

2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended
December 31, 2022



City of Holly Springs, Georgia
www.hollyspringsga.us





J.B. Owens Park

ANNUAL COMPREHENSIVE FINANCIAL REPORT

PREPARED BY:
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Finance Director

SUBMITTED BY:
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City Manager



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CITY OF HOLLY SPRINGS, GEORGIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

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**CITY OF HOLLY SPRINGS, GEORGIA
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INTRODUCTORY SECTION

Photo: Groundbreaking Ceremony for the Holly Springs Town Center Project. At completion, the 22 acre development will showcase a variety of residential options, retail, restaurants, greenspace, and City Hall.

Mayor
Steven W. Miller

Council Members
Kevin Moore
Dee Phillips
Kyle Whitaker
Jeff Wilbur
Michael Roy Zenchuk II



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Post Office Box 990
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City Attorney
Robert M. Dyer

City Clerk
Karen Norred

City Manager
Robert H. Logan

July 3, 2023

Honorable Mayor Steven W. Miller
Members of the City Council, and
Citizens of the City of Holly Springs

Ladies and Gentlemen:

The Annual Comprehensive Financial Report of the City of Holly Springs, Georgia for the fiscal year ended December 31, 2022, 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, LLC, 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, 2022, 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, 2022, are fairly stated in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's 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 auditor's 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 7.38 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 three quasi-governmental entities, the Downtown Development Authority of Holly Springs, a discretely presented component unit, the Holly Springs Parks and Recreation Authority and the Urban Redevelopment Agency of the City of Holly Springs, Georgia, blended component units.

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 52 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%
2020	16,213	6.08%
2022	18,500	6.68%

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

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. The Project included the construction of a roundabout on Hickory Road, the construction of a new roadway from Palm Street to Hickory Road (Betty Barrett Way), the addition of a westbound through lane on Hickory Road and improvements to the intersection of Hickory Road and Palm Street. This project was completed in 2020 and has improved traffic flow in downtown Holly Springs and alleviated congestion east of the Town Center.

The City of Holly Springs applied for funding from the State Road and Tollway Authority (SRTA) and the Georgia Transportation Infrastructure Bank (GTIB) for grant and loan funds for the widening of Holly Springs Parkway from Rabbit Hill Road to Ronnell Road in 2020. The City of Holly Springs was awarded the grant and loan funds on August 12, 2020, in the amount of \$1,250,000 and \$3,500,000, respectively. The total budget for the project is \$5,599,495 including preliminary engineering, right-of-way acquisition and construction. At year end, the Holly Springs Parkway Widening Project Phase II was in the construction phase. Upon completion, the project will include the addition of one northbound and one southbound travel lane, the addition of a raised and landscaped median, stormwater infrastructure improvements, sidewalks, and pedestrian lamp posts. The project is scheduled for completion in the first quarter of 2024.

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 provides sanitary sewer for the proposed Holly Springs Town Center Project and various industries in the Hickory Springs Industrial Park. In addition, sanitary sewer lines were extended within the Hickory Springs Industrial Park in 2020 during the construction of Cobb Industrial, Inc., a new steel fabrication company that relocated its operations to Holly Springs, to serve as their new corporate headquarters and production facilities.

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. Management expects continued development in this area as the City of Holly Springs accepts annexation and rezoning applications for commercial and residential uses along the Hickory Road and State Highway 140 corridors.

Recent Economic Development

The City of Holly Springs has seen significant redevelopment north of Sixes Road on Holly Springs Parkway. The intersection of Sixes Road and Interstate 575 is the northern terminus of a reversible toll lane project that was constructed by the Georgia Department of Transportation in a public private partnership three years ago. Prior to the completion of this project, there was a great deal of interest in this area from developers. Two large market rate apartment complexes were completed at this intersection in 2019 and a third complex will be completed in 2023. In addition, a single-family detached residential development is under construction on Sixes Road just west of the interstate. Northside Hospital and Wellstar Health System own several large parcels of land along the western side of I-575 at Sixes Road for the construction of future medical facilities to serve our community. Wellstar Health System completed phase I of their health park in the fall of 2019 generating approximately one hundred new jobs.

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, American Rescue Plan Act of 2021 Fund, Tax Allocation District Fund, Hotel/Motel Tax Fund, Parks and Recreation Fund, Operating Grant Fund, Town Center Fund, SPLOST III Fund, SPLOST IV Fund, SPLOST V Fund, Debt Service 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 2022.

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 City of Holly Springs amended its Financial Policy on November 16, 2020, to increase the percentage of budget stabilization reserves to twenty-five percent (25%) of budgeted expenditures in the General Fund to cover unforeseen budget shortfalls. The Policy also provides guidelines for the use of contingencies for unexpected expenditures, 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 updates its five-year capital improvement plan annually 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 includes design and construction oversight for the mixed-use development which includes restaurants, retail units, a brewery, multi-family residential units, single-family residential units, parking deck, amphitheater, and City Hall with a town green. Construction of the Town Center Road Network Project, utilities and associated infrastructure was completed in 2020. Site work and infrastructure construction on the property started in the summer of 2021. This phase of the project is anticipated to be completed by the end of 2023. The vertical construction for the parking deck, amphitheater, City Hall, and multi-purpose buildings are projected to start in early 2024.

Holly Springs Parkway Widening Project Phase III

The City of Holly Springs applied for funding from the State Road and Tollway Authority (SRTA) for loan funds for the widening of Holly Springs Parkway from Ronnell Road to Childers Road during the first quarter of 2021. The City of Holly Springs was awarded \$6,000,000 through the Georgia Transportation Infrastructure Bank (GTIB) on May 1, 2021. The budget for this phase of the project includes \$387,496 for preliminary engineering, \$1,582,545 for the acquisition of additional right-of-way and \$4,029,959 for construction. At year end, the Holly Springs Parkway Widening Project Phase III was in the right-of-way acquisition phase. Survey work was completed in the first quarter of 2021. This project will include the construction of a four-lane roadway with a raised median, stormwater infrastructure improvements, sidewalks, and pedestrian lamp posts. This project is scheduled for completion in the fourth quarter of 2024.

Hickory Springs Parkway Project

In 2009, the City entered into an agreement with AECOM for the performance of the Town Center Transportation Study & Plan. The study recommended the construction of an industrial connector that would divert traffic from the Hickory Springs Industrial Park across the railroad and P. Rickman Industrial Drive to Holly Springs Parkway at Mountain Brook. In 2021, the City engaged Southeastern Engineering, Inc. (SEI) to begin engineering and environmental work on the Hickory Springs Parkway Project Phase I. The first phase of the project extends from Hickory Road to P. Rickman Industrial Drive with an at-grade railroad crossing. Phase II of the project realigns Hickory Springs Industrial Drive with Hickory Springs Parkway at Hickory Road. Phase III of the project includes the construction of Hickory Springs Parkway from P. Rickman Industrial Drive to Holly Springs Parkway at Mountain Brook. Construction of Phase I is anticipated to begin in the fall of 2023.

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 (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Holly Springs for its annual comprehensive financial report for the fiscal year ended December 31, 2021. This was the tenth 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 annual comprehensive 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 annual comprehensive 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 the entire City staff and the Certified Public Accounting firm of Mauldin & Jenkins. We 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,



Denise Lamazares
Finance Director



Robert H. Logan, CPA, CGMA
City Manager



ORGANIZATION CHART

Citizens of
Holly Springs



MAYOR & COUNCIL



Steven W. Miller
Mayor



Michael Roy Zenchuk II
Mayor Pro Tem | Ward 5



Kyle Whitaker
Ward 1



Dee Phillips
Ward 2



Kevin Moore
Ward 4



Jeff Wilbur
Ward 5



PRINCIPAL OFFICERS



Karen Norred CMC, ACHRM
City Clerk &
Human Resources Director



Tommy Keheley
Chief of Police



Nancy Moon AICP
Community Development
Director



Denise Lamazares
Finance Director



Donna Sanders
Court Administrator



Erin Honea EDFP
Communications & External
Affairs Director



Robert H. Logan CPA, CGMA
City Manager





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Holly Springs
Georgia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Executive Director/CEO



FINANCIAL SECTION

Photo: One of only two depots remaining in Cherokee County, the Holly Springs Train Depot, built c. 1900, remains the City's most iconic and beloved landmark.



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, American Rescue Plan Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 nonmajor fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds as required by 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

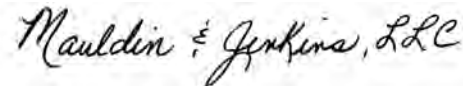
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2023 on our consideration of the City'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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
July 3, 2023

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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, 2022. 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 2022 are as follows:

- The City's combined net position increased \$8,698,534 (14.86%) to \$67,236,309 from \$58,537,775 in 2021.
- Combined revenue increased \$2,316,886 (11.83%) to \$21,903,200 from \$19,586,314 in 2021, of which governmental activities totaled \$20,068,487 and business-type activities totaled \$1,834,713.
- Overall expenses increased \$1,774,100 (15.52%) to \$13,204,666 from \$11,430,566 in 2021, of which governmental activities totaled \$12,410,423 and business-type activities totaled \$794,243.
- As of December 31, 2022, the City's governmental funds reported combined ending fund balances of \$8,443,138. At December 31, 2022, the unassigned fund balance is \$5,823,620.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Net Position

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

The Statement of Activities

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

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

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

statements discussed in the notes to the financial statements, Note 1. The City includes one discretely presented component unit in its government-wide financial statements: Downtown Development Authority of Holly Springs, and two blended component units: Holly Springs Parks and Recreation Authority and Urban Redevelopment Agency of the City of Holly Springs, Georgia.

The government-wide financial statements can be found on pages 16 through 18 of this report.

FUND FINANCIAL STATEMENTS

The Fund Financial statements begin on page 19 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 two categories: governmental funds and proprietary 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. Four individual funds are considered to be major funds: General Fund, SPLOST V Fund, Town Center Fund, and American Rescue Plan Fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 19 through 21 of this report.

Proprietary Funds

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

The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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 25 through 48 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 and the American Rescue Plan Act of 2021 Fund. These schedules compare the original and final adopted budgets of the General Fund and American Rescue Plan Act of 2021 of the City of Holly Springs to the actual revenues and expenditures.

The required supplementary information, including related notes, can be found on pages 49 through 52 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 \$67,236,309 at December 31, 2022.

