CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010

Prepared By:
Gina Auld
Finance Director

CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010

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INTRODUCTORY SECTION

MAYOR
Mark Mathews

City Manager
L. Steve Kennedy

City Clerk, CMC
Debra Taylor



COUNCIL
Mayor Pro-Tem Tim Killingsworth
Jeff Duckett
Bruce Jenkins
Bill Thrash
Cris Welsh

February 25, 2011

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Kennesaw, Georgia, for the fiscal year ended September 30, 2010. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) as promulgated by the GASB.

Georgia State statutes and the City charter require an annual audit by independent certified public accountants. The accounting firm of Mauldin & Jenkins, LLC was selected by the City Council. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's report on internal controls and compliance with applicable laws and regulations can be found in the last 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.

Profile of the Government

The City of Kennesaw, originally named Big Shanty, incorporated in 1887. It is located in the northwest part of the State and is 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 9.54 square miles and a population of approximately 32,246. 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 that 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 5 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 various City employees, attorney, auditor and City engineer. In addition, individual members of the City Council are appointed on a rotating basis as liaisons to individual departments of the City in an effort to provide an additional flow of information for decision-making. 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.

Certified City of Ethics

The accompanying CAFR includes all activities, organizations, and functions for which the City is financially accountable. The criteria considered in determining the activities to be reported within the City's financial statements include: 1) whether an organization is part of the City's legal entity, or 2) whether the City appoints the voting majority of the organization's governing body, and either a) the City is able to impose its' will on the organization, or b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. In addition, an organization may be fiscally dependent on the City and also included in its reporting entity.

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 three enterprise operations including sanitation, museum and botanical gardens.

Other legally separate entities, known as component units, are also included in the City's reporting entity based on the criteria discussed above:

Kennesaw Development Authority – an organization that promotes commercial and industrial development in Kennesaw.

Kennesaw Downtown Development Authority – an organization that works to develop, revitalize and promote downtown Kennesaw.

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. The City's budget procedures are more fully explained in the notes to the financial statements.

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

Local Economy

The City is part of metro Atlanta and benefits from the large, diverse economy. As with all of metro Atlanta and the State of Georgia, the City began to experience a downturn in growth of businesses and jobs and a slowdown in development in early 2008. That trend continued through 2010 and is anticipated to continue through 2012 until unemployment and financing improves. Historically, Kennesaw changed from a small, rural town to a growing bedroom community with associated retail and services. In the last two decades the City's economy has diversified with several industrial parks and business parks. The City's proximity to Interstate 75, U. S. Highway 41 and McCollum Airport has added significant commercial and industrial development, especially in light industrial and distribution. The area has varied manufacturing, industrial, corporate office and retail space that affords a diversified economy and stable employment rate. According to the Atlanta Regional Commission (ARC) the I-75 corridor will continue to be a high growth area over the next 20 years. Kennesaw's population is becoming younger and more educated supporting the trend for the City's economy to transform from a bedroom community to a self-sustaining economy. The percentage of City revenue derived from light industrial, retail and professional services will continue to increase relative to residential. Even with the economic downturn the City added approximately 200 new jobs through three industrial expansions and relocations. Overall, the total portfolio of business licenses have remained stable. We anticipate further expansion in businesses and jobs starting late 2012.

Long term financial planning

The City is in the fourth year of a five year set of economic development goals. The goals focus on job creation and retention, tax base creation, increasing property values and economic stability. Initiatives established by the Mayor & Council include rebalancing the tax digest by increasing the land use in the City from 30% industrial and commercial to 40%. There has been a 3% improvement. A complimentary goal is expansion of the City through strategic annexations targeting commercial and industrial development and improving service delivery. In 2010 the City completed three annexations totaling fifty (50) acres. One was an expansion of an existing industry, the second was for a "purpose built" student housing project and the third was for a Science and Math Magnet Charter School. The City is pursuing other annexations totaling 150 acres of commercial property. The City remains committed to redevelopment of downtown. There are four mixed use developments in different development stages the City anticipates being constructed in the next 5 years. The Kennesaw Development Authority (KDA) assembled and acquired a five acre tract downtown and is currently marketing for a mixed-use development. The Kennesaw Downtown Development Authority (KDDA) is evaluating redevelopment of two historic properties and assisted with expansion of a restaurant currently under construction. Redevelopment of the U.S. Highway 41 corridor is a key initiative. Several developments were initiated but stalled. The City, KDA and KDDA are actively working to help restart these projects.

Property taxes represent approximately 60% of the City's General Fund revenues. The property tax digest decreased 1% during Fiscal Year 2010 due to the declining property values and lack of new construction. The City has been planning for the decline in property tax revenue and has reduced their General Fund operating budget by approximately $800,000 over the past three years.

The proceeds of the sale of the water and sewer system are invested in U. S. Government Obligations. Interest earnings on these funds dropped approximately $115,000 during Fiscal Year 2010 due to the decrease in interest rates. This is a 20% decrease since prior year. These investments are reported at fair value and these values dropped as well during Fiscal Year 2010. The City continues to monitor these investments to maximize interest earnings.

Major Initiatives

In June of 2010, the 115 foot lighted pedestrian underpass connecting Main Street with the Depot and Southern Museum in downtown Kennesaw, was completed. The $3 million tunnel will provide safe passage for residents and visitors and make the downtown area more accessible, reduce congestion and enhance traffic flow. The project, a main element of the Downtown Development Authority's master plan for downtown revitalization, was funded almost entirely by federal and state transportation funds.

In December of 2009, the City's Police Department earned accreditation from the Commission for Accreditation for Law Enforcement Agencies, an international agency which sets standards for law enforcement. There are over 17,000 state and local law enforcement agencies in the US; only about 1,000 are enrolled in the accreditation program and 760 are actually accredited. Kennesaw becomes the third Cobb County law enforcement agency, along with the Police Departments in Cobb County and the City of Marietta, and the 38th Police Department in the state to receive accreditation. The department had to put policies and procedures in place to meet 463 standards.

The City received $1.4 million in Department of Treasury drug forfeited funds during Fiscal Year 2010. These funds are federally restricted primarily for public safety enhancements and cannot supplant the City's budget.

Kennesaw was selected in the May 2009 issue of Newsmax magazine as one of the Top 25 Cities & Towns with the Best American Values. Towns were evaluated in nine different categories, including hospitality, wholesomeness, family-friendliness, community activities and scenic beauty. In choosing Kennesaw, editor Peter Greenberg cited the City's great school systems, air quality, green spaces, and easily accessible family-friendly amenities. He also highlights the City's low crime rate attributable to the 1982 handgun ordinance, but credits the long term drop in crime to the Police Department's active involvement with the community.

In 2009, the City of Kennesaw was recognized as a Platinum-Level Start! Fit-Friendly Company by the American Heart Association's Start! movement for helping employees eat better and move more. The City partners with the Community Health Network to offer employees a comprehensive wellness program, including providing a free annual screening of biometrics and bloodwork; providing group and individual coaching on nutrition, healthy eating, tobacco cessation and weight management; and paying cash incentives to staff members who improve their overall wellness. Participation in the program is voluntary, but 86% of staff members took part.

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, 2009. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

We wish to take this opportunity to thank the Mayor and Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. In closing, the preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the 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,

L. Steve Kennedy
City Manager

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF KENNESAW, GEORGIA
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2010

CITY COUNCIL

Mark Mathews	Mayor
Bruce Jenkins	Council Member
Jeff Duckett	Council Member
Tim Killingsworth	Mayor Pro-Tem/Council Member
Bill Thrash	Council Member
Cris Eaton-Welsh	Council Member

APPOINTED OFFICIALS

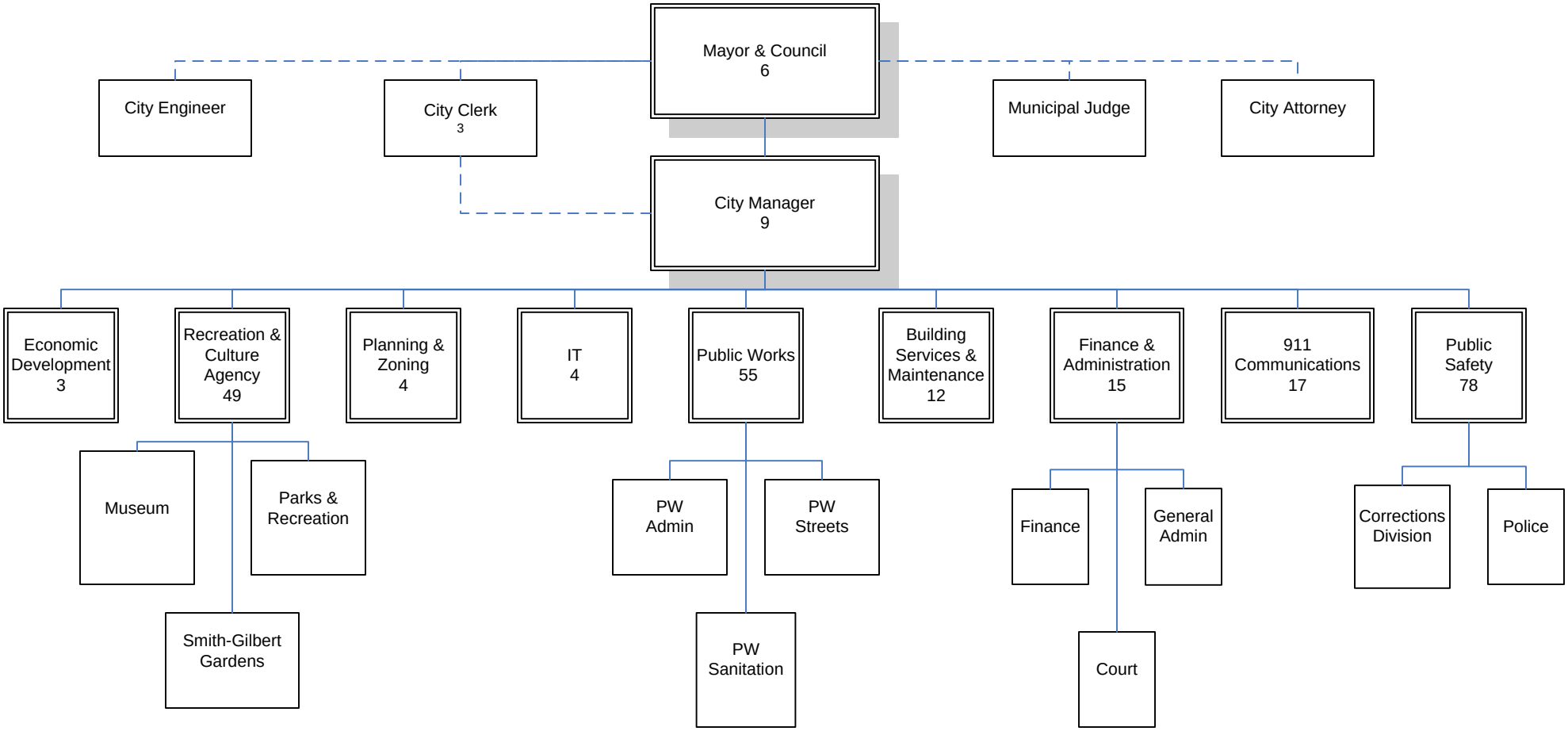
L. Steve Kennedy	City Manager
Bentley, Bentley, Bentley	Attorney
Debra Taylor	City Clerk
Marilyn Shoaf	Assistant City Clerk
Mauldin & Jenkins	Auditors
MacTec Engineering	Engineers
Phillip Taylor	Municipal Court Judge

DEPARTMENT HEADS

Gina Auld	Finance Director
Teri Chambers	IT Director
Doug Davis	Smith-Gilbert Gardens Executive Director
Jeff Drobney	Recreation and Culture Agency Director
Bobbie Duke	E911 Director
Robert Fox	Economic Development Director
Mark Rice	Chief Building Official
Darryl Simmons	Planning & Zoning Administrator
Paul Sprague	GIS Coordinator
Doug Taylor	Parks & Recreation Director
Earnie Via	Public Works Director
William Westenberger	Chief of Police

City of Kennesaw

Organization Chart- City Wide- 255



FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Kennesaw, Georgia** as of and for the year ended September 30, 2010, which collectively comprise the City of Kennesaw, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kennesaw, Georgia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kennesaw, Georgia as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2011, on our consideration of the City of Kennesaw, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Schedule of Funding Progress on pages 3 through 13 and 54 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, 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 schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of federal awards, and the schedule of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 25, 2011

This section of the City Kennesaw, Georgia (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, 2010. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal which can be found at the front of this report.

Financial Highlights

- The City's total assets exceed liabilities by $58,585,884 at the end of the year. This amount includes $40,619,872 invested in capital assets net of accumulated depreciation and related debt, restricted net assets of $11,728,094 and unrestricted net assets of $6,237,918.

- The City's total net assets increased by $3,437,596 (6%) to $58,585,884. The net assets for governmental activities increased by $2,835,733 (6%) and business-type net assets increased by $601,863 (16%).

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $17,043,293, an increase of $3,419,814. The net unreserved fund balance is a deficit of $5,414,657.

- At the end of the current fiscal year, unreserved fund balance for the general fund was a deficit of $5,731,538.

- The City's total debt increased by $2,309,072 (11%) during the current fiscal year as a result of the Kennesaw Urban Redevelopment Agency issuing revenue bonds.

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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 police, culture and recreation, public works and general administration.

- **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 and the Smith-Gilbert Gardens.

- **Component units** – Included in the component units for the City is the Kennesaw Downtown Development Authority and the Kennesaw Development Authority. Although these organizations are separate legal entities, the City is financially accountable for them.

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 three categories: governmental funds, proprietary funds and fiduciary 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 nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, SPLOST fund, the capital projects fund and the Urban Redevelopment Agency which are considered to be major funds. Data from the other five 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 14 and 15 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 and Gardens. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its risk management activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 20-22 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 on pages 23-53 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 benefits to its employees. Required supplementary information can be found on page 54 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. Combining and individual fund statements and schedules can be found on pages 55-67 of this report.

Government-wide Financial Analysis

The following table reflects the condensed Statement of Net Assets for the current year. The City's net assets increased by $3,437,596 (6%) in fiscal year 2010. The net assets of the governmental activities include $37,441,454 investment in capital assets net of related debt. Capital assets of $54,687,878 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation. Related debt includes bonds of $17,215,000 and capital leases of $31,424.

The net assets of the business-type activities include $3,178,418 investment in capital assets net of related debt. Capital assets of $7,247,543 include land, building, other improvements, equipment, and museum artifacts, net of accumulated depreciation. Related debt includes notes of $4,050,000 and capital leases of $19,125.

