CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014

Prepared By:
Gina Auld
Finance Director

CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014

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INTRODUCTORY SECTION

MAYOR
Mark Mathews

City Clerk, MMC
Debra Taylor

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

March 17, 2015

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, 2014. 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. This document includes disclosures necessary to enable the reader to gain an understanding of the City's financial activities.

State law requires that all local governments, subject to certain size criteria, publish a complete set of financial statements within six months of the close of each fiscal year, 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. The auditors used generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* in conducting the engagement. The auditor's report on the basic financial statements is included in the financial section of this report. The 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 situated in the northwest part of Georgia in the Atlanta Metropolitan Area. The City, located in Cobb County, is considered to be in the top growth rank of the country. The City currently has a land area of 9.56 square miles and a population of approximately 33,748. The City has the power, by State statute, to extend its corporate limits by annexation, which is done by request of citizens or at the City's initiation. Annexations must be approved by the City Council. A major priority established by the City Council is future

growth potential that is accomplished through an aggressive policy of incremental annexations based on a comprehensive, planned strategy.

The City is a home-rule charter city in the State of Georgia and has operated under the Council-Manager form of government since September 1996. The Mayor and Council members are elected for four year terms. Council member terms are staggered and members are elected at large. The Mayor and five Council members are vested with policymaking and legislative authority for the City. The Council is responsible for passing ordinances, adopting the budget, appointing committees, hiring the City Manager, making appointments of the City attorney, auditor and City engineer as well as other City employees. In addition, individual members of the City Council are appointed on a rotating basis as liaisons to individual departments 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 is 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 for the General Fund and at the total expenditure level for the remaining funds. The City's budget procedures are more fully explained in the notes to the financial statements.

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

Local Economy

The City is included in metropolitan 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. The rate of growth continued to increase each successive year in all these sectors. Commitment to new projects and expansions continue to take longer than pre-2008 due to longer due diligence periods and the conservative financing environment. In 2015, we anticipate seeing continued expansion in economic growth. The City will continue to see improvement in real estate values, the labor market, capital investment and the lending environment. We have seen marked reduction in office, retail and industrial vacancy rates in 2014. Job creation increased in 2014 and is projected to continue through 2015 by both the State, Cobb County and City.

Historically, Kennesaw has evolved 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. The ratio of commercial and industrial land area to residential land area has improved to 36/74%, a shift of 6% in the last five years. The City added approximately 550 new jobs in 2014 through several logistics and manufacturing expansions and relocations, professional service growth and new retail and restaurant businesses. New capital investment of $40 million occurred. New businesses include, but are not limited to, plumbing distribution, industrial adhesives, medical services, construction materials, financial services, and software development. Overall, the total portfolio of business licenses has continued to grow at a moderate pace. The number of business licenses increased in 2014 over 2013. Construction permit activity continues to increase. Permits issued in 2014 increased by 145 over 2013. We anticipate further expansion in new businesses, expansion of existing businesses, investment in equipment and real estate and job creation through 2015, assuming the State and Regional economy continues to expand as forecasted by the State and Atlanta Regional Commission (ARC).

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 $101,243,328, which is in excess of the City's outstanding general obligation debt of $11,155,000.

Restricted Funds

Governmental Funds restricted assets at September 30, 2014 were $8,560,993. 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

In late 2014, the Mayor and Council adopted a new set of goals for 2015-2020. They were developed over the course of 2014 and provided the framework for the 2014 economic initiatives and strategies for 2015-2020. Key elements of these goals as they relate to economic development include: a) provide quality housing choices, b) retain and expand existing businesses, c) recruit new businesses in sectors of strength including logistics, light manufacturing, health care, technology and tourism, c) redevelop the downtown core, d) redevelop key corridors including Cobb Parkway, Cherokee Street and Barrett Parkway. A supporting strategy involves annexing targeting commercial and industrial development and improving service delivery. The City annexed 55 acres of commercial, mixed use and industrial property in 2014 and anticipates completing annexation of approximately 50-70 acres in 2015. The redevelopment of downtown continues to be a commitment. There are three mixed use developments in different development stages the City anticipates being completed in the next 2 years. The first is comprised of a five acre tract downtown assembled and acquired by the Kennesaw Development Authority (KDA); the City is working with a developer to build a mixed-use project. Construction will be completed in the summer of 2015 on the $38M development. Construction of a second mixed use project is scheduled to start in the spring of 2015 and is expected to be completed in 18 months. The project value is $25M. A third project will begin in the summer of 2015 and includes 15,000 square feet of retail; it is anticipated to be finished in the summer of 2016. In addition, five other smaller downtown projects are in construction. A total of 50,000 square feet of new commercial space will be added to downtown in the next 24 months with a focus on restaurant, entertainment and specialty retail. A total of 450 residential units are in the pipeline to be added to the downtown.

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 2014 with 100% occupancy.

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

Current trends indicated industrial and commercial vacancy rates will decline and employment will continue to increase in areas of manufacturing, logistics, e-commercial,

professional services and healthcare in 2015. Kennesaw has twelve (12) identified Redevelopment Areas. We are actively working six and marketing the other areas for redevelopment.

The residential sector has rebounded in Kennesaw for new homes. Five residential developments that stalled in 2008 have been reactivated. In 2014, all remaining lots but twelve have been built-out. Thirty new homes were added. A new 60 home "active senior" residential project is in construction with the first unit available in the fall of 2015. The build-out is set to be completed toward the end of 2016. In addition, one of the mixed use projects downtown is scheduled to be completed in the summer of 2015, adding 252 multi-family units. A second mixed use project will start construction during the spring of 2015 and will add 160 multi-family units. A new 130 unit townhouse project will start construction in the summer of 2015 and will be completed over a 30 month period. Two luxury, age-restricted multi-family projects will start construction in 2015. The first is 90 units and is scheduled to be completed in 2016; the second is 180 units and is scheduled to be completed in 2017. A 30 home (single family and townhome) project is planned for downtown to start construction in early 2016. This makes a total of 950 new residential units with a value of $150M are in the development pipeline to be completed from the summer of 2015 through 2017.

The planning and land acquisition activity for other projects continued throughout 2014 indicating further strengthening of the economy. Some of the projects scheduled to move forward in 2015 include a 300,000 square foot, $140M retail project scheduled to start construction in the summer of 2015; fitness centers of 25,000 square foot and 40,000 square feet; a $10M medical complex starting in early 2016; a $56M critical care nursing facility already in construction with completion planned for late 2016; and expansion of professional businesses in areas of technology, engineering and legal. The dining and entertainment sector continues to grow as well. Five new restaurants opened. More than 20 additional restaurants are scheduled to open over the next 30 months. An 82,000 square foot, $15M gun club is scheduled to break ground in 2015. New music venues are planned for 2015-2016. Over 200,000 square feet of vacant industrial space has been leased in 2014. Construction of two new light manufacturing buildings will add 450,000 square feet in 2015.

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 2014. A new all-concrete skatepark that opened in Swift Cantrell Park is generating significant economic activity. The Burnt Hickory Brewery and Lazy Guy Distillery are drawing significant visitors.

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

In addition, in 2015, the City will complete a major update to the master plans for the downtown district and the Cherokee Street corridor as well as a new form based development code. All of these will provide direction and incentive for redevelopment.

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

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, 2013. 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, 2013

Executive Director/CEO

CITY OF KENNESAW, GEORGIA
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2014

ELECTED OFFICIALS

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

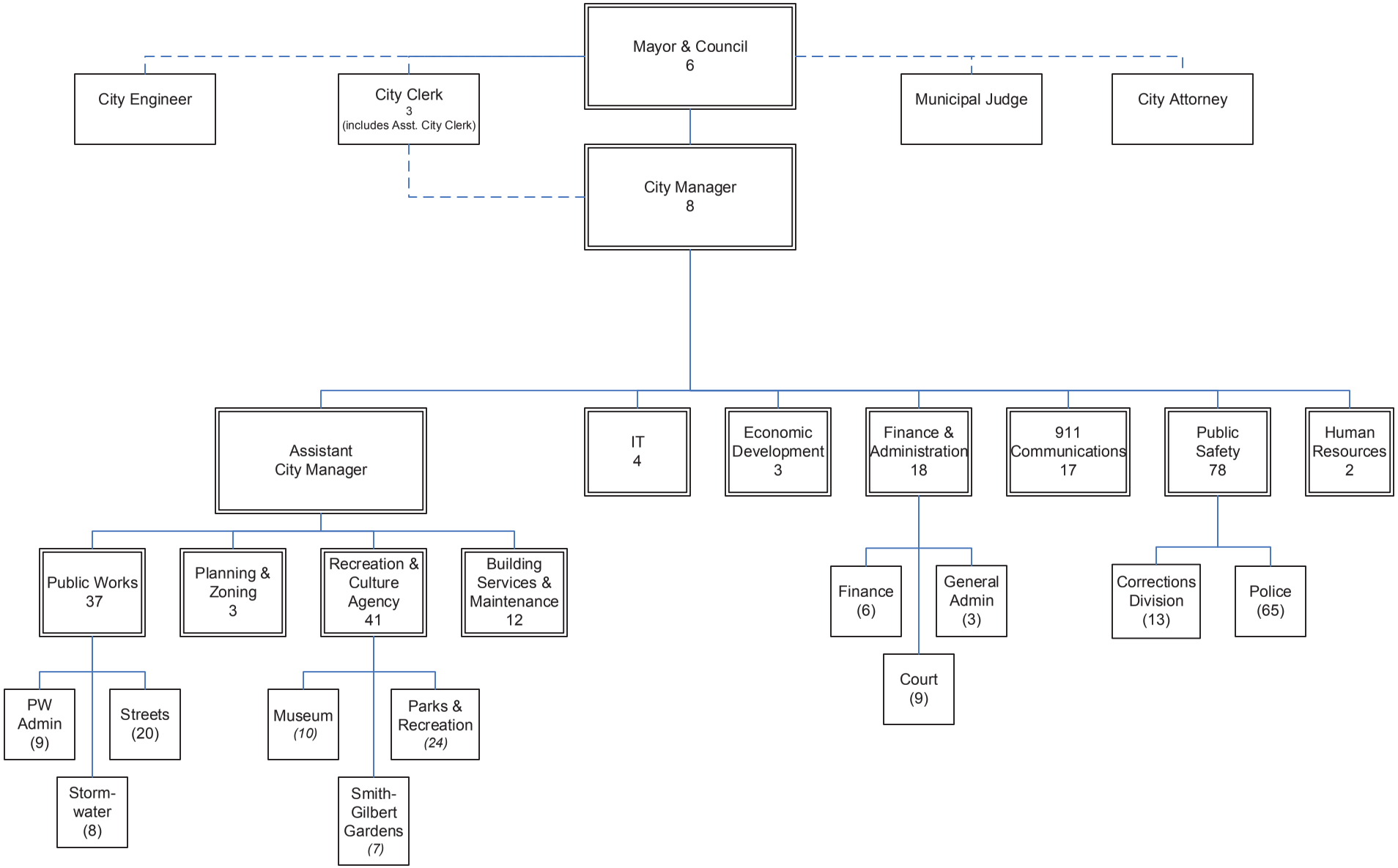
CITY ADMINISTRATION

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- 232



FINANCIAL SECTION

MAULDIN & JENKINS

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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Funding Progress, on pages 4 through 13 and page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015 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 17, 2015

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, 2014. 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 $72,236,053 at the end of the year. This amount includes $50,600,347 invested in capital assets net of accumulated depreciation and related debt, restricted net position of $26,084,186 and unrestricted net position deficit of $4,448,480.

- The City's total net position increased by $5,483,534 (8%) to $72,236,053. The net position for governmental activities increased by $6,137,958 (10%) and business-type net position decreased by $654,424 (8%).

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $29,978,730, an increase of $7,638,727. The net unassigned fund balance is a deficit of $4,923,621.

- At the end of the current fiscal year, unassigned fund balance for the general fund is a deficit of $3,931,113.

- The City's total debt increased by $3,432,974 (15%) during the current fiscal year due to the issuance of the 2014 revenue bonds of $6,425,000 and the 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 general administration, public safety, public works, culture and recreation, housing and development.

- **Business-type activities** – These include services for which the City charges specific fees which are meant to cover the cost of providing the services. These include sanitation (solid waste collection), the Southern Museum of Civil War and Locomotive History 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, SPLOST fund and the Urban Redevelopment Agency fund which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 15-22 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-53 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and other post-employment benefits. Combining and individual fund statements and schedules can be found on pages 55-67 of this report.

Government-wide Financial Analysis

The following table reflects the condensed Statement of Net Position for the current year. The City's net position increased by $5,438,534 (8%) in fiscal year 2014. The net position of the governmental activities include $44,050,011 net investment in capital assets. Capital assets of $59,953,695 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation. Related debt includes bonds of $21,398,492, notes payable of $336,676 and capital leases of $368,858. Unspent bond proceeds of $6,200,342 are also factored into the calculation of net investment in capital assets.

The net position of the business-type activities include $6,550,336 net investment in capital assets. Capital assets of $6,550,336 include land, building, other improvements, equipment, and museum artifacts, net of accumulated depreciation.

