CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

Prepared By:
Gina Auld
Finance Director

CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

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INTRODUCTORY SECTION

MAYOR
Mark Mathews

City Manager
L. Steve Kennedy

City Clerk, CMC
Debra Taylor

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

March 4, 2013

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, 2012. 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 9.56 square miles and a population of approximately 27,890. 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.

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 the first half of 2011. The second half of 2011 and all of 2012 have seen an upturn of economic activity in industrial, retail, logistics, professional services and residential. We anticipate 2013 to continue to be challenging due to continuing depreciating real estate values, high unemployment and constrained financing for economic expansion. But, we have seen marked improvement in office, retail and industrial vacancy rates in 2012. Job creation increased in 2012 and is projected to continue through 2013 by the State, Cobb County and City.

Historically, Kennesaw changed from a small, rural town to a growing bedroom community with associated retail and services. In the last two decades the City's economy has diversified with several industrial parks and business parks. The City's proximity to Interstate 75, U. S. Highway 41 and McCollum Airport has added significant commercial and industrial development, especially in light industrial and distribution. The area has varied manufacturing, industrial, corporate office and retail space with employers that create a diversified economy and stable employment rate. 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 500 new jobs through several logistics and manufacturing expansions and relocations, professional service growth and new retail and restaurant businesses. Overall, the total portfolio of business licenses has remained stable. We anticipate further expansion in new businesses, investment in equipment and real estate and job creation through 2013.

Long term financial planning

The City's long term financial status is dependent on continuing growth and diversification of the City's tax base.

Restricted Funds

Governmental Funds restricted assets at September 30, 2012 were $8,978,542. These funds represent the proceeds of the sale of the water and sewer system which are invested in U. S. Government Obligations, Certificate of Deposit held as collateral on a loan and the 2004/2005 General Obligation Bond Issue Sinking Fund.

Major Initiatives

The City is in the last 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 4% improvement. We increased our commercial, logistics and manufacturing base in 2012, by utilizing existing, vacant space. In addition, a large public charter school was developed with the City adding 34 acres of institutional land use. A complimentary goal is expansion of the City through strategic annexations targeting commercial and industrial development and improving service delivery. In 2012, the City completed three annexations totaling 6.01 acres. The City is working on 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 that the City anticipates being constructed in the next five years. The Kennesaw Development Authority (KDA) assembled and acquired a five acre tract downtown and is currently working with a developer to build a mixed-use development. The Kennesaw Downtown Development Authority (KDDA) assisted in the redevelopment of a restaurant space for a new business and an additional four restaurants have opened. The KDDA has committed to support the redevelopment of another building in 2013 for a restaurant. Redevelopment of the U.S. Highway 41 corridor is a key initiative. Several developments were started and completed in 2012 including retail, restaurants and banks.

Kennesaw is experiencing significant growth associated with Kennesaw State University (KSU). A private purpose built student housing project with 450 beds valued at $20 million opened in 2012 with 100% occupancy. Another private purpose built student housing project with 850 beds and 25,000 SF of retail started construction in 2012. The housing will be completed in 2013 and retail component will start construction in 2013. Total value of the project is between $45 and $50 million. A second phase of the project will start construction in 2013 with completion in 2014. It will include an additional 450

beds with a value of $20 million. Current trends indicated industrial and commercial vacancy rates will decline and employment increases in areas of logistics, e-commercial, professional services, and healthcare in 2013. Kennesaw has twelve (12) identified redevelopment areas. We are actively working five (5) and marketing the other areas for redevelopment.

The residential sector has rebounded in Kennesaw for new homes. Five (5) residential developments that stalled in 2008 have been reactivated. Twelve (12) homes have been completed and twenty four (24) are in construction. The City anticipates the existing residential lot inventory to be absorbed by 2014. In addition, two of the mixed use projects downtown are being studied and if they move forward will add 300 multifamily residential units.

The planning and land acquisition activity for other projects continued throughout 2012 indicating further strengthening of the economy. Some of the projects scheduled to move forward in 2013 include a fitness center, medical complex, critical care nursing facility, retail and expansion of professional businesses in areas of technology, engineering and legal.

Kennesaw continues to try and expand the economic development tools available to business retention, expansion and recruitment. Kennesaw will apply to the Department of Community Affairs (DCA) for Opportunity Zone designation for four to six areas, refine the economic incentives program and leverage existing state programs in 2013.

A few of the accomplishments of the City of Kennesaw this past Fiscal Year include:

- A new community-wide program called *Fit City Kennesaw* was launched in February. This initiative encouraged and empowered participants to combat obesity and inactivity by offering fit-friendly events throughout the year including six 5K road races along with other events promoting an active lifestyle.
- Swift-Cantrell Park won a $15,000 grant from the Coca Cola Company in the *America Is Your Park* contest. Park goers voted for their favorite park by going online or using their smartphone to help it compete for the title of "America's Favorite Park." Almost three million votes were cast for Swift-Cantrell, placing it among the top five finishers in the contest.
- In September, the City of Kennesaw commemorated the 125th anniversary of its charter with a ceremony attended by past Mayors and Council members. Proclamations were presented from U.S. Senator Isakson and Representative Gingrey's offices.
- The Kennesaw Police Department earned re-accreditation from the Commission on Accreditation for Law Enforcement Agencies, Inc., (CALEA). Of the roughly 23,000 law enforcement agencies in the United States, only about 1,200 have been awarded CALEA accreditation.

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, 2011. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

efficient and dedicated service of the City Manager and the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation.

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

Respectfully submitted,

Gina Auld

Gina Auld
Finance Director

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, 2011

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.



Christopher P Morrill
President

Jeffrey R. Esser
Executive Director

CITY OF KENNESAW, GEORGIA
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2012

CITY COUNCIL

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

APPOINTED OFFICIALS

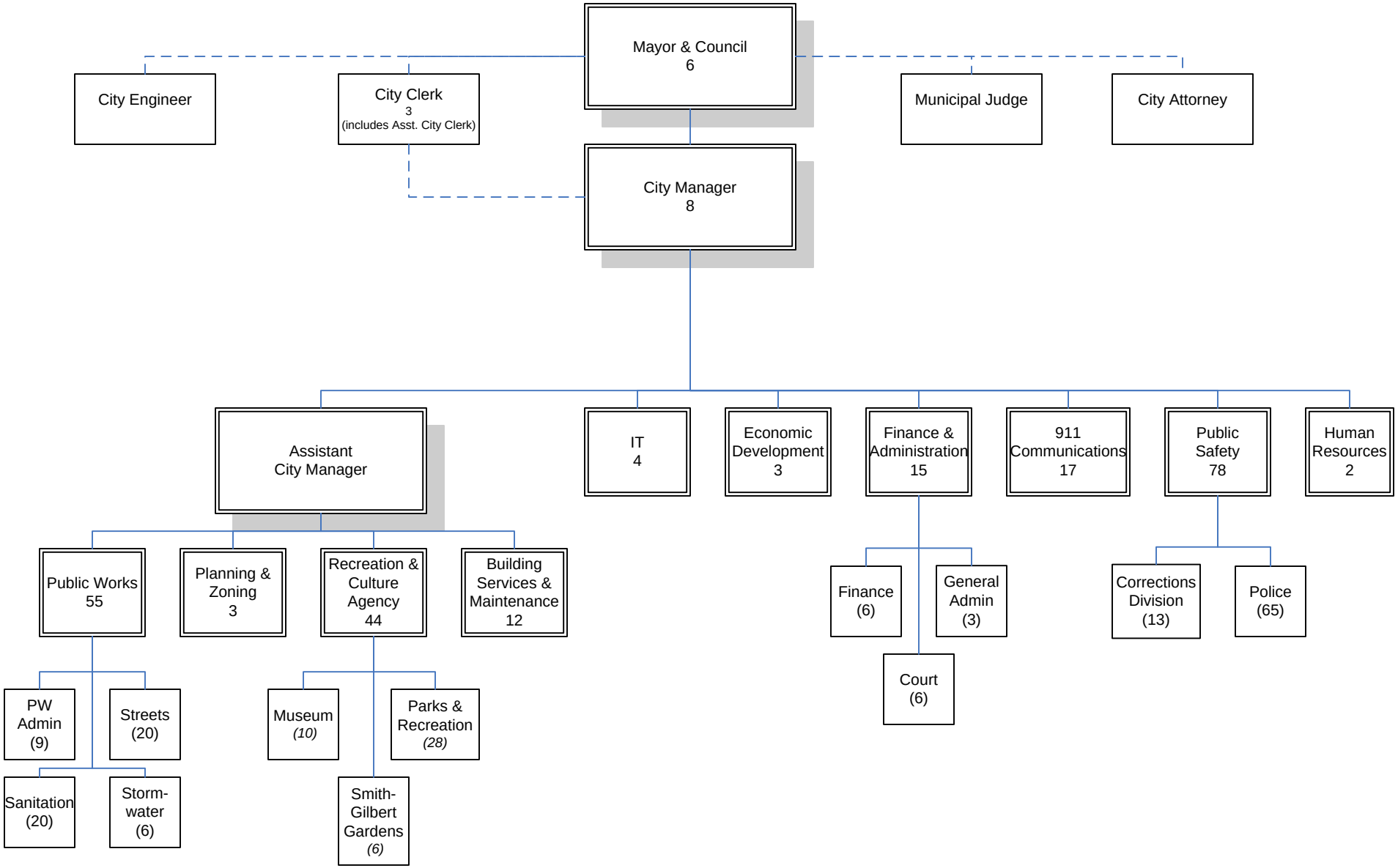
L. Steve Kennedy	City Manager
Jeff Drobney	Assistant City Manager
Bentley, Bentley, Bentley	Attorney
Debra Taylor	City Clerk
Marilyn Shoaf	Assistant City Clerk
Mauldin & Jenkins	Auditors
Phillip Taylor	Municipal Court Judge

DEPARTMENT HEADS

Gina Auld	Finance Director
Richard Banz	Museum Executive Director
Doug Davis	Smith-Gilbert Gardens Executive Director
Bobbie Duke	E911 Director
Robert Fox	Community 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- 250



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, 2012, 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 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 previously 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, 2012, and the respective changes in financial position, and where applicable, cash flows, 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 March 4, 2013, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Funding Progress (on pages 4 through 14 and 58) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kennesaw, Georgia's financial statements. The combining and individual nonmajor fund financial statements and schedules and 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*, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, schedule of expenditures of federal awards, and schedule of expenditures of special purpose local option sales tax proceeds are fairly stated in all material respects in relation to the financial statements as a whole.

Out audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Kennesaw, Georgia's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 4, 2013

This section of the City of Kennesaw, Georgia's (the City) annual report provides readers with a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. 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 $61,988,884 at the end of the year. This amount includes $41,795,507 invested in capital assets net of accumulated depreciation and related debt, restricted net assets of $22,999,987 and unrestricted net assets deficit of $2,806,610.

- The City's total net assets increased by $3,832,043 (7%) to $61,988,884. The net assets for governmental activities increased by $3,707,978 (7%) and business-type net assets increased by $124,065 (3%).

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $21,018,465, an increase of $4,104,957. The net unassigned fund balance is a deficit of $3,074,941.

- At the end of the current fiscal year, unassigned fund balance for the general fund was a deficit of $2,599,475.

- The City's total debt decreased by $105,075 (.5%) during the current fiscal year due to bond payments.

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 and SPLOST fund which are considered to be major funds. Data from the other seven 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 17-19 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 21-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-57 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 58 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 59-71 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 $3,832,043 (7%) in fiscal year 2012. The net assets of the governmental activities include $38,194,452 investment in capital assets net of related debt. Capital assets of $54,514,344 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation. Related debt includes bonds of $16,055,000 and capital leases of $264,892.

The net assets of the business-type activities include $3,601,055 investment in capital assets net of related debt. Capital assets of $7,358,607 include land, building, other improvements, equipment, and museum artifacts, net of accumulated depreciation. Related debt includes notes of $3,515,000 and capital leases of $242,552.

For more detailed information, see the Statement of Net Assets on page 15 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
	2012	2011	2012	2011	2012	2011	2011-12
ASSETS							
Current and other assets	$ 27,990	$ 23,646	$ 2,256	$ 2,157	$ 30,246	$ 25,803	17.2%
Capital assets	54,514	55,074	7,359	7,322	61,873	62,396	-0.8%
Total assets	82,504	78,720	9,615	9,479	92,119	88,199	4.4%
LIABILITIES							
Current and other liabilities	7,689	7,613	1,113	954	8,802	8,567	2.7%
Long-term debt outstanding	17,690	17,690	3,637	3,784	21,327	21,474	-0.7%
Total Liabilities	25,379	25,303	4,750	4,738	30,129	30,041	0.3%
NET ASSETS							
Invested in capital assets, net of related debt	38,195	38,212	3,601	3,397	41,796	41,609	0.4%
Restricted	23,000	19,214	-	-	23,000	19,214	19.7%
Unrestricted	(4,070)	(4,009)	1,263	1,343	(2,807)	(2,666)	5.3%
Total Net Assets	$ 57,125	$ 53,417	$ 4,864	$ 4,740	$ 61,989	$ 58,157	6.6%

Changes in Net Assets

The City's total revenues before transfers were $26,797,169 in fiscal year 2012. Expenses before transfers were $22,965,126 during that same period. Governmental and business-type activities combined provided a $3,832,043 increase in net assets.

