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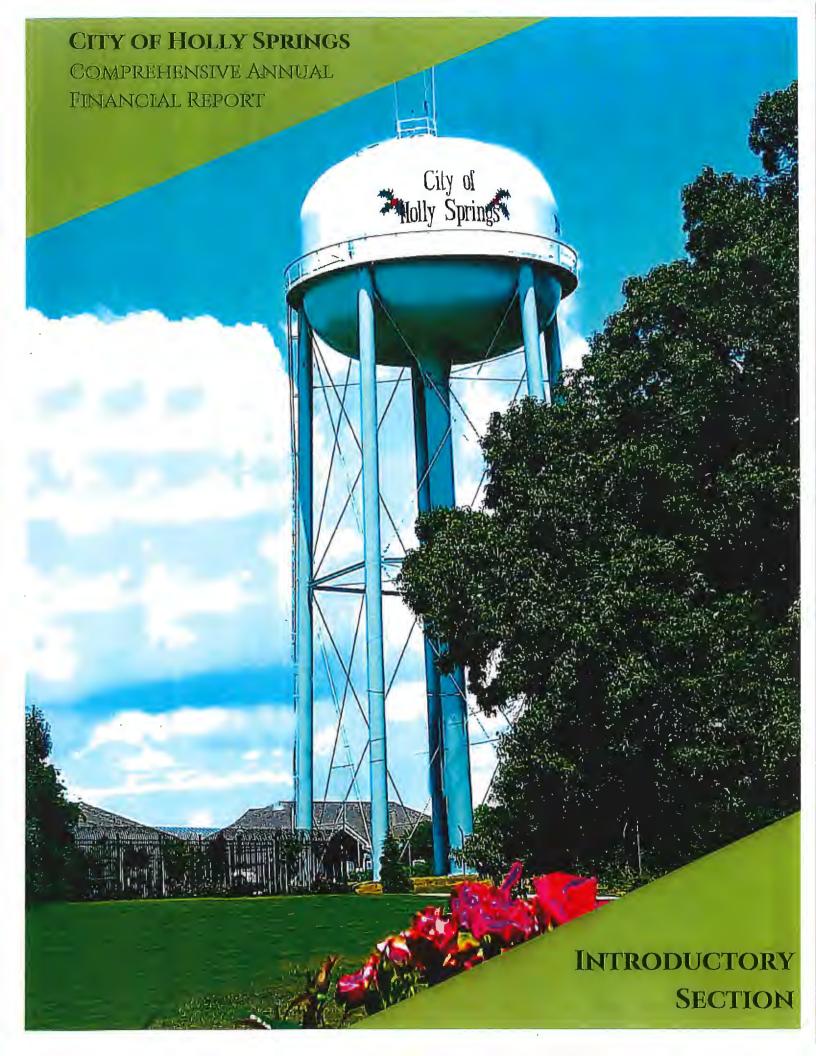
# CITY OF HOLLY SPRINGS, GEORGIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2015

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# CITY OF HOLLY SPRINGS, GEORGIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2015

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Mayor Timothy B. Downing

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



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 10, 2016

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, 2015, 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, 2015 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 unmodified opinion that the City of Holly Springs' financial statements for the year ended December 31, 2015 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 6.91 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 projects 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%
2015	10,740	4.59%

#### 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. In addition, the City started construction in the summer of 2016 to realign and upgrade the intersection of Hickory Road, Holly Springs Parkway and Rickman Industrial Drive to improve the flow of traffic in downtown.

#### 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. The project was completed in 2015 and will provide sanitary sewer for the proposed Downtown Holly Springs Redevelopment Project and various industries in the Hickory Springs Industrial Park.

#### Availability of Large Tracts of Land

The eastern section of Holly Springs continues to experience many land use changes primarily due to the large areas of vacant land in this area. Several large parcels were annexed and rezoned in 2015 for residential and mixed use development.

#### Recent Economic Development

Construction started in 2016 on a Nissan dealership on Holly Springs Parkway near the Holly Springs Station Shopping Center at Exit 14 on I-575. Upon completion, the dealership will provide 80 jobs and generate additional sales tax and property tax revenues for the City. Construction has also started on a new commercial center including a new free-standing restaurant on Sixes Road at Exit 11 on I-575.

The Georgia Department of Transportation started the Northwest Corridor Project on I-575 and I-75 in 2015. This public/private partnership will add reversible toll lanes along I-575 and I-75 to alleviate traffic congestion throughout the northwestern section of Metro Atlanta. The northern terminus of the project is at the intersection of I-575 and Sixes Road near Exit 11. Upon completion in 2017, this project is expected to generate a great deal of commercial growth within the southern section of the City.

#### **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 2016.

#### 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 2017.

#### 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. Construction started in 2015 and is expected to be complete in late 2016.

#### J.B. Owens Park Project

The City of Holly Springs and the Cherokee County Board of Commissioners completed the construction of a passive park on Hickory Road near Harmony on the Lakes in late 2015. The park consists of thirty-three acres of hard and soft surface trails, an open field, playground and pavilions. The park was funded from an allocation of \$1.5 million from the Cherokee County Parks Bond Program.

#### 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 Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Holly Springs for its comprehensive annual financial report for the fiscal year ended December 31, 2014. This was the third consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

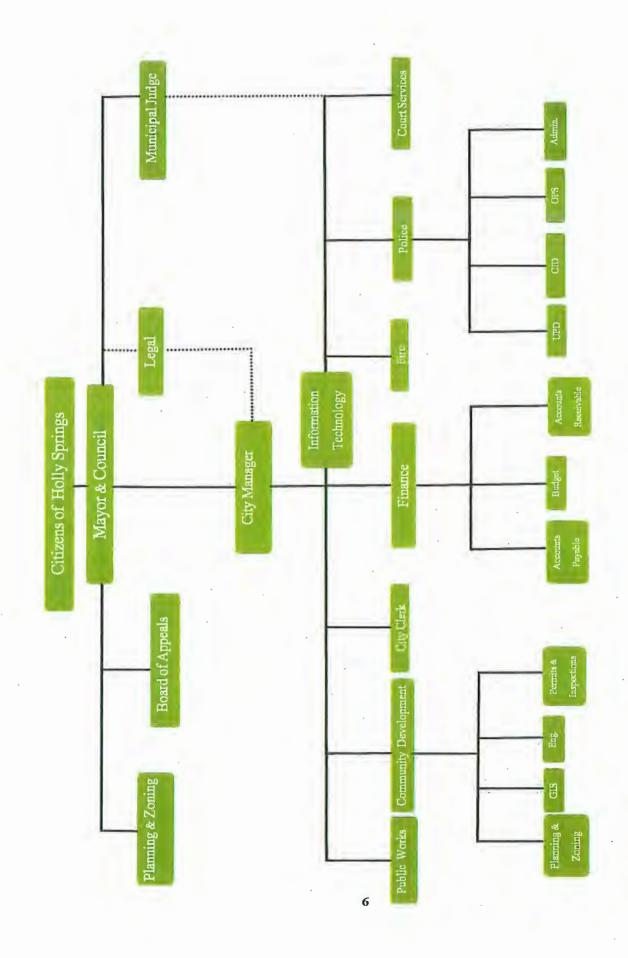
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### 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





COMPREHENSIVE ANNUAL

FINANCIAL REPORT







Mayor Pro Tem Michael Roy Zenchuk (



Councilmember Karen Barnett



Councilmember Dee Phillips

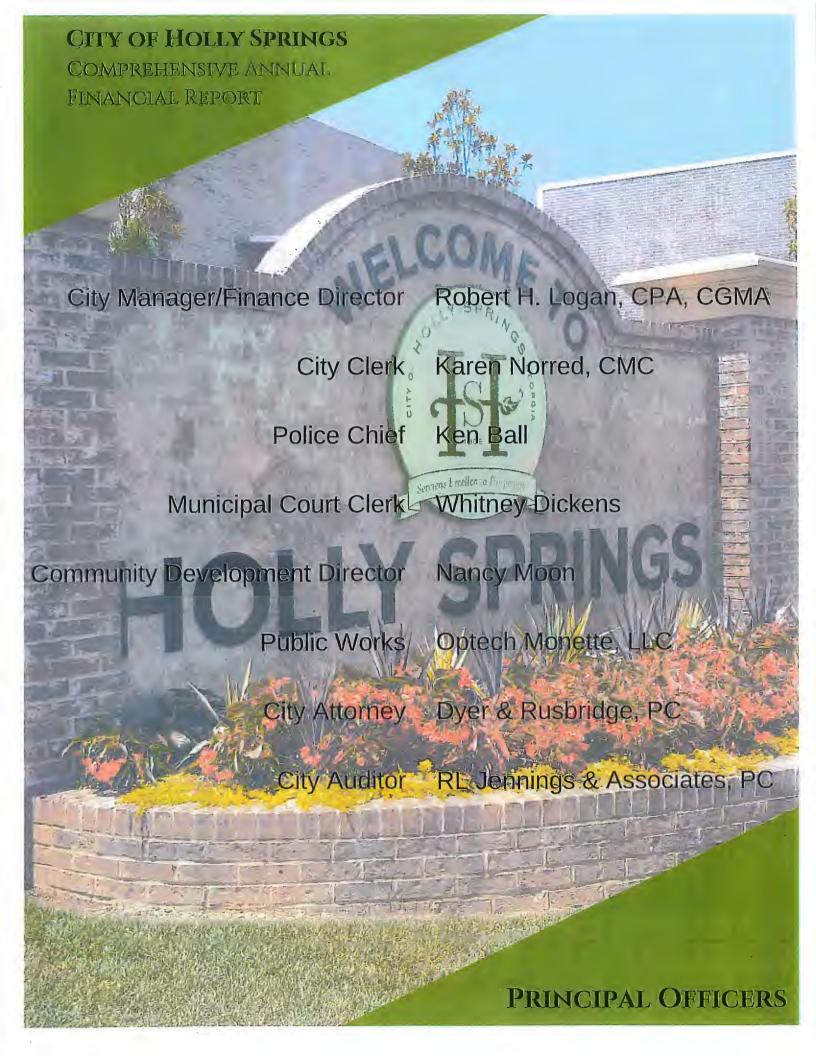


Councilmember Jeremy Smith



Councilmember Kyle Whitaker

**MAYOR & COUNCIL** 





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

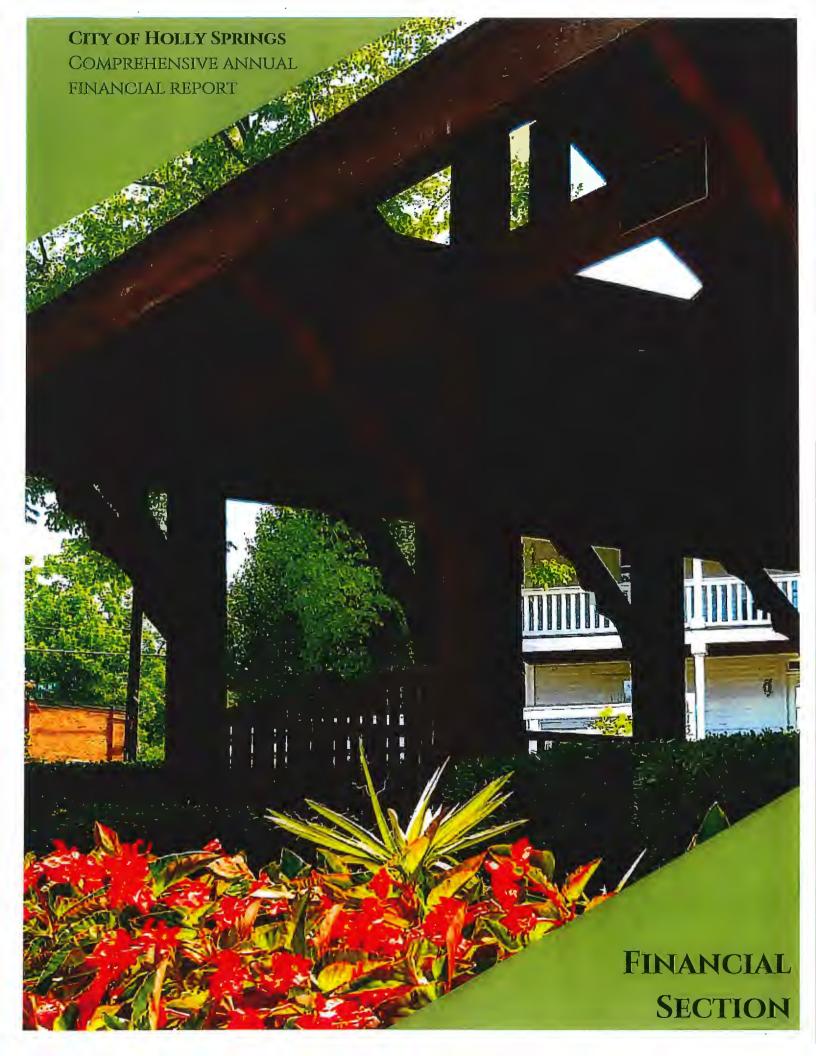
# City of Holly Springs Georgia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**December 31, 2014** 

Executive Director/CEO

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# 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

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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, 2015, 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, 2015, 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.

#### Emphasis of Matter

As discussed in Notes 9 and 16, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27, as well as Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68, as of January 1, 2015. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

#### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 20, budgetary comparison information on page 52, the Schedule of Changes in Net Pension Liability and Related Ratios on page 54 and the Schedule of City Contributions on page 55 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

enung + association, Pc

In accordance with Government Auditing Standards, we have also issued our report dated June 10, 2016, 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.

Ellijay, Georgia June 10, 2016

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, 2015. 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 2015 are as follows:

- The City's combined net position increased \$3,518,394 (11.90%) to \$33,094,797 from \$29,576,403 (as restated) in 2014.
- Combined revenue increased \$2,595,313 (32.32%) to \$10,625,653 from \$8,030,340 in 2014, of which governmental activities totaled \$10,202,326 and business-type activities totaled \$423,327.
- Overall expenses increased \$1,079,720 (17.91%) to \$7,107,259 from \$6,027,539 in 2014, of which governmental activities totaled \$6,894,732 and business-type activities totaled \$212,527.
- As of December 31, 2015, the City's governmental funds reported combined ending fund balances of \$6,848,777. At December 31, 2015, \$4,991,439 or 72.88% 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. 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 21 and 22 of this report.

#### FUND FINANCIAL STATEMENTS

The Fund Financial statements begin on page 23 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 23 through 26 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 27 through 29 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 30 of this report.

#### 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 31 through 51 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 52 through 55 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 \$33,094,797 at December 31, 2015.

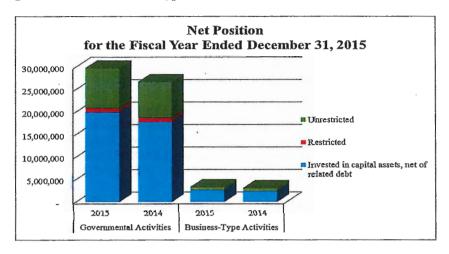
Combined net position includes a net investment in capital assets of \$22,600,649 (e.g. land, infrastructure, buildings, equipment, and other); less accumulated depreciation and any related debt outstanding that was needed to build or acquire the assets. The City uses these assets to provide services to the citizens and the businesses in the City; consequently, this net position is not available for future spending. The city has \$958,168 of restricted net position that is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. The City has \$9,535,980 in unrestricted net position at December 31, 2015.

