

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2016



Cagle Heights subdivision,
Stringer Road

City of Holly Springs

A CITY UNDER
CONSTRUCTION



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Prepared By:
General Administration
Department

Submitted By:
Robert H. Logan,
CPA, CGMA

A CITY UNDER
CONSTRUCTION



P. Rickman Extension &
Associated Turn Lanes Project,
Holly Springs Parkway



Sutherlin Nissan,
Holly Springs Parkway



**CITY OF HOLLY SPRINGS, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Livable Centers Initiative
Sidewalk Project,
Hickory Road



Stormwater Improvements,
Marble Quarry Road

Introductory Section

Mayor
Steven W. Miller

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



City of Holly Springs

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City Attorney
Robert M. Dyer

City Clerk
Karen Norred

City Manager
Robert H. Logan

May 25, 2017

Honorable Mayor Steven W. Miller
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, 2016, 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, 2016 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, 2016 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 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 term of each office is four years with elections staggered every two years. The City of Holly Springs is divided into five geographic wards, which are elected at-large by plurality vote. Candidates must reside in the ward in which they are seeking office when qualifying as a candidate. Each candidate is required to reside in such ward during the member's period

of service and continue to be registered and eligible to vote in municipal elections of the City. Candidates elected to office in the November election take office in the month of January of the following year and are sworn in at the first council meeting of the year.

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 two quasi-governmental entities, the Holly Springs Downtown Development Authority, a discretely presented component unit, and the Holly Springs Parks and Recreation Authority, a blended component unit.

The City, in conjunction with its component units, 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%
2016	11,147	4.64%

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 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 2018, this project is expected to generate a great deal of commercial growth within the southern section of the City. Holly Springs Parkway was upgraded during 2016 and early 2017 between Pine Crest Road and Harbor Creek Parkway to include the addition of one through-lane and sidewalks. The City also approved funding for widening Holly Springs Parkway over Toonigh Creek near Sixes Road and adding a traffic signal at the intersection of Holly Springs Parkway and Rabbit Hill Road to accommodate proposed residential and commercial growth in that corridor. In addition, the City started construction in the summer of 2016 to realign and upgrade the intersection of Hickory Road, Holly Springs Parkway and P. Rickman Industrial Drive to improve the flow of traffic in downtown Holly Springs. This project is scheduled for completion in the fall of 2017.

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 and 2016 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. The dealership opened in April 2017 and provided 80 jobs and generated additional sales tax and property tax revenues for the City. A new commercial center including a new free-standing restaurant on Sixes Road at Exit 11 on I-575 also opened in early 2017. The City of Holly Springs has also seen significant redevelopment north of Sixes Road on Holly Springs Parkway. The City Council approved the annexation and rezoning for a luxury apartment complex consisting of 340 units adjacent to Home Depot in late 2016 and received an application in early 2017 for a luxury apartment complex near the intersection of Holly Springs Parkway and Rabbit Hill Road consisting of 282 units. Wellstar Health System, Inc. announced plans to build a health park near the intersection of Sixes Road and I-575 in the spring of 2018. The health park will feature physician offices, imaging services, an urgent care center, cardiac diagnostics, lab outreach and physical therapy upon completion. The City of Holly Springs anticipates a halo effect of medical uses near the health park in the future.

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 consideration of the Distinguished Budget Presentation Award each year. 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

Holly Springs Town Center Project

In 2016, the City of Holly Springs issued a request for proposals (RFP) for Master Development Services for the City of Holly Springs Town Center Project. The City received three proposals in early 2017 and selected one of the firms with whom to negotiate a master development agreement. Pursuant to the request for proposals, the master development agreement is anticipated to include design and construction oversight for the mixed-use development which 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 of the Town Center Project is anticipated to begin in 2018.

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. Construction of Phase I of the LCI Project along Holly Springs Parkway and Hickory Road was completed in the spring of 2017. Right-of-way acquisition is underway for Phase II of the LCI Project along Holly Springs Parkway from L.R. Tippens Education Center to Pine Crest Road. The plan calls for pedestrian improvements, lamp posts, landscaping and mast arms. In addition, the City received Community Development Block Grant (CDBG) funding for sidewalk and drainage improvements along Palm Street in downtown Holly Springs. This project is scheduled for completion in the summer of 2017.

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 was required to make annual installment payments in the amount of \$100,000 for ten years. The City of Holly Springs had 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. During the summer of 2016, the City activated the Holly Springs Parks and Recreation Authority and exercised its option to acquire the property. The Holly Springs Parks and Recreation Authority adopted a bond resolution in the amount of \$3,200,000 to purchase the acreage on July 11, 2016. The City plans to develop the property for use as a 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, 2015. This was the fourth 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 (GAAP) and applicable legal requirements.

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

Acknowledgments

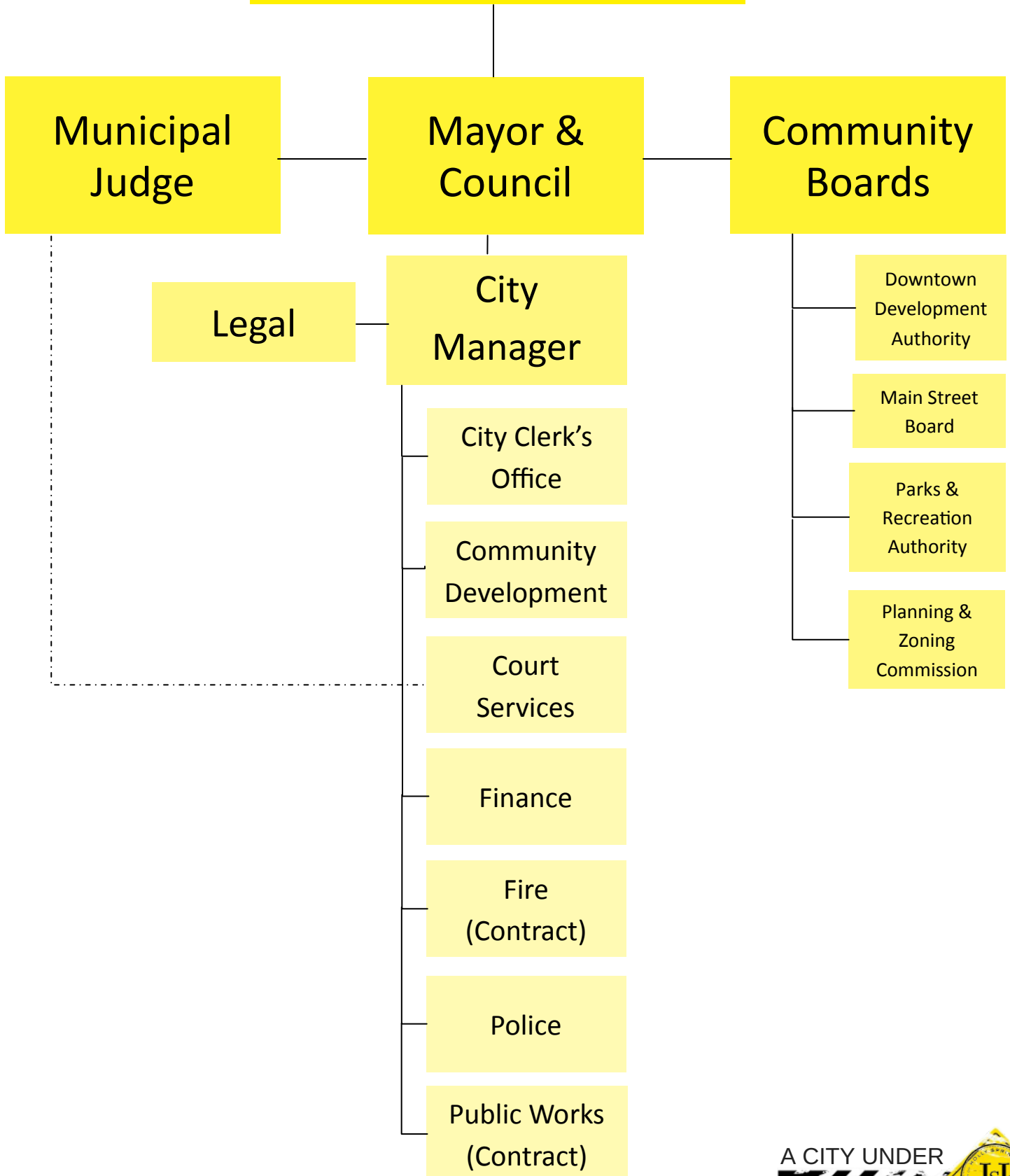
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of Erin Honea, Denise Lamazares and Nancy Wagner and the entire City staff and the Certified Public Accounting firm of RL Jennings & Associates, PC. I would also like to thank 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,

A handwritten signature in black ink that reads "Robert H. Logan". The signature is written in a cursive, flowing style.

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

Citizens of Holly Springs



Mayor & Council



Mayor
Steven W. Miller



Mayor Pro Tem
Michael Roy Zenchuk II



Councilmember
Karen Barnett



Councilmember
Dee Phillips



Councilmember
Jeremy Smith



Councilmember
Kyle Whitaker

Principal Officers

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

City Clerk Karen Norred, CMC

Police Chief Michael Carswell

Municipal Court Clerk Whitney Dickens

Community Development Director Nancy Moon

Public Works Optech Monette, PC

City Attorney Dyer & Rusbridge, PC

City Auditor RL Jennings & Associates, PC



Downtown Sanitary Sewer Project
Hickory Road



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, 2015

Executive Director/CEO



Demolition of blighted property,
Jackson Street

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Financial Section

A CITY UNDER
CONSTRUCTION



RL Jennings & Associates, PC

Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA
Marvin Chance, CPA, CGMA
Thomas H. Evans, Jr., CPA
Sarah A Dunn, CPA, MBA
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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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 20, budgetary comparison information on page 52, the Schedule of Changes in Net Pension Liability and Related Ratios on page 55 and the Schedule of City Contributions on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Holly Springs, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is presented for the purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and Schedule of Projects Constructed with Special Purpose Local Option Sales Tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and Schedule of Projects Constructed with Special Purpose Local Option Sales Tax are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2017, 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.

R.L. Jennings & Associates, PC

Ellijay, Georgia
May 25, 2017

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 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, 2016. 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 2016 are as follows:

- The City's combined net position increased \$4,392,571 (13.27%) to \$37,487,369 from \$33,094,798 in 2015.
- Combined revenue increased \$1,053,132 (9.91%) to \$11,678,785 from \$10,625,653 in 2015, of which governmental activities totaled \$11,317,633 and business-type activities totaled \$361,152.
- Overall expenses increased \$178,955 (2.52%) to \$7,286,214 from \$7,107,259 in 2015, of which governmental activities totaled \$7,024,382 and business-type activities totaled \$261,832.
- As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$6,386,215. At December 31, 2016, \$5,627,115 or 88.11% is available for use (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's operations, in a manner similar to private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the primary government.

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

The Statement of Net Position

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

The Statement of Activities

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes and earned but unused accrued vacation leave).

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

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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.

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The City's combined net position (governmental and business-type activities) totaled \$37,487,369 at December 31, 2016.

Combined net position includes a net investment in capital assets of \$24,324,215 (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 \$243,680 of restricted net position that is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. The City has \$9,491,578 in unrestricted net position at December 31, 2016.

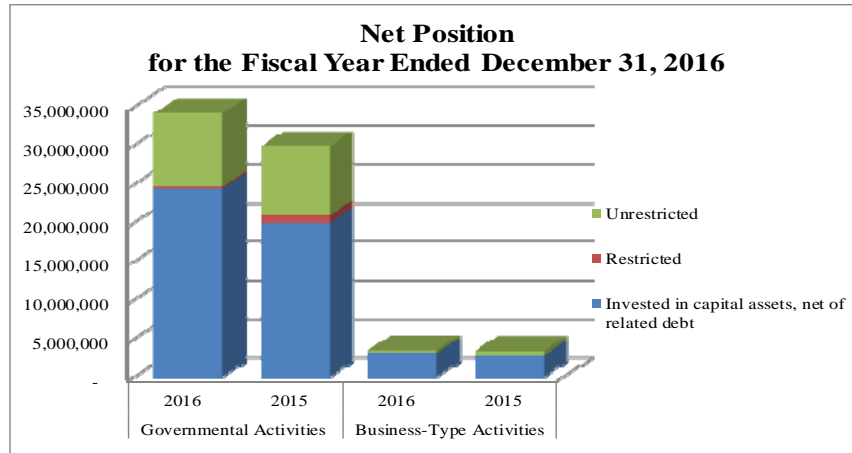
City of Holly Springs' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 10,639,852	\$ 10,496,887	\$ 402,087	\$ 644,400	\$ 11,041,939	\$ 11,141,287
Capital assets	27,418,071	20,073,982	3,030,866	2,701,939	30,448,937	22,775,921
Total assets	38,057,923	30,570,869	3,432,953	3,346,339	41,490,876	33,917,208
Deferred Outflows of Resources	229,875	360,856	4,951	4,460	234,826	365,316
Current liabilities	1,276,983	758,577	9,836	18,093	1,286,819	776,670
Non-current liabilities	2,943,372	385,409	-	3,864	2,943,372	389,273
Total liabilities	4,220,355	1,143,986	9,836	21,957	4,230,191	1,165,943
Deferred Inflows of Resources	7,970	21,518	172	266	8,142	21,784
Net position:						
Net investment in						
capital assets	24,324,215	19,898,710	3,030,866	2,701,939	27,355,081	22,600,649
Restricted	243,680	958,168	-	-	243,680	958,168
Unrestricted	9,491,578	8,909,343	397,030	626,637	9,888,608	9,535,980
Total net position	\$ 34,059,473	\$ 29,766,221	\$ 3,427,896	\$ 3,328,576	\$ 37,487,369	\$ 33,094,797

The table above presents the City's Net Position as of December 31, 2016 and 2015.

