



City of Holly Springs, Georgia

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2018



PREPARED BY

General
Administration
Department

SUBMITTED BY

Robert H. Logan
CPA, CGMA

**CITY OF HOLLY SPRINGS, GEORGIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	i-v
Organizational Chart	vi
List of Elected Officials.....	vii
List of Principal Officials	viii
GFOA Certificate of Achievement.....	ix
 FINANCIAL SECTION	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	22
Notes to Financial Statements.....	23-44
Required Supplementary Information:	
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	45
Schedule of Changes in the City’s Net Pension Liability and Related Ratios	46
Schedule of City Contributions	47
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Non-major Governmental Funds.....	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	49
Multiple Grant Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	50
Parks and Recreation Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	51
Hotel/Motel Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	52
Debt Service Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	53
Statement of Changes in Assets and Liabilities – Agency Funds	54
Discretely Presented Component Unit:	
Balance Sheet – Component Unit – Holly Springs Downtown Development Authority.....	55
Statement of Revenues, Expenditures, and Changes in Fund Balance Component Unit – Holly Springs Downtown Development Authority.....	56
State Section:	
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds	57

**CITY OF HOLLY SPRINGS, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION	
Net Position by Component.....	58
Changes in Net Position	59 and 60
Fund Balances – Governmental Funds	61
Changes in Fund Balances.....	62
Assessed Value and Estimated Actual Value – All Taxable Property.....	63
Property Tax Rates – All Overlapping Governments	64
Principal Taxpayers	65
Property Tax Levies and Collections.....	66
Ratio of Outstanding Debt by Type.....	67
Direct and Overlapping Debt by Type.....	68
Demographic and Economic Statistics	69
Principal Employers	70
Full-time Equivalent City Government Employees by Function.....	71
Operating Statistics by Function/Program.....	72
Capital Asset Statistics by Function/Program.....	73
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74 and 75
Schedule of Findings and Responses.....	76 and 77

INTRODUCTORY SECTION



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
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Office: 770-345-5536 – Fax: 770-345-0209

City Attorney
Robert M. Dyer

City Clerk
Karen Norred

City Manager
Robert H. Logan

June 25, 2019

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, 2018, 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 Mauldin & Jenkins, 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, 2018 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, 2018 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 7.20 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%
2018	12,446	4.94%

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 opened the Northwest Corridor Project on I-575 and I-75 in 2018. This public/private partnership added 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. 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 March 2018 and was completed in May 2019. 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 2020 in conjunction with the Holly Springs Town Center Road Network Project. The Holly Springs Town Center Road Network Project was awarded to Georgia Development Partners in May 2019 with an anticipated one-year construction timeline. The Project includes the construction of a roundabout on Hickory Road, the construction of a new roadway from Palm Street to Hickory Road, the addition of a westbound through lane on Hickory Road and improvements to the intersection of Hickory Road and Palm Street. Upon completion, the project will improve traffic flow in downtown Holly Springs and alleviate congestion east of the Town Center.

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 Holly Springs Town Center 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

The City of Holly Springs has 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. Construction on both projects started in 2018 with expected completion in the fall of 2019. 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. Upon completion in the fall of 2019, phase one of the health park will generate approximately one hundred new jobs within the City of Holly Springs. The City anticipates a halo effect of medical uses near the health park in the future as well as increased commercial development in the area.

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, SPLOST V 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 2018.

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 and amphitheater. Construction of the Town Center Road Network Project, utilities and associated infrastructure is slated to begin in the summer of 2019. Vertical construction is anticipated to begin in the spring of 2020.

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 started in December 2018. Construction of Phase II is anticipated to be complete in the fall of 2019. The plan calls for pedestrian improvements, lamp posts, landscaping and traffic light upgrades. 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, 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, 2017. This was the sixth 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

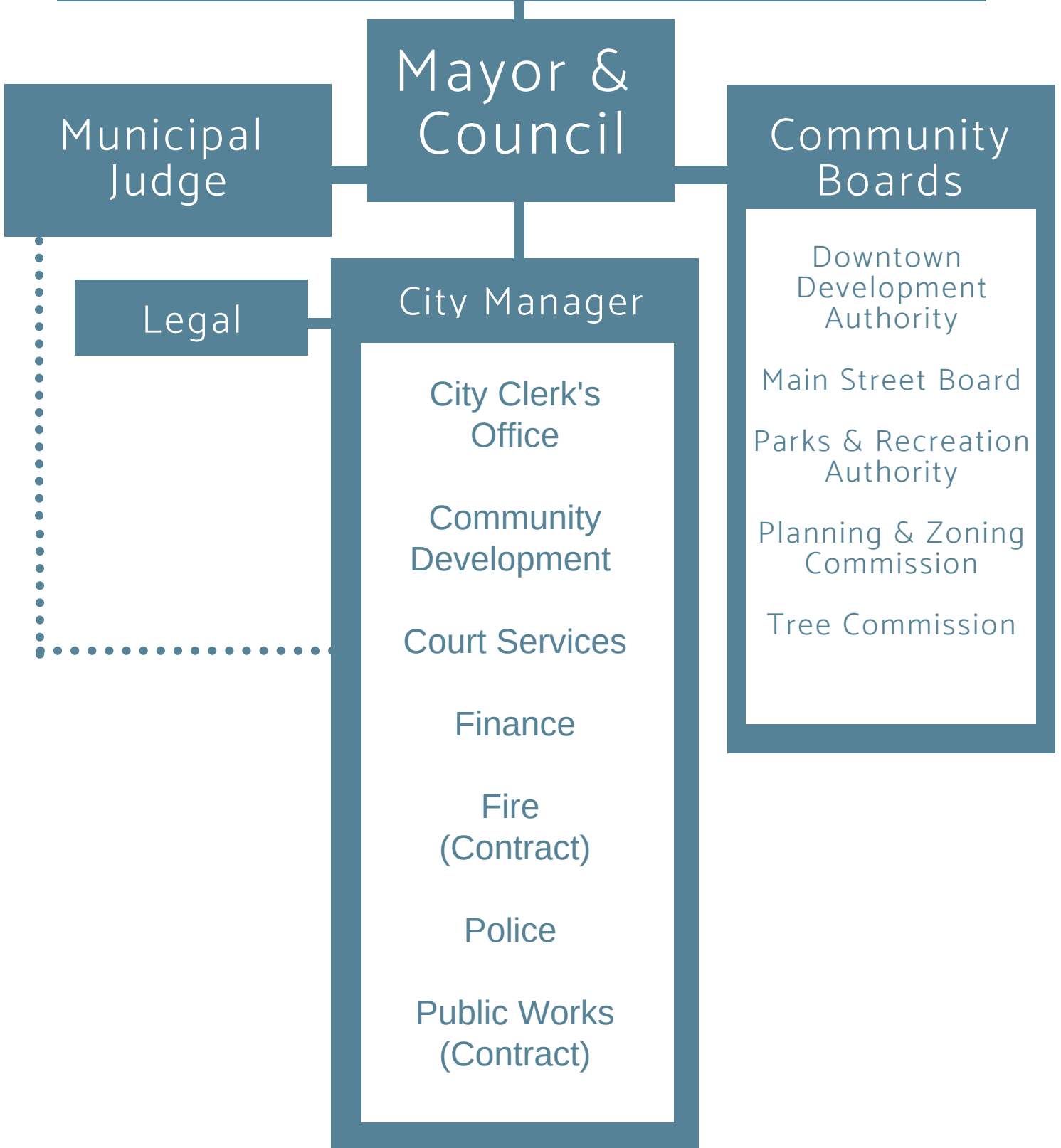
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of Erin Honea, Denise Lamazares, the entire City staff and the Certified Public Accounting firm of Mauldin & Jenkins. I would also like to thank the Mayor and members of the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



Mayor & Council



Mayor
Steven W. Miller



Councilmember
Karen Barnett



Councilmember
Dee Phillips



Mayor Pro Tem
Michael Roy Zenchuk II

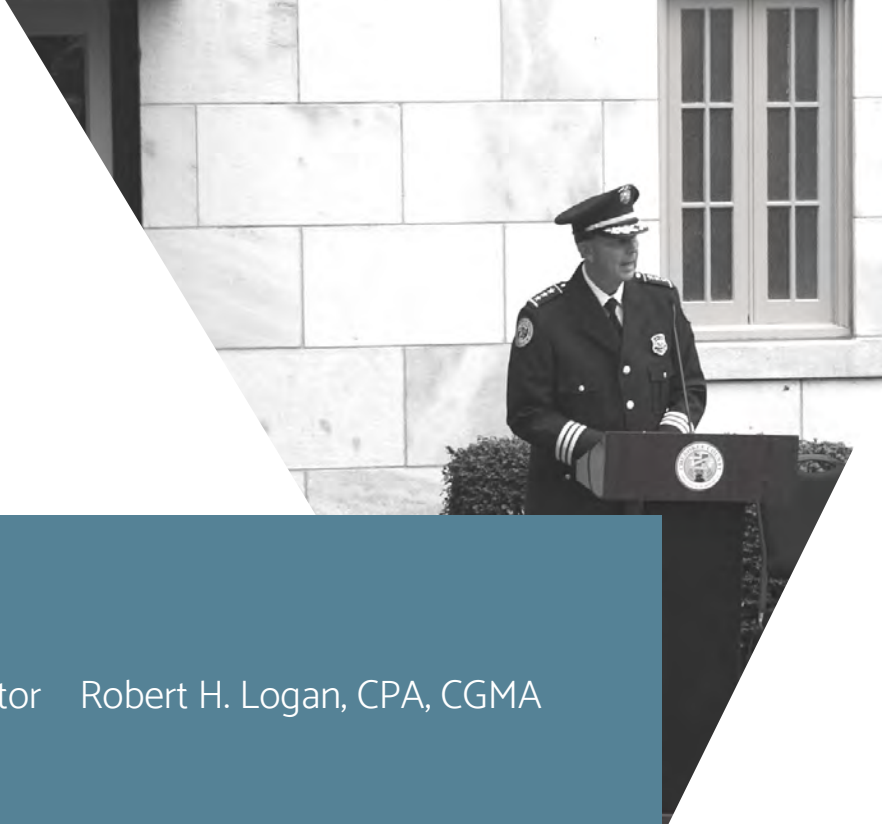


Councilmember
vii Jeremy Smith



Councilmember
Kyle Whitaker

PRINCIPAL OFFICERS



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

City Clerk/Human Resources Director 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 Auditors Mauldin and Jenkins, LLC



Government Finance Officers Association

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

Presented to

**City of Holly Springs
Georgia**

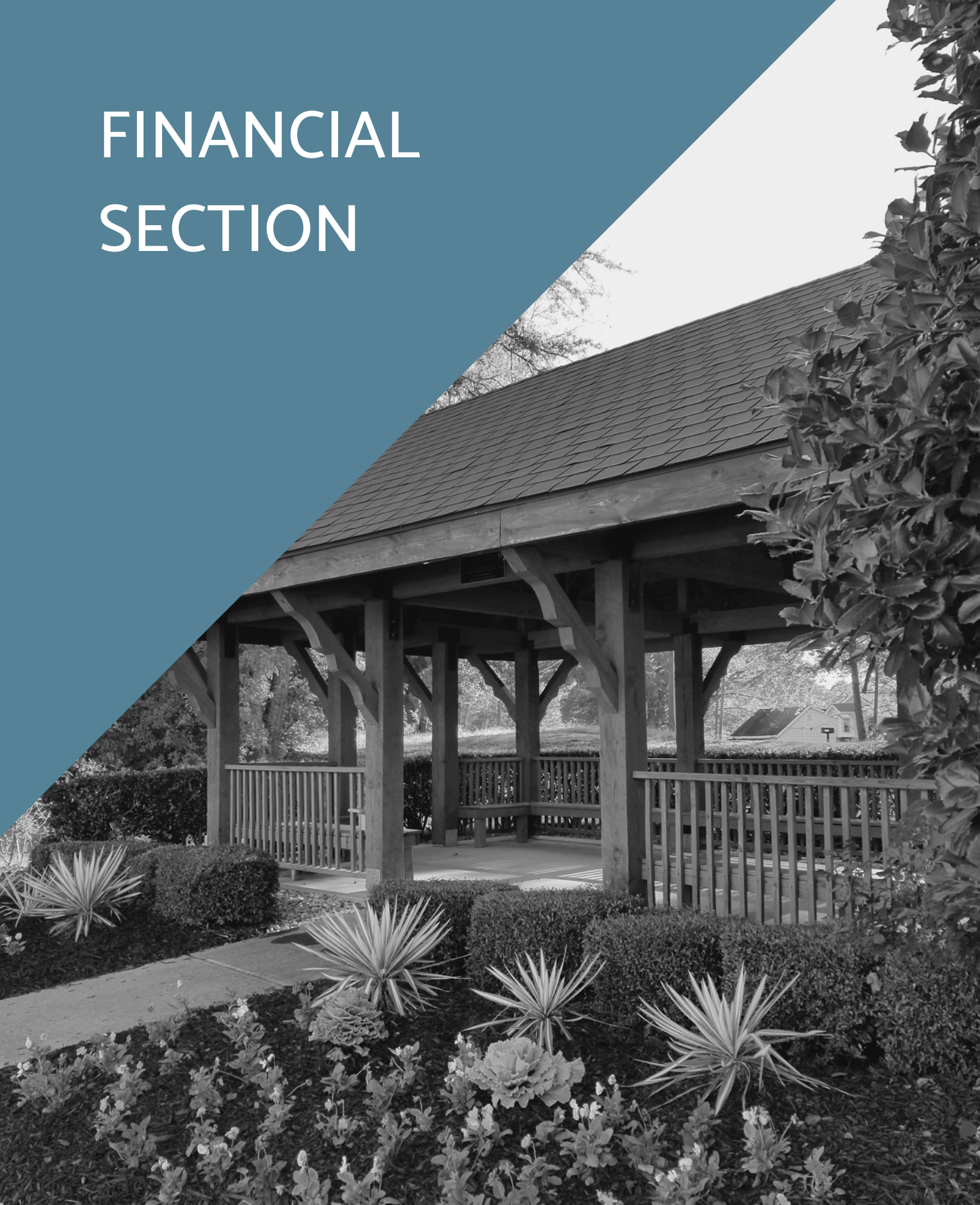
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of the City Council of the
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** (the "City"), as of and for the year ended December 31, 2018, 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 of 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, 2018, 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 4 through 13), General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (on page 45), the schedule of changes in the City's net pension liability and related ratios (on page 46), and the schedule of City contributions (on page 47) 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's basic financial statements. The combining and individual fund statements and schedules and the schedule of projects constructed with special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Information (Continued)

The combining and individual fund statements and schedules, and schedule of projects constructed with special purpose local option sales tax proceeds, (collectively, “the supplementary information”) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, 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’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’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 25, 2019

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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 2018 are as follows:

- The City's combined net position increased \$7,312,800 (19.83%) to \$44,184,354 from \$36,871,554 in 2017.
- Combined revenue increased \$4,961,742 (46.53%) to \$15,626,197 from \$10,664,455 in 2017, of which governmental activities totaled \$14,872,622 and business-type activities totaled \$753,575.
- Overall expenses increased \$573,226 (7.37%) to \$8,351,537 from \$7,778,311 in 2017, of which governmental activities totaled \$8,076,126 and business-type activities totaled \$275,411.
- As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$8,255,993. At December 31, 2018, \$6,078,478 or 73.63% 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, deferred outflows of resources, deferred inflows of resources, and liabilities with the difference between them 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,

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

culture and recreation and housing and development. The business-type activities include the stormwater utility. Component units include legally separate entities that meet the criteria for inclusion in the City's financial statements discussed in the notes to the financial statements, Note 1. The City includes one component unit separately in its government-wide financial statements: The Holly Springs Downtown Development Authority.

The government-wide financial statements can be found on pages 14 through 15 of this report.

FUND FINANCIAL STATEMENTS

The Fund Financial statements begin on page 16 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. Three individual funds are considered to be major funds: General Fund, SPLOST IV Fund and SPLOST V 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 page 16 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 page 19 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.

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The Statement of Fiduciary Assets and Liabilities – Agency Fund can be found on page 22 of this report.

Notes to Financial Statements

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

The notes to financial statements can be found on pages 23 through 44 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 45 through 47 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 \$44,184,354 at December 31, 2018.