For more detailed information, see the Statement of Net Assets on page 14 of the financial statements and the notes to the financial statements.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2010	2009	2010	2009	2010	2009	2009-10
ASSETS							
Current and other assets	$ 24,596	$ 21,946	$ 1,834	$ 1,606	$ 26,430	$ 23,552	12.2%
Capital assets	54,688	53,003	7,247	7,099	61,935	60,102	3.0%
Total assets	79,284	74,949	9,081	8,705	88,365	83,654	5.6%
LIABILITIES							
Current and other liabilities	7,463	8,561	861	866	8,324	9,427	-11.7%
Long-term debt outstanding	17,538	14,941	3,917	4,137	21,455	19,078	12.5%
Total Liabilities	25,001	23,502	4,778	5,003	29,779	28,505	4.5%
NET ASSETS							
Invested in capital assets, net of related debt	37,441	37,896	3,178	2,683	40,619	40,579	0.1%
Restricted	11,729	10,454	-	-	11,729	10,454	12.2%
Unrestricted	5,113	3,097	1,125	1,019	6,238	4,116	51.6%
Total Net Assets	$ 54,283	$ 51,447	$ 4,303	$ 3,702	$ 58,586	$ 55,149	6.2%

Changes in Net Assets

The City's total revenues before transfers were $26,807,359 in fiscal year 2010. Expenses before transfers were $23,369,763 during that same period. Governmental and business-type activities combined provided a $3,437,596 increase in net assets.

Governmental activities revenues, before transfers, were $23,472,752 and included $4,803,429 charges for services, $4,396,490 grant and contribution revenues and $9,684,063 in property taxes. The largest governmental activities expenses were for public safety of $7,019,253 (police and jail), public works of $3,634,870, general government of $4,374,745 and recreation of $2,563,539. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues, before transfers, were $3,334,607 and included $2,913,096 charges for services and $420,480 grant and contribution revenues. The largest business-type activity expenses were for salaries and wages of $1,231,085, landfill disposal fees of $326,142 and marketing of $174,068.

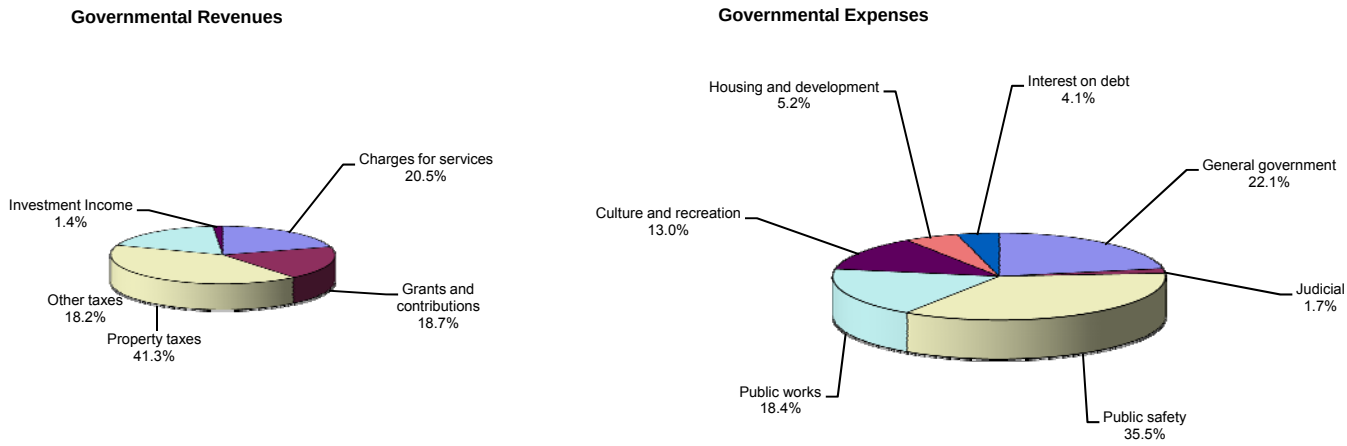
Changes in Net Assets
September 30
(in thousands)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2009-10**
Revenues							
Program Revenues							
Charges for services	$ 4,804	$ 3,385	$ 2,913	$ 2,807	$ 7,717	$ 6,192	25%
Operating grants and contributions	383	797	6	-	389	797	-51%
Capital grants and contributions	4,013	612	414	112	4,427	724	511%
General revenues							
Property taxes	9,684	9,678	-	-	9,684	9,678	0%
Other taxes	4,266	7,005	-	-	4,266	7,005	-39%
Investment income	323	556	1	2	324	558	-42%
Gain from sale of fixed assets	-	7	-	13	-	20	-100%
Miscelleneous	-	1,733	-	-	-	1,733	100%
Total Revenues	23,473	23,773	3,334	2,934	26,807	26,707	0%
Expenses							
General Government	4,375	4,341	-	-	4,375	4,341	1%
Judicial	343	342	-	-	343	342	0%
Public Safety	7,019	6,476	-	-	7,019	6,476	8%
Public Works	3,635	3,601	-	-	3,635	3,601	1%
Culture and Recreation	2,564	2,449	-	-	2,564	2,449	5%
Housing and Development	1,040	1,133	-	-	1,040	1,133	-8%
Interest on long-term debt	811	674	-	-	811	674	20%
Museum		-	1,502	1,480	1,502	1,480	1%
Sanitation		-	1,819	1,465	1,819	1,465	24%
Gardens		-	262	227	262	227	15%
Total Expenses	19,787	19,016	3,583	3,172	23,370	22,188	5%
Excess (Deficiency) before Transfers	3,686	4,757	(249)	(238)	3,437	4,519	-24%
Transfers	(850)	(1,197)	850	1,197	-	-	0.00%
Increase (Decrease) in Net Assets	2,836	3,560	601	959	3,437	4,519	-24%
Beginning Net Assets	51,447	47,887	3,702	2,743	55,149	50,630	9%
Ending Net Assets	$ 54,283	$ 51,447	$ 4,303	$ 3,702	$ 58,586	$ 55,149	6%

Governmental Activities

See page 15 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



Revenue Impacts:

- Property taxes of $9,684,063 provided 41% of governmental revenues for general operations. The M&O millage rate remained at 8.00 mills. The bond millage remained at 1.5 mills which is restricted to service the debt of the general obligation bond issue for recreation and transportation improvements.

- The transfers to proprietary funds were $849,600 which was a $347,295 decrease from the prior year. Funds are transferred to the Museum and Gardens as cash is needed. Less cash was needed during the year; therefore, transfers decreased.

- Charges for services include amounts charged for providing E911 service of $1,037,923, recreation fees of $504,345 and municipal court fines of $1,397,897.

Expense Impacts

- Public Safety expenses increased due to the purchase of seventy (70) X-26 taser units and rising fuel costs.

- Culture and Recreation expenses increased due to the September 2009 flood clean up and debris removal.

- Housing and Development expenses decreased because the City did not contribute to the Edge Connection project as in the prior year.

- Kennesaw Urban Redevelopment Agency issued new bonds during the year and as a result interest expense increased.

Table 4
Business-type Activities
September 30
(in thousands)

FUND	Program Revenues 2010	Program Revenues 2009	Program Expense 2010	Program Expense 2009	Program Income (Loss) 2010	Program Income (Loss) 2009
Museum	$ 737	$ 439	$ 1,501	$ 1,480	$ (764)	$ (1,041)
Sanitation	2,557	2,442	1,819	1,465	738	977
Gardens	40	38	262	227	(222)	(189)
Total	$ 3,334	$ 2,919	$ 3,582	$ 3,172	$ (248)	$ (253)

Program revenues for business-type activities for fiscal year 2010 were $3,333,576, a $414,055 increase compared to the prior year. The increase was due primarily to the Museum receiving two highly valued artifacts during the year. They received a large railroad history collection and a 1864 confederate flag valued at $185,000 and $190,000, respectively. Total program expenses for business-type activities were $3,582,344 in 2010, $410,583 more than the prior year. In the prior year the Sanitation Fund litigation settlement expense was less than originally accrued by approximately $467,000. When the settlement was finalized in the prior fiscal year, the Sanitation Fund expenses were reduced by the $467,000. There was no such adjustment this fiscal year.

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

FUND	Fund Balances 9/30/2009	Revenues/ Sources	Expenditures/ Uses	Revenues/Sources Over (Under) Expenditures/Uses	Fund Balances 9/30/2010
General Fund	$ 8,083	$ 21,316	$ 21,222	$ 94	$ 8,177
SPLOST	5,285	802	144	658	5,943
Capital Projects Fund	456	3,163	3,038	125	581
Urban Redevelopment Agency	-	5,092	2,488	2,604	2,604

At September 30, 2010, the City's governmental funds reported a combined fund balance of $17,043,293, which is a net increase of $3,419,814 from the previous year. The unreserved portion of fund balance was a deficit of $5,414,657. In prior years, the SPLOST fund balance was reported as unreserved fund balance. This year it was reported as reserved fund balance resulting in the deficit unreserved portion of fund balance. During fiscal year 2010, the City incurred approximately $750,000 in grant project expenditures that have not been reimbursed. These receivables have been deferred thereby further reducing fund balance. The reserved portion represents amounts restricted for long-term advances to the E911 Fund, seized assets held by the Police Department, debt service, capital projects and funding from the sale of the water and sewer system that cannot be spent without voter approval.

General Fund
The General Fund had a $94,452 increase in fund balance, to end the fiscal year at $8,177,085.

SPLOST Fund
The SPLOST Fund had an increase in fund balance of $657,830 due to the timing of SPLOST projects. Funds were collected during the year yet project costs have not been incurred.

Capital Projects Fund
The Capital Projects Fund accounts for financial resources used for acquisition or construction of major capital facilities other than those financed by SPLOST funds and proprietary funds. This fund had a $125,835 increase in fund balance. The increase is due to receiving transfers from the General Fund and miscellaneous revenue designated for projects prior to project costs being incurred.

Urban Redevelopment Agency
The URA is a blended component unit reported as a debt service fund that accounts for the resources accumulated and payments made for principal and interest on long-term debt of the City. The fund had a $2,603,872 increase in fund balance due to proceeds from bonds issued during fiscal year 2010.

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 19 of the financial statements.

In October 2009, the City Council appropriated $21,382,625 for general fund expenditures in the 2010 fiscal year budget. The City's legal level of budgeting control is at the department level. The City made several budget transfers during the year and any made between departments were approved by the Mayor & Council.

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

Revenues:

- Charges for services were under budget because recreation fees and event income was down as a result of the economy. Fingerprint revenue was also down.
- Intergovernmental revenue which includes grants came in under budget due to delays in receiving federal grant reimbursements for the pedestrian underpass and the flood projects.
- Declining interest rates and market values of investments caused interest earnings to come in under budget.

Expenditures:

- Mayor & Council election expenditures and group insurance came in under budget due to the number of elections down from the prior year and a retired Council member no longer covered by the City's insurance.
- Information Technology software maintenance and group insurance came in under budget due to renegotiating of maintenance contracts and employee insurance coverage changes.
- The Building Department salaries came in under budget due to the postponement of hiring part time staff.
- Corrections group insurance came in under budget due to employee insurance coverage changes.
- Public Works Central Services, Highways and Streets salaries and group insurance came in under budget due to staff changes which in turn affected group insurance.

Other Financing Sources (Uses):

- Proceeds from capital asset sales were under budget due to a decline of assets sold compared to the prior year.
- Transfers to the Cemetery Fund were down compared to budget since the Cemetery Fund did not have as many projects as anticipated.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounted to $61,935,421 (net of accumulated depreciation of $28,329,028). 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 3%. 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 Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 13,811	$ 13,265	$ 7	$ 7	$ 13,818	$ 13,272
Construction in progress	788	2,004	-	-	788	2,004
Museum artifacts	-	-	553	155	553	155
Buildings and improvements	7,138	7,398	6,101	6,231	13,239	13,629
Park land	7,038	3,489	-	-	7,038	3,489
Infrastructure	23,562	24,060	-	-	23,562	24,060
Furniture, machinery and equipment	1,662	1,926	240	290	1,902	2,216
Vehicles	689	861	347	416	1,036	1,277
Total	$ 54,688	$ 53,003	$ 7,248	$ 7,099	$ 61,936	$ 60,102

This year's major capital asset additions included:

Governmental Activities:

- Woodland Acres project - $163,254
- Legacy Park Culvert project - $334,725
- Intersection and signalization projects - $45,394
- City wide trails - $149,035
- Butch Thompson property flood project - $248,444
- Various SPLOST road projects - $144,063
- Pedestrian Underpass project - $2,502,975

Business-type Activities:

- Museum Jolley Education Center - $55,000

Kennesaw Downtown Development Authority:

- Way-Finding Signage project – $145,704

Long-Term Debt

At the end of 2010 fiscal year, the City had $22,900,818 in outstanding long-term debt. This is a net increase of $2,309,072 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 $120,145,237, which is in excess of the City's outstanding general obligation debt.

Table 7
Outstanding Debt at September 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	$ 13,015	$ 13,440	$ -	$ -	$ 13,015	$ 13,440
Revenue Bonds	4,200	1,525	-	-	4,200	1,525
Leases Payable	31	141	19	117	50	258
Claims and judgments	-	-	-	-	-	-
Notes Payable	-	-	4,050	4,300	4,050	4,300
OPEB obligation	798	386	128	64	926	450
Compensated absences	604	565	56	54	660	619
Total	$ 18,648	$ 16,057	$ 4,253	$ 4,535	$ 22,901	$ 20,592

Economic and Next Year's Budget and Rates

Funding for the City's governmental activities is derived from property tax, other taxes, fees (franchise fees and occupational licenses), grants and investment earnings. During the FY 2011 budget process, the City considered projections on the state and local economy to estimate tax revenues for the proposed budget. As a result of these projections the City's general fund budget for FY11 was $3 million less than FY10. The FY11 budget was $18,958,646.

The downturn in the economy has prompted an increase in property tax appeal. There were a record number of property tax appeals filed by homeowners during 2010. Cobb County's preliminary tax projections for 2011 indicate a decrease in the overall County tax digest of 5-6%. The City is anticipating this same reduction in the City tax digest. The City is preparing for this property tax decrease by continuing to cut their budget as noted in the FY11 budget reduction.

Issuance of building permits was up slightly over the prior year which resulted in building permits and plan review fees increasing approximately $25,000. The City is anticipating that this trend will continue into FY11. Occupational tax revenue remained consistent with prior year and the City is anticipating that this revenue will remain consistent in FY11.

Revenues for the business-type activities and certain governmental activities (recreational programs and permitting) come from user fees. In the past, the City's water utility generated significant revenue for the City. The City Council decided to sell the City's water utility effective December 2005. The Council restricted $9 million of the $12 million sales proceeds to be invested in such a manner as to offset the revenue loss due to the sale. It was calculated the investment must yield approximately a 5% return to accomplish this goal. This past fiscal year has been a challenge accomplishing this goal due to the declining interest rates.

The voters passed a county wide SPLOST in 2005. It is projected the City will receive $9.1 million as its share over the term of the SPLOST. This is comprised of $5.6 million for major projects, $429,000 for 800 MHZ radios, $2.6 million for miscellaneous projects and $520,000 for resurfacing projects. It is anticipated $905,000 will be received during fiscal year 2011. Sales are down; therefore, the City's share of SPLOST revenue has decreased.

In the past, the City has resurfaced streets under the Georgia Department of Transportation's Local Assistance Road Program (LARP). LARP funds typically have covered approximately 30-34% of the total cost of the City's resurfacing projects in this program. The LARP funding was cut by the Georgia Department of Transportation for fiscal year 2010 but was approved for fiscal year 2011. The City relies on SPLOST, LARP and local funds for resurfacing projects.

