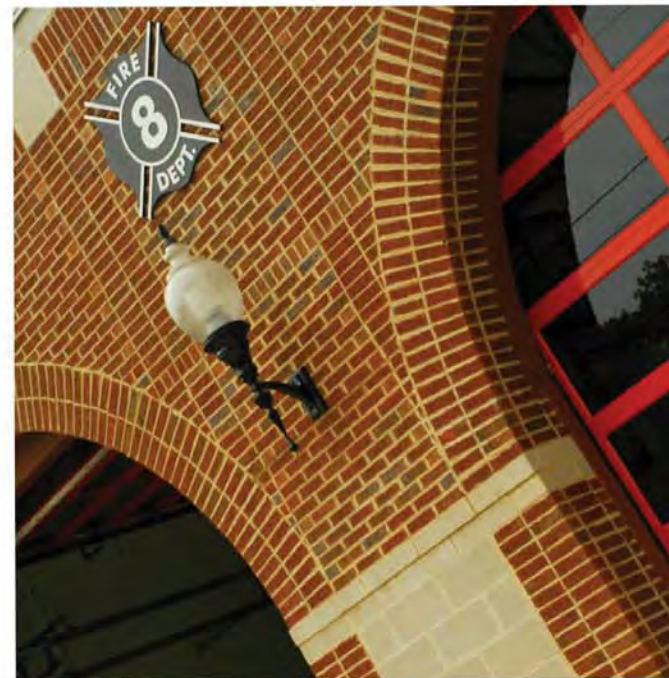


# Comprehensive Annual Financial Report

For the Year Ended  
December 31, 2014



# Comprehensive Annual Financial Report

For the Year Ended  
December 31, 2014

Prepared by:  
General  
Administration  
Department

Submitted by:  
City Manager  
Robert H. Logan  
CPA, CGMA





**CITY OF HOLLY SPRINGS, GEORGIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	1
Organizational Chart.....	6
Listing of Elected Officials.....	7
Listing of Principal Officials.....	8
Certificate of Achievement for Excellence in Financial Reporting.....	9
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	10
Management's Discussion and Analysis.....	13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	22
Statement of Activities.....	23
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	27
Statement of Net Position - Proprietary Fund.....	28
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....	29
Statement of Cash flows - Proprietary Fund.....	30
Statement of Fiduciary Assets and Liabilities - Agency Fund.....	31
Notes to Financial Statements.....	32
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	54
Notes to Required Supplementary Information.....	55
Schedule of Funding Progress for the City of Holly Springs Retirement Plan.....	56
Combining and Individual Nonmajor Fund Statements and Schedules:	
Nonmajor Governmental Funds -	
Combining Balance Sheet.....	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	58
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual - Multiple Grant Fund.....	59
Budget and Actual - Parks and Recreation Fund.....	60
Budget and Actual - Hotel/Motel Fund.....	61
Statement of Changes in Assets and Liabilities - Agency Fund.....	62
<b>STATISTICAL SECTION</b>	
Net Position by Component.....	63
Changes in Net Position.....	64
Fund Balances of Governmental Funds.....	65
Changes in Fund Balances of Governmental Funds.....	66

**CITY OF HOLLY SPRINGS, GEORGIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>STATISTICAL SECTION (continued)</b>	
Assessed Value and Estimated Actual Value - All Taxable Property.....	67
Property Tax Rates - All Overlapping Governments.....	68
Principal Taxpayers.....	69
Property Tax Levies and Collections.....	70
Ratio of Outstanding Debt by Type.....	71
Direct and Overlapping Governmental Activities Debt.....	72
Demographic and Economic Statistics.....	73
Principal Employers.....	74
Full-time Equivalent City Government Employees by Function.....	75
Operating Indicators by Function.....	76
Capital Asset Statistics by Function.....	77
 <b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i> .....	78
Schedule of Findings and Responses.....	80
 <b>STATE SECTION</b>	
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax.....	81



# Introductory Section



**Mayor**  
Timothy B. Downing

**Council Members**  
Karen Barnett  
Dee Phillips  
Jeremy Smith  
Kyle Whitaker  
Michael Roy Zenchuk II



## City of Holly Springs

Post Office Box 990  
Holly Springs, GA 30142  
www.hollyspringsga.us  
Office: 770-345-5536 – Fax: 770-345-0209

**City Attorney**  
Robert M. Dyer

**City Clerk**  
Karen Norred

**City Manager**  
Robert H. Logan

June 12, 2015

Honorable Mayor Timothy Downing,  
Members of the City Council, and  
Citizens of the City of Holly Springs

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Holly Springs, Georgia for the fiscal year ended December 31, 2014, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds and that disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City's financial statements have been audited by RL Jennings & Associates, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Holly Springs for the year ended December 31, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Holly Springs' financial statements for the year ended December 31, 2014 are fairly stated in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors report is presented as the first component of the financial section of the report.

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

### PROFILE

The City of Holly Springs was incorporated in 1906 around the busy train depot established by the Louisville & Nashville (L&N) Railroad. Holly Springs was once known for its "green marble" quarry on the west side of the City as well as a destination for local farmers to ship their goods on the L&N Railroad. As Metropolitan Atlanta has grown over the past several decades, the City of Holly Springs has become more suburban in character with light industry, commercial establishments and numerous residential developments. The City is located in the center of Cherokee County approximately thirty-five miles north of Atlanta on I-575 and currently consists of 6.74 square miles.

Policy making and legislative authority is vested in the Mayor and five Council Members. The Mayor and Council are elected at-large by the City residents to serve four year terms. For the election of council members, candidates must reside in one of the City's five geographic wards. The candidate who receives the most votes (election by

plurality) in each geographic ward is elected to office. The City operates under a city council/manager form of government pursuant to the constitution and laws of the State of Georgia and the City of Holly Springs Charter. The City Manager is responsible for the daily operations of all City departments and possesses all of the administrative powers granted to the government under the constitution and laws of the State of Georgia and the City's Charter.

This report includes all funds of the City. The City provides a full range of services including police and fire protection, the construction and maintenance of highways, streets, and infrastructure, recreational activities and cultural events. In addition to general governmental activities, the City also operates a Stormwater Utility. The City's reporting entity also includes the balances and activities of one quasi-governmental entity, the Holly Springs Downtown Development Authority, a discretely presented component unit.

The City, in conjunction with its component unit, is striving to improve the lives of its residents through the creation of new parks and recreation venues, upgrades to stormwater infrastructure, roads and sidewalks, the redevelopment of the downtown core area and the acquisition of vehicles and equipment for public safety. The Mayor and City Council are very proactive in planning for the future and initiating plans to meet future needs of the community.

As shown below, the City of Holly Springs has experienced a considerable amount of growth in the past 40 years and anticipates more growth in the future as the Atlanta Metropolitan Statistical Area (MSA) continues to expand:

Year	Population	Percentage (%) of County
1970	575	1.85%
1980	687	1.33%
1990	2,406	2.67%
2000	3,195	2.22%
2010	9,189	4.29%
2014	9,702	4.31%

## ECONOMIC CONDITION AND OUTLOOK

Some of the factors, which will contribute to the future growth, and development of the City of Holly Springs are listed below:

### Improved Transportation System

Transportation systems have a major impact on the growth and development of any community. The completion of the Sixes Road Bridge Project and the upgrade of Sixes Road and the on-ramps and off-ramps at Exit 11 on I-575 have greatly improved traffic flow in the southern section of the City. This has resulted in a lot interest from developers in this area. The Community Development Department continues to work with developers to promote desirable commercial growth in this corridor.

### Water and Sewer Availability

The City of Holly Springs, in conjunction with the Cherokee County Water and Sewerage Authority, entered into an intergovernmental agreement to construct the Downtown Holly Springs Sanitary Sewer Project in 2012. Upon completion, the project will provide sanitary sewer to the downtown area east of Holly Springs Parkway down Hickory Springs Industrial Drive. The project will provide sanitary sewer for the proposed Downtown Holly Springs Redevelopment Project and various industries in the Hickory Springs Industrial Park. The project will specifically provide sanitary sewer to Hydro-Chem (Division of Linde BOC), which is the third largest private employer within the City of Holly Springs. The sewer extension will provide Hydro-Chem with the long-awaited opportunity to expand their industrial and engineering facilities. This project is included in the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax (SPLOST) shown on Page 81 of the Comprehensive Annual Financial Report.



### Availability of Large Tracts of Land

In the future, the eastern section of Holly Springs will experience many land use changes primarily due to the large areas of vacant land in this area. Several large parcels were annexed into the City of Holly Springs over the past ten years in anticipation of development.

### Recent Economic Development

Construction on property owned by Bright Meyers Holly Springs Associates, LP at Exit 14 on I-575 was completed in late 2014. This property includes a Walmart Supercenter and a separate strip shopping center that added approximately 500 jobs. Based upon initial estimates provided by the developer, this project will add \$95,000 in property tax revenues to the City's annual tax digest in 2015. There are also several vacant parcels of land at Exit 14 that the City expects will develop in the future.

The Georgia Department of Transportation bridge-widening project on Sixes Road at Exit 11 on I-575 was completed in the spring of 2013. There are several parcels of land at this intersection that are zoned general commercial and are ideal for development. The Cherokee County Aquatics Center opened in May 2013 adjacent to the interstate which provides an indoor swim competition venue as well as an outdoor pool facility. Northside Hospital-Cherokee and WellStar Health System, Inc. have acquired property on Gresham Mill Parkway near the Aquatics Center for the construction of a medical office building and health park, respectively.

### Budgetary Controls

The City of Holly Springs maintains budgetary controls to ensure compliance with legal provisions of the annual appropriated budget approved by the City Council. Activities of the General Fund, Hotel/Motel Tax Fund, Parks and Recreation Fund, Operating Grant Fund, Capital Grant Fund, SPLOST III Fund, SPLOST IV Fund and Stormwater Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the department level.

The City of Holly Springs submits its annual budget to the Government Finance Officers Association for the Distinguished Budget Presentation Award. The City has received this award from 2010 through 2014.

### Financial Policies

The City adopted a Financial Management Policy on September 15, 2008 which management follows in the preparation of its annual budget and daily financial operations. The Policy provides guidelines for the use of contingencies for unexpected expenditures, the establishment of a fund balance reserve of approximately 16% of budgeted expenditures in the General Fund, cash and investment management, grant management, purchasing policies and internal control policies.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safety of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

### Long-Term Financial Planning

The City actively engages in multi-year financial planning. The City annually updates its five year capital improvement plan to account for future capital acquisitions and capital asset replacements. The City is actively engaged in long-term forecasting to determine areas where infrastructure upgrades are going to be needed. The Finance Director uses various data in forecasts for future operating and capital needs in the preparation of the City's annual budget document as well.



## MAJOR INITIATIVES

### Downtown Holly Springs Redevelopment Project

In 2012, the City of Holly Springs, the Holly Springs Downtown Development Authority (DDA) and Macauley-Schmit entered into an Option to Develop Agreement. The purpose of this agreement was to give Macauley-Schmit the option to develop property in downtown Holly Springs that is owned by the City and the DDA. The schematic plan that was approved by the City Council and the DDA includes the redevelopment of approximately twenty acres of property near the intersection of Hickory Road and Palm Street. As proposed, the mixed use development would include retail units, multi-family residential units, senior living residential units, single-family detached residential units and City Hall with a town green. Construction is expected to begin on this project in 2016.

### Downtown Streetscapes Project

The City of Holly Springs has received approval for funding from the Georgia Department of Transportation Livable Centers Initiative (LCI) and Transportation Enhancement (TE) grant programs for the construction of streetscapes in the historic downtown area. Plans are currently underway for the completion of streetscape improvements along Holly Springs Parkway and Hickory Road. The plan calls for pedestrian improvements, lamp posts, landscaping and benches. All rights-of-way and easements have been acquired and the project is scheduled to begin construction in late 2015.

### J.B. Owens Park Project

The City of Holly Springs and the Cherokee County Board of Commissioners issued the notice to proceed for the construction of a new passive park on Hickory Road near Harmony on the Lakes. The park will consist of thirty-three acres of hard and soft surface trails, an open field, playground and pavilions. The park is being funded from an allocation of \$1.5 million from the Cherokee County Parks Bond Program. Construction is expected to be complete by the summer of 2015.

### Cagle Family Farm Project

In 2014 the City entered into an option agreement among Benjamin and Vicki Cagle, Community Bank of Pickens County and the City of Holly Springs for the acquisition of 58.35 acres for use as a future park. Under the terms of the agreement, the City is required to make annual installment payments in the amount of \$100,000 for ten years. The City of Holly Springs has the option at the end of the term to purchase the farm in a total amount of \$3,500,000 less annual installment payments applied. The City plans to utilize this property for an active and passive park.

## AWARDS AND ACKNOWLEDGEMENTS

### Independent Audit

The Mayor and City Council and the State of Georgia require an annual audit to be performed on the books of account, financial records and transactions of all administrative departments of the City by independent Certified Public Accountants selected by the City Council. This requirement has been complied with and the auditor's opinion has been included in this report.

### Certificate of Achievement

The City of Holly Springs has submitted this report for recognition under the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting program for the year ended December 31, 2014. The City of Holly Springs submitted its first Comprehensive Annual Financial Report (CAFR) for consideration of the Certificate of Achievement for Excellence in Financial Reporting for its December 31, 2012 report. The City has been awarded the Certificate of Achievement of Excellence in Financial Reporting for its 2012 and 2013 reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual

financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) 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 will meet the Certificate of Achievement Program's requirements.

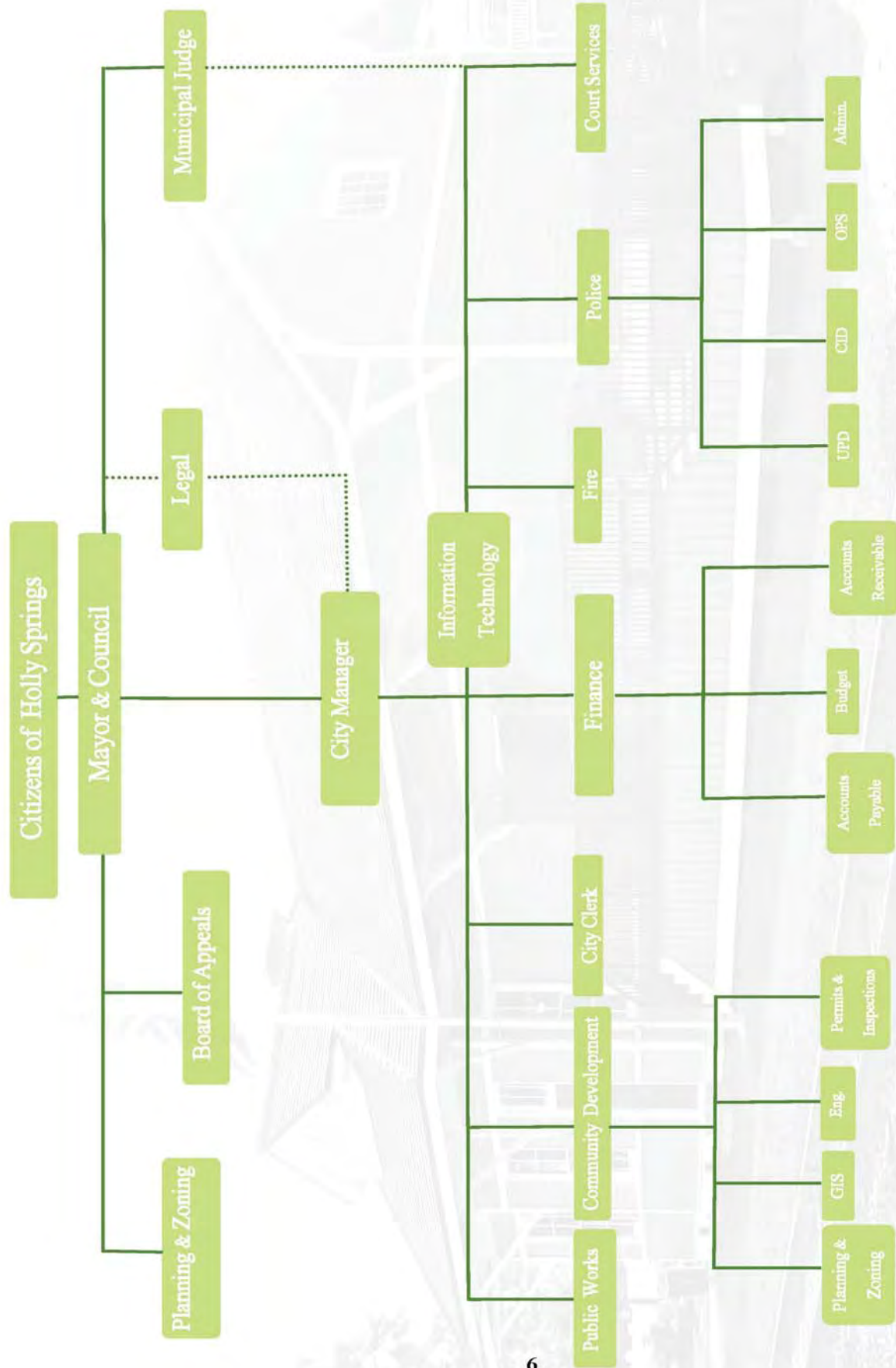
#### Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of Erin Honea, Denise Lamazares and Nancy Wagner and the entire City staff and the Certified Public Accounting firm of RL Jennings & Associates, PC. I would also like to thank the Mayor and members of the City Council for their interest in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Robert H. Logan, CPA, CGMA  
City Manager/Finance Director