Governmental activities revenues, before transfers, were $23,678,214 and included $4,509,355 charges for services, $5,049,343 grant and contribution revenues and $8,858,088 in property taxes. The largest governmental activities expenses were for public safety of $6,976,574 (police and jail), public works of $3,922,629, general government of $4,187,479 and recreation of $2,547,847. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues, before transfers, were $3,118,955 and included $3,059,077 charges for services and $58,728 grant and contribution revenues. The largest business-type activity expenses were for salaries and wages of $970,095, landfill disposal fees of $284,874 and marketing of $147,238.

Table 2
Changes in Net Assets
September 30
(in thousands)

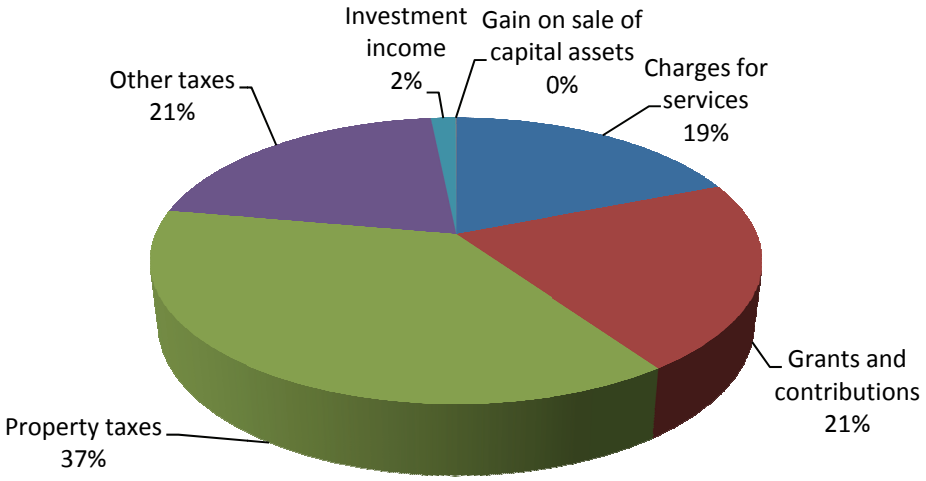
	Governmental Activities		Business-type Activities		Total		Total % Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues							
Program Revenues							
Charges for services	$ 4,509	$ 3,888	$ 3,059	$ 3,121	$ 7,568	$ 7,009	8%
Operating grants and contributions	381	374	1	1	382	375	2%
Capital grants and contributions	4,669	1,954	58	70	4,727	2,024	134%
General revenues							
Property taxes	8,858	9,122	-	-	8,858	9,122	-3%
Other taxes	4,884	4,589	-	-	4,884	4,589	6%
Investment income	372	398	1	1	373	399	-7%
Gain from sale of capital assets	5	13	-	7	5	20	0%
Total Revenues	23,678	20,338	3,119	3,200	26,797	23,538	14%
Expenses							
General Government	4,187	4,544	-	-	4,187	4,544	-8%
Judicial	343	365	-	-	343	365	-6%
Public Safety	6,976	7,039	-	-	6,976	7,039	-1%
Public Works	3,923	4,036	-	-	3,923	4,036	-3%
Culture and Recreation	2,548	2,683	-	-	2,548	2,683	-5%
Housing and Development	908	1,155	-	-	908	1,155	-21%
Interest on long-term debt	804	821	-	-	804	821	-2%
Museum	-	-	1,307	1,444	1,307	1,444	-9%
Sanitation	-	-	1,649	1,593	1,649	1,593	4%
Gardens	-	-	320	287	320	287	11%
Total Expenses	19,689	20,643	3,276	3,324	22,965	23,967	-4%
Excess (Deficiency) before Transfers	3,989	(305)	(157)	(124)	3,832	(429)	-993%
Transfers	(281)	(561)	281	561	-	-	0%
Increase (Decrease) in Net Assets	3,708	(866)	124	437	3,832	(429)	-993%
Beginning Net Assets	53,417	54,283	4,740	4,303	58,157	58,586	-1%
Ending Net Assets	$ 57,125	$ 53,417	$ 4,864	$ 4,740	$ 61,989	$ 58,157	7%

Governmental Activities

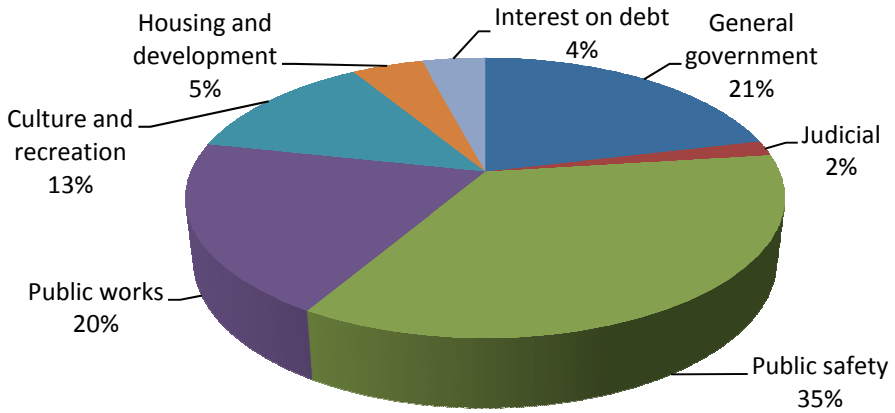
See page 16 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

Table 3 – Governmental Activities

Governmental Revenues



Governmental Expenses



Revenue Impacts:

- Property taxes of $8,858,088 provided 37% 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 $280,886 which was a $280,558 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 $1,013,639, recreation fees of $674,300 and municipal court fines of $1,363,867.

Expense Impacts

- General Government expenses decreased due to unfilled positions in the Finance and Information Technology Departments. There were also software maintenance and computer project delays and building repair and maintenance delays in this fiscal year. Legal fees were down due to decreased litigation.

- Funds transferred to the Kennesaw Downtown Development Authority (KDDA) decreased during the fiscal year thereby reducing Housing and Development expenses. In the prior year, KDDA had several downtown projects which required City fund transfers such as the Main Street Plaza Project, Wade Green Store and underground tank removal on a site previously owned by the KDDA.

- The Museum reorganized their workforce and put the marketing services out for bid during the year. As a result, their salary and marketing expenses decreased.

- The Sanitation Fund had an increase in expenses due to Storm water Projects that they supported during the year.

- The Smith-Gilbert Gardens added part time staff resulting in higher expenses.

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

	Program Revenues		Program Expense		Program Income (Loss)	
FUND	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Museum	$ 436	$ 417	$ 1,307	$ 1,444	$ (871)	$ (1,027)
Sanitation	2,559	2,664	1,649	1,593	910	1,071
Gardens	123	111	320	287	(197)	(176)
Total	$ 3,118	$ 3,192	$ 3,276	3,324	$ (158)	$ (132)

Program revenues for business-type activities for fiscal year 2012 were $3,117,805, a $73,378 decrease compared to the prior year. Museum group and school tours were up in 2012. Also, vehicle rental tax revenue recorded in the Museum was up twenty three percent (23%) over the prior year. Both garden tours and program fees revenues increased this year. Even with the Museum and Gardens increases, the decrease in the Sanitation Fund refuse collection fees resulted in an overall net decrease in program revenues. Total program expenses for business-type activities were $3,275,776 in 2012, $47,913 less than the prior year. The Museum had decreases in both salaries and marketing due to work force reorganization and working with a new marketing firm.

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

FUND	Fund Balances 9/30/2011	Revenues/ Sources	Expenditures/ Uses	Revenues/Sources Over (Under) Expenditures/Uses	Fund Balances 9/30/2012
General Fund	$ 7,702	$ 19,492	$ 18,675	$ 817	$ 8,519
SPLOST	6,320	3,952	364	3,588	9,908

At September 30, 2012, the City's governmental funds reported a combined fund balance of $21,018,465, which is a net increase of $4,104,957 from the previous year. The General Fund received $450,000 of lawsuit settlement funds. These lawsuit funds were originally paid out during 2009. The SPLOST fund had an increase in fund balance of $3,587,627 due to nine months of the new 2011 SPLOST collections. Other non major Governmental Funds had a net decrease in fund balance of $299,828 primarily due to the decrease in Capital Projects and Urban Redevelopment Agency (URA) Funds. Capital Projects funds were utilized for the Old Hwy 41 Project and the URA made debt service payments on the 2009 bond issue. The nonspendable portion of fund balance includes amounts restricted for long-term advances to the E911 Fund. The restricted and committed portions of fund balance represent amounts restricted for seized assets held by the Police Department, debt service, capital projects and proceeds from the sale of the water and sewer system in 2005 that cannot be spent without voter approval.

General Fund
The General Fund had a $817,158 increase in fund balance, to end the fiscal year at $8,519,022.

SPLOST Fund
The SPLOST Fund had an increase in fund balance of $3,587,627 due to the 2011 SPLOST approved by the voters that the City began collecting during this fiscal year.

General Fund Budgetary Highlights

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

In September 2011, the City Council appropriated $17,830,771 for general fund expenditures in the 2012 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:

- Real and personal property taxes were over budget.
- Municipal court fines were under budget
- Interest earnings were under budget due to a lower rate of return.
- Miscellaneous revenue was over budget due to lawsuit settlement proceeds.

Expenditures:

- Mayor & Council contingency expenditures was under budget.
- Information Technology expenditures were under budget due to software maintenance and computer project delays.
- Building Department electricity expenditures came in under budget.
- The Corrections Department did not fill a position and as a result salaries came in under budget.
- Public Works Central Services was under budget in both professional services and vehicle repair and maintenance expenses.

Other Financing Sources (Uses):

- Issuance of long-term debt came in under budget.
- Transfers out to the Capital Projects Fund were under budget due to delay in Trail Project.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounted to $61,872,951 (net of accumulated depreciation of $32,844,363). Investment in capital assets includes land, buildings, infrastructure, museum artifacts and machinery and equipment. The total decrease in the City's investment in capital assets for the current fiscal year was 1%. 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	
	2012	2011	2012	2011	2012	2011
Land	$ 13,885	$ 13,885	$ 7	$ 7	$ 13,892	$ 13,892
Construction in progress	1,031	483	-	-	1,031	483
Museum artifacts	-	-	679	623	679	623
Buildings and improvements	6,710	7,017	5,775	5,932	12,485	12,949
Park land	6,737	6,925	-	-	6,737	6,925
Infrastructure	23,774	24,144	-	-	23,774	24,144
Furniture, machinery and equipment	1,417	1,653	196	193	1,613	1,846
Vehicles	960	967	702	567	1,662	1,534
Total	$ 54,514	$ 55,074	$ 7,359	$ 7,322	$ 61,873	$ 62,396

This year's major capital asset additions included:

Governmental Activities:

- Woodland Acres project - $173,755
- Old 41 @ Stanley HWY project - $119,966
- Cobb Parkway @ Old 41 project - $112,600
- Various SPLOST road projects - $230,637
- Depot Project - $106,954
- LARP Resurfacing - $150,990

Kennesaw Downtown Development Authority:

- 2765 South Main Street renovation project - $86,270
- 2765 South Main Street building purchase - $322,693

Long-Term Debt

At the end of 2012 fiscal year, the City had $22,941,887 in outstanding long-term debt. This is a net decrease of $105,075 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 $104,938,751, 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	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	$ 12,125	$ 12,580	$ -	$ -	$ 12,125	$ 12,580
Revenue Bonds	3,930	4,070	-	-	3,930	4,070
Leases Payable	265	212	243	135	508	347
Claims and judgments	-	-	-	-	-	-
Notes Payable	-	-	3,515	3,790	3,515	3,790
OPEB obligation	1,888	1,326	274	200	2,162	1,526
Compensated absences	670	694	32	40	702	734
Total	$ 18,878	$ 18,882	$ 4,064	$ 4,165	$ 22,942	$ 23,047

Economic and Next Year's Budget and Rates

Funding for the City's governmental activities is derived from property tax, other taxes (occupational taxes), fees (franchise fees, building permits), grants and investment earnings. During the FY 2012 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 FY13 was $1.3 million more than FY12. The FY13 budget was $19,131,260.

The downturn in the economy continues to prompt an increase in property tax appeals. The City's FY13 tax digest reported an overall decrease in real and personal property tax for the third year in a row. The City has prepared for these declining property tax decreases by cutting their budget each year. Even though property tax revenue projections were down, the City was able to increase the FY13 budget due to other revenue sources such as building permits and impact fees.

Building permit revenue and impact fee revenue was up approximately $77,000 and $180,000, respectively, over the prior year due to an increase in development. The City has budgeted for this increase to continue into FY13. Occupational tax revenue remained consistent with prior year and the City is anticipating that this revenue will remain consistent in FY13.

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 continues to be a challenge to accomplish this goal due to the declining interest rates.

The City received the final payout for the 2005 SPLOST revenue during FY12 and received nine (9) months of the new 2011 SPLOST during FY12. It is projected that the City will receive $22.1 million as its share over the term of the 2011 SPLOST which consists of $16.6 million and $5.5 million for transportation projects and park projects, respectively.