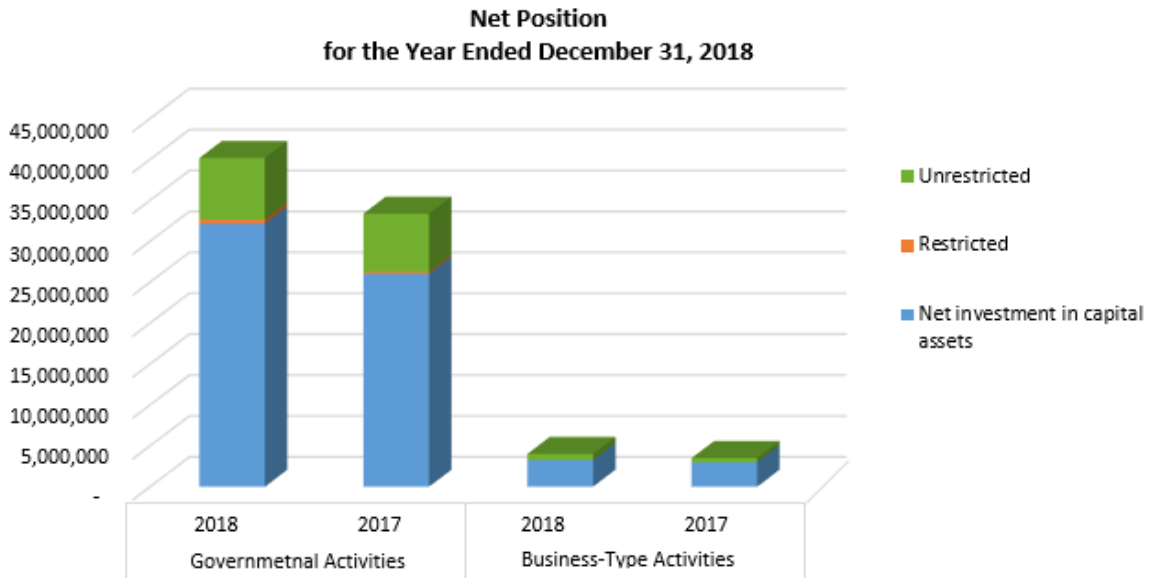
Combined net position includes a net investment in capital assets of \$35,415,574 (e.g. land, infrastructure, buildings, equipment, and other); less accumulated depreciation and any related debt outstanding that was needed to build or acquire the assets. The City uses these assets to provide services to the citizens and the businesses in the City; consequently, this net position is not available for future spending. The city has \$509,488 of restricted net position that is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. The City has \$8,259,292 in unrestricted net position at December 31, 2018.

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

City of Holly Springs' Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017 - Restated</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017 - Restated</u>
Current and other assets	\$ 13,059,626	\$ 12,362,631	\$ 785,036	\$ 530,691	\$ 13,844,662	\$ 12,893,322
Capital assets	34,628,678	28,788,237	3,247,671	2,985,637	37,876,349	31,773,874
Total assets	<u>47,688,304</u>	<u>41,150,868</u>	<u>4,032,707</u>	<u>3,516,328</u>	<u>51,721,011</u>	<u>44,667,196</u>
Deferred Outflows of Resources	<u>296,922</u>	<u>172,173</u>	<u>11,568</u>	<u>6,023</u>	<u>308,490</u>	<u>178,196</u>
Current liabilities	939,647	1,806,031	10,202	19,287	949,849	1,825,318
Non-current liabilities	<u>2,726,923</u>	<u>2,507,682</u>	<u>19,567</u>	<u>-</u>	<u>2,746,490</u>	<u>2,507,682</u>
Total liabilities	<u>3,666,570</u>	<u>4,313,713</u>	<u>29,769</u>	<u>19,287</u>	<u>3,696,339</u>	<u>4,333,000</u>
Deferred Inflows of Resources	<u>4,146,157</u>	<u>3,640,225</u>	<u>2,651</u>	<u>613</u>	<u>4,148,808</u>	<u>3,640,838</u>
Net position:						
Net investment in capital assets	32,167,903	26,030,664	3,247,671	2,985,637	35,415,574	29,016,301
Restricted	509,488	253,689	-	-	509,488	253,689
Unrestricted	<u>7,495,108</u>	<u>7,084,750</u>	<u>764,184</u>	<u>516,814</u>	<u>8,259,292</u>	<u>7,601,564</u>
Total net position	<u>\$ 40,172,499</u>	<u>\$ 33,369,103</u>	<u>\$ 4,011,855</u>	<u>\$ 3,502,451</u>	<u>\$ 44,184,354</u>	<u>\$ 36,871,554</u>

As of December 31, 2018, the City of Holly Springs is able to present positive balances in net position for its governmental and business-type activities.

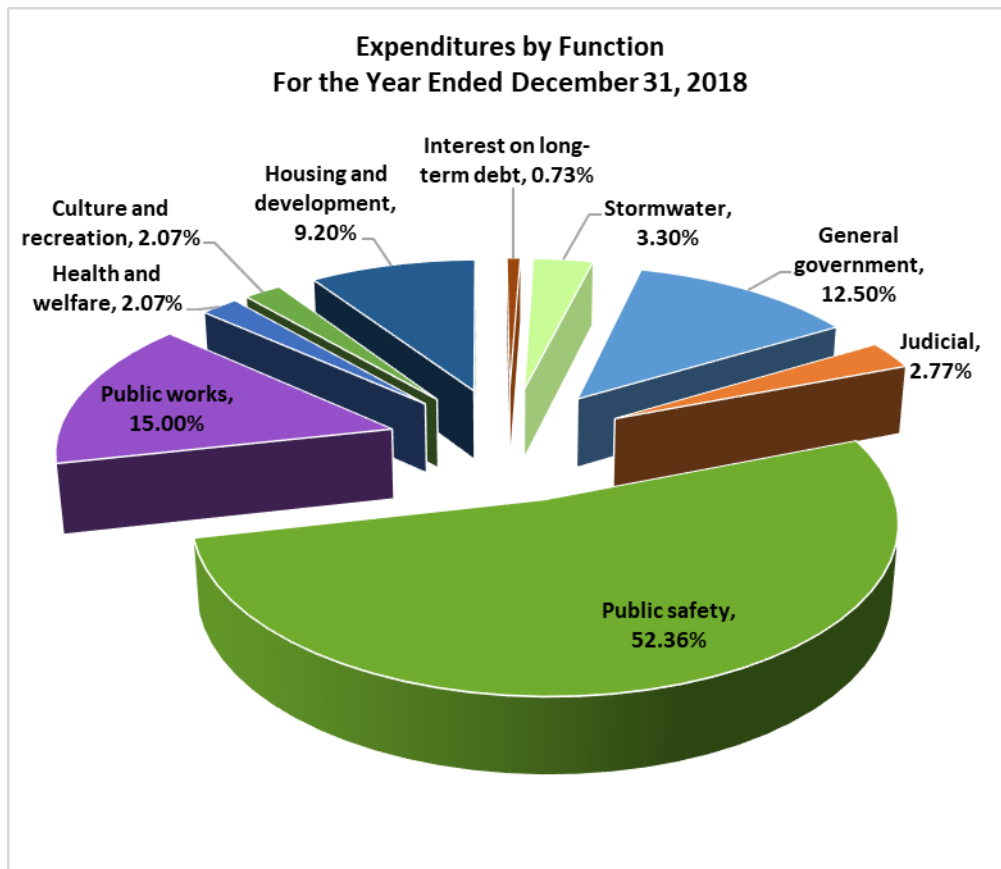
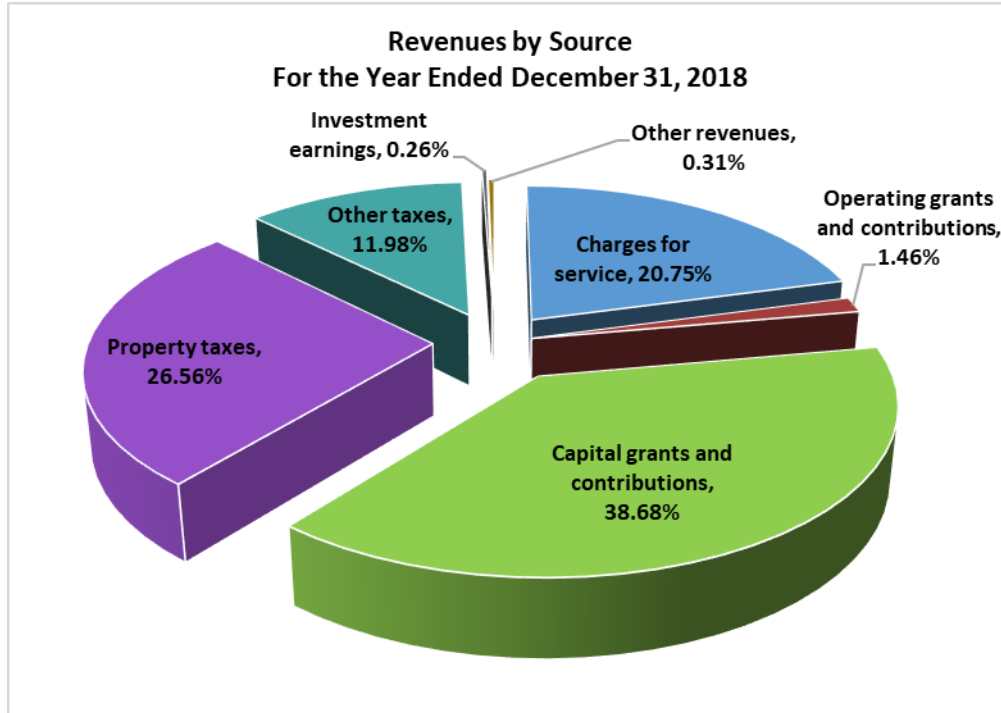


**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

City of Holly Springs' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for service	\$ 2,921,691	\$ 1,860,426	\$ 320,932	\$ 327,271	\$ 3,242,623	\$ 2,187,697
Operating grants and contributions	227,619	235,203	-	-	227,619	235,203
Capital grants and contributions	5,611,562	2,378,027	432,000	-	6,043,562	2,378,027
General revenues:						
Property taxes	4,150,720	4,062,016	-	-	4,150,720	4,062,016
Other taxes	1,871,850	1,764,443	-	-	1,871,850	1,764,443
Investment earnings	40,501	15,272	643	24	41,144	15,296
Other revenues	48,679	21,773	-	-	48,679	21,773
Total revenues	14,872,622	10,337,160	753,575	327,295	15,626,197	10,664,455
Expenses						
General government	1,044,094	1,040,174	-	-	1,044,094	1,040,174
Judicial	231,180	255,842	-	-	231,180	255,842
Public safety	4,373,129	4,341,176	-	-	4,373,129	4,341,176
Public works	1,252,467	878,923	-	-	1,252,467	878,923
Health and welfare	172,892	179,437	-	-	172,892	179,437
Culture and recreation	172,860	165,714	-	-	172,860	165,714
Housing and development	768,455	663,374	-	-	768,455	663,374
Interest on long-term debt	61,049	931	-	-	61,049	931
Stormwater	-	-	275,411	252,740	275,411	252,740
Total Expenses	8,076,126	7,525,571	275,411	252,740	8,351,537	7,778,311
Increase (decrease) in net position before transfers	6,796,496	2,811,589	478,164	74,555	7,274,660	2,886,144
Transfers in (out)	6,900	-	(6,900)	-	-	-
Gain (loss) sale of assets	-	(15,430)	38,140	-	38,140	(15,430)
Change in net position	6,803,396	2,796,159	509,404	74,555	7,312,800	2,870,714
Beginning net position	33,369,103	34,059,473	3,502,451	3,427,896	36,871,554	37,487,369
Restatements	-	(3,486,529)	-	-	-	(3,486,529)
Ending net position	\$ 40,172,499	\$ 33,369,103	\$ 4,011,855	\$ 3,502,451	\$ 44,184,354	\$ 36,871,554

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**



**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Governmental Activities

The governmental activities of the City increased net position by \$6,803,396. 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 \$88,704 (2.18%) in 2018 from 2017 due to growth in the tax digest. Charges for services increased \$1,054,926 (48.22%) due to an increase in the number of building permits issued during 2018 for commercial and residential projects. Operating Grants and Contributions decreased \$7,584 (3.22%) due to a decrease in funding from the Atlanta Regional Commission (ARC) for Cherokee FOCUS (pass-through grant). Capital grants and contributions increased \$3,665,535 (254.14%) due primarily to the acceptance of infrastructure built by developers throughout the City.

Expenses

General government expenses increased \$3,920 (0.38%) in 2018 from 2017 primarily due to increased costs attributable to new personnel and related costs. Judicial expenses decreased \$24,662 (9.64%) in 2018 from 2017 due to staff turnover during 2018. Public safety expenses increased \$31,953 (0.74%) primarily due to an increase in the number of certified police officers in 2018 over the previous year and an increase in fire district fees in 2018 netted with staff turnover in the department. Public works expenses increased \$373,544 (42.50%) from 2018 from 2017. Health and welfare expenses decreased \$6,545 (3.656%) as a direct result of decreased funding from the Atlanta Regional Commission for the pass-through grant to Cherokee FOCUS. Culture and recreation expenses increased \$7,146 (4.31%) due to an increase in maintenance costs in the City's parks in 2018. Housing and development expenses increased \$105,081 (15.79%) from 2017 due to increased costs for contract inspection services with a private contractor and contract fire marshal. Interest expenses on long-term debt increased \$60,118 in 2018 from 2017. The first full year of debt service for the HSPRA bond payments were paid in 2018.

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, 2018, the City's governmental funds reported combined ending fund balances of \$8,255,993.

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 \$8,574,335, which was comprised of nonspendable fund balance of \$1,490,068 and unassigned fund balance of \$7,084,267. Fund balance in the General Fund increased \$1,674,893 (24.28%) in 2018 over 2017. 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 2018 over the prior year.

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The SPLOST IV Fund is a capital projects fund of the City. The purpose of this fund is to account for the collection of special purpose local option sales tax (SPLOST) and the construction of approved capital projects. At the end of the current fiscal year, the restricted fund balance of the SPLOST IV Fund was \$59,481. Fund balance in the SPLOST IV Fund increased \$555,435 in 2018 from 2017 due to the receipt of special assessments used for the construction of the Holly Springs Parkway Widening Project.

The SPLOST V Fund is also 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 and the construction of approved capital projects. The fund balance deficit at year end was \$948,034 comprised of nonspendable fund balance of \$14,527, restricted fund balance of \$43,228 for paving projects, and unassigned fund balance deficit of \$1,005,789. This is attributable to costs incurred to construct capital projects prior to the receipt of the special purpose local options sales tax.

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 \$578,409 for the year ending December 31, 2018. Non-major governmental fund expenditures totaled \$1,146,536. Fund balance for all non-major governmental funds was \$570,211. Non-major fund balances decreased \$571,127 due primarily for transfers to fund the preliminary construction activities of the Holly Springs Town Center.

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 \$4,011,855 at December 31, 2018, an increase of \$509,404 over 2017. Net investment in capital assets is \$3,247,671 and unrestricted net position is \$764,184. Net position increased in 2018 due primarily to developer contributions of stormwater infrastructure in 2018.

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 45 of the annual report. In 2018, the City had a net favorable budget variance of \$1,674,893. There was a favorable revenue budget variance of \$779,338. 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 2018 the City had realized revenues in excess of appropriations and the budget was amended to reflect the increased revenues in the amount of \$1,175,000. The favorable budget variance for all expenditure categories in 2018 was \$869,735. 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.