# Mayor and City Council



Mayor  
Timothy Downing



Mayor Pro Tem  
Michael R. Zenchuk II



Councilmember  
Karen Barnett



Councilmember  
Dee Phillips



Councilmember  
Jeremy Smith



Councilmember  
Kyle Whitaker

# Principal Officials

City Manager/Finance Director

Robert H. Logan, CPA, CGMA

City Clerk

Karen Norred, CMC

Police Chief

Ken Ball

Municipal Court Clerk

Whitney Dickens

Community Development Director

Nancy Moon

Public Works Supervisor

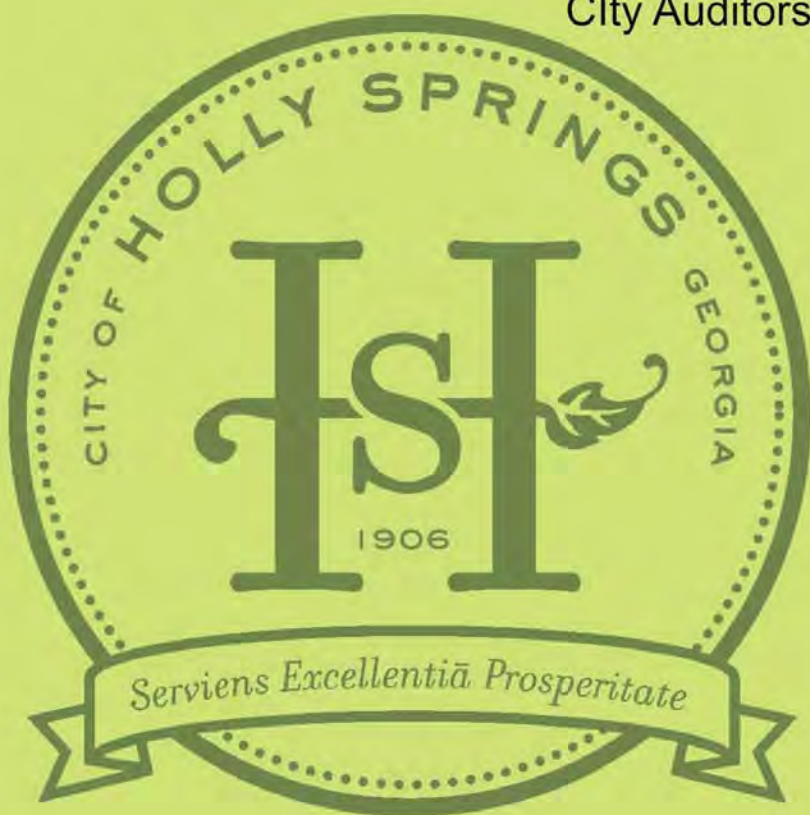
David Cangemi

City Attorney

Robert M. Dyer, Esq.,  
Dyer & Rusbridge PC

City Auditors

RL Jennings & Associates, PC





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Holly Springs  
Georgia**

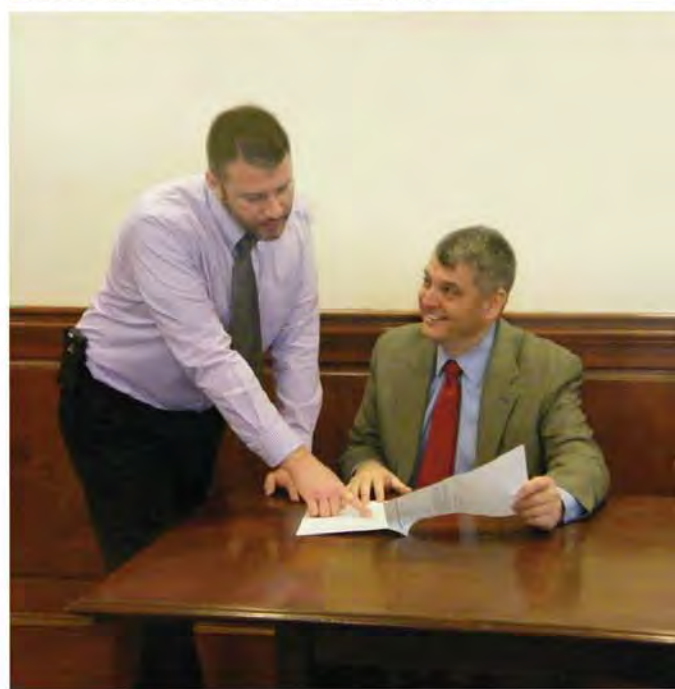
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO



# Financial Section



# RL Jennings & Associates, PC

## Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA  
Kevin Dover, CPA  
Joe Sapp, CPA  
Thomas H. Evans, Jr., CPA  
Sherry L. Estes, CPA  
Katherine S. Washington, CPA  
David E. DeScalzo, CPA, CFE, PC  
Marvin Chance, CPA, CGMA

Member  
American Institute of  
Certified Public Accountants  
Georgia Society of  
Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor  
and Members of City Council  
City of Holly Springs, 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 Holly Springs, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City'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 Holly Springs, Georgia as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on page 54, and Schedule of Funding Progress for the City of Holly Springs Retirement Plan on page 56 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 Holly Springs, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is presented for the purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and Schedule of Projects Constructed with Special Purpose Local Option Sales Tax 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 combining and individual nonmajor fund financial statements and schedules and Schedule of Projects Constructed with Special Purpose Local Option Sales Tax are 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 June 12, 2015, on our consideration of the City of Holly Springs, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Holly Springs, Georgia's internal control over financial reporting and compliance.

*RA Jennings & Associates, PC*

Ellijay, Georgia

June 12, 2015

**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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As the management of the City of Holly Springs, Georgia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. The audit is required by Georgia law. A Statement of Net Position and the Statement of Activities provides a picture of the activities of the City. Fund Financial Statements provide a more detailed view of the City's services and the revenue dedicated to provide them.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2014 are as follows:

- The City's combined net position increased \$2,002,801 (7.20%) to \$29,810,267 from \$27,807,466 in 2013.
- Combined revenue decreased \$1,987,135 (19.84%) to \$8,030,340 from \$10,017,475 in 2013, of which governmental activities totaled \$7,707,188 and business-type activities totaled \$323,152.
- Overall expenses increased \$153,209 (2.61%) to \$6,027,539 from \$5,874,330 in 2013, of which governmental activities totaled \$5,824,650 and business-type activities totaled \$202,889.
- As of December 31, 2014, the City's governmental funds reported combined ending fund balances of \$6,191,775. At December 31, 2014, \$4,344,293 or 70.16% is available for use (unassigned fund balance).

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of 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 operations, in a manner similar to private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the primary government.

There are two government-wide statements: 1) The Statement of Net Position and 2) The Statement of Activities.

### The Statement of Net Position

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

### The Statement of Activities

The Statement of Activities presents information showing how the City'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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes and earned but unused accrued vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include the general government, judicial, public safety, public works, health and welfare, culture and recreation and housing and development. The business-type activities include the stormwater utility.

**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Component units include legally separate entities that meet the criteria for inclusion in the City's financial statements discussed in the notes to the financial statements, Note 1. The City includes one component unit in its government-wide financial statements: the Holly Springs Downtown Development Authority.

The government-wide financial statements can be found on pages 22 and 23 of this report.

## **FUND FINANCIAL STATEMENTS**

The Fund Financial statements begin on page 24 and provide detailed information about the City's funds. Some funds are required to be established by state law and by bond covenants. However, the City establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

### Governmental Funds

Most of the basic services provided by the City are financed through 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, the 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 the 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 in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. 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 in the government-wide statements.

The City maintains three governmental fund types: the General Fund, Special Revenue Funds and Capital Projects Funds. Two individual funds are considered to be major funds: the General Fund and SPLOST IV Fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 24 through 27 of this report.

### Proprietary Funds

Proprietary funds are used to account for activities that operate similar to those of commercial enterprises found in the private sector. The City maintains the Stormwater Utility Fund as an enterprise fund. Proprietary funds provide the same type of information as the government-wide financial statements but in greater detail.

The basic proprietary fund financial statements can be found on pages 28 through 30 of this report.

### Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City uses an agency fund for the collection and remittance of cash appearance bond related activity for the Municipal Court.

The Statement of Fiduciary Assets and Liabilities – Agency Fund can be found on page 31 of this report.



**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements.

The notes to financial statements can be found on pages 32 through 53 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees as well as a Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund. This schedule compares the original and final adopted budget of the General Fund of the City of Holly Springs to the actual revenues and expenditures.

The required supplementary information, including related notes, can be found on pages 54 through 56 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. The City's combined net position (governmental and business-type activities) totaled \$29,810,267 at December 31, 2014.

Combined net position includes a net investment in capital assets of \$20,147,295 (e.g. land, infrastructure, buildings, equipment, and other); less accumulated depreciation and any related debt outstanding that was needed to build or acquire the assets. The City uses these assets to provide services to the citizens and the businesses in the City; consequently, this net position is not available for future spending. The city has \$989,334 of restricted net position that is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. The City has \$8,673,638 in unrestricted net position at December 31, 2014.

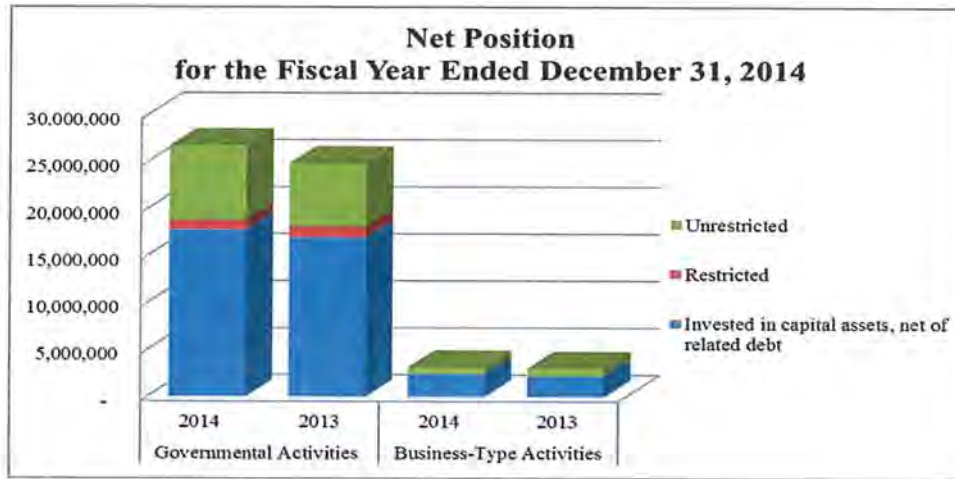
City of Holly Springs' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 9,456,944	\$ 8,425,859	\$ 709,076	\$ 803,799	\$ 10,166,020	\$ 9,229,658
Capital assets	18,032,351	17,230,259	2,417,431	2,198,900	20,449,782	19,429,159
Total assets	27,489,295	25,656,118	3,126,507	3,002,699	30,615,802	28,658,817
Current liabilities	609,333	680,053	5,908	2,363	615,241	682,416
Non-current liabilities	190,294	168,935	-	-	190,294	168,935
Total liabilities	799,627	848,988	5,908	2,363	805,535	851,351
Net position:						
Net investment in capital assets	17,729,864	16,922,381	2,417,431	2,198,900	20,147,295	19,121,281
Restricted	989,334	1,121,547	-	-	989,334	1,121,547
Unrestricted	7,970,470	6,763,202	703,168	801,436	8,673,638	7,564,638
Total net position	\$ 26,689,668	\$ 24,807,130	\$ 3,120,599	\$ 3,000,336	\$ 29,810,267	\$ 27,807,466

The table above presents the City's Net Position as of December 31, 2014 and 2013, respectively.

**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

As of December 31, 2014 the City of Holly Springs is able to present positive balances in net position for its governmental and business-type activities.

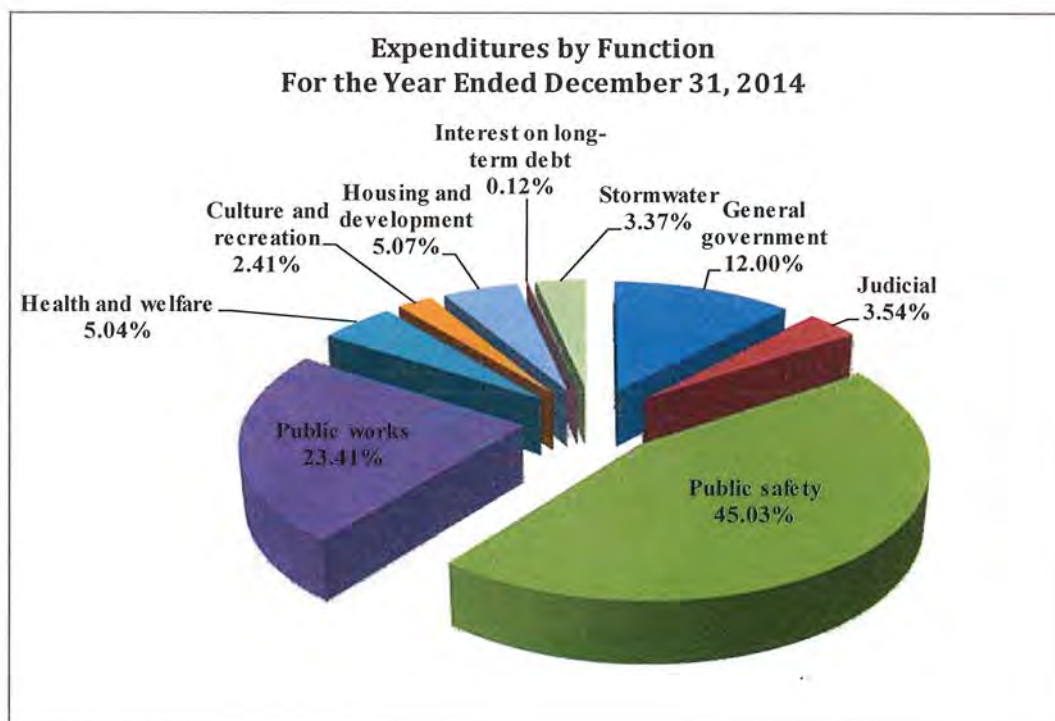
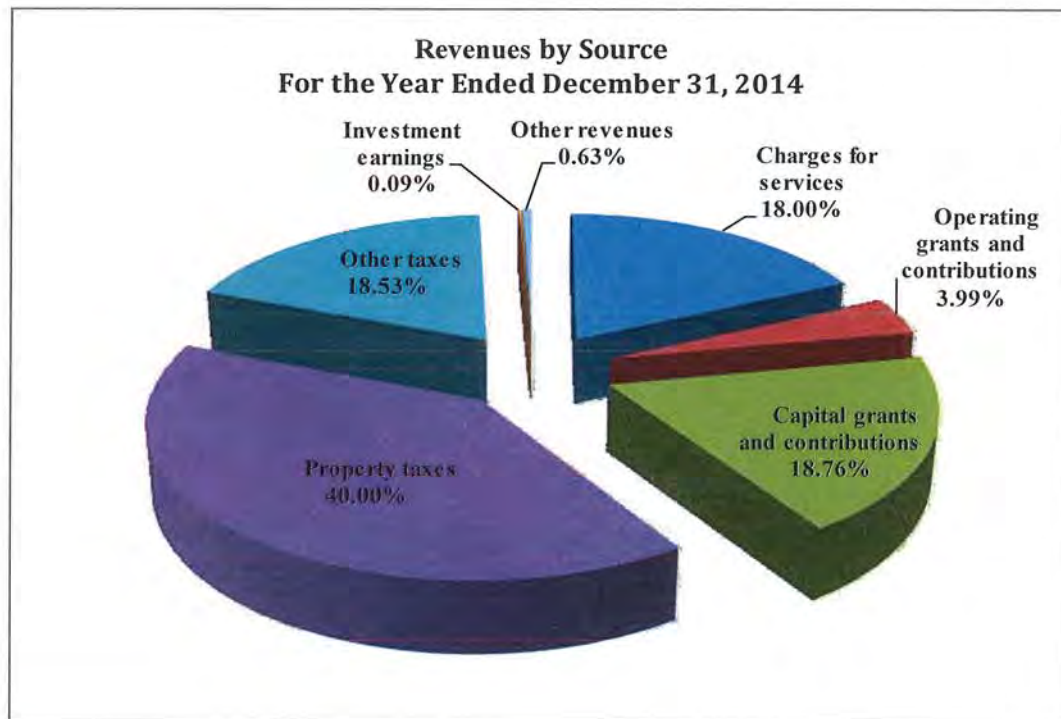


City of Holly Springs' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
<b>Revenues</b>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Program Revenues:						
Charges for services	\$ 1,122,484	\$ 1,138,621	\$ 322,619	\$ 298,534	\$ 1,445,103	\$ 1,437,155
Operating grants and contributions	320,643	368,733	-	-	320,643	368,733
Capital grants and contributions	1,506,298	2,507,082	-	1,391,959	1,506,298	3,899,041
General Revenues:						
Property taxes	3,212,535	2,899,441	-	-	3,212,535	2,899,441
Other taxes	1,487,883	1,352,919	-	-	1,487,883	1,352,919
Investment earnings	7,061	7,017	533	257	7,594	7,274
Other revenues	50,284	52,912	-	-	50,284	52,912
<b>Total Revenues</b>	<u>7,707,188</u>	<u>8,326,725</u>	<u>323,152</u>	<u>1,690,750</u>	<u>8,030,340</u>	<u>10,017,475</u>
<b>Expenses</b>						
General government	723,511	821,428	-	-	723,511	821,428
Judicial	213,602	222,432	-	-	213,602	222,432
Public safety	2,714,404	2,546,687	-	-	2,714,404	2,546,687
Public works	1,410,749	601,360	-	-	1,410,749	601,360
Health and welfare	303,924	346,239	-	-	303,924	346,239
Culture and recreation	145,443	85,757	-	-	145,443	85,757
Housing and development	305,589	1,081,899	-	-	305,589	1,081,899
Interest on long-term debt	7,428	13,256	-	-	7,428	13,256
Stormwater	-	-	202,889	155,272	202,889	155,272
<b>Total Expenses</b>	<u>5,824,650</u>	<u>5,719,058</u>	<u>202,889</u>	<u>155,272</u>	<u>6,027,539</u>	<u>5,874,330</u>
Increase (decrease) in net assets before transfers	1,882,538	2,607,667	120,263	1,535,478	2,002,801	4,143,145
Transfers in (out)	-	-	-	-	-	-
<b>Change in net position</b>	<u>1,882,538</u>	<u>2,607,667</u>	<u>120,263</u>	<u>1,535,478</u>	<u>2,002,801</u>	<u>4,143,145</u>
Beginning net position	24,807,130	22,199,463	3,000,336	1,464,858	27,807,466	23,664,321
<b>Ending net position</b>	<u>\$ 26,689,668</u>	<u>\$ 24,807,130</u>	<u>\$ 3,120,599</u>	<u>\$ 3,000,336</u>	<u>\$ 29,810,267</u>	<u>\$ 27,807,466</u>

**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Governmental Activities

The governmental activities of the City increased net position by \$1,882,538. The primary focus of the governmental activities of the City is to maintain and improve city-wide infrastructure as well as to provide public safety, judicial services, health and welfare services, parks and recreation opportunities, and community development and zoning services for our residents.

Revenues

Property tax revenues increased by \$313,094 (10.80%) in 2014 from 2013 due to growth in the tax digest. Charges for services decreased \$16,137 (.14%) due to an increase in the number of building permits issued during 2014 for commercial and residential projects less a reduction in fines and forfeitures collected in 2014. Operating Grants and Contributions decreased \$48,090 (13.04%) due to decreased funding from the Atlanta Regional Commission (ARC) for Cherokee FOCUS (pass-through grant). Capital grants and contributions decreased \$1,000,784 (39.92%) primarily due to the absence of road infrastructure contributions from private sector developers during 2014.