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

As of December 31, 2016 the City of Holly Springs is able to present positive balances in net position for its governmental and business-type activities.

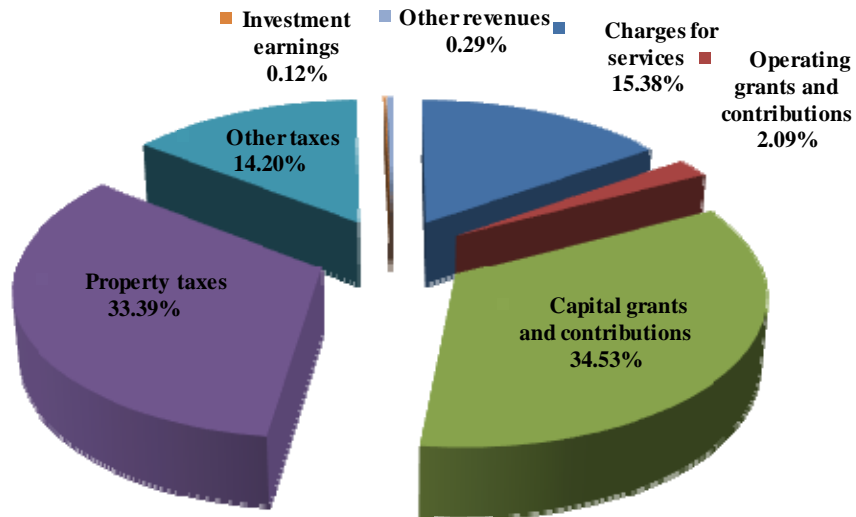


City of Holly Springs' Changes in Net Position

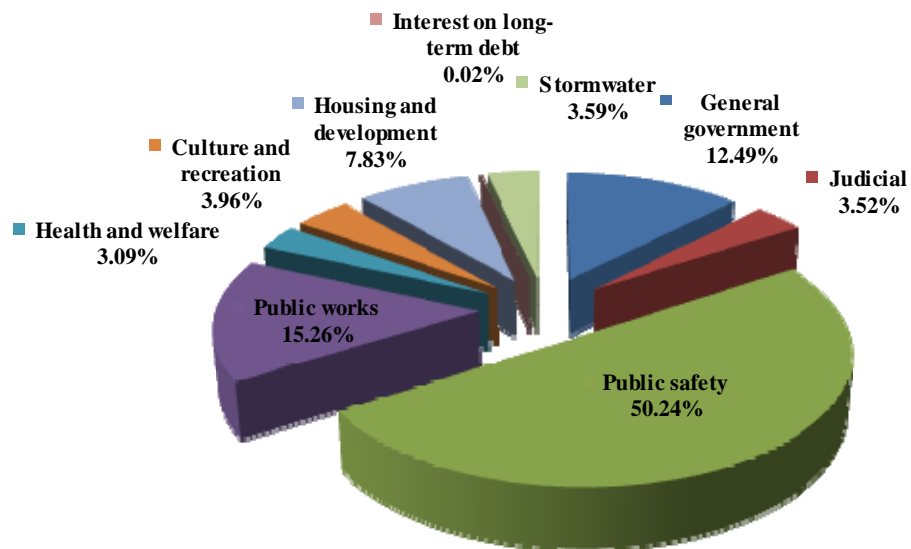
	Governmental Activities		Business-Type Activities		Total	
Revenues	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Program Revenues:						
Charges for services	\$ 1,435,546	\$ 1,315,902	\$ 360,910	\$ 320,493	\$ 1,796,456	\$ 1,636,395
Operating grants and contributions	243,692	364,977	-	-	243,692	364,977
Capital grants and contributions	4,032,287	3,491,269	-	102,316	4,032,287	3,593,585
General Revenues:						
Property taxes	3,899,541	3,420,246	-	-	3,899,541	3,420,246
Other taxes	1,658,461	1,569,108	-	-	1,658,461	1,569,108
Investment earnings	14,064	7,988	242	518	14,306	8,506
Other revenues	34,042	32,836	-	-	34,042	32,836
Total Revenues	<u>11,317,633</u>	<u>10,202,326</u>	<u>361,152</u>	<u>423,327</u>	<u>11,678,785</u>	<u>10,625,653</u>
Expenses						
General government	909,915	798,252	-	-	909,915	798,252
Judicial	256,405	265,562	-	-	256,405	265,562
Public safety	3,660,936	3,193,076	-	-	3,660,936	3,193,076
Public works	1,111,932	1,752,586	-	-	1,111,932	1,752,586
Health and welfare	224,872	356,242	-	-	224,872	356,242
Culture and recreation	288,774	153,693	-	-	288,774	153,693
Housing and development	570,308	371,399	-	-	570,308	371,399
Interest on long-term debt	1,240	3,922	-	-	1,240	3,922
Stormwater	-	-	261,832	212,527	261,832	212,527
Total Expenses	<u>7,024,382</u>	<u>6,894,732</u>	<u>261,832</u>	<u>212,527</u>	<u>7,286,214</u>	<u>7,107,259</u>
Increase (decrease) in net assets before transfers	4,293,251	3,307,594	99,320	210,800	4,392,571	3,518,394
Transfers in (out)	-	-	-	-	-	-
Change in net position	<u>4,293,251</u>	<u>3,307,594</u>	<u>99,320</u>	<u>210,800</u>	<u>4,392,571</u>	<u>3,518,394</u>
Beginning net position	29,766,222	26,458,627	3,328,576	3,117,776	33,094,798	29,576,403
Prior Period Adjustment	-	-	-	-	-	-
Ending net position	<u>\$ 34,059,473</u>	<u>\$ 29,766,221</u>	<u>\$ 3,427,896</u>	<u>\$ 3,328,576</u>	<u>\$ 37,487,369</u>	<u>\$ 33,094,797</u>

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Revenues by Source
For the Year Ended December 31, 2016**



**Expenditures by Function
For the Year Ended December 31, 2016**



**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Governmental Activities

The governmental activities of the City increased net position by \$4,293,251. 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 \$479,295 (14.01%) in 2016 from 2015 due to growth in the tax digest. Charges for services increased \$119,644 (9.09%) due to an increase in the number of building permits issued during 2016 for commercial and residential projects. Operating Grants and Contributions decreased \$121,285 (33.23%) due to a decrease in funding from the Atlanta Regional Commission (ARC) for Cherokee FOCUS (pass-through grant). Capital grants and contributions increased \$541,018 (15.50%) due to the construction of public works projects funded by grants from the Georgia Department of Transportation and the U.S. Department of Housing and Urban Development.

Expenses

General government expenses increased \$111,663 (13.99%) in 2016 from 2015 primarily due to increased costs attributable to new personnel in administration and related costs. Judicial expenses decreased \$9,157 (3.45%) in 2016 from 2015 due to a decrease in fees paid to public defenders, bailiffs and court security during 2016. Public safety expenses increased \$467,860 (14.65%) primarily due to an increase in the number of certified police officers in 2016 over the previous year and an increase in fire district fees in 2016 of approximately \$140,000. Public works expenses decreased \$640,654 (36.55%) in 2016 from 2015. The City incurred over \$500,000 in resurfacing costs in 2015. Health and welfare expenses decreased \$131,370 (36.88%) as a direct result of decreased funding from the Atlanta Regional Commission for the pass-through grant to Cherokee FOCUS. Culture and recreation expenses increased \$135,081 (87.89%) due to the opening J.B. Owens Park. Housing and development expenses increased \$198,909 (53.56%) from 2015 due to the addition of a building official in 2016 along with the related personnel costs and a contract for inspection services with a private contractor.

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, 2016, the City's governmental funds reported combined ending fund balances of \$6,386,215.

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 \$5,700,350, which was comprised of nonspendable fund balance of \$52,706 and unassigned fund balance of \$5,647,644. Fund balance in the General Fund increased \$534,870 (10.35%) in 2016 over 2015. 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 2016 over the prior year.

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 unassigned fund balance deficit of the SPLOST IV Fund was \$20,529. Fund balance in the SPLOST IV Fund decreased \$718,778 (102.94%) in 2016 from 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. The projects are funded with cost reimbursement grants. Grantor agencies reimbursed the SPLOST IV Fund for construction activities in the first quarter of 2017 for expenditures incurred in the last quarter of 2016.

The Parks and Recreation Authority is a blended component unit of the City presented as a major special revenue fund at December 31, 2016. The Parks and Recreation Authority was activated in 2016 to exercise an option to purchase property for a future park in the City. Revenues and expenditures for the year ending December 31, 2016 were the same. Therefore, no fund balance is presented in the Parks and Recreation Authority at year end.

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 \$585,249 for the fiscal year ending December 31, 2016. Non-major governmental fund expenditures totaled \$481,198. Fund balance for all non-major governmental funds was \$706,394. Non-major fund balances decreased \$278,655 (28.29%) due primarily to transfers to the Parks and Recreation Authority from the Parks and Recreation Fund in 2016 for the acquisition of property for a future park and decreased 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 \$3,427,896 at December 31, 2016, an increase of \$99,320 over 2015. Net investment in capital assets is \$3,030,866 and unrestricted net position is \$397,030. Net position increased in 2016 due primarily to increased stormwater revenues in 2016 and a decrease in maintenance costs.

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 2016, the City had a net favorable budget variance of \$569,870. There was a favorable revenue budget variance of \$389,082. 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 2016 the City had realized revenues in excess of appropriations and the budget was amended to reflect the increased revenues in the amount of \$565,000. The favorable budget variance for all expenditure categories in 2016 was \$162,946. 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.

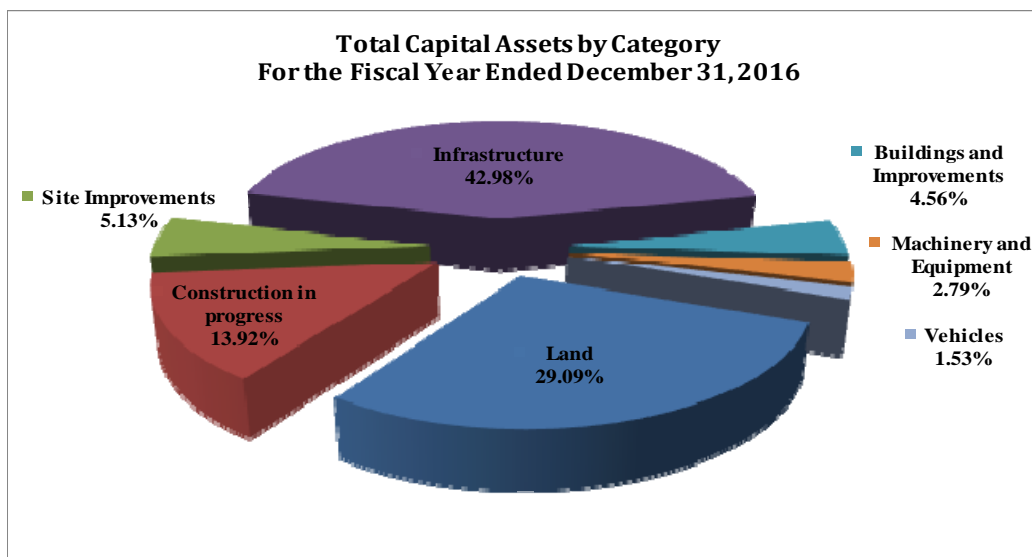
**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

CAPITAL ASSETS

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 8,857,745	\$ 5,145,270	\$ -	\$ -	\$ 8,857,745	\$ 5,145,270
Construction in Progress	4,219,118	792,483	19,688	35,334	4,238,806	827,817
Site Improvements	1,561,342	1,597,710	-	-	1,561,342	1,597,710
Infrastructure	10,241,193	9,937,090	2,845,435	2,487,311	13,086,628	12,424,401
Buildings and Improvements	1,389,220	1,456,513	-	-	1,389,220	1,456,513
Machinery and Equipment	698,327	762,218	151,345	161,296	849,672	923,514
Vehicles	451,126	382,698	14,398	17,998	465,524	400,696
Total:	<u>\$ 27,418,071</u>	<u>\$ 20,073,982</u>	<u>\$ 3,030,866</u>	<u>\$ 2,701,939</u>	<u>\$ 30,448,937</u>	<u>\$ 22,775,921</u>

See Note 1F in the notes to the financial statements for the City's policies regarding capital assets. Note 5A in the notes to the financial statements provides a summary of capital asset activity for the year ended December 31, 2016.



LONG-TERM DEBT

The table below represents long-term debt outstanding as of December 31, 2016 and 2015:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital Leases & Bonds	\$ 3,093,856	\$ 175,272	\$ -	\$ -	\$ 3,093,856	\$ 175,272
Net Pension Liability	163,753	312,627	3,527	3,864	167,280	316,491
Compensated Absences	126,840	108,468	-	-	126,840	108,468
Total:	<u>\$ 3,384,449</u>	<u>\$ 596,367</u>	<u>\$ 3,527</u>	<u>\$ 3,864</u>	<u>\$ 3,387,976</u>	<u>\$ 600,231</u>

The City reported long-term debt of \$3,387,976 as of December 31, 2016 exclusive of interest expense. The City has no general obligation debt outstanding at December 31, 2016. 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, 2016.