The City resurfaces 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 City received $110,000 in LARP funding during FY12 and anticipates the same for FY13. 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, 2012

	Primary Government			Component Units	
ASSETS	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Development Authority
Cash and cash equivalents	$ 13,124,582	$ 1,650,021	$ 14,774,603	$ 4,611	$ 123,731
Taxes receivable	500,111	-	500,111	-	-
Other receivables	1,968,997	-	1,968,997	-	-
Accounts receivable, net of allowances	-	348,929	348,929	-	27,644
Due from other governments	574,717	-	574,717	-	-
Due from component units	2,313,349	-	2,313,349	-	-
Internal balances	(95,613)	95,613	-	-	-
Land held for resale	-	-	-	-	2,312,919
Inventory	16,806	73,421	90,227	-	-
Prepaid items	391,396	87,992	479,388	-	-
Restricted cash	2,946,181	-	2,946,181	-	-
Restricted investments	6,032,361	-	6,032,361	-	-
Deferred charges, unamortized balance	216,556	-	216,556	-	-
Note receivable from primary government	-	-	-	3,515,000	-
Interest receivable from primary government	-	-	-	52,491	-
Capital assets:					
Non-depreciable	14,915,842	686,441	15,602,283	296,270	-
Depreciable, net of accumulated depreciation	39,598,502	6,672,166	46,270,668	823,512	-
Total assets	82,503,787	9,614,583	92,118,370	4,691,884	2,464,294
LIABILITIES					
Accounts payable	517,108	79,951	597,059	2,633	6,192
Accrued liabilities	817,706	388,128	1,205,834	1,500	-
Accrued interest payable	141,621	50,363	191,984	52,491	-
Unearned revenue	25,000	167,722	192,722	-	-
Due to primary government	-	-	-	-	2,313,349
Tax anticipation note payable	5,000,000	-	5,000,000	-	-
Net OPEB obligation due in more than one year	1,888,145	274,444	2,162,589	-	-
Compensated absences, due within one year	460,855	32,173	493,028	-	-
Compensated absences, due in more than one year	208,826	-	208,826	-	-
Notes payable to component unit, due within one year	-	285,000	285,000	-	-
Notes payable to component unit, due in more than one year	-	3,230,000	3,230,000	-	-
Notes payable, due within one year	-	-	-	27,335	-
Notes payable, due in more than one year	-	-	-	467,949	-
Capital leases, due within one year	106,788	110,256	217,044	-	-
Capital leases, due in more than one year	158,104	132,296	290,400	-	-
Bonds payable, due within one year	620,000	-	620,000	285,000	-
Bonds payable, due in more than one year	15,435,000	-	15,435,000	3,230,000	-
Total liabilities	25,379,153	4,750,333	30,129,486	4,066,908	2,319,541
NET ASSETS					
Invested in capital assets, net of related debt	38,194,452	3,601,055	41,795,507	624,498	-
Restricted for:					
Public safety	1,143,570	-	1,143,570	-	-
Culture and recreation	11,033	-	11,033	-	-
Park and recreation impact fee projects	226,431	-	226,431	-	-
Capital projects	10,428,449	-	10,428,449	-	-
Debt service	2,789,784	-	2,789,784	-	-
Voter approved use	8,400,720	-	8,400,720	-	-
Unrestricted	(4,069,805)	1,263,195	(2,806,610)	478	144,753
Total net assets	$ 57,124,634	$ 4,864,250	$ 61,988,884	$ 624,976	$ 144,753

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, 2012

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	$ 4,187,479	$ 645,807	$ 376,393	$ -
Judicial	342,790	1,229,945	-	-
Public safety	6,976,574	1,197,405	4,069	416,455
Public works	3,922,629	343,370	-	4,249,676
Culture and recreation	2,547,847	779,069	-	2,750
Housing and development	907,986	313,759	-	-
Interest on long-term debt	804,045	-	-	-
Total governmental activities	19,689,350	4,509,355	380,462	4,668,881
Business-type activities:				
Sanitation	1,649,055	2,558,808	-	-
Museum	1,307,352	378,466	-	57,794
Gardens	319,369	121,803	934	-
Total business-type activities	3,275,776	3,059,077	934	57,794
Total primary government	$ 22,965,126	$ 7,568,432	$ 381,396	$ 4,726,675
Component units:				
Downtown Development Authority	$ 247,366	$ 33,219	$ -	$ -
Development Authority	72,289	-	-	-
Total component units	$ 319,655	$ 33,219	$ -	$ -

General revenues:	
Property taxes	
Franchise taxes	
Insurance premium taxes	
Business taxes	
Other taxes	
Unrestricted investment earnings	
Gain on sale of capital assets	
Miscellaneous	
Transfers	
Total general revenues and transfers	
Change in net assets	
Net assets, beginning of year, restated	
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
$ (3,165,279)	$ -	$ (3,165,279)	$ -	$ -
887,155	-	887,155	-	-
(5,358,645)	-	(5,358,645)	-	-
670,417	-	670,417	-	-
(1,766,028)	-	(1,766,028)	-	-
(594,227)	-	(594,227)	-	-
(804,045)	-	(804,045)	-	-
(10,130,652)	-	(10,130,652)	-	-
-	909,753	909,753	-	-
-	(871,092)	(871,092)	-	-
-	(196,632)	(196,632)	-	-
-	(157,971)	(157,971)	-	-
(10,130,652)	(157,971)	(10,288,623)	-	-
-	-	-	(214,147)	-
-	-	-	-	(72,289)
$ -	$ -	$ -	$ (214,147)	$ (72,289)
$ 8,858,088	$ -	$ 8,858,088	$ -	$ -
1,721,137	-	1,721,137	-	-
1,483,792	-	1,483,792	-	-
1,040,848	-	1,040,848	-	-
638,106	-	638,106	-	-
372,157	1,150	373,307	33	129
5,388	-	5,388	-	-
-	-	-	209,196	76,225
(280,886)	280,886	-	-	-
13,838,630	282,036	14,120,666	209,229	76,354
3,707,978	124,065	3,832,043	(4,918)	4,065
53,416,656	4,740,185	58,156,841	629,894	140,688
$ 57,124,634	$ 4,864,250	$ 61,988,884	$ 624,976	$ 144,753

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 2,854,313	$ 9,432,429	$ 823,782	$ 13,110,524
Taxes receivable	487,266	-	12,845	500,111
Other receivables	1,716,272	-	235,577	1,951,849
Due from other governments	79,996	494,721	-	574,717
Due from other funds	-	-	2,311,719	2,311,719
Due from component unit	2,313,349	-	-	2,313,349
Restricted cash	2,946,181	-	-	2,946,181
Restricted investments	6,032,361	-	-	6,032,361
Advances to other funds	667,428	-	-	667,428
Inventory	16,806	-	-	16,806
Prepaid expenditures	349,960	-	17,992	367,952
Total assets	$ 17,463,932	$ 9,927,150	$ 3,401,915	$ 30,792,997
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 322,171	$ 19,474	$ 90,073	$ 431,718
Accrued liabilities	641,511	-	25,508	667,019
Deferred revenues	447,028	-	10,583	457,611
Due to other funds	2,522,779	-	16,556	2,539,335
Advances from other funds	-	-	667,428	667,428
Tax anticipation note payable	5,000,000	-	-	5,000,000
Accrued interest	11,421	-	-	11,421
Total liabilities	8,944,910	19,474	810,148	9,774,532
FUND BALANCES				
Fund balances:				
Nonspendable:				
Long-term advances	667,428	-	-	667,428
Inventories	16,806	-	-	16,806
Prepaid expenditures	349,960	-	17,992	367,952
Restricted:				
Public safety	1,105,761	-	37,809	1,143,570
Culture and recreation	-	-	11,033	11,033
Capital projects	-	9,907,676	520,773	10,428,449
Debt service	577,822	-	2,211,962	2,789,784
Parks and recreation impact fee projects	-	-	226,431	226,431
Voter approved use	8,400,720	-	-	8,400,720
Committed:				
Cemetery maintenance	-	-	32,515	32,515
Assigned:				
Cemetery maintenance	-	-	8,718	8,718
Unassigned	(2,599,475)	-	(475,466)	(3,074,941)
Total fund balances	8,519,022	9,907,676	2,591,767	21,018,465
Total liabilities and fund balances	$ 17,463,932	$ 9,927,150	$ 3,401,915	

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.	54,514,344
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	432,611
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(16,903,217)
Net OPEB obligations are not due and payable in the current period and, therefore are not reported in the funds.	(1,888,145)
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.	(49,424)
Net assets of governmental activities	$ 57,124,634

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, 2012

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 13,595,325	$ -	$ 35,051	$ 13,630,376
Licenses and permits	420,812	-	202,557	623,369
Intergovernmental	1,086,266	3,926,042	-	5,012,308
Fines and forfeitures	1,363,867	-	2,864	1,366,731
Charges for services	825,189	-	1,015,343	1,840,532
Contributions	2,750	-	500	3,250
Interest income	370,959	25,911	1,133	398,003
Other revenues	642,229	-	33,785	676,014
Total revenues	18,307,397	3,951,953	1,291,233	23,550,583
EXPENDITURES				
Current:				
General government	3,847,933	-	-	3,847,933
Judicial	327,480	-	-	327,480
Public safety	5,402,810	-	1,128,963	6,531,773
Public works	2,435,937	-	3,411	2,439,348
Culture and recreation	2,228,070	-	17,435	2,245,505
Housing and development	876,137	-	-	876,137
Capital outlay	806,046	364,326	404,525	1,574,897
Debt service:				
Principal retirements	562,468	-	140,000	702,468
Interest and fiscal charges	540,391	-	244,188	784,579
Total expenditures	17,027,272	364,326	1,938,522	19,330,120
Excess (deficiency) of revenues over (under) expenditures	1,280,125	3,587,627	(647,289)	4,220,463
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	159,992	-	-	159,992
Proceeds from sale of capital assets	5,388	-	-	5,388
Transfers in	1,019,325	-	365,775	1,385,100
Transfers out	(1,647,672)	-	(18,314)	(1,665,986)
Total other financing sources (uses)	(462,967)	-	347,461	(115,506)
Net change in fund balance	817,158	3,587,627	(299,828)	4,104,957
FUND BALANCES, beginning of year	7,701,864	6,320,049	2,891,595	16,913,508
FUND BALANCES, end of year	$ 8,519,022	$ 9,907,676	$ 2,591,767	$ 21,018,465

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

CITY OF KENNESAW, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

Net change in fund balances - total governmental funds	$	4,104,957
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 depreciation exceeded capital outlay in the current period.		(559,664)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		122,178
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.		519,040
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.		55,843
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.		(534,376)
Change in net assets - governmental activities	$	3,707,978

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 12,721,072	$ 13,362,564	$ 13,595,325	$ 232,761
Licenses and permits	217,652	392,652	420,812	28,160
Fines and forfeitures	1,538,000	1,438,000	1,363,867	(74,133)
Charges for services	712,305	784,700	825,189	40,489
Intergovernmental	1,076,031	1,120,360	1,086,266	(34,094)
Contributions	7,550	7,550	2,750	(4,800)
Interest	450,000	450,000	370,959	(79,041)
Miscellaneous	157,110	211,418	642,229	430,811
Total revenues	16,879,720	17,767,244	18,307,397	540,153
EXPENDITURES				
Current:				
General government:				
Mayor and council	491,865	490,665	475,985	14,680
City manager	732,695	771,995	771,983	12
Financial administration	666,789	665,521	657,053	8,468
Legal and audit	269,200	268,900	260,410	8,490
Information technology	876,605	883,293	847,306	35,987
Buildings	918,225	918,225	835,196	83,029
Total general government	3,955,379	3,998,599	3,847,933	150,666
Judicial	343,677	343,677	327,480	16,197
Public safety:				
Police	4,074,908	4,796,914	4,790,426	6,488
Corrections	629,192	629,192	612,384	16,808
Total public safety	4,704,100	5,426,106	5,402,810	23,296
Public works:				
Central services	576,882	576,882	547,535	29,347
Highways and streets	1,343,694	1,475,721	1,474,589	1,132
Stormwater	-	414,045	413,813	232
Total public works	1,920,576	2,466,648	2,435,937	30,711
Culture and recreation	2,140,034	2,229,746	2,228,070	1,676
Housing and development:				
Construction and inspection	314,849	339,049	337,732	1,317
Planning and zoning	208,108	210,808	210,342	466
Economic development	326,864	328,714	328,063	651
Total housing and development	849,821	878,571	876,137	2,434
Capital outlay	480,600	865,821	806,046	59,775
Debt service:				
Principal	766,682	562,682	562,468	214
Interest	705,960	543,328	540,391	2,937
Total debt service	1,472,642	1,106,010	1,102,859	3,151
Total expenditures	15,866,829	17,315,178	17,027,272	287,906
Excess of revenues over expenditures	1,012,891	452,066	1,280,125	828,059
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	10,000	5,388	(4,612)
Issuance of long-term debt	177,000	180,150	159,992	(20,158)
Transfers in	764,051	1,047,739	1,019,325	(28,414)
Transfers out	(1,963,942)	(1,689,955)	(1,647,672)	42,283
Total other financing sources (uses)	(1,012,891)	(452,066)	(462,967)	(10,901)
Net change in fund balances	-	-	817,158	817,158
FUND BALANCES, beginning of year	7,701,864	7,701,864	7,701,864	-
FUND BALANCES, end of year	$ 7,701,864	$ 7,701,864	$ 8,519,022	$ 817,158

