CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

Finance Department
Gina Auld
Finance Director

CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION (Unaudited)
- Letter of Transmittal ..... i-viii
- GFOA Certificate of Achievement ix
- Principal Officials x
- Organizational Chart xi

FINANCIAL SECTION
- Independent Auditor's Report 1-3
- Management's Discussion and Analysis 4-15
- Basic Financial Statements:
  - Government-wide Financial Statements:
    - Statement of Net Position 16
    - Statement of Activities 17
  - Fund Financial Statements:
    - Balance Sheet – Governmental Funds 18
    - Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 19
    - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 20
    - General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 21
    - Statement of Net Position – Proprietary Funds 22
    - Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds 23
    - Statement of Cash Flows – Proprietary Funds 24
  - Notes to Financial Statements 25-59
- Required Supplementary Information:
  - Schedule of Funding Progress 60
  - Schedule of Changes in the City's Net Pension Liability and Related Ratios 61
  - Schedule of City Contributions 62
- Combining and Individual Fund Statements and Schedules:
  - Combining Balance Sheet – Nonmajor Governmental Funds 63
  - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 64
  - Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Asset Forfeiture Fund 65
  - Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Treasury Equitable Sharing Fund 66
  - Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – E911 Fund 67

CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

TABLE OF CONTENTS

Page

FINANCIAL SECTION (CONTINUED)

Combining and Individual Fund Statements and Schedules (Continued):

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Hotel/Motel Fund **68**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Cemetery Fund **69**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Impact Fees Fund **70**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Urban Redevelopment Agency Fund **71**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Downtown Development Authority Fund **72**

Schedule of Expenditures of Special Purpose Local Option Sales Tax ..... **73 and 74**

Balance Sheet – Component Unit – Development Authority **75**

Statement of Revenues, Expenditures, and Changes in Fund Balance – Component Unit – Development Authority **76**

STATISTICAL SECTION (Unaudited)

Net Position by Component **77**

Changes in Net Position ..... **78 and 79**

Fund Balances of Governmental Funds **80**

Changes in Fund Balances of Governmental Funds **81**

Assessed Value and Estimated Actual Value – All Taxable Property **82**

Property Tax Rates – All Overlapping Governments **83**

Principal Taxpayers **84**

Property Tax Levies and Collections **85**

Ratios of Outstanding Debt by Type **86**

Ratios of General Bonded Debt Outstanding **87**

Direct and Overlapping Governmental Activities Debt **88**

Legal Debt Margin Information **89**

Demographic and Economic Statistics **90**

Principal Employers **91**

Full-time Equivalent City Government Employees by Function **92**

Operating Indicators by Function **93**

Capital Asset Statistics by Function **94**

CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

TABLE OF CONTENTS

Page

COMPLIANCE SECTION

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* .....95 and 96

INTRODUCTORY SECTION

MAYOR
Derek Easterling

City Manager
Jeff Drobney

City Clerk, MMC
Debra Taylor

COUNCIL
Mayor Protem David Blinkhorn
James Eaton
Pat Ferris
Chris Henderson

March 23, 2018

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, 2017, 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, 2017. 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 36,258.

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 2017 over 2016 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 2018 seeing continued improvement to economic growth. The City will continue to see improvement in real estate values (4.5%), unemployment (4.1%), and capital investment. We have seen a reduction in office (4.0%), retail (3.5%) and industrial (4.5%) vacancy rates in 2017. Job creation increased in 2017 and is projected to continue through 2018 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, business parks and retail centers. The City's proximity to Interstate 75, U.S. Highway 41 and Cobb County International Airport has supported significant commercial and industrial development, especially in light manufacturing and distribution. The area has diverse space for manufacturing, industrial, corporate office and retail space. A number of small and medium employers have created a diversified economy and stable employment rate. The growth of KSU continues to have a positive impact on the local economy. With the merger of Southern Polytechnic, the enrollment has grown to 36,000. 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 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 60/40%. This is a shift of 10% in the last eight years. The City added approximately 800 new jobs in 2017 through several logistics and manufacturing expansions and relocations, professional service growth and new retail and restaurant businesses. New capital investment of $120 million occurred in 2017. New businesses include, but are not limited to, logistics manufacturing, retail/restaurants, medical services, utility services, construction materials, financial services, and software development. Developments that are in construction and scheduled to open by end of 2018 will add an additional 300 new jobs. Overall, the total portfolio of business licenses has continued to grow at a moderate pace. The number of business license increased in 2017 over 2016.

Construction permit activity continues at a stable level compared to 2016. We anticipate further expansion in new businesses, expansion of existing businesses, investment in equipment and real estate and job creation through 2018 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: $3,934,371 for Road, Street and Bridge Projects, $110,242 for Police Vehicles and $315,914 for Parks and Facility Improvement Projects. Total revenue generated for the SPLOST program since this SPLOST began is $8,873,276 with expenditures totaling $4,360,527.

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: $8,682,748 for Road, Street and Bridge Projects and $2,913,015 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 $11,595,763.

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: $5,177,333 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 $5,605,859.

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 $122,027,849, which is in excess of the City's outstanding general obligation debt of $9,540,000.

Major Initiatives

In late 2014, the Mayor and Council adopted a new set of goals for 2015-2020. They were the framework for 2017 economic initiatives. 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 one annexation totaling approximately 40 acres in 2017. The project will be a 65 unit residential development valued at $25M. We are actively working on five annexations we hope to complete in 2018 that would add approximately 50 acres in 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. Forty percent has been leased and anticipate the balance to be leased in 2018.

Construction was completed the end of 2016 on the $38M project. Construction has started on a second mixed-use (160 multifamily residential units and 12,000 square feet commercial) project which is scheduled for completion second quarter 2019. Project value is $25M. Five other projects are in construction or are scheduled to start in 2018. These projects will add 200 residential units and 30,000 square feet of commercial space. We are working on plans that will add an additional 120,000 square feet of commercial space downtown over the next 3-4 years but that has not been finalized. Our focus will be on restaurant, entertainment, specialty retail, and office. A total of 380 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 with100% occupancy. At this time, the City is working with Cobb County to access market demand, locations and transportation issues associated with purpose built, private student housing before new projects are approved. The goal is to keep existing projects at high occupancy. The growth in the 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 36,000 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, 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 the Kennesaw sub market in 2018.

Kennesaw has twelve (12) defined Redevelopment Areas. We are actively working on projects in six and marketing the other areas for redevelopment. The most significant project in the development pipeline is a 60 acre, $240M mixed use project planned for the Cherokee Street connect that encompasses two of these Redevelopment Areas. The project is divided into five districts with four residential components and three commercial components. There will be a total of 900 residential units and 350,000 square feet of retail, restaurants, office, hotel and storage. The project will start construction in the second half of 2018 and be developed over a four year period. This project is in addition to the other development mentioned in this report.

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 was 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 is in construction and will be completed over a 24 month period. A project including 57 stacked flat condos and 30 townhomes will start spring 2018. A $35M luxury, age-restricted 180 unit multi-family project is in construction and will be completed the first quarter of 2019. A 20 unit single family detached neighborhood was built out in 2017. A new 20 unit single family detached project has started and a 60 unit subdivision will start second half 2018. A total of 640 new residential units with a value of $115M are in the development pipeline to be completed in 2019-2020 (exclusive of Cherokee Street).

Development activity for other sectors continued throughout 2017 indicating further strengthening of the economy. A 300,000 square foot, $140M retail project is in construction but substantially completed late 2017. A $56M critical care nursing facility that started construction has been delayed but we are hopeful will restart in 2018. Expansion of professional businesses in areas of technology, engineering and legal occurred. The dining and entertainment sector continues to grow. Eight new restaurants opened. More than fifteen additional restaurants are scheduled to open over the next 2 years. A special event or other music venue is planned downtown for 2019. Over 85,000 square feet of vacant industrial space was leased in 2017. Construction of two new light manufacturing buildings adding 30,000 square feet were completed in 2017. Over 450,000 square feet of new office, storage, logistics, and manufacturing space will be completed over the next 12 months. Several projects 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 botanical gardens increased programming and attendance in 2017. The Dry County Brewery, Burnt Hickory Brewery and Lazy Guy Distillery draw significant visitors. Dry County Brewery, opened in 2016, is planning a major 20,000 square foot expansion. 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 baseball park in the Cumberland/Galleria area, MLS soccer complex in Marietta, pro lacrosse team in Kennesaw and KSU football are creating a dynamic environment.

Cobb County has adopted a new economic development incentive program that will provide additional support to recruit and retain business. 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. These are being done in a coordinated approach with Mayor and Council goals.

In 2015 the City completed 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 and we are seeing significant development active in downtown and Cherokee Street as a result.

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. These will be completed spring 2018. 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. Cobb County International Airport continues to expand with improved runway, new hangers, new control tower and a customs office added in 2016. The airport's masterplan calls for significant expansion and improvements over the next 20 years to handle traffic and larger planes. 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

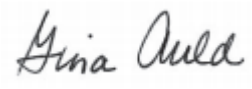
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kennesaw for its comprehensive annual financial report for the year ended September 30, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 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, 2016

Christopher P. Morrill

Executive Director/CEO

CITY OF KENNESAW, GEORGIA
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2017

ELECTED OFFICIALS

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

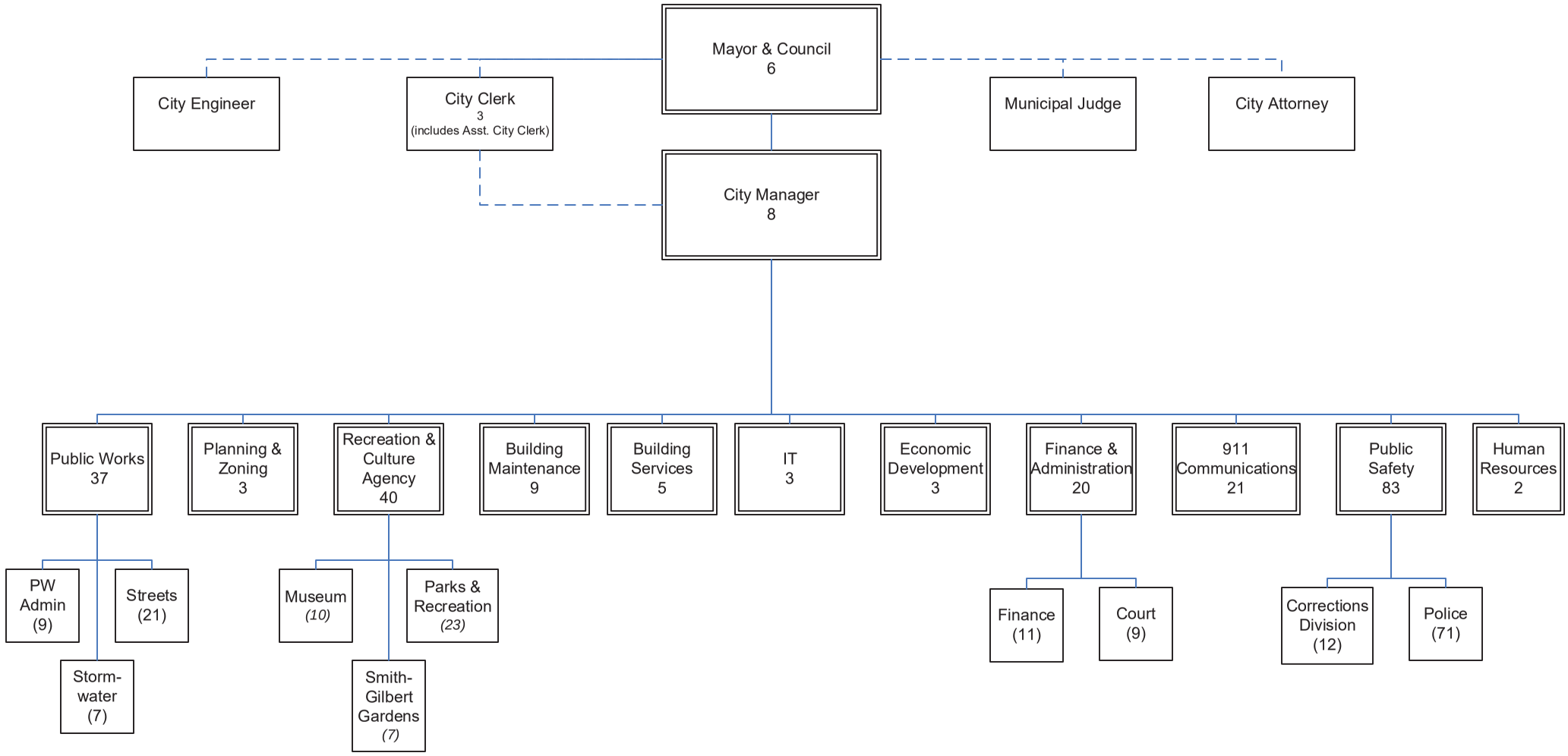
CITY ADMINISTRATION

Jeff Drobney
City Manager

Bentley, Bentley, Bentley	Attorney
Phillip Taylor	Municipal Court Judge
Gina Auld	Finance Director
Scott Banks	Chief Building Official
Richard Banz	Museum Executive Director
Linda Davis	E911 Director
Robert Fox	Community Development Director
LisaRae Jones	Human Resources Director
Darryl Simmons	Planning & Zoning Administrator
Paul Sprague	GIS Coordinator
Debra Taylor	City Clerk
Doug Taylor	Parks & Recreation Director
Ricky Stewart	Public Works Director
Billy Warren, Jr.	Building & Facilities Manager
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, 2017, 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, 2017, 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, as listed in the table of contents, 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 March 23, 2018 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 solely 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 the effectiveness of the City of Kennesaw, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kennesaw, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 23, 2018

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, 2017. 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 and deferred outflows of resources exceed liabilities and deferred inflows of resources by $88,175,933 at the end of the year. This amount includes $65,459,164 invested in capital assets net of accumulated depreciation and related debt, restricted net position of $29,647,981 and unrestricted net position deficit of $6,931,212.

- The City's total net position increased by $5,593,880 (7%) to $88,175,933. The net position for governmental activities increased by $6,295,415 (9%) and business-type net position decreased by $701,535 (5%).

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $28,427,247, a decrease of $3,127,069. The net unassigned fund balance is a deficit of $1,447,113.

- At the end of the current fiscal year, unassigned fund balance for the general fund is a deficit of $1,269,638.

- The City's total debt decreased by $1,154,854 (4%) during the current fiscal year due to the principal payments on General Obligation Bonds, Revenue Bonds and Capital Leases exceeding the increase in the OPEB Obligation. The Net Pension Liability decreased $133,089.