#### City of Holly Springs' Net Position

		Govern	men	tal		Busine	ss-Ty	ype				
		Activ	vities	S		Acti	vities	s		To	tal	
•		2015		2014		2015		2014		2015		<u>2014</u>
Current and other assets	\$	10,496,887	\$	9,454,350	\$	644,400	\$	709,076	\$	11,141,287	\$	10,163,426
Capital assets	_	20,073,982	_	18,032,351		2,701,939	_	2,417,431		22,775,921		20,449,782
Total assets	_	30,570,869	_	27,486,701	_	3,346,339		3,126,507		33,917,208		30,613,208
Deferred Outflows of Resources	_	360,856	_	73,611		4,460	_	910	_	365,316	_	74,521
Current liabilities		758,577		609,333		18,093		5,908		776,670		615,241
Non-current liabilities	_	385,409	_	492,352		3,864	_	3,733	_	389,273	_	496,085
Total liabilities	_	1,143,986	_	1,101,685		21,957		9,641		1,165,943	_	1,111,326
Deferred Inflows of Resources		21,518	_			266				21,784		
Net position:												
Net investment in												
captial assets		19,898,710		17,729,864		2,701,939		2,417,431		22,600,649		20,147,295
Restricted		958,168		989,334		-		**		958,168		989,334
Unrestricted	_	8,909,343	_	7,739,429		626,637		700,345	_	9,535,980		8,439,774
Total net position	\$_	29,766,221	\$	26,458,627	\$	3,328,576	\$	3,117,776	\$_	33,094,797	\$	29,576,403

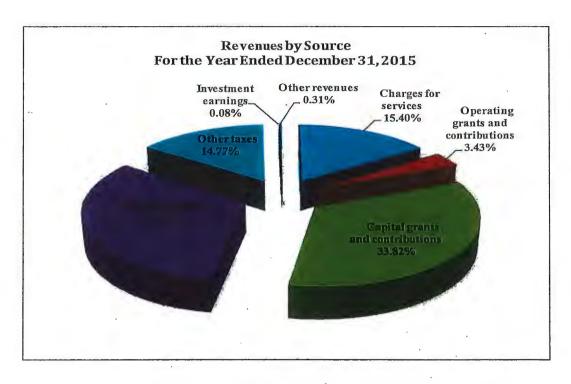
The table above presents the City's Net Position as of December 31, 2015 and 2014 (as restated).

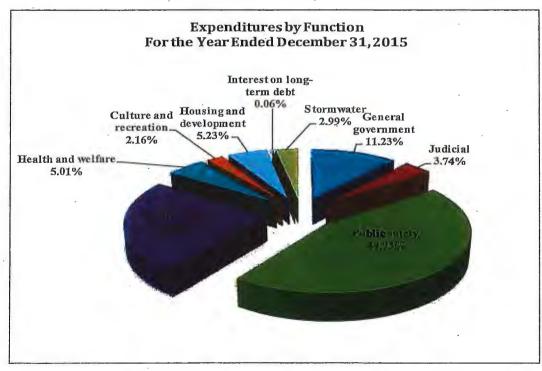
As of December 31, 2015 the City of Holly Springs is able to present positive balances in net position for its governmental and business-type activities.



# City of Holly Springs' Changes in Net Position

Revenues		Governmen	tal A	ctivities		Business-Ty	ре Д	Activities		To	tal	
Program Revenues:		2015		2014		2015		2014		2015		<u>2014</u>
Charges for services	\$	1,315,902	\$	1,122,484	\$	320,493	\$	322,619	\$	1,636,395	\$	1,445,103
Operating grants and												
contributions		364,977		320,643		~		-		364,977		320,643
Capital grants and												
contributions		3,491,269		1,506,298		102,316		-		3,593,585		1,506,298
General Revenues:						•						
Property taxes		3,420,246		3,212,535		-		-		3,420,246		3,212,535
Other taxes		1,569,108		1,487,883		-		-		1,569,108		1,487,883
Investment earnings		7,988		7,061		. 518		533		8,506		7,594
Other revenues	_	32,836	_	50,284						32,836	_	50,284
Total Revenues	_	10,202,326		7,707,188	_	423,327		323,152		10,625,653	_	8,030,340
Expenses												
General government		798,252		723,511				-		798,252		723,511
Judicial		265,562		213,602		-		-		265,562		213,602
Public safety		3,193,076		2,714,404		-		-		3,193,076		2,714,404
Public works		1,752,586		1,410,749		-		-		1,752,586		1,410,749
Health and welfare		356,242		303,924		-		-		356,242		303,924
Culture and recreation		153,693		145,443		-		-		153,693		145,443
Housing and development		371,399		305,589		-		-		371,399		305,589
Interest on long-term debt		3,922		7,428		-		-		3,922		7,428
Stormwater					_	212,527		202,889	_	212,527		202,889
Total Expenses	_	6,894,732		5,824,650	_	212,527	_	202,889		7,107,259		6,027,539
Increase (decrease) in net												
assets before transfers		3,307,594		1,882,538		210,800		120,263		3,518,394		2,002,801
Transfers in (out)												
Change in net position		3,307,594		1,882,538		210,800		120,263		3,518,394		2,002,801
Beginning net position		26,458,627		24,807,130		3,117,776		3,000,336		29,576,403		27,807,466
Prior Period Adjustment				(231,041)			_	(2,823)	_			(233,864)
Ending net position	\$_	29,766,221	\$_	26,458,627	\$	3,328,576	\$	3,117,776	\$	33,094,797	\$	29,576,403





#### Governmental Activities

The governmental activities of the City increased net position by \$3,307,594. 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 \$207,711 (6.47%) in 2015 from 2014 due to growth in the tax digest. Charges for services increased \$193,418 (17.23%) due to an increase in the number of building permits issued during 2015 for commercial and residential projects. Operating Grants and Contributions increased \$44,334 (13.83%) due to increased funding from the Atlanta Regional Commission (ARC) for Cherokee FOCUS (pass-through grant). Capital grants and contributions increased \$1,984,971 (131.78%) due to the construction of public works projects funded by grants and the construction of J.B. Owens Park funded by Cherokee County.

#### Expenses

General government expenses increased \$74,741 (10.33%) in 2015 from 2014 primarily due to the performance of a market analysis and professional services relating to the downtown redevelopment project. Judicial expenses increased \$51,960 (24.33%) in 2015 over 2014 due to an increase in fees paid to public defenders, bailiffs and court security during 2015. Public safety expenses increased \$478,672 (17.63%) primarily due to an increase in the number of certified police officers in 2015 over the previous year and an increase in fire district fees in 2015 of approximately \$125,000. Public works expenses increased \$341,837 (24.23%) in 2015 over 2014. During 2015 public works joined with the Cherokee County Water and Sewerage Authority to construct a sanitary sewer main in downtown Holly Springs. Health and welfare expenses increased \$52,318 (17.21%) as a direct result of increased funding from the Atlanta Regional Commission for the pass-through grant to Cherokee FOCUS. Culture and recreation expenses increased \$8,250 (5.68%) due to increased spending on parks repairs and maintenance in Barrett Park in 2015. Housing and development expenses increased \$65,810 (21.54%) from 2014 due to the addition of a building inspector in 2015 along with the related personnel costs.

#### 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, 2015, the City's governmental funds reported combined ending fund balances of \$6,848,777.

#### 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 \$5,165,480, which was comprised of nonspendable fund balance of \$174,041 and unassigned fund balance of \$4,991,439. Fund balance in the General Fund increased \$778,677 (17.75%) in 2015 over 2014. 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 in 2015 over the prior year.

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 \$698,249. Fund balance in the SPLOST IV Fund decreased \$234,453 (25.14%) in 2015 due to the construction of several capital projects that were initiated during the year including the LCI sidewalk project, the Palm Street sidewalk project and a sanitary sewer project in downtown.

#### 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 \$710,249 for the fiscal year ending December 31, 2015. Non-major governmental fund expenditures totaled \$610,343. Fund balance for all non-major governmental funds was \$985,048. Non-major fund balances increased \$112,778 (12.93%) due primarily to increased alcohol excise tax revenues in the Parks and Recreation Fund in 2015 and increased grant funding from the Atlanta Regional Commission for the pass-through grant to Cherokee FOCUS.

#### 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 \$3,328,576 at December 31, 2015, an increase of \$210,800 over 2014. Net investment in capital assets is \$2,701,939 and unrestricted net position is \$626,637. Net position increased in 2015 due primarily to the contribution of stormwater infrastructure from a developer in the Manous Manor Subdivision.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

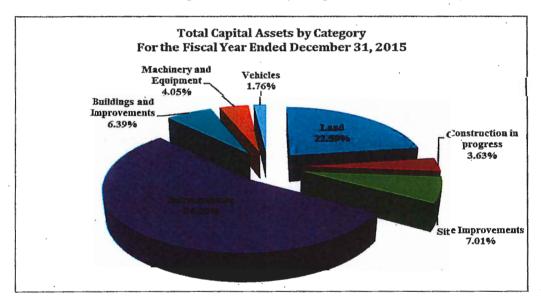
The City's comparison of actual revenues and expenditures in the General Fund to the adopted budget can be found on page 52 of the annual report. In 2015, the City had a net favorable budget variance of \$778,677. There was a favorable revenue budget variance of \$347,416. The original budget adopted 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 2015 the City had realized revenues in excess of appropriations and the budget was amended to reflect the increased revenues in the amount of \$694,950. The favorable budget variance for all expenditure categories in 2015 was \$416,555. 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 normal operations.

#### CAPITAL ASSETS

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

		Governmen	tal A	Activities		Business-Ty	pe A	Activities	To	tal	
		2015		2014		2015		2014	2015		2014
Land	\$	5,145,270	\$	5,025,270	\$	-	\$	-	\$ 5,145,270	\$	5,025,270
Construction in Progress		792,483		732,829		35,334		22,668	827,817		755,497
Site Improvements		1,597,710		239,173		-		~	1,597,710		239,173
Infrastructure		9,937,090		9,314,835		2,487,311		2,212,925	12,424,401		11,527,760
Buildings and Improvements		1,456,513		1,501,626		-			1,456,513		1,501,626
Machinery and Equipment		762,218		848,027		161,296		181,838	923,514		1,029,865
Vehicles	_	382,698	_	370,591	_	17,998			400,696		370,591
Total:	\$	20,073,982	\$	18,032,351	\$	2,701,939	\$	2,417,431	\$ 22,775,921	\$	20,449,782

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, 2015.



#### LONG-TERM DEBT

The table below represents long-term debt outstanding as of December 31, 2015 and 2014 (as restated):

	Governmen	tal A	ctivities		Business-Ty	pe A	ctivities		To	tal	
	2015		2014		2015		2014		<u>2015</u>		2014
Capital Leases	\$ 175,272	\$	302,487	\$	-	\$	-	\$	175,272	\$	302,487
Net Pension Liability	312,627		302,058		3,864		3,733		316,491		305,791
Compensated Absences	 108,468		76,851	_				_	108,468		76,851
Total:	\$ 596,367	\$	681,396	\$	_3,864	\$	3,733	\$	600,231	\$	685,129

The City reported long-term debt of \$600,231 as of December 31, 2015 exclusive of interest expense. The City has no general obligation debt outstanding at December 31, 2015. 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, 2015.

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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 2016 is \$5,410,000. This is an increase of \$10,000 from the prior year.

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 2016 Parks and Recreation Fund annual budget. See Note 13 in the notes to the financial statements for additional information.

The City anticipates continued growth in 2016 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 a Walmart Supercenter at exit 14 and the construction of the Northwest Corridor Project along I-575 that will include reversible toll lanes for area residents. 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 2015 and 2016 interested in annexations and rezonings for new residential subdivisions. Management of the City is optimistic and will plan for the growth accordingly.

#### PRIOR PERIOD RESTATEMENTS

See Note 16 in the notes to the financial statements for a detailed explanation of the prior period restatement. The City implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 as well as Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68, effective January 1, 2015. The new standards significantly changed the City's accounting for pension amounts. As a result of the change in accounting principle, the City was required to restate beginning net position for net pension liability and deferred outflows of resources – pension amounts.

#### 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 <a href="https://www.hollyspringsga.us">www.hollyspringsga.us</a> for additional information.

# CITY OF HOLLY SPRINGS, GEORGIA STATEMENT OF NET POSITION DECEMBER 31, 2015

		P:	rimaı	y Governme	ent		Con	aponent Unit
		overnmental Activities	Bu	siness-type		Total	D	Oowntown evelopment Authority
Assets								
Cash	\$	7,640,362	\$	367,946	\$	8,008,308	\$	56,524
Restricted cash		1,883,763		-		1,883,763		-
Investment		-				-		35,542
Property taxes receivable		131,853		-		131,853		-
Stormwater fees receivable		49,055		-		49,055		-
Accounts receivable, net		459,920		-		459,920		32
Fines receivable, net		34,355		-		34,355		-
Due from other governments		393,742		-		393,742		-
Internal balances		(270,204)		270,204		105 201		-
Prepaid expenses		99,041		6,250		105,291		-
Earnest money deposit		75,000		-		75,000		-
Capital assets: Not depreciated		E 027 752		25 224		£ 072 097		1 900 242
Depreciated, net of accumulated depreciation		5,937,753 14,136,229		35,334 2,666,605		5,973,087 16,802,834		1,890,242 238,058
Depreciated, her of accumulated depreciation		14,130,229		2,000,003	_	10,602,634		230,036
Total assets	_	30,570,869		3,346,339	_	33,917,208		2,220,398
Deferred Outflows of Resources								
Pension amounts		360,856		4,460		365,316		
Liabilities								
Accounts payable		80,918		18,093		99,011		_
Accrued and other liabilities		77,698		-		77,698		-
Deposits		6,280		-		6,280		-
Due to other governments		33,527		_		33,527		-
Unearned revenue		349,196		_		349,196		-
Compensated absences, current portion		81,110		-		81,110		-
Compensated absences, non-current portion		27,358		-		27,358		-
Capital leases, current portion		129,848		-		129,848		-
Capital leases, non-current portion		45,424		-		45,424		-
Net pension liability		312,627		3,864		316,491		
Total liabilities	_	1,143,986		21,957		1,165,943	_	-
Deferred Inflows of Resources								
Pension amounts		21,518		266		21,784		
Net Position								
		19,898,710		2 701 020		22 600 640		2 129 200
Net investment in capital assets Restricted for:		17,070,/10		2,701,939		22,600,649		2,128,300
Capital projects		914,266				914,266		
Other purposes		43,902		-		43,902		-
Unrestricted		8,909,343		626,637		9,535,980		92,098
Total net position	\$	29,766,221	\$	3,328,576	\$	33,094,797	\$	2,220,398

The accompanying notes are an integral part of this statement.