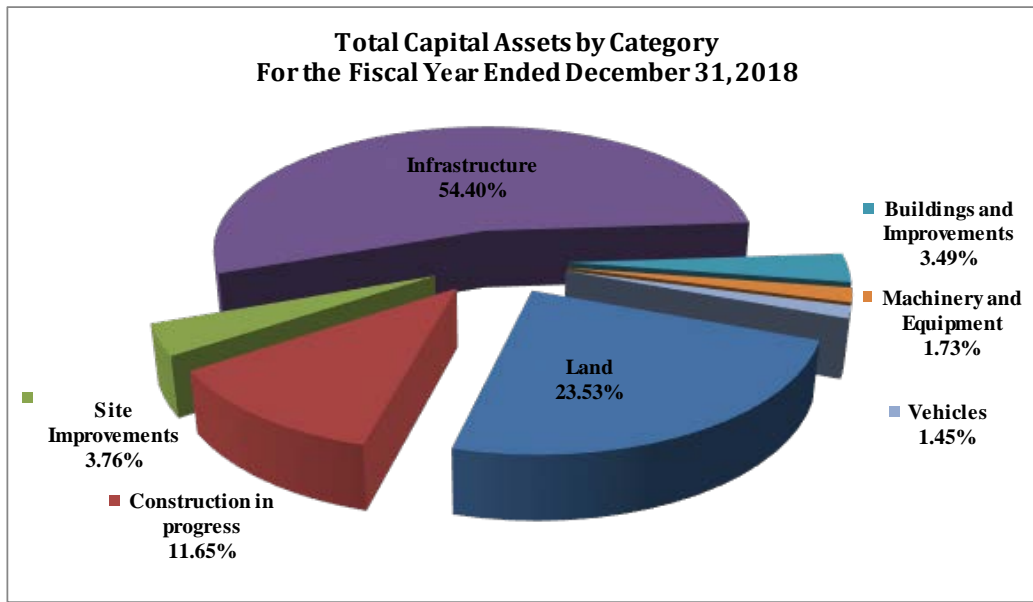
**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

CAPITAL ASSETS

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 8,911,062	\$ 8,857,745	\$ -	\$ -	\$ 8,911,062	\$ 8,857,745
Construction in Progress	4,411,290	1,582,156	-	-	4,411,290	1,582,156
Site Improvements	1,425,911	1,483,177	-	-	1,425,911	1,483,177
Infrastructure	17,376,908	14,406,987	3,226,707	2,844,791	20,603,615	17,251,778
Buildings and Improvements	1,320,195	1,355,199	-	-	1,320,195	1,355,199
Machinery and Equipment	641,492	685,598	13,766	130,048	655,258	815,646
Vehicles	541,820	417,375	7,198	10,798	549,018	428,173
Total:	\$ 34,628,678	\$ 28,788,237	\$ 3,247,671	\$ 2,985,637	\$ 37,876,349	\$ 31,773,874

See Note 1G in the notes to the financial statements for the City's policies regarding capital assets. Note 6 in the notes to the financial statements provides a summary of capital asset activity for the year ended December 31, 2018.



LONG-TERM DEBT

The table below represents long-term debt outstanding as of December 31, 2018 and 2017:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital Leases & Bonds	\$ 2,460,775	\$ 2,757,573	\$ -	\$ -	\$ 2,460,775	\$ 2,757,573
Net Pension Liability	502,215	375,074	19,567	13,121	521,782	388,195
Compensated Absences	138,056	135,652	-	-	138,056	135,652
Total:	\$ 3,101,046	\$ 3,268,299	\$ 19,567	\$ 13,121	\$ 3,120,613	\$ 3,281,420

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The City reported long-term liabilities of \$3,120,613 as of December 31, 2018 exclusive of interest expense. The City has no general obligation debt outstanding at December 31, 2018. See Note 8 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, 2018.

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 2019 is \$7,625,000. This is a decrease of \$350,000 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 2019 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 8 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 2019 in the commercial sector at exits 11 and 14 on I-575 due to the opening of the Northwest Corridor Project along I-575 that includes reversible toll lanes for area residents. Construction of over 600 luxury apartments is underway at exit 11 as well as the construction of a new 100,000 square foot health park. These projects are slated for completion in the fall of 2019. 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 for additional information.

CITY OF HOLLY SPRINGS, GEORGIA
Statement of Net Position
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 10,798,193	\$ 382,371	\$ 11,180,564	\$ 89,598
Investments	1,017,001	-	1,017,001	35,864
Taxes receivable, net of allowances	240,943	-	240,943	-
Accounts receivable, net of allowances	673,076	133,125	806,201	-
Due from other governments	388,063	-	388,063	32
Internal balances	(263,040)	263,040	-	-
Prepaid items	205,390	6,500	211,890	-
Total Current Assets	<u>13,059,626</u>	<u>785,036</u>	<u>13,844,662</u>	<u>125,494</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable capital assets	13,322,352	-	13,322,352	1,706,312
Depreciable capital assets, net	21,306,326	3,247,671	24,553,997	25,388
Total Noncurrent Assets	<u>34,628,678</u>	<u>3,247,671</u>	<u>37,876,349</u>	<u>1,731,700</u>
TOTAL ASSETS	<u>47,688,304</u>	<u>4,032,707</u>	<u>51,721,011</u>	<u>1,857,194</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	296,922	11,568	308,490	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>296,922</u>	<u>11,568</u>	<u>308,490</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	303,512	8,592	312,104	-
Deposits payable	1,225	-	1,225	-
Accrued salaries and payroll taxes	118,876	1,610	120,486	-
Compensated absences payable, current portion	69,028	-	69,028	-
Notes payable, current portion	305,095	-	305,095	-
Unearned revenue	141,911	-	141,911	-
Total Current Liabilities	<u>939,647</u>	<u>10,202</u>	<u>949,849</u>	<u>-</u>
Noncurrent Liabilities:				
Compensated absences payable	69,028	-	69,028	-
Notes payable	2,155,680	-	2,155,680	-
Net pension liability	502,215	19,567	521,782	-
Total Noncurrent Liabilities	<u>2,726,923</u>	<u>19,567</u>	<u>2,746,490</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,666,570</u>	<u>29,769</u>	<u>3,696,339</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues - property taxes	4,078,118	-	4,078,118	-
Pension related items	68,039	2,651	70,690	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,146,157</u>	<u>2,651</u>	<u>4,148,808</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	32,167,903	3,247,671	35,415,574	1,731,700
Restricted for:				
Capital projects	462,232	-	462,232	-
Tourism	10,173	-	10,173	-
Grants	37,083	-	37,083	-
Unrestricted	7,495,108	764,184	8,259,292	125,494
TOTAL NET POSITION	<u>\$ 40,172,499</u>	<u>\$ 4,011,855</u>	<u>\$ 44,184,354</u>	<u>\$ 1,857,194</u>

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Activities

For the Year Ended December 31, 2018

	Program Revenues			
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 1,044,094	\$ 110,977	\$ 54,727	\$ 251,280
Judicial	231,180	465,429	-	-
Public safety	4,373,129	8,642	-	405,336
Public works	1,252,467	357,826	172,892	4,810,299
Parks, recreation and culture	172,860	25	-	144,647
Housing and development	768,455	1,978,792	-	-
Health and welfare	172,892	-	-	-
Interest on long-term debt	61,049	-	-	-
Total Governmental Activities	8,076,126	2,921,691	227,619	5,611,562
Business-Type Activities:				
Stormwater	275,411	320,932	-	432,000
Total Business-Type Activities	275,411	320,932	-	432,000
Total - Primary Government	\$ 8,351,537	\$ 3,242,623	\$ 227,619	\$ 6,043,562
Component Unit:				
Downtown Development Authority	\$ 6,358	\$ 8,000	\$ -	\$ -
Total - Component Unit	\$ 6,358	\$ 8,000	\$ -	\$ -

GENERAL REVENUES:

Taxes:
 Property
 Sales
 Insurance premium
 Franchise
 Business and occupation
 Hotel/Motel
 Unrestricted investment earnings
 Miscellaneous
 Gain on sale of capital assets
 Transfers

Total General Revenues and transfers

Change in Net Position

NET POSITION BEGINNING OF YEAR, Restated

NET POSITION END OF YEAR

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	
\$ (627,110)	\$ -	\$ (627,110)	\$ -	-
234,249	-	234,249	-	-
(3,959,151)	-	(3,959,151)	-	-
4,088,550	-	4,088,550	-	-
(28,188)	-	(28,188)	-	-
1,210,337	-	1,210,337	-	-
(172,892)	-	(172,892)	-	-
(61,049)	-	(61,049)	-	-
684,746	-	684,746	-	-
-	477,521	477,521	-	-
-	477,521	477,521	-	-
684,746	477,521	1,162,267	-	-
-	-	-	-	1,642
-	-	-	-	1,642
4,150,720	-	4,150,720	-	-
355,809	-	355,809	-	-
661,990	-	661,990	-	-
720,336	-	720,336	-	-
128,066	-	128,066	-	-
5,649	-	5,649	-	-
40,501	643	41,144	107	-
48,679	-	48,679	-	-
-	38,140	38,140	-	-
6,900	(6,900)	-	-	-
6,118,650	31,883	6,150,533	-	107
6,803,396	509,404	7,312,800	-	1,749
33,369,103	3,502,451	36,871,554	-	1,855,445
\$ 40,172,499	\$ 4,011,855	\$ 44,184,354	\$ -	1,857,194

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	SPLOST IV Fund	SPLOST V Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 10,064,618	\$ 51,087	\$ 156,652	\$ 525,836	\$ 10,798,193
Investments	1,017,001	-	-	-	1,017,001
Receivables (net of allowance for uncollectibles):					
Taxes	240,601	-	-	342	240,943
Accounts	550,350	-	29,655	93,071	673,076
Due from other funds	9,285	-	-	-	9,285
Intergovernmental receivable	39,888	8,394	311,943	27,838	388,063
Prepaid items	190,068	-	14,527	795	205,390
Advances to other funds	1,300,000	-	-	-	1,300,000
TOTAL ASSETS	\$ 13,411,811	\$ 59,481	\$ 512,777	\$ 647,882	\$ 14,631,951
LIABILITIES					
Accounts payable	\$ 161,853	\$ -	\$ 131,156	\$ 10,503	\$ 303,512
Deposits payable	-	-	-	1,225	1,225
Accrued liabilities	118,876	-	-	-	118,876
Advances from other funds	-	-	1,300,000	-	1,300,000
Due to other funds	263,040	-	-	9,285	272,325
Unearned revenue	141,911	-	-	-	141,911
TOTAL LIABILITIES	685,680	-	1,431,156	21,013	2,137,849
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	4,078,118	-	-	-	4,078,118
Unavailable revenue - property taxes	32,987	-	-	-	32,987
Unavailable revenue - charges for services	-	-	29,655	56,658	86,313
Unavailable revenue - municipal court fines	40,691	-	-	-	40,691
TOTAL DEFERRED INFLOWS OF RESOURCES	4,151,796	-	29,655	56,658	4,238,109
FUND BALANCES					
Nonspendable:					
Prepaid items	190,068	-	14,527	795	205,390
Advances	1,300,000	-	-	-	1,300,000
Restricted:					
Tourism	-	-	-	9,378	9,378
Grant purposes	-	-	-	37,083	37,083
Capital projects	-	59,481	43,228	258,683	361,392
Committed for culture and recreation	-	-	-	246,679	246,679
Assigned for capital projects	-	-	-	17,593	17,593
Unassigned	7,084,267	-	(1,005,789)	-	6,078,478
TOTAL FUND BALANCES (DEFICITS)	8,574,335	59,481	(948,034)	570,211	8,255,993
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,411,811	\$ 59,481	\$ 512,777	\$ 647,882	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	34,628,678
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	159,991
Deferred outflows and inflows of resources as well as the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.	(273,332)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,598,831)
Net position of governmental activities	<u>\$ 40,172,499</u>

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General Fund	SPLOST IV Fund	SPLOST V Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 5,628,125	\$ -	\$ -	\$ 361,458	\$ 5,989,583
Licenses and permits	2,081,125	431,427	345,487	26,838	2,884,877
Intergovernmental	32,263	862,656	992,381	172,892	2,060,192
Charges for services	421,473	-	-	25	421,498
Fines and forfeitures	466,287	-	-	-	466,287
Investment earnings	40,501	321	339	1,603	42,764
Contributions	28,478	-	-	-	28,478
Miscellaneous	33,086	-	-	15,593	48,679
TOTAL REVENUES	8,731,338	1,294,404	1,338,207	578,409	11,942,358
EXPENDITURES					
Current:					
General government	1,044,363	-	-	497,917	1,542,280
Judicial	235,967	-	-	-	235,967
Public safety	4,131,113	-	-	-	4,131,113
Public works	642,451	-	-	-	642,451
Culture and recreation	5,074	-	-	112,298	117,372
Health and welfare	-	-	-	172,892	172,892
Housing and development	746,297	-	-	4,693	750,990
Capital outlay	-	1,038,969	2,286,241	-	3,325,210
Debt service:					
Principal	-	-	-	296,798	296,798
Interest	-	-	-	61,938	61,938
TOTAL EXPENDITURES	6,805,265	1,038,969	2,286,241	1,146,536	11,277,011
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,926,073	255,435	(948,034)	(568,127)	665,347
OTHER FINANCING SOURCES (USES)					
Transfers in	9,900	300,000	-	358,736	668,636
Transfers out	(300,000)	-	-	(361,736)	(661,736)
Sale of capital assets	38,920	-	-	-	38,920
TOTAL OTHER FINANCING SOURCES (USES)	(251,180)	300,000	-	(3,000)	45,820
NET CHANGE IN FUND BALANCES	1,674,893	555,435	(948,034)	(571,127)	711,167
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, RESTATED	6,899,442	(495,954)	-	1,141,338	7,544,826
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 8,574,335	\$ 59,481	\$ (948,034)	\$ 570,211	\$ 8,255,993

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA
*Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018*

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ 711,167
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	2,919,586
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	9,409
The effect of donated capital assets is to increase net position.	2,920,855
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents the repayment of the long-term debt.	296,798
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(54,419)</u>
Change in net position - governmental activities	<u>\$ 6,803,396</u>

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Net Position

Proprietary Fund

December 31, 2018

	<u>Stormwater Fund</u>
ASSETS	
Current Assets:	
Cash	\$ 382,371
Accounts receivable	133,125
Due from other funds	263,040
Prepaid items	6,500
Total Current Assets	<u>785,036</u>
Noncurrent Assets:	
Capital assets:	
Depreciable capital assets, net	3,247,671
Total Noncurrent Assets	<u>3,247,671</u>
TOTAL ASSETS	<u>4,032,707</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	11,568
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,568</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	8,592
Accrued salaries and payroll taxes	1,610
Total Current Liabilities	<u>10,202</u>
Noncurrent Liabilities:	
Net pension liability	19,567
Total Noncurrent Liabilities	<u>19,567</u>
TOTAL LIABILITIES	<u>29,769</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	2,651
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,651</u>
NET POSITION	
Investment in capital assets	3,247,671
Unrestricted	764,184
TOTAL NET POSITION	<u>\$ 4,011,855</u>

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2018

	Stormwater Fund
OPERATING REVENUES	
Charges for services	\$ 320,932
TOTAL OPERATING REVENUES	320,932
OPERATING EXPENSES	
Personal services and employee benefits	105,141
Purchased and contractual services	92,537
Materials and supplies	2,752
Depreciation	74,981
TOTAL OPERATING EXPENSES	275,411
OPERATING INCOME	45,521
NON-OPERATING INCOME	
Gain on sale of capital assets	38,140
Interest earned	643
TOTAL NON-OPERATING INCOME	38,783
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	84,304
Capital contributions	432,000
Transfers out	(6,900)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	425,100
CHANGE IN NET POSITION	509,404
NET POSITION	
BEGINNING OF YEAR	3,502,451
END OF YEAR	\$ 4,011,855

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

	<u>Stormwater Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$	320,932
Cash payments to employees for services		(102,395)
Cash payments for goods and services		(69,703)
		<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES		148,834
		<hr/>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers out to other funds		(6,900)
		<hr/>
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES		(6,900)
		<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		643
		<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES		643
		<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		142,577
		<hr/>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		239,794
		<hr/>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	382,371
		<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$	45,521
Adjustments:		
Depreciation		74,981
(Increase) decrease in assets:		
Accounts receivable		-
Due from other funds		22,023
Prepaid items		(1,666)
Deferred outflows of resources (pensions)		(5,545)
Increase (decrease) in liabilities:		
Accounts payable		5,229
Accrued salaries and payroll taxes		(193)
Deferred inflows of resources (pensions)		2,038
Net pension liability		6,446
		<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	148,834
		<hr/> <hr/>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	\$	432,000
		<hr/> <hr/>

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Fiduciary Assets and Liabilities

Agency Fund

December 31, 2018

ASSETS	
Cash	\$ 86,642
TOTAL ASSETS	<u>\$ 86,642</u>
LIABILITIES	
Due to others	\$ 86,642
TOTAL LIABILITIES	<u>\$ 86,642</u>

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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. The DDA is fiscally dependent on the City for the funding of its obligations and any debt. 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 discretely presented *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.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Separate government-wide and fund financial statements are presented, and 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.

