



# CITY OF HOLLY SPRINGS COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2017





PREPARED BY:  
GENERAL ADMINISTRATION DEPARTMENT

SUBMITTED BY:  
ROBERT H. LOGAN  
CPA, CGMA

CITY OF HOLLY SPRINGS  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2017

**CITY OF HOLLY SPRINGS, GEORGIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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# RIBBON CUTTING CEREMONY



## INTRODUCTORY SECTION

CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

**Mayor**  
Steven W. Miller

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



## City of Holly Springs

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

**City Attorney**  
Robert M. Dyer

**City Clerk**  
Karen Norred

**City Manager**  
Robert H. Logan

May 25, 2018

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, 2017, 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, 2017 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, 2017 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 7.15 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%                    |
| 2017 | 11,235     | 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. 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. Construction on this project started in the spring of 2018. 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 2018.

### 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. These areas are currently under construction.

### 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, Town Center 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 2017.

### 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 2019.

#### 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. Construction of Phase II of the LCI Project along Holly Springs Parkway from L.R. Tippens Education Center to Pine Crest Road is anticipated to begin in the fall of 2018. 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 was completed 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, 2016. This was the fifth 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,



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

# CITIZENS OF HOLLY SPRINGS



CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

# MAYOR & COUNCIL



MAYOR  
STEVEN W. MILLER



MAYOR PRO TEM  
MICHAEL ROY ZENCHUK II

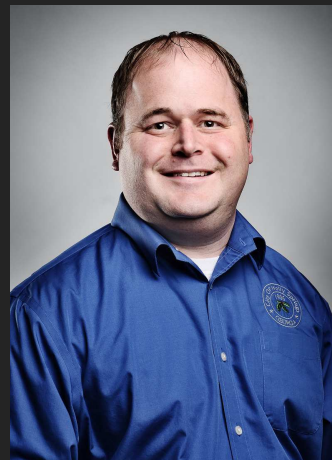
COUNCILMEMBER  
KAREN BARNETT



COUNCILMEMBER  
DEE PHILLIPS



COUNCILMEMBER  
JEREMY SMITH



COUNCILMEMBER  
KYLE WHITAKER



CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



# PRINCIPAL OFFICERS

CITY MANAGER/FINANCE DIRECTOR    ROBERT H. LOGAN, CPA, CGMA

CITY CLERK    KAREN NORRED, CMC, CHRMP

POLICE CHIEF    MICHAEL CARSWELL

MUNICIPAL COURT CLERK    WHITNEY DICKENS

COMMUNITY DEVELOPMENT DIRECTOR    NANCY MOON

PUBLIC WORKS    OPTECH MONETTE, LLC

CITY ATTORNEY    DYER & RUSBRIDGE, PC

CITY AUDITOR    RL JENNINGS & ASSOCIATES, PC

CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



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, 2016**

*Christopher P. Morill*

Executive Director/CEO



HISTORIC TRAIN DEPOT

# FINANCIAL SECTION

CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

# 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  
Katherine S. Washington, CPA  
David E. DeScalzo, CPA, CFE, PC

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

506 East Third Street  
Rome, Georgia 30161  
Phone 706.802.1945 Fax 706.802.1279  
[www.romecpa.com](http://www.romecpa.com)  
14224 Highway 515 North  
Ellijay, Georgia 30540  
Phone 706.273.1945 Fax 706.273.1946  
[www.ellijaycpa.com](http://www.ellijaycpa.com)

### 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, 2017, 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, 2017, 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 51, the Schedule of Changes in Net Pension Liability and Related Ratios on page 53 and the Schedule of City Contributions on page 54 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, Schedule of Projects Constructed with Special Purpose Local Option Sales Tax and Schedule of Expenditures of Federal Awards 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, Schedule of Projects Constructed with Special Purpose Local Option Sales Tax and Schedule of Expenditures of Federal Awards 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, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Holly Springs, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Holly Springs, Georgia's internal control over financial reporting and compliance.

*RL Jennings & Associates, PC*

Ellijay, Georgia  
May 25, 2018

**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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As the management of the City of Holly Springs, Georgia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017. 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 fund them.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2017 are as follows:

- The City's combined net position increased \$2,870,714 (7.66%) to \$40,358,083 from \$37,487,369 in 2016.
- Combined revenue decreased \$1,014,330 (8.69%) to \$10,664,455 from \$11,678,785 in 2016, of which governmental activities totaled \$10,337,160 and business-type activities totaled \$327,295.
- Overall expenses increased \$492,097 (6.75%) to \$7,778,311 from \$7,286,214 in 2016, of which governmental activities totaled \$7,525,571 and business-type activities totaled \$252,740.
- As of December 31, 2017, the City's governmental funds reported combined ending fund balances of \$7,501,815. At December 31, 2017, \$6,296,241 or 83.93% 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, 2017**

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

The government-wide financial statements can be found on pages 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 four governmental fund types: General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Two individual funds are considered to be major funds: 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, 2017**

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 50 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 51 through 54 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 \$40,358,083 at December 31, 2017.

Combined net position includes a net investment in capital assets of \$29,016,301 (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 \$253,689 of restricted net position that is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. The City has \$11,088,093 in unrestricted net position at December 31, 2017.

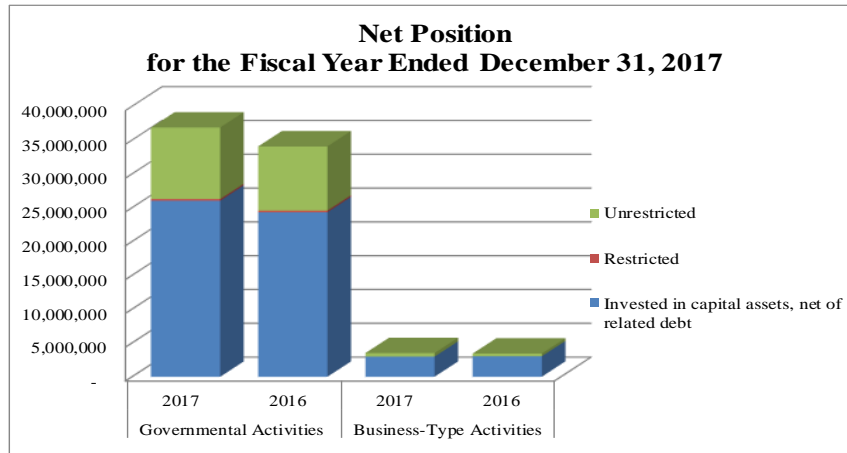
City of Holly Springs' Net Position

|                                | Governmental<br>Activities |               | Business-Type<br>Activities |              | Total         |               |
|--------------------------------|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
|                                | 2017                       | 2016          | 2017                        | 2016         | 2017          | 2016          |
| Current and other assets       | \$ 12,269,473              | \$ 10,639,852 | \$ 530,691                  | \$ 402,087   | \$ 12,800,164 | \$ 11,041,939 |
| Capital assets                 | 28,788,237                 | 27,418,071    | 2,985,637                   | 3,030,866    | 31,773,874    | 30,448,937    |
| Total assets                   | 41,057,710                 | 38,057,923    | 3,516,328                   | 3,432,953    | 44,574,038    | 41,490,876    |
| Deferred Outflows of Resources | 172,173                    | 229,875       | 6,023                       | 4,951        | 178,196       | 234,826       |
| Current liabilities            | 1,849,042                  | 1,276,983     | 19,287                      | 9,836        | 1,868,329     | 1,286,819     |
| Non-current liabilities        | 2,507,682                  | 2,943,372     | -                           | -            | 2,507,682     | 2,943,372     |
| Total liabilities              | 4,356,724                  | 4,220,355     | 19,287                      | 9,836        | 4,376,011     | 4,230,191     |
| Deferred Inflows of Resources  | 17,527                     | 7,970         | 613                         | 172          | 18,140        | 8,142         |
| Net position:                  |                            |               |                             |              |               |               |
| Net investment in              |                            |               |                             |              |               |               |
| capital assets                 | 26,030,664                 | 24,324,215    | 2,985,637                   | 3,030,866    | 29,016,301    | 27,355,081    |
| Restricted                     | 253,689                    | 243,680       | -                           | -            | 253,689       | 243,680       |
| Unrestricted                   | 10,571,279                 | 9,491,578     | 516,814                     | 397,030      | 11,088,093    | 9,888,608     |
| Total net position             | \$ 36,855,632              | \$ 34,059,473 | \$ 3,502,451                | \$ 3,427,896 | \$ 40,358,083 | \$ 37,487,369 |



**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

As of December 31, 2017 the City of Holly Springs is able to present positive balances in net position for its governmental and business-type activities.

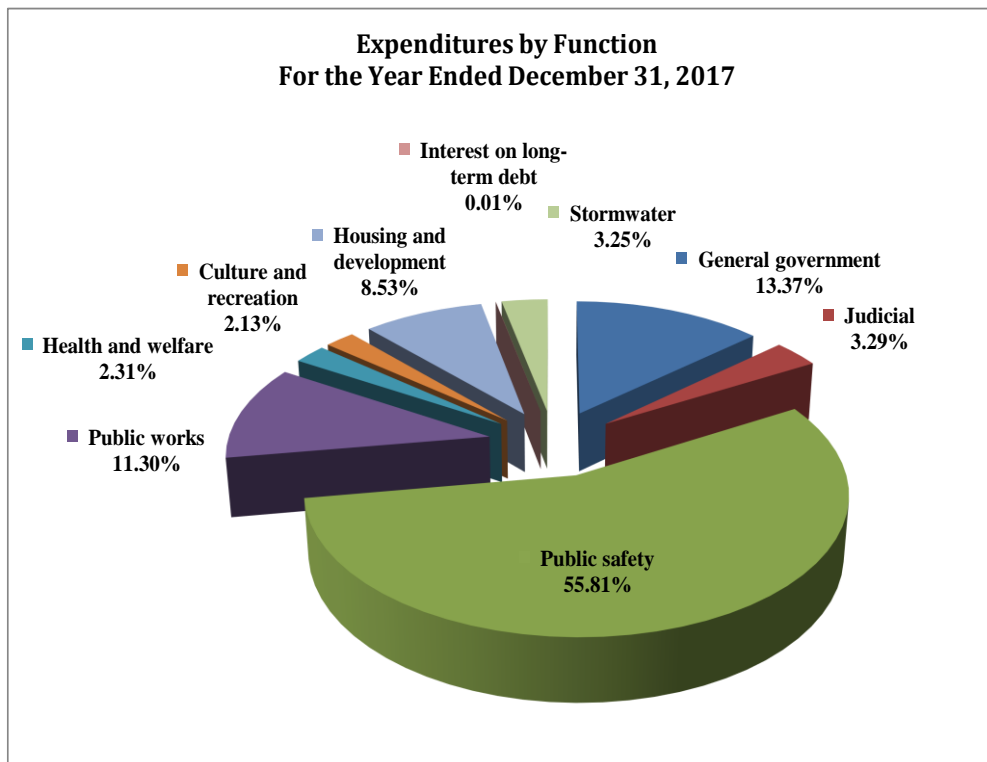
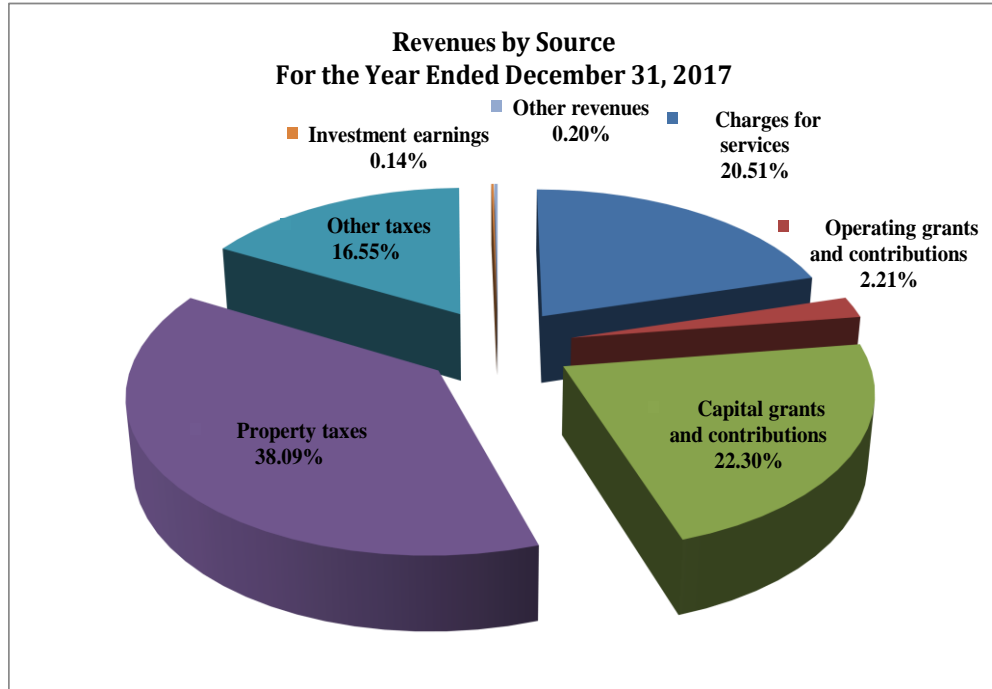


City of Holly Springs' Changes in Net Position

| <b>Revenues</b>                                    | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                     | <b>Total</b>         |                      |
|--|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
|  | <u>2017</u>                    | <u>2016</u>          | <u>2017</u>                     | <u>2016</u>         | <u>2017</u>          | <u>2016</u>          |
| Program Revenues:                                  |                                |                      |                                 |                     |                      |                      |
| Charges for services                               | \$ 1,860,426                   | \$ 1,435,546         | \$ 327,271                      | \$ 360,910          | \$ 2,187,697         | \$ 1,796,456         |
| Operating grants and contributions                 | 235,203                        | 243,692              | -                               | -                   | 235,203              | 243,692              |
| Capital grants and contributions                   | 2,378,027                      | 4,032,287            | -                               | -                   | 2,378,027            | 4,032,287            |
| General Revenues:                                  |                                |                      |                                 |                     |                      |                      |
| Property taxes                                     | 4,062,016                      | 3,899,541            | -                               | -                   | 4,062,016            | 3,899,541            |
| Other taxes  | 1,764,443                      | 1,658,461            | -                               | -                   | 1,764,443            | 1,658,461            |
| Investment earnings                                | 15,272                         | 14,064               | 24                              | 242                 | 15,296               | 14,306               |
| Other revenues                                     | 21,773                         | 34,042               | -                               | -                   | 21,773               | 34,042               |
| <b>Total Revenues</b>                              | <b>10,337,160</b>              | <b>11,317,633</b>    | <b>327,295</b>                  | <b>361,152</b>      | <b>10,664,455</b>    | <b>11,678,785</b>    |
| <b>Expenses</b>                                    |                                |                      |                                 |                     |                      |                      |
| General government                                 | 1,040,174                      | 909,915              | -                               | -                   | 1,040,174            | 909,915              |
| Judicial   | 255,842                        | 256,405              | -                               | -                   | 255,842              | 256,405              |
| Public safety                                      | 4,341,176                      | 3,660,936            | -                               | -                   | 4,341,176            | 3,660,936            |
| Public works                                       | 878,923                        | 1,111,932            | -                               | -                   | 878,923              | 1,111,932            |
| Health and welfare                                 | 179,437                        | 224,872              | -                               | -                   | 179,437              | 224,872              |
| Culture and recreation                             | 165,714                        | 288,774              | -                               | -                   | 165,714              | 288,774              |
| Housing and development                            | 663,374                        | 570,308              | -                               | -                   | 663,374              | 570,308              |
| Interest on long-term debt                         | 931                            | 1,240                | -                               | -                   | 931                  | 1,240                |
| Stormwater   | -                              | -                    | 252,740                         | 261,832             | 252,740              | 261,832              |
| <b>Total Expenses</b>                              | <b>7,525,571</b>               | <b>7,024,382</b>     | <b>252,740</b>                  | <b>261,832</b>      | <b>7,778,311</b>     | <b>7,286,214</b>     |
| Increase (decrease) in net assets before transfers | 2,811,589                      | 4,293,251            | 74,555                          | 99,320              | 2,886,144            | 4,392,571            |
| Loss on sale of capital asset                      | (15,430)                       | -                    | -                               | -                   | (15,430)             | -                    |
| <b>Change in net position</b>                      | <b>2,796,159</b>               | <b>4,293,251</b>     | <b>74,555</b>                   | <b>99,320</b>       | <b>2,870,714</b>     | <b>4,392,571</b>     |
| Beginning net position                             | 34,059,473                     | 29,766,222           | 3,427,896                       | 3,328,576           | 37,487,369           | 33,094,798           |
| <b>Ending net position</b>                         | <b>\$ 36,855,632</b>           | <b>\$ 34,059,473</b> | <b>\$ 3,502,451</b>             | <b>\$ 3,427,896</b> | <b>\$ 40,358,083</b> | <b>\$ 37,487,369</b> |

**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Governmental Activities**

The governmental activities of the City increased net position by \$2,796,159. 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 \$162,475 (4.17%) in 2017 from 2016 due to growth in the tax digest. Charges for services increased \$426,880 (29.74%) due to an increase in the number of building permits issued during 2017 for commercial and residential projects. Operating Grants and Contributions decreased \$8,442 (3.46%) due to a decrease in funding from the Atlanta Regional Commission (ARC) for Cherokee FOCUS (pass-through grant). Capital grants and contributions decreased \$1,654,260 (41.03%) due to the completion of construction of public works projects funded by grants from the Georgia Department of Transportation and the U.S. Department of Housing and Urban Development in the prior year.

**Expenses**

General government expenses increased \$130,259 (14.32%) in 2017 from 2016 primarily due to increased costs attributable to new personnel in administration and related costs. Judicial expenses decreased \$563 (.22%) in 2017 from 2016 due to a small decrease in fees paid to public defenders, bailiffs and court security during 2017. Public safety expenses increased \$680,240 (18.58%) primarily due to an increase in the number of certified police officers in 2017 over the previous year and an increase in fire district fees in 2017 of approximately \$83,000. Public works expenses decreased \$233,009 (20.96%) in 2017 from 2016. Health and welfare expenses decreased \$45,435 (20.20%) as a direct result of decreased funding from the Atlanta Regional Commission for the pass-through grant to Cherokee FOCUS. Culture and recreation expenses decreased \$123,060 (42.61%) due to a reduction in maintenance costs in the City's parks in 2017. Housing and development expenses increased \$93,066 (16.32%) from 2016 due to increased costs for contract inspection services with a private contractor and contract fire marshal.

**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, 2017, the City's governmental funds reported combined ending fund balances of \$7,501,815.

**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 \$6,899,442, which was comprised of nonspendable fund balance of \$64,236 and unassigned fund balance of \$6,835,206. Fund balance in the General Fund increased \$1,199,092 (21.04%) in 2017 over 2016. 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 2017 over the prior year.