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

ASSETS	Business-type Activities - Enterprise Funds: Sanitation Fund	Museum Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
CURRENT ASSETS					
Cash	$ 1,443,963	$ 135,110	$ 70,948	$ 1,650,021	$ 14,058
Accounts receivable	348,929	-	-	348,929	17,148
Due from other funds	83,392	11,314	-	94,706	141,873
Inventory	-	70,030	3,391	73,421	-
Prepaids	58,464	28,766	762	87,992	23,444
Total current assets	1,934,748	245,220	75,101	2,255,069	196,523
CAPITAL ASSETS					
Non-depreciable assets	-	686,441	-	686,441	-
Depreciable assets	1,491,191	7,832,060	97,310	9,420,561	-
	1,491,191	8,518,501	97,310	10,107,002	-
Accumulated depreciation	(717,143)	(2,007,647)	(23,605)	(2,748,395)	-
	774,048	6,510,854	73,705	7,358,607	-
Total assets	2,708,796	6,756,074	148,806	9,613,676	196,523
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	35,359	18,316	26,276	79,951	85,390
Accrued liabilities	17,296	64,281	6,199	87,776	150,687
Deposits payable	350,715	-	-	350,715	-
Compensated absences payable	22,925	7,262	1,986	32,173	-
Due to other funds	6,010	2,359	594	8,963	-
Unearned revenue	167,722	-	-	167,722	-
Capital lease, due within one year	110,256	-	-	110,256	-
Notes payable, due within one year	-	285,000	-	285,000	-
Total current liabilities	710,283	377,218	35,055	1,122,556	236,077
NONCURRENT LIABILITIES					
Capital lease, due in more than one year	132,296	-	-	132,296	-
Note payable, due in more than one year	-	3,230,000	-	3,230,000	-
Net OPEB liability	135,981	103,942	34,521	274,444	-
Total noncurrent liabilities	268,277	3,333,942	34,521	3,636,740	-
Total liabilities	978,560	3,711,160	69,576	4,759,296	236,077
NET ASSETS					
Invested in capital assets, net of related debt	531,496	2,995,854	73,705	3,601,055	-
Unrestricted	1,198,740	49,060	5,525	1,253,325	(39,554)
Total net assets	$ 1,730,236	$ 3,044,914	$ 79,230	4,854,380	$ (39,554)
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				9,870	
Net assets of business-type activities				$ 4,864,250	

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, 2012

	Business-type Activities - Enterprise Funds				
	Sanitation Fund	Museum Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
OPERATING REVENUE					
Sanitation fees	$ 2,532,622	$ -	$ -	$ 2,532,622	$ -
Charges for sales and services	26,186	297,153	49,120	372,459	2,584,220
Miscellaneous	-	81,313	72,683	153,996	-
Total operating revenues	2,558,808	378,466	121,803	3,059,077	2,584,220
OPERATING EXPENSES					
Cost of sales and services	1,553,941	934,620	311,863	2,800,424	121,465
Claims	-	-	-	-	2,399,945
Depreciation	94,238	217,755	8,754	320,747	-
Total operating expenses	1,648,179	1,152,375	320,617	3,121,171	2,521,410
Operating income (loss)	910,629	(773,909)	(198,814)	(62,094)	62,810
NON-OPERATING INCOME (EXPENSES)					
Interest income	997	128	25	1,150	65
Intergovernmental	-	-	934	934	-
Interest expense	(4,240)	(157,397)	-	(161,637)	-
Total non-operating income (expenses)	(3,243)	(157,269)	959	(159,553)	65
Income (loss) before transfers and contributions	907,386	(931,178)	(197,855)	(221,647)	62,875
Capital contributions	-	57,794	-	57,794	-
Transfers in	-	1,055,194	245,017	1,300,211	-
Transfers out	(1,019,325)	-	-	(1,019,325)	-
Total capital contributions and transfers	(1,019,325)	1,112,988	245,017	338,680	-
Change in net assets	(111,939)	181,810	47,162	117,033	62,875
Total net assets, beginning of year, restated	1,842,175	2,863,104	32,068		(102,429)
Total net assets, end of year	$ 1,730,236	$ 3,044,914	$ 79,230		$ (39,554)
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				7,032	
Change in net assets of business-type activities				$ 124,065	

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, 2012

	Business-type Activities - Enterprise Funds				
	Sanitation Fund	Museum Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 2,696,397	$ 378,466	$ 120,914	$ 3,195,777	$ 2,504,170
Payments to suppliers	131,111	(429,361)	(93,317)	(391,567)	(2,495,750)
Payments to employees	(867,553)	(503,426)	(198,038)	(1,569,017)	-
Net cash provided by (used in) operating activities	1,959,955	(554,321)	(170,441)	1,235,193	8,420
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	-	1,043,880	245,017	1,288,897	-
Transfers out to other funds	(1,019,325)	-	-	(1,019,325)	-
Net cash provided by (used in) non-capital financing activities	(1,019,325)	1,043,880	245,017	269,572	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(263,696)	(6,625)	(30,769)	(301,090)	-
Principal payments on notes payable	-	(275,000)	-	(275,000)	-
Issuance of capital lease	219,681	-	-	219,681	-
Principal payments on capital lease	(111,742)	-	-	(111,742)	-
Interest paid	(4,240)	(163,631)	-	(167,871)	-
Grants and capital contributions	-	1,215	934	2,149	-
Net cash used in capital and related financing activities	(159,997)	(444,041)	(29,835)	(633,873)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	997	128	25	1,150	65
Net cash provided by investing activities	997	128	25	1,150	65
Net increase in cash	781,630	45,646	44,766	872,042	8,485
Cash, beginning of year	662,333	89,464	26,182	777,979	5,573
Cash, end of year	$ 1,443,963	$ 135,110	$ 70,948	$ 1,650,021	$ 14,058
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	$ 910,629	$ (773,909)	$ (198,814)	$ (62,094)	$ 62,810
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	94,238	217,755	8,754	320,747	-
Change in assets and liabilities:					
Decrease in accounts receivable	53,159	-	45	53,204	61,823
Decrease (increase) in due from other funds	791,736	-	-	791,736	(141,873)
Increase in prepaid items	(22,634)	(18,884)	(501)	(42,019)	(23,444)
Increase in inventory	-	(18,919)	(4)	(18,923)	-
Increase in accounts payable	11,312	13,001	6,904	31,217	85,390
Increase (decrease) in accrued liabilities	(1,278)	5,034	1,030	4,786	(36,286)
Increase in customer deposits payable	59,345	-	-	59,345	-
Increase in OPEB liability	35,302	25,569	13,060	73,931	-
Decrease in compensated absences payable	(2,949)	(4,291)	(575)	(7,815)	-
Increase (decrease) in unearned revenue	25,085	-	(934)	24,151	-
Increase in due to other funds	6,010	323	594	6,927	-
Net cash proivded by (used in) operating activities	$ 1,959,955	$ (554,321)	$ (170,441)	$ 1,235,193	$ 8,420
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	$ -	$ 56,579	$ -	$ 56,579	$ -

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)

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of intergovernmental revenue which is considered available if collected within 180 days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

The City also reports the following fund types:

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

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

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

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.

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 account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2012, 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

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Equity (Continued)

Fund balances are classified as follows:

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

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

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

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

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

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

Net Assets – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $16,903,217 difference are as follows:

Capital leases payable	$	(264,892)
Bonds payable		(16,055,000)
Bond issuance costs		216,556
Accrued interest payable		(130,200)
Compensated absences		(669,681)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(16,903,217)

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

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 $559,664 difference are as follows:

Capital outlay	$	1,583,478
Depreciation expense		(2,143,142)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(559,664)

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 $519,040 difference are as follows:

Proceeds from issuance of long-term debt	$	(159,992)
Amortization of deferred charges		(23,436)
Principal retirement of long-term debt		702,468
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	519,040

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 "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 $534,376 difference are as follows:

Compensated absences	$	24,088
Change in OPEB accrual		(562,434)
Accrued interest		3,970
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(534,376)

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, 2012, the City of Kennesaw had the following investments:

Investment	Maturities	Fair Value
Certificate of deposit	1 - 5 years	$ 150,000
U.S. Government obligations	1 - 5 years	375,564
U.S. Government obligations	5 - 10 years	655,025
U.S. Government obligations	10 - 15 years	3,889,020
U.S. Government obligations	15 - 20 years	962,752
Total		$ 6,032,361

Interest Rate Risk: The City does not have a formal policy that addresses interest rate risk. At September 30, 2012 the above investments were subject to interest rate risk. Interest rate risk is the risk that a government may face should changes in interest rates affect the fair value of its investments.

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

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

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, and City policy, require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2012, the City's and its component units' deposits were properly insured and collateralized.

NOTE 5. RECEIVABLES

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

Receivables at September 30, 2012, 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	Sanitation	Other Nonmajor Funds
Receivables:				
Taxes	$ 555,110	$ -	$ -	$ 12,845
Accounts	-	-	634,855	235,577
Due from other governments	79,996	494,721	-	-
Other	1,740,972	-	-	-
Less allowance for uncollectible	(92,544)	-	(285,926)	-
Net total receivable	$ 2,283,534	$ 494,721	$ 348,929	$ 248,422

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2012, is as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 13,885,277	$ -	$ -	$ -	$ 13,885,277
Construction in progress	482,792	547,773	-	-	1,030,565
Total	14,368,069	547,773	-	-	14,915,842
Capital assets, being depreciated:					
Buildings	10,323,856	-	-	-	10,323,856
Infrastructure	44,156,380	759,733	-	-	44,916,113
Machinery and equipment	3,816,425	53,614	-	(5,400)	3,864,639
Land improvements	7,482,911	-	-	-	7,482,911
Vehicles	2,957,262	222,358	-	(72,669)	3,106,951
Total	68,736,834	1,035,705	-	(78,069)	69,694,470
Less accumulated depreciation for:					
Buildings	(3,307,436)	(306,507)	-	-	(3,613,943)
Infrastructure	(20,011,760)	(1,129,925)	-	-	(21,141,685)
Machinery and equipment	(2,163,641)	(289,681)	-	5,400	(2,447,922)
Land improvements	(557,745)	(187,768)	-	-	(745,513)
Vehicles	(1,990,313)	(229,261)	-	72,669	(2,146,905)
Total	(28,030,895)	(2,143,142)	-	78,069	(30,095,968)
Total capital assets, being depreciated, net	40,705,939	(1,107,437)	-	-	39,598,502
Governmental activities capital assets, net	$ 55,074,008	$ (559,664)	$ -	$ -	$ 54,514,344

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Museum artifacts	$ 622,862	$ 56,579	$ -	$ 679,441
Land	7,000	-	-	7,000
Total	629,862	56,579	-	686,441
Capital assets, being depreciated:				
Buildings and structures	7,432,979	30,769	-	7,463,748
Furniture and fixtures	83,736	-	-	83,736
Vehicles	1,115,570	219,681	-	1,335,251
Machinery and equipment	487,186	50,640	-	537,826
Total	9,119,471	301,090	-	9,420,561
Less accumulated depreciation for:				
Buildings and structures	(1,500,741)	(188,458)	-	(1,689,199)
Furniture and fixtures	(42,562)	(13,293)	-	(55,855)
Vehicles	(548,631)	(84,624)	-	(633,255)
Machinery and equipment	(335,714)	(34,372)	-	(370,086)
Total	(2,427,648)	(320,747)	-	(2,748,395)
Total capital assets, being depreciated, net	6,691,823	(19,657)	-	6,672,166
Business-type activities capital assets, net	$ 7,321,685	$ 36,922	$ -	$ 7,358,607

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

Governmental activities:	
General government	$ 253,945
Judicial	4,696
Public safety	218,433
Public works	1,425,220
Culture and recreation	240,848
Total depreciation expense - governmental activities	$ 2,143,142
Business-type activities:	
Sanitation	$ 94,238
Museum	217,755
Gardens	8,754
Total depreciation expense - business-type activities	$ 320,747

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
Construction in progress	-	86,270	-	86,270
Total	210,000	86,270	-	296,270
Capital assets, being depreciated:				
Sites and improvements	450,854	-	-	450,854
Buildings and improvements	107,681	322,693	-	430,374
Total	558,535	322,693	-	881,228
Less accumulated depreciation for:				
Sites and improvements	(17,823)	(15,514)	-	(33,337)
Buildings and improvements	(20,277)	(4,102)	-	(24,379)
Total	(38,100)	(19,616)	-	(57,716)
Total capital assets, being depreciated, net	520,435	303,077	-	823,512
Total capital assets, net	$ 730,435	$ 389,347	$ -	$ 1,119,782

NOTE 7. SHORT-TERM BORROWINGS

The City paid off a tax anticipation note for operating purposes of $5,000,000 at a local financial institution. The borrowing, with an interest rate of 1.00%, matured on December 29, 2011. As of September 30, 2012, the principal was paid in full. During the year ending September 30, 2012 the City used a new tax anticipation note for operating purposes; the balance of the note is $5,000,000. The new note has an interest rate of 0.77% and matures on December 28, 2012.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2012, was $25,151.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2012:

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

NOTE 8. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 12,580,000	$ -	$ (455,000)	$ 12,125,000	$ 475,000
Revenue bonds	4,070,000	-	(140,000)	3,930,000	145,000
Capital leases	212,368	159,992	(107,468)	264,892	106,788
OPEB obligation	1,325,711	567,935	(5,501)	1,888,145	-
Compensated absences	693,769	452,783	(476,871)	669,681	460,855
Governmental activity Long-term liabilities	$ 18,881,848	$ 1,180,710	$ (1,184,840)	$ 18,877,718	$ 1,187,643

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Note payable - due to component unit	$ 3,790,000	$ -	$ (275,000)	$ 3,515,000	$ 285,000
Capital lease	134,613	219,681	(111,742)	242,552	110,256
OPEB obligation	200,513	74,625	(694)	274,444	-
Compensated absences	39,988	38,516	(46,331)	32,173	32,173
Business-type activity Long-term liabilities	$ 4,165,114	$ 332,822	$ (433,767)	$ 4,064,169	$ 427,429

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, 2012, the City had $346,624 and $403,286 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,		
2013	$ 113,795	$ 115,982
2014	87,575	46,151
2015	60,051	46,151
2016	16,817	46,151
Total minimum lease payments	278,238	254,435
Less amount representing interest	13,346	11,883
Present value of future minimum lease payments	$ 264,892	$ 242,552