For more detailed information, see the Statement of Net Position on page 14 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
	2014	2013	2014	2013	2014	2013	2013-14
ASSETS							
Current and other assets	$ 37,090	$ 29,912	$ 2,425	$ 2,863	$ 39,515	$ 32,775	20.6%
Capital assets	59,954	58,023	6,550	6,650	66,504	64,673	2.8%
Total Assets	97,044	87,935	8,975	9,513	106,019	97,448	8.8%
LIABILITIES							
Current and other liabilities	8,504	8,841	939	773	9,443	9,614	-1.8%
Long-term debt outstanding	23,964	20,656	376	426	24,340	21,082	15.5%
Total Liabilities	32,468	29,497	1,315	1,199	33,783	30,696	10.1%
NET POSITION							
Net investment in capital assets	44,050	38,849	6,550	6,517	50,600	45,366	11.5%
Restricted	26,084	24,497	-	-	26,084	24,497	6.5%
Unrestricted	(5,558)	(4,908)	1,110	1,797	(4,448)	(3,111)	43.0%
Total Net Position	$ 64,576	$ 58,438	$ 7,660	$ 8,314	$ 72,236	$ 66,752	8.2%

Changes in Net Position

The City's total revenues before transfers were $30,942,772 in fiscal year 2014. Expenses before transfers were $25,459,238 during that same period. Governmental and business-type activities combined provided a $5,483,534 increase in net position.

Governmental activities revenues, before transfers, were $27,547,433 and included $4,426,925 charges for services, $7,809,835 grant and contribution revenues and $9,468,733 in property taxes. The largest governmental activities expenses were for public safety of $7,990,403 (police and jail), public works of $4,932,286, general government of $4,464,217 and recreation of $2,448,490. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues, before transfers, were $3,395,339 and included $3,130,065 charges for services and $263,892 grant and contribution revenues. The largest business-type activity expenses were for salaries and wages of $590,926, other professional services of $1,260,657 and marketing of $163,155.

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

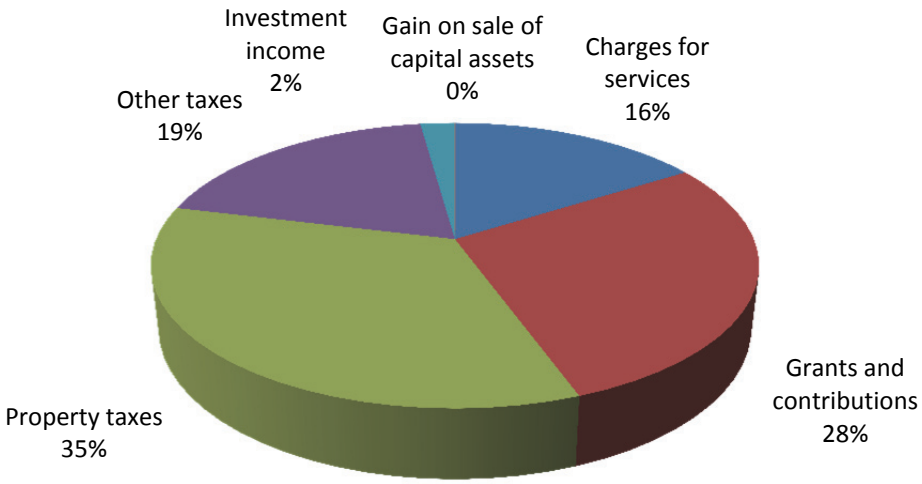
	Governmental Activities		Business-type Activities		Total		Total % Change
	2014	2013	2014	2013	2014	2013	2012-13
Revenues							
Program Revenues							
Charges for services	$ 4,427	$ 3,944	$ 3,130	$ 3,153	$ 7,557	$ 7,097	6%
Operating grants and contributions	384	404	-	-	384	404	-5%
Capital grants and contributions	7,426	7,054	264	68	7,690	7,122	8%
General revenues							
Property taxes	9,469	8,378	-	-	9,469	8,378	13%
Other taxes	5,238	5,690	-	-	5,238	5,690	-8%
Investment income (loss)	590	(517)	1	1	591	(516)	215%
Gain from sale of capital assets	14	15	-	88	14	103	-86%
Total Revenues	27,548	24,968	3,395	3,310	30,943	28,278	9%
Expenses							
General Government	4,464	4,362	-	-	4,464	4,362	2%
Judicial	389	359	-	-	389	359	8%
Public Safety	7,990	7,423	-	-	7,990	7,423	8%
Public Works	4,932	4,016	-	-	4,932	4,016	23%
Culture and Recreation	2,449	2,555	-	-	2,449	2,555	-4%
Housing and Development	967	974	-	-	967	974	-1%
Interest on long-term debt	1,203	918	-	-	1,203	918	31%
Museum	-	-	1,233	1,142	1,233	1,142	8%
Sanitation	-	-	1,477	1,862	1,477	1,862	-21%
Gardens	-	-	355	311	355	311	14%
Total Expenses	22,394	20,607	3,065	3,315	25,459	23,922	6%
Excess (Deficiency) before Transfers	5,154	4,361	330	(5)	5,484	4,356	26%
Transfers	984	111	(984)	(111)	-	-	0%
Increase (Decrease) in Net Position	6,138	4,472	(654)	(116)	5,484	4,356	26%
Beginning Net Postion, restated	58,438	53,966	8,314	8,430	66,752	62,396	7%
Ending Net Position	$ 64,576	$ 58,438	$ 7,660	$ 8,314	$ 72,236	$ 66,752	8%

Governmental Activities

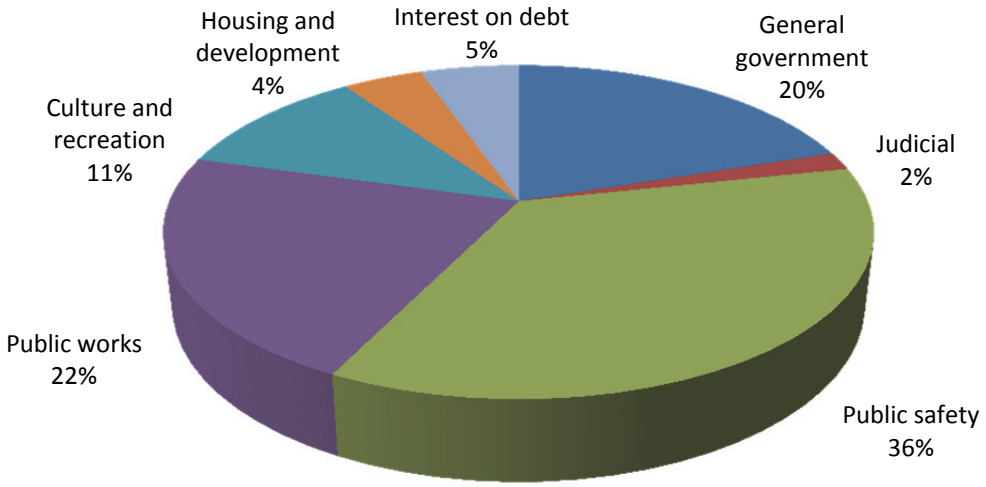
See page 15 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

Table 3 – Governmental Activities

Governmental Revenues



Governmental Expenses



Revenue Impacts:

- Property taxes of $9,468,733 provided 35% of governmental revenues for general operations. The M&O millage rate and the bond millage rate remained at 8.00 and 1.50 mills, respectively. The bond millage is restricted to service the debt of the general obligation bond issue for recreation and transportation improvements. Property tax revenue was up in 2014 due to an increase in Title Ad Valorem Tax distributions received under HB 386.

- Charges for services for Governmental activities include amounts charged for providing E911 service of $1,094,805, recreation fees of $711,555, licenses and permits of $391,308 and municipal court fines of $1,221,312. Charges for services revenue was up due to an increase in Parks and Recreation event income, licenses and permits were up due to an increase in commercial and residential units developed and municipal court fines increased due to the increase in parking and traffic violations.

- Operating grants and contributions for Governmental activities were down because the City received a Gateway Grant for roadside enhancement and beautification in the prior year. No such grant was received this year.

- Capital grants and contributions for Governmental activities increased over prior year due to the sale of the five acre Main Street Assemblage land held for resale.

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

- Charges for services revenue for Business-type activities was down due to a decrease in charges for the sale of recycled materials since the City outsourced the garbage collection services.

- Capital grants for Business-type activities increased due to grant funding received from the Georgia Department of Transportation and the Kennesaw Museum Foundation for the Railroad Education Center Library and Archives.

- Gain on sale of capital assets decreased because the Sanitation vehicles were sold in the prior year when the City outsourced the garbage collection services.

Expense Impacts:

- Public Safety expenses experienced an increase due to the three (3)% Cost of Living Adjustment, additional police officers hired, increase in health insurance claims and overtime was up due to injuries of officers and higher profile cases worked by the Criminal Investigations Division.

- Public Works expenses were up due to the restructuring of the Sanitation fund. Sanitation employees were transferred to the Street and Storwmwater departments. Also, beginning in Fiscal Year 2014, landscaping services were shifted from the Parks and Recreation department to the Public Works department and no longer outsourced to a third party vendor.

- Culture and Recreation expenses dropped due to the retiring of a long-term employee. Also, two (2) full time employees changed to part time.

- Interest on long-term debt increased due to the 2014 revenue bond issuance costs paid during the year.

- Sanitation expenses were down due to the City's decision to outsource the garbage collection services. Payroll related expenses for these services were eliminated and payments to the outside vendor were added which resulted in an overall net decrease in operating expenses.

- The Museum hired a new special events coordinator and had additional marketing costs related to Museum's 150th anniversary and the future opening of the Railroad Education Center Library and Archives.

- Smith Gilbert Gardens hired an event manager and a coordinator during the year which resulted in an increase in expenses.

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

	Program Revenues		Program Expense		Program Income (Loss)	
FUND	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Museum	$ 688	$ 482	$ 1,233	$ 1,142	$ (545)	$ (660)
Sanitation	2,599	2,614	1,477	1,862	1,122	752
Gardens	107	125	355	311	(248)	(186)
Total	$ 3,394	$ 3,221	$ 3,065	3,315	$ 329	$ (94)

Program revenues for business-type activities for fiscal year 2014 were $3,393,957, a $172,923 increase compared to the prior year. This increase is due to the grant funding the Museum received from the Georgia Department of Transportation and the Kennesaw Museum Foundation for the Railroad Education Center Library and Archives. Sanitation and Gardens were down slightly due to decrease in sale of recycled materials and program fees, respectively.

Total program expenses for business-type activities were $3,065,514 in 2014, $249,239 less than the prior year. Sanitation expenses were down due to the outsourcing of the garbage collection services while both Museum and Gardens were up primarily related to additional personnel and marketing expenses.

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

FUND	**Fund Balances 9/30/2013**	**Revenues/ Sources**	**Expenditures/ Uses**	**Revenues/Sources Over (Under) Expenditures/Uses**	**Fund Balances 9/30/2014**
General Fund	$ 6,266	$ 20,887	$ 21,008	$ (121)	$ 6,145
SPLOST	13,194	6,028	1,876	4,152	17,346
URA	2,016	7,685	3,501	4,184	6,200

At September 30, 2014, the City's governmental funds reported a combined fund balance of $29,978,730, which is a net increase of $7,638,727 from the previous year.

General Fund
The General Fund's fund balance decreased by $120,986 and was $6,144,853 at year end. Fines, forfeitures and miscellaneous revenue were under budget.

SPLOST Fund
The SPLOST Fund's fund balance increased by $4,152,287 and was $17,345,935 at year end. The City collected over $6 million in revenues and incurred expenditures of $2 million. Revenue was up $200,000 over the prior year but expenditures decreased $1.1 million compared to the prior year. The City had some major projects that they were completing in the prior year.

URA Fund
The URA Fund's fund balance increased by $4,184,375 and was $6,200,342 at year end. This is due to the issuance of the 2014 revenue bonds of $6,425,000 and the extinguishment of the 2009 revenue bonds of approximately $2,800,000. Fund Balance also increased due to the sale of the five acre Main Street Assemblage land held for resale.

General Fund Budgetary Highlights

A statement comparing the original and final budgets and the variance from the final budget to actual results is included on page 19 of the financial statements.

In September 2013, the City Council appropriated $19,842,538 for general fund expenditures in the 2014 fiscal year budget. The City's legal level of budgeting control is at the department level for the General Fund and at the total expenditure level for the remaining funds. The City made several budget transfers during the year and any made between departments were approved by the Mayor & Council.

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

Revenues:
- Municipal court fines were under budget.
- Intergovernmental revenues were over budget because the LCI Grant revenue was not anticipated until Fiscal Year 2015.

Expenditures:
- Mayor & Council contingency expenditure was under budget.
- Interest expenditures were under budget due to the Tax Anticipation Note interest and capital lease interest being less than anticipated.

