9,791,427</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 70,653
General fund	Nonmajor enterprise funds	102,764
General fund	Stormwater fund	5,242
General fund	Sanitation fund	5,122
General fund	Museum fund	212,007
Museum fund	Nonmajor governmental funds	6,847
Nonmajor governmental funds	General fund	70,924
Nonmajor enterprise fund	Sanitation fund	45,871
Stormwater fund	Sanitation fund	95,874
Internal service fund	General fund	449,373
Internal service fund	Museum fund	21,426
Internal service fund	Sanitation fund	4,761
Internal service fund	Stormwater fund	16,664
Internal service fund	Nonmajor enterprise funds	16,664
Internal service fund	Nonmajor governmental funds	33,329
		<u>\$ 1,157,521</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.

Advances to/from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 110,152</u>

The amounts payable to the General Fund relate to cash loaned to Kennesaw Downtown Development Authority by the General fund.

NOTES TO FINANCIAL STATEMENTS

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Sanitation fund	\$ 500,000
General fund	Stormwater fund	75,000
		<u>\$ 575,000</u>
Museum fund	General fund	\$ 550,025
Museum fund	Nonmajor governmental funds	14,847
		<u>\$ 564,872</u>
Nonmajor enterprise funds	General fund	<u>\$ 395,142</u>
Nonmajor governmental funds	General fund	<u>\$ 1,045,702</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.

NOTE 10. OPERATING LEASES

The City leases copy machines under non-cancelable operating leases. Total costs for such leases were \$26,142 for the fiscal year ended September 30, 2019. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	
2020	\$ 26,142
2021	26,142
2022	26,142
2023	26,142
2024	26,142
Total	<u>\$ 130,710</u>

NOTES TO FINANCIAL STATEMENTS

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. Changes to these benefits would have to be authorized by City Council. All employees who work at least thirty hours a week and elected officials are eligible to participate with no waiting period. Benefits for employees vest after five years of service. Benefits for elected officials vest immediately if employed prior to January 1, 2016 and four years and one month if hired on or after January 1, 2016. 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

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

Plan Membership. At January 1, 2019, the date of the most recent actuarial valuation, there were 300 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	68
Terminated vested participants not yet receiving benefits	62
Active employees - vested	117
Active employees - nonvested	53
Total	<u>300</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, 2019, City contributions to the Plan were \$1,054,005 and employee contributions to the Plan were \$185,117 for the year ended September 30, 2019.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2018.

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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.75%
Salary increases		2.75% plus serviced based merit increases
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	

Mortality rates for the January 1, 2018 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

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, 2018 are summarized in the table below.

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.40%
International equity	20%	7.40
Global fixed income	5%	3.03
Domestic fixed income	20%	1.75
Real estate	10%	5.10
Cash	—%	
Total	100%	

* Rates shown are net of the 2.75% 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 in both the current year and the prior year was 7.50%. 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, 2019 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/18	\$ 20,703,802	\$ 16,678,211	\$ 4,025,591
Changes for the year:			
Service cost	614,896	-	614,896
Interest	1,561,469	-	1,561,469
Differences between expected and actual experience	38,381	-	38,381
Contributions—employer	-	1,007,920	(1,007,920)
Contributions—employee	-	178,209	(178,209)
Net investment income	-	1,658,110	(1,658,110)
Benefit payments, including refunds of employee contributions	(998,213)	(998,213)	-
Administrative expense	-	(45,244)	45,244
Net changes	1,216,533	1,800,782	(584,249)
Balances at 9/30/19	\$ 21,920,335	\$ 18,478,993	\$ 3,441,342

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 6,307,924	\$ 3,441,342	\$ 1,053,219

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, 2018 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, 2019, the City recognized pension expense of \$764,175. At September 30, 2019, 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	\$ 322,319	\$ 33,481
Changes in assumptions	217,485	-
Net difference between projected and actual earnings on pension plan investments	-	958,798
City contributions subsequent to the measurement date	1,054,005	-
Total	\$ 1,593,809	\$ 992,279

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 \$1,054,005 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, 2020. 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:	
2020	\$ 55,095
2021	(206,265)
2022	(220,926)
2023	(80,379)
Total	<u>\$ (452,475)</u>

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Benefits

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.

Eligible retirees and former employees are offered the same POS health, prescription drug and dental coverage as active employees. Retirees are not offered the EPO plan. The City pays 100% of the employee premium and 0% of family premium for the POS 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. The individual limits of coverage by the City total \$165,000 per individual per calendar year for the first claimant and \$100,000 per individual per calendar year for subsequent claimants. The City only pays one aggregate claim totaling \$165,000 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 April 1, 2017, the most recent actuarial valuation date, the Plan membership included the following categories of participants:

Retirees, beneficiaries, and dependents	10
Active participants	187
	<hr/>
	197
	<hr/> <hr/>

City Contributions

The City has elected to fund the plan on a pay-as-you go basis. For the year ended September 30, 2019, the City contributed \$77,948 for the pay as you go benefits for the OPEB plan.

Total OPEB Liability

The City's total OPEB liability of \$5,455,386 was measured as of September 30, 2018 and was determined by an actuarial valuation as of April 1, 2017 using standard rollforward techniques.

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NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the April 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation rate	3.25%
Salary increase, including wage inflation	3.75% - 8.75%, including inflation
Discount rate	4.18%
Health care cost trends	
Medical	6.50% - 4.50%, Ultimate Trend in 2021
Prescription drug	9.00% - 4.50%, Ultimate Trend in 2026

Mortality rates 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 April 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

The discount rate is based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). Specifically, the chosen rate of the Bond Buyer General Obligation 20-year Municipal Bond Index published as of the measurement date of September 30, 2018.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the City for the fiscal year ended September 30, 2019 were as follows:

	Total OPEB Liability
Balance at September 30, 2018	\$ 5,347,847
Service Cost	313,279
Interest	204,651
Experience differences	(120,315)
Assumption changes	(212,393)
Benefit payments	(77,683)
Balance at September 30, 2019	<u>\$ 5,455,386</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity for the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.18 percent) or 1-percentage-point higher (5.18) than the current discount rate:

	1% Decrease (3.18%)	Current Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB liability	\$ 5,855,992	\$ 5,455,386	\$ 5,085,894

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (Medical: 5.5% trended down to 3.5% and Prescription Drug: 8.0% trended down to 3.5%) or 1-percentage-point higher (Medical: 7.5% trended down to 5.5% and Prescription Drug: 10.0% trended down to 5.5%) than the current healthcare cost trend rates:

	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase Health Care Cost Trend Rates
Total OPEB liability	\$ 4,917,932	\$ 5,455,386	\$ 6,071,899

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 revisions 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, 2018 and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019 the City recognized OPEB expense of \$429,225. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 211,503
Changes in plan assumptions	-	362,291
City contributions subsequent to the measurement date	77,948	-
Total	\$ 77,948	\$ 573,794

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

City contributions made subsequent to the measurement date of \$77,948 are reported as deferred outflows of resources and will be recognized as a decrease of the total OPEB liability in the year ending September 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ending September 30:

2020	\$	(88,701)
2021		(88,701)
2022		(88,701)
2023		(88,701)
2024		(88,701)
Thereafter		(130,289)
	<u>\$</u>	<u>(573,794)</u>

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 Council. At September 30, 2019, there were 94 plan members. During the year ending September 30, 2019 employee contributions were \$257,243 and employer contributions were \$63,418, for both plans.

NOTE 14. 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.

During 2019, The KDDA and a separate corporation formed Keene Street JV LLC, a joint venture, for the purpose of acquiring, developing, and operating approximately seven acres of land located within the City. The KDDA contributed an initial capital contribution of \$100,000 for an 11.45 percent equity interest at year end. The City records the investment in joint venture at a value of \$100,000. The KDDA's share of the joint venture is in direct proportion to total contributions made by participating members.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. 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.

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 81% of the employee premium and 75% of the employee/child, employee/spouse and family premium for the POS plan and 85% of the employee premium and 75% 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 \$100,000 and an aggregating corridor or split fund of \$65,000. The City pays aggregate claims up to \$165,000 for the first employee to reach this amount and pays up to \$100,000 for each subsequent employee. In addition to the aggregate limit, the City's self-insurance is limited to \$100,000 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. RISK MANAGEMENT (Continued)

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. Retirees are not offered 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. The retirees' medical claims are included in the annual limit discussed above. The individual limits of coverage by the City total \$165,000 per individual per calendar year for the first claimant and \$100,000 per individual per calendar year for subsequent claimants. The City only pays one aggregate claim totaling \$165,000 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 general 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, 10 retirees are eligible for postretirement benefits. These post-retirement benefits are funded on a pay-as-you go basis and totaled \$77,948 for the year ended September 30, 2019.

Changes in the claims liability for the years ended September 30, 2019 and 2018 are as follows:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2019	\$ 273,092	\$ 2,938,280	\$ 2,758,472	\$ 452,900
2018	\$ 303,814	\$ 2,157,441	\$ 2,188,163	\$ 273,092

NOTES TO FINANCIAL STATEMENTS

NOTE 16. 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. The City has identified one lawsuit where the likelihood of an unfavorable outcome is reasonably possible and the amount of the potential loss is reasonably estimable, however the outcome of the lawsuit is still uncertain. In the event of an unfavorable outcome from this lawsuit, the City has estimated the potential loss to be approximately \$200,000, however this contingent liability is not accrued as a liability as of September 30, 2019.