**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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The SPLOST IV Fund is a capital projects fund of the City. The purpose of this fund is to account for the collection of special purpose local option sales tax (SPLOST) and the construction of approved capital projects. At the end of the current fiscal year, the unassigned fund balance deficit of the SPLOST IV Fund was \$538,965. Fund balance in the SPLOST IV Fund decreased \$518,436 (2525.38%) in 2017 from 2016 due to the construction of several capital projects that were initiated during the year including the LCI sidewalk project Phase II, the Rickman Industrial Drive Extension and Turn Lanes Project and the Holly Springs Parkway Widening Project. The projects are funded with cost reimbursement grants. Grantor agencies reimbursed the SPLOST IV Fund for construction activities in the first quarter of 2018 for expenditures incurred in the last quarter of 2017.

**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: Parks and Recreation Fund, Hotel/Motel Tax Fund and Multiple Grant Fund.

Debt Service Fund accumulates resources that are restricted, committed or assigned for the principal and interest payments on long-term obligations of the governmental funds.

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: Town Center Fund and SPLOST III Fund.

Non-major governmental funds revenues totaled \$554,349 for the fiscal year ending December 31, 2017. Non-major governmental fund expenditures totaled \$653,324. Fund balance for all non-major governmental funds was \$1,141,338. Non-major fund balances increased \$434,943 (61.57%) due primarily to transfers of the proceeds of the sale of property in Harmony on the Lakes to the Town Center Fund.

**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 \$3,502,451 at December 31, 2017, an increase of \$74,555 over 2016. Net investment in capital assets is \$2,985,637 and unrestricted net position is \$516,814. Net position increased in 2017 due primarily to decreased stormwater expenses in 2017.

**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 51 of the annual report. In 2017, the City had a net favorable budget variance of \$1,199,092. There was a favorable revenue budget variance of \$896,697. 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 2017 the City had realized revenues in excess of appropriations and the budget was amended to reflect the increased revenues in the amount of \$310,000. The favorable budget variance for all expenditure categories in 2017 was \$299,604. 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.



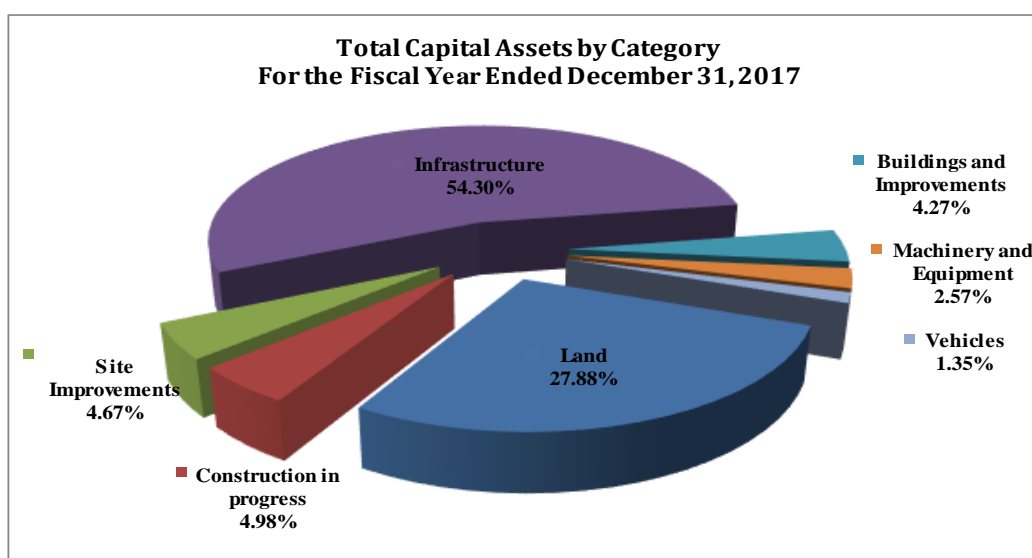
**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**CAPITAL ASSETS**

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

|                            | Governmental Activities |                      | Business-Type Activities |                     | Total                |                      |
|----------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|                            | <u>2017</u>             | <u>2016</u>          | <u>2017</u>              | <u>2016</u>         | <u>2017</u>          | <u>2016</u>          |
| Land                       | \$ 8,857,745            | \$ 8,857,745         | \$ -                     | \$ -                | \$ 8,857,745         | \$ 8,857,745         |
| Construction in Progress   | 1,582,156               | 4,219,118            | -                        | 19,688              | 1,582,156            | 4,238,806            |
| Site Improvements          | 1,483,177               | 1,561,342            | -                        | -                   | 1,483,177            | 1,561,342            |
| Infrastructure             | 14,406,987              | 10,241,193           | 2,844,791                | 2,845,435           | 17,251,778           | 13,086,628           |
| Buildings and Improvements | 1,355,199               | 1,389,220            | -                        | -                   | 1,355,199            | 1,389,220            |
| Machinery and Equipment    | 685,598                 | 698,327              | 130,048                  | 151,345             | 815,646              | 849,672              |
| Vehicles                   | 417,375                 | 451,126              | 10,798                   | 14,398              | 428,173              | 465,524              |
| Total:                     | <u>\$ 28,788,237</u>    | <u>\$ 27,418,071</u> | <u>\$ 2,985,637</u>      | <u>\$ 3,030,866</u> | <u>\$ 31,773,874</u> | <u>\$ 30,448,937</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, 2017.



**LONG-TERM DEBT**

The table below represents long-term debt outstanding as of December 31, 2017 and 2016:

|                        | Governmental Activities |                     | Business-Type Activities |                 | Total               |                     |
|------------------------|-------------------------|---------------------|--------------------------|-----------------|---------------------|---------------------|
|                        | <u>2017</u>             | <u>2016</u>         | <u>2017</u>              | <u>2016</u>     | <u>2017</u>         | <u>2016</u>         |
| Capital Leases & Bonds | \$ 2,757,573            | \$ 3,093,856        | \$ -                     | \$ -            | \$ 2,757,573        | \$ 3,093,856        |
| Net Pension Liability  | 375,074                 | 163,753             | 13,121                   | 3,527           | 388,195             | 167,280             |
| Compensated Absences   | 135,652                 | 126,840             | -                        | -               | 135,652             | 126,840             |
| Total:                 | <u>\$ 3,268,299</u>     | <u>\$ 3,384,449</u> | <u>\$ 13,121</u>         | <u>\$ 3,527</u> | <u>\$ 3,281,420</u> | <u>\$ 3,387,976</u> |

The City reported long-term debt of \$3,281,420 as of December 31, 2017 exclusive of interest expense. The City has no general obligation debt outstanding at December 31, 2017. 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, 2017.

**CITY OF HOLLY SPRINGS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

The Mayor and Council in conjunction with the staff of the City of Holly Springs have continued to aggressively address the current and future needs of the City by focusing on sound financial management, the use of current resources for capital expenditures and an extensive budgeting process. The City's General Fund budget for fiscal year 2018 is \$6,800,000. This is an increase of \$550,000 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 2018 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 2018 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 2017 and 2018 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](http://www.hollyspringsga.us) for additional information.

**CITY OF HOLLY SPRINGS, GEORGIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

|  | Primary Government      |                          |                      | Component Unit                 |
|--|-------------------------|--------------------------|----------------------|--------------------------------|
|  | Governmental Activities | Business-type Activities | Total                | Downtown Development Authority |
| <b>Assets</b>                                |                         |                          |                      |                                |
| Cash   | \$ 9,547,249            | \$ 239,794               | \$ 9,787,043         | \$ 86,002                      |
| Restricted cash                              | 805,141                 | -                        | 805,141              | -                              |
| Investment                                   | -                       | -                        | -                    | 35,757                         |
| Restricted investments                       | 1,011,655               | -                        | 1,011,655            | -                              |
| Property taxes receivable                    | 202,676                 | -                        | 202,676              | -                              |
| Stormwater fees receivable                   | 71,918                  | -                        | 71,918               | -                              |
| Accounts receivable, net                     | 488,590                 | -                        | 488,590              | 32                             |
| Fines receivable, net                        | 30,535                  | -                        | 30,535               | -                              |
| Due from other governments                   | 332,536                 | -                        | 332,536              | -                              |
| Internal balances                            | (285,063)               | 285,063                  | -                    | -                              |
| Prepaid expenses                             | 64,236                  | 5,834                    | 70,070               | -                              |
| Capital assets:                              |                         |                          |                      |                                |
| Not depreciated                              | 10,439,901              | -                        | 10,439,901           | 1,706,312                      |
| Depreciated, net of accumulated depreciation | 18,348,336              | 2,985,637                | 21,333,973           | 27,342                         |
| <b>Total assets</b>                          | <b>41,057,710</b>       | <b>3,516,328</b>         | <b>44,574,038</b>    | <b>1,855,445</b>               |
| <b>Deferred Outflows of Resources</b>        |                         |                          |                      |                                |
| Pension amounts                              | 172,173                 | 6,023                    | 178,196              | -                              |
| <b>Liabilities</b>                           |                         |                          |                      |                                |
| Accounts payable                             | 136,325                 | 3,363                    | 139,688              | -                              |
| Accrued and other liabilities                | 111,552                 | 2,803                    | 114,355              | -                              |
| Deposits                                     | 1,750                   | -                        | 1,750                | -                              |
| Due to other governments                     | 131,376                 | -                        | 131,376              | -                              |
| Unearned revenue                             | 707,422                 | -                        | 707,422              | -                              |
| Compensated absences, current portion        | 88,010                  | -                        | 88,010               | -                              |
| Compensated absences, non-current portion    | 47,642                  | -                        | 47,642               | -                              |
| Bond payable - current                       | 297,533                 | -                        | 297,533              | -                              |
| Bond payable - non-current                   | 2,460,040               | -                        | 2,460,040            | -                              |
| Net pension liability                        | 375,074                 | 13,121                   | 388,195              | -                              |
| <b>Total liabilities</b>                     | <b>4,356,724</b>        | <b>19,287</b>            | <b>4,376,011</b>     | <b>-</b>                       |
| <b>Deferred Inflows of Resources</b>         |                         |                          |                      |                                |
| Pension amounts                              | 17,527                  | 613                      | 18,140               | -                              |
| <b>Net Position</b>                          |                         |                          |                      |                                |
| Net investment in capital assets             | 26,030,664              | 2,985,637                | 29,016,301           | 1,733,654                      |
| Restricted for:                              |                         |                          |                      |                                |
| Capital projects                             | 231,413                 | -                        | 231,413              | -                              |
| Other purposes                               | 46,252                  | -                        | 46,252               | -                              |
| Unrestricted                                 | 10,547,303              | 516,814                  | 11,064,117           | 121,791                        |
| <b>Total net position</b>                    | <b>\$ 36,855,632</b>    | <b>\$ 3,502,451</b>      | <b>\$ 40,358,083</b> | <b>\$ 1,855,445</b>            |

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

**CITY OF HOLLY SPRINGS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

| <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> |
| <b>Primary Government:</b>                 |                            |                             |   |   |
| <u><b>Governmental Activities:</b></u>     |                            |                             |   |   |
| General government                         | \$ 1,040,174               | \$ 183,531                  | \$ 55,766                                 | \$ -                                    |
| Judicial                                   | 255,842                    | -                           | -   | -                                       |
| Public safety                              | 4,341,176                  | 349,414                     | -   | 246,387                                 |
| Public works                               | 878,923                    | -                           | -   | 803,343                                 |
| Health and welfare                         | 179,437                    | -                           | 179,437                                   | -                                       |
| Culture and recreation                     | 165,714                    | 18,544                      | -   | -                                       |
| Housing and development                    | 663,374                    | 1,308,937                   | -   | 1,328,297                               |
| Interest                                   | 931                        | -                           | -   | -                                       |
| Total governmental activities              | <u>7,525,571</u>           | <u>1,860,426</u>            | <u>235,203</u>                            | <u>2,378,027</u>                        |
| <u><b>Business-type Activities:</b></u>    |                            |                             |   |   |
| Stormwater Utility                         | <u>252,740</u>             | <u>327,271</u>              | <u>-</u>                                  | <u>-</u>                                |
| <b>Total primary government</b>            | <u><u>\$ 7,778,311</u></u> | <u><u>\$ 2,187,697</u></u>  | <u><u>\$ 235,203</u></u>                  | <u><u>\$ 2,378,027</u></u>              |
| <b>Component Unit:</b>                     |                            |                             |   |   |
| Downtown Development Authority             | <u><u>\$ 13,930</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(Loss) from disposal of capital assets |                            |                             |   |   |
| Capital contribution to Primary Government |                            |                             |   |   |
| Total general revenues and transfers       |                            |                             |   |   |
| Change in net position                     |                            |                             |   |   |
| <b>Net position, beginning of year</b>     |                            |                             |   |   |
| <b>Net position, end of year</b>           |                            |                             |   |   |

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

| Net (Expenses) Revenues and Changes in Net Position |                             |               |                                      |
|---|-----------------------------|---------------|--------------------------------------|
| Primary Government                                  |                             |               | Component Units                      |
| Governmental<br>Activities                          | Business-type<br>Activities | Total         | Downtown<br>Development<br>Authority |
| \$ (800,877)  | \$ -                        | \$ (800,877)  |                                      |
| (255,842)   | -                           | (255,842)     |                                      |
| (3,745,375)   | -                           | (3,745,375)   |                                      |
| (75,580)  | -                           | (75,580)      |                                      |
| -   | -                           | -             |                                      |
| (147,170)   | -                           | (147,170)     |                                      |
| 1,973,860   | -                           | 1,973,860     |                                      |
| (931)   | -                           | (931)         |                                      |
| (3,051,915)   | -                           | (3,051,915)   |                                      |
| -   | 74,531                      | 74,531        |                                      |
| (3,051,915)   | 74,531                      | (2,977,384)   |                                      |
|   |                             |               | \$ 5,270                             |
| 4,062,016   | -                           | 4,062,016     | -                                    |
| 677,907   | -                           | 677,907       | -                                    |
| 742,319   | -                           | 742,319       | -                                    |
| 344,217   | -                           | 344,217       | -                                    |
| 21,773  | -                           | 21,773        | -                                    |
| 15,272  | 24                          | 15,296        | 107                                  |
| (15,430)  | -                           | (15,430)      | 161,921                              |
| -   | -                           | -             | (536,961)                            |
| 5,848,074   | 24                          | 5,848,098     | (374,933)                            |
| 2,796,159   | 74,555                      | 2,870,714     | (369,663)                            |
| 34,059,473  | 3,427,896                   | 37,487,369    | 2,225,108                            |
| \$ 36,855,632                                       | \$ 3,502,451                | \$ 40,358,083 | \$ 1,855,445                         |



**CITY OF HOLLY SPRINGS, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

|  |                      |                   |                     | <b>Total</b>         |
|--|----------------------|-------------------|---------------------|----------------------|
|  | <b>General</b>       | <b>SPLOST IV</b>  | <b>Nonmajor</b>     | <b>Governmental</b>  |
| <b>Assets</b>                              |                      |                   | <b>Governmental</b> | <b>Funds</b>         |
| Cash                                       | \$ 8,713,407         | \$ 515,044        | \$ 1,123,939        | \$ 10,352,390        |
| Investments                                | 1,011,655            | -                 | -                   | 1,011,655            |
| Property taxes receivable                  | 202,676              | -                 | -                   | 202,676              |
| Stormwater fees receivable                 | 71,918               | -                 | -                   | 71,918               |
| Accounts receivable                        | 432,811              | -                 | 118,401             | 551,212              |
| Fines receivable                           | 61,072               | -                 | -                   | 61,072               |
| Due from other governments                 | 46,461               | 271,626           | 14,449              | 332,536              |
| Due from other funds                       | 725,087              | -                 | 375                 | 725,462              |
| Prepaid items                              | 64,236               | -                 | -                   | 64,236               |
| <b>Total assets</b>                        | <b>\$ 11,329,323</b> | <b>\$ 786,670</b> | <b>\$ 1,257,164</b> | <b>\$ 13,373,157</b> |
|  |                      |                   |                     |                      |
| <b>Liabilities</b>                         |                      |                   |                     |                      |
| Accounts payable                           | \$ 79,176            | \$ 51,656         | \$ 5,493            | \$ 136,325           |
| Accrued and other liabilities              | 110,664              | -                 | -                   | 110,664              |
| Deposits                                   | -                    | -                 | 1,750               | 1,750                |
| Due to other governments                   | 128,682              | 2,694             | -                   | 131,376              |
| Due to other funds                         | 285,438              | 700,000           | 25,087              | 1,010,525            |
| Unearned revenue                           | 136,137              | 571,285           | -                   | 707,422              |
| <b>Total liabilities</b>                   | <b>740,097</b>       | <b>1,325,635</b>  | <b>32,330</b>       | <b>2,098,062</b>     |
|  |                      |                   |                     |                      |
| <b>Deferred Inflows of Resources</b>       |                      |                   |                     |                      |
| Deferred property taxes                    | 3,622,698            | -                 | -                   | 3,622,698            |
| Deferred grant revenue                     | 6,014                | -                 | -                   | 6,014                |
| Unavailable municipal court fines          | 61,072               | -                 | -                   | 61,072               |
| Unavailable charges for services           | -                    | -                 | 83,496              | 83,496               |
| <b>Total deferred inflows of resources</b> | <b>3,689,784</b>     | <b>-</b>          | <b>83,496</b>       | <b>3,773,280</b>     |
|  |                      |                   |                     |                      |
| <b>Fund Balances</b>                       |                      |                   |                     |                      |
| Nonspendable                               | 64,236               | -                 | -                   | 64,236               |
| Restricted                                 | -                    | -                 | 277,665             | 277,665              |
| Assigned                                   | -                    | -                 | 863,673             | 863,673              |
| Unassigned (deficit)                       | 6,835,206            | (538,965)         | -                   | 6,296,241            |
| <b>Total fund balances</b>                 | <b>6,899,442</b>     | <b>(538,965)</b>  | <b>1,141,338</b>    | <b>7,501,815</b>     |
| <b>Total liabilities, deferred inflows</b> |                      |                   |                     |                      |
| <b>of resources and fund balances</b>      | <b>\$ 11,329,323</b> | <b>\$ 786,670</b> | <b>\$ 1,257,164</b> | <b>\$ 13,373,157</b> |

*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, 2017**

---

|   |              |
|---|--------------|
| <b>Total fund balances - governmental funds</b> | \$ 7,501,815 |
|---|--------------|

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. | 28,788,237 |
|---|------------|

|   |           |
|---|-----------|
| 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. | 3,773,280 |
|---|-----------|

|  |          |
|--|----------|
| 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. | (93,158) |
|--|----------|