Financial Contact

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Development Authority
Cash and cash equivalents	$ 10,808,342	$ 719,316	$ 11,527,658	$ 3,821	$ 107,131
Taxes receivable	342,747	-	342,747	-	-
Other receivables	1,412,123	6,924	1,419,047	50,000	-
Accounts receivable, net of allowances	-	314,376	314,376	-	18,375
Due from other governments	1,237,596	-	1,237,596	-	-
Due from component unit	2,392,440	-	2,392,440	-	-
Internal balances	(699,148)	699,148	-	-	-
Land held for resale	-	-	-	-	2,312,919
Inventory	14,299	57,090	71,389	-	-
Prepaid items	121,697	36,905	158,602	-	-
Restricted cash	1,297,517	-	1,297,517	-	-
Restricted investments	7,403,540	-	7,403,540	-	-
Deferred charges, unamortized balance	264,446	-	264,446	-	-
Note receivable from primary government	-	-	-	4,050,000	-
Interest receivable from primary government	-	-	-	58,539	-
Capital assets:					
Non-depreciable	14,598,456	560,327	15,158,783	210,000	-
Depreciable, net of accumulated depreciation	40,089,422	6,687,216	46,776,638	471,781	-
Total assets	79,283,477	9,081,302	88,364,779	4,844,141	2,438,425
LIABILITIES					
Accounts payable	784,363	98,395	882,758	53,031	11,525
Accrued liabilities	789,516	260,931	1,050,447	1,500	-
Accrued interest payable	148,046	58,539	206,585	58,539	-
Unearned revenue	130,457	107,830	238,287	-	-
Due to primary government	-	-	-	82,586	2,309,854
Tax anticipation note payable	4,500,000	-	4,500,000	-	-
Net OPEB obligation due in more than one year	797,672	127,503	925,175	-	-
Compensated absences, due within one year	513,856	55,726	569,582	-	-
Compensated absences, due in more than one year	90,512	-	90,512	-	-
Notes payable to component unit, due within one year	-	260,000	260,000	-	-
Notes payable to component unit, due in more than one yea	-	3,790,000	3,790,000	-	-
Notes payable, due within one year	-	-	-	11,204	-
Notes payable, due in more than one year	-	-	-	142,230	-
Capital leases, due within one year	31,424	19,125	50,549	-	-
Bonds payable, due within one year	565,000	-	565,000	260,000	-
Bonds payable, due in more than one year	16,650,000	-	16,650,000	3,790,000	-
Total liabilities	25,000,846	4,778,049	29,778,895	4,399,090	2,321,379
NET ASSETS					
Invested in capital assets, net of related debt	37,441,454	3,178,418	40,619,872	528,347	-
Restricted for debt service	1,676,818	-	1,676,818	-	-
Restricted for other purposes	8,550,978	-	8,550,978	-	-
Restricted for public safety	1,500,298	-	1,500,298	-	-
Unrestricted	5,113,083	1,124,835	6,237,918	(83,296)	117,046
Total net assets	$ 54,282,631	$ 4,303,253	$ 58,585,884	$ 445,051	$ 117,046

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, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 4,374,745	$ 167,078	$ 370,524	$ -
Judicial	343,934	1,397,897	-	-
Public safety	7,019,253	2,505,270	12,691	-
Public works	3,634,870	27,878	-	3,907,738
Culture and recreation	2,563,539	581,384	-	105,537
Housing and development	1,039,995	123,922	-	-
Interest on long-term debt	811,083	-	-	-
Total governmental activities	19,787,419	4,803,429	383,215	4,013,275
Business-type activities:				
Sanitation	1,818,853	2,556,419	-	-
Museum	1,501,346	322,700	-	414,127
Gardens	262,145	33,977	6,353	-
Total business-type activities	3,582,344	2,913,096	6,353	414,127
Total primary government	$ 23,369,763	$ 7,716,525	$ 389,568	$ 4,427,402
Component units:				
Downtown Development Authority	$ 213,709	$ 21,456	$ -	$ -
Development Authority	47,648	-	-	-
Total component units	$ 261,357	$ 21,456	$ -	$ -

General revenues:
- Property taxes
- Franchise taxes
- Insurance premium taxes
- Business taxes
- Other taxes
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

Net (Expenses) Revenues and Changes in Net Assets					
Primary Government				Component Units	
Governmental Activities	Business-type Activities	Total		Downtown Development Authority	Development Authority
$ (3,837,143)	$ -	$ (3,837,143)		$ -	$ -
1,053,963	-	1,053,963		-	-
(4,501,292)	-	(4,501,292)		-	-
300,746	-	300,746		-	-
(1,876,618)	-	(1,876,618)		-	-
(916,073)	-	(916,073)		-	-
(811,083)	-	(811,083)		-	-
(10,587,500)	-	(10,587,500)		-	-
-	737,566	737,566		-	-
-	(764,519)	(764,519)		-	-
-	(221,815)	(221,815)		-	-
-	(248,768)	(248,768)		-	-
(10,587,500)	(248,768)	(10,836,268)		-	-
-	-	-		(192,253)	-
-	-	-		-	(47,648)
$ -	$ -	$ -		$ (192,253)	$ (47,648)
$ 9,684,063	$ -	$ 9,684,063		$ -	$ -
1,585,542	-	1,585,542		-	-
1,166,804	-	1,166,804		-	-
962,611	-	962,611		-	-
550,638	-	550,638		-	-
323,175	1,031	324,206		12	80
-	-	-		264,940	79,263
(849,600)	849,600	-		-	-
13,423,233	850,631	14,273,864		264,952	79,343
2,835,733	601,863	3,437,596		72,699	31,695
51,446,898	3,701,390	55,148,288		372,352	85,351
$ 54,282,631	$ 4,303,253	$ 58,585,884		$ 445,051	$ 117,046

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

ASSETS	General Fund	SPLOST Fund	Capital Projects Fund	Urban Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 3,129,452	$ 5,975,920	$ 735,669	$ 494,710	$ 464,996	$ 10,800,747
Taxes receivable	333,628	-	-	-	9,119	342,747
Other receivables	1,266,229	-	5,511	-	136,850	1,408,590
Due from other governments	1,225,233	12,363	-	-	-	1,237,596
Due from other funds	3,031	-	-	2,109,162	390	2,112,583
Due from component unit	2,392,440	-	-	-	-	2,392,440
Restricted cash	1,297,517	-	-	-	-	1,297,517
Restricted investments	7,403,540	-	-	-	-	7,403,540
Advances to other funds	776,821	-	-	-	-	776,821
Inventory	14,299	-	-	-	-	14,299
Prepaid expenditures	118,987	-	-	-	2,710	121,697
Total assets	$ 17,961,177	$ 5,988,283	$ 741,180	$ 2,603,872	$ 614,065	$ 27,908,577
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 421,977	$ 45,538	$ 159,409	$ -	$ 57,115	$ 684,039
Accrued liabilities	614,083	-	-	-	20,219	634,302
Deferred revenues	1,166,651	-	-	-	-	1,166,651
Due to other funds	3,069,792	-	354	-	21,736	3,091,882
Advances from other funds	-	-	-	-	776,821	776,821
Tax anticipation note payable	4,500,000	-	-	-	-	4,500,000
Accrued interest	11,589	-	-	-	-	11,589
Total liabilities	9,784,092	45,538	159,763	-	875,891	10,865,284
FUND BALANCES						
Fund balances:						
Reserved for:						
Long-term advances	776,821	-	-	-	-	776,821
Inventories	14,299	-	-	-	-	14,299
Prepaid expenditures	118,987	-	-	-	2,710	121,697
Public safety expenditures	1,500,298	-	-	-	-	1,500,298
Debt service	1,676,818	-	-	2,603,872	-	4,280,690
Capital projects	1,270,422	5,942,745	-	-	-	7,213,167
Other purposes	8,550,978	-	-	-	-	8,550,978
Unreserved, reported in:						
General fund	(5,731,538)	-	-	-	-	(5,731,538)
Special revenue funds	-	-	-	-	(264,536)	(264,536)
Capital projects funds	-	-	581,417	-	-	581,417
Total fund balances	8,177,085	5,942,745	581,417	2,603,872	(261,826)	17,043,293
Total liabilities and fund balances	$ 17,961,177	$ 5,988,283	$ 741,180	$ 2,603,872	$ 614,065	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	54,687,878
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,036,194
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(17,722,803)
Net OPEB obligations are not due and payable in the current period and, therefore are not reported in the funds.	(797,672)
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.	35,741
Net assets of governmental activities	$ 54,282,631

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, 2010

	General Fund	SPLOST Fund	Capital Projects Fund	Urban Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 13,925,819	$ -	$ -	$ -	$ 27,484	$ 13,953,303
Licenses and permits	196,922	-	-	-	8,394	205,316
Intergovernmental	2,803,151	801,894	-	-	-	3,605,045
Fines and forfeitures	2,806,558	-	-	-	3,800	2,810,358
Charges for services	577,459	-	-	-	1,039,987	1,617,446
Contributions	5,537	-	-	-	-	5,537
Interest income	321,701	-	916	99	401	323,117
Other revenues	170,309	-	24,257	-	12,691	207,257
Total revenues	20,807,456	801,894	25,173	99	1,092,757	22,727,379
EXPENDITURES						
Current:						
General government	3,884,257	-	6,255	-	-	3,890,512
Judicial	318,139	-	-	-	-	318,139
Public safety	5,227,792	-	-	-	1,110,103	6,337,895
Public works	2,328,467	-	-	-	8,412	2,336,879
Culture and recreation	2,180,807	-	-	-	13,481	2,194,288
Housing and development	983,173	-	-	-	-	983,173
Capital outlay	518,680	144,064	3,032,130	2,109,162	-	5,804,036
Debt service:						
Principal retirements	534,947	-	-	125,000	-	659,947
Interest and fiscal charges	588,362	-	-	253,996	-	842,358
Total expenditures	16,564,624	144,064	3,038,385	2,488,158	1,131,996	23,367,227
Excess (deficiency) of revenues over (under) expenditures	4,242,832	657,830	(3,013,212)	(2,488,059)	(39,239)	(639,848)
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt	-	-	-	2,800,000	-	2,800,000
Proceeds from sale of capital assets	100	-	-	2,109,162	-	2,109,262
Transfers in	508,394	-	3,139,047	182,769	-	3,830,210
Transfers out	(4,656,874)	-	-	-	(22,936)	(4,679,810)
Total other financing sources (uses)	(4,148,380)	-	3,139,047	5,091,931	(22,936)	4,059,662
Net change in fund balance	94,452	657,830	125,835	2,603,872	(62,175)	3,419,814
FUND BALANCES (DEFICIT), beginning of year	8,082,633	5,284,915	455,582	-	(199,651)	13,623,479
FUND BALANCES (DEFICIT), end of year	$ 8,177,085	$ 5,942,745	$ 581,417	$ 2,603,872	$ (261,826)	$ 17,043,293

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 20, 2010

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

Net change in fund balances - total governmental funds	$	3,419,814
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 in the current period.		3,837,530
The net effect of various miscellaneous transactions involving capital assets (sales) is to decrease net assets.		(2,152,430)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		745,315
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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(2,081,861)
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.		(454,804)
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.		(477,831)
Change in net assets - governmental activities	$	2,835,733

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 13,475,217	$ 13,824,217	$ 13,925,819	$ 101,602
Licenses and permits	170,159	187,159	196,922	9,763
Fines and forfeitures	1,643,712	2,429,176	2,806,558	377,382
Charges for services	670,356	677,656	577,459	(100,197)
Intergovernmental	3,296,461	3,475,121	2,803,151	(671,970)
Contributions	8,000	11,787	5,537	(6,250)
Interest	765,000	460,500	321,701	(138,799)
Miscellaneous	147,908	128,626	170,309	41,683
Total revenues	20,176,813	21,194,242	20,807,456	(386,786)
EXPENDITURES				
Current:				
General government:				
Mayor and council	559,315	549,973	482,333	67,640
City manager	882,274	811,324	801,674	9,650
Financial administration	639,564	642,064	642,019	45
Legal and audit	319,000	396,300	393,544	2,756
Information technology	852,416	844,485	788,646	55,839
Buildings	976,100	827,356	776,041	51,315
Total general government	4,228,669	4,071,502	3,884,257	187,245
Judicial	336,949	336,949	318,139	18,810
Public safety:				
Police	4,069,540	4,479,030	4,470,188	8,842
Corrections	743,289	774,289	757,604	16,685
Total public safety	4,812,829	5,253,319	5,227,792	25,527
Public works:				
Central services	832,270	866,270	836,391	29,879
Highways and streets	1,327,869	1,558,862	1,492,076	66,786
Total public works	2,160,139	2,425,132	2,328,467	96,665
Culture and recreation	2,085,279	2,204,529	2,180,807	23,722
Housing and development:				
Construction and inspection	310,660	315,992	315,042	950
Planning and zoning	307,810	280,971	280,178	793
Economic development	309,449	389,449	387,953	1,496
Total housing and development	927,919	986,412	983,173	3,239
Capital outlay	599,057	639,582	518,680	120,902
Debt service				
Principal	862,561	539,761	535,060	4,701
Interest	759,492	588,252	588,249	3
Total debt service	1,622,053	1,128,013	1,123,309	4,704
Total expenditures	16,772,894	17,045,438	16,564,624	480,814
Excess of revenues over expenditures	3,403,919	4,148,804	4,242,832	94,028
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	10,000	100	(9,900)
Issuance of long-term debt	118,000	124	-	(124)
Transfers in	1,077,812	512,441	508,394	(4,047)
Transfers out	(4,609,731)	(4,671,369)	(4,656,874)	14,495
Total other financing sources (uses)	(3,403,919)	(4,148,804)	(4,148,380)	424
Net change in fund balances	-	-	94,452	94,452
FUND BALANCES, beginning of year	8,082,633	8,082,633	8,082,633	-
FUND BALANCES, end of year	$ 8,082,633	$ 8,082,633	$ 8,177,085	$ 94,452

