CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

Prepared By:
Gina Auld
Finance Director

CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

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INTRODUCTORY SECTION

MAYOR
Derek Easterling

City Manager
Jeff Drobney

City Clerk, MMC
Debra Taylor



COUNCIL
Mayor Pro Tem James Eaton
Yvette Daniel
Jimmy Dickens
Nimesh Patel
Jim Sebastian

February 24, 2017

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

The Comprehensive Annual Financial Report (CAFR) of the City of Kennesaw, Georgia, for the fiscal year ended September 30, 2016, is submitted herewith. Georgia state law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data presented is accurate in all material respects and that it is presented in a manner designed to set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable interested citizens to gain a reasonable understanding of the City's financial activities have been included.

Mauldin & Jenkins, LLC have issued an unmodified ("clean") opinion on the City of Kennesaw financial statements for the fiscal year ended September 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The City of Kennesaw receives financial assistance through various federal grant programs. The City of Kennesaw is responsible for insuring that adequate internal controls are in place to assure compliance with applicable laws and regulations related to those programs. The required reports on supplementary information, compliance, internal controls and various supplementary schedules are included under the Compliance Section.

Profile of the Government

The City of Kennesaw, originally named Big Shanty, incorporated in 1887. It is situated in the northwest part of Georgia in the Atlanta Metropolitan Area. The City, located in Cobb County, is considered to be in the top growth rank of the country. The City currently has a land area of 9.71 square miles and a population of approximately 33,584.

The City has the power, by State statute, to extend its corporate limits by annexation, which is done by request of citizens or at the City's initiation. Annexations must be approved by the City Council. A major priority, established by the City Council, is future growth potential which is accomplished through an aggressive policy of incremental annexations based on a comprehensive, planned strategy.

The City is a home-rule charter city in the State of Georgia and has operated under the Council-Manager form of government since September 1996. The Mayor and Council members are elected for four-year terms. Council member terms are staggered and members are elected at large. The Mayor and five Council members are vested with policymaking and legislative authority for the City. The Council is responsible for passing ordinances, adopting the budget, appointing committees, hiring the City Manager, making appointments of the City attorney, auditor and City engineer as well as other City employees. The City Manager is responsible for carrying out the policies and ordinances of the Council, overseeing the day to day operations of the City, and insuring fiscal stability.

The financial statements contained herein include all activities and functions of the City of Kennesaw that are under the jurisdiction of the Mayor and Council, as set forth in state and local law. Additionally, one discretely presented component unit is included in these financial statements because of its operational and financial relationship to the City. The Kennesaw Development Authority is dedicated to the sound economic development of the City of Kennesaw. It serves the retention and expansion needs of existing businesses and offers aid to businesses looking to locate in the Kennesaw area. Additional information on this legally separate entity can be found under the Basic Financial Statements section.

The City provides a broad range of municipal government and utility services. Included in these services are traditional city functions such as police protection, road and street maintenance, culture and recreation, public improvements, planning and zoning, building inspection, code enforcement, and general administrative services. In addition to general government activities, the City has four enterprise operations including sanitation, stormwater, museum and botanical gardens.

The City maintains extensive budgetary controls with the objective of compliance with legal provisions embodied in the annual budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amounts) is at the departmental level for the General Fund and at the total expenditure level for the remaining funds. The City's budget procedures are more fully explained in the notes to the financial statements.

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

Local Economy

The City is part of metro Atlanta and benefits from the large, diverse economy. 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. In 2012 the City saw a return of economic activity in industrial, retail, logistics, professional services and residential sectors. The rate of growth continued to increase in 2016 over 2015 in all these sectors. Commitment to new projects and expansions continue to take longer than pre-2008 due to longer due diligence period and conservative financing environment. We anticipate in 2017 seeing continued improvement to economic growth. The City will continue to see improvement in real estate values, unemployment, and capital investment. We have seen reduction in office, retail and industrial vacancy rates in 2016. Job creation increased in 2016 and is projected to continue through 2017 by both the State Department of Economic Development, Kennesaw State University (KSU) Economic Forecast Center, Cobb County and the City.

Historically, Kennesaw grew from a small, rural town to an urbanized bedroom community with associated retail and services. In the last two decades the City's economy has diversified with several industrial parks and business parks. The City's proximity to Interstate 75, U.S. Highway 41 and McCollum Airport has supported significant commercial and industrial development, especially in light industrial and distribution. The area has diverse manufacturing, industrial, corporate office and retail space with employers that create a diversified economy and stable employment rate. The growth of KSU continues to have a major positive impact on the local economy. With the merger of Southern Polytechnic, the enrollment has grown to 35,000. According to the Atlanta Regional Commission (ARC), the I-75 corridor will continue to be a high growth area over the next 20 years. Kennesaw's population is becoming younger and more educated, supporting the trend for the City's economy to transform from a bedroom community to a self-sustaining economy. In the last two years household income and individual personal income have increased. The percentage of City revenue derived from light industrial, retail and professional services will continue to increase relative to residential. The commercial and industrial land area to residential land area ratio has improved to 39/61%. This is a shift of 9% in the last seven years. The City added approximately 1,200 new jobs in 2016 through several logistics and manufacturing expansions and relocations, professional service growth and new retail and restaurant businesses. New capital investment of $200 million also occurred. New businesses include, but are not limited to, enzyme/probiotic manufacturing, retail/restaurants, medical services, utility services, construction materials, financial services, and software development among others. Developments that are in construction and scheduled to open by end of 2017 will add an additional 700-900 new jobs. Overall, the total portfolio of business licenses has continued to grow at a moderate pace. The number of business license increased in 2016 over 2015. Construction permit activity continues to increase and permit revenue increased significantly in 2016. We anticipate further expansion in new businesses, expansion of existing businesses, investment in equipment and real estate and job creation through 2017 assuming the State and Regional economy continues to expand as forecasted by the State and Atlanta Regional Commission (ARC).

Long term financial planning

In November 2014, voters approved a six year one cent Special Purpose Local Option Sales Tax (SPLOST) that will be in effect from January 1, 2016 through December 31, 2021. This tax will fund various road projects, park improvements and facility improvements. Since this SPLOST began, the improvements total: $545,634 for Road, Street and Bridge Projects and $138,386 for Facility Improvement Projects. Total revenue generated for the SPLOST program since this SPLOST began is $3,675,725 with expenditures totaling $684,020.

In March 2011, voters approved the Special Purpose Local Option Sales Tax (SPLOST). This one cent sales tax program funds various improvements around the City. Since this SPLOST began, the improvements total: $3,176,153 for Road, Street and Bridge Projects and $2,802,852 for Parks Projects. This SPLOST program runs from January 2012 until December 2015. Total revenue generated for the SPLOST program since this SPLOST began is $24,002,788 with expenditures totaling $5,979,005.

In September 2005, voters approved a one cent Special Purpose Local Option Sales Tax (SPLOST) that ceased collections in December 2011. Since this SPLOST began, the improvements total: $5,109,810 for Road, Street and Bridge Projects and $428,526 for 800MHz Core Replacement. Total revenue generated for the SPLOST program since this SPLOST began is $8,469,697 with expenditures totaling $5,538,336.

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 $113,735,561, which is in excess of the City's outstanding general obligation debt of $10,105,000.

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 2016 economic initiatives and strategies for 2015-2020. Key elements of these goals as they relate to economic development include: a) quality housing choices, b) retain and expand existing businesses, c) recruit new businesses in sectors of strength including logistics, light manufacturing, health care, technology and tourism, d) redevelop downtown core, e) redevelop key corridors including Cobb Parkway, Cherokee Street, and Barrett Parkway. A supporting strategy is strategic annexations targeting commercial and industrial development and improving service delivery. The City continues to pursue strategic annexations that analysis demonstrates will have a positive impact on our economy and the City's finances. We completed two annexations totaling approximately 20 acres in 2016. We are actively working on four annexations in 2017 that would add approximately 50-70 acres in 2017-2019. The City is committed to redevelopment of downtown. The first major mixed-use project completed includes 252 multifamily residential units and 12,000 square feet of commercial space. Construction was completed the end of 2016 on the $38M project. Construction of a second mixed-use (160 multifamily residential units and 12,000 square feet commercial) project is scheduled to start the winter of 2017 with completion in 16 months. Project value is $25M. Three other projects are scheduled to start downtown in 2017. These projects will add 125 residential units and 12,000 square feet of commercial space. A total of 16,000 square feet of new commercial space was added to the downtown in 2016. We are working on plans that will add an additional

50,000 square feet of commercial space downtown over the next 3-4 years. Focus will be on restaurant, entertainment, specialty retail, and office. A total of 280 residential units are in the pipeline to be added to the downtown.

Kennesaw is experiencing significant growth associated with Kennesaw State University (KSU). Three private purpose built student housing projects totaling 1,000 beds valued at $80 million opened between 2011 - 2014 with 100% occupancy. At this time, the City does not plan to add more purpose built student housing to its inventory. The goal is to keep existing projects at high occupancy. The growth in student population and their disposable income has had a positive effect on retail and restaurants in the City.

KSU merged with Southern Polytech in 2016. Student population is 35,000 creating the third largest State University. KSU has been designated a Research University, they started Division 1 football in 2015. All these factors have a positive impact on jobs, housing, total, 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 2017. Kennesaw has twelve (12) identified Redevelopment Areas. We are actively working on projects in six and marketing the other areas for redevelopment.

The residential sector has rebounded in Kennesaw for new homes. All projects that stalled in the recession were reactivated and remaining lot inventory has been absorbed. A new 60 home “active senior” residential project is in construction with second phase to be completed in 2017. The new multifamily units are renting at the high end of the rental market for this submarket. A new 38 unit townhouse project will start construction spring 2017 and will be completed over a 24 month period. A project including 57 stacked flat condos and 30 townhomes will start spring 2017. One luxury, age-restricted 180 unit multi-family project is in construction and will be completed the end of 2017. A 20 unit single family detached neighborhood will complete build out in 2017. A total of 750 new residential units with a value of $145M are in the development pipeline to be completed from 2015 through 2018.

The development activity for other sectors continued throughout 2016 indicating further strengthening of the economy. A 300,000 square foot, $140M retail project is in construction and scheduled to be completed late 2017, a 40,000 square foot fitness center is planned to start construction 2017, a $56M critical care nursing facility that started construction has been delayed but we are hopeful will complete in 2018, and expansion of professional businesses in areas of technology, engineering and legal continue. The dining and entertainment sector continues to grow. Five new restaurants opened. More than 15 additional restaurants are scheduled to open over the next 2 years. A special event/other music venue is planned downtown for 2018. Over 40,000 square feet of vacant industrial space has been leased in 2016. Construction of three new light manufacturing buildings adding 60,000 square feet were completed in 2016. The City is working with businesses that will add over 400,000 square feet of new office, storage, logistics, manufacturing space over the next 24 months. Several of these are in construction or permit process.

Kennesaw continues to develop tourism assets and leverage those assets for increased tourism spending. The City’s museum and garden increased programming and

attendance in 2016. The Burnt Hickory Brewery and Lazy Guy Distillery draw significant visitors. A new brewery, Dry County Brewery, opened in 2016. This adds to the critical mass Kennesaw is creating in the alcohol manufacturing and tourism sectors. The I-75 corridor from Cobb/Galleria to Cherokee County is becoming a significant sports corridor that will generate increased tourism and travel activity. The Atlanta Braves new park in Cumberland area, MLS soccer complex in Marietta, pro lacrosse team in Kennesaw and KSU football are creating a dynamic environment.

Kennesaw continues to expand the economic development tools available for business retention, expansion and recruitment. We continue to refine our economic incentives program, ordinances and codes and continue to leverage existing state programs in 2016. These are being done in a coordinated approach with Mayor and Council goals.

In addition, the City completed in 2015 a major update to the downtown masterplan, and a masterplan for the Cherokee Street corridor. A new form based code for downtown and Cherokee Street corridor was adopted in 2016. 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 seven (7) years in targeted redevelopment areas, downtown and commercial corridors. Downtown, Barrett Parkway, Cobb Parkway, Pine Mountain, Old Highway 41, Rutledge/N Main and Cherokee Streets are scheduled for improvement. The first downtown improvements started in 2016. These include rebuild of Dallas Street, Watts Drive and a new round-about. In addition, GDOT has a major lane expansion of I-75 in construction and reconstruction of the I-75/Wade Green intersection is planned for 2017. McCollum Airport continues to expand with improved runway, new hangers, new control tower and a customs office added in 2016. All these transportation improvements will support continued economic growth.

Relevant Financial Policies

Financial policies established by the City are to provide a sound basis for future financial planning and conservative management. These policies include a balanced annual operating budget, a stable and diversified revenue structure, designation of fund balances and a multi-year capital improvement program.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial reports for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kennesaw for its comprehensive annual financial report for the year ended September 30, 2015. 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, CPA
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kennesaw

Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

CITY OF KENNESAW, GEORGIA
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2016

ELECTED OFFICIALS

Derek Easterling	Mayor
James 'Doc' Eaton	Mayor Pro Tem/Council Member
Nimesh Patel	Council Member
Jim Sebastian	Council Member
Jimmy Dickens	Council Member
Yvette M.A. Daniel	Council Member

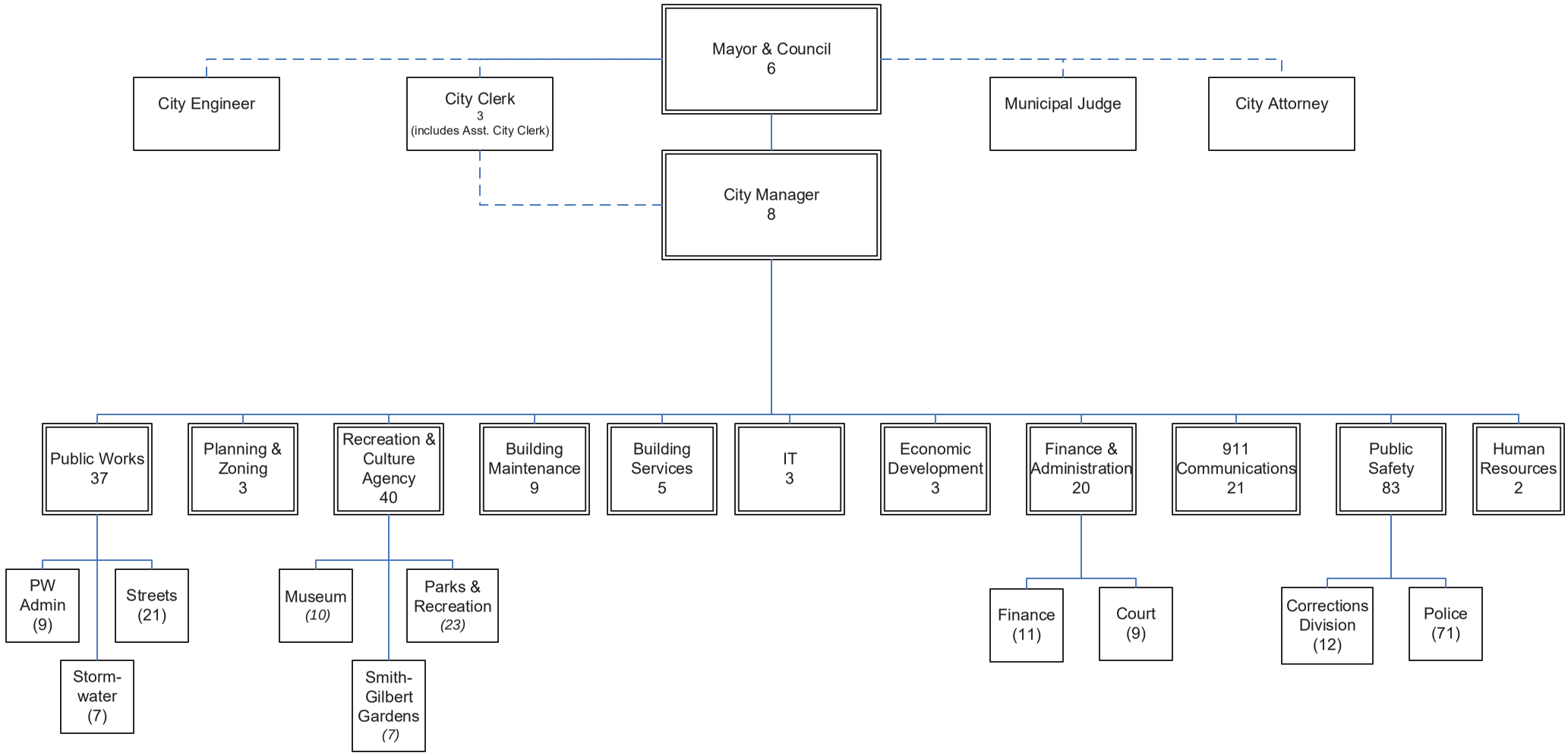
CITY ADMINISTRATION

Jeff Drobney
City Manager

Bentley, Bentley, Bentley	Attorney
Phillip Taylor	Municipal Court Judge
Gina Auld	Finance Director
Richard Banz	Museum Executive Director
Linda Davis	E911 Director
Robert Fox	Community Development Director
Scott Banks	Chief Building Official
Debbie Harris	Assistant City Clerk
Darryl Simmons	Planning & Zoning Administrator
Paul Sprague	GIS Coordinator
Debra Taylor	City Clerk
Doug Taylor	Parks & Recreation Director
Ricky Stewart	Public Works Director
William Westenberger	Chief of Police

City of Kennesaw

Organization Chart- City Wide- 243



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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress, the Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions, on pages 4 through 15, 60, 61 and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kennesaw, Georgia's basic financial statements. The combining and individual fund statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017 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
February 24, 2017

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, 2016. 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 $82,582,053 at the end of the year. This amount includes $56,665,491 invested in capital assets net of accumulated depreciation and related debt, restricted net position of $33,586,055 and unrestricted net position deficit of $7,669,493.