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 and SPLOST fund which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 16-21 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 $5,593,880 (7%) during fiscal year 2017. The net position of the governmental activities includes $53,342,130 net investment in capital assets. Capital assets of $72,763,216 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation. Related debt includes bonds of $17,943,369, capital leases of $734,722 and retainage payable of $742,995.

The net position of the business-type activities includes $12,117,034 net investment in capital assets. Capital assets of $12,159,418 include land, building, other improvements, equipment, and museum artifacts, net of accumulated depreciation. Related debt includes capital leases of $42,384.

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
	2017	2016	2017	2016	2017	2016	2016-17
ASSETS							
Current and other assets	$ 36,107	$ 37,618	$ 2,954	$ 3,250	$ 39,061	$ 40,868	-4%
Capital assets	72,763	64,387	12,159	12,425	84,922	76,812	11%
Total Assets	108,870	102,005	15,113	15,675	123,983	117,680	5%
Deferred Outflows of resources:							
Pension related items	1,518	1,693	126	120	$ 1,644	$ 1,813	-9%
Total deferred outflows of resources	1,518	1,693	126	120	1,644	1,813	-9%
LIABILITIES							
Current and other liabilities	9,582	7,888	1,068	1,010	10,650	8,898	20%
Long-term debt outstanding	25,766	27,055	980	892	26,746	27,947	-4%
Total Liabilities	35,348	34,943	2,048	1,902	37,396	36,845	1%
Deferred Inflows of resources:							
Pension related items	51	62	4	4	55	66	-17%
Total deferred inflows of resources	51	62	4	4	55	66	-17%
NET POSITION							
Net investment in capital assets	53,342	44,270	12,117	12,396	65,459	56,666	16%
Restricted	29,648	33,586	-	-	29,648	33,586	-12%
Unrestricted	(8,001)	(9,163)	1,070	1,493	(6,931)	(7,670)	-10%
Total Net Position	$ 74,989	$ 68,693	$ 13,187	$ 13,889	$ 88,176	$ 82,582	7%

Changes in Net Position

The City's total revenues before transfers were $31,171,558 in fiscal year 2017. Expenses before transfers were $25,577,678 during that same period. Governmental and business-type activities combined provided a $5,593,880 increase in net position.

Governmental activities revenues, before transfers, were $27,099,966 and included $4,189,508 charges for services, $6,269,142 grant and contribution revenues and $10,555,252 in property taxes. The largest governmental activities expenses were for public safety of $8,443,734 (police, jail and E911), public works of $3,611,163, general government of $4,350,340 and recreation of $2,359,893. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues, before transfers, were $4,071,592 and included $4,025,186 charges for services and $44,401 grant and contribution revenues. The largest business-type activity expenses were for salaries and wages of $1,036,317, other professional services of $1,395,523 and marketing of $40,512.

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

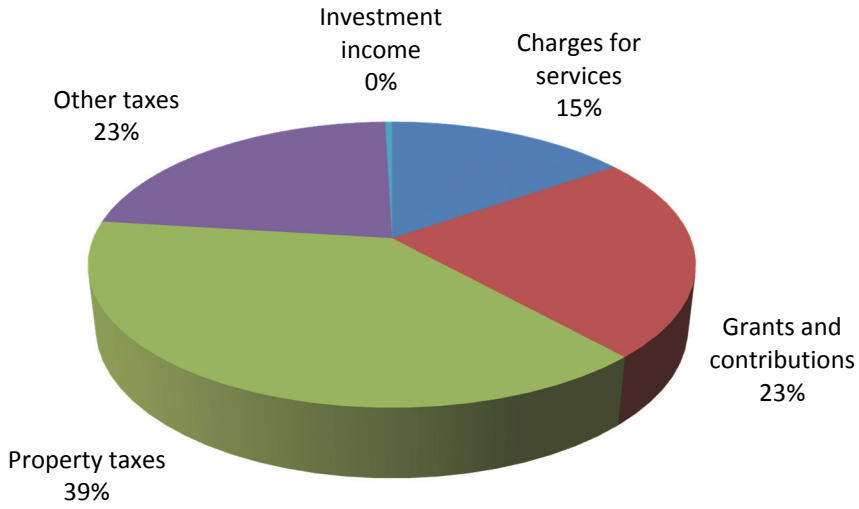
	Governmental Activities		Business-type Activities		Total		Total % Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues							
Program Revenues							
Charges for services	$ 4,190	$ 4,459	$ 4,025	$ 3,962	$ 8,215	$ 8,421	-2%
Operating grants and contributions	741	721	-	-	741	721	3%
Capital grants and contributions	5,529	5,868	44	100	5,573	5,968	-7%
General revenues							
Property taxes	10,555	10,078	-	-	10,555	10,078	5%
Other taxes	6,171	5,937	-	-	6,171	5,937	4%
Gain on sale of capital assets	38	146	-	-	38	146	-74%
Investment income (loss)	(123)	327	2	1	(121)	328	-137%
Total Revenues	27,101	27,536	4,071	4,063	31,172	31,599	-1%
Expenses							
General Government	4,351	4,443	-	-	4,351	4,443	-2%
Judicial	365	367	-	-	365	367	-1%
Public Safety	8,444	8,384	-	-	8,444	8,384	1%
Public Works	3,611	4,065	-	-	3,611	4,065	-11%
Culture and Recreation	2,360	2,349	-	-	2,360	2,349	0%
Housing and Development	1,601	1,019	-	-	1,601	1,019	57%
Interest on long-term debt	835	879	-	-	835	879	-5%
Museum		-	1,080	1,110	1,080	1,110	-3%
Sanitation	-	-	1,649	1,668	1,649	1,668	-1%
Gardens	-	-	417	414	417	414	1%
Stormwater	-	-	865	879	865	879	-2%
Total Expenses	21,567	21,506	4,011	4,071	25,578	25,577	0%
Excess (Deficiency) before Transfers	5,534	6,030	60	(8)	5,594	6,022	-7%
Transfers	762	(158)	(762)	158	-	-	0%
Increase (Decrease) in Net Position	6,296	5,872	(702)	150	5,594	6,022	-7%
Beginning Net Position	68,693	62,821	13,889	13,739	82,582	76,560	8%
Ending Net Position	$ 74,989	$ 68,693	$ 13,187	$ 13,889	$ 88,176	$ 82,582	7%

Governmental Activities

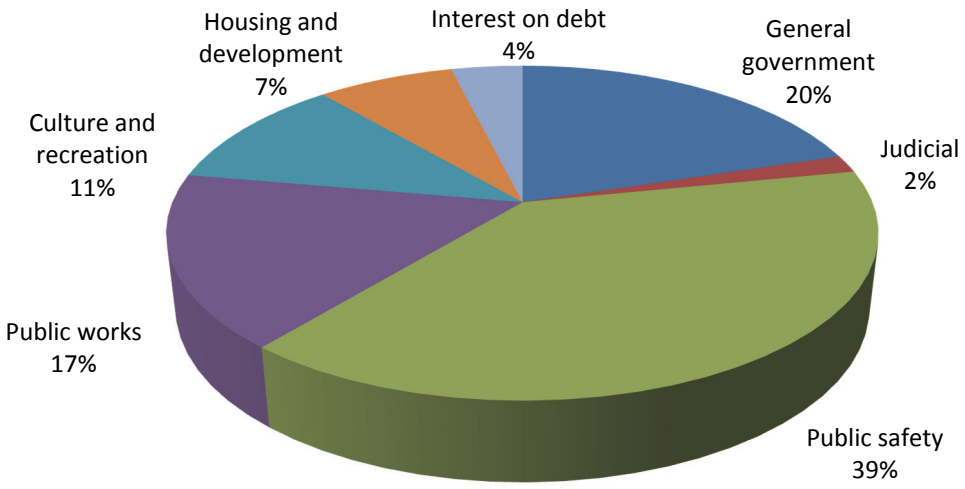
See page 17 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

Table 3 – Governmental Activities

Governmental Revenues



Governmental Expenses



Revenue Impacts:

- Property taxes of $10,555,252 provided 39% 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 $478,000 in 2017 due to an increase in property values.

- Other taxes such as insurance premium tax, financial institution tax, franchise tax, intangible and real estate transfer taxes all increased over the prior year. Insurance premium tax increased $122,500, financial institution tax increased $29,000 due to several new banks opening in the City, franchise tax for energy, cable and telephone increased $78,000, intangible tax increased $30,500 and real estate transfer increased $17,500.

- Charges for services for Governmental activities include amounts charged for providing E911 service of $1,165,538, parks & recreation fees of $898,948, licenses and permits of $619,747 and fines & forfeitures of $988,238. Charges for services decreased approximately $300,000 from the prior year. There was a slight decrease of $10,000 in E911 fee revenue due to a decrease in the usage of hard wired lines. Building permits and plan review revenues were down approximately $450,000 from prior year. During the prior fiscal year, two large developments were in the plan review and building phase of their development. Fines and forfeiture revenue was up approximately $140,000 over prior year due to an increase in the number of traffic citations.

- Operating grants and contributions for Governmental activities increased due to receiving approximately $20,000 more from Cobb County per the House Bill 489 agreement. The agreement constitutes the implementation of the service delivery strategy of Cobb County and the Cobb cities. Per the agreement the allocations are based on the gross digest divided by the total incorporated gross digest. The value of the gross digest increased and Kennesaw's percentage of the gross digest increased.

- Capital grants and contributions for Governmental activities decreased approximately $320,000. This is the net effect of a decrease in SPLOST and CDBG funding and an increase in the Georgia Department of Transportation Local Maintenance Improvement (LMIG) funding. SPLOST revenue decreased from prior year due to the 2011 SPLOST monthly payments trending higher than the 2016 SPLOST monthly payments. CDBG funding was less during fiscal year 2017 due to the timing of the Woodland Acres project. The City receives CDBG funding as the expenses are incurred and less was incurred during fiscal year 2017. LMIG funding for street resurfacing increased 30% over the prior year. This was due to the passage of House Bill 170 (Transportation Funding Act of 2015).

- Charges for services revenue for Business-type activities increased due to the increase in commercial stormwater revenue. The City began billing Kennesaw Marketplace and Revival on Main, two major developments, during fiscal year 2017.

- Capital grants and contributions for Business-type activities decreased since no contribution funding was received during this fiscal year. In the prior year, the City received a contribution from a developer for construction of the downtown Stormwater facility.

- Gain on sale of capital assets decreased from the prior year. In the prior year the City sold more vehicles and equipment than in the current year.

- Investment income experienced a loss due to the decrease in the fair value of the investment portfolio.

Expense Impacts:

- General Government expenses were down due to decreases in the following departments: Mayor and Council, City Manager, Human Resources, Legal and Building Maintenance. The Mayor and Council had less travel expenses and did not have an election during fiscal year 2017. In the City Manager department, the tuition reimbursement program was restructured to require a percentage of the cost be contributed by the employee. Marketing expenses in the City Manager's department decreased because a citizen survey was not conducted in the current year. In the prior year a citizen survey was conducted to gather input from residents about their levels of satisfaction with City services and programs. Human Resources expenses were down because a compensation study was not performed in the current year. Legal expenses decreased during the current fiscal year due to less litigation. Building Maintenance had decreases in both energy costs and safety committee expenses.

- Public Works expenses decreased due to a decrease in salaries, benefits and vehicle repair & maintenance. There were several vacant positons during the fiscal year. Vehicle repair and maintenance costs dropped since no large repairs were made during the current year. In the prior year there were repair costs for the larger public works' vehicles such as the bucket truck, backhoe and sweeper truck.

- Housing and Development expenses increased due to an economic incentive payment for a downtown development project and the write off of a receivable due from the Kennesaw Development Authority for land held for resale.

- 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.

- The museum's decision to bring their marketing services in house has continued to lower their overall expenses. A new marketing director position was added in the prior year and as a result there continues to be a decrease in marketing expense. The salary and benefit cost of the new position was lower than outsourcing to a third party marketing firm. Also, energy costs were down during the current year.

- Stormwater expenses decreased due to fewer repair projects during the year. In the prior year 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)	
	2017	2016	2017	2016	2017	2016
FUND						
Museum	$ 480	$ 487	$ 1,080	$ 1,110	$ (600)	$ (623)
Sanitation	2,199	2,182	1,649	1,668	550	514
Stormwater	1,256	1,257	865	879	391	378
Gardens	135	136	417	414	(282)	(278)
Total	$ 4,070	$ 4,062	$ 4,011	$ 4,071	$ 59	$ (9)

Program revenues for business-type activities for fiscal year 2017 were $4,069,587, a $7,214 increase compared to the prior year. Museum had a decrease in artifact donations. Sanitation residential revenue was up due to an increase in customer accounts and bulk pick up revenue. Stormwater and the Gardens revenues remained consistent compared to the prior year.

Total program expenses for business-type activities were $4,011,051 in 2017, $60,931 less than the prior year. Museum expenses were in down in marketing and energy costs. Sanitation and Stormwater expenses both decreased due to changing the method of allocating retirement contributions based on current and retired employees. The Stormwater fund also experienced a decrease in repair and maintenance expenses. The Gardens filled vacant positions resulting in an increase in group insurance.

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

FUND	Fund Balances 9/30/2016	Revenues/ Sources	Expenditures/ Uses	Revenues/Sources Over (Under) Expenditures/Uses	Fund Balances 9/30/2017
General Fund	$ 6,844	$ 22,009	$ 21,129	$ 880	$ 7,724
SPLOST	24,330	5,255	9,361	(4,106)	20,224

At September 30, 2017, the City's governmental funds reported a combined fund balance of $28,427,247, which is a net decrease of $3,127,069 from the previous year.

General Fund
The General Fund's fund balance increased by $880,216 and was $7,723,939 at year end. The revenues exceeded budget by approximately $86,000 and expenditures came in under by budget by approximately $118,000. Real and personal property taxes increased approximately $575,000 due to the increase in the taxable assessed value of property and collection of delinquent property taxes. Insurance premium taxes were up 6%, financial institution taxes were up 44%, franchise taxes were up 3%, intangible taxes were up 13% and real estate transfer taxes were up 59% over the prior year. These increases demonstrate the positive impact the improved economy has had on the real estate market. Alcohol license fees were up over $10,000 (8%) due to new restaurants opening in the new Kennesaw Marketplace development. Fines and forfeitures increased approximately $142,000 due to the increase in citations issued. Culture & Recreation fees increased approximately $63,000. The increase was attributed to summer camp fee revenue and splash pad user fee revenue. The splash pad, a joint project between Cobb County and the City, opened in the summer of 2017. The City also received a donation from the Swift Cantrell Park Foundation of $40,000 to offset Swift Cantrell Park expenses. In addition, the City reduced the amount due to the Sanitation Fund through transfers. The General Fund Budgetary Highlights section of the MD&A provides further detail. Although expenditures increased approximately $580,000 over the prior year, they came in under budget thereby increasing fund balance. The largest favorable budget variances were in the general government expenditures. Mayor and Council, City Manager, Human Resources, Legal and Buildings had favorable variances greater than $5,000. The Mayor and Council reduced their spending in travel. Election costs were also reduced since no election was held. City Manager costs were down in tuition reimbursements and marketing. Human Resources other professional services costs were down since a compensation study was not conducted in the current fiscal year. The Building department's utilities, repairs & maintenance and safety committee expenses decreased from the prior year.