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

ASSETS	Business-type Activities - Enterprise Funds: Sanitation Fund	Museum Fund	Non-major Enterprise Fund: Gardens Fund	Totals	Governmental Activities Internal Service Fund
CURRENT ASSETS					
Cash	$ 573,685	$ 139,353	$ 6,278	$ 719,316	$ 7,595
Accounts receivable	314,376	-	-	314,376	3,533
Other receivables	-	494	6,430	6,924	-
Due from other funds	671,361	14,642	-	686,003	302,181
Inventory	-	57,090	-	57,090	-
Prepaids	32,605	4,277	23	36,905	-
Total current assets	1,592,027	215,856	12,731	1,820,614	313,309
CAPITAL ASSETS					
Non-depreciable assets	-	560,327	-	560,327	-
Depreciable assets	1,027,719	7,819,092	48,547	8,895,358	-
	1,027,719	8,379,419	48,547	9,455,685	-
Accumulated depreciation	(632,442)	(1,567,804)	(7,896)	(2,208,142)	-
	395,277	6,811,615	40,651	7,247,543	-
Total assets	1,987,304	7,027,471	53,382	9,068,157	313,309
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	18,197	61,895	18,303	98,395	100,324
Accrued liabilities	19,263	75,197	4,381	98,841	155,214
Deposits payable	220,629	-	-	220,629	-
Compensated absences payable	25,642	20,310	9,774	55,726	-
Due to other funds	5,971	2,098	816	8,885	-
Unearned revenue	107,830	-	-	107,830	-
Capital lease, due within one year	19,125	-	-	19,125	-
Notes payable, due within one year	-	260,000	-	260,000	-
Total current liabilities	416,657	419,500	33,274	869,431	255,538
NONCURRENT LIABILITIES					
Note payable, due in more than one year	-	3,790,000	-	3,790,000	-
Net OPEB liability	66,139	49,642	11,722	127,503	-
Total noncurrent liabilities	66,139	3,839,642	11,722	3,917,503	-
Total liabilities	482,796	4,259,142	44,996	4,786,934	255,538
NET ASSETS					
Invested in capital assets, net of related deb	376,152	2,761,615	40,651	3,178,418	-
Unrestricted	1,128,356	6,714	(32,265)	1,102,805	57,771
Total net assets	$ 1,504,508	$ 2,768,329	$ 8,386	4,281,223	$ 57,771
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				22,030	
Net assets of business-type activities				$ 4,303,253	

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds				
	Sanitation Fund	Museum Fund	Non-major Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
OPERATING REVENUE					
Sanitation fees	$ 2,542,969	$ -	$ -	$ 2,542,969	$ -
Charges for sales and services	13,450	255,226	18,253	286,929	2,166,213
Miscellaneous	-	67,474	15,724	83,198	-
Total operating revenues	2,556,419	322,700	33,977	2,913,096	2,166,213
OPERATING EXPENSES					
Cost of sales and services	1,697,913	1,065,536	248,443	3,011,892	112,957
Claims	-	-	-	-	2,579,388
Depreciation	81,055	224,410	5,754	311,219	-
Total operating expenses	1,778,968	1,289,946	254,197	3,323,111	2,692,345
Operating income (loss)	777,451	(967,246)	(220,220)	(410,015)	(526,132)
NON-OPERATING INCOME (EXPENSES)					
Interest income	909	118	4	1,031	58
Intergovernmental	-	-	6,353	6,353	-
Interest expense	(4,762)	(183,201)	-	(187,963)	-
Total non-operating income (expenses)	(3,853)	(183,083)	6,357	(180,579)	58
Income (loss) before transfers and contributions	773,598	(1,150,329)	(213,863)	(590,594)	(526,074)
Capital contributions	-	414,127	-	414,127	-
Transfers in	-	1,151,716	197,884	1,349,600	-
Transfers out	(500,000)	-	-	(500,000)	-
	(500,000)	1,565,843	197,884	1,263,727	-
Change in net assets	273,598	415,514	(15,979)	673,133	(526,074)
Total net assets, beginning of year	1,230,910	2,352,815	24,365		583,845
Total net assets, end of year	$ 1,504,508	$ 2,768,329	$ 8,386		$ 57,771
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				(71,270)	
Change in net assets of business-type activities				$ 601,863	

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, 2010

	Business-type Activities - Enterprise Funds				
	Sanitation Fund	Museum Fund	Non-major Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 2,562,326	$ 328,520	$ 33,547	$ 2,924,393	$ 2,209,427
Payments to suppliers	(2,054,560)	(429,233)	(80,792)	(2,564,585)	(2,238,092)
Payments to employees	(589,911)	(612,059)	(146,308)	(1,348,278)	-
Net cash used in operating activities	(82,145)	(712,772)	(193,553)	(988,470)	(28,665)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	-	1,161,048	197,884	1,358,932	-
Transfers out to other funds	(500,000)	-	-	(500,000)	-
Net cash provided by (used in) non-capital financing activities	(500,000)	1,161,048	197,884	858,932	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on notes payable	-	(250,000)	-	(250,000)	-
Principal payments on capital lease	(97,689)	-	-	(97,689)	-
Interest paid	(4,762)	(187,009)	-	(191,771)	-
Grants and capital contributions	-	15,848	353	16,201	-
Net cash provided by (used in) capital and related financing activities	(102,451)	(421,161)	353	(523,259)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	909	118	4	1,031	58
Net cash provided by investing activities	909	118	4	1,031	58
Net increase (decrease) in cash	(683,687)	27,233	4,688	(651,766)	(28,607)
Cash, beginning of year	1,257,372	112,120	1,590	1,371,082	36,202
Cash, end of year	$ 573,685	$ 139,353	$ 6,278	$ 719,316	$ 7,595
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	$ 777,451	$ (967,246)	$ (220,220)	$ (410,015)	$ (526,132)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:					
Depreciation and amortization	81,055	224,410	5,754	311,219	-
Change in assets and liabilities:					
Decrease in other receivable	-	5,820	-	5,820	-
Decrease (increase) in accounts receivable	(19,717)	-	(430)	(20,147)	43,214
Decrease (increase) in due from other funds	(671,199)	-	4,898	(666,301)	308,670
Increase in prepaid items	(13,887)	(147)	(11)	(14,045)	-
Decrease in inventory	-	66	-	66	-
Increase (decrease) in accounts payable	(29,573)	(4,752)	6,493	(27,832)	100,324
Increase (decrease) in accrued liabilities	(721)	1,723	409	1,411	45,415
Increase in customer deposits payable	20,881	-	-	20,881	-
Increase in OPEB liability	31,783	25,517	7,192	64,492	
Increase (decrease) in compensated absences payable	(245)	(261)	1,808	1,302	-
Increase in unearned revenue	4,743	-	-	4,743	-
Increase (decrease) in due to other funds	(262,716)	2,098	554	(260,064)	(156)
Net cash used in operating activities	$ (82,145)	$ (712,772)	$ (193,553)	$ (988,470)	$ (28,665)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	$ -	$ 398,279	$ -	$ 398,279	$ -

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

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. Each 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 Units

The Kennesaw Downtown Development Authority (the "KDDA") has been included as a discretely presented 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. Financial information with regard to the KDDA can be obtained from Kennesaw City Hall. Separate financial statements for the Kennesaw Downtown Development Authority are not prepared.

The Kennesaw Development Authority (the "KDA") has been included as a discretely presented 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. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 discretely presented component units. The statement of net assets 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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. 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.

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

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. 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.

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 **Capital Projects 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.

The **Urban Redevelopment Agency** is a debt service fund that accounts for the resources accumulated and payments made for principal and interest on long-term debt of the City.

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 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 to expenditures for particular purposes.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deposits and Investments

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

F. Receivables and Payables

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

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

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2010, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

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

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

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

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

J. Compensated Absences

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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 assets. Bond premiums and discounts, as well as issuance costs, 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 deferred charges.

Proprietary fund type loans payable are reported as liabilities at their outstanding value. Loan issuance costs are reported as deferred charges and amortized over the term of the loan using straight-line, which is determined to not be materially different from the effective interest method.

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.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. 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 Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. 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 $17,722,803 difference are as follows:

Capital leases payable	$	(31,424)
Bonds payable		(17,215,000)
Bond issuance costs		264,446
Accrued interest payable		(136,457)
Compensated absences		(604,368)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(17,722,803)

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 assets 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 $3,837,530 difference are as follows:

Capital outlay	$	5,818,794
Depreciation expense		(1,981,264)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	3,837,530

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 assets." The details of this $2,081,861 difference are as follows:

Proceeds from issuance of long-term debt	$	(2,800,000)
Deferral of fiscal charges upon issuance		81,684
Amortization of premium and deferred charges		(23,492)
Principal retirement of long-term debt		659,947
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(2,081,861)

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 $477,831 difference are as follows:

Compensated absences	$	(39,310)
Change in OPEB accrual		(411,604)
Accrued interest		(26,917)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(477,831)

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. The City Manager is authorized to transfer budget amounts within a department; however, any revisions that alter the total expenditures of a department require a budget amendment by the City Council. Budget amounts shown in these financial statements reflect amendments approved by the City Council. Such amendments resulted in no supplemental appropriations.

NOTE 4. DEPOSITS AND INVESTMENTS

As of September 30, 2010, the City of Kennesaw had the following investments:

Investment	Maturities	Fair Value
U.S. Government obligations	10 - 15 years	$ 1,382,953
U.S. Government obligations	15 - 20 years	3,751,820
U.S. Government obligations	20 - 25 years	2,268,767
Total		$ 7,403,540

Interest rate risk: The City does not have a formal policy that addresses interest rate risk. At September 30, 2010 the above investments were subject to interest rate risk. Interest rate risk is the risk that a government may face should changes in interest rates affect the fair value of its investments.

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

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The City does not have a formal policy to address credit risk aside from adherence to State statutes for investments. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of September 30, 2010, the City's investment in the U.S. Government obligations was rated Aaa by Moody's.

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, and City policy, require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2010, the City had approximately $1,147,000 of cash as unsecured and uncollateralized. However, these funds were secured and collateralized in accordance with State law within ten days.

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 revenues when assessed. Revenues are recognized when available.

Receivables at September 30, 2010, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	SPLOST	Capital Projects	Sanitation	Museum	Other Nonmajor Funds
Receivables:						
Taxes	$ 374,532	$ -	$ -	$ -	$ -	$ 9,119
Accounts	-	-	-	528,845	-	136,850
Due from other governments	1,225,233	12,363	-	-	-	-
Other	1,291,229	-	5,511	-	494	6,430
Less allowance for uncollectible	(65,904)	-	-	(214,469)	-	-
Net total receivable	$ 2,825,090	$ 12,363	$ 5,511	$ 314,376	$ 494	$ 152,399

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2010, is as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 13,264,682	$ 2,109,162	$ 546,000	$ (2,109,162)	$ 13,810,682
Construction in progress	2,004,106	488,665	(1,704,997)	-	787,774
Total	15,268,788	2,597,827	(1,158,997)	(2,109,162)	14,598,456
Capital assets, being depreciated:					
Buildings	10,109,791	35,825	-	-	10,145,616
Infrastructure	41,919,446	614,817	3,507	(64,580)	42,473,190
Machinery and equipment	3,647,825	43,943	-	-	3,691,768
Land improvements	3,696,290	2,502,975	1,155,490	-	7,354,755
Vehicles	2,539,572	23,407	-	(18,000)	2,544,979
Total	61,912,924	3,220,967	1,158,997	(82,580)	66,210,308
Less accumulated depreciation for:					
Buildings	(2,711,624)	(296,115)	-	-	(3,007,739)
Infrastructure	(17,859,409)	(1,072,683)	-	21,312	(18,910,780)
Machinery and equipment	(1,722,390)	(307,438)	-	-	(2,029,828)
Land improvements	(207,310)	(109,050)	-	-	(316,360)
Vehicles	(1,678,201)	(195,978)	-	18,000	(1,856,179)
Total	(24,178,934)	(1,981,264)	-	39,312	(26,120,886)
Total capital assets, being depreciated, net	37,733,990	1,239,703	1,158,997	(43,268)	40,089,422
Governmental activities capital assets, net	$ 53,002,778	$ 3,837,530	$ -	$ (2,152,430)	$ 54,687,878

NOTE 6. CAPITAL ASSETS (Continued)

Business-type activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Museum artifacts	$ 155,048	$ 398,279	$ -	$ -	$ 553,327
Land	7,000	-	-	-	7,000
Total	162,048	398,279	-	-	560,327
Capital assets, being depreciated:					
Buildings and structures	7,359,985	55,000	-	-	7,414,985
Furniture and fixtures	83,736	-	-	-	83,736
Vehicles	915,794	-	-	-	915,794
Machinery and equipment	474,843	6,000	-	-	480,843
Total	8,834,358	61,000	-	-	8,895,358
Less accumulated depreciation for:					
Buildings and structures	(1,128,798)	(185,284)	-	-	(1,314,082)
Furniture and fixtures	(13,658)	(14,509)	-	-	(28,167)
Vehicles	(499,497)	(69,863)	-	-	(569,360)
Machinery and equipment	(254,970)	(41,563)	-	-	(296,533)
Total	(1,896,923)	(311,219)	-	-	(2,208,142)
Total capital assets, being depreciated, net	6,937,435	(250,219)	-	-	6,687,216
Business-type activities capital assets, net	$ 7,099,483	$ 148,060	$ -	$ -	$ 7,247,543

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

Governmental activities:	
General government	$ 280,933
Judicial	9,073
Public safety	253,310
Public works	1,180,457
Culture and recreation	257,491
Total depreciation expense - governmental activities	$ 1,981,264
Business-type activities:	
Sanitation	$ 81,055
Museum	224,410
Gardens	5,754
Total depreciation expense - business-type activities	$ 311,219

NOTE 6. CAPITAL ASSETS (Continued)

Kennesaw Downtown Development Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and improvements	$ 210,000	$ -	$ -	$ 210,000
Total	210,000	-	-	210,000
Capital assets, being depreciated:				
Sites and improvements	250,768	145,704	-	396,472
Buildings and improvements	100,000	-	-	100,000
Total	350,768	145,704	-	496,472
Less accumulated depreciation for:				
Sites and improvements	(1,313)	(6,434)	-	(7,747)
Buildings and improvements	(13,611)	(3,333)	-	(16,944)
Total	(14,924)	(9,767)	-	(24,691)
Total capital assets, being depreciated, net	335,844	135,937	-	471,781
Total capital assets, net	$ 545,844	$ 135,937	$ -	$ 681,781

NOTE 7. SHORT-TERM BORROWINGS

The City paid off a tax anticipation note for operating purposes of $5,600,000 at a local financial institution. The borrowing, with an interest rate of 2.00%, matured on December 31, 2009. As of September 30, 2010, the principal was paid in full. During the year ending September 30, 2010 the City used a new tax anticipation note for operating purposes; the balance of the note is $4,500,000. The new note has an interest rate of 1.00% and matures on December 31, 2010.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2010, was $38,034.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	$ 5,600,000	$ 4,500,000	$ (5,600,000)	$ 4,500,000

NOTE 8. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 13,440,000	$ -	$ (425,000)	$ 13,015,000	$ 435,000
Revenue bonds	1,525,000	2,800,000	(125,000)	4,200,000	130,000
Capital leases	141,371	-	(109,947)	31,424	31,424
OPEB obligation	386,068	411,604	-	797,672	-
Compensated absences	565,058	519,744	(480,434)	604,368	513,856
Governmental activity Long-term liabilities	$ 16,057,497	$ 3,731,348	$ (1,140,381)	$ 18,648,464	$ 1,110,280

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Note payable - due to component unit	$ 4,300,000	$ -	$ (250,000)	$ 4,050,000	$ 260,000
Capital lease	116,814	-	(97,689)	19,125	19,125
OPEB obligation	63,011	64,492	-	127,503	-
Compensated absences	54,424	64,016	(62,714)	55,726	55,726
Business-type activity Long-term liabilities	$ 4,534,249	$ 128,508	$ (410,403)	$ 4,252,354	$ 334,851

For governmental activities, compensated absences and OPEB obligations are liquidated by the General Fund. For business-type activities, compensated absences and OPEB obligations are liquidated by all enterprise funds.