Contractual Commitments:

For the fiscal year ended September 30, 2019, contractual commitments on uncompleted contracts were \$3,400,945.

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 17. 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 \$27,657 for the year ended September 30, 2019. Of this amount 100%, or \$27,657, 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.

NOTE 18. RESTRICTED FUND BALANCE

The City has reported \$7,703,313 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 its 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 through an amendment to the City Charter, or enabling legislation, 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, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 19. SUBSEQUENT EVENTS

The City of Kennesaw Downtown Development Authority, a blended component unit of the City, issued Series 2019 Revenue Bonds in December 2019. The bonds were issued for \$2,975,000 with an interest rate of 2.73% with a maturity in 2030. The proceeds of the bond will be used to finance the costs of acquiring approximately 2.67 acres of land and demolishing a hotel in order to hold property for future redevelopment for private use.

The City of Kennesaw issued Series 2020 General Obligation Refunding Bonds in January 2020. The bonds were issued for \$7,800,000 with an interest rate of 1.89%, with a maturity in 2029. The proceeds of the bond will be used to refund \$7,675,000 of the City's various purposes General Obligation Bonds Series 2004 and 2005 in order to refinance the costs of various purpose capital improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENNESAW, GEORGIA

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability					
Service cost	\$ 614,896	\$ 628,152	\$ 553,326	\$ 539,391	\$ 535,589
Interest on total pension liability	1,561,469	1,454,895	1,338,114	1,266,040	1,138,176
Differences between expected and actual experience	38,381	(28,336)	510,888	(82,401)	535,069
Changes of assumptions	-	325,845	-	-	131,867
Changes of benefit terms	-	-	(16,467)	-	-
Benefit payments, including refunds of employee contributions	(998,213)	(899,179)	(858,851)	(727,236)	(654,436)
Net change in total pension liability	<u>1,216,533</u>	<u>1,481,377</u>	<u>1,527,010</u>	<u>995,794</u>	<u>1,686,265</u>
Total pension liability - beginning	<u>20,703,802</u>	<u>19,222,425</u>	<u>17,695,415</u>	<u>16,699,621</u>	<u>15,013,356</u>
Total pension liability - ending (a)	<u>\$ 21,920,335</u>	<u>\$ 20,703,802</u>	<u>\$ 19,222,425</u>	<u>\$ 17,695,415</u>	<u>\$ 16,699,621</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,007,920	\$ 901,718	\$ 936,241	\$ 933,501	\$ 812,088
Contributions - employee	178,209	193,852	177,656	167,673	155,925
Net investment income	1,658,110	2,167,067	1,430,888	127,762	1,231,684
Benefit payments, including refunds of member contributions	(998,213)	(899,179)	(858,851)	(727,236)	(654,436)
Administrative expenses	(45,244)	(47,560)	(25,835)	(29,787)	(23,504)
Net change in plan fiduciary net position	<u>1,800,782</u>	<u>2,315,898</u>	<u>1,660,099</u>	<u>471,913</u>	<u>1,521,757</u>
Plan fiduciary net position - beginning	<u>16,678,211</u>	<u>14,362,313</u>	<u>12,702,214</u>	<u>12,230,301</u>	<u>10,708,544</u>
Plan fiduciary net position - ending (b)	<u>\$ 18,478,993</u>	<u>\$ 16,678,211</u>	<u>\$ 14,362,313</u>	<u>\$ 12,702,214</u>	<u>\$ 12,230,301</u>
City's net pension liability - ending (a) - (b)	<u>\$ 3,441,342</u>	<u>\$ 4,025,591</u>	<u>\$ 4,860,112</u>	<u>\$ 4,993,201</u>	<u>\$ 4,469,320</u>
Plan fiduciary net position as a percentage of the total pension liability	84.30%	80.56%	74.72%	71.78%	73.24%
Covered payroll	\$ 8,609,022	\$ 8,162,506	\$ 7,702,593	\$ 7,386,752	\$ 7,338,429
City's net pension liability as a percentage of covered payroll	39.97%	49.32%	63.10%	67.60%	60.90%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,054,005	\$ 1,007,920	\$ 901,718	\$ 936,241	\$ 859,675
Contributions in relation to the actuarially determined contribution	<u>1,054,005</u>	<u>1,007,920</u>	<u>901,718</u>	<u>936,241</u>	<u>933,501</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (73,826)</u>
Covered payroll	\$ 8,800,406	\$ 8,609,022	\$ 8,162,506	\$ 7,702,593	\$ 7,386,752
Contributions as a percentage of covered payroll	11.98%	11.71%	11.05%	12.15%	12.64%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	January 1, 2018
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	7.50%
Projected Salary Increases	2.75% plus serviced based merit increases
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

**REQUIRED SUPPLEMENTARY INFORMATION
OPEB HEALTHCARE BENEFIT PLAN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS**

	2019	2018
Total OPEB liability		
Service cost	\$ 313,279	\$ 340,252
Interest on total OPEB liability	204,651	170,884
Difference between expected and actual experience	(120,315)	(141,642)
Changes of assumptions and other inputs	(212,393)	(235,266)
Benefit payments	(77,683)	(61,171)
Net change in total OPEB liability	107,539	73,057
Total OPEB liability - beginning	5,347,847	5,274,790
Total OPEB liability - ending	\$ 5,455,386	\$ 5,347,847
Covered-employee payroll	\$ 8,748,919	\$ 8,539,074
Total OPEB liability as a percentage of covered-employee payroll	62.4%	62.6%

Notes to the Schedule:

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

The City is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

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 Funds

Urban Redevelopment Agency – 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 Urban Redevelopment Agency blended component unit.

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, 2019

ASSETS	Special Revenue Funds					Capital Projects Fund	Debt Service Funds		Total Nonmajor Governmental Funds	
	Asset Forfeiture Fund	Treasury Equitable Sharing Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Capital Projects Fund	Urban Redevelopment Agency		Downtown Development Authority
Cash and cash equivalents	\$ 75,810	\$ 64,549	\$ 386,420	\$ 12,091	\$ 39,080	\$ 373,574	\$ 76,145	\$ 3,030	\$ 25,522	\$ 1,056,221
Taxes receivable	-	-	-	10,707	-	-	-	-	-	10,707
Other receivables	-	-	209,191	-	-	-	-	16	-	209,207
Prepaid expenditures	-	-	8,294	-	-	-	-	-	-	8,294
Due from other funds	-	-	70,853	-	71	-	-	-	-	70,924
Notes receivable	-	-	-	-	-	-	-	-	33,269	33,269
Total assets	\$ 75,810	\$ 64,549	\$ 674,758	\$ 22,798	\$ 39,151	\$ 373,574	\$ 76,145	\$ 3,046	\$ 58,791	\$ 1,388,622
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 13,992	\$ -	\$ 312	\$ 3,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,220
Accrued liabilities	-	-	16,790	-	-	-	-	-	3,000	19,790
Due to other funds	-	34,224	33,329	6,847	-	36,429	-	-	-	110,829
Advances from other funds	-	-	-	-	-	-	-	-	110,152	110,152
Total liabilities	13,992	34,224	50,431	10,763	-	36,429	-	-	113,152	258,991
FUND BALANCES										
Fund Balances:										
Nonspendable:										
Prepays	-	-	8,294	-	-	-	-	-	-	8,294
Restricted:										
Capital Projects	-	-	-	-	-	337,145	-	-	-	337,145
Debt service	-	-	-	-	-	-	-	3,046	-	3,046
Law enforcement	61,818	30,325	616,033	-	-	-	-	-	-	708,176
Culture and recreation	-	-	-	12,035	-	-	-	-	-	12,035
Committed:										
Cemetery maintenance	-	-	-	-	39,151	-	-	-	-	39,151
Assigned:										
Capital projects	-	-	-	-	-	-	76,145	-	-	76,145
Unassigned	-	-	-	-	-	-	-	-	(54,361)	(54,361)
Total fund balances	61,818	30,325	624,327	12,035	39,151	337,145	76,145	3,046	(54,361)	1,129,631
Total liabilities and fund balances	\$ 75,810	\$ 64,549	\$ 674,758	\$ 22,798	\$ 39,151	\$ 373,574	\$ 76,145	\$ 3,046	\$ 58,791	\$ 1,388,622