SPLOST Fund
The SPLOST Fund's fund balance decreased by $4,105,886 and was $20,224,034 at year end. The City collected over $5 million in revenues and incurred expenditures of over $9 million. The City has $3.1 million remaining to spend on 2005 SPLOST projects. These funds are to be used for the Old Highway 41 Project which is in the design phase. The City collected the last of the 2011 SPLOST distributions during fiscal year 2016 and has $12 million remaining to spend on 2011 SPLOST projects. Pine Mountain Road and Stanley/Collins Road projects are under construction. 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. Dallas Street/Watts Drive project is under construction. The 2016 SPLOST projects such as Ben King Road Improvements and Sardis Street Extension are in the design phase. The Sardis Street Overpass project is currently in preliminary design phase and is expected to begin construction in late 2018. Facility Improvements will begin sometime in 2018. Park Improvements and Smith Gilbert Gardens are in the design phase.

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 2016, the City Council appropriated $21,058,034 for general fund expenditures and other financing uses in the 2017 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 and 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 $86,000 primarily due to the following three sources:

- Real and personal property taxes exceeded budget by approximately $360,000 due to increased property values and collection of delinquent taxes through a third party company. The City's property values are returning to pre-recession values. Financial institution tax, collected from all financial institutions within the city limits, exceeded budget by $69,000. The increase was from new financial institutions that opened during the fiscal year and from existing financial institutions identified through compliance testing.
- License and Permits decreased approximately $237,000 (29%) from the prior year; however, these revenues exceeded the budget. In particular, building permits exceeded the budget by $81,000, building technology fees exceeded the budget by $21,000, electrical permits exceeded the budget by $27,000 and HVAC permits exceeded the budget by $36,000. The City permitted the additional apartment units at Overture Barrett, a new active senior multifamily housing project, located at Earnest Barrett Parkway with a valuation of $27M. Another active senior residential project consisting of 60 units was completed in 2017. Kennesaw Marketplace is still under construction as they continue the interior build out of existing units.
- Fines and forfeitures increased over the prior year; however, were under budget. Fines and forfeitures were lower than anticipated.
- Charges for services exceeded budget due to fees from the splash pad, a new water feature located at Swift Cantrell Park, opening during the summer of 2017.
- Investment income was under budget due to the decrease in the fair value of the investment portfolio.

Expenditures:

- Mayor and Council had the largest variance between budget and actual expenditures. Expenditures were below budget due to a reduction in travel, meeting expenditures, professional development, support for other community organizations and office supplies.
- City Manager expenditures came in under budget in the areas of marketing, travel, meeting expenditures and education and training. A citizen survey was not conducted in 2017 thereby reducing marketing expenditures. City Manager staff chose to forego several conferences during the year.
- Human Resources expenditures came in under budget in other professional services, wellness and office supplies. City wide training for non-exempt employees was postponed. The City wellness incentive plan awards were less than anticipated. Furniture purchases were postponed.
- Legal expenditures came in under budget due to less litigation.
- The Building department's salaries and small equipment were less than budget due to several vacant custodial positions and the delay in purchasing various equipment.
- Corrections' property and liability insurance was less than budget.
- Interest expenditures were less than budget due to fewer capital leases than anticipated.

Other Financing Sources (Uses):

- Issuance of capital leases came in under budget due to fewer capital leases entered into during the year.
- Transfers in from the Sanitation Fund exceeded budget. The City reduced the amount due to the Sanitation Fund through transfers.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounted to $84,922,634 (net of accumulated depreciation of $43,473,179). 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 10%. 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	
	2017	2016	2017	2016	2017	2016
Land	$ 14,021	$ 14,021	$ 21	$ 21	$ 14,042	$ 14,042
Construction in progress	14,900	7,124	-	-	14,900	7,124
Museum artifacts	-	-	893	860	893	860
Buildings and improvements	12,842	13,122	10,817	11,072	23,659	24,194
Park land	8,119	8,260	-	-	8,119	8,260
Infrastructure	19,385	18,405	-	-	19,385	18,405
Furniture, machinery and equipment	1,590	1,658	317	364	1,907	2,022
Vehicles	1,906	1,797	111	108	2,017	1,905
Total	$ 72,763	$ 64,387	$ 12,159	$ 12,425	$ 84,922	$ 76,812

This year's major capital asset additions included:

Governmental Activities:

- SPLOST Stanley Collins Road Project - $3,260,197
- SPLOST Dallas/Watts Drive Project - $2,676,930
- SPLOST Property Acquisitions - $585,424
- SPLOST Cherokee Street Project - $274,889
- SPLOST Pine Mountain Road - $1,711,929

Long-Term Debt

At the end of fiscal year 2017, the City had $28,853,390 in outstanding long-term debt. This is a net decrease of $1,154,854 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 $122,027,849, 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	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	$ 9,540	$ 10,105	$ -	$ -	$ 9,540	$ 10,105
Revenue Bonds	8,403	9,032	-	-	8,403	9,032
Leases Payable	735	993	42	29	777	1,022
OPEB obligation	3,919	3,584	578	539	4,497	4,123
Net pension liability	4,488	4,662	372	331	4,860	4,993
Compensated absences	725	680	51	53	776	733
Total	$ 27,810	$ 29,056	$ 1,043	$ 952	$ 28,853	$ 30,008

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 2017 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 $22,274,130 for FY 2018 was approximately $1,200,000 more than FY 2017 based on these projections. Taxes were budgeted at an increase of $1,100,000 based on the growth of the tax digest and anticipated increase in insurance premium taxes based on current trends. The budget also increased due to a newly adopted streetlight fee.

During fiscal year 2017 the City closed their detention facility and contracted with another local municipality to house Kennesaw inmates. As a result the correction department's budget decreased $300,000 from FY 2017 to FY 2018. The savings from closing the detention facility were redirected to the police department for implementation of the compensation study.

The FY 2018 budget includes allocating $500,000 to fund the City's reserve account. The City's efforts to cut costs such as the closing of the detention facility and contracting with a third party to collect delinquent property taxes have allowed the City to budget for a reserve.

The City implemented a spousal exclusion for health insurance effective with the FY 2018 budget. This allowed the City to minimize the increase in health insurance to $300,000.

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 $3.1 million, 2011 SPLOST $15.1 million and 2016 SPLOST $23.7 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 $269,079 in LMIG funding during FY 2017 and expects to receive $289,000 for FY 2018. 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, 2017

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
Cash and cash equivalents	$ 23,626,613	$ 2,404,210	$ 26,030,823	$ 50,004
Investments	158,443	-	158,443	-
Taxes receivable	2,280,611	-	2,280,611	-
Other receivables	526,308	-	526,308	-
Accounts receivable, net of allowances	-	401,996	401,996	17,269
Due from other governments	997,736	-	997,736	-
Due from component unit	15,051	-	15,051	-
Internal balances	(19,302)	19,302	-	-
Land held for resale	-	-	-	145,000
Inventory	8,062	96,473	104,535	-
Prepaid items	238,788	31,863	270,651	-
Restricted cash	654,915	-	654,915	-
Restricted investments	7,509,070	-	7,509,070	-
Note receivable	110,513	-	110,513	-
Capital assets:				
Non-depreciable	28,921,557	914,748	29,836,305	-
Depreciable, net of accumulated depreciation	43,841,659	11,244,670	55,086,329	-
Total assets	108,870,024	15,113,262	123,983,286	212,273
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	1,518,152	125,746	1,643,898	-
Total deferred outflows of resources	1,518,152	125,746	1,643,898	-
LIABILITIES				
Accounts payable	2,184,555	112,182	2,296,737	1,755
Accrued liabilities	1,584,576	591,284	2,175,860	-
Accrued interest payable	168,910	-	168,910	-
Unearned revenue	-	300,686	300,686	-
Due to primary government	-	-	-	15,051
Tax anticipation note payable	3,600,000	-	3,600,000	-
Net OPEB obligation due in more than one year	3,918,469	578,128	4,496,597	-
Compensated absences, due within one year	568,317	51,307	619,624	-
Compensated absences, due in more than one year	156,582	-	156,582	-
Capital leases, due within one year	230,554	12,292	242,846	-
Capital leases, due in more than one year	504,168	30,092	534,260	-
Bonds payable, due within one year	1,245,000	-	1,245,000	-
Bonds payable, due in more than one year	16,698,369	-	16,698,369	-
Net pension liability, due in more than one year	4,488,348	371,764	4,860,112	-
Total liabilities	35,347,848	2,047,735	37,395,583	16,806
DEFERRED INFLOWS OF RESOURCES				
Pension related items	51,409	4,259	55,668	-
Total deferred inflows of resources	51,409	4,259	55,668	-
NET POSITION				
Net investment in capital assets	53,342,130	12,117,034	65,459,164	-
Restricted for:				
Law enforcement	75,533	-	75,533	-
Tourism	11,780	-	11,780	-
Capital projects	21,388,181	-	21,388,181	-
Debt service	639,174	-	639,174	-
Voter approved use	7,533,313	-	7,533,313	-
Unrestricted	(8,001,192)	1,069,980	(6,931,212)	195,467
Total net position	$ 74,988,919	$ 13,187,014	$ 88,175,933	$ 195,467

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, 2017

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	$ 4,350,340	$ 179,081	$ 737,634	$ -
Judicial	364,977	988,238	-	-
Public safety	8,443,734	1,495,481	3,059	-
Public works	3,611,163	167,018	-	5,488,449
Culture and recreation	2,359,893	898,948	-	40,000
Housing and development	1,601,184	460,742	-	-
Interest on long-term debt	835,336	-	-	-
Total governmental activities	21,566,627	4,189,508	740,693	5,528,449
Business-type activities:				
Sanitation	1,649,452	2,198,573	-	-
Museum	1,079,904	445,964	-	34,401
Gardens	416,664	124,479	-	10,000
Stormwater	865,031	1,256,170	-	-
Total business-type activities	4,011,051	4,025,186	-	44,401
Total primary government	$ 25,577,678	$ 8,214,694	$ 740,693	$ 5,572,850
Component unit:				
Development Authority	$ 66,651	$ -	$ 218,094	$ -
Total component unit	$ 66,651	$ -	$ 218,094	$ -

General revenues:	
Property taxes	
Franchise taxes	
Insurance premium taxes	
Business taxes	
Other taxes	
Net investment income (loss)	
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
$ (3,433,625)	$ -	$ (3,433,625)	$ -
623,261	-	623,261	-
(6,945,194)	-	(6,945,194)	-
2,044,304	-	2,044,304	-
(1,420,945)	-	(1,420,945)	-
(1,140,442)	-	(1,140,442)	-
(835,336)		(835,336)	-
(11,107,977)	-	(11,107,977)	-
-	549,121	549,121	-
-	(599,539)	(599,539)	-
-	(282,185)	(282,185)	-
-	391,139	391,139	
-	58,536	58,536	-
(11,107,977)	58,536	(11,049,441)	-
-	-	-	151,443
-	-	-	151,443
10,555,252	-	10,555,252	-
1,864,149	-	1,864,149	-
2,032,044	-	2,032,044	-
1,246,047	-	1,246,047	-
1,028,432	-	1,028,432	-
(122,623)	2,005	(120,618)	28
-	-	-	65,850
38,015	-	38,015	-
762,076	(762,076)	-	-
17,403,392	(760,071)	16,643,321	65,878
6,295,415	(701,535)	5,593,880	217,321
68,693,504	13,888,549	82,582,053	(21,854)
$ 74,988,919	$ 13,187,014	$ 88,175,933	$ 195,467

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 1,444,845	$ 21,370,328	$ 801,618	$ 23,616,791
Investments	158,443	-	-	158,443
Taxes receivable	2,270,086	-	10,525	2,280,611
Other receivables	158,233	-	229,630	387,863
Due from other governments	118,923	878,813	-	997,736
Due from other funds	4,613	-	1,813	6,426
Due from component unit	15,051	-	-	15,051
Restricted cash	654,915	-	-	654,915
Restricted investments	7,509,070	-	-	7,509,070
Advances to other funds	556,263	-	-	556,263
Inventory	8,062	-	-	8,062
Prepaid expenditures	229,135	-	9,653	238,788
Notes receivable	-	-	110,513	110,513
Total assets	$ 13,127,639	$ 22,249,141	$ 1,163,752	$ 36,540,532
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 814,733	$ 1,292,112	$ 77,710	$ 2,184,555
Accrued liabilities	520,375	732,995	27,392	1,280,762
Due to other funds	285,477	-	23,113	308,590
Advances from other funds	-	-	556,263	556,263
Tax anticipation note payable	3,600,000	-	-	3,600,000
Accrued interest	18,886	-	-	18,886
Total liabilities	5,239,471	2,025,107	684,478	7,949,056
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	164,229	-	-	164,229
Total deferred inflows of resources	164,229	-	-	164,229
FUND BALANCES				
Fund balances:				
Nonspendable:				
Long-term advances	556,263	-	-	556,263
Inventories	8,062	-	-	8,062
Prepaid expenditures	229,135	-	9,653	238,788
Restricted:				
Law enforcement	36,132	-	39,401	75,533
Culture and recreation	-	-	11,780	11,780
Capital projects	-	20,224,034	421,152	20,645,186
Debt service	630,672	-	8,502	639,174
Voter approved use	7,533,313	-	-	7,533,313
Committed:				
Cemetery maintenance	-	-	17,548	17,548
Assigned:				
Capital projects	-	-	65,074	65,074
Debt service	-	-	83,639	83,639
Unassigned	(1,269,638)	-	(177,475)	(1,447,113)
Total fund balances	7,723,939	20,224,034	479,274	28,427,247
Total liabilities, deferred inflows of resources and fund balances	$ 13,127,639	$ 22,249,141	$ 1,163,752	

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.	72,763,216
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	164,229
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(19,553,014)
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.	(3,021,605)
Net OPEB obligations are not due and payable in the current period and, therefore are not reported in the funds.	(3,918,469)
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.	127,315
Net position of governmental activities	$ 74,988,919