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:

|   |    |         |  |
|---|----|---------|--|
|   | \$ | 10,760  |  |
| Changes in actuarial assumptions                    |    | 57,289  |  |
| Differences between expected and actual experiences |    | 104,124 |  |
| Deferred pension contributions                      |    | 172,173 |  |

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:

|  |         |          |  |
|--|---------|----------|--|
|  | (5,245) |          |  |
| Non amortized differences in pension experience and expectations |         | (12,282) |  |
| Non amortized investment earnings over expectations              |         | (17,527) |  |

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:

|                       |       |             |  |
|-----------------------|-------|-------------|--|
|                       | (889) |             |  |
| Accrued interest      |       | (2,757,573) |  |
| Bond payable          |       | (135,652)   |  |
| Compensated absences  |       | (375,074)   |  |
| Net pension liability |       | (3,269,188) |  |

|   |                      |
|---|----------------------|
| <b>Total net position - governmental activities</b> | <b>\$ 36,855,632</b> |
|---|----------------------|

*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, 2017**

|   | <b>General</b>      | <b>SPLOST IV</b>    | <b>Nonmajor<br/>Governmental</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---------------------|---------------------|----------------------------------|---|
| <b>Revenues</b>                                   |                     |                     |                                  |   |
| Property taxes                                    | \$ 3,817,985        | \$ -                | \$ -                             | \$ 3,817,985                            |
| Franchise taxes                                   | 677,907             | -                   | -                                | 677,907                                 |
| Business taxes                                    | 742,319             | -                   | -                                | 742,319                                 |
| Selective sales taxes                             | -                   | -                   | 344,217                          | 344,217                                 |
| Licenses and permits                              | 1,345,055           | 1,660               | 11,928                           | 1,358,643                               |
| Intergovernmental                                 | 25,897              | 1,840,935           | 179,437                          | 2,046,269                               |
| Charges for services                              | 123,801             | -                   | 18,544                           | 142,345                                 |
| Fines and forfeitures                             | 335,907             | -                   | -                                | 335,907                                 |
| Interest  | 15,272              | 59                  | 75                               | 15,406                                  |
| Donations from private sources                    | 23,855              | -                   | -                                | 23,855                                  |
| Other revenues                                    | 33,699              | -                   | 148                              | 33,847                                  |
| <b>Total revenues</b>                             | <b>7,141,697</b>    | <b>1,842,654</b>    | <b>554,349</b>                   | <b>9,538,700</b>                        |
| <b>Expenditures</b>                               |                     |                     |                                  |   |
| Current:  |                     |                     |                                  |   |
| General government                                | 900,148             | -                   | 20,000                           | 920,148                                 |
| Judicial  | 243,688             | -                   | -                                | 243,688                                 |
| Public safety                                     | 3,589,867           | -                   | -                                | 3,589,867                               |
| Public works                                      | 577,532             | -                   | -                                | 577,532                                 |
| Health and welfare                                | -                   | -                   | 179,437                          | 179,437                                 |
| Culture and recreation                            | 4,000               | -                   | 88,014                           | 92,014                                  |
| Housing and development                           | 635,161             | -                   | 5,161                            | 640,322                                 |
| Capital outlay:                                   |                     |                     |                                  |   |
| General government                                | -                   | -                   | 1,975                            | 1,975                                   |
| Public safety                                     | -                   | 380,579             | -                                | 380,579                                 |
| Public works                                      | -                   | 1,282,984           | -                                | 1,282,984                               |
| Culture and recreation                            | -                   | -                   | -                                | -                                       |
| Housing and development                           | -                   | 651,172             | -                                | 651,172                                 |
| Debt service:                                     |                     |                     |                                  |   |
| Principal   | -                   | 45,424              | 290,859                          | 336,283                                 |
| Interest  | -                   | 931                 | 67,877                           | 68,808                                  |
| <b>Total expenditures</b>                         | <b>5,950,396</b>    | <b>2,361,090</b>    | <b>653,323</b>                   | <b>8,964,809</b>                        |
| Excess (deficiency) of revenues over expenditures | 1,191,301           | (518,436)           | (98,974)                         | 573,891                                 |
| <b>Other Financing Sources (Uses)</b>             |                     |                     |                                  |   |
| Proceeds from disposal of capital assets          | 4,748               | -                   | -                                | 4,748                                   |
| Capital contribution                              | -                   | -                   | 536,961                          | 536,961                                 |
| Transfers in                                      | 3,043               | -                   | 358,736                          | 361,779                                 |
| Transfers out                                     | -                   | -                   | (361,779)                        | (361,779)                               |
| <b>Total other financing sources (uses)</b>       | <b>7,791</b>        | <b>-</b>            | <b>533,918</b>                   | <b>541,709</b>                          |
| Net change in fund balances                       | 1,199,092           | (518,436)           | 434,944                          | 1,115,600                               |
| <b>Fund balances, beginning of year</b>           | <b>5,700,350</b>    | <b>(20,529)</b>     | <b>706,394</b>                   | <b>6,386,215</b>                        |
| <b>Fund balances (deficit), end of year</b>       | <b>\$ 6,899,442</b> | <b>\$ (538,965)</b> | <b>\$ 1,141,338</b>              | <b>\$ 7,501,815</b>                     |

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

**CITY OF HOLLY SPRINGS, GEORGIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

---

|   |                     |
|---|---------------------|
| <b>Net change in fund balances - total governmental funds</b> | <b>\$ 1,115,600</b> |
|---|---------------------|

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      | \$ 2,143,186     |           |
|  | Depreciation expense | <u>(752,842)</u> | 1,390,344 |

|   |          |
|---|----------|
| 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 loss. | (20,178) |
|---|----------|

|  |         |
|--|---------|
| 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. | 336,283 |
|--|---------|

|  |         |
|--|---------|
| 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. | 266,132 |
|--|---------|

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 | (4,630)          |                  |
|  | Compensated absences    | (8,812)          |                  |
| Change in net pension liability and deferred amounts |                         | <u>(278,580)</u> | <u>(292,022)</u> |

|   |                     |
|---|---------------------|
| <b>Change in net position - governmental activities</b> | <b>\$ 2,796,159</b> |
|---|---------------------|

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

**CITY OF HOLLY SPRINGS, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2017**

|  | <u>Stormwater<br/>Utility</u> |
|--|-------------------------------|
| <b>Assets</b>                                |                               |
| <b>Current:</b>                              |                               |
| Cash   | \$ 239,794                    |
| Due from General Fund                        | 285,063                       |
| Prepaid expenses                             | <u>5,834</u>                  |
| Total current assets                         | <u>530,691</u>                |
| <b>Capital assets:</b>                       |                               |
| Depreciated, net of accumulated depreciation | <u>2,985,637</u>              |
| Total capital assets                         | <u>2,985,637</u>              |
| <b>Total assets</b>                          | <u>3,516,328</u>              |
| <b>Deferred outflows of resources</b>        |                               |
| Pension amounts                              | <u>6,023</u>                  |
| <b>Liabilities</b>                           |                               |
| <b>Current:</b>                              |                               |
| Accounts payable                             | 3,363                         |
| Accrued liabilities payable                  | <u>2,803</u>                  |
| Total current liabilities                    | <u>6,166</u>                  |
| <b>Long-term:</b>                            |                               |
| Net pension liability                        | <u>13,121</u>                 |
| <b>Total liabilities</b>                     | <u>19,287</u>                 |
| <b>Deferred inflows of resources</b>         |                               |
| Pension amounts                              | <u>613</u>                    |
| <b>Net Position</b>                          |                               |
| Investment in capital assets                 | 2,985,637                     |
| Unrestricted                                 | <u>516,814</u>                |
| <b>Total net position</b>                    | <u>\$ 3,502,451</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, 2017**

|  | <b>Stormwater<br/>Utility</b> |
|--|-------------------------------|
| <b>Operating Revenues</b>              |                               |
| Charges for services - stormwater fees | \$ 327,271                    |
| Total operating revenues               | <u>327,271</u>                |
| <b>Operating Expenses</b>              |                               |
| Personal services                      | 91,840                        |
| Contractual and professional services  | 61,740                        |
| Supplies                               | 10,565                        |
| Repairs and maintenance                | 14,484                        |
| Other operating expenses               | 4,890                         |
| Depreciation expense                   | <u>69,221</u>                 |
| Total operating expenses               | <u>252,740</u>                |
| Operating income                       | <u>74,531</u>                 |
| <b>Nonoperating Revenue</b>            |                               |
| Interest income                        | <u>24</u>                     |
| Total nonoperating revenue             | <u>24</u>                     |
| Change in net position                 | 74,555                        |
| <b>Net position, beginning of year</b> | <u>3,427,896</u>              |
| <b>Net position, end of year</b>       | <u><u>\$ 3,502,451</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, 2017**

|   | <b>Stormwater<br/>Utility</b> |
|---|-------------------------------|
| <b>Cash Flows from Operating Activities</b>   |                               |
| Receipts from customers   | \$ 329,119                    |
| Payments to employees   | (92,009)                      |
| Payments to suppliers   | (91,406)                      |
| Net cash provided by operating activities   | <u>145,704</u>                |
| <b>Cash Flows from Capital and Related Financing Activities</b>                         |                               |
| Payments to purchase capital assets   | (23,992)                      |
| Cash (used) by capital and related financing activities                                 | <u>(23,992)</u>               |
| <b>Cash Flows from Investing Activities</b>   |                               |
| Interest received   | 24                            |
| Cash provided by investing activities   | 24                            |
| Net increase in cash  | <u>121,736</u>                |
| <b>Cash, beginning of year</b>  | <u>118,058</u>                |
| <b>Cash, end of year</b>  | <u><u>\$ 239,794</u></u>      |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |                               |
| Operating income  | \$ 74,531                     |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                               |
| Depreciation expense  | 69,221                        |
| Increase in due from General Fund   | (7,284)                       |
| Decrease in prepaids  | 416                           |
| Increase in pension related deferred outflows of resources                              | (1,072)                       |
| Decrease in accounts payable and accrued liabilities                                    | (143)                         |
| Increase in pension related deferred inflows of resources                               | 441                           |
| Increase in net pension liability   | 9,594                         |
| Net cash provided by operating activities   | <u><u>\$ 145,704</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, 2017**

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|                          | <u><b>Municipal<br/>Court Fund</b></u> |
|--------------------------|--|
| <b>Assets</b>            |  |
| Cash                     | <u>\$ 35,102</u>                       |
| <b>Total assets</b>      | <u><u>\$ 35,102</u></u>                |
| <b>Liabilities</b>       |  |
| Due to others            | <u>\$ 35,102</u>                       |
| <b>Total liabilities</b> | <u><u>\$ 35,102</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, 2017**

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

The financial statements of City of Holly Springs, Georgia (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

**A. Reporting Entity**

The City was incorporated in 1906 and operates under a city council/manager form of government. Policy making and legislative authority are vested in the Mayor and five council members. 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 unit 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. Separate financial statements for HSPRA are not prepared. Financial information related to HSPRA may be obtained from the office of the City Manager of City of Holly Springs.

**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. The effect of inter-fund activity has been removed from the government-wide statements, except for Interfund services provided and used. *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 Holly Springs Park and Recreation Authority, a blended component unit had no activity during 2017 and no assets or liabilities at the beginning or end of the year. Accordingly, the fund is not presented in the accompanying financial statements.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

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

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 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.

Debt Service fund accumulates resources that are restricted, committed, or assigned for the principal and interest payments on long-term obligations of the governmental funds.

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, 2017**

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**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.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following inter-fund activities have been eliminated:

- Due to/ from other funds
- Advances from/ to other funds
- Transfers in/ out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect).

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.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Operating expenses of the enterprise fund include the cost of these services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Cash and Investments**

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

State of Georgia statutes require all financial institution deposits and investments in excess of the federal depository insured amount to be fully collateralized by an equivalent amount of state or U.S. obligations. State of Georgia statutes authorize the City to invest in (1) U.S. Government obligations; (2) U.S. Government agency obligations; (3) obligations of the State of Georgia; (4) obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's

Investor's Service, Inc.; (5) negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; (6) repurchase agreements when collateralized by U.S. Government or agency obligations; and (7) pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

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

**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 their acquisition value as of the date donated.

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> |
|----------------------------|--------------|
| Machinery and equipment    | 3-15         |
| Vehicles                   | 6-15         |
| Land improvements          | 20-30        |
| Buildings and improvements | 20-50        |
| Infrastructure             | 30-50        |



**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**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.

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.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Items which also qualify to be reported as deferred inflows of resources include property taxes levied in 2017 for the 2018 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 2018 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.

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 include amounts that 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. Likewise, fund balance in the Town Center Fund is reported as assigned as a result of intent expressed by City Council to use these funds for downtown development.

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.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

**M. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

**NOTE 2. LEGAL COMPLIANCE – BUDGETS**

**A. Budgets and Budgetary Accounting**

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

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

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution for all governmental funds. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Appropriated budgets are adopted on a modified accrual basis which is consistent with generally accepted accounting principles for governmental funds. Annual budgets are adopted for the General Fund and each special revenue fund. Capital project funds have project length budgets. Budget amounts are as originally adopted, or as amended by City Council.

Supplementary appropriations made during the year by City Council were primarily the result of preliminary construction cost attributable to the Holly Springs Town Center and construction costs for roadway projects through the city. 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, 2017, 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 1.00% to 1.10% and have maturities ranging from March 2018 to April 2018.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 4. RECEIVABLES**

The City bills and collects its own property taxes. Property taxes were levied on October 1, 2017, with bills being payable on or before December 20, 2017, 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, 2018 and June 5, 2018, respectively. Property taxes receivable at year end is estimated based on the tax levy, less amounts collected prior to December 31, 2017. The property taxes levied in October were intended for use in the 2017 budget year. Therefore, the entire 2017 digest levy of \$3,604,067 is included in deferred revenue on the governmental funds' balance sheet. Prior year levies were recorded using substantially the same principles, and remaining receivables are re-evaluated annually for collectability.

Stormwater fees of \$365,372 were billed on behalf of the Stormwater Utility Fund by the General Fund in connection with its tax levy on October 1, 2017. Such fees are for the calendar year 2017 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, 2017, for services rendered. Fines receivable represent adjudicated amounts due from probationers at December 31, 2017. Fine surcharges of \$9,565 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:

| Receivables at December 31, 2017: | General           | SPLOST IV         | Nonmajor<br>Governmental | Total               |
|-----------------------------------|-------------------|-------------------|--------------------------|---------------------|
| Property taxes                    | \$ 202,676        | \$ -              | \$ -                     | \$ 202,676          |
| Stormwater fees                   | 71,918            | -                 | -                        | 71,918              |
| Accounts                          | 432,811           | -                 | 118,401                  | 551,212             |
| Fines                             | 61,072            | -                 | -                        | 61,072              |
| Due from other governments        | 46,461            | 271,626           | 14,449                   | 332,536             |
| Total Receivables                 | <u>\$ 814,938</u> | <u>\$ 271,626</u> | <u>\$ 132,850</u>        | <u>\$ 1,219,414</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 \$62,622 and \$30,536, respectively.

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**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 5. CAPITAL ASSETS**

**A. Primary Government**

Capital asset activity for the year ended December 31, 2017, was as follows:

| Governmental Activities:                       | Beginning<br>Balance | Additions    | Disposals   | Transfers   | Ending<br>Balance |
|--|----------------------|--------------|-------------|-------------|-------------------|
| Capital assets not depreciated:                |                      |              |             |             |                   |
| Land   | \$ 8,857,745         | \$ -         | \$ -        | \$ -        | \$ 8,857,745      |
| Construction in progress                       | 4,219,118            | 1,888,223    | -           | (4,525,185) | 1,582,156         |
| Total capital assets<br>not depreciated        | 13,076,863           | 1,888,223    | -           | (4,525,185) | 10,439,901        |
| Capital assets depreciated:                    |                      |              |             |             |                   |
| Land improvements                              | 1,655,189            |              | (21,619)    | -           | 1,633,570         |
| Buildings and improvements                     | 1,862,271            | -            |             | -           | 1,862,271         |
| Vehicles                                       | 1,104,883            | 99,067       |             | -           | 1,203,950         |
| Machinery and equipment                        | 1,557,120            | 88,066       | -           | -           | 1,645,186         |
| Infrastructure                                 | 12,976,187           | 67,830       | -           | 4,525,185   | 17,569,202        |
| Total capital assets<br>depreciated            | 19,155,650           | 254,963      | (21,619)    | 4,525,185   | 23,914,179        |
| Less accumulated depreciation for:             |                      |              |             |             |                   |
| Land improvements                              | 93,847               | 57,987       | (1,441)     | -           | 150,393           |
| Buildings and improvements                     | 473,051              | 34,021       |             | -           | 507,072           |
| Vehicles                                       | 653,757              | 132,818      |             | -           | 786,575           |
| Machinery and equipment                        | 858,793              | 100,795      | -           | -           | 959,588           |
| Infrastructure                                 | 2,734,994            | 427,221      | -           | -           | 3,162,215         |
| Total accumulated<br>depreciation              | 4,814,442            | 752,842      | (1,441)     | -           | 5,565,843         |
| Total capital assets<br>depreciated, net       | 14,341,208           | (497,879)    | (20,178)    | 4,525,185   | 18,348,336        |
| Governmental activities<br>capital assets, net | \$ 27,418,071        | \$ 1,390,344 | \$ (20,178) | \$ -        | \$ 28,788,237     |

**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

| <u>Business-type Activities</u>                 | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Transfers</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|------------------|-----------------------|
| Capital assets not depreciated:                 |                              |                    |                  |                       |
| Construction in progress                        | \$ 19,688                    | \$ 23,992          | \$ (43,680)      | \$ -                  |
| Total capital assets<br>not depreciated         | <u>19,688</u>                | <u>23,992</u>      | <u>(43,680)</u>  | <u>-</u>              |
| Capital assets depreciated:                     |                              |                    |                  |                       |
| Vehicles  | 21,598                       | -                  | -                | 21,598                |
| Machinery and equipment                         | 225,654                      | -                  | -                | 225,654               |
| Infrastructure                                  | 3,139,963                    | -                  | 43,680           | 3,183,643             |
| Total capital assets<br>depreciated             | <u>3,387,215</u>             | <u>-</u>           | <u>43,680</u>    | <u>3,430,895</u>      |
| Less accumulated depreciation for:              |                              |                    |                  |                       |
| Vehicles  | 7,200                        | 3,600              | -                | 10,800                |
| Machinery and equipment                         | 74,309                       | 21,297             | -                | 95,606                |
| Infrastructure                                  | 294,528                      | 44,324             | -                | 338,852               |
| Total accumulated<br>depreciation               | <u>376,037</u>               | <u>69,221</u>      | <u>-</u>         | <u>445,258</u>        |
| Total capital assets<br>depreciated, net        | <u>3,011,178</u>             | <u>(69,221)</u>    | <u>43,680</u>    | <u>2,985,637</u>      |
| Business-type activities<br>capital assets, net | <u>\$ 3,030,866</u>          | <u>\$ (45,229)</u> | <u>\$ -</u>      | <u>\$ 2,985,637</u>   |