CITY OF KENNESAW, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds					Capital Projects Fund	Debt Service Funds		Total Nonmajor Governmental Funds	
	Asset Forfeiture Fund	Treasury Equitable Sharing Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Capital Projects Fund	Urban Redevelopment Agency		Downtown Development Authority
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ 27,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,657
Licenses and permits	-	-	-	-	-	184,815	-	-	-	184,815
Fines and forfeitures	63,654	76,472	-	-	-	-	-	-	-	140,126
Charges for services	-	-	1,290,632	534	16,275	-	-	-	5,320	1,312,761
Miscellaneous	-	-	215	-	3,990	-	10,000	-	-	14,205
Interest	648	1,081	8,557	242	488	3,807	996	21	379	16,219
Total revenues	64,302	77,553	1,299,404	28,433	20,753	188,622	10,996	21	5,699	1,695,783
EXPENDITURES										
Current										
Public safety	14,521	96,987	1,024,764	-	-	-	-	-	-	1,136,272
Public works	-	-	-	-	39,763	182,458	-	-	-	222,221
Culture and recreation	-	-	-	13,344	-	-	-	-	-	13,344
Housing and development	-	-	-	-	-	-	-	-	117,113	117,113
Debt service										
Principal retirements	-	-	-	-	-	-	-	305,000	375,000	680,000
Interest and fiscal charges	-	-	-	-	-	-	-	276,412	65,180	341,592
Total expenditures	14,521	96,987	1,024,764	13,344	39,763	182,458	-	581,412	557,293	2,510,542
Excess (deficiency) of revenues over (under) expenditures	49,781	(19,434)	274,640	15,089	(19,010)	6,164	10,996	(581,391)	(551,594)	(814,759)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	26,010	-	-	581,412	438,280	1,045,702
Transfers out	-	-	-	(14,847)	-	-	-	-	-	(14,847)
Total other financing sources (uses)	-	-	-	(14,847)	26,010	-	-	581,412	438,280	1,030,855
Net change in fund balances	49,781	(19,434)	274,640	242	7,000	6,164	10,996	21	(113,314)	216,096
FUND BALANCES, beginning of year	12,037	49,759	349,687	11,793	32,151	330,981	65,149	3,025	58,953	913,535
FUND BALANCES (DEFICIT), end of year	\$ 61,818	\$ 30,325	\$ 624,327	\$ 12,035	\$ 39,151	\$ 337,145	\$ 76,145	\$ 3,046	\$ (54,361)	\$ 1,129,631

**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, 2019**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 21,000	\$ 21,000	\$ 63,654	\$ 42,654
Interest	30	30	648	618
Total revenues	<u>21,030</u>	<u>21,030</u>	<u>64,302</u>	<u>43,272</u>
EXPENDITURES				
Public safety	<u>21,030</u>	<u>21,030</u>	<u>14,521</u>	<u>6,509</u>
Net change in fund balances	-	-	49,781	49,781
FUND BALANCES, beginning of year	<u>12,037</u>	<u>12,037</u>	<u>12,037</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 12,037</u>	<u>\$ 12,037</u>	<u>\$ 61,818</u>	<u>\$ 49,781</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, 2019**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 121,283	\$ 121,283	\$ 76,472	\$ (44,811)
Interest	45	45	1,081	1,036
Total revenues	<u>121,328</u>	<u>121,328</u>	<u>77,553</u>	<u>(43,775)</u>
EXPENDITURES				
Public safety	<u>101,328</u>	<u>120,941</u>	<u>96,987</u>	<u>23,954</u>
Net change in fund balances	20,000	387	(19,434)	(19,821)
FUND BALANCES, beginning of year	<u>49,759</u>	<u>49,759</u>	<u>49,759</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 69,759</u>	<u>\$ 50,146</u>	<u>\$ 30,325</u>	<u>\$ (19,821)</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, 2019**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 1,170,000	\$ 1,170,000	\$ 1,290,632	\$ 120,632
Miscellaneous	-	-	215	215
Interest	190	190	8,557	8,367
Total revenues	<u>1,170,190</u>	<u>1,170,190</u>	<u>1,299,404</u>	<u>129,214</u>
EXPENDITURES				
Public safety	<u>1,146,136</u>	<u>1,146,136</u>	<u>1,024,764</u>	<u>121,372</u>
Excess of revenues over expenditures	24,054	24,054	274,640	250,586
OTHER FINANCING USES				
Transfers out	<u>(24,054)</u>	<u>(24,054)</u>	<u>-</u>	<u>24,054</u>
Net change in fund balances	-	-	274,640	274,640
FUND BALANCES, beginning of year	<u>349,687</u>	<u>349,687</u>	<u>349,687</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 349,687</u></u>	<u><u>\$ 349,687</u></u>	<u><u>\$ 624,327</u></u>	<u><u>\$ 274,640</u></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, 2019**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 61,740	\$ 61,740	\$ 27,657	\$ (34,083)
Charges for services	1,225	1,225	534	(691)
Interest	25	25	242	217
Total revenues	<u>62,990</u>	<u>62,990</u>	<u>28,433</u>	<u>(34,557)</u>
EXPENDITURES				
Culture and recreation	<u>30,625</u>	<u>30,625</u>	<u>13,344</u>	<u>17,281</u>
Excess of revenues over expenditures	32,365	32,365	15,089	(17,276)
OTHER FINANCING USES				
Transfers out	<u>(32,365)</u>	<u>(32,365)</u>	<u>(14,847)</u>	<u>17,518</u>
Net change in fund balances	-	-	242	242
FUND BALANCES, beginning of year	<u>11,793</u>	<u>11,793</u>	<u>11,793</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 11,793</u>	<u>\$ 11,793</u>	<u>\$ 12,035</u>	<u>\$ 242</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, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 5,000	\$ 5,000	\$ 16,275	\$ 11,275
Miscellaneous	3,500	3,500	3,990	490
Interest	25	25	488	463
Total revenues	<u>8,525</u>	<u>8,525</u>	<u>20,753</u>	<u>12,228</u>
EXPENDITURES				
Public works	<u>51,300</u>	<u>51,300</u>	<u>39,763</u>	<u>11,537</u>
Deficiency of revenues over expenditures	(42,775)	(42,775)	(19,010)	23,765
OTHER FINANCING SOURCES				
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>26,010</u>	<u>(13,990)</u>
Net change in fund balances	(2,775)	(2,775)	7,000	9,775
FUND BALANCES, beginning of year	<u>32,151</u>	<u>32,151</u>	<u>32,151</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 29,376</u></u>	<u><u>\$ 29,376</u></u>	<u><u>\$ 39,151</u></u>	<u><u>\$ 9,775</u></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, 2019**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 41,500	\$ 41,500	\$ 184,815	\$ 143,315
Interest	362	362	3,807	3,445
Total revenues	<u>41,862</u>	<u>41,862</u>	<u>188,622</u>	<u>146,760</u>
EXPENDITURES				
Public works	<u>198,568</u>	<u>198,568</u>	<u>182,458</u>	<u>16,110</u>
Net change in fund balances	(156,706)	(156,706)	6,164	162,870
FUND BALANCES, beginning of year	<u>330,981</u>	<u>330,981</u>	<u>330,981</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 174,275</u>	<u>\$ 174,275</u>	<u>\$ 337,145</u>	<u>\$ 162,870</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, 2019**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 25	\$ 25	\$ 21	\$ (4)
Total revenues	<u>25</u>	<u>25</u>	<u>21</u>	<u>(4)</u>
EXPENDITURES				
Debt service				
Principal	305,000	305,000	305,000	-
Interest and fiscal charges	<u>276,692</u>	<u>276,692</u>	<u>276,412</u>	<u>280</u>
Total expenditures	<u>581,692</u>	<u>581,692</u>	<u>581,412</u>	<u>280</u>
Deficiency of revenues over expenditures	(581,667)	(581,667)	(581,391)	276
OTHER FINANCING SOURCES				
Transfers in	<u>576,192</u>	<u>581,667</u>	<u>581,412</u>	<u>(255)</u>
Net change in fund balances	(5,475)	-	21	21
FUND BALANCES, beginning of year	<u>3,025</u>	<u>3,025</u>	<u>3,025</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ (2,450)</u>	<u>\$ 3,025</u>	<u>\$ 3,046</u>	<u>\$ 21</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, 2019**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 49,730	\$ 49,730	\$ 5,320	\$ (44,410)
Interest	120	120	379	259
Total revenues	<u>49,850</u>	<u>49,850</u>	<u>5,699</u>	<u>(44,151)</u>
EXPENDITURES				
Housing and development	29,868	129,868	117,113	12,755
Debt service				
Principal	405,425	375,000	375,000	-
Interest and fiscal charges	65,180	65,180	65,180	-
Total expenditures	<u>500,473</u>	<u>570,048</u>	<u>557,293</u>	<u>12,755</u>
Deficiency of revenues over expenditures	(450,623)	(520,198)	(551,594)	(31,396)
OTHER FINANCING SOURCES				
Transfers in	438,280	462,198	438,280	(23,918)
Net change in fund balances	(12,343)	(58,000)	(113,314)	(55,314)
FUND BALANCES, beginning of year	<u>58,953</u>	<u>58,953</u>	<u>58,953</u>	<u>-</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ 46,610</u>	<u>\$ 953</u>	<u>\$ (54,361)</u>	<u>\$ (55,314)</u>