Expenses

General government expenses decreased \$97,917 (11.92%) in 2014 from 2013 because the General government acquired property in the previous year and did not acquire any property in 2014. Public safety expenses increased \$167,717 (6.59%) primarily due to an increase in the number of certified police officers in 2014 over the previous year. Public works expenses increased \$809,389 (134.59%) in 2014 over 2013. During 2014 public works incurred \$937,645 of expenses on road resurfacing projects and a sidewalk project in downtown Holly Springs. Health and welfare expenses decreased \$42,315 (12.22%) as a direct result of decreased funding from the ARC for the pass-through grant to Cherokee FOCUS. Culture and recreation expenses increased \$59,686 (69.60%) due to increased spending on parks repairs and maintenance in Barrett Park and J.C. Mullins Field in 2014. Housing and development expenses decreased \$776,310 (71.75%) from 2013 due to the reallocation of project costs for the downtown sidewalk project to public works.

**FUND FINANCIAL ANALYSIS**

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.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2014, the City's governmental funds reported combined ending fund balances of \$6,191,775.

Major Governmental Funds

The General Fund is the operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$4,386,803, which was comprised of nonspendable fund balance of \$42,510 and unassigned fund balance of \$4,344,293. Fund balance in the General Fund increased \$754,560 (20.77%) in 2014 over 2013. The primary reason for the increase was the additional revenue realized from building permits and related fees as well as an increase in property taxes revenues.

**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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The SPLOST IV Fund is a capital projects fund of the City. The purpose of this fund is to account for the collection of special purpose local option sales tax (SPLOST) and the construction of approved capital projects. At the end of the current fiscal year, the restricted fund balance of the SPLOST IV Fund was \$932,702. Fund balance in the SPLOST IV Fund increased \$135,106 (16.94%) in 2014. The City of Holly Springs realized greater SPLOST collections in 2014 over 2013 due to the presence of a new outlet mall within Cherokee County. After the new outlet mall opened, the SPLOST proceeds increased approximately 15% over the same period in the previous year.

Non-Major Governmental Funds

Special Revenue Funds are used to account for the City's collection and disbursement of specific revenues that are legally restricted for specified purposes. The City has three non-major special revenue funds: the Parks and Recreation Fund, Hotel/Motel Tax Fund and Multiple Grant Fund.

Capital Projects Funds are used to account for the City's acquisition and construction of major capital assets and capital improvements to city infrastructure. The City has two non-major capital projects funds: the Capital Grant Fund and SPLOST III Fund.

Non-major governmental funds revenues totaled \$636,959 for the fiscal year ending December 31, 2014. Non-major governmental fund expenditures totaled \$581,482. Fund balance for all non-major governmental funds was \$872,270. Non-major fund balances decreased \$39,193 (4.30%) due primarily to increased expenditures in the Parks and Recreation Fund in 2014 and transfers from the Capital Grant Fund to the SPLOST IV Fund in 2014 to cover the cost of rights-of-way and easements and engineering costs for the Livable Centers Initiative streetscape project.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The City has one enterprise fund: the Stormwater Utility Fund.

The Stormwater Utility Fund has a net position of \$3,120,599 at December 31, 2014, an increase of \$120,263 over 2013. Net investment in capital assets is \$2,417,431 and unrestricted net position is \$703,168. Net position increased in 2014 due primarily to increased revenues due to growth.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's comparison of actual revenues and expenditures in the General Fund to the adopted budget can be found on page 54 of the annual report. In 2014, the City had a net favorable budget variance of \$1,209,560. There was a favorable revenue budget variance of \$670,512. The original budget adopted by the City of Holly Springs reflected a very conservative projection for property taxes, franchise taxes, business taxes, licenses and permits and fines and forfeitures. However, by mid-year in 2014 the City had realized revenues in excess of appropriations and the budget was amended to reflect the increased revenues. The original budget included an appropriation of \$500,000 for transfers to other funds to cover local match for capital projects. With the additional revenues realized by the City of Holly Springs during 2014 it was not necessary to transfer funds to cover the construction costs associated with the project. The favorable budget variance for all expenditure categories in 2014 was \$501,690. Management continues to operate under a conservative budget to ensure that the City of Holly Springs maintains a sufficient budget stabilization fund to cover unexpected expenditures and emergencies as they arise during the course of operations.

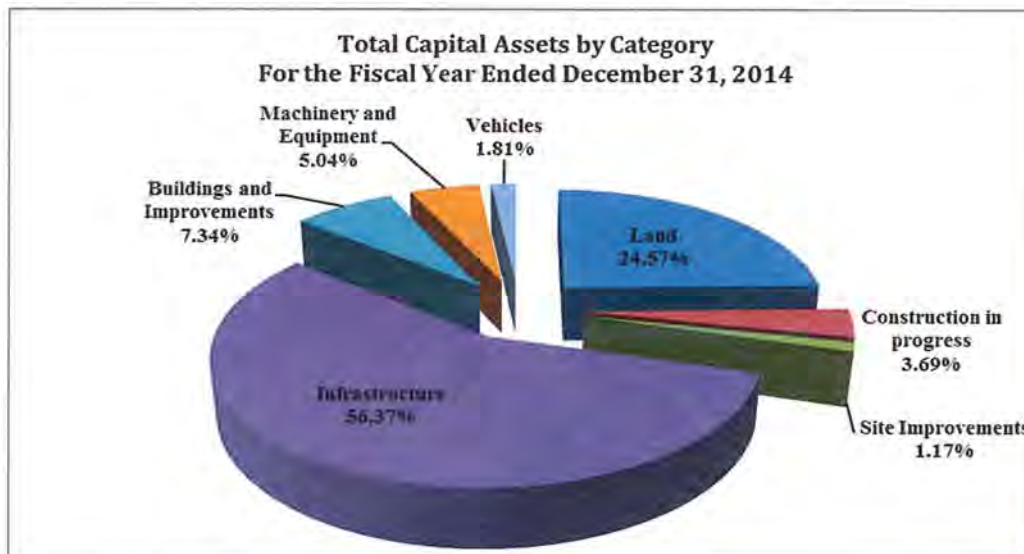
**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**CAPITAL ASSETS**

The table below presents capital assets of the primary government, net of accumulated depreciation:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,025,270	\$ 4,324,897	\$ -	\$ -	\$ 5,025,270	\$ 4,324,897
Construction in Progress	732,829	496,977	22,668	-	755,497	496,977
Site Improvements	239,173	16,638	-	-	239,173	16,638
Infrastructure	9,314,835	9,561,381	2,212,925	2,196,060	11,527,760	11,757,441
Buildings and Improvements	1,501,626	1,546,739	-	-	1,501,626	1,546,739
Machinery and Equipment	848,027	897,173	181,838	2,840	1,029,865	900,013
Vehicles	370,591	386,454	-	-	370,591	386,454
Total:	<u>\$ 18,032,351</u>	<u>\$ 17,230,259</u>	<u>\$ 2,417,431</u>	<u>\$ 2,198,900</u>	<u>\$ 20,449,782</u>	<u>\$ 19,429,159</u>

See Note 1F in the notes to the financial statements for the City's policies regarding capital assets. Note 5A in the notes to the financial statements provides a summary of capital asset activity for the year ended December 31, 2014.



**LONG-TERM DEBT**

The table below represents long-term debt outstanding:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital Leases	\$ 302,487	\$ 307,878	\$ -	\$ -	\$ 302,487	\$ 307,878
Compensated Absences	76,851	60,207	-	-	76,851	60,207
Total:	<u>\$ 379,338</u>	<u>\$ 368,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 379,338</u>	<u>\$ 368,085</u>

The City reported long-term debt of \$379,338 as of December 31, 2014 exclusive of interest expense. The City has no general obligation debt outstanding at December 31, 2014. See Note 7 in the notes to the financial statements for a summary of all debt activity and a summary of all debt held by the City of Holly Springs at December 31, 2014.



**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Mayor and Council in conjunction with the staff of the City of Holly Springs have continued to aggressively address the current and future needs of the City by focusing on sound financial management, the use of current resources for capital expenditures and an extensive budgeting process. The City's General Fund budget for fiscal year 2015 is \$4,705,000. This is a decrease of \$365,000 from the prior year. The budget for fiscal year 2015 decreased from fiscal year 2014 due to the absence of an appropriation for the acquisition of property that was included in the 2014 budget.

In 2014 the City entered into a ten year option agreement for the acquisition of land for use as a future park. A provision for the annual installments required under this option is included in the 2015 Parks and Recreation Fund annual budget. See Note 12 in the notes to the financial statements for additional information.

The City anticipates continued growth in 2015 in the commercial sector at exits 11 and 14 on I-575 due to the opening of an outlet mall at exit 10, the recent opening of the Cherokee County Aquatics Center at exit 11 and the opening of a Walmart Supercenter at exit 14. The City continues to see an increase in activity in the residential sector as well. There are several subdivisions with numerous platted lots throughout the City of Holly Springs that are ready for the construction of single-family residences. In addition to the aforementioned projects, the City has been approached by multiple developers in 2014 and 2015 interested in annexations and rezonings for new residential subdivisions. Management of the City is optimistic and will plan for the growth accordingly.

**FINANCIAL CONTACT**

This financial report is designed to provide a general overview of the City of Holly Springs' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Robert H. Logan, CPA, CGMA at City of Holly Springs, P.O. Box 990, Holly Springs, GA 30142. Please visit our website at [www.hollyspringsga.us](http://www.hollyspringsga.us) for additional information.

**CITY OF HOLLY SPRINGS, GEORGIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>Assets</b>				
Cash	\$ 6,569,284	\$ 452,317	\$ 7,021,601	\$ 54,700
Restricted cash	1,686,883	-	1,686,883	-
Investments	-	-	-	35,436
Restricted investments	365,000	-	365,000	-
Property taxes receivable	179,536	-	179,536	-
Stormwater fees receivable	50,495	-	50,495	-
Accounts receivable, net	452,194	-	452,194	32
Fines receivable, net	54,864	-	54,864	-
Due from other governments	303,829	-	303,829	-
Internal balances	(250,245)	250,245	-	-
Prepaid expenses	42,510	6,514	49,024	-
Capital assets:				
Not depreciated	5,758,099	22,668	5,780,767	1,877,442
Depreciated, net of accumulated depreciation	12,274,252	2,394,763	14,669,015	248,202
Net pension asset	2,594	-	2,594	-
<b>Total assets</b>	<b>27,489,295</b>	<b>3,126,507</b>	<b>30,615,802</b>	<b>2,215,812</b>
<b>Liabilities</b>				
Accounts payable	67,427	5,908	73,335	-
Accrued and other liabilities	62,383	-	62,383	-
Deposits	9,430	-	9,430	-
Due to other governments	62,174	-	62,174	-
Unearned revenue	218,875	-	218,875	-
Compensated absences, current portion	61,829	-	61,829	-
Compensated absences, non-current portion	15,022	-	15,022	-
Capital leases, current portion	127,215	-	127,215	-
Capital leases, non-current portion	175,272	-	175,272	-
<b>Total liabilities</b>	<b>799,627</b>	<b>5,908</b>	<b>805,535</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	17,729,864	2,417,431	20,147,295	2,125,644
Restricted for:				
Capital projects	944,302	-	944,302	-
Other purposes	45,032	-	45,032	-
Unrestricted	7,970,470	703,168	8,673,638	90,168
<b>Total net position</b>	<b>\$ 26,689,668</b>	<b>\$ 3,120,599</b>	<b>\$ 29,810,267</b>	<b>\$ 2,215,812</b>

*The accompanying notes are an integral part of this statement.*

**CITY OF HOLLY SPRINGS, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
<b>Primary Government:</b>				
<b><u>Governmental Activities:</u></b>				
General government	\$ 723,511	\$ 118,227	\$ 1,359	\$ -
Judicial	213,602	-	-	-
Public safety	2,714,404	372,194	-	437,242
Public works	1,410,749	-	-	770,704
Health and welfare	303,924	-	303,734	-
Culture and recreation	145,443	9,575	15,550	145,336
Housing and development	305,589	622,488	-	153,016
Interest	7,428	-	-	-
Total governmental activities	<u>5,824,650</u>	<u>1,122,484</u>	<u>320,643</u>	<u>1,506,298</u>
<b><u>Business-type Activities:</u></b>				
Stormwater Utility	<u>202,889</u>	<u>322,619</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 6,027,539</u>	<u>\$ 1,445,103</u>	<u>\$ 320,643</u>	<u>\$ 1,506,298</u>
<b>Component Unit:</b>				
Downtown Development Authority	<u>\$ 16,098</u>	<u>\$ 19,200</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Franchise taxes				
Business taxes				
Selective sales tax				
Other revenues				
Unrestricted investment earnings				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

*The accompanying notes are an integral part of this statement.*



Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
\$ (603,925)	\$ -	\$ (603,925)	
(213,602)	-	(213,602)	
(1,904,968)	-	(1,904,968)	
(640,045)	-	(640,045)	
(190)	-	(190)	
25,018	-	25,018	
469,915	-	469,915	
(7,428)	-	(7,428)	
(2,875,225)	-	(2,875,225)	
-	119,730	119,730	
(2,875,225)	119,730	(2,755,495)	
			\$ 3,102
3,212,535	-	3,212,535	-
578,242	-	578,242	-
612,157	-	612,157	-
297,484	-	297,484	-
50,284	-	50,284	-
7,061	533	7,594	107
4,757,763	533	4,758,296	107
1,882,538	120,263	2,002,801	3,209
24,807,130	3,000,336	27,807,466	2,212,603
\$ 26,689,668	\$ 3,120,599	\$ 29,810,267	\$ 2,215,812

**CITY OF HOLLY SPRINGS, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2014**

	<u>General</u>	<u>SPLOST IV</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 6,608,577	\$ 686,279	\$ 961,311	\$ 8,256,167
Investments	365,000	-	-	365,000
Property taxes receivable	179,536	-	-	179,536
Stormwater fees receivable	50,495	-	-	50,495
Accounts receivable	390,125	-	154,069	544,194
Fines receivable	109,864	-	-	109,864
Due from other governments	44,218	239,717	19,894	303,829
Due from other funds	-	115,552	-	115,552
Prepaid items	42,510	-	-	42,510
<b>Total assets</b>	<u>\$ 7,790,325</u>	<u>\$ 1,041,548</u>	<u>\$ 1,135,274</u>	<u>\$ 9,967,147</u>
<b>Liabilities</b>				
Accounts payable	\$ 40,897	\$ 6,065	\$ 20,465	\$ 67,427
Accrued and other liabilities	56,788	-	-	56,788
Deposits	4,705	-	4,725	9,430
Due to other governments	62,174	-	-	62,174
Due to other funds	250,245	-	115,552	365,797
Unearned revenue	116,094	102,781	-	218,875
<b>Total liabilities</b>	<u>530,903</u>	<u>108,846</u>	<u>140,742</u>	<u>780,491</u>
<b>Deferred Inflows of Resources</b>				
Deferred property taxes	2,762,755	-	-	2,762,755
Unavailable municipal court fines	109,864	-	-	109,864
Unavailable charges for services	-	-	122,262	122,262
<b>Total deferred inflows of resources</b>	<u>2,872,619</u>	<u>-</u>	<u>122,262</u>	<u>2,994,881</u>
<b>Fund Balances</b>				
Nonspendable	42,510	-	-	42,510
Restricted	-	932,702	248,896	1,181,598
Assigned	-	-	623,374	623,374
Unassigned	4,344,293	-	-	4,344,293
<b>Total fund balances</b>	<u>4,386,803</u>	<u>932,702</u>	<u>872,270</u>	<u>6,191,775</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 7,790,325</u>	<u>\$ 1,041,548</u>	<u>\$ 1,135,274</u>	<u>\$ 9,967,147</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF HOLLY SPRINGS, GEORGIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Total fund balances - governmental funds</b>	<b>\$ 6,191,775</b>
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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; therefore, they are not reported in the governmental funds financial statements, but are reported in the governmental activities column of the Statement of Net Position.	18,032,351
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	2,994,881
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In the Statement of Net Position, management has established allowances for uncollectible accounts against certain revenues which are deferred in the governmental funds financial statements.	(147,000)
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Net pension asset is not a current financial resource used in governmental activities; therefore, it is not presented in the governmental funds.	2,594
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Certain liabilities are not due and payable in the current period; therefore, they are not reported in the Governmental Funds' Balance Sheet, but are reported under governmental activities in the Statement of Net Position:

Accrued interest	\$ (5,595)	
Capital leases payable	(302,487)	
Compensated absences	(76,851)	(384,933)

<b>Total net position - governmental activities</b>	<b>\$ 26,689,668</b>
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*The accompanying notes are an integral part of this statement.*



**CITY OF HOLLY SPRINGS, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	SPLOST IV	Nonmajor Governmental	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 2,911,695	\$ -	\$ -	\$ 2,911,695
Franchise taxes	578,242	-	-	578,242
Business taxes	612,157	-	-	612,157
Selective sales taxes	-	-	297,484	297,484
Licenses and permits	642,420	29,550	20,874	692,844
Intergovernmental	1,200	1,359,841	303,716	1,664,757
Charges for services	42,773	-	9,575	52,348
Fines and forfeitures	411,035	-	-	411,035
Interest	7,061	864	803	8,728
Donations from private sources	13,031	-	2,150	15,181
Other revenues	58,898	-	2,357	61,255
<b>Total revenues</b>	<b>5,278,512</b>	<b>1,390,255</b>	<b>636,959</b>	<b>7,305,726</b>
<b>Expenditures</b>				
Current:				
General government	678,717	-	-	678,717
Judicial	211,556	-	-	211,556
Public safety	2,518,284	-	-	2,518,284
Public works	370,357	-	-	370,357
Health and welfare	-	-	303,938	303,938
Culture and recreation	4,000	-	126,547	130,547
Housing and development	292,479	-	6,395	298,874
Capital outlay:				
General government	462,002	-	-	462,002
Public safety	-	400,225	-	400,225
Public works	5,915	784,232	-	790,147
Culture and recreation	-	-	144,602	144,602
Housing and development	-	153,413	-	153,413
Debt service:				
Principal	-	138,944	-	138,944
Interest	-	6,558	-	6,558
<b>Total expenditures</b>	<b>4,543,310</b>	<b>1,483,372</b>	<b>581,482</b>	<b>6,608,164</b>
Excess (deficiency) of revenues over expenditures	735,202	(93,117)	55,477	697,562
<b>Other Financing Sources (Uses)</b>				
Issuance of capital lease	-	133,553	-	133,553
Proceeds from sale of capital assets	19,358	-	-	19,358
Transfers in	-	94,670	-	94,670
Transfers out	-	-	(94,670)	(94,670)
<b>Total other financing sources (uses)</b>	<b>19,358</b>	<b>228,223</b>	<b>(94,670)</b>	<b>152,911</b>
Net change in fund balances	754,560	135,106	(39,193)	850,473
<b>Fund balances, beginning of year</b>	<b>3,632,243</b>	<b>797,596</b>	<b>911,463</b>	<b>5,341,302</b>
<b>Fund balances, end of year</b>	<b>\$ 4,386,803</b>	<b>\$ 932,702</b>	<b>\$ 872,270</b>	<b>\$ 6,191,775</b>

*The accompanying notes are an integral part of this statement.*

**CITY OF HOLLY SPRINGS, GEORGIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 850,473</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capitalizable assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which such assets charged to capital outlays exceeded depreciation in the current year.