Depreciation expense, including amortization expense on capital assets financed under capital leases, for the year ended December 31, 2017, was charged to functions/programs of the primary government as follows:

|   |                   |
|---|-------------------|
| <u>Governmental Activities:</u>                       |                   |
| General government                                    | \$ 81,166         |
| Public safety   | 165,745           |
| Public works  | 497,809           |
| Culture and recreation                                | 5,824             |
| Housing and development                               | 2,298             |
| Total depreciation expense -<br>Government activities | <u>\$ 752,842</u> |
| <u>Business-type Activities:</u>                      |                   |
| Stormwater Utility                                    | <u>\$ 69,221</u>  |



**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

Capital asset activity for the year ended December 31, 2017, was as follows:

| <u>Development Authority:</u>                      | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Disposals</u>    | <u>Ending Balance</u> |
|--|------------------------------|-------------------|---------------------|-----------------------|
| Capital assets not depreciated:                    |                              |                   |                     |                       |
| Land   | \$ 1,890,242                 | \$ -              | \$ (183,930)        | \$ 1,706,312          |
| Total capital assets<br>not depreciated            | <u>1,890,242</u>             | <u>-</u>          | <u>(183,930)</u>    | <u>1,706,312</u>      |
| Capital assets depreciated:                        |                              |                   |                     |                       |
| Buildings and improvements                         | 304,312                      | -                 | (245,713)           | 58,599                |
| Furniture and fixtures                             | <u>10,901</u>                | <u>-</u>          | <u>-</u>            | <u>10,901</u>         |
| Total capital assets<br>depreciated                | <u>315,213</u>               | <u>-</u>          | <u>(245,713)</u>    | <u>69,500</u>         |
| Less accumulated depreciation for:                 |                              |                   |                     |                       |
| Buildings and improvements                         | 76,398                       | 9,462             | (54,603)            | 31,257                |
| Furniture and fixtures                             | <u>10,901</u>                | <u>-</u>          | <u>-</u>            | <u>10,901</u>         |
| Total accumulated<br>depreciation                  | <u>87,299</u>                | <u>9,462</u>      | <u>(54,603)</u>     | <u>42,158</u>         |
| Total capital assets<br>depreciated, net           | <u>227,914</u>               | <u>(9,462)</u>    | <u>(191,110)</u>    | <u>27,342</u>         |
| Total Development Authority<br>capital assets, net | <u>\$ 2,118,156</u>          | <u>\$ (9,462)</u> | <u>\$ (375,040)</u> | <u>\$ 1,733,654</u>   |

Depreciation of \$9,462 for the year ended December 31, 2017, 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, 2017, is as follows:

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

| <u>Receivable Fund</u>    | <u>Payable Fund</u> | <u>Amount</u>       |
|---------------------------|---------------------|---------------------|
| General Fund              | Splost IV           | \$ 700,000          |
| General Fund              | Multiple Grant Fund | 25,087              |
| Parks and Recreation Fund | General Fund        | 375                 |
| Stormwater Utility Fund   | General Fund        | <u>285,063</u>      |
|                           |                     | <u>\$ 1,010,525</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, 2017**

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

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

Transfers between funds during the year ended December 31, 2017, were as follows:

| <u>Transfers Out</u>       | <u>Transfers In</u>        | Amount            |
|----------------------------|----------------------------|-------------------|
| Nonmajor governmental fund | General Fund               | \$ 3,043          |
| Nonmajor governmental fund | Nonmajor governmental fund | 358,736           |
|                            |                            | <u>\$ 361,779</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**

The following is a summary of long-term debt activity for the year ended December 31, 2017:

| <u>Governmental Activities:</u>       | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One year</u> |
|---------------------------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Lease purchase contracts:             |                              |                   |                     |                           |                                |
| Vehicles and equipment <sup>(1)</sup> | \$ 45,424                    | \$ -              | \$ (45,424)         | \$ -                      | \$ -                           |
| Revenue Bonds                         | 3,048,432                    | -                 | (290,859)           | 2,757,573                 | 297,533                        |
| Compensated absences <sup>(2)</sup>   | 126,840                      | 123,450           | (114,638)           | 135,652                   | 88,010                         |
| Net pension liability                 | 163,753                      | 520,341           | (309,020)           | 375,074                   | -                              |
|                                       | <u>\$ 3,384,449</u>          | <u>\$ 643,791</u> | <u>\$ (759,941)</u> | <u>\$ 3,268,299</u>       | <u>\$ 385,543</u>              |
| <u>Business-type Activities:</u>      |                              |                   |                     |                           |                                |
| Net pension liability                 | <u>\$ 3,527</u>              | <u>\$ 20,405</u>  | <u>\$ (10,811)</u>  | <u>\$ 13,121</u>          | <u>\$ -</u>                    |

(1) Lease principal and interest payment during the year of \$45,424 and \$931 respectively, 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 | \$ 2,757,573        |
| Less current portion  | (297,533)           |
|   | <u>\$ 2,460,040</u> |

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

The Bond ordinance requires principal and interest payments until maturity as follows:

| Governmental Activities<br>Revenue Bonds |              |            |              |
|--|--------------|------------|--------------|
| Year                                     | Principal    | Interest   | Total        |
| 2018                                     | \$ 297,533   | \$ 61,203  | \$ 358,736   |
| 2019                                     | 304,359      | 54,377     | 358,736      |
| 2020                                     | 311,206      | 47,530     | 358,736      |
| 2021                                     | 318,482      | 40,254     | 358,736      |
| 2022                                     | 325,788      | 32,948     | 358,736      |
| 2023-2026                                | 1,200,205    | 55,368     | 1,255,573    |
|  | \$ 2,757,573 | \$ 291,680 | \$ 3,049,253 |

**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 coverage's in any of the past three years.

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

**NOTE 9. PENSION PLAN**

**A. Plan Description**

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

**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**NOTE 9. PENSION PLAN (CONTINUED)**

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 2.0% 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, 2017, the date of the most recent actuarial valuation, there were 81 participants consisting of the following:

|  |                  |
|--|------------------|
| Retired participants and beneficiaries | 8                |
| Vested former participants             | 32               |
| Active participants                    | <u>47</u>        |
| Total                                  | <u><u>87</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, 2017, the City's recommended contribution (and amount contributed) of \$108,364 was 6.00% 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, 2017, were used to measure total pension liability as of March 31, 2017. The balances as of March 31, 2017, constitute measurements of the net pension liability for the year ending December 31, 2017.

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

|                               |                                  |
|-------------------------------|----------------------------------|
| Net investment rate of return | 7.75%                            |
| Projected salary increases    | 3.75%-8.75%, including inflation |
| Cost of living adjustments    | N/A                              |
| Inflation                     | 3.25%                            |

Mortality rates for the July 1, 2017 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. For disabled mortality, the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates was used.

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**NOTE 9. PENSION PLAN (CONTINUED)**

The actuarial assumptions used in the July 1, 2017 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, 2017, are summarized in the table below.

| <u>Asset class</u>    | <u>Target<br/>Allocation</u> | <u>Long-term<br/>expected real<br/>rate of return <sup>(1)</sup></u> |
|-----------------------|------------------------------|--|
| Domestic equity       | 45%                          | 6.71%  |
| International equity  | 20%                          | 7.71%  |
| Real estate           | 10%                          | 5.21%  |
| Global fixed income   | 5%                           | 3.36%  |
| Domestic fixed income | 20%                          | 2.11%  |
| Cash                  | 0%                           | -  |
|                       | <u>100%</u>                  |  |

<sup>(1)</sup> 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, 2017**

**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, 2017, were as follows:

|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
| Beginning Balances                                    | \$ 1,376,228                      | \$ 1,208,948                          | \$ 167,280                            |
| Changes for the year:                                 |                                   |                                       |                                       |
| Service cost  | 107,470                           | -                                     | 107,470                               |
| Interest  | 105,979                           | -                                     | 105,979                               |
| Differences between expected<br>and actual experience | 26,213                            | -                                     | 26,213                                |
| Contributions - employer                              | -                                 | 158,790                               | (158,790)                             |
| Net investment income                                 |                                   | 161,041                               | (161,041)                             |
| Benefit payments                                      | (17,526)                          | (17,526)                              | -                                     |
| Administrative expense                                |                                   | (7,399)                               | 7,399                                 |
| Other changes   | 293,685                           |                                       | 293,685                               |
| Net changes   | 515,821                           | 294,906                               | 220,915                               |
| Ending Balance  | \$ 1,892,049                      | \$ 1,503,854                          | \$ 388,195                            |

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<br>6.75% | Current<br>Discount Rate<br>7.75% | 1% Increase<br>8.75% |
|------------------------------|----------------------|-----------------------------------|----------------------|
| City's net pension liability | \$ 700,020           | \$ 388,195                        | \$ 131,728           |

*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, 2017.



**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 9. PENSION PLAN (CONCLUDED)**

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

For the year ended December 31, 2017, the City recognized pension expense of \$431,232. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                | \$ 59,293                            | \$ (5,428)                          |
| Changes in assumptions   | 11,136                               | -                                   |
| Net difference between projected and actual earnings on pension plan investments | -                                    | (12,712)                            |
| City contributions subsequent to the measurement date                            | 107,767                              |                                     |
| Total  | <u>\$ 178,196</u>                    | <u>\$ (18,140)</u>                  |

City contributions subsequent to the measurement date of \$107,767 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                          |                  |
|--------------------------|------------------|
| Year ending December 31: |                  |
| 2018                     | \$ 15,581        |
| 2019                     | 15,581           |
| 2020                     | 15,459           |
| 2021                     | 1,299            |
| 2022                     | 4,369            |
| Total                    | <u>\$ 52,289</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, 2017, six participating employees contributed \$15,390 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, 2017**

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**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, 2017, taxes of \$6,664 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 \$5,161 (representing 77% of revenues) during 2017 for these purposes. The excess revenue from 2017 will be spent in 2018 to comply with the requirements of state law. Additional expenditures are budgeted for 2018.

**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 2017 was \$1,406,978.

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 became effective January 1, 2016, at an annual cost of \$386,830 and includes annual increases thereafter of approximately 2% through the end of 2019. During the year ended December 31, 2017, the City paid \$402,281 in connection with these services.

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, 2017**

**NOTE 14. FUND BALANCE**

Fund balances of governmental funds at December 31, 2017, 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, 2017, are as follows:

**General Fund** – Prepaid items totaling \$64,236 are considered nonspendable fund balance. The residual balance of \$6,835,206 is classified as unassigned fund balance. Unassigned fund balance includes cash totaling \$1,011,655 set aside for budget stabilization purposes (See Note 15).

**SPLOST IV Fund** – The amounts classified as unassigned fund balance deficit of \$(538,965) 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> |
|----------------------------------|---|---------------------|
| <b>Restricted Fund Balances:</b> |   |                     |
| <u>Special Revenue Funds:</u>    |   |                     |
| Multiple Grant                   | Purposes specified by grantors of monies received from various federal and state agencies | \$ 37,049           |
| Hotel/Motel                      | Promote tourism, conventions and trade shows  | 9,203               |
| <u>Capital Projects Funds:</u>   |   |                     |
| SPLOST III                       | Streets, sidewalks, downtown development and other purposes                               | 231,413             |
| Total Restricted Fund Balances   |   | <u>\$ 277,665</u>   |
| <b>Assigned Fund Balances:</b>   |   |                     |
| <u>Special Revenue Funds:</u>    |   |                     |
| Park and Recreation              | Acquire and maintain park and recreation areas  | \$ 348,684          |
| <u>Capital Projects Funds:</u>   |   |                     |
| Town Center Project              | Acquire or construct capital projects   | 514,989             |
|                                  |   | <u>\$ 863,673</u>   |

**CITY OF HOLLY SPRINGS, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**NOTE 15. RESTRICTED ASSETS**

Restrictions on cash in the government-wide Statement of Net Position at December 31, 2017, are as follows:

|   |                     |
|---|---------------------|
| <u>Governmental activities:</u>   |                     |
| Restricted cash:  |                     |
| General Fund - for law enforcement purposes   | \$ 1,901            |
| SPLOST IV Fund - for acquisition or construction of<br>legally authorized infrastructure, facilities, vehicles<br>and equipment | 515,044             |
| Nonmajor funds - for purposes of grants received  | 48,063              |
| Nonmajor fund - for streets, sidewalks, downtown<br>development and other purposes  | 231,413             |
| Nonmajor fund - for tourism, conventions, and trade shows   | 8,720               |
| Total restricted cash   | <u>\$ 805,141</u>   |
| Restricted investments  |                     |
| General Fund - for budget stabilization   | \$ 1,011,655        |
| Total restricted investment   | <u>\$ 1,011,655</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, 2017, General Fund cash of \$1,011,655 was set aside for budget stabilization purposes by resolution of the City Council and is reported as restricted investment in the Statement of Net Position. Because the Policy and the resolution do not provide sufficient specificity regarding the circumstances whereby use of these funds would be allowed, classification as committed fund balance by the governmental funds is not appropriate. Accordingly, such amounts are included in unassigned fund balance in the accompanying governmental funds balance sheet.

**NOTE 16. CONTRIBUTED CAPITAL FROM DISCRETELY PRESENTED COMPONENT UNIT**

During the year ended December 31, 2017, The Downtown Development Authority sold land and building with a net book value of \$375,040. The proceeds of the sale and resulting gain were \$536,961 and \$161,921, respectively. Subsequent to the sale, the Authority contributed the proceeds to the City where the intent is to use these funds for downtown development.



HISTORIC TRAIN DEPOT

# FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

**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, 2017**

|   | Budgeted Amounts |              | Actual       | Variance with |
|---|------------------|--------------|--------------|---------------|
|   | Original         | Final        |              | Final Budget  |
| Revenues  |                  |              |              |               |
| Property taxes                                    | \$ 3,610,950     | \$ 3,535,050 | \$ 3,817,985 | \$ 282,935    |
| Franchise taxes                                   | 550,000          | 545,000      | 677,907      | 132,907       |
| Business taxes                                    | 684,000          | 712,000      | 742,319      | 30,319        |
| Licenses and permits                              | 674,750          | 1,004,500    | 1,345,055    | 340,555       |
| Intergovernmental                                 | 500              | 725          | 25,897       | 25,172        |
| Charges for services                              | 61,250           | 72,900       | 123,801      | 50,901        |
| Fines and forfeitures                             | 301,500          | 301,000      | 335,907      | 34,907        |
| Interest  | 6,000            | 15,000       | 15,272       | 272           |
| Donation from private sources                     | 15,000           | 25,000       | 23,855       | (1,145)       |
| Other revenues                                    | 31,050           | 33,825       | 33,699       | (126)         |
| Total revenues                                    | 5,935,000        | 6,245,000    | 7,141,697    | 896,697       |
| Expenditures                                      |                  |              |              |               |
| Current:  |                  |              |              |               |
| General government:                               |                  |              |              |               |
| Governing body                                    | 69,554           | 97,477       | 85,014       | 12,463        |
| General administration                            | 811,379          | 943,897      | 815,134      | 128,763       |
| Total general government                          | 880,933          | 1,041,374    | 900,148      | 141,226       |
| Judicial (municipal court)                        | 244,781          | 262,101      | 243,688      | 18,413        |
| Public safety:                                    |                  |              |              |               |
| Police services                                   | 2,321,444        | 2,289,223    | 2,182,889    | 106,334       |
| Fire services                                     | 1,406,978        | 1,406,978    | 1,406,978    | -             |
| Total public safety                               | 3,728,422        | 3,696,201    | 3,589,867    | 106,334       |
| Public works:                                     |                  |              |              |               |
| Highways and streets                              | 451,556          | 494,806      | 478,676      | 16,130        |
| Street and traffic lights                         | 87,500           | 92,500       | 98,856       | (6,356)       |
| Total public works                                | 539,056          | 587,306      | 577,532      | 9,774         |
| Culture and recreation (regional library)         | 4,000            | 4,000        | 4,000        | -             |
| Housing and development (community development)   |                  |              |              |               |
| Community development                             | 450,616          | 550,563      | 535,483      | 15,080        |
| Downtown development                              | 92,192           | 98,455       | 89,678       | 8,777         |
| Intergovernmental                                 | 10,000           | 10,000       | 10,000       | -             |
| Total housing and development                     | 552,808          | 659,018      | 635,161      | 23,857        |
| Total expenditures                                | 5,950,000        | 6,250,000    | 5,950,396    | 299,604       |
| Excess (deficiency) of revenues over expenditures | (15,000)         | (5,000)      | 1,191,301    | 1,196,301     |
| Other Financing Sources (Uses)                    |                  |              |              |               |
| Proceeds from disposal of capital assets          | 15,000           | 5,000        | 4,748        | (252)         |
| Transfers in                                      | -                | -            | 3,043        | 3,043         |
| Total other financing sources (uses)              | 15,000           | 5,000        | 7,791        | 2,791         |
| Net change in fund balance                        | -                | -            | 1,199,092    | 1,199,092     |
| Fund balance, beginning of year                   | 5,700,350        | 5,700,350    | 5,700,350    | -             |
| Fund balance, end of year                         | \$ 5,700,350     | \$ 5,700,350 | \$ 6,899,442 | \$ 1,199,092  |