CITY OF KENNESAW, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL
PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PROJECT	ESTIMATED COST		PRIOR	EXPENDITURES		TOTAL	PERCENTAGE OF COMPLETION
	ORIGINAL	CURRENT		CURRENT	TOTAL		
SPLOST I - 2005 SPLOST							
Stanley Road/Collins Road	\$ 1,900,000	\$ 787,563	\$ 787,563	\$ -	\$ 787,563	100.00	%
Old Highway 41	2,600,000	3,736,081	775,806	885,560	1,661,366	44.47	
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	595,364	595,364	-	595,364	100.00	
Jiles Road	9,900,000	3,507 (1)	3,507	-	3,507	100.00	
Cherokee Street	3,750,000	1,472,820	1,472,820	-	1,472,820	100.00	
McCollum Parkway	200,000	- (1)	-	-	-	-	
Barrett Parkway	520,300	- (1)	-	-	-	-	
Pine Mountain Court @ US 41	200,000	49,773	49,773	-	49,773	100.00	
Cobb International Boulevard	1,000,000	- (1)	-	-	-	-	
Sidewalk Projects	410,900	147,317	147,317	-	147,317	100.00	
Resurfacing Projects	520,774	448,444	448,444	-	448,444	100.00	
800 MHZ Radios	353,943	428,526	428,526	-	428,526	100.00	
TOTAL 2005 SPLOST	\$ 23,305,917	\$ 8,719,395	\$ 5,759,120	\$ 885,560	\$ 6,644,680		
SPLOST II - 2011 SPLOST							
Pine Mountain Road	\$ 6,492,254	\$ 7,889,274	\$ 5,277,662	\$ 2,611,612	\$ 7,889,274	100.00	%
Cherokee Street	5,000,000	5,783,899	733,141	511,334	1,244,475	21.52	
Stanley Road/Collins Road	1,150,032	3,536,085	3,393,901	15,777	3,409,678	96.43	
McCollum Parkway	388,000	388,001	388,001	-	388,001	100.00	
Cobb International Blvd	1,500,000	27,353	27,353	-	27,353	100.00	
Sidewalk Projects	535,353	1,229	1,229	-	1,229	100.00	
Resurfacing Projects	413,650	461,733	461,733	-	461,733	100.00	
Infrastructure Preservation	1,101,710	501,544	501,544	-	501,544	100.00	
Skate Park	750,000	984,094	984,094	-	984,094	100.00	
Depot Park Improvements	2,100,000	1,870,131	780,540	402,050	1,182,590	63.24	
Smith Gilbert Gardens Event Building	1,800,000	1,800,000	752,757	122,303	875,060	48.61	
Swift Cantrell Park Parking	650,000	836,906	836,906	-	836,906	100.00	
Community Center Renovation	226,999	225,382	225,381	-	225,381	100.00	
TOTAL 2011 SPLOST	\$ 22,107,998	\$ 24,305,631	\$ 14,364,242	\$ 3,663,076	\$ 18,027,318		

Continued

CITY OF KENNESAW, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL
PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PROJECT	ESTIMATED COST		PRIOR	EXPENDITURES		PERCENTAGE OF COMPLETION
	ORIGINAL	CURRENT		CURRENT	TOTAL	
SPLOST III - 2016 SPLOST						
Sardis Street Overpass	\$ 6,000,000	\$ 6,000,000	\$ -	\$ -	\$ -	- %
Stormwater Infrastructure	3,000,000	1,020,707	75,023	136,468	211,491	20.72
Ben King Road Improvements	3,133,431	3,133,431	99,714	185,353	285,067	9.10
Sardis Street Extension Project	2,500,000	2,500,000	227,086	206,745	433,831	17.35
Property Acquisition	3,000,000	3,000,000	1,221,565	7,497	1,229,062	40.97
Park Improvements	1,790,000	1,790,000	125,204	111,778	236,982	13.24
Dallas/Watts Drive Improvements	2,619,072	5,223,671	5,121,604	25,459	5,147,063	98.53
Facility Improvements	1,200,000	743,870	377,079	41,683	418,762	56.30
Economic Development	1,500,000	1,500,000	-	-	-	-
Smith Gilbert Garden	750,000	750,000	2,250	-	2,250	0.30
Resurfacing and Sidewalks	698,867	529,691	23,750	-	23,750	4.48
Police Vehicles	125,000	125,000	110,242	-	110,242	88.19
TOTAL 2016 SPLOST	\$ 26,316,370	\$ 26,316,370	\$ 7,383,517	\$ 714,983	\$ 8,098,500	

Total SPLOST expenditures	\$ 5,263,619
	145,632 (2)
	63,203 (3)
Total SPLOST fund expenditures	<u>\$ 5,472,454</u>

(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.

(2) Ergas Development contribution towards the construction of Old Highway 41 in the amount of \$145,632 in fiscal year 2019.

(3) Cobb County provided funding to support a joint project between the City and County for design and construction of a Recreation Center under the 2016 Parks SPLOST Program. This is the share of the County's expense.

CITY OF KENNESAW, GEORGIA
NONMAJOR PROPRIETARY FUNDS

Smith-Gilbert Gardens Fund – This fund accounts for the activity related to the operations of the City's botanical gardens.

Streetlight Fund – This fund accounts for the collection of fees for upgrades to streetlights and related expenses.

CITY OF KENNESAW, GEORGIA

COMBINING STATEMENT OF NET POSITION NONMAJOR PROPRIETARY FUNDS SEPTEMBER 30, 2019

ASSETS	Gardens Fund	Streetlight Fund	Totals
CURRENT ASSETS			
Cash	\$ 141,113	\$ 31,872	\$ 172,985
Accounts receivable	-	48,447	48,447
Due from other funds	-	45,871	45,871
Inventory	1,615	-	1,615
Prepaid items	385	-	385
Total current assets	143,113	126,190	269,303
NONCURRENT ASSETS			
Capital assets:			
Non-depreciable assets	2,021,054	-	2,021,054
Depreciable assets	97,310	-	97,310
	2,118,364	-	2,118,364
Accumulated depreciation	(66,677)	-	(66,677)
Total capital assets	2,051,687	-	2,051,687
Total noncurrent assets	2,051,687	-	2,051,687
Total assets	2,194,800	126,190	2,320,990
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	6,021	4,910	10,931
Accrued liabilities	5,998	-	5,998
Due to other funds	60,330	59,098	119,428
Compensated absences payable	17,419	-	17,419
Unearned revenue	-	29,975	29,975
Total current liabilities	89,768	93,983	183,751
Total liabilities	89,768	93,983	183,751
NET POSITION			
Net investment in capital assets	2,051,687	-	2,051,687
Unrestricted	53,345	32,207	85,552
Total net position	\$ 2,105,032	\$ 32,207	\$ 2,137,239

CITY OF KENNESAW, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Gardens Fund	Streetlight Fund	Totals
OPERATING REVENUE			
Charges for sales and services	\$ 84,483	\$ 359,190	\$ 443,673
Miscellaneous	68,728	-	68,728
Total operating revenues	<u>153,211</u>	<u>359,190</u>	<u>512,401</u>
OPERATING EXPENSES			
Cost of sales and services	505,382	334,296	839,678
Depreciation	3,728	-	3,728
Total operating expenses	<u>509,110</u>	<u>334,296</u>	<u>843,406</u>
Operating income (loss)	<u>(355,899)</u>	<u>24,894</u>	<u>(331,005)</u>
NON-OPERATING INCOME			
Interest income	1,104	520	1,624
Total non-operating income	<u>1,104</u>	<u>520</u>	<u>1,624</u>
Income (loss) before transfers	<u>(354,795)</u>	<u>25,414</u>	<u>(329,381)</u>
Transfers in	395,142	-	395,142
Total transfers	<u>395,142</u>	<u>-</u>	<u>395,142</u>
Change in net position	40,347	25,414	65,761
Total net position, beginning of year	<u>2,064,685</u>	<u>6,793</u>	<u>2,071,478</u>
Total net position, end of year	<u>\$ 2,105,032</u>	<u>\$ 32,207</u>	<u>\$ 2,137,239</u>

CITY OF KENNESAW, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Gardens Fund</u>	<u>Streetlight Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 153,211	\$ 342,639	\$ 495,850
Payments to suppliers	(83,704)	(304,321)	(388,025)
Payments to employees	(382,027)	(6,966)	(388,993)
Net cash provided by (used in) operating activities	<u>(312,520)</u>	<u>31,352</u>	<u>(281,168)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in from other funds	<u>395,142</u>	<u>-</u>	<u>395,142</u>
Net cash provided by non-capital financing activities	<u>395,142</u>	<u>-</u>	<u>395,142</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>1,104</u>	<u>520</u>	<u>1,624</u>
Net cash provided by investing activities	<u>1,104</u>	<u>520</u>	<u>1,624</u>
Net increase in cash	83,726	31,872	115,598
Cash, beginning of year	57,387	-	57,387
Cash, end of year	<u>\$ 141,113</u>	<u>\$ 31,872</u>	<u>\$ 172,985</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (355,899)	\$ 24,894	\$ (331,005)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	3,728	-	3,728
Change in assets and liabilities:			
Increase in accounts receivable	-	(16,551)	(16,551)
Increase in due from other funds	-	(16,238)	(16,238)
Decrease in prepaid items	223	-	223
Increase in inventory	(14)	-	(14)
Decrease in accounts payable	(185)	(26,085)	(26,270)
Decrease in accrued liabilities	(198)	-	(198)
Decrease in compensated absences payable	(3,665)	-	(3,665)
Increase in unearned revenue	-	29,975	29,975
Increase in due to other funds	43,490	35,357	78,847
Net cash provided by (used in) operating activities	<u>\$ (312,520)</u>	<u>\$ 31,352</u>	<u>\$ (281,168)</u>

