CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018

Finance Department
Gina Auld
Finance Director

CITY OF KENNESAW, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018

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CITY OF KENNESAW, GEORGIA

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INTRODUCTORY SECTION

MAYOR
Derek Easterling

City Manager
Jeff Drobney

City Clerk, MMC
Debra Taylor



COUNCIL
Mayor Protem Chris Henderson
James Eaton
Tracey Viars
Pat Ferris
David Blinkhorn

March 20, 2019

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, 2018, 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, 2018. 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 9.78 square miles and a population of approximately 36,300.

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 five enterprise operations including sanitation, stormwater, streetlights, 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. The Atlanta Regional Commission (ARC) Economic Snapshot for 2018 and forecasting for 2019 indicates Metro Atlanta continues to be a natural leader in job growth; wages continue to see positive growth, home prices remain above pre-recession peak, and office and retail construction continue to grow. The regional snapshot accurately reflects the City of Kennesaw economic performance and our projections for 2019. The City's rate of growth continued to increase in 2018 over 2017 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. But, 2018 was a very significant year for projects receiving entitlements, completing due diligence, acquiring land, and closing loans with the support of over $700 million in new development that will be completed over the next 3-4 years. The City will continue to see improvement in real estate values (5.2%), unemployment (3.9%), and capital investment. We have seen a reduction in office (3.8%), retail (3.2%) and industrial (4.5%) vacancy rates in 2018. Job creation increased in 2018 and is projected to continue through 2019 by 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 and 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. 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. They provide a significant pipeline for new graduates feeding into the economy. Kennesaw sees a direct impact from KSU in health care, life sciences, finance, education, and technology sectors. 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. Over 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 & industrial land area to residential land area ratio has improved to 62/38%. This is a shift of 10% in the last eight years. The City added approximately 2100 new jobs in 2018 through several logistics and manufacturing expansions and relocations, professional service growth, and new retail and restaurant businesses. New capital investment of $85 million occurred in 2018. 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 2021 will add an additional 1200 new jobs. Overall, the total portfolio of business licenses has continued to grow at a moderate pace. The number of business licenses increased in 2018 over 2017. Approximately 40 new "brick and mortar" businesses opened in 2018.

Construction permit activity exceeded projected and budgeted levels in 2018 and they are more than double the estimated and budgeted forecasts for the first 6 months of the current fiscal year. We anticipate further expansion in new businesses, expansion of existing businesses, investment in equipment and real estate and job creation through 2019 assuming the State and Regional economy continues to expand as forecasted by the State and Atlanta Regional Commission (ARC).

The top employers in the City have remained fairly stable over the past year. They have not added a significant number of jobs but we have seen continued capital investment in their operations. Some of our key businesses such as Atlanta Bonded Warehouse, Deerland Enzymes, and Fabric.com continue to invest and grow. We have seen continued growth in new or expanding small businesses. These are both businesses with brick and mortar presence or service/virtual businesses. New to Kennesaw are co-work facilities, which have opened in the past 12-18 months and have grown their member base to over 100 businesses. Kennesaw continues to support "craft" businesses that help strongly brand the City. We have two craft beer breweries, and one craft distillery. One of the breweries is planning a major expansion in 2019. We are negotiating with a potential third brewery in our downtown. Development of a new craft cold brew coffee manufacturing facility will be completed in 2019. These businesses create a craft ecosystem and have had a very positive impact on tourism in the city. The traffic they generate complements the City's Museum and Gardens, creating more synergy in the tourism sector.

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: $6,768,742 for Road, Street and Bridge Projects and $614,775 for Parks and Facility Improvement Projects along with various other projects. Total revenue generated for the SPLOST program since this SPLOST began is $14,259,065 with expenditures totaling $7,383,517.

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: $10,784,564 for Road, Street and Bridge Projects and $3,579,678 for Parks Projects. This SPLOST program ran from January 2012 until December 2015. Total revenue generated for the SPLOST program since this SPLOST began is $24,002,788 with expenditures totaling $14,364,242.

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: $5,330,594 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 $8,543,913 with expenditures totaling $5,759,120.

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 $132,314,809, which is in excess of the City's outstanding general obligation debt of $8,945,000.

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. The City will develop a new Economic Development Strategy and Implementation Plan in 2019 to provide direction for the next 5-10 years.

There are approximately 30 active projects in various stages of development in the City. Some have recently been completed in 2018; others are in construction and others have received entitlements, acquired property, and plan to start construction over the next 12 months. A total of 1460 multi-family (rental) units valued at $220 million are in development. 180 units have been completed and the balance are in development. All of these projects are Class “A” heavily amenitized projects with the exception of one affordable senior project. There are 1040 for-sale residential units in development. Some have been completed and others are in construction or will start within the next 6-12 months. These projects include attached and detached products in a range of price points. Total value is $240 million. There is over 500,000 square feet of commercial space in development with an estimated value of $160 million. Approximately 30,000 square feet has been completed in 2018 with another 40,000 in construction, with the balance slated to start site work and vertical construction in the first quarter of 2019. The commercial will have retail, restaurant, hotel, special events, self-storage, and entertainment venues. Approximately 500,000 square feet of new industrial space has been completed in 2018. There is an additional 300,000 square feet of new or substantially renovated industrial space in the pipeline. Kennesaw has made a concerted effort to protect our three key industrial parks. Value of the new industrial space is approximately $60 million. There are 165,000 square feet of new health care facilities in development. Most of these are concentrated in skilled nursing and assisted living facilities. These projects are estimated at $44 million. The office market has been the softest development sector for Kennesaw. We are just starting to see planned new investment. The current lease rates relative to new construction costs have made it challenging to invest in new office space. We have 100,000 square feet of new office space valued at $20 million in development. Much of this is associated with planned mixed-use development or owner-occupied professional office. We continue to see a reduction in vacancy rates for retail, office, and industrial in the City over the past 18 months. Total value on all planned new development in the pipeline is approximately $730 million, to be completed over the next 4-5 years.

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 three annexations totaling approximately 47 acres in 2018. One of the annexations was an existing retail center with 40,000 square feet of space.

Kennesaw continues to develop tourism assets and leverage those assets for increased tourism spending. The City’s museum and garden increased programming and attendance in 2017. The Dry County Brewery, Burnt Hickory Brewer and Lazy Guy

Distillery draw significant visitors. Dry County Brewery, opened in 2016, is planning a major 20,000 SF expansion. Two new breweries will be added to downtown by 2020. A new cold brew coffee facility will open in 2019 with a tourism component in downtown. This adds to the critical mass Kennesaw is creating in the alcohol manufacturing and tourism sectors. The I-75 corridor from Cobb/Galleria to Cherokee County is becoming a significant sports corridor that will generate increased tourism and travel activity. The Atlanta Braves new park in 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. Our goal with the Economic Development Strategy and Implementation Plan will be to refine our economic incentives program, ordinances, and codes and continue to leverage existing state programs.

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 activity 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 were completed in 2018 and include the rebuild of Dallas Street, Watts Drive, a new round-about, and a public plaza. In addition, GDOT has a major lane expansion of I-75 in construction and reconstruction of the I-75/Wade Green intersection that was completed in 2018. 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 more 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

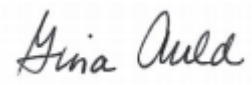
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kennesaw for its comprehensive annual financial report for the year ended September 30, 2017. In order to be awarded a Certificate of Achievement, a government 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, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF KENNESAW, GEORGIA
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2018

ELECTED OFFICIALS

Derek Easterling	Mayor
David Blinkhorn	Mayor Pro Tem/Council Member
James 'Doc' Eaton	Council Member
Pat Ferris	Council Member
Chris Henderson	Council Member
Tracey Viars	Council Member

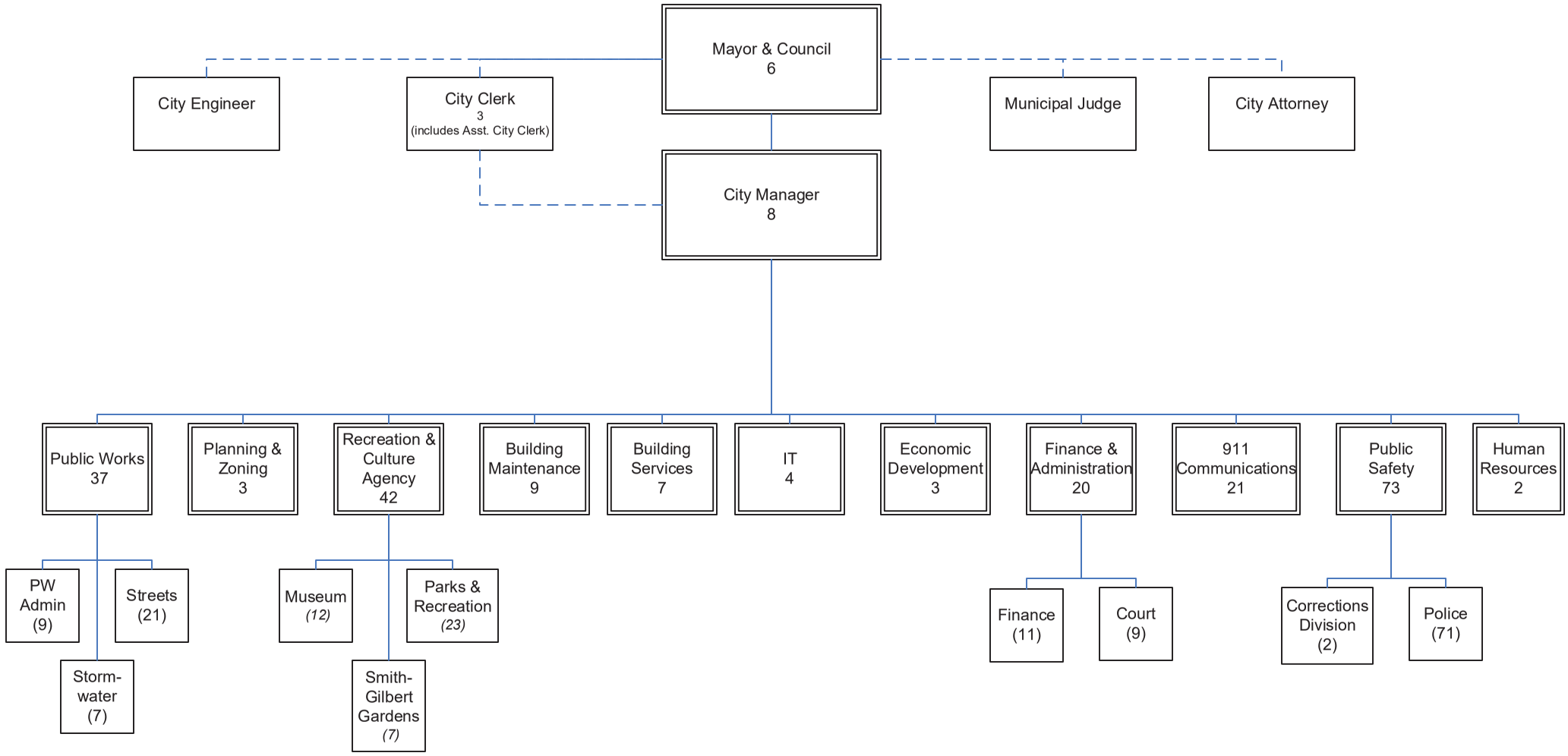
CITY ADMINISTRATION

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
Wayne McGary	Interim Public Works Director
Billy Warren, Jr.	Building & Facilities Manager
William Westenberger	Chief of Police

City of Kennesaw

Organization Chart- City Wide- 238



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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 12 and 19, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of October 1, 2017. This standard significantly changed the accounting for the City's total other postemployment benefits (OPEB) liability and related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the City's Total OPEB Liability and Related Ratios – OPEB Plan, 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 20, 2019 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 20, 2019

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, 2018. 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 $96,161,915 at the end of the year. This amount includes $71,929,985 invested in capital assets net of accumulated depreciation and related debt, restricted net position of $28,431,367 and unrestricted net position deficit of $4,199,437.

- The City's total net position increased by $8,703,004 (10%) to $96,161,915. The net position for governmental activities increased by $6,064,733 (8%) and business-type net position increased by $2,638,271 (19%).

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $30,388,930, an increase of $1,961,683. The net unassigned fund balance is $1,464,101.

- At the end of the current fiscal year, unassigned fund balance for the general fund is $1,464,101.

- The City's total debt decreased by $2,031,468 (7%) 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 liability. The Net Pension Liability decreased $834,521.

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), streetlights 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 18-23 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, Streetlights 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, Streetlights and Gardens. Sanitation, Museum, Stormwater and Gardens 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 24-26 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 27 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 65 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 68 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 $8,703,004 (10%) during fiscal year 2018. The net position of the governmental activities includes $58,213,192 net investment in capital assets. Capital assets of $75,827,922 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation. Related debt includes bonds of $16,695,103, capital leases of $545,579 and retainage payable of $374,048.

The net position of the business-type activities includes $13,716,793 net investment in capital assets. Capital assets of $13,930,874 include land, building, other improvements, equipment, and museum artifacts, net of accumulated depreciation. Related debt includes capital leases of $214,081.

For more detailed information, see the Statement of Net Position on page 18 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
	2018	2017	2018	2017	2018	2017	2017-18
ASSETS							
Current and other assets	$ 35,690	$ 36,107	$ 4,054	$ 2,954	$ 39,744	$ 39,062	2%
Capital assets	75,828	72,763	13,931	12,159	89,759	84,922	6%
Total Assets	111,518	108,870	17,985	15,113	129,503	123,983	4%
Deferred Outflows of resources:							
Pension related items	1,710	1,518	87	126	$ 1,797	$ 1,644	9%
OPEB Related Items	78	61	-	-	78	61	28%
Total deferred outflows of resources	1,788	1,579	87	126	1,875	1,705	10%
LIABILITIES							
Current and other liabilities	7,276	9,582	1,264	1,068	8,540	10,650	-20%
Long-term debt outstanding	25,084	27,121	361	402	25,445	27,523	-8%
Total Liabilities	32,360	36,703	1,625	1,470	33,985	38,173	-11%
Deferred Inflows of resources:							
OPEB Related Items	330	-	-	-	330	-	0%
Pension related items	857	52	44	4	901	56	1509%
Total deferred inflows of resources	1,187	52	44	4	1,231	56	2098%
NET POSITION							
Net investment in capital assets	58,213	53,342	13,717	12,117	71,930	65,459	10%
Restricted	28,432	29,648	-	-	28,432	29,648	-4%
Unrestricted	(6,886)	(9,296)	2,686	1,648	(4,200)	(7,648)	-45%
Total Net Position	$ 79,759	$ 73,694	$ 16,403	$ 13,765	$ 96,162	$ 87,459	10%

Changes in Net Position

The City's total revenues before transfers were $33,884,217 in fiscal year 2018. Expenses before transfers were $25,181,213 during that same period. Governmental and business-type activities combined provided a $8,703,004 increase in net position.