*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, 2017**

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**A. BUDGET 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. Revenue 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, 2017, 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, 2017**

|  |                  | <u>Year end<br/>2017</u>   | <u>Year End<br/>2016</u>   | <u>Year End<br/>2015</u>   |
|--|------------------|----------------------------|----------------------------|----------------------------|
| <b>Total pension liability</b>   |                  |                            |                            |                            |
| Service cost   |                  | \$ 107,470                 | \$ 93,900                  | \$ 87,975                  |
| Interest   |                  | 105,979                    | 88,699                     | 75,978                     |
| Defferences between expected and actual experience                     |                  | 26,213                     | 56,170                     | (13,568)                   |
| Changes of assumptions   |                  | -                          | -                          | 27,840                     |
| Changes of benefit terms   |                  | 293,685                    | -                          | -                          |
| Benefit payments   |                  | <u>(17,526)</u>            | <u>(14,089)</u>            | <u>(14,089)</u>            |
| Net change in total pension liability                                  |                  | 515,821                    | 224,680                    | 164,136                    |
| Total pension liability - beginning                                    |                  | 1,376,228                  | 1,151,548                  | 987,412                    |
| Total pension liability - ending                                       | <b>(a)</b>       | <u><u>\$ 1,892,049</u></u> | <u><u>\$ 1,376,228</u></u> | <u><u>\$ 1,151,548</u></u> |
| <b>Plan fiduciary net position</b>                                     |                  |                            |                            |                            |
| Contributions - employer   |                  | \$ 158,790                 | \$ 384,000                 | \$ 101,403                 |
| Net investment income  |                  | 161,041                    | 8,092                      | 69,731                     |
| Benefit payments   |                  | (17,526)                   | (14,089)                   | (14,089)                   |
| Administrative expense   |                  | <u>(7,399)</u>             | <u>(4,112)</u>             | <u>(3,609)</u>             |
| Net change in plan fiduciary net position                              |                  | 294,906                    | 373,891                    | 153,436                    |
| Plan fiduciary net position - beginning                                |                  | 1,208,948                  | 835,057                    | 681,621                    |
| Plan fiduciary net position - ending                                   | <b>(b)</b>       | <u><u>\$ 1,503,854</u></u> | <u><u>\$ 1,208,948</u></u> | <u><u>\$ 835,057</u></u>   |
| <b>Net pension liability - ending</b>                                  | <b>(a) - (b)</b> | <u><u>\$ 388,195</u></u>   | <u><u>\$ 167,280</u></u>   | <u><u>\$ 316,491</u></u>   |
|  |                  |                            |                            |                            |
| Plan fiduciary net position as a percentage of total pension liability |                  | 79.48%                     | 87.85%                     | 72.52%                     |
|  |                  |                            |                            |                            |
| Covered-employee payroll   |                  | \$ 1,864,832               | \$ 1,776,757               | \$ 1,515,497               |
|  |                  |                            |                            |                            |
| Net pension liability as a percentage of covered-employee payroll      |                  | 20.82%                     | 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, 2017**

|  | <u>2017</u>        | <u>2016</u>        | <u>2015</u>                |
|--|--------------------|--------------------|----------------------------|
| Actuarially determined contribution                                  | \$ 108,364         | \$ 112,284         | \$ 107,525                 |
| Contributions in relation to the actuarially determined contribution | <u>108,364</u>     | <u>112,284</u>     | <u>369,925</u>             |
| Contribution deficiency (excess)                                     | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (262,400)</u></u> |
|  |                    |                    |                            |
| Covered-employee payroll   | 1,864,832          | \$ 1,776,757       | 1,515,497                  |
| Contributions as a percentage of covered-employee payroll            | 5.81%              | 6.32%              | 24.41%                     |

**Notes to the Schedule:**

**A. Actuarial Methods and Assumptions:**

|                               |  |
|-------------------------------|--|
| Valuation Date                | July 1, 2017   |
| Cost Method                   | Projected unit credit  |
| Amortization Method           | Closed level dollar for remaining unfunded liability   |
| Remaining amortization period | Remainig amortization period varies for the bases, with a net effective amortization period of 14 years.   |
| 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    | 3.75-8.75%, including inflation  |
| Cost of living adjustments    | N/A  |
| Retirement age                | 65   |
| Mortality                     | RP-2000 Healthy Mortality Table with sex-distinct rates, adjusted for actuarial experience study for the period of January1, 2010 though June 30,  |



HISTORIC TRAIN DEPOT

# FINANCIAL SECTION

NONMAJOR GOVERNMENTAL FUNDS

CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

## CITY OF HOLLY SPRINGS, GEORGIA

### NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

**Debt Service Fund** – To accumulate resources that are restricted, committed, or assigned for the principal and interest payments on long-term obligations of the governmental funds

**CITY OF HOLLY SPRINGS, GEORGIA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2017**

|   | Special Revenue  |                      |                 |
|---|------------------|----------------------|-----------------|
|   | Multiple Grant   | Parks and Recreation | Hotel/Motel     |
| <b>Assets</b>   |                  |                      |                 |
| Cash  | \$ 48,063        | \$ 319,879           | \$ 8,720        |
| Accounts receivable   | -                | 34,422               | 483             |
| Due from other governments  | 14,449           | -                    | -               |
| Due from other funds  | -                | 375                  | -               |
| <b>Total assets</b>   | <b>\$ 62,512</b> | <b>\$ 354,676</b>    | <b>\$ 9,203</b> |
| <b>Liabilities</b>  |                  |                      |                 |
| Accounts payable  | \$ 376           | \$ 4,242             | \$ -            |
| Deposits  | -                | 1,750                | -               |
| Due to other funds  | 25,087           | -                    | -               |
| <b>Total liabilities</b>  | <b>25,463</b>    | <b>5,992</b>         | <b>-</b>        |
| <b>Deferred Inflows of Resources</b>                                      |                  |                      |                 |
| Unavailable charges for services  | -                | -                    | -               |
| <b>Total deferred inflows of resources</b>                                | <b>-</b>         | <b>-</b>             | <b>-</b>        |
| <b>Fund Balances</b>  |                  |                      |                 |
| Restricted  | 37,049           | -                    | 9,203           |
| Assigned  | -                | 348,684              | -               |
| <b>Total fund balances</b>  | <b>37,049</b>    | <b>348,684</b>       | <b>9,203</b>    |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 62,512</b> | <b>\$ 354,676</b>    | <b>\$ 9,203</b> |

| <b>Capital Projects</b> |                   |                              |                     |
|-------------------------|-------------------|------------------------------|---------------------|
| <b>Town Center</b>      | <b>SPLOST III</b> | <b>Debt<br/>Service fund</b> | <b>Total</b>        |
| \$ 515,864              | \$ 231,413        | \$ -                         | \$ 1,123,939        |
| -                       | 83,496            | -                            | 118,401             |
| -                       | -                 | -                            | 14,449              |
| -                       | -                 | -                            | 375                 |
| <u>\$ 515,864</u>       | <u>\$ 314,909</u> | <u>\$ -</u>                  | <u>\$ 1,257,164</u> |
| <br>                    |                   |                              |                     |
| \$ 875                  | \$ -              | \$ -                         | \$ 5,493            |
| -                       | -                 | -                            | 1,750               |
| -                       | -                 | -                            | 25,087              |
| <u>875</u>              | <u>-</u>          | <u>-</u>                     | <u>32,330</u>       |
| <br>                    |                   |                              |                     |
| -                       | 83,496            | -                            | 83,496              |
| -                       | 83,496            | -                            | 83,496              |
| <br>                    |                   |                              |                     |
| -                       | 231,413           | -                            | 277,665             |
| 514,989                 | -                 | -                            | 863,673             |
| <u>514,989</u>          | <u>231,413</u>    | <u>-</u>                     | <u>1,141,338</u>    |
| <br>                    |                   |                              |                     |
| <u>\$ 515,864</u>       | <u>\$ 314,909</u> | <u>\$ -</u>                  | <u>\$ 1,257,164</u> |

**CITY OF HOLLY SPRINGS, GEORGIA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | <b>Special Revenue</b> |                             |                    |
|---|------------------------|-----------------------------|--------------------|
|   | <b>Multiple Grant</b>  | <b>Parks and Recreation</b> | <b>Hotel/Motel</b> |
| <b>Revenues</b>                                 |                        |                             |                    |
| Selective sales taxes                           | \$ -                   | \$ 337,553                  | \$ 6,664           |
| Licenses and permits                            | -                      | -                           | -                  |
| Intergovernmental                               | 179,437                | -                           | -                  |
| Charges for services                            | -                      | 18,544                      | -                  |
| Interest  | 2                      | 47                          | 1                  |
| Other revenues                                  | -                      | 148                         | -                  |
| <b>Total revenues</b>                           | <b>179,439</b>         | <b>356,292</b>              | <b>6,665</b>       |
| <b>Expenditures</b>                             |                        |                             |                    |
| Current:  |                        |                             |                    |
| General Government                              | -                      | -                           | -                  |
| Health and welfare                              | 179,437                | -                           | -                  |
| Culture and recreation                          | -                      | 88,014                      | -                  |
| Housing and development                         | -                      | -                           | 5,161              |
| Capital outlay:                                 |                        |                             |                    |
| General Government                              | -                      | -                           | -                  |
| Debt service:                                   |                        |                             |                    |
| Principal                                       | -                      | -                           | -                  |
| Interest  | -                      | -                           | -                  |
| <b>Total expenditures</b>                       | <b>179,437</b>         | <b>88,014</b>               | <b>5,161</b>       |
| Excess of revenues over<br>(under) expenditures | <b>2</b>               | <b>268,278</b>              | <b>1,504</b>       |
| <b>Other Financing Sources (Uses):</b>          |                        |                             |                    |
| Capital contribution                            | -                      | -                           | -                  |
| Transfers in                                    | -                      | -                           | -                  |
| Transfers out                                   | -                      | (361,779)                   | -                  |
| <b>Total other financing sources (uses)</b>     | <b>-</b>               | <b>(361,779)</b>            | <b>-</b>           |
| Net change in fund balances                     | 2                      | (93,501)                    | 1,504              |
| <b>Fund balances, beginning of year</b>         | <b>37,047</b>          | <b>442,185</b>              | <b>7,699</b>       |
| <b>Fund balances, end of year</b>               | <b>\$ 37,049</b>       | <b>\$ 348,684</b>           | <b>\$ 9,203</b>    |

| <b>Capital Projects</b> |                   |                              |              |
|-------------------------|-------------------|------------------------------|--------------|
| <b>Town Center</b>      | <b>SPLOST III</b> | <b>Debt<br/>Service Fund</b> | <b>Total</b> |
| \$ -                    | \$ -              | \$ -                         | \$ 344,217   |
| -                       | 11,928            | -                            | 11,928       |
| -                       | -                 | -                            | 179,437      |
| -                       | -                 | -                            | 18,544       |
| 3                       | 22                | -                            | 75           |
| -                       | -                 | -                            | 148          |
| 3                       | 11,950            | -                            | 554,349      |
| 20,000                  | -                 | -                            | 20,000       |
| -                       | -                 | -                            | 179,437      |
| -                       | -                 | -                            | 88,014       |
| -                       | -                 | -                            | 5,161        |
| 1,975                   | -                 | -                            | 1,975        |
| -                       | -                 | 290,859                      | 290,859      |
| -                       | -                 | 67,877                       | 67,877       |
| 21,975                  | -                 | 358,736                      | 653,323      |
| (21,972)                | 11,950            | (358,736)                    | (98,974)     |
| 536,961                 | -                 | -                            | 536,961      |
| -                       | -                 | 358,736                      | 358,736      |
| -                       | -                 | -                            | (361,779)    |
| 536,961                 | -                 | 358,736                      | 533,918      |
| 514,989                 | 11,950            | -                            | 434,944      |
| -                       | 219,463           | -                            | 706,394      |
| \$ 514,989              | \$ 231,413        | \$ -                         | \$ 1,141,338 |

**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, 2017**

|   | <b>Budgeted Amounts</b> |                         |                         | <b>Variance with</b> |
|---|-------------------------|-------------------------|-------------------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>            | <b>Actual</b>           | <b>Final Budget</b>  |
| <b>Revenues</b>                                 |                         |                         |                         |                      |
| Intergovernmental                               | \$ 222,565              | \$ 222,565              | \$ 179,437              | \$ (43,128)          |
| Interest  | 35                      | 5                       | 2                       | (3)                  |
| <b>Total revenues</b>                           | <u>222,600</u>          | <u>222,570</u>          | <u>179,439</u>          | <u>(43,131)</u>      |
| <b>Expenditures</b>                             |                         |                         |                         |                      |
| Current:  |                         |                         |                         |                      |
| Health and welfare                              | <u>222,600</u>          | <u>222,570</u>          | <u>179,437</u>          | <u>43,133</u>        |
| <b>Total expenditures</b>                       | <u>222,600</u>          | <u>222,570</u>          | <u>179,437</u>          | <u>43,133</u>        |
| Excess of revenues over<br>(under) expenditures | <u>-</u>                | <u>-</u>                | <u>2</u>                | <u>2</u>             |
| Net change in fund balance                      | -                       | -                       | 2                       | 2                    |
| <b>Fund balance, beginning of year</b>          | <u>37,047</u>           | <u>37,047</u>           | <u>37,047</u>           | <u>-</u>             |
| <b>Fund balance, end of year</b>                | <u><u>\$ 37,047</u></u> | <u><u>\$ 37,047</u></u> | <u><u>\$ 37,049</u></u> | <u><u>\$ 2</u></u>   |



**CITY OF HOLLY SPRINGS, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)**  
**PARKS AND RECREATION FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | <b>Budgeted Amounts</b> |                   |                   | <b>Variance with</b> |
|---|-------------------------|-------------------|-------------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>      | <b>Actual</b>     | <b>Final Budget</b>  |
| <b>Revenues</b>                                 |                         |                   |                   |                      |
| Selective sales tax                             | \$ 310,000              | \$ 265,000        | \$ 337,553        | \$ 72,553            |
| Charges for services                            | 9,000                   | 15,000            | 18,544            | 3,544                |
| Interest  | 500                     | 50                | 47                | (3)                  |
| Donations from private sources                  | -                       | -                 | -                 | -                    |
| Other revenues                                  | 143,575                 | 323,075           | 148               | (322,927)            |
| <b>Total revenues</b>                           | <b>463,075</b>          | <b>603,125</b>    | <b>356,291</b>    | <b>(246,833)</b>     |
| <b>Expenditures</b>                             |                         |                   |                   |                      |
| Current:  |                         |                   |                   |                      |
| Culture and recreation                          | 265,825                 | 116,264           | 88,014            | 28,250               |
| <b>Total expenditures</b>                       | <b>265,825</b>          | <b>116,264</b>    | <b>88,014</b>     | <b>28,250</b>        |
| Excess of revenues over<br>(under) expenditures | 197,250                 | 486,861           | 268,277           | (218,583)            |
| <b>Other Financing Sources (Uses)</b>           |                         |                   |                   |                      |
| Transfers out                                   | (197,500)               | (377,000)         | (361,779)         | 15,221               |
| <b>Total other financing sources (uses)</b>     | <b>(197,500)</b>        | <b>(377,000)</b>  | <b>(361,779)</b>  | <b>15,221</b>        |
| Net change in fund balance                      | (250)                   | 109,861           | (93,502)          | (203,362)            |
| <b>Fund balance, beginning of year</b>          | <b>442,185</b>          | <b>442,185</b>    | <b>442,185</b>    | <b>-</b>             |
| <b>Fund balance, end of year</b>                | <b>\$ 441,935</b>       | <b>\$ 552,046</b> | <b>\$ 348,683</b> | <b>\$ (203,362)</b>  |

**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, 2017**

|   | <b>Budgeted Amounts</b> |                 |                 | <b>Variance with</b> |
|---|-------------------------|-----------------|-----------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>    | <b>Actual</b>   | <b>Final Budget</b>  |
| <b>Revenues</b>                                 |                         |                 |                 |                      |
| Selective sales tax                             | \$ 5,995                | \$ 6,500        | \$ 6,664        | \$ 164               |
| Interest  | 5                       | 5               | 1               | (4)                  |
| <b>Total revenues</b>                           | <b>6,000</b>            | <b>6,505</b>    | <b>6,665</b>    | <b>160</b>           |
| <b>Expenditures</b>                             |                         |                 |                 |                      |
| Current:  |                         |                 |                 |                      |
| Housing and development                         | 6,000                   | 6,505           | 5,161           | 1,344                |
| <b>Total expenditures</b>                       | <b>6,000</b>            | <b>6,505</b>    | <b>5,161</b>    | <b>1,344</b>         |
| Excess of revenues over<br>(under) expenditures | -                       | -               | 1,504           | 1,504                |
| Net change in fund balance                      | -                       | -               | 1,504           | 1,504                |
| <b>Fund balance, beginning of year</b>          | <b>7,699</b>            | <b>7,699</b>    | <b>7,699</b>    | <b>-</b>             |
| <b>Fund balance, end of year</b>                | <b>\$ 7,699</b>         | <b>\$ 7,699</b> | <b>\$ 9,203</b> | <b>\$ 1,504</b>      |



HISTORIC TRAIN DEPOT

# FINANCIAL SECTION FIDUCIARY FUNDS

CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

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

### **FIDUCIARY FUNDS**

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#### **AGENCY FUND:**

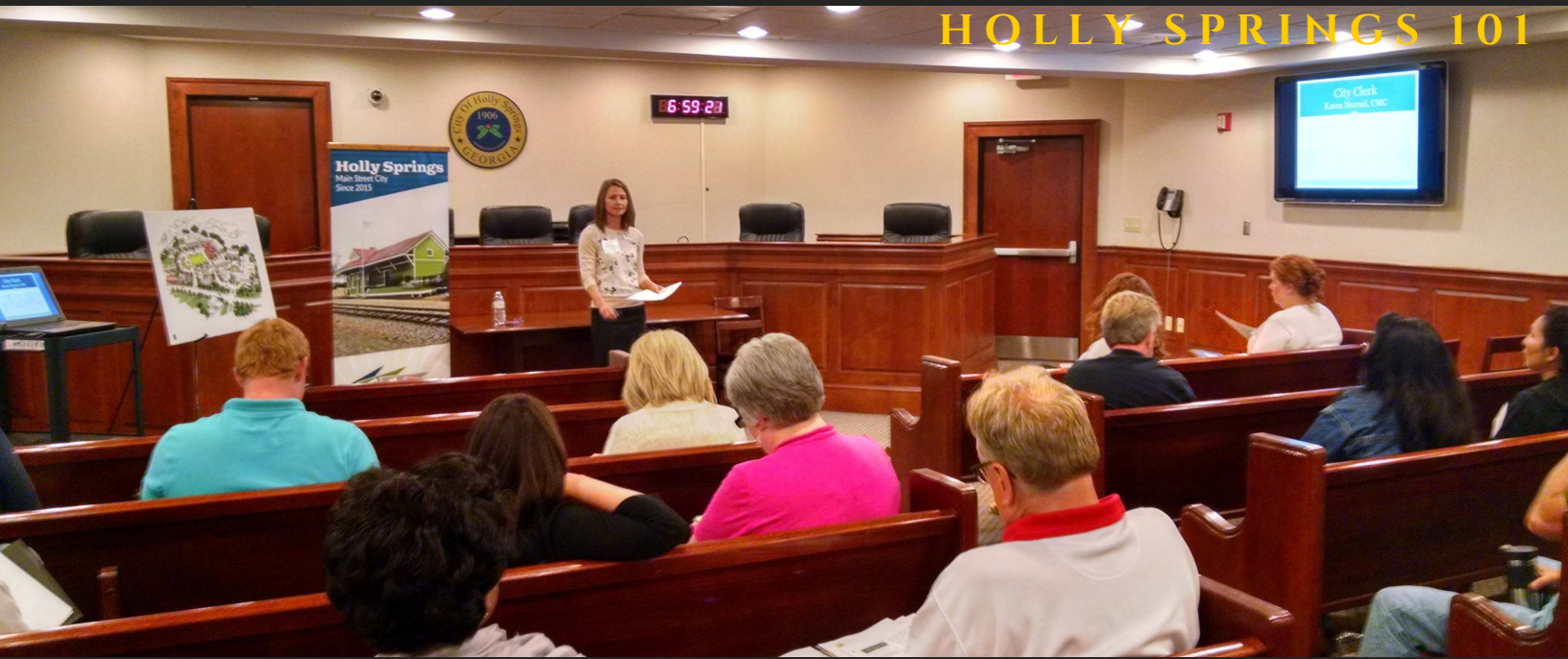
**Municipal Court Fund** – To account for the collection of cash appearance bonds, court fines and miscellaneous charges and related payments to other governments.