Capital Leases - Equipment. The City has entered into lease agreements as lessee for financing the acquisition of equipment (vehicles), machinery, and improvements used in general governmental activities and business-type activities. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. As of September 30, 2010, the City had $94,100 and $107,500 for governmental activities and business-type activities, respectively, of machinery and equipment under capital leases.

NOTE 8. LONG-TERM DEBT (Continued)

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

	Governmental Activities	Business-type Activities
Fiscal Year Ending September 30,		
2011	$ 32,524	$ 19,999
Total minimum lease payments	32,524	19,999
Less amount representing interest	1,100	874
Present value of future minimum lease payments	$ 31,424	$ 19,125

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

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

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2011	$ 435,000	$ 527,257	$ 962,257
2012	455,000	508,923	963,923
2013	475,000	489,765	964,765
2014	495,000	469,783	964,783
2015	515,000	448,977	963,977
2016-2020	2,965,000	1,898,187	4,863,187
2021-2025	3,810,000	1,205,100	5,015,100
2026-2029	3,865,000	329,291	4,194,291
Total	$ 13,015,000	$ 5,877,283	$ 18,892,283

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

NOTE 8. LONG-TERM DEBT (Continued)

Additionally, in December 2009 the KURA issued $2,800,000 of Series 2009 Revenue Bonds. The bonds bear interest at 7.00% and are payable each February 1 and August 1 starting in 2014 through 2034. The proceeds from the bond issue were used to acquire land for future development, as well as the issuance costs. The Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2011	$ 130,000	$ 248,733	$ 378,733
2012	140,000	243,400	383,400
2013	145,000	237,771	382,771
2014	215,000	229,670	444,670
2015	220,000	219,096	439,096
2016-2020	1,090,000	922,403	2,012,403
2021-2025	580,000	694,750	1,274,750
2026-2030	810,000	454,300	1,264,300
2031-2034	870,000	127,050	997,050
Total	$ 4,200,000	$ 3,377,173	$ 7,577,173

Note payable - due to Component Unit. The Kennesaw Downtown Development Authority ("KDDA") 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.

For financial reporting purposes, the City has recorded a note payable due to the Authority in an amount equal to the outstanding indebtedness of the KDDA with respect to these revenue bonds. The KDDA has recorded a note receivable from the City, which equals the outstanding balance of these revenue bonds. The debt service requirements to maturity on the note payable are as follows:

	Principal	Interest	Total
Year Ending September 30,			
2011	$ 260,000	$ 175,616	$ 435,616
2012	275,000	163,632	438,632
2013	285,000	151,088	436,088
2014	300,000	137,984	437,984
2015	310,000	124,320	434,320
2016-2020	1,785,000	394,352	2,179,352
2021-2022	835,000	37,744	872,744
Total	$ 4,050,000	$ 1,184,736	$ 5,234,736

NOTE 8. LONG-TERM DEBT (Continued)

Kennesaw Downtown Development Authority

Long-term liability activity for the year ended September 30, 2010, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 4,300,000	$ -	$ (250,000)	$ 4,050,000	$ 260,000
Note payable	163,992	-	(10,558)	153,434	11,204
Total long-term liabilities	$ 4,463,992	$ -	$ (260,558)	$ 4,203,434	$ 271,204

Revenue bonds. The Kennesaw Downtown Development Authority ("KDDA") 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 debt service requirements to maturity on the bonds payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2011	$ 260,000	$ 175,616	$ 435,616
2012	275,000	163,632	438,632
2013	285,000	151,088	436,088
2014	300,000	137,984	437,984
2015	310,000	124,320	434,320
2016-2020	1,785,000	394,352	2,179,352
2021-2022	835,000	37,744	872,744
Total	$ 4,050,000	$ 1,184,736	$ 5,234,736

Note payable. In September 2005 the KDDA entered into a note payable with the local financial institution; the note was used to acquire real estate. The note was originally executed for $200,000, with an interest rate of 6.50%. The note is paid each month beginning December 1, 2005 through November 1, 2020.

NOTE 8. LONG-TERM DEBT (Continued)

The debt service requirements to maturity on the note payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2011	$ 11,204	$ 9,703	$ 20,907
2012	11,955	8,952	20,907
2013	12,755	8,152	20,907
2014	13,610	7,297	20,907
2015	14,521	6,386	20,907
2016-2020	88,563	15,970	104,533
2021	1,826	30	1,856
Total	$ 154,434	$ 56,490	$ 210,924

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2010, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 3,031
Urban Redevelopment Agency	General fund	2,109,162
Internal service fund	General fund	289,785
Internal service fund	Sanitation fund	5,971
Internal service fund	Museum fund	2,098
Internal service fund	Nonmajor governmental fund	4,163
Internal service fund	Nonmajor enterprise fund	164
Sanitation fund	General fund	670,845
Sanitation fund	Capital projects fund	354
Sanitation fund	Nonmajor enterprise fund	162
Nonmajor governmental fund	Nonmajor enterprise fund	390
Museum fund	Nonmajor governmental fund	14,542
Museum fund	Nonmajor enterprise fund	100
		$ 3,100,767

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.

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

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government - General Fund	Component unit - Downtown Development Authority	$ 82,586
Primary government - General Fund	Component unit - Development Authority	2,309,854
		$ 2,392,440

In addition to the amounts noted as due to/from primary government and component units above, the City has reported a due to component unit, in the amount of $58,539, in the Museum fund which represents the interest accrued on the bonds. This is reported as accrued interest in the Museum fund.

Interfund transfers:

Transfers In	Transfers Out	Amount
General fund	Sanitation fund	$ 500,000
General fund	Nonmajor governmental funds	8,394
		$ 508,394
Urban Redevelopment Agency	General fund	$ 182,769
Capital projects fund	General fund	$ 3,139,047
Museum fund	General fund	$ 1,137,174
Museum fund	Nonmajor governmental funds	14,542
		$ 1,151,716
Nonmajor enterprise funds	General fund	$ 197,884

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 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Advances to/from other funds are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 776,821

The amounts payable to the General Fund relate to equipment startup costs paid for by the General fund.

NOTE 10. OPERATING LEASES

The City leases copy machines under non-cancelable operating leases. Total costs for such leases were $29,532 for the fiscal year ended September 30, 2010. The future minimum lease payments for these leases are as follows:

Year Ending September 30,	
2011	$ 29,928

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 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.

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees who work at least thirty hours a week are eligible to participate after one year. Elected officials have no waiting period for eligibility. Benefits vest after ten years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 2.0% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he has a minimum of ten years total credited service to receive full benefits. Elected officials are entitled to $64 for each year of service after reaching normal retirement age.

At January 1, 2010, the date of the most recent actuarial valuation, there were 259 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	33
Terminated vested participants not yet receiving benefits	27
Active employees - vested	54
Active employees - nonvested	145
Total	259

Funding Policy

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 is to contribute an amount equal to or greater than the recommended contribution described below. For 2010, the actuarially determined contribution rate was 9.93% of covered payroll.

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

For 2010, the City's recommended contribution was $771,422. Actual contributions totaled $771,422. The recommended contribution was determined as part of the January 1, 2010 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increases are based on years of service and age of employees with rates ranging from 4% to 11% (3.5% due to inflation). The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

Employer Contributions

The funding policy for the Plan is to contribute an amount equal to the recommended contribution as determined by the Plan's actuary. The recommended contribution was determined as part of the January 1, 2010 actuarial valuation. The chart below shows the annual pension cost, which equaled the Annual Required Contribution (ARC), for the current year and prior two years along with the percentage actually contributed by the City.

Fiscal Year Ended September 30	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2010	$ 771,422	$ 771,422	100.0 %	$ -
2009	762,181	762,181	100.0	-
2008	550,523	550,523	100.0	-

As of the most recent valuation date, January 1, 2010, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2010	$ 6,673,434	$ 8,344,873	79.97%	$ (1,671,439)	$ 7,573,223	22.07%

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2010.

NOTE 12. OTHER POST EMPLOYEMENT BENEFITS

Plan Description

The City of Kennesaw Other Post-Retirement Benefits Plan (the "OPEB Plan") is a single-employer defined benefit post-retirement health care, dental and vision plan, or other post employment 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.

Benefits

Eligible retirees and former employees are offered the same health, prescription drug, and dental coverage as active employees. The City pays 100% of the employee premium and 0% of family premium for the PPO plan and 100% of the employee premium and 0% of family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year per individual or $3,000 per family. The individual limits of coverage by the City total $85,000 per claim per calendar year. After individual limits are met, the insurance carrier covers additional claims.

Eligibility

Eligible participants for Other Post-Employment 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.

NOTE 12. OTHER POST EMPLOYEMENT BENEFITS (Continued)

Plan Membership

As of September 30, 2009, the most recent actuarial valuation date, the Plan membership included the following categories of participants:

Retirees, beneficiaries, and dependents	6
Active participants	196
	202

City Contributions

The City contribution is determined by the actuary as necessary to keep the Plan in compliance with the funding requirements of the State of Georgia.

The annual required contribution for the current year was determined as part of the September 30, 2009, actuarial valuation. The actuarial assumptions included:

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Not applicable
Assumed Rate of Return on Investments	4.0%
Healthcare Cost Trend Rate	9.5%
Ultimate Healthcare Cost Trend Rate	5.0%
Year of Ultimate Trend Rate	2018
Amortization Method	Level dollar, closed
Remaining Amortization Period	25 years

The following is a schedule of funding progress using the projected unit credit cost method. As of the most recent valuation date, September 30, 2009, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
9/30/2009	$ -	$ 2,604,421	$ 2,604,421	0.0%	$ 7,406,662	35.2%

NOTE 12. OTHER POST EMPLOYEMENT BENEFITS (Continued)

City Contributions (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2009.

Annual OPEB Cost

The City's actuarially determined contribution, OPEB cost and increase in net OPEB obligation for the year ended September 30, 2010, is as follows:

Annual required contribution	$ 494,493
Interest on net OPEB obligation	17,963
Adjustments to annual required contribution	(28,927)
Annual OPEB cost	483,529
Contributions made	7,433
Increase in net OPEB obligation	476,096
Net OPEB obligation, beginning of year	449,079
Net OPEB obligation, end of year	$ 925,175

Annual OPEB Cost

The recommended contribution was determined as part of the September 30, 2009 actuarial valuation. The chart below shows the annual OPEB cost for the current and prior year, along with the percentage actually contributed by the City.

Schedule of Employer Costs and Contributions

Fiscal Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of ARC Contributed	Net OPEB Obligation
September 30, 2010	$ 483,529	$ 7,433	2%	$ 925,175
September 30, 2009	455,645	6,566	1%	449,079

NOTE 13. DEFINED CONTRIBUTION PENSION PLAN

The City of Kennesaw's Internal Revenue Code Section 457 and 401(a) Plans are deferred compensation plans and qualify as a defined contribution pension plan. The Plan is administered by Valic and Nationwide for all full time employees. Participants are required to contribute a minimum of 2% of their annual compensation and the City will match up to 1% of contributions. Plan provisions and contribution requirements are established and may be amended by the City's Council. At September 30, 2010, there were 91 plan members. During the year ending September 30, 2010 employee contributions were $173,766 and employer contributions were $40,765.

NOTE 14. FUND DEFICITS

For the year ended September 30, 2010, the City's E911 Fund had a fund deficit of $366,734. The fund deficit in the E911 Fund will be reduced through increased user charges and General Fund appropriations, as needed. Additionally, the Kennesaw Downtown Development Authority (KDDA) had a fund deficit of $83,296. The fund deficit in the KDDA will be reduced through future property sales.

NOTE 15. JOINT VENTURE

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

NOTE 16. RISK MANAGEMENT

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

NOTE 16. RISK MANAGEMENT (Continued)

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 93% of the employee premium and 88% of family premium for the PPO plan and 94% of the employee premium and 91% of family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year per individual or $3,000 per family. Each employee's portion of the medical premium cost is withheld from that employee's paycheck.

The City pays aggregate claims up to $85,000. After the claims reach this amount, a private insurance carrier will pay the remaining claims. In addition to the aggregate limit, the City's self-insurance is limited to $85,000 per individual per calendar year. After an individual's claims reach this amount, the private insurance carrier will begin covering them. 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.

NOTE 16. 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 PPO plan and 100% of the employee premium and 0% of family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year per individual or $3,000 per family. The retirees' medical claims are included in the annual limit discussed above. The individual limits of coverage by the City total $85,000 per claim per calendar year. After individual limits are met, the private insurance carrier covers additional claims. This activity is reported in the General Fund. The following table describes the activity related to employee and retiree medical claims. The end of year claims liability is reported as a current liability in the internal service fund because it is anticipated to be paid within one fiscal year. Currently, 8 retirees are eligible for post-retirement benefits. These post-retirement benefits are funded on a pay-as-you go basis and totaled $7,433 for the year ended September 30, 2010.

Changes in the claims liability for the year ended September 30, 2010 and 2009 are as follows:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2010	$ 109,799	$ 2,483,790	$ 2,438,375	$ 155,214
2009	$ 108,318	$ 1,897,772	$ 1,896,291	$ 109,799

NOTE 17. COMMITMENTS AND CONTINGENCIES

Litigation:

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

Contractual Commitments:

For the fiscal year ended September 30, 2010, contractual commitments on uncompleted contracts were $730,969.

NOTE 17. COMMITMENTS AND CONTINGENCIES (Continued)

Grant Contingencies:

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

NOTE 18. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 8%. Revenues were $27,484 for the year ended September 30, 2010. Of this amount 100%, or $27,484, 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 19. RESERVATIONS OF FUND BALANCE

The City has reported $8,550,978 of the General Fund's fund balance as reserved for other purposes. This amount is also reported as restricted in the government-wide statement of net assets. In 2005, the City sold the infrastructure from their water and sewer system to Cobb County and these are the proceeds from that sale. The City deposited the funds into a restricted investment and enacted a city ordinance requiring the council to obtain voter approval, through a city-wide vote, for any and all uses of the proceeds. Council has no intentions or plans for the use of the funds as of September 30, 2010.

NOTE 20. CHANGE IN REPORTING ENTITY

The City has made a change in reporting entity to separately report the SPLOST and Capital Projects funds. The change results in adjustments to the beginning fund balance of the Capital Projects fund as follows:

Fund balance, as previously reported	$	5,740,497
Effect of change in reporting entity for SPLOST fund		(5,284,915)
Fund balance, as restated	$	455,582

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENNESAW, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2010	$ 6,673,434	$ 8,344,873	$ 1,671,439	79.97%	$ 7,573,223	22.07%
1/1/2009	4,976,755	7,550,019	2,573,264	65.92%	7,305,557	35.22%
1/1/2008	5,280,764	6,648,981	1,368,217	79.42%	6,302,382	21.71%
1/1/2007	4,510,096	5,806,717	1,296,621	77.67%	6,100,617	21.25%
1/1/2006	3,810,926	5,304,099	1,493,173	71.85%	5,752,472	25.96%
1/1/2005	3,266,730	4,683,957	1,417,227	69.74%	5,332,090	26.58%

Note: See assumptions used for the Schedule of Funding Progress in Note 11 to the financial statements.