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,			
2013	$ 475,000	$ 489,765	$ 964,765
2014	495,000	469,783	964,783
2015	515,000	448,977	963,977
2016	535,000	427,347	962,347
2017	565,000	404,687	969,687
2018-2022	3,270,000	1,641,408	4,911,408
2023-2027	4,230,000	874,058	5,104,058
2028-2029	2,040,000	85,078	2,125,078
Total	$ 12,125,000	$ 4,841,103	$ 16,966,103

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,			
2013	$ 145,000	$ 237,771	$ 382,771
2014	215,000	229,670	444,670
2015	220,000	219,096	439,096
2016	230,000	208,150	438,150
2017	240,000	196,656	436,656
2018-2022	830,000	819,646	1,649,646
2023-2027	660,000	607,950	1,267,950
2028-2032	925,000	333,025	1,258,025
2033-2034	465,000	33,076	498,076
Total	$ 3,930,000	$ 2,885,040	$ 6,815,040

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,			
2013	$ 285,000	$ 151,088	$ 436,088
2014	300,000	137,984	437,984
2015	310,000	124,320	434,320
2016	325,000	110,096	435,096
2017	340,000	95,200	435,200
2018-2022	1,955,000	226,800	2,181,800
Total	$ 3,515,000	$ 845,488	$ 4,360,488

NOTE 8. LONG-TERM DEBT (Continued)

Kennesaw Downtown Development Authority

Long-term liability activity for the year ended September 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 3,790,000	$ -	$ (275,000)	$ 3,515,000	$ 285,000
Note payable	142,170	369,850	(16,736)	495,284	27,335
Total long-term liabilities	$ 3,932,170	$ 369,850	$ (291,736)	$ 4,010,284	$ 312,335

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:

	Principal	Interest	Total
Year Ending September 30,			
2013	$ 285,000	$ 151,088	$ 436,088
2014	300,000	137,984	437,984
2015	310,000	124,320	434,320
2016	325,000	110,096	435,096
2017	340,000	95,200	435,200
2018-2022	1,955,000	226,800	2,181,800
Total	$ 3,515,000	$ 845,488	$ 4,360,488

NOTE 8. LONG-TERM DEBT (Continued)

Note payable. In September 2005 the KDDA entered into a note payable with a 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. The debt service requirements to maturity are as follows:

	Principal	Interest	Total
Year Ending September 30,			
2013	$ 12,755	$ 8,151	$ 20,906
2014	13,610	7,297	20,907
2015	14,521	6,385	20,906
2016	15,494	5,413	20,907
2017	16,531	4,375	20,906
2018-2021	57,239	6,193	63,432
Total	$ 130,150	$ 37,814	$ 167,964

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

	Principal	Interest	Total
Year Ending September 30,			
2013	$ 7,949	$ 11,742	$ 19,691
2014	8,340	11,351	19,691
2015	8,751	10,941	19,692
2016	9,152	10,540	19,692
2017	213,253	3,442	216,695
Total	$ 247,445	$ 48,016	$ 295,461

NOTE 8. LONG-TERM DEBT (Continued)

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

	Principal	Interest	Total
Year Ending September 30,			
2013	$ 6,631	$ 3,604	$ 10,235
2014	6,843	3,393	10,236
2015	7,061	3,174	10,235
2016	7,278	2,958	10,236
2017	89,876	707	90,583
Total	$ 117,689	$ 13,836	$ 131,525

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2012, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
Sanitation fund	General fund	$ 83,392
Museum fund	Nonmajor governmental funds	11,314
Nonmajor governmental funds	General fund	2,311,719
Internal service fund	General fund	127,668
Internal service fund	Sanitation fund	6,010
Internal service fund	Museum fund	2,359
Internal service fund	Nonmajor governmental funds	5,242
Internal service fund	Nonmajor enterprise funds	594
		$ 2,548,298

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 - Development Authority	$ 2,313,349

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 $50,363, 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	$ 1,019,325
Museum fund	General fund	$ 1,036,880
Museum fund	Nonmajor governmental funds	18,314
		$ 1,055,194
Nonmajor governmental funds	General fund	$ 365,775
Nonmajor enterprise funds	General fund	$ 245,017

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.

Advances to/from other funds are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 667,428

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 $29,928 for the fiscal year ended September 30, 2012. The future minimum lease payments for these leases are as follows:

Year Ending September 30,	
2013	$ 29,928
2014	28,740
2015	28,740
	$ 87,408

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.

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.

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

At January 1, 2012, the date of the most recent actuarial valuation, there were 256 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	41
Terminated vested participants not yet receiving benefits	25
Active employees - vested	62
Active employees - nonvested	128
Total	256

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 2012, the actuarially determined contribution rate was 11.44% of covered payroll.

For 2012, the City's recommended contribution was $883,626. Actual contributions totaled $883,626. The recommended contribution was determined as part of the January 1, 2011 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.

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

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, 2011 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
2012	$ 883,626	$ 883,626	100.0 %	$ -
2011	771,422	771,422	100.0	-
2010	762,181	762,181	100.0	-

As of the most recent valuation date, January 1, 2012, 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
1/1/2012	$ 8,589,913	$ 10,801,905	79.52%	$ 2,211,992	$ 7,701,603	28.72%

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, 2012.

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 $125,000 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.

Plan Membership

As of January 1, 2011, the most recent actuarial valuation date, the Plan membership included the following categories of participants:

Retirees, beneficiaries, and dependents	7
Active participants	193
	200

NOTE 12. OTHER POST EMPLOYEMENT BENEFITS (Continued)

City Contributions

The annual required contribution for the current year was determined as part of the January 1, 2011, actuarial valuation. The actuarial assumptions included:

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Market Value
Assumed Rate of Return on Investments	4.0%
Annual Inflation	3.5%
Healthcare Cost Trend Rate	9.0%
Ultimate Healthcare Cost Trend Rate	5.0%
Year of Ultimate Trend Rate	2018
Amortization Method	Level dollar, closed
Remaining Amortization Period	23 years

The following is a schedule of funding progress using the projected unit credit method. As of the most recent valuation date, January 1, 2011, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2011	$ -	$ 3,784,934	$ 3,784,934	0.0%	$ 7,461,575	50.7%

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, 2011.

NOTE 12. OTHER POST EMPLOYEMENT BENEFITS (Continued)

Annual OPEB Cost

The City's actuarially determined contribution, OPEB cost and increase in net OPEB obligation for the year ended September 30, 2012, is as follows:

Annual required contribution	$ 685,236
Interest on net OPEB obligation	61,049
Adjustments to annual required contribution	(103,725)
Annual OPEB cost	642,560
Contributions made	6,195
Increase in net OPEB obligation	636,365
Net OPEB obligation, beginning of year	1,526,224
Net OPEB obligation, end of year	$ 2,162,589

Annual OPEB Cost

The recommended contribution was determined as part of the January 1, 2011 actuarial valuation. The chart below shows the annual OPEB cost for the current and two preceding years, along with the percentage actually contributed by the City.

Schedule of Employer Costs and Contributions

Fiscal Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2012	$ 642,560	$ 6,195	1%	$ 2,162,589
September 30, 2011	607,317	6,268	1%	1,526,224
September 30, 2010	483,529	7,433	2%	925,175

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, 2012, there were 86 plan members. During the year ending September 30, 2012 employee contributions were $166,631 and employer contributions were $39,392.

NOTE 14. FUND DEFICITS

For the year ended September 30, 2012, the City's E911 Fund and Self Insurance Internal Service Fund had fund deficits of $457,474 and $39,554 respectively. The fund deficit in the E911 Fund will be reduced through future user charges and General Fund appropriations, as needed. The fund deficit in the Self Insurance Fund will be reduced through increased charges to user funds, as needed.

NOTE 15. JOINT VENTURE

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

NOTE 16. RISK MANAGEMENT

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

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

NOTE 16. RISK MANAGEMENT (Continued)

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

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

Active Employees. The City is partially self-insured for employee medical claims. The City pays 89% of the employee premium and 85% of family premium for the PPO plan and 91% of the employee premium and 89% 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 $125,000. 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 $125,000 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.

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 $125,000 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, 7 retirees are eligible for post-retirement benefits. These post-retirement benefits are funded on a pay-as-you go basis and totaled $6,195 for the year ended September 30, 2012.

NOTE 16. RISK MANAGEMENT (Continued)

Changes in the claims liability for the year ended September 30, 2012 and 2011 are as follows:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2012	$ 186,973	$ 2,169,553	$ 2,205,839	$ 150,687
2011	$ 155,214	$ 2,579,673	$ 2,547,914	$ 186,973

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, 2012, contractual commitments on uncompleted contracts were $700,533.

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 $35,051 for the year ended September 30, 2012. Of this amount 100%, or $35,051, 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. RESTRICTED FUND BALANCE

The City has reported $8,400,720 of the General Fund's fund balance as restricted for voter approved use. This amount is also reported as restricted in the government-wide statement of net 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, 2012.

NOTE 20. PRIOR PERIOD RESTATEMENT

The City has determined that a restatement of beginning net assets of the Sanitation Fund is necessary to record additional Sanitation receivables and related revenues for the period ending September 30, 2011. These balances were not recorded due to the City reducing revenues instead of increasing receivables when reclassifying accounts receivable credit balances as a liability. These adjustments resulted in changes to the beginning net assets of the Sanitation Fund as follows:

Net assets, Sanitation Fund, as previously reported	$ 1,699,538
Restatement for credit balances related to sanitation billings	142,637
Beginning net assets, Sanitation Fund, restated	$ 1,842,175

The above restatement also caused an adjustment to beginning net assets of business-type activities as follows:

Net assets, business-type activities, as previously reported	$ 4,597,548
Restatement for credit balances related to sanitation billings	142,637
Beginning net assets, business-type activities, restated	$ 4,740,185

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENNESAW, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Defined Benefit Pension Plan

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)
1/1/2012	$ 8,589,913	$ 10,801,905	2,211,992	79.52%	$ 7,701,603	28.72%
1/1/2011	7,704,106	9,915,146	2,211,040	77.70%	7,527,440	29.37%
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%

Note: See assumptions used for the above schedule in Note 11 to the financial statements.

Other Post-Employment Benefit Plan

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)
1/1/2011	$ -	$ 3,784,934	$ 3,784,934	0.00%	$ 7,461,575	50.73%
9/30/2009	-	2,604,421	2,604,421	0.00%	7,406,662	35.16%

Note: See assumptions used for the above schedule in Note 12 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, which are restricted by state law.

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

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

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

Capital Projects Fund

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

Debt Service Fund

Urban Redevelopment Agency – This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the City.

CITY OF KENNESAW, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Special Revenue Funds					Capital Projects Fund	Debt Service Fund	
ASSETS	Asset Forfeiture Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Capital Projects Fund	Urban Redevelopment Agency	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 50,923	$ 19,471	$ 18,599	$ 41,288	$ 23,874	$ 566,827	$ 102,800	$ 823,782
Taxes receivable	-	-	12,845	-	-	-	-	12,845
Other receivables	-	230,475	-	-	-	5,102	-	235,577
Due from other funds	-	-	-	-	202,557	-	2,109,162	2,311,719
Prepaid expenditures	-	17,992	-	-	-	-	-	17,992
Total assets	$ 50,923	$ 267,938	$ 31,444	$ 41,288	$ 226,431	$ 571,929	$ 2,211,962	$ 3,401,915
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	$ 13,114	$ 16,651	$ 9,097	$ 55	$ -	$ 51,156	$ -	$ 90,073
Accrued liabilities	-	25,508	-	-	-	-	-	25,508
Deferred revenues	-	10,583	-	-	-	-	-	10,583
Due to other funds	-	5,242	11,314	-	-	-	-	16,556
Advances from other funds	-	667,428	-	-	-	-	-	667,428
Total liabilities	13,114	725,412	20,411	55	-	51,156	-	810,148
FUND BALANCES								
Fund Balances:								
Nonspendable:								
Prepaids	-	17,992	-	-	-	-	-	17,992
Restricted:								
Public safety	37,809	-	-	-	-	-	-	37,809
Culture and recreation	-	-	11,033	-	-	-	-	11,033
Capital projects	-	-	-	-	-	520,773	-	520,773
Debt service	-	-	-	-	-	-	2,211,962	2,211,962
Impact fee projects	-	-	-	-	226,431	-	-	226,431
Committed:								
Cemetery maintenance	-	-	-	32,515	-	-	-	32,515
Assigned:								
Cemetery maintenance	-	-	-	8,718	-	-	-	8,718
Unassigned	-	(475,466)	-	-	-	-	-	(475,466)
Total fund balances	37,809	(457,474)	11,033	41,233	226,431	520,773	2,211,962	2,591,767
Total liabilities and fund balances	$ 50,923	$ 267,938	$ 31,444	$ 41,288	$ 226,431	$ 571,929	$ 2,211,962	$ 3,401,915