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 2017 is \$5,950,000. This is an increase of \$75,000 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. In the summer of 2016, the City activated the Holly Springs Parks and Recreation Authority (blended component unit) and exercised the option to acquire the property. The Holly Springs issued a bond in the amount of \$3,200,000 for the purchase of the property. The City included a provision in its 2017 budget for debt service on the bond and has also proposed using future proceeds from a Special Purpose Local Option Sales Tax (SPLOST) to retire the debt. See Note 7 in the notes to the financial statements for additional information regarding the Series 2016 Holly Springs Parks and Recreation Authority Bond.

The City anticipates continued growth in 2017 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 Nissan dealership across the street from the 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 2016 and 2017 interested in annexations and rezonings for new residential subdivisions and mixed use developments. Management of the City is optimistic and will plan for the growth accordingly.

FINANCIAL CONTACT

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

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash	\$ 7,625,827	\$ 118,058	\$ 7,743,885	\$ 71,270
Restricted cash	493,604	-	493,604	-
Investment	-	-	-	35,649
Restricted investments	1,000,127	-	1,000,127	-
Property taxes receivable	193,546	-	193,546	-
Stormwater fees receivable	61,594	-	61,594	-
Accounts receivable, net	483,510	-	483,510	33
Fines receivable, net	18,878	-	18,878	-
Due from other governments	987,839	-	987,839	-
Internal balances	(277,779)	277,779	-	-
Prepaid expenses	52,706	6,250	58,956	-
Capital assets:				
Not depreciated	13,076,863	19,688	13,096,551	1,890,242
Depreciated, net of accumulated depreciation	14,341,208	3,011,178	17,352,386	227,914
Total assets	38,057,923	3,432,953	41,490,876	2,225,108
Deferred Outflows of Resources				
Pension amounts	229,875	4,951	234,826	-
Liabilities				
Accounts payable	454,659	3,587	458,246	-
Accrued and other liabilities	102,372	2,722	105,094	-
Deposits	6,755	-	6,755	-
Due to other governments	5,283	-	5,283	-
Unearned revenue	266,837	-	266,837	-
Compensated absences, current portion	87,078	-	87,078	-
Compensated absences, non-current portion	39,762	-	39,762	-
Capital leases, current portion	45,424	-	45,424	-
Bond payable - current	144,822	-	144,822	-
Bond payable - non-current	2,903,610	-	2,903,610	-
Net pension liability	163,753	3,527	167,280	-
Total liabilities	4,220,355	9,836	4,230,191	-
Deferred Inflows of Resources				
Pension amounts	7,970	172	8,142	-
Net Position				
Net investment in capital assets	24,324,215	3,030,866	27,355,081	2,118,156
Restricted for:				
Capital projects	198,934	-	198,934	-
Other purposes	44,746	-	44,746	-
Unrestricted	9,491,578	397,030	9,888,608	106,952
Total net position	\$ 34,059,473	\$ 3,427,896	\$ 37,487,369	\$ 2,225,108

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
<u>Governmental Activities:</u>				
General government	\$ 909,915	\$ 183,362	\$ 18,302	\$ 12,823
Judicial	256,405	-	-	-
Public safety	3,660,936	311,239	-	130,488
Public works	1,111,932	-	-	678,853
Health and welfare	224,872	-	224,873	-
Culture and recreation	288,774	10,395	517	-
Housing and development	570,308	930,550	-	3,210,123
Interest	1,240	-	-	-
Total governmental activities	<u>7,024,382</u>	<u>1,435,546</u>	<u>243,692</u>	<u>4,032,287</u>
<u>Business-type Activities:</u>				
Stormwater Utility	<u>261,832</u>	<u>360,910</u>	<u>-</u>	<u>-</u>
Total primary government	<u><u>\$ 7,286,214</u></u>	<u><u>\$ 1,796,456</u></u>	<u><u>\$ 243,692</u></u>	<u><u>\$ 4,032,287</u></u>
Component Unit:				
Downtown Development Authority	<u><u>\$ 14,597</u></u>	<u><u>\$ 19,200</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
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 and transfers				
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.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
\$ (695,428)	\$ -	\$ (695,428)	
(256,405)	-	(256,405)	
(3,219,209)	-	(3,219,209)	
(433,079)	-	(433,079)	
1	-	1	
(277,862)	-	(277,862)	
3,570,365	-	3,570,365	
(1,240)	-	(1,240)	
(1,312,857)	-	(1,312,857)	
-	99,078	99,078	
(1,312,857)	99,078	(1,213,779)	
			\$ 4,603
3,899,541	-	3,899,541	-
628,911	-	628,911	-
695,402	-	695,402	-
334,148	-	334,148	-
30,090	-	30,090	-
14,064	242	14,306	107
3,952	-	3,952	-
5,606,108	242	5,606,350	107
4,293,251	99,320	4,392,571	4,710
29,766,222	3,328,576	33,094,798	2,220,398
\$ 34,059,473	\$ 3,427,896	\$ 37,487,369	\$ 2,225,108

CITY OF HOLLY SPRINGS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General</u>	<u>SPLOST IV</u>	<u>Parks and Recreation Authority</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 7,203,656	\$ 244,072	\$ -	\$ 671,703	\$ 8,119,431
Investments	1,000,127	-	-	-	1,000,127
Property taxes receivable	193,546	-	-	-	193,546
Stormwater fees receivable	61,594	-	-	-	61,594
Accounts receivable	426,586	-	-	128,924	555,510
Fines receivable	33,057	-	-	-	33,057
Due from other governments	37,375	931,929	-	18,710	988,014
Due from other funds	702,350	-	-	-	702,350
Prepaid items	52,706	-	-	-	52,706
Total assets	<u>\$ 9,710,997</u>	<u>\$ 1,176,001</u>	<u>\$ -</u>	<u>\$ 819,337</u>	<u>\$ 11,706,335</u>
Liabilities					
Accounts payable	\$ 93,690	\$ 347,365	\$ -	\$ 13,604	\$ 454,659
Accrued and other liabilities	101,484	-	-	-	101,484
Deposits	4,305	-	-	2,450	6,755
Due to other governments	2,588	2,695	-	-	5,283
Due to other funds	277,954	700,000	-	-	977,954
Unearned revenue	118,902	146,470	-	1,465	266,837
Total liabilities	<u>598,923</u>	<u>1,196,530</u>	<u>-</u>	<u>17,519</u>	<u>1,812,972</u>
Deferred Inflows of Resources					
Deferred property taxes	3,378,667	-	-	-	3,378,667
Unavailable municipal court fines	33,057	-	-	-	33,057
Unavailable charges for services	-	-	-	95,424	95,424
Total deferred inflows of resources	<u>3,411,724</u>	<u>-</u>	<u>-</u>	<u>95,424</u>	<u>3,507,148</u>
Fund Balances					
Nonspendable	52,706	-	-	-	52,706
Restricted	-	-	-	264,209	264,209
Assigned	-	-	-	442,185	442,185
Unassigned (deficit)	5,647,644	(20,529)	-	-	5,627,115
Total fund balances	<u>5,700,350</u>	<u>(20,529)</u>	<u>-</u>	<u>706,394</u>	<u>6,386,215</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,710,997</u>	<u>\$ 1,176,001</u>	<u>\$ -</u>	<u>\$ 819,337</u>	<u>\$ 11,706,335</u>

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total fund balances - governmental funds

\$ 6,386,215

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds financial statements, but are reported in the governmental activities column of the Statement of Net Position.

27,418,071

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.

3,507,148

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.

(88,529)

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	\$ 16,352	
Differences between expected and actual experiences	45,822	
Net difference between projected and actual earnings on pension investments	47,422	
Deferred pension contributions	<u>120,279</u>	229,875

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	(7,970)	
Non amortized investment earnings over expectations	<u>-</u>	(7,970)

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	(888)	
Capital leases payable	(45,424)	
Bond payable	(3,048,432)	
Compensated absences	(126,840)	
Net pension liability	<u>(163,753)</u>	<u>(3,385,337)</u>

Total net position - governmental activities

\$ 34,059,473

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>SPLOST IV</u>	<u>Parks and Recreation Authority</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 3,562,941	\$ -	\$ -	\$ -	\$ 3,562,941
Franchise taxes	628,911	-	-	-	628,911
Business taxes	695,402	-	-	-	695,402
Selective sales taxes	-	-	-	334,148	334,148
Licenses and permits	925,535	72,382	-	14,910	1,012,827
Intergovernmental	-	3,567,956	-	224,873	3,792,829
Charges for services	90,368	-	-	10,395	100,763
Fines and forfeitures	334,566	-	-	-	334,566
Interest	14,064	394	-	699	15,157
Donations from private sources	18,302	-	-	-	18,302
Other revenues	38,993	-	-	224	39,217
Total revenues	<u>6,309,082</u>	<u>3,640,732</u>	<u>-</u>	<u>585,249</u>	<u>10,535,063</u>
Expenditures					
Current:					
General government	819,309	-	-	-	819,309
Judicial	261,335	-	-	-	261,335
Public safety	3,413,547	-	-	-	3,413,547
Public works	442,958	-	-	-	442,958
Health and welfare	-	-	-	224,872	224,872
Culture and recreation	4,000	-	-	251,150	255,150
Housing and development	556,552	-	-	5,176	561,728
Capital outlay:					
General government	329,353	42,374	-	-	371,727
Public safety	-	297,725	-	-	297,725
Public works	-	710,179	-	-	710,179
Culture and recreation	-	-	3,374,174	-	3,374,174
Housing and development	-	3,187,392	-	-	3,187,392
Debt service:					
Principal	-	129,849	151,568	-	281,417
Interest	-	3,618	27,800	-	31,418
Total expenditures	<u>5,827,054</u>	<u>4,371,137</u>	<u>3,553,542</u>	<u>481,198</u>	<u>14,232,931</u>
Excess (deficiency) of revenues over expenditures	<u>482,028</u>	<u>(730,405)</u>	<u>(3,553,542)</u>	<u>104,051</u>	<u>(3,697,868)</u>
Other Financing Sources (Uses)					
Proceeds from disposal of capital assets	35,305	-	-	-	35,305
Proceeds from bond issuance			3,200,000		3,200,000
Transfers in	17,537	11,627	353,542	-	382,706
Transfers out	-	-	-	(382,706)	(382,706)
Total other financing sources (uses)	<u>52,842</u>	<u>11,627</u>	<u>3,553,542</u>	<u>(382,706)</u>	<u>3,235,305</u>
Net change in fund balances	534,870	(718,778)	-	(278,655)	(462,563)
Fund balances, beginning of year	<u>5,165,480</u>	<u>698,249</u>	<u>-</u>	<u>985,049</u>	<u>6,848,778</u>
Fund balances (deficit), end of year	<u>\$ 5,700,350</u>	<u>\$ (20,529)</u>	<u>\$ -</u>	<u>\$ 706,394</u>	<u>\$ 6,386,215</u>

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - total governmental funds	\$ (462,563)
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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	\$ 7,577,344	
	Depreciation expense	<u>(665,658)</u>	6,911,686

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.	463,755
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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.	(29,923)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources	(3,200,000)
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Repayment of long-term debt principal is an expenditure of governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	281,416
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This is the amount by which reported revenues in the Statement of Activities exceeded revenues considered available by the governmental funds.	285,800
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Certain expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. Likewise, certain expenditures in governmental funds are not recognized as expenses in the Statement of Activities to the extent they increase deferred outflows of resources or decrease liabilities or deferred inflows of resources.

	Provision for bad debts	28,471	
	Compensated absences	(18,373)	
	Accrued interest	2,378	
Change in net pension liability and deferred amounts		<u>30,604</u>	<u>43,080</u>

Change in net position - governmental activities	\$ <u>4,293,251</u>
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The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2016

	<u>Stormwater Utility</u>
Assets	
Current:	
Cash	\$ 118,058
Due from General Fund	277,779
Prepaid expenses	<u>6,250</u>
Total current assets	<u>402,087</u>
Capital assets:	
Not depreciated	19,688
Depreciated, net of accumulated depreciation	<u>3,011,178</u>
Total capital assets	<u>3,030,866</u>
Total assets	<u><u>3,432,953</u></u>
Deferred outflows of resources	
Pension amounts	<u>4,951</u>
Liabilities	
Current:	
Accounts payable	3,587
Accrued liabilities payable	2,722
Long-term:	
Net pension liability	<u>3,527</u>
Total liabilities	<u>9,836</u>
Deferred inflows of resources	
Pension amounts	<u>172</u>
Net Position	
Investment in capital assets	3,030,866
Unrestricted	<u>397,030</u>
Total net position	<u><u>\$ 3,427,896</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Stormwater Utility</u>
Operating Revenues	
Charges for services - stormwater fees	\$ 360,910
Total operating revenues	<u>360,910</u>
Operating Expenses	
Personal services	92,679
Contractual and professional services	60,535
Supplies	11,248
Repairs and maintenance	17,745
Other operating expenses	10,612
Depreciation expense	<u>69,013</u>
Total operating expenses	<u>261,832</u>
Operating income	<u>99,078</u>
Nonoperating Revenue	
Interest income	<u>242</u>
Total nonoperating revenue	<u>242</u>
Change in net position	99,320
Net position, beginning of year, as restated	<u>3,328,576</u>
Net position, end of year	<u><u>\$ 3,427,896</u></u>

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Stormwater Utility
Cash Flows from Operating Activities	
Receipts from customers	\$ 350,955
Payments to employees	(91,221)
Payments to suppliers	(111,924)
Net cash provided by operating activities	<u>147,810</u>
Cash Flows from Capital and Related Financing Activities	
Payments to purchase capital assets	(397,940)
Cash (used) by capital and related financing activities	<u>(397,940)</u>
Cash Flows from Investing Activities	
Interest received	242
Cash provided by investing activities	<u>242</u>
Net increase in cash	(249,888)
Cash, beginning of year	<u>367,946</u>
Cash, end of year	<u><u>\$ 118,058</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 99,078
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	69,013
Increase in due from General Fund	(7,575)
Decrease in prepaids	-
Increase in pension related deferred outflows of resources	(491)
Increase in accounts payable	(11,784)
Increase in pension related deferred inflows of resources	(94)
Increase in net pension liability	(337)
Net cash provided by operating activities	<u><u>\$ 147,810</u></u>
Noncash capital and related financing activities	
Stormwater infrastructure donated to the City	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2016

	<u>Municipal Court Fund</u>
Assets	
Cash	<u>\$ 47,750</u>
Total assets	<u><u>\$ 47,750</u></u>
Liabilities	
Due to others	<u>\$ 47,750</u>
Total liabilities	<u><u>\$ 47,750</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The blended component unit is included within the financial statements of the governmental funds section of the primary government.