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, 2017

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 16,838,099	$ -	$ 61,566	$ 16,899,665
Licenses and permits	592,637	-	27,110	619,747
Intergovernmental	1,028,532	5,197,551	-	6,226,083
Fines and forfeitures	1,090,699	-	182,610	1,273,309
Charges for services	896,722	-	1,178,016	2,074,738
Contributions	40,000	-	-	40,000
Net investment income (loss)	(123,751)	57,351	1,076	(65,324)
Miscellaneous	164,363	-	3,059	167,422
Total revenues	20,527,301	5,254,902	1,453,437	27,235,640
EXPENDITURES				
Current:				
General government	4,044,074	-	-	4,044,074
Judicial	359,187	-	-	359,187
Public safety	6,824,791	-	1,166,893	7,991,684
Public works	2,340,174	-	113,183	2,453,357
Culture and recreation	2,017,145	-	30,570	2,047,715
Housing and development	1,376,765	-	16,090	1,392,855
Capital outlay	1,193,949	9,360,788	19,416	10,574,153
Debt service:				
Principal retirements	867,053	-	625,000	1,492,053
Interest and fiscal charges	456,575	-	395,095	851,670
Total expenditures	19,479,713	9,360,788	2,366,247	31,206,748
Excess (deficiency) of revenues over expenditures	1,047,588	(4,105,886)	(912,810)	(3,971,108)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	29,239	-	8,776	38,015
Capital lease	43,948	-	-	43,948
Transfers in	1,408,516	-	1,034,854	2,443,370
Transfers out	(1,649,075)	-	(32,219)	(1,681,294)
Total other financing sources (uses)	(167,372)	-	1,011,411	844,039
Net change in fund balance	880,216	(4,105,886)	98,601	(3,127,069)
FUND BALANCES, beginning of year	6,843,723	24,329,920	380,673	31,554,316
FUND BALANCES, end of year	$ 7,723,939	$ 20,224,034	$ 479,274	$ 28,427,247

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, 2017

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

Net change in fund balances - total governmental funds	$	(3,127,069)
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.		8,375,833
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(173,741)
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.		1,448,105
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.		125,964
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.		(353,677)
Change in net position - governmental activities	$	6,295,415

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 15,803,550	$ 16,346,482	$ 16,838,099	$ 491,617
Licenses and permits	387,250	387,250	592,637	205,387
Fines and forfeitures	1,155,000	1,155,000	1,090,699	(64,301)
Charges for services	857,690	867,690	896,722	29,032
Intergovernmental	1,166,815	1,028,815	1,028,532	(283)
Contributions	-	40,000	40,000	-
Net investment income (loss)	477,799	477,799	(123,751)	(601,550)
Miscellaneous	138,500	138,500	164,363	25,863
Total revenues	19,986,604	20,441,536	20,527,301	85,765
EXPENDITURES				
Current:				
General government:				
Mayor and council	440,839	405,839	369,150	36,689
City manager	910,315	660,315	637,442	22,873
Financial administration	752,672	785,672	785,222	450
Human resources	240,208	230,208	218,837	11,371
Legal and audit	275,200	215,200	209,251	5,949
Information technology	894,661	846,661	843,396	3,265
Buildings	1,085,064	989,164	980,776	8,388
Total general government	4,598,959	4,133,059	4,044,074	88,985
Judicial	364,156	362,656	359,187	3,469
Public safety:				
Police	5,468,655	6,156,638	6,156,307	331
Corrections	815,631	666,626	662,600	4,026
E911	350	5,950	5,884	66
Total public safety	6,284,636	6,829,214	6,824,791	4,423
Public works:				
Central services	569,583	604,379	603,280	1,099
Highways and streets	1,750,370	1,737,971	1,736,894	1,077
Total public works	2,319,953	2,342,350	2,340,174	2,176
Culture and recreation	1,992,603	2,018,028	2,017,145	883
Housing and development:				
Construction and inspection	444,150	456,150	455,204	946
Planning and zoning	206,946	208,995	207,794	1,201
Economic development	504,830	713,830	713,767	63
Total housing and development	1,155,926	1,378,975	1,376,765	2,210
Capital outlay	1,124,883	1,195,445	1,193,949	1,496
Debt service:				
Principal	878,948	867,148	867,053	95
Interest	442,449	470,449	456,575	13,874
Total debt service	1,321,397	1,337,597	1,323,628	13,969
Total expenditures	19,162,513	19,597,324	19,479,713	117,611
Excess of revenues over expenditures	824,091	844,212	1,047,588	203,376
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	29,000	29,239	239
Capital lease	75,000	75,000	43,948	(31,052)
Transfers in	991,430	882,084	1,408,516	526,432
Transfers out	(1,895,521)	(1,846,274)	(1,649,075)	197,199
Total other financing sources (uses)	(824,091)	(860,190)	(167,372)	692,818
Net change in fund balances	-	(15,978)	880,216	896,194
FUND BALANCES, beginning of year	6,843,723	6,843,723	6,843,723	-
FUND BALANCES, end of year	$ 6,843,723	$ 6,827,745	$ 7,723,939	$ 896,194

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds					
ASSETS	Sanitation Fund	Museum Fund	Stormwater Fund	Nonmajor Enterprise Fund Gardens Fund	Totals	Governmental Activities Internal Service Fund
CURRENT ASSETS						
Cash	$ 1,113,708	$ 37,158	$ 1,219,087	$ 34,257	$ 2,404,210	$ 9,822
Accounts receivable	229,310	-	172,686	-	401,996	138,445
Due from other funds	-	184	102,817	-	103,001	320,976
Inventory	-	94,828	-	1,645	96,473	-
Prepaids	30	15,476	15,925	432	31,863	-
Total current assets	1,343,048	147,646	1,510,515	36,334	3,037,543	469,243
NONCURRENT ASSETS						
Capital assets:						
Non-depreciable assets	-	900,423	14,325	-	914,748	-
Depreciable assets	307,725	8,734,773	10,255,488	97,310	19,395,296	-
	307,725	9,635,196	10,269,813	97,310	20,310,044	-
Accumulated depreciation	(206,151)	(3,063,144)	(4,822,111)	(59,220)	(8,150,626)	-
Total capital assets	101,574	6,572,052	5,447,702	38,090	12,159,418	-
Total noncurrent assets	101,574	6,572,052	5,447,702	38,090	12,159,418	-
Total assets	1,444,622	6,719,698	6,958,217	74,424	15,196,961	469,243
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	58,845	-	66,901	-	125,746	-
Total deferred outflows of resources	58,845	-	66,901	-	125,746	-
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	9,425	9,620	84,430	8,707	112,182	-
Accrued liabilities	732	6,959	5,763	5,533	18,987	303,814
Due to other funds	99,381	10,125	1,306	6,561	117,373	4,440
Deposits payable	572,297	-	-	-	572,297	-
Capital lease payable	-	-	12,292	-	12,292	-
Compensated absences payable	8,212	12,675	16,553	13,867	51,307	-
Unearned revenue	192,439	-	108,247	-	300,686	-
Total current liabilities	882,486	39,379	228,591	34,668	1,185,124	308,254
NONCURRENT LIABILITIES						
Capital lease payable	-	-	30,092	-	30,092	-
Net OPEB liability	176,296	199,108	114,459	88,265	578,128	-
Net pension liability	173,975	-	197,789	-	371,764	-
Total noncurrent liabilities	350,271	199,108	342,340	88,265	979,984	-
Total liabilities	1,232,757	238,487	570,931	122,933	2,165,108	308,254
DEFERRED INFLOWS OF RESOURCES						
Pension related items	1,993	-	2,266	-	4,259	-
Total deferred inflows of resources	1,993	-	2,266	-	4,259	-
NET POSITION						
Net investment in capital assets	101,574	6,572,052	5,405,318	38,090	12,117,034	-
Unrestricted	167,143	(90,841)	1,046,603	(86,599)	1,036,306	160,989
Total net position	$ 268,717	$ 6,481,211	$ 6,451,921	$ (48,509)	13,153,340	$ 160,989
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds					33,674	
Net position of business-type activities					$ 13,187,014	

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, 2017

	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	$ 2,193,673	$ -	$ -	$ -	$ 2,193,673	$ -
Stormwater fees	-	-	1,256,170	-	1,256,170	-
Charges for sales and services	2,255	326,176	-	69,025	397,456	2,969,102
Miscellaneous	2,645	119,788	-	55,454	177,887	-
Total operating revenues	2,198,573	445,964	1,256,170	124,479	4,025,186	2,969,102
OPERATING EXPENSES						
Cost of sales and services	1,627,416	870,461	632,587	416,475	3,546,939	133,861
Claims	-	-	-	-	-	2,694,489
Depreciation	22,883	215,370	236,255	3,728	478,236	-
Total operating expenses	1,650,299	1,085,831	868,842	420,203	4,025,175	2,828,350
Operating income (loss)	548,274	(639,867)	387,328	(295,724)	11	140,752
NON-OPERATING INCOME (EXPENSES)						
Interest income	1,518	173	237	77	2,005	52
Interest expense	-	-	(716)	-	(716)	-
Total non-operating income (expenses)	1,518	173	(479)	77	1,289	52
Income (loss) before transfers and contributions	549,792	(639,694)	386,849	(295,647)	1,300	140,804
Capital contributions	-	34,401	-	10,000	44,401	-
Transfers in	-	400,432	-	246,008	646,440	-
Transfers out	(1,383,516)	-	(25,000)	-	(1,408,516)	-
Total capital contributions and transfers	(1,383,516)	434,833	(25,000)	256,008	(717,675)	-
Change in net position	(833,724)	(204,861)	361,849	(39,639)	(716,375)	140,804
Total net position, beginning of year	1,102,441	6,686,072	6,090,072	(8,870)		20,185
Total net position, end of year	$ 268,717	$ 6,481,211	$ 6,451,921	$ (48,509)		$ 160,989
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds					14,840	
Change in net position of business-type activities					$ (701,535)	

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, 2017

	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	$ 3,590,114	$ 446,844	$ 1,251,439	$ 124,803	$ 5,413,200	$ 2,908,729
Payments to suppliers	(1,597,795)	(289,101)	(60,995)	(77,405)	(2,025,296)	(2,907,903)
Payments to employees	(127,546)	(557,190)	(507,827)	(316,186)	(1,508,749)	-
Net cash provided by (used in) operating activities	1,864,773	(399,447)	682,617	(268,788)	1,879,155	826
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	-	400,432	-	246,008	646,440	-
Transfers out to other funds	(1,383,516)	-	(25,000)	-	(1,408,516)	-
Net cash provided by (used in) non-capital financing activities	(1,383,516)	400,432	(25,000)	246,008	(762,076)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	-	-	(98,793)	-	(98,793)	-
Proceeds from the issuance of capital leases	-	-	24,618	-	24,618	-
Principal payments on capital lease	-	-	(11,576)	-	(11,576)	-
Interest payments on capital lease	-	-	(716)	-	(716)	-
Grants and capital contributions	-	1,450	-	10,000	11,450	-
Net cash provided by (used in) capital and related financing activities	-	1,450	(86,467)	10,000	(75,017)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	1,518	173	237	77	2,005	52
Net cash provided by investing activities	1,518	173	237	77	2,005	52
Net increase (decrease) in cash	482,775	2,608	571,387	(12,703)	1,044,067	878
Cash, beginning of year	630,933	34,550	647,700	46,960	1,360,143	8,944
Cash, end of year	$ 1,113,708	$ 37,158	$ 1,219,087	$ 34,257	$ 2,404,210	$ 9,822
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ 548,274	$ (639,867)	$ 387,328	$ (295,724)	$ 11	$ 140,752
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	22,883	215,370	236,255	3,728	478,236	-
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	(19,271)	880	(13,155)	324	(31,222)	(118,006)
Decrease in due from other funds	635	11,532	24,818	3,266	40,251	57,633
Decrease in advances to other funds	1,356,500	-	-	-	1,356,500	-
Decrease in prepaid items	-	2,371	1,458	66	3,895	25,070
Decrease (increase) in inventory	-	(643)	-	487	(156)	-
Increase in pension related deferred outflows of resources	(1,692)	-	(3,745)	-	(5,437)	-
Increase (decrease) in accounts payable	(103,086)	5,128	3,257	3,892	(90,809)	-
Increase (decrease) in accrued liabilities	21	(723)	287	1,376	961	(79,544)
Increase in customer deposits payable	39,335	-	-	-	39,335	-
Increase in OPEB liability	2,248	15,725	12,011	9,390	39,374	-
Increase (decrease) in compensated absences payable	(212)	(3,852)	2,529	(106)	(1,641)	-
Increase in unearned revenue	14,977	-	8,424	-	23,401	-
Decrease in pension related deferred inflows of resources	(85)	-	(30)	-	(115)	-
Increase (decrease) in due to other funds	(12,350)	(5,368)	(699)	4,513	(13,904)	(25,079)
Increase in net pension liability	16,596	-	23,879	-	40,475	-
Net cash provided by (used in) operating activities	$ 1,864,773	$ (399,447)	$ 682,617	$ (268,788)	$ 1,879,155	$ 826
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital contributions	$ -	$ 32,951	$ -	$ -	$ 32,951	$ -

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. These factors, along with the eminent domain approval requirement per OCGA 36-42-8, demonstrate the City's ability to impose its will on the KDA. 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. Separate financial statements for the Kennesaw Urban Redevelopment Agency are not prepared.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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. Separate financial statements for the Kennesaw Downtown Development Authority are not prepared.

B. Government-wide and Fund Financial Statements

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

The **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 and changes in fair value are reported as a component of investment income.

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, 2017, 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 $19,553,014 difference are as follows:

Capital leases payable	$ (734,722)
Bonds payable	(17,943,369)
Accrued interest payable	(150,024)
Compensated absences	(724,899)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (19,553,014)

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 $3,021,605 difference are as follows:

Net pension liability	$	(4,488,348)
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date		832,743
Pension plan experience differences		624,518
Pension plan assumption changes		60,891
Deferred inflows of resources:		
Net difference between projected and actual investment earnings		(5,751)
Pension plan experience differences		(45,658)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(3,021,605)

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 $8,375,833 difference are as follows:

Capital outlay	$	10,691,306
Depreciation expense		(2,315,473)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	8,375,833

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 $1,448,105 difference are as follows:

Capital leases	$	(43,948)
Principal retirement of long-term debt		1,492,053
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	1,448,105

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 $353,677 differences are as follows:

Compensated absences	$	(44,800)
Change in net OPEB obligation		(334,091)
Net pension liability and related deferred outflows and inflows of resources		8,880
Amortization of bond issuance premium		3,326
Accrued interest		13,008
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(353,677)

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, 2017, 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	$ 158,443
Federal Home Loan Bank	1 - 5 years	Aaa	392,903
Federal Farm Credit Bank	1 - 5 years	Aaa	282,025
Federal Home Loan Mortgage Corp.	6 - 10 years	AA+	464,275
Federal Home Loan Bank	6 - 10 years	Aaa	624,540
Federal Farm Credit Bank	6 - 10 years	Aaa	643,473
Federal Farm Credit Bank	11 - 15 years	Aaa	512,088
Federal Home Loan Bank	11 - 15 years	Aaa	660,115
Federal National Mortgage Association	11 - 15 years	Aaa	1,733,508
Federal Home Loan Bank	16 - 20 years	Aaa	440,567
Federal National Mortgage Association	16 - 20 years	Aaa	553,044
Tennessee Valley Authority Debenture	16 - 20 years	Aaa	690,795
Federal National Mortgage Association	21 - 25 years	N/A	511,737
Total			$ 7,667,513

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, 2017:

Investment	Level 1	Level 2	Level 3	Fair Value
Federal Home Loan Bank	$ -	$ 2,118,125	$ -	$ 2,118,125
Federal Home Loan Mortgage Corp	-	464,275	-	464,275
Federal National Mortgage Association	1,765,020	1,033,269	-	2,798,289
Federal Farm Credit Bank	-	1,437,586	-	1,437,586
Tenn Valley Authority	690,795	-	-	690,795
Real estate held for resale	-	-	145,000	145,000
Total investments measured at fair value	$ 2,455,815	$ 5,053,255	$ 145,000	$ 7,654,070
Investments not subject to level disclosure:				
Certificates of Deposit				158,443
Total investments				$ 7,812,513

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 3 of the fair value hierarchy is valued using a current year property appraisal.