Governmental activities revenues, before transfers, were $29,397,125 and included $4,159,776 charges for services, $7,513,445 grant and contribution revenues and $11,445,412 in property taxes. The largest governmental activities expenses were for public safety of $8,179,820 (police, jail and E911), public works of $3,533,601, general government of $4,805,604 and recreation of $2,021,197. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues, before transfers, were $4,487,092 and included $4,444,942 charges for services and $39,608 grant and contribution revenues. The largest business-type activity expenses were for salaries and wages of $1,128,375, other professional services of $1,612,741 and marketing of $49,866.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2018	2017 (1)	2018	2017 (1)	2018	2017	2017-18
Revenues							
Program Revenues							
Charges for services	$ 4,160	$ 4,190	$ 4,445	$ 4,025	$ 8,605	$ 8,215	5%
Operating grants and contributions	755	741	-	-	755	741	2%
Capital grants and contributions	6,758	5,529	40	44	6,798	5,573	22%
General revenues							
Property taxes	11,445	10,555	-	-	11,445	10,555	8%
Other taxes	6,376	6,171	-	-	6,376	6,171	3%
Gain on sale of capital assets	-	38	-	-	-	38	-100%
Investment income (loss)	(97)	(123)	3	2	(94)	(121)	-22%
Total Revenues	29,397	27,101	4,488	4,071	33,885	31,172	9%
Expenses							
General Government	4,806	4,351	-	-	4,806	4,351	10%
Judicial	372	365	-	-	372	365	2%
Public Safety	8,180	8,444	-	-	8,180	8,444	-3%
Public Works	3,533	3,611	-	-	3,533	3,611	-2%
Culture and Recreation	2,021	2,360	-	-	2,021	2,360	-14%
Housing and Development	1,247	1,601	-	-	1,247	1,601	-22%
Interest on long-term debt	794	835	-	-	794	835	-5%
Museum	-	-	1,135	1,080	1,135	1,080	5%
Sanitation	-	-	1,817	1,649	1,817	1,649	10%
Gardens	-	-	484	417	484	417	16%
Stormwater	-	-	738	865	738	865	-15%
Streetlight	-	-	55	-	55	-	100%
Total Expenses	20,953	21,567	4,229	4,011	25,182	25,578	-2%
Excess (Deficiency) before Transfers	8,444	5,534	259	60	8,703	5,594	56%
Transfers	(2,379)	762	2,379	(762)	-	-	0%
Increase (Decrease) in Net Position	6,065	6,296	2,638	(702)	8,703	5,594	56%
Net Position - Beginning before restatement	73,694	68,693	13,765	13,889	87,459	82,582	6%
Restatement	-	(1,295)	-	578	-	(717)	0%
Ending Net Position	$ 79,759	$ 73,694	$ 16,403	$ 13,765	$ 96,162	$ 87,459	10%

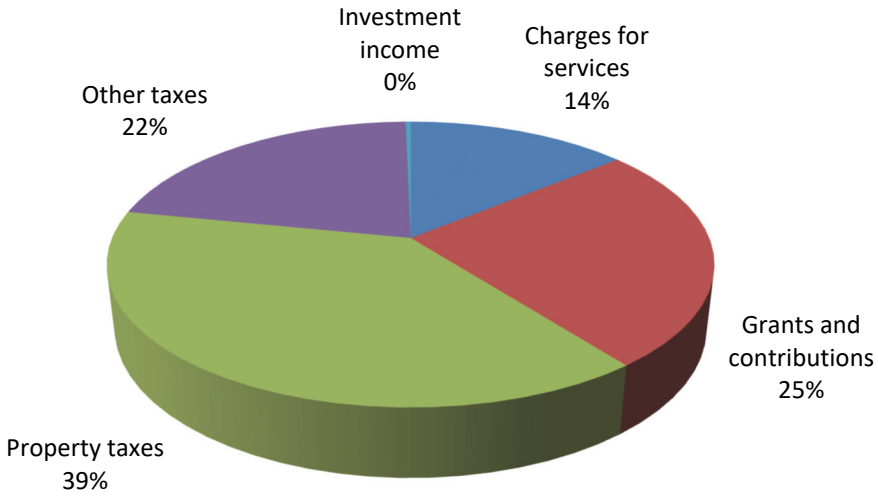
(1) The City restated the beginning net postion for the governmental activities and the business-type activities, for the implementation of GASB Statement No. 75. The effect of the restatement resulted in a decrease of net position of $1,295,150 and an increase of net position of $578,128 for Governmental Activities and Business-Type activities, respectively.

Governmental Activities

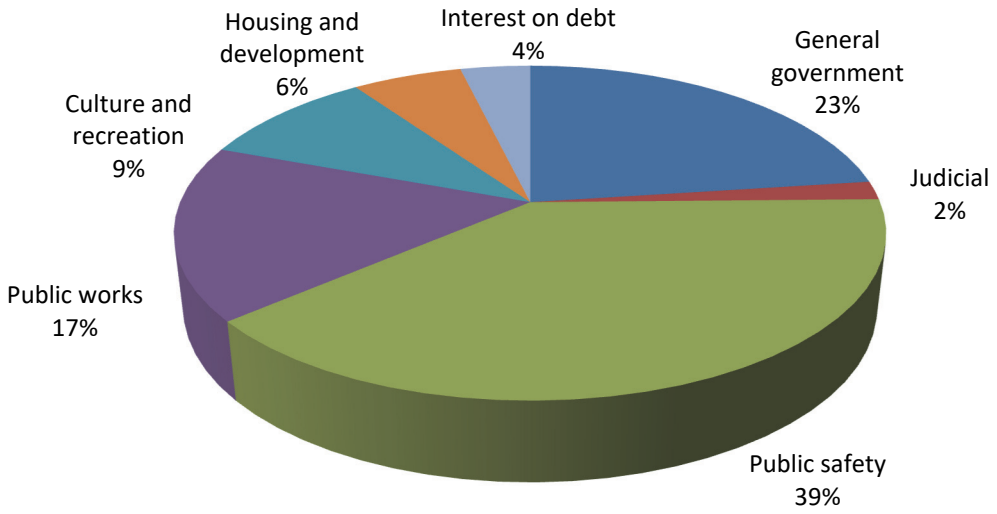
See page 19 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

Table 3 – Governmental Activities

Governmental Revenues



Governmental Expenses



Revenue Impacts:

- Property taxes of $11,445,412 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 $890,000 in 2018 due to an increase in property values and new developments.

- Other taxes such as insurance premium tax, financial institution tax, business & occupational tax and real estate transfer taxes all increased over the prior year. Insurance premium tax increased $160,600, financial institution tax increased $8,800 due to new banks located in the City, business & occupational taxes increased $156,400 due to new developments and real estate transfer taxes increased $43,200.

- Charges for services for Governmental activities include amounts charged for providing E911 service of $1,434,660, culture & recreation fees of $762,913, licenses and permits of $501,349 and fines & forfeitures of $1,075,479. Charges for services decreased approximately $30,000 from the prior year. The E911 fee revenue was up approximately $260,000 due to the collection of a back payment of prepaid cellular fees from the State of Georgia. There was a decrease in both Culture & Recreation and Housing & Development revenue. Culture and Recreation program fees and event income was down over $136,000 due to fewer individual and business participants. Culture and Recreation also had turnover in their program and event personnel. Building permits and plan review revenues were down approximately $134,000 from prior year. The number of developments that were in the plan review and building phase of their development declined since the prior year.

- Operating grants and contributions for Governmental activities increased due to receiving approximately $17,000 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 increased approximately $1,230,000. This is due to an increase in SPLOST, CDBG funding and Georgia Department of Transportation Local Maintenance Improvement (LMIG) funding. SPLOST revenue increased from prior year due to a reimbursement from the Cobb County Water System of $760,000 for the Stanley/Collins and Dallas/Watts projects. These City SPLOST projects also needed water system improvements. When the request for proposals were prepared for these projects, the City included the water system improvements in the project specifications. Cobb County Water System would then reimburse the City upon completion of this work. The 2016 SPLOST revenue collected from Cobb County was also trending higher than the prior year. CDBG funding was more during fiscal year 2018 due to the timing of the CDBG Stormwater project. The City receives CDBG funding as the expenses are incurred and more expenditures were incurred during fiscal year 2018. LMIG funding for street resurfacing increased $19,500 (7%) over the prior year. LMIG funding is provided by Georgia Department of Transportation based on their formula calculation for the program year.

- Charges for services revenue for Business-type activities increased due to the increase in sanitation and streetlight revenues. The City increased the monthly Sanitation rate charged to customers from $19 to $22. The City adopted a streetlight district during this fiscal year and began billing commercial, industrial, institutional and residential property owners a streetlight fee to cover the cost to provide and maintain streetlights citywide.

- Capital grants and contributions for Business-type activities decreased slightly due to the Smith Gilbert Gardens not receiving a grant during this fiscal year.

- Gain on sale of capital assets decreased $38,000 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. The loss was less than the prior year.

Expense Impacts:

- General Government expenses were up due to increases in legal and OPEB expenses. New developments, litigation, and ordinance revisions resulted in an increase in legal expenses. The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* and as a result OPEB expenses increased.

- Public Safety expenses decreased in both the Police Department and the Corrections Department. The Police Department had decreases in the following expenses: group insurance, property and liability insurance and uniforms. The Corrections department expenses decreased due to the closing of the City jail during the fiscal year. The City entered into an agreement with the City of Acworth, Georgia to house the City's inmates.

- Public Works expenses decreased due to a decrease in salaries, benefits and street lighting. There were several vacant positons during the fiscal year. The City adopted a streetlight district during the fiscal year and streetlight expenses are now reported in a separate enterprise fund.

- Culture and Recreation expenses decreased due to a decrease in salaries and benefits. The Parks and Recreation department had several long term employees retire plus several positions were vacant throughout the year.

- Housing and Development expenses decreased due to the write off of a receivable due from the Kennesaw Development Authority for land held for resale in a prior year.

- 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 Sanitation Fund's expenses increased due to a three percent increase in fees charged by the third party service provider for the City's Sanitation services.

- The Museum expenses increased due to the addition of two part time visitor services positions.

- The Gardens were fully staffed during the fiscal year and as a result salary and benefit expenses increased.

- Stormwater group insurance, retirement and OPEB expenses all decreased. Medical claims were down, retirement liability decreased and OPEB is no longer being reported in this Fund due to the implementation of GASB Statement No. 75.

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

	Program Revenues		Program Expense		Program Income (Loss)	
FUND	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Museum	$ 497	$ 480	$ 1,135	$ 1,080	$ (638)	$ (600)
Sanitation	2,533	2,199	1,817	1,649	716	550
Stormwater	1,271	1,256	737	865	534	391
Gardens	122	135	484	417	(362)	(282)
Streetlight	62	-	55	-	7	-
Total	$ 4,485	$ 4,070	$ 4,228	$ 4,011	$ 257	$ 59

Program revenues for business-type activities for fiscal year 2018 were $4,484,550, a $414,963 increase compared to the prior year. Sanitation revenue was up due to a rate increase. Museum facility rental revenues were higher than prior year. New developments created an increase in Stormwater revenues. The Gardens revenues remained consistent compared to the prior year. The Streetlight Fund revenues increased since this was the first year of reporting this new enterprise fund.

Total program expenses for business-type activities were $4,227,842 in 2018, $216,791 more than the prior year. Sanitation, Museum, Gardens and Streetlights had an increase in expenses while Stormwater had a decrease in expenses. The Sanitation Fund's contract with the third party provider was increased by three percent. Both the Museum and Gardens had increases in salaries due to new positions or being fully staffed. The Streetlight Fund had an increase due to energy and electricity expenses being reported in this new fund. The City began billing property owners for the cost to provide streetlights citywide in September 2018. Stormwater expenses decreased in the following categories: group insurance, retirement and OPEB.

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

FUND	Fund Balances 9/30/2017	Revenues/ Sources	Expenditures/ Uses	Revenues/Sources Over (Under) Expenditures/Uses	Fund Balances 9/30/2018
General Fund	$ 7,724	$ 22,008	$ 19,972	$ 2,036	$ 9,760
SPLOST	20,224	6,194	6,703	(509)	19,715

At September 30, 2018, the City's governmental funds reported a combined fund balance of $30,388,930, which is a net increase of $1,961,683 from the previous year.

General Fund

The General Fund's fund balance increased by $2,036,348 and was $9,760,287 at year end. Even though revenues were under budget by approximately $102,000, expenditures came in under by budget by approximately $2,200,000. Real and personal property taxes increased approximately $634,200 due to the increase in the taxable assessed value of property and collection of delinquent property taxes. Insurance premium taxes were up 8%, financial institution taxes were up 9%, title ad valorem taxes were up 16% and real estate transfer taxes were up 92% over the prior year. These increases demonstrate the positive impact the improved economy has had on tax revenue. Alcohol license fees were up over $8,400 (6%) due to new commercial development in the area. Intergovernmental revenue was up over $194,000 (19%) due to increases in CDBG, LMIG and HB489 funding. Expenditures and Other Financing Uses decreased approximately $1,160,000 from the prior year and came in under budget by $2,200,000 thereby increasing fund balance. Expenditures decreased from the prior year in the following departments: Public Safety, Public Works, Culture & Recreation, Housing & Development, Capital Outlay and Debt Service. Public Safety expenditures decreased in the Police Department's group insurance, property & liability insurance and uniforms. The Corrections department had decreases in all areas due to the closing of the jail facility. Public Works and Culture & Recreation had decreases in salaries and employee benefits due to vacant positions and a decrease in medical claims. Economic Development expenditures dropped due to the economic incentive payment and write off of the KDA receivable for the Jiles Place property in the prior year. Capital Outlay expenditures were down $671,000 due to the delay of the Old Hwy 41 project resurfacing until fiscal year 2019. Debt Service capital lease principal payments decreased along with interest on bonds and capital leases.

SPLOST Fund

The SPLOST Fund's fund balance decreased by $508,926 and was $19,715,108 at year end. The City collected approximately $6.2 million in revenues and incurred expenditures of over $6.7 million. The City has $3 million remaining to spend on 2005 SPLOST projects. These funds are to be used for the Old Highway 41 Project which was awarded during fiscal year 2019 and is to be completed in approximately 18 months. The City collected the last of the 2011 SPLOST distributions during fiscal year 2016 and has $9.6 million remaining to spend. The status of the 2011 projects are as follows: Stanley Road project was completed in fiscal year 2018, Pine Mountain Road is in the construction phase and is anticipated to be completed at the end of fiscal year 2019, Cherokee Street is in the right of way acquisition phase and is anticipated to begin construction in 2020, Depot Park is a multi-phase project that is anticipated to extend for multiple years as some phases cannot be completed until future road projects are completed and Smith Gilbert Gardens site improvements are expected to begin in the summer of 2019. The City has collected approximately $14.3 million in 2016 SPLOST dollars. Dallas Street/Watts Drive project was completed in 2018, the Ben King Road project is in the design phase with the related right of way acquisition anticipated to begin at the end of fiscal year 2019, the Sardis Street Overpass and Extension projects are in the planning phases and will require additional funding which will be requested in future SPLOST referendums.

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 23 of the financial statements.

In September 2017, the City Council appropriated $22,274,130 for general fund expenditures in the 2018 fiscal year budget. The City's legal level of budgeting control is at the department level for the General Fund and at the total expenditure level for the remaining funds. The City made several budget transfers during the year and any made between departments were approved by the Mayor & Council.

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

Revenues:

Overall revenues had a net unfavorable variance of approximately $102,000 with the largest variances as follows:

- Taxes exceeded the budget by approximately $615,000 due to favorable variances in Real & personal, insurance premium, financial institution, real estate transfer and title ad valorem taxes. The combination of the City's property values returning to pre-recession value, new development and increased buying and selling of property has increased all areas of tax revenue.
- Intergovernmental revenue came in under budget based on the timing of the anticipated CDBG funds.
- Charges for services were under budget due to a decrease in culture & recreation program fees and event income. The Parks & Recreation Department experienced a decline in sponsorships and attendance in both of these areas.
- Investment income was under budget due to the decrease in the fair value of the investment portfolio.

Expenditures:

The City had favorable budget expenditure variances in every department. The largest favorable variances were in the following departments: Mayor & Council, City Manager, Information Technology, Buildings, Police, Corrections, Highways & Streets, Culture and Recreation and Capital Outlay.