**COMPONENT UNIT –
DEVELOPMENT AUTHORITY**

CITY OF KENNESAW, GEORGIA
BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
SEPTEMBER 30, 2019

ASSETS

Cash	\$ 133,086
Other receivables	<u>19,344</u>
Total assets	<u><u>\$ 152,430</u></u>

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE

LIABILITIES

Accounts payable	<u>\$ 148</u>
Total liabilities	<u>\$ 148</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - fees	<u>\$ 16,344</u>
Total deferred inflows of resources	<u>\$ 16,344</u>

FUND BALANCE

Unassigned	<u>135,938</u>
Total liabilities and fund balance	<u><u>\$ 152,430</u></u>

CITY OF KENNESAW, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

REVENUES

Interest income	\$ 1,330
Miscellaneous	<u>48,030</u>
Total revenues	<u>49,360</u>

EXPENDITURES

Housing and development	<u>12,287</u>
Total expenditures	<u>12,287</u>

Net change in fund balance	<u>37,073</u>
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FUND BALANCE, beginning of year	<u>98,865</u>
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FUND BALANCE, end of year	<u><u>\$ 135,938</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.

Page

Financial Trends..... **83**

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 **88**

These schedules contain information to help the reader assess the City’s most significant local revenue source, property tax.

Debt Capacity **92**

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 **96**

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 **98**

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental activities				
Net investment in capital assets	\$ 63,615,691	\$ 58,213,192	\$ 53,342,130	\$ 44,270,008
Restricted	35,040,568	28,431,367	29,647,981	33,586,055
Unrestricted	(3,291,667)	(6,886,057)	(8,001,192)	(9,162,559)
Total governmental activities net position	<u>\$ 95,364,592</u>	<u>\$ 79,758,502</u>	<u>\$ 74,988,919</u>	<u>\$ 68,693,504</u>
Business-type activities				
Net investment in capital assets	\$ 13,696,093	\$ 13,716,793	\$ 12,117,034	\$ 12,395,483
Unrestricted	3,497,538	2,686,620	1,069,980	1,493,066
Total business-type activities net position	<u>\$ 17,193,631</u>	<u>\$ 16,403,413</u>	<u>\$ 13,187,014</u>	<u>\$ 13,888,549</u>
Primary government				
Net investment in capital assets	\$ 77,311,784	\$ 71,929,985	\$ 65,459,164	\$ 56,665,491
Restricted	35,040,568	28,431,367	29,647,981	33,586,055
Unrestricted	205,871	(4,199,437)	(6,931,212)	(7,669,493)
Total primary government net position	<u>\$ 112,558,223</u>	<u>\$ 96,161,915</u>	<u>\$ 88,175,933</u>	<u>\$ 82,582,053</u>

2015	2014	2013	2012	2011	2010
\$ 41,353,883	\$ 44,050,011	\$ 38,848,625	\$ 38,194,452	\$ 38,211,640	\$ 37,441,454
30,325,102	26,084,186	24,496,830	22,999,987	19,214,410	11,728,094
(8,857,613)	(5,557,897)	(5,381,866)	(4,069,805)	(4,009,394)	5,113,083
<u>\$ 62,821,372</u>	<u>\$ 64,576,300</u>	<u>\$ 57,963,589</u>	<u>\$ 57,124,634</u>	<u>\$ 53,416,656</u>	<u>\$ 54,282,631</u>
\$ 12,729,505	\$ 6,550,336	\$ 6,517,447	\$ 3,601,055	\$ 3,397,072	\$ 3,178,418
1,009,187	1,109,417	1,796,730	1,263,195	1,200,476	1,124,835
<u>\$ 13,738,692</u>	<u>\$ 7,659,753</u>	<u>\$ 8,314,177</u>	<u>\$ 4,864,250</u>	<u>\$ 4,597,548</u>	<u>\$ 4,303,253</u>
\$ 54,083,388	\$ 50,600,347	\$ 45,366,072	\$ 41,795,507	\$ 41,608,712	\$ 40,619,872
30,325,102	26,084,186	24,496,830	22,999,987	19,214,410	11,728,094
(7,848,426)	(4,448,480)	(3,585,136)	(2,806,610)	(2,808,918)	6,237,918
<u>\$ 76,560,064</u>	<u>\$ 72,236,053</u>	<u>\$ 66,277,766</u>	<u>\$ 61,988,884</u>	<u>\$ 58,014,204</u>	<u>\$ 58,585,884</u>

CITY OF KENNESAW, GEORGIA

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

	2019	2018	2017	2016
Expenses				
Governmental activities:				
General government	\$ 4,663,769	\$ 4,805,604	\$ 4,350,340	\$ 4,442,795
Judicial	393,208	371,714	364,977	367,386
Public safety	8,635,869	8,179,820	8,443,734	8,384,410
Public works	3,404,917	3,533,601	3,611,163	4,064,973
Culture and recreation	2,015,047	2,021,197	2,359,893	2,348,921
Housing and development	1,249,238	1,246,740	1,601,184	1,019,160
Interest on long-term debt	713,667	794,695	835,336	878,715
Total governmental activities expenses	21,075,715	20,953,371	21,566,627	21,506,360
Business-type activities:				
Sanitation	1,906,567	1,817,328	1,649,452	1,667,997
Museum	1,154,357	1,134,753	1,079,904	1,110,487
Gardens	509,156	483,513	416,664	414,334
Stormwater	639,354	737,511	865,031	879,164
Streetlight	334,296	54,737	-	-
Total business-type activities expenses	4,543,730	4,227,842	4,011,051	4,071,982
Total primary government expenses	\$ 25,619,445	\$ 25,181,213	\$ 25,577,678	\$ 25,578,342
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 202,471	\$ 191,633	\$ 179,081	\$ 158,210
Judicial	1,099,181	1,075,479	988,238	849,434
Public safety	1,474,411	1,657,277	1,495,481	1,406,576
Public works	729,847	145,401	167,018	498,692
Culture and recreation	622,568	762,913	898,948	821,495
Housing and development	821,706	327,073	460,742	724,819
Operating grants and contributions (1)	784,965	755,413	740,693	721,052
Capital grants and contributions (1)	10,975,883	6,758,032	5,528,449	5,867,805
Total governmental activities program revenues	16,711,032	11,673,221	10,458,650	11,048,083
Business-type activities:				
Charges for services:				
Sanitation	2,542,701	2,532,804	2,198,573	2,182,106
Museum	460,022	457,598	445,964	440,604
Gardens	153,211	121,806	124,479	130,779
Stormwater	1,242,284	1,271,204	1,256,170	1,208,615
Streetlight	359,190	61,530	-	-
Operating grants and contributions (1)	-	-	-	-
Capital grants and contributions (1)	131,930	39,608	44,401	100,269
Total business-type activities program revenues	4,889,338	4,484,550	4,069,587	4,062,373
Total primary government program revenues	\$ 21,600,370	\$ 16,157,771	\$ 14,528,237	\$ 15,110,456

	2015	2014	2013	2012	2011	2010
\$	4,460,850	\$ 4,464,217	\$ 4,361,757	\$ 4,187,479	\$ 4,544,161	\$ 4,374,745
	348,800	388,741	358,613	342,790	365,477	343,934
	7,410,419	7,990,403	7,422,621	6,976,574	7,038,966	7,019,253
	3,699,120	4,932,286	4,016,262	3,922,629	4,035,824	3,634,870
	2,265,865	2,448,490	2,555,138	2,547,847	2,682,506	2,563,539
	957,354	966,688	973,555	907,986	1,154,875	1,039,995
	928,138	1,202,899	918,411	804,045	820,746	811,083
	<u>20,070,546</u>	<u>22,393,724</u>	<u>20,606,357</u>	<u>19,689,350</u>	<u>20,642,555</u>	<u>19,787,419</u>
	1,518,213	1,477,276	1,861,957	1,649,055	1,592,777	1,818,853
	1,136,658	1,232,706	1,141,504	1,307,352	1,443,963	1,501,346
	414,602	355,532	311,292	319,369	286,949	262,145
	775,836	-	-	-	-	-
	-	-	-	-	-	-
	<u>3,845,309</u>	<u>3,065,514</u>	<u>3,314,753</u>	<u>3,275,776</u>	<u>3,323,689</u>	<u>3,582,344</u>
\$	<u>23,915,855</u>	<u>\$ 25,459,238</u>	<u>\$ 23,921,110</u>	<u>\$ 22,965,126</u>	<u>\$ 23,966,244</u>	<u>\$ 23,369,763</u>
\$	181,499	\$ 187,479	\$ 178,193	\$ 645,807	\$ 186,426	\$ 167,078
	946,319	1,105,127	1,052,313	1,229,945	1,413,733	1,397,897
	1,555,379	1,474,044	1,373,847	1,197,405	1,208,972	2,505,270 (2)
	217,117	373,416	199,081	343,370	124,663	27,878
	828,019	817,573	790,486	779,069	704,632	581,384
	470,269	469,286	349,884	313,759	249,950	123,922
	741,944	383,873	403,672	380,462	373,835	383,215
	<u>6,643,379</u>	<u>7,425,962</u>	<u>6,580,021</u>	<u>4,668,881</u>	<u>1,954,206</u>	<u>4,013,275 (3)</u>
	<u>11,583,925</u>	<u>12,236,760</u>	<u>10,927,497</u>	<u>9,558,698</u>	<u>6,216,417</u>	<u>9,199,919</u>
	2,206,876	2,599,332	2,614,104	2,558,808	2,520,688	2,556,419
	413,818	424,046	413,531	378,466	346,393	322,700
	115,540	106,687	125,318	121,803	110,593	33,977
	906,877	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	934	566	6,353
	<u>709,771</u>	<u>263,892</u>	<u>68,081</u>	<u>57,794</u>	<u>70,306</u>	<u>414,127</u>
	<u>3,393,957</u>	<u>3,221,034</u>	<u>3,221,034</u>	<u>3,117,805</u>	<u>3,048,546</u>	<u>3,333,576</u>
\$	<u>15,630,717</u>	<u>\$ 14,148,531</u>	<u>\$ 14,148,531</u>	<u>\$ 12,676,503</u>	<u>\$ 9,264,963</u>	<u>\$ 12,533,495</u>