Capital outlays	\$ 1,205,903	
Depreciation expense	<u>(516,344)</u>	689,559

Donation of land to the City for parks and recreation purposes is not reported in the governmental funds because the donation does not provide current financial resources; however, the donation is reported in the government wide financial statements.	145,336
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Proceeds from the sale of capital assets provide current financial resources to governmental funds; however, such proceeds are offset by the cost and accumulated depreciation of such assets and the resulting gain or loss on disposal is recorded in the Statement of Activities. This is the amount by which the resulting loss exceeded governmental funds proceeds.	(32,803)
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Vehicles and equipment were purchased during the year with proceeds from a new capital lease. These proceeds provide current financial resources to governmental funds; however, the issuance is treated as new long-term debt in the Statement of Net Position.	(133,553)
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Repayment of long-term debt principal is an expenditure of governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	138,944
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This is the amount by which reported revenues in the Statement of Activities exceeded revenues considered available by the governmental funds.	187,408
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Certain expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. Likewise, certain expenditures in governmental funds are not recognized as expenses in the Statement of Activities to the extent they reduce accrued liabilities:

Provision for bad debts	54,000	
Compensated absences	(15,955)	
Accrued interest	<u>(871)</u>	37,174

<b>Change in net position - governmental activities</b>	<b>\$ <u>1,882,538</u></b>
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*The accompanying notes are an integral part of this statement.*

**CITY OF HOLLY SPRINGS, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2014**

	<u>Stormwater Utility</u>
<b>Assets</b>	
<b>Current:</b>	
Cash	\$ 452,317
Due from General Fund	250,245
Prepaid expenses	<u>6,514</u>
Total current assets	<u>709,076</u>
<b>Capital assets:</b>	
Not depreciated	22,668
Depreciated, net of accumulated depreciation	<u>2,394,763</u>
Total capital assets	<u>2,417,431</u>
<b>Total assets</b>	<u><u>3,126,507</u></u>
<b>Liabilities</b>	
<b>Current:</b>	
Accounts payable	<u>5,908</u>
<b>Total liabilities</b>	<u><u>5,908</u></u>
<b>Net Position</b>	
Investment in capital assets	2,417,431
Unrestricted	<u>703,168</u>
<b>Total net position</b>	<u><u>\$ 3,120,599</u></u>

*The accompanying notes are an integral part of this statement.*



**CITY OF HOLLY SPRINGS, GEORGIA  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Stormwater Utility</u>
<b>Operating Revenues</b>	
Charges for services - stormwater fees	\$ 322,619
Total operating revenues	<u>322,619</u>
<b>Operating Expenses</b>	
Personal services	74,391
Contractual and professional services	28,701
Supplies	1,105
Repairs and maintenance	36,366
Other operating expenses	5,420
Depreciation expense	56,906
Total operating expenses	<u>202,889</u>
Operating income	<u>119,730</u>
<b>Nonoperating Revenue</b>	
Interest income	<u>533</u>
Total nonoperating revenue	<u>533</u>
Change in net position	120,263
Net position, beginning of year	<u>3,000,336</u>
Net position, end of year	<u>\$ 3,120,599</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF HOLLY SPRINGS, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Stormwater Utility</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 286,152
Payments to employees	(74,079)
Payments to suppliers	(74,561)
Net cash provided by operating activities	<u>137,512</u>
<b>Cash Flows from Investing Activities</b>	
Payments to purchase capital assets	(275,437)
Interest received	533
Cash provided by investing activities	<u>(274,904)</u>
Net increase in cash	(137,392)
<b>Cash, beginning of year</b>	<u>589,709</u>
<b>Cash, end of year</b>	<u><u>\$ 452,317</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 119,730
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	56,906
Increase in due from General Fund	(36,155)
Increase in prepaids	(6,514)
Increase in accounts payable	3,545
Net cash provided by operating activities	<u><u>\$ 137,512</u></u>

*The accompanying notes are an integral part of this statement.*

**CITY OF HOLLY SPRINGS, GEORGIA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**DECEMBER 31, 2014**

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	<u>Municipal Court Fund</u>
<b>Assets</b>	
Cash	<u>\$ 23,135</u>
<b>Total assets</b>	<u><u>\$ 23,135</u></u>
<b>Liabilities</b>	
Due to others	<u>\$ 23,135</u>
<b>Total liabilities</b>	<u><u>\$ 23,135</u></u>

*The accompanying notes are an integral part of this statement.*



**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of City of Holly Springs, 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 was incorporated in 1906 and operates under a city council/manager form of government. Policy making and legislative authority are vested in the Mayor and five council members elected at large. The City Manager is responsible for the daily operations of all City departments. The accompanying financial statements include those of the City (the primary government) and its component unit, an entity for which the City is considered to be financially accountable. The Holly Springs Downtown Development Authority (the "Authority") has been determined to be a component unit and is discretely presented in the City's government-wide financial statements in a separate column to emphasize that it is legally separate from the City.

The Authority was created June 21, 1999, with the primary purpose of promoting development through revitalization of the downtown area of the City. The Authority derives revenue from rent charged on a building contributed to the Authority by the City, but is primarily dependent on contributions from the City for operating capital and for meeting debt service obligations. The City Council appoints all members to the board. Financial information related to the Authority may be obtained from the City upon request.

**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 non-fiduciary activities of the primary government and its component unit. Fiduciary activities of the City are reported only in the fund financial statements. For the most part, the effect of inter-fund activity has been removed from the government-wide statements. *Governmental activities*, which normally are 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 legally separate *component unit* for which the primary government is financially accountable.

The Statement of Activities reports 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 those 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 operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses and program revenues identifies the extent to which each program is self-financing or draws from the general revenues of the City.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City's funds are grouped into three broad fund categories and five generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue and capital projects funds. Proprietary funds include enterprise funds and fiduciary funds include agency funds. At present, the City has one proprietary fund and one fiduciary fund.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for the City's governmental funds, proprietary fund and fiduciary fund, even though the latter is excluded from the government-wide financial statements.

The fund financial statements provide information about the City's funds, including its fiduciary fund. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The focus of fund financial statements is on major governmental and enterprise funds rather than on fund types. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Stormwater Utility, the City's proprietary fund, began operations in January 2010. The Utility was formed to provide stormwater management services and stormwater management systems and facilities in order to reduce pollution and increase water quality within the City. The operations of the Utility are supported by stormwater service fees based on the relative contribution of each customer to the demand for stormwater management services.

Municipal Court Fund, a fiduciary (agency) fund, was formed in January 2014 in order to account for funds that the City holds for others in an agency capacity, including municipal court bonds. Prior to 2014, such funds were accounted for in the City's general fund.

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 Special Purpose Local Option Sales Tax (SPLOST) IV Fund is used to account for revenues provided by a 2010 referendum authorizing a one percent Special Purpose Local Option Sales Tax for Cherokee County, to be shared with the City. SPLOST IV revenues are to be used for facilities, vehicles and various equipment in connection with transportation, law enforcement, city hall, public works and sewer system, including sewer system infrastructure.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City reports the following major proprietary fund:

The Stormwater Utility Fund accounts for the revenues derived from stormwater fees charged to customers and used for stormwater management activities.

Additionally, the City reports the following fund types:

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital projects funds account for financial resources used to acquire, construct, and maintain capital projects for use by the City.

The agency fund discussed above is used to account for the collection and disbursement of monies by the City's Municipal Court on behalf of other governments or individuals.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government-wide net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position restricted for capital projects reflect the restrictions of their use.

Governmental fund financial statements, on the other hand, 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. Expenditures generally are recorded in the accounting period in which a fund liability is incurred, as under accrual accounting. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. Property taxes, sales taxes, franchise



**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

taxes, licenses and investment income 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures generally are 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. Capital asset acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering such services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Stormwater Utility enterprise fund are charges for stormwater management services provided. Operating expenses of the enterprise fund include the cost of these 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. Cash and Investments**

Amounts reported as cash by the City in the accompanying financial statements include cash on hand and on deposit with financial institutions.

State of Georgia statutes require all financial institution deposits and investments in excess of the federal depository insured amount to be fully collateralized by an equivalent amount of state or U.S. obligations. State of Georgia statutes authorize the City to invest in (1) U.S. Government obligations; (2) U.S. Government agency obligations; (3) obligations of the State of Georgia; (4) obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investor's Service, Inc.; (5) negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; (6) repurchase agreements when collateralized by U.S. Government or agency obligations; and (7) pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Investments are reported at fair value as determined by quoted market prices. All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Prepaid Items**

Certain payments to vendors for services that will benefit future accounting periods are recorded as prepaid items in both government-wide and governmental fund financial statements. Prepaid items reported by governmental funds are also equally offset by fund balance classified as nonspendable, which indicates they do not constitute "available, spendable financial resources" even though they are a component of net current assets.

**F. Capital Assets**

Capital assets of governmental activities, which include land, buildings and improvements, vehicles, machinery and equipment, and infrastructure (such as roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Infrastructure assets acquired prior to July 1, 2004, have been capitalized as of December 31, 2007. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are expensed as incurred.

Land and construction in progress are not depreciated. Other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Land improvements	20-30
Buildings and improvements	20-50
Vehicles	6-15
Machinery and equipment	3-15
Infrastructure	30-50

**G. Compensated Absences**

The City's policy allows employees meeting eligibility requirements to accumulate earned but unused vacation leave benefits up to a maximum of 280 hours. Employees who have completed six months of satisfactory job performance are reimbursed for accumulated vacation benefits upon separation of service. Accordingly, the liability for compensated absences in the government-wide statements consists of unpaid, accumulated vacation leave. Accrued, but unpaid, sick leave at year end is not recorded as a liability as it is contingent upon employees' future illness and is not paid upon separation of service.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities of the primary government under governmental activities.

**I. Interfund Transactions and Balances**

Quasi-external transactions are accounted for as revenues and expenditures and are not eliminated. The City had no quasi-external transactions during the year.

Transactions that constitute reimbursement to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Outstanding interfund balances at year end related to such reimbursements, as well as activity between funds representative of lending/borrowing arrangements, are reported as "due to/from other funds" in the governmental fund financial statements. All other interfund transactions are reported as transfers. At year end, all interfund balances outstanding and all transfers among governmental funds are eliminated in the government-wide statements.

Receipts and/or payments to or from other governmental units, not included in the reporting entity of the City, are not reported as transfers, but rather according to the purpose for which the receipt or payment is made.

**J. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. Items which qualify to be reported within this element include property taxes levied in 2014 for the 2015 budget and certain unavailable revenues under the *current financial resources measurement focus*. Accordingly, such items appear in the governmental funds balance sheet as deferred inflows of resources and will be recognized as an inflow of resources in 2015 or the period in which the amounts become available.



**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Fund Balance**

Fund balances of governmental funds are presented in various classifications that comprise a hierarchy which is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. Descriptions and the City's policies with respect to these classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items as nonspendable as these items are not resources in spendable form.

Restricted: This classification includes amounts that are restricted to specific purposes whereby constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City's special revenue and capital projects funds are legally restricted to expenditures for specific purposes.

Committed: This classification includes amounts that can be used only for specific purposes determined by a formal action of City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use. A resolution by City Council is required (prior to the end of the reporting period) when establishing, modifying or rescinding a fund balance commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the City's intent to use for a specific purpose but are neither restricted nor committed. The City Council has retained, for itself, the authority to assign or earmark funds for specific use. However, unlike commitments, assignments do not require a formal action and generally only exist temporarily. This classification also includes all remaining positive fund balance for all governmental funds other than the General Fund. As a result of intent expressed by City Council, alcoholic beverage excise tax and local option mixed drink tax are earmarked for park and recreation purposes; therefore, fund balance in the Parks and Recreation Fund is reported as assigned.

Unassigned: This classification includes the residual fund balance for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

The City's policy would be to use restricted fund balances first when expenditure is made for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Otherwise, it is the City's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are made for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Net Position**

Net position in financial reporting is based on the *economic resources measurement focus* and represents the difference between (a) total assets and deferred outflows of resources and (b) total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used 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. The remaining portion of net position is reported as unrestricted.

The City's policy would be to use restricted net position first when expenditure is made for purposes for which both restricted and unrestricted net position is available.

**M. Use of 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 amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

**NOTE 2. LEGAL COMPLIANCE – BUDGETS**

**A. Budgets and Budgetary Accounting**

The City's annual budgets are prepared on anticipated revenues and appropriated expenditures. Revenue anticipation, generally conservative, is designed to help ensure fiscal responsibility and maintain a balanced budget. The operating budget includes proposed expenditures and the means of financing them are based on prior year results and estimated current needs.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level.

Annual appropriated budgets are adopted on a modified accrual basis which is consistent with generally accepted accounting principles for governmental funds. Budgets are adopted for the General Fund and each special revenue fund. Capital project funds have project length budgets. Budget amounts are as originally adopted, or as amended by City Council. Supplementary appropriations made during the year by City Council were primarily to purchase land for downtown redevelopment (general government) and increased operating costs (public safety, public works and housing and development). All annual appropriations lapse at 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.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 2.       LEGAL COMPLIANCE – BUDGETS (CONTINUED)**

**B.     Excess of Expenditures over Appropriations**

As shown in the accompanying budgetary comparison schedules for the General Fund and nonmajor special revenue funds, departmental expenditures did not exceed appropriated budget amounts during the current year.

**NOTE 3.       CASH AND INVESTMENTS**

Cash on the accompanying financial statements includes cash on hand, demand deposits and money market accounts on deposit with financial institutions. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At December 31, 2014, the City had no cash deposits that were exposed to custodial credit risk.

Investments at December 31, 2014, consist of a certificate of deposit placed with an FDIC insured financial institution. The certificate bears interest at 0.25% and matures in November 2015.

**NOTE 4.       RECEIVABLES**

The City bills and collects its own property taxes. Property taxes were levied on October 1, 2014, with bills being payable on or before December 20, 2014, after which the account is assessed penalties and interest, or the property is subject to a lien, as applicable. The penalty and lien dates are March 21, 2015 and June 5, 2015, respectively. Property taxes receivable at year end is estimated based on the tax levy, less amounts collected prior to December 31, 2014. The property taxes levied in October were intended for use in the 2015 budget year. Therefore, the entire 2014 digest levy of \$2,722,594 is included in deferred revenue on the governmental funds' balance sheet. Prior year levies were recorded using substantially the same principles, and remaining receivables are re-evaluated annually for collectability.

Stormwater fees of \$327,106 were billed on behalf of the Stormwater Utility Fund by the General Fund in connection with its tax levy on October 1, 2014. Such fees are for the calendar year 2014 and, accordingly, are not deferred at year end. Stormwater fees receivable at year end have been reviewed for collectability by management, and the fees owed to the Stormwater Utility Fund by the General Fund at year end are recorded in the due to/due from accounts of the General Fund and the Stormwater Utility Fund.

Accounts receivable consist primarily of franchise and excise taxes, along with other amounts due to the City as of December 31, 2014, for services rendered. Fines receivable represent adjudicated amounts outstanding at December 31, 2014. Fine surcharges of \$29,382 which were collected, but unremitted at year end, are recorded as due to other governments. Accounts receivable and fines receivable not collected within 60 days following year end are not considered available to liquidate liabilities of the current period and, accordingly, are classified as unavailable and reported as deferred inflows of resources on the accompanying governmental funds balance sheet.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 4. RECEIVABLES (CONTINUED)**

Receivables for the City's individual major funds and nonmajor funds in the aggregate are as follows:

Receivables at December 31, 2014:	General	SPLOST IV	Nonmajor Governmental	Total
Property taxes	\$ 179,536	\$ -	\$ -	\$ 179,536
Stormwater fees	50,495	-	-	50,495
Accounts	390,125	-	154,069	544,194
Fines	109,864	-	-	109,864
Due from other governments	44,218	239,717	19,894	303,829
Total Receivables	<u>\$ 774,238</u>	<u>\$ 239,717</u>	<u>\$ 173,963</u>	<u>\$ 1,187,918</u>

Allowances for uncollectible accounts have been recorded in the Statement of Net Position based on historical experience and management's estimates of collectability. As of year end, allowances for uncollectible accounts receivable and fines receivable are \$92,000 and \$55,000, respectively.

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**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 5. CAPITAL ASSETS**

**A. Primary Government**

Capital asset activity for the year ended December 31, 2014, was as follows:

Governmental Activities:	Beginning Balance	Additions	Disposals	Reclassi- fication	Ending Balance
Capital assets not depreciated:					
Land <sup>(1)</sup>	\$ 4,324,897	\$ 700,373	\$ -	\$ -	\$ 5,025,270
Construction in progress <sup>(2)</sup>	496,977	451,125	-	(215,273)	732,829
Total capital assets not depreciated	4,821,874	1,151,498	-	(215,273)	5,758,099
Capital assets depreciated:					
Land improvements	29,308	18,857	-	215,273	263,438
Buildings and improvements	1,973,186	-	-	-	1,973,186
Vehicles	971,484	133,553	(83,422)	-	1,021,615
Machinery and equipment	1,623,643	47,331	(11,000)	-	1,659,974
Infrastructure	11,402,374	-	(9,884)	-	11,392,490
Total capital assets depreciated	15,999,995	199,741	(104,306)	215,273	16,310,703
Less accumulated depreciation for:					
Land improvements	12,670	11,595	-	-	24,265
Buildings and improvements	426,447	45,113	-	-	471,560
Vehicles	585,030	122,454	(56,460)	-	651,024
Machinery and equipment	726,470	93,542	(8,065)	-	811,947
Infrastructure	1,840,993	243,640	(6,978)	-	2,077,655
Total accumulated depreciation	3,591,610	516,344	(71,503)	-	4,036,451
Total capital assets depreciated, net	12,408,385	(316,603)	(32,803)	215,273	12,274,252
Governmental activities capital assets, net	<u>\$ 17,230,259</u>	<u>\$ 834,895</u>	<u>\$ (32,803)</u>	<u>\$ -</u>	<u>\$ 18,032,351</u>

<sup>(1)</sup> Additions to land during the year include the donation of property valued at \$145,336 for recreational purposes. Additional properties were purchased for an outdoor City park and for downtown redevelopment purposes in the amounts of \$100,000 and \$455,037, respectively.