**CITY OF HOLLY SPRINGS, GEORGIA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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| <b>Municipal Court Fund</b> | <b>Balance<br/>January 1,<br/>2017</b> | <b>Additions</b>  | <b>Deductions</b> | <b>Balance<br/>December 31,<br/>2017</b> |
|-----------------------------|--|-------------------|-------------------|--|
| <b>Assets</b>               |  |                   |                   |  |
| Cash                        | \$ 23,135                              | \$ 191,659        | \$ 182,720        | \$ 35,102                                |
| <b>Total assets</b>         | <u>\$ 23,135</u>                       | <u>\$ 191,659</u> | <u>\$ 182,720</u> | <u>\$ 35,102</u>                         |
| <b>Liabilities</b>          |  |                   |                   |  |
| Due to others               | \$ 23,135                              | \$ 191,659        | \$ 182,720        | \$ 35,102                                |
| <b>Total liabilities</b>    | <u>\$ 23,135</u>                       | <u>\$ 191,659</u> | <u>\$ 182,720</u> | <u>\$ 35,102</u>                         |





# STATISTICAL SECTION

CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

# 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.

|                              |                   |
|------------------------------|-------------------|
| <b>Financial Trends.....</b> | <u>Page</u><br>63 |
|------------------------------|-------------------|

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

|                              |    |
|------------------------------|----|
| <b>Revenue Capacity.....</b> | 67 |
|------------------------------|----|

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

|                           |    |
|---------------------------|----|
| <b>Debt Capacity.....</b> | 71 |
|---------------------------|----|

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

|  |    |
|--|----|
| <b>Demographic and Economic Information.....</b> | 73 |
|--|----|

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

|                                   |    |
|-----------------------------------|----|
| <b>Operating Information.....</b> | 75 |
|-----------------------------------|----|

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

|   | 2017                 | 2016                 | 2015                 | 2014                 |
|---|----------------------|----------------------|----------------------|----------------------|
| Governmental activities                     |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 26,030,664        | \$ 24,324,215        | \$ 19,898,710        | \$ 17,729,864        |
| Restricted                                  | 253,689              | 243,680              | 958,168              | 989,334              |
| Unrestricted                                | 10,571,279           | 9,491,578            | 8,909,343            | 7,970,470            |
| Total government activities net position    | <u>\$ 36,855,632</u> | <u>\$ 34,059,473</u> | <u>\$ 29,766,221</u> | <u>\$ 26,689,668</u> |
| Business-type activities (1)                |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 2,985,637         | \$ 3,030,866         | \$ 2,701,939         | \$ 2,417,431         |
| Unrestricted                                | 516,814              | 397,030              | 626,637              | 703,168              |
| Total business-type activities net position | <u>\$ 3,502,451</u>  | <u>\$ 3,427,896</u>  | <u>\$ 3,328,576</u>  | <u>\$ 3,120,599</u>  |
| Primary government                          |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 29,016,301        | \$ 27,355,081        | \$ 22,600,649        | \$ 20,147,295        |
| Restricted                                  | 253,689              | 243,680              | 958,168              | 989,334              |
| Unrestricted                                | 11,088,093           | 9,888,608            | 9,535,980            | 8,673,638            |
| Total primary government net position       | <u>\$ 40,358,083</u> | <u>\$ 37,487,369</u> | <u>\$ 33,094,797</u> | <u>\$ 29,810,267</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.



| 2013                 | 2012                 | 2011                 | 2010                 | 2009                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 16,922,381        | \$ 14,963,807        | \$ 14,655,782        | \$ 14,613,696        | \$ 14,624,875        |
| 1,121,547            | 1,435,263            | 1,459,236            | 1,242,434            | 1,373,131            |
| 6,763,202            | 5,800,393            | 5,225,210            | 4,457,419            | 3,718,313            |
| <u>\$ 24,807,130</u> | <u>\$ 22,199,463</u> | <u>\$ 21,340,228</u> | <u>\$ 20,313,549</u> | <u>\$ 19,716,319</u> |
| <br>                 |                      |                      |                      |                      |
| \$ 2,198,900         | \$ 843,003           | \$ 749,678           | \$ 758,950           | \$ -                 |
| 801,436              | 621,855              | 530,051              | 328,145              | -                    |
| <u>\$ 3,000,336</u>  | <u>\$ 1,464,858</u>  | <u>\$ 1,279,729</u>  | <u>\$ 1,087,095</u>  | <u>\$ -</u>          |
| <br>                 |                      |                      |                      |                      |
| \$ 19,121,281        | \$ 15,806,810        | \$ 15,405,460        | \$ 15,372,646        | \$ 14,624,875        |
| 1,121,547            | 1,435,263            | 1,459,236            | 1,242,434            | 1,373,131            |
| 7,564,638            | 6,422,248            | 5,755,261            | 4,785,564            | 3,718,313            |
| <u>\$ 27,807,466</u> | <u>\$ 23,664,321</u> | <u>\$ 22,619,957</u> | <u>\$ 21,400,644</u> | <u>\$ 19,716,319</u> |

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

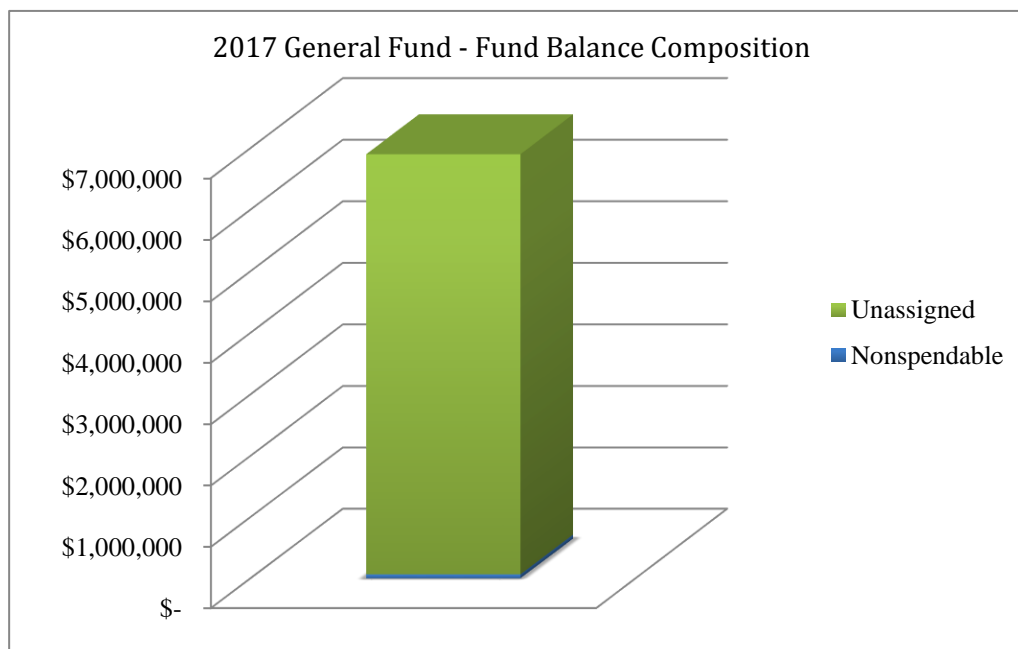
|   | 2017                  | 2016                  | 2015                  | 2014                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenses</b>                                 |                       |                       |                       |                       |
| Governmental Activities:                        |                       |                       |                       |                       |
| General government                              | \$ 1,040,174          | \$ 909,915            | \$ 798,252            | \$ 723,511            |
| Judicial  | 255,842               | 256,405               | 265,562               | 213,602               |
| Public safety                                   | 4,341,176             | 3,660,936             | 3,193,076             | 2,714,404             |
| Public works                                    | 878,923               | 1,111,932             | 1,752,586             | 1,410,749             |
| Health and welfare                              | 179,437               | 224,872               | 356,242               | 303,924               |
| Culture and recreation                          | 165,714               | 288,774               | 153,693               | 145,443               |
| Housing and development                         | 663,374               | 570,308               | 371,399               | 305,589               |
| Interest  | 931                   | 1,240                 | 3,922                 | 7,428                 |
| Total Governmental Activities Expenses          | <u>7,525,571</u>      | <u>7,024,382</u>      | <u>6,894,732</u>      | <u>5,824,650</u>      |
| Business-Type Activities:                       |                       |                       |                       |                       |
| Stormwater utility                              | 252,740               | 261,832               | 212,527               | 202,889               |
| Total Business-Type Expenses                    | <u>252,740</u>        | <u>261,832</u>        | <u>212,527</u>        | <u>202,889</u>        |
| Total Primary Government Expenses               | <u>\$ 7,778,311</u>   | <u>\$ 7,286,214</u>   | <u>\$ 7,107,259</u>   | <u>\$ 6,027,539</u>   |
| <b>Program Revenues</b>                         |                       |                       |                       |                       |
| Governmental Activities:                        |                       |                       |                       |                       |
| Charges for services:                           |                       |                       |                       |                       |
| General government                              | \$ 183,531            | \$ 183,362            | \$ 143,996            | \$ 118,227            |
| Public safety                                   | 349,414               | 311,239               | 368,899               | 372,194               |
| Public works                                    | -                     | -                     | -                     | -                     |
| Culture and recreation                          | 18,544                | 10,395                | 9,620                 | 9,575                 |
| Housing and development                         | 1,308,937             | 930,550               | 793,387               | 622,488               |
| Operating grants and contributions              | 235,203               | 243,692               | 364,977               | 320,643               |
| Capital grants and contributions                | 2,378,027             | 4,032,287             | 3,491,269             | 1,506,298             |
| Total Governmental Activities Program Revenues  | <u>4,473,656</u>      | <u>5,711,525</u>      | <u>5,172,148</u>      | <u>2,949,425</u>      |
| Business-type activities:                       |                       |                       |                       |                       |
| Charges for services:                           |                       |                       |                       |                       |
| Stormwater utility                              | 327,271               | 360,910               | 320,493               | 322,619               |
| Capital grants and contributions                | -                     | -                     | 102,316               | -                     |
| Total Business-Type Activities Program Revenues | <u>327,271</u>        | <u>360,910</u>        | <u>422,809</u>        | <u>322,619</u>        |
| Total Primary Government Program Revenues       | <u>\$ 4,800,927</u>   | <u>\$ 6,072,435</u>   | <u>\$ 5,594,957</u>   | <u>\$ 3,272,044</u>   |
| <b>Net (Expense) Revenue</b>                    |                       |                       |                       |                       |
| Governmental Activities                         | \$ (3,051,915)        | \$ (1,312,857)        | \$ (1,722,584)        | \$ (2,875,225)        |
| Business-Type Activities                        | 74,531                | 99,078                | 210,282               | 119,730               |
| Total Primary Government Net Expense            | <u>\$ (2,977,384)</u> | <u>\$ (1,213,779)</u> | <u>\$ (1,512,302)</u> | <u>\$ (2,755,495)</u> |
| <b>General Revenues and Other</b>               |                       |                       |                       |                       |
| <b>Changes in Net Position</b>                  |                       |                       |                       |                       |
| Governmental Activities:                        |                       |                       |                       |                       |
| Taxes:  |                       |                       |                       |                       |
| Property tax                                    | \$ 4,062,016          | \$ 3,899,541          | \$ 3,420,246          | \$ 3,212,535          |
| Franchise tax                                   | 677,907               | 628,911               | 604,313               | 578,242               |
| Business tax                                    | 742,319               | 695,402               | 644,069               | 612,157               |
| Selective sales tax                             | 344,217               | 334,148               | 320,726               | 297,484               |
| Other revenues                                  | 21,773                | 30,090                | 29,072                | 50,284                |
| Unrestricted investment earnings                | 15,272                | 14,064                | 7,988                 | 7,061                 |
| Loss from disposal of capital assets            | (15,430)              | 3,952                 | 3,764                 | -                     |
| Contributed Capital                             | -                     | -                     | -                     | -                     |
| Total Government Activities                     | <u>5,848,074</u>      | <u>5,606,108</u>      | <u>5,030,178</u>      | <u>4,757,763</u>      |
| Business-Type Activities:                       |                       |                       |                       |                       |
| Unrestricted investment earnings                | 24                    | 242                   | 518                   | 533                   |
| Total Business-Type Activities                  | <u>24</u>             | <u>242</u>            | <u>518</u>            | <u>533</u>            |
| Total Primary Government                        | <u>\$ 5,848,098</u>   | <u>\$ 5,606,350</u>   | <u>\$ 5,030,696</u>   | <u>\$ 4,758,296</u>   |
| <b>Change in Net Position</b>                   |                       |                       |                       |                       |
| Governmental Activities                         | \$ 2,796,159          | \$ 4,293,251          | \$ 3,307,594          | \$ 1,882,538          |
| Business-type activities                        | 74,555                | 99,320                | 210,800               | 120,263               |
|   | <u>\$ 2,870,714</u>   | <u>\$ 4,392,571</u>   | <u>\$ 3,518,394</u>   | <u>\$ 2,002,801</u>   |

| 2013                | 2012                  | 2011                  | 2010                  | 2009                  |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 821,428          | \$ 719,273            | \$ 732,277            | \$ 692,663            | \$ 787,818            |
| 222,432             | 200,673               | 187,181               | 190,427               | 275,904               |
| 2,546,687           | 2,454,703             | 2,326,383             | 2,266,681             | 2,205,715             |
| 601,360             | 818,898               | 584,016               | 528,658               | 575,436               |
| 346,239             | 292,991               | 234,056               | 160,192               | 146,791               |
| 85,757              | 90,174                | 44,086                | 41,577                | 64,376                |
| 1,081,899           | 647,357               | 661,674               | 864,632               | 669,986               |
| 13,256              | 27,701                | 40,884                | 57,140                | 27,525                |
| <u>5,719,058</u>    | <u>5,251,770</u>      | <u>4,810,557</u>      | <u>4,801,970</u>      | <u>4,753,551</u>      |
| 155,272             | 123,079               | 73,074                | 20,690                | -                     |
| <u>155,272</u>      | <u>123,079</u>        | <u>73,074</u>         | <u>20,690</u>         | <u>-</u>              |
| <u>\$ 5,874,330</u> | <u>\$ 5,374,849</u>   | <u>\$ 4,883,631</u>   | <u>\$ 4,822,660</u>   | <u>\$ 4,753,551</u>   |
| \$ 93,365           | \$ 100,235            | \$ 74,092             | \$ 24,808             | \$ 81,044             |
| 440,811             | 389,084               | 320,919               | 285,136               | 364,452               |
| -                   | -                     | -                     | -                     | -                     |
| 7,075               | 11,322                | 5,213                 | 6,437                 | 1,375                 |
| 597,370             | 159,515               | 203,542               | 189,352               | 317,736               |
| 368,733             | 293,104               | 237,074               | 177,037               | 205,316               |
| <u>2,507,082</u>    | <u>1,254,677</u>      | <u>1,176,675</u>      | <u>1,677,508</u>      | <u>1,068,464</u>      |
| <u>4,014,436</u>    | <u>2,207,937</u>      | <u>2,017,515</u>      | <u>2,360,278</u>      | <u>2,038,387</u>      |
| 298,534             | 294,523               | 265,465               | 358,911               | -                     |
| <u>1,391,959</u>    | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</u>              |
| <u>1,690,493</u>    | <u>294,523</u>        | <u>265,465</u>        | <u>358,911</u>        | <u>-</u>              |
| <u>\$ 5,704,929</u> | <u>\$ 2,502,460</u>   | <u>\$ 2,282,980</u>   | <u>\$ 2,719,189</u>   | <u>\$ 2,038,387</u>   |
| \$ (1,704,622)      | \$ (3,043,833)        | \$ (2,793,042)        | \$ (2,441,692)        | \$ (2,715,164)        |
| <u>1,535,221</u>    | <u>171,444</u>        | <u>192,391</u>        | <u>338,221</u>        | <u>-</u>              |
| <u>\$ (169,401)</u> | <u>\$ (2,872,389)</u> | <u>\$ (2,600,651)</u> | <u>\$ (2,103,471)</u> | <u>\$ (2,715,164)</u> |
| \$ 2,899,441        | \$ 2,591,089          | \$ 2,647,071          | \$ 2,553,574          | \$ 2,473,086          |
| 528,764             | 451,734               | 429,737               | 502,270               | 352,179               |
| 561,690             | 551,174               | 513,649               | 303,995               | 665,507               |
| 262,465             | 262,572               | 244,667               | 231,086               | -                     |
| 52,912              | 50,932                | 49,936                | 88,743                | 61,470                |
| 7,017               | 8,756                 | 6,589                 | 4,322                 | 6,459                 |
| -                   | -                     | -                     | -                     | -                     |
| <u>-</u>            | <u>-</u>              | <u>-</u>              | <u>-</u>              | <u>-</u>              |
| <u>4,312,289</u>    | <u>3,916,257</u>      | <u>3,891,649</u>      | <u>3,683,990</u>      | <u>3,558,701</u>      |
| 257                 | 496                   | 243                   | 40                    | -                     |
| <u>257</u>          | <u>496</u>            | <u>243</u>            | <u>40</u>             | <u>-</u>              |
| <u>\$ 4,312,546</u> | <u>\$ 3,916,753</u>   | <u>\$ 3,891,892</u>   | <u>\$ 3,684,030</u>   | <u>\$ 3,558,701</u>   |
| \$ 2,607,667        | \$ 872,424            | \$ 1,098,607          | \$ 1,242,298          | \$ 843,537            |
| <u>1,535,478</u>    | <u>171,940</u>        | <u>192,634</u>        | <u>338,261</u>        | <u>-</u>              |
| <u>\$ 4,143,145</u> | <u>\$ 1,044,364</u>   | <u>\$ 1,291,241</u>   | <u>\$ 1,580,559</u>   | <u>\$ 843,537</u>     |