The **Holly Springs Downtown Development Authority (“DDA”)** has been included as a discretely presented component unit in the accompanying financial statements. The DDA was created June 21, 1999, with the primary purpose of promoting development through revitalization of the downtown area of the City. The DDA derives revenue from rent charged on a building contributed to the DDA 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 DDA may be obtained from the City upon request. Separate financial statements for the DDA are not prepared.

The **Holly Springs Parks and Recreation Authority (“HSPRA”)** has been included as a blended component in the accompanying financial statements. The HSPRA was created May 17, 2004, with the primary purpose of acquiring real estate for the future development of a city park. The City possesses the authority to review, approve and revise the budget and governs collection and disbursement of funds. The City Council serves as the board of directors. Financial information related to HSPRA is presented as a special revenue fund within the audited financial statements of the primary government.

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

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

limitations. The City's funds are grouped into three broad fund categories and five generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue and capital projects funds. Proprietary funds include enterprise funds and fiduciary funds include agency funds. At present, the City has one proprietary fund and one fiduciary fund.

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

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

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

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

The Holly Springs Parks and Recreation Authority is used to account for the issuance of bonds for the purpose of acquiring land for future parks within the City of Holly Springs.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Governmental fund financial statements, on the other hand, are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Expenditures generally are recorded in the accounting period in which a fund liability is incurred, as under accrual accounting. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, sales taxes, franchise 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

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

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

G. Compensated Absences

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

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.

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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:

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

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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.

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

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

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.

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 the acquisition of additional property within the Holly Springs Town Center, future park land and construction costs associated with intersection improvements in downtown. 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, 2016, the City had no cash deposits that were exposed to custodial credit risk.

Restricted investments of the General Fund consist of four twelve-month certificates of deposit placed with an FDIC insured financial institution. The certificates bear interest rates ranging from 0.75% to 0.85% and have maturities from February 2017 to March 2017.

NOTE 4. RECEIVABLES

The City bills and collects its own property taxes. Property taxes were levied on October 1, 2016, with bills being payable on or before December 20, 2016, 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, 2017 and June 5, 2017, respectively. Property taxes receivable at year end is estimated based on the tax levy, less amounts collected prior to December 31, 2016. The property taxes levied in October were intended for use in the 2017 budget year. Therefore, the entire 2016 digest levy of \$3,378,667 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.

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 4. RECEIVABLES (CONCLUDED)

Stormwater fees of \$345,631 were billed on behalf of the Stormwater Utility Fund by the General Fund in connection with its tax levy on October 1, 2016. Such fees are for the calendar year 2016 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, 2016, for services rendered. Fines receivable represent adjudicated amounts due from probationers at December 31, 2016. Fine surcharges of \$14,321 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:

<u>Receivables at December 31, 2016:</u>	<u>General</u>	<u>SPLOST IV</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Property taxes	\$ 193,546	\$ -	\$ -	\$ 193,546
Stormwater fees	61,594	-	-	61,594
Accounts	426,586	-	128,924	555,510
Fines	33,057	-	-	33,057
Due from other governments	37,375	931,929	18,710	988,014
Total Receivables	<u>\$ 752,158</u>	<u>\$ 931,929</u>	<u>\$ 147,634</u>	<u>\$ 1,831,721</u>

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 \$72,000 and \$33,057, respectively.

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**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2016, was as follows:

Governmental Activities:	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not depreciated:					
Land ⁽¹⁾	\$ 5,145,270	\$ 3,712,475	\$ -	\$ -	\$ 8,857,745
Construction in progress	792,483	3,426,635	-	-	4,219,118
Total capital assets not depreciated	5,937,753	7,139,110	-	-	13,076,863
Capital assets depreciated:					
Land improvements	1,633,570	21,619	-	-	1,655,189
Buildings and improvements	1,973,186	-	(110,915)	-	1,862,271
Vehicles	1,074,121	210,304	(179,542)	-	1,104,883
Machinery and equipment	1,524,038	33,082	-	-	1,557,120
Infrastructure ⁽²⁾	12,339,202	636,985	-	-	12,976,187
Total capital assets depreciated	18,544,117	901,990	(290,457)	-	19,155,650
Less accumulated depreciation for:					
Land improvements	35,860	57,987	-	-	93,847
Buildings and improvements	516,673	39,567	(83,189)	-	473,051
Vehicles	691,423	138,249	(175,915)	-	653,757
Machinery and equipment	761,820	96,973	-	-	858,793
Infrastructure	2,402,112	332,882	-	-	2,734,994
Total accumulated depreciation	4,407,888	665,658	(259,104)	-	4,814,442
Total capital assets depreciated, net	14,136,229	236,332	(31,353)	-	14,341,208
Governmental activities capital assets, net	\$ 20,073,982	\$ 7,375,442	\$ (31,353)	\$ -	\$ 27,418,071

⁽¹⁾ City exercised its option to purchase land for future park

⁽²⁾ Other capital assets donated to the City during the year include bridges and roads of \$463,755

CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5. CAPITAL ASSETS (CONTINUED)

Capital assets not depreciated:				
Construction in progress	\$ 35,334	\$ 372,054	\$ (387,700)	\$ 19,688
Total capital assets not depreciated	<u>35,334</u>	<u>372,054</u>	<u>(387,700)</u>	<u>19,688</u>
Capital assets depreciated:				
Vehicles	21,598	-	-	21,598
Machinery and equipment	214,305	11,349	-	225,654
Infrastructure	<u>2,737,726</u>	<u>402,237</u>	<u>-</u>	<u>3,139,963</u>
Total capital assets depreciated	<u>2,973,629</u>	<u>413,586</u>	<u>-</u>	<u>3,387,215</u>
Less accumulated depreciation for:				
Vehicles	3,600	3,600	-	7,200
Machinery and equipment	53,009	21,300	-	74,309
Infrastructure	<u>250,415</u>	<u>44,113</u>	<u>-</u>	<u>294,528</u>
Total accumulated depreciation	<u>307,024</u>	<u>69,013</u>	<u>-</u>	<u>376,037</u>
Total capital assets depreciated, net	<u>2,666,605</u>	<u>344,573</u>	<u>-</u>	<u>3,011,178</u>
Business-type activities capital assets, net	<u>\$ 2,701,939</u>	<u>\$ 716,627</u>	<u>\$ (387,700)</u>	<u>\$ 3,030,866</u>

Depreciation expense, including amortization expense on capital assets financed under capital leases, for the year ended December 31, 2016, was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 86,957
Public safety	158,256
Public works	412,323
Culture and recreation	5,824
Housing and development	<u>2,298</u>
Total depreciation expense - Government activities	<u>\$ 665,658</u>

Business-type Activities:

Stormwater Utility	<u>\$ 69,013</u>
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**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5. CAPITAL ASSETS (CONCLUDED)

A. Component Unit – Holly Springs Downtown Development Authority

Capital asset activity for the year ended December 31, 2016, was as follows:

Capital assets not depreciated:				
Land	\$ 1,890,242	\$ -	\$ -	\$ 1,890,242
Total capital assets not depreciated	1,890,242	-	-	1,890,242
Capital assets depreciated:				
Buildings and improvements	304,312	-	-	304,312
Furniture and fixtures	10,901	-	-	10,901
Total capital assets depreciated	315,213	-	-	315,213
Less accumulated depreciation for:				
Buildings and improvements	66,254	10,144	-	76,398
Furniture and fixtures	10,901	-	-	10,901
Total accumulated depreciation	77,155	10,144	-	87,299
Total capital assets depreciated, net	238,058	(10,144)	-	227,914
Total Development Authority capital assets, net	<u>\$ 2,128,300</u>	<u>\$ (10,144)</u>	<u>\$ -</u>	<u>\$ 2,118,156</u>

Depreciation of \$10,144 for the year ended December 31, 2016, 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, 2016, is as follows:

A. Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Splost IV	\$ 700,000
Stormwater Utility	General Fund	277,779
		<u>\$ 977,779</u>

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.

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 6. INTERFUND BALANCES AND TRANSFERS (CONCLUDED)

B. Transfers to/from Other Funds

Transfers between funds during the year ended December 31, 2016, were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Nonmajor governmental fund	General Fund	\$ 17,537
Capital project fund	Splost IV	11,627
Nonmajor governmental fund	Holly Springs Park & Rec Auth	353,542
		<u>\$ 382,706</u>

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

NOTE 7. LONG-TERM DEBT

At December 31, 2016, outstanding lease purchase contracts of the primary government (governmental activities) are as follows:

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.	<u>\$ 45,424</u>
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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, 2016. The contract terms require principal and interest payments until maturity as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	45,424	931	46,355
	<u>\$ 45,424</u>	<u>\$ 931</u>	<u>\$ 46,355</u>

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**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 7. LONG-TERM DEBT (CONTINUED)

The following is a summary of long-term debt activity for the year ended December 31, 2016:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Lease purchase contracts:					
Vehicles & equipment ⁽¹⁾	\$ 175,272	\$ -	\$ (129,848)	\$ 45,424	\$ 45,424
Revenue Bonds	-	3,200,000	(151,568)	3,048,432	144,882
Compensated absences ⁽²⁾	108,468	110,557	(92,185)	126,840	87,078
Net pension liability	312,627	237,761	(386,635)	163,753	-
	<u>\$ 596,367</u>	<u>\$ 3,548,318</u>	<u>\$ (760,236)</u>	<u>\$ 3,384,449</u>	<u>\$ 277,384</u>
<u>Business-type Activities:</u>					
Net pension liability ⁽³⁾	<u>\$ 3,864</u>	<u>\$ 5,120</u>	<u>\$ (5,457)</u>	<u>\$ 3,527</u>	<u>\$ -</u>

⁽¹⁾ Lease principal and interest payment during the year of \$129,848 for the purchase of vehicles and equipment were paid by the SPLOST IV Fund.

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

Blended Component Unit – Holly Springs Parks and Recreation Authority

Revenue Bond Issue – During the year ended December 31, 2016, Holly Springs Parks and Recreation Authority issued revenue bonds in the amount of \$3,200,000 for the purpose of purchasing real estate for future park development. Terms of the revenue bonds require bi-annual payments of \$179,368 at an interest rate of 2.25% maturing in the year 2026.

Series 2016 Revenue Bonds were issued in the amount of \$3,200,000 at 2.25%, with bi-annual principal and interest payments of \$179,368 until maturity in 2026, for the purchase of real estate for park.	\$ 3,048,432
Less current portion	<u>(144,822)</u>
	<u>\$ 2,903,610</u>

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 7. LONG-TERM DEBT (CONCLUDED)

Annual debt service requirements on the Holly Springs Parks and Recreation Authority revenue bonds are as follows:

Governmental Activities			
Revenue Bonds			
Year	Principal	Interest	Total
2017	\$ 144,882	\$ 34,486	\$ 179,368
2018	294,150	64,586	358,736
2019	300,899	57,837	358,736
2020	307,667	51,069	358,736
2021	314,861	43,875	358,736
2022-2026	1,685,973	107,705	1,793,678
	<u>\$ 3,048,432</u>	<u>\$ 359,558</u>	<u>\$ 3,407,990</u>

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.

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.

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, SW, 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.

Plan Membership. At July 1, 2016, the date of the most recent actuarial valuation, there were 81 participants consisting of the following:

Retired participants and beneficiaries	7
Vested former participants	31
Active participants	<u>43</u>
Total	<u><u>81</u></u>

Contributions. 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, 2016, the City's recommended contribution (and amount contributed) of \$112,284 was 7.29% of expected payroll.

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, 2016, were used to measure total pension liability as of March 31, 2016. The balances as of March 31, 2016, constitute measurements of the net pension liability for the year ending December 31, 2016.

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9. PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability in the July 1, 2016, 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	3.25% plus service based merit increases
Cost of living adjustments	0.00%
Inflation	3.25%

Mortality rates for the July 1, 2016 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. For disabled mortality, the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates was used.

The actuarial assumptions used in the July 1, 2016 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, 2016, are summarized in the table below.

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return ⁽¹⁾</u>
Domestic equity	45%	6.75%
International equity	20%	7.45%
Real estate	10%	4.55%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
Cash	0%	-
	<u>100%</u>	

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

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that 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.