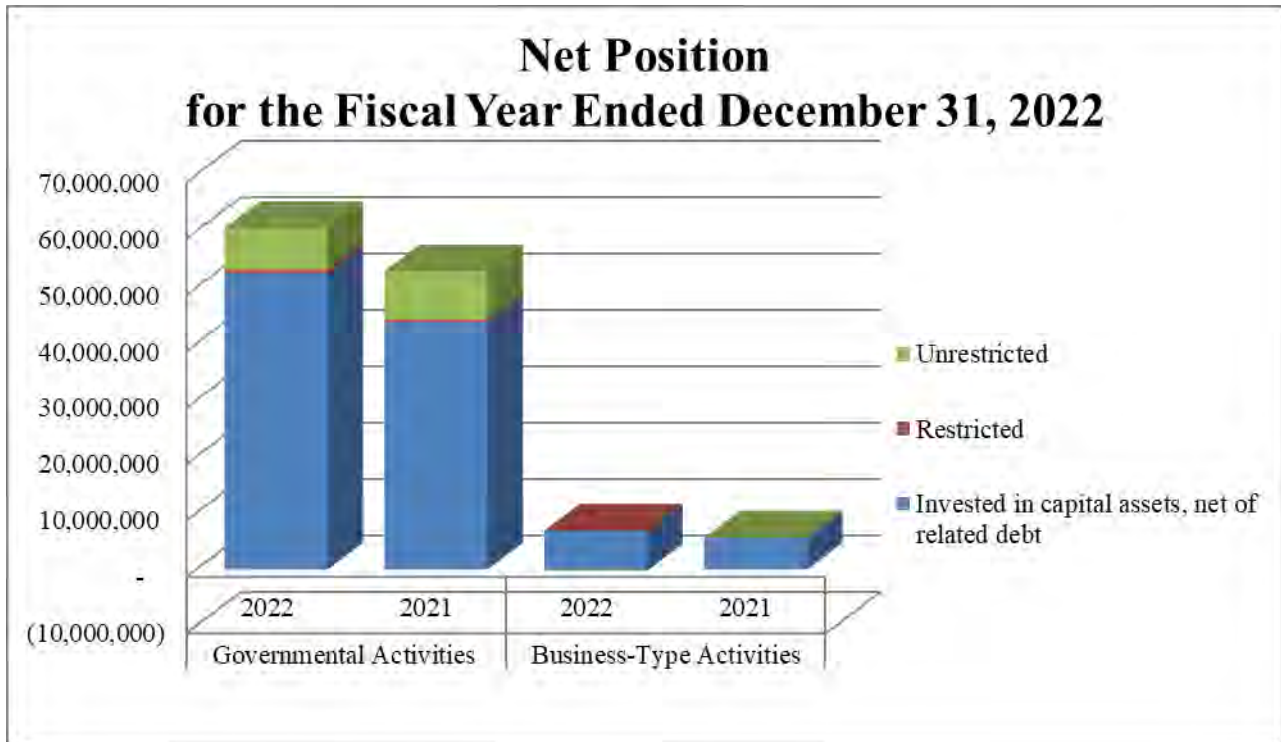
Combined net position includes a net investment in capital assets of \$59,469,545 (e.g., land, infrastructure, buildings, equipment, and other); less accumulated depreciation and any related debt outstanding that was needed to build or acquire the assets. The City uses these assets to provide services to the citizens and the businesses in the City; consequently, this net position is not available for future spending. The City has \$667,041 of restricted net position that is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. The City has \$7,099,723 in unrestricted net position at December 31, 2022.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 22,155,279	\$ 19,001,541	\$ (198,552)	\$ 74,243	\$ 21,956,727	\$ 19,075,784
Capital Assets	65,910,603	53,468,395	7,011,000	5,759,592	72,921,603	59,227,987
Total Assets	<u>88,065,882</u>	<u>72,469,936</u>	<u>6,812,448</u>	<u>5,833,835</u>	<u>94,878,330</u>	<u>78,303,771</u>
Deferred Outflows of Resources	<u>410,383</u>	<u>511,797</u>	<u>6,616</u>	<u>9,010</u>	<u>416,999</u>	<u>520,807</u>
Current liabilities	\$ 8,960,367	\$ 4,978,957	\$ 61,167	\$ 67,298	\$ 9,021,534	\$ 5,046,255
Non-current liabilities	12,315,478	9,078,220	64,555	120,026	12,380,033	9,198,246
Total liabilities	<u>21,275,845</u>	<u>14,057,177</u>	<u>125,722</u>	<u>187,324</u>	<u>21,401,567</u>	<u>14,244,501</u>
Deferred Inflows of Resources	<u>6,652,664</u>	<u>6,034,864</u>	<u>4,789</u>	<u>7,438</u>	<u>6,657,453</u>	<u>6,042,302</u>
Net position:						
Net investment in capital assets	52,569,794	43,859,351	6,899,751	5,594,981	59,469,545	49,454,332
Restricted	667,041	431,171	-	-	667,041	431,171
Unrestricted	7,310,921	8,599,170	(211,198)	53,102	7,099,723	8,652,272
Total net position	<u>\$ 60,547,756</u>	<u>\$ 52,889,692</u>	<u>\$ 6,688,553</u>	<u>\$ 5,648,083</u>	<u>\$ 67,236,309</u>	<u>\$ 58,537,775</u>

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

City of Holly Springs' Net Position

As of December 31, 2022, the City of Holly Springs is able to present positive balances in net position for its governmental and business-type activities.

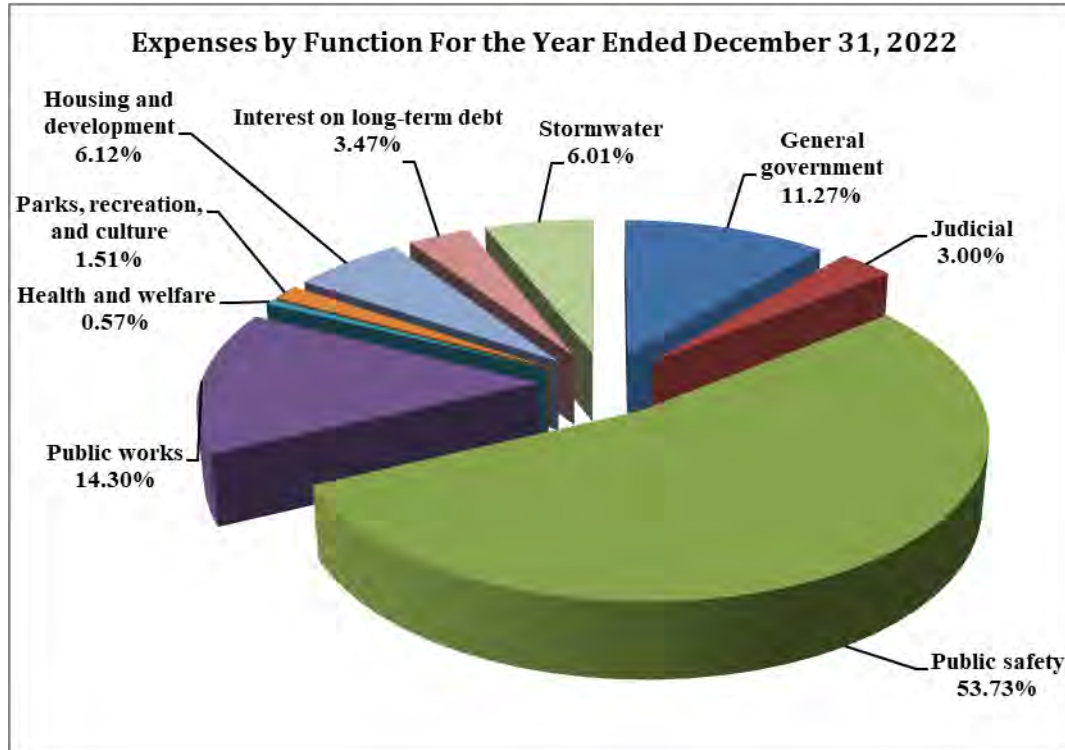
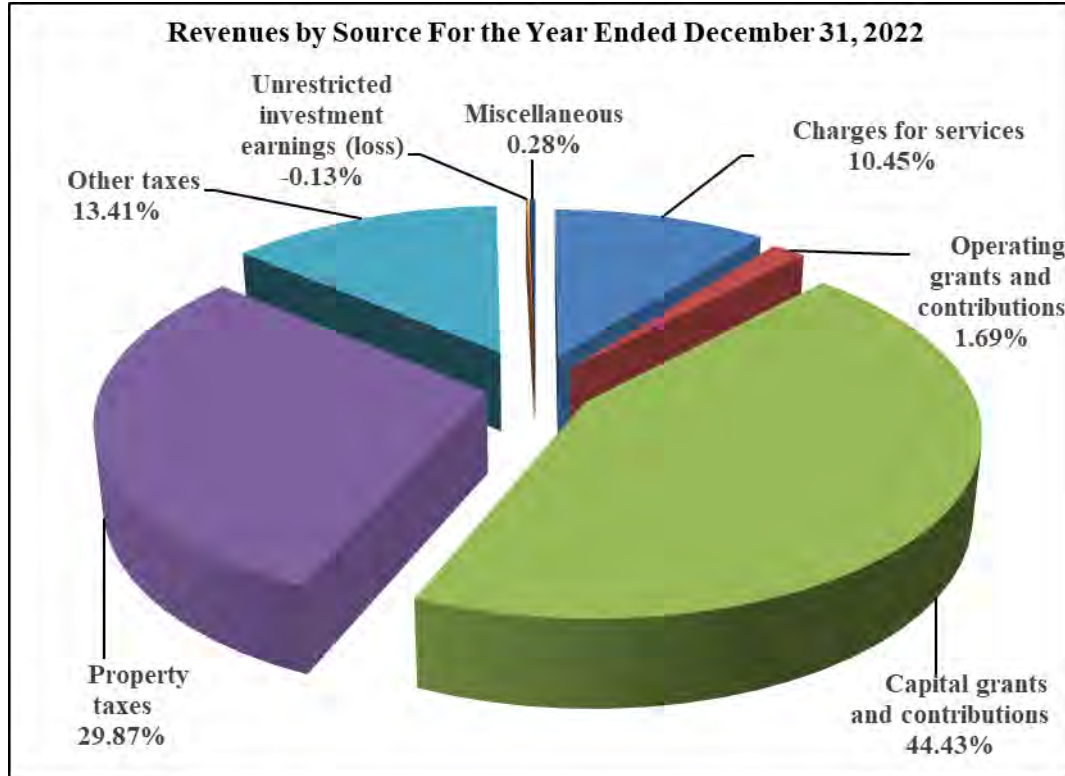


**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

City of Holly Springs' Changes in Net Position

Revenues	Governmental Activity		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for services	\$ 1,818,712	\$ 3,528,299	\$ 471,014	\$ 448,345	\$ 2,289,726	\$ 3,976,644
Operating grants and contributions	369,928	151,923	-	-	369,928	151,923
Capital grants and contributions	8,366,848	6,392,426	1,363,699	838,072	9,730,547	7,230,498
General Revenues:						
Property taxes	6,541,520	5,898,943	-	-	6,541,520	5,898,943
Other taxes	2,937,985	2,194,695	-	-	2,937,985	2,194,695
Unrestricted investment earnings (loss)	(28,585)	24,590	-	59	(28,585)	24,649
Miscellaneous	62,079	108,962	-	-	62,079	108,962
Total revenues	20,068,487	18,299,838	1,834,713	1,286,476	21,903,200	19,586,314
Expenses						
General government	1,488,621	1,411,629	-	-	1,488,621	1,411,629
Judicial	396,747	350,410	-	-	396,747	350,410
Public safety	7,094,514	6,075,444	-	-	7,094,514	6,075,444
Public works	1,888,611	1,952,642	-	-	1,888,611	1,952,642
Health and welfare	75,353	135,667	-	-	75,353	135,667
Parks, recreation, and culture	199,659	219,934	-	-	199,659	219,934
Housing and development	808,604	700,689	-	-	808,604	700,689
Interest on long-term debt	458,314	249,052	-	-	458,314	249,052
Stormwater	-	-	794,243	335,099	794,243	335,099
Total expenses	12,410,423	11,095,467	794,243	335,099	13,204,666	11,430,566
Change in net position	7,658,064	7,204,371	1,040,470	951,377	8,698,534	8,155,748
Beginning net position as restated	52,889,692	45,685,321	5,648,083	4,696,706	58,537,775	50,382,027
Ending net position	\$ 60,547,756	\$ 52,889,692	\$ 6,688,553	\$ 5,648,083	\$ 67,236,309	\$ 58,537,775

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**



**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Governmental Activities

The governmental activities of the City increased net position by \$7,658,064. 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. The explanations for significant changes in net position are summarized below.