<sup>(2)</sup> Parking lot improvements of \$215,273 at the public safety building were completed during the year and transferred to land improvements. The remaining construction in progress at year end represents costs incurred in connection with downtown redevelopment.

**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Construction in progress	\$ -	\$ 22,668	\$ -	\$ 22,668
Total capital assets not depreciated	-	22,668	-	22,668
Capital assets depreciated:				
Machinery and equipment	12,684	201,621	-	214,305
Infrastructure	2,373,442	51,148	-	2,424,590
Total capital assets depreciated	2,386,126	252,769	-	2,638,895
Less accumulated depreciation for:				
Machinery and equipment	9,844	22,623	-	32,467
Infrastructure	177,382	34,283	-	211,665
Total accumulated depreciation	187,226	56,906	-	244,132
Total capital assets depreciated, net	2,198,900	195,863	-	2,394,763
Business-type activities capital assets, net	<u>\$ 2,198,900</u>	<u>\$ 218,531</u>	<u>\$ -</u>	<u>\$ 2,417,431</u>

Depreciation expense, including amortization expense on capital assets financed under capital leases, for the year ended December 31, 2014, was charged to functions/programs of the primary government as follows:

<u>Governmental Activities:</u>	
General government	\$ 29,399
Public safety	139,982
Public works	327,684
Culture and recreation	14,896
Housing and development	4,383
Total depreciation expense - Government activities	<u>\$ 516,344</u>
 <u>Business-type Activities:</u>	
Stormwater Utility	<u>\$ 56,906</u>

**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

**B. Component Unit – Holly Springs Downtown Development Authority**

Capital asset activity for the year ended December 31, 2014, was as follows:

<u>Development Authority:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 1,877,442	\$ -	\$ -	\$ 1,877,442
Total capital assets not depreciated	<u>1,877,442</u>	<u>-</u>	<u>-</u>	<u>1,877,442</u>
Capital assets depreciated:				
Buildings and improvements	304,312	-	-	304,312
Furniture and fixtures	<u>10,901</u>	<u>-</u>	<u>-</u>	<u>10,901</u>
Total capital assets depreciated	<u>315,213</u>	<u>-</u>	<u>-</u>	<u>315,213</u>
Less accumulated depreciation for:				
Buildings and improvements	45,966	10,144	-	56,110
Furniture and fixtures	<u>10,901</u>	<u>-</u>	<u>-</u>	<u>10,901</u>
Total accumulated depreciation	<u>56,867</u>	<u>10,144</u>	<u>-</u>	<u>67,011</u>
Total capital assets depreciated, net	<u>258,346</u>	<u>(10,144)</u>	<u>-</u>	<u>248,202</u>
Total Development Authority capital assets, net	<u>\$ 2,135,788</u>	<u>\$ (10,144)</u>	<u>\$ -</u>	<u>\$ 2,125,644</u>

Depreciation of \$10,144 for the year ended December 31, 2014, was charged to expenses of the Authority in the accompanying Statement of Activities.

**NOTE 6. INTERFUND BALANCES AND TRANSFERS**

The composition of interfund balances as of December 31, 2014, is as follows:

**A. Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
SPLOST IV	Nonmajor governmental fund	\$ 115,552
Stormwater Utility	General Fund	<u>250,245</u>
		<u>\$ 365,797</u>

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 6. INTERFUND BALANCES AND TRANSFERS (CONTINUED)**

The outstanding balances between funds primarily result 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. All interfund balances are expected to be repaid within one year from the date of the financial statements.

**B. Transfers to/from Other Funds**

Transfers between funds during the year ended December 31, 2014, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
SPLOST IV	Nonmajor governmental fund	\$ 94,670

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

**NOTE 7. LONG-TERM DEBT**

At December 31, 2014, outstanding lease purchase contracts of the primary government (governmental activities) are as follows:

Lease contract for purchase of 6 public safety vehicles and public works equipment in the amount of \$250,829, payable in annual installments of \$87,112, including interest at 2.08% through March, 2016.	\$ 168,934
Less current portion	<u>(83,598)</u>
	<u>\$ 85,336</u>

Lease contract for purchase of 5 public safety vehicles and 1 public safety motorcycle in the amount of \$133,553, payable in annual installments of \$46,355, including interest at 2.05% through January, 2017.	\$ 133,553
Less current portion	<u>(43,617)</u>
	<u>\$ 89,936</u>



**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

The lease purchase contract in the amount of \$250,829 is collateralized by vehicles and equipment with a book value of \$150,058 at December 31, 2014. The remaining balance of principal and interest is due as follows:

	Principal	Interest	Total
2015	\$ 83,598	\$ 3,514	\$ 87,112
2016	85,336	1,775	87,111
	<u>\$ 168,934</u>	<u>\$ 5,289</u>	<u>\$ 174,223</u>

The lease purchase contract in the amount of \$133,553 is collateralized by vehicles and equipment with a book value of \$111,295 at December 31, 2014. The contract terms require principal and interest payments until maturity as follows:

	Principal	Interest	Total
2015	\$ 43,617	\$ 2,738	\$ 46,355
2016	44,512	1,843	46,355
2017	45,424	932	46,356
	<u>\$ 133,553</u>	<u>\$ 5,513</u>	<u>\$ 139,066</u>

Changes in primary government long-term debt during the year are summarized as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Lease purchase contracts:					
Vehicles & equipment <sup>(1)</sup>	\$ 307,878	\$ 133,553	\$ (138,944)	\$ 302,487	\$ 127,215
Compensated absences <sup>(2)</sup>	60,207	87,741	(71,097)	76,851	61,829
	<u>\$ 368,085</u>	<u>\$ 221,294</u>	<u>\$ (210,041)</u>	<u>\$ 379,338</u>	<u>\$ 189,044</u>

<sup>(1)</sup> Lease payments during the year for principal of \$138,944 and interest of \$6,558 for the purchase of vehicles and equipment were paid by the SPLOST IV Fund.

<sup>(2)</sup> Typically, compensated absences are paid by the General Fund. The City encourages and expects employees will use leave time annually, as it accrues.

**NOTE 8. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 8. RISK MANAGEMENT (CONTINUED)**

As a member 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 costs 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 any of the past three years.

The City carries commercial insurance for other risks of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the past three years.

**NOTE 9. RETIREMENT PLANS**

**A. Pension Plan**

The City's defined benefit pension plan, City of Holly Springs Retirement Plan (CHSRP), provides retirement, disability and death benefits to plan members and beneficiaries. CHSRP is affiliated with Georgia Municipal Employees' Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The GMEBS assigns the authority to establish and amend the benefit and contribution provisions of the plan to the respective employer entities; for the CHSRP, that authority rests with the City of Holly Springs, Georgia. Georgia Municipal Association has issued a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by contacting the Georgia Municipal Association at 201 Pryor Street, SW, Atlanta, GA 30303 or by calling (404) 688-0472.

**Funding Policy** - The City is required to contribute an actuarially determined amount annually to the CHSRP. The recommended contribution for the plan year beginning January 1, 2015 of \$107,525 is 8.15% of annual covered payroll, and includes the annual required contribution, administrative fees and an adjustment for timing contributions over twelve months. The contribution amount is determined using actuarial methods and assumptions approved by the GMEBS Board of Trustees and meets applicable State of Georgia funding standards. Plan members are not required to contribute to the plan. Employees are eligible after one year of employment and are vested after five years of service. Elected officials and city managers are eligible and become vested immediately upon employment. All plan costs are paid by the City.

**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 9. RETIREMENT PLANS (CONTINUED)**

Plan Membership

As of July 1, 2014, Plan membership consisted of the following:

Retired participants and beneficiaries	7
Vested former participants	24
Active participants	<u>36</u>
Total	<u><u>67</u></u>

Annual Pension Cost - The City's actual contribution for calendar year 2014 of \$99,362 (7.56% of covered payroll) was based, in part, on the July 1, 2013, actuarial valuation and recommended contribution for the plan year beginning January 1, 2014. Annual required contributions are determined using the "projected unit credit" actuarial cost method and "closed level dollar" amortization method for remaining unfunded liability. The remaining amortization period varies for the bases, with a net effective amortization period of 11 years.

The asset valuation method utilizes the sum of the actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount 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.

The actuarial assumptions included (a) an investment rate of return of 7.75%, (b) projected salary increases of 3.5% plus age and service based merit increases, (c) inflation of 3.5%, and (d) cost of living adjustments of 0.00% (benefits do not increase after retirement). The actuarial value of CHSRP assets was determined using an "asset smoothing technique" which gradually incorporates investment performances that exceed or fall short of the expected investment rate of return of 7.75%.

The City's annual pension cost, percentage of annual pension cost contributed and net pension asset for the CHSRP for 2014 and each of the two previous years were as follows:

Trend Information for the CHSRP (Based on results of the July 1, 2014 actuarial valuation)			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
12/31/2014	\$ 95,383	100 %	\$ 2,594
12/31/2013	75,037	103	2,594
12/31/2012	71,807	100	-

**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 9. RETIREMENT PLANS (CONTINUED)**

The City's annual pension cost and net pension asset for the year ended December 31, 2014, were determined as follows:

Annual required contribution	\$ 91,743
Interest on net pension asset/obligation	-
Adjustment to annual required contribution	<u>3,640</u>
Annual pension cost	95,383
Administrative expenses	<u>3,979</u>
Total recommended contribution	99,362
Contribution made	<u>(99,362)</u>
Change in net pension asset/obligation	-
Net pension asset, beginning of year	<u>2,594</u>
Net pension asset, end of year	<u><u>\$ 2,594</u></u>

As of the most recent valuation date of July 1, 2014, the funded status of the CHSRP was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ 653,437	\$ 834,255	\$ 180,818	78.33 %	\$ 1,296,442	13.95 %

The schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

There were no changes in methods or assumptions from the prior valuation.

**B. Deferred Compensation Plan**

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation in the plan is open to the City's current employees. The City has elected to obtain an outside service provider for this plan. The City serves as the plan administrator.

In accordance with Section 457 of the Internal Revenue Code, plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. Investments are managed by the Plan's trustee under one of the investment options, or a combination thereof. Accordingly, the assets and liabilities of the deferred compensation plan are not included in the accompanying financial statements. During the year ending December 31, 2014, employees contributed \$15,760 to the plan. The City does not contribute to the plan.



**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 10. JOINT VENTURE**

The City, in conjunction with other cities and counties in the Atlanta Metropolitan area, is a member of the Atlanta Regional Commission (ARC). 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. The ARC Board membership includes the chief elected official of each county and appointed mayors from municipalities in the area. Georgia law also provides that the members are liable for any debts or obligations of the ARC (O.C.G.A. 50-8-39.1). Separate financial statements can be provided by contacting the ARC directly at:

Atlanta Regional Commission  
40 Courtland Street, NE  
Atlanta, GA 30303

**NOTE 11. HOTEL/MOTEL TAX REVENUES AND TOURISM EXPENDITURES**

The City imposes a 3% hotel/motel tax on lodging facilities within the City. During the year ended December 31, 2014, taxes of \$5,084 were collected. According to Georgia statute (O.C.G.A. 48-13-51), all taxes collected are required to be spent promoting tourism, conventions and trade shows. The City spent \$6,395 (126% of collections) for these purposes during 2014 and has budgeted additional expenditures for 2015.

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

Fire protection and emergency services are provided by the City through an intergovernmental agreement with Cherokee County, Georgia. The agreement covers a five (5) year period commencing October 1, 2013, and ending September 30, 2018, and includes a renewal provision for an additional five (5) year period. Compensation paid to Cherokee County for such services is determined by a calculation based on millage rates and the tax digest of the City, as defined and adjusted under terms of the agreement. The amount paid by the City for these services during 2014 was \$960,796.

In October, 2014 the City entered into a ten year option agreement terminating on December 31, 2024, for the purchase of 58.35 acres of land at a total price of \$3,500,000. The land will be used for a future City park. Under terms of the agreement, at execution the City made an initial payment of \$100,000 to the sellers and is further committed to nine additional payments due annually beginning in 2015 for \$100,000 each. In exchange for the initial payment in 2014, and each year thereafter, in exchange for the annual payment, the sellers will transfer to the City 1.66 acres. In the event the City elects to exercise its option to purchase the remaining property, the total of the initial and annual payments made shall be applied towards the purchase price at closing. At closing, the remaining property, not previously transferred to the City in exchange for the initial or annual payments, shall be transferred to the City. City management expects that proceeds from a future SPLOST will provide funding necessary to exercise its option.

The City routinely enters into various other contracts and agreements in the ordinary course of business. Such commitments are typically not material to the accompanying financial statements.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

There are legal actions pending or threatened against the City in the ordinary course of business, which seek remedies or damages. Although no assurance can be given with respect to the ultimate outcome of these matters, the City believes that liability, if any, that may result from any of these matters would not have a material adverse effect on the accompanying financial statements or the City's ability to meet its obligations.

**NOTE 13. FUND BALANCE**

Fund balances of governmental funds presented in the accompanying governmental funds balance sheet are classified as follows:

Nonspendable: Amounts that are either not in spendable form or they are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for specific purposes as imposed by state or federal laws or constraints imposed by grantors or creditors.

Assigned: Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned: All amounts not included in other spendable classifications for the General Fund and negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The details of fund balances at December 31, 2014, are as follows:

**General Fund** – Prepaid items in the amount of \$42,510 are considered nonspendable fund balance. The residual balance of \$4,344,293 is classified as unassigned fund balance. Unassigned fund balance includes investments and cash totaling \$1,000,000 set aside for budget stabilization purposes (see Note 14).

**SPLOST IV Fund** – The amounts classified as restricted fund balance of \$932,702 can be spent only for legally authorized and approved capital projects, vehicles and equipment in accordance with the 2010 SPLOST referendum. (See Note 1B)

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 13. FUND BALANCE (CONTINUED)**

**Other Nonmajor Funds** – Fund balance classifications of other nonmajor funds are as follows:

<u>Nonmajor Funds</u>	<u>Purpose</u>	<u>Fund Balance</u>
<b>Restricted Fund Balances:</b>		
<u>Special Revenue Funds:</u>		
Multiple Grant	Purposes specified by grantors of monies received from various federal and state agencies	\$ 37,015
Hotel/Motel	Promote tourism, conventions and trade shows	8,017
<u>Capital Projects Funds:</u>		
Capital Grant	Acquire or construct capital projects	11,600
SPLOST III	Streets, sidewalks, downtown development and other purposes	192,264
Total Restricted Fund Balances		<u>\$ 248,896</u>
<b>Assigned Fund Balance:</b>		
<u>Special Revenue Fund:</u>		
Parks and Recreation	Acquire and maintain parks and recreation facilities	<u>\$ 623,374</u>

**NOTE 14. RESTRICTED ASSETS**

Restrictions on cash and investments in the government-wide Statement of Net Position at December 31, 2014, are as follows:

<u>Governmental activities:</u>	
Restricted cash:	
General Fund - for law enforcement purposes	\$ 2,220
General Fund - for budget stabilization purposes	635,000
SPLOST IV Fund - for acquisition or construction of legally authorized infrastructure, facilities, vehicles and equipment (See Note 1B)	686,279
Nonmajor funds - for purposes of grants received	160,921
Nonmajor fund - for streets, sidewalks, downtown development and other purposes	194,422
Nonmajor fund - for tourism, conventions, and trade shows	8,041
Total restricted cash	<u>\$ 1,686,883</u>
Restricted investments - for budget stabilization purposes	<u>\$ 365,000</u>

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**NOTE 14. RESTRICTED ASSETS (CONTINUED)**

In 2008, the City Council adopted the City of Holly Springs Financial Management Policy (the "Policy"). Section II G of the Policy provides for a fund balance reserve in the General Fund for working capital to cover expenditures caused by unforeseen emergencies or revenue shortfalls, and to eliminate short-term borrowing for cash flow purposes. The Policy also provides that this reserve shall accumulate and be maintained at approximately sixteen percent (16%) of budgeted expenditures of the General Fund. In the event City management anticipates the need to tap into the budget stabilization resources fund, the City Council must give formal approval for the withdrawal and use of the funds. Each year, with the adoption of the General Fund budget, the balance of the budget stabilization resources fund is evaluated by City management to ensure that the balance approximates at least sixteen percent (16%) of the approved General Fund budgeted expenditures.

At December 31, 2014, General Fund cash of \$635,000 and investments of \$365,000 were set aside for budget stabilization purposes by resolution of the City Council and are reported as restricted assets in the Statement of Net Position. Because the Policy and the resolution do not provide sufficient specificity regarding the circumstances whereby use of these funds would be allowed, classification as committed fund balance by the governmental funds is not appropriate. Accordingly, such amounts are included in unassigned fund balance in the accompanying governmental funds balance sheet.



# Required Supplementary Information



**CITY OF HOLLY SPRINGS, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 2,500,400	\$ 2,649,250	\$ 2,911,695	\$ 262,445
Franchise taxes	435,000	525,000	578,242	53,242
Business taxes	507,500	508,500	612,157	103,657
Licenses and permits	218,550	433,815	642,420	208,605
Intergovernmental	1,000	1,200	1,200	-
Charges for services	16,800	15,350	42,773	27,423
Fines and forfeitures	376,000	425,500	411,035	(14,465)
Interest	7,500	7,500	7,061	(439)
Other revenues	34,750	41,885	71,929	30,044
Total revenues	4,097,500	4,608,000	5,278,512	670,512
Expenditures				
Current:				
General government:				
Governing body	78,288	73,238	68,420	4,818
Elections	7,500	-	-	-
General administration	636,854	1,164,854	1,072,299	92,555
Total general government	722,642	1,238,092	1,140,719	97,373
Judicial (municipal court)	240,180	283,480	211,556	71,924
Public safety:				
Police services	1,537,815	1,682,315	1,557,488	124,827
Fire services	960,796	960,796	960,796	-
Total public safety	2,498,611	2,643,111	2,518,284	124,827
Public works:				
Highways and streets	301,267	432,017	302,596	129,421
Street and traffic lights	77,000	87,500	73,676	13,824
Total public works	378,267	519,517	376,272	143,245
Culture and recreation (regional library)	4,000	4,000	4,000	-
Housing and development (community development)	271,300	356,800	292,479	64,321
Total expenditures	4,115,000	5,045,000	4,543,310	501,690
Excess (deficiency) of revenues over expenditures	(17,500)	(437,000)	735,202	1,172,202
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	17,500	7,000	19,358	12,358
Transfers out	(500,000)	(25,000)	-	25,000
Total other financing sources (uses)	(482,500)	(18,000)	19,358	37,358
Net change in fund balance	(500,000)	(455,000)	754,560	1,209,560
Fund balance, beginning of year	3,632,243	3,632,243	3,632,243	-
Fund balance, end of year	\$ 3,132,243	\$ 3,177,243	\$ 4,386,803	\$ 1,209,560

*The accompanying notes to RSI are an integral part of this schedule.*

**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**A. BUDGETS AND BUDGETARY CONTROL**

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Annual budgets are adopted for the General Fund and all special revenue funds. The budget is adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by department, which constitutes the legal level of control. Budget revisions at this level are subject to final review by the City Council. Revisions to the budget were made throughout the year.

