CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013

Prepared By:
Gina Auld
Finance Director

CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013

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INTRODUCTORY SECTION

MAYOR
Mark Mathews

City Manager
L. Steve Kennedy

City Clerk, CMC
Debra Taylor



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

March 19, 2014

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, 2013. 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 32,789. 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

Certified City of Ethics

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.

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 saw a return of economic activity in industrial, retail, logistics, professional services and residential. That growth trend continued in all these sectors but commitment to new projects and expansions have been tempered due to economic uncertainty and constrained financing. We anticipate in 2014 seeing continued moderation to the challenges to economic growth we have experienced in the areas of depreciating real estate values, high unemployment and constrained financing. But, we have seen marked improvement in office, retail and industrial vacancy rates in 2013. Job creation increased in 2013 and is projected to continue through 2014 by both 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 300 new jobs in 2013 through several logistics and manufacturing expansions and relocations, professional service growth and new retail and restaurant businesses and added $15 million in investment. New businesses include a small craft distillery which will add to our tourism draw as well as multiple expansions were added. Overall, the total portfolio of business licenses has continued to grow at a moderate pace. The number of business licenses increased by 194 in 2013 over 2012 and occupational taxes from businesses increased by approximately $60,000. We anticipate further expansion in new businesses, expansion of existing businesses, investment in equipment and real estate and job creation through 2014.

Long term financial planning

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

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 $101,842,033, which is in excess of the City's outstanding general obligation debt of $11,650,000.

Restricted Funds

Governmental Funds restricted assets at September 30, 2013 were $8,240,171. 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

2013 was the fifth year we have managed against a five-year set of economic development goals. The goals focused on job creation and retention, tax base creation, increasing property values and economic stability. The City has a goal to develop a new five-year Strategic Economic Development Plan in 2014. This will provide the direction for the priorities and type of economic growth the City will concentrate on. 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 5% improvement. Although we have increased our commercial, logistics and manufacturing base in 2013, it was by utilizing existing, vacant space. Consequently the ratio did not change in 2013. In addition, a large public charter school was developed with the City adding 34 acres of institutional property. A complimentary goal is expansion of the City through strategic annexations targeting commercial and industrial development and improving service delivery. The City is working on annexations totaling 150 acres of commercial and residential property and anticipates completing annexation of approximately 100 acres in 2014. 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 5 years. The Kennesaw Development Authority (KDA) assembled and acquired a five acre tract downtown in 2009 and is currently working with a developer to build a mixed-use development. Construction will start mid March 2014 with completion planned for summer 2015 on the $38 million project. A second mixed-use project is scheduled to start the second half of 2014 with completion the first half of 2016 with a project value of $25 million. The Kennesaw Downtown Development Authority (KDDA) assisted in the redevelopment of a restaurant in 2013. The KDDA has supported the redevelopment of another building in 2013 for a restaurant and is providing support on four other building renovations for restaurant and retail space. Redevelopment of the U.S. Highway 41 corridor is a key initiative. Several developments were started and completed in 2013 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 was completed summer of 2013 with a value of $57 million. A 25,000 square foot retail development associated with this project is scheduled to start the second half of 2014. A second phase of the project completed in 2012 started construction 2013 with completion scheduled for summer 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 will increase in areas of manufacturing, logistics, e-commercial, professional services, and healthcare in 2014. Kennesaw has twelve (12) identified Redevelopment Areas. We are actively working five and marketing the other areas for redevelopment.

The residential sector has rebounded in Kennesaw for new homes. Five residential developments that stalled in 2008 have been reactivated. In 2013, 55 permits were issued for new homes. The City anticipates the existing residential lot inventory to be absorbed by the end of 2014. A new 60 home "active senior" residential project will start construction spring of 2014 with build-out completed end of 2015. In addition, two of the mixed use projects downtown are scheduled to start construction in 2014 and will add 400 multi-family units.

The planning and land acquisition activity for other projects continued throughout 2013 indicating further strengthening of the economy. Some of the projects scheduled to move forward in 2014 include a 450,000 square foot, $150 million retail project, a 25,000 square foot fitness center, $10 million medical complex, and $56 million critical care nursing facility, and expansion of professional businesses in areas of technology, engineering and legal.

Kennesaw continues to develop tourism assets and leverage those assets for increased tourism spending. The City's museum and botanical garden increased programming and attendance in 2013. A new skateboard facility has opened generating significant economic activity. The Burnt Hickory Brewery and Lazy Guy Distillery will continue to draw visitors.

Kennesaw continues to try and expand the economic development tools available for business retention, expansion and recruitment. Kennesaw intends to apply to Georgia Department of Community Affairs (DCA) for Opportunity Zone designation for four areas, refine the economic incentives program and leverage existing state programs in 2014. These will be done in a coordinated approach with preparation of a Five Year Economic Development Strategic Plan and a comprehensive update of the Master Plan for Downtown. The Atlanta Regional Commission (ARC) has provided a grant for the update to the Downtown Master Plan.

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, 2012. 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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

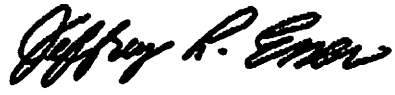
Presented to

City of Kennesaw

Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012



Executive Director/CEO

CITY OF KENNESAW, GEORGIA
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2013

ELECTED OFFICIALS

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

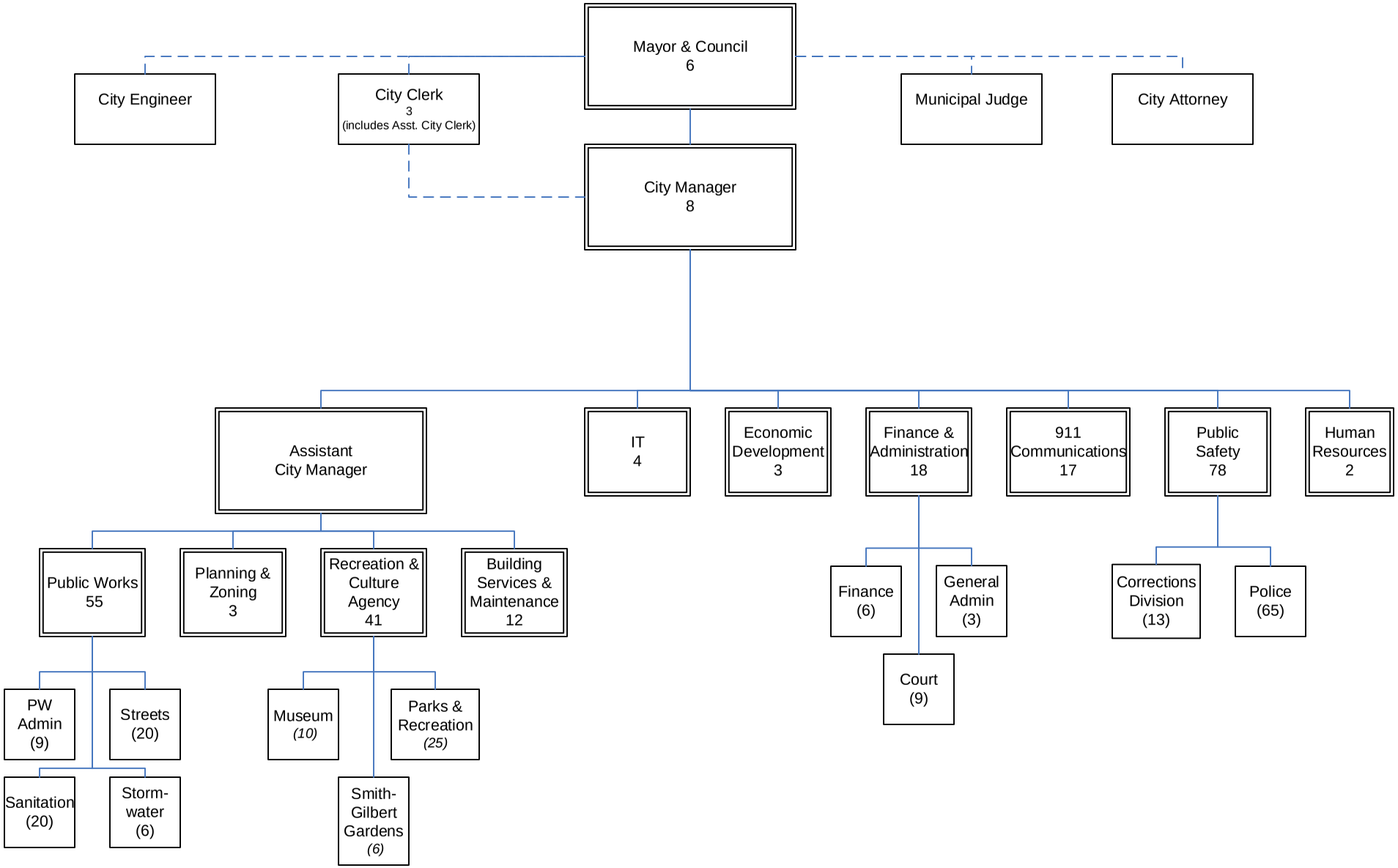
CITY ADMINISTRATION

L. Steve Kennedy
City Manager

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

City of Kennesaw

Organization Chart- City Wide- 250



FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennesaw, Georgia as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Kennesaw, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennesaw, Georgia as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 20, the City of Kennesaw, Georgia implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Funding Progress, on pages 4 through 15 and page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kennesaw, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014 on our consideration of the City of Kennesaw, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kennesaw, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 19, 2014

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, 2013. 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 $66,277,766 at the end of the year. This amount includes $45,366,072 invested in capital assets net of accumulated depreciation and related debt, restricted net position of $24,496,830 and unrestricted net position deficit of $3,585,136.

- The City's total net position increased by $3,882,590 (6%) to $66,277,766. The net position for governmental activities increased by $3,998,026 (7%) and business-type net position decreased by $115,436 (1%).

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $21,865,250, an increase of $846,307. The net unassigned fund balance is a deficit of $4,372,298.

- At the end of the current fiscal year, unassigned fund balance for the general fund was a deficit of $3,454,424.

- The City's total debt decreased by $705,987 (3%) during the current fiscal year due to no new debt issued during the year and payments made on bonds and capital leases.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future periods (e.g. uncollected taxes and earned but unused vacation leave).

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

- **Governmental activities** – These include the basic services provided by the City including 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 Development Authority. Although this organization is a separate legal entity, the City is financially accountable for it.

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and SPLOST fund which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sanitation, Museum 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 22-24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-58 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 59 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and other post-employment benefits. Combining and individual fund statements and schedules can be found on pages 60-72 of this report.

Government-wide Financial Analysis

The following table reflects the condensed Statement of Net Position for the current year. The City's net position increased by $3,882,590 (6%) in fiscal year 2013. The net position of the governmental activities include $38,848,625 net investment in capital assets. Capital assets of $58,023,576 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation. Related debt includes bonds of $18,665,000, notes payable of $351,809 and capital leases of $158,142.

The net position of the business-type activities include $6,517,447 net investment in capital assets. Capital assets of $6,649,714 include land, building, other improvements, equipment, and museum artifacts, net of accumulated depreciation. Related debt includes capital leases of $132,267.

For more detailed information, see the Statement of Net Position on page 73 of the financial statements and the notes to the financial statements.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2013	2012	2013	2012	2013	2012	2012-13
ASSETS							
Current and other assets	$ 29,438	$ 27,778	$ 2,863	$ 2,256	$ 32,301	$ 30,034	7.5%
Capital assets	58,023	55,634	6,650	7,359	64,673	62,993	2.7%
Total Assets	87,461	83,412	9,513	9,615	96,974	93,027	4.2%
LIABILITIES							
Current and other liabilities	8,841	8,058	773	778	9,614	8,836	8.8%
Long-term debt outstanding	20,656	21,388	426	407	21,082	21,795	-3.3%
Total Liabilities	29,497	29,446	1,199	1,185	30,696	30,631	0.2%
NET POSITION							
Net investment in capital assets	38,849	35,088	6,517	7,116	45,366	42,204	7.5%
Restricted	24,497	23,000	-	-	24,497	23,000	6.5%
Unrestricted	(5,382)	(4,122)	1,797	1,314	(3,585)	(2,808)	27.7%
Total Net Position	$ 57,964	$ 53,966	$ 8,314	$ 8,430	$ 66,278	$ 62,396	6.2%

Changes in Net Position

The City's total revenues before transfers were $27,803,700 in fiscal year 2013. Expenses before transfers were $23,921,110 during that same period. Governmental and business-type activities combined provided a $3,882,590 increase in net position.

Governmental activities revenues, before transfers, were $24,493,403 and included $3,943,804 charges for services, $6,983,693 grant and contribution revenues and $8,377,495 in property taxes. The largest governmental activities expenses were for public safety of $7,422,621 (police and jail), public works of $4,016,262, general government of $4,361,757 and recreation of $2,555,138. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues, before transfers, were $3,310,297 and included $3,152,953 charges for services and $68,081 grant and contribution revenues. The largest business-type activity expenses were for salaries and wages of $1,004,428, landfill disposal fees of $290,149 and marketing of $147,380.