Revenues

Property tax revenues increased by \$642,577 (10.9%) in 2022 from 2021 due to growth in the tax digest. Charges for services decreased \$1,709,587 (48.5%) due to a decrease in the number of building permits issued during 2022 for residential projects. Operating Grants and Contributions increased \$218,005 (143.5%) due to the receipt of grant funding through the Local Maintenance Improvement Grant (LMIG) in 2022 that was not received in 2021. Capital grants and contributions increased \$1,974,422 (30.9%) due to the contribution of road infrastructure by developers in Phase II, Phase 3C Unit 1, and Phase 3C Unit 2 of The Reserve at Harmony on the Lakes, Morgan's Run, Riverside Phase IV, Woodhaven Court Phase 1, Woodhaven Court Phase 2, Oakhaven Phase 1, and Oakhaven Phase 2 subdivisions.

Expenses

General government expenses increased \$76,992 (5.45%) in 2022 from 2021 due to costs attributable to the step/grade plan that was proposed by Condrey and Associates and accepted by the council. Judicial expenses increased \$46,337 (13.22%) in 2022 from 2021 due to step/grade plan that was proposed by Condrey and Associates and accepted by the council and additional court sessions during 2022. Public safety expenses increased \$1,019,070 (16.77%) primarily due to an increase in the fire district fees paid to Cherokee County in 2022 and the step/grade plan that was proposed by Condrey and Associates and accepted by the council. Public works expenses decreased \$64,031 (3.28%) in 2022 from 2021 due to decreased maintenance costs incurred for city infrastructure. Health and welfare expenses decreased \$60,314 (44.5%) due to a decrease in funding from the Atlanta Regional Commission for the Workforce Investment Act and Workforce Innovation and Opportunity Act (WIA/WIOA) Youth Grant Programs. Parks, recreation, and culture expenses decreased \$20,275 (9.22%) in 2022 from 2021 due to no major capital projects being completed in 2022. Housing and development expenses increased \$107,915 (15.4%) in 2022 from 2021 due to costs attributable to the step/grade plan that was proposed by Condrey and Associates and accepted by the council. Interest expenses on long-term debt increased \$209,262 (84%) in 2022 from 2021 due to the issuance of additional debt in 2022 for the Holly Springs Town Center Project.

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, 2022, the City's governmental funds reported combined ending fund balances of \$8,443,138.

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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 \$7,789,731, which was comprised of nonspendable fund balance of \$1,288,662 and unassigned fund balance of \$6,501,069. Fund balance in the General Fund decreased \$989,187 (11.27%) in 2022 from 2021. The primary reason for the decrease was the step/grade plan that was proposed by Condrey and Associates and accepted by the council and related expenditures.

The American Rescue Plan Fund is a Special Revenue Fund of the City. This fund accounts for awards from the Coronavirus State and Local Fiscal Recovery Funds program provided under the American Rescue Plan Act of 2021. Fund balance at December 31, 2022 is \$2,471.

The SPLOST V Fund is a capital projects fund of the City. The purpose of this fund is to account for the collection of special purpose local option sales tax (SPLOST) and the construction of approved capital projects. At the end of the current fiscal year, the unassigned fund balance (deficit) of the SPLOST V Fund was (\$318,356). Fund balance in the SPLOST V Fund increased \$214,109 in 2022 from 2021 due to a reduction in project construction costs incurred during the year.

The Town Center Fund is also a capital projects fund of the City. The purpose of this fund is to account for the construction of the Holly Springs Town Center Project. Fund balance in the Town Center Fund increased \$33,746 in 2022 from 2021 due to an increase in transfers from the Urban Redevelopment Agency to cover 2022 construction costs. The fund balance at year end was comprised of unassigned fund balance (deficit) in the amount of (\$359,093).

Non-Major Governmental Funds

The Debt Service Fund accounts for the retirement of principal and interest on city-issued debt instruments. In 2019, the City of Holly Springs General Fund transferred \$2,179,368 to the Debt Service Fund to retire future debt. The City of Holly Springs will transfer the proceeds of land sales into the Debt Service Fund in future years to retire debt issued for the construction of the Town Center Project.

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 five non-major special revenue funds: Parks and Recreation Fund, Tax Allocation District Fund, Hotel/Motel Tax Fund, Urban Redevelopment Agency of the City of Holly Springs, Georgia, and Multiple Grant Fund.

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

Non-major governmental funds revenues totaled \$807,422 for the fiscal year ending December 31, 2022. Non-major governmental fund expenditures totaled \$1,612,154. Fund balance for all non-major governmental funds was \$1,328,385. Non-major fund balances decreased \$294,309 primarily due to an increase in principal payments for outstanding debt.

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 \$6,688,553 at December 31, 2022, an increase of \$1,040,470 over 2021. Net investment in capital assets is \$6,899,751 and the unrestricted net position (deficit) is (\$211,198). Net

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

position increased in 2022 due to the contribution of stormwater infrastructure from developers in Phase II, Phase 3C Unit 1, and Phase 3C Unit 2 of The Reserve at Harmony on the Lakes, Morgan's Run, Riverside Phase IV, Woodhaven Court Phase 1, Woodhaven Court Phase 2, Oakhaven Phase 1, and Oakhaven Phase 2 subdivisions.

GENERAL FUND BUDGETARY HIGHLIGHTS

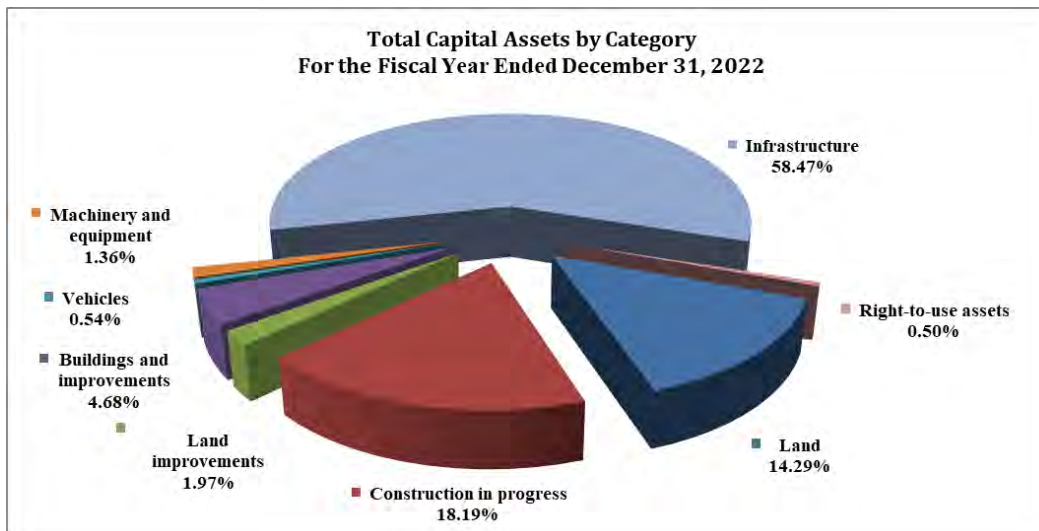
The City's comparison of actual revenues and expenditures in the General Fund to the adopted budget can be found on page 49 of the annual report. In 2022, the City had a net unfavorable budget variance of (\$910,369). There was a shortfall in anticipated revenues in 2022 due to a reduction in the issuance of building permits and fines and forfeitures. In addition, the City council adopted a new step/grade plan in the fourth quarter of 2022 to adjust salaries and wages of City staff to current market levels. The City council amended the 2022 budget to include the additional costs attributable to these expenditures utilizing prior year fund balance. Management continues to operate under a conservative budget to ensure that the City of Holly Springs maintains a sufficient budget stabilization fund to cover unexpected expenditures and emergencies as they arise during the course of normal operations.

CAPITAL ASSETS

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 10,409,170	\$ 10,357,222	\$ 12,600	\$ 12,600	\$ 10,421,770	\$ 10,369,822
Construction in progress	\$ 13,257,009	\$ 5,632,778	\$ 9,150	\$ 10,084	\$ 13,266,159	\$ 5,642,862
Land improvements	\$ 1,435,564	\$ 1,504,209	\$ -	\$ -	\$ 1,435,564	\$ 1,504,209
Buildings and improvements	\$ 3,409,900	\$ 3,442,989	\$ -	\$ -	\$ 3,409,900	\$ 3,442,989
Vehicles	\$ 393,711	\$ 523,033	\$ -	\$ -	\$ 393,711	\$ 523,033
Machinery and equipment	\$ 805,108	\$ 939,026	\$ 183,433	\$ 211,282	\$ 988,541	\$ 1,150,308
Infrastructure	\$ 35,834,725	\$ 31,069,138	\$ 6,805,817	\$ 5,525,626	\$ 42,640,542	\$ 36,594,764
Right-to-use assets	\$ 365,416	\$ -	\$ -	\$ -	\$ 365,416	\$ -
	<u>\$ 65,910,603</u>	<u>\$ 53,468,395</u>	<u>\$ 7,011,000</u>	<u>\$ 5,759,592</u>	<u>\$ 72,921,603</u>	<u>\$ 59,227,987</u>

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, 2022.



**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

LONG-TERM DEBT

The table below represents long-term debt outstanding as of December 31, 2022 and 2021:

	Governmental Activities		Business-Type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Notes payable-						
direct placement	\$ 1,612,931	\$ 1,621,574	\$ -	\$ -	\$ 1,612,931	\$ 1,621,574
Bonds payable						
direct placement	11,005,857	7,891,130	-	-	11,005,857	7,891,130
Lease liabilities	429,718	-	-	-	429,718	-
Financed purchases	-	-	111,249	164,611	111,249	164,611
Net pension liability	492,604	498,542	8,162	8,777	500,766	507,319
Compensated absences	<u>212,556</u>	<u>182,007</u>	<u>-</u>	<u>-</u>	<u>212,556</u>	<u>182,007</u>
Total:	<u>\$ 13,753,666</u>	<u>\$ 10,193,253</u>	<u>\$ 119,411</u>	<u>\$ 173,388</u>	<u>\$ 13,873,077</u>	<u>\$ 10,366,641</u>

The City reported long-term debt of \$13,873,077 as of December 31, 2022 exclusive of interest expense. The City has no general obligation debt outstanding at December 31, 2022. 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, 2022.

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 2023 is \$12,050,000. This is less than the amended budget from the prior year. The City of Holly Springs continues to prepare conservative budgets and has established a budget stabilization reserve to ensure the City has sufficient operating funds in the event of unforeseen circumstances. The City also plans to maintain the millage rate for maintenance and operations at 3.841 mills in 2022 and adopt the millage rate for the Fire District as proposed by the Cherokee County Board of Commissioners.

The City anticipates continued growth in 2023 in the commercial sector at exits 11 and 14 on I-575 due to the opening of the Northwest Corridor Project along the interstate that includes reversible toll lanes for area residents. The City completed Phase I of the Holly Springs Parkway Widening Project in the summer of 2019. The City applied for funding from the State Road and Tollway Authority (SRTA) through the Georgia Transportation Infrastructure Bank (GTIB) in 2020 and 2021 for additional funding for the construction of Phases II and III of the Holly Springs Parkway Widening Project. On June 23, 2020, Governor Brian Kemp announced that the City of Holly Springs had been awarded \$1.25 million in grant funds and \$3.5 million in loan funds for Phase II of the Project. On February 25, 2021, Governor Kemp announced that the City of Holly Springs had been awarded a \$6 million loan through GTIB for Phase III of the Project. The City is currently in the design and right-of-way phase for the Project. Upon completion, the Holly Springs Parkway Widening Project will include a four-lane highway with a median as well as sidewalks and pedestrian lamp posts. The project will improve traffic flow in the area and provide opportunities for additional development within the corridor.