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.

E911 Fund – To account for the collection and expenditures of E911 fees.

Hotel/Motel Fund – To account for the 8% lodging tax levied in the City.

Cemetery Fund – To account for sales of cemetery plots and the cost of maintenance associated with them.

Impact Fees Fund – To account for collections of various development impact fees and the related capital expenditures.

CITY OF KENNESAW, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Special Revenue Funds					
ASSETS	Asset Forfeiture Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 67,567	$ 325,745	$ 20,031	$ 25,728	$ 25,925	$ 464,996
Taxes receivable	-	-	9,119	-	-	9,119
Other receivables	-	136,850	-	-	-	136,850
Due from other funds	-	390	-	-	-	390
Prepaid expenditures	-	2,710	-	-	-	2,710
Total assets	$ 67,567	$ 465,695	$ 29,150	$ 25,728	$ 25,925	$ 614,065
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 22,283	$ 31,226	$ 3,606	$ -	$ -	$ 57,115
Accrued liabilities	-	20,219	-	-	-	20,219
Due to other funds	608	4,163	14,542	324	2,099	21,736
Advances from other funds	-	776,821	-	-	-	776,821
Total liabilities	22,891	832,429	18,148	324	2,099	875,891
FUND BALANCES						
Reserved for prepaid expenditures	-	2,710	-	-	-	2,710
Unreserved	44,676	(369,444)	11,002	25,404	23,826	(264,536)
Total fund balances	44,676	(366,734)	11,002	25,404	23,826	(261,826)
Total liabilities and fund balances	$ 67,567	$ 465,695	$ 29,150	$ 25,728	$ 25,925	$ 614,065

CITY OF KENNESAW, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds					
	Asset Forfeiture Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Total Nonmajor Governmental Funds
REVENUES						
Taxes	$ -	$ -	$ 27,484	$ -	$ -	$ 27,484
Licenses and permits	-	-	-	-	8,394	8,394
Fines and forfeitures	3,800	-	-	-	-	3,800
Charges for services	-	1,037,923	539	1,525	-	1,039,987
Interest	59	277	22	30	13	401
Miscellaneous	12,551	140	-	-	-	12,691
Total revenues	16,410	1,038,340	28,045	1,555	8,407	1,092,757
EXPENDITURES						
Current						
Public safety	26,116	1,083,987	-	-	-	1,110,103
Public works	-	-	-	8,412	-	8,412
Culture and recreation	-	-	13,481	-	-	13,481
Total expenditures	26,116	1,083,987	13,481	8,412	-	1,131,996
Excess (deficiency) of revenues over (under) expenditures	(9,706)	(45,647)	14,564	(6,857)	8,407	(39,239)
OTHER FINANCING USES						
Transfers out	-	-	(14,542)	-	(8,394)	(22,936)
Total other financing uses	-	-	(14,542)	-	(8,394)	(22,936)
Net change in fund balances	(9,706)	(45,647)	22	(6,857)	13	(62,175)
FUND BALANCES (DEFICIT), beginning of year	54,382	(321,087)	10,980	32,261	23,813	(199,651)
FUND BALANCES (DEFICIT), end of year	$ 44,676	$ (366,734)	$ 11,002	$ 25,404	$ 23,826	$ (261,826)

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 500	$ 31,500	$ 3,800	$ (27,700)
Interest	100	100	59	(41)
Miscellaneous	-	-	12,551	12,551
Total revenues	600	31,600	16,410	(15,190)
EXPENDITURES				
Public safety	600	31,600	26,116	5,484
Net change in fund balances	-	-	(9,706)	(9,706)
FUND BALANCES, beginning of year	54,382	54,382	54,382	-
FUND BALANCES, end of year	$ 54,382	$ 54,382	$ 44,676	$ (9,706)

CITY OF KENNESAW, GEORGIA
E911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 1,104,614	$ 1,172,214	$ 1,037,923	$ (134,291)
Interest	500	500	277	(223)
Miscellaneous	-	-	140	140
Total revenues	1,105,114	1,172,714	1,038,340	(134,374)
EXPENDITURES				
Public safety	959,016	1,086,484	1,083,987	2,497
Excess (deficiency) of revenues over (under) expenditures	146,098	86,230	(45,647)	(131,877)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	55,900	-	(55,900)
Transfers out	(3,968)	-	-	-
Total other financing sources (uses)	(3,968)	55,900	-	(55,900)
Net change in fund balances	142,130	142,130	(45,647)	(187,777)
FUND BALANCES (DEFICIT), beginning of year	(321,087)	(321,087)	(321,087)	-
FUND BALANCES (DEFICIT), end of year	$ (178,957)	$ (178,957)	$ (366,734)	$ (187,777)

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 20,117	$ 28,067	$ 27,484	$ (583)
Charges for services	-	-	539	539
Interest	28	28	22	(6)
Total revenues	20,145	28,095	28,045	(50)
EXPENDITURES				
Culture and recreation	11,274	13,524	13,481	43
Excess of revenues over expenditures	8,871	14,571	14,564	(7)
OTHER FINANCING USES				
Transfers out	(8,871)	(14,571)	(14,542)	29
Net change in fund balances	-	-	22	22
FUND BALANCES, beginning of year	10,980	10,980	10,980	-
FUND BALANCES, end of year	$ 10,980	$ 10,980	$ 11,002	$ 22

CITY OF KENNESAW, GEORGIA
CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 6,100	$ 6,100	$ 1,525	$ (4,575)
Interest	50	50	30	(20)
Total revenues	6,150	6,150	1,555	(4,595)
EXPENDITURES				
Public works	13,100	13,100	8,412	4,688
Capital outlay	9,000	9,000	-	9,000
Total expenditures	22,100	22,100	8,412	13,688
Deficiency of revenues over expenditures	(15,950)	(15,950)	(6,857)	9,093
OTHER FINANCING SOURCES				
Transfers in	15,950	15,950	-	(15,950)
Net change in fund balances	-	-	(6,857)	(6,857)
FUND BALANCES, beginning of year	32,261	32,261	32,261	-
FUND BALANCES, end of year	$ 32,261	$ 32,261	$ 25,404	$ (6,857)

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and permits	$ 956	$ 8,456	$ 8,394	$ (62)
Interest	17	17	13	(4)
Total revenues	973	8,473	8,407	(66)
OTHER FINANCING USES				
Transfers out	(973)	(8,473)	(8,394)	79
Net change in fund balances	-	-	13	13
FUND BALANCES, beginning of year	23,813	23,813	23,813	-
FUND BALANCES, end of year	$ 23,813	$ 23,813	$ 23,826	$ 13

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Interest	$ 100	$ 100	$ 99	$ (1)
Total revenues	100	100	99	(1)
EXPENDITURES				
Capital outlay	2,109,163	2,109,163	2,109,162	1
Debt service				
Principal	125,000	125,000	125,000	-
Interest and fiscal charges	254,519	254,519	253,996	523
Total expenditures	2,488,682	2,488,682	2,488,158	524
Deficiency of revenues over expenditures	(2,488,582)	(2,488,582)	(2,488,059)	523
OTHER FINANCING SOURCES				
Issuance of long-term debt	2,800,000	2,800,000	2,800,000	-
Proceeds from sale of capital assets	2,109,163	2,109,163	2,109,162	1
Transfers in	182,769	182,769	182,769	-
Total other financing sources	5,091,932	5,091,932	5,091,931	1
Net change in fund balances	2,603,350	2,603,350	2,603,872	524
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	$ 2,603,350	$ 2,603,350	$ 2,603,872	$ 524

CITY OF KENNESAW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED SEPTEMBER 30, 2010

SPLOST I PROJECT DESCRIPTION	ESTIMATED COST		EXPENDITURES			PERCENTAGE
	ORIGINAL	CURRENT	PRIOR	CURRENT	TOTAL	OF COMPLETION
Stanley Road/Collins Road	$ 1,900,000	$ 1,036,753	$ 140,073	$ 21,598	$ 161,671	15.59 %
Old Highway 41	2,600,000	2,600,000	-	28,884	28,884	1.11
Kennesaw Due West Road	750,000	750,000	750,000	-	750,000	100.00
Pine Mountain Road @US 41	300,000	300,000	261,079	4,905	265,984	88.66
Rutledge Road	900,000	900,000	-	-	-	-
Jiles Road	9,900,000	12,300,000	3,507	-	3,507	0.03
Cherokee Street	3,750,000	1,992,299	234,598	-	234,598	11.78
McCollum Parkway	200,000	200,000	-	-	-	-
Barrett Parkway	520,300	520,300	-	-	-	-
Pine Mountain Court & US 41	200,000	200,000	6,055	5,640	11,695	5.85
Cobb International Boulevard	1,000,000	1,000,000	-	-	-	-
Sidewalk Projects	410,900	410,900	11,226	-	11,226	2.73
Resurfacing Projects	520,774	520,774	196,128	83,037	279,165	53.61
800 MHZ Radios	353,943	428,766	428,526	-	428,526	99.94
TOTALS	$ 23,305,917	$ 23,159,792	$ 2,031,192	$ 144,064	$ 2,175,256	

COMPONENT UNIT –
DOWNTOWN DEVELOPMENT AUTHORITY

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
SEPTEMBER 30, 2010

ASSETS		
Cash	$	3,821
Other receivables		50,000
Total assets	$	53,821
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	53,031
Due to primary government		82,586
Accrued liabilities		1,500
Total liabilities		137,117
FUND BALANCE (DEFICIT)		
Unreserved		(83,296)
Total liabilities and fund balance	$	53,821

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUES		
Rents and royalties	$	21,456
Intergovernmental		518,748
Interest		12
Total revenues		540,216
EXPENDITURES		
Downtown development		156,096
Debt service		
Principal		260,558
Interest		197,358
Total expenditures		614,012
Net change in fund balances		(73,796)
FUND BALANCE (DEFICIT), beginning of year		(9,500)
FUND BALANCE (DEFICIT), end of year	$	(83,296)

COMPONENT UNIT –
DEVELOPMENT AUTHORITY

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
SEPTEMBER 30, 2010

ASSETS	
Cash	$ 107,131
Other receivables	18,375
Land held for resale	2,312,919
Total assets	$ 2,438,425
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 11,525
Due to primary government	2,309,854
Total liabilities	2,321,379
FUND BALANCE	
Unreserved	117,046
Total liabilities and fund balance	$ 2,438,425

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUES	
Interest income	$ 80
Miscellaneous	79,263
Total revenues	79,343
EXPENDITURES	
Housing and development	47,648
Net change in fund balance	31,695
FUND BALANCE, beginning of year	85,351
FUND BALANCE, end of year	$ 117,046

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 **68**

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 **73**

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

Debt Capacity **77**

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 **81**

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 **84**

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. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF KENNESAW, GEORGIA

NET ASSETS BY COMPONENT
LAST EIGHT YEARS
(accrual basis of accounting)

	2010	2009	2008	2007
Governmental activities				
Invested in capital assets, net of related debt	**$ 37,441,454**	$ 37,896,407	$ 37,419,713 (1)	$ 13,367,294
Restricted	**11,728,094**	10,453,594 (2)	1,003,306	6,441,818
Unrestricted	**5,113,083**	3,096,897 (2)	9,464,149	9,000,692
Total governmental activities net assets	**$ 54,282,631**	$ 51,446,898	$ 47,887,168	$ 28,809,804
Business-type activities				
Invested in capital assets, net of related debt	**$ 3,178,418**	$ 2,682,669	$ 2,583,068	$ 1,712,372
Restricted	**-**	-	-	-
Unrestricted	**1,124,835**	1,018,721	159,675	(1,513,521)
Total business-type activities net assets	**$ 4,303,253**	$ 3,701,390	$ 2,742,743	$ 198,851
Primary government				
Invested in capital assets, net of related debt	**$ 40,619,872**	$ 40,579,076	$ 40,002,781	$ 15,079,666
Restricted	**11,728,094**	10,453,594	1,003,306	6,441,818
Unrestricted	**6,237,918**	4,115,618	9,623,824	7,487,171
Total primary government net assets	**$ 58,585,884**	$ 55,148,288	$ 50,629,911	$ 29,008,655

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

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

Note: The City implemented GASB No. 34 in fiscal year 2003; therefore only eight years of government-wide data is presented.

2006	2005	2004	2003
$ 7,020,435	$ 4,782,359	$ 8,342,678	$ 5,883,953
109,218	44,141	1,329,737	728,347
18,879,192	26,099,758	5,221,136	7,572,789
$ 26,008,845	$ 30,926,258	$ 14,893,551	$ 14,185,089
$ 1,380,591	$ 1,477,421	$ 4,654,954	$ 4,688,554
-	-	233,142	458,794
(1,295,823)	(1,200,340)	(525,207)	(1,117,120)
$ 84,768	$ 277,081	$ 4,362,889	$ 4,030,228
$ 8,401,026	$ 6,259,780	$ 12,997,632	$ 10,572,507
109,218	44,141	1,562,879	1,187,141
17,583,369	24,899,418	4,695,929	6,455,669
$ 26,093,613	$ 31,203,339	$ 19,256,440	$ 18,215,317

CITY OF KENNESAW, GEORGIA

CHANGES IN NET ASSETS
LAST EIGHT YEARS
(accrual basis of accounting)

	2010		2009	2008		2007	
Expenses							
Governmental activities:							
General government	**$ 4,374,745**		$ 4,340,819	$ 3,429,896		$ 3,003,822	
Judicial	**343,934**		342,310	331,775		355,036	
Public safety	**7,019,253**		6,476,689	6,031,526		5,715,932	
Public works	**3,634,870**		3,600,503	5,395,444	(5)	2,174,348	
Culture and recreation	**2,563,539**		2,448,676	2,468,491		2,117,371	
Housing and development	**1,039,995**		1,133,464	1,128,271		1,163,980	
Interest on long-term debt	**811,083**		674,201	756,053		687,920	
Total governmental activities expenses	**19,787,419**		19,016,662	19,541,456		15,218,409	
Business-type activities:							
Water & sewer (1)	**-**		-	-		-	
Sanitation	**1,818,853**		1,464,769	3,189,703	(5)	1,567,615	
Museum	**1,501,346**		1,479,890	1,541,295		1,809,968	
Gardens	**262,145**		227,102	198,087		117,367	
Total business-type activities expenses	**3,582,344**		3,171,761	4,929,085		3,494,950	
Total primary government expenses	**$ 23,369,763**		$ 22,188,423	$ 24,470,541		$ 18,713,359	
Program Revenues							
Governmental activities:							
Charges for services:							
General government	**$ 167,078**		$ 192,374	$ 152,329		$ 166,028	
Judicial	**1,397,897**		1,259,470	1,298,239		1,438,119	(3)
Public safety	**2,505,270**	(9)	1,196,781	1,123,811		862,072	(3)
Public works	**27,878**		125,751	335,261	(4)	-	
Culture and recreation	**581,384**		610,907	651,973		488,648	
Housing and development	**123,922**		-	-	(4)	212,315	
Operating grants and contributions (2)	**383,215**		797,249	730,623		6,600	
Capital grants and contributions (2)	**4,013,275**	(10)	611,290	309,453		597,003	
Total governmental activities program revenues	**9,199,919**		4,793,822	4,601,689		3,770,785	
Business-type activities:							
Charges for services:							
Water & sewer (1)	**-**		-	-		-	
Sanitation	**2,556,419**		2,417,692	2,494,016		2,265,607	
Museum	**322,700**		351,289	368,151		399,424	
Gardens	**33,977**		38,366	3,010		1,827	
Operating grants and contributions (2)	**6,353**		-	169,877		-	
Capital grants and contributions (2)	**414,127**		112,174	499,992		270,176	
Total business-type activities program revenues	**3,333,576**		2,919,521	3,535,046		2,937,034	
Total primary government program revenues	**$ 12,533,495**		$ 7,713,343	$ 8,136,735		$ 6,707,819	