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

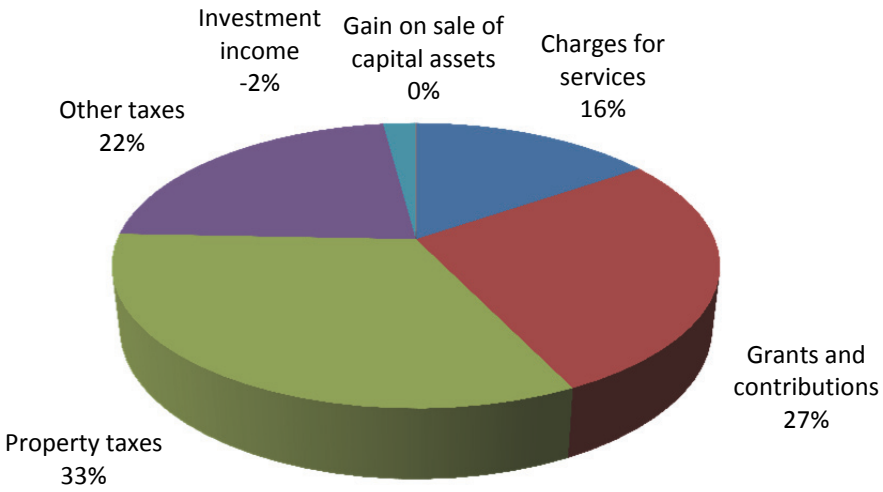
	Governmental Activities		Business-type Activities		Total		Total % Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues							
Program Revenues							
Charges for services	$ 3,944	$ 4,509	$ 3,153	$ 3,059	$ 7,097	$ 7,568	-6%
Operating grants and contributions	404	381	-	1	404	382	6%
Capital grants and contributions	6,580	4,669	68	58	6,648	4,727	41%
General revenues							
Property taxes	8,378	8,858	-	-	8,378	8,858	-5%
Other taxes	5,690	4,884	-	-	5,690	4,884	17%
Investment income (loss)	(517)	372	1	1	(516)	373	-238%
Gain from sale of capital assets	15	5	88	-	103	5	1960%
Total Revenues	24,494	23,678	3,310	3,119	27,804	26,797	4%
Expenses							
General Government	4,362	4,187	-	-	4,362	4,187	4%
Judicial	359	343	-	-	359	343	5%
Public Safety	7,423	6,976	-	-	7,423	6,976	6%
Public Works	4,016	3,923	-	-	4,016	3,923	2%
Culture and Recreation	2,555	2,548	-	-	2,555	2,548	0%
Housing and Development	974	908	-	-	974	908	7%
Interest on long-term debt	918	804	-	-	918	804	14%
Museum	-	-	1,142	1,307	1,142	1,307	-13%
Sanitation	-	-	1,862	1,649	1,862	1,649	13%
Gardens	-	-	311	320	311	320	-3%
Total Expenses	20,607	19,689	3,315	3,276	23,922	22,965	4%
Excess (Deficiency) before Transfers	3,887	3,989	(5)	(157)	3,882	3,832	1%
Transfers	111	(281)	(111)	281	-	-	0%
Increase (Decrease) in Net Position	3,998	3,708	(116)	124	3,882	3,832	1%
Beginning Net Postion, restated	53,966	50,258	8,430	8,306	62,396	58,564	7%
Ending Net Position	$ 57,964	$ 53,966	$ 8,314	$ 8,430	$ 66,278	$ 62,396	6%

Governmental Activities

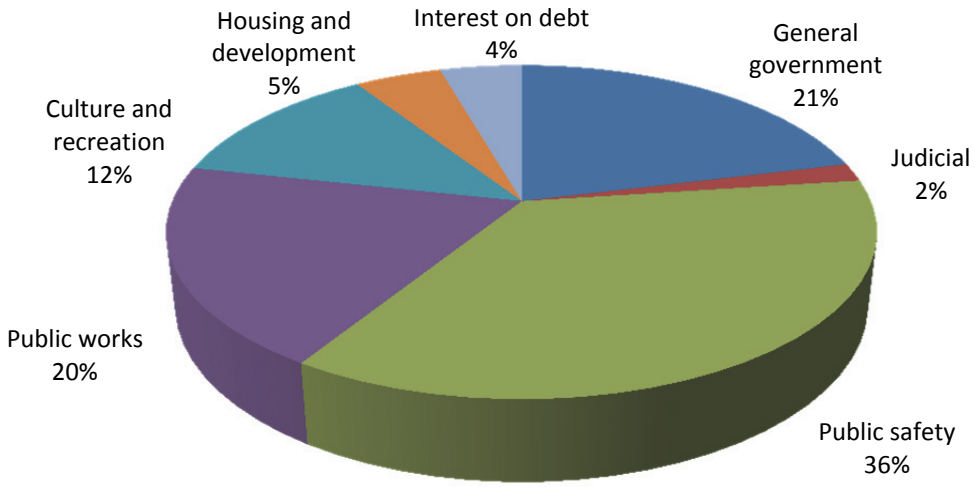
See page 17 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

Table 3 – Governmental Activities

Governmental Revenues



Governmental Expenses



Revenue Impacts:

- Property taxes of $8,377,495 provided 33% of governmental revenues for general operations. The M&O millage rate and the bond millage rate remained at 8.00 and 1.50 mills, respectively. The bond millage is restricted to service the debt of the general obligation bond issue for recreation and transportation improvements. Property tax revenue was down in 2013 due to the decline in the assessed values of property.

- Charges for services include amounts charged for providing E911 service of $1,075,300, recreation fees of $681,712 and municipal court fines of $1,186,235. Charges for services revenue was down due to the lawsuit settlement revenue of $450,000 that was collected in the prior year. The City did not have this type of revenue in 2013.

- Capital grants and contributions increased over prior year due to the City collecting a full year of the 2011 SPLOST as opposed to only nine months of collections in the prior year.

- The new advalorem taxes collected under HB 386 resulted in an increase in other taxes.

- Investment Income experienced a large decrease due to the drop in the fair value of investments held by the City.

- Charges for services revenue was up due to the Sanitation Fund servicing more customers during 2013, bulk pickup fees and the sale of recycled materials.

- Capital grants increased due to artifact donations to the Museum.

- Gain on sale of capital assets was the result of the sale of Sanitation vehicles. The Sanitation Fund outsourced the collection of the garbage shortly after fiscal year end and they began selling many of the vehicles right before year end.

Expense Impacts:

- General government expenses were up primarily due to two items, electricity and group insurance. The City experienced a warmer summer; therefore, electricity expense was higher. The City increased the amount of group insurance paid into the partially self-insured fund to pay higher claims incurred.

- Public Safety expenses were up due to filling three vacant officer positions, increase in the amount of group insurance paid into the partially self-insured fund, increase in prisoner food as a result of housing another local city's inmates and E911 hiring temporary employees.

- Housing and Development expenses increased over prior year due to an increase in the amount of group insurance paid into the partially self-insured fund.

- Landfill costs, vehicle repair and maintenance on older vehicles, fuel and group insurance expense all increased during 2013 in the Sanitation Fund.

- GASB 61 requires that the Kennesaw Downtown Development Authority (KDDA) be reported as a blended component unit as opposed to a discretely presented component unit, as the KDDA was reported in prior years. The KDDA's interest on the long-term debt is reported as a Governmental Activity and the interest on the 2001 bonds is no longer reported in the Museum Fund but is reported as a Governmental Activity. The 2001 revenue bonds issued by the KDDA to expand the Museum are reported under Governmental Activities due to the blending of this component unit rather than under Business Type Activities. As a result, the interest on long-term debt increased for Governmental Activities, Museum expenses decreased, transfers in increased for Governmental Activities and transfers out decreased for Business-Type Activities.

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

	Program Revenues		Program Expense		Program Income (Loss)	
	2013	2012	2013	2012	2013	2012
FUND						
Museum	$ 482	$ 436	$ 1,142	$ 1,307	$ (660)	$ (871)
Sanitation	2,614	2,559	1,862	1,649	752	910
Gardens	125	123	311	320	(186)	(197)
Total	$ 3,221	$ 3,118	$ 3,315	$ 3,276	$ (94)	$ (158)

Program revenues for business-type activities for fiscal year 2013 were $3,221,034, a $103,229 increase compared to the prior year. The Museum had increases in both gift shop sales and group tours. Sanitation had increases in refuse collection revenue due to servicing more customers, bulk pickup fees and the sale of recycled materials. Total program expenses for business-type activities were $3,314,753 in 2013, $38,977 more than the prior year. The Museum's interest expense on the 2001 bonds is no longer reported in their fund per GASB 61; therefore, there was a decrease in their expense. Sanitation expenses were up as landfill costs, vehicle repair and maintenance, fuel and group insurance all increased during the year. The Gardens had a decrease in expenses from prior year since the Gather and Grow Garden project was completed in FY12.

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

FUND	Fund Balances 9/30/2012	Revenues/ Sources	Expenditures/ Uses	Revenues/Sources Over (Under) Expenditures/Uses	Fund Balances 9/30/2013
General Fund	$ 7,417	$ 18,267	$ 19,418	$ (1,151)	$ 6,266
SPLOST	9,908	5,845	3,034	2,811	12,719

At September 30, 2013, the City's governmental funds reported a combined fund balance of $21,865,250, which is a net increase of $846,307 from the previous year.

General Fund
The General Fund's fund balance decreased by $1,151,432 and was $6,265,839 at year end. The decrease was primarily due to adjusting investments to fair value at year end and actual license and permit revenue falling below budget. Investment income reported a loss of $518,489 for fiscal year 2013 and license and permit revenue came in under budget by $538,149 due to the timing of various projects.

SPLOST Fund
The SPLOST Fund's fund balance increased by $2,811,219 and was $12,718,895 at year end. Fiscal year 2013 was the first full year of collections under the 2011 SPLOST program. During Fiscal Year 2012 the City collected nine months of the 2011 SPLOST. The rate at which the City is collecting these revenues was higher than the rate of spending this past Fiscal Year. The City has contracted with an engineering firm to begin planning and scheduling many of the SPLOST projects and spending of these SPLOST dollars will increase in the next few years.

General Fund Budgetary Highlights

A statement comparing the original and final budgets and the variance from the final budget to actual results is included on page 21 of the financial statements.

In September 2012, the City Council appropriated $19,131,260 for general fund expenditures in the 2013 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:
- Licenses and permits were under budget due to the timing of various major projects in the City.
- Municipal court fines were under budget.
- Intergovernmental revenues were under budget due to the delay of the Sardis Street Project.
- Net Investment Income was under budget due the drop in the fair value of investments held by the City.

Expenditures:
- Mayor & Council contingency expenditure was under budget.
- Economic Development came in under budget due to other professional services and planning services not incurred.

Other Financing Sources (Uses):

- Proceeds from sale of capital assets were under budget due to the decline in the number of capital assets sold.
- Transfers in to the Impact Fee Fund were under budget since no impact fee project expenses were incurred during 2013.
- Transfers out to the Capital Projects Fund were under budget due to delay of the Sardis Street Project.
- Transfers out to the E911 Fund were under budget.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounted to $64,673,290 (net of accumulated depreciation of $34,591,980). Investment in capital assets includes land, buildings, infrastructure, museum artifacts and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 3%. For more detailed information concerning capital assets, see note 6 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 14,036	$ 14,095	$ 7	$ 7	$ 14,043	$ 14,102
Construction in progress	3,938	1,117	-	-	3,938	1,117
Museum artifacts	-	-	746	679	746	679
Buildings and improvements	7,028	7,116	5,588	5,775	12,616	12,891
Park land	7,004	7,155	-	-	7,004	7,155
Infrastructure	23,634	23,774	-	-	23,634	23,774
Furniture, machinery and equipment	1,309	1,417	184	196	1,493	1,613
Vehicles	1,074	960	125	702	1,199	1,662
Total	$ 58,023	$ 55,634	$ 6,650	$ 7,359	$ 64,673	$ 62,993

This year's major capital asset additions included:

Governmental Activities:

- SPLOST Cherokee St. Widening project - $303,407
- SPLOST Rutledge Rd. Widening project - $427,600
- SPLOST Cherokee and McCollum project - $388,000
- SPLOST Infrastructure Preservation project - $230,500
- SPLOST Skate Park project - $679,655
- SPLOST Swift Cantrell project - $525,664

Long-Term Debt

At the end of fiscal year 2013, the City had $22,731,184 in outstanding long-term debt. This is a net decrease of $705,987 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 $101,842,033, 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	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	$ 11,650	$ 12,125	$ -	$ -	$ 11,650	$ 12,125
Revenue Bonds	7,015	7,445	-	-	7,015	7,445
Leases Payable	158	265	132	243	290	508
Claims and judgments	-	-	-	-	-	-
Notes Payable	352	495	-	-	352	495
OPEB obligation	2,385	1,888	337	274	2,722	2,162
Compensated absences	667	670	36	32	703	702
Total	$ 22,227	$ 22,888	$ 505	$ 549	$ 22,732	$ 23,437

Economic and Next Year's Budget and Rates

Funding for the City's governmental activities is derived from property tax, other taxes (occupational taxes), fees (franchise fees, building permits) and grants. During the FY 2013 budget process, the City considered projections from Cobb County to estimate tax revenues and the local economy for other revenues for the proposed budget. As a result of these projections the City's general fund budget for FY14 was approximately $700,000 more than FY13. The FY14 budget was $19,842,538.

The downturn in the economy continues to prompt an increase in property tax appeals. The City's FY14 tax digest reported an overall decrease in real and personal property tax for the fourth year in a row. Even though property tax revenue projections were down, the City was able to increase the FY13 budget due to other revenue sources such as occupational and title ad valorem taxes.