(continued)

CITY OF KENNESAW, GEORGIA

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

	2019	2018	2017	2016
Net (expense)/revenue				
Governmental activities	\$ (4,364,683)	\$ (9,280,150)	\$ (11,107,977)	\$ (10,458,277)
Business-type activities	345,608	256,708	58,536	(9,609)
Total primary government net expense	\$ (4,019,075)	\$ (9,023,442)	\$ (11,049,441)	\$ (10,467,886)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 12,584,176	\$ 11,445,412	\$ 10,555,252	\$ 10,077,543
Franchise taxes	1,905,748	1,778,733	1,864,149	1,815,579
Insurance premium taxes	2,329,114	2,192,680	2,032,044	1,909,498
Business taxes	1,465,211	1,402,407	1,246,047	1,248,304
Other taxes	966,156	1,001,737	1,028,432	964,204
Unrestricted investment earnings	1,105,382	(97,065)	(122,623)	326,929
Gain on sale of capital assets	-	-	38,015	146,531
Miscellaneous	-	-	-	-
Transfers	(385,014)	(2,379,021)	762,076	(158,179)
Total governmental activities	19,970,773	15,344,883	17,403,392	16,330,409
Business-type activities:				
Unrestricted investment earnings	57,946	2,542	2,005	1,287
Gain on sale of capital assets	1,650	-	-	-
Transfers	385,014	2,379,021	(762,076)	158,179
Total business-type activities	444,610	2,381,563	(760,071)	159,466
Total primary government	\$ 20,415,383	\$ 17,726,446	\$ 16,643,321	\$ 16,489,875
Change in Net Position				
Governmental activities	\$ 15,606,090	\$ 6,064,733	\$ 6,295,415	\$ 5,872,132
Business-type activities	790,218	2,638,271	(701,535)	149,857
Total primary government	\$ 16,396,308	\$ 8,703,004	\$ 5,593,880	\$ 6,021,989

NOTES: (1) Grant revenues vary from year to year depending on the federal and state funding received by the City.
(2) In 2010 the City received over \$1 million from federal seizure cases.
(3) 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.

2015	2014	2013	2012	2011	2010
\$ (8,486,621)	\$ (10,156,964)	\$ (9,678,860)	\$ (10,130,652)	\$ (14,426,138)	\$ (10,587,500)
507,573	328,443	(93,719)	(157,971)	(275,143)	(248,768)
<u>\$ (7,979,048)</u>	<u>\$ (9,828,521)</u>	<u>\$ (9,772,579)</u>	<u>\$ (10,288,623)</u>	<u>\$ (14,701,281)</u>	<u>\$ (10,836,268)</u>
\$ 9,743,961	\$ 9,468,733	\$ 8,377,495	\$ 8,858,088	\$ 9,121,632	\$ 9,684,063
1,788,362	1,685,980	1,690,243	1,721,137	1,695,379	1,585,542
1,745,554	1,633,900	1,536,325	1,483,792	1,396,948	1,166,804
1,235,665	1,185,735	1,102,144	1,040,848	968,832	962,611
753,443	732,316	1,361,826	638,106	528,175	550,638
527,663	590,267	(516,755)	372,157	397,616	323,175
-	13,742	14,628	5,388	13,025	-
-	-	-	-	-	-
(278,662)	984,249	110,980	(280,886)	(561,444)	(849,600)
<u>15,515,986</u>	<u>16,294,922</u>	<u>13,676,886</u>	<u>13,838,630</u>	<u>13,560,163</u>	<u>13,423,233</u>
1,135	1,382	1,345	1,150	501	1,031
-	-	87,918	-	7,493	-
278,662	(984,249)	(110,980)	280,886	561,444	849,600
<u>279,797</u>	<u>(982,867)</u>	<u>(21,717)</u>	<u>282,036</u>	<u>569,438</u>	<u>850,631</u>
<u>\$ 15,795,783</u>	<u>\$ 15,312,055</u>	<u>\$ 13,655,169</u>	<u>\$ 14,120,666</u>	<u>\$ 14,129,601</u>	<u>\$ 14,273,864</u>
\$ 7,029,365	\$ 6,137,958	\$ 3,998,026	\$ 3,707,978	\$ (865,975)	\$ 2,835,733
787,370	(654,424)	(115,436)	124,065	294,295	601,863
<u>\$ 7,816,735</u>	<u>\$ 5,483,534</u>	<u>\$ 3,882,590</u>	<u>\$ 3,832,043</u>	<u>\$ (571,680)</u>	<u>\$ 3,437,596</u>

CITY OF KENNESAW, GEORGIA

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable:				
Long-term advances	110,152	298,854	556,263	825,669
Inventories	7,811	8,577	8,062	7,473
Prepaid expenditures	180,024	253,898	229,135	257,964
Restricted:				
Public safety	14,473	11,287	36,132	36,096
Capital projects	-	-	-	-
Debt service	639,744	631,301	630,672	630,044
Voter approved use	7,703,313	7,092,269	7,533,313	8,019,456
Assigned:				
Capital projects	-	-	-	264,186
Unassigned	5,469,476	1,464,101	(1,269,638)	(3,197,165)
Total general fund	<u>\$ 14,124,993</u>	<u>\$ 9,760,287</u>	<u>\$ 7,723,939</u>	<u>\$ 6,843,723</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable:				
Long-term advances	-	-	-	-
Prepaid expenditures	8,294	13,134	9,653	11,129
Notes receivable	-	-	-	-
Restricted:				
Public safety	708,176	398,349	39,401	66,526
Culture and recreation	12,035	11,793	11,780	11,751
Capital projects	25,370,782	20,046,089	20,645,186	24,834,329
Debt service	3,046	3,025	8,502	-
Parks and recreation impact fee projects	-	-	-	-
Committed:				
Cemetery maintenance	39,151	32,151	17,548	28,577
Assigned:				
Cemetery maintenance	-	-	-	-
Capital projects	76,145	65,149	65,074	157,070
Debt service	-	58,953	83,639	-
Unassigned	(54,361)	-	(177,475)	(398,789)
Total all other governmental funds	<u>\$ 26,163,268</u>	<u>\$ 20,628,643</u>	<u>\$ 20,703,308</u>	<u>\$ 24,710,593</u>

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

2015	2014	2013	2012	2011	(1)	2010
\$ -	\$ -	\$ -	\$ -	\$ -		\$ 13,908,623
-	-	-	-	-		(5,731,538)
958,972	1,178,453	1,237,107	667,428	622,058		-
4,447	14,487	18,442	16,806	15,614		-
185,029	318,015	178,616	349,960	169,036		-
36,060	4,018	4,014	1,105,761	1,053,853		-
-	-	41,913	-	-		-
779,410	778,781	678,251	577,822	-		-
7,965,332	7,782,212	7,561,920	8,400,720	8,541,859		-
-	-	-	-	-		-
(3,893,417)	(3,931,113)	(3,454,424)	(2,599,475)	(2,700,556)		-
<u>\$ 6,035,833</u>	<u>\$ 6,144,853</u>	<u>\$ 6,265,839</u>	<u>\$ 8,519,022</u>	<u>\$ 7,701,864</u>		<u>\$ 8,177,085</u>
\$ -	\$ -	\$ -	\$ -	\$ -		\$ 8,549,327
-	-	-	-	-		(264,536)
-	-	-	-	-		581,417
496,756	501,826	-	-	-		-
5,985	13,270	6,984	17,992	6,205		-
186,500	222,500	258,500	-	-		-
88,627	161,570	809,494	37,809	38,545		-
11,713	11,670	11,650	11,033	11,020		-
27,657,315	23,546,277	13,052,919	10,428,449	7,137,344		-
-	-	2,015,967	2,211,962	2,407,939		-
-	-	320,702	226,431	23,850		-
23,686	36,580	41,069	32,515	32,515		-
-	-	-	8,718	-		-
409,033	332,692	-	-	-		-
-	-	-	-	-		-
(695,873)	(992,508)	(917,874)	(475,466)	(445,774)		-
<u>\$ 28,183,742</u>	<u>\$ 23,833,877</u>	<u>\$ 15,599,411</u>	<u>\$ 12,499,443</u>	<u>\$ -</u>		<u>\$ 8,866,208</u>