The City of Holly Springs and the Downtown Development Authority of Holly Springs have been assembling and acquiring blighted property within the Town Center District since 2008. The City plans to construct a mixed-use development referred to as the Holly Springs Town Center Project on the site which will include a new City Hall, parking deck, amphitheater, open space, and ancillary structures. In addition, the City entered into a contract in the summer of 2021 for the sale of land to the private sector for the construction of single-family houses, townhomes, an apartment building, multi-use buildings with lofts over retail, restaurants, and a brewery. The City has also

**CITY OF HOLLY SPRINGS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

constructed road improvements in the area as well as water, stormwater, and sanitary sewer infrastructure to accommodate the development of the project. The City received bids for the site work for the Town Center Project on June 17, 2021 and issued the notice to proceed to Vertical Earth, Inc. on August 5, 2021 in the amount of \$6,645,849. Vertical construction of the parking deck and other structures is anticipated to begin in 2024. Upon completion, the private sector components of the Town Center Project will include 65 fee-simple residential units, over 35,000 square feet of commercial space, 75 lofts and approximately 200 market-rate apartments. The public sector components will include a 24,000 square foot City Hall, 335 spaces in the public parking deck as well as the amphitheater, park area and plazas.

The outbreak of the COVID-19 pandemic in the spring of 2020 did not have a significant effect on the 2020, 2021, and 2022 budgets and overall operations of the City of Holly Springs. During the first six months of 2023, the City has not experienced any significant collection issues or reductions in revenue attributable to COVID-19.

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 Denise Lamazares at the 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, 2022

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Downtown Development Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 17,490,989	\$ 146,945	\$ 17,637,934	\$ 70,390
Investments	2,361,434	-	2,361,434	36,476
Taxes receivable, net of allowances	245,450	-	245,450	-
Accounts receivable, net of allowances	786,132	-	786,132	16
Due from other governments	804,082	-	804,082	-
Internal balances	350,197	(350,197)	-	-
Prepaid items	116,995	4,700	121,695	-
Total Current Assets	22,155,279	(198,552)	21,956,727	106,882
Noncurrent Assets:				
Capital Assets:				
Nondepreciable capital assets	23,666,179	21,750	23,687,929	-
Depreciable capital assets, net	42,244,424	6,989,250	49,233,674	1,706,312
Total Noncurrent Assets	65,910,603	7,011,000	72,921,603	1,706,312
TOTAL ASSETS	88,065,882	6,812,448	94,878,330	1,813,194
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	410,383	6,616	416,999	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	410,383	6,616	416,999	-
LIABILITIES				
Current Liabilities:				
Accounts payable	803,173	3,977	807,150	-
Deposits payable	2,100	-	2,100	-
Retainage payable	292,303	-	292,303	-
Accrued salaries and payroll taxes	128,857	1,555	130,412	-
Accrued interest payable	273,691	779	274,470	-
Compensated absences payable, current portion	159,417	-	159,417	-
Financed purchases, current portion	-	54,856	54,856	-
Lease liability, current portion	162,972	-	162,972	-
Notes payable - direct placement, current portion	329,474	-	329,474	-
Bonds payable - direct placement, current portion	786,325	-	786,325	-
Unearned revenue	6,022,055	-	6,022,055	-
Total Current Liabilities	8,960,367	61,167	9,021,534	-
Noncurrent Liabilities:				
Compensated absences payable	53,139	-	53,139	-
Financed purchases	-	56,393	56,393	-
Lease liability	266,746	-	266,746	-
Notes payable - direct placement	1,283,457	-	1,283,457	-
Bonds payable - direct placement	10,219,532	-	10,219,532	-
Net pension liability	492,604	8,162	500,766	-
Total Noncurrent Liabilities	12,315,478	64,555	12,380,033	-
TOTAL LIABILITIES	21,275,845	125,722	21,401,567	-
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues - property taxes	6,355,314	-	6,355,314	-
Pension related items	297,350	4,789	302,139	-
TOTAL DEFERRED INFLOWS OF RESOURCES	6,652,664	4,789	6,657,453	-
NET POSITION				
Net investment in capital assets	52,569,794	6,899,751	59,469,545	1,706,312
Restricted for:				
Capital projects	618,083	-	618,083	-
Tourism	9,350	-	9,350	-
Grants	39,608	-	39,608	-
Unrestricted	7,310,921	(211,198)	7,099,723	106,882
TOTAL NET POSITION	\$ 60,547,756	\$ 6,688,553	\$ 67,236,309	\$ 1,813,194

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Activities For the Year Ended December 31, 2022

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 1,488,621	\$ 71,820	\$ 5,973	\$ 507,051
Judicial	396,747	411,454	-	-
Public safety	7,094,514	107,473	52,098	614,380
Public works	1,888,611	60,513	311,857	6,770,056
Parks, recreation and culture	199,659	77	-	475,361
Housing and development	808,604	1,167,375	-	-
Health and welfare	75,353	-	-	-
Interest on long-term debt	458,314	-	-	-
Total Governmental Activities	12,410,423	1,818,712	369,928	8,366,848
Business-Type Activities:				
Stormwater	794,243	471,014	-	1,363,699
Total Business-Type Activities	794,243	471,014	-	1,363,699
Total - Primary Government	\$ 13,204,666	\$ 2,289,726	\$ 369,928	\$ 9,730,547
Component Unit:				
Downtown Development Authority	\$ 4,302	\$ -	\$ -	\$ -
Total - Component Unit	\$ 4,302	\$ -	\$ -	\$ -
GENERAL REVENUES:				
Taxes:				
Property				
Sales				
Insurance premium				
Franchise				
Business and occupation				
Hotel/Motel				
Unrestricted investment earnings (loss)				
Miscellaneous				
Gain on sale of assets				
Total General Revenues				
Change in Net Position				
NET POSITION BEGINNING OF YEAR				
NET POSITION END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
\$ (903,777)	\$ -	\$ (903,777)	\$ -
14,707	-	14,707	-
(6,320,563)	-	(6,320,563)	-
5,253,815	-	5,253,815	-
275,779	-	275,779	-
358,771	-	358,771	-
(75,353)	-	(75,353)	-
(458,314)	-	(458,314)	-
(1,854,935)	-	(1,854,935)	-
-	1,040,470	1,040,470	-
-	1,040,470	1,040,470	-
(1,854,935)	1,040,470	(814,465)	-
-	-	-	(4,302)
-	-	-	(4,302)
6,541,520	-	6,541,520	-
457,404	-	457,404	-
1,431,785	-	1,431,785	-
887,338	-	887,338	-
156,693	-	156,693	-
4,765	-	4,765	-
(28,585)	-	(28,585)	54
41,587	-	41,587	-
20,492	-	20,492	-
9,512,999	-	9,512,999	54
7,658,064	1,040,470	8,698,534	(4,248)
52,889,692	5,648,083	58,537,775	1,817,442
\$ 60,547,756	\$ 6,688,553	\$ 67,236,309	\$ 1,813,194

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Balance Sheet Governmental Funds December 31, 2022

	General Fund	American Rescue Plan Fund	SPLOST V Fund	Town Center Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 10,194,458	\$ 5,769,075	\$ 110,284	\$ 59,230	\$ 1,357,942	\$ 17,490,989
Investments	2,361,434	-	-	-	-	2,361,434
Receivables (net of allowance for uncollectible):						
Taxes	244,913	-	-	-	537	245,450
Accounts	717,392	-	-	-	68,740	786,132
Due from other funds	-	-	-	-	40,443	40,443
Intergovernmental receivable	73,508	-	603,976	-	126,598	804,082
Prepaid items	116,995	-	-	-	-	116,995
Advances to other funds	1,171,667	-	-	222,732	-	1,394,399
TOTAL ASSETS	\$ 14,880,367	\$ 5,769,075	\$ 714,260	\$ 281,962	\$ 1,594,260	\$ 23,239,924
LIABILITIES						
Accounts payable	\$ 302,986	\$ -	\$ 137,230	\$ 348,752	\$ 14,205	\$ 803,173
Due to other funds	61,913	-	-	-	-	61,913
Deposits payable	-	-	-	-	2,100	2,100
Retainage payable	-	-	-	292,303	-	292,303
Accrued liabilities	128,857	-	-	-	-	128,857
Advances from other funds	-	-	800,000	-	222,732	1,022,732
Unearned revenue	160,065	5,766,604	95,386	-	-	6,022,055
TOTAL LIABILITIES	653,821	5,766,604	1,032,616	641,055	239,037	8,333,133
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	6,355,314	-	-	-	-	6,355,314
Unavailable revenue - property taxes	36,677	-	-	-	-	36,677
Unavailable revenue - intergovernmental revenue	3,517	-	-	-	26,838	30,355
Unavailable revenue - municipal court fines	41,307	-	-	-	-	41,307
TOTAL DEFERRED INFLOWS OF RESOURCES	6,436,815	-	-	-	26,838	6,463,653
FUND BALANCES						
Nonspendable:						
Prepaid items	116,995	-	-	-	-	116,995
Advances	1,171,667	-	-	-	-	1,171,667
Restricted:						
Tourism	-	-	-	-	9,350	9,350
Grant purposes	-	2,471	-	-	37,137	39,608
Capital projects	-	-	-	-	298,942	298,942
Committed for culture and recreation	-	-	-	-	979,642	979,642
Assigned:						
Debt service	-	-	-	-	3,314	3,314
Unassigned (deficit)	6,501,069	-	(318,356)	(359,093)	-	5,823,620
TOTAL FUND BALANCES (DEFICIT)	7,789,731	2,471	(318,356)	(359,093)	1,328,385	8,443,138
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,880,367	\$ 5,769,075	\$ 714,260	\$ 281,962	\$ 1,594,260	

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 governmental funds.	65,910,603
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	108,339
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 governmental funds.	(379,571)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(13,534,753)
Net position of governmental activities	<u>\$ 60,547,756</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, 2022

	General Fund	American Rescue Plan Fund	SPLOST V Fund	Town Center Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 9,013,688	\$ -	\$ -	\$ -	\$ 462,169	\$ 9,475,857
Licenses and permits	1,179,962	-	-	-	-	1,179,962
Intergovernmental	52,098	-	3,261,319	-	314,839	3,628,256
Charges for services	129,223	-	57,531	-	3,059	189,813
Fines and forfeitures	458,428	-	-	-	-	458,428
Investment earnings (loss)	(30,587)	2,002	-	-	-	(28,585)
Contributions	2,456	-	-	-	-	2,456
Miscellaneous	14,232	-	-	-	27,355	41,587
TOTAL REVENUES	10,819,500	2,002	3,318,850	-	807,422	14,947,774
EXPENDITURES						
Current:						
General government	1,474,979	-	-	-	-	1,474,979
Judicial	397,087	-	-	-	-	397,087
Public safety	7,168,470	-	-	-	-	7,168,470
Public works	750,576	-	-	-	-	750,576
Parks, culture and recreation	11,190	-	-	-	112,321	123,511
Health and welfare	-	-	-	-	75,353	75,353
Housing and development	805,845	-	-	-	3,945	809,790
Capital outlay	-	-	4,058,237	4,151,922	339,164	8,549,323
Debt service:						
Principal	3,865	-	-	-	833,079	836,944
Interest	1,507	-	-	-	248,292	249,799
TOTAL EXPENDITURES	10,613,519	-	4,058,237	4,151,922	1,612,154	20,435,832
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	205,981	2,002	(739,387)	(4,151,922)	(804,732)	(5,488,058)
OTHER FINANCING SOURCES (USES)						
Issuance of long term debt	-	-	153,496	-	3,785,668	3,939,164
Issuance of lease	433,582	-	-	-	-	433,582
Transfers in	-	-	800,000	4,185,668	689,791	5,675,459
Transfers out	(1,710,423)	-	-	-	(3,965,036)	(5,675,459)
Proceeds from sale of capital assets	81,673	-	-	-	-	81,673
TOTAL OTHER FINANCING SOURCES (USES)	(1,195,168)	-	953,496	4,185,668	510,423	4,454,419
NET CHANGE IN FUND BALANCES	(989,187)	2,002	214,109	33,746	(294,309)	(1,033,639)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	8,778,918	469	(532,465)	(392,839)	1,622,694	9,476,777
FUND BALANCES (DEFICITS) - END OF YEAR	\$ 7,789,731	\$ 2,471	\$ (318,356)	\$ (359,093)	\$ 1,328,385	\$ 8,443,138