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 value of government bonds in the City's investment portfolio.

The City received revenues for a full year under the new 2011 SPLOST during FY12, as opposed to only nine (9) months 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 Maintenance and Improvement Grant (LMIG). LMIG funds typically have covered approximately 35% of the total cost of the City's resurfacing projects in this program. The City received $200,000 in LMIG funding during FY13 and anticipates the same for FY14. The City relies on SPLOST, LMIG and local funds for resurfacing projects.

Financial Contact

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
Cash and cash equivalents	$ 15,709,156	$ 1,308,388	$ 17,017,544	$ 164,796
Taxes receivable	501,399	-	501,399	-
Other receivables	1,941,415	-	1,941,415	-
Accounts receivable, net of allowances	-	854,780	854,780	18,375
Due from other governments	818,117	-	818,117	-
Due from component unit	2,314,343	-	2,314,343	-
Internal balances	(550,431)	550,431	-	-
Land held for resale	-	-	-	2,312,919
Inventory	18,442	102,593	121,035	-
Prepaid items	185,600	47,506	233,106	-
Restricted cash	719,327	-	719,327	-
Restricted investments	7,520,844	-	7,520,844	-
Note receivable	258,500	-	258,500	-
Capital assets:				
Non-depreciable	17,973,543	753,342	18,726,885	-
Depreciable, net of accumulated depreciation	40,050,033	5,896,372	45,946,405	-
Total assets	87,460,288	9,513,412	96,973,700	2,496,090
LIABILITIES				
Accounts payable	911,175	45,728	956,903	32,887
Accrued liabilities	1,176,387	434,976	1,611,363	-
Accrued interest payable	182,540	-	182,540	-
Unearned revenue	-	213,944	213,944	-
Due to primary government	-	-	-	2,314,343
Tax anticipation note payable	5,000,000	-	5,000,000	-
Net OPEB obligation due in more than one year	2,384,450	336,783	2,721,233	-
Compensated absences, due within one year	462,135	35,537	497,672	-
Compensated absences, due in more than one year	205,061	-	205,061	-
Notes payable, due within one year	15,183	-	15,183	-
Notes payable, due in more than one year	336,626	-	336,626	-
Capital leases, due within one year	83,493	43,095	126,588	-
Capital leases, due in more than one year	74,649	89,172	163,821	-
Bonds payable, due within one year	1,010,000	-	1,010,000	-
Bonds payable, due in more than one year	17,655,000	-	17,655,000	-
Total liabilities	29,496,699	1,199,235	30,695,934	2,347,230
NET POSITION				
Net investment in capital assets	38,848,625	6,517,447	45,366,072	-
Restricted for:				
Public safety	813,508	-	813,508	-
Culture and recreation	11,650	-	11,650	-
Park and recreation impact fee projects	320,702	-	320,702	-
Capital projects	13,094,832	-	13,094,832	-
Debt service	2,694,218	-	2,694,218	-
Voter approved use	7,561,920	-	7,561,920	-
Unrestricted	(5,381,866)	1,796,730	(3,585,136)	148,860
Total net position	$ 57,963,589	$ 8,314,177	$ 66,277,766	$ 148,860

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, 2013

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	$ 4,361,757	$ 178,193	$ 376,095	$ -
Judicial	358,613	1,052,313	-	-
Public safety	7,422,621	1,373,847	1,600	-
Public works	4,016,262	199,081	-	6,529,521
Culture and recreation	2,555,138	790,486	25,977	50,500
Housing and development	973,555	349,884	-	-
Interest on long-term debt	918,411	-	-	-
Total governmental activities	20,606,357	3,943,804	403,672	6,580,021
Business-type activities:				
Sanitation	1,861,957	2,614,104	-	-
Museum	1,141,504	413,531	-	68,081
Gardens	311,292	125,318	-	-
Total business-type activities	3,314,753	3,152,953	-	68,081
Total primary government	$ 23,921,110	$ 7,096,757	$ 403,672	$ 6,648,102
Component unit:				
Development Authority	$ 62,990	$ -	$ -	$ -
Total component unit	$ 62,990	$ -	$ -	$ -

General revenues:
- Property taxes
- Franchise taxes
- Insurance premium taxes
- Business taxes
- Other taxes
- Net investment income (loss)
- Gain on sale of capital assets
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year, restated

Net position, end of year

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Development Authority
$ (3,807,469)	$ -	$ (3,807,469)	$ -
693,700	-	693,700	-
(6,047,174)	-	(6,047,174)	-
2,712,340	-	2,712,340	-
(1,688,175)	-	(1,688,175)	-
(623,671)	-	(623,671)	-
(918,411)	-	(918,411)	-
(9,678,860)	-	(9,678,860)	-
-	752,147	752,147	-
-	(659,892)	(659,892)	-
-	(185,974)	(185,974)	-
-	(93,719)	(93,719)	-
(9,678,860)	(93,719)	(9,772,579)	-
-	-	-	(62,990)
-	-	-	(62,990)
8,377,495	-	8,377,495	-
1,690,243	-	1,690,243	-
1,536,325	-	1,536,325	-
1,102,144	-	1,102,144	-
1,361,826	-	1,361,826	-
(516,755)	1,345	(515,410)	141
14,628	87,918	102,546	-
-	-	-	66,956
110,980	(110,980)	-	-
13,676,886	(21,717)	13,655,169	67,097
3,998,026	(115,436)	3,882,590	4,107
53,965,563	8,429,613	62,395,176	144,753
$ 57,963,589	$ 8,314,177	$ 66,277,766	$ 148,860

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 1,371,398	$ 12,754,733	$ 1,475,973	$ 15,602,104
Taxes receivable	489,439	-	11,960	501,399
Other receivables	1,664,876	-	276,539	1,941,415
Due from other governments	330,385	487,732	-	818,117
Due from other funds	79,577	-	2,314,256	2,393,833
Due from component unit	2,314,343	-	-	2,314,343
Restricted cash	719,327	-	-	719,327
Restricted investments	7,520,844	-	-	7,520,844
Advances to other funds	1,237,107	-	-	1,237,107
Inventory	18,442	-	-	18,442
Prepaid expenditures	178,616	-	6,984	185,600
Notes receivable	-	-	258,500	258,500
Total assets	$ 15,924,354	$ 13,242,465	$ 4,344,212	$ 33,511,031
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 342,127	$ 380,003	$ 105,377	$ 827,507
Accrued liabilities	768,125	143,567	33,873	945,565
Due to other funds	3,095,821	-	87,339	3,183,160
Advances from other funds	-	-	1,237,107	1,237,107
Tax anticipation note payable	5,000,000	-	-	5,000,000
Accrued interest	9,840	-	-	9,840
Total liabilities	9,215,913	523,570	1,463,696	11,203,179
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	442,602	-	-	442,602
Total deferred inflows of resources	442,602	-	-	442,602
FUND BALANCES				
Fund balances:				
Nonspendable:				
Long-term advances	1,237,107	-	-	1,237,107
Inventories	18,442	-	-	18,442
Prepaid expenditures	178,616	-	6,984	185,600
Notes receivable	-	-	258,500	258,500
Restricted:				
Public safety	4,014	-	809,494	813,508
Culture and recreation	-	-	11,650	11,650
Capital projects	41,913	12,718,895	334,024	13,094,832
Debt service	678,251	-	2,015,967	2,694,218
Parks and recreation impact fee projects	-	-	320,702	320,702
Voter approved use	7,561,920	-	-	7,561,920
Committed:				
Cemetery maintenance	-	-	41,069	41,069
Unassigned	(3,454,424)	-	(917,874)	(4,372,298)
Total fund balances	6,265,839	12,718,895	2,880,516	21,865,250
Total liabilities, deferred inflows of resources and fund balances	$ 15,924,354	$ 13,242,465	$ 4,344,212	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	58,023,576
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	442,602
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(20,014,847)
Net OPEB obligations are not due and payable in the current period and, therefore are not reported in the funds.	(2,384,450)
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.	31,458
Net position of governmental activities	$ 57,963,589

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, 2013

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 14,015,915	$ -	$ 32,127	$ 14,048,042
Licenses and permits	409,154	-	94,247	503,401
Intergovernmental	1,173,953	5,816,524	-	6,990,477
Fines and forfeitures	1,186,235	-	63,927	1,250,162
Charges for services	844,774	-	1,138,941	1,983,715
Contributions	500	-	-	500
Net investment income (loss)	(518,489)	28,817	1,684	(487,988)
Other revenues	177,709	-	2,716	180,425
Total revenues	17,289,751	5,845,341	1,333,642	24,468,734
EXPENDITURES				
Current:				
General government	4,015,796	-	40	4,015,836
Judicial	364,160	-	-	364,160
Public safety	5,604,145	-	1,403,173	7,007,318
Public works	2,521,616	-	16,753	2,538,369
Culture and recreation	2,255,699	-	15,896	2,271,595
Housing and development	852,765	-	64,996	917,761
Capital outlay	899,380	3,023,941	773,659	4,696,980
Debt service:				
Principal retirements	581,750	-	573,475	1,155,225
Interest and fiscal charges	515,822	-	412,580	928,402
Total expenditures	17,611,133	3,023,941	3,260,572	23,895,646
Excess (deficiency) of revenues over (under) expenditures	(321,382)	2,821,400	(1,926,930)	573,088
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	6,156	-	156,083	162,239
Transfers in	971,341	-	973,644	1,944,985
Transfers out	(1,807,547)	(10,181)	(16,277)	(1,834,005)
Total other financing sources (uses)	(830,050)	(10,181)	1,113,450	273,219
Net change in fund balance	(1,151,432)	2,811,219	(813,480)	846,307
FUND BALANCES, beginning of year, restated	7,417,271	9,907,676	3,693,996	21,018,943
FUND BALANCES, end of year	$ 6,265,839	$ 12,718,895	$ 2,880,516	$ 21,865,250

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, 2013

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

Net change in fund balances - total governmental funds	$	846,307
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		2,537,061
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, sales and trade-ins) is to decrease net position.		(147,611)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		9,991
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,155,225
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.		80,882
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.		(483,829)
Change in net position - governmental activities	$	3,998,026

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, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 13,038,123	$ 13,965,088	$ 14,015,915	$ 50,827
Licenses and permits	947,303	947,303	409,154	(538,149)
Fines and forfeitures	1,431,000	1,432,800	1,186,235	(246,565)
Charges for services	734,776	805,502	844,774	39,272
Intergovernmental	1,241,795	1,289,352	1,173,953	(115,399)
Contributions	7,550	7,550	500	(7,050)
Net investment income (loss)	400,000	400,000	(518,489)	(918,489)
Miscellaneous	170,400	105,498	177,709	72,211
Total revenues	17,970,947	18,953,093	17,289,751	(1,663,342)
EXPENDITURES				
Current:				
General government:				
Mayor and council	496,743	496,743	466,637	30,106
City manager	760,771	799,771	799,625	146
Financial administration	675,958	663,958	662,532	1,426
Legal and audit	276,034	207,034	206,904	130
Information technology	941,336	925,657	924,974	683
Buildings	969,961	955,761	955,124	637
Total general government	4,120,803	4,048,924	4,015,796	33,128
Judicial	356,505	364,505	364,160	345
Public safety:				
Police	4,356,814	4,858,502	4,857,718	784
Corrections	679,814	747,394	746,427	967
Total public safety	5,036,628	5,605,896	5,604,145	1,751
Public works:				
Central services	608,483	586,108	585,746	362
Highways and streets	1,449,251	1,479,226	1,478,619	607
Stormwater	-	457,252	457,251	1
Total public works	2,057,734	2,522,586	2,521,616	970
Culture and recreation	2,201,942	2,256,244	2,255,699	545
Housing and development:				
Construction and inspection	355,612	355,612	354,172	1,440
Planning and zoning	216,689	216,405	214,987	1,418
Economic development	289,781	290,065	283,606	6,459
Total housing and development	862,082	862,082	852,765	9,317
Capital outlay	1,029,273	899,577	899,380	197
Debt service:				
Principal	923,043	582,043	581,750	293
Interest	670,556	516,468	515,822	646
Total debt service	1,593,599	1,098,511	1,097,572	939
Total expenditures	17,258,566	17,658,325	17,611,133	47,192
Excess (deficiency) of revenues over (under) expenditures	712,381	1,294,768	(321,382)	(1,616,150)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	13,162	6,156	(7,006)
Proceeds from capital lease	248,500	-	-	-
Transfers in	901,813	1,145,957	971,341	(174,616)
Transfers out	(1,872,694)	(2,453,887)	(1,807,547)	646,340
Total other financing sources (uses)	(712,381)	(1,294,768)	(830,050)	464,718
Net change in fund balances	-	-	(1,151,432)	(1,151,432)
FUND BALANCES, beginning of year, restated	7,417,271	7,417,271	7,417,271	-
FUND BALANCES, end of year	$ 7,417,271	$ 7,417,271	$ 6,265,839	$ (1,151,432)