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 interfund activities have been eliminated:

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

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental funds:

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

The **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 **Special Purpose Local Option Sales Tax (SPLOST) V Fund** is used to account for revenues provided by a 2016 referendum authorizing a one percent Special Purpose Local Option Sales Tax for Cherokee County, to be shared with the City. SPLOST V revenues are to be used for facilities, and improvements in connection with transportation, law enforcement vehicles and equipment, emergency communications system improvements and equipment; parks and recreation facilities; public works and fleet vehicles and equipment; general government buildings; and debt for the financing of such projects.

The City reports the following major proprietary fund:

The **Stormwater 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.

In accounting and reporting for its proprietary operations, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Expenditures generally are recorded in the accounting period in which a 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.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 enterprise fund are charges for services provided.

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

D. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value. Increases or decreases in the fair value during the year are recognized as a component of interest income.

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. Budgets

Formal budgetary accounting is employed as a management control device for the general fund, special revenue funds, debt service fund, and capital projects funds of the City. The governmental funds budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual operating budgets are adopted for the General Fund and each Special Revenue Fund each fiscal year through passage of an annual budget ordinance and amended as required. The City adopts project length budgets for the Capital Projects Funds. During the fiscal year ended December 31, 2018, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All unencumbered budget appropriations lapse at the end of each year.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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. 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 estimated 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:

Asset Class	Years
Machinery and equipment	3-30
Vehicles	6-15
Land improvements	20-30
Buildings and improvements	20-50
Infrastructure	30-75

H. 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.

I. 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 or proprietary activities in the Statement of Net Position.

In the governmental fund financial statements, the face amounts of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Interfund Transactions and Balances

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds and advances to/from other funds."

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

Items which also qualify to be reported as deferred inflows of resources include property taxes levied in 2018 for the 2019 budget and certain unavailable revenues under the *current financial resources measurement focus*. Accordingly, such items appear in the governmental activities statement of net position and the governmental funds balance sheet as deferred inflows of resources and will be recognized as an inflow of resources in 2019 (both) or the period in which the amounts become available (governmental funds only).

L. Fund Balance

Generally, fund balance represents the difference between assets and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable: Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted: Fund balances are reported as restricted when they include amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed: Fund balances are reported as committed when they include amounts that can be used only for the specific purposes determined by a formal action (passage of a resolution) of the City Council. The same formal action is required to subsequently remove a commitment of fund balance.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance (Continued)

Assigned: Fund balances are reported as assigned when they include amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. By passage of a resolution establishing the City's fund balance policy, the City Council has delegated the City Manager the authority to assign amounts to be used for specific purposes.

Unassigned: Fund balances are reported as unassigned as the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. In addition, any remaining deficits in the City's governmental funds which remain after all other fund balances have been exhausted are classified as unassigned. The City reports positive unassigned fund balance only in the general fund. The City, by ordinance, has created a minimum fund balance policy to be no less than 16% of budgeted expenditures in the General Fund.

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.

M. Net Position

Net position in financial reporting is based on the *economic resources measurement focus* and represents the difference between (a) total assets and deferred outflows of resources and (b) total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. The remaining portion of net position is reported as unrestricted.

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

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Holly Springs Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Use of Estimates

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

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$2,598,831 difference are as follows:

Notes payable	\$ (2,460,775)
Compensated absences	<u>(138,056)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (2,598,831)</u></u>

Another element of that reconciliation states that “deferred outflows and inflows of resources as well as the net pension liability related to the City’s pension plan are not expected to be liquidated with expendable available resources and, therefore, are not reported in the funds.” The details of this \$273,332 difference are as follows:

Net pension liability	\$ (502,215)
Deferred outflows of resources - pension related items	296,922
Deferred inflows of resources - pension related items	<u>(68,039)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (273,332)</u></u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$2,919,586 difference are as follows:

Capital outlay	\$ 3,837,088
Depreciation expense	<u>(917,502)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental</i> to arrive at <i>changes in net position - governmental activities</i>	<u><u>\$ 2,919,586</u></u>

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$54,419 difference are as follows:

Accrued interest	\$	889
Compensated absences		(2,404)
Change in net pension liability and related deferred inflows and outflows of resources		<u>(52,904)</u>
Net adjustment to decrease <i>net changes in fund balance - total governmental</i> to arrive at <i>changes in net position - governmental activities</i>	\$	<u><u>(54,419)</u></u>

NOTE 3. 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. Fund Deficit

The SPLOST V Fund is reporting a deficit as of December 31, 2018 of \$(948,034). This deficit will be recovered through intergovernmental receipt of SPLOST revenues in future years.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk

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 and City policy 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 of the State of Georgia. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2018, the City had deposits with two (2) financial institutions collateralized by the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. Additionally, the City had certificates of deposit with other financial institutions that did not individually exceed standard depository insurance limits. As of December 31, 2018, all of the City's deposits with financial institutions were insured and/or collateralized as required by State statutes.

Total deposits and investments as of December 31, 2018, are summarized as follows:

As reported in the Statement of Net Position

Cash deposited with financial institutions	\$ 11,267,206
Certificates of deposit	<u>1,017,001</u>
	<u><u>\$ 12,284,207</u></u>

Investments of the General Fund consist of five twelve-month certificates of deposit placed with an FDIC insured financial institution. The certificates bear interest rates ranging from 2.00% to 2.30% and have maturities ranging from April 3, 2019 to June 26, 2019.

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CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5. RECEIVABLES

The City bills and collects its own property taxes. Property taxes were levied on October 1, 2018, with bills being payable on or before December 20, 2018, 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, 2019 and June 5, 2019, respectively. Property taxes receivable at year end is based on the tax levy, less amounts collected prior to December 31, 2018. The property taxes levied in October were intended for use in the 2019 budget year. Therefore, the entire 2018 digest levy is included in deferred revenue on the governmental funds' balance sheet and the governmental activities Statement of Net Position. Prior year levies were recorded using substantially the same principles, and remaining receivables are re-evaluated annually for collectability.

Stormwater fees were billed on behalf of the Stormwater Utility Fund by the General Fund in connection with its tax levy on October 1, 2018. Such fees are for the calendar year 2018 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.

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

	<u>General Fund</u>	<u>SPLOST IV Fund</u>	<u>SPLOST V Fund</u>	<u>Stormwater Fund</u>	<u>Nonmajor Governmental Funds</u>
Receivables:					
Taxes	\$ 240,601	\$ -	\$ -	\$ -	\$ 342
Intergovernmental	39,888	8,394	311,943	-	27,838
Stormwater fees	75,073	-	-	-	-
Fines	40,691	-	-	-	-
Accounts	483,356	-	29,655	133,125	93,071
Gross receivables	<u>879,609</u>	<u>8,394</u>	<u>341,598</u>	<u>133,125</u>	<u>121,251</u>
Less allowance for uncollectibles	(48,770)	-	-	-	-
Net receivables	<u>\$ 830,839</u>	<u>\$ 8,394</u>	<u>\$ 341,598</u>	<u>\$ 133,125</u>	<u>\$ 121,251</u>

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 8,857,745	\$ 53,317	\$ -	\$ 8,911,062
Construction in progress	1,582,156	2,829,134	-	4,411,290
Total capital assets, not being depreciated	<u>10,439,901</u>	<u>2,882,451</u>	<u>-</u>	<u>13,322,352</u>
Capital assets, being depreciated:				
Land improvements	1,633,570	-	-	1,633,570
Buildings and improvements	1,862,271	-	-	1,862,271
Vehicles	1,203,950	306,876	(177,526)	1,333,300
Machinery and equipment	1,645,186	41,626	-	1,686,812
Infrastructure	17,569,202	3,526,990	-	21,096,192
Total capital assets, being depreciated	<u>23,914,179</u>	<u>3,875,492</u>	<u>(177,526)</u>	<u>27,612,145</u>
Less accumulated depreciation for:				
Land improvements	150,393	57,266	-	207,659
Buildings and improvements	507,072	35,004	-	542,076
Vehicles	786,575	182,431	(177,526)	791,480
Machinery and equipment	959,588	85,732	-	1,045,320
Infrastructure	3,162,215	557,069	-	3,719,284
Total accumulated depreciation	<u>5,565,843</u>	<u>917,502</u>	<u>(177,526)</u>	<u>6,305,819</u>
Total capital assets, being depreciated, net	<u>18,348,336</u>	<u>2,957,990</u>	<u>-</u>	<u>21,306,326</u>
Governmental activities capital assets, net	<u>\$ 28,788,237</u>	<u>\$ 5,840,441</u>	<u>\$ -</u>	<u>\$ 34,628,678</u>

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, being depreciated:				
Vehicles	\$ 21,598	\$ -	\$ -	\$ 21,598
Machinery and equipment	225,654	-	(189,975)	35,679
Infrastructure	<u>3,183,643</u>	<u>432,000</u>	<u>-</u>	<u>3,615,643</u>
Total capital assets, being depreciated	<u>3,430,895</u>	<u>432,000</u>	<u>(189,975)</u>	<u>3,672,920</u>
Less accumulated depreciation for:				
Vehicles	10,800	3,600	-	14,400
Machinery and equipment	95,606	21,297	(94,990)	21,913
Infrastructure	<u>338,852</u>	<u>50,084</u>	<u>-</u>	<u>388,936</u>
Total accumulated depreciation	<u>445,258</u>	<u>74,981</u>	<u>(94,990)</u>	<u>425,249</u>
Total capital assets, being depreciated, net	<u>2,985,637</u>	<u>357,019</u>	<u>(94,985)</u>	<u>3,247,671</u>
Business-type activities capital assets, net	<u>\$ 2,985,637</u>	<u>\$ 357,019</u>	<u>\$ (94,985)</u>	<u>\$ 3,247,671</u>

Depreciation expense for the year ended December 31, 2018, was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 26,737
Public safety	215,051
Public works	613,625
Culture and recreation	55,488
Housing and development	6,601
Total depreciation expense - governmental activities	<u>\$ 917,502</u>
Business-type activities:	
Stormwater Utility	<u>\$ 74,981</u>

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 6. CAPITAL ASSETS (CONTINUED)

B. Component Unit – Holly Springs Downtown Development Authority

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Development Authority:				
Capital assets, not being depreciated:				
Land	\$ 1,706,312	\$ -	\$ -	\$ 1,706,312
Total capital assets, not being depreciated	<u>1,706,312</u>	<u>-</u>	<u>-</u>	<u>1,706,312</u>
Capital assets, being depreciated:				
Buildings and improvements	58,599	-	-	58,599
Furnitures and fixtures	<u>10,901</u>	<u>-</u>	<u>-</u>	<u>10,901</u>
Total capital assets, being depreciated	<u>69,500</u>	<u>-</u>	<u>-</u>	<u>69,500</u>
Less accumulated depreciation for:				
Buildings and improvements	31,257	1,954	-	33,211
Furnitures and fixtures	<u>10,901</u>	<u>-</u>	<u>-</u>	<u>10,901</u>
Total accumulated depreciation	<u>42,158</u>	<u>1,954</u>	<u>-</u>	<u>44,112</u>
Total capital assets, being depreciated, net	<u>27,342</u>	<u>(1,954)</u>	<u>-</u>	<u>25,388</u>
Development Authority capital assets, net	<u>\$ 1,733,654</u>	<u>\$ (1,954)</u>	<u>\$ -</u>	<u>\$ 1,731,700</u>

Depreciation of \$1,954 for the year ended December 31, 2018, was charged to expenses of the Authority in the accompanying Statement of Activities.

NOTE 7. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of December 31, 2018, is as follows:

A. Due to/from Other Funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	9,285
Stormwater Utility Fund	General Fund	263,040

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 the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 7. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

B. Advances to/from Other Funds:

Receivable fund	Payable fund	Amount
General Fund	SPLOST V Fund	\$ 1,300,000

The amount payable to the General Fund relate to a working capital loan related to work on the Holly Springs Parkway project and will be repaid over several years as SPLOST V revenues are collected.

C. Transfers to/from Other Funds

Transfers between funds during the year ended December 31, 2018, were as follows:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	\$ 3,000
General Fund	Stormwater Utility Fund	6,900
SPLOST IV Fund	General Fund	300,000
Nonmajor governmental funds	Nonmajor governmental funds	358,736

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 8. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended December 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes payable	\$ 2,757,573	\$ -	\$ (296,798)	\$ 2,460,775	\$ 305,095
Net pension liability	375,074	452,705	(325,564)	502,215	-
Compensated absences	135,652	130,855	(128,451)	138,056	69,028
Governmental activities long-term liabilities	\$ 3,268,299	\$ 583,560	\$ (750,813)	\$ 3,101,046	\$ 374,123
Business-type Activities:					
Net pension liability	\$ 13,121	\$ 17,638	\$ (11,192)	\$ 19,567	\$ -

For governmental activities, compensated absences and the net pension liability are liquidated by the General Fund.

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

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 8. LONG-TERM DEBT (CONTINUED)

The City's debt service requirements to maturity on the notes payable are as follows:

Year ending December 31,	Principal	Interest	Total
2019	\$ 305,095	\$ 54,377	\$ 359,472
2020	311,206	47,530	358,736
2021	318,482	40,254	358,736
2022	325,788	32,948	358,736
2023	329,474	29,262	358,736
2024-2026	870,730	41,790	912,520
Total	\$ 2,460,775	\$ 246,161	\$ 2,706,936

NOTE 9. 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 10. DEFINED BENEFIT 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

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized, and may be amended, 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, 2018, the date of the most recent actuarial valuation, there were 98 participants consisting of the following:

Retired participants and beneficiaries	9
Vested former participants	32
Active participants	57
Total	98

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. Employees do not contribute to the plan. For the year ended December 31, 2018, the City's contribution rate was 6.42% of annual payroll. City contributions to the plan were \$152,143 for the year ended December 31, 2018.

B. Net Pension Liability of the City

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, 2018 using update procedures performed by the actuary. The balances as of March 31, 2018, constitute measurements of the net pension liability for the year ending December 31, 2018.

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	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	2.75%-7.75%, including inflation
Cost of living adjustments	2.75%
Inflation	2.75%

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 the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (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, 2018, are summarized in the table below.

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return ⁽¹⁾</u>
Domestic equity	45%	6.71%
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>	

⁽¹⁾ Rates are shown net of pension plan investment expense and assumed inflation of 2.75%.

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that City contributions 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. As of March 31, 2018, the expected long-term rate of return remained the same at 7.50%.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (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, 2018, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/17	\$ 1,892,049	\$ 1,503,854	\$ 388,195
Changes for the year:			
Service cost	146,792	-	146,792
Interest	145,308	-	145,308
Differences between expected and actual experience	138,511	-	138,511
Assumption changes	33,233	-	33,233
Contributions—employer	-	145,802	(145,802)
Net investment income	-	190,954	(190,954)
Benefit payments, including refunds of employee contributions	(34,218)	(34,218)	-
Administrative expense	-	(6,499)	6,499
Net changes	429,626	296,039	133,587
Balances at 12/31/18	\$ 2,321,675	\$ 1,799,893	\$ 521,782

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 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's net pension liability	\$ 897,637	\$ 521,782	\$ 211,988

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 March 31, 2018.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended December 31, 2018, the City recognized pension expense of \$208,118. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$ 114,240	\$ -
Plan contributions made subsequent to the measurement period		
Assumption changes	33,263	-
Experience differences	160,987	2,714
Net difference between projected and actual earnings on pension plan investments	-	67,976
Total	\$ 308,490	\$ 70,690

City contributions subsequent to the measurement date of \$114,240 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	
2019	\$ 30,138
2020	30,016
2021	15,856
2022	18,926
2023	28,624
Total	\$ 123,560

NOTE 11. 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, 2018, nine participating employees contributed \$24,445 to the plan. The City does not contribute to the plan.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 12. 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. Dues to the ARC are assessed at the County level and are, accordingly, paid by Cherokee County.