CITY OF KENNESAW, GEORGIA

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

	2019	2018	2017	2016
Revenues				
Taxes	\$ 18,956,810	\$ 17,903,060	\$ 16,899,665	\$ 16,157,523
Licenses and permits	1,158,751	501,349	619,747	1,021,664
Intergovernmental	11,740,544	7,367,107	6,226,083	6,578,785
Fines and forfeitures	1,239,307	1,252,470	1,273,309	1,023,977
Charges for services	2,028,941	2,197,437	2,074,738	2,214,625
Contributions	6,099	500	40,000	6,652
Net investment income (loss)	1,428,654	(47,135)	(65,324)	382,654
Other revenues	212,533	159,343	167,422	146,553
Total revenues	36,771,639	29,334,131	27,235,640	27,532,433
Expenditures				
General government	4,156,524	4,185,383	4,044,074	4,087,000
Judicial	399,548	371,684	359,187	356,493
Public safety	8,369,791	7,859,170	7,991,684	7,865,595
Public works	2,283,769	2,343,064	2,453,357	2,791,593
Culture and recreation	1,707,830	1,729,176	2,047,715	2,009,199
Housing and development	1,163,741	1,056,365	1,392,855	957,711
Capital outlay	6,315,422	7,226,205	10,574,153	10,168,328
Debt service				
Principal retirements	1,579,692	1,485,700	1,492,053	1,727,076
Interest and fiscal charges	725,682	811,191	851,670	898,444
Bond issuance costs	-	-	-	-
Total expenditures	26,701,999	27,067,938	31,206,748	30,861,439
Excess (deficiency) of revenues over expenditures	10,069,640	2,266,193	(3,971,108)	(3,329,006)
Other financing sources (uses)				
Proceeds from financed purchases	191,014	51,557	43,948	331,140
Issuance of long-term debt	-	-	-	-
Premiums on issuance of bonds	-	-	-	-
Proceeds from sale of capital assets	23,691	1,900	38,015	490,786
Proceeds from insurance recoveries	-	-	-	-
Transfers in	1,620,702	1,531,509	2,443,370	1,675,696
Transfers out	(2,005,716)	(1,889,476)	(1,681,294)	(1,833,875)
Total other financing sources (uses)	(170,309)	(304,510)	844,039	663,747
Net change in fund balances	\$ 9,899,331	\$ 1,961,683	\$ (3,127,069)	\$ (2,665,259)
Debt service as a percentage of noncapital expenditures	11.45%	11.65%	11.42%	12.70%

(1) 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.

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

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

	2015	2014	2013	2012	2011	2010
\$	15,259,733	\$ 14,676,153	\$ 14,048,042	\$ 13,630,376	\$ 13,687,767	\$ 13,953,303
	546,277	713,680	503,401	623,369	361,815	205,316
	7,459,301	6,776,644	6,990,477	5,012,308	2,620,547	3,605,045 (1)
	1,229,629	1,426,007	1,250,162	1,366,731	1,565,999	2,810,358 (2)
	2,160,110	2,076,668	1,983,715	1,840,532	1,793,016	1,617,446
	57,030	2,600	500	3,250	416,736	5,537
	574,015	626,178	(487,988)	398,003	428,410	323,117
	216,175	1,074,183	180,425	676,014	176,419	207,257
	<u>27,502,270</u>	<u>27,372,113</u>	<u>24,468,734</u>	<u>23,550,583</u>	<u>21,050,709</u>	<u>22,727,379</u>
	4,206,658	4,072,150	4,015,836	3,847,933	4,146,581	3,890,512
	343,440	348,644	364,160	327,480	346,774	318,139
	7,159,379	7,473,688	7,007,318	6,531,773	6,508,128	6,337,895
	2,516,441	3,439,237	2,538,369	2,439,348	2,518,803	2,336,879
	1,985,909	2,098,505	2,271,595	2,245,505	2,325,691	2,194,288
	933,895	940,042	917,761	876,137	1,109,355	983,173
	4,422,545	4,094,162	4,696,980	1,574,897	2,494,414	5,804,036
	1,333,036	3,976,128	1,155,225	702,468	665,292	659,947
	932,058	912,834	928,402	784,579	798,579	842,358
	-	284,291	-	-	-	-
	<u>23,833,361</u>	<u>27,639,681</u>	<u>23,895,646</u>	<u>19,330,120</u>	<u>20,913,617</u>	<u>23,367,227</u>
	3,668,909	(267,568)	573,088	4,220,463	137,092	(639,848)
	761,265	426,711	-	-	-	-
	-	6,425,000	-	159,992	281,236	2,800,000
	-	54,902	-	-	-	-
	6,520	3,700	162,239	5,388	13,331	2,109,262 (3)
	-	11,733	-	-	-	-
	2,125,549	2,678,725	1,944,985	1,385,100	2,006,770	3,830,210
	(2,404,211)	(1,694,476)	(1,834,005)	(1,665,986)	(2,568,214)	(4,679,810)
	<u>489,123</u>	<u>7,906,295</u>	<u>273,219</u>	<u>(115,506)</u>	<u>(266,877)</u>	<u>4,059,662</u>
\$	<u>4,158,032</u>	<u>\$ 7,638,727</u>	<u>\$ 846,307</u>	<u>\$ 4,104,957</u>	<u>\$ (129,785)</u>	<u>\$ 3,419,814</u>
	11.68%	20.81%	10.86%	8.38%	7.95%	8.56%

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	
2010	\$ 638,474,011	\$ 150,468	\$ 309,988,398	\$ 22,573,110	\$ 368,876	\$ 647,580	\$ 9,084,359
2011	576,278,054	150,468	301,069,756	22,532,442	353,636	647,580	8,585,846
2012	545,943,779	156,932	282,375,678	21,470,354	157,740	492,660	8,690,812
2013	471,256,898	156,932	308,901,510	21,218,571	147,900	492,660	10,460,175
2014	464,016,231	142,372	297,715,106	21,303,778	147,900	507,220	11,034,297
2015	503,625,147	128,488	326,699,884	20,260,590	147,900	497,832	11,300,106
2016	544,822,699	128,488	347,217,207	21,127,544	-	497,832	11,408,739
2017	599,615,340	135,828	364,331,546	20,693,720	-	497,500	12,074,923
2018	658,356,108	180,068	402,931,231	21,726,760	-	509,260	13,570,174
2019	720,847,225	211,488	452,189,240	23,380,464	-	551,552	14,530,065

Source: Cobb County Tax Commissioner

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

Note: Residential, commercial and industrial real property values and personal property values for Fiscal Years 2009-2017 have been updated to agree with the Cobb County Tax Digest.

	<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>
\$	220,107,895	57,677	154,075,401	1,047,376,973	9.50	2,618,442,433	40.00%
	203,407,696	7,523	164,821,535	948,211,466	9.50	2,370,528,665	40.00%
	190,096,936	2,614	130,460,662	918,926,843	9.50	2,297,317,108	40.00%
	205,765,662	20,025	123,501,518	894,918,815	9.50	2,237,297,038	40.00%
	217,561,342	5,030	111,462,369	900,970,907	9.50	2,252,427,268	40.00%
	226,498,967	2,844	144,188,291	944,973,467	9.50	2,362,433,668	40.00%
	212,127,794	25,309	163,009,693	974,345,919	9.50	2,435,864,798	40.00%
	222,919,735	9,894	175,434,964	1,044,843,522	9.50	2,612,108,805	40.00%
	225,874,489	-	180,364,288	1,142,783,802	9.50	2,856,959,505	40.00%
	244,428,682	2,614	276,955,288	1,179,186,042	9.50	2,947,965,105	40.00%

CITY OF KENNESAW, GEORGIA

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

Calendar Year	City of Kennesaw		Cobb County	Cobb County Schools	State	Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage				
2010	8.00	1.50	9.60	18.90	0.25	38.25
2011	8.00	1.50	11.11	18.90	0.25	38.25
2012	8.00	1.50	11.11	18.90	0.25	39.76
2013	8.00	1.50	10.91	18.90	0.15	39.76
2014	8.00	1.50	10.71	18.90	0.10	39.46
2015	8.00	1.50	10.51	18.90	0.05	39.21
2016	8.00	1.50	9.85	18.90	0.00	38.25
2017	8.00	1.50	9.85	18.90	0.00	38.25
2018	8.00	1.50	11.45	18.90	0.00	39.85
2019	8.00	1.50	11.45	18.90	0.00	39.85