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds				
ASSETS	Sanitation Fund	Museum Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
CURRENT ASSETS					
Cash	$ 947,183	$ 239,680	$ 121,525	$ 1,308,388	$ 107,052
Accounts receivable	852,132	-	2,648	854,780	-
Due from other funds	524,130	6,277	-	530,407	258,920
Inventory	-	98,752	3,841	102,593	-
Prepaids	36,078	11,133	295	47,506	-
Total current assets	2,359,523	355,842	128,309	2,843,674	365,972
CAPITAL ASSETS					
Non-depreciable assets	-	753,342	-	753,342	-
Depreciable assets	394,420	7,832,060	97,310	8,323,790	-
	394,420	8,585,402	97,310	9,077,132	-
Accumulated depreciation	(175,303)	(2,218,217)	(33,898)	(2,427,418)	-
	219,117	6,367,185	63,412	6,649,714	-
Total assets	2,578,640	6,723,027	191,721	9,493,388	365,972
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	27,072	12,332	6,324	45,728	83,668
Accrued liabilities	15,515	12,102	4,587	32,204	230,822
Deposits payable	402,772	-	-	402,772	-
Compensated absences payable	24,741	9,149	1,647	35,537	-
Unearned revenue	213,944	-	-	213,944	-
Capital lease, due within one year	43,095	-	-	43,095	-
Total current liabilities	727,139	33,583	12,558	773,280	314,490
NONCURRENT LIABILITIES					
Capital lease, due in more than one year	89,172	-	-	89,172	-
Net OPEB liability	167,373	124,491	44,919	336,783	-
Total noncurrent liabilities	256,545	124,491	44,919	425,955	-
Total liabilities	983,684	158,074	57,477	1,199,235	314,490
NET POSITION					
Net investment in capital assets	86,850	6,367,185	63,412	6,517,447	-
Unrestricted	1,508,106	197,768	70,832	1,776,706	51,482
Total net position	$ 1,594,956	$ 6,564,953	$ 134,244	8,294,153	$ 51,482
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				20,024	
Net position of business-type activities				$ 8,314,177	

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds				
	Sanitation Fund	Museum Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
OPERATING REVENUE					
Sanitation fees	$ 2,572,715	$ -	$ -	$ 2,572,715	$ -
Charges for sales and services	41,039	333,971	42,185	417,195	3,202,806
Miscellaneous	350	79,560	83,133	163,043	-
Total operating revenues	2,614,104	413,531	125,318	3,152,953	3,202,806
OPERATING EXPENSES					
Cost of sales and services	1,744,477	934,281	302,693	2,981,451	124,036
Claims	-	-	-	-	2,987,784
Depreciation	116,855	210,570	10,293	337,718	-
Total operating expenses	1,861,332	1,144,851	312,986	3,319,169	3,111,820
Operating income (loss)	752,772	(731,320)	(187,668)	(166,216)	90,986
NON-OPERATING INCOME (EXPENSES)					
Interest income	1,109	161	75	1,345	50
Gain on sale of property	87,918	-	-	87,918	-
Interest expense	(5,738)	-	-	(5,738)	-
Total non-operating income (expenses)	83,289	161	75	83,525	50
Income (loss) before transfers and contributions	836,061	(731,159)	(187,593)	(82,691)	91,036
Capital contributions	-	68,081	-	68,081	-
Transfers in	-	617,754	242,607	860,361	-
Transfers out	(971,341)	-	-	(971,341)	-
Total capital contributions and transfers	(971,341)	685,835	242,607	(42,899)	-
Change in net position	(135,280)	(45,324)	55,014	(125,590)	91,036
Total net position, beginning of year, restated	1,730,236	6,610,277	79,230		(39,554)
Total net position, end of year	$ 1,594,956	$ 6,564,953	$ 134,244		$ 51,482
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				10,154	
Change in net position of business-type activities				$ (115,436)	

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, 2013

	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	$ 2,209,180	$ 413,531	$ 122,670	$ 2,745,381	$ 3,102,907
Payments to suppliers	(1,140,576)	(429,450)	(103,869)	(1,673,895)	(3,009,963)
Payments to employees	(1,005,123)	(503,643)	(210,906)	(1,719,672)	-
Net cash provided by (used in) operating activities	63,481	(519,562)	(192,105)	(648,186)	92,944
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	-	622,791	242,607	865,398	-
Transfers out to other funds	(971,341)	-	-	(971,341)	-
Net cash provided by (used in) non-capital financing activities	(971,341)	622,791	242,607	(105,943)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(37,671)	-	-	(37,671)	-
Proceeds of sales of capital assets	563,665	-	-	563,665	-
Principal payments on capital lease	(110,285)	-	-	(110,285)	-
Interest paid	(5,738)	-	-	(5,738)	-
Grants and capital contributions	-	1,180	-	1,180	-
Net cash provided by capital and related financing activities	409,971	1,180	-	411,151	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,109	161	75	1,345	50
Net cash provided by investing activities	1,109	161	75	1,345	50
Net increase (decrease) in cash	(496,780)	104,570	50,577	(341,633)	92,994
Cash, beginning of year	1,443,963	135,110	70,948	1,650,021	14,058
Cash, end of year	$ 947,183	$ 239,680	$ 121,525	$ 1,308,388	$ 107,052
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	$ 752,772	$ (731,320)	$ (187,668)	$ (166,216)	$ 90,986
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	116,855	210,570	10,293	337,718	-
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(503,203)	-	(2,648)	(505,851)	17,148
Increase in due from other funds	(440,738)	-	-	(440,738)	(117,047)
Decrease in prepaid items	22,386	17,633	467	40,486	23,444
Increase in inventory	-	(28,722)	(450)	(29,172)	-
Decrease in accounts payable	(8,287)	(5,984)	(19,952)	(34,223)	(1,722)
Increase (decrease) in accrued liabilities	(1,781)	(1,816)	(1,612)	(5,209)	80,135
Increase in customer deposits payable	52,057	-	-	52,057	-
Increase in OPEB liability	31,392	20,549	10,398	62,339	-
Increase (decrease) in compensated absences payable	1,816	1,887	(339)	3,364	-
Increase in unearned revenue	46,222	-	-	46,222	-
Decrease in due to other funds	(6,010)	(2,359)	(594)	(8,963)	-
Net cash proivded by (used in) operating activities	$ 63,481	$ (519,562)	$ (192,105)	$ (648,186)	$ 92,944
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	$ -	$ 66,901	$ -	$ 66,901	$ -

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. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

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

Blended Component Unit

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

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

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

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

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)

In accounting and reporting for its proprietary operations, the City applies all GASB pronouncements. For the fiscal year ended September 30, 2013, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

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, 2013, 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. Deferred Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2012. These new standards establish accounting and financial reporting for deferred inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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

L. Long-Term Obligations

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

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

M. Fund Equity

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity (Continued)

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity (Continued)

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

N. Management Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $20,014,847 difference are as follows:

Capital leases payable	$	(158,142)
Notes payable		(351,809)
Bonds payable		(18,665,000)
Accrued interest payable		(172,700)
Compensated absences		(667,196)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(20,014,847)

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 position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this $2,537,061 difference are as follows:

Capital outlay	$ 4,708,902
Depreciation expense	(2,171,841)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 2,537,061

Another element of that reconciliation explains that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this $1,155,225 difference are as follows:

Principal payment on general obligation bonds	$ 475,000
Principal payment on revenue bonds	430,000
Principal payment on notes payable	143,475
Principal payment on capital leases	106,750
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 1,155,225

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 $483,829 difference are as follows:

Compensated absences	$ 2,485
Change in OPEB accrual	(496,305)
Accrued interest	9,991
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ (483,829)

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, 2013, the City of Kennesaw had the following investments:

Investment	Maturities	Rating	Fair Value
Certificate of deposit	1 - 5 years	N/A	$ 150,000
Federal Home Loan Bank	1 - 5 years	A2	1,125,720
Federal Agricultural Mortgage Corporation	6 - 10 years	NR	1,109,310
Federal Home Loan Bank	6 - 10 years	Aaa	1,199,153
Federal Farm Credit Bank	11 - 15 years	Aaa	1,676,059
Federal Home Loan Mortgage Corporation	11 - 15 years	AA+	476,357
Federal Farm Credit Bank	16 - 20 years	Aaa	1,193,450
Federal Home Loan Bank	21 - 25 years	Aaa	590,795
Total			$ 7,520,844

N/A - Not applicable; NR - Not rated

Interest Rate Risk: The City does not have a formal policy that addresses interest rate risk. At September 30, 2013 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, 2013, the City's and its component units' deposits were properly insured and collateralized.

NOTE 5. RECEIVABLES

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

Receivables at September 30, 2013, 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	$ 557,654	$ -	$ -	$ 11,960
Accounts	-	-	1,153,819	279,187
Due from other governments	330,385	487,732	-	-
Other	1,689,251	-	-	-
Less allowance for uncollectible	(92,590)	-	(301,687)	-
Net total receivable	$ 2,484,700	$ 487,732	$ 852,132	$ 291,147

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2013, is as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 14,095,277	$ 14,325	$ -	$ (74,000)	$ 14,035,602
Construction in progress	1,116,835	3,046,844	(225,738)	-	3,937,941
Total	15,212,112	3,061,169	(225,738)	(74,000)	17,973,543
Capital assets, being depreciated:					
Buildings	10,754,230	104,894	207,484	(100,000)	10,966,608
Infrastructure	44,916,113	991,994	18,254	-	45,926,361
Machinery and equipment	3,864,639	174,426	-	-	4,039,065
Land improvements	7,933,765	47,829	-	-	7,981,594
Vehicles	3,106,951	328,590	-	(134,574)	3,300,967
Total	70,575,698	1,647,733	225,738	(234,574)	72,214,595
Less accumulated depreciation for:					
Buildings	(3,638,322)	(327,056)	-	26,389	(3,938,989)
Infrastructure	(21,141,685)	(1,148,870)	-	-	(22,290,555)
Machinery and equipment	(2,447,922)	(282,111)	-	-	(2,730,033)
Land improvements	(778,850)	(199,602)	-	-	(978,452)
Vehicles	(2,146,905)	(214,202)	-	134,574	(2,226,533)
Total	(30,153,684)	(2,171,841)	-	160,963	(32,164,562)
Total capital assets, being depreciated, net	40,422,014	(524,108)	225,738	(73,611)	40,050,033
Governmental activities capital assets, net	$ 55,634,126	$ 2,537,061	$ -	$ (147,611)	$ 58,023,576

Beginning balances have been adjusted by $1,119,782 as a result of the change in reporting the Downtown Development Authority as a blended component unit as opposed to a discretely presented component unit as it has been in prior years.

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Museum artifacts	$ 679,441	$ 66,901	$ -	$ 746,342
Land	7,000	-	-	7,000
Total	686,441	66,901	-	753,342
Capital assets, being depreciated:				
Buildings and structures	7,463,748	-	-	7,463,748
Furniture and fixtures	83,736	-	-	83,736
Vehicles	1,335,251	-	(1,078,922)	256,329
Machinery and equipment	537,826	37,671	(55,520)	519,977
Total	9,420,561	37,671	(1,134,442)	8,323,790
Less accumulated depreciation for:				
Buildings and structures	(1,689,199)	(187,227)	-	(1,876,426)
Furniture and fixtures	(55,855)	(12,234)	-	(68,089)
Vehicles	(633,255)	(105,884)	608,264	(130,875)
Machinery and equipment	(370,086)	(32,373)	50,431	(352,028)
Total	(2,748,395)	(337,718)	658,695	(2,427,418)
Total capital assets, being depreciated, net	6,672,166	(300,047)	(475,747)	5,896,372
Business-type activities capital assets, net	$ 7,358,607	$ (233,146)	$ (475,747)	$ 6,649,714

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

Governmental activities:	
General government	$ 261,873
Judicial	4,695
Public safety	199,358
Public works	1,440,159
Culture and recreation	235,753
Housing and development	30,003
Total depreciation expense - governmental activities	$ 2,171,841
Business-type activities:	
Sanitation	$ 116,855
Museum	210,570
Gardens	10,293
Total depreciation expense - business-type activities	$ 337,718

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 .77%, matured on December 28, 2012. As of September 30, 2013, the principal was paid in full. During the year ending September 30, 2013 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 .65% and matures on December 30, 2013.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2013, was $19,059.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2013:

	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, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 12,125,000	$ -	$ (475,000)	$ 11,650,000	$ 495,000
Revenue bonds	7,445,000	-	(430,000)	7,015,000	515,000
Notes payable	495,284	-	(143,475)	351,809	15,183
Capital leases	264,892	-	(106,750)	158,142	83,493
OPEB obligation	1,888,145	503,376	(7,071)	2,384,450	-
Compensated absences	669,681	457,205	(459,690)	667,196	462,135
Governmental activity Long-term liabilities	$ 22,888,002	$ 960,581	$ (1,621,986)	$ 22,226,597	$ 1,570,811

Beginning balances have been adjusted by $4,010,284 as a result of the change in reporting the Downtown Development Authority as a blended component unit as opposed to a discretely presented component unit as it has been in prior years.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Capital lease	$ 242,552	$ -	$ (110,285)	$ 132,267	$ 43,095
OPEB obligation	274,444	63,227	(888)	336,783	-
Compensated absences	32,173	38,784	(35,420)	35,537	35,537
Business-type activity Long-term liabilities	$ 549,169	$ 102,011	$ (146,593)	$ 504,587	$ 78,632

For governmental activities, compensated absences and OPEB obligations are liquidated by the General Fund and E911 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, 2013, the City had $306,499 of governmental activities machinery and equipment under capital leases. The business-type assets under capital lease were sold prior to year end with the plan to use the proceeds to pay off the leases in fiscal year 2014.