CITY OF KENNESAW, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds					Capital Projects Fund	Debt Service Fund	
	Asset Forfeiture Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Capital Projects Fund	Urban Redevelopment Agency	Total Nonmajor Governmental Funds
REVENUES								
Taxes	$ -	$ -	$ 35,051	$ -	$ -	$ -	$ -	$ 35,051
Licenses and permits	-	-	-	-	202,557	-	-	202,557
Fines and forfeitures	2,864	-	-	-	-	-	-	2,864
Charges for services	-	1,003,056	697	11,590	-	-	-	1,015,343
Interest	57	276	14	39	24	700	23	1,133
Contributions	-	-	-	500	-	-	-	500
Miscellaneous	3,980	89	-	-	-	29,716	-	33,785
Total revenues	6,901	1,003,421	35,762	12,129	202,581	30,416	23	1,291,233
EXPENDITURES								
Current								
Public safety	7,637	1,121,326	-	-	-	-	-	1,128,963
Public works	-	-	-	3,411	-	-	-	3,411
Culture and recreation	-	-	17,435	-	-	-	-	17,435
Capital outlay	-	-	-	-	-	404,525	-	404,525
Debt service								
Principal retirements	-	-	-	-	-	-	140,000	140,000
Interest and fiscal charges	-	-	-	-	-	-	244,188	244,188
Total expenditures	7,637	1,121,326	17,435	3,411	-	404,525	384,188	1,938,522
Excess (deficiency) of revenues over (under) expenditures	(736)	(117,905)	18,327	8,718	202,581	(374,109)	(384,165)	(647,289)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	100,000	-	-	-	77,587	188,188	365,775
Transfers out	-	-	(18,314)	-	-	-	-	(18,314)
Total other financing sources (uses)	-	100,000	(18,314)	-	-	77,587	188,188	347,461
Net change in fund balances	(736)	(17,905)	13	8,718	202,581	(296,522)	(195,977)	(299,828)
FUND BALANCES (DEFICIT), beginning of year	38,545	(439,569)	11,020	32,515	23,850	817,295	2,407,939	2,891,595
FUND BALANCES (DEFICIT), end of year	$ 37,809	$ (457,474)	$ 11,033	$ 41,233	$ 226,431	$ 520,773	$ 2,211,962	$ 2,591,767

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 12,500	$ 12,500	$ 2,864	$ (9,636)
Interest	50	50	57	7
Miscellaneous	-	-	3,980	3,980
Total revenues	12,550	12,550	6,901	(5,649)
EXPENDITURES				
Public safety	12,550	12,550	7,637	4,913
Net change in fund balances	-	-	(736)	(736)
FUND BALANCES, beginning of year	38,545	38,545	38,545	-
FUND BALANCES, end of year	$ 38,545	$ 38,545	$ 37,809	$ (736)

CITY OF KENNESAW, GEORGIA
E911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 1,033,991	$ 1,067,991	$ 1,003,056	$ (64,935)
Interest	215	215	276	61
Miscellaneous	-	-	89	89
Total revenues	1,034,206	1,068,206	1,003,421	(64,785)
EXPENDITURES				
Public safety	990,173	1,124,173	1,121,326	2,847
Excess (deficiency) of revenues over (under) expenditures	44,033	(55,967)	(117,905)	(61,938)
OTHER FINANCING SOURCES				
Transfers in	-	100,000	100,000	-
Net change in fund balances	44,033	44,033	(17,905)	(61,938)
FUND BALANCES (DEFICIT), beginning of year	(439,569)	(439,569)	(439,569)	-
FUND BALANCES (DEFICIT), end of year	$ (395,536)	$ (395,536)	$ (457,474)	$ (61,938)

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 27,500	$ 35,100	$ 35,051	$ (49)
Charges for services	550	650	697	47
Interest	22	22	14	(8)
Total revenues	28,072	35,772	35,762	(10)
EXPENDITURES				
Culture and recreation	13,750	17,450	17,435	15
Excess of revenues over expenditures	14,322	18,322	18,327	5
OTHER FINANCING USES				
Transfers out	(14,322)	(18,322)	(18,314)	8
Net change in fund balances	-	-	13	13
FUND BALANCES, beginning of year	11,020	11,020	11,020	-
FUND BALANCES, end of year	$ 11,020	$ 11,020	$ 11,033	$ 13

CITY OF KENNESAW, GEORGIA
CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 5,000	$ 6,000	$ 11,590	$ 5,590
Interest	25	25	39	14
Contributions	-	-	500	500
Total revenues	5,025	6,025	12,129	6,104
EXPENDITURES				
Public works	6,800	6,025	3,411	2,614
Excess (deficiency) of revenues over (under) expenditures	(1,775)	-	8,718	8,718
OTHER FINANCING SOURCES				
Transfers in	1,775	-	-	-
Net change in fund balances	-	-	8,718	8,718
FUND BALANCES, beginning of year	32,515	32,515	32,515	-
FUND BALANCES, end of year	$ 32,515	$ 32,515	$ 41,233	$ 8,718

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and permits	$ 27,739	$ 27,739	$ 202,557	$ 174,818
Interest	21	21	24	3
Total revenues	27,760	27,760	202,581	174,821
OTHER FINANCING USES				
Transfers out	(27,739)	(27,739)	-	27,739
Net change in fund balances	21	21	202,581	202,560
FUND BALANCES, beginning of year	23,850	23,850	23,850	-
FUND BALANCES, end of year	$ 23,871	$ 23,871	$ 226,431	$ 202,560

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Interest	$ -	$ -	$ 23	$ 23
Miscellaneous	-	196,000	-	(196,000)
Total revenues	-	196,000	23	(195,977)
EXPENDITURES				
Debt service				
Principal	140,000	140,000	140,000	-
Interest and fiscal charges	47,400	244,188	244,188	-
Total expenditures	187,400	384,188	384,188	-
Deficiency of revenues over expenditures	(187,400)	(188,188)	(384,165)	(195,977)
OTHER FINANCING SOURCES				
Transfers in	187,400	188,188	188,188	-
Net change in fund balances	-	-	(195,977)	(195,977)
FUND BALANCES, beginning of year	2,407,939	2,407,939	2,407,939	-
FUND BALANCES, end of year	$ 2,407,939	$ 2,407,939	$ 2,211,962	$ (195,977)

CITY OF KENNESAW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED SEPTEMBER 30, 2012

PROJECT	ESTIMATED COST ORIGINAL	ESTIMATED COST CURRENT	EXPENDITURES PRIOR	EXPENDITURES CURRENT	EXPENDITURES TOTAL	PERCENTAGE OF COMPLETION
SPLOST I - 2005 SPLOST						
Stanley Road/Collins Road	$ 1,900,000	$ 879,178	$ 161,671	$ -	$ 161,671	18.39 %
Old Highway 41	2,600,000	2,600,000	93,526	20,963	114,489	4.40
Kennesaw Due West Road	750,000	750,000	750,000	-	750,000	100.00
Pine Mountain Road @US 41	300,000	300,000	281,785	-	281,785	93.93
Rutledge Road	900,000	900,000	-	-	-	-
Jiles Road	9,900,000	3,507 (1)	3,507	-	3,507	100.00
Cherokee Street	3,750,000	1,472,820	234,598	196,573	431,171	29.28
McCollum Parkway	200,000	-	-	-	-	-
Barrett Parkway	520,300	- (1)	-	-	-	-
Pine Mountain Court & US 41	200,000	200,000	11,695	61	11,756	5.88
Cobb International Boulevard	1,000,000	-	-	-	-	-
Sidewalk Projects	410,900	378,535	11,226	8,080	19,306	5.10
Resurfacing Projects	520,774	448,444	324,179	5,021	329,200	73.41
800 MHZ Radios	353,943	428,766	428,526	-	428,526	99.94
TOTAL 2005 SPLOST	$ 23,305,917	$ 8,361,250	$ 2,300,713	$ 230,698	$ 2,531,411	
SPLOST II - 2011 SPLOST						
Pine Mountain Road	$ 6,492,254	$ 6,492,254	$ -	$ -	$ -	- %
Cherokee Street	5,000,000	5,000,000	-	-	-	-
Stanley Road/Collins Road	1,150,032	1,150,032	-	-	-	-
McCollum Parkway	388,000	388,000	-	-	-	-
Cobb International Blvd	1,500,000	1,500,000	-	-	-	-
Sidewalk Projects	535,353	535,353	-	-	-	-
Resurfacing Projects	413,650	413,650	-	-	-	-
Infrastructure Preservation	1,101,710	1,101,710	-	-	-	-
Skate Park	750,000	750,000	-	70,345	70,345	9.38
Depot Park Improvements	2,100,000	2,100,000	-	-	-	-
Smith Gilbert Gardens Event Building	1,800,000	1,800,000	-	-	-	-
Swift Cantrell Park Parking	650,000	650,000	-	63,283	63,283	9.74
Community Center Renovation	226,999	226,999	-	-	-	-
TOTAL 2011 SPLOST	$ 22,107,998	$ 22,107,998	$ -	$ 133,628	$ 133,628	
			Total SPLOST expenditures	$ 364,326		

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

COMPONENT UNIT –
DOWNTOWN DEVELOPMENT AUTHORITY

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
SEPTEMBER 30, 2012

ASSETS	
Cash	$ 4,611
Total assets	$ 4,611
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 2,633
Accrued liabilities	1,500
Total liabilities	4,133
FUND BALANCE	
Unassigned	478
Total liabilities and fund balance	$ 4,611

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2012

REVENUES		
Rents and royalties	$	33,219
Intergovernmental		486,333
Interest		33
Miscellaneous		1,969
Total revenues		521,554
EXPENDITURES		
Downtown development		458,406
Debt service		
Principal		291,736
Interest		182,413
Total expenditures		932,555
Deficiency of revenues over expenditures		(411,001)
OTHER FINANCING SOURCES		
Issuance of long term debt		369,850
Net change in fund balances		(41,151)
FUND BALANCE, beginning of year		41,629
FUND BALANCE, end of year	$	478

COMPONENT UNIT –
DEVELOPMENT AUTHORITY

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
SEPTEMBER 30, 2012

ASSETS	
Cash	$ 123,731
Other receivables	27,644
Land held for resale	2,312,919
Total assets	$ 2,464,294
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 6,192
Due to primary government	2,313,349
Total liabilities	2,319,541
FUND BALANCE	
Unassigned	144,753
Total liabilities and fund balance	$ 2,464,294

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2012

REVENUES	
Interest income	$ 129
Miscellaneous	76,225
Total revenues	76,354
EXPENDITURES	
Housing and development	72,289
Net change in fund balance	4,065
FUND BALANCE, beginning of year	140,688
FUND BALANCE, end of year	$ 144,753

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 **72**

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 **77**

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

Debt Capacity **81**

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 **85**

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 **88**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

CITY OF KENNESAW, GEORGIA

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

	2012	2011	2010	2009	
Governmental activities					
Invested in capital assets, net of related debt	**$ 38,194,452**	$ 38,211,640	$ 37,441,454	$ 37,896,407	
Restricted	**22,999,987**	19,214,410	11,728,094	10,453,594	(2)
Unrestricted	**(4,069,805)**	(4,009,394)	5,113,083	3,096,897	(2)
Total governmental activities net assets	**$ 57,124,634**	$ 53,416,656	$ 54,282,631	$ 51,446,898	
Business-type activities					
Invested in capital assets, net of related debt	**$ 3,601,055**	$ 3,397,072	$ 3,178,418	$ 2,682,669	
Restricted	**-**	-	-	-	
Unrestricted	**1,263,195**	1,200,476	1,124,835	1,018,721	
Total business-type activities net assets	**$ 4,864,250**	$ 4,597,548	$ 4,303,253	$ 3,701,390	
Primary government					
Invested in capital assets, net of related debt	**$ 41,795,507**	$ 41,608,712	$ 40,619,872	$ 40,579,076	
Restricted	**22,999,987**	19,214,410	11,728,094	10,453,594	
Unrestricted	**(2,806,610)**	(2,808,918)	6,237,918	4,115,618	
Total primary government net assets	**$ 61,988,884**	$ 58,014,204	$ 58,585,884	$ 55,148,288	

(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.