- In the Mayor & Council department, expenditures were below budget due to a reduction in salaries and benefits, travel and contingency. The department had a vacant positon for several months which reduced salaries and benefits.
- City Manager expenditures came in under budget in the areas of salaries and benefits, tuition reimbursements, postage, marketing, printing & binding and travel. A favorable budget in these areas was due to not filling several vacant positions within the department.
- Information Technology had a favorable variance due to not filling the Information Technology Technician position and the timing of software maintenance contract renewals.
- The Building department's salaries, janitorial supplies and electricity costs were less than budget due to several vacant custodial positions, the delay in purchasing various supplies and lower energy costs.
- The Police department was under budget in salaries and benefits, equipment repair & maintenance and small equipment.
- The Corrections department was under budget in prisoner housing fees paid to the City of Acworth, Georgia. Fiscal year 2018 was the first year of outsourcing inmate housing to another city and the number of inmates was significantly lower than anticipated.
- Highways & Streets and Culture & Recreation had several vacant positions which created excess budget funds in salaries and benefits.
- Capital outlay was under budget due to the delay in the Old Hwy 41 project resurfacing.

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 E911 Fund came in under budget.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounted to $89,758,796 (net of accumulated depreciation of $46,326,135). 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 6%. 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	
	2018	2017	2018	2017	2018	2017
Land	$ 12,145	$ 14,021	$ 2,042	$ 21	$ 14,187	$ 14,042
Construction in progress	11,530	14,900	-	-	11,530	14,900
Museum artifacts	-	-	932	893	932	893
Buildings and improvements	12,486	12,842	10,401	10,817	22,887	23,659
Park land	7,944	8,119	-	-	7,944	8,119
Infrastructure	28,350	19,385	-	-	28,350	19,385
Furniture, machinery and equipment	1,504	1,590	321	317	1,825	1,907
Vehicles	1,869	1,906	235	111	2,104	2,017
Total	$ 75,828	$ 72,763	$ 13,931	$ 12,159	$ 89,759	$ 84,922

This year's major capital asset additions included:

Governmental Activities:

- SPLOST Stanley Collins Road Project - $198,499
- SPLOST Dallas/Watts Drive Project - $2,338,864
- SPLOST Depot Park Improvements - $491,018
- SPLOST Property Acquisition - $386,261
- SPLOST Pine Mountain Road - $2,083,426

Long-Term Debt

At the end of fiscal year 2018, the City had $27,600,115 in outstanding long-term debt. This is a net decrease of $2,031,468 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 $132,314,809, 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	
	2018	2017 (1)	2018	2017 (1)	2018	2017
General Obligation Bonds	$ 8,945	$ 9,540	$ -	$ -	$ 8,945	$ 9,540
Revenue Bonds	7,750	8,403	-	-	7,750	8,403
Leases Payable	545	735	214	42	759	777
Total OPEB liability	5,348	5,275	-	-	5,348	5,275
Net pension liability	3,830	4,488	196	372	4,026	4,860
Compensated absences	712	725	60	51	772	776
Total	$ 27,130	$ 29,166	$ 470	$ 465	$ 27,600	$ 29,631

(1) The OPEB obligation beginning balances for governmental and business type activities were restated due to the implementation of GASB Statement No. 75

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 2018 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 $23,181,348 for FY 2019 was approximately $900,000 more than FY 2018 based on these projections. Taxes were budgeted at an increase of $795,000 based on the growth of the tax digest and anticipated increases in insurance premium taxes and business occupational taxes.

During fiscal year 2018 the City established a special streetlight district to provide for the collection of a service fee to cover the cost to provide and maintain the service of the provision of streetlights citywide, to establish standards for the construction of streetlights and to establish procedures to be followed by developers in all new subdivisions. As a result, the City established a new enterprise fund to report streetlight revenues and expenditures. During fiscal year 2018, two months of streetlight fees were billed (August and September). The fiscal year 2019 streetlight budget includes a full year of streetlight fees.

The City's efforts to cut costs such as the implementation of a spousal exclusion for health insurance in fiscal year 2018, have proven to be a good fiscally responsible decision. The City actual healthcare claims were down $300,000 during fiscal year 2018 and the fiscal year 2019 budget for claims was decreased $200,000. This reduction has allowed the City to shift dollars from health care to other areas such as funding a reserve, replace aging vehicle fleet and providing a Cost of Living Adjustment to employees. If these trends continue, a City goal would be to eliminate the need to issue a tax anticipation note for short-term borrowings.

During fiscal year 2018, the City passed and adopted a resolution for a truck route signage study. The primary purpose is to provide dynamic messaging to direct trucks to appropriate routes. This project was in its preliminary phase in fiscal year 2018 and is estimated to begin the construction phase late in 2019 and early 2020.

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 $24.7 million which consists of $20 million for infrastructure and transportation projects, $1.7 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 million, 2011 SPLOST $10.4 million and 2016 SPLOST $18.7 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 $288,547 in LMIG funding during FY 2018 and expects to receive $301,000 for FY 2019. The City relies on SPLOST and LMIG 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, 2018

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
Cash and cash equivalents	$ 23,299,345	$ 3,525,699	$ 26,825,044	$ 82,286
Investments	159,396	-	159,396	-
Taxes receivable	2,351,023	-	2,351,023	-
Other receivables	731,982	-	731,982	-
Accounts receivable, net of allowances	-	448,900	448,900	16,656
Due from other governments	1,026,672	-	1,026,672	-
Due from component unit	77	-	77	-
Internal balances	49,954	(49,954)	-	-
Inventory	8,577	94,861	103,438	-
Prepaid items	267,032	34,466	301,498	-
Restricted cash	655,544	-	655,544	-
Restricted investments	7,068,026	-	7,068,026	-
Note receivable	72,321	-	72,321	-
Capital assets:				
Non-depreciable	23,674,794	2,974,177	26,648,971	-
Depreciable, net of accumulated depreciation	52,153,128	10,956,697	63,109,825	-
Total assets	111,517,871	17,984,846	129,502,717	98,942
DEFERRED OUTFLOWS OF RESOURCES				
OPEB related items	77,683	-	77,683	-
Pension related items	1,710,050	87,392	1,797,442	-
Total deferred outflows of resources	1,787,733	87,392	1,875,125	-
LIABILITIES				
Accounts payable	813,094	181,482	994,576	-
Accrued liabilities	1,263,893	617,590	1,881,483	-
Accrued interest payable	152,446	-	152,446	-
Unearned revenue	-	356,023	356,023	-
Due to primary government	-	-	-	77
Tax anticipation note payable	3,000,000	-	3,000,000	-
Compensated absences, due within one year	502,818	60,092	562,910	-
Compensated absences, due in more than one year	209,004	-	209,004	-
Capital leases, due within one year	243,754	49,243	292,997	-
Capital leases, due in more than one year	301,825	164,838	466,663	-
Bonds payable, due within one year	1,300,000	-	1,300,000	-
Bonds payable, due in more than one year	15,395,103	-	15,395,103	-
Net pension liability, due in more than one year	3,829,864	195,727	4,025,591	-
Total OPEB liability, due in more than one year	5,347,847	-	5,347,847	-
Total liabilities	32,359,648	1,624,995	33,984,643	77
DEFERRED INFLOWS OF RESOURCES				
OPEB related items	329,791	-	329,791	-
Pension related items	857,663	43,830	901,493	-
Total deferred inflows of resources	1,187,454	43,830	1,231,284	-
NET POSITION				
Net investment in capital assets	58,213,192	13,716,793	71,929,985	-
Restricted for:				
Law enforcement	409,636	-	409,636	-
Culture and recreation	11,793	-	11,793	-
Capital projects	20,420,137	-	20,420,137	-
Debt service	497,532	-	497,532	-
Voter approved use	7,092,269	-	7,092,269	-
Unrestricted	(6,886,057)	2,686,620	(4,199,437)	98,865
Total net position	$ 79,758,502	$ 16,403,413	$ 96,161,915	$ 98,865

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, 2018

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	$ 4,805,604	$ 191,633	$ 754,573	$ -
Judicial	371,714	1,075,479	-	-
Public safety	8,179,820	1,657,277	840	7,121
Public works	3,533,601	145,401	-	6,605,911
Culture and recreation	2,021,197	762,913	-	-
Housing and development	1,246,740	327,073	-	145,000
Interest on long-term debt	794,695	-	-	-
Total governmental activities	20,953,371	4,159,776	755,413	6,758,032
Business-type activities:				
Sanitation	1,817,328	2,532,804	-	-
Museum	1,134,753	457,598	-	39,608
Gardens	483,513	121,806	-	-
Stormwater	737,511	1,271,204	-	-
Streetlight	54,737	61,530	-	-
Total business-type activities	4,227,842	4,444,942	-	39,608
Total primary government	$ 25,181,213	$ 8,604,718	$ 755,413	$ 6,797,640
Component unit:				
Development Authority	$ 161,908	$ -	$ -	$ -
Total component unit	$ 161,908	$ -	$ -	$ -

General revenues:
- Property taxes
- Franchise taxes
- Insurance premium taxes
- Business taxes
- Other taxes
- Net investment income (loss)
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year, restated

Net position, end of year

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Development Authority
$ (3,859,398)	$ -	$ (3,859,398)	$ -
703,765	-	703,765	-
(6,514,582)	-	(6,514,582)	-
3,217,711	-	3,217,711	-
(1,258,284)	-	(1,258,284)	-
(774,667)	-	(774,667)	-
(794,695)	-	(794,695)	-
(9,280,150)	-	(9,280,150)	-
-	715,476	715,476	-
-	(637,547)	(637,547)	-
-	(361,707)	(361,707)	-
-	533,693	533,693	-
-	6,793	6,793	-
-	256,708	256,708	-
(9,280,150)	256,708	(9,023,442)	-
-	-	-	(161,908)
-	-	-	(161,908)
11,445,412	-	11,445,412	-
1,778,733	-	1,778,733	-
2,192,680	-	2,192,680	-
1,402,407	-	1,402,407	-
1,001,737	-	1,001,737	-
(97,065)	2,542	(94,523)	68
-	-	-	65,238
(2,379,021)	2,379,021	-	-
15,344,883	2,381,563	17,726,446	65,306
6,064,733	2,638,271	8,703,004	(96,602)
73,693,769	13,765,142	87,458,911	195,467
$ 79,758,502	$ 16,403,413	$ 96,161,915	$ 98,865

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 2,904,339	$ 19,594,641	$ 785,682	$ 23,284,662
Investments	159,396	-	-	159,396
Taxes receivable	2,345,413	-	5,610	2,351,023
Other receivables	110,044	-	473,887	583,931
Due from other governments	146,310	880,362	-	1,026,672
Due from other funds	35,446	-	8,217	43,663
Due from component unit	77	-	-	77
Restricted cash	655,544	-	-	655,544
Restricted investments	7,068,026	-	-	7,068,026
Advances to other funds	298,854	-	-	298,854
Inventory	8,577	-	-	8,577
Prepaid expenditures	253,898	-	13,134	267,032
Notes receivable	-	-	72,321	72,321
Total assets	$ 13,985,924	$ 20,475,003	$ 1,358,851	$ 35,819,778
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 330,115	$ 395,847	$ 76,443	$ 802,405
Accrued liabilities	597,311	364,048	29,442	990,801
Due to other funds	200,420	-	40,577	240,997
Advances from other funds	-	-	298,854	298,854
Tax anticipation note payable	3,000,000	-	-	3,000,000
Accrued interest	15,652	-	-	15,652
Total liabilities	4,143,498	759,895	445,316	5,348,709
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	82,139	-	-	82,139
Total deferred inflows of resources	82,139	-	-	82,139
FUND BALANCES				
Fund balances:				
Nonspendable:				
Long-term advances	298,854	-	-	298,854
Inventories	8,577	-	-	8,577
Prepaid expenditures	253,898	-	13,134	267,032
Restricted:				
Law enforcement	11,287	-	398,349	409,636
Culture and recreation	-	-	11,793	11,793
Capital projects	-	19,715,108	330,981	20,046,089
Debt service	631,301	-	3,025	634,326
Voter approved use	7,092,269	-	-	7,092,269
Committed:				
Cemetery maintenance	-	-	32,151	32,151
Assigned:				
Capital projects	-	-	65,149	65,149
Debt service	-	-	58,953	58,953
Unassigned	1,464,101	-	-	1,464,101
Total fund balances	9,760,287	19,715,108	913,535	30,388,930
Total liabilities, deferred inflows of resources and fund balances	$ 13,985,924	$ 20,475,003	$ 1,358,851	

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.	75,827,922
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	82,139
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(18,089,298)
The net pension liability, total OPEB liability, and related deferred inflows and outflows of resources related to the City's defined benefit pension and OPEB plans are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.	(8,577,432)
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.	126,241
Net position of governmental activities	$ 79,758,502

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, 2018

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 17,870,770	$ -	$ 32,290	$ 17,903,060
Licenses and permits	466,068	-	35,281	501,349
Intergovernmental	1,222,666	6,144,441	-	7,367,107
Fines and forfeitures	1,075,479	-	176,991	1,252,470
Charges for services	734,196	-	1,463,241	2,197,437
Contributions	500	-	-	500
Net investment income (loss)	(98,201)	50,014	1,052	(47,135)
Miscellaneous	158,503	-	840	159,343
Total revenues	21,429,981	6,194,455	1,709,695	29,334,131
EXPENDITURES				
Current:				
General government	4,185,383	-	-	4,185,383
Judicial	371,684	-	-	371,684
Public safety	6,786,817	-	1,072,353	7,859,170
Public works	2,214,693	-	128,371	2,343,064
Culture and recreation	1,712,890	-	16,286	1,729,176
Housing and development	1,027,454	-	28,911	1,056,365
Capital outlay	522,824	6,703,381	-	7,226,205
Debt service:				
Principal retirements	835,700	-	650,000	1,485,700
Interest and fiscal charges	441,825	-	369,366	811,191
Total expenditures	18,099,270	6,703,381	2,265,287	27,067,938
Excess (deficiency) of revenues over expenditures	3,330,711	(508,926)	(555,592)	2,266,193
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,900	-	-	1,900
Capital lease	51,557	-	-	51,557
Transfers in	525,000	-	1,006,509	1,531,509
Transfers out	(1,872,820)	-	(16,656)	(1,889,476)
Total other financing sources (uses)	(1,294,363)	-	989,853	(304,510)
Net change in fund balance	2,036,348	(508,926)	434,261	1,961,683
FUND BALANCES, beginning of year	7,723,939	20,224,034	479,274	28,427,247
FUND BALANCES, end of year	$ 9,760,287	$ 19,715,108	$ 913,535	$ 30,388,930

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, 2018

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

Net change in fund balances - total governmental funds	$	1,961,683
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.		4,947,510
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(82,090)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(1,882,804)
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.		1,434,143
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.		(1,074)
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.		(312,635)
Change in net position - governmental activities	$	6,064,733