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9. PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2016	\$ 1,151,548	\$ 835,057	\$ 316,491
Changes for the year:			
Service cost	93,900	-	93,900
Interest	88,699	-	88,699
Differences between expected and actual experience	56,170	-	56,170
Contributions - employer	-	384,000	(384,000)
Net investment income	-	8,092	(8,092)
Benefit payments	(14,089)	(14,089)	-
Administrative expense	-	(4,112)	4,112
Other changes	-	-	-
Net changes	224,680	373,891	(149,211)
Balances at December 31, 2016	\$ 1,376,228	\$ 1,208,948	\$ 167,280

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.

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
City's net pension liability	\$ 402,339	\$ 167,280	\$ (25,609)

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9. PENSION PLAN (CONCLUDED)

Changes in the Net Pension Liability of the City. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long- term perspective. Calculations are based on the substantive plan in effect as of July 1, 2016.

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

For the year ended December 31, 2016, the City recognized pension expense of \$131,461. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 46,810	\$ (8,142)
Changes in assumptions	16,704	-
Net difference between projected and actual earnings on pension plan investments	48,444	-
City contributions subsequent to the measurement date	122,868	
Total	<u>\$ 234,826</u>	<u>\$ (8,142)</u>

City contributions subsequent to the measurement date of \$122,868 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:	
2017	\$ 23,644
2018	23,644
2019	23,644
2020	23,522
2021	9,362
Total	<u>\$ 103,816</u>

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, 2016, six participating employees contributed \$14,170 to the plan. The City does not contribute to the plan.

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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
229 Peachtree St, NE Ste 100
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, 2016, taxes of \$5,999 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 \$5,176 (representing 86% of revenues) during 2016 for these purposes. The excess revenue from 2016 will be spent in 2017 to comply with the requirements of state law. Additional expenditures are budgeted for 2017.

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 2016 was \$1,264,841.

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.

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.

**CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 14.

FUND BALANCE

Fund balances of governmental funds at December 31, 2016, 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.

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

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

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

The details of fund balances at December 31, 2016, are as follows:

General Fund – Prepaid items totaling \$52,706 are considered nonspendable fund balance. The residual balance of \$5,647,642 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 unassigned fund balance of \$(20,528) resulted due to timing differences in expenditures and grant reimbursement. Funds were received subsequent to year end to satisfy the deficit. (See Note 1B)

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

<u>Nonmajor Funds</u>	<u>Purpose</u>	<u>Fund Balance</u>
Restricted Fund Balances:		
<u>Special Revenue Funds:</u>		
Multiple Grant	Purposes specified by grantors of monies received from various federal and state agencies	\$ 37,047
Hotel/Motel	Promote tourism, conventions and trade shows	7,699
<u>Capital Projects Funds:</u>		
Capital Grant	Acquire or construct capital projects	0
SPLOST III	Streets, sidewalks, downtown development and other purposes	219,463
Total Restricted Fund Balances		<u>\$ 264,209</u>
Assigned Fund Balance:		
<u>Special Revenue Fund:</u>		
Parks and Recreation	Acquire and maintain parks and recreation facilities	<u>\$ 442,185</u>

CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15. RESTRICTED ASSETS

Restrictions on cash in the government-wide Statement of Net Position at December 31, 2016, are as follows:

<u>Governmental activities:</u>	
Restricted cash:	
General Fund - for law enforcement purposes	\$ 4,112
SPLOST IV Fund - for acquisition or construction of legally authorized infrastructure, facilities, vehicles and equipment	244,072
Nonmajor funds - for purposes of grants received	18,847
Nonmajor fund - for streets, sidewalks, downtown development and other purposes	219,463
Nonmajor fund - for tourism, conventions, and trade shows	<u>7,110</u>
Total restricted cash	<u>\$ 493,604</u>
Restricted investments	
General Fund - for budget stabilization	<u>\$ 1,000,127</u>
Total restricted investment	<u>\$ 1,000,127</u>

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, 2016, General Fund cash of \$1,000,127 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.



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Financial Section

Required Supplementary
Information

A CITY UNDER
CONSTRUCTION



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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 3,233,450	\$ 3,358,500	\$ 3,562,941	\$ 204,441
Franchise taxes	550,000	550,000	628,911	78,911
Business taxes	635,000	684,000	695,402	11,402
Licenses and permits	526,200	898,775	925,535	26,760
Intergovernmental	500	500	-	(500)
Charges for services	23,900	83,290	90,368	7,078
Fines and forfeitures	350,700	305,000	334,566	29,566
Interest	6,500	6,000	14,064	8,064
Donation from private sources	-	-	18,302	18,302
Other revenues	28,750	33,935	38,993	5,058
Total revenues	5,355,000	5,920,000	6,309,082	389,082
Expenditures				
Current:				
General government:				
Governing body	69,805	71,300	69,692	1,608
Elections	-	-	-	-
General administration	726,268	1,147,931	1,078,970	68,961
Total general government	796,073	1,219,231	1,148,662	70,569
Judicial (municipal court)	274,375	262,240	261,335	905
Public safety:				
Police services	2,174,218	2,209,839	2,148,706	61,133
Fire services	1,264,841	1,264,841	1,264,841	-
Total public safety	3,439,059	3,474,680	3,413,547	61,133
Public works:				
Highways and streets	294,947	376,690	362,168	14,522
Street and traffic lights	87,500	87,500	80,790	6,710
Total public works	382,447	464,190	442,958	21,232
Culture and recreation (regional library)	4,000	4,000	4,000	-
Housing and development (community development)				
Community development	419,738	466,494	459,767	6,727
Downtown development	84,308	89,165	86,785	2,380
Intergovernmental	10,000	10,000	10,000	-
Total housing and development	514,046	565,659	556,552	9,107
Total expenditures	4,895,954	5,424,341	5,827,054	162,946
Excess (deficiency) of revenues over expenditures	459,046	495,659	482,028	552,028
Other Financing Sources (Uses)				
Proceeds from disposal of capital assets	5,000	35,000	35,305	305
Transfers in	-	-	17,537	17,537
Total other financing sources (uses)	5,000	35,000	52,842	17,842
Net change in fund balance	464,046	530,659	534,870	569,870
Fund balance, beginning of year	5,165,480	5,165,480	5,165,480	-
Fund balance, end of year	\$ 5,629,526	\$ 5,696,139	\$ 5,700,350	\$ 569,870

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

CITY OF HOLLY SPRINGS, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
HOLLY SPRINGS PARKS AND RECREATION AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Other revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	-	-	-
Expenditures				
Current:				
Culture and recreation	3,380,000	3,380,000	3,374,174	5,826
Debt Service				
Principal	-	151,568	151,568	-
Interest	-	27,932	27,800	132
Total expenditures	3,380,000	3,559,500	3,553,542	5,958
Excess (deficiency) of revenues over expenditures	(3,380,000)	(3,559,500)	(3,553,542)	(5,958)
Other Financing Sources (Uses)				
Proceeds from revenue bond issuance	3,200,000	3,200,000	3,200,000	-
Transfers in	180,000	359,500	353,542	5,958
Total other financing sources (uses)	3,380,000	3,559,500	3,553,542	5,958
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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, 2016

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, 2016, 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, 2016

		Year End 2016	Year End 2015
<hr/>			
Total pension liability			
Service cost		\$ 93,900	\$ 87,975
Interest		88,699	75,978
Differences between expected and actual experience		56,170	(13,568)
Changes of assumptions		-	27,840
Benefit payments		(14,089)	(14,089)
Net change in total pension liability		<u>224,680</u>	<u>164,136</u>
Total pension liability - beginning		1,151,548	987,412
Total pension liability - ending	(a)	<u><u>\$ 1,376,228</u></u>	<u><u>\$ 1,151,548</u></u>
 Plan fiduciary net position			
Contributions - employer		384,000	\$ 101,403
Net investment income		8,092	69,731
Benefit payments		(14,089)	(14,089)
Administrative expense		(4,112)	(3,609)
Net change in plan fiduciary net position		<u>373,891</u>	<u>153,436</u>
Plan fiduciary net position - beginning		835,057	681,621
Plan fiduciary net position - ending	(b)	<u><u>\$ 1,208,948</u></u>	<u><u>\$ 835,057</u></u>
Net pension liability - ending	(a) - (b)	<u><u>\$ 167,280</u></u>	<u><u>\$ 316,491</u></u>
 Plan fiduciary net position as a percentage of total pension liability			
		87.85%	72.52%
Covered-employee payroll		\$ 1,776,757	\$ 1,515,497
Net pension liability as a percentage of covered-employee payroll		9.41%	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, 2016**

	2016
Actuarially determined contribution	\$ 112,284
Contributions in relation to the actuarially determined contribution	<u>(112,284)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 Covered-employee payroll	 \$ 1,515,497
Contributions as a percentage of covered-employee payroll	-7.41%

Notes to the Schedule:

A.	Actuarial Methods and Assumptions:	
	Valuation Date	July 1, 2016
	Cost Method	Projected unit Credit
	Amortization Method	Closed level dollar for remaining unfunded liability
	Remaining amortization period	N/A
	Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
	Net investment rate of return	7.75%
	Projected salary increases	3.25% plus service based merit increases
	Cost of living adjustments	0.00%
B.	Historical information prior to implementation of GASB 68 is not required.	



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Financial Section

Nonmajor
Governmental Funds

A CITY UNDER
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**CITY OF HOLLY SPRINGS, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016**

	Special Revenue			Capital Projects		
	Multiple Grant	Parks and Recreation	Hotel/Motel	Capital Grant	SPLOST III	Total
Assets						
Cash	\$ 18,847	\$ 426,283	\$ 7,110	\$ -	\$ 219,463	\$ 671,703
Accounts receivable	-	32,911	589	-	95,424	128,924
Due from other governments	18,535	175	-	-	-	18,710
Total assets	\$ 37,382	\$ 459,369	\$ 7,699	\$ -	\$ 314,887	\$ 819,337
Liabilities						
Accounts payable	\$ 335	\$ 13,269	\$ -	\$ -	\$ -	\$ 13,604
Deposits	-	2,450	-	-	-	2,450
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	1,465	-	-	-	1,465
Total liabilities	335	17,184	-	-	-	17,519
Deferred Inflows of Resources						
Unavailable charges for services	-	-	-	-	95,424	95,424
Total deferred inflows of resources	-	-	-	-	95,424	95,424
Fund Balances						
Restricted	37,047	-	7,699	-	219,463	264,209
Assigned	-	442,185	-	-	-	442,185
Total fund balances	37,047	442,185	7,699	-	219,463	706,394
Total liabilities, deferred inflows of resources and fund balances	\$ 37,382	\$ 459,369	\$ 7,699	\$ -	\$ 314,887	\$ 819,337

**CITY OF HOLLY SPRINGS, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Special Revenue			Capital Projects		
	Multiple Grant	Parks and Recreation	Hotel/Motel	Capital Grant	SPLOST III	Total
Revenues						
Selective sales taxes	\$ -	\$ 328,149	\$ 5,999	\$ -	\$ -	\$ 334,148
Licenses and permits	-	-	-	-	14,910	14,910
Intergovernmental	224,873	-	-	-	-	224,873
Charges for services	-	10,395	-	-	-	10,395
Interest	14	517	6	-	162	699
Donations from private sources	-	-	-	-	-	-
Other revenues	-	224	-	-	-	224
Total revenues	224,887	339,285	6,005	-	15,072	585,249
Expenditures						
Current:						
Health and welfare	224,872	-	-	-	-	224,872
Culture and recreation	-	251,150	-	-	-	251,150
Housing and development	-	-	5,176	-	-	5,176
Capital outlay:						
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	224,872	251,150	5,176	-	-	481,198
Excess of revenues over (under) expenditures	15	88,135	829	-	15,072	104,051
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(371,079)	-	(11,627)	-	(382,706)
Total other financing sources (uses)	-	(371,079)	-	(11,627)	-	(382,706)
Net change in fund balances	15	(282,944)	829	(11,627)	15,072	(278,655)
Fund balances, beginning of year	37,032	725,129	6,870	11,627	204,391	985,049
Fund balances, end of year	\$ 37,047	\$ 442,185	\$ 7,699	\$ -	\$ 219,463	\$ 706,394

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, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	\$ 350,000	\$ 245,500	\$ 224,873	\$ (20,627)
Interest	-	25	14	(11)
Total revenues	350,000	245,525	224,887	(20,638)
Expenditures				
Current:				
Health and welfare	350,000	245,525	224,872	20,653
Total expenditures	350,000	245,525	224,872	20,653
Excess of revenues over (under) expenditures	-	-	15	15
Net change in fund balance	-	-	15	15
Fund balance, beginning of year	37,032	37,032	37,032	-
Fund balance, end of year	\$ 37,032	\$ 37,032	\$ 37,047	\$ 15

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, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Selective sales tax	\$ 310,000	\$ 310,000	\$ 328,149	\$ 18,149
Charges for services	9,000	9,000	10,395	1,395
Interest	750	750	517	(233)
Donations from private sources	-	-	-	-
Other revenues	143,575	323,075	225	(322,850)
Total revenues	463,325	642,825	339,285	(303,539)
Expenditures				
Current:				
Culture and recreation	265,825	265,825	251,150	14,675
Capital outlay:				
Culture and recreation	-	-	-	-
Total expenditures	265,825	265,825	251,150	14,675
Excess of revenues over (under) expenditures	197,500	377,000	88,135	(288,864)
Other Financing Sources (Uses)				
Transfers out	(197,500)	(377,000)	(371,079)	5,921
Total other financing sources (uses)	(197,500)	(377,000)	(371,079)	5,921
Net change in fund balance	-	-	(282,944)	(282,943)
Fund balance, beginning of year	725,129	725,129	725,129	-
Fund balance, end of year	\$ 725,129	\$ 725,129	\$ 442,185	\$ (282,943)

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, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Selective sales tax	\$ 4,995	\$ 5,995	\$ 5,999	\$ 4
Interest	5	5	6	1
Total revenues	5,000	6,000	6,005	5
Expenditures				
Current:				
Housing and development	5,000	6,000	5,176	824
Total expenditures	5,000	6,000	5,176	824
Excess of revenues over (under) expenditures	-	-	829	829
Net change in fund balance	-	-	829	829
Fund balance, beginning of year	6,870	6,870	6,870	-
Fund balance, end of year	\$ 6,870	\$ 6,870	\$ 7,699	\$ 829



Additional northbound lane, sidewalks, & lampposts,
Holly Springs Parkway at Sutherlin Nissan

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Financial Section

Fiduciary Funds

A CITY UNDER
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CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Municipal Court Fund	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Assets				
Cash	\$ 23,135	\$ 191,659	\$ 182,720	\$ 47,750
Total assets	<u>\$ 23,135</u>	<u>\$ 191,659</u>	<u>\$ 182,720</u>	<u>\$ 47,750</u>
Liabilities				
Due to others	\$ 23,135	\$ 191,659	\$ 182,720	\$ 47,750
Total liabilities	<u>\$ 23,135</u>	<u>\$ 191,659</u>	<u>\$ 182,720</u>	<u>\$ 47,750</u>

Statistical Section

A CITY UNDER
CONSTRUCTION



Northern terminus for Northwest Corridor Express Lanes Project,
I-575, Exit 11, Sixes Road

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.....	<u>Page</u> 63
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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.....	67
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These schedules contain information to help the reader assess the City's most significant local revenue source, Property Tax.