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 13. 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, 2018, taxes of \$5,649 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 \$4,693 (representing 83% of revenues) during 2018 for these purposes.

NOTE 14. 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, 2018, and ending September 30, 2023, 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 2018 was \$1,489,822.

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, 2018, the City paid \$416,938 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 the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15. RESTATEMENTS

The City has determined a restatement to beginning net position was required in the City’s governmental activities and fund balance of the SPLOST IV Fund during the year ended December 31, 2018 to recognize revenues from paving assessments from prior years in accordance with GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which defines the recognition of revenues imposed on nongovernmental entities, other than assessments on exchange transactions. The revenues from imposed nonexchange transactions should be recognized when the asset is collected or the enforceable claim to the asset is effective, whichever is first. As the City had collected these assessments prior to December 31, 2017, the revenues should have been recognized in the prior year. Additionally, a restatement to the governmental activities was necessary to defer the recognition of the 2017 digest which was levied for, and budgeted, for use in the City’s 2018 General Fund budget. In accordance with GASB 33, these taxes should be recognized in the period in which they are levied to be utilized by the City. The effect of the restatement resulted in a change to beginning net position of the governmental activities and fund balance of the SPLOST IV Fund as follows:

	Governmental Activities
Net Position, governmental activities, as previously reported	\$ 36,855,632
Restatement for recognition of revenues:	
To recognize special assessment fees which were collected and available in the prior year.	43,011
To defer the recognition of property taxes which were levied in 2017 for the use in the 2018 budget.	(3,529,540)
Net Position, governmental activities, as restated	\$ 33,369,103
	SPLOST IV Fund
Fund deficit, as previously reported	\$ (538,965)
Restatement for recognition of revenues:	
To recognize special assessment fees which were collected in the prior year.	43,011
Fund deficit, as restated	\$ (495,954)

FINANCIAL SECTION

Required Supplementary Information

CITY OF HOLLY SPRINGS, GEORGIA
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Property taxes	\$ 3,920,250	\$ 3,940,350	\$ 4,117,733	\$ 177,383
Franchise taxes	610,000	620,000	720,336	100,336
Business taxes	743,250	785,750	790,056	4,306
Licenses and permits	966,450	1,752,825	2,081,125	328,300
Intergovernmental	550	20,000	32,263	12,263
Charges for services	127,500	405,800	421,473	15,673
Fines and forfeitures	349,500	357,000	466,287	109,287
Investment earnings	17,500	20,000	40,501	20,501
Contributions	35,000	16,000	28,478	12,478
Miscellaneous	22,500	34,275	33,086	(1,189)
TOTAL REVENUES	<u>6,792,500</u>	<u>7,952,000</u>	<u>8,731,338</u>	<u>779,338</u>
EXPENDITURES				
Current:				
General government:				
Governing body	101,759	105,259	94,179	11,080
General administration	936,995	1,297,845	950,184	347,661
Total general government	<u>1,038,754</u>	<u>1,403,104</u>	<u>1,044,363</u>	<u>358,741</u>
Judicial	224,533	256,833	235,967	20,866
Public safety				
Police services	2,733,309	2,934,259	2,641,291	292,968
Fire services	1,489,822	1,489,822	1,489,822	-
Total public safety	<u>4,223,131</u>	<u>4,424,081</u>	<u>4,131,113</u>	<u>292,968</u>
Public works				
Highways and streets	468,188	551,783	543,402	8,381
Street and traffic lights	92,500	97,500	99,049	(1,549)
Total public works	<u>560,688</u>	<u>649,283</u>	<u>642,451</u>	<u>6,832</u>
Culture and recreation	4,000	9,405	5,074	4,331
Housing and development				
Community development	431,171	612,671	445,873	166,798
Downtown development	307,723	309,623	290,424	19,199
Intergovernmental	10,000	10,000	10,000	-
Total housing and development	<u>748,894</u>	<u>932,294</u>	<u>746,297</u>	<u>185,997</u>
TOTAL EXPENDITURES	<u>6,800,000</u>	<u>7,675,000</u>	<u>6,805,265</u>	<u>869,735</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,500)	277,000	1,926,073	1,649,073
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,000	9,900	6,900
Transfers out	-	(300,000)	(300,000)	-
Proceeds from sale of capital assets	7,500	20,000	38,920	18,920
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,500</u>	<u>(277,000)</u>	<u>(251,180)</u>	<u>25,820</u>
NET CHANGE IN FUND BALANCES	-	-	1,674,893	1,674,893
FUND BALANCES - BEGINNING OF YEAR	6,899,442	6,899,442	6,899,442	-
FUND BALANCES - END OF YEAR	<u>\$ 6,899,442</u>	<u>\$ 6,899,442</u>	<u>\$ 8,574,335</u>	<u>\$ 1,674,893</u>

CITY OF HOLLY SPRINGS, GEORGIA
Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios
For the Year Ended December 31

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 146,792	\$ 107,470	\$ 93,900	\$ 87,975
Interest on total pension liability	145,308	105,979	88,699	75,978
Differences between expected and actual experience	138,511	26,213	56,170	(13,568)
Changes in actuarial assumptions	33,233	-	-	27,840
Changes in benefit terms	-	293,685	-	-
Benefit payments, including refunds of employee contributions	(34,218)	(17,526)	(14,089)	(14,089)
Net change in total pension liability	<u>429,626</u>	<u>515,821</u>	<u>224,680</u>	<u>164,136</u>
Total pension liability - beginning	<u>1,892,049</u>	<u>1,376,228</u>	<u>1,151,548</u>	<u>987,412</u>
Total pension liability - ending (a)	<u>\$ 2,321,675</u>	<u>\$ 1,892,049</u>	<u>\$ 1,376,228</u>	<u>\$ 1,151,548</u>
Plan fiduciary net position				
Contributions - employer	\$ 145,802	\$ 158,790	\$ 384,000	\$ 101,403
Contributions - employee	-	-	-	-
Net investment income	190,954	161,041	8,092	69,731
Benefit payments, including refunds of employee contributions	(34,218)	(17,526)	(14,089)	(14,089)
Administrative expenses	(6,499)	(7,399)	(4,112)	(3,609)
Net change in plan fiduciary net position	<u>296,039</u>	<u>294,906</u>	<u>373,891</u>	<u>153,436</u>
Plan fiduciary net position - beginning	<u>1,503,854</u>	<u>1,208,948</u>	<u>835,057</u>	<u>681,621</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,799,893</u>	<u>\$ 1,503,854</u>	<u>\$ 1,208,948</u>	<u>\$ 835,057</u>
City's net pension liability - ending (a) - (b)	<u>\$ 521,782</u>	<u>\$ 388,195</u>	<u>\$ 167,280</u>	<u>\$ 316,491</u>
Plan fiduciary net position as a percentage of the total pension liability	77.5%	79.5%	87.8%	72.5%
Covered payroll	\$ 1,991,354	\$ 1,798,776	\$ 1,580,812	\$ 1,515,497
City's net pension liability as a percentage of covered payroll	26.2%	21.6%	10.6%	20.9%

Notes to the Schedule

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

CITY OF HOLLY SPRINGS, GEORGIA

Required Supplementary Information

Schedule of City Contributions

For the Year Ended December 31

	2018	2017	2016	2015
Actuarially determined contribution	\$ 152,143	\$ 143,688	\$ 112,284	\$ 107,525
Contributions in relation to the actuarially determined contribution	<u>152,143</u>	<u>143,688</u>	<u>112,284</u>	<u>369,925</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (262,400)</u>
Covered payroll	2,370,920	1,864,832	1,776,757	1,515,497
Contributions as a percentage of Covered payroll	6.42%	7.71%	6.32%	24.41%

Notes to the Schedule

Valuation Date	July 1, 2017
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost-of-living Adjustment	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 16 years.

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

FINANCIAL SECTION

Nonmajor Governmental Funds

CITY OF HOLLY SPRINGS, GEORGIA

Combining Balance Sheet

Non-major Governmental Funds

December 31, 2018

	Special Revenue Funds			Capital Project Funds			Total Non-major Governmental Funds
	Multiple Grant Fund	Parks and Recreation Fund	Hotel/Motel Tax Fund	SPLOST III Fund	Town Center Fund	Debt Service Fund	
ASSETS							
Cash	\$ 20,493	\$ 213,276	\$ 9,036	\$ 258,683	\$ 24,348	\$ -	\$ 525,836
Receivables (net of allowance for uncollectibles):							
Taxes	-	-	342	-	-	-	342
Accounts	-	36,413	-	56,658	-	-	93,071
Intergovernmental receivable	27,838	-	-	-	-	-	27,838
Prepaid items	-	-	795	-	-	-	795
TOTAL ASSETS	\$ 48,331	\$ 249,689	\$ 10,173	\$ 315,341	\$ 24,348	\$ -	\$ 647,882
LIABILITIES							
Accounts payable	\$ 1,963	\$ 1,785	\$ -	\$ -	\$ 6,755	\$ -	\$ 10,503
Deposits payable	-	1,225	-	-	-	-	1,225
Due to other funds	9,285	-	-	-	-	-	9,285
TOTAL LIABILITIES	11,248	3,010	-	-	6,755	-	21,013
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - charges for services	-	-	-	56,658	-	-	56,658
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	56,658	-	-	56,658
FUND BALANCES							
Nonspendable:							
Prepaid items	-	-	795	-	-	-	795
Restricted:							
Tourism	-	-	9,378	-	-	-	9,378
Grant purposes	37,083	-	-	-	-	-	37,083
Capital projects	-	-	-	258,683	-	-	258,683
Committed for culture and recreation	-	246,679	-	-	-	-	246,679
Assigned for capital projects	-	-	-	-	17,593	-	17,593
TOTAL FUND BALANCES	37,083	246,679	10,173	258,683	17,593	-	570,211
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 48,331	\$ 249,689	\$ 10,173	\$ 315,341	\$ 24,348	\$ -	\$ 647,882

CITY OF HOLLY SPRINGS, GEORGIA
*Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances*
Non-major Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue Funds			Capital Project Funds			Total Non-major Governmental Funds
	Multiple Grant Fund	Parks and Recreation Fund	Hotel/Motel Tax Fund	SPLOST III Fund	Town Center Fund	Debt Service Fund	
REVENUES							
Taxes	\$ -	\$ 355,809	\$ 5,649	\$ -	\$ -	\$ -	\$ 361,458
Licenses and permits	-	-	-	26,838	-	-	26,838
Intergovernmental	172,892	-	-	-	-	-	172,892
Charges for services	-	25	-	-	-	-	25
Investment earnings	34	602	14	432	521	-	1,603
Miscellaneous	-	15,593	-	-	-	-	15,593
TOTAL REVENUES	172,926	372,029	5,663	27,270	521	-	578,409
EXPENDITURES							
Current:							
General government	-	-	-	-	497,917	-	497,917
Culture and recreation	-	112,298	-	-	-	-	112,298
Health and welfare	172,892	-	-	-	-	-	172,892
Housing and development	-	-	4,693	-	-	-	4,693
Debt service:							
Principal	-	-	-	-	-	296,798	296,798
Interest	-	-	-	-	-	61,938	61,938
TOTAL EXPENDITURES	172,892	112,298	4,693	-	497,917	358,736	1,146,536
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	34	259,731	970	27,270	(497,396)	(358,736)	(568,127)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	358,736	358,736
Transfers out	-	(361,736)	-	-	-	-	(361,736)
TOTAL OTHER FINANCING SOURCES (USES)	-	(361,736)	-	-	-	358,736	(3,000)
NET CHANGE IN FUND BALANCES	34	(102,005)	970	27,270	(497,396)	-	(571,127)
FUND BALANCES - BEGINNING OF YEAR	37,049	348,684	9,203	231,413	514,989	-	1,141,338
FUND BALANCES - END OF YEAR	\$ 37,083	\$ 246,679	\$ 10,173	\$ 258,683	\$ 17,593	\$ -	\$ 570,211

CITY OF HOLLY SPRINGS, GEORGIA

Multiple Grant Fund

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (GAAP Basis)

For the Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	\$ 224,995	\$ 224,975	\$ 172,892	\$ (52,083)
Investment earnings	5	25	34	9
TOTAL REVENUES	<u>225,000</u>	<u>225,000</u>	<u>172,926</u>	<u>(52,074)</u>
EXPENDITURES				
Current:				
Health and welfare	<u>225,000</u>	<u>225,000</u>	<u>172,892</u>	<u>52,108</u>
TOTAL EXPENDITURES	<u>225,000</u>	<u>225,000</u>	<u>172,892</u>	<u>52,108</u>
NET CHANGE IN FUND BALANCES	-	-	34	34
FUND BALANCES - BEGINNING OF YEAR	<u>37,049</u>	<u>37,049</u>	<u>37,049</u>	-
FUND BALANCES - END OF YEAR	<u>\$ 37,049</u>	<u>\$ 37,049</u>	<u>\$ 37,083</u>	<u>\$ 34</u>

CITY OF HOLLY SPRINGS, GEORGIA

Parks and Recreation Fund

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (GAAP Basis)

For the Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	\$ 335,000	\$ 345,000	\$ 355,809	\$ 10,809
Charges for services	-	25	25	-
Investment earnings	250	700	602	(98)
Miscellaneous	15,100	15,100	15,593	493
TOTAL REVENUES	350,350	360,825	372,029	11,204
EXPENDITURES				
Current:				
Culture and recreation	117,264	121,889	112,298	9,591
EXCESS OF REVENUES OVER EXPENDITURES	233,086	238,936	259,731	9,591
OTHER FINANCING USES				
Transfers out	(358,736)	(361,736)	(361,736)	-
TOTAL OTHER FINANCING USES	(358,736)	(361,736)	(361,736)	-
NET CHANGE IN FUND BALANCES	(125,650)	(122,800)	(102,005)	20,795
FUND BALANCES - BEGINNING OF YEAR	348,684	348,684	348,684	-
FUND BALANCES - END OF YEAR	\$ 223,034	\$ 225,884	\$ 246,679	\$ 20,795

CITY OF HOLLY SPRINGS, GEORGIA

Hotel-Motel Tax Fund

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (GAAP Basis)

For the Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Hotel/Motel taxes	\$ 6,495	\$ 6,490	\$ 5,649	\$ (841)
Interest earned	5	10	14	4
TOTAL REVENUES	<u>6,500</u>	<u>6,500</u>	<u>5,663</u>	<u>(837)</u>
EXPENDITURES				
Current:				
Housing and development	<u>6,500</u>	<u>6,500</u>	<u>4,693</u>	<u>1,807</u>
TOTAL EXPENDITURES	<u>6,500</u>	<u>6,500</u>	<u>4,693</u>	<u>1,807</u>
NET CHANGE IN FUND BALANCES	-	-	970	970
FUND BALANCES - BEGINNING OF YEAR	<u>9,203</u>	<u>9,203</u>	<u>9,203</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,203</u>	<u>\$ 9,203</u>	<u>\$ 10,173</u>	<u>\$ 970</u>

CITY OF HOLLY SPRINGS, GEORGIA
Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
EXPENDITURES				
Debt Service:				
Principal	\$ 297,533	\$ 297,533	\$ 296,798	\$ 735
Interest	61,203	61,203	61,938	(735)
TOTAL EXPENDITURES	<u>358,736</u>	<u>358,736</u>	<u>358,736</u>	<u>-</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(358,736)	(358,736)	(358,736)	-
OTHER FINANCING SOURCES				
Transfers in	<u>358,736</u>	<u>358,736</u>	<u>358,736</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>358,736</u>	<u>358,736</u>	<u>358,736</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FINANCIAL SECTION

Fiduciary Funds

CITY OF HOLLY SPRINGS, GEORGIA
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended December 31, 2018

<u>MUNICIPAL COURT FUND</u>	<u>Balance</u> <u>January 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2018</u>
ASSETS				
Cash	\$ 35,102	\$ 758,045	\$ 706,505	\$ 86,642
TOTAL ASSETS	<u>\$ 35,102</u>	<u>\$ 758,045</u>	<u>\$ 706,505</u>	<u>\$ 86,642</u>
LIABILITIES				
Due to others	\$ 35,102	\$ 758,045	\$ 706,505	\$ 86,642
TOTAL LIABILITIES	<u>\$ 35,102</u>	<u>\$ 758,045</u>	<u>\$ 706,505</u>	<u>\$ 86,642</u>