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, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 16,897,253	$ 17,255,687	$ 17,870,770	$ 615,083
Licenses and permits	422,300	422,300	466,068	43,768
Fines and forfeitures	998,000	998,000	1,075,479	77,479
Charges for services	1,183,505	883,505	734,196	(149,309)
Intergovernmental	1,215,742	1,353,742	1,222,666	(131,076)
Contributions	25,000	25,000	500	(24,500)
Net investment income (loss)	452,353	452,353	(98,201)	(550,554)
Miscellaneous	136,000	140,900	158,503	17,603
Total revenues	21,330,153	21,531,487	21,429,981	(101,506)
EXPENDITURES				
Current:				
General government:				
Mayor and council	435,730	435,730	335,399	100,331
City manager	1,241,811	718,020	575,347	142,673
Financial administration	785,730	785,730	774,877	10,853
Human resources	259,289	259,289	222,186	37,103
Legal and audit	275,200	450,200	441,167	9,033
Information technology	966,647	988,106	880,396	107,710
Buildings	1,105,575	1,627,581	956,011	671,570
Total general government	5,069,982	5,264,656	4,185,383	1,079,273
Judicial	383,875	384,475	371,684	12,791
Public safety:				
Police	6,527,222	6,569,702	6,455,188	114,514
Corrections	401,839	401,839	328,973	72,866
E911	350	2,850	2,656	194
Total public safety	6,929,411	6,974,391	6,786,817	187,574
Public works:				
Central services	598,844	653,844	641,495	12,349
Highways and streets	1,772,283	1,765,283	1,573,198	192,085
Total public works	2,371,127	2,419,127	2,214,693	204,434
Culture and recreation	2,067,186	1,827,006	1,712,890	114,116
Housing and development:				
Construction and inspection	749,077	520,158	488,238	31,920
Planning and zoning	221,111	221,111	214,617	6,494
Economic development	353,427	326,627	324,599	2,028
Total housing and development	1,323,615	1,067,896	1,027,454	40,442
Capital outlay	938,030	1,079,456	522,824	556,632
Debt service:				
Principal	841,553	841,553	835,700	5,853
Interest	429,253	444,253	441,825	2,428
Total debt service	1,270,806	1,285,806	1,277,525	8,281
Total expenditures	20,354,032	20,302,813	18,099,270	2,203,543
Excess of revenues over expenditures	976,121	1,228,674	3,330,711	2,102,037
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	5,000	1,900	(3,100)
Capital lease	80,000	80,000	51,557	(28,443)
Transfers in	858,977	610,977	525,000	(85,977)
Transfers out	(1,920,098)	(1,924,651)	(1,872,820)	51,831
Total other financing sources (uses)	(976,121)	(1,228,674)	(1,294,363)	(65,689)
Net change in fund balances	-	-	2,036,348	2,036,348
FUND BALANCES, beginning of year	7,723,939	7,723,939	7,723,939	-
FUND BALANCES, end of year	$ 7,723,939	$ 7,723,939	$ 9,760,287	$ 2,036,348

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

CITY OF KENNESAW, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds						
ASSETS	Sanitation Fund	Museum Fund	Stormwater Fund	Gardens Fund	Nonmajor Enterprise Fund Streetlight Fund	Totals	Governmental Activities Internal Service Fund
CURRENT ASSETS							
Cash	$ 1,518,950	$ 99,557	$ 1,849,805	$ 57,387	$ -	$ 3,525,699	$ 14,683
Accounts receivable	251,571	166	165,267	-	31,896	448,900	148,051
Due from other funds	-	156	110,133	-	29,633	139,922	280,813
Inventory	-	93,260	-	1,601	-	94,861	-
Prepaids	18	21,126	12,714	608	-	34,466	-
Total current assets	1,770,539	214,265	2,137,919	59,596	61,529	4,243,848	443,547
NONCURRENT ASSETS							
Capital assets:							
Non-depreciable assets	-	938,798	14,325	2,021,054	-	2,974,177	-
Depreciable assets	307,725	8,734,773	10,459,928	97,310	-	19,599,736	-
	307,725	9,673,571	10,474,253	2,118,364	-	22,573,913	-
Accumulated depreciation	(229,035)	(3,277,625)	(5,073,430)	(62,949)	-	(8,643,039)	-
Total capital assets	78,690	6,395,946	5,400,823	2,055,415	-	13,930,874	-
Total noncurrent assets	78,690	6,395,946	5,400,823	2,055,415	-	13,930,874	-
Total assets	1,849,229	6,610,211	7,538,742	2,115,011	61,529	18,174,722	443,547
DEFERRED OUTFLOWS OF RESOURCES							
Pension related items	35,228	-	52,164	-	-	87,392	-
Total deferred outflows of resources	35,228	-	52,164	-	-	87,392	-
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	136,571	4,711	2,999	6,206	30,995	181,482	10,689
Accrued liabilities	1,431	9,440	4,501	6,196	-	21,568	273,092
Due to other funds	147,681	21,473	13,666	16,840	23,741	223,401	-
Deposits payable	596,022	-	-	-	-	596,022	-
Capital lease payable	-	-	49,243	-	-	49,243	-
Compensated absences payable	9,054	14,105	15,849	21,084	-	60,092	-
Unearned revenue	234,975	-	121,048	-	-	356,023	-
Total current liabilities	1,125,734	49,729	207,306	50,326	54,736	1,487,831	283,781
NONCURRENT LIABILITIES							
Capital lease payable	-	-	164,838	-	-	164,838	-
Net pension liability	78,899	-	116,828	-	-	195,727	-
Total noncurrent liabilities	78,899	-	281,666	-	-	360,565	-
Total liabilities	1,204,633	49,729	488,972	50,326	54,736	1,848,396	283,781
DEFERRED INFLOWS OF RESOURCES							
Pension related items	17,668	-	26,162	-	-	43,830	-
Total deferred inflows of resources	17,668	-	26,162	-	-	43,830	-
NET POSITION							
Net investment in capital assets	78,690	6,395,946	5,186,742	2,055,415	-	13,716,793	-
Unrestricted	583,466	164,536	1,889,030	9,270	6,793	2,653,095	159,766
Total net position	$ 662,156	$ 6,560,482	$ 7,075,772	$ 2,064,685	$ 6,793	16,369,888	$ 159,766
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds						33,525	
Net position of business-type activities						$ 16,403,413	

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, 2018

	Business-type Activities - Enterprise Funds						
	Sanitation Fund	Museum Fund	Stormwater Fund	Gardens Fund	Nonmajor Enterprise Fund Streetlight Fund	Totals	Governmental Activities Internal Service Fund
OPERATING REVENUE							
Sanitation fees	$ 2,524,769	$ -	$ -	$ -	$ -	$ 2,524,769	$ -
Stormwater fees	-	-	1,271,204	-	-	1,271,204	-
Charges for sales and services	2,960	329,981	-	56,306	61,530	450,777	2,547,514
Miscellaneous	5,075	127,617	-	65,500	-	198,192	-
Total operating revenues	2,532,804	457,598	1,271,204	121,806	61,530	4,444,942	2,547,514
OPERATING EXPENSES							
Cost of sales and services	1,794,436	920,210	484,524	479,743	54,737	3,733,650	115,156
Claims	-	-	-	-	-	-	2,433,665
Depreciation	22,884	214,481	251,320	3,729	-	492,414	-
Total operating expenses	1,817,320	1,134,691	735,844	483,472	54,737	4,226,064	2,548,821
Operating income (loss)	715,484	(677,093)	535,360	(361,666)	6,793	218,878	(1,307)
NON-OPERATING INCOME (EXPENSES)							
Interest income	1,659	174	661	48	-	2,542	84
Interest expense	-	-	(1,629)	-	-	(1,629)	-
Total non-operating income (expenses)	1,659	174	(968)	48	-	913	84
Income (loss) before transfers and contributions	717,143	(676,919)	534,392	(361,618)	6,793	219,791	(1,223)
Capital contributions	-	39,608	-	2,021,054	-	2,060,662	-
Transfers in	-	517,474	-	365,493	-	882,967	-
Transfers out	(500,000)	-	(25,000)	-	-	(525,000)	-
Total capital contributions and transfers	(500,000)	557,082	(25,000)	2,386,547	-	2,418,629	-
Change in net position	217,143	(119,837)	509,392	2,024,929	6,793	2,638,420	(1,223)
Total net position, beginning of year, restated	445,013	6,680,319	6,566,380	39,756	-		160,989
Total net position, end of year	$ 662,156	$ 6,560,482	$ 7,075,772	$ 2,064,685	$ 6,793		$ 159,766
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds						(149)	
Change in net position of business-type activities						$ 2,638,271	

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, 2018

	Business-type Activities - Enterprise Funds						
	Sanitation Fund	Museum Fund	Stormwater Fund	Gardens Fund	Nonmajor Enterprise Fund Streetlight Fund	Totals	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	$ 2,576,804	$ 457,432	$ 1,291,424	$ 121,806	$ 54,737	$ 4,502,203	$ 2,578,071
Payments to suppliers	(1,609,589)	(314,428)	(135,814)	(88,476)	(54,737)	(2,203,044)	(2,573,294)
Payments to employees	(63,632)	(599,486)	(466,180)	(375,741)	-	(1,505,039)	-
Net cash provided by (used in) operating activities	903,583	(456,482)	689,430	(342,411)	-	794,120	4,777
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Transfers in from other funds	-	517,474	-	365,493	-	882,967	-
Transfers out to other funds	(500,000)	-	(25,000)	-	-	(525,000)	-
Net cash provided by (used in) non-capital financing activities	(500,000)	517,474	(25,000)	365,493	-	357,967	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of capital assets	-	-	(204,441)	-	-	(204,441)	-
Proceeds from the issuance of capital leases	-	-	199,604	-	-	199,604	-
Principal payments on capital lease	-	-	(27,907)	-	-	(27,907)	-
Interest payments on capital lease	-	-	(1,629)	-	-	(1,629)	-
Grants and capital contributions	-	1,233	-	-	-	1,233	-
Net cash provided by (used in) capital and related financing activities	-	1,233	(34,373)	-	-	(33,140)	-
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	1,659	174	661	48	-	2,542	84
Net cash provided by investing activities	1,659	174	661	48	-	2,542	84
Net increase in cash	405,242	62,399	630,718	23,130	-	1,121,489	4,861
Cash, beginning of year	1,113,708	37,158	1,219,087	34,257	-	2,404,210	9,822
Cash, end of year	$ 1,518,950	$ 99,557	$ 1,849,805	$ 57,387	$ -	$ 3,525,699	$ 14,683
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	$ 715,484	$ (677,093)	$ 535,360	$ (361,666)	$ 6,793	$ 218,878	$ (1,307)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	22,884	214,481	251,320	3,729	-	492,414	-
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	(22,261)	(166)	7,419	-	(31,896)	(46,904)	(9,606)
Decrease (increase) in due from other funds	-	28	(7,316)	-	(29,633)	(36,921)	40,163
Decrease (increase) in prepaid items	12	(5,650)	3,211	(176)	-	(2,603)	-
Decrease in inventory	-	1,568	-	44	-	1,612	-
Decrease in pension related deferred outflows of resources	23,617	-	14,737	-	-	38,354	-
Increase (decrease) in accounts payable	127,146	(4,909)	(81,431)	(2,501)	30,995	69,300	10,689
Increase (decrease) in accrued liabilities	699	2,481	(1,262)	663	-	2,581	(30,722)
Increase in customer deposits payable	23,725	-	-	-	-	23,725	-
Increase (decrease) in compensated absences payable	842	1,430	(704)	7,217	-	8,785	-
Increase in unearned revenue	42,536	-	12,801	-	-	55,337	-
Increase in pension related deferred inflows of resources	15,675	-	23,896	-	-	39,571	-
Increase (decrease) in due to other funds	48,300	11,348	12,360	10,279	23,741	106,028	(4,440)
Decrease in net pension liability	(95,076)	-	(80,961)	-	-	(176,037)	-
Net cash provided by (used in) operating activities	$ 903,583	$ (456,482)	$ 689,430	$ (342,411)	$ -	$ 794,120	$ 4,777
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contributions	$ -	$ 38,375	$ -	$ 2,021,054	$ -	$ 2,059,429	$ -

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 and is repaid entirely with City resources. 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 total outstanding 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 **Smith-Gilbert Gardens fund** accounts for the activity related to the operations of the City's botanical gardens.

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, 2018, 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 and total other postemployment benefit (OPEB) liability. Certain changes in the net pension liability and total OPEB liability are recognized as pension and OPEB 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 and total OPEB 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 and OPEB expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability and total OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense and OPEB 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 and OPEB plan before year end but subsequent to the measurement date of the City's net pension liability and total OPEB liability are reported as deferred outflows of resources. This amount will reduce the net pension liability and total OPEB 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 $18,089,298 difference are as follows:

Capital leases payable	$ (545,579)
Bonds payable	(16,695,103)
Accrued interest payable	(136,794)
Compensated absences	(711,822)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (18,089,298)

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, the net pension liability and total OPEB liability are not expected to be liquidated with expendable available resources and therefore are not reported in the funds." The details of this $8,577,432 difference are as follows:

Net pension liability	$	(3,829,864)
Total OPEB liability		(5,347,847)
Deferred outflows of resources:		
Pension related items		1,710,050
OPEB related items		77,683
Deferred inflows of resources:		
Pension related items		(857,663)
OPEB related items		(329,791)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(8,577,432)

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 $4,947,510 difference are as follows:

Capital outlay	$	7,352,091
Depreciation expense		(2,404,581)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	4,947,510

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 the reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and donations) is to increase net position." The details of this $1,882,804 difference are as follows:

Sale of capital assets	$	(6,750)
Transfer of capital assets to proprietary activities		(2,021,054)
Donation of capital assets		145,000
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position - governmental activities*	$	(1,882,804)

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 $1,434,143 difference are as follows:

Capital leases	$	(51,557)
Principal retirement of long-term debt		1,485,700
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	1,434,143

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 $312,635 differences are as follows:

Compensated absences	$	13,077
Total OPEB liability and related deferred outflows and inflows of resources		(386,336)
Net pension liability and related deferred outflows and inflows of resources		44,128
Amortization of bond issuance premium		3,266
Accrued interest		13,230
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(312,635)

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, 2018, 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	$ 159,396
Federal Home Loan Bank	1 - 5 years	Aaa	385,783
Federal Farm Credit Bank	1 - 5 years	Aaa	539,135
Federal Home Loan Mortgage Corp.	6 - 10 years	AA+	436,041
Federal Home Loan Bank	6 - 10 years	Aaa	584,775
Federal Farm Credit Bank	6 - 10 years	Aaa	336,942
Federal National Mortgage Association	6 - 10 years	Aaa	495,844
Federal Farm Credit Bank	11 - 15 years	Aaa	479,932
Federal Home Loan Bank	11 - 15 years	Aaa	623,981
Federal National Mortgage Association	11 - 15 years	Aaa	1,134,891
Federal Home Loan Bank	16 - 20 years	Aaa	416,247
Federal National Mortgage Association	16 - 20 years	Aaa	518,616
Tennessee Valley Authority Debenture	16 - 20 years	Aaa	641,825
Federal National Mortgage Association	21 - 25 years	Aaa	474,014
Total			$ 7,227,422

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, 2018:

Investment	Level 1	Level 2	Fair Value
Federal Home Loan Bank	$ -	$ 2,010,786	$ 2,010,786
Federal Home Loan Mortgage Corp	-	474,014	474,014
Federal National Mortgage Association	1,653,507	931,885	2,585,392
Federal Farm Credit Bank	-	1,356,009	1,356,009
Tennessee Valley Authority Debenture	-	641,825	641,825
Total investments measured at fair value	$ 1,653,507	$ 5,414,519	$ 7,068,026
Investments not reported at fair value:			
Certificates of Deposit			159,396
Total investments			$ 7,227,422

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

The Federal National Mortgage Association 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 Tennessee Valley Authority Debenture, 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.

Custodial Credit Risk – Deposits: State statutes require all deposits and investments (other than federal or state government instruments) to be covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the state of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of September 30, 2018, the financial institution holding all of the City's deposits is a participant of the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, required participating banks holding deposits of public funds to pledge collateral at varying rates depending on tier assigned by the State. As of September 30, 2018, all of the City's bank balances were insured and/or collateralized as defined by GASB standards.