During the year ended December 31, 2014, General Fund departmental expenditures did not exceed appropriated budget amounts.



**CITY OF HOLLY SPRINGS, GEORGIA  
SCHEDULE OF FUNDING PROGRESS FOR THE  
CITY OF HOLLY SPRINGS RETIREMENT PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2014**

***Funded Status***

The schedule below sets forth required supplementary information to be disclosed in the Schedule of Funding Progress for the City. The information presented is based on the actuarial valuation date:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/2014	\$ 653,437	\$ 834,255	\$ 180,818	78.33 %	\$ 1,296,442	13.95 %
7/1/2013	538,737	718,337	179,600	75.00	1,292,170	13.90
7/1/2012	440,331	598,708	158,377	73.55	1,085,857	14.59
7/1/2011	356,464	549,601	193,137	64.86	1,086,781	17.77
7/1/2010	275,904	388,074	112,170	71.10	1,290,625	8.69
10/1/2009	241,871	340,221	98,350	71.09	1,257,139	7.82

***Effect of plan changes on the actuarial accrued liability***

The effect on the actuarial accrued liability of any current-year changes in actuarial assumptions or benefit provisions is as follows:

The plan provisions valued and the actuarial assumptions and cost methods used are the same as those used in the preceding valuation.

***Effect of plan changes on recommended contributions***

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is as follows:

The plan provisions valued and the actuarial assumptions and cost methods used are the same as those used to determine the contribution requirement for the preceding year.

The actuarial assumptions used are disclosed in the notes to the accompanying financial statements.



# Nonmajor Governmental Funds



**CITY OF HOLLY SPRINGS, GEORGIA**  
**NONMAJOR GOVERNMENTAL FUNDS**

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**Multiple Grant Fund** – To account for grant monies received from various Federal and State agencies and the expenditure of these monies for the purposes intended.

**Parks and Recreation Fund** – To account for the collection of selective sales taxes assigned to the fund, donations and other charges for the purposes of providing parks and recreation facilities to residents of the City.

**Hotel/Motel Fund** – To account for the collection and expenditure of selective sales tax for the purposes of tourism promotion within the City.

**Capital Grant Fund** – To account for grant monies received from various Federal and State agencies and the expenditure of these monies for the purposes of the capital projects intended.

**SPLOST III Fund** – To account for the collection of Special Purpose Local Option Sales Tax and other revenues and the expenditure of these monies for the purposes intended.

**CITY OF HOLLY SPRINGS, GEORGIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2014**

	Special Revenue			Capital Projects		
	Multiple Grant	Parks and Recreation	Hotel/Motel	Capital Grant	SPLOST III	Total
Assets						
Cash	\$ 37,327	\$ 597,927	\$ 8,041	\$ 123,594	\$ 194,422	\$ 961,311
Accounts receivable	-	31,316	491	-	122,262	154,069
Due from other governments	18,494	-	-	1,400	-	19,894
Total assets	\$ 55,821	\$ 629,243	\$ 8,532	\$ 124,994	\$ 316,684	\$ 1,135,274
Liabilities						
Accounts payable	\$ 18,806	\$ 1,144	\$ 515	\$ -	\$ -	\$ 20,465
Deposits	-	4,725	-	-	-	4,725
Due to other funds	-	-	-	113,394	2,158	115,552
Total liabilities	18,806	5,869	515	113,394	2,158	140,742
Deferred Inflows of Resources						
Unavailable charges for services	-	-	-	-	122,262	122,262
Total deferred inflows of resources	-	-	-	-	122,262	122,262
Fund Balances						
Restricted	37,015	-	8,017	11,600	192,264	248,896
Assigned	-	623,374	-	-	-	623,374
Total fund balances	37,015	623,374	8,017	11,600	192,264	872,270
Total liabilities, deferred inflows of resources and fund balances	\$ 55,821	\$ 629,243	\$ 8,532	\$ 124,994	\$ 316,684	\$ 1,135,274

**CITY OF HOLLY SPRINGS, GEORGIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Special Revenue			Capital Projects		
	Multiple Grant	Parks and Recreation	Hotel/Motel	Capital Grant	SPLOST III	Total
<b>Revenues</b>						
Selective sales taxes	\$ -	\$ 292,400	\$ 5,084	\$ -	\$ -	\$ 297,484
Licenses and permits	-	-	-	-	20,874	20,874
Intergovernmental	303,716	-	-	-	-	303,716
Charges for services	-	9,575	-	-	-	9,575
Interest	18	528	7	57	193	803
Donations from private sources	-	2,150	-	-	-	2,150
Other revenues	-	2,357	-	-	-	2,357
<b>Total revenues</b>	<b>303,734</b>	<b>307,010</b>	<b>5,091</b>	<b>57</b>	<b>21,067</b>	<b>636,959</b>
<b>Expenditures</b>						
Current:						
Health and welfare	303,938	-	-	-	-	303,938
Culture and recreation	-	126,547	-	-	-	126,547
Housing and development	-	-	6,395	-	-	6,395
Capital outlay:						
Culture and recreation	-	144,602	-	-	-	144,602
<b>Total expenditures</b>	<b>303,938</b>	<b>271,149</b>	<b>6,395</b>	<b>-</b>	<b>-</b>	<b>581,482</b>
Excess of revenues over (under) expenditures	(204)	35,861	(1,304)	57	21,067	55,477
<b>Other Financing Sources (Uses):</b>						
Transfers out	-	-	-	(94,670)	-	(94,670)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(94,670)</b>	<b>-</b>	<b>(94,670)</b>
Net change in fund balances	(204)	35,861	(1,304)	(94,613)	21,067	(39,193)
<b>Fund balances, beginning of year</b>	<b>37,219</b>	<b>587,513</b>	<b>9,321</b>	<b>106,213</b>	<b>171,197</b>	<b>911,463</b>
<b>Fund balances, end of year</b>	<b>\$ 37,015</b>	<b>\$ 623,374</b>	<b>\$ 8,017</b>	<b>\$ 11,600</b>	<b>\$ 192,264</b>	<b>\$ 872,270</b>



**CITY OF HOLLY SPRINGS, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)**  
**MULTIPLE GRANT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Intergovernmental	\$ 297,000	\$ 303,900	\$ 303,716	\$ (184)
Interest	100	100	18	(82)
<b>Total revenues</b>	<u>297,100</u>	<u>304,000</u>	<u>303,734</u>	<u>(266)</u>
<b>Expenditures</b>				
Current:				
Health and welfare	<u>297,100</u>	<u>304,000</u>	<u>303,938</u>	<u>62</u>
<b>Total expenditures</b>	<u>297,100</u>	<u>304,000</u>	<u>303,938</u>	<u>62</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(204)</u>	<u>(204)</u>
Net change in fund balance	-	-	(204)	(204)
<b>Fund balance, beginning of year</b>	<u>37,219</u>	<u>37,219</u>	<u>37,219</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 37,219</u></u>	<u><u>\$ 37,219</u></u>	<u><u>\$ 37,015</u></u>	<u><u>\$ (204)</u></u>

**CITY OF HOLLY SPRINGS, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)**  
**PARKS AND RECREATION FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Selective sales tax	\$ 270,000	\$ 270,000	\$ 292,400	\$ 22,400
Charges for services	-	-	9,575	9,575
Interest	-	-	528	528
Donations from private sources	147,036	147,036	2,150	(144,886)
Other revenues	110,000	110,000	2,357	(107,643)
<b>Total revenues</b>	<u>527,036</u>	<u>527,036</u>	<u>307,010</u>	<u>(220,026)</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	231,700	231,700	126,547	105,153
Capital outlay:				
Culture and recreation	<u>295,336</u>	<u>295,336</u>	<u>144,602</u>	<u>150,734</u>
<b>Total expenditures</b>	<u>527,036</u>	<u>527,036</u>	<u>271,149</u>	<u>255,887</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>35,861</u>	<u>35,861</u>
Net change in fund balance	-	-	35,861	35,861
<b>Fund balance, beginning of year</b>	<u>587,513</u>	<u>587,513</u>	<u>587,513</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 587,513</u>	<u>\$ 587,513</u>	<u>\$ 623,374</u>	<u>\$ 35,861</u>

**CITY OF HOLLY SPRINGS, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)**  
**HOTEL/MOTEL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Selective sales tax	\$ 3,000	\$ 5,000	\$ 5,084	\$ 84
Interest	-	-	7	7
Total revenues	3,000	5,000	5,091	91
Expenditures				
Current:				
Housing and development	4,500	6,500	6,395	105
Total expenditures	4,500	6,500	6,395	105
Excess of revenues over (under) expenditures	(1,500)	(1,500)	(1,304)	196
Net change in fund balance	(1,500)	(1,500)	(1,304)	196
Fund balance, beginning of year	9,321	9,321	9,321	-
Fund balance, end of year	\$ 7,821	\$ 7,821	\$ 8,017	\$ 196

# Fiduciary Funds





## **CITY OF HOLLY SPRINGS, GEORGIA**

### **FIDUCIARY FUNDS**

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#### **AGENCY FUND:**

**Municipal Court Fund** – To account for the collection of cash appearance bonds, court fines and miscellaneous charges and related payments to other governments.

**CITY OF HOLLY SPRINGS, GEORGIA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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<b>Municipal Court Fund</b>	<b>Balance January 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2014</b>
<b>Assets</b>				
Cash	\$ -	\$ 188,759	\$ 165,624	\$ 23,135
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 188,759</u>	<u>\$ 165,624</u>	<u>\$ 23,135</u>
<b>Liabilities</b>				
Due to others	\$ -	\$ 188,759	\$ 165,624	\$ 23,135
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 188,759</u>	<u>\$ 165,624</u>	<u>\$ 23,135</u>

# Statistical Section



## STATISTICAL SECTION

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

	<u>Page</u>
<b>Financial Trends</b> .....	63
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b> .....	67
These schedules contain information to help the reader assess the City's most significant local revenue source, Property Tax.	
<b>Debt Capacity</b> .....	71
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.	
<b>Demographic and Economic Information</b> .....	73
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b> .....	75
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 HOLLY SPRINGS, GEORGIA**  
**NET POSITION BY COMPONENT**  
**LAST NINE YEARS**  
**(accrual basis of accounting)**

	2014	2013	2012	2011
Governmental activities				
Net investment in capital assets	\$ 17,729,864	\$ 16,922,381	\$ 14,963,807	\$ 14,655,782
Restricted	989,334	1,121,547	1,435,263	1,459,236
Unrestricted	7,970,470	6,763,202	5,800,393	5,225,210
Total government activities net position	<u>\$ 26,689,668</u>	<u>\$ 24,807,130</u>	<u>\$ 22,199,463</u>	<u>\$ 21,340,228</u>
Business-type activities (1)				
Net investment in capital assets	\$ 2,417,431	\$ 2,198,900	\$ 843,003	\$ 749,678
Unrestricted	703,168	801,436	621,855	530,051
Total business-type activities net position	<u>\$ 3,120,599</u>	<u>\$ 3,000,336</u>	<u>\$ 1,464,858</u>	<u>\$ 1,279,729</u>
Primary government				
Net investment in capital assets	\$ 20,147,295	\$ 19,121,281	\$ 15,806,810	\$ 15,405,460
Restricted	989,334	1,121,547	1,435,263	1,459,236
Unrestricted	8,673,638	7,564,638	6,422,248	5,755,261
Total primary government net position	<u>\$ 29,810,267</u>	<u>\$ 27,807,466</u>	<u>\$ 23,664,321</u>	<u>\$ 22,619,957</u>

- (1) The City of Holly Springs established its Stormwater Utility Fund (Business-Type Activity) in 2009. The first year of operation of the Stormwater Utility was in 2010.
- (2) The City of Holly Springs implemented the Governmental Accounting Standards Board (GASB) Statement No. 34 in 2004. This was the first year that the City reported data on the accrual basis. No accrual statements were prepared prior to 2004.

2010	2009	2008	2007	2006
\$ 14,613,696	\$ 14,624,875	\$ 14,092,914	\$ 13,658,687	\$ 12,057,141
1,242,434	1,373,131	974,914	568,928	183,569
4,457,419	3,718,313	3,441,017	3,129,749	2,878,882
<u>\$ 20,313,549</u>	<u>\$ 19,716,319</u>	<u>\$ 18,508,845</u>	<u>\$ 17,357,364</u>	<u>\$ 15,119,592</u>
\$ 758,950	\$ -	\$ -	\$ -	\$ -
328,145	-	-	-	-
<u>\$ 1,087,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,372,646	\$ 14,624,875	\$ 14,092,914	\$ 13,658,687	\$ 12,057,141
1,242,434	1,373,131	974,914	568,928	183,569
4,785,564	3,718,313	3,441,017	3,129,749	2,878,882
<u>\$ 21,400,644</u>	<u>\$ 19,716,319</u>	<u>\$ 18,508,845</u>	<u>\$ 17,357,364</u>	<u>\$ 15,119,592</u>

**CITY OF HOLLY SPRINGS, GEORGIA**  
**CHANGES IN NET POSITION**  
**LAST NINE YEARS**  
**(accrual basis of accounting)**

	2014	2013	2012	2011
<b>Expenses</b>				
General government	\$ 723,511	\$ 821,428	\$ 719,273	\$ 732,277
Judicial	213,602	222,432	200,673	187,181
Public safety	2,714,404	2,546,687	2,454,703	2,326,383
Public works	1,410,749	601,360	818,898	584,016
Health and welfare	303,924	346,239	292,991	234,056
Culture and recreation	145,443	85,757	90,174	44,086
Housing and development	305,589	1,081,899	647,357	661,674
Interest	7,428	13,256	27,701	40,884
Stormwater utility	202,889	155,272	123,079	73,074
<b>Total Expenses</b>	<b>\$ 6,027,539</b>	<b>\$ 5,874,330</b>	<b>\$ 5,374,849</b>	<b>\$ 4,883,631</b>
<b>Program Revenues</b>				
Charges for services:				
General government	\$ 118,227	\$ 93,365	\$ 100,235	\$ 74,092
Public safety	372,194	440,811	389,084	320,919
Public works	-	-	-	-
Culture and recreation	9,575	7,075	11,322	5,213
Housing and development	622,488	597,370	159,515	203,542
Stormwater utility	322,619	298,534	294,523	265,465
Operating grants and contributions:				
General government	1,359	9,446	-	2,550
Health and welfare	303,734	345,537	293,104	234,524
Culture and recreation	15,550	13,750	-	-
Capital grants and contributions:				
General government	-	87,489	-	-
Public safety	437,242	537,416	106,407	100,772
Culture and recreation	145,336	-	-	-
Public works	770,704	1,881,507	537,104	-
Housing and development	153,016	670	611,166	1,075,903
Stormwater utility	-	1,391,959	-	-
<b>Total Program Revenues</b>	<b>\$ 3,272,044</b>	<b>\$ 5,704,929</b>	<b>\$ 2,502,460</b>	<b>\$ 2,282,980</b>
<b>Total Net (Expense) Revenue</b>	<b>\$ (2,755,495)</b>	<b>\$ (169,401)</b>	<b>\$ (2,872,389)</b>	<b>\$ (2,600,651)</b>
<b>General Revenues and Other Changes in Net Position</b>				
Taxes:				
Property tax	\$ 3,212,535	\$ 2,899,441	\$ 2,591,089	\$ 2,647,071
Franchise tax	578,242	528,764	451,734	429,737
Business tax	612,157	561,690	551,174	513,649
Selective sales tax	297,484	262,465	262,572	244,667
Other revenues	50,284	52,912	50,932	49,936
Unrestricted investment earnings	7,594	7,274	9,252	6,832
<b>Total</b>	<b>\$ 4,758,296</b>	<b>\$ 4,312,546</b>	<b>\$ 3,916,753</b>	<b>\$ 3,891,892</b>
<b>Total Change in Net Position</b>	<b>\$ 2,002,801</b>	<b>\$ 4,143,145</b>	<b>\$ 1,044,364</b>	<b>\$ 1,291,241</b>

(1) The City of Holly Springs implemented GASB Statement No. 34 in 2004. This was the first year that the City reported data on the accrual basis. No accrual statements were prepared prior to 2004.