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, 2017, 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, 2017, 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	Stormwater	Other Nonmajor Funds
Receivables:					
Taxes	$ 2,354,115	$ -	$ -	$ -	$ 10,525
Accounts	-	-	322,805	180,378	-
Due from other governments	118,923	878,813	-	-	-
Other	158,233	-	-	-	368,075
Less allowance for uncollectible	(84,029)	-	(93,495)	(7,692)	-
Net total receivable	$ 2,547,242	$ 878,813	$ 229,310	$ 172,686	$ 378,600

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2017, 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	7,123,720	8,783,499	(1,006,939)	-	14,900,280
Total	21,144,997	8,783,499	(1,006,939)	-	28,921,557
Capital assets, being depreciated:					
Buildings	18,061,861	205,430	28,144	-	18,295,435
Infrastructure	39,792,490	1,034,013	978,795	-	41,805,298
Machinery and equipment	4,639,392	189,064	-	(28,409)	4,800,047
Land improvements	10,002,607	118,642	-	-	10,121,249
Vehicles	3,991,348	360,658	-	(209,823)	4,142,183
Total	76,487,698	1,907,807	1,006,939	(238,232)	79,164,212
Less accumulated depreciation for:					
Buildings	(4,940,071)	(513,514)	-	-	(5,453,585)
Infrastructure	(21,386,787)	(1,033,524)	-	-	(22,420,311)
Machinery and equipment	(2,981,606)	(256,862)	-	28,409	(3,210,059)
Land improvements	(1,742,601)	(260,150)	-	-	(2,002,751)
Vehicles	(2,194,247)	(251,423)	-	209,823	(2,235,847)
Total	(33,245,312)	(2,315,473)	-	238,232	(35,322,553)
Total capital assets, being depreciated, net	43,242,386	(407,666)	1,006,939	-	43,841,659
Governmental activities capital assets, net	$ 64,387,383	$ 8,375,833	$ -	$ -	$ 72,763,216

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Museum artifacts	$ 860,472	$ 32,951	$ -	$ -	$ 893,423
Land	21,325	-	-	-	21,325
Total	881,797	32,951	-	-	914,748
Capital assets, being depreciated:					
Buildings and structures	17,968,481	155,260	-	-	18,123,741
Furniture and fixtures	89,448	-	-	-	89,448
Vehicles	228,364	24,618	-	-	252,982
Machinery and equipment	929,125	-	-	-	929,125
Total	19,215,418	179,878	-	-	19,395,296
Less accumulated depreciation for:					
Buildings and structures	(6,896,668)	(410,424)	-	-	(7,307,092)
Furniture and fixtures	(83,736)	(816)	-	-	(84,552)
Vehicles	(120,919)	(20,826)	-	-	(141,745)
Machinery and equipment	(571,067)	(46,170)	-	-	(617,237)
Total	(7,672,390)	(478,236)	-	-	(8,150,626)
Total capital assets, being depreciated, net	11,543,028	(298,358)	-	-	11,244,670
Business-type activities capital assets, net	$ 12,424,825	$ (265,407)	$ -	$ -	$ 12,159,418

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

Governmental activities:	
General government	$ 264,291
Judicial	577
Public safety	308,063
Public works	1,247,829
Culture and recreation	303,355
Housing and development	191,358
Total depreciation expense - governmental activities	$ 2,315,473
Business-type activities:	
Sanitation	$ 22,883
Museum	215,370
Stormwater	236,255
Gardens	3,728
Total depreciation expense - business-type activities	$ 478,236

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 1.16%, matured on December 15, 2016. As of September 30, 2017, the principal was paid in full. During the year ending September 30, 2017 the City used a new tax anticipation note for operating purposes; the balance of the note is $3,600,000. The new note has an interest rate of 2.00% and matures on December 14, 2017.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2017, was $28,442.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	$ 4,000,000	$ 3,600,000	$ (4,000,000)	$ 3,600,000

Remainder of the page intentionally left blank.

NOTE 8. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 10,105,000	$ -	$ (565,000)	$ 9,540,000	$ 595,000
Revenue bonds	8,985,000	-	(625,000)	8,360,000	650,000
Premium on bonds	46,695	-	(3,326)	43,369	-
Capital leases	992,827	43,948	(302,053)	734,722	230,554
OPEB obligation	3,584,378	388,813	(54,722)	3,918,469	-
Net pension liability	4,661,912	2,242,426	(2,415,990)	4,488,348	-
Compensated absences	680,099	578,083	(533,283)	724,899	568,317
Governmental activity Long-term liabilities	$ 29,055,911	$ 3,253,270	$ (4,499,374)	$ 27,809,807	$ 2,043,871

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Capital lease	$ 29,342	$ 24,618	$ (11,576)	$ 42,384	$ 12,292
OPEB obligation	538,754	45,823	(6,449)	578,128	-
Net pension liability	331,289	185,737	(145,262)	371,764	-
Compensated absences	52,948	43,972	(45,613)	51,307	51,307
Business-type activity Long-term liabilities	$ 952,333	$ 300,150	$ (208,900)	$ 1,043,583	$ 63,599

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, 2017, the City had governmental activities machinery and equipment under capital leases with a cost of $1,288,278 and accumulated depreciation of $207,315 for a net book value of $1,080,963, and business-type activities vehicles with a cost of $68,653 and accumulated depreciation of $11,746 for a net book value of $56,907. 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
2018	$ 244,882	$ 12,292
2019	244,882	12,292
2020	178,549	12,292
2021	89,894	4,503
2022	8,037	4,503
Total minimum lease payments	766,244	45,882
Less amount representing interest	31,522	3,498
Present value of future minimum lease payments	$ 734,722	$ 42,384

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
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	720,000	273,156	993,156
2023-2027	4,230,000	874,058	5,104,058
2028-2029	2,040,000	85,078	2,125,078
Total	$ 9,540,000	$ 2,600,544	$ 12,140,544

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:

Fiscal Year Ending September 30,	Principal	Interest	Total
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	565,000	262,081	827,081
2023-2027	785,000	1,163,610	1,948,610
2028-2032	1,000,000	943,094	1,943,094
2033-2037	1,295,000	685,194	1,980,194
2038-2042	1,585,000	382,209	1,967,209
2043-2044	740,000	38,438	778,438
Total	$ 8,360,000	$ 4,766,297	$ 13,126,297

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 3,307
Internal service fund	General fund	283,819
Museum fund	Nonmajor governmental funds	184
General fund	Stormwater fund	1,306
Stormwater fund	Sanitation fund	98,377
Internal service fund	Museum fund	9,970
Internal service fund	Sanitation fund	1,004
Stormwater fund	Internal service fund	4,440
Internal service fund	Nonmajor governmental funds	19,622
Internal service fund	Nonmajor enterprise funds	6,561
Nonmajor governmental funds	Museum fund	155
Nonmajor governmental funds	General fund	1,658
		$ 430,403

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

Advances to/from other funds are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 556,263

The amounts payable to the General Fund relate to E-911 equipment startup costs paid for by the General fund.

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government - General Fund	Component unit - Development Authority	$ 15,051

The amounts payable to the General Fund relate to operating costs paid for by the General fund to be repaid by the Kennesaw Development Authority.

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

Interfund transfers:

Transfers In	Transfers Out	Amount
General fund	Sanitation fund	$ 1,383,516
General fund	Stormwater fund	25,000
		$ 1,408,516
Museum fund	General fund	$ 368,213
Museum fund	Nonmajor governmental funds	32,219
		$ 400,432
Nonmajor governmental funds	General fund	$ 1,034,854
Nonmajor enterprise funds	General fund	$ 246,008

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, 2017. The future minimum lease payments for these leases are as follows:

Year Ending September 30,	
2018	$ 26,376
2019	26,376
	$ 52,752

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.

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.

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

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

Plan Membership. At January 1, 2017, the date of the most recent actuarial valuation, there were 295 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	62
Terminated vested participants not yet receiving benefits	46
Active employees - vested	117
Active employees - nonvested	70
Total	295

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, 2017, the active member contribution rate was 2.00% of annual pay and the City's actuarially determined contribution rate was 10.79% of covered payroll; actual contributions came to 11.05%. City contributions to the Plan were $901,718 for the year ended September 30, 2017.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2016.

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Actuarial assumptions. The total pension liability in the January 1, 2016 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, 2016 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, 2016 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, 2016 are summarized in the table below.

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.75%
International equity	20%	7.45
Global fixed income	5%	3.30
Domestic fixed income	20%	1.75
Real estate	10%	4.55
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, 2017 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/16	$ 17,695,415	$ 12,702,214	$ 4,993,201
Changes for the year:			
Service cost	553,326	-	553,326
Interest	1,338,114	-	1,338,114
Differences between expected and actual experience	510,888	-	510,888
Contributions—employer	-	936,241	(936,241)
Contributions—employee	-	177,656	(177,656)
Net investment income	-	1,430,888	(1,430,888)
Benefit payments, including refunds of employee contributions	(858,851)	(858,851)	-
Administrative expense	-	(25,835)	25,835
Changes in benefit terms	(16,467)	-	(16,467)
Net changes	1,527,010	1,660,099	(133,089)
Balances at 9/30/17	$ 19,222,425	$ 14,362,313	$ 4,860,112

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.

For the current year, the plan changes noted above went into effect in on January 1, 2016 and April 1, 2016. Effective January 1, 2016, officials hired after January 1, 2016 become vested after four years and one month. Effective April 1, 2016, regular employees become vested after five years and participation is frozen for Officials hired on or after April 5, 2016.

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	$ 7,419,651	$ 4,860,112	$ 2,733,432

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, 2016 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, 2017, the City recognized pension expense of $927,762. At September 30, 2017, 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	$ 676,246	$ 49,440
Changes in assumptions	65,934	-
Net difference between projected and actual earnings on pension plan investments	-	6,228
City contributions subsequent to the measurement date	901,718	-
Total	$ 1,643,898	$ 55,668

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 $901,718 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, 2018. 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:		
2018	$	197,915
2019		197,915
2020		276,021
2021		14,661
Total	$	686,512

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 $165,000 per individual per calendar year for the first claimant and $100,000 per individual per calendar year for subsequent claimants. The City only pays one aggregate claim totaling $165,000 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 April 1, 2017, the most recent actuarial valuation date, the Plan membership included the following categories of participants:

Retirees, beneficiaries, and dependents	10
Active participants	187
	197

City Contributions

The annual required contribution for the current year was determined as part of the April 1, 2017, 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	6.50%
Ultimate Healthcare Cost Trend Rate	4.50%
Year of Ultimate Trend Rate	2021
Amortization Method	Level dollar, closed
Remaining Amortization Period	17 years

The following is a schedule of funding progress using the projected unit credit method. As of the most recent valuation date, April 1, 2017, 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)
4/1/2017	$ -	$ 4,104,225	$ 4,104,225	0.0%	$ 8,539,074	48.06%

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 April 1, 2017.

Annual OPEB Cost

The City's actuarially determined contribution, OPEB cost and increase in net OPEB obligation for the year ended September 30, 2017, is as follows:

Annual required contribution	$ 602,567
Interest on net OPEB obligation	164,925
Adjustments to annual required contribution	(332,856)
Annual OPEB cost	434,636
Contributions made	61,171
Increase in net OPEB obligation	373,465
Net OPEB obligation, beginning of year	4,123,132
Net OPEB obligation, end of year	$ 4,496,597

The recommended contribution was determined as part of the April 1, 2017 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, 2017	$ 434,636	$ 61,171	14%	$ 4,496,597
September 30, 2016	619,033	23,572	4%	4,123,132
September 30, 2015	275,637	53,166	19%	3,527,671

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, 2017, there were 73 plan members. During the year ending September 30, 2017 employee contributions were $195,224 and employer contributions were $50,376.

NOTE 14. FUND DEFICITS

For the year ended September 30, 2017, the City's E911 Fund and Gardens Fund had fund deficits of $167,822 and $48,509 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 78% of the employee premium and 75% of the employee/child, employee/spouse and family premium for the POS plan and 80% of the employee premium and 78% 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 $100,000 and an aggregating corridor or split fund of $65,000. The City pays aggregate claims up to $165,000 for the first employee to reach this amount and pays up to $100,000 for each subsequent employee. In addition to the aggregate limit, the City's self-insurance is limited to $100,000 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 $165,000 per individual per calendar year for the first claimant and $100,000 per individual per calendar year for subsequent claimants. The City only pays one aggregate claim totaling $165,000 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, 13 retirees are eligible for postretirement benefits. These postretirement benefits are funded on a pay-as-you go basis and totaled $61,171 for the year ended September 30, 2017.

NOTE 16. RISK MANAGEMENT (Continued)

Changes in the claims liability for the years ended September 30, 2017 and 2016 are as follows:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2017	$ 383,358	$ 2,351,595	$ 2,431,139	$ 303,814
2016	$ 208,488	$ 3,191,245	$ 3,016,375	$ 383,358

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, 2017, contractual commitments on uncompleted contracts were $8,608,354.

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 $61,566 for the year ended September 30, 2017. Of this amount 102%, or $62,789, was expended. Expenditures of the tax were used to promote tourism, conventions, and trade shows to operate, maintain, and market a conference center facility as required by O.C.G.A. 48-13-51.