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,		
2014	$ 87,600	$ 46,151
2015	60,051	46,151
2016	16,846	46,151
Total minimum lease payments	164,497	138,453
Less amount representing interest	6,355	6,186
Present value of future minimum lease payments	$ 158,142	$ 132,267

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,			
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	595,000	380,791	975,791
2019-2023	3,435,000	1,503,285	4,938,285
2024-2028	4,465,000	694,941	5,159,941
2029	1,045,000	21,527	1,066,527
Total	$ 11,650,000	$ 4,351,338	$ 16,001,338

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

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2014	$ 515,000	$ 367,654	$ 882,654
2015	530,000	343,416	873,416
2016	555,000	318,246	873,246
2017	580,000	291,856	871,856
2018	610,000	264,148	874,148
2019-2023	2,290,000	921,773	3,211,773
2024-2028	705,000	560,175	1,265,175
2029-2033	990,000	266,000	1,256,000
2034	240,000	8,400	248,400
Total	$ 7,015,000	$ 3,341,668	$ 10,356,668

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2014	$ 8,340	$ 11,351	$ 19,691
2015	8,751	10,941	19,692
2016	9,152	10,540	19,692
2017	213,944	3,442	217,386
Total	$ 240,187	$ 36,274	$ 276,461

NOTE 8. LONG-TERM DEBT (Continued)

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

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2014	$ 6,843	$ 3,393	$ 10,236
2015	7,061	3,174	10,235
2016	7,278	2,958	10,236
2017	90,440	707	91,147
Total	$ 111,622	$ 10,232	$ 121,854

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2013, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
Sanitation fund	General fund	$ 524,130
General fund	Nonmajor governmental funds	79,577
Museum fund	Nonmajor governmental funds	6,277
Nonmajor governmental funds	General fund	2,312,771
Internal service fund	General fund	258,920
Nonmajor governmental funds	Nonmajor governmental funds	1,485
		$ 3,183,160

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

Advances to/from other funds are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 1,237,107

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

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	$ 2,314,343

Interfund transfers:

Transfers In	Transfers Out	Amount
General fund	Sanitation fund	$ 971,341
Museum fund	General fund	$ 601,477
Museum fund	Nonmajor governmental funds	16,277
		$ 617,754
Nonmajor governmental funds	General fund	$ 963,463
Nonmajor governmental funds	SPLOST	10,181
		$ 973,644
Nonmajor enterprise funds	General fund	$ 242,607

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

NOTE 10. OPERATING LEASES

The City leases copy machines under non-cancelable operating leases. Total costs for such leases were $33,468 for the fiscal year ended September 30, 2013. The future minimum lease payments for these leases are as follows:

Year Ending September 30,	
2014	$ 32,280
2015	28,740
	$ 61,020

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. Under the old plan, which some employees are still participating, an employee may elect early retirement at the age of 55 provided he has a minimum of ten years total credited service. If he retires between the ages of 55-65, there will be a reduced monthly benefit. To receive full benefits, an employee must be employed until age 65. The benefit is calculated on the last five year's highest averaged earnings. The employees who are still under this plan do not contribute toward the plan.

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

At January 1, 2013, the date of the most recent actuarial valuation, there were 249 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	45
Terminated vested participants not yet receiving benefits	27
Active employees - vested	72
Active employees - nonvested	105
Total	249

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 2013, the actuarially determined contribution rate was 11.44% of covered payroll.

For 2013, the City's recommended contribution was $904,271. Actual contributions totaled $904,271. The recommended contribution was determined as part of the January 1, 2012 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, 2012 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
2013	$ 904,271	$ 904,271	100.0 %	$ -
2012	883,626	883,626	100.0	-
2011	771,422	771,422	100.0	-

As of the most recent valuation date, January 1, 2013, 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
1/1/2013	$ 9,658,212	$ 11,746,192	82.22%	$ 2,087,980	$ 7,338,429	28.45%

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

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, 2013 and on the pattern of sharing of costs between employer and plan members up to that point.

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. There are no separately issued financial statements related to the City's OPEB Plan.

Benefits

Eligible retirees and former employees are offered the same health, prescription drug, and dental coverage as active employees. The City pays 100% of the employee premium and 0% of family premium for the 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 for the PPO plan. The individual limits of coverage by the City total $190,000 per individual per calendar year for the first claimant and $125,000 per individual per calendar year for subsequent claimants. The City only pays one aggregate claim totaling $190,000 for both the active employees and retirees combined. After individual limits are met, the insurance carrier covers additional claims.

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, 2013, the most recent actuarial valuation date, the Plan membership included the following categories of participants:

Retirees, beneficiaries, and dependents	10
Active participants	174
	184

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, 2013, 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	8.0%
Ultimate Healthcare Cost Trend Rate	5.0%
Year of Ultimate Trend Rate	2018
Amortization Method	Level dollar, closed
Remaining Amortization Period	21 years

The following is a schedule of funding progress using the projected unit credit method. As of the most recent valuation date, January 1, 2013, 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)
1/1/2013	$ -	$ 4,326,625	$ 4,326,625	0.0%	$ 7,359,072	58.8%

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

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, 2013.

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, 2013, is as follows:

Annual required contribution	$ 631,493
Interest on net OPEB obligation	86,504
Adjustments to annual required contribution	(151,394)
Annual OPEB cost	566,603
Contributions made	7,959
Increase in net OPEB obligation	558,644
Net OPEB obligation, beginning of year	2,162,589
Net OPEB obligation, end of year	$ 2,721,233

Annual OPEB Cost

The recommended contribution was determined as part of the January 1, 2013 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, 2013	$ 566,603	$ 7,959	1%	$ 2,721,233
September 30, 2012	642,560	6,195	1%	2,162,589
September 30, 2011	607,317	6,268	1%	1,526,224

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, 2013, there were 89 plan members. During the year ending September 30, 2013 employee contributions were $191,071 and employer contributions were $43,112.

NOTE 14. FUND DEFICITS

For the year ended September 30, 2013, the City's E911 Fund and Downtown Development Authority Fund had fund deficits of $625,163 and $27,227 respectively. The fund deficit in the E911 Fund will be reduced through future user charges and General Fund appropriations, as needed. The fund deficit in the Downtown Development Authority Fund will be reduced through increased General Fund appropriations, as needed.

NOTE 15. JOINT VENTURE

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

NOTE 16. RISK MANAGEMENT

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

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

NOTE 16. RISK MANAGEMENT (Continued)

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

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

Active Employees. The City is partially self-insured for employee medical claims. The City pays 91% of the employee premium and 87% of family premium for the PPO plan and 92% of the employee premium and 90% of family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year per individual or $3,000 per family for the PPO plan. Each employee's portion of the medical premium cost is withheld from that employee's paycheck.

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

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

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

The City pays 100% of the employee premium and 0% of family premium for the 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 for the PPO plan. The retirees' medical claims are included in the annual limit discussed above. The individual limits of coverage by the City total $190,000 per individual per calendar year for the first claimant and $125,000 per individual per calendar year for subsequent claimants. The City only pays one aggregate claim totaling $190,000 for both the active employees and retirees combined. After individual limits are met, the private insurance carrier covers additional claims, which is reported in the General Fund. The following table describes the activity related to employee and retiree medical claims. The end of year claims liability is reported as a current liability in the internal service fund because it is anticipated to be paid within one fiscal year and includes consideration for claims that have been incurred but not reported. Currently, 9 retirees are eligible for post-retirement benefits. These post-retirement benefits are funded on a pay-as-you go basis and totaled $7,959 for the year ended September 30, 2013.

NOTE 16. RISK MANAGEMENT (Continued)

Changes in the claims liability for the years ended September 30, 2013 and 2012 are as follows:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2013	$ 150,687	$ 2,817,737	$ 2,737,602	$ 230,822
2012	$ 186,973	$ 2,169,553	$ 2,205,839	$ 150,687

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, 2013, contractual commitments on uncompleted contracts were $1,208,231.

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 $32,127 for the year ended September 30, 2013. Of this amount 100%, or $32,127, 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 $7,561,920 of the General Fund's fund balance as restricted for voter approved use. This amount is also reported as restricted in the government-wide statement of net position. In 2005, the City sold the infrastructure from their water and sewer system to Cobb County and these are the proceeds from that sale. The City deposited the funds into a restricted investment and enacted a city ordinance requiring the council to obtain voter approval, through a city-wide vote, for any and all uses of the proceeds. Council has no intentions or plans for the use of the funds as of September 30, 2013.

NOTE 20. CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

In conjunction with the implementation of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, the City is required to change its reporting of the Downtown Development Authority. The new standard requires that the Downtown Development Authority be reported as a blended component unit as opposed to a discretely presented component unit, as the Downtown Development Authority was reported in prior years.

NOTE 20. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

Therefore, in conjunction with the implementation of Statement No. 65 and Statement No. 61, the following restatements were required to the beginning net position of the Governmental Activities, Museum Fund, and Business-type Activities to properly recognize debt issuance costs as expenses in the periods in which they were incurred and report the Downtown Development Authority as a blended component unit:

Net position, Governmental Activities, as previously reported	$57,124,634
Change in reporting entity in accordance with GASB 61	(2,942,515)
Recognition of bond issuance costs in accordance with GASB 65	(216,556)
Beginning net position, Governmental Activities, restated	$53,965,563
Net position, Museum Fund, as previously reported	$ 3,044,914
Change in reporting entity in accordance with GASB 61	3,565,363
Beginning net position, Museum Fund, restated	$ 6,610,277
Net position, Business-type Activities, as previously reported	$ 4,864,250
Change in reporting entity in accordance with GASB 61	3,565,363
Beginning net position, Museum Fund, restated	$ 8,429,613

The change described above to report the Downtown Development Authority also affected beginning fund balance of nonmajor governmental funds as follows:

Fund balance, nonmajor governmental funds	$ 2,591,767
Change in reporting entity in accordance with GASB 61	478
Beginning fund balance, nonmajor governmental funds, restated	$ 2,592,245

NOTE 21. CHANGE IN REPORTING ENTITY

The City has determined the following change in reporting entity is desirable to report the Treasury Equitable Sharing Fund as a special revenue fund, which has been historically reported in the activities of the General Fund in prior years' annual reports. The adjustment to report the Treasury Equitable Sharing Fund as a special revenue fund resulted in changes to beginning General Fund balance as follows:

Fund balance, General Fund, as previously reported	$ 8,519,022
Restatement to separately report Treasury Equitable Sharing Fund	(1,101,751)
Beginning fund balance, General Fund, restated	$ 7,417,271

NOTE 21. CHANGE IN REPORTING ENTITY (Continued)

The change described above also affected the beginning fund balance of nonmajor governmental funds as follows:

Fund balance, nonmajor governmental funds, as restated above	$	2,592,245
Restatement to separately report Treasury Equitable Sharing Fund		1,101,751
Beginning fund balance, nonmajor governmental funds, restated	$	3,693,996

NOTE 22. SUBSEQUENT EVENT

On February 25, 2014, the Urban Redevelopment Agency issued $6,425,000 in revenue bonds to finance the costs of a parking project. The bonds bear interest at rates ranging from 2.0% – 4.5% and mature in 2044. The City and Urban Redevelopment Agency have signed an intergovernmental agreement under which the City will make the principal and interest payments on the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENNESAW, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Defined Benefit Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2013	$ 9,658,212	$ 11,746,192	2,087,980	82.22%	$ 7,338,429	28.45%
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%

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) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2013	$ -	$ 4,326,625	$ 4,326,625	0.00%	$ 7,359,072	58.79%
1/1/2011	-	3,784,934	3,784,934	0.00%	7,461,575	50.73%
9/30/2009	-	2,604,421	2,604,421	0.00%	7,406,662	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.