Debt Capacity.....	71
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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.....	73
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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.....	75
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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)

	2016	2015	2014	2013
Governmental activities				
Net investment in capital assets	\$ 24,324,215	\$ 19,898,710	\$ 17,729,864	\$ 16,922,381
Restricted	243,680	958,168	989,334	1,121,547
Unrestricted	9,491,578	8,909,343	7,970,470	6,763,202
Total government activities net position	<u>\$ 34,059,473</u>	<u>\$ 29,766,221</u>	<u>\$ 26,689,668</u>	<u>\$ 24,807,130</u>
Business-type activities (1)				
Net investment in capital assets	\$ 3,030,866	\$ 2,701,939	\$ 2,417,431	\$ 2,198,900
Unrestricted	397,030	626,637	703,168	801,436
Total business-type activities net position	<u>\$ 3,427,896</u>	<u>\$ 3,328,576</u>	<u>\$ 3,120,599</u>	<u>\$ 3,000,336</u>
Primary government				
Net investment in capital assets	\$ 27,355,081	\$ 22,600,649	\$ 20,147,295	\$ 19,121,281
Restricted	243,680	958,168	989,334	1,121,547
Unrestricted	9,888,608	9,535,980	8,673,638	7,564,638
Total primary government net position	<u>\$ 37,487,369</u>	<u>\$ 33,094,797</u>	<u>\$ 29,810,267</u>	<u>\$ 27,807,466</u>

(1) The City of Holly Springs established its Stormwater Utility Fund (Business-Type Activity) in 2009. The first year of operation of the Stormwater Utility was in 2010.

2012	2011	2010	2009	2008
\$ 14,963,807	\$ 14,655,782	\$ 14,613,696	\$ 14,624,875	\$ 14,092,914
1,435,263	1,459,236	1,242,434	1,373,131	974,914
5,800,393	5,225,210	4,457,419	3,718,313	3,441,017
<u>\$ 22,199,463</u>	<u>\$ 21,340,228</u>	<u>\$ 20,313,549</u>	<u>\$ 19,716,319</u>	<u>\$ 18,508,845</u>
\$ 843,003	\$ 749,678	\$ 758,950	\$ -	\$ -
621,855	530,051	328,145	-	-
<u>\$ 1,464,858</u>	<u>\$ 1,279,729</u>	<u>\$ 1,087,095</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,806,810	\$ 15,405,460	\$ 15,372,646	\$ 14,624,875	\$ 14,092,914
1,435,263	1,459,236	1,242,434	1,373,131	974,914
6,422,248	5,755,261	4,785,564	3,718,313	3,441,017
<u>\$ 23,664,321</u>	<u>\$ 22,619,957</u>	<u>\$ 21,400,644</u>	<u>\$ 19,716,319</u>	<u>\$ 18,508,845</u>

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

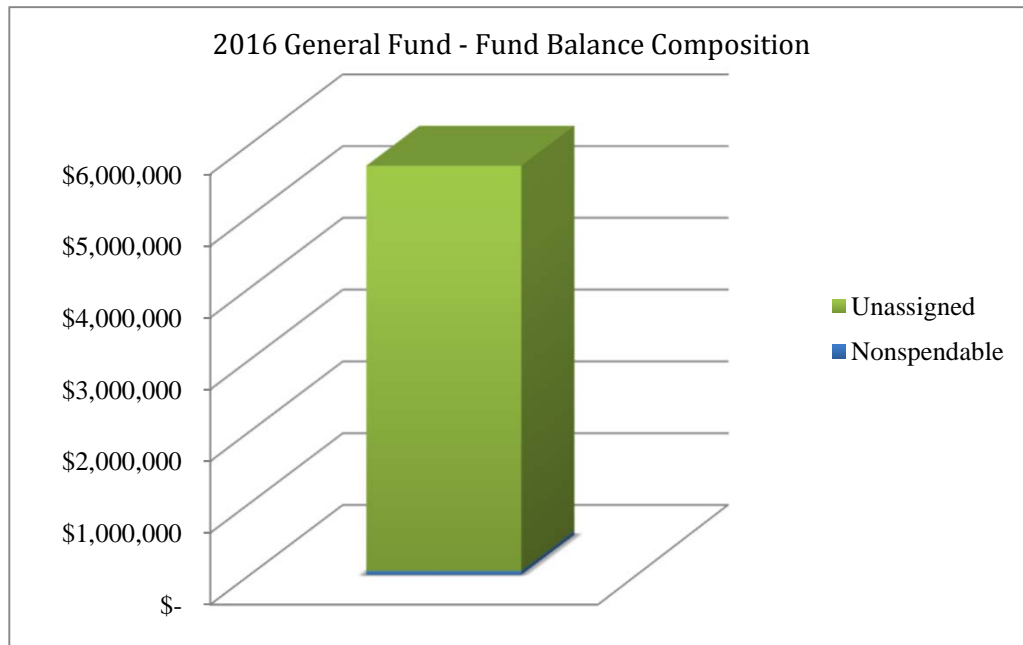
	2016	2015	2014	2013
Expenses				
General government	\$ 909,915	\$ 798,252	\$ 723,511	\$ 821,428
Judicial	256,405	265,562	213,602	222,432
Public safety	3,660,936	3,193,076	2,714,404	2,546,687
Public works	1,111,932	1,752,586	1,410,749	601,360
Health and welfare	224,872	356,242	303,924	346,239
Culture and recreation	288,774	153,693	145,443	85,757
Housing and development	570,308	371,399	305,589	1,081,899
Interest	1,240	3,922	7,428	13,256
Stormwater utility	261,832	212,527	202,889	155,272
Total Expenses	<u>\$ 7,286,214</u>	<u>\$ 7,107,259</u>	<u>\$ 6,027,539</u>	<u>\$ 5,874,330</u>
Program Revenues				
Charges for services:				
General government	\$ 183,362	\$ 143,996	\$ 118,227	\$ 93,365
Public safety	311,239	368,899	372,194	440,811
Public works	-	-	-	-
Culture and recreation	10,395	9,620	9,575	7,075
Housing and development	930,550	793,387	622,488	597,370
Stormwater utility	360,910	320,493	322,619	298,534
Operating grants and contributions:				
General government	18,302	2,000	1,359	9,446
Health and welfare	224,873	356,243	303,734	345,537
Culture and recreation	517	6,734	15,550	13,750
Capital grants and contributions:				
General government	12,823	59,934	-	87,489
Public safety	130,488	187,198	437,242	537,416
Culture and recreation	-	1,370,132	145,336	-
Public works	678,853	1,638,146	770,704	1,881,507
Housing and development	3,210,123	235,859	153,016	670
Stormwater utility	-	102,316	-	1,391,959
Total Program Revenues	<u>\$ 6,072,435</u>	<u>\$ 5,594,957</u>	<u>\$ 3,272,044</u>	<u>\$ 5,704,929</u>
Total Net (Expense) Revenue	<u>\$ (1,213,779)</u>	<u>\$ (1,512,302)</u>	<u>\$ (2,755,495)</u>	<u>\$ (169,401)</u>
General Revenues and Other Changes in Net Position				
Taxes:				
Property tax	\$ 3,899,541	\$ 3,420,246	\$ 3,212,535	\$ 2,899,441
Franchise tax	628,911	604,313	578,242	528,764
Business tax	695,402	644,069	612,157	561,690
Selective sales tax	334,148	320,726	297,484	262,465
Other revenues	30,090	29,072	50,284	52,912
Unrestricted investment earnings	14,306	8,506	7,594	7,274
Gain from disposal of capital assets	3,952	3,764	-	-
Total	<u>\$ 5,606,350</u>	<u>\$ 5,030,696</u>	<u>\$ 4,758,296</u>	<u>\$ 4,312,546</u>
Total Change in Net Position	<u>\$ 4,392,571</u>	<u>\$ 3,518,394</u>	<u>\$ 2,002,801</u>	<u>\$ 4,143,145</u>

2012	2011	2010	2009	2008
\$ 719,273	\$ 732,277	\$ 692,663	\$ 787,818	\$ 641,435
200,673	187,181	190,427	275,904	245,928
2,454,703	2,326,383	2,266,681	2,205,715	1,182,108
818,898	584,016	528,658	575,436	988,756
292,991	234,056	160,192	146,791	-
90,174	44,086	41,577	64,376	936,884
647,357	661,674	864,632	669,986	451,827
27,701	40,884	57,140	27,525	2,974
123,079	73,074	20,690	-	-
<u>\$ 5,374,849</u>	<u>\$ 4,883,631</u>	<u>\$ 4,822,660</u>	<u>\$ 4,753,551</u>	<u>\$ 4,449,912</u>
\$ 100,235	\$ 74,092	\$ 24,808	\$ 81,044	\$ 234,919
389,084	320,919	285,136	364,452	413,607
-	-	-	-	-
11,322	5,213	6,437	1,375	5,675
159,515	203,542	189,352	317,736	329,684
294,523	265,465	358,911	-	-
-	2,550	16,845	-	4,804
293,104	234,524	160,192	205,316	-
-	-	-	1,014,595	356,069
106,407	100,772	1,452	31,996	5,000
-	-	-	-	-
537,104	-	875,643	21,873	-
611,166	1,075,903	800,413	-	-
-	-	-	-	-
<u>\$ 2,502,460</u>	<u>\$ 2,282,980</u>	<u>\$ 2,719,189</u>	<u>\$ 2,038,387</u>	<u>\$ 1,349,758</u>
<u>\$ (2,872,389)</u>	<u>\$ (2,600,651)</u>	<u>\$ (2,103,471)</u>	<u>\$ (2,715,164)</u>	<u>\$ (3,100,154)</u>
\$ 2,591,089	\$ 2,647,071	\$ 2,553,574	\$ 2,473,086	\$ 1,882,727
451,734	429,737	502,270	352,179	279,482
551,174	513,649	303,995	665,507	591,073
262,572	244,667	231,086	-	-
50,932	49,936	88,743	61,470	5,042
9,252	6,832	4,362	6,459	131,232
-	-	-	-	-
<u>\$ 3,916,753</u>	<u>\$ 3,891,892</u>	<u>\$ 3,684,030</u>	<u>\$ 3,558,701</u>	<u>\$ 2,889,556</u>
<u>\$ 1,044,364</u>	<u>\$ 1,291,241</u>	<u>\$ 1,580,559</u>	<u>\$ 843,537</u>	<u>\$ (210,598)</u>

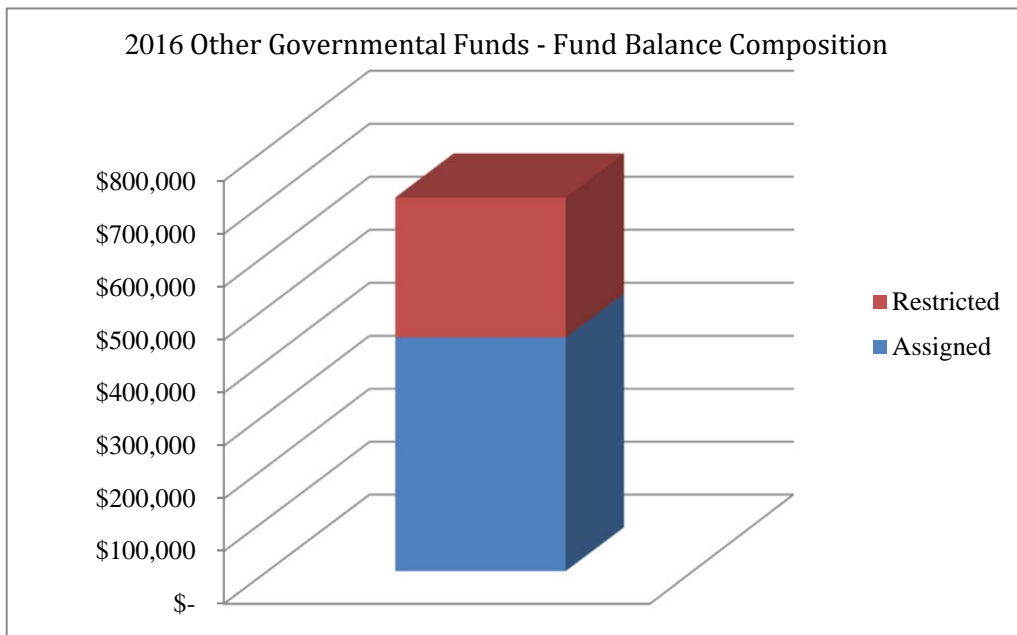
CITY OF HOLLY SPRINGS, GEORGIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)