# CITY OF HOLLY SPRINGS, GEORGIA STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

				Progra	am Revenues	3	
			harges for	Gı	perating ants and		Capital Frants and
Functions/Programs	]	Expenses	 Services	Con	tributions	Co	ntributions
Primary Government:							
Governmental Activities:							
General government	\$	798,252	\$ 143,996	\$	2,000	\$	59,934
Judicial		265,562	-		-		
Public safety		3,193,076	368,899		-		187,198
Public works		1,752,586	-		-		1,638,146
Health and welfare		356,242	-		356,243		-
Culture and recreation		153,693	9,620		6,734		1,370,132
Housing and development		371,399	793,387		-		235,859
Interest	_	3,922	 				
Total governmental activities		6,894,732	 1,315,902		364,977		3,491,269
Business-type Activities:							
Stormwater Utility		212,527	 320,493	-			102,316
Total primary government	\$	7,107,259	\$ 1,636,395	\$	364,977	\$	3,593,585
Component Unit:							
Downtown Development Authority	\$	14,720	\$ 19,200	\$	-	\$	

General revenues:

Property taxes

Franchise taxes

Business taxes

Selective sales tax

Other revenues

Unrestricted investment earnings

Gain from disposal of capital assets

Total general revenues

Change in net position

Net position, beginning of year, as restated

Net position, end of year

The accompanying notes are an integral part of this statement.

P	rimary Governme	nt		Con	aponent Unit
				•	Oowntown
Governmental	Business-type				evelopment
Activities	Activities	_	Total		Authority
					,
\$ (592,322)	\$ -	\$	(592,322)		
(265,562)	-		(265,562)		
(2,636,979)	-		(2,636,979)		
(114,440)	-		(114,440)		
1	-		1		
1,232,793	-		1,232,793		
657,847	-		657,847		
(3,922)		_	(3,922)		
(1,722,584)			(1,722,584)		
	210,282	_	210,282		
(1,722,584)	210,282	•	(1,512,302)		
				\$	4,480
				Ф	4,460
3,420,246	_		3,420,246		
604,313	_		604,313		· _
644,069	-		644,069		-
320,726	-		320,726		-
29,072	, -		29,072		-
7,988	518		8,506		106
3,764			3,764		-
5,030,178	518		5,030,696		106
3,307,594	210,800		3,518,394		4,586
26,458,627	3,117,776		29,576,403	_	2,215,812
\$ 29,766,221	\$ 3,328,576	\$	33,094,797	\$	2,220,398

# CITY OF HOLLY SPRINGS, GEORGIA BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2015

	General		SPLOST IV		Nonmajor Governmental		Total Governmental Funds	
Assets								
Cash	\$	7,938,793	\$	651,111	\$	934,221	\$	9,524,125
Property taxes receivable		131,853		-		-		131,853
Stormwater fees receivable		49,055		-		-		49,055
Accounts receivable		400,149		-		142,771		542,920
Fines receivable		68,355		*		-		68,355
Due from other governments		46,138		318,905		28,699		393,742
Due from other funds		5,169		2,358		-		7,527
Prepaid items		99,041		_		-		99,041
Earnest money deposit		75,000		-				75,000
Total assets	\$	8,813,553	\$	972,374	\$	1,105,691	\$	10,891,618
Liabilities						•		
	•	24.026	Φ.	44.107	·	0.705	Φ	00.010
Accounts payable	\$	34,026	\$	44,107	\$	2,785	\$	80,918
Accrued and other liabilities		74,433		-		1,575		74,433 6,280
Deposits		4,705		-		1,373		33,527
Due to other governments  Due to other funds		33,527 272,362		-		5,369		277,731
Unearned revenue		118,598		230,018		580		349,196
	_				-	10,309		822,085
Total liabilities		537,651		274,125		10,309		622,063
Deferred Inflows of Resources								
Deferred property taxes		3,042,067				-		3,042,067
Unavailable municipal court fines		68,355		-		-		68,355
Unavailable charges for services				· <u>-</u>		110,334		110,334
Total deferred inflows of resources		3,110,422				110,334		3,220,756
Fund Balances								
Nonspendable		174,041		-		_		174,041
Restricted		,		698,249		259,919		958,168
Assigned		-		-		725,129		725,129
Unassigned		4,991,439		_		-		4,991,439
Total fund balances		5,165,480		698,249		985,048		6,848,777
Total liabilities, deferred inflows								
of resources and fund balances	\$	8,813,553	\$	972,374	\$	1,105,691	\$	10,891,618

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, 2015

Total fund balances - governmental funds		\$ 6,848,777
Amounts reported for governmental activities in the Statement of Net Position are different because	se:	
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.		20,073,982
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.		3,220,756
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.		(117,000)
Pension amounts reported as deferred outflows of resources on the Statement of Net Position and which do not provide current financial resources, are not recognized in the governmental funds financial statements. Such amounts are as follows:		
Changes in actuarial assumptions  Deferred pension contributions	\$ 22,000 338,856	360,856
Pension amounts reported as deferred inflows of resources on the Statement of Net Position and which do not use current financial resources, are not recognized in the governmental funds financial statements. Such amounts are as follows:		
Non amortized differences in pension experience and expectations Non amortized investment earnings over expectations	(10,723) (10,795)	(21,518)
Certain liabilities are not due and payable in the current period; therefore, they are not reported in the Balance Sheet - Governmental Funds, but are reported under governmental activities in the Statement of Net Position:		
Accrued interest	(3,265)	•
Capital leases payable	(175,272)	
Compensated absences	(108,468)	(500 (22)
Net pension liability	(312,627)	(599,632)
Total net position - governmental activities		\$ 29,766,221

# CITY OF HOLLY SPRINGS, GEORGIA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

	General	SPLOST IV	Nonmajor Governmental	Total Governmental Funds
Revenues				
Property taxes	\$ 3,140,934	\$ -	\$ -	\$ 3,140,934
Franchise taxes	604,313	_		604,313
Business taxes	644,069	-	_	644,069
Selective sales taxes		-	320,726	320,726
Licenses and permits	865,324	-	11,929	877,253
Intergovernmental	-	1,397,675	356,243	1,753,918
Charges for services	60,913	-	9,620	70,533
Fines and forfeitures	389,908	-	-	389,908
Interest ·	7,988	914	906	9,808
Donations from private sources	. 2,000		6,075	8,075
Other revenues	25,967	-	4,750	30,717
Total revenues	5,741,416	1,398,589	710,249	7,850,254
Expenditures				
Current:				
General government	799,051	-	_	799,051
Judicial	286,373	-	-	286,373
Public safety	3,133,362	~	-	3,133,362
Public works	349,258	-	-	349,258
Health and welfare	-	_	356,242	356,242
Culture and recreation	4,000	-	146,479	150,479
Housing and development	390,125	-	7,622	397,747
Capital outlay:				
General government	1,800	77,446	-	79,246
Public safety	-	97,443	-	97,443
Public works	6,476	1,085,261	-	1,091,737
Culture and recreation	-	-	100,000	100,000
Housing and development	-	239,425	· -	239,425
Debt service:				
Principal Principal		127,215	-	127,215
Interest		6,252	_	6,252
Total expenditures	4,970,445	1,633,042	610,343	7,213,830
Excess (deficiency) of revenues over expenditures	770,971	(234,453)	99,906	636,424
Other Financing Sources (Uses)				
Proceeds from disposal of capital assets	20,578	-	_	20,578
Transfers in	_	-	12,872	12,872
Transfers out	(12,872)	-		(12,872)
Total other financing sources (uses)	7,706	-	12,872	20,578
Net change in fund balances	778,677	(234,453)	112,778	657,002
Fund balances, beginning of year	4,386,803	932,702	872,270	6,191,775
Fund balances, end of year	\$ 5,165,480	\$ 698,249	\$ 985,048	\$ 6,848,777

# 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, 2015

Net change in fund balances - total governmental funds		\$ 657,002
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays to purchase or construct capital assets 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  Depreciation expense	\$ 1,385,157 (602,474)	782,683
Donations of land, land improvements, roads, and equipment to the City are not reported in the governmental funds because donations do not provide current financial resources; however, donations are reported in the government wide financial statements.		2,092,433
Proceeds from the disposal 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 governmental funds proceeds exceeded the resulting gain.		(16,814)
The book value of capital assets contributed by governmental activities to Cherokee County Water and Sewer Authority is reported as an expenditure on the government-wide Statement of Activities but not reported in the governmental fund statements.		(816,671)
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.		127,215
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.		225,875
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 increase deferred outflows of resources or decrease liabilities or deferred inflows of resources.		
Provision for bad debts Compensated absences Accrued interest	30,000 (31,617) 2,330	
Change in net pension liability and deferred amounts	255,158	 255,871
Change in net position - governmental activities		\$ 3,307,594

# CITY OF HOLLY SPRINGS, GEORGIA STATEMENT OF NET POSITION PROPRIETARY FUND DECEMBER 31, 2015

	Stormwater Utility
Assets	
Current:	
Cash	\$ 367,946
Due from General Fund	270,204
Prepaid expenses	6,250
Total current assets	644,400
Capital assets:	
Not depreciated	35,334
Depreciated, net of accumulated depreciation	2,666,605
Total capital assets	2,701,939
Total assets	3,346,339
Deferred outflows of resources	
Pension amounts	4,460
Liabilities	
Current:	
Accounts payable	18,093
Long-term:	
Net pension liability	3,864
Total liabilities	21,957
Deferred inflows of resources	
Pension amounts	266
Net Position	
Investment in capital assets	2,701,939
Unrestricted	626,637
Total net position	\$ 3,328,576

# CITY OF HOLLY SPRINGS, GEORGIA STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

# FOR THE YEAR ENDED DECEMBER 31, 2015

	Stormwater Utility	
Operating Revenues		
Charges for services - stormwater fees	\$	320,493
Total operating revenues		320,493
Operating Expenses		
Personal services		77,875
Contractual and professional services		23,713
Supplies		6,265
Repairs and maintenance		36,620
Other operating expenses  Depreciation expense		5,162 62,892
	-	
Total operating expenses		212,527
Operating income		107,966
Nonoperating Revenue		
Interest income		518
Capital contributions		102,316
Total nonoperating revenue		102,834
Change in net position		210,800
Net position, beginning of year, as restated		3,117,776
Net position, end of year	\$	3,328,576

# CITY OF HOLLY SPRINGS, GEORGIA STATEMENT OF CASH FLOWS PROPRIETARY FUND

# FOR THE YEAR ENDED DECEMBER 31, 2015

	St	ormwater Utility
Cash Flows from Operating Activities		
Receipts from customers	\$	299,981
Payments to employees		(80,475)
Payments to suppliers		(59,311)
Net cash provided by operating activities		160,195
Cash Flows from Capital and Related Financing Activities		
Payments to purchase capital assets		(245,084)
Cash (used) by capital and related financing activities		(245,084)
Cash Flows from Investing Activities		
Interest received		518
Cash provided by investing activities		518
Cash, beginning of year		452,317
Cash, end of year	\$	367,946
Reconciliation of operating income to net cash provided by operating activities:  Operating income  Adjustments to reconcile operating income	\$	107,966
to net cash provided by operating activities:  Depreciation expense		62,892
Increase in due from General Fund		(19,959)
Decrease in prepaids		264
Increase in pension related deferred outflows of resources		(3,550)
Increase in accounts payable		12,185
Increase in pension related deferred inflows of resources		266
Increase in net pension liability	<del> </del>	131
Net cash provided by operating activities	\$	160,195
Noncash capital and related financing activities Stormwater infrastructure donated to the City	\$	102,316

# CITY OF HOLLY SPRINGS, GEORGIA STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUND DECEMBER 31, 2015

Assets		unicipal urt Fund
Assets		
Cash	\$	32,074
Total assets	\$	32,074
Liabilities	•	
Due to others	\$	32,074
Total liabilities	\$	32,074

# 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. The City Manager is responsible for the daily operations of all City departments. The City provides basic services which include general government, judicial, public safety, public works, health and welfare, culture and recreation, and housing and development. Stormwater management services are also provided.

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 of the board of directors. Financial information related to the Authority may be obtained from the City upon request. Separate financial statements for the Authority are not prepared.

# B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the 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 is 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 operational 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.

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.

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

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.

The 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.

The 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 <u>General Fund</u> 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 <u>Special Purpose Local Option Sales Tax (SPLOST) IV Fund</u> 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.

The City reports the following major proprietary fund:

The <u>Stormwater Utility Fund</u> 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:

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

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

The <u>agency fund</u> 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.

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

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 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. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

### 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. These items are accounted for using the consumption method. 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, which include land, buildings and improvements, vehicles, machinery and equipment, and infrastructure assets (such as roads, bridges, sidewalks, storm water and similar items), are reported in the applicable governmental or business-type activities column 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:

Asset Class	Years
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.

### 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 in the Statement of Net Position.

### 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.

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

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.

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

Items which also qualify to be reported as deferred inflows of resources include property taxes levied in 2015 for the 2016 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 2016 or the period in which the amounts become available.

### 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:

<u>Nonspendable</u>: 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 and its earnest money deposit as nonspendable as these items are not resources in spendable form.

# NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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 specific purposes, 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.

<u>Unassigned</u>: 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.

### 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.

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution for all governmental funds. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Appropriated budgets are adopted on a modified accrual basis which is consistent with generally accepted accounting principles for governmental funds. Annual 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 the result of increased costs for repair and maintenance of highways and streets and additional pension contributions to pay down the City's net pension liability under GASB Statement No. 68. (See Note 9) 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.

### 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, 2015, the City had no cash deposits that were exposed to custodial credit risk.

The City had no investments at December 31, 2015. Investments of the Holly Springs Downtown Development Authority consist of a twelve-month certificate of deposit placed with an FDIC insured financial institution. The certificate bears interest at 0.30% and matures in November 2016.

### NOTE 4. RECEIVABLES

The City bills and collects its own property taxes. Property taxes were levied on October 1, 2015, with bills being payable on or before December 20, 2015, 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, 2016 and June 5, 2016, respectively. Property taxes receivable at year end is estimated based on the tax levy, less amounts collected prior to December 31, 2015. The property taxes levied in October were intended for use in the 2016 budget year. Therefore, the entire 2015 digest levy of \$2,996,671 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.

### NOTE 4. RECEIVABLES (CONCLUDED)

Stormwater fees of \$335,854 were billed on behalf of the Stormwater Utility Fund by the General Fund in connection with its tax levy on October 1, 2015. Such fees are for the calendar year 2015 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, 2015, for services rendered. Fines receivable represent adjudicated amounts due from probationers at December 31, 2015. Fine surcharges of \$12,348 which were collected, but unremitted at year end, are recorded as due to other governments by the Municipal Court Fund. 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.

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

	Nonmajor							
Receivables at December 31, 2015:	General			PLOST IV	Go	vernmental	Total	
Property taxes	\$	131,853	\$	-	\$	-	\$	131,853
Stormwater fees		49,055		-		-		49,055
Accounts		400,149		-		142,771		542,920
Fines		68,355		-				68,355
Due from other governments		46,138	_	318,905		28,699		393,742
Total Receivables	\$	695,550	\$	318,905	\$	171,470	\$	1,185,925

In the Statement of Net Position, allowances for uncollectible accounts have been recorded based on historical experience and management's estimates of collectability. As of year-end, allowances for uncollectible accounts receivable and fines receivable are \$83,000 and \$34,000, respectively.