- The City's total net position increased by $6,021,989 (8%) to $82,582,053. The net position for governmental activities increased by $5,872,132 (9%) and business-type net position increased by $149,857 (1%).

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $31,554,316, a decrease of $2,665,259. The net unassigned fund balance is a deficit of $3,653,573.

- At the end of the current fiscal year, unassigned fund balance for the general fund is a deficit of $3,197,165.

- The City's total debt decreased by $276,384 (.9%) during the current fiscal year due to the principal payments on General Obligation Bonds, Revenue Bonds and Notes Payable exceeding the increase in the OPEB Obligation and the Net Pension Liability. The City sold property that was financed through a local bank. When the property was sold, the related Note Payable was paid in full.

Overview of the Financial Statements

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

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

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

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

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

- **Governmental activities** – These include the basic services provided by the City including general administration, public safety, public works, culture and recreation, housing and development.

- **Business-type activities** – These include services for which the City charges specific fees which are meant to cover the cost of providing the services. These include sanitation (solid waste collection), the Southern Museum of Civil War and Locomotive History, stormwater (maintenance and upgrades to stormwater system) and the Smith-Gilbert Gardens.

- **Component units** – Included in the discretely presented component units for the City is the Kennesaw Development Authority. Although this organization is a separate legal entity, the City is financially accountable for it.

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

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

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

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, 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 16-21 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sanitation, Museum, Stormwater 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, Stormwater and Gardens. Sanitation, Museum and Stormwater are considered to be major funds of the City. The internal service fund is also presented in proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City progress in funding its obligation to provide pension and other

postemployment benefits to its employees. Required supplementary information can be found beginning on page 60 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and other postemployment benefits. Combining and individual fund statements and schedules can be found beginning on page 63 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 $6,021,989 (8%) during fiscal year 2016. The net position of the governmental activities includes $44,270,008 net investment in capital assets. Capital assets of $64,387,383 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation. Related debt includes bonds of $19,136,695 (with unspent proceeds of $12,147) and capital leases of $992,827.

The net position of the business-type activities includes $12,395,483 net investment in capital assets. Capital assets of $12,424,825 include land, building, other improvements, equipment, and museum artifacts, net of accumulated depreciation. Related debt includes capital leases of $29,342.

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

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2016	2015	2016	2015	2016	2015	2015-16
ASSETS							
Current and other assets	$ 37,618	$ 40,660	$ 3,250	$ 2,871	$ 40,868	$ 43,531	-6%
Capital assets	64,387	56,669	12,425	12,766	76,812	69,435	11%
Total Assets	102,005	97,329	15,675	15,637	117,680	112,966	4%
Deferred Outflows of resources:							
Pension plan contributions	874	878	62	56	$ 936	$ 934	0%
Net difference between projected and actual pension plan investment	404	-	29	-	433	-	100%
Pension plan experience differences	333	419	23	27	356	446	-20%
Pension plan assumption changes	82	103	6	6	88	109	-19%
Total deferred outflows of resources	1,693	1,400	120	89	1,813	1,489	22%
LIABILITIES							
Current and other liabilities	7,888	8,033	1,010	1,197	8,898	9,230	-4%
Long-term debt outstanding	27,055	27,581	892	772	27,947	28,353	-1%
Total Liabilities	34,943	35,614	1,902	1,969	36,845	37,583	-2%
Deferred Inflows of resources:							
Pension plan experience differences	62	-	4	-	66	-	100%
Net difference between projected and actual pension plan investment earnings	-	294	-	19	-	313	-100%
Total deferred inflows of resources	62	294	4	19	66	313	-79%
NET POSITION							
Net investment in capital assets	44,270	41,354	12,396	12,730	56,666	54,084	5%
Restricted	33,586	30,325	-	-	33,586	30,325	11%
Unrestricted	(9,163)	(8,858)	1,493	1,009	(7,670)	(7,849)	-2%
Total Net Position	$ 68,693	$ 62,821	$ 13,889	$ 13,739	$ 82,582	$ 76,560	8%

Changes in Net Position

The City's total revenues before transfers were $31,600,331 in fiscal year 2016. Expenses before transfers were $25,578,342 during that same period. Governmental and business-type activities combined provided a $6,021,989 increase in net position.

Governmental activities revenues, before transfers, were $27,536,671 and included $4,459,226 charges for services, $6,588,857 grant and contribution revenues and $10,077,543 in property taxes. The largest governmental activities expenses were for public safety of $8,384,410 (police, jail and E911), public works of $4,064,973, general government of $4,442,795 and recreation of $2,348,921. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues, before transfers, were $4,063,660 and included $3,962,104 charges for services and $100,269 grant and contribution revenues. The largest business-type activity expenses were for salaries and wages of $993,235, other professional services of $1,368,142 and marketing of $52,023.

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

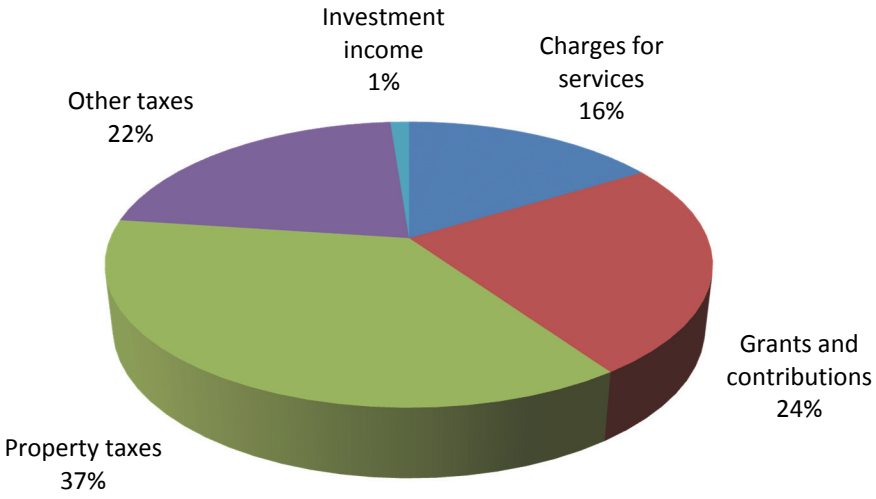
	Governmental Activities		Business-type Activities		Total		Total % Change
	2016	2015	2016	2015	2016	2015	2015-16
Revenues							
Program Revenues							
Charges for services	$ 4,459	$ 4,199	$ 3,962	$ 3,643	$ 8,421	$ 7,842	7%
Operating grants and contributions	721	742	-	-	721	742	-3%
Capital grants and contributions	5,868	6,643	100	710	5,968	7,353	-19%
General revenues							
Property taxes	10,078	9,744	-	-	10,078	9,744	3%
Other taxes	5,937	5,523	-	-	5,937	5,523	7%
Gain on sale of capital assets	146	-	-	-	146	-	100%
Investment income (loss)	327	527	1	1	328	528	-38%
Total Revenues	27,536	27,378	4,063	4,354	31,599	31,732	0%
Expenses							
General Government	4,443	4,461	-	-	4,443	4,461	0%
Judicial	367	349	-	-	367	349	5%
Public Safety	8,384	7,410	-	-	8,384	7,410	13%
Public Works	4,065	3,699	-	-	4,065	3,699	10%
Culture and Recreation	2,349	2,266	-	-	2,349	2,266	4%
Housing and Development	1,019	957	-	-	1,019	957	6%
Interest on long-term debt	879	928	-	-	879	928	-5%
Museum	-	-	1,110	1,136	1,110	1,136	-2%
Sanitation	-	-	1,668	1,518	1,668	1,518	10%
Gardens	-	-	414	415	414	415	0%
Stormwater	-	-	879	776	879	776	13%
Total Expenses	21,506	20,070	4,071	3,845	25,577	23,915	7%
Excess (Deficiency) before Transfers	6,030	7,308	(8)	509	6,022	7,817	-23%
Transfers	(158)	(279)	158	279	-	-	0%
Increase (Decrease) in Net Position	5,872	7,029	150	788	6,022	7,817	-23%
Beginning Net Position	62,821	55,792	13,739	12,951	76,560	68,743	11%
Ending Net Position	$ 68,693	$ 62,821	$ 13,889	$ 13,739	$ 82,582	$ 76,560	8%

Governmental Activities

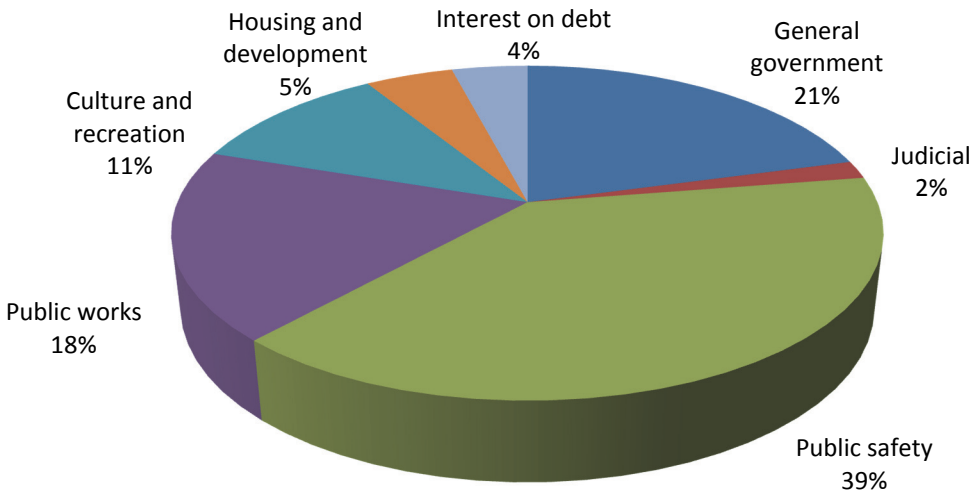
See page 16 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

Table 3 – Governmental Activities

Governmental Revenues



Governmental Expenses



Revenue Impacts:

- Property taxes of $10,077,543 provided 37% of governmental revenues for general operations. The M&O millage rate and the bond millage rate remained at 8.00 and 1.50 mills, respectively. The bond millage is restricted to service the debt of the general obligation bond issue for recreation and transportation improvements. Property tax revenue was up approximately $334,000 in 2016 due to an increase in property values.

- Charges for services for Governmental activities include amounts charged for providing E911 service of $1,173,135, recreation fees of $702,864, licenses and permits of $1,021,664 and municipal court fines of $949,620. Charges for services increased approximately $300,000 over the prior year. There was a slight decrease in E911 fee revenue due to a decrease in the usage of hard wired lines. Recreation fees increased due to an increase in facility rental fees. Licenses and permits increased due to an increase in building permit revenue as more fully described in the General Fund Budgetary Highlight section of the Management Discussion and Analysis.

- Operating grants and contributions for Governmental activities were down approximately $20,000 due to receiving approximately $160,000 less in various grant funds this year. These grants are typically for a specific project and are not recurring. The recurring grant funding such as the Cobb County House Bill 489 and CDBG had on overall increase of approximately $140,000.

- Capital grants and contributions for Governmental activities decreased. The distribution amounts for the 2016 SPLOST were less than the 2011 SPLOST in fiscal year 2015.

- Charges for services revenue for Business-type activities increased due to a full year of collections of the stormwater fee compared to a ten month period in the prior year. Also, commercial customers received a twenty five percent (25%) discount in fiscal year 2015, the first year the stormwater fee was adopted. No such discount was offered during fiscal year 2016.

- Capital grants and contributions for Business-type activities decreased due to grant funding received from the Georgia Department of Transportation and the Kennesaw Museum Foundation for the Railroad Education Center Library and Archives in the prior year. No grant funding received during this fiscal year.

Expense Impacts:

- Public Safety expenses experienced an increase due to an increase in medical claims and the purchase of small equipment. Increases in medical claims have a greater impact on the group insurance expense of city departments with a larger work force. The Public Safety department has the largest work force in the City. The Police department budgeted and purchased operating equipment which includes "Go Bags" for active shooter situations, patrol rifles, rifle scopes, body cameras and laser speed detection devices.

- Public Works expenses increased due to an increase in medical claims, vehicle repair & maintenance and street lighting. Repairs were made during the year to the larger public works' vehicles such as the bucket truck, backhoe and sweeper truck. Street lighting expenses increased slightly due to additional street lighting in the new downtown surface parking area acquired during the year.

- Culture and Recreation expenses increased due to the increase in medical claims. As mentioned above, increases in medical claims have a greater impact on the group insurance expense of city departments with a larger work force.

- Housing and Development experienced an increase in salary and benefits expenses due to hiring new management staff.

- Interest on long-term debt decreased as the portion of the debt service payments allocated to interest on the 2003 Revenue bonds and the 2004/2005 General Obligation bonds decreased. Each year, a larger portion of these debt service payments are applied towards the principal balance.

- Sanitation expenses were up due to an increase in the rate charged by the third party garbage service provider. Also, retirement expenses increased due to the change in the method of allocating retirement contributions. Allocations now include not only current employees but also retired employees.

- The museum's decision to bring their marketing services in house has lowered their overall expenses. A new marketing director position was added and as a result there was a significant decrease in marketing expense. The salary and benefit cost of the new position was lower than outsourcing to a third party marketing firm.

- Stormwater expenses increased due to the new method of allocating retirement expenses. Also, numerous catch basins were repaired throughout the City as well as the downtown retention pond.

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

	Program Revenues		Program Expense		Program Income (Loss)	
	2016	2015	2016	2015	2016	2015
FUND						
Museum	$ 487	$ 1,119	$ 1,110	$ 1,137	$ (623)	$ (18)
Sanitation	2,182	2,207	1,668	1,518	514	689
Stormwater	1,257	907	879	776	378	131
Gardens	136	120	414	414	(278)	(294)
Total	$ 4,062	$ 4,353	$ 4,071	$ 3,845	$ (9)	$ 508

Program revenues for business-type activities for fiscal year 2016 were $4,062,373, a $290,509 decrease compared to the prior year. Grants and contributions revenue decreased approximately $600,000 due to grant funding the Museum received for the Railroad Education Center Library and Archives in 2015. No such grant funding was received during 2016. Sanitation revenues decreased approximately $20,000 because penalties were not billed during the transition of the stormwater billing system. Charges for services increased approximately $300,000 due to a full year of stormwater utility billings. The City adopted a stormwater utility fee during fiscal year 2015 and the billings for fiscal year 2015 were for a ten month period compared to a twelve month period in fiscal year 2016.

Total program expenses for business-type activities were $4,071,982 in 2016, $226,673 more than the prior year. The City changed the method of allocating retirement contributions based on current and retired employees. As a result of this change in allocation, the Sanitation and Stormwater funds' retirement expense increased. The third party that provides garbage collection services increased their rates which increased the City's expense by approximately $33,000. The Stormwater fund experienced increases in repair and maintenance expenses due to the repairing of the City's catch basins and the downtown retention pond.