Other Financing Sources (Uses):
- Transfers in from the Sanitation Fund were less than projected.
- Transfers out to the Emergency 911 Fund and Smith Gilbert Gardens were less than projected,

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounted to $66,504,031 (net of accumulated depreciation of $37,028,337). 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	
	2014	2013	2014	2013	2014	2013
Land	$ 14,036	$ 14,036	$ 97	$ 7	$ 14,133	$ 14,043
Construction in progress	4,433	3,938	-	-	4,433	3,938
Museum artifacts	-	-	802	746	802	746
Buildings and improvements	6,657	7,028	5,400	5,588	12,057	12,616
Park land	8,716	7,004	-	-	8,716	7,004
Infrastructure	23,652	23,634	-	-	23,652	23,634
Furniture, machinery and equipment	1,359	1,309	150	184	1,509	1,493
Vehicles	1,101	1,074	102	125	1,203	1,199
Total	$ 59,954	$ 58,023	$ 6,551	$ 6,650	$ 66,505	$ 64,673

This year's major capital asset additions included:

Governmental Activities:

- SPLOST Cherokee St. Widening project - $188,167
- SPLOST Stanley Collins Road project - $293,862
- SPLOST Old Highway 41 road project - $271,975
- SPLOST Skate Park project - $234,094
- SPLOST Swift Cantrell Parking - $237,044
- SPLOST Pine Mountain Road - $261,330

Long-Term Debt

At the end of Fiscal Year 2014, the City had $26,164,158 in outstanding long-term debt. This is a net increase of $3,432,974 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 $101,243,328, 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	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	$ 11,155	$ 11,650	$ -	$ -	$ 11,155	$ 11,650
Revenue Bonds	10,243	7,015	-	-	10,243	7,015
Leases Payable	369	158	-	132	369	290
Notes Payable	337	352	-	-	337	352
OPEB obligation	2,930	2,385	375	337	3,305	2,722
Compensated absences	731	667	24	36	755	703
Total	$ 25,765	$ 22,227	$ 399	$ 505	$ 26,164	$ 22,732

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 2014 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 FY15 was approximately $900,000 more than FY14. The FY15 budget was $20,750,961.

Fiscal Year 2015 is the first year since the downturn in the economy that the Cobb County Tax Assessor's office is projecting an increase in the tax digest. This increase along with the projected increase in building permits, plan review fees and HB 389 revenue has increased the budget for next year.

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

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 2016 SPLOST was approved by the voters in November 2014 and collections will begin in January 2016. The City is expected to receive $31.6 million from the 2016 SPLOST.

The City resurfaces streets under the Georgia Department of Transportation's Local Maintenance and Improvement Grant (LMIG). Under the LMIG program guidelines, the City is responsible for a 30% match of the City's total resurfacing cost to obtain the LMIG funds. The City received $209,697 in LMIG funding during FY14 and expects to receive $203,300 for FY15. 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, 2014

	Primary Government			Component Unit
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**	**Development Authority**
Cash and cash equivalents	$ 25,137,888	$ 537,852	$ 25,675,740	$ 144,807
Taxes receivable	546,700	-	546,700	-
Other receivables	2,121,758	-	2,121,758	-
Accounts receivable, net of allowances	-	305,910	305,910	18,375
Due from other governments	1,334,705	62,718	1,397,423	-
Due from component unit	219,365	-	219,365	-
Internal balances	(1,399,479)	1,399,479	-	-
Land held for resale	-	-	-	218,094
Inventory	14,487	96,364	110,851	-
Prepaid items	331,285	21,878	353,163	-
Restricted cash	819,856	-	819,856	-
Restricted investments	7,741,137	-	7,741,137	-
Note receivable	222,500	-	222,500	-
Capital assets:				
Non-depreciable	18,468,826	898,766	19,367,592	-
Depreciable, net of accumulated depreciation	41,484,869	5,651,570	47,136,439	-
Total assets	97,043,897	8,974,537	106,018,434	381,276
LIABILITIES				
Accounts payable	1,050,962	214,134	1,265,096	56,636
Accrued liabilities	1,463,366	471,936	1,935,302	-
Accrued interest payable	188,399	-	188,399	-
Unearned revenue	-	229,426	229,426	-
Due to primary government	-	-	-	219,365
Tax anticipation note payable	4,000,000	-	4,000,000	-
Net OPEB obligation due in more than one year	2,929,656	375,544	3,305,200	-
Compensated absences, due within one year	531,863	23,744	555,607	-
Compensated absences, due in more than one year	199,325	-	199,325	-
Notes payable, due within one year	15,760	-	15,760	-
Notes payable, due in more than one year	320,916	-	320,916	-
Capital leases, due within one year	133,360	-	133,360	-
Capital leases, due in more than one year	235,498	-	235,498	-
Bonds payable, due within one year	1,120,000	-	1,120,000	-
Bonds payable, due in more than one year	20,278,492	-	20,278,492	-
Total liabilities	32,467,597	1,314,784	33,782,381	276,001
NET POSITION				
Net investment in capital assets	44,050,011	6,550,336	50,600,347	-
Restricted for:				
Public safety	165,588	-	165,588	-
Culture and recreation	11,670	-	11,670	-
Capital projects	17,345,935	-	17,345,935	-
Debt service	778,781	-	778,781	-
Voter approved use	7,782,212	-	7,782,212	-
Unrestricted	(5,557,897)	1,109,417	(4,448,480)	105,275
Total net position	$ 64,576,300	$ 7,659,753	$ 72,236,053	$ 105,275

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, 2014

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	$ 4,464,217	$ 187,479	$ 375,875	$ -
Judicial	388,741	1,105,127	-	-
Public safety	7,990,403	1,474,044	7,998	-
Public works	4,932,286	373,416	-	6,523,779
Culture and recreation	2,448,490	817,573	-	2,600
Housing and development	966,688	469,286	-	899,583
Interest on long-term debt	1,202,899	-	-	-
Total governmental activities	22,393,724	4,426,925	383,873	7,425,962
Business-type activities:				
Sanitation	1,477,276	2,599,332	-	-
Museum	1,232,706	424,046	-	263,892
Gardens	355,532	106,687	-	-
Total business-type activities	3,065,514	3,130,065	-	263,892
Total primary government	$ 25,459,238	$ 7,556,990	$ 383,873	$ 7,689,854
Component unit:				
Development Authority	$ 1,016,216	$ -	$ -	$ -
Total component unit	$ 1,016,216	$ -	$ -	$ -

General revenues:
- Property taxes
- Franchise taxes
- Insurance premium taxes
- Business taxes
- Other taxes
- Net investment income
- 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
$ (3,900,863)	$ -	$ (3,900,863)	$ -
716,386	-	716,386	-
(6,508,361)	-	(6,508,361)	-
1,964,909	-	1,964,909	-
(1,628,317)	-	(1,628,317)	-
402,181	-	402,181	-
(1,202,899)	-	(1,202,899)	-
(10,156,964)	-	(10,156,964)	-
-	1,122,056	1,122,056	-
-	(544,768)	(544,768)	-
-	(248,845)	(248,845)	-
-	328,443	328,443	-
(10,156,964)	328,443	(9,828,521)	-
-	-	-	(1,016,216)
-	-	-	(1,016,216)
9,468,733	-	9,468,733	-
1,685,980	-	1,685,980	-
1,633,900	-	1,633,900	-
1,185,735	-	1,185,735	-
732,316	-	732,316	-
590,267	1,382	591,649	139
13,742	-	13,742	-
-	-	-	972,492
984,249	(984,249)	-	-
16,294,922	(982,867)	15,312,055	972,631
6,137,958	(654,424)	5,483,534	(43,585)
58,438,342	8,314,177	66,752,519	148,860
$ 64,576,300	$ 7,659,753	$ 72,236,053	$ 105,275

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

ASSETS	General Fund	SPLOST Fund	Urban Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 1,453,420	$ 16,404,252	$ 6,200,342	$ 1,074,799	$ 25,132,813
Taxes receivable	523,910	-	-	22,790	546,700
Other receivables	1,744,343	-	-	228,149	1,972,492
Due from other governments	316,560	1,018,145	-	-	1,334,705
Due from other funds	43,665	1,086	-	-	44,751
Due from component unit	219,365	-	-	-	219,365
Restricted cash	819,856	-	-	-	819,856
Restricted investments	7,741,137	-	-	-	7,741,137
Advances to other funds	1,178,453	-	-	501,826	1,680,279
Inventory	14,487	-	-	-	14,487
Prepaid expenditures	318,015	-	-	13,270	331,285
Notes receivable	-	-	-	222,500	222,500
Total assets	$ 14,373,211	$ 17,423,483	$ 6,200,342	$ 2,063,334	$ 40,060,370
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 436,177	$ 67,620	$ -	$ 423,136	$ 926,933
Accrued liabilities	981,579	9,928	-	99,458	1,090,965
Due to other funds	456,887	-	-	74,687	531,574
Advances from other funds	1,741,079	-	-	1,178,453	2,919,532
Tax anticipation note payable	4,000,000	-	-	-	4,000,000
Accrued interest	8,515	-	-	-	8,515
Total liabilities	7,624,237	77,548	-	1,775,734	9,477,519
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	473,113	-	-	-	473,113
Unavailable revenues - grant revenue	131,008	-	-	-	131,008
Total deferred inflows of resources	604,121	-	-	-	604,121
FUND BALANCES					
Fund balances:					
Nonspendable:					
Long-term advances	1,178,453	-	-	501,826	1,680,279
Inventories	14,487	-	-	-	14,487
Prepaid expenditures	318,015	-	-	13,270	331,285
Notes receivable	-	-	-	222,500	222,500
Restricted:					
Public safety	4,018	-	-	161,570	165,588
Culture and recreation	-	-	-	11,670	11,670
Capital projects	-	17,345,935	6,200,342	-	23,546,277
Debt service	778,781	-	-	-	778,781
Voter approved use	7,782,212	-	-	-	7,782,212
Committed:					
Cemetery maintenance	-	-	-	36,580	36,580
Assigned:					
Capital projects	-	-	-	332,692	332,692
Unassigned	(3,931,113)	-	-	(992,508)	(4,923,621)
Total fund balances	6,144,853	17,345,935	6,200,342	287,600	29,978,730
Total liabilities, deferred inflows of resources and fund balances	$ 14,373,211	$ 17,423,483	$ 6,200,342	$ 2,063,334	

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.	59,953,695
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	604,121
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(23,015,098)
Net OPEB obligations are not due and payable in the current period and, therefore are not reported in the funds.	(2,929,656)
Internal service funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities.	(15,492)
Net position of governmental activities	$ 64,576,300

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, 2014

	General Fund	SPLOST Fund	Urban Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 14,617,253	$ -	$ -	$ 58,900	$ 14,676,153
Licenses and permits	508,658	-	-	205,022	713,680
Intergovernmental	784,510	5,992,134	-	-	6,776,644
Fines and forfeitures	1,221,312	-	-	204,695	1,426,007
Charges for services	888,008	-	-	1,188,660	2,076,668
Contributions	2,600	-	-	-	2,600
Net investment income	585,362	35,970	3,387	1,459	626,178
Other revenues	174,600	-	899,583	-	1,074,183
Total revenues	18,782,303	6,028,104	902,970	1,658,736	27,372,113
EXPENDITURES					
Current:					
General government	4,072,150	-	-	-	4,072,150
Judicial	348,644	-	-	-	348,644
Public safety	6,178,025	-	-	1,295,663	7,473,688
Public works	3,382,774	-	-	56,463	3,439,237
Culture and recreation	2,069,069	-	-	29,436	2,098,505
Housing and development	867,209	-	-	72,833	940,042
Capital outlay	1,225,454	1,875,817	-	992,891	4,094,162
Debt service:					
Principal retirements	710,995	-	2,950,000	315,133	3,976,128
Interest and fiscal charges	490,030	-	266,078	156,726	912,834
Bond issuance costs	-	-	284,291	-	284,291
Total expenditures	19,344,350	1,875,817	3,500,369	2,919,145	27,639,681
Excess (deficiency) of revenues over (under) expenditures	(562,047)	4,152,287	(2,597,399)	(1,260,409)	(267,568)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	3,700	-	-	-	3,700
Issuance of capital lease	426,711	-	-	-	426,711
Proceeds from insurance recoveries	-	-	-	11,733	11,733
Proceeds from issuance of bonds	-	-	6,425,000	-	6,425,000
Premium on issuance of bonds	-	-	54,902	-	54,902
Transfers in	1,674,484	-	301,872	702,369	2,678,725
Transfers out	(1,663,834)	-	-	(30,642)	(1,694,476)
Total other financing sources (uses)	441,061	-	6,781,774	683,460	7,906,295
Net change in fund balance	(120,986)	4,152,287	4,184,375	(576,949)	7,638,727
FUND BALANCES, beginning of year, restated	6,265,839	13,193,648	2,015,967	864,549	22,340,003
FUND BALANCES, end of year	$ 6,144,853	$ 17,345,935	$ 6,200,342	$ 287,600	$ 29,978,730

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, 2014

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

Net change in fund balances - total governmental funds	$	7,638,727
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.		1,931,810
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, sales and trade-ins) is to decrease net position.		(1,691)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		161,519
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.		(2,930,485)
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.		(46,950)
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.		(614,972)
Change in net position - governmental activities	$	6,137,958