NOTE 19. RESTRICTED FUND BALANCE

The City has reported $7,533,313 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, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENNESAW, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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)
4/1/2017	$ -	$ 4,104,225	$ 4,104,225	0.00%	$ 8,539,074	48.06%
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%

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

	2017	2016	2015
Total pension liability			
Service cost	$ 553,326	$ 539,391	$ 535,589
Interest on total pension liability	1,338,114	1,266,040	1,138,176
Differences between expected and actual experience	510,888	(82,401)	535,069
Changes of assumptions	-	-	131,867
Changes of benefit terms	(16,467)	-	-
Benefit payments, including refunds of employee contributions	(858,851)	(727,236)	(654,436)
Net change in total pension liability	1,527,010	995,794	1,686,265
Total pension liability - beginning	17,695,415	16,699,621	15,013,356
Total pension liability - ending (a)	$ 19,222,425	$ 17,695,415	$ 16,699,621
Plan fiduciary net position			
Contributions - employer	$ 936,241	$ 933,501	$ 812,088
Contributions - employee	177,656	167,673	155,925
Net investment income	1,430,888	127,762	1,231,684
Benefit payments, including refunds of member contributions	(858,851)	(727,236)	(654,436)
Administrative expenses	(25,835)	(29,787)	(23,504)
Net change in plan fiduciary net position	1,660,099	471,913	1,521,757
Plan fiduciary net position - beginning	12,702,214	12,230,301	10,708,544
Plan fiduciary net position - ending (b)	$ 14,362,313	$ 12,702,214	$ 12,230,301
City's net pension liability - ending (a) - (b)	$ 4,860,112	$ 4,993,201	$ 4,469,320
Plan fiduciary net position as a percentage of the total pension liability	74.72%	71.78%	73.24%
Covered-employee payroll	$ 7,702,593	$ 7,386,752	$ 7,338,429
City's net pension liability as a percentage of covered-employee payroll	63.10%	67.60%	60.90%

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

	2017	2016	2015
Actuarially determined contribution	$ 901,718	$ 936,241	$ 859,675
Contributions in relation to the actuarially determined contribution	901,718	936,241	933,501
Contribution deficiency (excess)	$ -	$ -	$ (73,826)
Covered-employee payroll	$ 8,162,506	$ 7,702,593	$ 7,386,752
Contributions as a percentage of covered-employee payroll	11.05%	12.15%	12.64%

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

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

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

CITY OF KENNESAW, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	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	Urban Redevelopment Agency	Downtown Development Authority	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 44,327	$ 39,188	$ 19,709	$ 9,177	$ 17,548	$ 439,277	$ 75,074	$ 8,502	$ 148,816	$ 801,618
Taxes receivable	-	-	-	10,525	-	-	-	-	-	10,525
Other receivables	960	-	228,600	-	-	-	-	-	70	229,630
Prepaid expenditures	-	-	9,653	-	-	-	-	-	-	9,653
Due from other funds	-	648	-	155	-	1,010	-	-	-	1,813
Notes receivable	-	-	-	-	-	-	-	-	110,513	110,513
Total assets	$ 45,287	$ 39,836	$ 257,962	$ 19,857	$ 17,548	$ 440,287	$ 75,074	$ 8,502	$ 259,399	$ 1,163,752
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	$ 24,294	$ 18,480	$ 6,056	$ 7,893	$ -	$ 19,135	$ -	$ -	$ 1,852	$ 77,710
Accrued liabilities	-	-	14,392	-	-	-	10,000	-	3,000	27,392
Due to other funds	-	2,948	19,622	184	-	-	-	-	359	23,113
Advances from other funds	-	-	385,714	-	-	-	-	-	170,549	556,263
Total liabilities	24,294	21,428	425,784	8,077	-	19,135	10,000	-	175,760	684,478
FUND BALANCES										
Fund Balances:										
Nonspendable:										
Prepaids	-	-	9,653	-	-	-	-	-	-	9,653
Restricted:										
Capital Projects	-	-	-	-	-	421,152	-	-	-	421,152
Debt service	-	-	-	-	-	-	-	8,502	-	8,502
Law enforcement	20,993	18,408	-	-	-	-	-	-	-	39,401
Culture and recreation	-	-	-	11,780	-	-	-	-	-	11,780
Committed:										
Cemetery maintenance	-	-	-	-	17,548	-	-	-	-	17,548
Assigned:										
Capital projects	-	-	-	-	-	-	65,074	-		65,074
Debt service	-	-	-	-	-	-	-	-	83,639	83,639
Unassigned	-	-	(177,475)	-	-	-	-	-	-	(177,475)
Total fund balances	20,993	18,408	(167,822)	11,780	17,548	421,152	65,074	8,502	83,639	479,274
Total liabilities and fund balances	$ 45,287	$ 39,836	$ 257,962	$ 19,857	$ 17,548	$ 440,287	$ 75,074	$ 8,502	$ 259,399	$ 1,163,752

CITY OF KENNESAW, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	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	Urban Redevelopment Agency	Downtown Development Authority	Total Nonmajor Governmental Funds
REVENUES										
Taxes	$ -	$ -	$ -	$ 61,566	$ -	$ -	$ -	$ -	$ -	$ 61,566
Licenses and permits	-	-	-	-	-	27,110	-	-	-	27,110
Fines and forfeitures	960	181,650	-	-	-	-	-	-	-	182,610
Charges for services	-	-	1,165,538	1,223	1,650	-	-	-	9,605	1,178,016
Miscellaneous	-	2,316	43	-	-	-	-	-	700	3,059
Interest	59	75	189	29	25	442	75	30	152	1,076
Total revenues	1,019	184,041	1,165,770	62,818	1,675	27,552	75	30	10,457	1,453,437
EXPENDITURES										
Current										
Public safety	44,315	176,646	945,932	-	-	-	-	-	-	1,166,893
Public works	-	-	-	-	12,704	100,479	-	-	-	113,183
Culture and recreation	-	-	-	30,570	-	-	-	-	-	30,570
Housing and development	-	-	-	-	-	-	-	-	16,090	16,090
Capital outlay	-	-	-	-	-	-	-	19,416	-	19,416
Debt service										
Principal retirements	-	-	-	-	-	-	-	285,000	340,000	625,000
Interest and fiscal charges	-	-	-	-	-	-	-	297,096	97,999	395,095
Total expenditures	44,315	176,646	945,932	30,570	12,704	100,479	-	601,512	454,089	2,366,247
Excess (deficiency) of revenues over (under) expenditures	(43,296)	7,395	219,838	32,248	(11,029)	(72,927)	75	(601,482)	(443,632)	(912,810)
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of capital assets	-	8,776	-	-	-	-	-	-	-	8,776
Transfers in	-	-	-	-	-	-	-	599,654	435,200	1,034,854
Transfers out	-	-	-	(32,219)	-	-	-	-	-	(32,219)
Total other financing sources (uses)	-	8,776	-	(32,219)	-	-	-	599,654	435,200	1,011,411
Net change in fund balances	(43,296)	16,171	219,838	29	(11,029)	(72,927)	75	(1,828)	(8,432)	98,601
FUND BALANCES (DEFICIT), beginning of year	64,289	2,237	(387,660)	11,751	28,577	494,079	64,999	10,330	92,071	380,673
FUND BALANCES (DEFICIT), end of year	$ 20,993	$ 18,408	$ (167,822)	$ 11,780	$ 17,548	$ 421,152	$ 65,074	$ 8,502	$ 83,639	$ 479,274

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 20,000	$ 20,000	$ 960	$ (19,040)
Interest	25	25	59	34
Total revenues	20,025	20,025	1,019	(19,006)
EXPENDITURES				
Public safety	20,025	50,025	44,315	5,710
Net change in fund balances	-	(30,000)	(43,296)	(43,296)
FUND BALANCES, beginning of year	64,289	64,289	64,289	-
FUND BALANCES, end of year	$ 64,289	$ 34,289	$ 20,993	$ (43,296)

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 50,000	$ 180,758	$ 181,650	$ 892
Miscellaneous	-	-	2,316	2,316
Interest	50	50	75	25
Total revenues	50,050	180,808	184,041	3,233
EXPENDITURES				
Public safety	59,328	182,808	176,646	6,162
Excess (deficiency) of revenues over expenditures	(9,278)	(2,000)	7,395	9,395
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	8,776	8,776
Net change in fund balances	(9,278)	(2,000)	16,171	18,171
FUND BALANCES, beginning of year	2,237	2,237	2,237	-
FUND BALANCES, end of year	$ (7,041)	$ 237	$ 18,408	$ 18,171

CITY OF KENNESAW, GEORGIA
E911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 1,197,000	$ 1,202,306	$ 1,165,538	$ (36,768)
Miscellaneous	-	-	43	43
Interest	300	300	189	(111)
Total revenues	1,197,300	1,202,606	1,165,770	(36,836)
EXPENDITURES				
Public safety	1,058,216	1,063,522	945,932	117,590
Excess of revenues over expenditures	139,084	139,084	219,838	80,754
OTHER FINANCING USES				
Transfers out	(139,084)	(139,084)	-	139,084
Net change in fund balances	-	-	219,838	219,838
FUND BALANCES (DEFICIT), beginning of year	(387,660)	(387,660)	(387,660)	-
FUND BALANCES (DEFICIT), end of year	$ (387,660)	$ (387,660)	$ (167,822)	$ 219,838

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 62,000	$ 62,000	$ 61,566	$ (434)
Charges for services	1,250	1,250	1,223	(27)
Interest	35	35	29	(6)
Total revenues	63,285	63,285	62,818	(467)
EXPENDITURES				
Culture and recreation	31,250	31,050	30,570	480
Excess of revenues over expenditures	32,035	32,235	32,248	13
OTHER FINANCING USES				
Transfers out	(32,035)	(32,235)	(32,219)	16
Net change in fund balances	-	-	29	29
FUND BALANCES, beginning of year	11,751	11,751	11,751	-
FUND BALANCES, end of year	$ 11,751	$ 11,751	$ 11,780	$ 29

CITY OF KENNESAW, GEORGIA
CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 5,000	$ 5,000	$ 1,650	$ (3,350)
Interest	20	20	25	5
Total revenues	5,020	5,020	1,675	(3,345)
EXPENDITURES				
Public works	12,300	19,800	12,704	7,096
Deficiency of revenues over expenditures	(7,280)	(14,780)	(11,029)	3,751
OTHER FINANCING SOURCES				
Transfers in	-	7,500	-	(7,500)
Net change in fund balances	(7,280)	(7,280)	(11,029)	(3,749)
FUND BALANCES, beginning of year	28,577	28,577	28,577	-
FUND BALANCES, end of year	$ 21,297	$ 21,297	$ 17,548	$ (3,749)

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and permits	$ 28,700	$ 28,700	$ 27,110	$ (1,590)
Interest	21	21	442	421
Total revenues	28,721	28,721	27,552	(1,169)
EXPENDITURES				
Public works	194,459	178,481	100,479	78,002
Net change in fund balances	(165,738)	(149,760)	(72,927)	76,833
FUND BALANCES, beginning of year	494,079	494,079	494,079	-
FUND BALANCES, end of year	$ 328,341	$ 344,319	$ 421,152	$ 76,833

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Interest	$ 100	$ 100	$ 30	$ (70)
Total revenues	100	100	30	(70)
EXPENDITURES				
Debt service				
Principal	285,000	285,000	285,000	-
Interest and fiscal charges	297,092	297,102	297,096	6
Capital outlay	-	19,420	19,416	4
Total expenditures	582,092	601,522	601,512	10
Deficiency of revenues over expenditures	(581,992)	(601,422)	(601,482)	(60)
OTHER FINANCING SOURCES				
Transfers in	576,592	596,022	599,654	3,632
Net change in fund balances	(5,400)	(5,400)	(1,828)	3,572
FUND BALANCES, beginning of year	10,330	10,330	10,330	-
FUND BALANCES, end of year	$ 4,930	$ 4,930	$ 8,502	$ 3,572

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 45,400	$ 45,400	$ 9,605	$ (35,795)
Miscellaneous revenue	-	-	700	700
Interest	30	30	152	122
Total revenues	45,430	45,430	10,457	(34,973)
EXPENDITURES				
Housing and development	53,818	57,118	16,090	41,028
Debt service				
Principal	369,526	369,526	340,000	29,526
Interest and fiscal charges	97,999	97,999	97,999	-
Total expenditures	521,343	524,643	454,089	70,554
Deficiency of revenues over expenditures	(475,913)	(479,213)	(443,632)	35,581
OTHER FINANCING SOURCES				
Transfers in	435,200	435,200	435,200	-
Net change in fund balances	(40,713)	(44,013)	(8,432)	35,581
FUND BALANCES, beginning of year	92,071	92,071	92,071	-
FUND BALANCES, end of year	$ 51,358	$ 48,058	$ 83,639	$ 35,581

CITY OF KENNESAW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	568,783	53,762	622,545	16.66
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	595,529	595,289	75	595,364	99.97
Jiles Road	9,900,000	3,507 (1)	3,507	-	3,507	100.00
Cherokee Street	3,750,000	1,472,820	1,459,134	13,686	1,472,820	100.00
McCollum Parkway	200,000	- (1)	-	-	-	-
Barrett Parkway	520,300	- (1)	-	-	-	-
Pine Mountain Court @ US 41	200,000	49,773	49,773	-	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	428,526	428,526	-	428,526	100.00
TOTAL 2005 SPLOST	$ 23,305,917	$ 8,719,395	$ 5,538,336	$ 67,523	$ 5,605,859	
SPLOST II - 2011 SPLOST						
Pine Mountain Road	$ 6,492,254	$ 6,979,193	$ 1,482,307	$ 1,711,929	$ 3,194,236	45.77 %
Cherokee Street	5,000,000	6,276,899	281,652	274,889	556,541	8.87
Stanley Road/Collins Road	1,150,032	3,552,111	291,914	3,260,197	3,552,111	100.00
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	495,817	202,178	259,555	461,733	93.13
Infrastructure Preservation	1,101,710	565,672	501,519	25	501,544	88.66
Skate Park	750,000	984,094	984,094	-	984,094	100.00
Depot Park Improvements	2,100,000	1,870,131	195,404	94,118	289,522	15.48
Smith Gilbert Gardens Event Building	1,800,000	1,800,000	561,067	16,045	577,112	32.06
Swift Cantrell Park Parking	650,000	836,906	836,906	-	836,906	100.00
Community Center Renovation	226,999	225,382	225,381	-	225,381	100.00
TOTAL 2011 SPLOST	$ 22,107,998	$ 24,002,788	$ 5,979,005	$ 5,616,758	$ 11,595,763	