2006	2005	2004	2003
$ 2,739,827	$ 2,450,278	$ 2,139,830	$ 1,651,523
297,730	291,286	288,131	263,861
5,273,599	4,929,400	4,614,765	4,159,241
2,047,160	1,962,111	1,759,500	1,901,171
1,853,478	1,726,860	1,427,314	1,374,603
956,076	860,740	796,281	832,290
729,315	483,192	66,536	239,130
13,897,185	12,703,867	11,092,357	10,421,819
267,612	595,512	2,727,323	2,350,848
1,225,111	1,132,761	1,149,452	788,920
1,673,495	1,541,624	1,374,148	1,426,862
-	-	-	-
3,166,218	3,269,897	5,250,923	4,566,630
$ 17,063,403	$ 15,973,764	$ 16,343,280	$ 14,988,449
$ 321,442	$ 678,846	$ 149,870	$ 384,413
-	-	-	-
2,204,458	2,321,514	2,019,469	1,818,158
-	8,975	3,600	3,600
388,197	345,212	234,622	262,055
436,080	374,688	589,521	312,860
451,435	564,078	316,844	-
551,632	617,691	339,787	171,803
4,353,244	4,911,004	3,653,713	2,952,889
250	821,295	3,304,497	2,499,033
1,859,726	1,823,046	1,911,230	1,536,416
406,631	355,472	389,542	252,168
-	-	-	-
-	-	-	-
73,341	89,923	127,220	289,694
2,339,948	3,089,736	5,732,489	4,577,311
$ 6,693,192	$ 8,000,740	$ 9,386,202	$ 7,530,200

(Continued)

CITY OF KENNESAW, GEORGIA

CHANGES IN NET ASSETS
LAST EIGHT YEARS
(accrual basis of accounting)

	2010	2009	2008	2007
Net (expense)/revenue				
Governmental activities	**$ (10,587,500)**	$ (14,222,840)	$ (14,939,767)	$ (11,447,624)
Business-type activities	**(248,768)**	(252,240)	(1,394,039)	(557,916)
Total primary government net expense	**$ (10,836,268)**	$ (14,475,080)	$ (16,333,806)	$ (12,005,540)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	**$ 9,684,063**	$ 9,678,422	$ 9,455,057	$ 7,854,106
Franchise taxes	**1,585,542**	1,526,658	1,528,223	1,424,642
Sales taxes	**-** (11)	2,855,573	1,623,072	2,161,106 (7)
Insurance premium taxes	**1,166,804**	1,201,730	1,213,111	1,184,731
Business taxes	**962,611**	867,084	817,936	677,558
Other taxes	**550,638**	553,177	594,403	574,235
Unrestricted investment earnings	**323,175**	556,094	674,479	874,289
Gain on sale of capital assets	**-**	7,394	1,247	18,037
Miscellaneous	**-**	1,733,333 (8)	-	146,999
Transfers	**(849,600)**	(1,196,895)	(3,853,578)	(667,190)
Total governmental activities	**13,423,233**	17,782,570	12,053,950	14,248,513
Business-type activities:				
Unrestricted investment earnings	**1,031**	1,442	10,522	6,102
Gain on sale of capital assets	**-**	12,550	-	-
Special item - sale of water/sewer system (1)	**-**	-	-	-
Transfers	**849,600**	1,196,895	3,853,578	667,190
Total business-type activities	**850,631**	1,210,887	3,864,100	673,292
Total primary government	**$ 14,273,864**	$ 18,993,457	$ 15,918,050	$ 14,921,805
Change in Net Assets				
Governmental activities	**$ 2,835,733**	$ 3,559,730	$ (2,885,817)	$ 2,800,889
Business-type activities	**601,863**	958,647	2,470,061	115,376
Total primary government	**$ 3,437,596**	$ 4,518,377	$ (415,756)	$ 2,916,265

Note: The City implemented GASB No. 34 in fiscal year 2003; therefore only eight years of government-wide data is presented.

NOTES: (1) The City sold the water and sewer system in 2005.

(2) Grant revenues vary from year to year depending on the federal and state funding received by the City.

(3) Prior to 2007, Judicial charges were recorded as Public Safety revenues.

(4) Prior to 2008, Public Works charges were reported as Housing and Development revenues.

(5) In 2008 the City booked a $3,000,000 claims payable estimate for pending litigation from employee misconduct in these departments.

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

(7) 2007 was the first year of sales tax collections.

(8) The settlement relating to litigation mentioned in (5) above was less than expected.

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

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

(11) The sales tax revenue collected from Cobb County are down due to the economy. Additionally the revenue is now reported in intergovernmental revenues (see 10).

2006	2005	2004	2003
$ (9,543,941)	$ (7,792,863)	$ (7,438,644)	$ (7,468,930)
(826,270)	(180,161)	481,566	10,681
$ (10,370,211)	$ (7,973,024)	$ (6,957,078)	$ (7,458,249)
$ 877,431 (6)	$ 6,972,299	$ 5,749,009	$ 4,801,708
1,339,312	1,238,424	952,081	956,605
-	-	-	-
1,135,767	1,085,560	1,009,007	931,052
449,532	273,132	248,449	-
662,250	500,747	555,801	612,948
695,606	431,697	83,103	92,733
-	-	16,164	-
46,470	284,653	236,856	42,249
(591,046)	13,055,810	138,585	33,262
4,615,322	23,842,322	8,989,055	7,470,557
18,421	8,199	16,187	11,667
-	-	-	-
-	9,141,964	-	-
591,046	(13,055,810)	(138,585)	(33,262)
609,467	(3,905,647)	(122,398)	(21,595)
$ 5,224,789	$ 19,936,675	$ 8,866,657	$ 7,448,962
$ (4,928,619)	$ 16,049,459	$ 1,550,411	$ 1,627
(216,803)	(4,085,808)	359,168	(10,914)
$ (5,145,422)	$ 11,963,651	$ 1,909,579	$ (9,287)

CITY OF KENNESAW, GEORGIA

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

	2010	2009	2008	2007
General fund				
Reserved	**$ 13,908,623**	$ 11,570,618	$ 11,891,538	$ 10,246,934
Unreserved	**(5,731,538)**	(3,487,985)	(3,829,585)	960,458
Total general fund	**$ 8,177,085**	$ 8,082,633	$ 8,061,953	$ 11,207,392
All other governmental funds				
Reserved	**$ 8,549,327**	$ 2,598	$ -	$ 4,509,650
Unreserved, reported in:				
Special revenue funds	**(264,536)**	(202,249)	(289,919)	58,119
Capital projects funds	**581,417**	5,740,497	4,319,552	24,635
Total all other governmental funds	**$ 8,866,208**	$ 5,540,846	$ 4,029,633	$ 4,592,404

Note: Information was only available back to 2003.

2006	2005	2004	2003
$ 10,738,817	$ 13,338,674	$ 1,115,381	$ 6,200
2,609,311	6,839,582	6,385,735	8,590,912
$ 13,348,128	$ 20,178,256	$ 7,501,116	$ 8,597,112
$ 6,073,896	$ 152,763	$ 230,639	$ 271,699
(491,277)	(471,334)	(629,345)	10,800
14,690	5,543,177	(833,763)	(302,528)
$ 5,597,309	$ 5,224,606	$ (1,232,469)	$ (20,029)

CITY OF KENNESAW, GEORGIA

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

	2010		2009	2008	2007
Revenues					
Taxes	**$ 13,953,303**		$ 16,637,053	$ 15,186,590	$ 13,699,269
Licenses and permits	**205,316**		169,649	345,679	335,027
Intergovernmental	**3,605,045**	(2)	1,358,869	935,362	588,255
Fines and forfeitures	**2,810,358**	(3)	1,309,470	1,299,148	1,438,119
Charges for services	**1,617,446**		1,720,527	1,708,812	1,394,036
Contributions	**5,537**		32,709	-	-
Interest income	**323,117**		555,139	663,168	874,289
Other revenues	**207,257**		202,598	289,722	162,347
Total revenues	**22,727,379**		21,986,014	20,428,481	18,491,342
Expenditures					
General government	**3,890,512**		4,232,759	3,249,756	2,596,300
Judicial	**318,139**		325,283	332,357	570,422
Public safety	**6,337,895**		6,028,340	6,059,200	5,812,485
Public works	**2,336,879**		2,197,372	2,304,639	1,441,893
Culture and recreation	**2,194,288**		2,126,137	2,294,879	2,129,853
Housing and development	**983,173**		1,103,472	1,162,295	1,155,947
Capital outlay	**5,804,036**		2,003,467	3,886,213	6,433,322
Debt service					
Principal retirements	**659,947**		686,946	642,890	549,465
Interest and fiscal charges	**842,358**		670,378	707,391	682,385
Total expenditures	**23,367,227**		19,374,154	20,639,620	21,372,072
Excess of revenues over (under) expenditures	**(639,848)**		2,611,860	(211,139)	(2,880,730)
Other financing sources (uses)					
Proceeds from capital leases	**-**		-	-	143,100
Issuance of long-term debt	**2,800,000**		94,100	238,472	-
Proceeds from sale of capital assets	**2,109,262**	(4)	22,828	1,322	18,037
Transfers in	**3,830,210**		483,680	551,353	2,032,940
Transfers out	**(4,679,810)**		(1,680,575)	(4,404,931)	(2,700,130)
Total other financing sources (uses)	**4,059,662**		(1,079,967)	(3,613,784)	(506,053)
Net change in fund balances	**$ 3,419,814**		$ 1,531,893	$ (3,824,923)	$ (3,386,783)
Debt service as a percentage of noncapital expenditures	**8.56%**		7.91%	8.77%	9.00%

Note: Information was only available back to 2003.

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

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

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

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

2006	2005	2004	2003
$ 5,073,824 (1)	$ 9,826,095	$ 8,167,758	$ 7,371,932
465,428	493,574	714,067	404,428
880,265	1,165,394	656,631	171,803
1,409,487	1,424,003	1,201,429	1,406,720
1,475,263	1,462,387	1,256,708	831,995
-	-	-	-
695,606	431,697	83,103	92,733
122,055	104,300	61,734	110,573
10,121,928	14,907,450	12,141,430	10,390,184
2,731,873	2,433,645	2,071,705	1,748,636
289,526	351,134	291,142	263,861
5,340,078	4,768,696	4,747,284	4,125,814
2,126,910	1,979,804	1,916,114	1,864,012
1,819,192	1,646,862	1,396,240	1,312,579
950,474	846,996	782,515	825,969
1,512,272	10,545,779	4,226,119	678,058
499,483	258,989	143,514	130,000
729,315	740,722	138,202	239,130
15,999,123	23,572,627	15,712,835	11,188,059
(5,877,195)	(8,665,177)	(3,571,405)	(797,875)
-	-	41,985	-
-	15,000,000	2,100,000	-
-	7,055	16,164	-
2,605,124	29,980,846	3,649,792	662,421
(3,196,170)	(17,171,757)	(3,511,207)	(629,159)
(591,046)	27,816,144	2,296,734	33,262
$ (6,468,241)	$ 19,150,967	$ (1,274,671)	$ (764,613)
9.30%	8.30%	2.50%	3.60%

CITY OF KENNESAW, GEORGIA

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

Fiscal Year	Real Property						Public Utility
	Residential	Agricultural	Commercial	Industrial	Historical	Conservation	
2002	$ 450,750,212	$ -	$ 272,184,394	$ 20,090,125	$ 38,212	$ -	$ 6,546,338
2003	473,978,749	100,812	263,439,860	19,497,926	175,948	110,552	6,439,565
2004	517,107,390	130,248	269,033,755	20,778,600	175,948	499,924	6,821,683
2005	552,469,450	150,468	333,286,025	23,793,723	258,936	647,580	7,577,053
2006	552,469,450	150,468	333,286,025	23,793,723	258,936	647,580	7,577,053
2007	595,517,794	150,468	374,045,624	23,736,484	316,928	647,580	8,339,039
2008	635,725,584	150,468	400,881,920	25,344,718	316,928	647,580	8,358,436
2009	640,163,205	150,468	446,312,238	27,500,662	368,876	647,580	7,816,551
2010	638,596,265	150,468	438,612,815	28,456,243	368,876	647,580	9,084,359

Source: Cobb County Tax Commissioner

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

Note: Information was only available back to 2002.

The City changed the tax levy date from August to October effective 2007, therefore fiscal year 2006 did not have a tax levy.
As a result, fiscal years 2005 and 2006 have the same values.

Personal Property	Other Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
$ 69,429,349	$ 103,740	$ 110,545,539	$ 708,596,831	6.75	$ 1,771,492,078	40.00%
71,842,215	67,476	103,728,889	731,924,214	6.75	1,829,810,535	40.00%
73,462,905	187,725	115,994,040	772,204,138	6.75	1,930,510,345	40.00%
71,591,680	154,313	123,057,763	866,871,465	8.25	2,167,178,663	40.00%
71,591,680	154,313	123,057,763	866,871,465	8.25	2,167,178,663	40.00%
74,361,926	150,120	142,426,862	934,839,101	8.25	2,337,097,753	40.00%
83,152,820	244,629	172,722,496	982,100,587	9.50	2,455,251,468	40.00%
85,844,505	66,936	155,358,522	1,053,512,499	9.50	2,633,781,248	40.00%
85,478,091	57,677	154,075,401	1,047,376,973	9.50	2,618,442,433	40.00%

CITY OF KENNESAW, GEORGIA

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

Calendar Year	City of Kennesaw Operating Millage	City of Kennesaw Debt Sevice Millage	Cobb County	Cobb County Schools	State	Total Direct & Overlapping Rates
2001	6.75	-	9.87	19.90	0.25	36.77
2002	6.75	-	9.72	19.90	0.25	36.62
2003	6.75	-	9.72	19.90	0.25	36.62
2004	6.75	-	9.72	19.90	0.25	36.62
2005	6.75	1.50	9.72	19.90	0.25	38.12
2006	6.75	1.50	9.72	19.90	0.25	38.12
2007	6.75	1.50	9.38	19.90	0.25	37.78
2008	8.00	1.50	9.60	18.90	0.25	38.25
2009	8.00	1.50	9.60	18.90	0.25	38.25
2010	8.00	1.50	9.60	18.90	0.25	38.25

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 FOUR YEARS AGO

	2010			2006		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
The Trees of Kennesaw	$ 16,290,000	1	1.55 %	$ 15,762,640	1	1.82 %
Busbee Development LLC	10,948,000	2	1.04	11,800,000	2	1.36
Atlanta RDC Co.	9,407,028	3	0.89	9,319,656	3	1.08
Kennesaw Gardens Associates LLC	8,379,997	4	0.80			
Alta Ridenour LLC	7,960,000	5	0.76	6,848,984	7	0.79
Lakeside Vista Apartments LP	7,306,885	6	0.69	7,325,351	6	0.85
Walton Ridenour LP	6,731,695	7	0.64	8,535,214	4	0.98
Hillside Vista Apartments LLC	6,600,000	8	0.63	7,457,200	5	0.86
Owens & Minor Distribution	6,497,898	9	0.62			
NNN St. Charles LLC	6,250,000	10	0.59	6,250,000	8	0.72
Kennesaw Resedential Associates LLC				5,827,000	9	0.67
Barrett Parkway Highway 41 LLC				5,584,596	10	0.64
	$ 86,371,503		8.21 %	$ 84,710,641		9.77 %

Source: Cobb County Tax Commissioner

Note: Information was only available back to 2006.