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, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 14,293,366	$ 14,613,366	$ 14,617,253	$ 3,887
Licenses and permits	353,023	508,023	508,658	635
Fines and forfeitures	1,285,000	1,307,000	1,221,312	(85,688)
Charges for services	855,178	887,178	888,008	830
Intergovernmental	1,042,518	751,518	784,510	32,992
Contributions	6,000	8,500	2,600	(5,900)
Net investment income	400,000	585,000	585,362	362
Miscellaneous	164,000	245,812	174,600	(71,212)
Total revenues	18,399,085	18,906,397	18,782,303	(124,094)
EXPENDITURES				
Current:				
General government:				
Mayor and council	533,091	440,691	421,952	18,739
City manager	777,175	812,175	812,154	21
Financial administration	698,755	667,484	667,014	470
Legal and audit	214,200	242,200	242,072	128
Information technology	1,024,558	1,010,367	1,010,225	142
Buildings	1,024,918	918,818	918,733	85
Total general government	4,272,697	4,091,735	4,072,150	19,585
Judicial	365,186	349,186	348,644	542
Public safety:				
Police	4,621,273	5,380,268	5,379,592	676
Corrections	720,472	798,543	798,433	110
Total public safety	5,341,745	6,178,811	6,178,025	786
Public works:				
Central services	614,628	632,178	632,082	96
Highways and streets	1,812,473	2,001,073	2,000,533	540
Stormwater	-	750,428	750,159	269
Total public works	2,427,101	3,383,679	3,382,774	905
Culture and recreation	2,118,323	2,069,823	2,069,069	754
Housing and development:				
Construction and inspection	361,818	367,918	367,844	74
Planning and zoning	218,664	213,141	213,049	92
Economic development	296,889	286,531	286,316	215
Total housing and development	877,371	867,590	867,209	381
Capital outlay	988,609	1,225,704	1,225,454	250
Debt service:				
Principal	991,835	711,835	710,995	840
Interest	633,257	495,273	490,030	5,243
Total debt service	1,625,092	1,207,108	1,201,025	6,083
Total expenditures	18,016,124	19,373,636	19,344,350	29,286
Excess (deficiency) of revenues over (under) expenditures	382,961	(467,239)	(562,047)	(94,808)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	10,000	3,700	(6,300)
Issuance of capital lease	340,000	414,736	426,711	11,975
Transfers in	1,093,453	1,835,265	1,674,484	(160,781)
Transfers out	(1,826,414)	(1,792,762)	(1,663,834)	128,928
Total other financing sources (uses)	(382,961)	467,239	441,061	(26,178)
Net change in fund balances	-	-	(120,986)	(120,986)
FUND BALANCES, beginning of year	6,265,839	6,265,839	6,265,839	-
FUND BALANCES, end of year	$ 6,265,839	$ 6,265,839	$ 6,144,853	$ (120,986)

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds				
ASSETS	Sanitation Fund	Museum Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
CURRENT ASSETS					
Cash	$ 292,076	$ 209,582	$ 36,194	$ 537,852	$ 5,075
Accounts receivable	286,981	-	18,929	305,910	149,266
Due from other funds	-	152,583	-	152,583	343,279
Due from other governments	-	62,718	-	62,718	-
Advances to other funds	1,239,253	-	-	1,239,253	-
Inventory	-	93,303	3,061	96,364	-
Prepaids	33	21,287	558	21,878	-
Total current assets	1,818,343	539,473	58,742	2,416,558	497,620
CAPITAL ASSETS					
Non-depreciable assets	-	898,766	-	898,766	-
Depreciable assets	394,420	7,832,060	97,310	8,323,790	-
	394,420	8,730,826	97,310	9,222,556	-
Accumulated depreciation	(206,856)	(2,422,534)	(42,830)	(2,672,220)	-
	187,564	6,308,292	54,480	6,550,336	-
Total assets	2,005,907	6,847,765	113,222	8,966,894	497,620
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	111,739	97,820	4,575	214,134	124,029
Accrued liabilities	1,381	16,667	10,031	28,079	372,401
Due to other funds	1,120	5,579	2,340	9,039	-
Deposits payable	443,857	-	-	443,857	-
Compensated absences payable	5,343	14,231	4,170	23,744	-
Unearned revenue	229,426	-	-	229,426	-
Total current liabilities	792,866	134,297	21,116	948,279	496,430
NONCURRENT LIABILITIES					
Net OPEB liability	169,257	148,777	57,510	375,544	-
Total noncurrent liabilities	169,257	148,777	57,510	375,544	-
Total liabilities	962,123	283,074	78,626	1,323,823	496,430
NET POSITION					
Investment in capital assets	187,564	6,308,292	54,480	6,550,336	-
Unrestricted	856,220	256,399	(19,884)	1,092,735	1,190
Total net position	$ 1,043,784	$ 6,564,691	$ 34,596	7,643,071	$ 1,190
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				16,682	
Net position of business-type activities				$ 7,659,753	

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, 2014

	Business-type Activities - Enterprise Funds				
	Sanitation Fund	Museum Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
OPERATING REVENUE					
Sanitation fees	$ 2,598,451	$ -	$ -	$ 2,598,451	$ -
Charges for sales and services	-	327,926	57,036	384,962	3,129,359
Miscellaneous	881	96,120	49,651	146,652	-
Total operating revenues	2,599,332	424,046	106,687	3,130,065	3,129,359
OPERATING EXPENSES					
Cost of sales and services	1,443,939	1,026,295	345,514	2,815,748	125,592
Claims	-	-	-	-	3,054,118
Depreciation	31,553	204,317	8,932	244,802	-
Total operating expenses	1,475,492	1,230,612	354,446	3,060,550	3,179,710
Operating income (loss)	1,123,840	(806,566)	(247,759)	69,515	(50,351)
NON-OPERATING INCOME (EXPENSES)					
Interest income	1,094	201	87	1,382	59
Interest expense	(1,622)	-	-	(1,622)	-
Total non-operating income (expenses)	(528)	201	87	(240)	59
Income (loss) before transfers and contributions	1,123,312	(806,365)	(247,672)	69,275	(50,292)
Capital contributions	-	263,892	-	263,892	-
Transfers in	-	542,211	148,024	690,235	-
Transfers out	(1,674,484)	-	-	(1,674,484)	-
Total capital contributions and transfers	(1,674,484)	806,103	148,024	(720,357)	-
Change in net position	(551,172)	(262)	(99,648)	(651,082)	(50,292)
Total net position, beginning of year	1,594,956	6,564,953	134,244		51,482
Total net position, end of year	$ 1,043,784	$ 6,564,691	$ 34,596		$ 1,190
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				(3,342)	
Change in net position of business-type activities				$ (654,424)	

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, 2014

	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	$ 1,981,797	$ 361,328	$ 90,406	$ 2,433,531	$ 2,895,734
Payments to suppliers	(713,191)	(390,647)	(87,905)	(1,191,743)	(2,997,770)
Payments to employees	(116,434)	(515,353)	(235,943)	(867,730)	-
Net cash provided by (used in) operating activities	1,152,172	(544,672)	(233,442)	374,058	(102,036)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	-	395,905	148,024	543,929	-
Transfers out to other funds	(1,674,484)	-	-	(1,674,484)	-
Net cash provided by (used in) non-capital financing activities	(1,674,484)	395,905	148,024	(1,130,555)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	(90,143)	-	(90,143)	-
Principal payments on capital lease	(132,267)	-	-	(132,267)	-
Interest paid	(1,622)	-	-	(1,622)	-
Grants and capital contributions	-	208,611	-	208,611	-
Net cash provided by (used in) capital and related financing activities	(133,889)	118,468	-	(15,421)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,094	201	87	1,382	59
Net cash provided by investing activities	1,094	201	87	1,382	59
Net decrease in cash	(655,107)	(30,098)	(85,331)	(770,536)	(101,977)
Cash, beginning of year	947,183	239,680	121,525	1,308,388	107,052
Cash, end of year	$ 292,076	$ 209,582	$ 36,194	$ 537,852	$ 5,075
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	$ 1,123,840	$ (806,566)	$ (247,759)	$ 69,515	$ (50,351)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	31,553	204,317	8,932	244,802	-
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	565,151	-	(16,281)	548,870	(149,266)
Increase in intergovernmental receivable	-	(62,718)	-	(62,718)	-
Decrease (increase) in due from other funds	524,130	-	-	524,130	(84,359)
Increase in advances to other funds	(1,239,253)	-	-	(1,239,253)	-
Decrease (increase) in prepaid items	36,045	(10,154)	(263)	25,628	-
Decrease in inventory	-	5,449	780	6,229	-
Increase (decrease) in accounts payable	84,667	85,488	(1,749)	168,406	40,361
Increase (decrease) in accrued liabilities	(14,134)	4,565	5,444	(4,125)	141,579
Increase in customer deposits payable	41,085	-	-	41,085	-
Increase in OPEB liability	1,884	24,286	12,591	38,761	-
Increase (decrease) in compensated absences payable	(19,398)	5,082	2,523	(11,793)	-
Increase in unearned revenue	15,482	-	-	15,482	-
Increase in due to other funds	1,120	5,579	2,340	9,039	-
Net cash proivded by (used in) operating activities	$ 1,152,172	$ (544,672)	$ (233,442)	$ 374,058	$ (102,036)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	$ -	$ 55,281	$ -	$ 55,281	$ -

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

The City reports the following major proprietary funds:

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

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

The 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)

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

D. Budgets

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

E. Deposits and Investments

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables and Payables

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

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

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2014, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

I. Capital Assets

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

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

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

J. Compensated Absences

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

K. Deferred Inflows of Resources

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

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

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

M. Fund Equity

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

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity (Continued)

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

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

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

Net 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 $23,015,098 difference are as follows:

Capital leases payable	$ (368,858)
Notes payable	(336,676)
Bonds payable	(21,345,000)
Bond issuance premium	(53,492)
Accrued interest payable	(179,884)
Compensated absences	(731,188)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (23,015,098)

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 $1,931,810 difference are as follows:

Capital outlay	$ 4,147,424
Depreciation expense	(2,215,614)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 1,931,810

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

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

Another element of that reconciliation explains that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this $2,930,485 difference are as follows:

Proceeds from issuance of long-term debt	$	(6,425,000)
Premium on issuance of bonds		(54,902)
Proceeds from capital leases		(426,711)
Principal retirement of long-term debt		3,976,128
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(2,930,485)

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 $614,972 differences are as follows:

Compensated absences	$	(63,992)
Change in OPEB accrual		(545,206)
Amortization of bond issuance premium		1,410
Accrued interest		(7,184)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(614,972)

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

As of September 30, 2014, the City of Kennesaw had the following investments:

Investment	Maturities	Rating	Fair Value
Certificate of deposit	1 - 5 years	N/A	$ 150,000
Federal Agricultural Mortgage Corporation	6 - 10 years	NR	1,158,200
Federal Home Loan Bank	6 - 10 years	Aaa	1,209,348
Federal Farm Credit Bank	11 - 15 years	Aaa	2,825,485
Federal Home Loan Mortgage Corporation	11 - 15 years	AA+	480,729
Federal Farm Credit Bank	16 - 20 years	Aaa	1,269,285
Federal Home Loan Bank	21 - 25 years	Aaa	648,090
Total			$ 7,741,137

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, 2014 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.