2008	2007	2006	2005	2004	2003
$ 37,419,713 (1)	$ 13,367,294	$ 7,020,435	$ 4,782,359	$ 8,342,678	$ 5,883,953
1,003,306	6,441,818	109,218	44,141	1,329,737	728,347
9,464,149	9,000,692	18,879,192	26,099,758	5,221,136	7,572,789
$ 47,887,168	$ 28,809,804	$ 26,008,845	$ 30,926,258	$ 14,893,551	$ 14,185,089
$ 2,583,068	$ 1,712,372	$ 1,380,591	$ 1,477,421	$ 4,654,954	$ 4,688,554
-	-	-	-	233,142	458,794
159,675	(1,513,521)	(1,295,823)	(1,200,340)	(525,207)	(1,117,120)
$ 2,742,743	$ 198,851	$ 84,768	$ 277,081	$ 4,362,889	$ 4,030,228
$ 40,002,781	$ 15,079,666	$ 8,401,026	$ 6,259,780	$ 12,997,632	$ 10,572,507
1,003,306	6,441,818	109,218	44,141	1,562,879	1,187,141
9,623,824	7,487,171	17,583,369	24,899,418	4,695,929	6,455,669
$ 50,629,911	$ 29,008,655	$ 26,093,613	$ 31,203,339	$ 19,256,440	$ 18,215,317

CITY OF KENNESAW, GEORGIA

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

	2012	2011	2010	2009	
Expenses					
Governmental activities:					
General government	**$ 4,187,479**	$ 4,544,161	$ 4,374,745	$ 4,340,819	
Judicial	**342,790**	365,477	343,934	342,310	
Public safety	**6,976,574**	7,038,966	7,019,253	6,476,689	
Public works	**3,922,629**	4,035,824	3,634,870	3,600,503	(5)
Culture and recreation	**2,547,847**	2,682,506	2,563,539	2,448,676	
Housing and development	**907,986**	1,154,875	1,039,995	1,133,464	
Interest on long-term debt	**804,045**	820,746	811,083	674,201	
Total governmental activities expenses	**19,689,350**	20,642,555	19,787,419	19,016,662	
Business-type activities:					
Water & sewer (1)	**-**	-	-	-	
Sanitation	**1,649,055**	1,592,777	1,818,853	1,464,769	(5)
Museum	**1,307,352**	1,443,963	1,501,346	1,479,890	
Gardens	**319,369**	286,949	262,145	227,102	
Total business-type activities expenses	**3,275,776**	3,323,689	3,582,344	3,171,761	
Total primary government expenses	**$ 22,965,126**	$ 23,966,244	$ 23,369,763	$ 22,188,423	
Program Revenues					
Governmental activities:					
Charges for services:					
General government	**$ 645,807**	$ 186,426	$ 167,078	$ 192,374	
Judicial	**1,229,945**	1,413,733	1,397,897	1,259,470	
Public safety	**1,197,405**	1,208,972	2,505,270	(9) 1,196,781	
Public works	**343,370**	124,663	27,878	125,751	(4)
Culture and recreation	**779,069**	704,632	581,384	610,907	
Housing and development	**313,759**	249,950	123,922	-	(4)
Operating grants and contributions (2)	**380,462**	373,835	383,215	797,249	
Capital grants and contributions (2)	**4,668,881**	1,954,206	4,013,275	(10) 611,290	
Total governmental activities program revenues	**9,558,698**	6,216,417	9,199,919	4,793,822	
Business-type activities:					
Charges for services:					
Water & sewer (1)	**-**	-	-	-	
Sanitation	**2,558,808**	2,520,688	2,556,419	2,417,692	
Museum	**378,466**	346,393	322,700	351,289	
Gardens	**121,803**	110,593	33,977	38,366	
Operating grants and contributions (2)	**934**	566	6,353	-	
Capital grants and contributions (2)	**57,794**	70,306	414,127	112,174	
Total business-type activities program revenues	**3,117,805**	3,048,546	3,333,576	2,919,521	
Total primary government program revenues	**$ 12,676,503**	$ 9,264,963	$ 12,533,495	$ 7,713,343	

2008	2007	2006	2005	2004	2003
$ 3,429,896	$ 3,003,822	$ 2,739,827	$ 2,450,278	$ 2,139,830	$ 1,651,523
331,775	355,036	297,730	291,286	288,131	263,861
6,031,526	5,715,932	5,273,599	4,929,400	4,614,765	4,159,241
5,395,444 (5)	2,174,348	2,047,160	1,962,111	1,759,500	1,901,171
2,468,491	2,117,371	1,853,478	1,726,860	1,427,314	1,374,603
1,128,271	1,163,980	956,076	860,740	796,281	832,290
756,053	687,920	729,315	483,192	66,536	239,130
19,541,456	15,218,409	13,897,185	12,703,867	11,092,357	10,421,819
-	-	267,612	595,512	2,727,323	2,350,848
3,189,703 (5)	1,567,615	1,225,111	1,132,761	1,149,452	788,920
1,541,295	1,809,968	1,673,495	1,541,624	1,374,148	1,426,862
198,087	117,367	-	-	-	-
4,929,085	3,494,950	3,166,218	3,269,897	5,250,923	4,566,630
$ 24,470,541	$ 18,713,359	$ 17,063,403	$ 15,973,764	$ 16,343,280	$ 14,988,449
$ 152,329	$ 166,028	$ 321,442	$ 678,846	$ 149,870	$ 384,413
1,298,239	1,438,119 (3)	-	-	-	-
1,123,811	862,072 (3)	2,204,458	2,321,514	2,019,469	1,818,158
335,261 (4)	-	-	8,975	3,600	3,600
651,973	488,648	388,197	345,212	234,622	262,055
- (4)	212,315	436,080	374,688	589,521	312,860
730,623	6,600	451,435	564,078	316,844	-
309,453	597,003	551,632	617,691	339,787	171,803
4,601,689	3,770,785	4,353,244	4,911,004	3,653,713	2,952,889
-	-	250	821,295	3,304,497	2,499,033
2,494,016	2,265,607	1,859,726	1,823,046	1,911,230	1,536,416
368,151	399,424	406,631	355,472	389,542	252,168
3,010	1,827	-	-	-	-
169,877	-	-	-	-	-
499,992	270,176	73,341	89,923	127,220	289,694
3,535,046	2,937,034	2,339,948	3,089,736	5,732,489	4,577,311
$ 8,136,735	$ 6,707,819	$ 6,693,192	$ 8,000,740	$ 9,386,202	$ 7,530,200

(Continued)

CITY OF KENNESAW, GEORGIA

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

	2012	2011	2010	2009
Net (expense)/revenue				
Governmental activities	**$ (10,130,652)**	$ (14,426,138)	$ (10,587,500)	$ (14,222,840)
Business-type activities	**(157,971)**	(275,143)	(248,768)	(252,240)
Total primary government net expense	**$ (10,288,623)**	$ (14,701,281)	$ (10,836,268)	$ (14,475,080)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	**$ 8,858,088**	$ 9,121,632	$ 9,684,063	$ 9,678,422
Franchise taxes	**1,721,137**	1,695,379	1,585,542	1,526,658
Sales taxes	**-**	-	- (11)	2,855,573
Insurance premium taxes	**1,483,792**	1,396,948	1,166,804	1,201,730
Business taxes	**1,040,848**	968,832	962,611	867,084
Other taxes	**638,106**	528,175	550,638	553,177
Unrestricted investment earnings	**372,157**	397,616	323,175	556,094
Gain on sale of capital assets	**5,388**	13,025	-	7,394
Miscellaneous	**-**	-	-	1,733,333
Transfers	**(280,886)**	(561,444)	(849,600)	(1,196,895)
Total governmental activities	**13,838,630**	13,560,163	13,423,233	17,782,570
Business-type activities:				
Unrestricted investment earnings	**1,150**	501	1,031	1,442
Gain on sale of capital assets	**-**	7,493	-	12,550
Special item - sale of water/sewer system (1)	**-**	-	-	-
Transfers	**280,886**	561,444	849,600	1,196,895
Total business-type activities	**282,036**	569,438	850,631	1,210,887
Total primary government	**$ 14,120,666**	$ 14,129,601	$ 14,273,864	$ 18,993,457
Change in Net Assets				
Governmental activities	**$ 3,707,978**	$ (865,975)	$ 2,835,733	$ 3,559,730
Business-type activities	**124,065**	294,295	601,863	958,647
Total primary government	**$ 3,832,043**	$ (571,680)	$ 3,437,596	$ 4,518,377

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).

2008	2007	2006	2005	2004	2003
$ (14,939,767)	$ (11,447,624)	$ (9,543,941)	$ (7,792,863)	$ (7,438,644)	$ (7,468,930)
(1,394,039)	(557,916)	(826,270)	(180,161)	481,566	10,681
$ (16,333,806)	$ (12,005,540)	$ (10,370,211)	$ (7,973,024)	$ (6,957,078)	$ (7,458,249)
$ 9,455,057	$ 7,854,106	$ 877,431 (6	$ 6,972,299	$ 5,749,009	$ 4,801,708
1,528,223	1,424,642	1,339,312	1,238,424	952,081	956,605
1,623,072 (7)	2,161,106 (7)	-	-	-	-
1,213,111	1,184,731	1,135,767	1,085,560	1,009,007	931,052
817,936	677,558	449,532	273,132	248,449	-
594,403	574,235	662,250	500,747	555,801	612,948
674,479	874,289	695,606	431,697	83,103	92,733
1,247	18,037	-	-	16,164	-
-	146,999	46,470	284,653	236,856	42,249
(3,853,578)	(667,190)	(591,046)	13,055,810	138,585	33,262
12,053,950	14,248,513	4,615,322	23,842,322	8,989,055	7,470,557
10,522	6,102	18,421	8,199	16,187	11,667
-	-	-	-	-	-
-	-	-	9,141,964	-	-
3,853,578	667,190	591,046	(13,055,810)	(138,585)	(33,262)
3,864,100	673,292	609,467	(3,905,647)	(122,398)	(21,595)
$ 15,918,050	$ 14,921,805	$ 5,224,789	$ 19,936,675	$ 8,866,657	$ 7,448,962
$ (2,885,817)	$ 2,800,889	$ (4,928,619)	$ 16,049,459	$ 1,550,411	$ 1,627
2,470,061	115,376	(216,803)	(4,085,808)	359,168	(10,914)
$ (415,756)	$ 2,916,265	$ (5,145,422)	$ 11,963,651	$ 1,909,579	$ (9,287)

CITY OF KENNESAW, GEORGIA

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

	2012	2011 (1)	2010	2009
General fund				
Reserved	**$ -**	$ -	$ 13,908,623	$ 11,570,618
Unreserved	**-**	-	(5,731,538)	(3,487,985)
Nonspendable:				
Long-term advances	**667,428**	622,058	-	-
Inventories	**16,806**	15,614	-	-
Prepaid expenditures	**349,960**	169,036	-	-
Restricted:				
Public safety	**1,105,761**	1,053,853	-	-
Debt service	**577,822**	-	-	-
Voter approved use	**8,400,720**	8,541,859	-	-
Unassigned	**(2,599,475)**	(2,700,556)	-	-
Total general fund	**$ 8,519,022**	$ 7,701,864	$ 8,177,085	$ 8,082,633
All other governmental funds				
Reserved	**$ -**	$ -	$ 8,549,327	$ 2,598
Unreserved, reported in:				
Special revenue funds	**-**	-	(264,536)	(202,249)
Capital projects funds	**-**	-	581,417	5,740,497
Nonspendable:				
Prepaid expenditures	**17,992**	6,205	-	-
Restricted:				
Public safety	**37,809**	38,545	-	-
Culture and recreation	**11,033**	11,020	-	-
Capital projects	**10,428,449**	7,137,344	-	-
Debt service	**2,211,962**	2,407,939	-	-
Parks and recreation impact fee projects	**226,431**	23,850	-	-
Committed:				
Cemetary maintenance	**32,515**	32,515	-	-
Assigned:				
Cemetary maintenance	**8,718**	-	-	-
Unassigned	**(475,466)**	(445,774)	-	-
Total all other governmental funds	**$ 12,499,443**	$ 9,211,644	$ 8,866,208	$ 5,540,846

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

2008	2007	2006	2005	2004	2003
$ 11,891,538	$ 10,246,934	$ 10,738,817	$ 13,338,674	$ 1,115,381	$ 6,200
(3,829,585)	960,458	2,609,311	6,839,582	6,385,735	8,590,912
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 8,061,953	$ 11,207,392	$ 13,348,128	$ 20,178,256	$ 7,501,116	$ 8,597,112
$ -	$ 4,509,650	$ 6,073,896	$ 152,763	$ 230,639	$ 271,699
(289,919)	58,119	(491,277)	(471,334)	(629,345)	10,800
4,319,552	24,635	14,690	5,543,177	(833,763)	(302,528)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 4,029,633	$ 4,592,404	$ 5,597,309	$ 5,224,606	$ (1,232,469)	$ (20,029)

CITY OF KENNESAW, GEORGIA

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

	2012	2011	2010	2009
Revenues				
Taxes	**$ 13,630,376**	$ 13,687,767	$ 13,953,303	$ 16,637,053
Licenses and permits	**623,369**	361,815	205,316	169,649
Intergovernmental	**5,012,308**	2,620,547	3,605,045 (2)	1,358,869
Fines and forfeitures	**1,366,731**	1,565,999	2,810,358 (3)	1,309,470
Charges for services	**1,840,532**	1,793,016	1,617,446	1,720,527
Contributions	**3,250**	416,736	5,537	32,709
Interest income	**398,003**	428,410	323,117	555,139
Other revenues	**676,014**	176,419	207,257	202,598
Total revenues	**23,550,583**	21,050,709	22,727,379	21,986,014
Expenditures				
General government	**3,847,933**	4,146,581	3,890,512	4,232,759
Judicial	**327,480**	346,774	318,139	325,283
Public safety	**6,531,773**	6,508,128	6,337,895	6,028,340
Public works	**2,439,348**	2,518,803	2,336,879	2,197,372
Culture and recreation	**2,245,505**	2,325,691	2,194,288	2,126,137
Housing and development	**876,137**	1,109,355	983,173	1,103,472
Capital outlay	**1,574,897**	2,494,414	5,804,036	2,003,467
Debt service				
Principal retirements	**702,468**	665,292	659,947	686,946
Interest and fiscal charges	**784,579**	798,579	842,358	670,378
Total expenditures	**19,330,120**	20,913,617	23,367,227	19,374,154
Excess of revenues over (under) expenditures	**4,220,463**	137,092	(639,848)	2,611,860
Other financing sources (uses)				
Proceeds from capital leases	**-**	-	-	-
Issuance of long-term debt	**159,992**	281,236	2,800,000	94,100
Proceeds from sale of capital assets	**5,388**	13,331	2,109,262 (4)	22,828
Transfers in	**1,385,100**	2,006,770	3,830,210	483,680
Transfers out	**(1,665,986)**	(2,568,214)	(4,679,810)	(1,680,575)
Total other financing sources (uses)	**(115,506)**	(266,877)	4,059,662	(1,079,967)
Net change in fund balances	**$ 4,104,957**	$ (129,785)	$ 3,419,814	$ 1,531,893
Debt service as a percentage of noncapital expenditures	**8.38%**	7.95%	8.56%	7.91%

(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.