CITY OF KENNESAW, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	$ 3,779,019	$ 3,294,000	87.2%	$ 480,337	$ 3,774,337	99.88%
2002	3,968,907	1,202,000	30.3%	2,759,054	3,961,054	99.80%
2003	4,102,109	3,650,000	89.0%	427,317	4,077,317	99.40%
2004	4,352,283	3,930,973	90.3%	325,659	4,256,632	97.80%
2005	6,244,113	5,653,457	90.5%	37,339	5,690,796	91.14%
2006	-	-	-	-	-	-
2007	6,704,112	6,534,412	97.5%	154,147	6,688,559	99.77%
2008	8,335,381	8,190,588	98.3%	108,201	8,298,789	99.56%
2009	8,620,072	8,427,743	97.8%	110,066	8,427,743	97.77%
2010	9,024,356	8,894,329	98.6%	-	8,894,329	98.56%

Source: Cobb County Tax Commissioner

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

CITY OF KENNESAW, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Capital Leases	Bonds Payable	Notes Payable	Capital Leases			
2001	$ 520,000	$ -	$ -	$ 190,000	$ 225,049	$ 54,144	$ 989,193	0.13%	$ 28
2002	400,000	-	-	150,000	4,990,000	51,668	5,591,668	0.68%	156
2003	270,000	-	-	105,000	4,990,000	55,938	5,420,938	0.64%	152
2004	140,000	2,100,000	28,471	-	4,990,000	28,340	7,286,811	0.83%	203
2005	15,000,000	1,995,000	14,483	-	4,990,000	64,980	22,064,463	2.30%	700
2006	14,625,000	1,885,000	-	-	4,990,000	187,838	21,687,838	2.13%	689
2007	14,240,000	1,770,000	93,635	-	4,770,000	123,573	20,997,208	1.96%	667
2008	13,845,000	1,650,000	204,217	-	4,540,000	210,622	20,449,839	3.84%	649
2009	13,440,000	1,525,000	141,371	-	4,300,000	116,814	19,523,185	2.00%	650
2010	13,015,000	4,200,000	31,424	-	4,050,000	19,125	21,315,549	2.03%	655

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

CITY OF KENNESAW, GEORGIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2001	$ 520,000	N/A	$ 23
2002	400,000	0.02%	17
2003	270,000	0.01%	11
2004	140,000	0.01%	6
2005	15,000,000	0.69%	491
2006	14,625,000	0.67%	453
2007	14,240,000	0.61%	418
2008	13,845,000	0.56%	407
2009	13,440,000	0.51%	413
2010	13,015,000	0.50%	404

(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, 2010

Governmental Unit	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Kennesaw (1)	Amount Applicable to City of Kennesaw
Debt repaid with property taxes:			
Cobb County General Obligation Debt	$ 53,480,000	4.130%	$ 2,208,724
Cobb County Certificates of Participation	10,730,000	4.130%	443,149
Cobb County TANs	113,500,000	4.130%	4,687,550
Total overlapping debt	177,710,000		7,339,423
City direct debt	13,015,000	100.000%	13,015,000
Total direct and overlapping debt	$ 190,725,000		$ 20,354,423

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				
	2001	2002	2003	2004	2005
Debt Limit	$ 63,497,896	$ 70,859,683	$ 73,192,421	$ 77,220,414	$ 86,687,147
Total net debt applicable to limit	520,000	400,000	270,000	140,000	15,000,000
Legal debt margin	$ 62,977,896	$ 70,459,683	$ 72,922,421	$ 77,080,414	$ 71,687,147
Total net debt applicable to the limit as a percentage of debt limit	0.82%	0.56%	0.37%	0.18%	17.30%

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

Assessed Value	$1,047,376,973
Add back: exempt real property	154,075,401
Total assessed value	1,201,452,374
Debt limit (10% of total assessed value)	120,145,237
Debt applicable to limit:	
General obligation bonds	13,015,000
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	13,015,000
Legal debt margin	$ 107,130,237

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
2001	22,271	$ 776,857	$ 34,882	39.2	3.2%
2002	22,884	818,400	35,763	33.2	4.4%
2003	23,513	840,895	35,763	33.2	3.9%
2004	24,273	873,197	35,974	34.4	4.1%
2005	30,520	961,380	31,500	33.4	4.5%
2006	32,289	1,017,104	31,500	33.4	3.7%
2007	34,058	1,072,827	31,500	35.4	4.5%
2008	34,058	532,850	31,500	35.4	5.4%
2009	32,530	977,006	30,034	34.5	10.8%
2010	32,246	1,049,124	32,535	34.9	9.6%

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

CITY OF KENNESAW, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT AND FIVE YEARS AGO

	2010			2005		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Atlanta Bonded Warehouse	231	1	1.94 %	150	2	1.26 %
Qualistaff Staffing, LLC	198	2	1.66			
Publix Super Market, Inc. # 559	149	3	1.25	142	4	1.19
Cintas	141	4	1.18	120	5	1.01
Shady Grove Rest Home	130	5	1.09			
Publix Super Market, Inc. # 769	120	6	1.01			
Owens & minor Distribution	107	7	0.90			
ERC Parts INC	104	8	0.87			
Infratech Corporation	100	9	0.84			
Scholastic Book Fairs, Inc	100	10	0.84			
Tug Manufacturing Company				208	1	1.75
Butch Thompson				150	3	1.26
Consolidated Engineering				100	6	0.84
Pro - Build South LLC				70	7	0.59
Wade Electric, Inc				55	8	0.46
Image Ink Jet Printing, Inc.				50	9	0.42
Hitachi Maxco, Inc.				25	10	0.21
	1,380		11.58 %	1,070		8.98 %

Source: Various City departments

Note: Information was only available back to 2005

CITY OF KENNESAW, GEORGIA

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

	2010	2009	2008	2007	2006
Function					
General government	**28**	54	37	32	24
Judicial	**3**	3	3	3	3
Public safety					
Police officers	**83**	88	84	76	68
Public works	**29**	26	26	27	25
Culture and recreation	**34**	27	43	38	43
Housing and development	**10**	7	7	9	7
Sanitation	**15**	19	26	23	24
Total	**202**	224	226	208	194

Source: City of Kennesaw department records

2005	2004	2003	2002	2001
16	14	11	9	7
3	3	3	3	3
58	49	42	36	28
24	24	23	23	18
32	31	26	18	15
7	8	7	7	5
20	17	15	12	8
160	146	127	108	84

CITY OF KENNESAW, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	2010	2009	2008	2007	2006
Function					
Police					
Physical arrests	**1,839**	1,819	1,948	2,188	947
Parking violations	**272**	180	141	126	126
Traffic violations	**14,755**	11,444	10,559	14,026	12,537
Culture and recreation (1)					
Admissions/fees	**$ 838,101**	$ 892,197	$ 890,289	$ 735,196	$ 655,460
Housing and development					
Building permits issued	**510**	466	378	304	243
Sanitation					
Number of customers	**8,232**	8,300	8,253	7,882	N/A

Source: City of Kennesaw Departments

N/A - Information not available

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

(1) Effective 2005, admissions and fees includes both Museum and Parks & Recreation. Beginning in 2007, Gardens is also included.

2005	2004	2003	2002	2001
706	634	618	741	565
142	117	152	104	106
14,128	11,588	15,100	10,389	10,456
$ 551,597	$ 237,746	$ 262,055	$ 193,227	$ 174,280
303	612	339	266	159
N/A	N/A	N/A	N/A	N/A

CITY OF KENNESAW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2010	2009	2008	2007	2006
Function					
Public safety					
Police					
Stations	**1**	1	1	1	1
Vehicles	**70**	68	62	56	54
Public works					
Miles of streets	**99**	99	99	99	98
Culture and recreation					
Acreage	**121**	121	121	118	118
Baseball/softball fields	**11**	11	11	11	11
Soccer/football fields	**1**	1	1	1	1
Sanitation					
Collection vehicles	**10**	10	10	10	10

Source: Various City departments

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

2005	2004	2003	2002	2001
1	1	1	1	1
52	51	41	41	36
97	90	80	80	80
118	118	64	64	64
11	11	11	11	11
1	1	1	1	1
9	8	8	8	8

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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 the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kennesaw, Georgia (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 25, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2010-1, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

We noted certain matters that we reported to management of the City in a separate letter dated February 25, 2011.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, others within the organization, federal awarding agencies and pass-through entities, and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 25, 2011

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Kennesaw, Georgia's (the "City's") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 2010-2 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding allowable activities and allowable costs that are applicable to its Disaster Grants – Public Assistance (Presidentially Declared Disasters – 97.036). Compliance with such requirements is necessary, in our opinion, for the City of Kennesaw, Georgia to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-3.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questions costs as items 2010-2 and 2010-3, to be material weaknesses.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 25, 2011

CITY OF KENNESAW GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Grantor Number	Total Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Cobb County, Georgia			
CDBG	14.218	CD-09-0318	$ 163,254
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Georgia Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1858-DR-GA	659,028
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Georgia Department of Transportation			
Railroad Pedestrian Underpass	20.205	CM-0004-00-(509)	2,153,185
Passed through Georgia Department of Natural Resources			
Recreational Trails Program	20.219	NRT-(05)13	100,000
Total Highway Planning and Construction Cluster			2,253,185
Total U.S. Department of Transportation			2,253,185
Total Expenditures of Federal Awards			$ 3,075,467

See note to schedule of expenditures of federal awards.

CITY OF KENNESAW, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

BASIS OF PRESENTATION

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

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	__X__ yes ____ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes __X__ none reported
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	__X__ yes ____ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes __X__ none reported
Type of auditor's report issued on compliance for Major programs	Qualified for allowable activities, allowable costs for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA 97.036) Unqualified for other requirements of the Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA 97.036) and for all requirements of the Highway Planning and Construction Cluster (CFDA 20.205 and 20.219)

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION I
SUMMARY OF AUDIT RESULTS (CONTINUED)

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

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.205 and 20.219	Highway Planning and Construction Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	____ yes X no

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010-1 Liabilities and Related Expenses Recognition

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows, in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's other postemployment benefits (OPEB) obligations and expenses in the enterprise funds.

Context/Cause: During our testing of liabilities and expenses, certain audit adjustments were required to correct current year balances, as follows:

- In the Sanitation Fund, an adjustment of approximately $34,400 was required to properly report the additional OPEB obligation and related expenses for the year ended September 30, 2010.
- In the Museum Fund, an adjustment of approximately $24,100 was required to properly report the additional OPEB obligation and related expenses for the year ended September 30, 2010.
- In the Gardens Fund, an adjustment of approximately $4,500 was required to properly report the additional OPEB obligation and related expenses for the year ended September 30, 2010.

Effects: Audit adjustments totaling approximately $63,000 were needed to properly state the OPEB obligation and related expenses for the year ended September 30, 2010.

Recommendation: We recommend the City carefully review all liabilities and related expenses to ensure all necessary transactions are reported in the proper period and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that all liabilities and related expenses are properly recorded.

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2010-2 Allowable Costs and Allowable Activities

Program: CFDA No. 97.036

CFDA Program Title: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Criteria: OMB A-87 cost principles for state, local and Indian tribal governments require documentation for personnel costs charged to Federal programs to meet the following standards: (a) reports must reflect an after the fact distribution of the actual activity of each employee; (b) reports must account for the total activity for which the employee is compensated; (c) reports must be prepared at least monthly and must coincide with one or more pay periods; (d) reports must be signed by the employee; and (e) budget estimates determined before the services are performed do not qualify as support.

Condition: During our testing of the compensation expenses charged to this grant, we noted the City did not have proper procedures in place to track personnel costs by project or to obtain the proper employee signatures as required by OMB A-87 Attachment B.

Context/Cause: The City did not have adequate controls in place to ensure the required documentation was being obtained and maintained in the files.

Effects: These costs could potentially be considered unallowable; however, the City has had several grant-related projects reviewed by the Georgia Emergency Management Agency (GEMA), and the Agency has approved and processed the reimbursement requests.

Questioned Costs: $39,090

Recommendation: We recommend the City identify all necessary compliance requirements in relation to all grants which they are awarded in order to ensure that they comply with all grant requirements.

Auditee's Response: We concur with the finding. We will take the necessary steps to ensure that all grants awarded to the City undergo the necessary review to allow all individuals involved to have a full understanding of the various requirements of the grant.

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

2010-3 Procurement Requirements for Federally Funded Projects

Program: CFDA No. 97.036

CFDA Program Title: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Criteria: Grant requirements state non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction that are expected to equal or exceed $25,000 or meet certain other specified criteria. 2 CFR Section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances.

Condition: During our testing of the City's internal controls related to procurement contracts, we noted that the City was neither requiring the vendors to confirm their exclusion from the *Excluded Parties List System (EPLS)* nor inspecting the database to verify the vendors' exclusion.

Context/Cause: The City did not have adequate controls in place to ensure that contracts were not being awarded to suspended or debarred parties as they were not aware of the grant requirements related to suspension and debarment.

Effects: These costs could have been awarded to ineligible parties; however, during our testing of the compliance requirements we noted none of the vendors used by the City were included on the *EPLS*.

Questioned Costs: None noted.

Recommendation: We recommend the City identify all necessary compliance requirements in relation to all grants which they are awarded to ensure that they comply with all grant requirements.

Auditee's Response: We concur with the finding. We will take the necessary steps in the future to ensure that proper support is obtained and retained in the contract files to support our determination of vendor eligibility for contracts awarded for federally funded projects.

CITY OF KENNESAW, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

2009-2 Davis Bacon Requirements

Program: CFDA No. 20.205

CFDA Program Title: Highway Planning and Construction

Context/Cause: During our testing of the Davis Bacon Requirements, we noted the City was not aware of the requirements to obtain weekly certified payrolls from the contractor, and any sub-contractors, working on projects which are funded with federal monies.

Auditee's Response/Status: The City is now obtaining all weekly certified payroll reports and the project managers are maintaining the reports in the project files.