Continued

CITY OF KENNESAW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	2,836,332	-	75,023	75,023	2.65
Ben King Road Improvements	3,133,431	3,133,431	-	-	-	-
Sardis Street Extension Project	2,500,000	2,500,000	166,194	51,360	217,554	8.70
Property Acquisition	3,000,000	3,000,000	249,880	585,424	835,304	27.84
Park Improvements	1,790,000	1,790,000	-	99,506	99,506	5.56
Dallas/Watts Drive Improvements	2,619,072	2,782,740	105,810	2,676,930	2,782,740	100.00
Facility Improvements	1,200,000	1,200,000	28,144	186,014	214,158	17.85
Economic Development	1,500,000	1,500,000	-	-	-	-
Smith Gilbert Garden	750,000	750,000	-	2,250	2,250	0.30
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	$ 3,676,507	$ 4,360,527	
			Total SPLOST expenditures	$ 9,360,788		

(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, 2017

ASSETS		
Cash	$	50,004
Other receivables		17,269
Land held for resale		145,000
Total assets	$	212,273
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	1,755
Due to primary government		15,051
Total liabilities	$	16,806
FUND BALANCE		
Unassigned		195,467
Total liabilities and fund balance	$	212,273

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2017

REVENUES		
Interest income	$	28
Intergovernmental		218,094
Miscellaneous		65,850
Total revenues		283,972
EXPENDITURES		
Housing and development		66,651
Net change in fund balance		217,321
FUND BALANCE (DEFICIT), beginning of year		(21,854)
FUND BALANCE, end of year	$	195,467

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)

	2017	2016	2015	2014
Governmental activities				
Net investment in capital assets	**$ 53,342,130**	$ 44,270,008	$ 41,353,883	$ 44,050,011
Restricted	**29,647,981**	33,586,055	30,325,102	26,084,186
Unrestricted	**(8,001,192)**	(9,162,559)	(8,857,613)	(5,557,897)
Total governmental activities net position	**$ 74,988,919**	$ 68,693,504	$ 62,821,372	$ 64,576,300
Business-type activities				
Net investment in capital assets	**$ 12,117,034**	$ 12,395,483	$ 12,729,505	$ 6,550,336
Unrestricted	**1,069,980**	1,493,066	1,009,187	1,109,417
Total business-type activities net position	**$ 13,187,014**	$ 13,888,549	$ 13,738,692	$ 7,659,753
Primary government				
Net investment in capital assets	**$ 65,459,164**	$ 56,665,491	$ 54,083,388	$ 50,600,347
Restricted	**29,647,981**	33,586,055	30,325,102	26,084,186
Unrestricted	**(6,931,212)**	(7,669,493)	(7,848,426)	(4,448,480)
Total primary government net position	**$ 88,175,933**	$ 82,582,053	$ 76,560,064	$ 72,236,053

(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.

2013	2012	2011	2010	2009	2008
$ 38,848,625	$ 38,194,452	$ 38,211,640	$ 37,441,454	$ 37,896,407	$ 37,419,713 (1)
24,496,830	22,999,987	19,214,410	11,728,094	10,453,594 (2)	1,003,306
(5,381,866)	(4,069,805)	(4,009,394)	5,113,083	3,096,897 (2)	9,464,149
$ 57,963,589	$ 57,124,634	$ 53,416,656	$ 54,282,631	$ 51,446,898	$ 47,887,168
$ 6,517,447	$ 3,601,055	$ 3,397,072	$ 3,178,418	$ 2,682,669	$ 2,583,068
1,796,730	1,263,195	1,200,476	1,124,835	1,018,721	159,675
$ 8,314,177	$ 4,864,250	$ 4,597,548	$ 4,303,253	$ 3,701,390	$ 2,742,743
$ 45,366,072	$ 41,795,507	$ 41,608,712	$ 40,619,872	$ 40,579,076	$ 40,002,781
24,496,830	22,999,987	19,214,410	11,728,094	10,453,594	1,003,306
(3,585,136)	(2,806,610)	(2,808,918)	6,237,918	4,115,618	9,623,824
$ 66,277,766	$ 61,988,884	$ 58,014,204	$ 58,585,884	$ 55,148,288	$ 50,629,911

CITY OF KENNESAW, GEORGIA

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

	2017	2016	2015	2014
Expenses				
Governmental activities:				
General government	**$ 4,350,340**	$ 4,442,795	$ 4,460,850	$ 4,464,217
Judicial	**364,977**	367,386	348,800	388,741
Public safety	**8,443,734**	8,384,410	7,410,419	7,990,403
Public works	**3,611,163**	4,064,973	3,699,120	4,932,286
Culture and recreation	**2,359,893**	2,348,921	2,265,865	2,448,490
Housing and development	**1,601,184**	1,019,160	957,354	966,688
Interest on long-term debt	**835,336**	878,715	928,138	1,202,899
Total governmental activities expenses	**21,566,627**	21,506,360	20,070,546	22,393,724
Business-type activities:				
Sanitation	**1,649,452**	1,667,997	1,518,213	1,477,276
Museum	**1,079,904**	1,110,487	1,136,658	1,232,706
Gardens	**416,664**	414,334	414,602	355,532
Stormwater	**865,031**	879,164	775,836	-
Total business-type activities expenses	**4,011,051**	4,071,982	3,845,309	3,065,514
Total primary government expenses	**$ 25,577,678**	$ 25,578,342	$ 23,915,855	$ 25,459,238
Program Revenues				
Governmental activities:				
Charges for services:				
General government	**$ 179,081**	$ 158,210	$ 181,499	$ 187,479
Judicial	**988,238**	849,434	946,319	1,105,127
Public safety	**1,495,481**	1,406,576	1,555,379	1,474,044
Public works	**167,018**	498,692	217,117	373,416
Culture and recreation	**898,948**	821,495	828,019	817,573
Housing and development	**460,742**	724,819	470,269	469,286
Operating grants and contributions (1)	**740,693**	721,052	741,944	383,873
Capital grants and contributions (1)	**5,528,449**	5,867,805	6,643,379	7,425,962
Total governmental activities program revenues	**10,458,650**	11,048,083	11,583,925	12,236,760
Business-type activities:				
Charges for services:				
Sanitation	**2,198,573**	2,182,106	2,206,876	2,599,332
Museum	**445,964**	440,604	413,818	424,046
Gardens	**124,479**	130,779	115,540	106,687
Stormwater	**1,256,170**	1,208,615	906,877	-
Operating grants and contributions (1)	**-**	-	-	-
Capital grants and contributions (1)	**44,401**	100,269	709,771	263,892
Total business-type activities program revenues	**4,069,587**	4,062,373	3,393,957	3,221,034
Total primary government program revenues	**$ 14,528,237**	$ 15,110,456	$ 15,630,717	$ 14,148,531

2013	2012	2011	2010	2009	2008	
$ 4,361,757	$ 4,187,479	$ 4,544,161	$ 4,374,745	$ 4,340,819	$ 3,429,896	
358,613	342,790	365,477	343,934	342,310	331,775	
7,422,621	6,976,574	7,038,966	7,019,253	6,476,689	6,031,526	
4,016,262	3,922,629	4,035,824	3,634,870	3,600,503	5,395,444	(3)
2,555,138	2,547,847	2,682,506	2,563,539	2,448,676	2,468,491	
973,555	907,986	1,154,875	1,039,995	1,133,464	1,128,271	
918,411	804,045	820,746	811,083	674,201	756,053	
20,606,357	19,689,350	20,642,555	19,787,419	19,016,662	19,541,456	
1,861,957	1,649,055	1,592,777	1,818,853	1,464,769	3,189,703	(3)
1,141,504	1,307,352	1,443,963	1,501,346	1,479,890	1,541,295	
311,292	319,369	286,949	262,145	227,102	198,087	
-	-	-	-	-	-	
3,314,753	3,275,776	3,323,689	3,582,344	3,171,761	4,929,085	
$ 23,921,110	$ 22,965,126	$ 23,966,244	$ 23,369,763	$ 22,188,423	$ 24,470,541	
$ 178,193	$ 645,807	$ 186,426	$ 167,078	$ 192,374	$ 152,329	
1,052,313	1,229,945	1,413,733	1,397,897	1,259,470	1,298,239	
1,373,847	1,197,405	1,208,972	2,505,270	(4) 1,196,781	1,123,811	
199,081	343,370	124,663	27,878	125,751	335,261	(2)
790,486	779,069	704,632	581,384	610,907	651,973	
349,884	313,759	249,950	123,922	-	-	(2)
403,672	380,462	373,835	383,215	797,249	730,623	
6,580,021	4,668,881	1,954,206	4,013,275	(6) 611,290	309,453	
10,927,497	9,558,698	6,216,417	9,199,919	4,793,822	4,601,689	
2,614,104	2,558,808	2,520,688	2,556,419	2,417,692	2,494,016	
413,531	378,466	346,393	322,700	351,289	368,151	
125,318	121,803	110,593	33,977	38,366	3,010	
-	-	-	-	-	-	
-	934	566	6,353	-	169,877	
68,081	57,794	70,306	414,127	112,174	499,992	
3,221,034	3,117,805	3,048,546	3,333,576	2,919,521	3,535,046	
$ 14,148,531	$ 12,676,503	$ 9,264,963	$ 12,533,495	$ 7,713,343	$ 8,136,735	

(continued)

CITY OF KENNESAW, GEORGIA

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

	2017	2016	2015	2014
Net (expense)/revenue				
Governmental activities	**$ (11,107,977)**	$ (10,458,277)	$ (8,486,621)	$ (10,156,964)
Business-type activities	**58,536**	(9,609)	507,573	328,443
Total primary government net expense	**$ (11,049,441)**	$ (10,467,886)	$ (7,979,048)	$ (9,828,521)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	**$ 10,555,252**	$ 10,077,543	$ 9,743,961	$ 9,468,733
Franchise taxes	**1,864,149**	1,815,579	1,788,362	1,685,980
Sales taxes	**-**	-	-	-
Insurance premium taxes	**2,032,044**	1,909,498	1,745,554	1,633,900
Business taxes	**1,246,047**	1,248,304	1,235,665	1,185,735
Other taxes	**1,028,432**	964,204	753,443	732,316
Unrestricted investment earnings	**(122,623)**	326,929	527,663	590,267
Gain on sale of capital assets	**38,015**	146,531	-	13,742
Miscellaneous	**-**	-	-	-
Transfers	**762,076**	(158,179)	(278,662)	984,249
Total governmental activities	**17,403,392**	16,330,409	15,515,986	16,294,922
Business-type activities:				
Unrestricted investment earnings	**2,005**	1,287	1,135	1,382
Gain on sale of capital assets	**-**	-	-	-
Transfers	**(762,076)**	158,179	278,662	(984,249)
Total business-type activities	**(760,071)**	159,466	279,797	(982,867)
Total primary government	**$ 16,643,321**	$ 16,489,875	$ 15,795,783	$ 15,312,055
Change in Net Position				
Governmental activities	**$ 6,295,415**	$ 5,872,132	$ 7,029,365	$ 6,137,958
Business-type activities	**(701,535)**	149,857	787,370	(654,424)
Total primary government	**$ 5,593,880**	$ 6,021,989	$ 7,816,735	$ 5,483,534

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.

2013	2012	2011	2010	2009	2008
$ (9,678,860)	$ (10,130,652)	$ (14,426,138)	$ (10,587,500)	$ (14,222,840)	$ (14,939,767)
(93,719)	(157,971)	(275,143)	(248,768)	(252,240)	(1,394,039)
$ (9,772,579)	$ (10,288,623)	$ (14,701,281)	$ (10,836,268)	$ (14,475,080)	$ (16,333,806)
$ 8,377,495	$ 8,858,088	$ 9,121,632	$ 9,684,063	$ 9,678,422	$ 9,455,057
1,690,243	1,721,137	1,695,379	1,585,542	1,526,658	1,528,223
-	-	-	- (7)	2,855,573	1,623,072
1,536,325	1,483,792	1,396,948	1,166,804	1,201,730	1,213,111
1,102,144	1,040,848	968,832	962,611	867,084	817,936
1,361,826	638,106	528,175	550,638	553,177	594,403
(516,755)	372,157	397,616	323,175	556,094	674,479
14,628	5,388	13,025	-	7,394	1,247
-	-	-	-	1,733,333 (5)	-
110,980	(280,886)	(561,444)	(849,600)	(1,196,895)	(3,853,578)
13,676,886	13,838,630	13,560,163	13,423,233	17,782,570	12,053,950
1,345	1,150	501	1,031	1,442	10,522
87,918	-	7,493	-	12,550	-
(110,980)	280,886	561,444	849,600	1,196,895	3,853,578
(21,717)	282,036	569,438	850,631	1,210,887	3,864,100
$ 13,655,169	$ 14,120,666	$ 14,129,601	$ 14,273,864	$ 18,993,457	$ 15,918,050
$ 3,998,026	$ 3,707,978	$ (865,975)	$ 2,835,733	$ 3,559,730	$ (2,885,817)
(115,436)	124,065	294,295	601,863	958,647	2,470,061
$ 3,882,590	$ 3,832,043	$ (571,680)	$ 3,437,596	$ 4,518,377	$ (415,756)

CITY OF KENNESAW, GEORGIA

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

	2017	2016	2015	2014
General fund				
Reserved	**$ -**	$ -	$ -	$ -
Unreserved	**-**	-	-	-
Nonspendable:				
Long-term advances	**556,263**	825,669	958,972	1,178,453
Inventories	**8,062**	7,473	4,447	14,487
Prepaid expenditures	**229,135**	257,964	185,029	318,015
Restricted:				
Public safety	**36,132**	36,096	36,060	4,018
Capital projects	**-**	-	-	-
Debt service	**630,672**	630,044	779,410	778,781
Voter approved use	**7,533,313**	8,019,456	7,965,332	7,782,212
Assigned:				
Capital projects	**-**	264,186	-	-
Unassigned	**(1,269,638)**	(3,197,165)	(3,893,417)	(3,931,113)
Total general fund	**$ 7,723,939**	$ 6,843,723	$ 6,035,833	$ 6,144,853
All other governmental funds				
Reserved	**$ -**	$ -	$ -	$ -
Unreserved, reported in:				
Special revenue funds	**-**	-	-	-
Capital projects funds	**-**	-	-	-
Nonspendable:				
Longterm advances	**-**	-	496,756	501,826
Prepaid expenditures	**9,653**	11,129	5,985	13,270
Notes receivable	**-**	-	186,500	222,500
Restricted:				
Public safety	**39,401**	66,526	88,627	161,570
Culture and recreation	**11,780**	11,751	11,713	11,670
Capital projects	**20,645,186**	24,834,329	27,657,315	23,546,277
Debt service	**8,502**	-	-	-
Parks and recreation impact fee projects	**-**	-	-	-
Committed:				
Cemetery maintenance	**17,548**	28,577	23,686	36,580
Assigned:				
Cemetery maintenance	**-**	-	-	-
Capital projects	**65,074**	157,070	409,033	332,692
Debt service	**83,639**	-	-	-
Unassigned	**(177,475)**	(398,789)	(695,873)	(992,508)
Total all other governmental funds	**$ 20,703,308**	$ 24,710,593	$ 28,183,742	$ 23,833,877