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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, 2018, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	SPLOST	Sanitation	Museum	Stormwater
Receivables:					
Taxes	$ 2,381,522	$ -	$ -	$ -	$ -
Accounts	-	-	349,424	166	172,005
Due from other governments	146,310	880,362	-	-	-
Other	110,044	-	-	-	-
Less allowance for uncollectible	(36,109)	-	(97,853)	-	(6,738)
Net total receivable	$ 2,601,767	$ 880,362	$ 251,571	$ 166	$ 165,267

	Other Nonmajor Governmental Funds	Other Nonmajor Proprietary Funds
Receivables:		
Taxes	$ 5,610	$ -
Accounts	473,887	32,100
Less allowance for uncollectible	-	(204)
Net total receivable	$ 479,497	$ 31,896

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2018, is as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 14,021,277	$ 145,000	$ -	$ (2,021,054)	$ 12,145,223
Construction in progress	14,900,280	3,590,034	(6,960,743)	-	11,529,571
Total	28,921,557	3,735,034	(6,960,743)	(2,021,054)	23,674,794
Capital assets, being depreciated:					
Buildings	18,295,435	162,921	-	-	18,458,356
Infrastructure	41,805,298	3,103,791	6,960,743	-	51,869,832
Machinery and equipment	4,800,047	127,130	-	(6,264)	4,920,913
Land improvements	10,121,249	95,769	-	-	10,217,018
Vehicles	4,142,183	272,446	-	(44,525)	4,370,104
Total	79,164,212	3,762,057	6,960,743	(50,789)	89,836,223
Less accumulated depreciation for:					
Buildings	(5,453,585)	(518,708)	-	-	(5,972,293)
Infrastructure	(22,420,311)	(1,099,200)	-	-	(23,519,511)
Machinery and equipment	(3,210,059)	(213,057)	-	6,264	(3,416,852)
Land improvements	(2,002,751)	(270,173)	-	-	(2,272,924)
Vehicles	(2,235,847)	(303,443)	-	37,775	(2,501,515)
Total	(35,322,553)	(2,404,581)	-	44,039	(37,683,095)
Total capital assets, being depreciated, net	43,841,659	1,357,476	6,960,743	(6,750)	52,153,128
Governmental activities capital assets, net	$ 72,763,216	$ 5,092,510	$ -	$ (2,027,804)	$ 75,827,922

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Museum artifacts	$ 893,423	$ 38,375	$ -	$ 931,798
Land	21,325	2,021,054	-	2,042,379
Total	914,748	2,059,429	-	2,974,177
Capital assets, being depreciated:				
Buildings and structures	18,123,741	-	-	18,123,741
Furniture and fixtures	89,448	-	-	89,448
Vehicles	252,982	128,607	-	381,589
Machinery and equipment	929,125	75,834	-	1,004,959
Total	19,395,296	204,441	-	19,599,737
Less accumulated depreciation for:				
Buildings and structures	(7,307,092)	(415,601)	-	(7,722,693)
Furniture and fixtures	(84,552)	(816)	-	(85,368)
Vehicles	(141,745)	(5,446)	-	(147,191)
Machinery and equipment	(617,237)	(70,551)	-	(687,788)
Total	(8,150,626)	(492,414)	-	(8,643,040)
Total capital assets, being depreciated, net	11,244,670	(287,973)	-	10,956,697
Business-type activities capital assets, net	$ 12,159,418	$ 1,771,456	$ -	$ 13,930,874

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

Governmental activities:	
General government	$ 234,995
Judicial	577
Public safety	330,800
Public works	1,330,883
Culture and recreation	315,483
Housing and development	191,843
Total depreciation expense - governmental activities	$ 2,404,581
Business-type activities:	
Sanitation	$ 22,884
Museum	214,481
Stormwater	251,320
Gardens	3,729
Total depreciation expense - business-type activities	$ 492,414

NOTE 7. SHORT-TERM BORROWINGS

During the year ending September 30, 2018 the City used a tax anticipation note for operating purposes; the balance of the note is $3,000,000. The note has an interest rate of 2.00% and matures on December 27, 2018.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2018, was $29,966.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2018:

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

Remainder of the page intentionally left blank.

NOTE 8. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 9,540,000	$ -	$ (595,000)	$ 8,945,000	$ 620,000
Revenue bonds	8,360,000	-	(650,000)	7,710,000	680,000
Premium on bonds	43,369	-	(3,266)	40,103	-
Capital leases	734,722	51,557	(240,700)	545,579	243,754
Total OPEB liability	5,274,790	511,136	(438,079)	5,347,847	-
Net pension liability	4,488,348	2,337,018	(2,995,502)	3,829,864	-
Compensated absences	724,899	499,379	(512,456)	711,822	502,818
Governmental activity Long-term liabilities	$ 29,166,128	$ 3,399,090	$ (5,435,003)	$ 27,130,215	$ 2,046,572

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Capital lease	$ 42,384	$ 199,604	$ (27,907)	$ 214,081	$ 49,243
Net pension liability	371,764	119,434	(295,471)	195,727	-
Compensated absences	51,307	58,177	(49,392)	60,092	60,092
Business-type activity Long-term liabilities	$ 465,455	$ 377,215	$ (372,770)	$ 469,900	$ 109,335

For governmental activities, compensated absences, total OPEB liability and the net pension liability are liquidated by the General Fund and E911 Fund. For business-type activities, compensated absences 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, 2018, the City had governmental activities machinery and equipment under capital leases with a cost of $1,339,835 and accumulated depreciation of $302,983 for a net book value of $1,036,852, and business-type activities vehicles with a cost of $268,257 and accumulated depreciation of $27,105 for a net book value of $241,152. 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:

	Governmental Activities	Business-Type Activities
Fiscal Year Ending September 30,		
2019	$ 255,146	$ 54,797
2020	188,813	49,199
2021	100,158	41,410
2022	18,301	41,410
2023	4,990	36,907
2024	-	14,066
Total minimum lease payments	567,408	237,789
Less amount representing interest	21,829	23,708
Present value of future minimum lease payments	$ 545,579	$ 214,081

General Obligation Bonds. In November 2004 and January 2005 the City issued $9,000,000 and $6,000,000, respectively, of various purpose Series 2004 & 2005 General Obligation Bonds. The proceeds from the bonds will be used to pay for the costs of acquiring, constructing, equipping and renovating certain transportation projects, and parks and recreation projects, as well as the issuance costs.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The bonds were issued as 25-year serial bonds with interest rates of 4.12%. General obligation bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30,			
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	760,000	242,668	1,002,668
2024-2028	4,465,000	694,941	5,159,941
2029	1,045,000	21,527	1,066,527
Total	$ 8,945,000	$ 2,219,753	$ 11,164,753

Revenue Bonds. In October 2003 the Kennesaw Urban Redevelopment Agency (KURA), a blended component unit, issued $2,100,000 of Series 2003 Revenue Bonds. The bonds bear interest at 3.95% and are payable each February 1 and August 1 starting in 2005 through 2019. The proceeds from the bond issue were used to pay for the costs of expanding City Hall, as well as the issuance costs.

NOTE 8. LONG-TERM DEBT (Continued)

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

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

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

	Principal	Interest	Total
Fiscal Year Ending September 30,			
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	145,000	246,680	391,680
2024-2028	820,000	1,126,024	1,946,024
2029-2033	1,060,000	890,819	1,950,819
2034-2038	1,345,000	632,131	1,977,131
2039-2043	1,655,000	307,153	1,962,153
2044	380,000	9,738	389,738
Total	$ 7,710,000	$ 4,404,787	$ 12,114,787

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 7,018
General fund	Stormwater fund	1,404
General fund	Sanitation fund	3,145
General fund	Smith-Gilbert Gardens fund	138
General fund	Nonmajor enterprise fund	23,741
Museum fund	Nonmajor governmental funds	156
Nonmajor governmental funds	General fund	8,217
Nonmajor enterprise fund	Sanitation fund	29,633
Stormwater fund	Sanitation fund	110,133
Internal service fund	General fund	192,203
Internal service fund	Museum fund	21,473
Internal service fund	Sanitation fund	4,770
Internal service fund	Nonmajor governmental funds	33,403
Internal service fund	Stormwater fund	12,262
Internal service fund	Smith-Gilbert Gardens fund	16,702
		$ 464,398

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	$ 298,854

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	$ 77

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	$ 500,000
General fund	Stormwater fund	25,000
		$ 525,000
Museum fund	General fund	$ 500,818
Museum fund	Nonmajor governmental funds	16,656
		$ 517,474
Smith-Gilbert Gardens fund	General fund	$ 365,493
Nonmajor governmental funds	General fund	$ 1,006,509

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, 2018. The future minimum lease payments for these leases are as follows:

Year Ending September 30,	
2019	$ 26,376

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. Changes to these benefits would have to be authorized by City Council. All employees who work at least thirty hours a week and elected officials are eligible to participate with no waiting period. Benefits for employees vest after five years of service. Benefits for elected officials vest immediately if employed prior to January 1, 2016 and four years and one month if hired on or after January 1, 2016. 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, 2018, the date of the most recent actuarial valuation, there were 300 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	64
Terminated vested participants not yet receiving benefits	53
Active employees - vested	124
Active employees - nonvested	59
Total	300

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, 2018, City contributions to the Plan were $1,007,920 and employee contributions to the Plan were $184,631 for the year ended September 30, 2018.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2017.

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Actuarial assumptions. The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75% plus serviced based merit increases
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates for the January 1, 2017 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, 2017 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, 2017 are summarized in the table below.

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.71%
International equity	20%	7.71
Global fixed income	5%	3.36
Domestic fixed income	20%	2.11
Real estate	10%	5.21
Cash	—%	
Total	100%	

* Rates shown are net of the 2.75% 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 7.50%. This is a reduction from the discount rate utilized in the prior year of 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, 2018 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/17	$ 19,222,425	$ 14,362,313	$ 4,860,112
Changes for the year:			
Service cost	628,152	-	628,152
Interest	1,454,895	-	1,454,895
Differences between expected and actual experience	(28,336)	-	(28,336)
Assumption Changes	325,845	-	325,845
Contributions—employer	-	901,718	(901,718)
Contributions—employee	-	193,852	(193,852)
Net investment income	-	2,167,067	(2,167,067)
Benefit payments, including refunds of employee contributions	(899,179)	(899,179)	-
Administrative expense	-	(47,560)	47,560
Net changes	1,481,377	2,315,898	(834,521)
Balances at 9/30/18	$ 20,703,802	$ 16,678,211	$ 4,025,591

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

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the City (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	$ 6,755,404	$ 4,025,591	$ 1,757,161

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, 2017 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, 2018, the City recognized pension expense of $865,680. At September 30, 2018, 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	$ 484,890	$ 55,628
Changes in assumptions	304,632	-
Net difference between projected and actual earnings on pension plan investments	-	845,865
City contributions subsequent to the measurement date	1,007,920	-
Total	$ 1,797,442	$ 901,493

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 $1,007,920 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, 2019. 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:		
2019	$	47,773
2020		125,879
2021		(135,481)
2022		(150,142)
Total	$	(111,971)

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Benefits

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.

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 City has elected to fund the plan on a pay-as-you go basis. For the year ended September 30, 2018, the City contributed $77,683 for the pay as you go benefits for the OPEB plan.

Total OPEB Liability

Effective October 1, 2017, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the City's accounting for OPEB amounts. The information disclosed in this note is presented in accordance with this new standard.

The City's total OPEB liability of $5,347,847 was measured as of September 30, 2017 and was determined by an actuarial valuation as of April 1, 2017 using standard rollforward techniques.

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the April 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation rate	3.25%
Salary increase, including wage inflation	3.75% - 8.75%, including inflation
Discount rate	3.64%
Health care cost trends	
Medical	6.50% - 4.50%, Ultimate Trend in 2021
Prescription drug	9.00% - 4.50%, Ultimate Trend in 2026

Mortality rates 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 April 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

The discount rate is based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). Specifically, the chosen rate of the Bond Buyer General Obligation 20-year Municipal Bond Index published as of the measurement date of September 30, 2017.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the City for the fiscal year ended September 30, 2018 were as follows:

	Total OPEB Liability
Balance at September 30, 2017	$ 5,274,790
Service Cost	340,252
Interest	170,884
Experience differences	(141,642)
Assumption changes	(235,266)
Benefit payments	(61,171)
Balance at September 30, 2018	$ 5,347,847

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity for the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64) than the current discount rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB liability	$ 5,760,522	$ 5,347,847	$ 4,968,118

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (Medical: 5.5% trended down to 3.5% and Prescription Drug: 8.0% trended down to 3.5%) or 1-percentage-point higher (Medical: 7.5% trended down to 5.5% and Prescription Drug: 10.0% trended down to 5.5%) than the current healthcare cost trend rates:

	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase Health Care Cost Trend Rates
Total OPEB liability	$ 4,837,159	$ 5,347,847	$ 5,933,728

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 revisions 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, 2017 and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018 the City recognized OPEB expense of $464,019. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 123,935
Changes in plan assumptions	-	205,856
City contributions subsequent to the measurement date	77,683	-
Total	$ 77,683	$ 329,791

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

City contributions made subsequent to the measurement date of $77,683 are reported as deferred outflows of resources and will be recognized as a decrease of the total OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ending September 30:		
2019	$	(47,113)
2020		(47,113)
2021		(47,113)
2022		(47,113)
2023		(47,113)
Thereafter		(94,226)
	$	(329,791)

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 Council. At September 30, 2018, there were 99 plan members. During the year ending September 30, 2018 employee contributions were $252,783 and employer contributions were $60,758, for both plans.

NOTE 14. 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 15. 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.

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 82% of the employee premium and 82% of the employee/child, employee/spouse and family premium for the POS plan and 84% of the employee premium and 84% 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.

NOTE 15. RISK MANAGEMENT (Continued)

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 general 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, 10 retirees are eligible for postretirement benefits. These postretirement benefits are funded on a pay-as-you go basis and totaled $77,683 for the year ended September 30, 2018.

Changes in the claims liability for the years ended September 30, 2018 and 2017 are as follows:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2018	$ 303,814	$ 2,157,441	$ 2,188,163	$ 273,092
2017	$ 383,358	$ 2,351,595	$ 2,431,139	$ 303,814

NOTE 16. 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, 2018, contractual commitments on uncompleted contracts were $2,944,709

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 17. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 8%. Revenues were $32,290 for the year ended September 30, 2018. Of this amount 100%, or $32,290, 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 18. RESTRICTED FUND BALANCE

The City has reported $7,092,269 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, 2018.