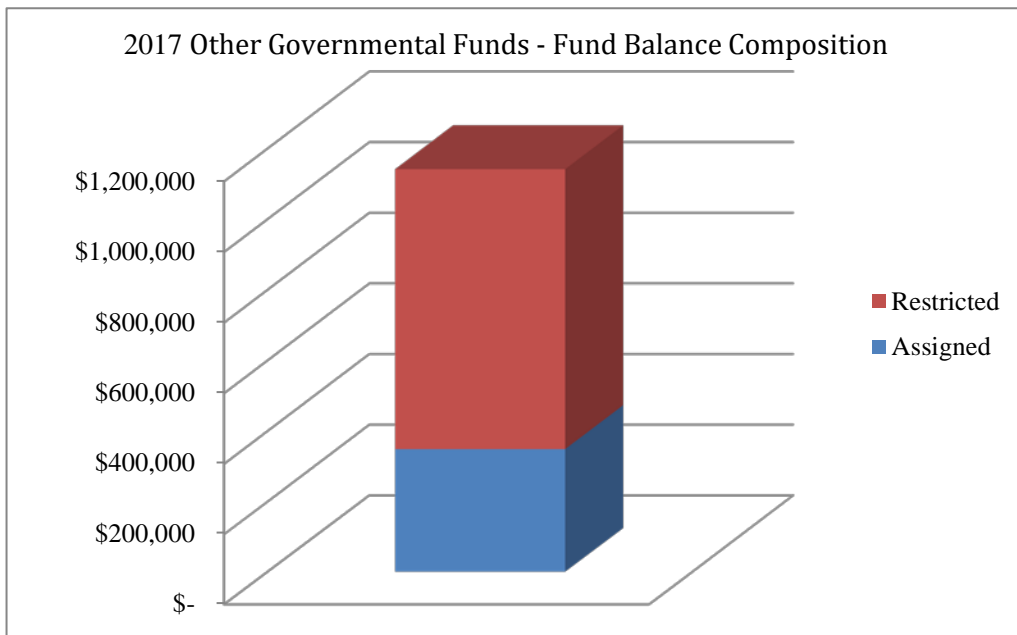
**CITY OF HOLLY SPRINGS, GEORGIA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN YEARS**  
**(modified accrual basis of accounting)**

|                                    | 2017                | 2016                | 2015                | 2014                |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| General fund                       |                     |                     |                     |                     |
| Nonspendable                       | \$ 64,236           | \$ 52,706           | \$ 174,041          | \$ 42,510           |
| Unassigned                         | 6,835,206           | 5,647,642           | 4,991,439           | 4,344,293           |
| Total general fund                 | <u>\$ 6,899,442</u> | <u>\$ 5,700,348</u> | <u>\$ 5,165,480</u> | <u>\$ 4,386,803</u> |
| All other governmental funds       |                     |                     |                     |                     |
| Restricted                         | \$ 277,665          | \$ 264,209          | \$ 958,168          | \$ 1,181,598        |
| Assigned                           | 863,673             | 442,185             | 725,129             | 623,374             |
| Unassigned (Deficit)               | (538,965)           | (20,529)            | -                   | -                   |
| Total all other governmental funds | <u>\$ 602,373</u>   | <u>\$ 65</u>        | <u>\$ 1,683,297</u> | <u>\$ 1,804,972</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.



| 2013                | 2012                | 2011                | 2010                | 2009                | 2008                |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 77,733           | \$ 56,486           | \$ 65,788           | \$ 60,518           | \$ 21,009           | \$ 59,758           |
| 3,554,510           | 2,608,226           | 2,177,067           | 1,462,088           | 1,339,533           | 952,655             |
| <u>\$ 3,632,243</u> | <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> |
| <br>                |                     |                     |                     |                     |                     |
| \$ 1,121,547        | \$ 1,435,263        | \$ 1,459,236        | \$ 1,215,129        | \$ 1,342,659        | \$ -                |
| 587,513             | 425,332             | 454,963             | 496,117             | 310,889             | 144,176             |
| -                   | -                   | (211,857)           | (211,857)           | (236,937)           | 975,198             |
| <u>\$ 1,709,060</u> | <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> |



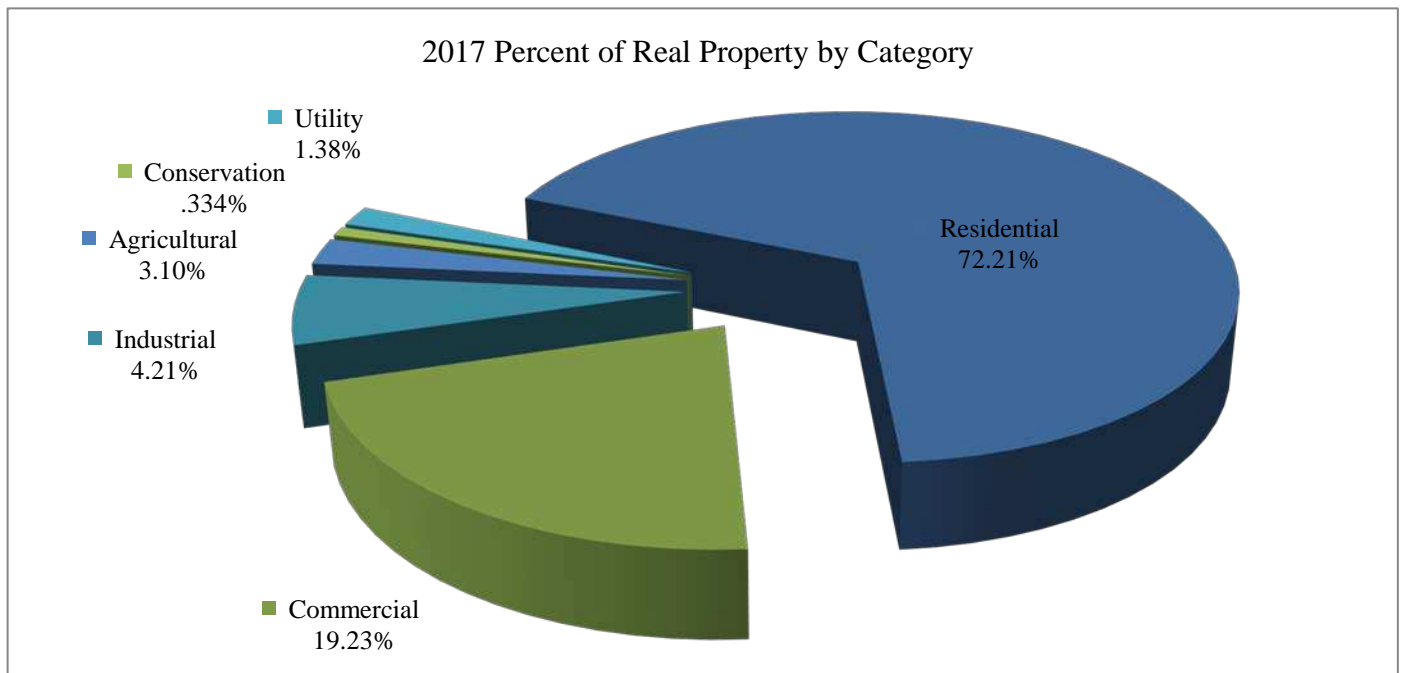
**CITY OF HOLLY SPRINGS, GEORGIA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN YEARS**  
**(modified accrual basis of accounting)**

|   | 2017                | 2016                | 2015              | 2014              |
|---|---------------------|---------------------|-------------------|-------------------|
| <b>Revenues:</b>  |                     |                     |                   |                   |
| Taxes   | \$ 5,582,428        | \$ 5,221,402        | \$ 4,710,042      | \$ 4,399,578      |
| Licenses and permits  | 1,358,643           | 1,012,827           | 877,253           | 692,844           |
| Intergovernmental   | 2,046,269           | 3,792,829           | 1,753,918         | 1,664,757         |
| Charges for services  | 142,345             | 100,763             | 70,533            | 52,348            |
| Fines and forfeitures   | 335,907             | 334,566             | 389,908           | 411,035           |
| Interest  | 15,406              | 15,157              | 9,808             | 8,728             |
| Donations from private sources                                  | 23,855              | 18,302              | 8,075             | 15,181            |
| Other revenue   | 33,847              | 39,217              | 30,717            | 61,255            |
| <b>Total revenues</b>   | <u>9,538,700</u>    | <u>10,535,063</u>   | <u>7,850,254</u>  | <u>7,305,726</u>  |
| <b>Expenditures:</b>  |                     |                     |                   |                   |
| Current:  |                     |                     |                   |                   |
| General government  | 920,148             | 819,309             | 799,051           | 678,717           |
| Judicial  | 243,688             | 261,335             | 286,373           | 211,556           |
| Public safety   | 3,589,867           | 3,413,547           | 3,133,362         | 2,518,284         |
| Public works  | 577,532             | 442,958             | 349,258           | 370,357           |
| Health and welfare  | 179,437             | 224,872             | 356,242           | 303,938           |
| Culture and recreation  | 92,014              | 255,150             | 150,479           | 130,547           |
| Housing and development   | 640,322             | 561,728             | 397,747           | 298,874           |
| Capital outlay  | 2,316,710           | 7,941,197           | 1,607,851         | 1,950,389         |
| Debt service:   |                     |                     |                   |                   |
| Principal   | 336,283             | 281,417             | 127,215           | 138,944           |
| Interest  | 68,808              | 31,418              | 6,252             | 6,558             |
| <b>Total expenditures</b>                                       | <u>8,964,809</u>    | <u>14,232,931</u>   | <u>7,213,830</u>  | <u>6,608,164</u>  |
| <b>Excess(deficiency) of revenues over expenditures</b>         | <u>573,891</u>      | <u>(3,697,868)</u>  | <u>636,424</u>    | <u>697,562</u>    |
| <b>Other financing sources (uses):</b>                          |                     |                     |                   |                   |
| Capital lease issuance  | -                   | -                   | -                 | 133,553           |
| Proceeds from disposal of capital assets                        | 4,748               | 35,305              | 20,578            | 19,358            |
| Bond issuance   | -                   | 3,200,000           | -                 | -                 |
| Transfers in  | 898,740             | 382,706             | 12,872            | 94,670            |
| Transfers (out)   | (361,779)           | (382,706)           | (12,872)          | (94,670)          |
| <b>Total other financing sources (uses)</b>                     | <u>541,709</u>      | <u>3,235,305</u>    | <u>20,578</u>     | <u>152,911</u>    |
| <b>Net change in fund balances</b>                              | <u>\$ 1,115,600</u> | <u>\$ (462,563)</u> | <u>\$ 657,002</u> | <u>\$ 850,473</u> |
| <b>Debt service as a percentage of noncapital expenditures:</b> | <u>5.94%</u>        | <u>4.70%</u>        | <u>2.29%</u>      | <u>2.69%</u>      |

| 2013              | 2012              | 2011              | 2010              | 2009               | 2008              |
|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| \$ 4,202,032      | \$ 3,926,975      | \$ 3,806,897      | \$ 3,571,677      | \$ 3,434,685       | \$ 2,738,021      |
| 661,322           | 226,580           | 245,884           | 160,951           | 368,228            | 469,615           |
| 1,444,195         | 1,530,436         | 1,427,110         | 1,324,788         | 1,271,817          | 1,151,565         |
| 30,356            | 23,546            | 35,623            | 29,088            | 27,172             | 30,629            |
| 427,464           | 367,364           | 284,208           | 259,543           | 369,207            | 413,607           |
| 8,968             | 11,383            | 8,093             | 5,547             | 8,422              | 37,349            |
| 22,559            | -                 | -                 | -                 | -                  | -                 |
| 58,972            | 85,282            | 48,996            | 88,743            | 61,470             | 79,909            |
| <u>6,855,868</u>  | <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>  |
| 693,305           | 695,848           | 707,668           | 679,963           | 755,205            | 622,085           |
| 222,251           | 199,641           | 186,549           | 189,273           | 276,937            | 245,080           |
| 2,343,040         | 2,324,164         | 2,187,997         | 2,188,611         | 2,101,137          | 1,098,359         |
| 236,884           | 252,305           | 272,116           | 237,580           | 296,950            | 350,576           |
| 346,519           | 293,264           | 234,298           | 160,192           | 146,791            | 17,632            |
| 70,858            | 74,799            | 28,712            | 26,208            | 52,751             | 925,254           |
| 1,076,180         | 635,686           | 658,630           | 853,993           | 662,226            | 502,325           |
| 784,233           | 615,706           | 348,202           | 450,948           | 2,743,452          | 1,227,617         |
| 530,848           | 512,431           | 441,432           | 447,790           | 20,606             | 19,483            |
| 15,911            | 34,328            | 46,937            | 64,703            | 3,517              | 4,640             |
| <u>6,320,029</u>  | <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>535,839</u>    | <u>533,394</u>    | <u>744,270</u>    | <u>141,076</u>    | <u>(1,518,571)</u> | <u>(92,356)</u>   |
| 250,829           | -                 | 167,259           | -                 | 1,800,000          | 67,020            |
| 29,328            | 59,905            | 11,673            | -                 | -                  | 4,911             |
| -                 | -                 | -                 | -                 | -                  | 356,069           |
| 650,189           | 269,145           | 266,485           | 40,000            | 463,572            | 32,934            |
| (650,189)         | (282,334)         | (266,485)         | (40,000)          | (463,572)          | (32,934)          |
| <u>280,157</u>    | <u>46,716</u>     | <u>178,932</u>    | <u>-</u>          | <u>1,800,000</u>   | <u>428,000</u>    |
| <u>\$ 815,996</u> | <u>\$ 580,110</u> | <u>\$ 923,202</u> | <u>\$ 141,076</u> | <u>\$ 281,429</u>  | <u>\$ 335,644</u> |
| <u>9.76%</u>      | <u>10.35%</u>     | <u>10.25%</u>     | <u>10.56%</u>     | <u>0.56%</u>       | <u>0.58%</u>      |

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

| Fiscal<br>Year | Real Property     |                   |                   |                   |                   |                   |
|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                | Residential       | Commercial        | Industrial        | Agricultural      | Conservation      | Utility           |
|                | Assessed<br>Value | Assessed<br>Value | Assessed<br>Value | Assessed<br>Value | Assessed<br>Value | Assessed<br>Value |
| 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      |
| 2017           | \$ 338,040,992    | \$ 90,005,201     | \$ 19,686,382     | \$ 14,511,480     | \$ 1,561,440      | \$ 6,479,800      |



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

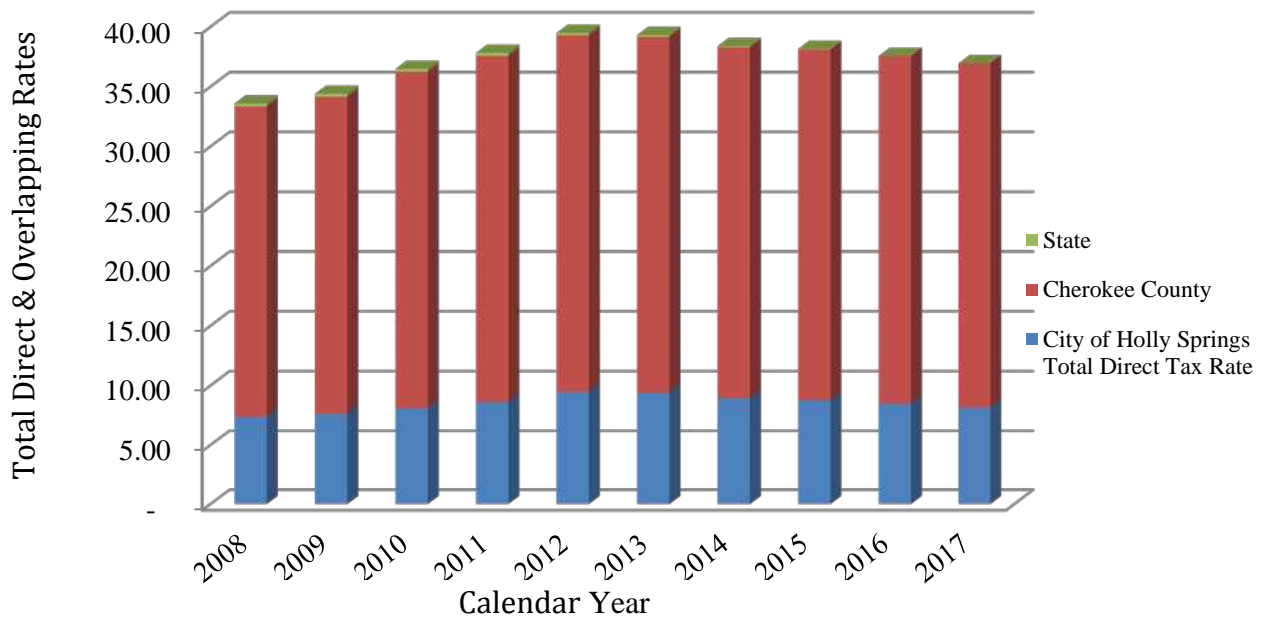


| Personal Property                   |                            | Less:<br>Tax Exempt<br>Real Property | Total Taxable<br>Assessed<br>Value | Total Direct<br>Tax<br>Rate | Estimated<br>Actual<br>Taxable<br>Value | Assessed<br>Value as a<br>% of Actual<br>Value |
|-------------------------------------|----------------------------|--------------------------------------|------------------------------------|-----------------------------|---|--|
| Motor Vehicles<br>Assessed<br>Value | Other<br>Assessed<br>Value |                                      |                                    |                             |   |  |
| \$ 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%  |
| \$ 7,113,510                        | \$ 104,400                 | \$ 9,396,403                         | \$ 468,106,802                     | 8.148                       | \$ 1,170,267,005                        | 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<br>Total Direct Tax Rate | Cherokee County | State | Total Direct &<br>Overlapping Rates |
|---------------|--|-----------------|-------|-------------------------------------|
| 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          | 8.936  | 29.358          | 0.10  | 38.394                              |
| 2015          | 8.751  | 29.358          | 0.05  | 38.159                              |
| 2016          | 8.460  | 29.113          | 0.00  | 37.573                              |
| 2017          | 8.148  | 28.812          | 0.00  | 36.960                              |