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

FUND	Fund Balances 9/30/2015	Revenues/ Sources	Expenditures/ Uses	Revenues/Sources Over (Under) Expenditures/Uses	Fund Balances 9/30/2016
General Fund	$ 6,036	$ 21,500	$ 20,692	$ 808	$ 6,844
SPLOST	21,420	5,366	2,456	2,910	24,330
URA	6,213	586	6,789	(6,203)	10

At September 30, 2016, the City's governmental funds reported a combined fund balance of $31,554,316, which is a net decrease of $2,665,259 from the previous year.

General Fund
The General Fund's fund balance increased by $807,890 and was $6,843,723 at year end. The increase in the General Fund's fund balance is due to revenues increasing $936,000 over the prior year yet expenditures only increasing $121,000 over the prior year. The net effect was an overall increase in fund balance of approximately $800,000. The revenues exceeded budget by approximately $500,000 and expenditures came in under by budget by approximately $300,000. Real and personal property taxes increased approximately $660,000 due to the increase in the taxable assessed value of property. Intangible taxes were up 283% over the prior year and exceeded the budget by approximately $180,000 due to the increase in real estate lending transactions. The improved economy not only increased real, personal and intangible taxes but also building permit revenue. Building permits were up 100% over the prior year increasing from approximately $300,000 to approximately $600,000 and exceeded the budget by approximately $350,000. The General Fund Budgetary Highlights section of the MD&A provides further detail. Although expenditures increased approximately $121,000 over the prior year, they came in under budget thereby increasing fund balance. The largest favorable budget variances were in the general government and capital outlay expenditures. Mayor & Council, Legal, Information Technology and Buildings had favorable variances greater than $20,000. The Mayor & Council reduced their spending by removing medical benefits for elected officials and reduced their spending in areas of travel, clothing, mileage reimbursement and meeting expenditures. The Information Technology and Building departments postponed projects to control spending during fiscal year 2016. Capital outlay expenditures came in under budget due to the delay of the Georgia Department of Transportation's Local Maintenance and Improvement Project (LMIG). This resurfacing project occurred shortly after fiscal year end.

SPLOST Fund
The SPLOST Fund's fund balance increased by $2,909,906 and was $24,329,920 at year end. The City collected over $5 million in revenues and incurred expenditures of over $2 million. The City has $3.3 million remaining to spend on 2005 SPLOST projects. These funds are to be used for the Old Highway 41 Project. The City collected the last of the 2011 SPLOST distributions during fiscal year 2016 and has $18 million remaining to spend on 2011 SPLOST projects. Pine Mountain Road and Stanley/Collins Road projects are underway. Cherokee Street is in the Right of Way acquisition phase and construction is expected to begin during 2018. The other 2011 SPLOST projects, Depot Park and Smith Gilbert Gardens are combined with the 2016 SPLOST projects. With the exception of Dallas Street/Watts Drive project, the 2016 SPLOST projects have not begun or are in the early stages. The design phase of the Sardis Street overpass is expected to begin during 2017 and construction to begin in late 2018. The Sardis Street extension project is currently in preliminary design phase. Park Improvements, Facility Improvements and Smith Gilbert Gardens are in their early design discussions. The City had $3 million in 2016 SPLOST dollars as of fiscal year end.

URA Fund
The URA Fund's fund balance decreased by $6,203,025 and was $10,330 at year end due to the use of bond proceeds to acquire a parking deck and adjacent parking in the downtown Kennesaw area. Bonds were issued during fiscal year 2014 but not utilized for the parking deck and adjacent parking until the project was completed during fiscal year 2016.

General Fund Budgetary Highlights

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

In September 2015, the City Council appropriated $21,305,621 for general fund expenditures in the 2016 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 – overall revenues exceeded budget by approximately $520,000 primarily due to the following three sources:

- Intangible taxes exceeded budget by approximately $180,000. Intangible taxes increased from approximately $60,000 in fiscal year 2015 to approximately $230,000 in fiscal year 2016, an increase of 283%. This increase was due to the improved economy and an increase in real estate lending transactions. Georgia law requires that every holder of a long-term note secured by real estate record the security instrument in the county in which real estate is located within 90 days from the date of when the instrument is executed to secure the note. The collecting officer for intangible recording tax for the City of Kennesaw is the Cobb County Clerk of Superior Court. These taxes are remitted to the City of Kennesaw on a monthly basis.
- License and Permits increased approximately $300,000 (75%) over the prior year. In particular, building permits increased from approximately $300,000 to approximately $600,000. The City permitted 175 apartment units at Overture Barrett, a new active senior multifamily housing project, located at Earnest Barrett Parkway with a valuation of $27M. The City also permitted 47 single family homes this year compared to 27 homes in the prior year with an increase in valuation of $6M.
- Intergovernmental revenue exceeded the budget by over $50,000. The City received their final drawdown on a HUD Economic Development Initiative grant that was not budgeted. The grant funds were used to construct ADA accessible sidewalks and ramps in the Depot Park and Museum campus which provided pedestrian connectivity between the park's plaza and amphitheater with parking.

Expenditures:

- Mayor & Council had the largest variance between budget and actual expenditures. The largest variance was in group insurance expenditures due to the Mayor & Council's decision to eliminate medical, dental, vision and life insurance benefits for elected officials effective April 1, 2016. This department's expenditures also came in under budget in several categories such as travel, clothing, awards and mileage due to the Mayor & Council's commitment to reduce spending.
- Legal expenditures came in under budget due to less litigation. The Information Technology expenditures for hardware and software maintenance were less than budgeted due to the timing of various software upgrades and projects.
- The Building department's rental of equipment, equipment repair and maintenance and small equipment expenditures were less than budget due to the postponement of various maintenance projects.
- Public Works central services had a decrease in overtime expenditures due to a milder winter than the prior year.
- Economic Development other professional services were under budget due to the shifting of the economic development strategic plan from 2016 to 2017 to allow for the community survey to be completed and for the work on the comprehensive plan update to be prepared. Both of these will be resources for the preparation of the economic plan.
- Principal expenditures were less than budget due to capital lease principal payments less than anticipated.

Other Financing Sources (Uses):

- Proceeds from sale of capital assets came in over budget due to the sale of fifteen (15) police vehicles and two (2) public works vehicles.
- Transfers in from the E911 Fund came in less than budget. The City chose to reduce the receivable amount due from the E911 fund rather than record as an operating transfer in from E911.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounted to $76,812,208 (net of accumulated depreciation of $40,917,702). 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 11%. 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	
	2016	2015	2016	2015	2016	2015
Land	$ 14,021	$ 14,021	$ 21	$ 21	$ 14,042	$ 14,042
Construction in progress	7,124	6,266	-	155	7,124	6,421
Museum artifacts	-	-	860	815	860	815
Buildings and improvements	13,122	7,192	11,072	11,324	24,194	18,516
Park land	8,260	8,455	-	-	8,260	8,455
Infrastructure	18,405	17,708	-	-	18,405	17,708
Furniture, machinery and equipment	1,658	1,582	364	323	2,022	1,905
Vehicles	1,797	1,445	108	128	1,905	1,573
Total	$ 64,387	$ 56,669	$ 12,425	$ 12,766	$ 76,812	$ 69,435

This year's major capital asset additions included:

Governmental Activities:

- City of Kennesaw Parking Deck - $6,408,411
- SPLOST Stanley Collins Road Project - $291,914
- SPLOST Property Acquisitions - $249,881
- SPLOST Cherokee Street Road Project - $281,652
- SPLOST Smith Gilbert Gardens Event Building - $206,199
- SPLOST Pine Mountain Road - $494,591

Long-Term Debt

At the end of fiscal year 2016, the City had $30,008,244 in outstanding long-term debt. This is a net decrease of $276,384 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 $113,735,561, 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	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	$ 10,105	$ 10,640	$ -	$ -	$ 10,105	$ 10,640
Revenue Bonds	9,032	9,635	-	-	9,032	9,635
Leases Payable	993	933	29	36	1,022	969
Notes Payable	-	321	-	-	-	321
OPEB obligation	3,584	3,052	539	475	4,123	3,527
Net pension liability	4,662	4,201	331	269	4,993	4,470
Compensated absences	680	677	53	45	733	722
Total	$ 29,056	$ 29,459	$ 952	$ 825	$ 30,008	$ 30,284

Economic and Next Year's Budget and Rates

The City's governmental activities are funded by property taxes, other taxes such as occupational taxes and insurance premium taxes, grants & contributions and charges for services such as parks & recreation program fees. During the FY 2016 budget process, the City considered projections from Cobb County to estimate tax revenues and the local economy for other revenues for the proposed budget. The City's general fund budget of $21,058,034 for FY 2017 was approximately $248,000 less than FY 2016 based on these projections. Taxes were budgeted at an increase of $800,000 based on the growth of the tax digest. The decrease in the FY 2017 general fund budget is the net effect of a budgeted increase in taxes and budgeted decreases in proceeds from capital leases for police vehicles. The City identified other funding sources such as Impact Fees and Court funds to purchase police vehicles during FY 2017; therefore, the City planned for a reduction in capital lease proceeds.

The City adopted a stormwater fee effective December 2014 and began reporting the stormwater activity in a separate enterprise fund. 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. During fiscal year 2015 commercial stormwater customers were billed at a twenty five percent (25%) discounted rate of $1.13 per 1,000 square feet of impervious surface. The rate for fiscal year 2016 was $1.50 per 1,000 square feet of impervious surface. For FY 2017, the City budgeted an overall increase in stormwater revenue of approximately $175,000 (17%) due to the new commercial developments discussed in the Letter of Transmittal.

The 2016 SPLOST was approved by the voters in November 2014 and collections began in January 2016. The City is expected to receive a total of $24.5 million which consists of $20 million for infrastructure and transportation projects, $1.5 million for park improvements and $3 million for property acquisitions to support Economic Development. The City has budgeted for the remaining SPLOST projects as follows: 2005 SPLOST $3.3 million, 2011 SPLOST $18 million and 2016 SPLOST $25.6 million. These are project length budgets.

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 $203,220 in LMIG funding during FY 2016 and expects to receive $269,079 for FY 2017. The 2016 LMIG project was delayed and not completed until FY 2017. 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, 2016

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
Cash and cash equivalents	$ 25,785,504	$ 1,360,143	$ 27,145,647	$ 7,692
Investments	150,000	-	150,000	-
Taxes receivable	2,277,138	-	2,277,138	-
Other receivables	374,217	-	374,217	-
Accounts receivable, net of allowances	-	370,774	370,774	17,269
Due from other governments	1,084,727	-	1,084,727	-
Due from component unit	232,765	-	232,765	-
Internal balances	(1,387,309)	1,387,309	-	-
Land held for resale	-	-	-	185,950
Inventory	7,473	96,317	103,790	-
Prepaid items	294,163	35,758	329,921	-
Restricted cash	1,102,096	-	1,102,096	-
Restricted investments	7,547,404	-	7,547,404	-
Note receivable	149,690	-	149,690	-
Capital assets:				
Non-depreciable	21,144,997	881,797	22,026,794	-
Depreciable, net of accumulated depreciation	43,242,386	11,543,028	54,785,414	-
Total assets	102,005,251	15,675,126	117,680,377	210,911
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan contributions subsequent to measurement date	874,123	62,118	936,241	-
Net difference between projected and actual pension plan investment earnings	403,726	28,691	432,417	-
Pension plan experience differences	333,045	23,667	356,712	-
Pension plan assumption changes	82,079	5,833	87,912	-
Total deferred outflows of resources	1,692,973	120,309	1,813,282	-
LIABILITIES				
Accounts payable	860,401	121,906	982,307	-
Accrued liabilities	847,737	550,988	1,398,725	-
Accrued interest payable	179,125	-	179,125	-
Unearned revenue	-	277,285	277,285	-
Due to primary government	-	-	-	232,765
Tax anticipation note payable	4,000,000	-	4,000,000	-
Net OPEB obligation due in more than one year	3,584,378	538,754	4,123,132	-
Compensated absences, due within one year	516,487	52,948	569,435	-
Compensated absences, due in more than one year	163,612	-	163,612	-
Capital leases, due within one year	294,016	7,789	301,805	-
Capital leases, due in more than one year	698,811	21,553	720,364	-
Bonds payable, due within one year	1,190,000	-	1,190,000	-
Bonds payable, due in more than one year	17,946,695	-	17,946,695	-
Net pension liability, due in more than one year	4,661,912	331,289	4,993,201	-
Total liabilities	34,943,174	1,902,512	36,845,686	232,765
DEFERRED INFLOWS OF RESOURCES				
Pension plan experience differences	61,546	4,374	65,920	-
Total deferred inlows of resources	61,546	4,374	65,920	-
NET POSITION				
Net investment in capital assets	44,270,008	12,395,483	56,665,491	-
Restricted for:				
Law enforcement	102,622	-	102,622	-
Tourism	11,751	-	11,751	-
Capital projects	24,822,182	-	24,822,182	-
Debt service	630,044	-	630,044	-
Voter approved use	8,019,456	-	8,019,456	-
Unrestricted	(9,162,559)	1,493,066	(7,669,493)	(21,854)
Total net position	$ 68,693,504	$ 13,888,549	$ 82,582,053	$ (21,854)

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, 2016

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	$ 4,442,795	$ 158,210	$ 717,632	$ -
Judicial	367,386	849,434	-	-
Public safety	8,384,410	1,406,576	3,420	-
Public works	4,064,973	498,692	-	5,865,153
Culture and recreation	2,348,921	821,495	-	2,652
Housing and development	1,019,160	724,819	-	-
Interest on long-term debt	878,715	-	-	-
Total governmental activities	21,506,360	4,459,226	721,052	5,867,805
Business-type activities:				
Sanitation	1,667,997	2,182,106	-	-
Museum	1,110,487	440,604	-	46,576
Gardens	414,334	130,779	-	5,000
Stormwater	879,164	1,208,615	-	48,693
Total business-type activities	4,071,982	3,962,104	-	100,269
Total primary government	$ 25,578,342	$ 8,421,330	$ 721,052	$ 5,968,074
Component unit:				
Development Authority	$ 50,971	$ -	$ -	$ -
Total component unit	$ 50,971	$ -	$ -	$ -

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

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Development Authority
$ (3,566,953)	$ -	$ (3,566,953)	$ -
482,048	-	482,048	-
(6,974,414)	-	(6,974,414)	-
2,298,872	-	2,298,872	-
(1,524,774)	-	(1,524,774)	-
(294,341)	-	(294,341)	-
(878,715)		(878,715)	-
(10,458,277)	-	(10,458,277)	-
-	514,109	514,109	-
-	(623,307)	(623,307)	-
-	(278,555)	(278,555)	-
-	378,144	378,144	
-	(9,609)	(9,609)	-
(10,458,277)	(9,609)	(10,467,886)	-
-	-	-	(50,971)
-	-	-	(50,971)
10,077,543	-	10,077,543	-
1,815,579	-	1,815,579	-
1,909,498	-	1,909,498	-
1,248,304	-	1,248,304	-
964,204	-	964,204	-
326,929	1,287	328,216	38
-	-	-	65,850
146,531	-	146,531	-
(158,179)	158,179	-	-
16,330,409	159,466	16,489,875	65,888
5,872,132	149,857	6,021,989	14,917
62,821,372	13,738,692	76,560,064	(36,771)
$ 68,693,504	$ 13,888,549	$ 82,582,053	$ (21,854)

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

ASSETS	General Fund	SPLOST Fund	Urban Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 1,119,607	$ 23,776,645	$ 12,147	$ 868,161	$ 25,776,560
Investments	150,000	-	-	-	150,000
Taxes receivable	2,265,902	-	-	11,236	2,277,138
Other receivables	110,881	-	-	242,897	353,778
Due from other governments	254,403	830,324	-	-	1,084,727
Due from other funds	36,709	58,010	-	3,806	98,525
Due from component unit	232,765	-	-	-	232,765
Restricted cash	1,102,096	-	-	-	1,102,096
Restricted investments	7,547,404	-	-	-	7,547,404
Advances to other funds	825,669	-	-	-	825,669
Inventory	7,473	-	-	-	7,473
Prepaid expenditures	257,964	-	-	11,129	269,093
Notes receivable	-	-	-	149,690	149,690
Total assets	$ 13,910,873	$ 24,664,979	$ 12,147	$ 1,286,919	$ 39,874,918
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 501,740	$ 312,264	$ 1,817	$ 44,580	$ 860,401
Accrued liabilities	417,728	22,795	-	23,856	464,379
Due to other funds	437,119	-	-	22,471	459,590
Advances from other funds	1,356,500	-	-	825,669	2,182,169
Tax anticipation note payable	4,000,000	-	-	-	4,000,000
Accrued interest	16,093	-	-	-	16,093
Total liabilities	6,729,180	335,059	1,817	916,576	7,982,632
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	337,970	-	-	-	337,970
Total deferred inflows of resources	337,970	-	-	-	337,970
FUND BALANCES					
Fund balances:					
Nonspendable:					
Long-term advances	825,669	-	-	-	825,669
Inventories	7,473	-	-	-	7,473
Prepaid expenditures	257,964	-	-	11,129	269,093
Restricted:					
Law enforcement	36,096	-	-	66,526	102,622
Culture and recreation	-	-	-	11,751	11,751
Capital projects	-	24,329,920	10,330	494,079	24,834,329
Debt service	630,044	-	-	-	630,044
Voter approved use	8,019,456	-	-	-	8,019,456
Committed:					
Cemetery maintenance	-	-	-	28,577	28,577
Assigned:					
Capital projects	264,186	-	-	157,070	421,256
Unassigned	(3,197,165)	-	-	(398,789)	(3,595,954)
Total fund balances	6,843,723	24,329,920	10,330	370,343	31,554,316
Total liabilities, deferred inflows of resources and fund balances	$ 13,910,873	$ 24,664,979	$ 12,147	$ 1,286,919	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	64,387,383
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	337,970
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(20,972,653)
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.	(3,030,485)
Net OPEB obligations are not due and payable in the current period and, therefore are not reported in the funds.	(3,584,378)
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.	1,351
Net position of governmental activities	$ 68,693,504