NOTE 19. RESTATEMENTS

The City has determined a restatement to beginning net position was required in the City's governmental activities, business-type activities, and the Sanitation fund, Museum Fund, Gardens Fund and Stormwater fund, for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires retroactive reporting of opening balances. The effect of the restatement resulted in a change to beginning net position of the governmental activities, business-type activities, Sanitation Fund, Museum Fund, Gardens Fund and Stormwater Fund and are as follows:

	Governmental Activities
Net Position, governmental activities, as previously reported	$ 74,988,919
Restatement for implementation of GASB Statement No. 75:	
Total OPEB liability as of September 30, 2017	(5,274,790)
Removal of prior Net OPEB obligation reported September, 2017	3,918,469
Beginning deferred outflows related to OPEB	61,171
Net Position, governmental activities, as restated	$ 73,693,769

	Business-type Activities
Net Position, business-type activities, as previously reported	$ 13,187,014
Restatement for implementation of GASB Statement No. 75:	
Removal of prior Net OPEB obligation reported September 30, 2017	578,128
Net Position, business-type activities, as restated	$ 13,765,142

	Sanitation Fund
Net Position, Sanitation fund, as previously reported	$ 268,717
Restatement for implementation of GASB Statement No. 75:	
Removal of prior Net OPEB obligation reported September 30, 2017	176,296
Net Position, Sanitation fund, as restated	$ 445,013

	Museum Fund
Net Position, Museum fund, as previously reported	$ 6,481,211
Restatement for implementation of GASB Statement No. 75:	
Removal of prior Net OPEB obligation reported September 30, 2017	199,108
Net Position, Museum fund, as restated	$ 6,680,319

	Gardens Fund
Net Position, Gardens fund, as previously reported	$ (48,509)
Restatement for implementation of GASB Statement No. 75:	
Removal of prior Net OPEB obligation reported September 30, 2017	88,265
Net Position, Gardens fund, as restated	$ 39,756

	Stormwater Fund
Net Position, Stormwater fund, as previously reported	$ 6,451,921
Restatement for implementation of GASB Statement No. 75:	
Removal of prior Net OPEB obligation reported September 30, 2017	114,459
Net Position, Stormwater fund, as restated	$ 6,566,380

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENNESAW, GEORGIA

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

	2018	2017	2016	2015
Total pension liability				
Service cost	$ 628,152	$ 553,326	$ 539,391	$ 535,589
Interest on total pension liability	1,454,895	1,338,114	1,266,040	1,138,176
Differences between expected and actual experience	(28,336)	510,888	(82,401)	535,069
Changes of assumptions	325,845	-	-	131,867
Changes of benefit terms	-	(16,467)	-	-
Benefit payments, including refunds of employee contributions	(899,179)	(858,851)	(727,236)	(654,436)
Net change in total pension liability	1,481,377	1,527,010	995,794	1,686,265
Total pension liability - beginning	19,222,425	17,695,415	16,699,621	15,013,356
Total pension liability - ending (a)	$ 20,703,802	$ 19,222,425	$ 17,695,415	$ 16,699,621
Plan fiduciary net position				
Contributions - employer	$ 901,718	$ 936,241	$ 933,501	$ 812,088
Contributions - employee	193,852	177,656	167,673	155,925
Net investment income	2,167,067	1,430,888	127,762	1,231,684
Benefit payments, including refunds of member contributions	(899,179)	(858,851)	(727,236)	(654,436)
Administrative expenses	(47,560)	(25,835)	(29,787)	(23,504)
Net change in plan fiduciary net position	2,315,898	1,660,099	471,913	1,521,757
Plan fiduciary net position - beginning	14,362,313	12,702,214	12,230,301	10,708,544
Plan fiduciary net position - ending (b)	$ 16,678,211	$ 14,362,313	$ 12,702,214	$ 12,230,301
City's net pension liability - ending (a) - (b)	$ 4,025,591	$ 4,860,112	$ 4,993,201	$ 4,469,320
Plan fiduciary net position as a percentage of the total pension liability	80.56%	74.72%	71.78%	73.24%
Covered payroll	$ 8,162,506	$ 7,702,593	$ 7,386,752	$ 7,338,429
City's net pension liability as a percentage of covered payroll	49.32%	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

	2018	2017	2016	2015
Actuarially determined contribution	$ 1,007,920	$ 901,718	$ 936,241	$ 859,675
Contributions in relation to the actuarially determined contribution	1,007,920	901,718	936,241	933,501
Contribution deficiency (excess)	$ -	$ -	$ -	$ (73,826)
Covered payroll	$ 8,609,022	$ 8,162,506	$ 7,702,593	$ 7,386,752
Contributions as a percentage of covered payroll	11.71%	11.05%	12.15%	12.64%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	January 1, 2017
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	3.25% plus serviced based merit increases
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

REQUIRED SUPPLEMENTARY INFORMATION
OPEB HEALTHCARE BENEFIT PLAN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS

	2018
Total OPEB liability	
Service cost	$ 340,252
Interest on total OPEB liability	170,884
Difference between expected and actual experience	(141,642)
Changes of assumptions and other inputs	(235,266)
Benefit payments	(61,171)
Net change in total OPEB liability	73,057
Total OPEB liability - beginning	5,274,790
Total OPEB liability - ending	$ 5,347,847
Covered-employee payroll	$ 8,539,074
Total OPEB liability as a percentage of covered-employee payroll	62.6%

Notes to the Schedule:

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

The City is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

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, 2018

	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	$ 25,229	$ 56,496	$ 80,648	$ 8,552	$ 32,151	$ 360,546	$ 75,149	$ 3,025	$ 143,886	$ 785,682
Taxes receivable	-	-	-	5,610	-	-	-	-	-	5,610
Other receivables	-	204	473,683	-	-	-	-	-	-	473,887
Prepaid expenditures	-	-	13,134	-	-	-	-	-	-	13,134
Due from other funds	-	-	-	991	-	7,226	-	-	-	8,217
Notes receivable	-	-	-	-	-	-	-	-	72,321	72,321
Total assets	$ 25,229	$ 56,700	$ 567,465	$ 15,153	$ 32,151	$ 367,772	$ 75,149	$ 3,025	$ 216,207	$ 1,358,851
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	$ 13,192	$ -	$ 9,656	$ 3,204	$ -	$ 36,791	$ -	$ -	$ 13,600	$ 76,443
Accrued liabilities	-	-	16,442	-	-	-	10,000	-	3,000	29,442
Due to other funds	-	6,941	33,403	156	-	-	-	-	77	40,577
Advances from other funds	-	-	158,277	-	-	-	-	-	140,577	298,854
Total liabilities	13,192	6,941	217,778	3,360	-	36,791	10,000	-	157,254	445,316
FUND BALANCES										
Fund Balances:										
Nonspendable:										
Prepaids	-	-	13,134	-	-	-	-	-	-	13,134
Restricted:										
Capital Projects	-	-	-	-	-	330,981	-	-	-	330,981
Debt service	-	-	-	-	-	-	-	3,025	-	3,025
Law enforcement	12,037	49,759	336,553	-	-	-	-	-	-	398,349
Culture and recreation	-	-	-	11,793	-	-	-	-	-	11,793
Committed:										
Cemetery maintenance	-	-	-	-	32,151	-	-	-	-	32,151
Assigned:										
Capital projects	-	-	-	-	-	-	65,149	-	-	65,149
Debt service	-	-	-	-	-	-	-	-	58,953	58,953
Total fund balances	12,037	49,759	349,687	11,793	32,151	330,981	65,149	3,025	58,953	913,535
Total liabilities and fund balances	$ 25,229	$ 56,700	$ 567,465	$ 15,153	$ 32,151	$ 367,772	$ 75,149	$ 3,025	$ 216,207	$ 1,358,851

CITY OF KENNESAW, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	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	$ -	$ -	$ -	$ 32,290	$ -	$ -	$ -	$ -	$ -	$ 32,290
Licenses and permits	-	-	-	-	-	35,281	-	-	-	35,281
Fines and forfeitures	5,330	171,661	-	-	-	-	-	-	-	176,991
Charges for services	-	-	1,434,660	651	16,950	-	-	-	10,980	1,463,241
Miscellaneous	-	-	240	-	150	-	-	-	450	840
Interest	15	89	262	14	28	394	75	27	148	1,052
Total revenues	5,345	171,750	1,435,162	32,955	17,128	35,675	75	27	11,578	1,709,695
EXPENDITURES										
Current										
Public safety	14,301	140,399	917,653	-	-	-	-	-	-	1,072,353
Public works	-	-	-	-	2,525	125,846	-	-	-	128,371
Culture and recreation	-	-	-	16,286	-	-	-	-	-	16,286
Housing and development	-	-	-	-	-	-	-	-	28,911	28,911
Debt service										
Principal retirements	-	-	-	-	-	-	-	295,000	355,000	650,000
Interest and fiscal charges	-	-	-	-	-	-	-	287,381	81,985	369,366
Total expenditures	14,301	140,399	917,653	16,286	2,525	125,846	-	582,381	465,896	2,265,287
Excess (deficiency) of revenues over (under) expenditures	(8,956)	31,351	517,509	16,669	14,603	(90,171)	75	(582,354)	(454,318)	(555,592)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	576,877	429,632	1,006,509
Transfers out	-	-	-	(16,656)	-	-	-	-	-	(16,656)
Total other financing sources (uses)	-	-	-	(16,656)	-	-	-	576,877	429,632	989,853
Net change in fund balances	(8,956)	31,351	517,509	13	14,603	(90,171)	75	(5,477)	(24,686)	434,261
FUND BALANCES (DEFICIT), beginning of year	20,993	18,408	(167,822)	11,780	17,548	421,152	65,074	8,502	83,639	479,274
FUND BALANCES, end of year	$ 12,037	$ 49,759	$ 349,687	$ 11,793	$ 32,151	$ 330,981	$ 65,149	$ 3,025	$ 58,953	$ 913,535

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, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 20,000	$ 20,000	$ 5,330	$ (14,670)
Interest	50	50	15	(35)
Total revenues	20,050	20,050	5,345	(14,705)
EXPENDITURES				
Public safety	20,050	20,050	14,301	5,749
Net change in fund balances	-	-	(8,956)	(8,956)
FUND BALANCES, beginning of year	20,993	20,993	20,993	-
FUND BALANCES, end of year	$ 20,993	$ 20,993	$ 12,037	$ (8,956)

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, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 100,000	$ 127,000	$ 171,661	$ 44,661
Interest	40	40	89	49
Total revenues	100,040	127,040	171,750	44,710
EXPENDITURES				
Public safety	100,040	145,040	140,399	4,641
Net change in fund balances	-	(18,000)	31,351	49,351
FUND BALANCES, beginning of year	18,408	18,408	18,408	-
FUND BALANCES, end of year	$ 18,408	$ 408	$ 49,759	$ 49,351

CITY OF KENNESAW, GEORGIA
E911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 1,215,000	$ 1,161,000	$ 1,434,660	$ 273,660
Miscellaneous	-	-	240	240
Interest	150	150	262	112
Total revenues	1,215,150	1,161,150	1,435,162	274,012
EXPENDITURES				
Public safety	1,134,173	1,080,173	917,653	162,520
Excess of revenues over expenditures	80,977	80,977	517,509	436,532
OTHER FINANCING USES				
Transfers out	(80,977)	(80,977)	-	80,977
Net change in fund balances	-	-	517,509	517,509
FUND BALANCES (DEFICIT), beginning of year	(167,822)	(167,822)	(167,822)	-
FUND BALANCES (DEFICIT), end of year	$ (167,822)	$ (167,822)	$ 349,687	$ 517,509

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, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 63,000	$ 63,000	$ 32,290	$ (30,710)
Charges for services	1,250	1,250	651	(599)
Interest	23	23	14	(9)
Total revenues	64,273	64,273	32,955	(31,318)
EXPENDITURES				
Culture and recreation	31,250	31,250	16,286	14,964
Excess of revenues over expenditures	33,023	33,023	16,669	(16,354)
OTHER FINANCING USES				
Transfers out	(33,023)	(33,023)	(16,656)	16,367
Net change in fund balances	-	-	13	13
FUND BALANCES, beginning of year	11,780	11,780	11,780	-
FUND BALANCES, end of year	$ 11,780	$ 11,780	$ 11,793	$ 13

CITY OF KENNESAW, GEORGIA
CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 5,000	$ 5,000	$ 16,950	$ 11,950
Miscellaneous	3,500	3,500	150	(3,350)
Interest	35	35	28	(7)
Total revenues	8,535	8,535	17,128	8,593
EXPENDITURES				
Public works	18,300	18,300	2,525	15,775
Excess (deficiency) of revenues over expenditures	(9,765)	(9,765)	14,603	24,368
OTHER FINANCING SOURCES				
Transfers in	7,000	7,000	-	(7,000)
Net change in fund balances	(2,765)	(2,765)	14,603	17,368
FUND BALANCES, beginning of year	17,548	17,548	17,548	-
FUND BALANCES, end of year	$ 14,783	$ 14,783	$ 32,151	$ 17,368

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, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Licenses and permits	$ 34,025	$ 34,025	$ 35,281	$ 1,256
Interest	350	350	394	44
Total revenues	34,375	34,375	35,675	1,300
EXPENDITURES				
Public works	270,000	270,000	125,846	144,154
Net change in fund balances	(235,625)	(235,625)	(90,171)	145,454
FUND BALANCES, beginning of year	421,152	421,152	421,152	-
FUND BALANCES, end of year	$ 185,527	$ 185,527	$ 330,981	$ 145,454

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, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Interest	$ 25	$ 25	$ 27	$ 2
Total revenues	25	25	27	2
EXPENDITURES				
Debt service				
Principal	295,000	295,000	295,000	-
Interest and fiscal charges	287,378	287,383	287,381	2
Total expenditures	582,378	582,383	582,381	2
Deficiency of revenues over expenditures	(582,353)	(582,358)	(582,354)	4
OTHER FINANCING SOURCES				
Transfers in	576,878	576,878	576,877	(1)
Net change in fund balances	(5,475)	(5,480)	(5,477)	3
FUND BALANCES, beginning of year	8,502	8,502	8,502	-
FUND BALANCES, end of year	$ 3,027	$ 3,022	$ 3,025	$ 3

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, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 45,400	$ 45,400	$ 10,980	$ (34,420)
Miscellaneous revenue	-	-	450	450
Interest	30	30	148	118
Total revenues	45,430	45,430	11,578	(33,852)
EXPENDITURES				
Housing and development	53,818	48,818	28,911	19,907
Debt service				
Principal	384,972	384,972	355,000	29,972
Interest and fiscal charges	81,985	81,985	81,985	-
Total expenditures	520,775	515,775	465,896	49,879
Deficiency of revenues over expenditures	(475,345)	(470,345)	(454,318)	16,027
OTHER FINANCING SOURCES				
Transfers in	434,632	434,632	429,632	(5,000)
Net change in fund balances	(40,713)	(35,713)	(24,686)	11,027
FUND BALANCES, beginning of year	83,639	83,639	83,639	-
FUND BALANCES, end of year	$ 42,926	$ 47,926	$ 58,953	$ 11,027

CITY OF KENNESAW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED SEPTEMBER 30, 2018

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	3,736,081	622,545	153,261	775,806	20.77
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	595,364	595,364	-	595,364	100.00
Jiles Road	9,900,000	3,507 (1)	3,507	-	3,507	100.00
Cherokee Street	3,750,000	1,472,820	1,472,820	-	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	$ 5,605,859	$ 153,261	$ 5,759,120	
SPLOST II - 2011 SPLOST						
Pine Mountain Road	$ 6,492,254	$ 6,979,193	$ 3,194,236	$ 2,083,426	$ 5,277,662	75.62 %
Cherokee Street	5,000,000	6,276,899	556,541	176,600	733,141	11.68
Stanley Road/Collins Road	1,150,032	3,552,111	(2) 3,195,402	198,499	3,393,901	95.55
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	461,733	-	461,733	93.13
Infrastructure Preservation	1,101,710	565,672	501,544	-	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	289,522	491,018	780,540	41.74
Smith Gilbert Gardens Event Building	1,800,000	1,800,000	577,112	175,645	752,757	41.82
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	$ 11,239,054	$ 3,125,188	$ 14,364,242	

Continued

CITY OF KENNESAW, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED SEPTEMBER 30, 2018

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	1,020,707	75,023	-	75,023	7.35
Ben King Road Improvements	3,133,431	3,133,431	-	99,714	99,714	3.18
Sardis Street Extension Project	2,500,000	2,500,000	217,554	9,532	227,086	9.08
Property Acquisition	3,000,000	3,000,000	835,304	386,261	1,221,565	40.72
Park Improvements	1,790,000	1,790,000	99,506	25,698	125,204	6.99
Dallas/Watts Drive Improvements	2,619,072	5,223,671	2,782,740	2,338,864	5,121,604	98.05
Facility Improvements	1,200,000	743,870	214,158	162,921	377,079	50.69
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	529,691	- 23,750	-	- 23,750	4.48
Police Vehicles	125,000	125,000	110,242	-	110,242	88.19
TOTAL 2016 SPLOST	$ 26,316,370	$ 26,316,370	$ 4,360,527	$ 3,022,990	$ 7,383,517	

Total SPLOST expenditures	$ 6,301,439
SPLOST expenditures reimbursed by Cobb County	401,942
Total SPLOST fund expenditures	$ 6,703,381

(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.

(2) Cobb County water system reimbursed the City $360,003 for the total cost of Stanley Road water main replacement in fiscal year 2018, of which $356,709 was incurred in fiscal year 2017.

(3) The balances of expenditures reported in prior years have been corrected to appropriately reflect the actual balances of SPLOST funds expended in accordance with the voter approved referendums.