FINANCIAL SECTION

Discretely Presented Component Unit

CITY OF HOLLY SPRINGS, GEORGIA

Balance Sheet

Component Unit - Holly Springs Downtown Development Authority

December 31, 2018

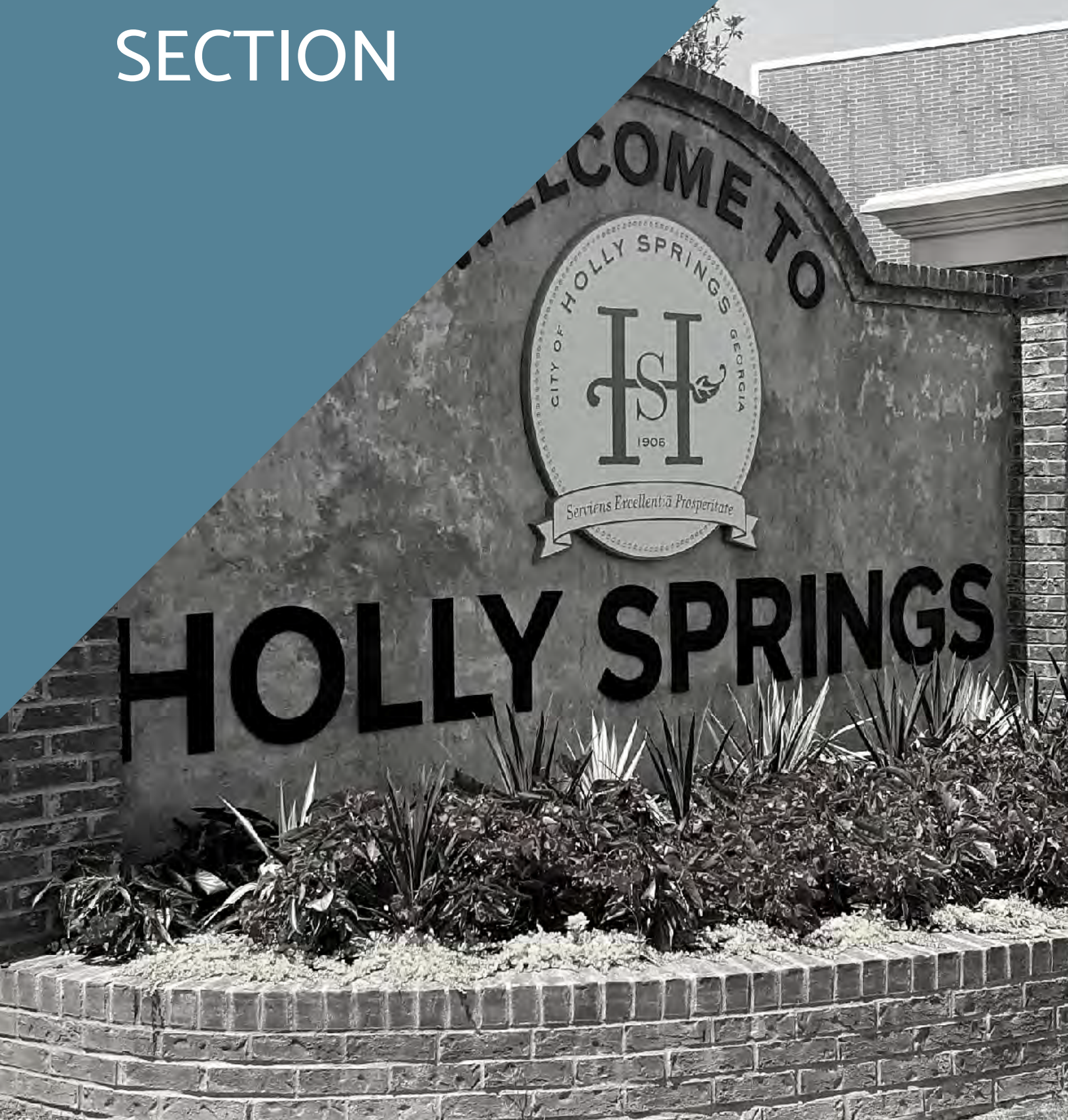
	Holly Springs Downtown Development Authority
ASSETS	
Cash	\$ 89,598
Investments	35,864
Due from other governments	32
	<hr/>
Total assets	\$ 125,494
FUND BALANCE	
Unassigned	\$ 125,494
	<hr/>
Total fund balance	\$ 125,494
	<hr/> <hr/>

CITY OF HOLLY SPRINGS, GEORGIA

*Statement of Revenues, Expenditures, and Changes in Fund Balance
Component Unit - Holly Springs Downtown Development Authority
For the Year Ended December 31, 2018*

	Holly Springs Downtown Development Authority
Revenues:	
Charges for services	\$ 8,000
Investment earnings	107
Total revenues	<u>8,107</u>
Expenditures:	
Current:	
Economic development	4,404
Total expenditures	<u>4,404</u>
Net change in fund balance	3,703
Fund balance, beginning of year	<u>121,791</u>
Fund balance, end of year	<u><u>\$ 125,494</u></u>

STATE SECTION



CITY OF HOLLY SPRINGS, GEORGIA

Schedule of Projects Constructed with Special Purpose

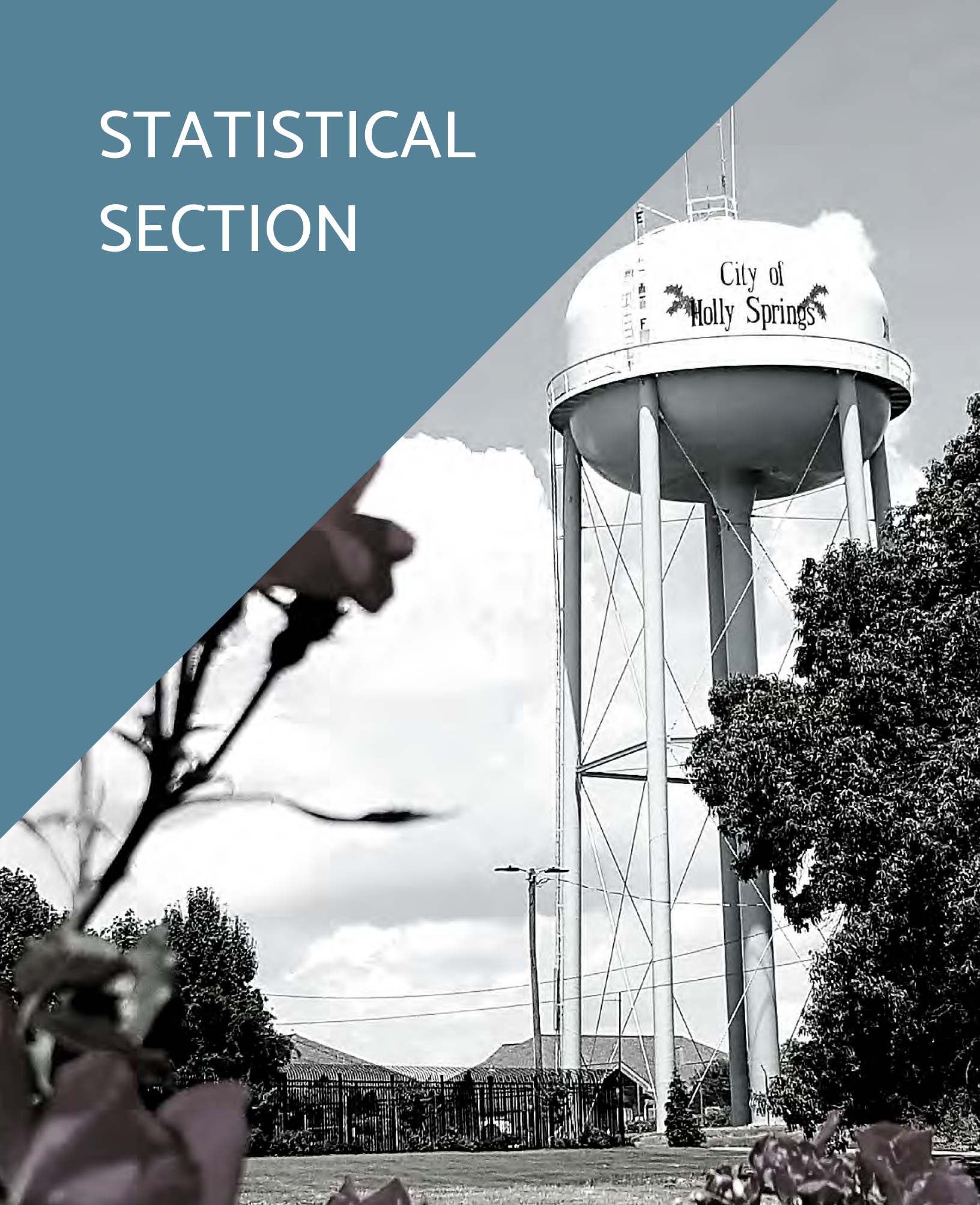
Local Option Sales Tax Proceeds

For the Year Ended December 31, 2018

<u>PROJECTS</u>	<u>ORIGINAL ESTIMATED COST</u>	<u>REVISED ESTIMATED COST</u>	<u>PRIOR YEARS</u>	<u>CURRENT YEAR</u>	<u>TOTAL</u>	<u>ESTIMATED PERCENTAGE OF COMPLETION</u>
2004 - SPLOST III:						
Streets and sidewalks	\$ 3,407,000	\$ 3,407,000	\$ 2,779,246	\$ -	\$ 2,779,246	82%
New city hall	2,600,000	2,600,000	4,125,438	-	4,125,438	159%
Downtown square and streetscapes	1,602,705	1,602,705	-	-	-	0%
Public safety and public works vehicles and equipment	219,000	219,000	206,487	-	206,487	94%
TOTAL 2004 - SPLOST III	\$ 7,828,705	\$ 7,828,705	\$ 7,111,171	\$ -	\$ 7,111,171	
2010 - SPLOST IV:						
Transportation facilities and improvements	\$ 3,100,000	\$ 3,100,000	\$ 7,978,992	\$ 567,150	\$ 8,546,142	276%
Law enforcement facilities, vehicles and equipment	1,700,000	1,700,000	1,920,154	444,773	2,364,927	139%
Sewer system infrastructure, facilities and equipment	750,000	750,000	822,677	-	822,677	110%
City hall administrative offices, facilities and equipment	755,000	755,000	50,751	-	50,751	7%
Public works, fire, fleet vehicles and equipment	410,200	410,200	264,749	27,046	291,795	71%
TOTAL 2010	\$ 6,715,200	\$ 6,715,200	\$ 11,037,323	\$ 1,038,969	\$ 12,076,292	
SPLOST V						
Transportation facilities and improvements	\$ 5,244,912	\$ 5,244,912	\$ -	\$ 2,229,876	\$ 2,229,876	43%
Public safety vehicles and equipment	1,428,100	1,428,100	-	56,365	56,365	4%
Emergency communications system improvements and equipment	510,576	510,576	-	-	-	0%
Parks and recreation facilities	1,500,000	1,500,000	-	-	-	0%
Public works and fleet vehicles and equipment	75,000	75,000	-	-	-	0%
General government buildings	1,600,000	1,600,000	-	-	-	0%
TOTAL SPLOST V	\$ 10,358,588	\$ 10,358,588	\$ -	\$ 2,286,241	\$ 2,286,241	
TOTAL	\$ 24,902,493	\$ 24,902,493	\$ 18,148,494	\$ 3,325,210	\$ 21,473,704	

NOTE - 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.

STATISTICAL SECTION



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.

Page

Financial Trends..... 58

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

Revenue Capacity..... 63

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

Debt Capacity..... 67

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

Demographic and Economic Information..... 69

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

Operating Information..... 71

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 TEN YEARS
(accrual basis of accounting)

	<u>2018</u>	<u>2017 - Restated</u>	<u>2016</u>	<u>2015</u>
Governmental activities				
Net investment in capital assets	\$ 32,167,903	\$ 26,030,664	\$ 24,324,215	\$ 19,898,710
Restricted	509,488	297,700	243,680	958,168
Unrestricted	<u>7,495,108</u>	<u>7,041,739</u>	<u>9,491,578</u>	<u>8,909,343</u>
Total government activities net position	<u>\$ 40,172,499</u>	<u>\$ 33,370,103</u>	<u>\$ 34,059,473</u>	<u>\$ 29,766,221</u>
Business-type activities (1)				
Net investment in capital assets	\$ 3,247,671	\$ 2,985,637	\$ 3,030,866	\$ 2,701,939
Unrestricted	<u>764,184</u>	<u>516,814</u>	<u>397,030</u>	<u>626,637</u>
Total business-type activities net position	<u>\$ 4,011,855</u>	<u>\$ 3,502,451</u>	<u>\$ 3,427,896</u>	<u>\$ 3,328,576</u>
Primary government				
Net investment in capital assets	\$ 35,415,574	\$ 29,016,301	\$ 27,355,081	\$ 22,600,649
Restricted	509,488	297,700	243,680	958,168
Unrestricted	<u>8,259,292</u>	<u>7,558,553</u>	<u>9,888,608</u>	<u>9,535,980</u>
Total primary government net position	<u>\$ 44,184,354</u>	<u>\$ 36,872,554</u>	<u>\$ 37,487,369</u>	<u>\$ 33,094,797</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.

2014	2013	2012	2011	2010	2009
\$ 17,729,864	\$ 16,922,381	\$ 14,963,807	\$ 14,655,782	\$ 14,613,696	\$ 14,624,875
989,334	1,121,547	1,435,263	1,459,236	1,242,434	13,373,131
7,970,470	6,763,202	5,800,393	5,225,210	4,457,419	3,718,313
<u>\$ 26,689,668</u>	<u>\$ 24,807,130</u>	<u>\$ 22,199,463</u>	<u>\$ 21,340,228</u>	<u>\$ 20,313,549</u>	<u>\$ 31,716,319</u>
\$ 2,417,431	\$ 2,198,900	\$ 843,003	\$ 749,678	\$ 758,950	\$ -
703,168	801,436	621,855	530,051	328,145	-
<u>\$ 3,120,599</u>	<u>\$ 3,000,336</u>	<u>\$ 1,464,858</u>	<u>\$ 1,279,729</u>	<u>\$ 1,087,095</u>	<u>\$ -</u>
\$ 20,147,295	\$ 19,121,281	\$ 15,806,810	\$ 15,405,460	\$ 15,372,646	\$ 14,624,875
989,334	1,121,547	1,435,263	1,459,236	1,242,434	13,373,131
8,673,638	7,564,638	6,422,248	5,755,261	4,785,564	3,718,313
<u>\$ 29,810,267</u>	<u>\$ 27,807,466</u>	<u>\$ 23,664,321</u>	<u>\$ 22,619,957</u>	<u>\$ 21,400,644</u>	<u>\$ 31,716,319</u>