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### NOTE 5. CAPITAL ASSETS

## A. Primary Government

Capital asset activity for the year ended December 31, 2015, was as follows:

Governmental Activities:		Beginning Balance		Additions	I	Disposals	 Transfers		Ending Balance
Capital assets not depreciated: Land <sup>(1)</sup> Construction in progress <sup>(2)</sup>	\$	5,025,270 732,829	\$	120,000 903,476	\$	-	\$ (843,822)	\$	5,145,270 792,483
Total capital assets not depreciated		5,758,099	_	1,023,476			 (843,822)		5,937,753
Capital assets depreciated: Land improvements <sup>(3)</sup>		263,438		1,370,132		-			1,633,570
Buildings and improvements Vehicles		1,973,186 1,021,615		155,921		(103,415)	-		1,973,186 1,074,121
Machinery and equipment <sup>(4)</sup> Infrastructure <sup>(4)</sup>		1,659,974 11,392,490		8,500 919,561		(144,436)	 27,151		1,524,038 12,339,202
Total capital assets depreciated	_	16,310,703		2,454,114		(247,851)	27,151		18,544,117
Less accumulated depreciation for:									
Land improvements		24,265		11,595		-	-		35,860
Buildings and improvements		471,560		45,113		-	-		516,673
Vehicles		651,024		127,000		(86,601)	•		691,423
Machinery and equipment		811,947		94,309		(144,436)	-		761,820
Infrastructure		2,077,655	_	324,457			 	_	2,402,112
Total accumulated				600 181		(0.0.1.00.00)			4 400 000
depreciation		4,036,451	_	602,474		(231,037)	 		4,407,888
Total capital assets		10.07/.070		1.051.640		(1 ( 01 ()	07.151		17.126.220
depreciated, net Governmental activities	_	12,274,252	_	1,851,640		(16,814)	 27,151		14,136,229
capital assets, net	\$	18,032,351	\$_	2,875,116	\$	(16,814)	\$ (816,671)	\$	20,073,982

<sup>(1)</sup> Additions to land during the year include the donation of right-of-way property valued at \$20,000. Land for a future City park was also purchased for \$100,000 under a 10 year option agreement through December 2024. See Note 13.

<sup>(2)</sup> Transfers of construction in progress during the year include costs of \$816,671 incurred by the City as its share of costs under an intergovernmental agreement with Cherokee County Water and Sewerage Authority (CCWSA) to provide sanitary sewer within the downtown area of the City. The system is owned and maintained by the CCWSA. Remaining construction in progress at year-end represents costs incurred in connection with downtown redevelopment.

<sup>(3)</sup> Land improvements of \$1,370,132 added during the year represent costs incurred by Cherokee County, Georgia for the creation of the J.B. Owens Park on City owned land. Upon completion, all improvements were donated to the City.

<sup>(4)</sup> Other capital assets donated to the City during the year include equipment of \$8,500 and roads of \$693,801.

# NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-type Activities:	Beginning Balance	Additions	Transfers	Ending Balance		
Capital assets not depreciated:						
Construction in progress	\$ 22,668	\$ 35,334	\$ (22,668)	\$ 35,334		
Total capital assets	22.669	25 224	(22.669)	25 224		
not depreciated	22,668	35,334	(22,668)	35,334		
Capital assets depreciated:						
Vehicles	-	21,598	-	21,598		
Machinery and equipment	214,305	-	-	214,305		
Infrastructure (1)	2,424,590	290,468	22,668	2,737,726		
Total capital assets						
depreciated	2,638,895	312,066	22,668	2,973,629		
Less accumulated depreciation for:						
Vehicles		3,600	_	3,600		
Machinery and equipment	32,467	20,542	_	53,009		
Infrastructure	211,665	38,750	_	250,415		
Total accumulated	211,003	30,730		230,413		
	. 244 122	62 802		307,024		
depreciation	244,132	62,892		307,024		
Total capital assets	2 204 762	240 174	. 22.669	2 666 605		
depreciated, net	2,394,763	249,174	22,668	2,666,605		
Business-type activities capital assets, net	\$ 2,417,431	\$ 284,508	\$ -	\$ 2,701,939		

<sup>(1)</sup> Additions to infrastructure during the year include contributed stormwater infrasturcture in the Manous Manor subdivision valued at \$102,316.

Depreciation expense, including amortization expense on capital assets financed under capital leases, for the year ended December 31, 2015, was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 35,913
Public safety	154,794
Public works	403,646
Culture and recreation	5,824
Housing and development	2,297
Total depreciation expense - Government activities	\$ 602,474
Business-type Activities:	
Stormwater Utility	\$ 62,892

# NOTE 5. CAPITAL ASSETS (CONCLUDED)

### B. Component Unit - Holly Springs Downtown Development Authority

Capital asset activity for the year ended December 31, 2015, was as follows:

Development Authority:	Beginning Balance		Additions		Disposals		Ending Balance	
Capital assets not depreciated: Land	\$	1,877,442	\$	12,800	\$		\$	1,890,242
Total capital assets not depreciated		1,877,442		12,800		<del></del>		1,890,242
Capital assets depreciated:								
Buildings and improvements Furniture and fixtures		304,312 10,901				-		304,312 10,901
Total capital assets depreciated		315,213						315,213
Less accumulated depreciation for:								
Buildings and improvements		56,110		10,144		-		66,254
Furniture and fixtures	_	10,901					_	10,901
Total accumulated depreciation	_	67,011		10,144				77,155
Total capital assets depreciated, net		248,202		(10,144)		-		238,058
Total Development Authority capital assets, net	\$	2,125,644	\$	2,656	\$	-	\$	2,128,300

Depreciation of \$10,144 for the year ended December 31, 2015, 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, 2015, is as follows:

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

Receivable Fund	Payable Fund	A	mount
General Fund	Nonmajor governmental fund	\$	5,169
SPLOST IV (1)	General Fund		2,158
SPLOST IV (1)	Nonmajor governmental fund		200
Stormwater Utility	General Fund		270,204
		\$ 2	277,731

<sup>(1)</sup> Represents builder assessments for future paving collected by the General Fund then remitted to SPLOST IV and also capital grant dollars.

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.

### NOTE 6. INTERFUND BALANCES AND TRANSFERS (CONCLUDED)

### B. Transfers to/from Other Funds

Transfers between funds during the year ended December 31, 2015, were as follows:

Transfers In	Transfers Out	A	mount
Nonmajor governmental fund	General Fund	\$	12,872

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fur<sub>i</sub>d 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, 2015, 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. \$85,336

Less current portion (85,336)

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. \$89,936

Less current portion (44,512)

The lease purchase contract in the amount of \$250,829 is collateralized by vehicles and equipment with a book value of \$118,563 at December 31, 2015. The remaining balance of principal and interest is due as follows:

	F	Principal		nterest	Total			
2016	\$	85,336	\$	1,775	\$	87,111		
	\$	85,336	\$	1,775	\$	87,111		

# NOTE 7. LONG-TERM DEBT (CONCLUDED)

The lease purchase contract in the amount of \$133,553 is collateralized by vehicles and equipment with a book value of \$89,034 at December 31, 2015. The contract terms require principal and interest payments until maturity as follows:

	_3	Principal	]	Interest		Total
2016	\$	44,512	\$	1,843	\$	46,355
2017		45,424		.931		46,355
	\$	89,936	\$	2,774	\$	92,710

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

Governmental Activities:	Beginning Balance	 Additions	_F	Reductions	_	Ending Balance	ue Within One year
Lease purchase contracts: Vehicles & epuipment (1) Compensated absences (2) Net pension liability (3)	\$ 302,487 76,851 302,058	\$ 107,304 193,016	\$	(127,215) (75,687) (182,447)	\$	175,272 108,468 312,627	\$ 129,848 81,110
	\$ 681,396	\$ 300,320	\$	(385,349)	\$	596,367	\$ 210,958
Business-type Activities:  Net pension liability (3)	\$ 3,733	\$ 2,386	\$	(2,255)	\$	3,864	\$ 

<sup>(1)</sup> Lease principal and interest payments during the year of \$127,215 and \$6,252, respectively, for the purchase of vehicles and equipment were paid by the SPLOST IV Fund.

## 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.

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.

<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.

<sup>(3)</sup> As discussed in Note 16, the City implemented GASB Statement No. 68 during the year. Accordingly beginning balances are restated to record net pension liability as of the beginning of the year.

### NOTE 8. RISK MANAGEMENT (CONCLUDED)

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. PENSION PLAN

### A. Plan Description

The City, as authorized by the City Council, has established The City of Holly Springs Retirement Plan (CHSRP), a defined benefit pension plan, covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City makes no investments on behalf of the CHSRP. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the CHSRP provides pension benefits and death benefits for plan members and beneficiaries. Eligibility for participation is available immediately beginning with the date of employment for all full-time employees who work at least thirty hours a week. Elected officials are also covered by the CHSRP. Employee benefits fully vest after five years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 1.5% of final average earnings.

An employee may elect early retirement at the age of 55 provided he has a minimum of ten years total credited service. Retirement between the ages of 55-65, will result in a reduced monthly benefit.

To receive full benefits, an employee must be age 65 with at least five years of service. The benefit is based on the highest five year's average earnings. Employees do not contribute toward the plan.

<u>Plan Membership</u>. At July 1, 2015, the date of the most recent actuarial valuation, there were 38 participants consisting of the following:

Retired participants and beneficiaries	7
Vested former participants	30
Active participants	39
Total	76

<u>Contributions</u>. The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law (Georgia Code Section 47-20-10). The Board of Trustees of GMEBS has adopted an actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan, as adopted by the City Council, is to contribute an amount equal to or greater than the recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2015, the City's recommended contribution (and amount contributed) of \$107,525 was 8.15% of expected payroll.

Subsequent to the July 1, 2015, actuarial valuation, City Council authorized an increase in the benefit formula from 1.5% to 2.0%. Council further authorized payment in full of the City's net pension liability. As a result, the City disbursed an additional \$262,400 to the GMEBS in December 2015, representing \$123,357 for the change in benefit formula and \$139,043 for the unfunded liability as determined by GMEBS.

### NOTE 9. PENSION PLAN (CONTINUED)

# B. Net Pension Liability of the City

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, as well as Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

Actuarial data developed in connection with the City's actuarial valuation as of July 1, 2015, were used to measure total pension liability as of March 31, 2015. The balances as of March 31, 2015, constitute measurements of the net pension liability for the year ending December 31, 2015.

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

Net investment rate of return	7.75%
Projected salary increases	3.75% - 8.00% (including inflation)
Cost of living adjustments	0.00%
Inflation	3,25%

Mortality rates for the July 1, 2015 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. For disabled mortality, the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates was used.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2015, are summarized in the table below.

		Long-term
	Target	expected real
Asset class	Allocation	rate of return (1)
Domestic equity	50%	5.95%
International equity	15%	6.45%
Fixed income	25%	1.55%
Real estate	10%	3.75%
cash.	0%	-
	100%	

<sup>(1)</sup> Rates are shown net of pension plan investment expense and assumed inflation of 3.25%.

## NOTE 9. PENSION PLAN (CONTINUED)

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

<u>Changes in the Net Pension Liability of the City</u>. The changes in the components of the net pension liability of the City for the year ended December 31, 2015, were as follows:

	Total Pension	Plan Fiduciary	Net Pension		
	Liability	Net Position	Liability		
	(a)	(b)	(a) - (b)		
Balances at January 1, 2015	\$ 987,412	\$ 681,621	\$ 305,791		
Changes for the year:	•		•		
Service cost	87,975	-	87,975		
Interest	75,978	-	75,978		
Differences between expected					
and actual experience	(13,568)	-	(13,568)		
Contributions - employer	-	101,403	(101,403)		
Net investment income		69,731	(69,731)		
Benefit payments	(14,089)	(14,089)			
Administrative expense		(3,609)	3,609		
Other changes	27,840		27,840		
Net changes	164,136	153,436	10,700		
Balances at December 31, 2015	\$ 1,151,548	\$ 835,057	\$ 316,491		

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

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

		Current					
	1%	6 Decrease	Dis	scount Rate	19	6 Increase	
	6.75%			7.75%	8.75%		
City's net pension liability	\$	520,531	\$	316,491	\$	150,209	

### NOTE 9. PENSION PLAN (CONCLUDED)

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

# C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of \$111,614. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred	Deferred		
Outflows of	Inflows of		
Resources	Resources		
\$ -	\$ (10,856)		
22,272	-		
-	(10,928)		
343,044			
\$ 365,316	\$ (21,784)		
	Outflows of Resources \$ - 22,272		

City contributions subsequent to the measurement date of \$343,044 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	
2016	\$ 122
2017	122
2018	122
2019	122
2020	 
Total	\$ 488

# NOTE 10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (the City of Holly Springs Deferred Compensation Plan) created in accordance with Internal Revenue Code (IRC) Section 457(b). The plan, which qualifies as a defined contribution plan, is available to all City employees immediately upon employment. Participants may elect to make pre-tax contributions subject to the deferral limitations of the revenue code. As plan administrator, the City has elected to obtain the services of Mass Mutual as a third party service provider and plan trustee.

As required by Section 457(b) of the IRC, plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. Investments are managed by the trustee under one of the available investment options, or a combination thereof. Accordingly, the assets and liabilities of the plan are not included in the accompanying financial statements. During the year ending December 31, 2015, six participating employees contributed \$13,775 to the plan. The City does not contribute to the plan.

### NOTE 11. 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. Board membership of the ARC includes the chief elected official of each county, one appointed mayor from municipalities in the area, and one appointed citizen representative also from the area.

Each member county and municipality is required to pay minimum annual dues to the ARC. Georgia law also provides that member governments 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 12. HOTEL/MOTEL LODGING TAX

The City imposes a 3% hotel/motel excise tax on lodging facilities within the City. During the year ended December 31, 2015, taxes of \$6,468 were reported as revenue from the lodging tax. 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 \$7,622 (representing 118% of revenues) during 2015 for these purposes, thereby complying with the requirements of state law. Additional expenditures are budgeted for 2016.

### NOTE 13. 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 2015 was \$1,128,875.

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 annual option. During 2015, the City made the annual payment of \$100,000 under this agreement in exchange for an additional 1.66 acres of land. Funds for this payment were provided by the City's Parks and Recreation Fund. Total cumulative payments made under the agreement through December 31, 2015, amount to \$200,000.

In December 2015 the City entered into an agreement for outsourcing its public works department. Under terms of the agreement, Optech Monette, LLC will provide public works management, including all current operation and maintenance services of the City's public works department, which broadly and currently consist of the following activities: streets and drainage, parks and grounds maintenance, landscaping of medians, and solid waste disposal. It also provides for the maintenance of equipment, vehicles and facilities existing within the City's public works operations. The agreement becomes effective January 1, 2016, at an annual cost of \$386.830 and includes annual increases thereafter of approximately 2% through the end of 2019.

### NOTE 13. COMMITMENTS AND CONTINGENCIES (CONCLUDED)

In December 2015 the City entered into an agreement to purchase property within the Holly Springs downtown redevelopment area at a price of \$300,000 and paid the seller an earnest money deposit of \$75,000 as required by the terms of the agreement. The balance of the purchase price of \$225,000 was paid by the City in March 2016.

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.