COMPONENT UNIT –
DEVELOPMENT AUTHORITY

CITY OF KENNESAW, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
SEPTEMBER 30, 2018

ASSETS		
Cash	$	82,286
Other receivables		16,656
Total assets	$	98,942
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to primary government	$	77
Total liabilities	$	77
FUND BALANCE		
Unassigned		98,865
Total liabilities and fund balance	$	98,942

CITY OF KENNESAW, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2018

REVENUES	
Interest income	$ 68
Miscellaneous	65,238
Total revenues	65,306
EXPENDITURES	
Housing and development	16,908
Intergovernmental	145,000
Total expenditures	161,908
Net change in fund balance	(96,602)
FUND BALANCE, beginning of year	195,467
FUND BALANCE, end of year	$ 98,865

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 **82**

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 **87**

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

Debt Capacity **91**

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 **95**

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 **97**

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)

	2018	2017	2016	2015
Governmental activities				
Net investment in capital assets	**$ 58,213,192**	$ 53,342,130	$ 44,270,008	$ 41,353,883
Restricted	**28,431,367**	29,647,981	33,586,055	30,325,102
Unrestricted	**(6,886,057)**	(8,001,192)	(9,162,559)	(8,857,613)
Total governmental activities net position	**$ 79,758,502**	$ 74,988,919	$ 68,693,504	$ 62,821,372
Business-type activities				
Net investment in capital assets	**$ 13,716,793**	$ 12,117,034	$ 12,395,483	$ 12,729,505
Unrestricted	**2,686,620**	1,069,980	1,493,066	1,009,187
Total business-type activities net position	**$ 16,403,413**	$ 13,187,014	$ 13,888,549	$ 13,738,692
Primary government				
Net investment in capital assets	**$ 71,929,985**	$ 65,459,164	$ 56,665,491	$ 54,083,388
Restricted	**28,431,367**	29,647,981	33,586,055	30,325,102
Unrestricted	**(4,199,437)**	(6,931,212)	(7,669,493)	(7,848,426)
Total primary government net position	**$ 96,161,915**	$ 88,175,933	$ 82,582,053	$ 76,560,064

2014	2013	2012	2011	2010	2009
$ 44,050,011	$ 38,848,625	$ 38,194,452	$ 38,211,640	$ 37,441,454	$ 37,896,407
26,084,186	24,496,830	22,999,987	19,214,410	11,728,094	10,453,594
(5,557,897)	(5,381,866)	(4,069,805)	(4,009,394)	5,113,083	3,096,897
$ 64,576,300	$ 57,963,589	$ 57,124,634	$ 53,416,656	$ 54,282,631	$ 51,446,898
$ 6,550,336	$ 6,517,447	$ 3,601,055	$ 3,397,072	$ 3,178,418	$ 2,682,669
1,109,417	1,796,730	1,263,195	1,200,476	1,124,835	1,018,721
$ 7,659,753	$ 8,314,177	$ 4,864,250	$ 4,597,548	$ 4,303,253	$ 3,701,390
$ 50,600,347	$ 45,366,072	$ 41,795,507	$ 41,608,712	$ 40,619,872	$ 40,579,076
26,084,186	24,496,830	22,999,987	19,214,410	11,728,094	10,453,594
(4,448,480)	(3,585,136)	(2,806,610)	(2,808,918)	6,237,918	4,115,618
$ 72,236,053	$ 66,277,766	$ 61,988,884	$ 58,014,204	$ 58,585,884	$ 55,148,288

CITY OF KENNESAW, GEORGIA

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

	2018	2017	2016	2015
Expenses				
Governmental activities:				
General government	**$ 4,805,604**	$ 4,350,340	$ 4,442,795	$ 4,460,850
Judicial	**371,714**	364,977	367,386	348,800
Public safety	**8,179,820**	8,443,734	8,384,410	7,410,419
Public works	**3,533,601**	3,611,163	4,064,973	3,699,120
Culture and recreation	**2,021,197**	2,359,893	2,348,921	2,265,865
Housing and development	**1,246,740**	1,601,184	1,019,160	957,354
Interest on long-term debt	**794,695**	835,336	878,715	928,138
Total governmental activities expenses	**20,953,371**	21,566,627	21,506,360	20,070,546
Business-type activities:				
Sanitation	**1,817,328**	1,649,452	1,667,997	1,518,213
Museum	**1,134,753**	1,079,904	1,110,487	1,136,658
Gardens	**483,513**	416,664	414,334	414,602
Stormwater	**737,511**	865,031	879,164	775,836
Streetlight	**54,737**	-	-	-
Total business-type activities expenses	**4,227,842**	4,011,051	4,071,982	3,845,309
Total primary government expenses	**$ 25,181,213**	$ 25,577,678	$ 25,578,342	$ 23,915,855
Program Revenues				
Governmental activities:				
Charges for services:				
General government	**$ 191,633**	$ 179,081	$ 158,210	$ 181,499
Judicial	**1,075,479**	988,238	849,434	946,319
Public safety	**1,657,277**	1,495,481	1,406,576	1,555,379
Public works	**145,401**	167,018	498,692	217,117
Culture and recreation	**762,913**	898,948	821,495	828,019
Housing and development	**327,073**	460,742	724,819	470,269
Operating grants and contributions (1)	**755,413**	740,693	721,052	741,944
Capital grants and contributions (1)	**6,758,032**	5,528,449	5,867,805	6,643,379
Total governmental activities program revenues	**11,673,221**	10,458,650	11,048,083	11,583,925
Business-type activities:				
Charges for services:				
Sanitation	**2,532,804**	2,198,573	2,182,106	2,206,876
Museum	**457,598**	445,964	440,604	413,818
Gardens	**121,806**	124,479	130,779	115,540
Stormwater	**1,271,204**	1,256,170	1,208,615	906,877
Streetlight	**61,530**	-	-	-
Operating grants and contributions (1)	**-**	-	-	-
Capital grants and contributions (1)	**39,608**	44,401	100,269	709,771
Total business-type activities program revenues	**4,484,550**	4,069,587	4,062,373	3,393,957
Total primary government program revenues	**$ 16,157,771**	$ 14,528,237	$ 15,110,456	$ 15,630,717

2014	2013	2012	2011	2010	2009
$ 4,464,217	$ 4,361,757	$ 4,187,479	$ 4,544,161	$ 4,374,745	$ 4,340,819
388,741	358,613	342,790	365,477	343,934	342,310
7,990,403	7,422,621	6,976,574	7,038,966	7,019,253	6,476,689
4,932,286	4,016,262	3,922,629	4,035,824	3,634,870	3,600,503
2,448,490	2,555,138	2,547,847	2,682,506	2,563,539	2,448,676
966,688	973,555	907,986	1,154,875	1,039,995	1,133,464
1,202,899	918,411	804,045	820,746	811,083	674,201
22,393,724	20,606,357	19,689,350	20,642,555	19,787,419	19,016,662
1,477,276	1,861,957	1,649,055	1,592,777	1,818,853	1,464,769
1,232,706	1,141,504	1,307,352	1,443,963	1,501,346	1,479,890
355,532	311,292	319,369	286,949	262,145	227,102
-	-	-	-	-	-
-	-	-	-	-	-
3,065,514	3,314,753	3,275,776	3,323,689	3,582,344	3,171,761
$ 25,459,238	$ 23,921,110	$ 22,965,126	$ 23,966,244	$ 23,369,763	$ 22,188,423
$ 187,479	$ 178,193	$ 645,807	$ 186,426	$ 167,078	$ 192,374
1,105,127	1,052,313	1,229,945	1,413,733	1,397,897	1,259,470
1,474,044	1,373,847	1,197,405	1,208,972	2,505,270 (2)	1,196,781
373,416	199,081	343,370	124,663	27,878	125,751
817,573	790,486	779,069	704,632	581,384	610,907
469,286	349,884	313,759	249,950	123,922	-
383,873	403,672	380,462	373,835	383,215	797,249
7,425,962	6,580,021	4,668,881	1,954,206	4,013,275 (4)	611,290
12,236,760	10,927,497	9,558,698	6,216,417	9,199,919	4,793,822
2,599,332	2,614,104	2,558,808	2,520,688	2,556,419	2,417,692
424,046	413,531	378,466	346,393	322,700	351,289
106,687	125,318	121,803	110,593	33,977	38,366
-	-	-	-	-	-
-	-	-	-	-	-
-	-	934	566	6,353	-
263,892	68,081	57,794	70,306	414,127	112,174
3,221,034	3,221,034	3,117,805	3,048,546	3,333,576	2,919,521
$ 14,148,531	$ 14,148,531	$ 12,676,503	$ 9,264,963	$ 12,533,495	$ 7,713,343

(continued)

CITY OF KENNESAW, GEORGIA

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

	2018	2017	2016	2015
Net (expense)/revenue				
Governmental activities	**$ (9,280,150)**	$ (11,107,977)	$ (10,458,277)	$ (8,486,621)
Business-type activities	**256,708**	58,536	(9,609)	507,573
Total primary government net expense	**$ (9,023,442)**	$ (11,049,441)	$ (10,467,886)	$ (7,979,048)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	**$ 11,445,412**	$ 10,555,252	$ 10,077,543	$ 9,743,961
Franchise taxes	**1,778,733**	1,864,149	1,815,579	1,788,362
Sales taxes	**-**	-	-	-
Insurance premium taxes	**2,192,680**	2,032,044	1,909,498	1,745,554
Business taxes	**1,402,407**	1,246,047	1,248,304	1,235,665
Other taxes	**1,001,737**	1,028,432	964,204	753,443
Unrestricted investment earnings	**(97,065)**	(122,623)	326,929	527,663
Gain on sale of capital assets	**-**	38,015	146,531	-
Miscellaneous	**-**	-	-	-
Transfers	**(2,379,021)**	762,076	(158,179)	(278,662)
Total governmental activities	**15,344,883**	17,403,392	16,330,409	15,515,986
Business-type activities:				
Unrestricted investment earnings	**2,542**	2,005	1,287	1,135
Gain on sale of capital assets	**-**	-	-	-
Transfers	**2,379,021**	(762,076)	158,179	278,662
Total business-type activities	**2,381,563**	(760,071)	159,466	279,797
Total primary government	**$ 17,726,446**	$ 16,643,321	$ 16,489,875	$ 15,795,783
Change in Net Position				
Governmental activities	**$ 6,064,733**	$ 6,295,415	$ 5,872,132	$ 7,029,365
Business-type activities	**2,638,271**	(701,535)	149,857	787,370
Total primary government	**$ 8,703,004**	$ 5,593,880	$ 6,021,989	$ 7,816,735

NOTES: (1) Grant revenues vary from year to year depending on the federal and state funding received by the City.
(2) In 2010 the City received over $1 million from federal seizure cases.
(3) A settlement related to litigation was less than expected.
(4) 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.
(5) The sales tax revenue collected from Cobb County are down due to the economy. Additionally the revenue is now reported in intergovernmental revenues.

2014	2013	2012	2011	2010	2009
$ (10,156,964)	$ (9,678,860)	$ (10,130,652)	$ (14,426,138)	$ (10,587,500)	$ (14,222,840)
328,443	(93,719)	(157,971)	(275,143)	(248,768)	(252,240)
$ (9,828,521)	$ (9,772,579)	$ (10,288,623)	$ (14,701,281)	$ (10,836,268)	$ (14,475,080)
$ 9,468,733	$ 8,377,495	$ 8,858,088	$ 9,121,632	$ 9,684,063	$ 9,678,422
1,685,980	1,690,243	1,721,137	1,695,379	1,585,542	1,526,658
-	-	-	-	- (5)	2,855,573
1,633,900	1,536,325	1,483,792	1,396,948	1,166,804	1,201,730
1,185,735	1,102,144	1,040,848	968,832	962,611	867,084
732,316	1,361,826	638,106	528,175	550,638	553,177
590,267	(516,755)	372,157	397,616	323,175	556,094
13,742	14,628	5,388	13,025	-	7,394
-	-	-	-	-	1,733,333 (3)
984,249	110,980	(280,886)	(561,444)	(849,600)	(1,196,895)
16,294,922	13,676,886	13,838,630	13,560,163	13,423,233	17,782,570
1,382	1,345	1,150	501	1,031	1,442
-	87,918	-	7,493	-	12,550
(984,249)	(110,980)	280,886	561,444	849,600	1,196,895
(982,867)	(21,717)	282,036	569,438	850,631	1,210,887
$ 15,312,055	$ 13,655,169	$ 14,120,666	$ 14,129,601	$ 14,273,864	$ 18,993,457
$ 6,137,958	$ 3,998,026	$ 3,707,978	$ (865,975)	$ 2,835,733	$ 3,559,730
(654,424)	(115,436)	124,065	294,295	601,863	958,647
$ 5,483,534	$ 3,882,590	$ 3,832,043	$ (571,680)	$ 3,437,596	$ 4,518,377

CITY OF KENNESAW, GEORGIA

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

	2018	2017	2016	2015
General fund				
Reserved	**$ -**	$ -	$ -	$ -
Unreserved	**-**	-	-	-
Nonspendable:				
Long-term advances	**298,854**	556,263	825,669	958,972
Inventories	**8,577**	8,062	7,473	4,447
Prepaid expenditures	**253,898**	229,135	257,964	185,029
Restricted:				
Public safety	**11,287**	36,132	36,096	36,060
Capital projects	**-**	-	-	-
Debt service	**631,301**	630,672	630,044	779,410
Voter approved use	**7,092,269**	7,533,313	8,019,456	7,965,332
Assigned:				
Capital projects	**-**	-	264,186	-
Unassigned	**1,464,101**	(1,269,638)	(3,197,165)	(3,893,417)
Total general fund	**$ 9,760,287**	$ 7,723,939	$ 6,843,723	$ 6,035,833
All other governmental funds				
Reserved	**$ -**	$ -	$ -	$ -
Unreserved, reported in:				
Special revenue funds	**-**	-	-	-
Capital projects funds	**-**	-	-	-
Nonspendable:				
Longterm advances	**-**	-	-	496,756
Prepaid expenditures	**13,134**	9,653	11,129	5,985
Notes receivable	**-**	-	-	186,500
Restricted:				
Public safety	**398,349**	39,401	66,526	88,627
Culture and recreation	**11,793**	11,780	11,751	11,713
Capital projects	**20,046,089**	20,645,186	24,834,329	27,657,315
Debt service	**3,025**	8,502	-	-
Parks and recreation impact fee projects	**-**	-	-	-
Committed:				
Cemetery maintenance	**32,151**	17,548	28,577	23,686
Assigned:				
Cemetery maintenance	**-**	-	-	-
Capital projects	**65,149**	65,074	157,070	409,033
Debt service	**58,953**	83,639	-	-
Unassigned	**-**	(177,475)	(398,789)	(695,873)
Total all other governmental funds	**$ 20,628,643**	$ 20,703,308	$ 24,710,593	$ 28,183,742

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

2014	2013	2012	2011 (1)	2010	2009
$ -	$ -	$ -	$ -	$ 13,908,623	$ 11,570,618
-	-	-	-	(5,731,538)	(3,487,985)
1,178,453	1,237,107	667,428	622,058	-	-
14,487	18,442	16,806	15,614	-	-
318,015	178,616	349,960	169,036	-	-
4,018	4,014	1,105,761	1,053,853	-	-
-	41,913	-	-	-	-
778,781	678,251	577,822	-	-	-
7,782,212	7,561,920	8,400,720	8,541,859	-	-
-	-	-	-	-	-
(3,931,113)	(3,454,424)	(2,599,475)	(2,700,556)	-	-
$ 6,144,853	$ 6,265,839	$ 8,519,022	$ 7,701,864	$ 8,177,085	$ 8,082,633
$ -	$ -	$ -	$ -	$ 8,549,327	$ 2,598
-	-	-	-	(264,536)	(202,249)
-	-	-	-	581,417	5,740,497
501,826	-	-	-	-	-
13,270	6,984	17,992	6,205	-	-
222,500	258,500	-	-	-	-
161,570	809,494	37,809	38,545	-	-
11,670	11,650	11,033	11,020	-	-
23,546,277	13,052,919	10,428,449	7,137,344	-	-
-	2,015,967	2,211,962	2,407,939	-	-
-	320,702	226,431	23,850	-	-
36,580	41,069	32,515	32,515	-	-
-	-	8,718	-	-	-
332,692	-	-	-	-	-
-	-	-	-	-	-
(992,508)	(917,874)	(475,466)	(445,774)	-	-
$ 23,833,877	$ 15,599,411	$ 12,499,443	$ -	$ 8,866,208	$ 5,540,846