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, 2016

	General Fund	SPLOST Fund	Urban Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 16,092,304	$ -	$ -	$ 65,219	$ 16,157,523
Licenses and permits	829,439	-	-	192,225	1,021,664
Intergovernmental	1,276,815	5,301,970	-	-	6,578,785
Fines and forfeitures	949,620	-	-	74,357	1,023,977
Charges for services	1,000,715	-	-	1,213,910	2,214,625
Contributions	2,652	-	-	4,000	6,652
Net investment income	320,776	55,827	5,386	665	382,654
Other revenues	143,133	-	-	3,420	146,553
Total revenues	20,615,454	5,357,797	5,386	1,553,796	27,532,433
EXPENDITURES					
Current:					
General government	4,087,000	-	-	-	4,087,000
Judicial	356,493	-	-	-	356,493
Public safety	6,599,294	-	-	1,266,301	7,865,595
Public works	2,560,934	-	-	230,659	2,791,593
Culture and recreation	1,976,824	-	-	32,375	2,009,199
Housing and development	931,578	-	-	26,133	957,711
Capital outlay	1,103,086	2,455,871	6,208,411	400,960	10,168,328
Debt service:					
Principal retirements	806,160	-	275,000	645,916	1,727,076
Interest and fiscal charges	470,577	-	305,865	122,002	898,444
Total expenditures	18,891,946	2,455,871	6,789,276	2,724,346	30,861,439
Excess (deficiency) of revenues over expenditures	1,723,508	2,901,926	(6,783,890)	(1,170,550)	(3,329,006)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	27,979	7,980	-	454,827	490,786
Issuance of capital lease	331,140	-	-	-	331,140
Transfers in	525,000	-	580,865	569,831	1,675,696
Transfers out	(1,799,737)	-	-	(34,138)	(1,833,875)
Total other financing sources (uses)	(915,618)	7,980	580,865	990,520	663,747
Net change in fund balance	807,890	2,909,906	(6,203,025)	(180,030)	(2,665,259)
FUND BALANCES, beginning of year	6,035,833	21,420,014	6,213,355	550,373	34,219,575
FUND BALANCES, end of year	$ 6,843,723	$ 24,329,920	$ 10,330	$ 370,343	$ 31,554,316

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, 2016

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

Net change in fund balances - total governmental funds	$	(2,665,259)
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.		8,062,279
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, sales and trade-ins) is to decrease net position.		(344,255)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(142,395)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,395,936
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.		16,732
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.		(450,906)
Change in net position - governmental activities	$	5,872,132

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 15,022,764	$ 15,922,764	$ 16,092,304	$ 169,540
Licenses and permits	469,732	521,070	829,439	308,369
Fines and forfeitures	1,150,000	950,000	949,620	(380)
Charges for services	866,827	997,827	1,000,715	2,888
Intergovernmental	1,074,577	1,224,577	1,276,815	52,238
Contributions	500	1,000	2,652	1,652
Net investment income	478,238	328,238	320,776	(7,462)
Miscellaneous	150,000	150,000	143,133	(6,867)
Total revenues	19,212,638	20,095,476	20,615,454	519,978
EXPENDITURES				
Current:				
General government:				
Mayor and council	513,208	513,208	417,494	95,714
City manager	671,671	701,518	701,477	41
Financial administration	962,478	1,004,632	995,821	8,811
Legal and audit	266,640	266,640	242,326	24,314
Information technology	789,375	752,251	717,222	35,029
Buildings	1,039,164	1,042,887	1,012,660	30,227
Total general government	4,242,536	4,281,136	4,087,000	194,136
Judicial	357,405	359,732	356,493	3,239
Public safety:				
Police	5,529,187	5,693,740	5,693,588	152
Corrections	853,665	903,647	902,802	845
E911	-	3,000	2,904	96
Total public safety	6,382,852	6,600,387	6,599,294	1,093
Public works:				
Central services	598,143	643,442	642,505	937
Highways and streets	1,802,850	1,918,631	1,918,429	202
Total public works	2,400,993	2,562,073	2,560,934	1,139
Culture and recreation	1,963,959	1,981,249	1,976,824	4,425
Housing and development:				
Construction and inspection	404,720	420,211	420,181	30
Planning and zoning	205,726	216,153	216,099	54
Economic development	692,063	296,390	295,298	1,092
Total housing and development	1,302,509	932,754	931,578	1,176
Capital outlay	1,451,802	1,209,711	1,103,086	106,625
Debt service:				
Principal	1,159,818	822,818	806,160	16,658
Interest	568,847	470,751	470,577	174
Total debt service	1,728,665	1,293,569	1,276,737	16,832
Total expenditures	19,830,721	19,220,611	18,891,946	328,665
Excess (deficiency) of revenues over expenditures	(618,083)	874,865	1,723,508	848,643
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	5,000	27,979	22,979
Issuance of capital lease	838,588	333,488	331,140	(2,348)
Transfers in	1,249,395	586,484	525,000	(61,484)
Transfers out	(1,474,900)	(1,799,837)	(1,799,737)	100
Total other financing sources (uses)	618,083	(874,865)	(915,618)	(40,753)
Net change in fund balances	-	-	807,890	807,890
FUND BALANCES, beginning of year	6,035,833	6,035,833	6,035,833	-
FUND BALANCES, end of year	$ 6,035,833	$ 6,035,833	$ 6,843,723	$ 807,890

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

ASSETS	Business-type Activities - Enterprise Funds: Sanitation Fund	Museum Fund	Stormwater Fund	Nonmajor Enterprise Fund: Gardens Fund	Totals	Governmental Activities Internal Service Fund
CURRENT ASSETS						
Cash	$ 630,933	$ 34,550	$ 647,700	$ 46,960	$ 1,360,143	$ 8,944
Accounts receivable	210,039	880	159,531	324	370,774	20,439
Due from other funds	635	11,716	127,635	3,266	143,252	378,609
Inventory	-	94,185	-	2,132	96,317	-
Prepaids	30	17,847	17,383	498	35,758	25,070
Total current assets	841,637	159,178	952,249	53,180	2,006,244	433,062
NONCURRENT ASSETS						
Advances to other funds	1,356,500	-	-	-	1,356,500	-
Capital assets:						
Non-depreciable assets	-	867,472	14,325	-	881,797	-
Depreciable assets	307,725	8,734,773	10,075,610	97,310	19,215,418	-
	307,725	9,602,245	10,089,935	97,310	20,097,215	-
Accumulated depreciation	(183,268)	(2,847,774)	(4,585,856)	(55,492)	(7,672,390)	-
Total capital assets	124,457	6,754,471	5,504,079	41,818	12,424,825	-
Total noncurrent assets	1,480,957	6,754,471	5,504,079	41,818	13,781,325	-
Total assets	2,322,594	6,913,649	6,456,328	94,998	15,787,569	433,062
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan contributions subsequent to measurement date	29,509	-	32,609	-	62,118	-
Net difference between projected and actual pension plan investment earnings	13,630		15,061		28,691	-
Pension plan experience differences	11,243	-	12,424	-	23,667	-
Pension plan assumption changes	2,771	-	3,062	-	5,833	-
Total deferred outflows of resources	57,153	-	63,156	-	120,309	-
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	112,511	4,492	88	4,815	121,906	-
Accrued liabilities	711	7,682	5,476	4,157	18,026	383,358
Due to other funds	111,731	15,493	2,005	2,048	131,277	29,519
Deposits payable	532,962	-	-	-	532,962	-
Capital lease payable	-	-	7,789	-	7,789	-
Compensated absences payable	8,424	16,527	14,024	13,973	52,948	-
Unearned revenue	177,462	-	99,823	-	277,285	-
Total current liabilities	943,801	44,194	129,205	24,993	1,142,193	412,877
NONCURRENT LIABILITIES						
Capital lease payable	-	-	21,553	-	21,553	-
Net OPEB liability	174,048	183,383	102,448	78,875	538,754	-
Net pension liability	157,379	-	173,910	-	331,289	-
Total noncurrent liabilities	331,427	183,383	297,911	78,875	891,596	-
Total liabilities	1,275,228	227,577	427,116	103,868	2,033,789	412,877
DEFERRED INFLOWS OF RESOURCES						
Pension plan experience differences	2,078	-	2,296	-	4,374	-
Total deferred inlows of resources	2,078	-	2,296	-	4,374	-
NET POSITION						
Net investment in capital assets	124,457	6,754,471	5,474,737	41,818	12,395,483	-
Unrestricted	977,984	(68,399)	615,335	(50,688)	1,474,232	20,185
Total net position	$ 1,102,441	$ 6,686,072	$ 6,090,072	$ (8,870)	13,869,715	$ 20,185
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds					18,834	
Net position of business-type activities					$ 13,888,549	

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, 2016

	Business-type Activities - Enterprise Funds					
	Sanitation Fund	Museum Fund	Stormwater Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
OPERATING REVENUE						
Sanitation fees	$ 2,181,731	$ -	$ -	$ -	$ 2,181,731	$ -
Stormwater fees	-	-	1,208,615	-	1,208,615	-
Charges for sales and services	-	326,174	-	71,781	397,955	3,211,846
Miscellaneous	375	114,430	-	58,998	173,803	-
Total operating revenues	2,182,106	440,604	1,208,615	130,779	3,962,104	3,211,846
OPERATING EXPENSES						
Cost of sales and services	1,645,235	891,087	650,593	411,118	3,598,033	151,507
Claims	-	-	-	-	-	3,041,564
Depreciation	22,884	220,267	228,329	3,729	475,209	-
Total operating expenses	1,668,119	1,111,354	878,922	414,847	4,073,242	3,193,071
Operating income (loss)	513,987	(670,750)	329,693	(284,068)	(111,138)	18,775
NON-OPERATING INCOME (EXPENSES)						
Interest income	958	148	98	83	1,287	102
Interest expense	-	-	(885)	-	(885)	-
Total non-operating income (expenses)	958	148	(787)	83	402	102
Income (loss) before transfers and contributions	514,945	(670,602)	328,906	(283,985)	(110,736)	18,877
Capital contributions	-	46,576	48,693	5,000	100,269	-
Transfers in	-	448,585	-	234,594	683,179	-
Transfers out	(500,000)	-	(25,000)	-	(525,000)	-
Total capital contributions and transfers	(500,000)	495,161	23,693	239,594	258,448	-
Change in net position	14,945	(175,441)	352,599	(44,391)	147,712	18,877
Total net position, beginning of year	1,087,496	6,861,513	5,737,473	35,521		1,308
Total net position, end of year	$ 1,102,441	$ 6,686,072	$ 6,090,072	$ (8,870)		$ 20,185
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds					2,145	
Change in net position of business-type activities					$ 149,857	

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, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sanitation Fund	Museum Fund	Stormwater Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 2,357,846	$ 479,219	$ 1,206,412	$ 130,455	$ 4,173,932	$ 3,081,318
Payments to suppliers	(1,625,871)	(387,361)	(171,491)	(106,553)	(2,291,276)	(3,082,175)
Payments to employees	(115,660)	(552,413)	(483,175)	(295,537)	(1,446,785)	-
Net cash provided by (used in) operating activities	616,315	(460,555)	551,746	(271,635)	435,871	(857)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	-	448,585	-	234,594	683,179	-
Transfers out to other funds	(500,000)	-	(25,000)	-	(525,000)	-
Net cash provided by (used in) non-capital financing activities	(500,000)	448,585	(25,000)	234,594	158,179	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	-	(5,712)	(83,136)	-	(88,848)	-
Principal payments on capital lease	-	-	(6,904)	-	(6,904)	-
Interest payments on capital lease	-	-	(885)	-	(885)	-
Grants and capital contributions	-	1,141	48,693	5,000	54,834	-
Net cash provided by (used in) capital and related financing activities	-	(4,571)	(42,232)	5,000	(41,803)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	958	148	98	83	1,287	102
Net cash provided by investing activities	958	148	98	83	1,287	102
Net increase (decrease) in cash	117,273	(16,393)	484,612	(31,958)	553,534	(755)
Cash, beginning of year	513,660	50,943	163,088	78,918	806,609	9,699
Cash, end of year	$ 630,933	$ 34,550	$ 647,700	$ 46,960	$ 1,360,143	$ 8,944
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ 513,987	$ (670,750)	$ 329,693	$ (284,068)	$ (111,138)	$ 18,775
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	22,884	220,267	228,329	3,729	475,209	-
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	11,497	38,615	(13,911)	(324)	35,877	(20,439)
Decrease (increase) in due from other funds	286	15,859	69,458	(1,342)	84,261	(110,089)
Decrease in advances to other funds	122,842	-	-	-	122,842	-
Increase in prepaid items	-	(8,277)	(2,381)	(227)	(10,885)	(25,070)
Decrease (increase) in inventory	-	(1,383)	-	2,237	854	-
Decrease (increase) in pension related deferred outflows of resources	(50,650)	-	19,817	-	(30,833)	-
Decrease in accounts payable	(112,037)	(90,565)	(11,561)	(4,634)	(218,797)	(52,211)
Increase (decrease) in accrued liabilities	(1,928)	(9,353)	(8,700)	(8,024)	(28,005)	174,870
Increase in customer deposits payable	34,985	-	-	-	34,985	-
Increase in OPEB liability	3,613	25,735	19,082	15,218	63,648	-
Increase (decrease) in compensated absences payable	1,530	3,804	(1,591)	3,752	7,495	-
Increase in unearned revenue	6,416	-	11,708	-	18,124	-
Increase (decrease) in pension related deferred inflows of resources	714	-	(15,109)	-	(14,395)	-
Increase (decrease) in due to other funds	(75,691)	15,493	2,005	2,048	(56,145)	13,307
Increase (decrease) in net pension liability	137,867	-	(75,093)	-	62,774	-
Net cash provided by (used in) operating activities	$ 616,315	$ (460,555)	$ 551,746	$ (271,635)	$ 435,871	$ (857)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital contributions	$ -	$ 45,435	$ -	$ -	$ 45,435	$ -

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 **Stormwater fund** accounts for the collection of fees for upgrades to stormwater drains and related expenses.

The City also reports the following fund types:

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The **Enterprise Funds** are used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent of the City is that the costs (including depreciation) of providing the goods and services be financed or recovered primarily through user charges.

The **Internal Service Fund** accounts for the accumulation of resources to be used for health insurance related costs, as the City is partially self-insured.

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 made by the City in nonparticipating interest-earning contracts (such as certificates of deposit) are reported at cost. All other investments are reported at fair value.

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, 2016, 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 acquisition value. The City has reported infrastructure consistent with the retroactive infrastructure reporting requirements of GASB Statement 34.