In the ordinary course of business, circumstances may result in legal actions against the City, which seek remedies or damages. Management and legal counsel have represented that there are no pending, threatened or unasserted legal actions against the City.

### NOTE 14. FUND BALANCE

Fund balances of governmental funds at December 31, 2015, as 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.

<u>Restricted</u>: 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.

<u>Unassigned</u>: 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, 2015, are as follows:

General Fund – Prepaid items and earnest money deposit totaling \$174,041 are considered nonspendable fund balance. The residual balance of \$4,991,439 is classified as unassigned fund balance. Unassigned fund balance includes cash totaling \$1,000,000 set aside for budget stabilization purposes (See Note 15).

SPLOST IV Fund – The amounts classified as restricted fund balance of \$698,249 can be spent only for legally authorized and approved capital projects, vehicles and equipment in accordance with the 2010 SPLOST referendum. (See Note 1B)

# NOTE 14. FUND BALANCE (CONCLUDED)

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

Nonmajor Funds	Purpose		Fund Balance	
Restricted Fund Balances: Special Revenue Funds:				
Multiple Grant	Purposes specified by grantors of monies received from various federal and state agencies	\$	37,032	
Hotel/Motel	Promote tourism, conventions and trade shows		6,870	
Capital Projects Funds:				
Capital Grant	Acquire or construct capital projects		11,626	
SPLOST III	Streets, sidewalks, downtown development and other purposes		204,391	
Total Restricted Fund Balances		\$	259,919	
Assigned Fund Balance: Special Revenue Fund:				
Parks and Recreation	Acquire and maintain parks and recreation facilities	\$	725,129	

### NOTE 15. RESTRICTED ASSETS

Restrictions on cash in the government-wide Statement of Net Position at December 31, 2015, are as follows:

Governmental activities:	,
Restricted cash:	
General Fund - for law enforcement purposes	\$ 1,223
General Fund - for budget stabilization purposes	1,000,000
SPLOST IV Fund - for acquisition or construction of legally authorized infrastructure, facilities, vehicles	
and equipment	651,111
Nonmajor funds - for purposes of grants received	20,605
Nonmajor fund - for streets, sidewalks, downtown development and other purposes	204,391
Nonmajor fund - for tourism, conventions, and trade shows	 _6,433
Total restricted cash	\$ 1,883,763

## NOTE 15. RESTRICTED ASSETS (CONCLUDED)

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.

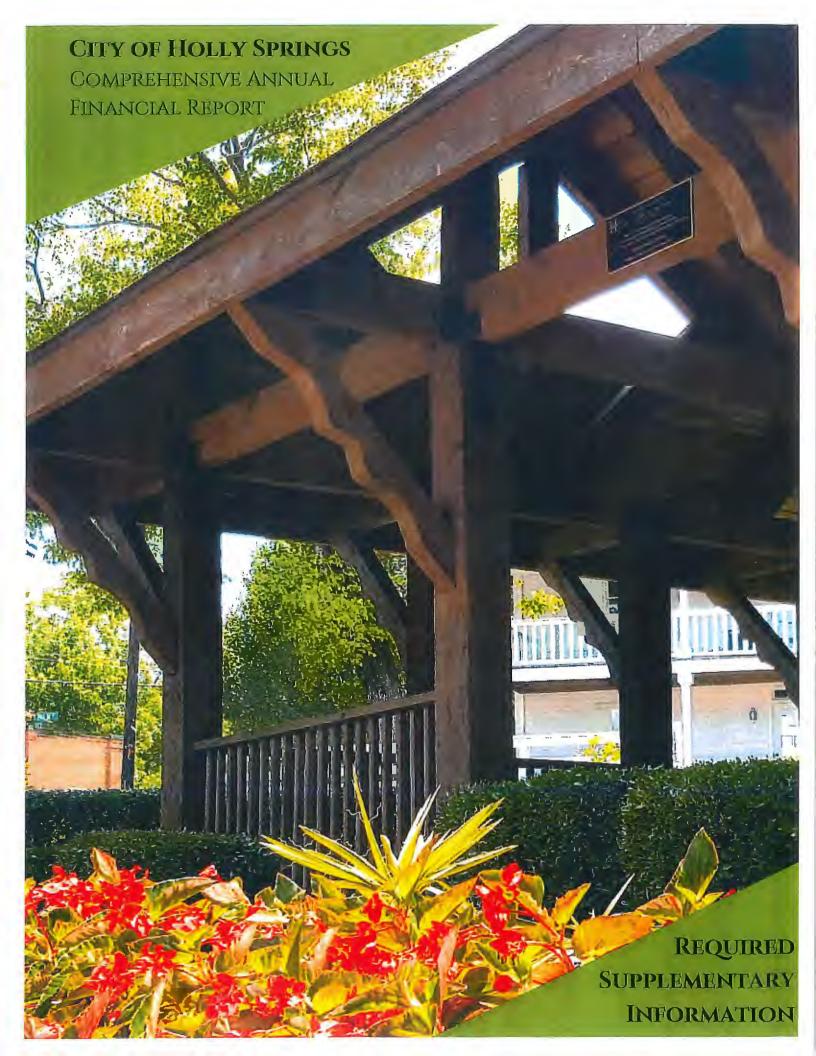
At December 31, 2015, General Fund cash of \$1,000,000 was set aside for budget stabilization purposes by resolution of the City Council and is reported as restricted cash in the Statement of Net Position. Because the Policy and the resolution do not provide sufficient specificity regarding the circumstances 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.

### NOTE 16. PRIOR PERIOD RESTATEMENTS

As discussed in Note 9 above, the City implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 as well as Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective January 1, 2015. The new standards significantly changed the City's accounting for pension amounts. As a result of the change in accounting principle, the City was required to restate beginning net position for net pension liability and deferred outflows of resources – pension amounts.

Prior period restatements to net position and fund balances are identified as follows:

	Primary Government			
	Governmental Activities		Business-type Activities	
Net position, December 31, 2014, as originally reported Deferred outflows of resources - pension amounts Net pension liability Net pension asset	\$	26,689,668 73,611 (302,058) (2,594)	\$	3,120,599 910 (3,733)
Net position, December 31, 2014, as restated	\$	26,458,627	\$	3,117,776
Net position, December 31, 2014,	Sto	rmwater Fund		
as originally reported  Deferred outflows of resources - pension amounts  Net pension liability	\$	3,120,599 910 (3,733)		-
Net position, December 31, 2014, as restated	\$	3,117,776		



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# 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, 2015

	Budgeted	<b>Budgeted Amounts</b>		Variance with	
D	Original	Final	Actual	Final Budget	
Revenues	<b>4 2 2 2 3 2 3 3 3</b>	<b>.</b>		<b>A</b> 450 101	
Property taxes Franchise taxes	\$ 2,874,500 500,000	\$ 2,971,500	\$ 3,140,934 604,313	\$ 169,434	
Business taxes	579,000	575,000 600,000	644,069	29,313 44,069	
Licenses and permits	291,300	770,600	865,324	94,724	
Intergovernmental	1,000	-	-		
Charges for services	9,450	55,025	60,913	5,888	
Fines and forfeitures	400,750	375,500	389,908	14,408	
Interest	7,550	8,000	7,988	(12)	
Other revenues	34,000	38,375	27,967	(10,408)	
Total revenues	4,697,550	5,394,000	5,741,416	347,416	
Expenditures					
Current:					
General government:		00.076	MC 0M0	12.00	
Governing body Elections	83,468	89,976	76,879	13,097	
General administration	678,446	833,314	723,972	109,342	
Total general government	761,914	923,290	800,851	122,439	
Judicial (municipal court) Public safety:	251,362	338,136	286,373	51,763	
Police services	1,844,304	2,112,373	2,004,487	107,886	
Fire services	1,140,000	1,140,000	1,128,875	11,125	
Total public safety Public works:	2,984,304	3,252,373	3,133,362	119,011	
Highways and streets	272,601	390,906	276,635	114,271	
Street and traffic lights	82,500	82,500	79,099	3,401	
Total public works	355,101	473,406	355,734	117,672	
Culture and recreation (regional library)	4,000	4,000	4,000		
Housing and development (community development)	348,369	395,795	390,125	5,670	
Total expenditures	4,705,050	5,387,000	4,970,445	416,555	
Excess (deficiency) of revenues over expenditures	(7,500)	7,000	770,971	763,971	
Other Financing Sources (Uses)					
Proceeds from disposal of capital assets Transfers out	7,500	6,000 (13,000)	20,578 (12,872)	14,578 128	
Total other financing sources (uses)	7,500	(7,000)	7,706	14,706	
Net change in fund balance	-	-	778,677	778,677	
Fund balance, beginning of year	4,386,803	4,386,803	4,386,803	*	
Fund balance, end of year	\$ 4,386,803	\$ 4,386,803	\$ 5,165,480	\$ 778,677	

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, 2015

### 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, 2015, General Fund departmental expenditures did not exceed appropriated budget amounts.

# CITY OF HOLLY SPRINGS, GEORGIA SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

# FOR THE YEAR ENDED DECEMBER 31, 2015

			Year End	
			2015	
Total pension liability				
Service cost		\$	87,975	
Interest			75,978	
Defferences between expected and actual experience			(13,568)	
Changes of assumptions			27,840	
Benefit payments			(14,089)	
Net change in total pension liability			164,136	
Total pension liability - beginning			987,412	
Total pension liability - ending	(a)	\$	1,151,548	
Plan fiduciary net position				
Contributions - employer		\$	101,403	
Net investment income		•	69,731	
Benefit payments			(14,089)	
Administrative expense			(3,609)	
Net change in plan fiduciary net position			153,436	
Plan fiduciary net position - beginning			681,621	
Plan fiduciary net position - beginning  Plan fiduciary net position - ending	(b)	. \$	835,057	
Train industry not postaton a circuitg	(5)	. =	033,037	
Net pension liability - ending	(a) - (b)	*	316,491	
Plan fiduciary net position as a percentage of				
total pension liability	•		72.52%	
Covered-employee payroll		\$	1,515,497	
Net pension liability as a percentage of				
covered-employee payroll			20.88%	

Historical information prior to implementation of GASB 68 is not required.

# CITY OF HOLLY SPRINGS, GEORGIA SCHEDULE OF CITY CONTRIBUTIONS FOR THE YEAR ENDED DECEMBER 31, 2015

·	 2015
Actuarially determined contribution  Contributions in relation to the actuarially determined contribution	\$ 107,525 369,925
Contribution deficiency (excess)	\$ (262,400)
Covered-employee payroll  Contributions as a percentage of covered-employee payroll	\$ 1,296,442 28.53%

### Notes to the Schedule:

A. Acturarial Methods and Assumptions:

Valuation Date

Cost Method

Amortization Method

Remaining amortization period

Asset valuation method

Net investment rate of return Projected salary increases Cost of living adjustments

July 1, 2015

Projected unit credit

Closed level dollar for remaining unfunded liability

Varies for the bases, with a net effective

amortization period of 10 years

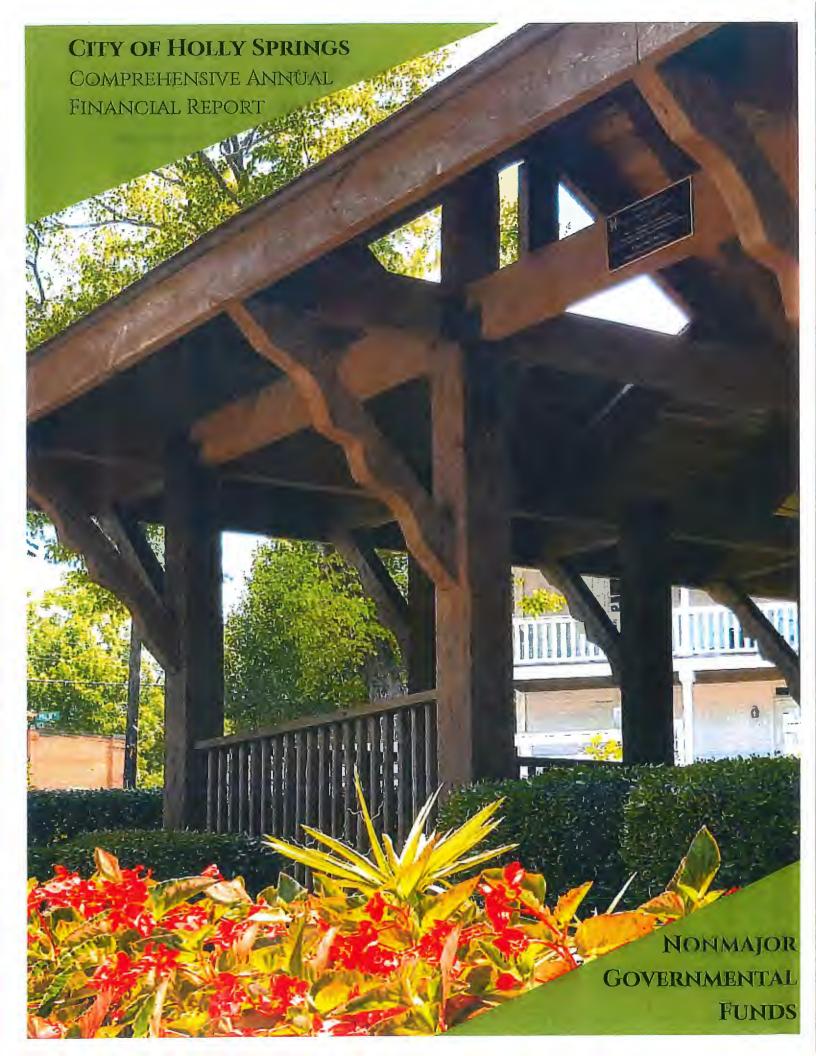
Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the varket value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

7.75%

3.25% plus service based merit increases

0.00%

B. Historical information prior to implementation of GASB 68 is not required.



# CITY OF HOLLY SPRINGS, GEORGIA

### NONMAJOR GOVERNMENTAL FUNDS

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, 2015

	Special Revenue					Capital Projects						
	Mult	iple Grant		rks and ecreation	Hot	el/Motel	Capi	tal Grant	SP	LOST III	-	Total
Assets												
Cash Accounts receivable Due from other governments	\$	8,779 - 28,699	\$	702,792 32,000	\$	6,433 437	\$	11,826	\$	204,391 110,334	\$	934,221 142,771 28,699
Total assets	\$	37,478	\$	734,792	\$	6,870	\$	11,826		314,725	\$	1,105,691
Liabilities												
Accounts payable Deposits Due to other funds Unearned revenue Total liabilities	\$	446 - - - - 446	\$	2,339 1,575 5,169 580 9,663	\$	- - -	\$	- 200 - 200	\$	- - - -	*	2,785 1,575 5,369 580 10,309
Deferred Inflows of Resources				9,005							-	10,309
Unavailable charges for services		-		-		-		-		110,334		110,334
Total deferred inflows of resources		-		-		-		-		110,334		110,334
Fund Balances												
Restricted Assigned		37,032		725,129		6,870		11,626		204,391		259,919 725,129
Total fund balances		37,032		725,129		6,870		11,626		204,391		985,048
Total liabilities, deferred inflows of resources and fund balances	\$	37,478	\$	734,792	\$	6,870	\$	11,826	\$	314,725	\$	1,105,691