CITY OF KENNESAW, GEORGIA

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

	2018	2017	2016	2015
Revenues				
Taxes	**$ 17,903,060**	$ 16,899,665	$ 16,157,523	$ 15,259,733
Licenses and permits	**501,349**	619,747	1,021,664	546,277
Intergovernmental	**7,367,107**	6,226,083	6,578,785	7,459,301
Fines and forfeitures	**1,252,470**	1,273,309	1,023,977	1,229,629
Charges for services	**2,197,437**	2,074,738	2,214,625	2,160,110
Contributions	**500**	40,000	6,652	57,030
Net investment income (loss)	**(47,135)**	(65,324)	382,654	574,015
Other revenues	**159,343**	167,422	146,553	216,175
Total revenues	**29,334,131**	27,235,640	27,532,433	27,502,270
Expenditures				
General government	**4,185,383**	4,044,074	4,087,000	4,206,658
Judicial	**371,684**	359,187	356,493	343,440
Public safety	**7,859,170**	7,991,684	7,865,595	7,159,379
Public works	**2,343,064**	2,453,357	2,791,593	2,516,441
Culture and recreation	**1,729,176**	2,047,715	2,009,199	1,985,909
Housing and development	**1,056,365**	1,392,855	957,711	933,895
Capital outlay	**7,226,205**	10,574,153	10,168,328	4,422,545
Debt service				
Principal retirements	**1,485,700**	1,492,053	1,727,076	1,333,036
Interest and fiscal charges	**811,191**	851,670	898,444	932,058
Bond issuance costs	**-**	-	-	-
Total expenditures	**27,067,938**	31,206,748	30,861,439	23,833,361
Excess (deficiency) of revenues over expenditures	**2,266,193**	(3,971,108)	(3,329,006)	3,668,909
Other financing sources (uses)				
Proceeds from capital leases	**51,557**	43,948	331,140	761,265
Issuance of long-term debt	**-**	-	-	-
Premiums on issuance of bonds	**-**	-	-	-
Proceeds from sale of capital assets	**1,900**	38,015	490,786	6,520
Proceeds from insurance recoveries	**-**	-	-	-
Transfers in	**1,531,509**	2,443,370	1,675,696	2,125,549
Transfers out	**(1,889,476)**	(1,681,294)	(1,833,875)	(2,404,211)
Total other financing sources (uses)	**(304,510)**	844,039	663,747	489,123
Net change in fund balances	**$ 1,961,683**	$ (3,127,069)	$ (2,665,259)	$ 4,158,032
Debt service as a percentage of noncapital expenditures	**11.65%**	11.42%	12.70%	11.68%

(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.

2014	2013	2012	2011	2010	2009
$ 14,676,153	$ 14,048,042	$ 13,630,376	$ 13,687,767	$ 13,953,303	$ 16,637,053
713,680	503,401	623,369	361,815	205,316	169,649
6,776,644	6,990,477	5,012,308	2,620,547	3,605,045 (1)	1,358,869
1,426,007	1,250,162	1,366,731	1,565,999	2,810,358 (2)	1,309,470
2,076,668	1,983,715	1,840,532	1,793,016	1,617,446	1,720,527
2,600	500	3,250	416,736	5,537	32,709
626,178	(487,988)	398,003	428,410	323,117	555,139
1,074,183	180,425	676,014	176,419	207,257	202,598
27,372,113	24,468,734	23,550,583	21,050,709	22,727,379	21,986,014
4,072,150	4,015,836	3,847,933	4,146,581	3,890,512	4,232,759
348,644	364,160	327,480	346,774	318,139	325,283
7,473,688	7,007,318	6,531,773	6,508,128	6,337,895	6,028,340
3,439,237	2,538,369	2,439,348	2,518,803	2,336,879	2,197,372
2,098,505	2,271,595	2,245,505	2,325,691	2,194,288	2,126,137
940,042	917,761	876,137	1,109,355	983,173	1,103,472
4,094,162	4,696,980	1,574,897	2,494,414	5,804,036	2,003,467
3,976,128	1,155,225	702,468	665,292	659,947	686,946
912,834	928,402	784,579	798,579	842,358	670,378
284,291	-	-	-	-	-
27,639,681	23,895,646	19,330,120	20,913,617	23,367,227	19,374,154
(267,568)	573,088	4,220,463	137,092	(639,848)	2,611,860
426,711	-	-	-	-	-
6,425,000	-	159,992	281,236	2,800,000	94,100
54,902	-	-	-	-	-
3,700	162,239	5,388	13,331	2,109,262 (3)	22,828
11,733	-	-	-	-	-
2,678,725	1,944,985	1,385,100	2,006,770	3,830,210	483,680
(1,694,476)	(1,834,005)	(1,665,986)	(2,568,214)	(4,679,810)	(1,680,575)
7,906,295	273,219	(115,506)	(266,877)	4,059,662	(1,079,967)
$ 7,638,727	$ 846,307	$ 4,104,957	$ (129,785)	$ 3,419,814	$ 1,531,893
20.81%	10.86%	8.38%	7.95%	8.56%	7.91%

CITY OF KENNESAW, GEORGIA

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

Fiscal Year	Real Property						Public Utility
	Residential	Agricultural	Commercial	Industrial	Historical	Conservation	
2009	$ 640,098,623	$ 150,468	$ 312,425,781	$ 23,243,336	$ 368,876	$ 647,580	$ 7,816,551
2010	638,474,011	150,468	309,988,398	22,573,110	368,876	647,580	9,084,359
2011	576,278,054	150,468	301,069,756	22,532,442	353,636	647,580	8,585,846
2012	545,943,779	156,932	282,375,678	21,470,354	157,740	492,660	8,690,812
2013	471,256,898	156,932	308,901,510	21,218,571	147,900	492,660	10,460,175
2014	464,016,231	142,372	297,715,106	21,303,778	147,900	507,220	11,034,297
2015	503,625,147	128,488	326,699,884	20,260,590	147,900	497,832	11,300,106
2016	544,822,699	128,488	347,217,207	21,127,544	-	497,832	11,408,739
2017	599,615,340	135,828	364,331,546	20,693,720	-	497,500	12,074,923
2018	**658,356,108**	**180,068**	**402,931,231**	**21,726,760**	**-**	**509,260**	**13,570,174**

Source: Cobb County Tax Commissioner

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

Note: Residential, commercial and industrial real property values and personal property values for Fiscal Years 2009-2017 have been updated to agree with the Cobb County Tax Digest.

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
$ 224,052,870	66,936	155,358,522	1,053,512,499	9.50	2,633,781,248	40.00%
220,107,895	57,677	154,075,401	1,047,376,973	9.50	2,618,442,433	40.00%
203,407,696	7,523	164,821,535	948,211,466	9.50	2,370,528,665	40.00%
190,096,936	2,614	130,460,662	918,926,843	9.50	2,297,317,108	40.00%
205,765,662	20,025	123,501,518	894,918,815	9.50	2,237,297,038	40.00%
217,561,342	5,030	111,462,369	900,970,907	9.50	2,252,427,268	40.00%
226,498,967	2,844	144,188,291	944,973,467	9.50	2,362,433,668	40.00%
212,127,794	25,309	163,009,693	974,345,919	9.50	2,435,864,798	40.00%
222,919,735	9,894	175,434,964	1,044,843,522	9.50	2,612,108,805	40.00%
225,874,489	**-**	**180,364,288**	**1,142,783,802**	**9.50**	**2,856,959,505**	**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
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	38.25
2012	8.00	1.50	11.11	18.90	0.25	39.76
2013	8.00	1.50	10.91	18.90	0.15	39.76
2014	8.00	1.50	10.71	18.90	0.10	39.46
2015	8.00	1.50	10.51	18.90	0.05	39.21
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
2018	**8.00**	**1.50**	**11.45**	**18.90**	**0.00**	**39.85**

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

	2018			2009		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Vesper Kennesaw LLC	$ **22,074,000**	**1**	**1.93 %**	$		%
WOP Mountain Park Estates LLC	**18,620,040**	**2**	**1.63**			
Fuqua BCDC Barrett	**16,979,380**	**3**	**1.49**			
Wilkinson Kennesaw LLC	**16,280,000**	**4**	**1.42**			
HM Kennesaw LLC & Columbia Kennesaw LLC	**14,744,000**	**5**	**1.29**			
Bridges of Kennesaw LLC	**11,500,000**	**6**	**1.01**			
ACC OP Frey LLC	**10,381,156**	**7**	**0.91**			
Atlanta RDC Co.	**9,723,440**	**8**	**0.85**	9,483,112	3	0.90
ACC OP LLC	**9,108,720**	**9**	**0.80**			
Alta Ridenour LLC	**8,571,600**	**10**	**0.75**	7,960,000	6	0.76
The Trees of Kennesaw				17,336,400	1	1.65
Busbee Development LLC				10,948,000	2	1.04
Kennesaw Gardens Associates LLC				9,296,640	4	0.88
Lakeside Vista Apartments LP				8,639,156	5	0.82
Hillside Vista Apartments LLC				7,160,000	7	0.68
Owens & Minor Distribution				6,983,088	8	0.66
Walton Ridenour LP				6,753,049	9	0.64
NNN St. Charles LLC				6,250,000	10	0.59
	$ 137,982,336		**12.07 %**	$ 90,809,445		8.62 %

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
2009	8,620,072	8,427,743	97.8%	180,404	8,608,147	99.86%
2010	9,024,356	8,894,329	98.6%	111,596	9,005,925	99.80%
2011	8,476,633	8,303,209	98.0%	132,750	8,435,959	99.52%
2012	8,036,051	7,869,525	97.9%	157,191	8,026,716	99.88%
2013	7,696,157	7,550,158	98.1%	136,161	7,686,319	99.87%
2014	7,744,596	7,585,332	97.9%	140,955	7,726,287	99.76%
2015	8,194,415	8,067,586	98.5%	118,062	8,185,648	99.89%
2016	8,896,627	8,826,150	99.2%	65,730	8,891,880	99.95%
2017	9,484,399	9,408,893	99.2%	69,542	9,478,435	99.94%
2018	**9,988,179**	**9,956,440**	**99.7%**	-	**9,956,440**	**99.68%**

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

CITY OF KENNESAW, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities				Business-type Activities					
Fiscal Year	General Obligation Bonds	Notes Payable	Revenue Bonds	Capital Leases	Bonds Payable	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
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
2018	**8,945,000**	**-**	**7,750,103**	**545,579**	**-**	**-**	**214,081**	**17,454,763**	**1.54%**	**481**

(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)
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
2018	**8,313,699**	**0.29%**	**229**

(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, 2018

Governmental Unit	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	$ 21,090,000	3.92%	$ 826,728
Total overlapping debt	21,090,000		826,728
City direct debt	17,240,682	100.00%	17,240,682
Total direct and overlapping debt	$ 38,330,682		$ 18,067,410

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

	Fiscal Year				
	2014	**2015**	**2016**	**2017**	**2018**
Debt Limit	$ 101,243,328	$ 108,916,176	$ 113,735,561	$ 122,027,849	**$ 132,314,809**
Total net debt applicable to limit	10,526,219	10,010,590	9,474,956	8,909,328	**8,313,699**
Legal debt margin	$ 90,717,109	$ 98,905,586	$ 104,260,605	$ 113,118,521	**$ 124,001,110**
Total net debt applicable to the limit as a percentage of debt limit	10.40%	9.19%	8.33%	7.30%	**6.28%**

Assessed Value	**$1,142,783,802**
Add back: exempt real property	**180,364,288**
Total assessed value	**1,323,148,090**
Debt limit (10% of total assessed value)	**132,314,809**
Debt applicable to limit:	
General obligation bonds	**8,945,000**
Less: Amount set aside for repayment of general obligation debt	**631,301**
Total net debt applicable to limit	**8,313,699**
Legal debt margin	**$ 124,001,110**

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
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%
2018	**36,300**	**1,131,725**	**31,177**	**32.0**	**3.9%**

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

	2018			2009		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Fabric.com Inc.	303	1	**1.16 %**			
Atlanta Bonded Warehouse	270	2	**1.03**	230	2	1.93 %
Tug Technologies Corporation	209	3	**0.80**			
Whole Foods	181	4	**0.69**			
Cintas Corporation	180	5	**0.69**	162	3	1.36
Publix Super Market, Inc. # 559	136	6	**0.52**	149	4	1.25
Publix Super Market, Inc. # 1077	131	7	**0.50**	96	9	0.81
Publix Super Market, Inc. # 769	129	8	**0.49**			
Academy Sports + Outdoors # 260	105	9	**0.40**			
Owens & Minor Distribution	103	10	**0.39**	127	5	1.07
Qualistaff Staffing, LLC				234	1	1.96
Shady Grove Rest Home				126	6	1.06
Polyone				108	7	0.91
ERC Parts INC.				104	8	0.87
Crane Nuclear, Inc.				94	10	0.79
	1,747		**6.67 %**	1,430		12.01 %

Source: Various City departments

CITY OF KENNESAW, GEORGIA

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

	2018	2017	2016	2015	2014
Function					
General government	**23**	24	26	29	26
Judicial	**3**	3	3	3	3
Public safety	**80**	84	95	97	81
Public works	**22**	28	29	33	31
Culture and recreation	**26**	34	40	39	32
Housing and development	**9**	11	9	10	9
Sanitation	**2**	1	1	1	1
Total	**165**	185	203	212	183

Source: City of Kennesaw department records

2013	2012	2011	2010	2009
31	31	33	28	54
3	3	3	3	3
87	78	82	83	88
36	26	29	29	26
39	33	37	34	27
9	10	9	10	7
7	16	17	15	19
212	197	210	202	224

CITY OF KENNESAW, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2018	2017	2016	2015	2014
Police					
Physical arrests	**1,473**	876	832	959	1,064
Parking violations	**381**	742	981	1,184	522
Traffic violations	**16,284**	13,493	12,891	13,721	13,218
Culture and recreation					
Admissions/fees	**$ 1,186,928**	$ 1,321,345	$ 1,242,649	$ 1,203,404	$ 1,201,026
Housing and development					
Building permits issued	**365**	385	443	417	449
Sanitation					
Number of customers	**9,486**	9,329	9,104	9,010	8,478

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.

2013	2012	2011	2010	2009
1,223	1,268	1,121	1,839	1,819
599	552	281	272	180
14,733	11,300	14,582	14,755	11,444
$ 1,185,530	$ 1,159,840	$ 1,054,081 (1)	$ 838,101	$ 892,197
421	537	254	510	466
8,222	8,105	7,915	8,232	8,300

CITY OF KENNESAW, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014
Function					
Public safety					
Police					
Stations	**1**	1	1	1	1
Vehicles	**93**	84	84	86	73
Public works					
Miles of streets	**102**	99	99	99	99
Culture and recreation					
Acreage	**121**	121	121	121	121
Baseball/softball fields	**10**	10	11	11	11
Soccer/football fields	**1**	1	1	1	1
Sanitation					
Collection vehicles	**-**	-	-	-	-

Source: Various City departments

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

2013	2012	2011	2,010	2009
1	1	1	1	1
80	76	72	70	68
99	99	99	99	99
121	121	121	121	121
11	11	11	11	11
1	1	1	1	1
3	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, 2018, 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 20, 2019. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of October 1, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 20, 2019