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

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

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, 2014, 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, 2014, 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	Museum	Other Nonmajor Funds
Receivables:					
Taxes	$ 613,410	$ -	$ -	$ -	$ 22,790
Accounts	-	-	411,368	-	168,195
Due from other governments	316,560	1,018,145	-	62,718	-
Other	1,768,593	-	-	-	228,149
Less allowance for uncollectible	(113,750)	-	(124,387)	-	-
Net total receivable	$ 2,584,813	$ 1,018,145	$ 286,981	$ 62,718	$ 419,134

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2014, is as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 14,035,602	$ -	$ -	$ -	$ 14,035,602
Construction in progress	3,937,941	2,404,688	(1,909,405)	-	4,433,224
Total	17,973,543	2,404,688	(1,909,405)	-	18,468,826
Capital assets, being depreciated:					
Buildings	10,966,608	12,985	(60,898)	-	10,918,695
Infrastructure	45,926,361	620,668	572,147	-	47,119,176
Machinery and equipment	4,039,065	307,578	-	-	4,346,643
Land improvements	7,981,594	556,142	1,398,156	-	9,935,892
Vehicles	3,300,967	245,363	-	(25,750)	3,520,580
Total	72,214,595	1,742,736	1,909,405	(25,750)	75,840,986
Less accumulated depreciation for:					
Buildings	(3,938,989)	(322,635)	-	-	(4,261,624)
Infrastructure	(22,290,555)	(1,176,653)	-	-	(23,467,208)
Machinery and equipment	(2,730,033)	(257,733)	-	-	(2,987,766)
Land improvements	(978,452)	(241,806)	-	-	(1,220,258)
Vehicles	(2,226,533)	(216,787)	-	24,059	(2,419,261)
Total	(32,164,562)	(2,215,614)	-	24,059	(34,356,117)
Total capital assets, being depreciated, net	40,050,033	(472,878)	1,909,405	(1,691)	41,484,869
Governmental activities capital assets, net	$ 58,023,576	$ 1,931,810	$ -	$ (1,691)	$ 59,953,695

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Museum artifacts	$ 746,342	$ 55,281	$ -	$ 801,623
Land	7,000	90,143	-	97,143
Total	753,342	145,424	-	898,766
Capital assets, being depreciated:				
Buildings and structures	7,463,748	-	-	7,463,748
Furniture and fixtures	83,736	-	-	83,736
Vehicles	256,329	-	-	256,329
Machinery and equipment	519,977	-	-	519,977
Total	8,323,790	-	-	8,323,790
Less accumulated depreciation for:				
Buildings and structures	(1,876,426)	(187,226)	-	(2,063,652)
Furniture and fixtures	(68,089)	(8,449)	-	(76,538)
Vehicles	(130,875)	(23,621)	-	(154,496)
Machinery and equipment	(352,028)	(25,506)	-	(377,534)
Total	(2,427,418)	(244,802)	-	(2,672,220)
Total capital assets, being depreciated, net	5,896,372	(244,802)	-	5,651,570
Business-type activities capital assets, net	$ 6,649,714	$ (99,378)	$ -	$ 6,550,336

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

Governmental activities:	
General government	$ 269,018
Judicial	4,695
Public safety	215,355
Public works	1,410,982
Culture and recreation	281,287
Housing and development	34,277
Total depreciation expense - governmental activities	$ 2,215,614
Business-type activities:	
Sanitation	$ 31,553
Museum	204,317
Gardens	8,932
Total depreciation expense - business-type activities	$ 244,802

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 .65%, matured on December 30, 2013. As of September 30, 2014, the principal was paid in full. During the year ending September 30, 2014 the City used a new tax anticipation note for operating purposes; the balance of the note is $4,000,000. The new note has an interest rate of .70% and matures on December 30, 2014.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2014, was $16,730.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2014:

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

NOTE 8. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 11,650,000	$ -	$ (495,000)	$ 11,155,000	$ 515,000
Revenue bonds	7,015,000	6,425,000	(3,250,000)	10,190,000	605,000
Premium on bonds	-	54,902	(1,410)	53,492	-
Notes payable	351,809	-	(15,133)	336,676	15,760
Capital leases	158,142	426,711	(215,995)	368,858	133,360
OPEB obligation	2,384,450	554,364	(9,158)	2,929,656	-
Compensated absences	667,196	550,415	(486,423)	731,188	531,863
Governmental activity Long-term liabilities	$ 22,226,597	$ 8,011,392	$ (4,473,119)	$ 25,764,870	$ 1,800,983

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Capital lease	$ 132,267	$ -	$ (132,267)	$ -	$ -
OPEB obligation	336,783	39,413	(652)	375,544	-
Compensated absences	35,537	19,030	(30,823)	23,744	23,744
Business-type activity Long-term liabilities	$ 504,587	$ 58,443	$ (163,742)	$ 399,288	$ 23,744

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. 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, 2014, the City had governmental activities machinery and equipment under capital leases with a cost of $632,628 and accumulated depreciation of $73,208 for a net book value of $559,420.

NOTE 8. LONG-TERM DEBT (Continued)

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

	Governmental Activities
Fiscal Year Ending September 30,	
2015	$ 143,299
2016	99,015
2017	100,015
2018	23,575
2019	23,575
Total minimum lease payments	389,479
Less amount representing interest	20,621
Present value of future minimum lease payments	$ 368,858

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,			
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	620,000	355,762	975,762
2020-2024	3,615,000	1,358,055	4,973,055
2025-2029	4,710,000	505,936	5,215,936
Total	$ 11,155,000	$ 3,881,555	$ 15,036,555

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

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

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

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2015	$ 605,000	$ 433,453	$ 1,038,453
2016	600,000	410,457	1,010,457
2017	625,000	386,793	1,011,793
2018	650,000	361,510	1,011,510
2019	680,000	334,471	1,014,471
2020-2024	1,920,000	1,344,676	3,264,676
2025-2029	860,000	1,085,181	1,945,181
2030-2034	1,120,000	839,006	1,959,006
2035-2039	1,400,000	575,675	1,975,675
2040-2044	1,730,000	225,778	1,955,778
Total	$ 10,190,000	$ 5,997,000	$ 16,187,000

NOTE 8. LONG-TERM DEBT (Continued)

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

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2015	$ 8,717	$ 10,975	$ 19,692
2016	9,116	10,576	19,692
2017	214,046	4,289	218,335
Total	$ 231,879	$ 25,840	$ 257,719

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,			
2015	$ 7,043	$ 3,193	$ 10,236
2016	7,259	2,976	10,235
2017	90,495	941	91,436
Total	$ 104,797	$ 7,110	$ 111,907

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 42,580
General fund	Museum fund	1,085
SPLOST fund	General fund	1,086
Museum fund	General fund	129,901
Internal service fund	General fund	325,900
Museum fund	Nonmajor governmental funds	22,682
Internal service fund	Nonmajor governmental funds	9,425
Internal service fund	Nonmajor enterprise funds	2,340
Internal service fund	Museum fund	4,494
Internal service fund	Sanitation fund	1,120
		$ 540,613

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

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

Advances to/from other funds are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	General fund	$ 501,826
Sanitation fund	General fund	1,239,253
General fund	Nonmajor governmental funds	1,178,453
		$ 2,919,532

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

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government - General Fund	Component unit - Development Authority	$ 219,365

Interfund transfers:

Transfers In	Transfers Out	Amount
General fund	Sanitation fund	$ 1,674,484
Museum fund	General fund	$ 511,569
Museum fund	Nonmajor governmental funds	30,642
		$ 542,211
Urban redevelopment fund	General fund	$ 301,872
Nonmajor governmental funds	General fund	$ 702,369
Nonmajor enterprise funds	General fund	$ 148,024

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, 2014. The future minimum lease payments for these leases are as follows:

Year Ending September 30,	
2015	$ 26,376
2016	26,376
2017	26,376
2018	26,376
2019	26,376
	$ 131,880

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, 2014, the date of the most recent actuarial valuation, there were 255 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	51
Terminated vested participants not yet receiving benefits	26
Active employees - vested	74
Active employees - nonvested	104
Total	255

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 2014, the actuarially determined contribution rate was 11.76% of covered payroll.

For 2014, the City's recommended contribution was $885,914. Actual contributions totaled $885,914. The recommended contribution was determined as part of the January 1, 2013 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, 2013 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
2014	$ 885,914	$ 885,914	100.0 %	$ -
2013	904,271	904,271	100.0	-
2012	883,626	883,626	100.0	-

As of the most recent valuation date, January 1, 2014, 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
1/1/2014	$ 10,837,324	$ 13,075,719	82.88%	$ 2,238,395	$ 7,386,752	30.30%

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, 2014 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 POS plan and 100% of the employee premium and 0% of family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year per individual or $3,000 per family for the POS plan. 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	20 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, 2014, is as follows:

Annual required contribution	$	681,581
Interest on net OPEB obligation		108,849
Adjustments to annual required contribution		(196,653)
Annual OPEB cost		593,777
Contributions made		9,810
Increase in net OPEB obligation		583,967
Net OPEB obligation, beginning of year		2,721,233
Net OPEB obligation, end of year	$	3,305,200

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, 2014	$ 593,777	$ 9,810	2%	$ 3,305,200
September 30, 2013	566,603	7,959	1%	2,721,233
September 30, 2012	642,560	6,195	1%	2,162,589

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, 2014, there were 85 plan members. During the year ending September 30, 2014 employee contributions were $204,846 and employer contributions were $43,171.

NOTE 14. FUND DEFICITS

For the year ended September 30, 2014, the City's E911 Fund and Downtown Development Authority Fund had fund deficits of $687,349 and $56,086 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 89% of the employee premium and 84% of family premium for the POS plan and 91% of the employee premium and 88% of family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year per individual or $3,000 per family for the POS plan. Each employee's portion of the medical premium cost is withheld from that employee's paycheck.

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

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

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

The City pays 100% of the employee premium and 0% of family premium for the POS plan and 100% of the employee premium and 0% of family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year per individual or $3,000 per family for the POS plan. 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 $9,810 for the year ended September 30, 2014.

NOTE 16. RISK MANAGEMENT (Continued)

Changes in the claims liability for the years ended September 30, 2014 and 2013 are as follows:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2014	$ 230,822	$ 3,154,869	$ 3,013,290	$ 372,401
2013	$ 150,687	$ 2,817,737	$ 2,737,602	$ 230,822

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, 2014, contractual commitments on uncompleted contracts were $1,171,073.

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 $58,900 for the year ended September 30, 2014. Of this amount 100%, or $58,900, 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 $7,782,212 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, 2014.

NOTE 20. RESTATEMENT OF PRIOR YEAR BALANCES

The City has determined that a restatement of beginning fund balance of the SPLOST Fund is required to correct the reporting of beginning receivable/revenue balances. The restatement was required to report intergovernmental revenues which were earned and available at September 30, 2013. This restatement resulted in changes to beginning fund balance of the SPLOST Fund and beginning net position of Governmental activities as follows:

Fund Balance, SPLOST Fund, as previously reported	$ 12,718,895
Prior period restatement	474,753
Beginning fund balance, SPLOST Fund, restated	$ 13,193,648
Net position, Governmental Activities, as previously reported	$ 57,963,589
Prior period restatement	474,753
Beginning net position, Governmental Activities, restated	$ 58,438,342

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENNESAW, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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)
1/1/2014	$ 10,837,324	$ 13,075,719	$ 2,238,395	82.88%	$ 7,386,752	30.30%
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%

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 Fund

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

CITY OF KENNESAW, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

ASSETS	Special Revenue Funds						Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Asset Forfeiture Fund	Treasury Equitable Sharing Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Capital Projects Fund	Downtown Development Authority	
Cash and cash equivalents	$ 35,672	$ 482,640	$ 56,454	$ 29,741	$ 52,495	$ 23,922	$ 384,251	$ 9,624	$ 1,074,799
Taxes receivable	-	-	-	22,790	-	-	-	-	22,790
Other receivables	-	85	228,064	-	-	-	-	-	228,149
Prepaid expenditures	-	-	13,270	-	-	-	-	-	13,270
Advances to other funds	-	-	-	-	-	501,826	-	-	501,826
Notes receivable	-	-	-	-	-	-	-	222,500	222,500
Total assets	$ 35,672	$ 482,725	$ 297,788	$ 52,531	$ 52,495	$ 525,748	$ 384,251	$ 232,124	$ 2,063,334
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	$ 13,293	$ 264,903	$ 27,851	$ 18,219	$ 9,157	$ 37,225	$ 50,555	$ 1,933	$ 423,136
Accrued liabilities	-	69,274	27,184	-	-	-	-	3,000	99,458
Due to other funds	-	9,357	9,465	22,642	6,758	-	1,004	25,461	74,687
Advances from other funds	-	-	920,637	-	-	-	-	257,816	1,178,453
Total liabilities	13,293	343,534	985,137	40,861	15,915	37,225	51,559	288,210	1,775,734
FUND BALANCES									
Fund Balances:									
Nonspendable:									
Prepaids	-	-	13,270	-	-	-	-	-	13,270
Long-term advances	-	-	-	-	-	501,826	-	-	501,826
Notes receivable	-	-	-	-	-	-	-	222,500	222,500
Restricted:									
Public safety	22,379	139,191	-	-	-	-	-	-	161,570
Culture and recreation	-	-	-	11,670	-	-	-	-	11,670
Committed:									
Cemetery maintenance	-	-	-	-	36,580	-	-	-	36,580
Assigned:									
Capital projects	-	-	-	-	-	-	332,692	-	332,692
Unassigned	-	-	(700,619)	-	-	(13,303)	-	(278,586)	(992,508)
Total fund balances	22,379	139,191	(687,349)	11,670	36,580	488,523	332,692	(56,086)	287,600
Total liabilities and fund balances	$ 35,672	$ 482,725	$ 297,788	$ 52,531	$ 52,495	$ 525,748	$ 384,251	$ 232,124	$ 2,063,334