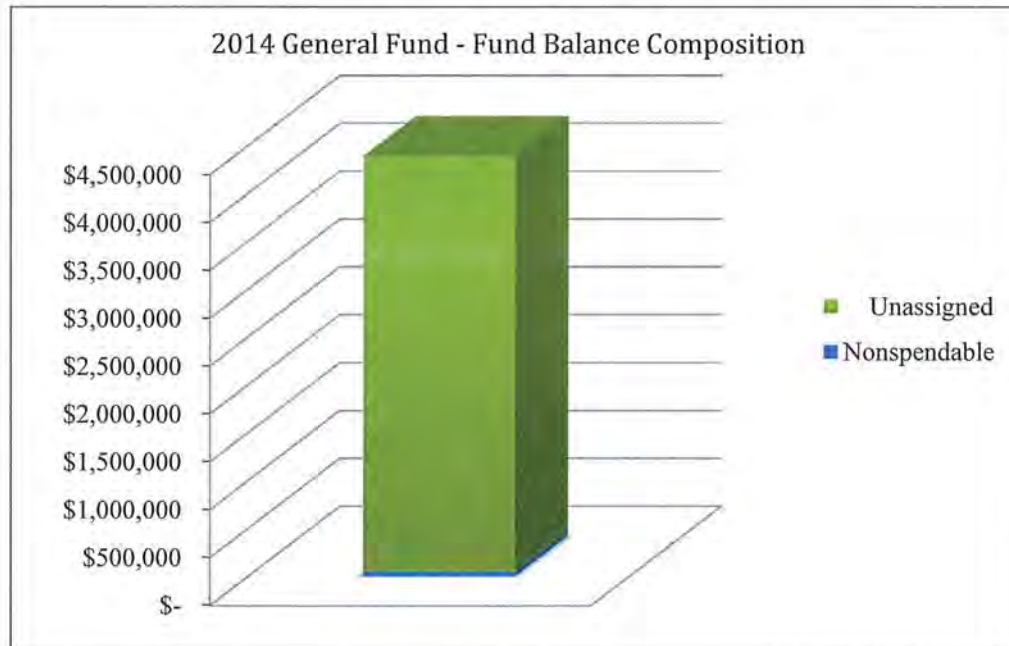
2010	2009	2008	2007	2006
\$ 692,663	\$ 787,818	\$ 641,435	\$ 555,615	\$ 973,362
190,427	275,904	245,928	188,116	-
2,266,681	2,205,715	1,182,108	1,108,435	1,189,244
528,658	575,436	988,756	556,387	534,006
160,192	146,791	-	-	-
41,577	64,376	936,884	814,310	190,259
864,632	669,986	451,827	542,979	401,919
57,140	27,525	2,974	-	23,304
20,690	-	-	-	-
<u>\$ 4,822,660</u>	<u>\$ 4,753,551</u>	<u>\$ 4,449,912</u>	<u>\$ 3,765,842</u>	<u>\$ 3,312,094</u>
\$ 24,808	\$ 81,044	\$ 234,919	\$ 736,525	\$ 86,580
285,136	364,452	413,607	459,592	369,718
-	-	-	-	-
6,437	1,375	5,675	-	5,109
189,352	317,736	329,684	-	945,154
358,911	-	-	-	-
16,845	-	4,804	-	-
160,192	205,316	-	-	-
-	1,014,595	356,069	-	-
1,452	31,996	5,000	319,138	9,828
-	-	-	44,704	5,178
875,643	21,873	-	860,308	2,878,730
800,413	-	-	751,495	-
-	-	-	-	-
<u>\$ 2,719,189</u>	<u>\$ 2,038,387</u>	<u>\$ 1,349,758</u>	<u>\$ 3,171,762</u>	<u>\$ 4,300,297</u>
<u>\$ (2,103,471)</u>	<u>\$ (2,715,164)</u>	<u>\$ (3,100,154)</u>	<u>\$ (594,080)</u>	<u>\$ 988,203</u>
\$ 2,553,574	\$ 2,473,086	\$ 1,882,727	\$ 1,882,727	\$ 1,539,090
502,270	352,179	279,482	279,482	281,164
303,995	665,507	591,073	591,073	475,212
231,086	-	-	-	-
88,743	61,470	5,042	5,042	70,356
4,362	6,459	131,232	131,232	70,206
<u>\$ 3,684,030</u>	<u>\$ 3,558,701</u>	<u>\$ 2,889,556</u>	<u>\$ 2,889,556</u>	<u>\$ 2,436,028</u>
<u>\$ 1,580,559</u>	<u>\$ 843,537</u>	<u>\$ (210,598)</u>	<u>\$ 2,295,476</u>	<u>\$ 3,424,231</u>



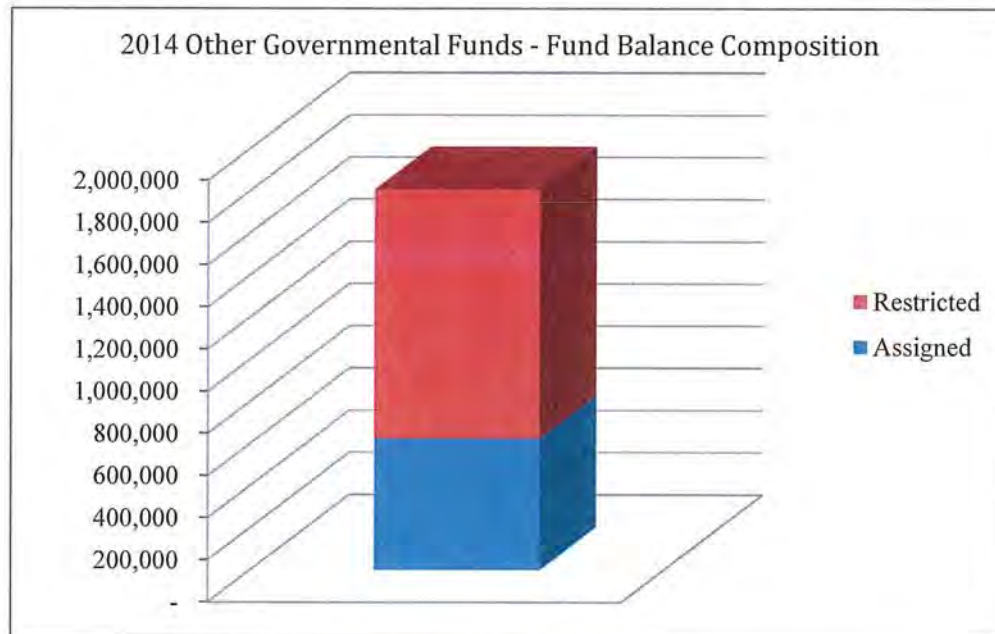
**CITY OF HOLLY SPRINGS, GEORGIA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN YEARS**  
**(modified accrual basis of accounting)**

	2014	2013	2012	2011
General fund				
Nonspendable	\$ 42,510	\$ 77,733	\$ 56,486	\$ 65,788
Unassigned	4,344,293	3,554,510	2,608,226	2,177,067
Total general fund	<u>\$ 4,386,803</u>	<u>\$ 3,632,243</u>	<u>\$ 2,664,712</u>	<u>\$ 2,242,855</u>
All other governmental funds				
Restricted	\$ 1,181,598	\$ 1,121,547	\$ 1,435,263	\$ 1,459,236
Assigned	623,374	587,513	425,332	454,963
Unassigned	-	-	-	(211,857)
Total all other governmental funds	<u>\$ 1,804,972</u>	<u>\$ 1,709,060</u>	<u>\$ 1,860,595</u>	<u>\$ 1,702,342</u>

The City of Holly Springs implemented Governmental Accounting Standards Board (GASB) Statement No. 54 in 2011. The City has retroactively applied the provisions of GASB Statement No. 54 to the fund balance data presented for the years prior to implementation in the table above.



2010	2009	2008	2007	2006	2005
\$ 60,518	\$ 21,009	\$ 59,758	\$ -	\$ 1,031	\$ 1,031
1,462,088	1,339,533	952,655	1,203,160	2,450,487	2,143,294
<u>\$ 1,522,606</u>	<u>\$ 1,360,542</u>	<u>\$ 1,012,413</u>	<u>\$ 1,203,160</u>	<u>\$ 2,451,518</u>	<u>\$ 2,144,325</u>
\$ 1,215,129	\$ 1,342,659	\$ -	\$ -	\$ -	\$ 98,342
496,117	310,889	144,176	24,055	13,823	36,761
(211,857)	(236,937)	975,198	568,928	388,691	983,666
<u>\$ 1,499,389</u>	<u>\$ 1,416,611</u>	<u>\$ 1,119,374</u>	<u>\$ 592,983</u>	<u>\$ 402,514</u>	<u>\$ 1,118,769</u>



**CITY OF HOLLY SPRINGS, GEORGIA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN YEARS**  
**(modified accrual basis of accounting)**

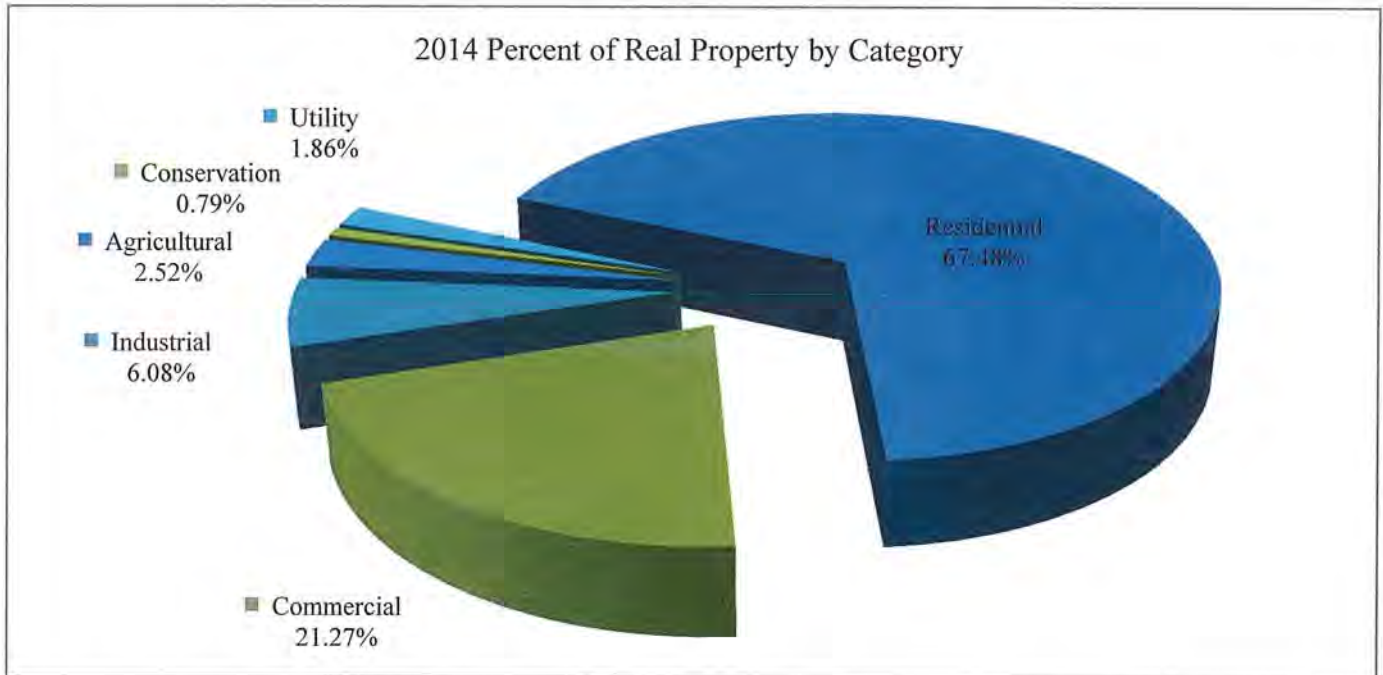
	2014	2013	2012	2011
<b>Revenues:</b>				
Taxes	\$ 4,399,578	\$ 4,202,032	\$ 3,926,975	\$ 3,806,897
Licenses and permits	692,844	661,322	226,580	245,884
Intergovernmental	1,664,757	1,444,195	1,530,436	1,427,110
Charges for services	52,348	30,356	23,546	35,623
Fines and forfeitures	411,035	427,464	367,364	284,208
Interest	8,728	8,968	11,383	8,093
Donations from private sources	15,181	22,559	-	-
Other revenue	61,255	58,972	85,282	48,996
<b>Total revenues</b>	<u>7,305,726</u>	<u>6,855,868</u>	<u>6,171,566</u>	<u>5,856,811</u>
<b>Expenditures:</b>				
Current:				
General government	678,717	693,305	695,848	707,668
Judicial	211,556	222,251	199,641	186,549
Public safety	2,518,284	2,343,040	2,324,164	2,187,997
Public works	370,357	236,884	252,305	272,116
Health and welfare	303,938	346,519	293,264	234,298
Culture and recreation	130,547	70,858	74,799	28,712
Housing and development	298,874	1,076,180	635,686	658,630
Capital outlay	1,950,389	784,233	615,706	348,202
Debt service:				
Principal	138,944	530,848	512,431	441,432
Interest	6,558	15,911	34,328	46,937
<b>Total expenditures</b>	<u>6,608,164</u>	<u>6,320,029</u>	<u>5,638,172</u>	<u>5,112,541</u>
<b>Excess(deficiency) of revenues over expenditures</b>	<u>697,562</u>	<u>535,839</u>	<u>533,394</u>	<u>744,270</u>
<b>Other financing sources (uses):</b>				
Issuance of capital lease	133,553	250,829	-	167,259
Proceeds from sale of capital assets	19,358	29,328	59,905	11,673
Contributions from private sources	-	-	-	-
Transfers in	94,670	650,189	269,145	266,485
Transfers out	(94,670)	(650,189)	(282,334)	(266,485)
<b>Total other financing sources (uses)</b>	<u>152,911</u>	<u>280,157</u>	<u>46,716</u>	<u>178,932</u>
<b>Net change in fund balances</b>	<u>\$ 850,473</u>	<u>\$ 815,996</u>	<u>\$ 580,110</u>	<u>\$ 923,202</u>
<b>Debt service as a percentage of noncapital expenditures:</b>	<u>3.12%</u>	<u>10.82%</u>	<u>11.55%</u>	<u>11.42%</u>

2010	2009	2008	2007	2006	2005
\$ 3,571,677	\$ 3,434,685	\$ 2,738,021	\$ 2,302,244	\$ 2,170,201	\$ 2,479,620
160,951	368,228	469,615	559,859	920,393	684,621
1,324,788	1,271,817	1,151,565	1,975,645	1,157,961	119,347
29,088	27,172	30,629	176,666	-	-
259,543	369,207	413,607	459,592	421,005	409,275
5,547	8,422	37,349	131,232	110,501	57,083
-	-	-	-	-	-
88,743	61,470	79,909	5,042	75,631	42,003
<u>5,440,337</u>	<u>5,541,001</u>	<u>4,920,695</u>	<u>5,610,280</u>	<u>4,855,692</u>	<u>3,791,949</u>
679,963	755,205	622,085	546,529	851,604	722,508
189,273	276,937	245,080	189,079	-	-
2,188,611	2,101,137	1,098,359	988,941	1,079,271	921,656
237,580	296,950	350,576	336,514	279,477	238,391
160,192	146,791	17,632	-	-	-
26,208	52,751	925,254	803,113	148,204	100,692
853,993	662,226	502,325	539,589	443,498	309,559
450,948	2,743,452	1,227,617	1,869,618	2,426,139	649,295
447,790	20,606	19,483	16,240	23,136	22,832
64,703	3,517	4,640	54,940	23,304	2,772
<u>5,299,261</u>	<u>7,059,572</u>	<u>5,013,051</u>	<u>5,344,563</u>	<u>5,274,633</u>	<u>2,967,705</u>
141,076	(1,518,571)	(92,356)	265,717	(418,941)	824,244
-	1,800,000	67,020	-	-	73,079
-	-	4,911	-	9,879	1,710
-	-	356,069	-	-	-
40,000	463,572	32,934	382,018	613,678	234,884
(40,000)	(463,572)	(32,934)	(382,018)	(613,678)	(234,884)
-	1,800,000	428,000	-	9,879	74,789
<u>\$ 141,076</u>	<u>\$ 281,429</u>	<u>\$ 335,644</u>	<u>\$ 265,717</u>	<u>\$ (409,062)</u>	<u>\$ 899,033</u>
<u>11.81%</u>	<u>5.62%</u>	<u>6.41%</u>	<u>2.09%</u>	<u>1.66%</u>	<u>1.12%</u>



**CITY OF HOLLY SPRINGS, GEORGIA**  
**ASSESSED VALUE AND ESTIMATED VALUE - ALL TAXABLE PROPERTY**  
**LAST TEN YEARS**

Fiscal Year	Real Property					
	Residential	Commercial	Industrial	Agricultural	Conservation	Utility
	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value
2005	98,779,720	30,635,120	11,812,440	10,787,800	312,200	3,135,720
2006	139,341,600	32,293,360	15,585,240	10,796,520	602,680	4,059,520
2007	196,631,600	39,999,000	16,161,840	10,152,520	602,680	4,205,080
2008	225,120,800	47,530,600	18,464,920	15,040,560	4,011,480	5,021,200
2009	215,318,520	52,415,520	19,101,520	14,485,600	4,638,800	5,489,520
2010	205,617,000	49,738,160	18,350,520	11,657,480	3,402,880	5,039,912
2011	195,170,640	49,082,800	15,871,720	8,800,520	2,924,400	4,868,234
2012	173,329,840	43,509,800	13,435,360	7,573,600	2,355,680	4,848,338
2013	182,094,854	58,770,035	17,330,187	7,690,760	2,403,480	5,690,880
2014	218,755,382	68,943,876	19,713,060	8,180,320	2,550,760	6,020,800

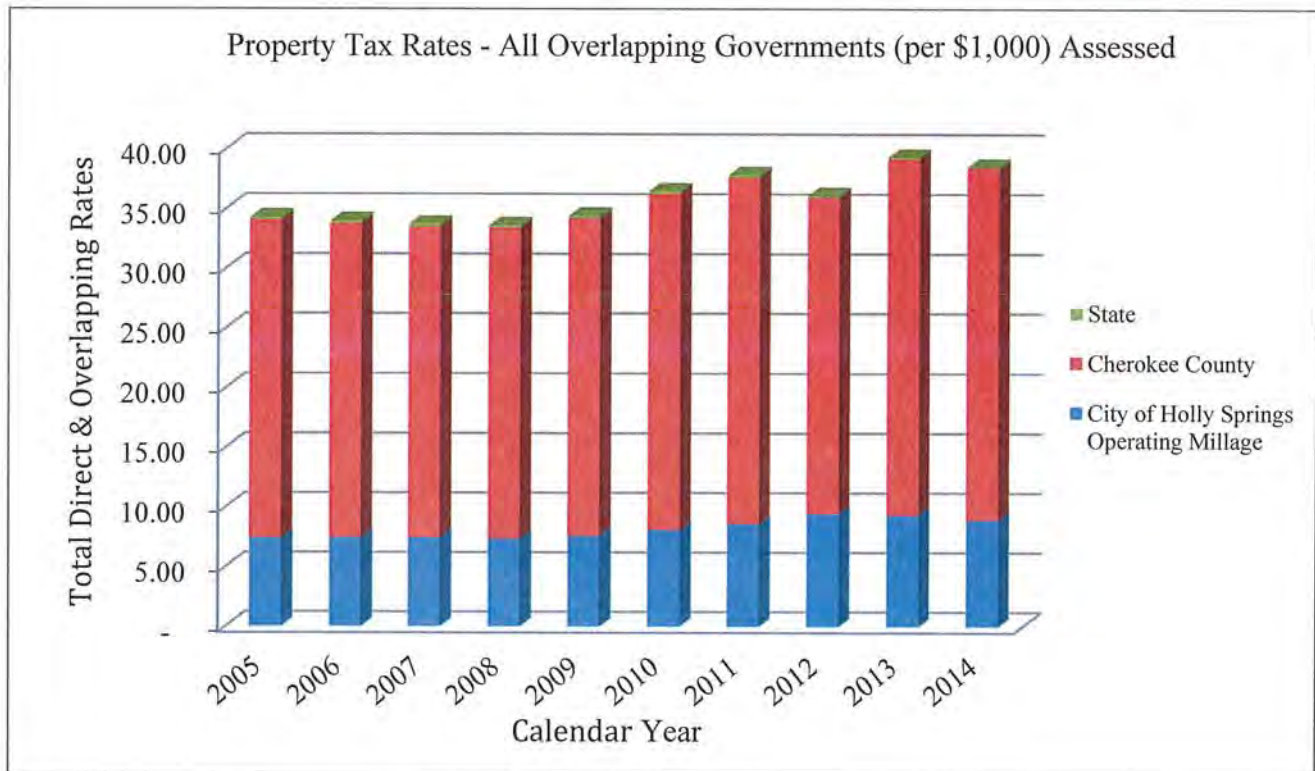


The Cherokee County Assessor performs property tax assessments on all property within Cherokee County including all of the cities therein. The fair market value is determined based on comparables for sales in the area and zoning and land use assumptions. The tax digest is submitted to the Georgia Department of Revenue annually for approval and is then distributed to each of the taxing entities to process the annual property tax bills. Taxes are calculated on forty percent (40%) of the assessed value and are due by December 20th in the year in which they are assessed.

Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a % of Actual Value
Motor Vehicles Assessed Value	Other Assessed Value					
7,592,440	11,623,808	2,447,945	174,679,248	7.421	436,698,120	40%
7,629,270	12,866,935	2,809,339	223,175,125	7.470	557,937,813	40%
10,134,600	15,019,714	4,658,508	292,907,034	7.470	732,267,585	40%
14,005,910	19,179,912	11,431,358	348,375,382	7.370	870,938,455	40%
16,082,960	20,173,626	7,555,307	347,706,066	7.607	869,265,165	40%
15,593,260	17,028,555	6,032,515	326,427,767	8.098	816,069,418	40%
16,393,730	18,132,908	4,853,117	311,244,952	8.598	778,112,380	40%
18,846,450	18,930,045	7,804,487	282,829,113	9.449	707,072,783	40%
20,947,510	95,200	5,186,207	295,022,906	9.373	737,557,265	40%
17,028,820	112,960	8,051,200	341,305,978	8.936	853,264,945	40%

**CITY OF HOLLY SPRINGS GEORGIA**  
**PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS**  
**(Per \$1000 of Assessed Value)**  
**LAST TEN YEARS**

Calendar Year	City of Holly Springs Operating Millage	Cherokee County	State	Total Direct & Overlapping Rates
2005	7.421	26.589	0.25	34.260
2006	7.470	26.247	0.25	33.967
2007	7.470	26.000	0.25	33.720
2008	7.370	25.973	0.25	33.593
2009	7.607	26.553	0.25	34.410
2010	8.098	28.148	0.25	36.496
2011	8.598	28.985	0.25	37.833
2012	9.449	26.455	0.20	36.104
2013	9.373	29.797	0.15	39.320
2014	8.939	29.458	0.10	38.497



**CITY OF HOLLY SPRINGS, GEORGIA  
PRINCIPAL TAXPAYERS  
CURRENT AND NINE YEARS AGO**

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Home Depot	\$ 6,480,324	2	1.90%			
Holly Springs LLC	5,264,840	1	1.54%	\$ 1,296,640	6	0.74%
East Cherokee Village	3,196,640	3	0.94%	3,010,840	1	1.72%
The Kroger Co.	2,669,322	4	0.78%	1,371,988	5	0.79%
Northside Hospital-Cherokee, Inc.	2,642,800	5	0.77%			
Windstream Georgia Comm Corp	1,608,936	6	0.47%	2,915,106	2	1.67%
Atlanta Gas Light Co.	1,452,432	7	0.43%			
Walgreens	1,409,205	8	0.41%			
Sawnee EMC	1,366,109	9	0.40%			
Toonigh Shops, LLC	1,064,800	10	0.31%	655,680	8	0.38%
Selas Fluid Processing	1,048,761	11	0.31%	1,623,144	4	0.93%
Holly Springs Macauley One LLC				2,640,560	3	1.51%
Publix Super Markets				749,326	7	0.43%
OCS Enterprises Inc.				243,560	10	0.14%
Chingis LLC				523,760	9	0.30%
	<u>\$ 28,204,169</u>		<u>8.26%</u>	<u>\$ 15,030,604</u>		<u>8.60%</u>



**CITY OF HOLLY SPRINGS, GEORGIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy (1)		Amount	Percentage of Levy
2005	1,178,092	1,132,607	96.14%	45,485	1,178,092	100.00%
2006	1,543,843	1,474,560	95.51%	69,283	1,543,843	100.00%
2007	2,008,919	1,918,104	95.48%	90,815	2,008,919	100.00%
2008	2,504,835	2,198,103	87.75%	306,732	2,504,835	100.00%
2009	2,537,493	2,143,664	84.48%	393,829	2,537,493	100.00%
2010	2,383,870	482,749	20.25%	1,895,475	2,378,224	99.76%
2011	2,392,266	1,997,607	83.50%	385,781	2,383,388	99.63%
2012	2,369,086	2,206,378	93.13%	152,891	2,359,269	99.59%
2013	2,426,198	2,192,899	90.38%	207,695	2,400,594	98.94%
2014	2,722,594	2,578,755	94.72%	N/A	2,578,755	94.72%

(1) The due date for the 2010 property tax digest was February 15, 2011. The normal due date for property taxes is December 20th annually (the same year as the taxes are billed).

(2) The City of Holly Springs entered into a contract with a private company in 2012 to pursue the collection of delinquent property tax receivable balances. The City conducted two tax sales through December 31, 2012 which were very successful. The City plans to hold an annual tax sale going forward to ensure that all of the delinquent property tax receivable balances are paid in full.

**CITY OF HOLLY SPRINGS, GEORGIA  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN YEARS**

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Fiscal Year	Capital Leases	<u>Governmental Activities</u>	
		Percentage of Personal Income	Per Capita
2005	73,079	0.03%	14
2006	47,475	0.02%	8
2007	24,339	0.01%	3
2008	42,897	0.02%	5
2009	1,822,291	0.81%	200
2010	1,374,501	0.61%	150
2011	1,100,328	0.49%	118
2012	587,897	0.26%	63
2013	307,878	0.13%	33
2014	302,487	0.12%	31

**CITY OF HOLLY SPRINGS, GEORGIA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**DECEMBER 31, 2014**

	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Holly Springs (1)	Amount Applicable to City of Holly Springs
Direct General Obligation Debt:			
Capital lease	302,487	100.00%	302,487
	<u>\$ 302,487</u>		<u>\$ 302,487</u>
Overlapping General Obligation Debt:			
Cherokee County - 2009 Issue	35,350,432	4.21%	1,486,857
Cherokee County - 2010 Issue	10,417,000	4.21%	438,144
Cherokee County - 2011 Issue	7,220,000	4.21%	303,677
Cherokee County School District	22,823,000	4.21%	959,947
Capital Lease for land acquisition	25,062	4.21%	1,054
Other Overlapping Debt:			
Cherokee County Resource Recovery Development Authority	<u>16,327,728</u>	4.21%	<u>686,752</u>
Total Overlapping Debt	<u>\$ 92,163,222</u>		<u>\$ 3,876,432</u>

Source: Information obtained from the Cherokee County, Georgia Comprehensive Annual Financial Report dated September 30, 2014.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by 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 the 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 HOLLY SPRINGS, GEORGIA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Median Age (4)</u>	<u>Average Education Level (5)</u>	<u>School Enrollment (6)</u>	<u>Unemployment Rate (7)</u>
2005	5,300	213,462,000	29,243	32.3	Some College	911	4.0%
2006	6,322	221,741,100	28,644	32.4	Some College	987	3.8%
2007	7,844	222,565,560	28,045	32.5	Some College	1,023	3.8%
2008	8,664	223,390,020	27,446	32.6	Some College	1,105	5.7%
2009	9,126	224,214,480	26,847	32.7	Some College	1,125	8.5%
2010	9,189	225,038,940	26,429	32.8	Some College	1,243	8.2%
2011	9,362	225,863,400	26,011	32.9	Some College	1,256	8.0%
2012	9,667	226,687,860	27,449	33.0	Some College	1,405	7.7%
2013	9,477	245,804,949	25,937	34.9	Some College	1,421	5.1%
2014	9,702	244,742,652	25,226	35.02	Some College	1,104	4.1%

(1) Population estimates from Cherokee Office of Economic Development

(2) Personal Income information from the US Census Bureau Quick Facts and American Fact Finder

(3) Per Capita Personal Income from US Census Bureau Quick Facts, American Fact Finder and estimates

(4) Median Age information from Cherokee Office of Economic Development

(5) Average Education Level from US Census Bureau Quick Facts, and American Fact Finder

(6) School Enrollment includes student population at Holly Springs Elementary provided by Cherokee County School District and Lyndon Academy

(7) Unemployment Rate provided by Georgia Department of Labor



**CITY OF HOLLY SPRINGS, GEORGIA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

Employer	2014			2005		
	Employees (1)	Rank	Percentage of Total City Employment(2)	Employees	Rank	Percentage of Total City Employment(2)
Walmart #5814	206	1	7.26%			
Aramark K-12	171	2	6.02%			
Hydro-Chem, A Division of Linde Eng.	125	3	4.40%	65	5	1.39%
Home Depot, USA, Inc.	91	4	3.21%			
Kroger Store #430	79	5	2.78%	79	2	1.69%
Publix Super Markets, Inc.	75	6	2.64%	75	4	1.61%
Cherokee County School District	75	7	2.64%	79	3	1.69%
Nor-Ral Plastics, Inc.	51	8	1.80%	35		0.75%
Southeast Restoration	34	9	1.20%			
Agilex Fragrance Division	36	10	1.27%	81	1	1.73%
Dominos Pizza				29	6	0.62%
Wendy's Old Fashion Burgers				29	7	0.62%
Marquis Tile, Inc.				25	8	0.54%
Welcome Home				25	9	0.54%
Globe Machine Co. Inc				21	10	0.45%
Total	<u>566</u>		19.94%	<u>\$ 543</u>		11.62%

(1) Information obtained from City of Holly Springs CLT/Occupational Tax System and Cherokee Cty School District  
(2) Information obtained from the U.S. Census Bureau Fact Finder - Employment Status

**CITY OF HOLLY SPRINGS, GEORGIA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN YEARS**

<b>Function</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
General Government						
Management	3.0	4.0	2.0	2.0	2.0	2.0
Finance	1.0	1.0	1.0	1.0	1.0	1.0
Technology	1.0	1.0	1.0	1.0	1.0	1.0
Judicial						
Municipal Court	2.0	2.0	2.0	2.0	2.0	2.0
Public Safety						
Police Officers	16.0	16.0	14.0	14.0	13.0	14.0
Police Administration	4.0	4.0	4.0	4.0	4.0	4.0
Public Works						
Streets	3.0	3.0	3.0	3.0	2.0	3.0
Culture and Recreation						
Parks	-	-	1.0	1.0	1.0	1.0
Housing and Development						
Building	2.0	2.0	2.0	2.0	2.0	6.0
Planning and Zoning	1.0	1.0	1.0	1.0	1.0	1.0
Stormwater (1)	1.0	2.0	1.0	0.5	0.5	0.0
<b>Total</b>	<b>34.0</b>	<b>36.0</b>	<b>32.0</b>	<b>31.5</b>	<b>29.5</b>	<b>35.0</b>

(1) The City of Holly Springs Stormwater Fund was first established by the City Council in 2009. The first year of operation of the stormwater utility was in 2010.

2008	2007	2006	2005
2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0
2.0	2.0	2.0	2.0
15.0	15.0	14.0	12.0
4.0	4.0	4.0	3.0
3.0	3.0	3.0	3.0
1.0	1.0	1.0	1.0
7.0	6.0	5.0	3.0
2.0	2.0	2.0	1.0
0.0	0.0	0.0	0.0
38.0	37.0	35.0	29.0

**CITY OF HOLLY SPRINGS, GEORGIA**  
**OPERATING INDICATORS BY FUNCTION**  
**LAST TEN YEARS**

<b>Function</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
General government					
Ordinances approved	12	11	11	11	8
Special events held	7	9	11	9	9
Occupation tax licenses issued (1)	539	909	913	917	860
Court					
Number of citations processed	2,804	2,468	2,178	1,869	2,080
Number & type of court sessions:					
Arraignments	25	25	19	21	22
Trials	7	7	6	4	4
Judge's seminars	4	3	3	4	-
Police					
Calls for service	27,501	26,056	24,426	30,558	17,623
Part 1 crimes reported	186	201	274	280	308
Public Works					
Number of potholes repaired	2	9	11	11	8
Miles of streets resurfaced	5.35	3.90	3.02	1.23	-
Community Development					
Building permits issued	297	136	140	130	109
Acres annexed	-	2.91	10.39	-	-
Culture and Recreation					
Park acres maintained	13	13	13	13	13
Stormwater					
Stormwater projects completed (2)	-	-	8	2	-

(1) Includes Home Occupation, Traditional Occupation Licenses and Insurance Licenses

(2) The first full year of operation for the City of Holly Springs Stormwater Fund was 2010.

No projects were completed until 2011.

N/A - This information is not available for the year indicated. The software on which many of these statistics were stored is no longer maintained by the City of Holly Springs



2009	2008	2007	2006	2005
9	8	5	6	10
9	8	7	7	7
768	748	N/A	N/A	N/A
2,815	2,568	3,802	3,337	3,454
21	23	18	19	19
5	6	5	5	5
-	-	-	-	-
23,180	N/A	N/A	N/A	N/A
237	263	228	248	N/A
N/A	N/A	N/A	N/A	N/A
1.75	-	-	15.17	6.88
180	299	458	579	451
-	-	-	123.00	224.00
13	13	13	13	13
-	-	-	-	-

**CITY OF HOLLY SPRINGS, GEORGIA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN YEARS**

<b>Function</b>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol Units	16	13	13	13	13	13
Public Works						
Streets (miles)	59	59	59	59	59	59
Parks and Recreation						
Acreage of Parks (1)	46	46	46	46	46	13
Playgrounds	2	2	2	2	2	2
Baseball Fields	1	1	1	1	1	1
Community Center	1	1	1	1	1	1

(1) Acreage of Parks includes thirty-three acres of land purchased by the City of Holly Springs on Hickory Road in 2010 for use as a passive park. Construction is not scheduled for completion until 2015.

2008	2007	2006	2005
1	1	1	1
13	10	9	8
44	44	44	44
13	13	13	13
2	2	2	2
1	1	1	1
1	1	1	1

# Internal Control & Compliance Section





# RL Jennings & Associates, PC

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### 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*

To the Honorable Mayor  
and Members of City Council  
City of Holly Springs, 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 Holly Springs, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Holly Springs, Georgia's basic financial statements and have issued our report thereon dated June 12, 2015.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Holly Springs, 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 Holly Springs, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Holly Springs, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (See finding 2008-01)

## **Compliance and Other Matters**

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

## **City of Holly Springs, Georgia's Response to Findings**

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

## **Purpose of this Report**

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

*R L Jennings & Associates, PC*

Ellijay, Georgia

June 12, 2015

**CITY OF HOLLY SPRINGS, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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We consider the following finding to be a significant deficiency in internal control:

Repeat finding from prior years

2008-01 Lack of Segregation of Duties (Internal Control)

*Criteria:* Segregation of employees' duties is common practice in an effective internal control structure. Policies should be in place requiring the segregation of duties involving cash receipts, cash disbursements, payroll, general ledger and bank reconciliation.

*Condition/Context:* During the course of our audit, we noted that certain critical duties in these areas have been combined and assigned to available employees.

*Effect:* Without proper segregation of duties within these functions, there is increased risk that City assets could be misappropriated or that errors could occur in the accounting records and remain undetected and uncorrected.

*Cause:* The limited number of employees working in the office and the resulting overlapping of duties causes segregation of duties to be difficult. Additionally, employee turnover can result in duties being performed by available personnel.

*Recommendation:* To the extent feasible, duties should be segregated to maintain the best control system possible. Responsibilities for preparing payroll, processing cash receipts, reconciling bank accounts and maintaining the general ledger should be segregated to the extent possible. Segregation of duties could be improved if different employees performed these separate duties. In situations where additional employees are not available, management should look for and consider alternative solutions to achieve the greatest possible segregation of duties. Continued Council involvement in the City's finances is encouraged to strengthen internal controls.

*Response:* Due to lack of sufficient staff in the Finance Department, the City of Holly Springs utilizes elected officials to sign all checks and approve purchases over certain dollar thresholds. Duties in the Finance Department are rotated and the staff is cross-trained on all functions.



# State Section





**CITY OF HOLLY SPRINGS, GEORGIA**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
Special Use Sales Tax 2004 - SPLOST III						
Streets and sidewalks	\$ 3,407,000	\$ 3,407,000	\$ 2,779,246	\$ -	\$ 2,779,246	82%
New city hall	2,600,000	2,600,000	4,125,438	-	4,125,438	159%
Downtown square and streetscapes	1,602,705	1,602,705	-	-	-	0%
Public safety and public works vehicles and equipment	219,000	219,000	206,487	-	206,487	94%
	<u>\$ 7,828,705</u>	<u>\$ 7,828,705</u>	<u>\$ 7,111,171</u>	<u>\$ -</u>	<u>\$ 7,111,171</u>	
Special Use Sales Tax 2010 - SPLOST IV						
Transportation facilities and improvements	\$ 3,100,000	\$ 3,100,000	\$ 630,529	\$ 856,099	\$ 1,486,628	48%
Law enforcement facilities, vehicles and equipment	1,700,000	1,700,000	370,137	545,727	915,864	54%
Sewer system infrastructure, facilities and equipment	750,000	750,000	77,080	81,546	158,626	21%
City hall administrative offices, facilities and equipment	755,000	755,000	50,751	-	50,751	7%
Public works, fire, fleet vehicles and equipment	410,200	410,200	60,185	-	60,185	15%
	<u>\$ 6,715,200</u>	<u>\$ 6,715,200</u>	<u>\$ 1,188,682</u>	<u>\$ 1,483,372</u>	<u>\$ 2,672,054</u>	

**Notes to schedule:**

The above schedule has been prepared using the modified accrual basis of accounting.

SPLOST IV expenditures during 2014 were partially funded by capital lease financing in the amount of \$133,553 and transfers in of \$94,670 from the Capital Grant Fund as local match on the City's LCI Project.