2008	2007	2006	2005	2004	2003
$ 15,186,590	$ 13,699,269	$ 5,073,824 (1)	$ 9,826,095	$ 8,167,758	$ 7,371,932
345,679	335,027	465,428	493,574	714,067	404,428
935,362	588,255	880,265	1,165,394	656,631	171,803
1,299,148	1,438,119	1,409,487	1,424,003	1,201,429	1,406,720
1,708,812	1,394,036	1,475,263	1,462,387	1,256,708	831,995
-	-	-	-	-	-
663,168	874,289	695,606	431,697	83,103	92,733
289,722	162,347	122,055	104,300	61,734	110,573
20,428,481	18,491,342	10,121,928	14,907,450	12,141,430	10,390,184
3,249,756	2,596,300	2,731,873	2,433,645	2,071,705	1,748,636
332,357	570,422	289,526	351,134	291,142	263,861
6,059,200	5,812,485	5,340,078	4,768,696	4,747,284	4,125,814
2,304,639	1,441,893	2,126,910	1,979,804	1,916,114	1,864,012
2,294,879	2,129,853	1,819,192	1,646,862	1,396,240	1,312,579
1,162,295	1,155,947	950,474	846,996	782,515	825,969
3,886,213	6,433,322	1,512,272	10,545,779	4,226,119	678,058
642,890	549,465	499,483	258,989	143,514	130,000
707,391	682,385	729,315	740,722	138,202	239,130
20,639,620	21,372,072	15,999,123	23,572,627	15,712,835	11,188,059
(211,139)	(2,880,730)	(5,877,195)	(8,665,177)	(3,571,405)	(797,875)
-	143,100	-	-	41,985	-
238,472	-	-	15,000,000	2,100,000	-
1,322	18,037	-	7,055	16,164	-
551,353	2,032,940	2,605,124	29,980,846	3,649,792	662,421
(4,404,931)	(2,700,130)	(3,196,170)	(17,171,757)	(3,511,207)	(629,159)
(3,613,784)	(506,053)	(591,046)	27,816,144	2,296,734	33,262
$ (3,824,923)	$ (3,386,783)	$ (6,468,241)	$ 19,150,967	$ (1,274,671)	$ (764,613)
8.77%	9.00%	9.30%	8.30%	2.50%	3.60%

CITY OF KENNESAW, GEORGIA

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

Fiscal Year	Real Property						Public Utility
	Residential	Agricultural	Commercial	Industrial	Historical	Conservation	
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
2011	576,370,112	150,468	428,273,183	26,052,627	353,636	647,580	8,585,846
2012	546,026,269	156,932	397,828,430	25,038,026	157,740	492,660	8,690,812

Source: Cobb County Tax Commissioner

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

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

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
$ 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	6.75	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	8.25	2,455,251,468	40.00%
85,844,505	66,936	155,358,522	1,053,512,499	9.50	2,633,781,248	40.00%
85,478,091	57,677	154,075,401	1,047,376,973	9.50	2,618,442,433	40.00%
72,592,026	7,523	164,821,535	948,211,466	9.50	2,370,528,665	40.00%
70,994,022	2,614	130,460,662	918,926,843	9.50	2,297,317,108	40.00%

CITY OF KENNESAW, GEORGIA

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

Calendar Year	City of Kennesaw		Cobb County	Cobb County Schools	State	Total Direct & Overlapping Rates
	Operating Millage	Debt Sevice Millage				
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
2011	8.00	1.50	11.11	18.90	0.25	39.76
2012	8.00	1.50	11.11	18.90	0.25	39.76

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 SIX YEARS AGO

	2012			2006		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
The Trees of Kennesaw	$ 14,352,480	1	1.56 %	$ 15,762,640	1	1.82 %
Busbee Development LLC	9,800,000	2	1.07	11,800,000	2	1.36
Atlanta RDC Co.	9,407,028	3	1.02	9,319,656	3	1.08
Alta Ridenour LLC	7,342,460	4	0.80	6,848,984	7	0.79
Kennesaw Gardens Associates LLC	7,120,000	5	0.77			
Lakeside Vista Apartments LP	6,514,759	6	0.71	7,325,351	6	0.85
Park at Kennesaw LLC	6,248,920	7	0.68	7,457,200	5	0.86
Owens & Minor Distribution	5,861,397	8	0.64			
Pru Kennesaw LLC	5,799,964	9	0.63			
NNN St. Charles LLC	5,200,000	10	0.57	6,250,000	8	0.72
Walton Ridenour LP				8,535,214	4	0.98
Kennesaw Residential Associates LLC				5,827,000	9	0.67
Barrett Parkway Highway 41 LLC				5,584,596	10	0.64
	$ 77,647,008		8.45 %	$ 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
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%	325,796	4,256,769	97.81%
2005	6,244,113	5,653,457	90.5%	38,122	5,691,579	91.15%
2006	-	-	-	-	-	-
2007	6,704,112	6,534,412	97.5%	159,233	6,693,645	99.84%
2008	8,335,381	8,190,588	98.3%	125,430	8,316,018	99.77%
2009	8,620,072	8,427,743	97.8%	158,066	8,585,809	99.60%
2010	9,024,356	8,894,329	98.6%	76,333	8,970,662	99.41%
2011	8,476,633	8,303,209	97.9%	51,975	8,355,184	98.57%
2012	8,036,051	7,869,525	97.9%	-	7,869,525	97.93%

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

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

CITY OF KENNESAW, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Capital Leases	Bonds Payable	Notes Payable	Capital Leases			
2003	$ 270,000	$ -	$ -	$ 105,000	$ 4,990,000	$ 55,938	$ 5,420,938	0.64%	$ 231
2004	140,000	2,100,000	28,471	-	4,990,000	28,340	7,286,811	0.83%	300
2005	15,000,000	1,995,000	14,483	-	4,990,000	64,980	22,064,463	2.30%	723
2006	14,625,000	1,885,000	-	-	4,990,000	187,838	21,687,838	2.13%	672
2007	14,240,000	1,770,000	93,635	-	4,770,000	123,573	20,997,208	1.96%	617
2008	13,845,000	1,650,000	204,217	-	4,540,000	210,622	20,449,839	3.84%	600
2009	13,440,000	1,525,000	141,371	-	4,300,000	116,814	19,523,185	2.00%	600
2010	13,015,000	4,200,000	31,424	-	4,050,000	19,125	21,315,549	2.03%	661
2011	12,580,000	4,070,000	212,368	-	3,790,000	134,613	20,786,981	2.14%	698
2012	12,125,000	3,930,000	264,892	-	3,515,000	242,552	20,077,444	2.36%	720

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)
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
2011	12,580,000	0.53%	422
2012	12,125,000	0.53%	435

(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, 2012

Governmental Unit	Net Governmental Activities 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	$ 40,370,000	3.99%	$ 1,610,763
Cobb County TANs	98,000,000	3.99%	3,910,200
Total overlapping debt	138,370,000		5,520,963
City direct debt	16,319,892	100.00%	16,319,892
Total direct and overlapping debt	$ 154,689,892		$ 21,840,855

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				
	2003	2004	2005	2006	2007
Debt Limit	$ 73,192,421	$ 77,220,414	$ 86,687,147	$ 86,687,147	$ 93,483,910
Total net debt applicable to limit	270,000	140,000	15,000,000	14,625,000	14,240,000
Legal debt margin	$ 72,922,421	$ 77,080,414	$ 71,687,147	$ 72,062,147	$ 79,243,910
Total net debt applicable to the limit as a percentage of debt limit	0.37%	0.18%	17.30%	16.87%	15.23%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt Limit	$ 115,482,308	$ 120,887,102	$ 120,145,237	$ 111,303,300	$ 104,938,751
Total net debt applicable to limit	13,845,000	13,440,000	13,015,000	10,172,061	9,913,038
Legal debt margin	$ 101,637,308	$ 107,447,102	$ 107,130,237	$ 101,131,239	$ 95,025,713
Total net debt applicable to the limit as a percentage of debt limit	11.99%	11.12%	10.83%	9.14%	9.45%

Assessed Value	$ 918,926,843
Add back: exempt real property	130,460,662
Total assessed value	1,049,387,505
Debt limit (10% of total assessed value)	104,938,751
Debt applicable to limit:	
General obligation bonds	12,125,000
Less: Amount set aside for repayment of general obligation debt	2,211,962
Total net debt applicable to limit	9,913,038
Legal debt margin	$ 95,025,713

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
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%
2011	29,783	971,521	32,620	32.3	9.1%
2012	27,890	849,780	30,469	34.4	8.7%

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

CITY OF KENNESAW, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT AND SEVEN YEARS AGO

	2012			2005		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fabric.com Inc.	249	1	1.53 %			%
Atlanta Bonded Warehouse	230	2	1.41	150	2	1.26
Publix Super Market, Inc. # 559	149	3	0.92	142	4	1.19
Shady Grove Rest Home	126	4	0.77			
Publix Super Market, Inc. # 769	120	5	0.74			
Qualistaff Staffing, LLC	100	6	0.62			
Publix Super Market, Inc. # 1077	96	7	0.59			
Crane Nuclear, Inc.	86	8	0.53			
Owens & Minor Distribution	77	9	0.47			
Graphic Solutions	70	10	0.43			
Tug Manufacturing Company				208	1	1.75
Butch Thompson				150	3	1.26
Cintas				120	5	1.01
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
	1,303		8.01 %	1,070		8.99 %

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

	2012	2011	2010	2009	2008
Function					
General government	**31**	33	28	54	37
Judicial	**3**	3	3	3	3
Public safety					
Police officers	**78**	82	83	88	84
Public works	**26**	29	29	26	26
Culture and recreation	**33**	37	34	27	43
Housing and development	**10**	9	10	7	7
Sanitation	**16**	17	15	19	26
Total	**197**	210	202	224	226

Source: City of Kennesaw department records

2007	2006	2005	2004	2003
32	24	16	14	11
3	3	3	3	3
76	68	58	49	42
27	25	24	24	23
38	43	32	31	26
9	7	7	8	7
23	24	20	17	15
208	194	160	146	127

CITY OF KENNESAW, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2012	2011	2010	2009	2008
Police					
Physical arrests	**1,268**	1,121	1,839	1,819	1,948
Parking violations	**552**	281	272	180	141
Traffic violations	**11,300**	14,582	14,755	11,444	10,559
Culture and recreation (1)					
Admissions/fees	**$ 1,159,840**	$ 1,054,081	(2) $ 838,101	$ 892,197	$ 890,289
Housing and development					
Building permits issued	**537**	254	510	466	378
Sanitation					
Number of customers	**8,105**	7,915	8,232	8,300	8,253

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.

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

2007	2006	2005	2004	2003
2,188	947	706	634	618
126	126	142	117	152
14,026	12,537	14,128	11,588	15,100
$ 735,196	$ 655,460	$ 551,597	$ 237,746	$ 262,055
304	243	303	612	339
7,882	N/A	N/A	N/A	N/A

CITY OF KENNESAW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2012	2011	2010	2009	2008
Function					
Public safety					
Police					
Stations	**1**	1	1	1	1
Vehicles	**76**	72	70	68	62
Public works					
Miles of streets	**99**	99	99	99	99
Culture and recreation					
Acreage	**121**	121	121	121	121
Baseball/softball fields	**11**	11	11	11	11
Soccer/football fields	**1**	1	1	1	1
Sanitation					
Collection vehicles	**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.

2007	2006	2005	2004	2003
1	1	1	1	1
56	54	52	51	41
99	98	97	90	80
118	118	118	118	64
11	11	11	11	11
1	1	1	1	1
10	10	9	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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 4, 2013. 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

Management of the City is responsible for establishing and maintaining effective 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 a deficiency 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 2012-1, 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 March 4, 2013.

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
March 4, 2013

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, 2012. 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.

In our opinion, 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, 2012.

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.

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.

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

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
March 4, 2013

CITY OF KENNESAW GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Grantor Number	Total Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Cobb County, Georgia			
Community Development Block Grant	14.218	CD-11-0293	$ 173,755
Economic Development Initiative - Special Project	14.251	B-09-SP-GA-0138	9,590
Total U.S. Department of Housing and Urban Development			183,345
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Georgia Emergency Management Agency			
Homeland Security Grant Program	97.067	2010 SS-T0-0034	20,944
Total U.S. Department of Homeland Security			20,944
U.S. DEPARTMENT OF JUSTICE			
Equitable Sharing Program	16.922	GA-0330600	298,854
Total U.S. Department of Justice			298,854
Total Expenditures of Federal Awards			$ 503,143

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, 2012

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, 2012

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

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
16.922	Equitable Sharing Program

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, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012-1 Receivables and Revenues

Criteria: Internal controls should be in place to ensure that the amounts reported as receivables and revenues are appropriate and properly valued.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's Sanitation Fund receivables and revenues.

Context/Cause: During our testing of receivables and revenues, certain audit adjustments were required to correct receivables and revenues in the Sanitation Fund. The nature of these adjustments are as follows:

- In the Sanitation Fund, revenues were improperly reduced to report accounts receivable credit balances as a liability. Audit adjustments totaling $167,722 were required to properly report Sanitation receivables and revenues. Included in the aforementioned adjustment was also an adjustment of $142,637 to beginning net assets of the Sanitation Fund.
- In the Sanitation Fund, the receivable allowance for uncollectible balances account was not properly reported given the collection rates of delinquent customer balances. An audit adjustment of $43,098 was required to properly report the allowance and receivable balances.

Effects: Audit adjustments totaling $210,820 were needed to properly report receivables, revenues and beginning net assets in the Sanitation Fund.

Recommendation: We recommend the City carefully review all receivables and revenues to ensure they 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 receivables and revenues are properly reported.

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported.

CITY OF KENNESAW, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

None Reported.