CITY OF KENNESAW, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds						Capital Projects Fund	Debt Service Fund	
	Asset Forfeiture Fund	Treasury Equitable Sharing Fund	E911 Fund	Hotel/Motel Fund	Cemetery Fund	Impact Fees Fund	Capital Projects Fund	Downtown Development Authority	Total Nonmajor Governmental Funds
REVENUES									
Taxes	$ -	$ -	$ -	$ 58,900	$ -	$ -	$ -	$ -	$ 58,900
Licenses and permits	-	-	-	-	-	205,022	-	-	205,022
Fines and forfeitures	21,195	183,500	-	-	-	-	-	-	204,695
Charges for services	-	-	1,094,805	1,177	14,700	-	-	77,978	1,188,660
Interest	22	807	146	21	49	24	370	20	1,459
Total revenues	21,217	184,307	1,094,951	60,098	14,749	205,046	370	77,998	1,658,736
EXPENDITURES									
Current									
Public safety	20,980	117,546	1,157,137	-	-	-	-	-	1,295,663
Public works	-	-	-	-	19,238	37,225	-	-	56,463
Culture and recreation	-	-	-	29,436	-	-	-	-	29,436
Housing and development	-	-	-	-	-	-	-	72,833	72,833
Capital outlay	-	726,655	-	-	-	-	266,236	-	992,891
Debt service									
Principal retirements	-	-	-	-	-	-	-	315,133	315,133
Interest and fiscal charges	-	-	-	-	-	-	-	156,726	156,726
Total expenditures	20,980	844,201	1,157,137	29,436	19,238	37,225	266,236	544,692	2,919,145
Excess (deficiency) of revenues over (under) expenditures	237	(659,894)	(62,186)	30,662	(4,489)	167,821	(265,866)	(466,694)	(1,260,409)
OTHER FINANCING SOURCES (USES)									
Proceeds from insurance recoveries	-	11,733	-	-	-	-	-	-	11,733
Transfers in	-	-	-	-	-	-	264,534	437,835	702,369
Transfers out	-	-	-	(30,642)	-	-	-	-	(30,642)
Total other financing sources (uses)	-	11,733	-	(30,642)	-	-	264,534	437,835	683,460
Net change in fund balances	237	(648,161)	(62,186)	20	(4,489)	167,821	(1,332)	(28,859)	(576,949)
FUND BALANCES (DEFICIT), beginning of year	22,142	787,352	(625,163)	11,650	41,069	320,702	334,024	(27,227)	864,549
FUND BALANCES (DEFICIT), end of year	$ 22,379	$ 139,191	$ (687,349)	$ 11,670	$ 36,580	$ 488,523	$ 332,692	$ (56,086)	$ 287,600

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, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 21,960	$ 21,960	$ 21,195	$ (765)
Interest	40	40	22	(18)
Total revenues	22,000	22,000	21,217	(783)
EXPENDITURES				
Public safety	22,000	22,000	20,980	1,020
Net change in fund balances	-	-	237	237
FUND BALANCES, beginning of year	22,142	22,142	22,142	-
FUND BALANCES, end of year	$ 22,142	$ 22,142	$ 22,379	$ 237

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, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 150,000	$ 150,000	$ 183,500	$ 33,500
Interest	540	540	807	267
Total revenues	150,540	150,540	184,307	33,767
EXPENDITURES				
Public safety	50,000	118,000	117,546	454
Capital outlay	800,000	732,000	726,655	5,345
Total expenditures	850,000	850,000	844,201	5,799
Deficiency of revenues over expenditures	(699,460)	(699,460)	(659,894)	39,566
OTHER FINANCING SOURCES				
Proceeds from insurance recoveries	-	-	11,733	11,733
Net change in fund balances	(699,460)	(699,460)	(648,161)	51,299
FUND BALANCES, beginning of year	787,352	787,352	787,352	-
FUND BALANCES, end of year	$ 87,892	$ 87,892	$ 139,191	$ 51,299

CITY OF KENNESAW, GEORGIA
E911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 1,069,270	$ 1,090,270	$ 1,094,805	$ 4,535
Interest	200	200	146	(54)
Total revenues	1,069,470	1,090,470	1,094,951	4,481
EXPENDITURES				
Public safety	1,029,738	1,157,738	1,157,137	601
Excess (deficiency) of revenues over expenditures	39,732	(67,268)	(62,186)	5,082
OTHER FINANCING SOURCES				
Transfers in	-	107,000	-	(107,000)
Net change in fund balances	39,732	39,732	(62,186)	(101,918)
FUND BALANCES (DEFICIT), beginning of year	(625,163)	(625,163)	(625,163)	-
FUND BALANCES (DEFICIT), end of year	$ (585,431)	$ (585,431)	$ (687,349)	$ (101,918)

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, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 35,500	$ 59,500	$ 58,900	$ (600)
Charges for services	716	716	1,177	461
Interest	24	24	21	(3)
Total revenues	36,240	60,240	60,098	(142)
EXPENDITURES				
Culture and recreation	17,893	29,893	29,436	457
Excess of revenues over expenditures	18,347	30,347	30,662	315
OTHER FINANCING USES				
Transfers out	(18,347)	(30,347)	(30,642)	(295)
Net change in fund balances	-	-	20	20
FUND BALANCES, beginning of year	11,650	11,650	11,650	-
FUND BALANCES, end of year	$ 11,650	$ 11,650	$ 11,670	$ 20

CITY OF KENNESAW, GEORGIA
CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 6,000	$ 6,000	$ 14,700	$ 8,700
Interest	36	36	49	13
Total revenues	6,036	6,036	14,749	8,713
EXPENDITURES				
Public works	20,800	20,800	19,238	1,562
Net change in fund balances	(14,764)	(14,764)	(4,489)	10,275
FUND BALANCES, beginning of year	41,069	41,069	41,069	-
FUND BALANCES, end of year	$ 26,305	$ 26,305	$ 36,580	$ 10,275

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, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and permits	$ 35,000	$ 41,000	$ 205,022	$ 164,022
Interest	24	24	24	-
Total revenues	35,024	41,024	205,046	164,022
EXPENDITURES				
Public works	-	41,024	37,225	3,799
Excess of revenues over expenditures	35,024	-	167,821	167,821
OTHER FINANCING USES				
Transfers out	(35,024)	-	-	-
Net change in fund balances	-	-	167,821	167,821
FUND BALANCES, beginning of year	320,702	320,702	320,702	-
FUND BALANCES, end of year	$ 320,702	$ 320,702	$ 488,523	$ 167,821

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, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Other revenues	$ -	$ 752	$ 899,583	$ 898,831
Interest	-	-	3,387	3,387
Total revenues	-	752	902,970	902,218
EXPENDITURES				
Debt service				
Principal	150,000	2,968,000	2,950,000	18,000
Interest and fiscal charges	132,792	249,253	266,078	(16,825)
Bond issuance costs	-	284,291	284,291	-
Total expenditures	282,792	3,501,544	3,500,369	1,175
Excess (deficiency) of revenues over expenditures	(282,792)	(3,500,792)	(2,597,399)	903,393
OTHER FINANCING SOURCES				
Proceeds from issuance of bonds	-	3,218,000	6,425,000	3,207,000
Premium on issuance of bonds	-	-	54,902	54,902
Transfers in	282,792	282,792	301,872	19,080
Net change in fund balances	-	-	4,184,375	4,184,375
FUND BALANCES, beginning of year	2,015,967	2,015,967	2,015,967	-
FUND BALANCES, end of year	$ 2,015,967	$ 2,015,967	$ 6,200,342	$ 4,184,375

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, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 81,500	$ 81,500	$ 77,978	$ (3,522)
Interest	30	30	20	(10)
Total revenues	81,530	81,530	77,998	(3,532)
EXPENDITURES				
Housing and development	92,318	73,546	72,833	713
Debt service				
Principal	43,361	315,133	315,133	-
Interest and fiscal charges	18,841	156,841	156,726	115
Total expenditures	154,520	545,520	544,692	828
Deficiency of revenues over expenditures	(72,990)	(463,990)	(466,694)	(2,704)
OTHER FINANCING SOURCES				
Transfers in	30,300	421,300	437,835	16,535
Net change in fund balances	(42,690)	(42,690)	(28,859)	13,831
FUND BALANCES (DEFICIT), beginning of year	(27,227)	(27,227)	(27,227)	-
FUND BALANCES (DEFICIT), end of year	$ (69,917)	$ (69,917)	$ (56,086)	$ 13,831

CITY OF KENNESAW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED SEPTEMBER 30, 2014

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	$ 161,875	$ 293,862	$ 455,737	51.84 %
Old Highway 41	2,600,000	2,600,000	197,770	271,975	469,745	18.07
Kennesaw Due West Road	750,000	750,000	750,000	-	750,000	100.00
Pine Mountain Road @US 41	300,000	300,000	300,000	-	300,000	100.00
Rutledge Road	900,000	900,000	427,600	52,951	480,551	53.39
Jiles Road	9,900,000	3,507 (1)	3,507	-	3,507	100.00
Cherokee Street	3,750,000	1,472,820	734,578	188,167	922,745	62.65
McCollum Parkway	200,000	-	-	-	-	-
Barrett Parkway	520,300	- (1)	-	-	-	-
Pine Mountain Court & US 41	200,000	200,000	11,756	529	12,285	6.14
Cobb International Boulevard	1,000,000	-	-	-	-	-
Sidewalk Projects	410,900	378,535	62,463	70,159	132,622	35.04
Resurfacing Projects	520,774	448,444	448,444	-	448,444	100.00
800 MHZ Radios	353,943	428,766	428,526	-	428,526	99.94
TOTAL 2005 SPLOST	$ 23,305,917	$ 8,361,250	$ 3,526,519	$ 877,643	$ 4,404,162	
SPLOST II - 2011 SPLOST						
Pine Mountain Road	$ 6,492,254	$ 6,492,254	$ 84,966	$ 261,330	$ 346,296	5.33 %
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	-	27,353	27,353	1.82
Sidewalk Projects	535,353	535,353	-	-	-	-
Resurfacing Projects	413,650	413,650	85,545	76,621	162,166	39.20
Infrastructure Preservation	1,101,710	1,101,710	230,501	34,151	264,652	24.02
Skate Park	750,000	984,094	750,000	234,094	984,094	100.00
Depot Park Improvements	2,100,000	2,100,000	-	-	-	-
Smith Gilbert Gardens Event Building	1,800,000	1,800,000	1,792	39,083	40,875	2.27
Swift Cantrell Park Parking	650,000	825,991	588,947	237,044	825,991	100.00
Community Center Renovation	226,999	226,999	42,890	88,498	131,388	57.88
TOTAL 2011 SPLOST	$ 22,107,998	$ 22,518,084	$ 2,172,642	$ 998,174	$ 3,170,816	
		Total SPLOST expenditures		$ 1,875,817		

(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, 2014

ASSETS		
Cash	$	144,807
Other receivables		18,375
Land held for resale		218,094
Total assets	$	381,276
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	56,636
Due to primary government		219,365
Total liabilities		276,001
FUND BALANCE		
Unassigned		105,275
Total liabilities and fund balance	$	381,276

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES	
Interest income	$ 139
Miscellaneous	972,492
Total revenues	972,631
EXPENDITURES	
Housing and development	1,016,216
Net change in fund balance	(43,585)
FUND BALANCE, beginning of year	148,860
FUND BALANCE, end of year	$ 105,275

STATISTICAL SECTION

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

Page

Financial Trends **68**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **73**

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

Debt Capacity **77**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information **80**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information **84**

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

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

CITY OF KENNESAW, GEORGIA

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

	2014	2013	2012	2011
Governmental activities				
Net investment in capital assets	**$ 44,050,011**	$ 38,848,625	$ 38,194,452	$ 38,211,640
Restricted	**26,084,186**	24,496,830	22,999,987	19,214,410
Unrestricted	**(5,557,897)**	(5,381,866)	(4,069,805)	(4,009,394)
Total governmental activities net position	**$ 64,576,300**	$ 57,963,589	$ 57,124,634	$ 53,416,656
Business-type activities				
Net investment in capital assets	**$ 6,550,336**	$ 6,517,447	$ 3,601,055	$ 3,397,072
Restricted	**-**	-	-	-
Unrestricted	**1,109,417**	1,796,730	1,263,195	1,200,476
Total business-type activities net position	**$ 7,659,753**	$ 8,314,177	$ 4,864,250	$ 4,597,548
Primary government				
Net investment in capital assets	**$ 50,600,347**	$ 45,366,072	$ 41,795,507	$ 41,608,712
Restricted	**26,084,186**	24,496,830	22,999,987	19,214,410
Unrestricted	**(4,448,480)**	(3,585,136)	(2,806,610)	(2,808,918)
Total primary government net position	**$ 72,236,053**	$ 66,277,766	$ 61,988,884	$ 58,014,204

(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.