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	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Bell Fund VI Kennesaw LLC	\$ 24,602,000	1	2.09 %	\$		%
Vesper Kennesaw LLC	22,002,000	2	1.87			
IVT Kennesaw Marketplace	20,085,340	3	1.70			
HM Kennesaw LLC & Columbia Kennesaw LLC	16,385,160	4	1.39			
Wilkinson Kennesaw LLC	16,280,000	5	1.38			
Bridges of Kennesaw LLC	13,793,240	6	1.17			
Prologis LP	11,753,000	7	1.00			
Owens & Minor Distribution	10,664,144	8	0.90	6,497,898	9	0.62
ACC OP LLC	10,381,156	9	0.88			
Park at Kennesaw LLC	10,057,400	10	0.85			
The Trees of Kennesaw				16,290,000	1	1.55
Busbee Development LLC				10,948,000	2	1.04
Atlanta RDC Co.				9,407,028	3	0.89
Kennesaw Gardens Associates LLC				8,379,997	4	0.80
Alta Ridenour LLC				7,960,000	5	0.76
Lakeside Vista Apartments LP				7,306,885	6	0.69
Walton Ridenour LP				6,731,695	7	0.64
Hillside Vista Apartments LLC				6,600,000	8	0.63
NNN St. Charles LLC				6,250,000	10	0.59
	<u>\$ 156,003,440</u>		<u>13.23 %</u>	<u>\$ 86,371,503</u>		<u>8.21 %</u>

Source: Cobb County Tax Commissioner

CITY OF KENNESAW, GEORGIA

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 9,024,356	\$ 8,894,329	98.6%	\$ 114,449	\$ 9,008,778	99.83%
2011	8,476,633	8,303,209	98.0%	133,291	8,436,500	99.53%
2012	8,036,051	7,869,525	97.9%	157,689	8,027,214	99.89%
2013	7,696,157	7,550,158	98.1%	141,313	7,691,471	99.94%
2014	7,744,596	7,585,332	97.9%	151,771	7,737,103	99.90%
2015	8,194,415	8,067,586	98.5%	122,714	8,190,300	99.95%
2016	8,896,627	8,826,150	99.2%	67,210	8,893,360	99.96%
2017	9,484,399	9,408,893	99.2%	71,973	9,480,866	99.96%
2018	9,988,179	9,956,440	99.7%	18,449	9,974,889	99.87%
2019	10,804,271	10,767,151	99.7%	-	10,767,151	99.66%

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

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	Financed Purchases	Bonds Payable	Notes Payable	Financed Purchases			
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
2016	10,105,000	-	9,031,695	992,827	-	-	29,342	20,158,864	2.10%	600
2017	9,540,000	-	8,403,369	734,722	-	-	42,384	18,720,475	1.72%	516
2018	8,945,000	-	7,750,103	545,579	-	-	214,081	17,454,763	1.54%	481
2019	8,325,000	-	7,066,910	456,901	-	-	157,998	16,006,809	1.33%	441

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

CITY OF KENNESAW, GEORGIA

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	Net General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2010	\$ 13,015,000	0.50%	404
2011	12,580,000	0.53%	422
2012	11,547,178	0.50%	414
2013	10,971,749	0.49%	335
2014	10,376,219	0.46%	307
2015	9,860,590	0.42%	286
2016	9,474,956	0.39%	282
2017	8,909,328	0.34%	246
2018	8,313,699	0.29%	229
2019	7,810,182	0.26%	215

(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, 2019**

<u>Governmental Unit</u>	<u>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	\$ 17,290,000	3.77%	\$ 651,833
Total overlapping debt	<u>17,290,000</u>		<u>651,833</u>
City direct debt	<u>15,848,811</u>	100.00%	<u>15,848,811</u>
Total direct and overlapping debt	<u>\$ 33,138,811</u>		<u>\$ 16,500,644</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				
	2010	2011	2012	2013	2014
Debt Limit	\$ 120,145,237	\$ 111,303,300	\$ 104,938,751	\$ 101,842,033	\$ 101,243,328
Total net debt applicable to limit	<u>13,015,000</u>	<u>10,172,061</u>	<u>9,913,038</u>	<u>9,634,033</u>	<u>10,526,219</u>
Legal debt margin	<u>\$ 107,130,237</u>	<u>\$ 101,131,239</u>	<u>\$ 95,025,713</u>	<u>\$ 92,208,000</u>	<u>\$ 90,717,109</u>
Total net debt applicable to the limit as a percentage of debt limit	10.83%	9.14%	9.45%	9.46%	10.40%

	Fiscal Year				
	2015	2016	2017	2018	2019
Debt Limit	\$ 108,916,176	\$ 113,735,561	\$ 122,027,849	\$ 132,314,809	\$ 145,614,133
Total net debt applicable to limit	<u>10,010,590</u>	<u>9,474,956</u>	<u>8,909,328</u>	<u>8,313,699</u>	<u>7,810,182</u>
Legal debt margin	<u>\$ 98,905,586</u>	<u>\$ 104,260,605</u>	<u>\$ 113,118,521</u>	<u>\$ 124,001,110</u>	<u>\$ 137,803,951</u>
Total net debt applicable to the limit as a percentage of debt limit	9.19%	8.33%	7.30%	6.28%	5.36%

Assessed Value	\$ 1,179,186,042
Add back: exempt real property	<u>276,955,288</u>
Total assessed value	1,456,141,330
Debt limit (10% of total assessed value)	145,614,133
Debt applicable to limit:	
General obligation bonds	8,325,000
Less: Amount set aside for repayment of general obligation debt	<u>514,818</u>
Total net debt applicable to limit	<u>7,810,182</u>
Legal debt margin	<u>\$ 137,803,951</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
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%
2016	33,584	960,535	28,601	32.0	4.7%
2017	36,258	1,091,547	30,105	34.6	3.4%
2018	36,300	1,131,725	31,177	32.0	3.9%
2019	36,300	1,200,949	33,084	33.1	2.7%

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	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Tug Technologies Corporation	369	1	1.40 %			
Fabric.com Inc.	234	2	0.89			
Whole Foods	181	3	0.69			
Cintas Corporation	172	4	0.65	141	4	1.18 %
Publix Super Market, Inc. # 559	145	5	0.55	149	3	1.25
Crane Nucler, Inc.	134	6	0.51			
Publix Super Market, Inc. # 1077	128	7	0.49			
Publix Super Market, Inc. # 769	125	8	0.47	120	6	1.01
Shady Grove Rest Home	119	9	0.45	130	5	1.09
Owens & Minor Distribution	101	10	0.38	107	7	0.90
Atlanta Bonded Warehouse				231	1	1.94
Qualistaff Staffing, LLC				198	2	1.66
ERC Parts INC.				104	8	0.87
Infratech Corporation				100	9	0.84
Scholastic Book Fairs, Inc.				100	10	0.84
	<u>1,708</u>		<u>6.48 %</u>	<u>1,380</u>		<u>11.58 %</u>

Source: Various City departments

CITY OF KENNESAW, GEORGIA

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Function					
General government	32	23	24	26	29
Judicial	3	3	3	3	3
Public safety					
Police officers	92	80	84	95	97
Public works	34	22	28	29	33
Culture and recreation	42	26	34	40	39
Housing and development	11	9	11	9	10
Sanitation	2	2	1	1	1
Total	<u>216</u>	<u>165</u>	<u>185</u>	<u>203</u>	<u>212</u>

Source: City of Kennesaw department records

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
26	31	31	33	28
3	3	3	3	3
81	87	78	82	83
31	36	26	29	29
32	39	33	37	34
9	9	10	9	10
1	7	16	17	15
<u>183</u>	<u>212</u>	<u>197</u>	<u>210</u>	<u>202</u>

CITY OF KENNESAW, GEORGIA

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	2019	2018	2017	2016	2015
Police					
Physical arrests	1,497	1,473	876	832	959
Parking violations	419	381	742	981	1,184
Traffic violations	16,297	16,284	13,493	12,891	13,721
Culture and recreation					
Admissions/fees	\$ 1,081,730	\$ 1,186,928	\$ 1,321,345	\$ 1,242,649	\$ 1,203,404
Housing and development					
Building permits issued	95	365	385	443	417
Sanitation					
Number of customers	9,300	9,486	9,329	9,104	9,010

Source: City of Kennesaw Departments

N/A - Information not available

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

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

2014	2013	2012	2011	2010
1,064	1,223	1,268	1,121	1,839
522	599	552	281	272
13,218	14,733	11,300	14,582	14,755
\$ 1,201,026	\$ 1,185,530	\$ 1,159,840	\$1,054,081 (1)	\$ 838,101
449	421	537	254	510
8,478	8,222	8,105	7,915	8,232

CITY OF KENNESAW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Function					
Public safety					
Police					
Stations	1	1	1	1	1
Vehicles	89	93	84	84	86
Public works					
Miles of streets	103	102	99	99	99
Culture and recreation					
Acreage	121	121	121	121	121
Baseball/softball fields	10	10	10	11	11
Soccer/football fields	1	1	1	1	1
Sanitation					
Collection vehicles	-	-	-	-	-

Source: Various City departments

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
1	1	1	1	1
73	80	76	72	70
99	99	99	99	99
121	121	121	121	121
11	11	11	11	11
1	1	1	1	1
-	3	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, 2019, 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 26, 2020.

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.

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. *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.

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

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*.

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

Atlanta, Georgia
March 26, 2020