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, 2022*

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

Net change in fund balances - total governmental funds	\$ (1,033,639)
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 and amortization expense. This is the amount by which capital outlay exceeded depreciation and amortization in the current period.	7,397,860
Net effect of miscellaneous transactions involving capital assets (i.e. donations, disposals and sales) is to increase net position.	5,044,348
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(5,308)
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.	(3,535,802)
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.	(209,395)
Change in net position - governmental activities	<u>\$ 7,658,064</u>

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA*Statement of Net Position**Proprietary Fund**December 31, 2022*

	Stormwater Fund
ASSETS	
Current Assets:	
Cash	\$ 146,945
Prepaid items	4,700
Due from other funds	21,470
Total Current Assets	173,115
Noncurrent Assets:	
Capital assets:	
Nondepreciable capital assets	21,750
Depreciable capital assets, net	6,989,250
Total Noncurrent Assets	7,011,000
TOTAL ASSETS	7,184,115
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	6,616
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,616
LIABILITIES	
Current Liabilities:	
Accounts payable	3,977
Accrued salaries and payroll taxes	1,555
Accrued interest	779
Current portion of financed purchases	54,856
Advances from other funds	371,667
Total Current Liabilities	432,834
Noncurrent Liabilities:	
Long term portion of financed purchases	56,393
Net pension liability	8,162
Total Noncurrent Liabilities	64,555
TOTAL LIABILITIES	497,389
DEFERRED INFLOWS OF RESOURCES	
Pension related items	4,789
TOTAL DEFERRED INFLOWS OF RESOURCES	4,789
NET POSITION	
Net investment in capital assets	6,899,751
Unrestricted	(211,198)
TOTAL NET POSITION	\$ 6,688,553

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, 2022

	<u>Stormwater Fund</u>
OPERATING REVENUES	
Charges for services	\$ 471,014
TOTAL OPERATING REVENUES	<u>471,014</u>
OPERATING EXPENSES	
Personal services and employee benefits	75,741
Purchased and contractual services	567,543
Materials and supplies	12,805
Depreciation	<u>132,994</u>
TOTAL OPERATING EXPENSES	<u>789,083</u>
OPERATING LOSS	(318,069)
NON-OPERATING EXPENSE	
Loss on disposal of capital assets	(934)
Interest expense	<u>(4,226)</u>
TOTAL NON-OPERATING EXPENSE	<u>(5,160)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(323,229)
Capital contributions	<u>1,363,699</u>
CHANGE IN NET POSITION	1,040,470
NET POSITION - BEGINNING OF YEAR	<u>5,648,083</u>
NET POSITION - END OF YEAR	<u><u>\$ 6,688,553</u></u>

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, 2022*

	Stormwater Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 533,011
Cash payments to employees for services	(77,537)
Cash payments for goods and services	(591,364)
NET CASH USED IN OPERATING ACTIVITIES	(135,890)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(21,637)
Principal payments on financed purchases	(53,362)
Interest payments on financed purchases	(4,609)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(79,608)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(215,498)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	362,443
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 146,945
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (318,069)
Adjustments:	
Depreciation	132,994
(Increase) decrease in assets and deferred outflows of resources:	
Due from other funds	3,663
Prepaid items	(4,700)
Deferred outflows of resources (pensions)	2,394
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	(6,316)
Accrued salaries and payroll taxes	(926)
Due to other funds	58,334
Deferred inflows of resources (pensions)	(2,649)
Net pension liability	(615)
NET CASH USED IN OPERATING ACTIVITIES	\$ (135,890)
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Donated infrastructure	\$ 1,363,699

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, 2022

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. Blended component units are included within the financial statements of the governmental funds section of the primary government.

The **Downtown Development Authority of Holly Springs (“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 the City of Holly Springs.

The **Urban Redevelopment Agency of the City of Holly Springs, Georgia (“the Agency”)** has been included as a blended component unit in the accompanying financial statements. The Agency was created July 15, 2019, with the primary focus of revitalization and promotion of development within the Town Center District. The City Council appoints all members of the board of directors. The Authority’s debt outstanding is expected to be repaid entirely with the City’s resources, as the debt issued by the Authority is secured through intergovernmental agreements with the City. The City possesses the authority to review, approve and revise the budget and governs collection and disbursement of funds. Separate financial statements for the Agency are not prepared. Financial information related to Agency may be obtained from the office of the City Manager of the 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. 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.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 and proprietary fund, even though the latter is excluded from the government-wide financial statements.

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary– 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.

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. 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, 2022

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 **American Rescue Plan Fund** is a special revenue fund and accounts for the amounts awarded to the City under the Coronavirus State and Local Fiscal Recovery Funds program, provided for under the American Rescue Plan Act of 2021.

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 **Town Center Fund** accounts for financial resources used to acquire, construct, and maintain Town Center capital projects for use by the City.

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 either legally restricted or committed to expenditures for specified purposes.

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

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, 2022

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, including lease liabilities as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. Capital asset acquisitions, including entering into contracts giving the City the right to use leases assets, 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 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 fund's 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 for 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, 2022, 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, 2022

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 or amortized using the straight-line method over the following estimated useful lives:

Asset Class	Years
Machinery and equipment	3-30
Vehicles	6-15
Right-to-use leased vehicles and equipment	4-6
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 amount 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, 2022

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 assets 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 assets 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 basis of 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 the current year for the subsequent year 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 the subsequent year (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, 2022

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 25% 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, deferred outflows and inflows of resources, 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, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Leases

Lessee

The City of Holly Springs is a lessee for noncancellable leases of vehicles and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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 governmental funds.” The details of this \$13,534,753 difference are as follows:

Notes payable - direct placement	\$ (1,612,931)
Bonds payable - direct placement	(11,005,857)
Lease liability	(429,718)
Accrued interest payable	(273,691)
Compensated absences	(212,556)
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (13,534,753)</u></u>

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

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

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 governmental funds.” The details of this \$379,571 difference are as follows:

Net pension liability	\$ (492,604)
Deferred outflows of resources - pension related items	410,383
Deferred inflows of resources - pension related items	<u>(297,350)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (379,571)</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 and amortization expense.” The details of this \$7,397,860 difference are as follows:

Capital outlay	\$ 8,967,401
Depreciation and amortization expense	<u>(1,569,541)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u><u>\$ 7,397,860</u></u>

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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)

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 “Net effect of miscellaneous transactions involving capital assets (i.e., donations, disposals and sales) is to increase net position.” The details of this \$5,044,348 difference are as follows:

Donated infrastructure	\$ 5,105,529
Disposal of capital assets, net book value	<u>(61,181)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u><u>\$ 5,044,348</u></u>

Another element of that reconciliation explains that “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.” The details of this \$3,535,802 difference are as follows:

Issuance of bonds payable - direct placement	\$ (3,785,668)
Issuance of notes payable - direct placement	(153,496)
Issuance of lease liability	(433,582)
Repayment of lease liability	3,864
Repayment of bonds payable	670,941
Repayment of notes payable	<u>162,139</u>
Net adjustment to decrease <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u><u>\$ (3,535,802)</u></u>

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 \$209,395 difference are as follows:

Accrued interest	\$ (208,515)
Compensated absences	(30,549)
Change in net pension liability and related deferred inflows and outflows of resources	<u>29,669</u>
Net adjustment to decrease <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u><u>\$ (209,395)</u></u>

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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 the City Council were primarily the result of construction costs attributable to the various ongoing construction projects and transfers to the Debt Service Fund for the retirement of debt issued by the Holly Springs Parks and Recreation Authority and the Urban Redevelopment Agency of the City of Holly Springs, Georgia. All 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 Deficits

The SPLOST V Fund is reporting a deficit fund balance as of December 31, 2021 of \$318,356. This deficit will be recovered through intergovernmental receipt of SPLOST revenues in future years. The Town Center Fund is reporting a deficit fund balance as of December 31, 2022 of \$359,093. This deficit will be recovered through transfers from the General Fund in future years.

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, 2022, 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, 2022, all of the City's deposits with financial institutions were insured and/or collateralized as required by State statutes.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Total deposits and investments as of December 31, 2022, are summarized as follows:

<u>As reported in the Statement of Net Position</u>	
Cash and cash equivalents	\$ 17,637,934
Investments	<u>2,361,434</u>
	<u><u>\$ 19,999,368</u></u>

Investments of the General Fund consist of seven certificates of deposit placed with an FDIC insured financial institution. The certificates are for terms ranging from 13 to 25 months, bear interest rates ranging from 0.20% to 0.90%, and have maturities ranging from June 12, 2023 to July 12, 2024.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City's certificate of deposits are nonparticipating interest-earning investment contracts and are recorded at cost.

NOTE 5. RECEIVABLES

The City bills and collects its own property taxes. Property taxes were levied on October 20, 2022, with bills being payable on or before December 20, 2022, after which the account is assessed penalties and interest, or the property is subject to a lien, as applicable. Interest is assessed on the first of each month, and a 5% penalty was assessed on April 20, 2023, with the lien date being February 22, 2023. Property taxes receivable at year end is based on the tax levy, less amounts collected prior to December 31, 2022. The property taxes levied in October were intended for use in the 2022 budget year. Therefore, the entire 2022 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 20, 2022. Such fees are for the calendar year 2022 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 V Fund</u>	<u>Nonmajor Governmental Funds</u>
Receivables:			
Taxes	\$ 244,913	\$ -	\$ 537
Intergovernmental	73,508	603,976	126,598
Stormwater fees	79,403	-	-
Fines	55,076	-	-
Accounts	<u>657,927</u>	<u>-</u>	<u>68,740</u>
Gross receivables	1,110,827	603,976	195,875
Less allowance for uncollectibles	<u>(75,014)</u>	<u>-</u>	<u>-</u>
Net receivables	<u><u>\$ 1,035,813</u></u>	<u><u>\$ 603,976</u></u>	<u><u>\$ 195,875</u></u>