2010	2009	2008	2007	2006	2005
$ 37,441,454	$ 37,896,407	$ 37,419,713 (1)	$ 13,367,294	$ 7,020,435	$ 4,782,359
11,728,094	10,453,594 (2)	1,003,306	6,441,818	109,218	44,141
5,113,083	3,096,897 (2)	9,464,149	9,000,692	18,879,192	26,099,758
$ 54,282,631	$ 51,446,898	$ 47,887,168	$ 28,809,804	$ 26,008,845	$ 30,926,258
$ 3,178,418	$ 2,682,669	$ 2,583,068	$ 1,712,372	$ 1,380,591	$ 1,477,421
-	-	-	-	-	-
1,124,835	1,018,721	159,675	(1,513,521)	(1,295,823)	(1,200,340)
$ 4,303,253	$ 3,701,390	$ 2,742,743	$ 198,851	$ 84,768	$ 277,081
$ 40,619,872	$ 40,579,076	$ 40,002,781	$ 15,079,666	$ 8,401,026	$ 6,259,780
11,728,094	10,453,594	1,003,306	6,441,818	109,218	44,141
6,237,918	4,115,618	9,623,824	7,487,171	17,583,369	24,899,418
$ 58,585,884	$ 55,148,288	$ 50,629,911	$ 29,008,655	$ 26,093,613	$ 31,203,339

CITY OF KENNESAW, GEORGIA

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

	2014	2013	2012	2011
Expenses				
Governmental activities:				
General government	**$ 4,464,217**	$ 4,361,757	$ 4,187,479	$ 4,544,161
Judicial	**388,741**	358,613	342,790	365,477
Public safety	**7,990,403**	7,422,621	6,976,574	7,038,966
Public works	**4,932,286**	4,016,262	3,922,629	4,035,824
Culture and recreation	**2,448,490**	2,555,138	2,547,847	2,682,506
Housing and development	**966,688**	973,555	907,986	1,154,875
Interest on long-term debt	**1,202,899**	918,411	804,045	820,746
Total governmental activities expenses	**22,393,724**	20,606,357	19,689,350	20,642,555
Business-type activities:				
Water & sewer (1)	**-**	-	-	-
Sanitation	**1,477,276**	1,861,957	1,649,055	1,592,777
Museum	**1,232,706**	1,141,504	1,307,352	1,443,963
Gardens	**355,532**	311,292	319,369	286,949
Total business-type activities expenses	**3,065,514**	3,314,753	3,275,776	3,323,689
Total primary government expenses	**$ 25,459,238**	$ 23,921,110	$ 22,965,126	$ 23,966,244
Program Revenues				
Governmental activities:				
Charges for services:				
General government	**$ 187,479**	$ 178,193	$ 645,807	$ 186,426
Judicial	**1,105,127**	1,052,313	1,229,945	1,413,733
Public safety	**1,474,044**	1,373,847	1,197,405	1,208,972
Public works	**373,416**	199,081	343,370	124,663
Culture and recreation	**817,573**	790,486	779,069	704,632
Housing and development	**469,286**	349,884	313,759	249,950
Operating grants and contributions (2)	**383,873**	403,672	380,462	373,835
Capital grants and contributions (2)	**7,425,962**	6,580,021	4,668,881	1,954,206
Total governmental activities program revenues	**12,236,760**	10,927,497	9,558,698	6,216,417
Business-type activities:				
Charges for services:				
Water & sewer (1)	**-**	-	-	-
Sanitation	**2,599,332**	2,614,104	2,558,808	2,520,688
Museum	**424,046**	413,531	378,466	346,393
Gardens	**106,687**	125,318	121,803	110,593
Operating grants and contributions (2)	**-**	-	934	566
Capital grants and contributions (2)	**263,892**	68,081	57,794	70,306
Total business-type activities program revenues	**3,393,957**	3,221,034	3,117,805	3,048,546
Total primary government program revenues	**$ 15,630,717**	$ 14,148,531	$ 12,676,503	$ 9,264,963

2010	2009	2008	2007	2006	2005
$ 4,374,745	$ 4,340,819	$ 3,429,896	$ 3,003,822	$ 2,739,827	$ 2,450,278
343,934	342,310	331,775	355,036	297,730	291,286
7,019,253	6,476,689	6,031,526	5,715,932	5,273,599	4,929,400
3,634,870	3,600,503 (5)	5,395,444 (5)	2,174,348	2,047,160	1,962,111
2,563,539	2,448,676	2,468,491	2,117,371	1,853,478	1,726,860
1,039,995	1,133,464	1,128,271	1,163,980	956,076	860,740
811,083	674,201	756,053	687,920	729,315	483,192
19,787,419	19,016,662	19,541,456	15,218,409	13,897,185	12,703,867
-	-	-	-	267,612	595,512
1,818,853	1,464,769 (5)	3,189,703 (5)	1,567,615	1,225,111	1,132,761
1,501,346	1,479,890	1,541,295	1,809,968	1,673,495	1,541,624
262,145	227,102	198,087	117,367	-	-
3,582,344	3,171,761	4,929,085	3,494,950	3,166,218	3,269,897
$ 23,369,763	$ 22,188,423	$ 24,470,541	$ 18,713,359	$ 17,063,403	$ 15,973,764
$ 167,078	$ 192,374	$ 152,329	$ 166,028	$ 321,442	$ 678,846
1,397,897	1,259,470	1,298,239	1,438,119 (3)	-	-
2,505,270 (9)	1,196,781	1,123,811	862,072 (3)	2,204,458	2,321,514
27,878	125,751 (4)	335,261 (4)	-	-	8,975
581,384	610,907	651,973	488,648	388,197	345,212
123,922	- (4)	- (4)	212,315	436,080	374,688
383,215	797,249	730,623	6,600	451,435	564,078
4,013,275 (10)	611,290	309,453	597,003	551,632	617,691
9,199,919	4,793,822	4,601,689	3,770,785	4,353,244	4,911,004
-	-	-	-	250	821,295
2,556,419	2,417,692	2,494,016	2,265,607	1,859,726	1,823,046
322,700	351,289	368,151	399,424	406,631	355,472
33,977	38,366	3,010	1,827	-	-
6,353	-	169,877	-	-	-
414,127	112,174	499,992	270,176	73,341	89,923
3,333,576	2,919,521	3,535,046	2,937,034	2,339,948	3,089,736
$ 12,533,495	$ 7,713,343	$ 8,136,735	$ 6,707,819	$ 6,693,192	$ 8,000,740

(Continued)

CITY OF KENNESAW, GEORGIA

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

	2014	2013	2012	2011
Net (expense)/revenue				
Governmental activities	**$ (10,156,964)**	$ (9,678,860)	$ (10,130,652)	$ (14,426,138)
Business-type activities	**328,443**	(93,719)	(157,971)	(275,143)
Total primary government net expense	**$ (9,828,521)**	$ (9,772,579)	$ (10,288,623)	$ (14,701,281)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	**$ 9,468,733**	$ 8,377,495	$ 8,858,088	$ 9,121,632
Franchise taxes	**1,685,980**	1,690,243	1,721,137	1,695,379
Sales taxes	**-**	-	-	-
Insurance premium taxes	**1,633,900**	1,536,325	1,483,792	1,396,948
Business taxes	**1,185,735**	1,102,144	1,040,848	968,832
Other taxes	**732,316**	1,361,826	638,106	528,175
Unrestricted investment earnings	**590,267**	(516,755)	372,157	397,616
Gain on sale of capital assets	**13,742**	14,628	5,388	13,025
Miscellaneous	**-**	-	-	-
Transfers	**984,249**	110,980	(280,886)	(561,444)
Total governmental activities	**16,294,922**	13,676,886	13,838,630	13,560,163
Business-type activities:				
Unrestricted investment earnings	**1,382**	1,345	1,150	501
Gain on sale of capital assets	**-**	87,918	-	7,493
Special item - sale of water/sewer system (1)	**-**	-	-	-
Transfers	**(984,249)**	(110,980)	280,886	561,444
Total business-type activities	**(982,867)**	(21,717)	282,036	569,438
Total primary government	**$ 15,312,055**	$ 13,655,169	$ 14,120,666	$ 14,129,601
Change in Net Position				
Governmental activities	**$ 6,137,958**	$ 3,998,026	$ 3,707,978	$ (865,975)
Business-type activities	**(654,424)**	(115,436)	124,065	294,295
Total primary government	**$ 5,483,534**	$ 3,882,590	$ 3,832,043	$ (571,680)

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).

2010	2009	2008	2007	2006	2005
$ (10,587,500)	$ (14,222,840)	$ (14,939,767)	$ (11,447,624)	$ (9,543,941)	$ (7,792,863)
(248,768)	(252,240)	(1,394,039)	(557,916)	(826,270)	(180,161)
$ (10,836,268)	$ (14,475,080)	$ (16,333,806)	$ (12,005,540)	$ (10,370,211)	$ (7,973,024)
$ 9,684,063	$ 9,678,422	$ 9,455,057	$ 7,854,106	$ 877,431 (6)	$ 6,972,299
1,585,542	1,526,658	1,528,223	1,424,642	1,339,312	1,238,424
- (11)	2,855,573	1,623,072 (7)	2,161,106 (7)	-	-
1,166,804	1,201,730	1,213,111	1,184,731	1,135,767	1,085,560
962,611	867,084	817,936	677,558	449,532	273,132
550,638	553,177	594,403	574,235	662,250	500,747
323,175	556,094	674,479	874,289	695,606	431,697
-	7,394	1,247	18,037	-	-
-	1,733,333 (8)	-	146,999	46,470	284,653
(849,600)	(1,196,895)	(3,853,578)	(667,190)	(591,046)	13,055,810
13,423,233	17,782,570	12,053,950	14,248,513	4,615,322	23,842,322
1,031	1,442	10,522	6,102	18,421	8,199
-	12,550	-	-	-	-
-	-	-	-	-	9,141,964
849,600	1,196,895	3,853,578	667,190	591,046	(13,055,810)
850,631	1,210,887	3,864,100	673,292	609,467	(3,905,647)
$ 14,273,864	$ 18,993,457	$ 15,918,050	$ 14,921,805	$ 5,224,789	$ 19,936,675
$ 2,835,733	$ 3,559,730	$ (2,885,817)	$ 2,800,889	$ (4,928,619)	$ 16,049,459
601,863	958,647	2,470,061	115,376	(216,803)	(4,085,808)
$ 3,437,596	$ 4,518,377	$ (415,756)	$ 2,916,265	$ (5,145,422)	$ 11,963,651

CITY OF KENNESAW, GEORGIA

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

	2014	2013	2012	2011 (1)
General fund				
Reserved	**$ -**	$ -	$ -	$ -
Unreserved	**-**	-	-	-
Nonspendable:				
Long-term advances	**1,178,453**	1,237,107	667,428	622,058
Inventories	**14,487**	18,442	16,806	15,614
Prepaid expenditures	**318,015**	178,616	349,960	169,036
Restricted:				
Public safety	**4,018**	4,014	1,105,761	1,053,853
Capital projects	**-**	41,913	-	-
Debt service	**778,781**	678,251	577,822	-
Voter approved use	**7,782,212**	7,561,920	8,400,720	8,541,859
Unassigned	**(3,931,113)**	(3,454,424)	(2,599,475)	(2,700,556)
Total general fund	**$ 6,144,853**	$ 6,265,839	$ 8,519,022	$ 7,701,864
All other governmental funds				
Reserved	**$ -**	$ -	$ -	$ -
Unreserved, reported in:				
Special revenue funds	**-**	-	-	-
Capital projects funds	**-**	-	-	-
Nonspendable:				
Longterm advances	**501,826**	-	-	-
Prepaid expenditures	**13,270**	6,984	17,992	6,205
Notes receivable	**222,500**	258,500	-	-
Restricted:				
Public safety	**161,570**	809,494	37,809	38,545
Culture and recreation	**11,670**	11,650	11,033	11,020
Capital projects	**23,546,277**	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:				
Cemetery maintenance	**36,580**	41,069	32,515	32,515
Assigned:				
Cemetery maintenance	**-**	-	8,718	-
Capital projects	**332,692**	-	-	-
Unassigned	**(992,508)**	(917,874)	(475,466)	(445,774)
Total all other governmental funds	**$ 23,833,877**	$ 15,599,411	$ 12,499,443	$ 9,211,644

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

2010	2009	2008	2007	2006	2005
$ 13,908,623	$ 11,570,618	$ 11,891,538	$ 10,246,934	$ 10,738,817	$ 13,338,674
(5,731,538)	(3,487,985)	(3,829,585)	960,458	2,609,311	6,839,582
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 8,177,085	$ 8,082,633	$ 8,061,953	$ 11,207,392	$ 13,348,128	$ 20,178,256
$ 8,549,327	$ 2,598	$ -	$ 4,509,650	$ 6,073,896	$ 152,763
(264,536)	(202,249)	(289,919)	58,119	(491,277)	(471,334)
581,417	5,740,497	4,319,552	24,635	14,690	5,543,177
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 8,866,208	$ 5,540,846	$ 4,029,633	$ 4,592,404	$ 5,597,309	$ 5,224,606

CITY OF KENNESAW, GEORGIA

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

	2014	2013	2012	2011
Revenues				
Taxes	**$ 14,676,153**	$ 14,048,042	$ 13,630,376	$ 13,687,767
Licenses and permits	**713,680**	503,401	623,369	361,815
Intergovernmental	**6,776,644**	6,990,477	5,012,308	2,620,547
Fines and forfeitures	**1,426,007**	1,250,162	1,366,731	1,565,999
Charges for services	**2,076,668**	1,983,715	1,840,532	1,793,016
Contributions	**2,600**	500	3,250	416,736
Net investment income (loss)	**626,178**	(487,988)	398,003	428,410
Other revenues	**1,074,183**	180,425	676,014	176,419
Total revenues	**27,372,113**	24,468,734	23,550,583	21,050,709
Expenditures				
General government	**4,072,150**	4,015,836	3,847,933	4,146,581
Judicial	**348,644**	364,160	327,480	346,774
Public safety	**7,473,688**	7,007,318	6,531,773	6,508,128
Public works	**3,439,237**	2,538,369	2,439,348	2,518,803
Culture and recreation	**2,098,505**	2,271,595	2,245,505	2,325,691
Housing and development	**940,042**	917,761	876,137	1,109,355
Capital outlay	**4,094,162**	4,696,980	1,574,897	2,494,414
Debt service				
Principal retirements	**3,976,128**	1,155,225	702,468	665,292
Interest and fiscal charges	**912,834**	928,402	784,579	798,579
Bond issuance costs	**284,291**	-	-	-
Total expenditures	**27,639,681**	23,895,646	19,330,120	20,913,617
Excess of revenues over (under) expenditures	**(267,568)**	573,088	4,220,463	137,092
Other financing sources (uses)				
Proceeds from capital leases	**426,711**	-	-	-
Issuance of long-term debt	**6,425,000**	-	159,992	281,236
Premiums on issuance of bonds	**54,902**	-	-	-
Proceeds from sale of capital assets	**3,700**	162,239	5,388	13,331
Proceeds from insurance recoveries	**11,733**	-	-	-
Transfers in	**2,678,725**	1,944,985	1,385,100	2,006,770
Transfers out	**(1,694,476)**	(1,834,005)	(1,665,986)	(2,568,214)
Total other financing sources (uses)	**7,906,295**	273,219	(115,506)	(266,877)
Net change in fund balances	**$ 7,638,727**	$ 846,307	$ 4,104,957	$ (129,785)
Debt service as a percentage of noncapital expenditures	**20.81%**	10.86%	8.38%	7.95%

(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.