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

	2018	2017	2016	2015
Expenses				
Governmental Activities:				
General government	\$ 1,044,094	\$ 1,040,174	\$ 909,915	\$ 798,252
Judicial	231,180	255,842	256,405	265,562
Public safety	4,373,129	4,341,176	3,660,936	3,193,076
Public works	1,252,467	878,923	1,111,932	1,752,586
Health and welfare	172,892	179,437	224,872	356,242
Culture and recreation	172,860	165,714	288,774	153,693
Housing and development	768,455	663,374	570,308	371,399
Interest	61,049	931	1,240	3,922
Total Governmental Activities Expenses	<u>8,076,126</u>	<u>7,525,571</u>	<u>7,024,382</u>	<u>6,894,732</u>
Business-Type Activities:				
Stormwater utility	<u>275,411</u>	<u>252,740</u>	<u>261,832</u>	<u>212,527</u>
Total Business-Type Expenses	<u>275,411</u>	<u>252,740</u>	<u>261,832</u>	<u>212,527</u>
Total Primary Government Expenses	<u>\$ 8,351,537</u>	<u>\$ 7,778,311</u>	<u>\$ 7,286,214</u>	<u>\$ 7,107,259</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	\$ 110,977	\$ 183,531	\$ 183,362	\$ 143,996
Judicial	465,429	-	-	-
Public safety	8,642	349,414	311,239	368,899
Public works	357,826	-	-	-
Culture and recreation	25	18,544	10,395	9,620
Housing and development	1,978,792	1,308,937	930,550	793,387
Operating grants and contributions	227,619	235,203	243,692	364,977
Capital grants and contributions	<u>5,611,562</u>	<u>2,378,027</u>	<u>4,032,287</u>	<u>3,491,269</u>
Total Governmental Activities Program Revenues	<u>8,760,872</u>	<u>4,473,656</u>	<u>5,711,525</u>	<u>5,172,148</u>
Business-type activities:				
Charges for services:				
Stormwater utility	320,932	327,271	360,910	320,493
Capital grants and contributions	<u>432,000</u>	-	-	<u>102,316</u>
Total Business-Type Activities Program Revenues	<u>752,932</u>	<u>327,271</u>	<u>360,910</u>	<u>422,809</u>
Total Primary Government Program Revenues	<u>\$ 9,513,804</u>	<u>\$ 4,800,927</u>	<u>\$ 6,072,435</u>	<u>\$ 5,594,957</u>
Net (Expense) Revenue				
Governmental Activities	\$ 684,746	\$ (3,051,915)	\$ (1,312,857)	\$ (1,722,584)
Business-Type Activities	<u>477,521</u>	<u>74,531</u>	<u>99,078</u>	<u>210,282</u>
Total Primary Government Net Expense	<u>\$ 1,162,267</u>	<u>\$ (2,977,384)</u>	<u>\$ (1,213,779)</u>	<u>\$ (1,512,302)</u>

2014	2013	2012	2011	2010	2009
\$ 723,511	\$ 821,428	\$ 719,273	\$ 732,277	\$ 692,663	\$ 787,818
213,602	222,432	200,673	187,181	190,427	275,904
2,714,404	2,546,687	2,454,703	2,326,383	2,266,681	2,205,715
1,410,749	601,360	818,898	584,016	528,658	575,436
303,924	346,239	292,991	234,056	160,192	146,791
145,443	85,757	90,174	44,086	41,577	64,376
305,589	1,081,899	647,357	661,674	864,632	669,986
7,428	13,256	27,701	40,884	57,140	27,525
<u>5,824,650</u>	<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>
<u>202,889</u>	<u>155,272</u>	<u>123,079</u>	<u>73,074</u>	<u>20,690</u>	-
<u>202,889</u>	<u>155,272</u>	<u>123,079</u>	<u>73,074</u>	<u>20,690</u>	-
<u>\$ 6,027,539</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>
\$ 118,227	\$ 93,365	\$ 100,235	\$ 74,092	\$ 24,808	\$ 81,044
-	-	-	-	-	-
372,194	440,811	389,084	320,919	285,136	364,452
-	-	-	-	-	-
9,575	7,075	11,322	5,213	6,437	1,375
622,488	597,370	159,515	203,542	189,352	317,736
320,643	368,733	293,104	237,074	177,037	205,316
<u>1,506,298</u>	<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>2,949,425</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>
322,619	298,534	294,523	265,465	358,911	-
-	1,391,959	-	-	-	-
<u>322,619</u>	<u>1,690,493</u>	<u>294,523</u>	<u>265,465</u>	<u>358,911</u>	-
<u>\$ 3,272,044</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>
\$ (2,875,225)	\$ (1,704,622)	\$ (3,043,833)	\$ (2,793,042)	\$ (2,441,692)	\$ (2,715,164)
<u>119,730</u>	<u>1,535,221</u>	<u>171,444</u>	<u>192,391</u>	<u>338,221</u>	-
<u>\$ (2,755,495)</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>

(continued)

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

	2018	2017	2016	2015
General Revenues and Other				
Changes in Net Position				
Governmental Activities:				
Taxes:				
Property tax	\$ 4,150,720	\$ 4,062,016	\$ 3,899,541	\$ 3,420,246
Franchise tax	720,336	677,907	628,911	604,313
Business tax	790,056	742,319	695,402	644,069
Selective sales tax	361,458	344,217	334,148	320,726
Other revenues	48,679	21,773	30,090	29,072
Unrestricted investment earnings	40,501	15,272	14,064	7,988
Gain (Loss) from disposal of capital assets	-	(15,430)	3,952	3,764
Transfers	6,900	-	-	-
Total Government Activities	<u>6,118,650</u>	<u>5,848,074</u>	<u>5,606,108</u>	<u>5,030,178</u>
Business-Type Activities:				
Unrestricted investment earnings	643	24	242	518
Gain on disposal of capital assets	38,140	-	-	-
Transfers	(6,900)	-	-	-
Total Business-Type Activities	<u>31,883</u>	<u>24</u>	<u>242</u>	<u>518</u>
Total Primary Government	<u>6,150,533</u>	<u>5,848,098</u>	<u>5,606,350</u>	<u>5,030,696</u>
Change in Net Position				
Governmental Activities	\$ 6,803,396	\$ 2,796,159	\$ 4,293,251	\$ 3,307,594
Business-type activities	<u>509,404</u>	<u>74,555</u>	<u>99,320</u>	<u>210,800</u>
	<u>\$ 7,312,800</u>	<u>\$ 2,870,714</u>	<u>\$ 4,392,571</u>	<u>\$ 3,518,394</u>

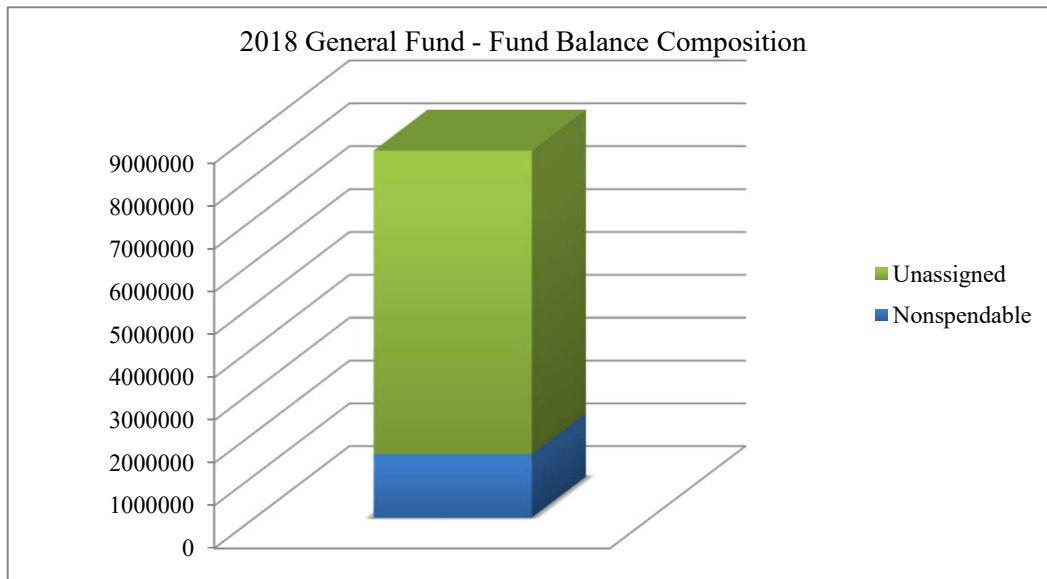
2014	2013	2012	2011	2010	2009
\$ 3,212,535	\$ 2,899,441	\$ 2,591,089	\$ 2,647,071	\$ 2,553,574	\$ 2,473,086
578,242	528,764	451,734	429,737	502,270	352,179
612,157	561,690	551,174	513,649	303,995	665,507
297,484	262,465	262,572	244,667	231,086	-
50,284	52,912	50,932	49,936	88,743	61,470
7,061	7,017	8,756	6,589	4,322	6,459
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,757,763</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>
533	257	496	243	40	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>533</u>	<u>257</u>	<u>496</u>	<u>243</u>	<u>40</u>	<u>-</u>
<u>4,758,296</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>
\$ 1,882,538	\$ 2,607,667	\$ 872,424	\$ 1,098,607	\$ 1,242,298	\$ 843,537
120,263	1,535,478	171,940	192,634	338,261	-
<u>\$ 2,002,801</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)

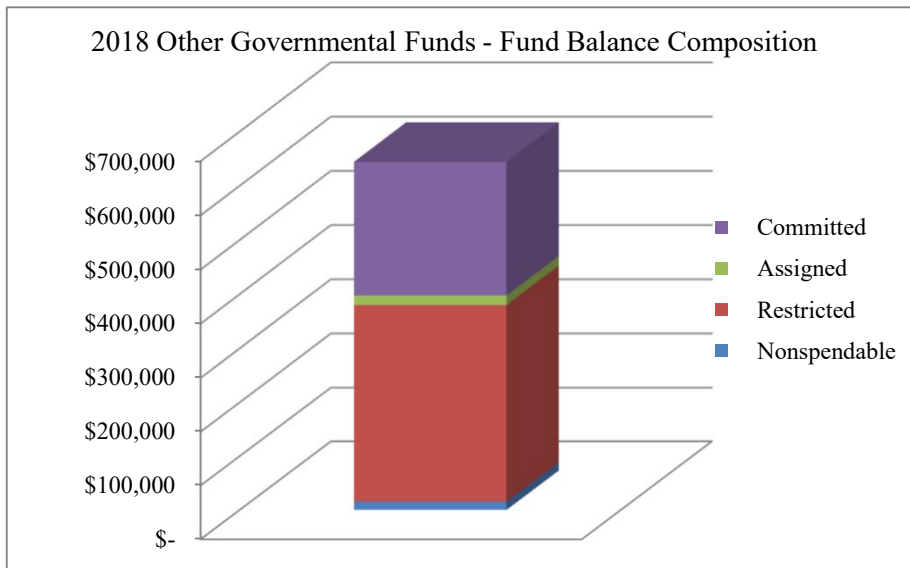
	2018	2017 - Restated	2016	2015
General fund				
Nonspendable	\$ 1,490,068	\$ 64,236	\$ 52,706	\$ 174,041
Unassigned	7,084,267	6,835,206	5,647,642	4,991,439
Total general fund	<u>\$ 8,574,335</u>	<u>\$ 6,899,442</u>	<u>\$ 5,700,348</u>	<u>\$ 5,165,480</u>
All other governmental funds				
Nonspendable	\$ 15,322	\$ -	\$ -	\$ -
Restricted	407,853	320,676	264,209	958,168
Assigned	17,593	863,673	442,185	725,129
Committed	246,679	-	-	-
Unassigned (Deficit)	(1,005,789)	(538,965)	(20,529)	-
Total all other governmental funds	<u>\$ (318,342)</u>	<u>\$ 645,384</u>	<u>\$ 685,865</u>	<u>\$ 1,683,297</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.



2014	2013	2012	2011	2010	2009
\$ 42,510	\$ 77,733	\$ 56,486	\$ 65,788	\$ 60,518	\$ 21,009
<u>4,344,293</u>	<u>3,554,510</u>	<u>2,608,226</u>	<u>2,177,067</u>	<u>1,462,088</u>	<u>1,339,533</u>
<u>\$ 4,386,803</u>	<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,181,598	1,121,547	1,435,263	1,459,236	1,215,129	1,342,659
623,374	587,513	425,332	454,963	496,117	310,889
-	-	-	-	-	-
-	-	-	(211,857)	(211,857)	(236,937)
<u>\$ 1,804,972</u>	<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>



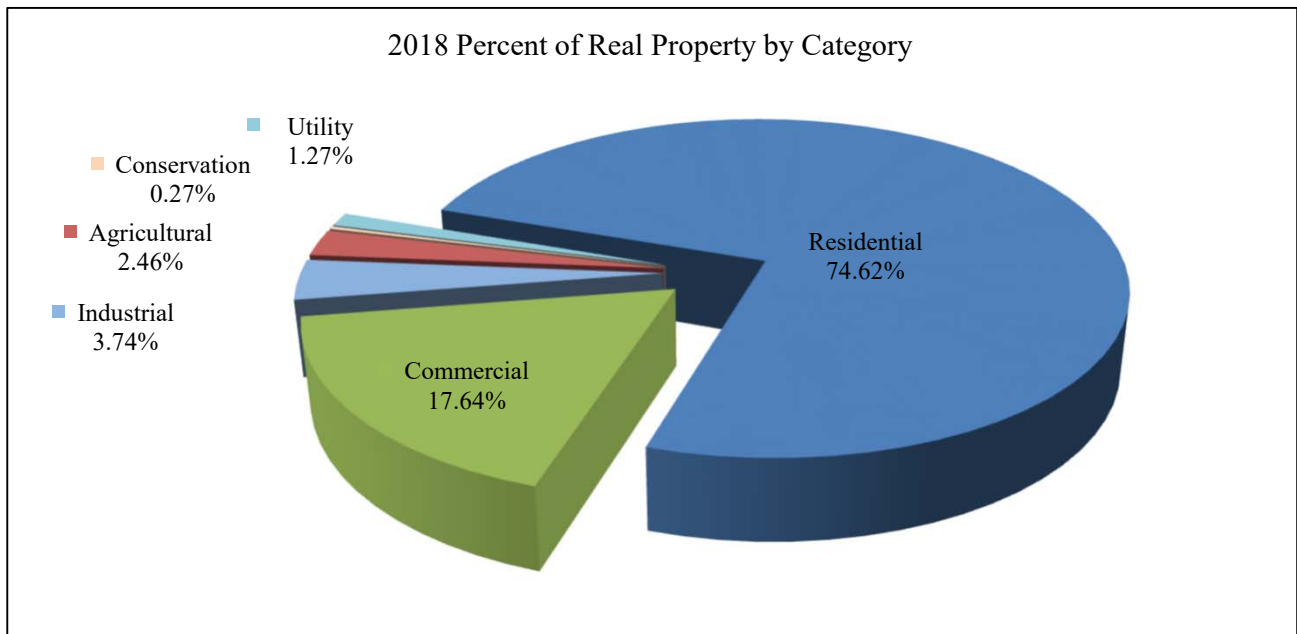
CITY OF HOLLY SPRINGS, GEORGIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)

	2018	2017	2016	2015
Revenues:				
Taxes	\$ 5,989,583	\$ 5,582,428	\$ 5,221,402	\$ 4,710,042
Licenses and permits	2,884,877	1,358,643	1,012,827	877,253
Intergovernmental	2,060,192	2,046,269	3,792,829	1,753,918
Charges for services	421,498	142,345	100,763	70,533
Fines and forfeitures	466,287	335,907	334,566	389,908
Interest	42,764	15,406	15,157	9,808
Donations from private sources	28,478	23,855	18,302	8,075
Other revenue	48,679	33,847	39,217	30,717
Total revenues	<u>11,942,358</u>	<u>9,538,700</u>	<u>10,535,063</u>	<u>7,850,254</u>
Expenditures:				
Current:				
General government	1,542,280	920,148	819,309	799,051
Judicial	235,967	243,688	261,335	286,373
Public safety	4,131,113	3,589,867	3,413,547	3,133,362
Public works	642,451	577,532	442,958	349,258
Health and welfare	172,892	179,437	224,872	356,242
Culture and recreation	117,372	92,014	255,150	150,479
Housing and development	750,990	640,322	561,728	397,747
Capital outlay	3,325,210	2,316,710	7,941,197	1,607,851
Debt service:				
Principal	296,798	336,283	281,417	127,215
Interest	61,938	68,808	31,418	6,252
Total expenditures	<u>11,277,011</u>	<u>8,964,809</u>	<u>14,232,931</u>	<u>7,213,830</u>
Excess (deficiency) of revenues over expenditures	<u>665,347</u>	<u>573,891</u>	<u>(3,697,868)</u>	<u>636,424</u>
Other financing sources (uses):				
Capital lease issuance	-	-	-	-
Proceeds from disposal of capital assets	38,920	4,748	35,305	20,578
Bond issuance	-	-	3,200,000	
Transfers in	668,636	898,740	382,706	12,872
Transfers (out)	(661,736)	(361,779)	(382,706)	(12,872)
Total other financing sources (uses)	<u>45,820</u>	<u>541,709</u>	<u>3,235,305</u>	<u>20,578</u>
Net change in fund balances	<u>\$ 711,167</u>	<u>\$ 1,115,600</u>	<u>\$ (462,563)</u>	<u>\$ 657,002</u>
Debt service as a percentage of noncapital expenditures:	<u>4.82%</u>	<u>5.94%</u>	<u>4.70%</u>	<u>2.29%</u>