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

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

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

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

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

Capital Projects Fund

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

Debt Service Funds

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

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

CITY OF KENNESAW, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue Funds						Capital Projects Fund	Debt Service Funds		
ASSETS	Asset Forfeiture Fund	Treasury Equitable Sharing Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Capital Projects Fund	Downtown Development Authority	Urban Redevelopment Agency	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 37,197	$ 893,570	$ 89,592	$ 13,966	$ 41,431	$ 23,898	$ 343,447	$ 32,872	$ -	$ 1,475,973
Taxes receivable	-	-	-	11,960	-	-	-	-	-	11,960
Other receivables	-	497	273,807	-	-	-	-	2,235	-	276,539
Due from other funds	-	1,485	-	-	-	296,804	-	-	2,015,967	2,314,256
Prepaid expenditures	-	-	6,984	-	-	-	-	-	-	6,984
Notes receivable	-	-	-	-	-	-	-	258,500	-	258,500
Total assets	$ 37,197	$ 895,552	$ 370,383	$ 25,926	$ 41,431	$ 320,702	$ 343,447	$ 293,607	$ 2,015,967	$ 4,344,212
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	$ 13,570	$ 53,710	$ 23,033	$ 7,999	$ -	$ -	$ -	$ 7,065	$ -	$ 105,377
Accrued liabilities	-	-	21,450	-	-	-	9,423	3,000	-	33,873
Due to other funds	1,485	54,490	-	6,277	362	-	-	24,725	-	87,339
Advances from other funds	-	-	951,063	-	-	-	-	286,044	-	1,237,107
Total liabilities	15,055	108,200	995,546	14,276	362	-	9,423	320,834	-	1,463,696
FUND BALANCES										
Fund Balances:										
Nonspendable:										
Prepaids	-	-	6,984	-	-	-	-	-	-	6,984
Notes receivable	-	-	-	-	-	-	-	258,500	-	258,500
Restricted:										
Public safety	22,142	787,352	-	-	-	-	-	-	-	809,494
Culture and recreation	-	-	-	11,650	-	-	-	-	-	11,650
Capital projects	-	-	-	-	-	-	334,024	-	-	334,024
Debt service	-	-	-	-	-	-	-	-	2,015,967	2,015,967
Impact fee projects	-	-	-	-	-	320,702	-	-	-	320,702
Committed:										
Cemetery maintenance	-	-	-	-	41,069	-	-	-	-	41,069
Unassigned	-	-	(632,147)	-	-	-	-	(285,727)	-	(917,874)
Total fund balances	22,142	787,352	(625,163)	11,650	41,069	320,702	334,024	(27,227)	2,015,967	2,880,516
Total liabilities and fund balances	$ 37,197	$ 895,552	$ 370,383	$ 25,926	$ 41,431	$ 320,702	$ 343,447	$ 293,607	$ 2,015,967	$ 4,344,212

CITY OF KENNESAW, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds						Capital Projects Fund	Debt Service Funds		
	Asset Forfeiture Fund	Treasury Equitable Sharing Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Capital Projects Fund	Downtown Development Authority	Urban Redevelopment Agency	Total Nonmajor Governmental Funds
REVENUES										
Taxes	$ -	$ -	$ -	$ 32,127	$ -	$ -	$ -	$ -	$ -	$ 32,127
Licenses and permits	-	-	-	-	-	94,247	-	-	-	94,247
Fines and forfeitures	-	63,927	-	-	-	-	-	-	-	63,927
Charges for services	-	-	1,075,300	636	16,550	-	-	46,455	-	1,138,941
Interest	29	974	139	27	39	24	399	48	5	1,684
Miscellaneous	-	-	20	-	-	-	2,696	-	-	2,716
Total revenues	29	64,901	1,075,459	32,790	16,589	94,271	3,095	46,503	5	1,333,642
EXPENDITURES										
Current										
General government	-	-	-	-	-	-	40	-	-	40
Public safety	15,696	144,329	1,243,148	-	-	-	-	-	-	1,403,173
Public works	-	-	-	-	16,753	-	-	-	-	16,753
Culture and recreation	-	-	-	15,896	-	-	-	-	-	15,896
Housing and development	-	-	-	-	-	-	-	64,996	-	64,996
Capital outlay	-	256,615	-	-	-	-	517,044	-	-	773,659
Debt service										
Principal retirements	-	-	-	-	-	-	-	428,475	145,000	573,475
Interest and fiscal charges	-	-	-	-	-	-	-	174,021	238,559	412,580
Total expenditures	15,696	400,944	1,243,148	15,896	16,753	-	517,084	667,492	383,559	3,260,572
Excess (deficiency) of revenues over (under) expenditures	(15,667)	(336,043)	(167,689)	16,894	(164)	94,271	(513,989)	(620,989)	(383,554)	(1,926,930)
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	156,083	-	156,083
Transfers in	-	21,644	-	-	-	-	327,240	437,201	187,559	973,644
Transfers out	-	-	-	(16,277)	-	-	-	-	-	(16,277)
Total other financing sources (uses)	-	21,644	-	(16,277)	-	-	327,240	593,284	187,559	1,113,450
Net change in fund balances	(15,667)	(314,399)	(167,689)	617	(164)	94,271	(186,749)	(27,705)	(195,995)	(813,480)
FUND BALANCES (DEFICIT), beginning of year, restated	37,809	1,101,751	(457,474)	11,033	41,233	226,431	520,773	478	2,211,962	3,693,996
FUND BALANCES (DEFICIT), end of year	$ 22,142	$ 787,352	$ (625,163)	$ 11,650	$ 41,069	$ 320,702	$ 334,024	$ (27,227)	$ 2,015,967	$ 2,880,516

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, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 6,196	$ 20,846	$ -	$ (20,846)
Interest	62	62	29	(33)
Total revenues	6,258	20,908	29	(20,879)
EXPENDITURES				
Public safety	6,258	20,908	15,696	5,212
Net change in fund balances	-	-	(15,667)	(15,667)
FUND BALANCES, beginning of year	37,809	37,809	37,809	-
FUND BALANCES, end of year	$ 37,809	$ 37,809	$ 22,142	$ (15,667)

CITY OF KENNESAW, GEORGIA
TREASURY EQUITABLE SHARING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 208,960	$ 413,960	$ 63,927	$ (350,033)
Interest	1,040	1,040	974	(66)
Total revenues	210,000	415,000	64,901	(350,099)
EXPENDITURES				
Public safety	10,000	115,000	144,329	(29,329)
Capital outlay	200,000	300,000	256,615	43,385
Total expenditures	210,000	415,000	400,944	14,056
Deficiency of revenues over expenditures	-	-	(336,043)	(364,155)
OTHER FINANCING SOURCES				
Transfers in	-	-	21,644	21,644
Net change in fund balances	-	-	(314,399)	(314,399)
FUND BALANCES, beginning of year	1,101,751	1,101,751	1,101,751	-
FUND BALANCES, end of year	$ 1,101,751	$ 1,101,751	$ 787,352	$ (314,399)

CITY OF KENNESAW, GEORGIA
E911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 993,477	$ 1,075,477	$ 1,075,300	$ (177)
Interest	200	200	139	(61)
Miscellaneous	-	-	20	20
Total revenues	993,677	1,075,677	1,075,459	(218)
EXPENDITURES				
Public safety	993,677	1,243,677	1,243,148	529
Deficiency of revenues over expenditures	-	(168,000)	(167,689)	311
OTHER FINANCING SOURCES				
Transfers in	-	168,000	-	(168,000)
Net change in fund balances	-	-	(167,689)	(167,689)
FUND BALANCES (DEFICIT), beginning of year	(457,474)	(457,474)	(457,474)	-
FUND BALANCES (DEFICIT), end of year	$ (457,474)	$ (457,474)	$ (625,163)	$ (167,689)

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, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 31,393	$ 31,529	$ 32,127	$ 598
Charges for services	633	633	636	3
Interest	12	12	27	15
Total revenues	32,038	32,174	32,790	616
EXPENDITURES				
Culture and recreation	15,823	15,896	15,896	-
Excess of revenues over expenditures	16,215	16,278	16,894	616
OTHER FINANCING USES				
Transfers out	(16,215)	(16,278)	(16,277)	1
Net change in fund balances	-	-	617	617
FUND BALANCES, beginning of year	11,033	11,033	11,033	-
FUND BALANCES, end of year	$ 11,033	$ 11,033	$ 11,650	$ 617

CITY OF KENNESAW, GEORGIA
CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 5,000	$ 5,000	$ 16,550	$ 11,550
Interest	25	25	39	14
Total revenues	5,025	5,025	16,589	11,564
EXPENDITURES				
Public works	17,300	17,300	16,753	547
Deficiency of revenues over expenditures	(12,275)	(12,275)	(164)	12,111
OTHER FINANCING SOURCES				
Transfers in	12,275	12,275	-	(12,275)
Net change in fund balances	-	-	(164)	(164)
FUND BALANCES, beginning of year	41,233	41,233	41,233	-
FUND BALANCES, end of year	$ 41,233	$ 41,233	$ 41,069	$ (164)

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, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and permits	$ 161,941	$ 161,941	$ 94,247	$ (67,694)
Interest	24	24	24	-
Total revenues	161,965	161,965	94,271	(67,694)
OTHER FINANCING USES				
Transfers out	(161,941)	(161,941)	-	161,941
Net change in fund balances	24	24	94,271	94,247
FUND BALANCES, beginning of year	226,431	226,431	226,431	-
FUND BALANCES, end of year	$ 226,455	$ 226,455	$ 320,702	$ 94,247

CITY OF KENNESAW ,GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 64,956	$ 65,206	$ 46,455	$ (18,751)
Interest	10	10	48	38
Total revenues	64,966	65,216	46,503	(18,713)
EXPENDITURES				
Housing and development	50,465	64,996	64,996	-
Debt service				
Principal	-	428,475	428,475	-
Interest and fiscal charges	24,542	174,021	174,021	-
Total expenditures	75,007	667,492	667,492	-
Deficiency of revenues over expenditures	(10,041)	(602,276)	(620,989)	(18,713)
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	156,083	156,083	-
Transfers in	-	446,193	437,201	(8,992)
Net change in fund balances	(10,041)	-	(27,705)	(27,705)
FUND BALANCES, beginning of year	478	478	478	-
FUND BALANCES, end of year	$ (9,563)	$ 478	$ (27,227)	$ (27,705)

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, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Interest	$ -	$ -	$ 5	$ 5
Total revenues	-	-	5	5
EXPENDITURES				
Debt service				
Principal	145,000	145,000	145,000	-
Interest and fiscal charges	41,772	238,559	238,559	-
Total expenditures	186,772	383,559	383,559	-
Deficiency of revenues over expenditures	(186,772)	(383,559)	(383,554)	5
OTHER FINANCING SOURCES				
Transfers in	186,772	186,772	187,559	787
Net change in fund balances	-	(196,787)	(195,995)	792
FUND BALANCES, beginning of year	2,211,962	2,211,962	2,211,962	-
FUND BALANCES, end of year	$ 2,211,962	$ 2,015,175	$ 2,015,967	$ 792

CITY OF KENNESAW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED SEPTEMBER 30, 2013

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	$ 204	$ 161,875	18.41 %
Old Highway 41	2,600,000	2,600,000	114,489	83,281	197,770	7.61
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	18,215	300,000	100.00
Rutledge Road	900,000	900,000	-	427,600	427,600	47.51
Jiles Road	9,900,000	3,507 (1)	3,507	-	3,507	100.00
Cherokee Street	3,750,000	1,472,820	431,171	303,407	734,578	49.88
McCollum Parkway	200,000	-	-	-	-	-
Barrett Parkway	520,300	- (1)	-	-	-	-
Pine Mountain Court & US 41	200,000	200,000	11,756	-	11,756	5.88
Cobb International Boulevard	1,000,000	-	-	-	-	-
Sidewalk Projects	410,900	378,535	19,306	43,157	62,463	16.50
Resurfacing Projects	520,774	448,444	329,200	119,244	448,444	100.00
800 MHZ Radios	353,943	428,766	428,526	-	428,526	99.94
TOTAL 2005 SPLOST	$ 23,305,917	$ 8,361,250	$ 2,531,411	$ 995,108	$ 3,526,519	
SPLOST II - 2011 SPLOST						
Pine Mountain Road	$ 6,492,254	$ 6,492,254	$ -	$ 84,966	$ 84,966	1.31 %
Cherokee Street	5,000,000	5,000,000	-	-	-	-
Stanley Road/Collins Road	1,150,032	1,150,032	-	-	-	-
McCollum Parkway	388,000	388,001	-	388,001	388,001	100.00
Cobb International Blvd	1,500,000	1,500,000	-	-	-	-
Sidewalk Projects	535,353	535,353	-	-	-	-
Resurfacing Projects	413,650	413,650	-	85,545	85,545	20.68
Infrastructure Preservation	1,101,710	1,101,710	-	230,501	230,501	20.92
Skate Park	750,000	750,000	70,345	679,655	750,000	100.00
Depot Park Improvements	2,100,000	2,100,000	-	-	-	-
Smith Gilbert Gardens Event Building	1,800,000	1,800,000	-	1,792	1,792	0.10
Swift Cantrell Park Parking	650,000	650,000	63,283	525,664	588,947	90.61
Community Center Renovation	226,999	226,999	-	42,890	42,890	18.89
TOTAL 2011 SPLOST	$ 22,107,998	$ 22,107,999	$ 133,628	$ 2,039,014	$ 2,172,642	
		Total SPLOST expenditures		$ 3,034,122		

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

COMPONENT UNIT –
DEVELOPMENT AUTHORITY

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
SEPTEMBER 30, 2013

ASSETS	
Cash	$ 164,796
Other receivables	18,375
Land held for resale	2,312,919
Total assets	$ 2,496,090
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 32,887
Due to primary government	2,314,343
Total liabilities	2,347,230
FUND BALANCE	
Unassigned	148,860
Total liabilities and fund balance	$ 2,496,090

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2013

REVENUES	
Interest income	$ 141
Miscellaneous	66,956
Total revenues	67,097
EXPENDITURES	
Housing and development	62,990
Net change in fund balance	4,107
FUND BALANCE, beginning of year	144,753
FUND BALANCE, end of year	$ 148,860

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 **73**

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 **78**

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

Debt Capacity **82**

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 **86**

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 **89**

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

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

CITY OF KENNESAW, GEORGIA

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

	2013	2012	2011	2010
Governmental activities				
Net investment in capital assets	**$ 38,848,625**	$ 38,194,452	$ 38,211,640	$ 37,441,454
Restricted	**24,496,830**	22,999,987	19,214,410	11,728,094
Unrestricted	**(5,381,866)**	(4,069,805)	(4,009,394)	5,113,083
Total governmental activities net position	**$ 57,963,589**	$ 57,124,634	$ 53,416,656	$ 54,282,631
Business-type activities				
Net investment in capital assets	**$ 6,517,447**	$ 3,601,055	$ 3,397,072	$ 3,178,418
Restricted	**-**	-	-	-
Unrestricted	**1,796,730**	1,263,195	1,200,476	1,124,835
Total business-type activities net position	**$ 8,314,177**	$ 4,864,250	$ 4,597,548	$ 4,303,253
Primary government				
Net investment in capital assets	**$ 45,366,072**	$ 41,795,507	$ 41,608,712	$ 40,619,872
Restricted	**24,496,830**	22,999,987	19,214,410	11,728,094
Unrestricted	**(3,585,136)**	(2,806,610)	(2,808,918)	6,237,918
Total primary government net position	**$ 66,277,766**	$ 61,988,884	$ 58,014,204	$ 58,585,884

(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.