#### CITY OF HOLLY SPRINGS, GEORGIA NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2015

·	Special Revenue							04-1	D	4-		
				ial Revenue				Capital	Projec	ts		
	Multi	ple Grant		ecreation	Hot	el/Motel	Cani	tal Grant	SP	LOST III		Total
	17441	pio oznice		Jer en troll		CO II I CO I CO	Cupi	tar Oxant		SODI III		10111
Revenues												
Selective sales taxes	\$	-	\$	314,258	, \$	6,468	\$	-	\$	-	\$	320,726
Licenses and permits		-		-		-		-		11,929		11,929
Intergovernmental		356,243		-		-		-		-		356,243
Charges for services		-		9,620		-		-		-		9,620
Interest		16		659		7		26		198		906
Donations from private sources		-		6,075		~		-		-		6,075
Other revenues				. 4,750		-		-				4,750
Total revenues		356,259		335,362		6,475		26		12,127		710,249
Expenditures												
Current:												
Health and welfare		356,242		4		-		-		. ·		356,242
Culture and recreation		-		146,479		-		-				146,479
Housing and development		-		-		7,622		-		-		7,622
Capital outlay:												
Culture and recreation				100,000								100,000
Total expenditures		356,242		246,479		7,622		-			_	610,343
Excess of revenues over												
(under) expenditures		17		88,883		(1,147)		26_		12,127		99,906
Other Financing Sources (Uses):												
Transfers in		_		12,872		_				_		12,872
Total other financing sources (uses)				12,872								12,872
Net change in fund balances		17		101,755		(1,147)		26		12,127		112,778
Fund balances, beginning of year	<u> </u>	37,015		623,374		8,017		11,600		192,264		872,270
Fund balances, end of year	\$	37,032	\$	725,129	\$	6,870	\$	11,626	\$	204,391	\$	985,048

## 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, 2015

	Budgeted	l Amo				Variance with		
	 Original		Final	Actual		Final Budget		
Revenues								
Intergovernmental	\$ 320,000	\$	375,000	\$	356,243	\$	(18,757)	
Interest	 100		100		16		(84)	
Total revenues	 320,100		375,100		356,259		(18,841)	
Expenditures						-		
Current:			•					
Health and welfare	 320,100	-	375,100	-	356,242		18,858	
Total expenditures	 320,100		375,100		356,242		18,858	
Excess of revenues over								
(under) expenditures	 		<del>-</del>		17		17	
Net change in fund balance	-		-		17		17	
Fund balance, beginning of year	37,015		37,015		37,015			
Fund balance, end of year	\$ 37,015	\$	37,015	\$	37,032	\$	17	

# 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, 2015

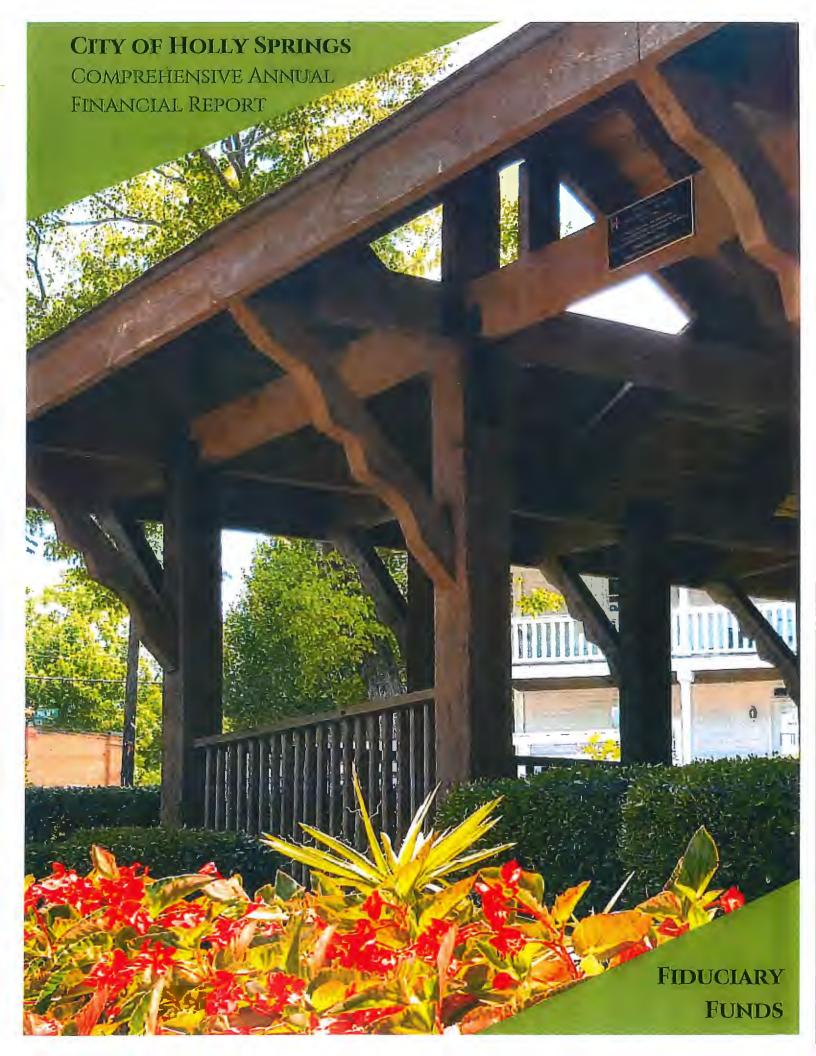
		Budgeted	l Amou	nts		Variance witl		
		Original		Final	 Actual		l Budget	
Revenues								
Selective sales tax	\$	281,750	\$	281,750	\$ 314,258	\$	32,508	
Charges for services		5,750		5,750	9,620		3,870	
Interest				-	659 6 <b>,</b> 075		659 6,075	
Donations from private sources Other revenues		2,500		2,500	4,750		2,250	
Total revenues		290,000		290,000	335,362		45,362	
Expenditures								
Current:								
Culture and recreation		180,000		180,000	146,479		33,521	
Capital outlay:								
Culture and recreation	-	110,000		110,000	 100,000		10,000	
Total expenditures		290,000		290,000	 246,479		43,521	
Excess of revenues over								
(under) expenditures		-			 88,883		88,883	
Other Financing Sources (Uses)								
Transfers in					 12,872		12,872	
Total other financing sources (uses)		-			 12,872		12,872	
Net change in fund balance		-		-	101,755		101,755	
Fund balance, beginning of year		623,374		623,374	 623,374			
Fund balance, end of year	\$	623,374	\$	623,374	\$ 725,129	\$	101,755	

## 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, 2015

		Budgeted	I Amou	nts		Variance with		
	0	riginal		Final	 ctual	Fin	al Budget	
Revenues								
Selective sales tax Interest	\$	4,495 5	\$	8,495 5	\$ 6,468 7	\$	(2,027)	
Total revenues		4,500		8,500	 6,475		(2,025)	
Expenditures								
Current:								
Housing and development		4,500		8,500	 7,622		878	
Total expenditures		4,500		8,500	 7,622		878	
Excess of revenues over								
(under) expenditures		-		-	 (1,147)		(1,147)	
Net change in fund balance		-		-	(1,147)		(1,147)	
Fund balance, beginning of year		8,017		8,017	8,017		-	
Fund balance, end of year	\$	8,017	\$	8,017	\$ 6,870	\$	(1,147)	

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#### CITY OF HOLLY SPRINGS, GEORGIA

#### FIDUCIARY FUNDS

#### AGENCY FUND:

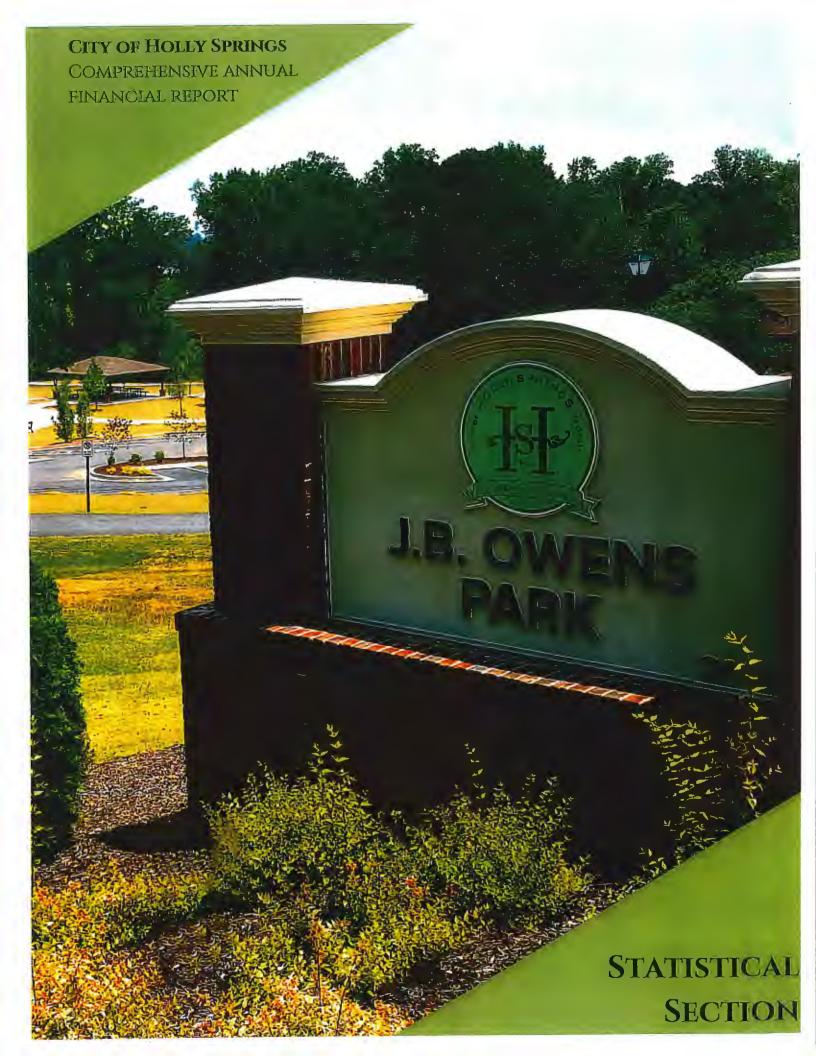
Municipal Court Fund – To account for the collection of cash appearance bonds, court fines and miscellaneous charges and related payments to other governments.

## CITY OF HOLLY SPRINGS, GEORGIA STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND

#### FOR THE YEAR ENDED DECEMBER 31, 2015

Municipal Court Fund	_	Balance nuary 1, 2015	<u>A</u>	dditions	D	eductions	Dec	alance ember 31, 2015
Assets								
Cash	_\$	23,135	\$	191,659	_\$	182,720	\$	32,074
Total assets	\$	23,135		191,659		182,720	\$	32,074
Liabilities								
Due to others	\$	23,135	\$	191,659	\$	182,720	\$	32,074
Total liabilities	\$	23,135	\$	191,659	_\$	182,720	\$	32,074

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#### STATISTICAL SECTION

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.

Financial Trends	62
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	66`
These schedules contain information to help the reader assess the City's most significant local revenue source, Property Tax.	
Debt Capacity	70
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	72
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	74
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)

								<del></del>
		2015		2014		2013		2012
Governmental activities								
Net investment in capital assets	\$	19,898,710	\$	17,729,864	\$	16,922,381	\$	14,963,807
Restricted	•	958,168	·	989,334	•	1,121,547	·	1,435,263
Unrestricted		8,909,343		7,970,470		6,763,202		5,800,393
Total government activities net position	\$	29,766,221	\$	26,689,668	\$	24,807,130	\$	22,199,463
							-	
Business-type activities (1)								
Net investment in capital assets	\$	2,701,939	\$	2,417,431	\$	2,198,900	\$	843,003
Unrestricted		626,637		703,168		801,436		621,855
Total business-type activities net position	\$	3,328,576	\$	3,120,599	\$	3,000,336	\$	1,464,858
			===					
Primary government								
Net investment in capital assets	\$	22,600,649	\$	20,147,295	\$	19,121,281	\$	15,806,810
Restricted		958,168		989,334		1,121,547		1,435,263
Unrestricted		9,535,980		8,673,638		7,564,638		6,422,248
Total primary government net position	\$	33,094,797	\$	29,810,267	\$	27,807,466	\$	23,664,321

<sup>(1)</sup> 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.

2011		2010	2009		2008		2007
\$ 14,655,782	\$	14,613,696	\$ 14,624,875	\$	14,092,914	\$	13,658,687
1,459,236		1,242,434	1,373,131		974,914		568,928
5,225,210		4,457,419	3,718,313		3,441,017		3,129,749
\$ 21,340,228	\$	20,313,549	\$ 19,716,319	\$	18,508,845	\$	17,357,364
					•		
\$ 749,678	\$	758,950	\$ -	\$	-	\$	-
 530,051		328,145	 			,	
\$ 1,279,729	_\$	1,087,095	\$ -	_\$_	<del>-</del>	\$	-
\$ 15,405,460	\$	15,372,646	\$ 14,624,875	\$	14,092,914	\$	13,658,687
1,459,236		1,242,434	1,373,131		974,914		568,928
5,755,261		4,785,564	 3,718,313		3,441,017		3,129,749
\$ 22,619,957	\$	21,400,644	\$ 19,716,319	\$	18,508,845	\$	17,357,364

#### CITY OF HOLLY SPRINGS, GEORGIA CHANGES IN NET POSITION LAST NINE YEARS

(accrual basis of accounting)

		2015		2014		2013		2012
Expenses	ф	700.050	Φ	700 F11	ф	001 400	Φ	710.070
General government	\$	798,252	\$	723,511	\$	821,428	\$	719,273
Judicial  Public pafety		265,562 3,193,076		213,602		222,432		200,673
Public safety Public works		3,193,076 1,752,586		2,714,404 1,410,749		2,546,687		2,454,703 818,898
Health and welfare		356,242		303,924		. 601,360 346,239		292,991
Culture and recreation		153,693		145,443				
Housing and development		371,399		305,589		85,757 1,081,899		90,174 647,357
Interest		3,922		7,428		13,256		27,701
Stormwater utility		212,527		202,889		155,272		123,079
Total Expenses	\$	7,107,259	\$	6,027,539	\$	5,874,330	\$	5,374,849
Duaguam Davanyan							-	
Program Revenues Charges for services:								
General government	\$	143,996	\$	118,227	\$	93,365	\$	100,235
Public safety	Ψ	368,899	Ψ	372,194	Ψ	440,811	Ψ.	389,084
Public works		500,055		372,171		-110,011		202,007
Culture and recreation		9,620		9,575		7,075		11,322
Housing and development		793,387		622,488		597,370		159,515
Stormwater utility		320,493		322,619		298,534		294,523
Operating grants and contributions:		020,170		522,017		270,551		27 1,025
General government		2,000		1,359		9,446		-
Health and welfare		356,243		303,734		345,537		293,104
Culture and recreation		6,734		15,550		13,750		
Capital grants and contributions:		-,,,		,		,		
General government		59,934		-		87,489		_
Public safety		187,198		437,242		537,416		106,407
Culture and recreation		1,370,132		145,336		_		_
Public works		1,638,146		770,704		1,881,507		537,104
Housing and development		235,859		153,016		670		611,166
Stormwater utility		102,316				1,391,959		
Total Program Revenues	\$	5,594,957	\$	3,272,044	\$	5,704,929	\$	2,502,460
Total Net (Expense) Revenue	\$	(1,512,302)	\$	(2,755,495)	\$	(169,401)	\$	(2,872,389)
General Revenues and Other Changes								<del></del>
in Net Position								
Taxes:								
Property tax	\$	3,420,246	\$	3,212,535	\$	2,899,441	\$	2,591,089
Franchise tax	~	604,313	*	578,242	*	528,764	*	451,734
Business tax		644,069		612,157		561,690		551,174
Selective sales tax		320,726		297,484		262,465		262,572
Other revenues		29,072		50,284		52,912		50,932
Unrestricted investment earnings		8,506		7,594		7,274		9,252
Gain from disposal of capital assets		3,764		.,		. ,		- ,
Total	\$	5,030,696	\$_	4,758,296	\$	4,312,546	\$	3,916,753
Total Change in Net Position	¢.	3 519 204	\$	2,002,801	Φ.	1 1/2 1/5	\$	1,044,364
Total Change in Net Position	\$	3,518,394	<u>Ф</u>	2,002,001	\$	4,143,145	Φ	1,044,304