	2016	2015	2014	2013
General fund				
Nonspendable	\$ 52,706	\$ 174,041	\$ 42,510	\$ 77,733
Unassigned	5,647,642	4,991,439	4,344,293	3,554,510
Total general fund	<u>\$ 5,700,348</u>	<u>\$ 5,165,480</u>	<u>\$ 4,386,803</u>	<u>\$ 3,632,243</u>
All other governmental funds				
Restricted	\$ 264,209	\$ 958,168	\$ 1,181,598	\$ 1,121,547
Assigned	442,185	725,129	623,374	587,513
Unassigned	(20,529)	-	-	-
Total all other governmental funds	<u>\$ 65</u>	<u>\$ 1,683,297</u>	<u>\$ 1,804,972</u>	<u>\$ 1,709,060</u>

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



2012	2011	2010	2009	2008	2007
\$ 56,486	\$ 65,788	\$ 60,518	\$ 21,009	\$ 59,758	\$ -
2,608,226	2,177,067	1,462,088	1,339,533	952,655	1,203,160
<u>\$ 2,664,712</u>	<u>\$ 2,242,855</u>	<u>\$ 1,522,606</u>	<u>\$ 1,360,542</u>	<u>\$ 1,012,413</u>	<u>\$ 1,203,160</u>
\$ 1,435,263	\$ 1,459,236	\$ 1,215,129	\$ 1,342,659	\$ -	\$ -
425,332	454,963	496,117	310,889	144,176	24,055
-	(211,857)	(211,857)	(236,937)	975,198	568,928
<u>\$ 1,860,595</u>	<u>\$ 1,702,342</u>	<u>\$ 1,499,389</u>	<u>\$ 1,416,611</u>	<u>\$ 1,119,374</u>	<u>\$ 592,983</u>



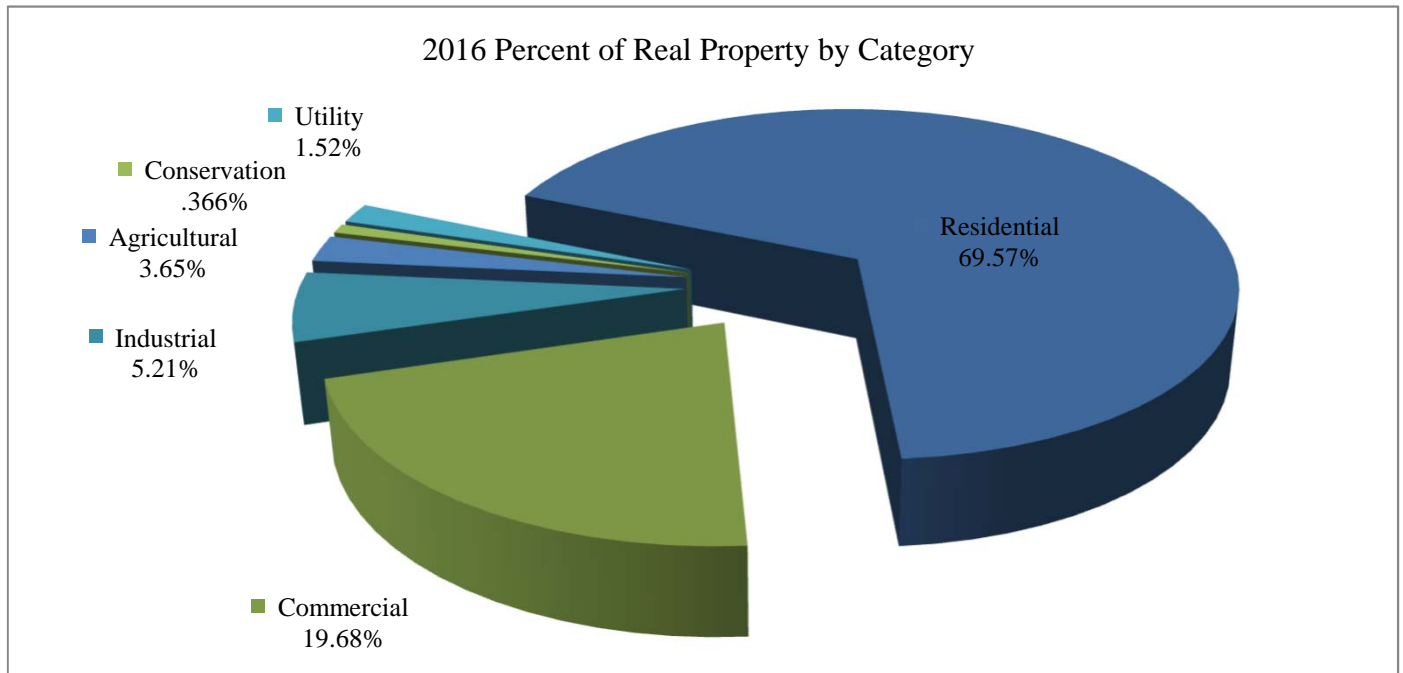
CITY OF HOLLY SPRINGS, GEORGIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)

	2016	2015	2014	2013
Revenues:				
Taxes	\$ 5,221,402	\$ 4,710,042	\$ 4,399,578	\$ 4,202,032
Licenses and permits	1,012,827	877,253	692,844	661,322
Intergovernmental	3,792,829	1,753,918	1,664,757	1,444,195
Charges for services	100,763	70,533	52,348	30,356
Fines and forfeitures	334,566	389,908	411,035	427,464
Interest	15,157	9,808	8,728	8,968
Donations from private sources	18,302	8,075	15,181	22,559
Other revenue	39,217	30,717	61,255	58,972
Total revenues	<u>10,535,063</u>	<u>7,850,254</u>	<u>7,305,726</u>	<u>6,855,868</u>
Expenditures:				
Current:				
General government	819,309	799,051	678,717	693,305
Judicial	261,335	286,373	211,556	222,251
Public safety	3,413,547	3,133,362	2,518,284	2,343,040
Public works	442,958	349,258	370,357	236,884
Health and welfare	224,872	356,242	303,938	346,519
Culture and recreation	255,150	150,479	130,547	70,858
Housing and development	561,728	397,747	298,874	1,076,180
Capital outlay	7,941,197	1,607,851	1,950,389	784,233
Debt service:				
Principal	281,417	127,215	138,944	530,848
Interest	31,418	6,252	6,558	15,911
Total expenditures	<u>14,232,931</u>	<u>7,213,830</u>	<u>6,608,164</u>	<u>6,320,029</u>
Excess(deficiency) of revenues over expenditures	<u>(3,697,868)</u>	<u>636,424</u>	<u>697,562</u>	<u>535,839</u>
Other financing sources (uses):				
Issuance of capital lease	-	-	133,553	250,829
Proceeds from disposal of capital assets	35,305	20,578	19,358	29,328
Proceeds from bond issuance	3,200,000	-	-	-
Transfers in	382,706	12,872	94,670	650,189
Transfers out	(382,706)	(12,872)	(94,670)	(650,189)
Total other financing sources (uses)	<u>3,235,305</u>	<u>20,578</u>	<u>152,911</u>	<u>280,157</u>
Net change in fund balances	<u>\$ (462,563)</u>	<u>\$ 657,002</u>	<u>\$ 850,473</u>	<u>\$ 815,996</u>
Debt service as a percentage of noncapital expenditures:	<u>4.70%</u>	<u>2.29%</u>	<u>2.69%</u>	<u>9.76%</u>

2012	2011	2010	2009	2008	2007
\$ 3,926,975	\$ 3,806,897	\$ 3,571,677	\$ 3,434,685	\$ 2,738,021	\$ 2,302,244
226,580	245,884	160,951	368,228	469,615	559,859
1,530,436	1,427,110	1,324,788	1,271,817	1,151,565	1,975,645
23,546	35,623	29,088	27,172	30,629	176,666
367,364	284,208	259,543	369,207	413,607	459,592
11,383	8,093	5,547	8,422	37,349	131,232
-	-	-	-	-	-
85,282	48,996	88,743	61,470	79,909	5,042
<u>6,171,566</u>	<u>5,856,811</u>	<u>5,440,337</u>	<u>5,541,001</u>	<u>4,920,695</u>	<u>5,610,280</u>
695,848	707,668	679,963	755,205	622,085	546,529
199,641	186,549	189,273	276,937	245,080	189,079
2,324,164	2,187,997	2,188,611	2,101,137	1,098,359	988,941
252,305	272,116	237,580	296,950	350,576	336,514
293,264	234,298	160,192	146,791	17,632	-
74,799	28,712	26,208	52,751	925,254	803,113
635,686	658,630	853,993	662,226	502,325	539,589
615,706	348,202	450,948	2,743,452	1,227,617	1,869,618
512,431	441,432	447,790	20,606	19,483	16,240
34,328	46,937	64,703	3,517	4,640	54,940
<u>5,638,172</u>	<u>5,112,541</u>	<u>5,299,261</u>	<u>7,059,572</u>	<u>5,013,051</u>	<u>5,344,563</u>
<u>533,394</u>	<u>744,270</u>	<u>141,076</u>	<u>(1,518,571)</u>	<u>(92,356)</u>	<u>265,717</u>
-	167,259	-	1,800,000	67,020	-
59,905	11,673	-	-	4,911	-
-	-	-	-	356,069	-
269,145	266,485	40,000	463,572	32,934	382,018
(282,334)	(266,485)	(40,000)	(463,572)	(32,934)	(382,018)
<u>46,716</u>	<u>178,932</u>	<u>-</u>	<u>1,800,000</u>	<u>428,000</u>	<u>-</u>
<u>\$ 580,110</u>	<u>\$ 923,202</u>	<u>\$ 141,076</u>	<u>\$ 281,429</u>	<u>\$ 335,644</u>	<u>\$ 265,717</u>
<u>10.35%</u>	<u>10.25%</u>	<u>10.56%</u>	<u>0.56%</u>	<u>0.58%</u>	<u>2.05%</u>

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

Fiscal Year	Real Property					
	Residential	Commercial	Industrial	Agricultural	Conservation	Utility
	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value
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
2016	289,723,362	81,974,594	21,683,912	15,199,000	1,524,400	6,330,920

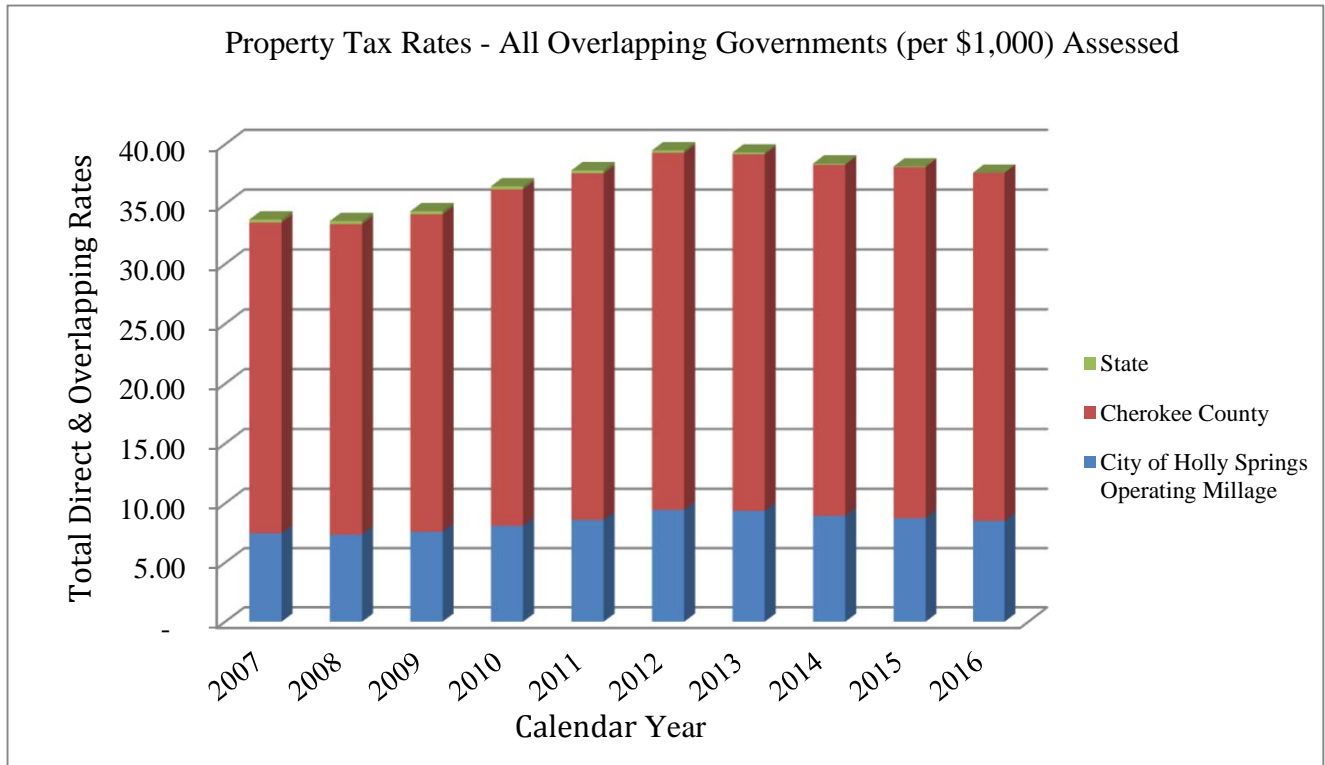


The Cherokee County Assessor performs property tax assessments on all property within Cherokee County including all of the cities therein. The fair market value is determined based on comparables for sales in the area and zoning and land use assumptions. The tax digest is submitted to the Georgia Department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

Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a % of Actual Value
Motor Vehicles Assessed Value	Other Assessed Value					
\$ 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%
9,624,910	104,320	2,504,398	423,661,020	8.460	1,059,152,550	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
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	29.850	0.20	39.499
2013	9.373	29.797	0.15	39.320
2014	8.939	29.358	0.10	38.397
2015	8.751	29.358	0.05	38.159
2016	8.516	29.113	0.00	37.629



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

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Holly Springs LLC	\$ 9,074,600	1	2.14%	\$ 7,656,280	1	2.66%
Walmart	6,431,480	2	1.52%			
East Cherokee Village	4,285,720	3	1.01%	7,095,880	2	2.46%
Alltel GA Communications				3,007,320	3	1.04%
Northside Hospital-Cherokee, Inc.	3,694,240	4	0.87%			
Home Depot	3,151,320	5	0.74%	2,630,400	4	0.91%
Wellstar Health System Inc	2,554,720	6	0.60%			
FD Hickory Flatsdevelopers LLC	2,472,120	7	0.58%			
Windsor House Assisted Living	2,220,880	8	0.52%			
Bright-Meyers Holly Springs	1,881,480	9	0.44%			
The Kroger Co.	1,850,400	10	0.44%	2,238,000	5	0.78%
Pulte Home Corporation				1,887,200	6	0.65%
Toonigh Village LLC				1,516,600	7	0.53%
Selas Fluid Processing				1,509,080	8	0.52%
Publix Super Markets				616,997	9	0.21%
International Fragrance & Tech				375,741	10	0.13%
	<u>\$ 37,616,960</u>		8.88%	<u>\$ 28,533,498</u>		9.90%

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy (1)		Amount	Percentage of Levy
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%	104,894	2,941,429	98.15%
2016	3,378,667	3,187,187	94.33%	N/A	3,187,187	94.33%

- (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**

<u>Governmental Activities</u>					
<u>Fiscal Year</u>	<u>Capital Leases</u>	<u>Holly Springs</u>		<u>Percentage of Personal Income</u>	<u>Per Capita</u>
		<u>Parks & Recreation Authority</u>			
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
2016	45,424	3,048,432		0.99%	278

CITY OF HOLLY SPRINGS, GEORGIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
City Direct Debt:			
Capital lease	\$ 45,424	100.00%	\$ 45,424
Holly Springs Parks and Recreation Authority - 2016 Issue	3,048,432	100.00%	3,407,988
Total Direct Debt	<u>3,093,856</u>		<u>3,453,412</u>
Overlapping General Obligation Debt:			
Cherokee County - 2009 Issue	5,510,000	5.07%	279,098
Cherokee County - 2010 Issue	9,417,000	5.07%	476,998
Cherokee County - 2011 Issue	5,610,000	5.07%	284,163
Cherokee County - 2014 Issue	21,128,000	5.07%	1,070,195
Cherokee County - Refunding bond 2016	28,450,000	5.07%	28,450,000
Cherokee County School District	386,525,000	5.07%	19,578,617
Other Overlapping Debt:			
Cherokee County Resource Recovery Development Authority	<u>15,715,000</u>	5.07%	<u>796,011</u>
Total Overlapping Debt	<u>472,355,000</u>		<u>50,935,081</u>
Total Direct and Overlapping Debt	<u>\$ 475,448,856</u>		<u>\$ 54,388,493</u>

Source: Information obtained from the Cherokee County, Georgia Comprehensive Annual Financial Report dated September 30, 2016

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

CITY OF HOLLY SPRINGS, GEORGIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Median Age (4)</u>	<u>Average Education Level (5)</u>	<u>School Enrollment (6)</u>	<u>Unemployment Rate (7)</u>
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%
2016	11,147	311,012,447	27,901	35.91	Some College	1,049	3.6%

(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, Lyndon Academy, and L.R. Tippens Education Center

(7) Unemployment Rate provided Cherokee Office of Economic Development

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

Employer	2016			2007		
	Employees (1)	Rank	Percentage of Total City Employment(2)	Employees	Rank	Percentage of Total City Employment(2)
Walmart #5814	190	1	5.26%			
Aramark K-12	181	2	5.01%			
Hydro-Chem, A Division of Linde Eng.	114	3	3.16%	96	1	1.76%
Home Depot, USA, Inc.	92	4	2.55%			
Kroger Store #430	81	5	2.24%	90	2	1.65%
Cherokee County School District	80	6	2.22%	75	4	1.37%
Publix Super Markets, Inc.	76	7	2.11%	61	5	1.12%
Southeast Restoration	54	8	1.50%			
Nor-Ral Plastics, Inc.	53	9	1.47%	35	8	0.64%
Pride Electric Inc.	38	10	1.05%			
Agilex Fragrance Division				76	3	1.39%
All Phase Plumbing Inc				49	6	0.90%
Wendy's Old Fashion Burgers				29	10	0.53%
Green Grass Inc				45	7	0.82%
Total Site Solutions LLC				31	9	0.57%
Total	<u>959</u>		26.57%	<u>587</u>		10.75%

(1) Information obtained from City of Holly Springs CLT/Occupational Tax System and Cherokee Cty School District, Cherokee Office of Economic Development

(2) Information obtained from the U.S. Census Bureau Fact Finder - 2007 Business Patterns

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

Function	2016	2015	2014	2013	2012	2011
General Government						
Management	3.0	3.0	3.0	4.0	2.0	2.0
Finance	2.0	1.0	1.0	1.0	1.0	1.0
Technology	1.0	1.0	1.0	1.0	1.0	1.0
Facilities	1.0					
Judicial						
Municipal Court	3.0	2.5	2.0	2.0	2.0	2.0
Public Safety						
Police Officers	19.0	19.0	16.0	16.0	14.0	14.0
Police Administration	4.0	4.0	4.0	4.0	4.0	4.0
Public Works						
Streets	0.0	3.0	3.0	3.0	3.0	3.0
Culture and Recreation						
Parks	0.0	0.5	-	-	1.0	1.0
Housing and Development						
Building	5.5	3.5	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)	2.5	1.0	1.0	2.0	1.0	0.5
Total	42.0	39.5	34.0	36.0	32.0	31.5

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

2010	2009	2008	2007
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
13.0	14.0	15.0	15.0
4.0	4.0	4.0	4.0
2.0	3.0	3.0	3.0
1.0	1.0	1.0	1.0
2.0	6.0	7.0	6.0
1.0	1.0	2.0	2.0
0.5	0.0	0.0	0.0
29.5	35.0	38.0	37.0

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

Function	2016	2015	2014	2013	2012
General government					
Ordinances approved	27	15	12	11	11
Special events held	8	7	7	9	11
Occupation tax licenses issued (1)	719	633	539	909	913
Court					
Number of citations processed	2,438	2,021	2,804	2,468	2,178
Number & type of court sessions:					
Arraignments	23	23	25	25	19
Trials	4	4	7	7	6
Judge's seminars		3	4	3	3
Police					
Calls for service	12,612	12,593	27,501	26,056	24,426
Part 1 crimes reported	435	393	186	201	274
Public Works					
Number of potholes repaired	35	13	2	9	11
Miles of streets resurfaced	2.36	3.04	5.35	3.90	3.02
Community Development					
Building permits issued	567	565	297	136	140
Acres annexed	53.53	98.54	-	2.91	10.39
Culture and Recreation					
Park acres maintained	46	46	13	13	13
Stormwater					
Stormwater projects completed (2)	2	1	-	-	8

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

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

No projects were completed until 2011.

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

2011	2010	2009	2008	2007
11	8	9	8	5
9	9	9	8	7
917	860	768	748	N/A
1,869	2,080	2,815	2,568	3,802
21	22	21	23	18
4	4	5	6	5
4	-	-	-	-
30,558	17,623	23,180	N/A	N/A
280	308	237	263	228
11	8	N/A	N/A	N/A
1.23	-	2	-	-
130	109	180	299	458
-	-	-	-	-
13	13	13	13	13
2	-	-	-	-

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

Function	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol Units	18	17	16	13	13	13
Public Works						
Streets (miles)	64	60	59	59	59	59
Parks and Recreation						
Acreage of Parks (1)	46	46	46	46	46	46
Playgrounds	3	3	2	2	2	2
Baseball Fields	1	1	1	1	1	1
Community Center	1	1	1	1	1	1

2010	2009	2008	2007
1	1	1	1
13	13	13	10
59	59	44	44
46	13	13	13
2	2	2	2
1	1	1	1
1	1	1	1



Road improvements,
Stringer Road

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Internal Control & Compliance Section



J.B. Owens Park ribbon cutting,
Hickory Road

CITY OF HOLLY SPRINGS, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY GRANT
FOR THE YEAR ENDED DECEMBER 31, 2016

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<i>Other Programs</i>			
Department of Labor			
WIA/WIOA Youth Activities		WIA/WIOA Youth Activities--	
WIA/WIOA Youth Activities	17.259	WD1410	\$ 224,873
<i>Total Department of Labor</i>			<u>224,873</u>
Department of Transportation			
Recreational Trails Program			
Recreational Trails Program	20.219	Livable Centers Initiative-- CSTEE-0009-00 (006)	268,988
Recreational Trails Program	20.219	Livable Centers Initiative-- CSSTP-0008-00-(961)	1,590,194
<i>Total U. S Department of Transportation</i>			<u>1,859,182</u>
Department of Housing and Urban Development			
Community Development Block Grants/Entitlement	14.218	CDBG--B-15-UC-13-0006	215,289
<i>Total Department of Housing and Urban Development</i>			<u>215,289</u>
<i>Total Expenditures of Federal Awards</i>			\$ <u>2,299,344</u>

The accompanying notes are an integral part of this schedule

CITY OF HOLLY SPRINGS, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal assistance programs of the City of Holly Springs, Georgia. The City reporting entity is defined in Note 1.A of the basic financial statements. Federal assistance received directly from federal or state agencies, as well as federal financial assistance passed through state agencies, are included on the schedule.

Note 2 – BASIC OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1.C of the basic financial statements. The City did not use the de-minimis indirect cost rate during the year ended December 31, 2016.

Note 3 – NON-CASH AWARDS

The City did not have any non-cash awards during the fiscal year.

RL Jennings & Associates, PC

Certified Public Accountants

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Marvin Chance, CPA, CGMA
Thomas H. Evans, Jr., CPA
Sarah A Dunn, CPA, MDA
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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, 2016, 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 May 25, 2017.

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.

A handwritten signature in blue ink that reads "R.L. Jennings & Associates, PC". The signature is written in a cursive, flowing style.

Ellijay, Georgia
May 25, 2017

RL Jennings & Associates, PC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor
and the Members of City Council
City of Holly Springs, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Holly Springs, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Holly Springs, Georgia's major federal programs for the year ended December 31, 2016. City of Holly Springs, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Holly Springs, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Holly Springs, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Holly Springs, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Holly Springs, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. (See finding 2008-01) Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the City of Holly Springs, Georgia's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Holly Springs, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Holly Springs, Georgia' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item Finding 2008-01, that we consider to be significant deficiency..

City of Holly Springs, Georgia's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Holly Springs, Georgia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Ellijay, Georgia
May 25, 2017

**CITY OF HOLLY SPRINGS, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

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.

New commercial,
Holly Springs Parkway & Sixes Road

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



State Section



Livable Centers Initiative
Sidewalk Project,
Holly Springs Parkway

A CITY UNDER
CONSTRUCTION



CITY OF HOLLY SPRINGS, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2016

Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
Special Use Sales Tax 2004 - SPLOST III						
Streets and sidewalks	\$ 3,407,000	\$ 3,407,000	\$ 2,779,246	\$ -	\$ 2,779,246	82%
New city hall	2,600,000	2,600,000	4,125,438	-	4,125,438	159%
Downtown square and streetscapes	1,602,705	1,602,705	-	-	-	0%
Public safety and public works vehicles and equipment	219,000	219,000	206,487	-	206,487	94%
	<u>\$ 7,828,705</u>	<u>\$ 7,828,705</u>	<u>\$ 7,111,171</u>	<u>\$ -</u>	<u>\$ 7,111,171</u>	
Special Use Sales Tax 2010 - SPLOST IV						
Transportation facilities and improvements	\$ 3,100,000	\$ 3,100,000	\$ 2,147,263	\$ 3,897,573	\$ 6,044,836	195%
Law enforcement facilities, vehicles and equipment	1,700,000	1,700,000	1,146,774	346,446	1,493,220	88%
Sewer system infrastructure, facilities and equipment	750,000	750,000	822,677	-	822,677	110%
City hall administrative offices, facilities and equipment	755,000	755,000	50,751	-	50,751	7%
Public works, fire, fleet vehicles and equipment	410,200	410,200	137,631	127,118	264,749	65%
	<u>\$ 6,715,200</u>	<u>\$ 6,715,200</u>	<u>\$ 4,305,096</u>	<u>\$ 4,371,137</u>	<u>\$ 8,676,233</u>	

Notes to schedule:

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