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

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 Outflows/Inflows of Resources

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

The City also has deferred inflows of resources and deferred outflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources. This amount will reduce the net pension liability in the next fiscal year.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity (Continued)

Fund balances are classified as follows:

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Kennesaw Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Management Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $20,972,653 difference are as follows:

Capital leases payable	$ (992,827)
Bonds payable	(19,136,695)
Accrued interest payable	(163,032)
Compensated absences	(680,099)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (20,972,653)

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

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

Another element of that reconciliation states that "deferred outflows of resources, deferred inflows of resources and the net pension liability are not expected to be liquidated with expendable available resources and therefore are not reported in the funds." The details of this $3,030,485 difference are as follows:

Net pension liability	$	(4,661,912)
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date		874,123
Pension plan experience differences		333,045
Pension plan assumption changes		82,079
Net difference between projected and actual investment earnings		403,726
Deferred inflows of resources:		
Pension plan experience differences		(61,546)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(3,030,485)

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 $8,062,279 difference are as follows:

Capital outlay	$	10,183,859
Depreciation expense		(2,121,580)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	8,062,279

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

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

Another element of that reconciliation explains that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this $1,395,936 difference are as follows:

Issuance of capital leases	$	(331,140)
Principal retirement of long-term debt		1,727,076
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	1,395,936

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 $450,906 differences are as follows:

Compensated absences	$	(2,992)
Change in OPEB accrual		(531,813)
Net pension liability and related deferred outflows and inflows of resources		64,170
Amortization of bond issuance premium		3,373
Accrued interest		16,356
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(450,906)

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

Credit risk. The City does not have a formal policy to address credit risk aside from adherence to State statutes for investments. State statutes authorize the City to invest in U.S. Government obligations; U.S. Government agency (or other corporation of the U.S. Government) obligations; obligations fully insured or guaranteed by the U.S. Government or a U.S. Government agency; obligations of the State of Georgia or other states; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America; prime bankers' acceptances; repurchase agreements; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

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

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2016, information on the credit risk and interest rate risk related to the City's investments is disclosed as follows:

Investment	Maturities	Rating	Reported Value
Certificate of deposit	1 - 5 years	N/A	$ 150,000
Federal Home Loan Bank	1 - 5 years	Aaa	414,232
Federal Farm Credit Bank	1 - 5 years	Aaa	300,135
Federal Home Loan Mortgage Corp.	6 - 10 years	AA+	500,367
Federal Home Loan Bank	6 - 10 years	Aaa	668,500
Federal Farm Credit Bank	6 - 10 years	Aaa	680,371
Federal Farm Credit Bank	11 - 15 years	Aaa	543,648
Federal Home Loan Bank	11 - 15 years	Aaa	706,227
Federal National Mortgage Association	11 - 15 years	Aaa	1,862,582
Federal National Mortgage Association	16 - 20 years	Aaa	591,372
Tennessee Valley Authority Debenture	16 - 20 years	Aaa	725,415
Federal National Mortgage Association	21 - 25 years	N/A	554,555
Total			$ 7,697,404

N/A - Not applicable

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2016:

Investment	Level 1	Level 2	Fair Value
Federal Home Loan Bank	$ -	$ 1,788,959	$ 1,788,959
Federal Home Loan Mortgage Corp	-	500,367	500,367
Federal National Mortgage Association	1,890,810	1,117,699	3,008,509
Federal Farm Credit Bank	-	1,524,154	1,524,154
Tenn Valley Authority	725,415	-	725,415
Real estate held for resale	-	185,950	185,950
Total investments measured at fair value	$ 2,616,225	$ 5,117,129	$ 7,733,354
Investments not subject to level disclosure:			
Certificates of Deposit			150,000
Total investments			$ 7,883,354

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

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

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 110% by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2016, 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, 2016, 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	Stormwater	Other Nonmajor Funds
Receivables:						
Taxes	$ 2,368,142	$ -	$ -	$ -	$ -	$ 11,236
Accounts	-	-	298,081	880	166,549	324
Due from other governments	254,403	830,324	-	-	-	-
Other	110,881	-	-	-	-	242,897
Less allowance for uncollectible	(102,240)	-	(88,042)	-	(7,018)	-
Net total receivable	$ 2,631,186	$ 830,324	$ 210,039	$ 880	$ 159,531	$ 254,457

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2016, is as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 14,021,277	$ -	$ -	$ -	$ 14,021,277
Construction in progress	6,266,442	2,253,253	(1,395,975)	-	7,123,720
Total	20,287,719	2,253,253	(1,395,975)	-	21,144,997
Capital assets, being depreciated:					
Buildings	11,805,002	6,408,411	171,141	(322,693)	18,061,861
Infrastructure	38,101,066	473,126	1,218,298	-	39,792,490
Machinery and equipment	4,726,385	412,275	-	(499,268)	4,639,392
Land improvements	9,935,892	60,179	6,536	-	10,002,607
Vehicles	3,801,031	576,615	-	(386,298)	3,991,348
Total	68,369,376	7,930,606	1,395,975	(1,208,259)	76,487,698
Less accumulated depreciation for:					
Buildings	(4,612,845)	(356,134)	-	28,908	(4,940,071)
Infrastructure	(20,393,304)	(993,483)	-	-	(21,386,787)
Machinery and equipment	(3,144,448)	(286,335)	-	449,177	(2,981,606)
Land improvements	(1,481,103)	(261,498)	-	-	(1,742,601)
Vehicles	(2,356,036)	(224,130)	-	385,919	(2,194,247)
Total	(31,987,736)	(2,121,580)	-	864,004	(33,245,312)
Total capital assets, being depreciated, net	36,381,640	5,809,026	1,395,975	(344,255)	43,242,386
Governmental activities capital assets, net	$ 56,669,359	$ 8,062,279	$ -	$ (344,255)	$ 64,387,383

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Museum artifacts	$ 815,037	$ 45,435	$ -	$ -	$ 860,472
Construction in progress	155,250	-	(155,250)	-	-
Land	21,325	-	-	-	21,325
Total	991,612	45,435	(155,250)	-	881,797
Capital assets, being depreciated:					
Buildings and structures	17,808,909	4,322	155,250	-	17,968,481
Furniture and fixtures	83,736	5,712	-	-	89,448
Vehicles	228,364	-	-	-	228,364
Machinery and equipment	850,311	78,814	-	-	929,125
Total	18,971,320	88,848	155,250	-	19,215,418
Less accumulated depreciation for:					
Buildings and structures	(6,486,286)	(410,382)	-	-	(6,896,668)
Furniture and fixtures	(83,736)	-	-	-	(83,736)
Vehicles	(100,094)	(20,825)	-	-	(120,919)
Machinery and equipment	(527,065)	(44,002)	-	-	(571,067)
Total	(7,197,181)	(475,209)	-	-	(7,672,390)
Total capital assets, being depreciated, net	11,774,139	(386,361)	155,250	-	11,543,028
Business-type activities capital assets, net	$ 12,765,751	$ (340,926)	$ -	$ -	$ 12,424,825

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

Governmental activities:	
General government	$ 263,222
Judicial	577
Public safety	273,941
Public works	1,247,570
Culture and recreation	303,500
Housing and development	32,770
Total depreciation expense - governmental activities	$ 2,121,580
Business-type activities:	
Sanitation	$ 22,884
Museum	220,267
Stormwater	228,329
Gardens	3,729
Total depreciation expense - business-type activities	$ 475,209

NOTE 7. SHORT-TERM BORROWINGS

The City paid off a tax anticipation note for operating purposes of $4,000,000 at a local financial institution. The borrowing, with an interest rate of .78%, matured on December 31, 2015. As of September 30, 2016, the principal was paid in full. During the year ending September 30, 2016 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 1.16% and matures on December 15, 2016.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2016, was $23,825.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2016:

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

Remainder of the page intentionally left blank.

NOTE 8. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 10,640,000	$ -	$ (535,000)	$ 10,105,000	$ 565,000
Revenue bonds	9,585,000	-	(600,000)	8,985,000	625,000
Premium on bonds	50,068	-	(3,373)	46,695	-
Notes payable	320,916	-	(320,916)	-	-
Capital leases	932,847	331,140	(271,160)	992,827	294,016
OPEB obligation	3,052,565	552,865	(21,052)	3,584,378	-
Net pension liability	4,200,805	1,713,455	(1,252,348)	4,661,912	-
Compensated absences	677,107	518,317	(515,325)	680,099	516,487
Governmental activity Long-term liabilities	$ 29,459,308	$ 3,115,777	$ (3,519,174)	$ 29,055,911	$ 2,000,503

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Capital lease	$ 36,246	$ -	$ (6,904)	$ 29,342	$ 7,789
OPEB obligation	475,106	66,168	(2,520)	538,754	-
Net pension liability	268,515	121,763	(58,989)	331,289	-
Compensated absences	45,453	49,370	(41,875)	52,948	52,948
Business-type activity Long-term liabilities	$ 825,320	$ 237,301	$ (110,288)	$ 952,333	$ 60,737

For governmental activities, compensated absences, OPEB obligations and the net pension liability are liquidated by the General Fund and E911 Fund. For business-type activities, compensated absences and OPEB obligations are liquidated by all enterprise funds and the net pension liability is liquidated by the sanitation and stormwater 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, 2016, the City had governmental activities machinery and equipment under capital leases with a cost of $1,538,441 and accumulated depreciation of $161,158 for a net book value of $1,377,283, and business-type activities vehicles with a cost of $44,035 and accumulated depreciation of $5,873 for a net book value of $38,162. Annual depreciation of these assets is included in depreciation expense.

NOTE 8. LONG-TERM DEBT (Continued)

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

Fiscal Year Ending September 30,	Governmental Activities	Business-Type Activities
2017	$ 313,285	$ 7,789
2018	236,845	7,789
2019	236,845	7,789
2020	170,512	7,789
2021	81,857	-
Total minimum lease payments	1,039,344	31,156
Less amount representing interest	46,517	1,814
Present value of future minimum lease payments	$ 992,827	$ 29,342

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:

Fiscal Year Ending September 30,	Principal	Interest	Total
2017	$ 565,000	$ 404,687	$ 969,687
2018	595,000	380,791	975,791
2019	620,000	355,762	975,762
2020	650,000	329,600	979,600
2021	685,000	302,099	987,099
2022-2026	4,015,000	1,043,905	5,058,905
2027-2029	2,975,000	188,387	3,163,387
Total	$ 10,105,000	$ 3,005,231	$ 13,110,231

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,			
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	515,000	309,405	824,405
2021	545,000	286,285	831,285
2022-2026	1,180,000	1,207,878	2,387,878
2027-2031	950,000	993,814	1,943,814
2032-2036	1,235,000	736,419	1,971,419
2037-2041	1,520,000	451,313	1,971,313
2042-2044	1,085,000	85,202	1,170,202
Total	$ 8,985,000	$ 5,153,090	$ 14,138,090

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 17,163
General fund	Nonmajor enterprise funds	2,048
General fund	Museum fund	15,493
Internal service fund	General fund	378,609
Museum fund	Nonmajor governmental funds	5,308
General fund	Stormwater fund	2,005
Stormwater fund	Sanitation fund	111,731
Sanitation fund	Internal service fund	635
Museum fund	Internal service fund	6,408
Stormwater fund	Internal service fund	15,904
Nonmajor enterprise funds	Internal service fund	3,266
Nonmajor governmental funds	Internal service fund	3,306
Nonmajor governmental funds	General fund	500
SPLOST fund	General fund	58,010
		$ 620,386

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.

The interfund balance between SPLOST Fund and General Fund resulted from grant funds received in the General Fund for expenditures incurred, for a voter approved SPLOST project, in the SPLOST Fund. The payment between funds was not made prior to year-end.

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

Advances to/from other funds are as follows:

Receivable Fund	Payable Fund	Amount
Sanitation fund	General fund	1,356,500
General fund	Nonmajor governmental funds	825,669
		$ 2,182,169

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 amount payable to the Sanitation Fund from the General Fund relates 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	$ 232,765

Interfund transfers:

Transfers In	Transfers Out	Amount
General fund	Sanitation fund	$ 500,000
General fund	Stormwater fund	25,000
		$ 525,000
Museum fund	General fund	$ 414,447
Museum fund	Nonmajor governmental funds	34,138
		$ 448,585
Urban redevelopment fund	General fund	$ 580,865
Nonmajor governmental funds	General fund	$ 569,831
Nonmajor enterprise funds	General fund	$ 234,594

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

NOTE 10. OPERATING LEASES

The City leases copy machines under non-cancelable operating leases. Total costs for such leases were $26,376 for the fiscal year ended September 30, 2016. The future minimum lease payments for these leases are as follows:

Year Ending September 30,	
2017	$ 26,376
2018	26,376
2019	26,376
	$ 79,128

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Kennesaw Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. 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.

Plan Membership. At January 1, 2016, the date of the most recent actuarial valuation, there were 286 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	58
Terminated vested participants not yet receiving benefits	38
Active employees - vested	79
Active employees - nonvested	111
Total	286

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan, as adopted by the City Council, is to contribute an amount equal to or greater than the recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the year ended September 30, 2016, the active member contribution rate was 2.00% of annual pay and the City's actuarially determined contribution rate was 11.87% of covered payroll. City contributions to the Plan were $936,421 for the year ended September 30, 2016.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2015.

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Actuarial assumptions. The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8.75%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates for the January 1, 2015 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

Cost of living adjustments were assumed to be 0.00%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the table below.

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	—%	
Total	100%	

* Rates shown are net of the 3.25% assumed rate of inflation

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended September 30, 2016 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/15	$ 16,699,621	$ 12,230,301	$ 4,469,320
Changes for the year:			
Service cost	539,391	-	539,391
Interest	1,266,040	-	1,266,040
Differences between expected and actual experience	(82,401)	-	(82,401)
Contributions—employer	-	933,501	(933,501)
Contributions—employee	-	167,673	(167,673)
Net investment income	-	127,762	(127,762)
Benefit payments, including refunds of employee contributions	(727,236)	(727,236)	-
Administrative expense	-	(29,787)	29,787
Net changes	995,794	471,913	523,881
Balances at 9/30/16	$ 17,695,415	$ 12,702,214	$ 4,993,201

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	$ 7,403,335	$ 4,993,201	$ 3,001,563

Changes in the Net Pension Liability of the City. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2015 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2016, the City recognized pension expense of $889,616. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 356,712	$ 65,920
Changes in assumptions	87,912	-
Net difference between projected and actual earnings on pension plan investments	432,417	-
City contributions subsequent to the measurement date	936,241	-
Total	$ 1,813,282	$ 65,920

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

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

City contributions subsequent to the measurement date of $936,241 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2017	$	183,254
2018		183,254
2019		183,254
2020		261,359
Total	$	811,121

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City of Kennesaw Other Postretirement Benefits Plan (the "OPEB Plan") is a single-employer defined benefit postretirement health care, dental and vision plan, or other postemployment benefit (OPEB) plan. The City has not elected to advance fund the plan, but rather maintains the plan on a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. The City Council, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. There are no separately issued financial statements related to the City's OPEB Plan.

Benefits

Eligible retirees and former employees are offered the same POS health, prescription drug and dental coverage as active employees. Retirees are not offered the EPO plan. The City pays 100% of the employee premium and 0% of family premium for the POS plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year per individual or $3,000 per family for the POS plan. The individual limits of coverage by the City total $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.

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Eligibility

Eligible participants for Other Postemployment Benefits include:

1. Retired employees meeting the rule of 70 (age + years of service = 70); and
2. Employee must be receiving a pension from GMA.

Plan Membership

As of January 1, 2015, the most recent actuarial valuation date, the Plan membership included the following categories of participants:

Retirees, beneficiaries, and dependents	11
Active participants	179
	190

City Contributions

The annual required contribution for the current year was determined as part of the January 1, 2015, actuarial valuation. The actuarial assumptions included:

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Market Value
Assumed Rate of Return on Investments	4.00%
Annual Inflation	3.25%
Healthcare Cost Trend Rate	7.50%
Ultimate Healthcare Cost Trend Rate	5.00%
Year of Ultimate Trend Rate	2020
Amortization Method	Level dollar, closed
Remaining Amortization Period	19 years

The following is a schedule of funding progress using the projected unit credit method. As of the most recent valuation date, January 1, 2015, 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)
1/1/2015	$ -	$ 5,116,174	$ 5,116,174	0.0%	$ 7,640,009	66.97%

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.

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2015.

Annual OPEB Cost

The City's actuarially determined contribution, OPEB cost and increase in net OPEB obligation for the year ended September 30, 2016, is as follows:

Annual required contribution	$ 751,607
Interest on net OPEB obligation	141,107
Adjustments to annual required contribution	(273,681)
Annual OPEB cost	619,033
Contributions made	23,572
Increase in net OPEB obligation	595,461
Net OPEB obligation, beginning of year	3,527,671
Net OPEB obligation, end of year	$ 4,123,132

The recommended contribution was determined as part of the January 1, 2015 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, 2016	$ 619,033	$ 23,572	4%	$ 4,123,132
September 30, 2015	275,637	53,166	19%	3,527,671
September 30, 2014	593,777	9,810	2%	3,305,200

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, 2016, there were 75 plan members. During the year ending September 30, 2016 employee contributions were $208,130 and employer contributions were $51,044.