2009	2008	2007	2006	2005	2004
$ 37,896,407	$ 37,419,713 (1)	$ 13,367,294	$ 7,020,435	$ 4,782,359	$ 8,342,678
10,453,594 (2)	1,003,306	6,441,818	109,218	44,141	1,329,737
3,096,897 (2)	9,464,149	9,000,692	18,879,192	26,099,758	5,221,136
$ 51,446,898	$ 47,887,168	$ 28,809,804	$ 26,008,845	$ 30,926,258	$ 14,893,551
$ 2,682,669	$ 2,583,068	$ 1,712,372	$ 1,380,591	$ 1,477,421	$ 4,654,954
-	-	-	-	-	233,142
1,018,721	159,675	(1,513,521)	(1,295,823)	(1,200,340)	(525,207)
$ 3,701,390	$ 2,742,743	$ 198,851	$ 84,768	$ 277,081	$ 4,362,889
$ 40,579,076	$ 40,002,781	$ 15,079,666	$ 8,401,026	$ 6,259,780	$ 12,997,632
10,453,594	1,003,306	6,441,818	109,218	44,141	1,562,879
4,115,618	9,623,824	7,487,171	17,583,369	24,899,418	4,695,929
$ 55,148,288	$ 50,629,911	$ 29,008,655	$ 26,093,613	$ 31,203,339	$ 19,256,440

CITY OF KENNESAW, GEORGIA

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

	2013	2012	2011	2010	
Expenses					
Governmental activities:					
General government	**$ 4,361,757**	$ 4,187,479	$ 4,544,161	$ 4,374,745	
Judicial	**358,613**	342,790	365,477	343,934	
Public safety	**7,422,621**	6,976,574	7,038,966	7,019,253	
Public works	**4,016,262**	3,922,629	4,035,824	3,634,870	
Culture and recreation	**2,555,138**	2,547,847	2,682,506	2,563,539	
Housing and development	**973,555**	907,986	1,154,875	1,039,995	
Interest on long-term debt	**918,411**	804,045	820,746	811,083	
Total governmental activities expenses	**20,606,357**	19,689,350	20,642,555	19,787,419	
Business-type activities:					
Water & sewer (1)	**-**	-	-	-	
Sanitation	**1,861,957**	1,649,055	1,592,777	1,818,853	
Museum	**1,141,504**	1,307,352	1,443,963	1,501,346	
Gardens	**311,292**	319,369	286,949	262,145	
Total business-type activities expenses	**3,314,753**	3,275,776	3,323,689	3,582,344	
Total primary government expenses	**$ 23,921,110**	$ 22,965,126	$ 23,966,244	$ 23,369,763	
Program Revenues					
Governmental activities:					
Charges for services:					
General government	**$ 178,193**	$ 645,807	$ 186,426	$ 167,078	
Judicial	**1,052,313**	1,229,945	1,413,733	1,397,897	
Public safety	**1,373,847**	1,197,405	1,208,972	2,505,270	(9)
Public works	**199,081**	343,370	124,663	27,878	
Culture and recreation	**790,486**	779,069	704,632	581,384	
Housing and development	**349,884**	313,759	249,950	123,922	
Operating grants and contributions (2)	**403,672**	380,462	373,835	383,215	
Capital grants and contributions (2)	**6,580,021**	4,668,881	1,954,206	4,013,275	(10)
Total governmental activities program revenues	**10,927,497**	9,558,698	6,216,417	9,199,919	
Business-type activities:					
Charges for services:					
Water & sewer (1)	**-**	-	-	-	
Sanitation	**2,614,104**	2,558,808	2,520,688	2,556,419	
Museum	**413,531**	378,466	346,393	322,700	
Gardens	**125,318**	121,803	110,593	33,977	
Operating grants and contributions (2)	**-**	934	566	6,353	
Capital grants and contributions (2)	**68,081**	57,794	70,306	414,127	
Total business-type activities program revenues	**3,221,034**	3,117,805	3,048,546	3,333,576	
Total primary government program revenues	**$ 14,148,531**	$ 12,676,503	$ 9,264,963	$ 12,533,495	

2009	2008	2007	2006	2005	2004
$ 4,340,819	$ 3,429,896	$ 3,003,822	$ 2,739,827	$ 2,450,278	$ 2,139,830
342,310	331,775	355,036	297,730	291,286	288,131
6,476,689	6,031,526	5,715,932	5,273,599	4,929,400	4,614,765
3,600,503 (5)	5,395,444 (5)	2,174,348	2,047,160	1,962,111	1,759,500
2,448,676	2,468,491	2,117,371	1,853,478	1,726,860	1,427,314
1,133,464	1,128,271	1,163,980	956,076	860,740	796,281
674,201	756,053	687,920	729,315	483,192	66,536
19,016,662	19,541,456	15,218,409	13,897,185	12,703,867	11,092,357
-	-	-	267,612	595,512	2,727,323
1,464,769 (5)	3,189,703 (5)	1,567,615	1,225,111	1,132,761	1,149,452
1,479,890	1,541,295	1,809,968	1,673,495	1,541,624	1,374,148
227,102	198,087	117,367	-	-	-
3,171,761	4,929,085	3,494,950	3,166,218	3,269,897	5,250,923
$ 22,188,423	$ 24,470,541	$ 18,713,359	$ 17,063,403	$ 15,973,764	$ 16,343,280
$ 192,374	$ 152,329	$ 166,028	$ 321,442	$ 678,846	$ 149,870
1,259,470	1,298,239	1,438,119 (3)	-	-	-
1,196,781	1,123,811	862,072 (3)	2,204,458	2,321,514	2,019,469
125,751 (4)	335,261 (4)	-	-	8,975	3,600
610,907	651,973	488,648	388,197	345,212	234,622
- (4)	- (4)	212,315	436,080	374,688	589,521
797,249	730,623	6,600	451,435	564,078	316,844
611,290	309,453	597,003	551,632	617,691	339,787
4,793,822	4,601,689	3,770,785	4,353,244	4,911,004	3,653,713
-	-	-	250	821,295	3,304,497
2,417,692	2,494,016	2,265,607	1,859,726	1,823,046	1,911,230
351,289	368,151	399,424	406,631	355,472	389,542
38,366	3,010	1,827	-	-	-
-	169,877	-	-	-	-
112,174	499,992	270,176	73,341	89,923	127,220
2,919,521	3,535,046	2,937,034	2,339,948	3,089,736	5,732,489
$ 7,713,343	$ 8,136,735	$ 6,707,819	$ 6,693,192	$ 8,000,740	$ 9,386,202

(Continued)

CITY OF KENNESAW, GEORGIA

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

	2013	2012	2011	2010	
Net (expense)/revenue					
Governmental activities	**$ (9,678,860)**	$ (10,130,652)	$ (14,426,138)	$ (10,587,500)	
Business-type activities	**(93,719)**	(157,971)	(275,143)	(248,768)	
Total primary government net expense	**$ (9,772,579)**	$ (10,288,623)	$ (14,701,281)	$ (10,836,268)	
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes	**$ 8,377,495**	$ 8,858,088	$ 9,121,632	$ 9,684,063	
Franchise taxes	**1,690,243**	1,721,137	1,695,379	1,585,542	
Sales taxes	**-**	-	-	-	(11)
Insurance premium taxes	**1,536,325**	1,483,792	1,396,948	1,166,804	
Business taxes	**1,102,144**	1,040,848	968,832	962,611	
Other taxes	**1,361,826**	638,106	528,175	550,638	
Unrestricted investment earnings	**(516,755)**	372,157	397,616	323,175	
Gain on sale of capital assets	**14,628**	5,388	13,025	-	
Miscellaneous	**-**	-	-	-	
Transfers	**110,980**	(280,886)	(561,444)	(849,600)	
Total governmental activities	**13,676,886**	13,838,630	13,560,163	13,423,233	
Business-type activities:					
Unrestricted investment earnings	**1,345**	1,150	501	1,031	
Gain on sale of capital assets	**87,918**	-	7,493	-	
Special item - sale of water/sewer system (1)	**-**	-	-	-	
Transfers	**(110,980)**	280,886	561,444	849,600	
Total business-type activities	**(21,717)**	282,036	569,438	850,631	
Total primary government	**$ 13,655,169**	$ 14,120,666	$ 14,129,601	$ 14,273,864	
Change in Net Position					
Governmental activities	**$ 3,998,026**	$ 3,707,978	$ (865,975)	$ 2,835,733	
Business-type activities	**(115,436)**	124,065	294,295	601,863	
Total primary government	**$ 3,882,590**	$ 3,832,043	$ (571,680)	$ 3,437,596	

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).

2009	2008	2007	2006	2005	2004
$ (14,222,840)	$ (14,939,767)	$ (11,447,624)	$ (9,543,941)	$ (7,792,863)	$ (7,438,644)
(252,240)	(1,394,039)	(557,916)	(826,270)	(180,161)	481,566
$ (14,475,080)	$ (16,333,806)	$ (12,005,540)	$ (10,370,211)	$ (7,973,024)	$ (6,957,078)
$ 9,678,422	$ 9,455,057	$ 7,854,106	$ 877,431 (6)	$ 6,972,299	$ 5,749,009
1,526,658	1,528,223	1,424,642	1,339,312	1,238,424	952,081
2,855,573	1,623,072 (7)	2,161,106 (7)	-	-	-
1,201,730	1,213,111	1,184,731	1,135,767	1,085,560	1,009,007
867,084	817,936	677,558	449,532	273,132	248,449
553,177	594,403	574,235	662,250	500,747	555,801
556,094	674,479	874,289	695,606	431,697	83,103
7,394	1,247	18,037	-	-	16,164
1,733,333	-	146,999	46,470	284,653	236,856
(1,196,895)	(3,853,578)	(667,190)	(591,046)	13,055,810	138,585
17,782,570	12,053,950	14,248,513	4,615,322	23,842,322	8,989,055
1,442	10,522	6,102	18,421	8,199	16,187
12,550	-	-	-	-	-
-	-	-	-	9,141,964	-
1,196,895	3,853,578	667,190	591,046	(13,055,810)	(138,585)
1,210,887	3,864,100	673,292	609,467	(3,905,647)	(122,398)
$ 18,993,457	$ 15,918,050	$ 14,921,805	$ 5,224,789	$ 19,936,675	$ 8,866,657
$ 3,559,730	$ (2,885,817)	$ 2,800,889	$ (4,928,619)	$ 16,049,459	$ 1,550,411
958,647	2,470,061	115,376	(216,803)	(4,085,808)	359,168
$ 4,518,377	$ (415,756)	$ 2,916,265	$ (5,145,422)	$ 11,963,651	$ 1,909,579

CITY OF KENNESAW, GEORGIA

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

	2013	2012	2011 (1)	2010
General fund				
Reserved	**$ -**	$ -	$ -	$ 13,908,623
Unreserved	**-**	-	-	(5,731,538)
Nonspendable:				
Long-term advances	**1,237,107**	667,428	622,058	-
Inventories	**18,442**	16,806	15,614	-
Prepaid expenditures	**178,616**	349,960	169,036	-
Restricted:				
Public safety	**4,014**	1,105,761	1,053,853	-
Capital projects	**41,913**	-	-	-
Debt service	**678,251**	577,822	-	-
Voter approved use	**7,561,920**	8,400,720	8,541,859	-
Unassigned	**(3,454,424)**	(2,599,475)	(2,700,556)	-
Total general fund	**$ 6,265,839**	$ 8,519,022	$ 7,701,864	$ 8,177,085
All other governmental funds				
Reserved	**$ -**	$ -	$ -	$ 8,549,327
Unreserved, reported in:				
Special revenue funds	**-**	-	-	(264,536)
Capital projects funds	**-**	-	-	581,417
Nonspendable:				
Prepaid expenditures	**6,984**	17,992	6,205	-
Notes receivable	**258,500**	-	-	-
Restricted:				
Public safety	**809,494**	37,809	38,545	-
Culture and recreation	**11,650**	11,033	11,020	-
Capital projects	**13,052,919**	10,428,449	7,137,344	-
Debt service	**2,015,967**	2,211,962	2,407,939	-
Parks and recreation impact fee projects	**320,702**	226,431	23,850	-
Committed:				
Cemetary maintenance	**41,069**	32,515	32,515	-
Assigned:				
Cemetary maintenance	**-**	8,718	-	-
Unassigned	**(917,874)**	(475,466)	(445,774)	-
Total all other governmental funds	**$ 15,599,411**	$ 12,499,443	$ 9,211,644	$ 8,866,208