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,357,222	\$ 51,948	\$ -	\$ 10,409,170
Construction in progress	5,632,778	7,624,231	-	13,257,009
Total capital assets, not being depreciated	15,990,000	7,676,179	-	23,666,179
Capital assets, being depreciated:				
Land improvements	1,905,777	-	-	1,905,777
Buildings and improvements	4,194,206	129,639	(60,000)	4,263,845
Vehicles	1,567,211	71,138	(186,209)	1,452,140
Machinery and equipment	2,289,122	6,171	-	2,295,293
Infrastructure	37,300,622	5,756,221	-	43,056,843
Total capital assets, being depreciated	47,256,938	5,963,169	(246,209)	52,973,898
Less accumulated depreciation for:				
Land improvements	401,568	68,645	-	470,213
Buildings and improvements	751,217	131,528	(28,800)	853,945
Vehicles	1,044,178	170,479	(156,228)	1,058,429
Machinery and equipment	1,350,096	140,089	-	1,490,185
Infrastructure	6,231,484	990,634	-	7,222,118
Total accumulated depreciation	9,778,543	1,501,375	(185,028)	11,094,890
Total capital assets, being depreciated, net	37,478,395	4,461,794	(61,181)	41,879,008
Right-to-use assets, being amortized:				
Vehicles	-	118,855	-	118,855
Equipment	-	314,727	-	314,727
Total right-to-use assets	-	433,582	-	433,582
Less accumulated amortization for:				
Vehicles	-	5,221	-	5,221
Equipment	-	62,945	-	62,945
Total accumulated amortization	-	68,166	-	68,166
Total right-to-use assets, being amortized, net	-	365,416	-	365,416
Governmental activities capital assets, net	\$ 53,468,395	\$ 12,503,389	\$ (61,181)	\$ 65,910,603

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 12,600	\$ -	\$ -	\$ -	\$ 12,600
Construction in progress	10,084	-	(934)	-	9,150
Total capital assets, not being depreciated	22,684	-	(934)	-	21,750
Capital assets, being depreciated:					
Vehicles	21,598	-	-	-	21,598
Machinery and equipment	291,199	-	-	-	291,199
Infrastructure	6,094,270	1,385,336	-	-	7,479,606
Total capital assets, being depreciated	6,407,067	1,385,336	-	-	7,792,403
Less accumulated depreciation for:					
Vehicles	21,598	-	-	-	21,598
Machinery and equipment	79,917	27,849	-	-	107,766
Infrastructure	568,644	105,145	-	-	673,789
Total accumulated depreciation	670,159	132,994	-	-	803,153
Total capital assets, being depreciated, net	5,736,908	1,252,342	-	-	6,989,250
Business-type activities capital assets, net	\$ 5,759,592	\$ 1,252,342	\$ (934)	\$ -	\$ 7,011,000

Depreciation and amortization expense for the year ended December 31, 2022, was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 11,371
Public safety	336,861
Public works	1,138,035
Culture and recreation	76,148
Housing and development	7,126
Total depreciation and amortization expense - governmental activities	\$ 1,569,541
Business-type activities:	
Stormwater Utility	\$ 132,994

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 6. CAPITAL ASSETS (CONTINUED)

B. Component Unit – Downtown Development Authority of Holly Springs

Capital asset activity for the year ended December 31, 2022, 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>
Development Authority capital assets, net	<u>\$ 1,706,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,706,312</u>

NOTE 7. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of December 31, 2022, is as follows:

A. Due to/from Other Funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Stormwater Utility Fund	General Fund	\$ 21,470
Nonmajor governmental funds	General Fund	<u>40,443</u>
		<u>\$ 61,913</u>

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

B. Advances to/from Other Funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	SPLOST V Fund	\$ 800,000
General Fund	Stormwater Utility Fund	<u>371,667</u>
		<u>\$ 1,171,667</u>
Town Center Fund	Nonmajor governmental funds	\$ 222,732

The amount payable to the General Fund relates 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. The advance to the Stormwater Utility Fund relates to the Palm Street Drainage project, the cost of which exceeded annual collections in the fund. The Stormwater Utility Fund is repaying the General Fund in monthly installments.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 7. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

C. Transfers to/from Other Funds

Transfers between funds during the year ended December 31, 2022, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Town Center Fund	General Fund	\$ 400,000
Town Center Fund	Nonmajor governmental funds	3,785,668
Nonmajor governmental funds	General Fund	510,423
SPLOST V Fund	General Fund	800,000
Nonmajor governmental funds	Nonmajor governmental funds	179,368

Transfers are used to (1) move bond proceeds to the Town Center Fund to cover current year capital projects, 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, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes payable -					
direct placement	\$ 1,621,574	\$ 153,496	\$ (162,139)	\$ 1,612,931	\$ 329,474
Bonds payable -					
direct placement	7,891,130	3,785,668	(670,941)	11,005,857	786,325
Lease liabilities	-	433,582	(3,864)	429,718	162,972
Net pension liability	498,542	491,109	(497,047)	492,604	-
Compensated absences	182,007	235,058	(204,509)	212,556	159,417
Governmental activities long-term liabilities	<u>\$ 10,193,253</u>	<u>\$ 5,098,913</u>	<u>\$ (1,538,500)</u>	<u>\$ 13,753,666</u>	<u>\$ 1,438,188</u>
Business-type Activities:					
Financed purchases	\$ 164,611	\$ -	\$ (53,362)	\$ 111,249	\$ 54,856
Net pension liability	8,777	7,622	(8,237)	8,162	-
Business-type activities long-term liabilities	<u>\$ 173,388</u>	<u>\$ 7,622</u>	<u>\$ (61,599)</u>	<u>\$ 119,411</u>	<u>\$ 54,856</u>

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

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 8. LONG-TERM DEBT (CONTINUED)

Direct Placement - 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. As of December 31, 2022, the outstanding principal balance is \$1,364,435.

Direct Placement - Notes Payable - On August 12, 2020, the City of Holly Springs entered into a note payable agreement in the amount of \$3,500,000 with the Georgia Transportation Infrastructure Bank (GTIB), which included an accompanying GTIB grant, to fund Phase II of the widening of Holly Springs Parkway. This note is issued in the form of a line of credit whereby no repayment occurs until the time the City draws the funds. As of December 31, 2022, the City had drawn down \$35,000 of the available funds. The remaining amount is available for draw as the construction occurs. Terms of the note stipulate that no interest will accrue until the full amount of the note has been drawn down, or until construction is complete, whichever occurs first. Upon the final draw, or completed construction, the note will require 120 monthly payments of principal and interest at 1.56%. The full maturity schedule will be included once the full balance has been drawn down.

Direct Placement - Notes Payable - On April 1, 2021, the City of Holly Springs entered into a note payable agreement in the amount of \$6,000,000 with the Georgia Transportation Infrastructure Bank (GTIB), which included an accompanying GTIB grant, to fund Phase III of the widening of Holly Springs Parkway. This note is issued in the form of a line of credit whereby no repayment occurs until the time the City draws the funds. As of December 31, 2022, the City had drawn down \$213,496 of the available funds. The remaining amount is available for draw as the construction occurs. Terms of the note stipulate that no interest will accrue until the full amount of the note has been drawn down, or until construction is complete, whichever occurs first. Upon the final draw, or completed construction, the note will require 120 monthly payments of principal and interest at 1.63%. The full maturity schedule will be included once the full balance has been drawn down.

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

Year ending December 31,	Principal	Interest	Total
2023	\$ 329,474	\$ 29,262	\$ 358,736
2024	336,978	21,757	358,735
2025	344,764	13,972	358,736
2026	353,219	6,062	359,281
Total	\$ 1,364,435	\$ 71,053	\$ 1,435,488

Direct Placement Bonds - On September 30, 2021, the Urban Redevelopment Agency of the City of Holly Springs, Georgia issued general obligation bonds in the amount of \$6,756,113 for the purpose of funding various roadwork, sidewalks, streetscapes, stormwater infrastructure, and utility projects. These bonds are issued in the form of a line of credit at the local financial institution whereby no repayment occurs until the time the City draws the funds. As of December 31, 2022, the City had drawn down \$4,232,354 of the \$6,756,113. The remaining amount is available for draw as the construction occurs, and the City intends to utilize it during the fiscal year ending December 31, 2023. Any unused portions of the issuance will be used to immediately pay down the outstanding balance, once construction is complete. Terms of the bonds require semi-annual payments at an interest rate of 2.2914% maturing in the year 2036. The full maturity schedule will be included once the full balance has been drawn down.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 8. LONG-TERM DEBT (CONTINUED)

Direct Placement Bonds - On April 14, 2020, the Urban Redevelopment Agency of the City of Holly Springs, Georgia issued general obligation bonds in the amount of \$3,000,000 for the purpose of funding the Town Center Road Network, Industrial Connector, and Town Center Projects. These bonds were issued in the form of a line of credit at the local financial institution whereby no repayment occurred until the time the City drew the funds. As of December 31, 2022, the entirety of the amount available had been drawn down by the County. The bonds, which bear an interest rate of 2.35%, mature in June 2035. As of December 31, 2022, the outstanding principal balance is \$2,884,615.

Direct Placement Bonds - On August 14, 2019, the Urban Redevelopment Agency of the City of Holly Springs, Georgia issued general obligation bonds in the amount of \$5,000,000 for the purpose of funding the Town Center Road Network, Industrial Connector, and Town Center Projects. The bonds, which bear an interest rate of 3.10%, mature in August 2029. As of December 31, 2022, the outstanding principal balance is \$3,888,888.

The City's debt service requirements to maturity on these bonds payable are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 786,325	\$ 340,061	\$ 1,126,386
2024	5,018,678	314,960	5,333,638
2025	786,325	279,231	1,065,556
2026	786,325	244,363	1,030,688
2027	786,325	209,495	995,820
2028-2032	2,264,957	708,078	2,973,035
2033-2036	576,922	127,717	704,639
Total	<u>\$ 11,005,857</u>	<u>\$ 2,223,905</u>	<u>\$ 13,229,762</u>

Direct Placement - Financed Purchase - During the year ended December 31, 2020, the City entered into a financed purchase agreement to finance the acquisition of a vehicle used in Stormwater Fund activities. The agreement qualifies as a financed purchase for accounting purpose as title to the vehicle transfers to the City at the end of the term. Payments are due in annual installments. Annual depreciation of this asset is included in depreciation expense in the Stormwater Fund.

The City's debt service requirements to maturity on this lease are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 54,856	\$ 3,116	\$ 57,972
2024	56,393	1,578	57,971
Total	<u>\$ 111,249</u>	<u>\$ 4,694</u>	<u>\$ 115,943</u>

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 8. LONG-TERM DEBT (CONTINUED)

Direct Placement – Lease Liabilities - In 2022, the City entered lease agreements as lessee for the acquisition and use of vehicles and equipment. An initial lease liability was recorded in the amount of \$433,582. As of December 31, 2022, the value of the lease liability was \$429,718. The City is required to make monthly principal and interest payments in the amounts ranging from \$778 to \$6,560. The leases have interest rates ranging from 7.31% to 7.95%.

The City's debt service requirements to maturity on this lease are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 162,972	\$ 25,074	\$ 188,046
2024	86,866	23,113	109,979
2025	84,191	26,494	110,685
2026	79,345	29,057	108,402
2027	16,344	653	16,997
Total	<u>\$ 429,718</u>	<u>\$ 104,391</u>	<u>\$ 534,109</u>

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 in any of the past three years.

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

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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 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 forty (40) 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, 2022, the date of the most recent actuarial valuation, there were 130 participants consisting of the following:

Retired participants and beneficiaries	12
Vested former participants	56
Active participants	<u>62</u>
Total	<u><u>130</u></u>

Contributions. The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law (Georgia Code Section 47-20-10). The Board of Trustees of GMEBS has adopted an actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan, as adopted by the City Council, is to contribute an amount equal to or greater than the recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Employees do not contribute to the plan. For the year ended December 31, 2022, the City's contribution rate was 9.32% of annual payroll. City contributions to the plan were \$300,000 for the year ended December 31, 2022.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City

Actuarial data developed in connection with the City's actuarial valuation as of July 1, 2022, were used to measure total pension liability as of March 31, 2022 using update procedures performed by the actuary. The balances as of March 31, 2022, constitute measurements of the net pension liability for the year ending December 31, 2022.