NOTE 14. FUND DEFICITS

For the year ended September 30, 2016, the City's E911 Fund and Gardens Fund had fund deficits of $387,660 and $8,870 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 Gardens 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 90% of the employee premium and 85% of the employee/child, employee/spouse and family premium for the POS plan and 91% of the employee premium and 88% of the employee/child, employee/spouse and family premiums for the EPO plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year per individual or $3,000 per family for the POS plan and $6,350 per individual and $12,700 per family for the EPO plan. Each employee's portion of the medical premium cost is withheld from that employee's paycheck.

The City has a specific deductible of $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. Retirees are not offered the EPO plan. There is a maximum out-of-pocket cost to the employee of $1,000 per year per individual or $3,000 per family for the POS plan. The retirees' medical claims are included in the annual limit discussed above. The individual limits of coverage by the City total $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, 11 retirees are eligible for postretirement benefits. These postretirement benefits are funded on a pay-as-you go basis and totaled $23,572 for the year ended September 30, 2016.

NOTE 16. RISK MANAGEMENT (Continued)

Changes in the claims liability for the years ended September 30, 2016 and 2015 are as follows:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2016	$ 208,488	$ 3,191,245	$ 3,016,375	$ 383,358
2015	$ 372,401	$ 2,309,068	$ 2,472,981	$ 208,488

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, 2016, contractual commitments on uncompleted contracts were $3,997,448.

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 $65,219 for the year ended September 30, 2016. Of this amount 100%, or $65,219, was expended. Expenditures of the tax were used to promote tourism, conventions, and trade shows to operate, maintain, and market a conference center facility as required by O.C.G.A. 48-13-51.

NOTE 19. RESTRICTED FUND BALANCE

The City has reported $8,019,456 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 through an amendment to the City Charter, or enabling legislation, requiring the council to obtain voter approval, through a city-wide vote, for any and all uses of the proceeds, for which the purpose is required to be determined at that time. Council has no intentions or plans for the use of the funds as of September 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENNESAW, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Other Postemployment 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)
1/1/2015	$ -	$ 5,116,174	$ 5,116,174	0.00%	$ 7,640,009	66.97%
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%	7,906,662	32.94%

Note: See assumptions used for the above schedule in Note 12 to the financial statements.

CITY OF KENNESAW, GEORGIA

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

	2016	2015
Total pension liability		
Service cost	$ 539,391	$ 535,589
Interest on total pension liability	1,266,040	1,138,176
Differences between expected and actual experience	(82,401)	535,069
Changes of assumptions	-	131,867
Benefit payments, including refunds of employee contributions	(727,236)	(654,436)
Net change in total pension liability	995,794	1,686,265
Total pension liability - beginning	16,699,621	15,013,356
Total pension liability - ending (a)	$ 17,695,415	$ 16,699,621
Plan fiduciary net position		
Contributions - employer	$ 933,501	$ 812,088
Contributions - employee	167,673	155,925
Net investment income	127,762	1,231,684
Benefit payments, including refunds of member contributions	(727,236)	(654,436)
Administrative expenses	(29,787)	(23,504)
Net change in plan fiduciary net position	471,913	1,521,757
Plan fiduciary net position - beginning	12,230,301	10,708,544
Plan fiduciary net position - ending (b)	$ 12,702,214	$ 12,230,301
City's net pension liability - ending (a) - (b)	$ 4,993,201	$ 4,469,320
Plan fiduciary net position as a percentage of the total pension liability	71.78%	73.24%
Covered-employee payroll	$ 8,162,506	$ 7,702,593
City's net pension liability as a percentage of covered-employee payroll	61.17%	58.02%

Notes to the Schedule:

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

CITY OF KENNESAW, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CITY CONTRIBUTIONS

	2016	2015
Actuarially determined contribution	$ 936,241	$ 859,675
Contributions in relation to the actuarially determined contribution	936,241	933,501
Contribution deficiency (excess)	$ -	$ (73,826)
Covered-employee payroll	$ 7,887,456	$ 8,162,506
Contributions as a percentage of covered-employee payroll	11.87%	11.44%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	January 1, 2016
Cost Method	Projected unit credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.75% - 8.75% (including 3.25% for inflation)
Cost-of-living Adjustment	N/A
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective period of 10 years

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

CITY OF KENNESAW, GEORGIA

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, 2016

	Special Revenue Funds						Capital Projects Fund	Debt Service Fund	
ASSETS	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
Cash and cash equivalents	$ 89,594	$ 11,426	$ 8,244	$ 13,534	$ 30,266	$ 494,006	$ 74,999	$ 146,092	$ 868,161
Taxes receivable	-	-	-	11,236	-	-	-	-	11,236
Other receivables	-	-	242,897	-	-	-	-	-	242,897
Prepaid expenditures	-	-	11,129	-	-	-	-	-	11,129
Due from other funds	-	-	3,308	-	-	498	-	-	3,806
Notes receivable	-	-	-	-	-	-	-	149,690	149,690
Total assets	$ 89,594	$ 11,426	$ 265,578	$ 24,770	$ 30,266	$ 494,504	$ 74,999	$ 295,782	$ 1,286,919
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	$ 18,100	$ 233	$ 16,788	$ 7,711	$ 1,033	$ 425	$ -	$ 290	$ 44,580
Accrued liabilities	-	-	10,856	-	-	-	10,000	3,000	23,856
Due to other funds	7,205	8,956	-	5,308	656	-	-	346	22,471
Advances from other funds	-	-	625,594	-	-	-	-	200,075	825,669
Total liabilities	25,305	9,189	653,238	13,019	1,689	425	10,000	203,711	916,576
FUND BALANCES									
Fund Balances:									
Nonspendable:									
Prepaids	-	-	11,129	-	-	-	-	-	11,129
Restricted:									
Capital Projects	-	-	-	-	-	494,079	-	-	494,079
Law enforcement	64,289	2,237	-	-	-	-	-	-	66,526
Culture and recreation	-	-	-	11,751	-	-	-	-	11,751
Committed:									
Cemetery maintenance	-	-	-	-	28,577	-	-	-	28,577
Assigned:									
Capital projects	-	-	-	-	-	-	64,999	92,071	157,070
Unassigned	-	-	(398,789)	-	-	-	-	-	(398,789)
Total fund balances	64,289	2,237	(387,660)	11,751	28,577	494,079	64,999	92,071	370,343
Total liabilities and fund balances	$ 89,594	$ 11,426	$ 265,578	$ 24,770	$ 30,266	$ 494,504	$ 74,999	$ 295,782	$ 1,286,919

CITY OF KENNESAW, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	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	$ -	$ -	$ -	$ 65,219	$ -	$ -	$ -	$ -	$ 65,219
Licenses and permits	-	-	-	-	-	192,225	-	-	192,225
Fines and forfeitures	60,625	13,732	-	-	-	-	-	-	74,357
Charges for services	-	-	1,173,135	1,295	12,650	-	-	26,830	1,213,910
Contributions	-	-	-	-	4,000	-	-	-	4,000
Miscellaneous	-	3,000	420	-	-	-	-	-	3,420
Interest	39	41	285	37	24	28	127	84	665
Total revenues	60,664	16,773	1,173,840	66,551	16,674	192,253	127	26,914	1,553,796
EXPENDITURES									
Current									
Public safety	15,860	79,121	1,171,320	-	-	-	-	-	1,266,301
Public works	-	-	-	-	11,783	218,876	-	-	230,659
Culture and recreation	-	-	-	32,375	-	-	-	-	32,375
Housing and development	-	-	-	-	-	-	-	26,133	26,133
Capital outlay	-	12,557	-	-	-	-	388,403	-	400,960
Debt service									
Principal retirements	-	-	-	-	-	-	-	645,916	645,916
Interest and fiscal charges	-	-	-	-	-	-	-	122,002	122,002
Total expenditures	15,860	91,678	1,171,320	32,375	11,783	218,876	388,403	794,051	2,724,346
Excess (deficiency) of revenues over (under) expenditures	44,804	(74,905)	2,520	34,176	4,891	(26,623)	(388,276)	(767,137)	(1,170,550)
OTHER FINANCING SOURCES (USES)									
Proceeds from sale of capital assets	-	8,000	-	-	-	-	-	446,827	454,827
Transfers in	-	-	90,493	-	-	-	44,242	435,096	569,831
Transfers out	-	-	-	(34,138)	-	-	-	-	(34,138)
Total other financing sources (uses)	-	8,000	90,493	(34,138)	-	-	44,242	881,923	990,520
Net change in fund balances	44,804	(66,905)	93,013	38	4,891	(26,623)	(344,034)	114,786	(180,030)
FUND BALANCES (DEFICIT), beginning of year	19,485	69,142	(480,673)	11,713	23,686	520,702	409,033	(22,715)	550,373
FUND BALANCES (DEFICIT), end of year	$ 64,289	$ 2,237	$ (387,660)	$ 11,751	$ 28,577	$ 494,079	$ 64,999	$ 92,071	$ 370,343

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 5,000	$ 16,000	$ 60,625	$ 44,625
Interest	25	25	39	14
Total revenues	5,025	16,025	60,664	44,639
EXPENDITURES				
Public safety	5,025	16,025	15,860	165
Net change in fund balances	-	-	44,804	44,804
FUND BALANCES, beginning of year	19,485	19,485	19,485	-
FUND BALANCES, end of year	$ 19,485	$ 19,485	$ 64,289	$ 44,804

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 125,000	$ 130,000	$ 13,732	$ (116,268)
Miscellaneous	-	-	3,000	3,000
Interest	300	300	41	(259)
Total revenues	125,300	130,300	16,773	(113,527)
EXPENDITURES				
Public safety	109,328	134,328	79,121	55,207
Capital outlay	70,000	50,000	12,557	37,443
Total expenditures	179,328	184,328	91,678	92,650
Deficiency of revenues over expenditures	(54,028)	(54,028)	(74,905)	(20,877)
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	8,000	8,000
Net change in fund balances	(54,028)	(54,028)	(66,905)	(12,877)
FUND BALANCES, beginning of year	69,142	69,142	69,142	-
FUND BALANCES, end of year	$ 15,114	$ 15,114	$ 2,237	$ (12,877)

CITY OF KENNESAW, GEORGIA
E911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 1,181,899	$ 1,185,399	$ 1,173,135	$ (12,264)
Miscellaneous	-	-	420	420
Interest	166	166	285	119
Total revenues	1,182,065	1,185,565	1,173,840	(11,725)
EXPENDITURES				
Public safety	1,108,776	1,225,812	1,171,320	54,492
Excess (deficiency) of revenues over expenditures	73,289	(40,247)	2,520	42,767
OTHER FINANCING SOURCES (USES)				
Transfers in	168,411	101,731	90,493	(11,238)
Transfers out	(241,700)	(61,484)	-	61,484
Total other financing sources (uses)	(73,289)	40,247	90,493	50,246
Net change in fund balances	-	-	93,013	93,013
FUND BALANCES (DEFICIT), beginning of year	(480,673)	(480,673)	(480,673)	-
FUND BALANCES (DEFICIT), end of year	$ (480,673)	$ (480,673)	$ (387,660)	$ 93,013

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 55,800	$ 64,900	$ 65,219	$ 319
Charges for services	1,125	1,125	1,295	170
Interest	30	30	37	7
Total revenues	56,955	66,055	66,551	496
EXPENDITURES				
Culture and recreation	28,125	32,425	32,375	50
Excess of revenues over expenditures	28,830	33,630	34,176	546
OTHER FINANCING USES				
Transfers out	(28,830)	(34,230)	(34,138)	92
Net change in fund balances	-	(600)	38	638
FUND BALANCES, beginning of year	11,713	11,713	11,713	-
FUND BALANCES, end of year	$ 11,713	$ 11,113	$ 11,751	$ 638

CITY OF KENNESAW, GEORGIA
CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 5,000	$ 5,000	$ 12,650	$ 7,650
Contributions	-	4,000	4,000	-
Interest	41	41	24	(17)
Total revenues	5,041	9,041	16,674	7,633
EXPENDITURES				
Public works	10,800	14,800	11,783	3,017
Net change in fund balances	(5,759)	(5,759)	4,891	10,650
FUND BALANCES, beginning of year	23,686	23,686	23,686	-
FUND BALANCES, end of year	$ 17,927	$ 17,927	$ 28,577	$ 10,650

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and permits	$ 25,798	$ 25,798	$ 192,225	$ 166,427
Interest	24	24	28	4
Total revenues	25,822	25,822	192,253	166,431
EXPENDITURES				
Public works	298,000	298,000	218,876	79,124
Net change in fund balances	(272,178)	(272,178)	(26,623)	245,555
FUND BALANCES, beginning of year	520,702	520,702	520,702	-
FUND BALANCES, end of year	$ 248,524	$ 248,524	$ 494,079	$ 245,555

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Interest	$ 4,000	$ 4,055	$ 5,386	$ 1,331
Total revenues	4,000	4,055	5,386	1,331
EXPENDITURES				
Debt service				
Principal	275,000	275,000	275,000	-
Interest and fiscal charges	305,812	305,867	305,865	2
Capital outlay	6,200,000	6,208,500	6,208,411	89
Total expenditures	6,780,812	6,789,367	6,789,276	91
Deficiency of revenues over expenditures	(6,776,812)	(6,785,312)	(6,783,890)	1,422
OTHER FINANCING SOURCES				
Transfers in	575,362	575,362	580,865	5,503
Net change in fund balances	(6,201,450)	(6,209,950)	(6,203,025)	6,925
FUND BALANCES, beginning of year	6,213,355	6,213,355	6,213,355	-
FUND BALANCES, end of year	$ 11,905	$ 3,405	$ 10,330	$ 6,925

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, 2016

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 79,800	$ 79,800	$ 26,830	$ (52,970)
Miscellaneous revenue	1,200	1,200	-	(1,200)
Interest	15	15	84	69
Total revenues	81,015	81,015	26,914	(54,101)
EXPENDITURES				
Housing and development	53,353	53,353	26,133	27,220
Debt service				
Principal	370,462	817,289	645,916	171,373
Interest and fiscal charges	126,886	126,886	122,002	4,884
Total expenditures	550,701	997,528	794,051	203,477
Deficiency of revenues over expenditures	(469,686)	(916,513)	(767,137)	149,376
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	446,827	446,827	-
Transfers in	469,686	469,686	435,096	(34,590)
Total other financing sources	469,686	916,513	881,923	(34,590)
Net change in fund balances	-	-	114,786	114,786
FUND BALANCES (DEFICIT), beginning of year	(22,715)	(22,715)	(22,715)	-
FUND BALANCES (DEFICIT), end of year	$ (22,715)	$ (22,715)	$ 92,071	$ 114,786

CITY OF KENNESAW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED SEPTEMBER 30, 2016

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	$ 787,563	$ 787,563	$ -	$ 787,563	100.00 %
Old Highway 41	2,600,000	3,735,916	536,729	32,054	568,783	15.22
Kennesaw Due West Road	750,000	750,000	750,000	-	750,000	100.00
Pine Mountain Road @ US 41	300,000	300,000	300,000	-	300,000	100.00
Rutledge Road	900,000	595,289	523,844	71,445	595,289	100.00
Jiles Road	9,900,000	3,507 (1)	3,507	-	3,507	100.00
Cherokee Street	3,750,000	1,472,820	1,422,532	36,602	1,459,134	99.07
McCollum Parkway	200,000	- (1)	-	-	-	-
Barrett Parkway	520,300	- (1)	-	-	-	-
Pine Mountain Court @ US 41	200,000	49,773	12,285	37,488	49,773	100.00
Cobb International Boulevard	1,000,000	- (1)	-	-	-	-
Sidewalk Projects	410,900	147,317	147,317	-	147,317	100.00
Resurfacing Projects	520,774	448,444	448,444	-	448,444	100.00
800 MHZ Radios	353,943	428,766	428,526	-	428,526	99.94
TOTAL 2005 SPLOST	$ 23,305,917	$ 8,719,395	$ 5,360,747	$ 177,589	$ 5,538,336	
SPLOST II - 2011 SPLOST						
Pine Mountain Road	$ 6,492,254	$ 6,979,193	$ 987,715	$ 494,592	$ 1,482,307	21.24 %
Cherokee Street	5,000,000	6,276,899	-	281,652	281,652	4.49
Stanley Road/Collins Road	1,150,032	3,215,881	-	291,914	291,914	9.08
McCollum Parkway	388,000	388,001	388,001	-	388,001	100.00
Cobb International Blvd	1,500,000	27,353	27,353	-	27,353	100.00
Sidewalk Projects	535,353	1,229	-	1,229	1,229	100.00
Resurfacing Projects	413,650	602,178	202,178	-	202,178	33.57
Infrastructure Preservation	1,101,710	565,672	393,976	107,543	501,519	88.66
Skate Park	750,000	984,094	984,094	-	984,094	100.00
Depot Park Improvements	2,100,000	2,100,000	-	195,404	195,404	9.30
Smith Gilbert Gardens Event Building	1,800,000	1,800,000	354,868	206,199	561,067	31.17
Swift Cantrell Park Parking	650,000	836,906	832,527	4,379	836,906	100.00
Community Center Renovation	226,999	225,382	214,031	11,350	225,381	100.00
TOTAL 2011 SPLOST	$ 22,107,998	$ 24,002,788	$ 4,384,743	$ 1,594,262	$ 5,979,005	