2014	2013	2012	2011	2010	2009
\$ 4,399,578	\$ 4,202,032	\$ 3,926,975	\$ 3,806,897	\$ 3,571,677	\$ 3,434,685
692,844	661,322	226,580	245,884	160,951	368,228
1,664,757	1,444,195	1,530,436	1,427,110	1,324,788	1,271,817
52,348	30,356	23,546	35,623	29,088	27,172
411,035	427,464	367,364	284,208	259,543	369,207
8,728	8,968	11,383	8,093	5,547	8,422
15,181	22,559	-	-	-	-
61,255	58,972	85,282	48,996	88,743	61,470
<u>7,305,726</u>	<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>
678,717	693,305	695,848	707,668	679,963	755,205
211,556	222,251	199,641	186,549	189,273	276,937
2,518,284	2,343,040	2,324,164	2,187,997	2,188,611	2,101,137
370,357	236,884	252,305	272,116	237,580	296,950
303,938	346,519	293,264	234,298	160,192	146,791
130,547	70,858	74,799	28,712	26,208	52,751
298,874	1,076,180	635,686	658,630	853,993	662,226
1,950,389	784,233	615,706	348,202	450,948	2,743,452
138,944	530,848	512,431	441,432	447,790	20,606
6,558	15,911	34,328	46,937	64,703	3,517
<u>6,608,164</u>	<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>697,562</u>	<u>535,839</u>	<u>533,394</u>	<u>744,270</u>	<u>141,076</u>	<u>(1,518,571)</u>
133,553	250,829	-	167,259	-	1,800,000
19,358	29,328	59,905	11,673	-	-
-	-	-	-	-	-
94,670	650,189	269,145	266,485	40,000	463,572
(94,670)	(650,189)	(282,334)	(266,485)	(40,000)	(463,572)
<u>152,911</u>	<u>280,157</u>	<u>46,716</u>	<u>178,932</u>	<u>-</u>	<u>1,800,000</u>
<u>\$ 850,473</u>	<u>\$ 815,996</u>	<u>\$ 580,110</u>	<u>\$ 923,202</u>	<u>\$ 141,076</u>	<u>\$ 281,429</u>
<u>2.69%</u>	<u>9.76%</u>	<u>10.35%</u>	<u>10.25%</u>	<u>10.56%</u>	<u>0.56%</u>

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

Fiscal Year	Real Property					
	Residential	Commercial	Industrial	Agricultural	Conservation	Utility
	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value
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
2018	405,327,714	95,844,347	20,303,507	13,361,280	1,465,240	6,892,920

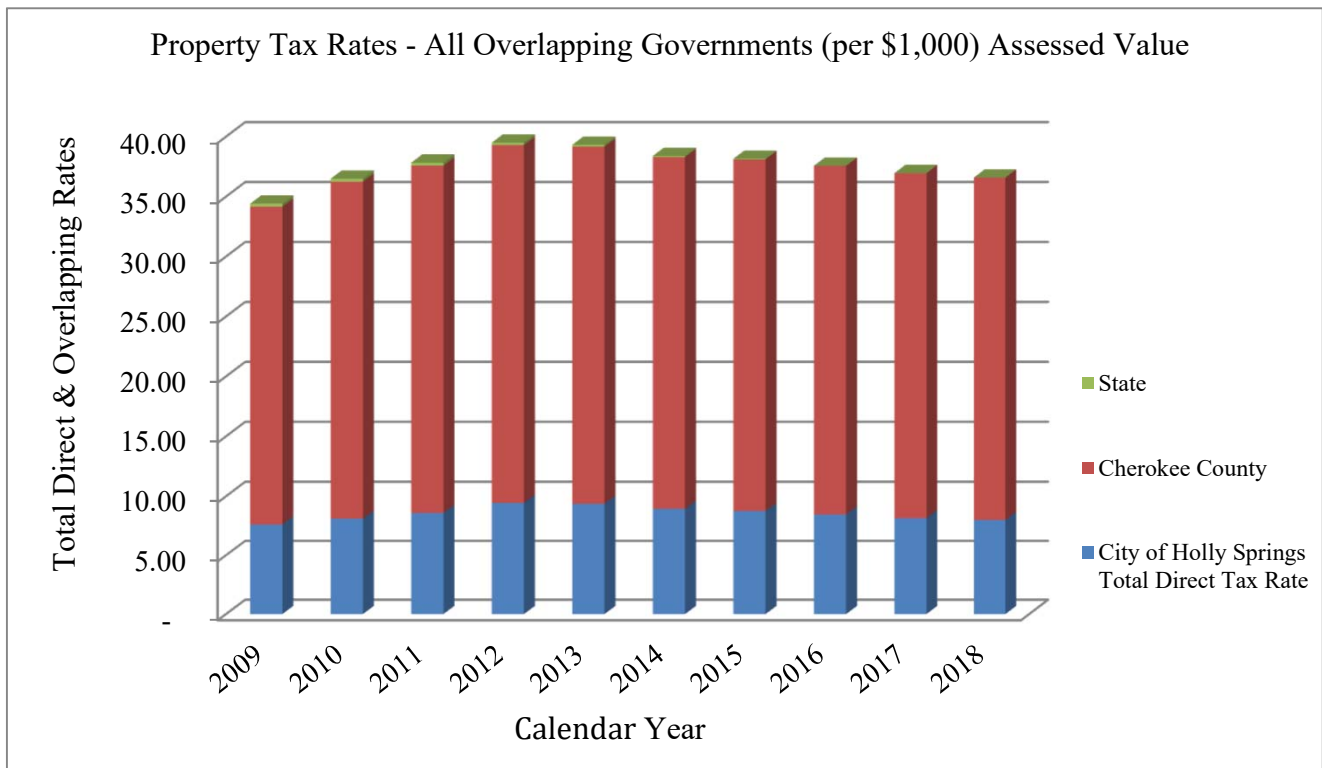


The Cherokee County Assessor performs property tax assessments on all property within Cherokee County including all of the cities therein. The fair market value is determined based on comparables for sales in the area and zoning and land use assumptions. The tax digest is submitted to the Georgia Department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

Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a % of Actual Value
Motor Vehicles Assessed Value	Other Assessed Value					
\$ 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%
5,522,860	102,720	6,835,069	541,985,519	7.999	1,354,963,798	40%

CITY OF HOLLY SPRINGS, GEORGIA
PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
(Per \$1,000 of Assessed Value)
LAST TEN YEARS

<u>Calendar Year</u>	<u>City of Holly Springs Total Direct Tax Rate</u>	<u>Cherokee County</u>	<u>State</u>	<u>Total Direct & Overlapping Rates</u>
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	8.46	29.113	0.00	37.573
2017	8.148	28.812	0.00	36.960
2018	7.999	28.588	0.00	36.587



**CITY OF HOLLY SPRINGS, GEORGIA
PRINCIPAL TAX PAYERS
CURRENT AND NINE YEARS PRIOR**

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Mar Harbor Creek LLC	\$ 12,736,360	1	2.35%	\$ 7,239,800	1	2.13%
Walmart	8,133,199	2	1.50%			
Home Depot	4,669,699	3	0.86%	5,648,222	3	1.66%
PMAT East Cherokee LLC	4,140,600	4	0.76%	6,141,400	2	1.81%
Cherokee Auto Land	3,948,840	5	0.73%			
Northside Hospital Cherokee	2,964,400	6	0.55%			
Windsor House Assisted Living	2,678,240	7	0.49%			
WellStar Health System	2,355,360	8	0.43%			
The Kroger Co.	1,850,400	9	0.34%	2,198,360	6	0.65%
Bright-Meyers Holly Springs	1,690,600	10	0.31%			
Alltel GA Communications				2,483,967	4	0.73%
Computrac LLC				2,232,913	5	0.66%
Downtown Hickory Flat LLC				1,514,040	7	0.45%
Pulte Home Corporation				1,380,200	8	0.41%
Holly Springs Shopping Center				1,288,520	9	0.38%
Toonigh Village LLC				1,187,880	10	0.35%
	<u>\$ 45,167,698</u>		<u>8.33%</u>	<u>\$ 31,315,302</u>		<u>9.21%</u>

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy (1)		Amount	Percentage of Levy
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%	166,009	3,585,348	99.48%
2018	4,078,118	3,870,504	94.91%	N/A	3,870,504	94.91%

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

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

Governmental Activities				
Holly Springs				
Fiscal Year	Capital Leases	Parks & Recreation Authority	Percentage of Personal Income	Per Capita
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
2018	-	2,460,775	0.63%	198

CITY OF HOLLY SPRINGS, GEORGIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
City Direct Debt:			
Holly Springs Parks and Recreation Authority - 2016 Issue	\$ 2,460,775	100%	\$ 2,460,775
Total Direct Debt	<u>2,460,775</u>		<u>2,460,775</u>
Overlapping General Obligation Debt:			
Cherokee County - 2009 Issue	1,905,000	5.61%	106,820
Cherokee County - 2010 Issue	8,017,000	5.61%	449,540
Cherokee County - 2012 Issue	4,280,000	5.61%	239,994
Cherokee County - 2014 Issue	19,648,000	5.61%	1,101,729
Cherokee County - Refunding bond 2016	27,510,000	5.61%	28,450,000
Cherokee County School District	480,146,887	5.61%	26,923,448
 Capital Lease Debt	 1,414,475		
Other Overlapping Debt:			
Cherokee County Resource Recovery Development Authority	10,825,000	5.61%	606,994
Total Overlapping Debt	<u>553,746,362</u>		<u>57,878,525</u>
Total Direct and Overlapping Debt	<u>\$ 556,207,137</u>		<u>\$ 60,339,300</u>

Source: Information obtained from the Cherokee County, Georgia Comprehensive Annual Financial Report dated September 30, 2018.

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>
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%
2018	12,446	387,730,238	31,153	36.61	Some College	975	3.2%

- (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 AND NINE YEARS AGO**

Employer	2018			2009		
	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment (2)
Walmart #5814	229	1	3.61%			
Hydro-Chem, A Division of Linde Eng.	91	2	1.43%	127	1	2.34%
Home Depot, USA, Inc.	90	3	1.42%	120	2	2.21%
Kroger Store #430	79	4	1.24%	94	4	1.73%
Cherokee County School District	80	5	1.26%	75	3	1.38%
Publix Super Markets, Inc.	77	6	1.21%	66	5	1.21%
Nor-Ral Plastics, Inc.	62	7	0.98%	51	7	0.94%
USF AF Georgia	48	8	0.76%			
Place Services Inc.	45	9	0.71%			
Sutherlin Nissan Cherokee	45	10	0.71%			
Agilex Fragrance Division				62	6	1.14%
Wild West Bar and Grill				42	8	0.77%
BEMD Company				37	9	0.68%
Eco-Tech, Inc.				32	10	0.59%
Total	846		13.33%	706		12.99%

(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

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Management	3.0	3.0	3.0	3.0	3.0	4.0	2.0	2.0	2.0	2.0
Finance	2.0	1.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Technology	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Facilities	1.0	1.0	1.0							
Judicial										
Municipal Court	3.0	3.0	3.0	2.5	2.0	2.0	2.0	2.0	2.0	2.0
Public Safety										
Police Officers	27.0	22.0	19.0	19.0	16.0	16.0	14.0	14.0	13.0	14.0
Police Administration	6.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Probation (1)	1.0	1.0	-	-	-	-	-	-	-	-
Public Works										
Streets	0.0	0.0	0.0	3.0	3.0	3.0	3.0	3.0	2.0	3.0
Culture and Recreation										
Parks	0.0	0.0	0.0	0.5	-	-	1.0	1.0	1.0	1.0
Housing and Development										
Building	6.0	4.0	5.5	3.5	2.0	2.0	2.0	2.0	2.0	6.0
Planning and Zoning	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Stormwater (2)	1.0	2.0	2.5	1.0	1.0	2.0	1.0	0.5	0.5	0.0
Total	53.0	45.0	42.0	39.5	34.0	36.0	32.0	31.5	29.5	35.0

(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.

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

Function	2018	2017	2016	2015	2014
General government					
Ordinances approved	24	27	27	15	12
Special events held	8	8	8	7	7
Occupation tax licenses issued (1)	692	719	719	633	539
Court					
Number of citations processed	4,777	2,247	2,438	2,021	2,804
Number & type of court sessions:					
Arraignments	23	23	23	23	25
Trials	2	4	4	4	7
Judge's seminars	-	-	-	3	4
Police					
Calls for service	15,604	12,939	12,612	12,593	27,501
Part 1 crimes reported	277	326	435	393	186
Public Works					
Number of potholes repaired	38	34	35	13	2
Miles of streets resurfaced	2.62	1.31	2.36	3.04	5.35
Community Development					
Building permits/CO's issued	1,319	961	567	565	297
Acres annexed	35.24	119.33	53.53	98.54	-
Culture and Recreation					
Park acres maintained	46	46	46	46	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

2013	2012	2011	2010	2009
11	11	11	8	9
9	11	9	9	9
909	913	917	860	768
2,468	2,178	1,869	2,080	2,815
25	19	21	22	21
7	6	4	4	5
3	3	4	-	-
26,056	24,426	30,558	17,623	23,180
201	274	280	308	237
9	11	11	8	N/A
3.90	3.02	1.23	-	2
136	140	130	109	180
2.91	10.39	-	-	-
13	13	13	13	13
-	8	2	-	-

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

Function	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	25	21	18	17	16	13	13	13	13	13
Public Works										
Streets (miles)	64.13	64	64	60	59	59	59	59	59	59
Parks and Recreation										
Acreage of Parks (1)	46	46	46	46	46	46	46	46	46	13
Playgrounds	3	3	3	3	2	2	2	2	2	2
Baseball Fields	1	1	1	1	1	1	1	1	1	1
Community Center	1	1	1	1	1	1	1	1	1	1

INTERNAL CONTROL & COMPLIANCE SECTION





**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 the City Council of the
City of Holly Springs, Georgia**

We have audited, 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, 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 City of Holly Springs, Georgia (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

Holly Springs, Georgia's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 25, 2019

CITY OF HOLLY SPRINGS, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION II FINANCIAL STATEMENT FINDINGS

2018-001 Revenue Recognition

Criteria: Internal controls should be in place to ensure the financial statements properly present the financial position and results of operations of the City in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect material misstatements in the City's financial statements for the year ended December 31, 2018.

Context/Cause: During our audit for the year ended December 31, 2018, adjustments to the recognition period for revenues of the Governmental Activities, the SPLOST IV Fund, and the SPLOST V Fund were required. The nature of the adjustments were as follows:

- Management determined the need to restate opening net position (equity) for the year ended December 31, 2018 for the City's governmental activities and fund balance for the SPLOST IV Fund. The restatement pertains to the reporting of paving assessments from prior years under GASB No. 33, which requires recognition of revenues imposed on nongovernmental entities. The City required an adjustment of approximately \$73,000 to the unearned revenue and revenue accounts in the SPLOST IV Fund, with approximately \$43,000 increasing opening fund balance; and
- An adjustment of approximately \$13,500 was required to recognize revenues in the SPLOST V Fund for which the City has met the recognition criteria of GASB Statement No. 33, and the funds were considered available for recognition.
- An adjustment of approximately \$3.5 million was required to report the deferred revenues which were improperly recognized as revenue in the prior year statement of activities. The City's property taxes which are levied in 2017 are levied for the operation of the 2018 budget, and in accordance with GASB 33, should be deferred in the fund level and the government-wide statements. In prior years, the City was properly deferring the taxes at the fund level, but then incorrectly recognized the revenues in the statement of activities. An adjustment to decrease the opening net position of the governmental activities was required to properly account for the property taxes.

Effects: As a result of the issues noted above, total adjustments of approximately \$3.6 million were required to correct certain revenues in the current and prior year.

Recommendation: We recommend the City carefully review the financial statements and the applicable reporting requirements under generally accepted accounting principles (GAAP) to ensure that all information and financial data is being properly reported in the annual financial statements.

Auditee's Response: We concur with the finding. We have evaluated the recognition policy of the City and will ensure available assets are recognized in accordance with GASB Statement No. 33.