Property Tax Rates - All Overlapping Governments (per \$1,000) Assessed



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

| Taxpayer                          | 2017                         |      |   | 2008                         |      |   |
|-----------------------------------|------------------------------|------|---|------------------------------|------|---|
|                                   | Taxable<br>Assessed<br>Value | Rank | Percentage<br>of Taxable<br>Assessed<br>Value | Taxable<br>Assessed<br>Value | Rank | Percentage<br>of Taxable<br>Assessed<br>Value |
| Mar Harbor Creek LLC              | \$ 10,491,200                | 1    | 2.24%   | \$ 7,580,760                 | 1    | 2.25%   |
| Walmart                           | 6,431,480                    | 2    | 1.37%   |                              |      |   |
| East Cherokee Village             | 4,297,520                    | 3    | 0.92%   | 7,049,280                    | 2    | 2.09%   |
| Northside Hospital-Cherokee, Inc. | 4,082,880                    | 4    | 0.87%   |                              |      |   |
| Home Depot                        | 3,812,400                    | 5    | 0.81%   | 3,061,080                    | 3    | 0.91%   |
| Alltel GA Communications          |                              |      |   | 2,817,697                    | 4    | 0.84%   |
| Wellstar Health System Inc        | 3,660,400                    | 6    | 0.78%   |                              |      |   |
| FD Hickory Flatsdevelopers LLC    | 2,594,280                    | 7    | 0.55%   |                              |      |   |
| Windsor House Assisted Living     | 2,271,480                    | 8    | 0.49%   |                              |      |   |
| The Kroger Co.                    | 1,850,400                    | 9    | 0.40%   | 2,205,360                    | 5    | 0.65%   |
| Bright-Meyers Holly Springs       | 1,692,120                    | 10   | 0.36%   |                              |      |   |
| Downtown Hickory Flat LLC         |                              |      |   | 1,565,760                    | 6    | 0.46%   |
| Holly Springs Shopping Center     |                              |      |   | 1,288,520                    | 7    | 0.38%   |
| Toonigh Village LLC               |                              |      |   | 1,201,800                    | 8    | 0.36%   |
| Dell Financial Services LP        |                              |      |   | 1,156,534                    | 9    | 0.34%   |
| Selas Fluid Processing            |                              |      |   | 999,720                      | 10   | 0.30%   |
|                                   | <u>\$ 41,184,160</u>         |      | 8.80%   | <u>\$ 28,926,511</u>         |      | 8.58%   |

**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 |
| 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%                 | \$ 1,900,758                        | \$ 2,383,507              | 99.98%             |
| 2011        | \$ 2,392,266                     | \$ 1,997,607                                 | 83.50%                 | \$ 385,948                          | \$ 2,383,555              | 99.64%             |
| 2012        | \$ 2,369,086                     | \$ 2,206,378                                 | 93.13%                 | \$ 153,231                          | \$ 2,359,609              | 99.60%             |
| 2013        | \$ 2,426,198                     | \$ 2,192,899                                 | 90.38%                 | \$ 226,997                          | \$ 2,419,896              | 99.74%             |
| 2014        | \$ 2,722,594                     | \$ 2,578,755                                 | 94.72%                 | \$ 137,797                          | \$ 2,716,552              | 99.78%             |
| 2015        | \$ 2,996,831                     | \$ 2,836,535                                 | 94.65%                 | \$ 110,484                          | \$ 2,947,019              | 98.34%             |
| 2016        | \$ 3,358,570                     | \$ 3,187,187                                 | 94.90%                 | \$ 160,480                          | \$ 3,347,667              | 99.68%             |
| 2017        | \$ 3,604,067                     | \$ 3,419,339                                 | 94.87%                 | N/A                                 | \$ 3,419,339              | 94.87%             |

- (1) The due date for the 2010 property tax digest was February 15, 2011. The normal due date for property taxes is December 20th annually (the same year as the taxes are billed).
- (2) The City of Holly Springs entered into a contract with a private company in 2012 to pursue the collection of delinquent property tax receivable balances. The City conducted two tax sales through December 31, 2012 which were very successful. The City plans to hold an annual tax sale going forward to ensure that all of the delinquent property tax receivable balances are paid in full.

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

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| <u>Governmental Activities</u> |                       |   |  |                       |
|--------------------------------|-----------------------|---|--|-----------------------|
| <u>Fiscal Year</u>             | <u>Capital Leases</u> | <u>Holly Springs<br/>Parks &amp;<br/>Recreation<br/>Authority</u> | <u>Percentage<br/>of Personal<br/>Income</u> | <u>Per<br/>Capita</u> |
| 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                |
| 2017                           | \$ -                  | \$ 2,757,573  | 0.80%  | \$ 245                |

**CITY OF HOLLY SPRINGS, GEORGIA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**DECEMBER 31, 2017**

| Governmental Unit   | Debt<br>Outstanding   | Estimated<br>Percentage<br>Applicable (1) | Estimated Share<br>of Overlapping<br>Debt |
|---|-----------------------|---|---|
| City Direct Debt:   |                       |   |   |
| Holly Springs Parks and Recreation Authority - 2016 Issue | \$ 2,757,573          | 100%                                      | \$ 2,757,573                              |
| Total Direct Debt   | <u>2,757,573</u>      |   | <u>2,757,573</u>                          |
| Overlapping General Obligation Debt:                      |                       |   |   |
| Cherokee County - 2009 Issue                              | 3,735,000             | 5.14%                                     | 191,988                                   |
| Cherokee County - 2010 Issue                              | 8,767,000             | 5.14%                                     | 450,646                                   |
| Cherokee County - 2011 Issue                              | 4,910,000             | 5.14%                                     | 252,386                                   |
| Cherokee County - 2014 Issue                              | 20,423,000            | 5.14%                                     | 1,049,793                                 |
| Cherokee County - Refunding bond 2015                     | 27,985,000            | 5.14%                                     | 28,450,000                                |
| Cherokee County School District                           | 553,510,222           | 5.14%                                     | 28,451,805                                |
| Capital Lease Debt  | 674,701               |   |   |
| Other Overlapping Debt:                                   |                       |   |   |
| Cherokee County Resource Recovery Development Authority   | <u>11,280,000</u>     | 5.14%                                     | <u>579,820</u>                            |
| Total Overlapping Debt                                    | <u>631,284,923</u>    |   | <u>59,426,438</u>                         |
| Total Direct and Overlapping Debt                         | <u>\$ 634,042,496</u> |   | <u>\$ 62,184,011</u>                      |

Source: Information obtained from the Cherokee County, Georgia Comprehensive Annual Financial Report dated September 30, 2017.

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> |
|--------------------|-----------------------|----------------------------|---------------------------------------|-----------------------|------------------------------------|------------------------------|------------------------------|
| 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%                         |
| 2017               | 11,235                | \$ 342,813,555             | \$ 30,513                             | 36.00                 | Some College                       | 1,194                        | 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                             | 2017          |      |  | 2008       |      |  |
|--------------------------------------|---------------|------|--|------------|------|--|
|                                      | Employees (1) | Rank | Percentage of<br>Total City<br>Employment(2) | Employees  | Rank | Percentage of<br>Total City<br>Employment(2) |
| Aramark K-12                         | 176           | 1    | 3.04%  |            |      |  |
| Walmart #5814                        | 136           | 2    | 2.35%  |            |      |  |
| Hydro-Chem, A Division of Linde Eng. | 97            | 3    | 1.67%  | 127        | 1    | 2.34%  |
| Home Depot, USA, Inc.                | 92            | 4    | 1.59%  |            |      |  |
| Kroger Store #430                    | 84            | 5    | 1.45%  | 94         | 2    | 1.73%  |
| Cherokee County School District      | 80            | 6    | 1.38%  | 75         | 3    | 1.38%  |
| Publix Super Markets, Inc.           | 79            | 7    | 1.36%  | 66         | 4    | 1.21%  |
| Nor-Ral Plastics, Inc.               | 54            | 8    | 0.93%  | 51         | 5    | 0.94%  |
| Sutherlin Nissan Cherokee            | 43            | 9    | 0.74%  |            |      |  |
| Southeast Restoration                | 41            | 10   | 0.71%  |            |      |  |
| Agilex Fragrance Division            |               |      |  | 62         | 6    | 1.14%  |
| Green Grass Inc                      |               |      |  | 45         | 7    | 0.83%  |
| All Phase Plumbing Inc               |               |      |  | 40         | 8    | 0.74%  |
| Wild West Bar and Grill              |               |      |  | 42         | 9    | 0.77%  |
| BEMD Company                         |               |      |  | 37         | 10   | 0.68%  |
| Total                                | <u>706</u>    |      | 12.17%                                       | <u>639</u> |      | 11.75%                                       |

(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 - 2008 Business Patterns



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

| <b>Function</b>         | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government      |             |             |             |             |             |             |
| Management              | 3.0         | 3.0         | 3.0         | 3.0         | 4.0         | 2.0         |
| Finance                 | 1.0         | 2.0         | 1.0         | 1.0         | 1.0         | 1.0         |
| Technology              | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         |
| Facilities              | 1.0         | 1.0         |             |             |             |             |
| Judicial                |             |             |             |             |             |             |
| Municipal Court         | 3.0         | 3.0         | 2.5         | 2.0         | 2.0         | 2.0         |
| Public Safety           |             |             |             |             |             |             |
| Police Officers         | 22.0        | 19.0        | 19.0        | 16.0        | 16.0        | 14.0        |
| Police Administration   | 5.0         | 4.0         | 4.0         | 4.0         | 4.0         | 4.0         |
| Probation (1)           | 1.0         | -           | -           | -           | -           | -           |
| Public Works            |             |             |             |             |             |             |
| Streets                 | 0.0         | 0.0         | 3.0         | 3.0         | 3.0         | 3.0         |
| Culture and Recreation  |             |             |             |             |             |             |
| Parks                   | 0.0         | 0.0         | 0.5         | -           | -           | 1.0         |
| Housing and Development |             |             |             |             |             |             |
| Building                | 4.0         | 5.5         | 3.5         | 2.0         | 2.0         | 2.0         |
| Planning and Zoning     | 2.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         |
| Stormwater (2)          | 2.0         | 2.5         | 1.0         | 1.0         | 2.0         | 1.0         |
| <b>Total</b>            | <b>45.0</b> | <b>42.0</b> | <b>39.5</b> | <b>34.0</b> | <b>36.0</b> | <b>32.0</b> |

(1) Prior to 2017, probation services were provided by a private contractor.

(2) 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.

| 2011 | 2010 | 2009 | 2008 |
|------|------|------|------|
| 2.0  | 2.0  | 2.0  | 2.0  |
| 1.0  | 1.0  | 1.0  | 1.0  |
| 1.0  | 1.0  | 1.0  | 1.0  |
| 2.0  | 2.0  | 2.0  | 2.0  |
| 14.0 | 13.0 | 14.0 | 15.0 |
| 4.0  | 4.0  | 4.0  | 4.0  |
| -    | -    | -    | -    |
| 3.0  | 2.0  | 3.0  | 3.0  |
| 1.0  | 1.0  | 1.0  | 1.0  |
| 2.0  | 2.0  | 6.0  | 7.0  |
| 1.0  | 1.0  | 1.0  | 2.0  |
| 0.5  | 0.5  | 0.0  | 0.0  |
| 31.5 | 29.5 | 35.0 | 38.0 |

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

| <b>Function</b>                    | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| General government                 |             |             |             |             |             |
| Ordinances approved                | 27          | 27          | 15          | 12          | 11          |
| Special events held                | 8           | 8           | 7           | 7           | 9           |
| Occupation tax licenses issued (1) | 719         | 719         | 633         | 539         | 909         |
| Court                              |             |             |             |             |             |
| Number of citations processed      | 2247        | 2,438       | 2,021       | 2,804       | 2,468       |
| Number & type of court sessions:   |             |             |             |             |             |
| Arraignments                       | 23          | 23          | 23          | 25          | 25          |
| Trials                             | 4           | 4           | 4           | 7           | 7           |
| Judge's seminars                   | -           | -           | 3           | 4           | 3           |
| Police                             |             |             |             |             |             |
| Calls for service                  | 12,939      | 12,612      | 12,593      | 27,501      | 26,056      |
| Part 1 crimes reported             | 326         | 435         | 393         | 186         | 201         |
| Public Works                       |             |             |             |             |             |
| Number of potholes repaired        | 34          | 35          | 13          | 2           | 9           |
| Miles of streets resurfaced        | 1.31        | 2.36        | 3.04        | 5.35        | 3.90        |
| Community Development              |             |             |             |             |             |
| Building permits issued            | 961         | 567         | 565         | 297         | 136         |
| Acres annexed                      | 119.33      | 53.53       | 98.54       | -           | 2.91        |
| Culture and Recreation             |             |             |             |             |             |
| Park acres maintained              | 46          | 46          | 46          | 13          | 13          |
| Stormwater                         |             |             |             |             |             |
| Stormwater projects completed (2)  | 2           | 2           | 1           | -           | -           |

(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

| 2012   | 2011   | 2010   | 2009   | 2008  |
|--------|--------|--------|--------|-------|
| 11     | 11     | 8      | 9      | 8     |
| 11     | 9      | 9      | 9      | 8     |
| 913    | 917    | 860    | 768    | 748   |
| 2,178  | 1,869  | 2,080  | 2,815  | 2,568 |
| 19     | 21     | 22     | 21     | 23    |
| 6      | 4      | 4      | 5      | 6     |
| 3      | 4      | -      | -      | -     |
| 24,426 | 30,558 | 17,623 | 23,180 | N/A   |
| 274    | 280    | 308    | 237    | 263   |
| 11     | 11     | 8      | N/A    | N/A   |
| 3.02   | 1.23   | -      | 2      | -     |
| 140    | 130    | 109    | 180    | 299   |
| 10.39  | -      | -      | -      | -     |
| 13     | 13     | 13     | 13     | 13    |
| 8      | 2      | -      | -      | -     |

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

| <b>Function</b>      | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public Safety        |             |             |             |             |             |             |
| Police               |             |             |             |             |             |             |
| Stations             | 1           | 1           | 1           | 1           | 1           | 1           |
| Patrol Units         | 21          | 18          | 17          | 16          | 13          | 13          |
| Public Works         |             |             |             |             |             |             |
| Streets (miles)      | 64          | 64          | 60          | 59          | 59          | 59          |
| Parks and Recreation |             |             |             |             |             |             |
| Acreage of Parks (1) | 46          | 46          | 46          | 46          | 46          | 46          |
| Playgrounds          | 3           | 3           | 3           | 2           | 2           | 2           |
| Baseball Fields      | 1           | 1           | 1           | 1           | 1           | 1           |
| Community Center     | 1           | 1           | 1           | 1           | 1           | 1           |

| 2011 | 2010 | 2009 | 2008 |
|------|------|------|------|
| 1    | 1    | 1    | 1    |
| 13   | 13   | 13   | 13   |
| 59   | 59   | 59   | 44   |
| 46   | 46   | 13   | 13   |
| 2    | 2    | 2    | 2    |
| 1    | 1    | 1    | 1    |
| 1    | 1    | 1    | 1    |

UGA DOWNTOWN FELLOWSHIP PRESENTATION



# INTERNAL CONTROL & COMPLIANCE SECTION

CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

**City of Holly Springs**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

| <i>Federal Grantor/Program or Cluster Title</i>          | <i>Federal<br/>CFDA<br/>Number</i> | <i>Name of Grant - Grant ID<br/>No.</i> | <i>Federal<br/>Expenditures(\$)</i> |
|--|------------------------------------|---|-------------------------------------|
| <b>Programs</b>  |                                    |   |                                     |
| Department of Labor                                      |                                    |   |                                     |
| WIA/WIOA Youth Activities                                |                                    |   |                                     |
|  |                                    | WIA/WIOA Youth Activities--             |                                     |
| WIA/WIOA Youth Activities                                | 17.259                             | WD1410                                  | 179,437                             |
| <i>Total Department of Labor</i>                         |                                    |   | <u>\$ 179,437</u>                   |
| Department of Transportation                             |                                    |   |                                     |
| Recreational Trails Program                              |                                    |   |                                     |
|  |                                    | Livable Centers Initiative--            |                                     |
| Recreational Trails Program                              | 20.219                             | CSTEE-0009-00 (006)                     | 25,278                              |
|  |                                    | Livable Centers Initiative--            |                                     |
| Recreational Trails Program                              | 20.219                             | CSSTP-0008-00-(961)                     | 37,592                              |
|  |                                    | Livable Centers Initiative--            |                                     |
| Recreational Trails Program                              | 20.219                             | UP1724                                  | 25,088                              |
| Highway Planning and Construction                        | 20.205                             | PI# 0015030                             | 149,118                             |
| <i>Total U. S Department of Transportation</i>           |                                    |   | <u>\$ 237,076</u>                   |
| Department of Housing and Urban Development              |                                    |   |                                     |
| Community Development Block Grants/Entitlement           | 14.218                             | CDBG--B-15-UC-13-0006                   | 153,282                             |
| <i>Total Department of Housing and Urban Development</i> |                                    |   | <u>\$ 153,282</u>                   |
| U.S. Department of Justice                               |                                    |   |                                     |
| Bulletproof Vest Partnership Program                     | 16.607                             | BPV                                     | 810                                 |
|  |                                    |   | <u>\$ 810</u>                       |
| <i>Total Expenditures of Federal Awards</i>              |                                    |   | <u>\$ 570,605</u>                   |

The accompanying notes are an integral part of this schedule



**CITY OF HOLLY SPRINGS, GEORGIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2017**

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*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, 2017.

*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

R. Lee Jennings, CFCA, CGMA, CPA  
Marvin Chance, CPA, CGMA  
Thomas H. Evans, Jr., CPA  
Sarah A Dunn, CPA, MDA  
Katherine S. Washington, CPA  
David E. DeScalzo, CPA, CFE, PC

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

506 East Third Street  
Rome, Georgia 30161  
Phone 706.802.1945 Fax 706.802.1279  
[www.romecpa.com](http://www.romecpa.com)  
14224 Highway 515 North  
Ellijay, Georgia 30540  
Phone 706.273.1945 Fax 706.273.1946  
[www.ellijaycpa.com](http://www.ellijaycpa.com)

### **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, 2017, 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, 2018.

#### **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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (See finding 2008-01)

#### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

*R. L. Jennings & Associates, PC*

Ellijay, Georgia  
May 25, 2018

**CITY OF HOLLY SPRINGS, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Repeat finding from prior years

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

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

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

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

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

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

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



# STATE SECTION

CITY OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

**CITY OF HOLLY SPRINGS, GEORGIA**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| Project   | Estimated Cost      |                     | Expenditures        |                     |                      | Estimated<br>% of<br>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<br>streetscapes                           | 1,602,705           | 1,602,705           | -                   | -                   | -                    | 0%                              |
| Public safety and public works<br>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        | \$ 6,044,836        | \$ 1,934,156        | \$ 7,978,992         | 257%                            |
| Law enforcement facilities, vehicles and<br>equipment         | 1,700,000           | 1,700,000           | 1,493,220           | 426,934             | 1,920,154            | 113%                            |
| Sewer system infrastructure, facilities and<br>equipment      | 750,000             | 750,000             | 822,677             | -                   | 822,677              | 110%                            |
| City hall administrative offices, facilities<br>and equipment | 755,000             | 755,000             | 50,751              | -                   | 50,751               | 7%                              |
| Public works, fire, fleet vehicles and<br>equipment           | 410,200             | 410,200             | 264,749             | -                   | 264,749              | 65%                             |
|   | <u>\$ 6,715,200</u> | <u>\$ 6,715,200</u> | <u>\$ 8,676,233</u> | <u>\$ 2,361,090</u> | <u>\$ 11,037,323</u> |                                 |

**Notes to schedule:**

The above schedule has been prepared using the modified accrual basis of accounting.  
Estimated cost represents the portion of these projects to be financed with Special Purpose  
Local Option Sales Taxes. Actual costs that are in excess of these amounts have been financed  
with funds from federal and state grants.