Actuarial assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.375% net of pension plan investment expense, including inflation
Projected salary increases	2.25% plus service based merit increases
Cost of living adjustments	N/A
Inflation	2.25%

Mortality rates for healthy retirees and beneficiaries for the July 1, 2022 valuation were based on the Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. For disabled retirees and beneficiaries, the Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25 was used.

The methods and assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

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 weighing 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, 2022, are summarized in the table below:

Asset class	Target Allocation	Long-term expected real rate of return (1)
Domestic equity	45%	6.55%
International equity	20%	7.30%
Real estate	10%	3.65%
Global fixed income	5%	0.50%
Domestic fixed income	20%	0.40%
	<u>100%</u>	

(1) rates are shown net of pension plan investment expense and assumed inflation of 2.25%

Discount rate. The discount rate used to measure the total pension liability was 7.375%. 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, 2022, the expected long-term rate of return remained the same at 7.375%.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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, 2022, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/21	\$ 3,712,213	\$ 3,204,894	\$ 507,319
Changes for the year:			
Service cost	203,508	-	203,508
Interest	286,847	-	286,847
Differences between expected and actual experience	(11,099)	-	(11,099)
Assumption changes	-	-	-
Contributions—employer	-	300,000	(300,000)
Net investment income	-	194,185	(194,185)
Benefit payments, including refunds of employee contributions	(52,551)	(52,551)	-
Administrative expense	-	(8,376)	8,376
Net changes	426,705	433,258	(6,553)
Balances at 12/31/22	\$ 4,138,918	\$ 3,638,152	\$ 500,766

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.

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 7.375 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 (6.375 percent) or 1 percentage-point higher (8.375 percent) than the current rate:

	1% Decrease 6.375%	Current Discount Rate - 7.375%	1% Increase 8.375%
City's net pension liability	\$ 1,147,273	\$ 500,766	\$ (28,992)

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, 2022.

CITY OF HOLLY SPRINGS, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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, 2022, the City recognized pension expense of \$269,461. At December 31, 2022, 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
City contributions made subsequent to the measurement period	\$ 225,000	\$ -
Assumption changes	10,857	-
Experience differences	181,142	(8,325)
Net difference between projected and actual earnings on pension plan investments	-	(293,814)
Total	<u>\$ 416,999</u>	<u>\$ (302,139)</u>

City contributions subsequent to the measurement date of \$225,000 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the subsequent fiscal year. 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:	
2023	\$ 25,602
2024	(28,561)
2025	(117,379)
2026	10,198
Total	<u>\$ (110,140)</u>

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, 2022, ten participating employees contributed \$50,106 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, 2022

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 Suite 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, 2022, taxes of \$4,765 were reported as revenue from the lodging tax. According to Georgia statute (O.C.G.A. 48-13-51), all spending of these taxes are required to be for promoting tourism, conventions and trade shows. The City spent \$3,945 (representing 83% of revenues) during 2022 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 ten (10) year period commencing on April 19, 2022, and ending April 19, 2032, and includes a renewal provision for an additional ten (10) 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 the terms of the agreement. The amount paid by the City for these services during 2022 was \$2,782,453.

In December 2015, the City entered into an agreement for outsourcing its public works department. Under the terms of the agreement, Optech Monette, LLC will provide public works management, including 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 the equipment and facilities existing within the City's public works operations. The agreement became effective on January 1, 2016, and was renewed on December 16, 2019, for a base fee of \$418,176, and includes annual increases thereafter of approximately 2% through the end of 2023. During the year ended December 31, 2022, the City paid \$426,540.

The City accepted bids for the Holly Springs and Downtown Development Authority of Holly Springs Mixed-Use Sitework and Infrastructure Project (RFB#2021-02) on June 17, 2021. The project was awarded to Vertical Earth, Inc. in the amount of \$6,645,849 on July 19, 2021. After the contract award, the City initiated change orders in the amount of \$607,191 due to scope changes in the project. The revised total contract amount was \$7,253,040 on December 31, 2022. Construction is underway with expected completion in the fall of 2023.

On April 28, 2022, the City opened bids for the Holly Springs Parkway Widening Phase II Project (RFB#2022-02). The City awarded the project to C.W. Matthews Contracting Company, Inc. on May 22, 2022, in the amount of \$5,626,482. The project is currently under construction with expected completion in the spring of 2024.

The City awarded the Public Works Building Site Project (RFB#2022-04) to S.H. Creel Contracting in the amount of \$308,129 on September 26, 2022. The project was completed in the spring of 2023.



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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Property taxes	\$ 6,211,150	\$ 6,499,250	\$ 6,537,872	\$ 38,622
Franchise taxes	795,000	870,000	887,338	17,338
Business taxes	1,088,500	1,582,400	1,588,478	6,078
Licenses and permits	1,376,560	1,172,700	1,179,962	7,262
Intergovernmental	5,000	52,000	52,098	98
Charges for services	155,640	127,650	129,223	1,573
Fines and forfeitures	620,650	457,300	458,428	1,128
Investment earnings	16,000	24,200	(30,587)	(54,787)
Contributions	11,500	2,400	2,456	56
Miscellaneous	60,000	1,068,100	14,232	(1,053,868)
TOTAL REVENUES	10,340,000	11,856,000	10,819,500	(1,036,500)
EXPENDITURES				
Current:				
General government:				
Governing body	152,315	139,500	139,159	341
General administration	1,600,597	1,342,510	1,335,820	6,690
Total general government	<u>1,752,912</u>	<u>1,482,010</u>	<u>1,474,979</u>	<u>7,031</u>
Judicial	<u>420,098</u>	<u>397,935</u>	<u>397,087</u>	<u>848</u>
Public safety				
Police services	4,070,217	4,473,430	4,386,017	87,413
Fire services	2,695,880	2,782,453	2,782,453	-
Total public safety	<u>6,766,097</u>	<u>7,255,883</u>	<u>7,168,470</u>	<u>87,413</u>
Public works				
Highways and streets	527,050	610,349	610,046	303
Street and traffic lights	150,000	140,550	140,530	20
Total public works	<u>677,050</u>	<u>750,899</u>	<u>750,576</u>	<u>323</u>
Culture and recreation	<u>39,000</u>	<u>39,000</u>	<u>11,190</u>	<u>27,810</u>
Housing and development				
Community development	581,875	695,180	693,039	2,141
Downtown development	112,427	86,775	86,461	314
Economic development	25,541	26,475	26,345	130
Total housing and development	<u>719,843</u>	<u>808,430</u>	<u>805,845</u>	<u>2,585</u>
Debt Service	-	3,900	3,865	35
Principal	-	1,520	1,507	13
Interest	-	5,420	5,372	48
Total Debt Service				
TOTAL EXPENDITURES	10,375,000	10,739,577	10,613,519	126,058
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,000)	1,116,423	205,981	(910,442)
OTHER FINANCING SOURCES (USES)				
Issuance of leases	-	512,400	433,582	(78,818)
Transfers out	-	(1,710,423)	(1,710,423)	-
Proceeds from sale of capital assets	<u>35,000</u>	<u>81,600</u>	<u>81,673</u>	<u>73</u>
TOTAL OTHER FINANCING SOURCES (USES)	35,000	(1,116,423)	(1,195,168)	73
NET CHANGE IN FUND BALANCES	-	-	(989,187)	(910,369)
FUND BALANCES - BEGINNING OF YEAR	8,778,918	8,778,918	8,778,918	-
FUND BALANCES - END OF YEAR	\$ 8,778,918	\$ 8,778,918	\$ 7,789,731	\$ (989,187)

CITY OF HOLLY SPRINGS, GEORGIA
Required Supplementary Information
American Rescue Plan Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	\$ 5,766,604	\$ 5,766,604	\$ -	\$ (5,766,604)
Interest	1,096	1,096	2,002	906
TOTAL REVENUES	<u>5,767,700</u>	<u>5,767,700</u>	<u>2,002</u>	<u>(5,765,698)</u>
EXPENDITURES				
Current:				
Capital outlay	<u>5,767,700</u>	<u>5,767,700</u>	<u>-</u>	<u>5,767,700</u>
TOTAL EXPENDITURES	<u>5,767,700</u>	<u>5,767,700</u>	<u>-</u>	<u>5,767,700</u>
NET CHANGE IN FUND BALANCES	-	-	2,002	2,002
FUND BALANCES - BEGINNING OF YEAR	<u>469</u>	<u>469</u>	<u>469</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 469</u></u>	<u><u>\$ 469</u></u>	<u><u>\$ 2,471</u></u>	<u><u>\$ 2,002</u></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

	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 203,508	\$ 167,392	\$ 173,684	\$ 173,655
Interest on total pension liability	286,847	245,120	213,972	185,708
Differences between expected and actual experience	(11,099)	165,574	118,354	56,851
Changes in actuarial assumptions	-	-	13,294	-
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(52,551)	(44,281)	(40,341)	(38,444)
Net change in total pension liability	426,705	533,805	478,963	377,770
Total pension liability - beginning	3,712,213	3,178,408	2,699,445	2,321,675
Total pension liability - ending (a)	<u>\$ 4,138,918</u>	<u>\$ 3,712,213</u>	<u>\$ 3,178,408</u>	<u>\$ 2,699,445</u>
Plan fiduciary net position				
Contributions - employer	\$ 300,000	\$ 300,000	\$ 227,182	\$ 164,835
Net investment income	194,185	946,962	(156,641)	68,630
Benefit payments, including refunds of employee contributions	(52,551)	(44,281)	(40,341)	(38,444)
Administrative expenses	(8,376)	(7,742)	(8,264)	(6,895)
Net change in plan fiduciary net position	433,258	1,194,939	21,936	188,126
Plan fiduciary net position - beginning	3,204,894	2,009,955	1,988,019	1,799,893
Plan fiduciary net position - ending (b)	<u>\$ 3,638,152</u>	<u>\$ 3,204,894</u>	<u>\$ 2,009,955</u>	<u>\$ 1,988,019</u>
City's net pension liability - ending (a) - (b)	<u>\$ 500,766</u>	<u>\$ 507,319</u>	<u>\$ 1,168,453</u>	<u>\$ 711,426</u>
Plan fiduciary net position as a percentage of the total pension liability	87.9%	86.3%	63.2%	73.6%
Covered payroll	\$ 2,797,657	\$ 2,512,106	\$ 2,394,080	\$ 1,991,354
City's net pension liability as a percentage of covered payroll	17.9%	20.2%	48.8%	35.7%
	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	429,626	515,821	224,680	164,136
Total pension liability - beginning	1,892,049	1,376,228	1,151,548	987,412
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
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	296,039	294,906	373,891	153,436
Plan fiduciary net position - beginning	1,503,854	1,208,948	835,057	681,621
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	\$ 1,798,776	\$ 1,580,812	\$ 1,351,206	\$ 1,296,442
City's net pension liability as a percentage of covered payroll	29.0%	24.6%	12.4%	24.4%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 281,273	\$ 245,433	\$ 224,061	\$ 202,910
Contributions in relation to the actuarially determined contribution	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>202,910</u>
Contribution deficiency (excess)	<u>\$ (18,727)</u>	<u>\$ (54,567)</u>	<u>\$ (75,939)</u>	<u>\$ -</u>
Covered payroll	3,217,395	2,657,744	2,463,560	2,370,920
Contributions as a percentage of Covered payroll	9.32%	11.29%	12.18%	8.56%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
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	1,864,832	1,776,757	1,515,497	1,296,442
Contributions as a percentage of Covered payroll	8.16%	8.09%	7.41%	28.53%