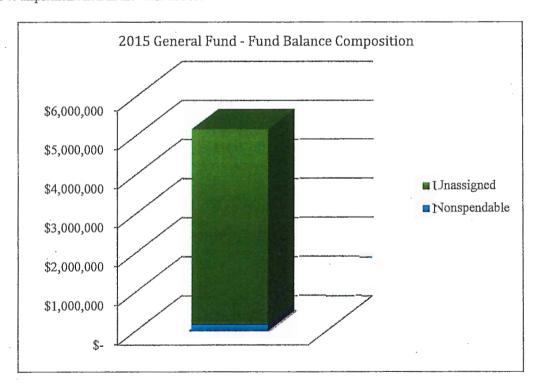
	2011	2010	200	9	2008		2007
\$	732,277	\$ 692,663	\$ 7	787,818 \$	641,435	\$	555,615
D)	187,181	190,427		275,904	245,928	Φ	188,116
	2,326,383	2,266,681		205,715	1,182,108		1,108,435
	584,016	528,658		575,436	988,756		556,387
	234,056	160,192		146,791	200,730		550,507
	44,086	41,577	•	64,376	936,884		814,310
	661,674	864,632	f	669,986	451,827		542,979
	40,884	57,140	·	27,525	2,974		3 12,575
	73,074	20,690		-	-,,,,,		-
\$	4,883,631	\$ 4,822,660	\$ 4,7	753,551 \$	4,449,912	\$	3,765,842
\$	74,092	\$ 24,808	\$	81,044 \$	234,919	\$	736,525
	320,919	285,136	3	364,452	413,607		459,592
	5,213	6,437		1,375	5,675		-
	203,542	189,352	3	317,736	329,684		-
	265,465	358,911		-	-		-
	2,550	16,845		-	4,804		-
	234,524	160,192	2	205,316	-		-
	-	-	1,0	)14,595	356,069		•
	100,772	1,452		31,996	5,000		319,138
	-	-		-	-		44,704
	-	875,643		21,873	-		860,308
	1,075,903	800,413		-	-		751,495
\$	2,282,980	\$ 2,719,189	\$ 2,0	38,387 \$	1,349,758	\$	3,171,762
\$	(2,600,651)	\$ (2,103,471)	\$ (2,7	715,164) \$	(3,100,154)	\$	(594,080)
\$	2,647,071	\$ 2,553,574	\$ 2,4	173,086 \$	1,882,727	\$	1,882,727
	429,737	502,270		352,179	279,482		279,482
	513,649	303,995	$\epsilon$	665,507	591,073		591,073
	244,667	231,086		-	**		-
	49,936	88,743		61,470	5,042		5,042
	6,832	4,362		6,459	131,232		131,232
	-						
\$	3,891,892	\$ 3,684,030	\$ 3,5	<u>\$558,701</u> <u>\$</u>	2,889,556	\$	2,889,556
<u>\$</u>	1,291,241	\$ 1,580,559	\$ 8	\$43,537	(210,598)	\$	2,295,476

#### CITY OF HOLLY SPRINGS, GEORGIA FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS

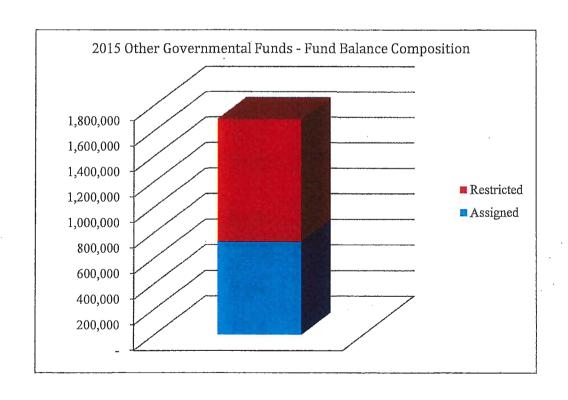
(modified accrual basis of accounting)

	2015	2014	2013	2012
General fund				
Nonspendable	\$ 174,041	\$ 42,510	\$ 77,733	\$ 56,486
Unassigned	4,991,439	4,344,293	3,554,510	2,608,226
Total general fund	\$ 5,165,480	\$ 4,386,803	\$ 3,632,243	\$ 2,664,712
All other governmental funds				
Restricted	\$ 958,168	\$ 1,181,598	\$ 1,121,547	\$ 1,435,263
Assigned	725,129	623,374	587,513	425,332
Unassigned	-	-	-	
Total all other governmental funds	\$ 1,683,297	\$ 1,804,972	\$ 1,709,060	\$ 1,860,595

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.



2011	2010	2009	2008	2007	2006
\$ 65,788	\$ 60,518	\$ 21,009	\$ 59,758	\$ -	\$ 1,031
2,177,067	1,462,088	1,339,533	952,655	1,203,160	2,450,487
\$ 2,242,855	\$ 1,522,606	\$ 1,360,542	\$ 1,012,413	\$ 1,203,160	\$ 2,451,518
\$ 1,459,236	\$ 1,215,129	\$ 1,342,659	\$ -	\$ -	\$ -
454,963	496,117	310,889	144,176	24,055	13,823
(211,857)	(211,857)	(236,937)	975,198	568,928	388,691
\$ 1,702,342	\$ 1,499,389	\$ 1,416,611	\$ 1,119,374	\$ 592,983	\$ 402,514



## CITY OF HOLLY SPRINGS, GEORGIA CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS

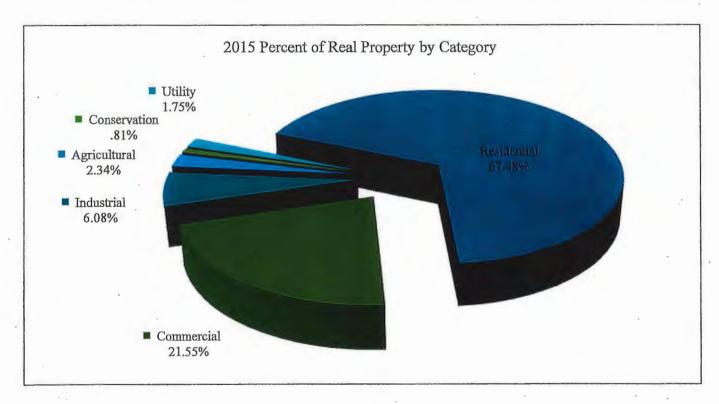
(modified accrual basis of accounting)

			· · · · · · · · · · · · · · · · · · ·	
	2015	2014	2013	2012
Revenues:				
Taxes	\$ 4,710,042	\$ 4,399,578	\$ 4,202,032	\$ 3,926,975
Licenses and permits	877,253	692,844	661,322	226,580
Intergovernmental	1,753,918	1,664,757	1,444,195	1,530,436
Charges for services	70,533	52,348	30,356	23,546
Fines and forfeitures	389,908	411,035	427,464	367,364
Interest	9,808	8,728	8,968	11,383
Donations from private sources	8,075	15,181	22,559	-
Other revenue	30,717	61,255	58,972	85,282
Total revenues	7,850,254	7,305,726	6,855,868	6,171,566
Expenditures:				
Current:				
General government	799,051	678,717	693,305	695,848
Judicial	286,373	211,556	222,251	199,641
Public safety	3,133,362	2,518,284	2,343,040	2,324,164
Public works	349,258	370,357	236,884	252,305
Health and welfare	356,242	303,938	346,519	293,264
Culture and recreation	150,479	130,547	70,858	74,799
Housing and development	397,747	298,874	1,076,180	635,686
Capital outlay	1,607,851	1,950,389	784,233	615,706
Debt service:				
Principal	127,215	138,944	530,848	512,431
Interest	6,252	6,558	15,911	34,328
Total expenditures	7,213,830	6,608,164	6,320,029	5,638,172
Excess(deficiency) of revenues				
over expenditures	636,424	697,562	535,839	533,394
Other financing sources (uses):				
Issuance of capital lease	-	133,553	250,829	-
Proceeds from disposal of capital assets Contributions from private sources	20,578	19,358	29,328	59,905
Transfers in	12,872	94,670	650,189	269,145
Transfers out	(12,872)	(94,670)	(650,189)	(282,334
Total other financing sources (uses)	20,578	152,911	280,157	46,716
Net change in fund balances	\$ 657,002	\$ 850,473	\$ 815,996	\$ 580,110
Debt service as a percentage of				
noncapital expenditures:	2.29%	2.69%	<u>9.76</u> %	10.35%

2011	2010	2009	2008	2007	2006
\$ 3,806,897	·\$ 3,571,677	\$ 3,434,685	\$ 2,738,021	\$ 2,302,244	\$ 2,170,201
245,884	160,951	368,228	469,615	559,859	920,393
1,427,110	1,324,788	1,271,817	1,151,565	1,975,645	1,157,961
35,623	29,088	27,172	30,629	176,666	1,137,501
284,208	259,543	369,207	413,607	459,592	421,005
8,093	5,547	8,422	37,349	131,232	110,501
-	-,	_	-	-	
48,996	88,743	61,470	79,909	5,042	75,631
5,856,811	5,440,337	5,541,001	4,920,695	5,610,280	4,855,692
707,668	679,963	755,205	622,085	546,529	851,604
186,549	189,273	276,937	245,080	189,079	~
2,187,997	2,188,611	2,101,137	1,098,359	988,941	1,079,271
272,116	237,580	296,950	350,576	336,514	279,477
234,298	160,192	146,791	17,632	_	-
28,712	26,208	52,751	925,254	803,113	148,204
658,630	853,993	662,226	502,325	539,589	443,498
348,202	450,948	2,743,452	1,227,617	1,869,618	2,426,139
441,432	447,790	20,606	19,483	16,240	23,136
46,937	64,703	3,517	4,640	54,940	23,304
5,112,541	5,299,261	7,059,572	5,013,051	5,344,563	5,274,633
<u> </u>		7,009,012			
744,270	141,076	(1,518,571)	(92,356)	265,717	(418,941)
			. •		
167,259	-	1,800,000	67,020		-
11,673	-	-	<b>4,</b> 911	-	9,879
-	-	-	356,069	-	
266,485	40,000	463,572	32,934	382,018	613,678
(266,485)	(40,000)	(463,572)	(32,934)	(382,018)	(613,678)
178,932		1,800,000	428,000		9,879
\$ 923,202	\$ 141,076	\$ 281,429	\$ 335,644	\$ 265,717	\$ (409,062)
		/			
10.25%	10.56%	0.56%	0.58%	<u>2.05</u> %	<u>1.57</u> %

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

			Real Pr	operty		
	Residential	Commercial	Industrial	Agricultural	Conservation	Utility
Fiscal	Assessed	Assessed	Assessed	Assessed	Assessed	Assessed
Year	Value	Value	Value	Value	Value	Value
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
2015	250,689,224	80,062,121	22,579,326	8,680,160	3,019,080	6,486,480

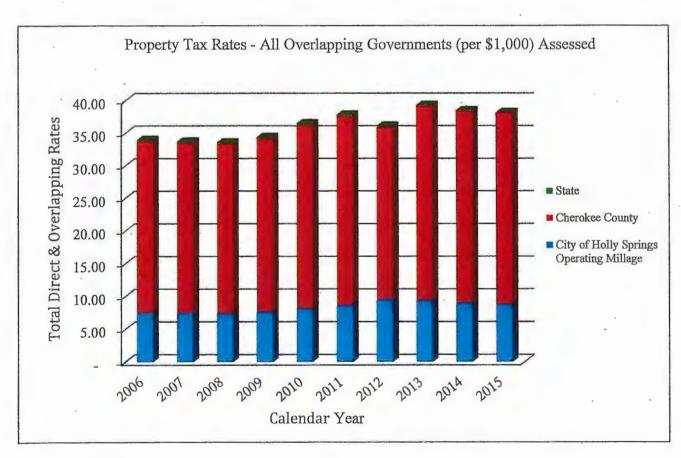


The Cherokee County Assessor performs property tax assessments on all property within Cherokee County including all of the cities therein. The fair market value is determined based on comparables for sales in the area and zoning and land use assumptions. The tax digest is submitted to the Georgia Department of Revenue annually for approval and is then distiributed 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					Estimated	Assessed
Motor Vehicles	Other	Less:	Total Taxable	Total Direct	Actual	Value as a
Assessed	Assessed	Tax Exempt	Assessed	Tax	Taxable	% of Actual
Value	Value	Real Property	Value	Rate	Value	Value
7,629,270	12,866,935	2,809,339	220,365,786	7.470	550,914,465	40%
10,134,600	15,019,714	4,658,508	288,248,526	7.470	720,621,315	40%
14,005,910	19,179,912	11,431,358	336,944,024	7.370	842,360,060	40%
16,082,960	20,173,626	7,555,307	340,150,759	7.607	850,376,898	40%
15,593,260	17,028,555	6,032,515	320,395,252	8.098	800,988,130	40%
16,393,730	18,132,908	4,853,117	306,391,835	8.598	765,979,588	40%
18,846,450	18,930,045	7,804,487	275,024,626	9.449	687,561,565	40%
20,947,510	95,200	5,186,207	289,836,699	9.373	724,591,748	40%
17,028,820	112,960	8,051,200	333,254,778	8.936	833,136,945	40%
12,884,030	110,840	11,484,633	373,026,628	8.751	932,566,570	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
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
2015	8.751	29.400	0.05	38.201