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

2013	2012	2011 (1)	2010	2009	2008
$ -	$ -	$ -	$ 13,908,623	$ 11,570,618	$ 11,891,538
-	-	-	(5,731,538)	(3,487,985)	(3,829,585)
1,237,107	667,428	622,058	-	-	-
18,442	16,806	15,614	-	-	-
178,616	349,960	169,036	-	-	-
4,014	1,105,761	1,053,853	-	-	-
41,913	-	-	-	-	-
678,251	577,822	-	-	-	-
7,561,920	8,400,720	8,541,859	-	-	-
-	-	-	-	-	-
(3,454,424)	(2,599,475)	(2,700,556)	-	-	-
$ 6,265,839	$ 8,519,022	$ 7,701,864	$ 8,177,085	$ 8,082,633	$ 8,061,953
$ -	$ -	$ -	$ 8,549,327	$ 2,598	$ -
-	-	-	(264,536)	(202,249)	(289,919)
-	-	-	581,417	5,740,497	4,319,552
-	-	-	-	-	-
6,984	17,992	6,205	-	-	-
258,500	-	-	-	-	-
809,494	37,809	38,545	-	-	-
11,650	11,033	11,020	-	-	-
13,052,919	10,428,449	7,137,344	-	-	-
2,015,967	2,211,962	2,407,939	-	-	-
320,702	226,431	23,850	-	-	-
41,069	32,515	32,515	-	-	-
-	8,718	-	-	-	-
-	-	-	-	-	-
(917,874)	(475,466)	(445,774)	-	-	-
$ 15,599,411	$ 12,499,443	$ -	$ 8,866,208	$ 5,540,846	$ 4,029,633

CITY OF KENNESAW, GEORGIA

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

	2017	2016	2015	2014
Revenues				
Taxes	**$ 16,899,665**	$ 16,157,523	$ 15,259,733	$ 14,676,153
Licenses and permits	**619,747**	1,021,664	546,277	713,680
Intergovernmental	**6,226,083**	6,578,785	7,459,301	6,776,644
Fines and forfeitures	**1,273,309**	1,023,977	1,229,629	1,426,007
Charges for services	**2,074,738**	2,214,625	2,160,110	2,076,668
Contributions	**40,000**	6,652	57,030	2,600
Net investment income (loss)	**(65,324)**	382,654	574,015	626,178
Other revenues	**167,422**	146,553	216,175	1,074,183
Total revenues	**27,235,640**	27,532,433	27,502,270	27,372,113
Expenditures				
General government	**4,044,074**	4,087,000	4,206,658	4,072,150
Judicial	**359,187**	356,493	343,440	348,644
Public safety	**7,991,684**	7,865,595	7,159,379	7,473,688
Public works	**2,453,357**	2,791,593	2,516,441	3,439,237
Culture and recreation	**2,047,715**	2,009,199	1,985,909	2,098,505
Housing and development	**1,392,855**	957,711	933,895	940,042
Capital outlay	**10,574,153**	10,168,328	4,422,545	4,094,162
Debt service				
Principal retirements	**1,492,053**	1,727,076	1,333,036	3,976,128
Interest and fiscal charges	**851,670**	898,444	932,058	912,834
Bond issuance costs	**-**	-	-	284,291
Total expenditures	**31,206,748**	30,861,439	23,833,361	27,639,681
Excess (deficiency) of revenues over expenditures	**(3,971,108)**	(3,329,006)	3,668,909	(267,568)
Other financing sources (uses)				
Proceeds from capital leases	**43,948**	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	**38,015**	490,786	6,520	3,700
Proceeds from insurance recoveries	**-**	-	-	11,733
Transfers in	**2,443,370**	1,675,696	2,125,549	2,678,725
Transfers out	**(1,681,294)**	(1,833,875)	(2,404,211)	(1,694,476)
Total other financing sources (uses)	**844,039**	663,747	489,123	7,906,295
Net change in fund balances	**$ (3,127,069)**	$ (2,665,259)	$ 4,158,032	$ 7,638,727
Debt service as a percentage of noncapital expenditures	**11.42%**	12.70%	11.68%	20.81%

(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.

2013	2012	2011	2010	2009	2008
$ 14,048,042	$ 13,630,376	$ 13,687,767	$ 13,953,303	$ 16,637,053	$ 15,186,590
503,401	623,369	361,815	205,316	169,649	345,679
6,990,477	5,012,308	2,620,547	3,605,045 (1)	1,358,869	935,362
1,250,162	1,366,731	1,565,999	2,810,358 (2)	1,309,470	1,299,148
1,983,715	1,840,532	1,793,016	1,617,446	1,720,527	1,708,812
500	3,250	416,736	5,537	32,709	-
(487,988)	398,003	428,410	323,117	555,139	663,168
180,425	676,014	176,419	207,257	202,598	289,722
24,468,734	23,550,583	21,050,709	22,727,379	21,986,014	20,428,481
4,015,836	3,847,933	4,146,581	3,890,512	4,232,759	3,249,756
364,160	327,480	346,774	318,139	325,283	332,357
7,007,318	6,531,773	6,508,128	6,337,895	6,028,340	6,059,200
2,538,369	2,439,348	2,518,803	2,336,879	2,197,372	2,304,639
2,271,595	2,245,505	2,325,691	2,194,288	2,126,137	2,294,879
917,761	876,137	1,109,355	983,173	1,103,472	1,162,295
4,696,980	1,574,897	2,494,414	5,804,036	2,003,467	3,886,213
1,155,225	702,468	665,292	659,947	686,946	642,890
928,402	784,579	798,579	842,358	670,378	707,391
-	-	-	-	-	-
23,895,646	19,330,120	20,913,617	23,367,227	19,374,154	20,639,620
573,088	4,220,463	137,092	(639,848)	2,611,860	(211,139)
-	-	-	-	-	-
-	159,992	281,236	2,800,000	94,100	238,472
-	-	-	-	-	-
162,239	5,388	13,331	2,109,262 (3)	22,828	1,322
-	-	-	-	-	-
1,944,985	1,385,100	2,006,770	3,830,210	483,680	551,353
(1,834,005)	(1,665,986)	(2,568,214)	(4,679,810)	(1,680,575)	(4,404,931)
273,219	(115,506)	(266,877)	4,059,662	(1,079,967)	(3,613,784)
$ 846,307	$ 4,104,957	$ (129,785)	$ 3,419,814	$ 1,531,893	$ (3,824,923)
10.86%	8.38%	7.95%	8.56%	7.91%	8.77%

CITY OF KENNESAW, GEORGIA

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

Fiscal	Real Property						Public
Year	Residential	Agricultural	Commercial	Industrial	Historical	Conservation	Utility
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
2017	**599,670,552**	**135,828**	**539,572,750**	**25,283,289**	-	**497,500**	**12,074,923**

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
$ 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%
43,033,750	**9,894**	**175,434,964**	**1,044,843,522**	**9.50**	**2,612,108,805**	**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
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
2017	**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

	2017			2008		
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	$ **22,074,000**	**1**	**2.11 %**			
WOP Mountain Park Estates LLC	**18,620,040**	**2**	**1.78**	$ 15,762,640	1	1.60 %
HM Kennesaw LLC & Columbia Kennesaw LLC	**14,744,000**	**3**	**1.41**	11,800,000	2	1.20
Bridges of Kennesaw LLC	**11,500,000**	**4**	**1.10**	8,800,000	4	0.90
ACC OP Frey LLC	**10,381,156**	**5**	**0.99**			
Owens & Minor Distribution	**10,248,276**	**6**	**0.98**			
Atlanta RDC Co.	**9,184,080**	**7**	**0.88**	9,319,656	3	0.95
ACC OP LLC	**9,108,720**	**8**	**0.87**			
Mars Chocolate LLC	**9,023,777**	**9**	**0.86**			
Fuiqua BCDC Barrett	**8,935,476**	**10**	**0.86**			
Alta Ridenour LLC				7,052,800	7	0.72
Park at Kennesaw LLC				7,160,000	6	0.73
Lakeside Vista Apartments LP				8,639,156	5	0.88
NNN St. Charles LLC				6,250,000	9	0.64
Walton Ridenour LP				6,774,343	8	0.69
PRU Kennesaw LLC				6,003,516	10	0.61
	$ 123,819,525		**11.85 %**	$ 87,562,111		8.92 %

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
2008	$ 8,335,381	$ 8,190,588	98.3%	$ 138,904	$ 8,329,492	99.93%
2009	8,620,072	8,427,743	97.8%	177,805	8,605,548	99.83%
2010	9,024,356	8,894,329	98.6%	107,686	9,002,015	99.75%
2011	8,476,633	8,303,209	98.0%	131,515	8,434,724	99.51%
2012	8,036,051	7,869,525	97.9%	145,044	8,014,569	99.73%
2013	7,696,157	7,550,158	98.1%	129,334	7,679,492	99.78%
2014	7,744,596	7,585,332	97.9%	124,334	7,709,666	99.55%
2015	8,194,415	8,067,586	98.5%	115,990	8,183,576	99.87%
2016	8,896,627	8,826,150	99.2%	56,531	8,882,681	99.84%
2017	**9,484,399**	**9,408,893**	**99.2%**	-	**9,408,893**	**99.20%**

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

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Notes Payable	Revenue Bonds	Capital Leases	Bonds Payable	Notes Payable	Capital Leases			
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
2017	**9,540,000**	**-**	**8,403,369**	**734,722**	**-**	**-**	**42,384**	**18,720,475**	**1.72%**	**516**

(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)
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
2017	**8,909,328**	**0.34%**	**246**

(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, 2017

Governmental Unit	Net Governmental Activities Debt Outstanding	Percentage Applicable to City of Kennesaw (1)	Amount Applicable to City of Kennesaw
Debt repaid with property taxes:			
Cobb County General Obligation Debt	$ 26,885,000	3.78%	$ 1,016,253
Total overlapping debt	26,885,000		1,016,253
City direct debt	18,720,475	100.00%	18,720,475
Total direct and overlapping debt	$ 45,605,475		$ 19,736,728

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

	Fiscal Year				
	2013	**2014**	**2015**	**2016**	**2017**
Debt Limit	$ 101,842,033	$ 101,243,328	$ 108,916,176	$ 113,735,561	**$ 122,027,849**
Total net debt applicable to limit	9,634,033	10,526,219	10,010,590	9,474,956	**8,909,328**
Legal debt margin	$ 92,208,000	$ 90,717,109	$ 98,905,586	$ 104,260,605	**$ 113,118,521**
Total net debt applicable to the limit as a percentage of debt limit	9.46%	10.40%	9.19%	8.33%	**7.30%**

Assessed Value	**$1,044,843,522**
Add back: exempt real property	**175,434,964**
Total assessed value	**1,220,278,486**
Debt limit (10% of total assessed value)	**122,027,849**
Debt applicable to limit:	
General obligation bonds	**9,540,000**
Less: Amount set aside for repayment of general obligation debt	**630,672**
Total net debt applicable to limit	**8,909,328**
Legal debt margin	**$ 113,118,521**

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
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%
2017	**36,258**	**1,091,547**	**30,105**	**34.6**	**3.4%**

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

	2017			2008		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Fabric.com Inc.	**303**	**1**	**1.25 %**			
Atlanta Bonded Warehouse	**270**	**2**	**1.07**	233	1	1.96 %
Whole Foods	**181**	**3**	**0.60**			
Tug Technologies Corporation	**152**	**4**	**0.56**			
Publix Super Market, Inc. # 559	**143**	**5**	**0.54**	161	4	1.35
Cintas Corporation	**137**	**6**	**0.50**	162	3	1.36
Publix Super Market, Inc. # 769	**135**	**7**	**0.49**			
Publix Super Market, Inc. # 1077	**127**	**8**	**0.47**			
Shady Grove Rest Home	**115**	**9**	**0.46**			
Owens & Minor Distribution	**106**	**10**	**0.38**	127	5	1.07
Butch Thompson				176	2	1.48
ERC Parts INC.				104	6	0.87
Scholastic Book Fairs				94	7	0.79
Sun State Electric Co.				80	8	0.67
Pro - Build South LLC				76	9	0.64
Wade Electric, Inc				60	10	0.50
	1,669		**6.32 %**	1,273		10.69 %

Source: Various City departments

CITY OF KENNESAW, GEORGIA

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

	2017	2016	2015	2014	2013
Function					
General government	**24**	26	29	26	31
Judicial	**3**	3	3	3	3
Public safety	**84**	95	97	81	87
Public works	**28**	29	33	31	36
Culture and recreation	**34**	40	39	32	39
Housing and development	**11**	9	10	9	9
Sanitation	**1**	1	1	1	7
Total	**185**	203	212	183	212

Source: City of Kennesaw department records

2012	2011	2010	2009	2008
31	33	28	54	37
3	3	3	3	3
78	82	83	88	84
26	29	29	26	26
33	37	34	27	43
10	9	10	7	7
16	17	15	19	26
197	210	202	224	226

CITY OF KENNESAW, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2017	2016	2015	2014	2013
Police					
Physical arrests	**876**	832	959	1,064	1,223
Parking violations	**742**	981	1,184	522	599
Traffic violations	**13,493**	12,891	13,721	13,218	14,733
Culture and recreation					
Admissions/fees	**$ 1,321,345**	$ 1,242,649	$ 1,203,404	$ 1,201,026	$ 1,185,530
Housing and development					
Building permits issued	**385**	443	417	449	421
Sanitation					
Number of customers	**9,329**	9,104	9,010	8,478	8,222

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.

2012	2011	2010	2009	2008
1,268	1,121	1,839	1,819	1,948
552	281	272	180	141
11,300	14,582	14,755	11,444	10,559
$ 1,159,840	$1,054,081 (1)	$ 838,101	$ 892,197	$ 890,289
537	254	510	466	378
8,105	7,915	8,232	8,300	8,253

CITY OF KENNESAW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013
Function					
Public safety					
Police					
Stations	**1**	1	1	1	1
Vehicles	**84**	84	86	73	80
Public works					
Miles of streets	**99**	99	99	99	99
Culture and recreation					
Acreage	**121**	121	121	121	121
Baseball/softball fields	**10**	11	11	11	11
Soccer/football fields	**1**	1	1	1	1
Sanitation					
Collection vehicles	**-**	-	-	-	3

Source: Various City departments

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

2012	2011	2010	2009	2008
1	1	1	1	1
76	72	70	68	62
99	99	99	99	99
121	121	121	121	121
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, 2017, and the related notes to the financial statements, which collectively comprise the City of Kennesaw, Georgia's basic financial statements, and have issued our report thereon dated March 23, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 23, 2018