Continued

CITY OF KENNESAW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED SEPTEMBER 30, 2016

PROJECT	ESTIMATED COST ORIGINAL	ESTIMATED COST CURRENT	EXPENDITURES PRIOR	EXPENDITURES CURRENT	EXPENDITURES TOTAL	PERCENTAGE OF COMPLETION
SPLOST III - 2016 SPLOST						
Sardis Street Overpass	$ 6,000,000	$ 6,000,000	$ -	$ -	$ -	- %
Stormwater Infrastructure	3,000,000	3,000,000	-	-	-	-
Ben King Road Improvements	3,133,431	3,133,431	-	-	-	-
Sardis Street Extension Project	2,500,000	2,500,000	-	166,194	166,194	6.65
Property Acquisition	3,000,000	3,000,000	-	249,880	249,880	8.33
Park Improvements	1,790,000	1,790,000	-	-	-	-
Dallas/Watts Drive Improvements	2,619,072	2,619,072	-	105,810	105,810	4.04
Facility Improvements	1,200,000	1,200,000	-	28,144	28,144	2.35
Economic Development	1,500,000	1,500,000	-	-	-	-
Smith Gilbert Garden	750,000	750,000	-	-	-	-
Resurfacing and Sidewalks	698,867	698,867	-	23,750	23,750	3.40
Police Vehicles	125,000	125,000	-	110,242	110,242	88.19
TOTAL 2016 SPLOST	$ 26,316,370	$ 26,316,370	$ -	$ 684,020	$ 684,020	
			Total SPLOST expenditures	$ 2,455,871		

(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, 2016

ASSETS	
Cash	$ 7,692
Other receivables	17,269
Land held for resale	185,950
Total assets	$ 210,911
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to primary government	$ 232,765
Total liabilities	232,765
FUND BALANCE	
Unassigned	(21,854)
Total liabilities and fund balance	$ 210,911

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2016

REVENUES	
Interest income	$ 38
Miscellaneous	65,850
Total revenues	65,888
EXPENDITURES	
Housing and development	50,971
Net change in fund balance	14,917
FUND BALANCE (DEFICIT), beginning of year	(36,771)
FUND BALANCE (DEFICIT), end of year	$ (21,854)

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 **77**

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 **82**

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

Debt Capacity **86**

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 **90**

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 **92**

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)

	2016	2015	2014	2013
Governmental activities				
Net investment in capital assets	**$ 44,270,008**	$ 41,353,883	$ 44,050,011	$ 38,848,625
Restricted	**33,586,055**	30,325,102	26,084,186	24,496,830
Unrestricted	**(9,162,559)**	(8,857,613)	(5,557,897)	(5,381,866)
Total governmental activities net position	**$ 68,693,504**	$ 62,821,372	$ 64,576,300	$ 57,963,589
Business-type activities				
Net investment in capital assets	**$ 12,395,483**	$ 12,729,505	$ 6,550,336	$ 6,517,447
Restricted	**-**	-	-	-
Unrestricted	**1,493,066**	1,009,187	1,109,417	1,796,730
Total business-type activities net position	**$ 13,888,549**	$ 13,738,692	$ 7,659,753	$ 8,314,177
Primary government				
Net investment in capital assets	**$ 56,665,491**	$ 54,083,388	$ 50,600,347	$ 45,366,072
Restricted	**33,586,055**	30,325,102	26,084,186	24,496,830
Unrestricted	**(7,669,493)**	(7,848,426)	(4,448,480)	(3,585,136)
Total primary government net position	**$ 82,582,053**	$ 76,560,064	$ 72,236,053	$ 66,277,766

(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.

2012	2011	2010	2009	2008	2007
$ 38,194,452	$ 38,211,640	$ 37,441,454	$ 37,896,407	$ 37,419,713 (1)	$ 13,367,294
22,999,987	19,214,410	11,728,094	10,453,594 (2)	1,003,306	6,441,818
(4,069,805)	(4,009,394)	5,113,083	3,096,897 (2)	9,464,149	9,000,692
$ 57,124,634	$ 53,416,656	$ 54,282,631	$ 51,446,898	$ 47,887,168	$ 28,809,804
$ 3,601,055	$ 3,397,072	$ 3,178,418	$ 2,682,669	$ 2,583,068	$ 1,712,372
-	-	-	-	-	-
1,263,195	1,200,476	1,124,835	1,018,721	159,675	(1,513,521)
$ 4,864,250	$ 4,597,548	$ 4,303,253	$ 3,701,390	$ 2,742,743	$ 198,851
$ 41,795,507	$ 41,608,712	$ 40,619,872	$ 40,579,076	$ 40,002,781	$ 15,079,666
22,999,987	19,214,410	11,728,094	10,453,594	1,003,306	6,441,818
(2,806,610)	(2,808,918)	6,237,918	4,115,618	9,623,824	7,487,171
$ 61,988,884	$ 58,014,204	$ 58,585,884	$ 55,148,288	$ 50,629,911	$ 29,008,655

CITY OF KENNESAW, GEORGIA

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

	2016	2015	2014	2013
Expenses				
Governmental activities:				
General government	**$ 4,442,795**	$ 4,460,850	$ 4,464,217	$ 4,361,757
Judicial	**367,386**	348,800	388,741	358,613
Public safety	**8,384,410**	7,410,419	7,990,403	7,422,621
Public works	**4,064,973**	3,699,120	4,932,286	4,016,262
Culture and recreation	**2,348,921**	2,265,865	2,448,490	2,555,138
Housing and development	**1,019,160**	957,354	966,688	973,555
Interest on long-term debt	**878,715**	928,138	1,202,899	918,411
Total governmental activities expenses	**21,506,360**	20,070,546	22,393,724	20,606,357
Business-type activities:				
Sanitation	**1,667,997**	1,518,213	1,477,276	1,861,957
Museum	**1,110,487**	1,136,658	1,232,706	1,141,504
Gardens	**414,334**	414,602	355,532	311,292
Stormwater	**879,164**	775,836	-	-
Total business-type activities expenses	**4,071,982**	3,845,309	3,065,514	3,314,753
Total primary government expenses	**$ 25,578,342**	$ 23,915,855	$ 25,459,238	$ 23,921,110
Program Revenues				
Governmental activities:				
Charges for services:				
General government	**$ 158,210**	$ 181,499	$ 187,479	$ 178,193
Judicial	**849,434**	946,319	1,105,127	1,052,313
Public safety	**1,406,576**	1,555,379	1,474,044	1,373,847
Public works	**498,692**	217,117	373,416	199,081
Culture and recreation	**821,495**	828,019	817,573	790,486
Housing and development	**724,819**	470,269	469,286	349,884
Operating grants and contributions (1)	**721,052**	741,944	383,873	403,672
Capital grants and contributions (1)	**5,867,805**	6,643,379	7,425,962	6,580,021
Total governmental activities program revenues	**11,048,083**	11,583,925	12,236,760	10,927,497
Business-type activities:				
Charges for services:				
Sanitation	**2,182,106**	2,206,876	2,599,332	2,614,104
Museum	**440,604**	413,818	424,046	413,531
Gardens	**130,779**	115,540	106,687	125,318
Stormwater	**1,208,615**	906,877	-	-
Operating grants and contributions (1)	**-**	-	-	-
Capital grants and contributions (1)	**100,269**	709,771	263,892	68,081
Total business-type activities program revenues	**4,062,373**	4,352,882	3,393,957	3,221,034
Total primary government program revenues	**$ 15,110,456**	$ 15,936,807	$ 15,630,717	$ 14,148,531

2012	2011	2010	2009	2008	2007
$ 4,187,479	$ 4,544,161	$ 4,374,745	$ 4,340,819	$ 3,429,896	$ 3,003,822
342,790	365,477	343,934	342,310	331,775	355,036
6,976,574	7,038,966	7,019,253	6,476,689	6,031,526	5,715,932
3,922,629	4,035,824	3,634,870	3,600,503	5,395,444 (3)	2,174,348
2,547,847	2,682,506	2,563,539	2,448,676	2,468,491	2,117,371
907,986	1,154,875	1,039,995	1,133,464	1,128,271	1,163,980
804,045	820,746	811,083	674,201	756,053	687,920
19,689,350	20,642,555	19,787,419	19,016,662	19,541,456	15,218,409
1,649,055	1,592,777	1,818,853	1,464,769	3,189,703 (3)	1,567,615
1,307,352	1,443,963	1,501,346	1,479,890	1,541,295	1,809,968
319,369	286,949	262,145	227,102	198,087	117,367
-	-	-	-	-	-
3,275,776	3,323,689	3,582,344	3,171,761	4,929,085	3,494,950
$ 22,965,126	$ 23,966,244	$ 23,369,763	$ 22,188,423	$ 24,470,541	$ 18,713,359
$ 645,807	$ 186,426	$ 167,078	$ 192,374	$ 152,329	$ 166,028
1,229,945	1,413,733	1,397,897	1,259,470	1,298,239	1,438,119
1,197,405	1,208,972	2,505,270 (4)	1,196,781	1,123,811	862,072
343,370	124,663	27,878	125,751	335,261 (2)	-
779,069	704,632	581,384	610,907	651,973	488,648
313,759	249,950	123,922	-	- (2)	212,315
380,462	373,835	383,215	797,249	730,623	6,600
4,668,881	1,954,206	4,013,275 (6)	611,290	309,453	597,003
9,558,698	6,216,417	9,199,919	4,793,822	4,601,689	3,770,785
2,558,808	2,520,688	2,556,419	2,417,692	2,494,016	2,265,607
378,466	346,393	322,700	351,289	368,151	399,424
121,803	110,593	33,977	38,366	3,010	1,827
-	-	-	-	-	-
934	566	6,353	-	169,877	-
57,794	70,306	414,127	112,174	499,992	270,176
3,117,805	3,048,546	3,333,576	2,919,521	3,535,046	2,937,034
$ 12,676,503	$ 9,264,963	$ 12,533,495	$ 7,713,343	$ 8,136,735	$ 6,707,819

(continued)

CITY OF KENNESAW, GEORGIA

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

	2016	2015	2014	2013
Net (expense)/revenue				
Governmental activities	**$ (10,458,277)**	$ (8,486,621)	$ (10,156,964)	$ (9,678,860)
Business-type activities	**(9,609)**	507,573	328,443	(93,719)
Total primary government net expense	**$ (10,467,886)**	$ (7,979,048)	$ (9,828,521)	$ (9,772,579)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	**$ 10,077,543**	$ 9,743,961	$ 9,468,733	$ 8,377,495
Franchise taxes	**1,815,579**	1,788,362	1,685,980	1,690,243
Sales taxes	**-**	-	-	-
Insurance premium taxes	**1,909,498**	1,745,554	1,633,900	1,536,325
Business taxes	**1,248,304**	1,235,665	1,185,735	1,102,144
Other taxes	**964,204**	753,443	732,316	1,361,826
Unrestricted investment earnings	**326,929**	527,663	590,267	(516,755)
Gain on sale of capital assets	**146,531**	-	13,742	14,628
Miscellaneous	**-**	-	-	-
Transfers	**(158,179)**	(278,662)	984,249	110,980
Total governmental activities	**16,330,409**	15,515,986	16,294,922	13,676,886
Business-type activities:				
Unrestricted investment earnings	**1,287**	1,135	1,382	1,345
Gain on sale of capital assets	**-**	-	-	87,918
Transfers	**158,179**	278,662	(984,249)	(110,980)
Total business-type activities	**159,466**	279,797	(982,867)	(21,717)
Total primary government	**$ 16,489,875**	$ 15,795,783	$ 15,312,055	$ 13,655,169
Change in Net Position				
Governmental activities	**$ 5,872,132**	$ 7,029,365	$ 6,137,958	$ 3,998,026
Business-type activities	**149,857**	787,370	(654,424)	(115,436)
Total primary government	**$ 6,021,989**	$ 7,816,735	$ 5,483,534	$ 3,882,590

NOTES: (1) Grant revenues vary from year to year depending on the federal and state funding received by the City.

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

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

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

(5) The settlement relating to litigation mentioned in (3) above was less than expected.

(6) 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.

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

2012	2011	2010	2009	2008	2007
$ (10,130,652)	$ (14,426,138)	$ (10,587,500)	$ (14,222,840)	$ (14,939,767)	$ (11,447,624)
(157,971)	(275,143)	(248,768)	(252,240)	(1,394,039)	(557,916)
$ (10,288,623)	$ (14,701,281)	$ (10,836,268)	$ (14,475,080)	$ (16,333,806)	$ (12,005,540)
$ 8,858,088	$ 9,121,632	$ 9,684,063	$ 9,678,422	$ 9,455,057	$ 7,854,106
1,721,137	1,695,379	1,585,542	1,526,658	1,528,223	1,424,642
-	-	- (7)	2,855,573	1,623,072	2,161,106
1,483,792	1,396,948	1,166,804	1,201,730	1,213,111	1,184,731
1,040,848	968,832	962,611	867,084	817,936	677,558
638,106	528,175	550,638	553,177	594,403	574,235
372,157	397,616	323,175	556,094	674,479	874,289
5,388	13,025	-	7,394	1,247	18,037
-	-	-	1,733,333 (5)	-	146,999
(280,886)	(561,444)	(849,600)	(1,196,895)	(3,853,578)	(667,190)
13,838,630	13,560,163	13,423,233	17,782,570	12,053,950	14,248,513
1,150	501	1,031	1,442	10,522	6,102
-	7,493	-	12,550	-	-
280,886	561,444	849,600	1,196,895	3,853,578	667,190
282,036	569,438	850,631	1,210,887	3,864,100	673,292
$ 14,120,666	$ 14,129,601	$ 14,273,864	$ 18,993,457	$ 15,918,050	$ 14,921,805
$ 3,707,978	$ (865,975)	$ 2,835,733	$ 3,559,730	$ (2,885,817)	$ 2,800,889
124,065	294,295	601,863	958,647	2,470,061	115,376
$ 3,832,043	$ (571,680)	$ 3,437,596	$ 4,518,377	$ (415,756)	$ 2,916,265

CITY OF KENNESAW, GEORGIA

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

	2016	2015	2014	2013
General fund				
Reserved	**$ -**	$ -	$ -	$ -
Unreserved	**-**	-	-	-
Nonspendable:				
Long-term advances	**825,669**	958,972	1,178,453	1,237,107
Inventories	**7,473**	4,447	14,487	18,442
Prepaid expenditures	**257,964**	185,029	318,015	178,616
Restricted:				
Public safety	**36,096**	36,060	4,018	4,014
Capital projects	**-**	-	-	41,913
Debt service	**630,044**	779,410	778,781	678,251
Voter approved use	**8,019,456**	7,965,332	7,782,212	7,561,920
Assigned:				
Capital projects	**264,186**	-	-	-
Unassigned	**(3,197,165)**	(3,893,417)	(3,931,113)	(3,454,424)
Total general fund	**$ 6,843,723**	$ 6,035,833	$ 6,144,853	$ 6,265,839
All other governmental funds				
Reserved	**$ -**	$ -	$ -	$ -
Unreserved, reported in:				
Special revenue funds	**-**	-	-	-
Capital projects funds	**-**	-	-	-
Nonspendable:				
Longterm advances	**-**	496,756	501,826	-
Prepaid expenditures	**11,129**	5,985	13,270	6,984
Notes receivable	**-**	186,500	222,500	258,500
Restricted:				
Public safety	**66,526**	88,627	161,570	809,494
Culture and recreation	**11,751**	11,713	11,670	11,650
Capital projects	**24,834,329**	27,657,315	23,546,277	13,052,919
Debt service	**-**	-	-	2,015,967
Parks and recreation impact fee projects	**-**	-	-	320,702
Committed:				
Cemetery maintenance	**28,577**	23,686	36,580	41,069
Assigned:				
Cemetery maintenance	**-**	-	-	-
Capital projects	**157,070**	409,033	332,692	-
Unassigned	**(398,789)**	(695,873)	(992,508)	(917,874)
Total all other governmental funds	**$ 24,710,593**	$ 28,183,742	$ 23,833,877	$ 15,599,411