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

2009	2008	2007	2006	2005	2004
$ 11,570,618	$ 11,891,538	$ 10,246,934	$ 10,738,817	$ 13,338,674	$ 1,115,381
(3,487,985)	(3,829,585)	960,458	2,609,311	6,839,582	6,385,735
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 8,082,633	$ 8,061,953	$ 11,207,392	$ 13,348,128	$ 20,178,256	$ 7,501,116
$ 2,598	$ -	$ 4,509,650	$ 6,073,896	$ 152,763	$ 230,639
(202,249)	(289,919)	58,119	(491,277)	(471,334)	(629,345)
5,740,497	4,319,552	24,635	14,690	5,543,177	(833,763)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 5,540,846	$ 4,029,633	$ 4,592,404	$ 5,597,309	$ 5,224,606	$ (1,232,469)

CITY OF KENNESAW, GEORGIA

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

	2013	2012	2011	2010	
Revenues					
Taxes	**$ 14,048,042**	$ 13,630,376	$ 13,687,767	$ 13,953,303	
Licenses and permits	**503,401**	623,369	361,815	205,316	
Intergovernmental	**6,990,477**	5,012,308	2,620,547	3,605,045	(2)
Fines and forfeitures	**1,250,162**	1,366,731	1,565,999	2,810,358	(3)
Charges for services	**1,983,715**	1,840,532	1,793,016	1,617,446	
Contributions	**500**	3,250	416,736	5,537	
Net investment income (loss)	**(487,988)**	398,003	428,410	323,117	
Other revenues	**180,425**	676,014	176,419	207,257	
Total revenues	**24,468,734**	23,550,583	21,050,709	22,727,379	
Expenditures					
General government	**4,015,836**	3,847,933	4,146,581	3,890,512	
Judicial	**364,160**	327,480	346,774	318,139	
Public safety	**7,007,318**	6,531,773	6,508,128	6,337,895	
Public works	**2,538,369**	2,439,348	2,518,803	2,336,879	
Culture and recreation	**2,271,595**	2,245,505	2,325,691	2,194,288	
Housing and development	**917,761**	876,137	1,109,355	983,173	
Capital outlay	**4,696,980**	1,574,897	2,494,414	5,804,036	
Debt service					
Principal retirements	**1,155,225**	702,468	665,292	659,947	
Interest and fiscal charges	**928,402**	784,579	798,579	842,358	
Total expenditures	**23,895,646**	19,330,120	20,913,617	23,367,227	
Excess of revenues over (under) expenditures	**573,088**	4,220,463	137,092	(639,848)	
Other financing sources (uses)					
Proceeds from capital leases	**-**	-	-	-	
Issuance of long-term debt	**-**	159,992	281,236	2,800,000	
Proceeds from sale of capital assets	**162,239**	5,388	13,331	2,109,262	(4)
Transfers in	**1,944,985**	1,385,100	2,006,770	3,830,210	
Transfers out	**(1,834,005)**	(1,665,986)	(2,568,214)	(4,679,810)	
Total other financing sources (uses)	**273,219**	(115,506)	(266,877)	4,059,662	
Net change in fund balances	**$ 846,307**	$ 4,104,957	$ (129,785)	$ 3,419,814	
Debt service as a percentage of noncapital expenditures	**10.86%**	8.38%	7.95%	8.56%	

(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.

2009	2008	2007	2006	2005	2004
$ 16,637,053	$ 15,186,590	$ 13,699,269	$ 5,073,824 (1)	$ 9,826,095	$ 8,167,758
169,649	345,679	335,027	465,428	493,574	714,067
1,358,869	935,362	588,255	880,265	1,165,394	656,631
1,309,470	1,299,148	1,438,119	1,409,487	1,424,003	1,201,429
1,720,527	1,708,812	1,394,036	1,475,263	1,462,387	1,256,708
32,709	-	-	-	-	-
555,139	663,168	874,289	695,606	431,697	83,103
202,598	289,722	162,347	122,055	104,300	61,734
21,986,014	20,428,481	18,491,342	10,121,928	14,907,450	12,141,430
4,232,759	3,249,756	2,596,300	2,731,873	2,433,645	2,071,705
325,283	332,357	570,422	289,526	351,134	291,142
6,028,340	6,059,200	5,812,485	5,340,078	4,768,696	4,747,284
2,197,372	2,304,639	1,441,893	2,126,910	1,979,804	1,916,114
2,126,137	2,294,879	2,129,853	1,819,192	1,646,862	1,396,240
1,103,472	1,162,295	1,155,947	950,474	846,996	782,515
2,003,467	3,886,213	6,433,322	1,512,272	10,545,779	4,226,119
686,946	642,890	549,465	499,483	258,989	143,514
670,378	707,391	682,385	729,315	740,722	138,202
19,374,154	20,639,620	21,372,072	15,999,123	23,572,627	15,712,835
2,611,860	(211,139)	(2,880,730)	(5,877,195)	(8,665,177)	(3,571,405)
-	-	143,100	-	-	41,985
94,100	238,472	-	-	15,000,000	2,100,000
22,828	1,322	18,037	-	7,055	16,164
483,680	551,353	2,032,940	2,605,124	29,980,846	3,649,792
(1,680,575)	(4,404,931)	(2,700,130)	(3,196,170)	(17,171,757)	(3,511,207)
(1,079,967)	(3,613,784)	(506,053)	(591,046)	27,816,144	2,296,734
$ 1,531,893	$ (3,824,923)	$ (3,386,783)	$ (6,468,241)	$ 19,150,967	$ (1,274,671)
7.91%	8.77%	9.00%	9.30%	8.30%	2.50%

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	
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
2013	471,327,972	156,932	436,178,448	24,367,911	147,900	492,660	10,460,175

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
$ 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%
75,268,310	20,025	123,501,518	894,918,815	9.50	2,237,297,038	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				
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
2013	8.00	1.50	10.91	18.90	0.15	39.46

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 SEVEN YEARS AGO

Taxpayer	2013 Taxable Assessed Value	2013 Rank	2013 Percentage of Taxable Assessed Value	2006 Taxable Assessed Value	2006 Rank	2006 Percentage of Taxable Assessed Value
The Trees of Kennesaw	$ 16,599,600	1	1.85 %	$ 15,762,640	1	1.82 %
Busbee Development LLC	11,610,000	2	1.30	11,800,000	2	1.36
Kennesaw Gardens Associates LLC	9,800,000	3	1.10			
Owens & Minor Distribution	8,858,421	4	0.99			
Atlanta RDC Co.	8,533,488	5	0.95	9,319,656	3	1.08
Alta Ridenour LLC	7,195,611	6	0.80	6,848,984	7	0.79
Park at Kennesaw LLC	6,912,040	7	0.77	7,457,200	5	0.86
Lakeside Vista Apartments LP	6,189,200	8	0.69	7,325,351	6	0.85
NNN St. Charles LLC	5,200,000	9	0.58	6,250,000	8	0.72
Walton Ridenour LP	5,045,545	10	0.56	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
	$ 85,943,905		9.59 %	$ 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
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%	163,504	6,697,916	99.91%
2008	8,335,381	8,190,588	98.3%	131,856	8,322,444	99.84%
2009	8,620,072	8,427,743	97.8%	167,311	8,595,054	99.71%
2010	9,024,356	8,894,329	98.6%	88,523	8,982,852	99.54%
2011	8,476,633	8,303,209	98.0%	86,933	8,390,142	98.98%
2012	8,036,051	7,869,525	97.9%	77,356	7,946,881	98.89%
2013	7,696,157	7,550,158	98.1%	-	7,550,158	98.10%

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

	Governmental Activities				Business-type Activities					
Fiscal Year	General Obligation Bonds	Notes Payable	Revenue Bonds	Capital Leases	Bonds Payable	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
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
2013	11,650,000	351,809	7,015,000	158,142		-	132,267	19,307,218	1.93%	589

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)
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
2013	11,650,000	0.52%	355

(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, 2013

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	$ 33,375,000	3.89%	$ 1,298,288
Cobb County TANs	67,000,000	3.89%	2,606,300
Total overlapping debt	100,375,000		3,904,588
City direct debt	19,174,951	100.00%	19,174,951
Total direct and overlapping debt	$ 119,549,951		$ 23,079,539

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				
	2004	2005	2006	2007	2008
Debt Limit	$ 77,220,414	$ 86,687,147	$ 86,687,147	$ 93,483,910	$ 115,482,308
Total net debt applicable to limit	140,000	15,000,000	14,625,000	14,240,000	13,845,000
Legal debt margin	$ 77,080,414	$ 71,687,147	$ 72,062,147	$ 79,243,910	$ 101,637,308
Total net debt applicable to the limit as a percentage of debt limit	0.18%	17.30%	16.87%	15.23%	11.99%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	$ 120,887,102	$ 120,145,237	$ 111,303,300	$ 104,938,751	101,842,033
Total net debt applicable to limit	13,440,000	13,015,000	10,172,061	9,913,038	9,634,033
Legal debt margin	$ 107,447,102	$ 107,130,237	$ 101,131,239	$ 95,025,713	$ 92,208,000
Total net debt applicable to the limit as a percentage of debt limit	11.12%	10.83%	9.14%	9.45%	9.46%

Assessed Value	$ 894,918,815
Add back: exempt real property	123,501,518
Total assessed value	1,018,420,333
Debt limit (10% of total assessed value)	101,842,033
Debt applicable to limit:	
General obligation bonds	11,650,000
Less: Amount set aside for repayment of general obligation debt	2,015,967
Total net debt applicable to limit	9,634,033
Legal debt margin	$ 92,208,000

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
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%
2013	32,789	999,048	30,469	33.0	7.2%

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

CITY OF KENNESAW, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT AND EIGHT YEARS AGO

	2013			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	144	3	0.89	142	4	1.19
Shady Grove Rest Home	125	4	0.77			
Publix Super Market, Inc. # 769	110	5	0.68			
Qualistaff Staffing, LLC	100	6	0.62			
Publix Super Market, Inc. # 1077	93	7	0.57			
Crane Nuclear, Inc.	86	8	0.53			
Owens & Minor Distribution	80	9	0.49			
Beaumont Products, Inc.	77	10	0.47			
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
	1,294		7.96 %	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

	2013	2012	2011	2010	2009
Function					
General government	**31**	31	33	28	54
Judicial	**3**	3	3	3	3
Public safety					
Police officers	**87**	78	82	83	88
Public works	**36**	26	29	29	26
Culture and recreation	**39**	33	37	34	27
Housing and development	**9**	10	9	10	7
Sanitation	**7**	16	17	15	19
Total	**212**	197	210	202	224

Source: City of Kennesaw department records

2008	2007	2006	2005	2004
37	32	24	16	14
3	3	3	3	3
84	76	68	58	49
26	27	25	24	24
43	38	43	32	31
7	9	7	7	8
26	23	24	20	17
226	208	194	160	146

CITY OF KENNESAW, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	**2013**	2012	2011	2010	2009
Police					
Physical arrests	**1,223**	1,268	1,121	1,839	1,819
Parking violations	**599**	552	281	272	180
Traffic violations	**14,733**	11,300	14,582	14,755	11,444
Culture and recreation (1)					
Admissions/fees	**$ 1,185,530**	$ 1,159,840	$ 1,054,081	(2) $ 838,101	$ 892,197
Housing and development					
Building permits issued	**421**	537	254	510	466
Sanitation					
Number of customers	**8,222**	8,105	7,915	8,232	8,300

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.

2008	2007	2006	2005	2004
1,948	2,188	947	706	634
141	126	126	142	117
10,559	14,026	12,537	14,128	11,588
$ 890,289	$ 735,196	$ 655,460	$ 551,597	$ 237,746
378	304	243	303	612
8,253	7,882	N/A	N/A	N/A

CITY OF KENNESAW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009
Function					
Public safety					
Police					
Stations	**1**	1	1	1	1
Vehicles	**80**	76	72	70	68
Public works					
Miles of streets	**99**	99	99	99	99
Culture and recreation					
Acreage	**121**	121	121	121	121
Baseball/softball fields	**11**	11	11	11	11
Soccer/football fields	**1**	1	1	1	1
Sanitation					
Collection vehicles	**3**	10	10	10	10

Source: Various City departments

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

2008	2007	2006	2005	2004
1	1	1	1	1
62	56	54	52	51
99	99	98	97	90
121	118	118	118	118
11	11	11	11	11
1	1	1	1	1
10	10	10	9	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 in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennesaw, Georgia as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Kennesaw, Georgia's basic financial statements, and have issued our report thereon dated March 19, 2014. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 61*, The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and 34*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 19, 2014

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Kennesaw, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Kennesaw, Georgia's major federal programs for the year ended September 30, 2013. The City of Kennesaw, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Kennesaw, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Atlanta, Georgia
March 19, 2014

CITY OF KENNESAW GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Grantor Number	Total Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Cobb County, Georgia			
Community Development Block Grant	14.218	CD-12-C12C3-F	$ 137,020
Total U.S. Department of Housing and Urban Development			137,020
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
Passed through Georgia Department of Natural Resources			
Georgia Recreational Trails Program	20.219	NRT-10 (23)	76,285
Georgia Recreational Trails Program	20.219	NRT-07 (13)	76,601
Passed through Georgia Department of Transportation			
Highway Planning and Construction Program	20.205	CCSTP-006-00 (986)	88,515
Total Highway Planning and Construction Cluster			241,401
Total U.S. Department of Transportation			241,401
U.S. DEPARTMENT OF JUSTICE			
Equitable Sharing Program	16.922	GA-0330600	401,135
Total U.S. Department of Justice			401,135
Total Expenditures of Federal Awards			$ 779,556

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, 2013

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, 2013

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	____ yes __X__ 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	Unmodified
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, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None Reported.

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, 2013

None Reported.