2010	2009	2008	2007	2006	2005
$ 13,953,303	$ 16,637,053	$ 15,186,590	$ 13,699,269	$ 5,073,824 (1)	$ 9,826,095
205,316	169,649	345,679	335,027	465,428	493,574
3,605,045 (2)	1,358,869	935,362	588,255	880,265	1,165,394
2,810,358 (3)	1,309,470	1,299,148	1,438,119	1,409,487	1,424,003
1,617,446	1,720,527	1,708,812	1,394,036	1,475,263	1,462,387
5,537	32,709	-	-	-	-
323,117	555,139	663,168	874,289	695,606	431,697
207,257	202,598	289,722	162,347	122,055	104,300
22,727,379	21,986,014	20,428,481	18,491,342	10,121,928	14,907,450
3,890,512	4,232,759	3,249,756	2,596,300	2,731,873	2,433,645
318,139	325,283	332,357	570,422	289,526	351,134
6,337,895	6,028,340	6,059,200	5,812,485	5,340,078	4,768,696
2,336,879	2,197,372	2,304,639	1,441,893	2,126,910	1,979,804
2,194,288	2,126,137	2,294,879	2,129,853	1,819,192	1,646,862
983,173	1,103,472	1,162,295	1,155,947	950,474	846,996
5,804,036	2,003,467	3,886,213	6,433,322	1,512,272	10,545,779
659,947	686,946	642,890	549,465	499,483	258,989
842,358	670,378	707,391	682,385	729,315	740,722
-	-	-	-	-	-
23,367,227	19,374,154	20,639,620	21,372,072	15,999,123	23,572,627
(639,848)	2,611,860	(211,139)	(2,880,730)	(5,877,195)	(8,665,177)
-	-	-	143,100	-	-
2,800,000	94,100	238,472	-	-	15,000,000
-	-	-	-	-	-
2,109,262 (4)	22,828	1,322	18,037	-	7,055
-	-	-	-	-	-
3,830,210	483,680	551,353	2,032,940	2,605,124	29,980,846
(4,679,810)	(1,680,575)	(4,404,931)	(2,700,130)	(3,196,170)	(17,171,757)
4,059,662	(1,079,967)	(3,613,784)	(506,053)	(591,046)	27,816,144
$ 3,419,814	$ 1,531,893	$ (3,824,923)	$ (3,386,783)	$ (6,468,241)	$ 19,150,967
8.56%	7.91%	8.77%	9.00%	9.30%	8.30%

CITY OF KENNESAW, GEORGIA

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

Fiscal Year	Real Property						Public Utility
	Residential	Agricultural	Commercial	Industrial	Historical	Conservation	
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
2014	464,080,466	142,372	434,681,420	24,525,719	147,900	507,220	11,034,297

Source: Cobb County Tax Commissioner

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

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

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

Personal Property	Other Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
$ 71,591,680	$ 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%
77,308,852	5,030	111,462,369	900,970,907	9.50	2,252,427,268	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				
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
2014	8.00	1.50	10.71	18.90	0.10	39.21

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 EIGHT YEARS AGO

Taxpayer	2014 Taxable Assessed Value	2014 Rank	2014 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	1.84 %	$ 15,762,640	1	1.82 %
Busbee Development LLC	12,738,040	2	1.41	11,800,000	2	1.36
Kennesaw Gardens Associates LLC	10,300,800	3	1.14			
Atlanta RDC Co.	8,533,488	4	0.95	9,319,656	3	1.08
Owens & Minor Distribution	7,558,274	5	0.84			
Alta Ridenour LLC	7,195,611	6	0.80	6,848,984	7	0.79
Park at Kennesaw LLC	6,596,000	7	0.73	7,457,200	5	0.86
Lakeside Vista Apartments LP	6,189,200	8	0.69	7,325,351	6	0.85
Exeter 3625 Kennesaw LLC	5,671,800	9	0.63			
ACC OP Frey LLC	5,439,720	10	0.60			
NNN St. Charles LLC				6,250,000	8	0.72
Walton Ridenour LP				8,535,214	4	0.98
Kennesaw Residential Associates LLC				5,827,000	9	0.67
Barrett Parkway Highway 41 LLC				5,584,596	10	0.64
	$ 86,822,533		9.63 %	$ 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
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%	133,923	8,324,511	99.87%
2009	8,620,072	8,427,743	97.8%	169,085	8,596,828	99.73%
2010	9,024,356	8,894,329	98.6%	98,174	8,992,503	99.65%
2011	8,476,633	8,303,209	98.0%	106,062	8,409,271	99.21%
2012	8,036,051	7,869,525	97.9%	107,284	7,976,809	99.26%
2013	7,696,157	7,550,158	98.1%	59,000	7,609,158	98.87%
2014	7,744,596	7,585,332	97.9%	-	7,585,332	97.94%

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)
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
2014	11,155,000	336,676	10,243,492	368,858	-	-	-	22,104,026	2.23%	655

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

CITY OF KENNESAW, GEORGIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
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
2014	11,155,000	0.50%	331

(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, 2014

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	$ 26,065,000	3.86%	$ 1,006,109
Cobb County TANs	52,000,000	3.86%	2,007,200
Total overlapping debt	78,065,000		3,013,309
City direct debt	22,104,026	100.00%	22,104,026
Total direct and overlapping debt	$ 100,169,026		$ 25,117,335

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				
	2005	2006	2007	2008	2009
Debt Limit	$ 86,687,147	$ 86,687,147	$ 93,483,910	$ 115,482,308	$ 120,887,102
Total net debt applicable to limit	15,000,000	14,625,000	14,240,000	13,845,000	13,440,000
Legal debt margin	$ 71,687,147	$ 72,062,147	$ 79,243,910	$ 101,637,308	$ 107,447,102
Total net debt applicable to the limit as a percentage of debt limit	17.30%	16.87%	15.23%	11.99%	11.12%

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt Limit	$ 120,145,237	$ 111,303,300	$ 104,938,751	$ 101,842,033	$ 101,243,328
Total net debt applicable to limit	13,015,000	10,172,061	9,913,038	9,634,033	10,526,219
Legal debt margin	$ 107,130,237	$ 101,131,239	$ 95,025,713	$ 92,208,000	$ 90,717,109
Total net debt applicable to the limit as a percentage of debt limit	10.83%	9.14%	9.45%	9.46%	4.89%

Assessed Value	$ 900,970,907
Add back: exempt real property	111,462,369
Total assessed value	1,012,433,276
Debt limit (10% of total assessed value)	101,243,328
Debt applicable to limit:	
General obligation bonds	11,155,000
Less: Amount set aside for repayment of general obligation debt	628,781
Total net debt applicable to limit	10,526,219
Legal debt margin	$ 90,717,109

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
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%
2014	33,748	993,102	29,427	33.3	6.0%

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

CITY OF KENNESAW, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

	2014			2005		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fabric.com Inc.	249	1	1.04 %			%
Atlanta Bonded Warehouse	230	2	0.96	150	2	1.26
Tug Technologies Corporation	193	3	0.80			
Publix Super Market, Inc. # 559	144	4	0.60	142	4	1.19
Cintas Corporation	126	5	0.52	120	5	1.01
Shady Grove Rest Home	125	6	0.52			
Publix Super Market, Inc. # 769	110	7	0.46			
Publix Super Market, Inc. # 1077	92	8	0.38			
Crane Nuclear, Inc.	86	9	0.36			
Owens & Minor Distribution	80	10	0.33			
Tug Manufacturing Company				208	1	1.75
Butch Thompson				150	3	1.26
Consolidated Engineering				100	6	0.84
Pro - Build South LLC				70	7	0.59
Wade Electric, Inc				55	8	0.46
Image Ink Jet Printing, Inc.				50	9	0.42
Hitachi Maxco, Inc.				25	10	0.21
	1,435		5.97 %	1,070		8.99 %

Source: Various City departments

CITY OF KENNESAW, GEORGIA

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

	2014	2013	2012	2011	2010
Function					
General government	**26**	31	31	33	28
Judicial	**3**	3	3	3	3
Public safety					
Police officers	**81**	87	78	82	83
Public works	**31**	36	26	29	29
Culture and recreation	**32**	39	33	37	34
Housing and development	**9**	9	10	9	10
Sanitation	**1**	7	16	17	15
Total	**183**	212	197	210	202

Source: City of Kennesaw department records

2009	2008	2007	2006	2005
54	37	32	24	16
3	3	3	3	3
88	84	76	68	58
26	26	27	25	24
27	43	38	43	32
7	7	9	7	7
19	26	23	24	20
224	226	208	194	160

CITY OF KENNESAW, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	**2014**	2013	2012	2011	2010
Police					
Physical arrests	**1,064**	1,223	1,268	1,121	1,839
Parking violations	**522**	599	552	281	272
Traffic violations	**13,218**	14,733	11,300	14,582	14,755
Culture and recreation (1)					
Admissions/fees	**$ 1,201,026**	$ 1,185,530	$ 1,159,840	$1,054,081 (2)	$ 838,101
Housing and development					
Building permits issued	**449**	421	537	254	510
Sanitation					
Number of customers	**8,478**	8,222	8,105	7,915	8,232

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.

2009	2008	2007	2006	2005
1,819	1,948	2,188	947	706
180	141	126	126	142
11,444	10,559	14,026	12,537	14,128
$ 892,197	$ 890,289	$ 735,196	$ 655,460	$ 551,597
466	378	304	243	303
8,300	8,253	7,882	N/A	N/A

CITY OF KENNESAW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010
Function					
Public safety					
Police					
Stations	**1**	1	1	1	1
Vehicles	**73**	80	76	72	70
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	**0**	3	10	10	10

Source: Various City departments

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

2009	2008	2007	2006	2005
1	1	1	1	1
68	62	56	54	52
99	99	99	98	97
121	121	118	118	118
11	11	11	11	11
1	1	1	1	1
10	10	10	10	9

COMPLIANCE SECTION

MAULDIN & JENKINS

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, 2014, 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 17, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

Compliance and Other Matters

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

City of Kennesaw, Georgia's Response to the Finding

The City of Kennesaw, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Kennesaw, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 17, 2015

MAULDIN & JENKINS

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, 2014. 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, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 17, 2015

CITY OF KENNESAW GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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	$ 158,919
Total U.S. Department of Housing and Urban Development			158,919
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
Passed through Georgia Department of Transportation			
Highway Planning and Construction Program	20.205	CCSTP-006-00 (986)	159,931
Transportation Enhancement Act Program	20.205	TEE-008-00(103)	90,143
Atlanta Regional Commission Program	20.205	UP 1414	43,856
Total Highway Planning and Construction Cluster			293,930
Governor's Office of Highway Safety Grant	20.600	GA-2014-000-00424	7,998
Total U.S. Department of Transportation			301,928
U.S. DEPARTMENT OF JUSTICE			
Equitable Sharing Program	16.922	GA-0330600	844,200
Total U.S. Department of Justice			844,200
Total Expenditures of Federal Awards			$ 1,305,047

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, 2014

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, 2014

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	___ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes __X__ none reported
Type of auditor's report issued on compliance for major programs	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, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-001 Revenue Recognition

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

Condition: Internal controls were not sufficient to detect a material misstatement in the City's financial statements for the year ended September 30, 2013.

Context/Cause: During our audit for the fiscal year ended September 30, 2014, an adjustment was required to correct the prior year receivable and revenues at the fund level and government-wide level:

- In the SPLOST Fund, a restatement of approximately $475,000 was required to record intergovernmental revenues which were earned and available for recognition as of September 30, 2013. This adjustment also created a restatement to the governmental activities of the City.

Effects: An audit adjustment for approximately $475,000 was needed to correctly report the opening balances of equity and revenue on the City's financial statements.

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

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

CITY OF KENNESAW, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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, 2014

None Reported.