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

2012	2011 (1)	2010	2009	2008	2007
$ -	$ -	$ 13,908,623	$ 11,570,618	$ 11,891,538	$ 10,246,934
-	-	(5,731,538)	(3,487,985)	(3,829,585)	960,458
667,428	622,058	-	-	-	-
16,806	15,614	-	-	-	-
349,960	169,036	-	-	-	-
1,105,761	1,053,853	-	-	-	-
-	-	-	-	-	-
577,822	-	-	-	-	-
8,400,720	8,541,859	-	-	-	-
-	-	-	-	-	-
(2,599,475)	(2,700,556)	-	-	-	-
$ 8,519,022	$ 7,701,864	$ 8,177,085	$ 8,082,633	$ 8,061,953	$ 11,207,392
$ -	$ -	$ 8,549,327	$ 2,598	$ -	$ 4,509,650
-	-	(264,536)	(202,249)	(289,919)	58,119
-	-	581,417	5,740,497	4,319,552	24,635
-	-	-	-	-	-
17,992	6,205	-	-	-	-
-	-	-	-	-	-
37,809	38,545	-	-	-	-
11,033	11,020	-	-	-	-
10,428,449	7,137,344	-	-	-	-
2,211,962	2,407,939	-	-	-	-
226,431	23,850	-	-	-	-
32,515	32,515	-	-	-	-
8,718	-	-	-	-	-
-	-	-	-	-	-
(475,466)	(445,774)	-	-	-	-
$ 12,499,443	$ 9,211,644	$ 8,866,208	$ 5,540,846	$ 4,029,633	$ 4,592,404

CITY OF KENNESAW, GEORGIA

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

	2016	2015	2014	2013
Revenues				
Taxes	**$ 16,157,523**	$ 15,259,733	$ 14,676,153	$ 14,048,042
Licenses and permits	**1,021,664**	546,277	713,680	503,401
Intergovernmental	**6,578,785**	7,459,301	6,776,644	6,990,477
Fines and forfeitures	**1,023,977**	1,229,629	1,426,007	1,250,162
Charges for services	**2,214,625**	2,160,110	2,076,668	1,983,715
Contributions	**6,652**	57,030	2,600	500
Net investment income (loss)	**382,654**	574,015	626,178	(487,988)
Other revenues	**146,553**	216,175	1,074,183	180,425
Total revenues	**27,532,433**	27,502,270	27,372,113	24,468,734
Expenditures				
General government	**4,087,000**	4,206,658	4,072,150	4,015,836
Judicial	**356,493**	343,440	348,644	364,160
Public safety	**7,865,595**	7,159,379	7,473,688	7,007,318
Public works	**2,791,593**	2,516,441	3,439,237	2,538,369
Culture and recreation	**2,009,199**	1,985,909	2,098,505	2,271,595
Housing and development	**957,711**	933,895	940,042	917,761
Capital outlay	**10,168,328**	4,422,545	4,094,162	4,696,980
Debt service				
Principal retirements	**1,727,076**	1,333,036	3,976,128	1,155,225
Interest and fiscal charges	**898,444**	932,058	912,834	928,402
Bond issuance costs	**-**	-	284,291	-
Total expenditures	**30,861,439**	23,833,361	27,639,681	23,895,646
Excess (deficiency) of revenues over expenditures	**(3,329,006)**	3,668,909	(267,568)	573,088
Other financing sources (uses)				
Proceeds from capital leases	**331,140**	761,265	426,711	-
Issuance of long-term debt	**-**	-	6,425,000	-
Premiums on issuance of bonds	**-**	-	54,902	-
Proceeds from sale of capital assets	**490,786**	6,520	3,700	162,239
Proceeds from insurance recoveries	**-**	-	11,733	-
Transfers in	**1,675,696**	2,125,549	2,678,725	1,944,985
Transfers out	**(1,833,875)**	(2,404,211)	(1,694,476)	(1,834,005)
Total other financing sources (uses)	**663,747**	489,123	7,906,295	273,219
Net change in fund balances	**$ (2,665,259)**	$ 4,158,032	$ 7,638,727	$ 846,307
Debt service as a percentage of noncapital expenditures	**12.70%**	11.68%	20.81%	10.86%

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

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

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

2012	2011	2010	2009	2008	2007
$ 13,630,376	$ 13,687,767	$ 13,953,303	$ 16,637,053	$ 15,186,590	$ 13,699,269
623,369	361,815	205,316	169,649	345,679	335,027
5,012,308	2,620,547	3,605,045 (1)	1,358,869	935,362	588,255
1,366,731	1,565,999	2,810,358 (2)	1,309,470	1,299,148	1,438,119
1,840,532	1,793,016	1,617,446	1,720,527	1,708,812	1,394,036
3,250	416,736	5,537	32,709	-	-
398,003	428,410	323,117	555,139	663,168	874,289
676,014	176,419	207,257	202,598	289,722	162,347
23,550,583	21,050,709	22,727,379	21,986,014	20,428,481	18,491,342
3,847,933	4,146,581	3,890,512	4,232,759	3,249,756	2,596,300
327,480	346,774	318,139	325,283	332,357	570,422
6,531,773	6,508,128	6,337,895	6,028,340	6,059,200	5,812,485
2,439,348	2,518,803	2,336,879	2,197,372	2,304,639	1,441,893
2,245,505	2,325,691	2,194,288	2,126,137	2,294,879	2,129,853
876,137	1,109,355	983,173	1,103,472	1,162,295	1,155,947
1,574,897	2,494,414	5,804,036	2,003,467	3,886,213	6,433,322
702,468	665,292	659,947	686,946	642,890	549,465
784,579	798,579	842,358	670,378	707,391	682,385
-	-	-	-	-	-
19,330,120	20,913,617	23,367,227	19,374,154	20,639,620	21,372,072
4,220,463	137,092	(639,848)	2,611,860	(211,139)	(2,880,730)
-	-	-	-	-	143,100
159,992	281,236	2,800,000	94,100	238,472	-
-	-	-	-	-	-
5,388	13,331	2,109,262 (3)	22,828	1,322	18,037
-	-	-	-	-	-
1,385,100	2,006,770	3,830,210	483,680	551,353	2,032,940
(1,665,986)	(2,568,214)	(4,679,810)	(1,680,575)	(4,404,931)	(2,700,130)
(115,506)	(266,877)	4,059,662	(1,079,967)	(3,613,784)	(506,053)
$ 4,104,957	$ (129,785)	$ 3,419,814	$ 1,531,893	$ (3,824,923)	$ (3,386,783)
8.38%	7.95%	8.56%	7.91%	8.77%	9.00%

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	
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
2015	503,690,013	128,488	483,386,575	24,324,006	147,900	497,832	11,300,106
2016	**544,890,071**	**128,488**	**509,503,841**	**25,403,109**	**-**	**497,832**	**11,408,739**

Source: Cobb County Tax Commissioner
Note: Tax rates are per $1,000 of assessed value.

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
$ 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%
65,683,994	2,844	144,188,291	944,973,467	9.50	2,362,433,668	40.00%
45,498,223	**25,309**	**163,009,693**	**974,345,919**	**9.50**	**2,435,864,798**	**40.00%**

CITY OF KENNESAW, GEORGIA

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

Calendar Year	City of Kennesaw Operating Millage	City of Kennesaw Debt Service Millage	Cobb County	Cobb County Schools	State	Total Direct & Overlapping Rates
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
2015	8.00	1.50	10.51	18.90	0.05	38.96
2016	**8.00**	**1.50**	**9.85**	**18.90**	**0.00**	**38.25**

Source: Cobb County Tax Commissioner

Overlapping rates are those of local and county governments that apply to property owners within the City of Kennesaw.

CITY OF KENNESAW, GEORGIA

PRINCIPAL TAXPAYERS
CURRENT AND NINE YEARS AGO

	2016			2007		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
CCAL 2 3615 Cherokee Street LLC	**$ 20,572,930**	**1**	**2.11 %**	$		%
Kennesaw 450 LLC	**18,620,040**	**2**	**1.91**	15,762,640	1	1.69
HM Kennesaw LLC & Columbia Kennesaw LLC	**14,744,000**	**3**	**1.51**	11,800,000	2	1.26
Kennesaw Gardens Associates LLC	**11,500,000**	**4**	**1.18**	8,800,000	4	0.94
ACC OP Frey LLC	**10,381,156**	**5**	**1.07**			
Atlanta RDC Co.	**9,184,080**	**6**	**0.94**	9,319,656	3	1.00
Owens & Minor Distribution	**8,769,132**	**7**	**0.90**			
Alta Ridenour LLC	**7,481,028**	**8**	**0.77**	6,848,984	8	0.73
SG Charlestowne LLC	**7,448,000**	**9**	**0.76**			
Park at Kennesaw LLC	**7,240,000**	**10**	**0.74**	7,457,200	6	0.80
Lakeside Vista Apartments LP				7,325,351	7	0.78
NNN St. Charles LLC				6,250,000	9	0.67
Walton Ridenour LP				8,535,214	5	0.91
Barrett Parkway Highway 41 LLC				5,359,142	10	0.57
	$ 115,940,366		**11.89 %**	$ 87,458,187		9.35 %

Source: Cobb County Tax Commissioner

CITY OF KENNESAW, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	135,127	8,325,715	99.88%
2009	8,620,072	8,427,743	97.8%	173,568	8,601,311	99.78%
2010	9,024,356	8,894,329	98.6%	102,709	8,997,038	99.70%
2011	8,476,633	8,303,209	98.0%	125,096	8,428,305	99.43%
2012	8,036,051	7,869,525	97.9%	133,093	8,002,618	99.58%
2013	7,696,157	7,550,158	98.1%	113,468	7,663,626	99.58%
2014	7,744,596	7,585,332	97.9%	102,121	7,687,453	99.26%
2015	8,194,415	8,067,586	98.5%	83,770	8,151,356	99.47%
2016	**8,896,627**	**8,826,150**	**99.2%**	**-**	**8,826,150**	**99.21%**

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

CITY OF KENNESAW, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	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)
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
2015	10,640,000	320,916	9,635,068	932,847	-	-	36,246	21,565,077	2.19%	626
2016	**10,105,000**	**-**	**9,031,695**	**992,827**	**-**	**-**	**29,342**	**20,158,864**	**2.10%**	**600**

(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	Net General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
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	11,547,178	0.50%	414
2013	10,971,749	0.49%	335
2014	10,376,219	0.46%	307
2015	9,860,590	0.42%	286
2016	**9,474,956**	**0.39%**	**282**

(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, 2016

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	$ 10,490,000	3.69%	$ 387,081
Total overlapping debt	10,490,000		387,081
City direct debt	20,158,864	100.00%	20,158,864
Total direct and overlapping debt	$ 30,648,864		$ 20,545,945

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				
	2007	**2008**	**2009**	**2010**	**2011**
Debt Limit	$ 93,483,910	$ 115,482,308	$ 120,887,102	$ 120,145,237	$ 111,303,300
Total net debt applicable to limit	14,240,000	13,845,000	13,440,000	13,015,000	10,172,061
Legal debt margin	$ 79,243,910	$ 101,637,308	$ 107,447,102	$ 107,130,237	$ 101,131,239
Total net debt applicable to the limit as a percentage of debt limit	15.23%	11.99%	11.12%	10.83%	9.14%

	Fiscal Year				
	2012	**2013**	**2014**	**2015**	**2016**
Debt Limit	$ 104,938,751	$ 101,842,033	$ 101,243,328	$ 108,916,176	**$ 113,735,561**
Total net debt applicable to limit	9,913,038	9,634,033	10,526,219	10,010,590	**9,474,956**
Legal debt margin	$ 95,025,713	$ 92,208,000	$ 90,717,109	$ 98,905,586	**$ 104,260,605**
Total net debt applicable to the limit as a percentage of debt limit	9.45%	9.46%	10.40%	9.19%	**8.33%**

Assessed Value	**$ 974,345,919**
Add back: exempt real property	**163,009,693**
Total assessed value	**1,137,355,612**
Debt limit (10% of total assessed value)	**113,735,561**
Debt applicable to limit:	
General obligation bonds	**10,105,000**
Less: Amount set aside for repayment of general obligation debt	**630,044**
Total net debt applicable to limit	**9,474,956**
Legal debt margin	**$ 104,260,605**

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
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%
2015	34,432	984,789	28,601	33.6	5.2%
2016	**33,584**	**960,535**	**28,601**	**32.0**	**4.7%**

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

CITY OF KENNESAW, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

	2016			2007		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Fabric.com Inc.	**317**	**1**	**1.25 %**			
Atlanta Bonded Warehouse	**270**	**2**	**1.07**	233	1	1.96 %
Tug Technologies Corporation	**152**	**3**	**0.60**			
Publix Super Market, Inc. # 559	**142**	**4**	**0.56**	161	4	1.35
Cintas Corporation	**137**	**5**	**0.54**	162	3	1.36
Owens & Minor Distribution	**127**	**6**	**0.50**			
Publix Super Market, Inc. # 769	**123**	**7**	**0.49**			
Shady Grove Rest Home	**120**	**8**	**0.47**			
Publix Super Market, Inc. # 1077	**116**	**9**	**0.46**			
Crane Nuclear, Inc.	**97**	**10**	**0.38**			
Tug Manufacturing Company				56	8	0.47
Butch Thompson				176	2	1.48
Consolidated Engineering				51	9	0.42
Pro - Build South LLC				76	6	0.63
Wade Electric, Inc				60	7	0.50
Image Ink Jet Printing, Inc.				50	10	0.42
Graphic Solutions				80	5	0.67
	1,601		**6.32 %**	1,105		9.26 %

Source: Various City departments

CITY OF KENNESAW, GEORGIA

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

	2016	2015	2014	2013	2012
Function					
General government	**26**	29	26	31	31
Judicial	**3**	3	3	3	3
Public safety	**95**	97	81	87	78
Public works	**29**	33	31	36	26
Culture and recreation	**40**	39	32	39	33
Housing and development	**9**	10	9	9	10
Sanitation	**1**	1	1	7	16
Total	**203**	212	183	212	197

Source: City of Kennesaw department records

2011	2010	2009	2008	2007
33	28	54	37	32
3	3	3	3	3
82	83	88	84	76
29	29	26	26	27
37	34	27	43	38
9	10	7	7	9
17	15	19	26	23
210	202	224	226	208

CITY OF KENNESAW, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2016	2015	2014	2013	2012
Police					
Physical arrests	**832**	959	1,064	1,223	1,268
Parking violations	**981**	1,184	522	599	552
Traffic violations	**12,891**	13,721	13,218	14,733	11,300
Culture and recreation					
Admissions/fees	**$ 1,242,649**	$ 1,203,404	$ 1,201,026	$ 1,185,530	$ 1,159,840
Housing and development					
Building permits issued	**443**	417	449	421	537
Sanitation					
Number of customers	**9,104**	9,010	8,478	8,222	8,105

Source: City of Kennesaw Departments

N/A - Information not available

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

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

2011	2010	2009	2008	2007
1,121	1,839	1,819	1,948	2,188
281	272	180	141	126
14,582	14,755	11,444	10,559	14,026
$ 1,054,081 (1)	$ 838,101	$ 892,197	$ 890,289	$ 735,196
254	510	466	378	304
7,915	8,232	8,300	8,253	7,882

CITY OF KENNESAW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012
Function					
Public safety					
Police					
Stations	**1**	1	1	1	1
Vehicles	**84**	86	73	80	76
Public works					
Miles of streets	**99**	99	99	99	99
Culture and recreation					
Acreage	**121**	121	121	121	121
Baseball/softball fields	**11**	11	11	11	11
Soccer/football fields	**1**	1	1	1	1
Sanitation					
Collection vehicles	**-**	-	-	3	10

Source: Various City departments

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

2011	2010	2009	2008	2007
1	1	1	1	1
72	70	68	62	56
99	99	99	99	99
121	121	121	121	118
11	11	11	11	11
1	1	1	1	1
10	10	10	10	10

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, 2016, 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 February 24, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 24, 2017