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

		2015				2	2006	
Taxpayer		Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Holly Springs LLC	\$	8,720,200	1	2.34%	\$	1,525,480	4	0.69%
	Φ	6,431,480		1.72%	Φ	1,323,460	4	0.0970
Walmart  Fact Charaltae Village		3,446,560	2	0.92%		2 010 940	1	1.37%
East Cherokee Village		3,440,300	3	0.9276		3,010,840	-	
Alltel GA Communications		0.100.000		0.0007		3,007,320	2	1.36%
Home Depot		3,108,000	4	0.83%				
Northside Hospital-Cherokee, Inc.		2,772,240	5	0.74%				
The Kroger Co.		1,778,720	6	0.48%		1,294,440	5	0.59%
Pulte Home Corporation						1,911,600	3	0.87%
Bright-Meyers Holly Springs		1,573,560	7	0.42%				
Wellstar Health System Inc		1,570,240	8	0.42%		*		
Atlanta Gas Light Co.		1,539,676	9	0.41%				
Sawnee EMC		1,454,018	10	0.39%				
Holly Springs Macauley One LLC						1,002,080	6	0.45%
Publix Super Markets						680,494	7	0.31%
Toonigh Shops, LLC						655,680	8	0.30%
Chingis LLC		v.				523,760	9	0.24%
Selas Fluid Processing			_			481,320	10	0.22%
	\$	32,394,694	- =	8.67%	\$	14,093,014	=	6.40%

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

		Collected within t			Total Col	llections to Date
Fiscal Year	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy (1)	Collections in Subsequent Years (2)	Amount	Percentage of Levy
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%	1,895,323	2,378,072	99.76%
2011	2,392,266	1,997,607	83.50%	385,822	2,383,429	99.63%
2012	2,369,086	2,206,378	93.13%	153,143	2,359,521	99.60%
2013	2,426,198	2,192,899	90.38%	225,059	2,417,958	99.66%
2014	2,722,594	2,578,755	94.72%	136,498	2,715,253	99.73%
2015	2,996,831	2,836,535	94.65%	N/A	2,836,535	94.65%

- (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

#### Governmental Activities

		Percentage	
		of Personal	Per
 Fiscal Year	Capital Leases	Income	Capita
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
2015	175,273	0.06%	16

#### CITY OF HOLLY SPRINGS, GEORGIA DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT DECEMBER 31, 2015

	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	175,273	100.00%	175,273
	\$ 175,273		\$ 175,273
Overlapping General Obligation Debt:			
Cherokee County - 2009 Issue	32,530,000	4.91%	1,597,963
Cherokee County - 2010 Issue	9,967,000	4.91%	489,607
Cherokee County - 2011 Issue	6,380,000	4.91%	313,403
Cherokee County - 2014 Issue	21,763,000	4.91%	1,069,059
Cherokee County School District	407,665,000	4.91%	20,025,630
Other Overlapping Debt:			
Cherokee County Resource Recovery Development Authority	15,955,901	4.91%	783,798
Total Overlapping Debt	\$ 494,260,901		\$ 24,279,460

Source: Information obtained from the Cherokee County, Georgia Comprehensive Annual Financial Report dated September 30, 2015

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

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (3)	Median Age (4)	Average Education Level (5)	School Enrollment (6)	Unemployment Rate (7)
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%
2015	10,740	290,184,060	27,019	35.91	Some College	1,090	3.9%

- (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 Cherokee Office of Economic Development
- (6) School Enrollment includes student population at Holly Springs Elementary provided by Cherokee County School District and Lyndon Academy
- (7) Unemployment Rate provided Cherokee Office of Economic Development

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

	2015			200	2006	
			Percentage of Total City			Percentage of Total City
Employer	Employees (1) R	ank	Employment(2)	Employees	Rank	Employment(2)
Walmart #5814	190	1	6.49%			
Aramark K-12	184	2	6.28%			
Hydro-Chem, A Division of Linde Eng.	114	3	3.89%	65	5	1.19%
Home Depot, USA, Inc.	92	4	3.14%			
Kroger Store #430	81	5	2.77%	79	2	1.44%
Publix Super Markets, Inc.	76	6	2.59%	75	3	1.37%
Cherokee County School District	80	7	2.73%	75	4	1.37%
Nor-Ral Plastics, Inc.	51	8	1.74%	35	6	0.64%
Southeast Restoration	34	9	1.16%			
Agilex Fragrance Division	33	10	1.13%	81	1	1.48%
Dominos Pizza				29	7	0.53%
Wendy's Old Fashion Burgers				29	8	0.53%
Marquis Tile, Inc.				25	9 .	0.46%
Welcome Home Total	935		31.92%	\$ 518	- <sup>10</sup>	0.46% 9.47%

<sup>(1)</sup> Information obtained from City of Holly Springs CLT/Occupational Tax System and Cherokee Cty School District

<sup>(2)</sup> Information obtained from the U.S. Census Bureau Fact Finder - 2006 Business Patterns

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

Function	2015	2014	2013	2012	2011	2010
General Government						
Management	3.0	3.0	4.0	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	2.5	2.0	2.0	2.0	2.0	2.0
Public Safety						
Police Officers	19.0	16.0	16.0	14.0	14.0	13.0
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	3.0	2.0
Culture and Recreation						
Parks	0.5	-		1.0	1.0	1.0
Housing and Development						
Building	3.5	2.0	2.0	2.0	2.0	2.0
Planning and Zoning	1.0	1.0	1.0	1.0	1.0	1.0
Stormwater (1)	1.0	1.0	2.0	1.0	0.5	0.5
Total	39.5	34.0	36.0	32.0	31.5	29.5

<sup>(1)</sup> 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.

2009	2008 ·	2007	2006
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
14.0	15.0	15.0	14.0
4.0	4.0	4.0	4.0
3.0	3.0	3.0	3.0
1.0	1.0	1.0	1.0
6.0	7.0	6.0	5.0
1.0	2.0	2.0	2.0
0.0	0.0	0.0	0.0
35.0	38.0	37.0	35.0

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

Function	2015	2014	2013	2012	2011
General government					
Ordinances approved	15	12	11	11	11
Special events held	7	7	9	11	9
Occupation tax licenses issued (1)	633	539	909	913	917
Court					
Number of citations processed	2,021	2,804	2,468	2,178	1,869
Number & type of court sessions:					
Arraignments	23	25	25	19	21
Trials	4	7	7	6	4
Judge's seminars	3	4	3	3	4
Police					
Calls for service	12,593	27,501	26,056	24,426	30,558
Part 1 crimes reported	393	186	201	274	280
Public Works					
Number of potholes repaired	13	2	9	11	11
Miles of streets resurfaced	3.04	5.35	3.90	3.02	1.23
Community Development					
Building permits issued	565	297	136	140	. 130
Acres annexed	98.54	-	2.91	10.39	-
Culture and Recreation			•		
Park acres maintained	46	13	13	13	13
Stormwater					
Stormwater projects completed (2)	1	-	-	8	2

<sup>(1)</sup> Includes Home Occupation, Traditional Occupation Licenses and Insurance Licenses

<sup>(2)</sup> 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

2010	2009	2008	2007	2006
8	9	8	5	6
9	9	8	7	7
860	768	748	N/A	N/A
2,080	2,815	2,568	3,802	3,337
22	21	23	18	19
4	5	6	5	5
-	-	-	~	~
17,623	23,180	N/A	N/A	N/A
308	237	263	228	248
8	N/A	N/A	N/A	N/A
-	2	-	-	15
109	180	299	458	579
-	-	-	-	123
13	13	13	13	13

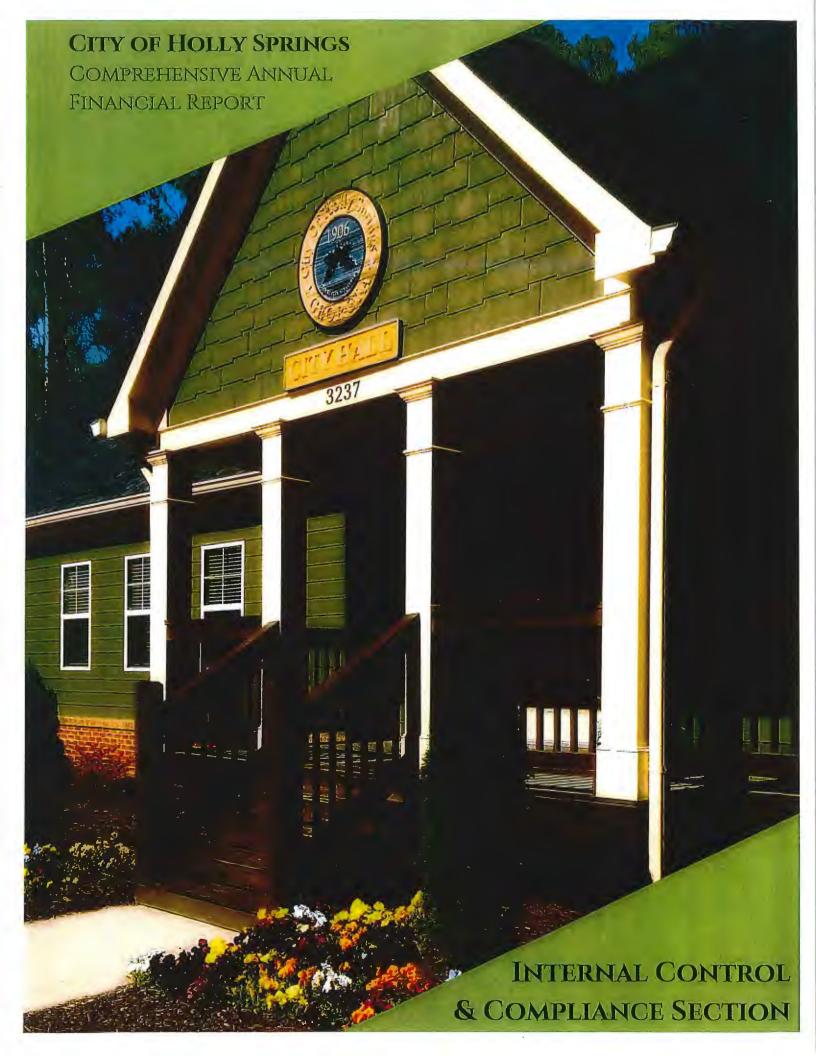
#### CITY OF HOLLY SPRINGS, GEORGIA CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN YEARS

Function	2015	2014	2013	2012	2011	2010
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol Units	17	16	13	13	13	13
Public Works						
Streets (miles)	60	59	59	59	59	59
Parks and Recreation						
Acreage of Parks (1)	46	46	46	46	46	46
Playgrounds	3	2	2	2	2	2
Baseball Fields	1	1	1 .	1	1	1
Community Center	1	1	1	1	1	1

<sup>(1)</sup> 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 was completed in the fall of 2015.

2009	2008	2007	2006
1 13	1 13	1 10	1 9
59	44	44	44
13 2 1	13 2 1	13 2 1	13 2 1
1	1	1	1

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# RL Jennings & Associates, PC

Certified Public Accountants

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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, 2015, 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 10, 2016.

#### 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.

Ellijay, Georgia June 10, 2016

## CITY OF HOLLY SPRINGS, GEORGIA SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2015

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.

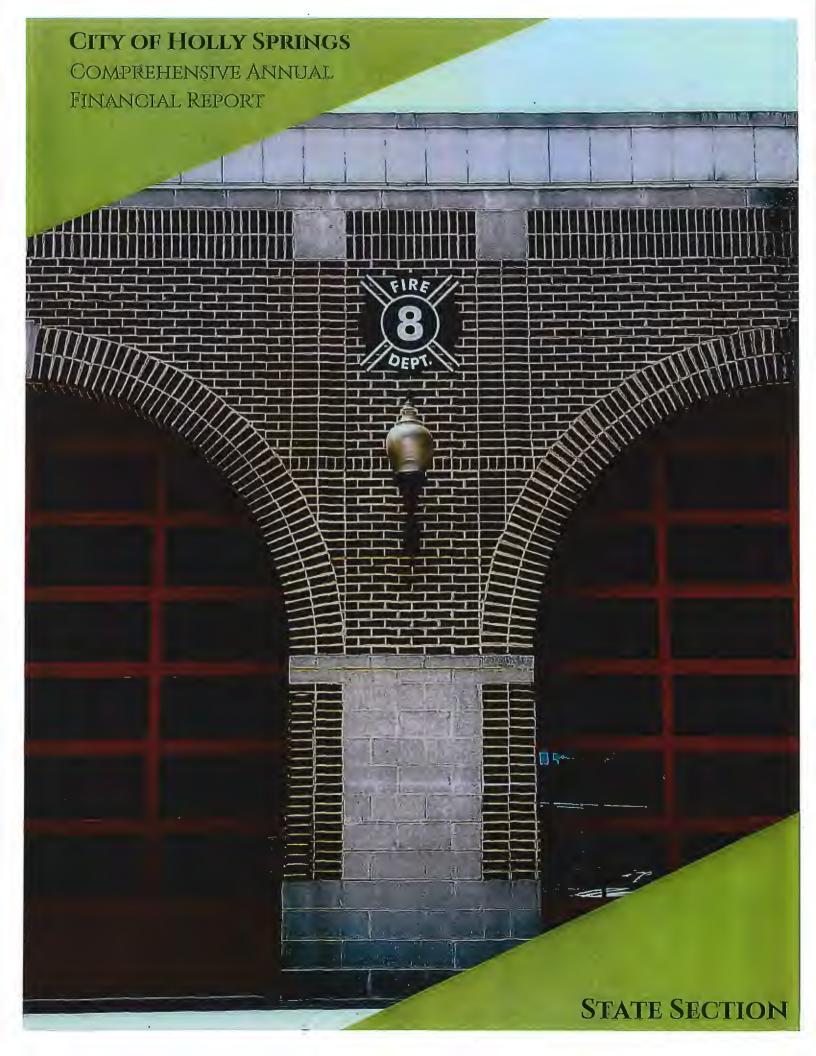
Effect: Without proper segregation of duties within these functions, there is increased risk that City assets could be misappropriated or that errors could occur in the accounting records and remain undetected and uncorrected.

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.

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# CITY OF HOLLY SPRINGS, GEORGIA SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED DECEMBER 31, 2015

	Estimated Cost		Expenditures						Estimated % of		
Project		Original		Current		Prior Years		Current Year		Total	Completion
Special Use Sales Tax 2004 - SPLOST III											
Streets and sidewalks New city hall Downtown square and	\$	3,407,000 2,600,000	\$	3,407,000 2,600,000	\$	2,779,246 4,125,438	\$	-	\$	2,779,246 4,125,438	82% 159%
streetscapes Public safety and public works		1,602,705		1,602,705		-		-		-	0%
vehicles and equipment	_	219,000	_	219,000	_	206,487	_	·		206,487	94%
	\$	7,828,705	\$	7,828,705	\$	7,111,171	\$	-	\$	7,111,171	
Special Use Sales Tax 2010 - SPLOST IV											
Transportation facilities and improvements Law enforcement facilities, vehicles and	\$	3,100,000	\$	3,100,000	\$	1,486,628	\$	660,635	\$	2,147,263	69%
equipment Sewer system infrastructure, facilities and		1,700,000		1,700,000		915,864		230,910		1,146,774	67%
equipment  City hall administrative offices, facilities		750,000		750,000		158,626		664,051		822,677	110%
and equipment Public works, fire, fleet vehicles and		755,000		755,000		50,751		-		50,751	7%
equipment		410,200	_	410,200		60,185		77,446		137,631	34%
	\$	6,715,200	\$	6,715,200	\$	2,672,054	\$	1,633,042	\$	4,305,096	

# Notes to schedule:

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

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