Notes to the Schedule

Valuation Date	July 1, 2022
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	7.375%
Projected Salary Increases	2.25% 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 13 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, 2022

	Special Revenue Funds						Capital Project Funds		Total
	Multiple Grant Fund	Parks and Recreation Fund	Hotel/Motel Tax Fund	TAD Fund	Urban Redevelopment Agency Fund	Debt Service Fund	SPLOST III Fund	SPLOST IV Fund	Non-major Governmental Funds
ASSETS									
Cash	\$ 37,137	\$ 944,555	\$ 8,813	122,010	\$ -	\$ 3,314	\$ 242,113	\$ -	\$ 1,357,942
Receivables (net of allowance for uncollectibles):									
Taxes	-	-	537	-	-	-	-	-	537
Accounts	-	41,902	-	-	-	-	26,838	-	68,740
Due from other funds	-	368	-	40,075	-	-	-	-	40,443
Intergovernmental receivable	9,122	-	-	117,476	-	-	-	-	126,598
TOTAL ASSETS	\$ 46,259	\$ 986,825	\$ 9,350	\$ 279,561	\$ -	\$ 3,314	\$ 268,951	\$ -	\$ 1,594,260
LIABILITIES									
Accounts payable	\$ 9,122	\$ 5,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,205
Advances from other funds	-	-	-	-	-	-	222,732	-	222,732
Deposits payable	-	2,100	-	-	-	-	-	-	2,100
TOTAL LIABILITIES	9,122	7,183	-	-	-	-	222,732	-	239,037
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - intergovernmental	-	-	-	-	-	-	26,838	-	26,838
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	26,838	-	26,838
FUND BALANCES									
Restricted:									
Tourism	-	-	9,350	-	-	-	-	-	9,350
Grant purposes	37,137	-	-	-	-	-	-	-	37,137
Capital projects	-	-	-	279,561	-	-	19,381	-	298,942
Committed for culture and recreation	-	979,642	-	-	-	-	-	-	979,642
Assigned for debt service	-	-	-	-	-	3,314	-	-	3,314
TOTAL FUND BALANCES	37,137	979,642	9,350	279,561	-	3,314	19,381	-	1,328,385
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 46,259	\$ 986,825	\$ 9,350	\$ 279,561	\$ -	\$ 3,314	\$ 268,951	\$ -	\$ 1,594,260

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, 2022*

	Special Revenue Funds					Capital Project Funds			Total Non-major Governmental Funds
	Multiple Grant Fund	Parks and Recreation Fund	Hotel/Motel Tax Fund	TAD Fund	Urban Redevelopment Agency Fund	Debt Service Fund	SPLOST III Fund	SPLOST IV Fund	
REVENUES									
Taxes	\$ -	\$ 457,404	\$ 4,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 462,169
Intergovernmental	75,353	-	-	239,486	-	-	-	-	314,839
Charges for services	-	77	-	-	-	-	2,982	-	3,059
Miscellaneous	-	27,355	-	-	-	-	-	-	27,355
TOTAL REVENUES	75,353	484,836	4,765	239,486	-	-	2,982	-	807,422
EXPENDITURES									
Current:									
Culture and recreation	-	112,321	-	-	-	-	-	-	112,321
Health and welfare	75,353	-	-	-	-	-	-	-	75,353
Housing and development	-	-	3,945	-	-	-	-	-	3,945
Capital outlay	-	-	-	-	-	-	269,746	69,418	339,164
Debt service:									
Principal	-	-	-	-	-	833,079	-	-	833,079
Interest	-	-	-	-	-	248,292	-	-	248,292
TOTAL EXPENDITURES	75,353	112,321	3,945	-	-	1,081,371	269,746	69,418	1,612,154
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	372,515	820	239,486	-	(1,081,371)	(266,764)	(69,418)	(804,732)
OTHER FINANCING SOURCES (USES)									
Issuance of long-term debt	-	-	-	-	3,785,668	-	-	-	3,785,668
Transfers in	-	-	-	40,075	-	649,368	-	348	689,791
Transfers out	-	(179,368)	-	-	(3,785,668)	-	-	-	(3,965,036)
TOTAL OTHER FINANCING SOURCES (USES)	-	(179,368)	-	40,075	-	649,368	-	348	510,423
NET CHANGE IN FUND BALANCES	-	193,147	820	279,561	-	(432,003)	(266,764)	(69,070)	(294,309)
FUND BALANCES - BEGINNING OF YEAR	37,137	786,495	8,530	-	-	435,317	286,145	69,070	1,622,694
FUND BALANCES - END OF YEAR	\$ 37,137	\$ 979,642	\$ 9,350	\$ 279,561	\$ -	\$ 3,314	\$ 19,381	\$ -	\$ 1,328,385

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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	\$ 90,000	\$ 90,000	\$ 75,353	\$ (14,647)
TOTAL REVENUES	<u>90,000</u>	<u>90,000</u>	<u>75,353</u>	<u>(14,647)</u>
EXPENDITURES				
Current:				
Health and welfare	90,000	90,000	75,353	14,647
TOTAL EXPENDITURES	<u>90,000</u>	<u>90,000</u>	<u>75,353</u>	<u>14,647</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING OF YEAR	<u>37,137</u>	<u>37,137</u>	<u>37,137</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 37,137</u></u>	<u><u>\$ 37,137</u></u>	<u><u>\$ 37,137</u></u>	<u><u>\$ -</u></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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	\$ 395,000	\$ 395,000	\$ 457,404	\$ 62,404
Charges for services	150	150	77	(73)
Miscellaneous	12,000	12,000	27,355	15,355
TOTAL REVENUES	407,150	407,150	484,836	77,686
EXPENDITURES				
Current:				
Culture and recreation	154,550	154,550	112,321	42,229
Capital Outlay	252,600	252,600	-	252,600
TOTAL EXPENDITURES	407,150	407,150	112,321	294,829
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	372,515	372,515
OTHER FINANCING USES				
Transfers out	-	-	(179,368)	(179,368)
TOTAL OTHER FINANCING USES	-	-	(179,368)	(179,368)
NET CHANGE IN FUND BALANCES	-	-	193,147	193,147
FUND BALANCES - BEGINNING OF YEAR	786,495	786,495	786,495	-
FUND BALANCES - END OF YEAR	\$ 786,495	\$ 786,495	\$ 979,642	\$ 193,147

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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Hotel/Motel taxes	\$ 6,000	\$ 6,000	\$ 4,765	\$ (1,235)
TOTAL REVENUES	<u>6,000</u>	<u>6,000</u>	<u>4,765</u>	<u>(1,235)</u>
EXPENDITURES				
Current:				
Housing and development	<u>6,000</u>	<u>6,000</u>	<u>3,945</u>	<u>2,055</u>
TOTAL EXPENDITURES	<u>6,000</u>	<u>6,000</u>	<u>3,945</u>	<u>2,055</u>
NET CHANGE IN FUND BALANCES	-	-	820	820
FUND BALANCES - BEGINNING OF YEAR	<u>8,530</u>	<u>8,530</u>	<u>8,530</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 8,530</u></u>	<u><u>\$ 8,530</u></u>	<u><u>\$ 9,350</u></u>	<u><u>\$ 820</u></u>

CITY OF HOLLY SPRINGS, GEORGIA
Tax Allocation District (TAD) Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	\$ 235,000	\$ 235,000	239,486	\$ 4,486
TOTAL REVENUES	<u>235,000</u>	<u>235,000</u>	<u>239,486</u>	<u>4,486</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	40,000	40,075	75
Transfers out	<u>(275,000)</u>	<u>(275,000)</u>	<u>-</u>	<u>275,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(235,000)</u>	<u>(235,000)</u>	<u>40,075</u>	<u>275,075</u>
NET CHANGE IN FUND BALANCES	-	-	279,561	279,561
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,561</u>	<u>\$ 279,561</u>

CITY OF HOLLY SPRINGS, GEORGIA
Urban Redevelopment Agency
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	\$ 9,375,000	\$ 9,375,000	\$ 3,785,668	\$ (5,589,332)
Transfers out	(9,375,000)	(9,375,000)	(3,785,668)	5,589,332
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Miscellaneous	\$ -	\$ 434,632	\$ -	\$ 434,632
TOTAL REVENUES	<u>-</u>	<u>434,632</u>	<u>-</u>	<u>434,632</u>
EXPENDITURES				
Debt Service:				
Principal	\$ 1,601,697	\$ 834,000	\$ 833,079	\$ 921
Interest	398,303	250,000	248,292	1,708
TOTAL EXPENDITURES	<u>2,000,000</u>	<u>1,084,000</u>	<u>1,081,371</u>	<u>2,629</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,000,000)	(649,368)	(1,081,371)	(432,003)
OTHER FINANCING SOURCES				
Transfers in	2,000,000	649,368	649,368	-
TOTAL OTHER FINANCING SOURCES	<u>2,000,000</u>	<u>649,368</u>	<u>649,368</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	(432,003)	(432,003)
FUND BALANCES - BEGINNING OF YEAR	<u>435,317</u>	<u>435,317</u>	<u>435,317</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 435,317</u>	<u>\$ 435,317</u>	<u>\$ 3,314</u>	<u>\$ (432,003)</u>



FINANCIAL SECTION

Discretely Presented Component Unit

CITY OF HOLLY SPRINGS, GEORGIA

Balance Sheet

*Component Unit - Downtown Development Authority of Holly Springs
December 31, 2022*

	Downtown Development Authority of Holly Springs
	<hr/>
ASSETS	
Cash	\$ 70,390
Investments	36,476
Accounts receivable	16
	<hr/>
Total assets	106,882
	<hr/>
LIABILITIES	
Accounts payable	-
	<hr/>
Total liabilities	-
	<hr/>
FUND BALANCE	
Unassigned	106,882
	<hr/>
Total fund balance	\$ 106,882
	<hr/> <hr/>

CITY OF HOLLY SPRINGS, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Component Unit - Downtown Development Authority of Holly Springs
For the Year Ended December 31, 2022

	Downtown Development Authority of Holly Springs
Revenues:	
Investment earnings	\$ 54
Total revenues	<u>54</u>
Expenditures:	
Current:	
Economic development	<u>4,302</u>
Net change in fund balance	(4,248)
Fund balance, beginning of year	<u>111,130</u>
Fund balance, end of year	<u><u>\$ 106,882</u></u>



STATE SECTION



Photo: Collaboration between elected officials and City staff during a recent planning retreat.

CITY OF HOLLY SPRINGS, GEORGIA
Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended December 31, 2022

PROJECTS	ORIGINAL ESTIMATED COST	REVISED ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	ESTIMATED PERCENTAGE OF COMPLETION
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	4,125,438	4,125,438	-	4,125,438	100%
Downtown square and streetscapes	1,602,705	1,602,705	-	269,746	269,746	17%
Public safety and public works vehicles and equipment	219,000	219,000	206,487	-	206,487	94%
TOTAL 2004 - SPLOST III	\$ 7,828,705	\$ 9,354,143	\$ 7,111,171	\$ 269,746	\$ 7,380,917	
2010 - SPLOST IV:						
Transportation facilities and improvements	\$ 3,100,000	\$ 8,546,142	\$ 8,546,142	\$ -	\$ 8,546,142	100%
Law enforcement facilities, vehicles and equipment	1,700,000	2,364,927	2,364,927	-	2,364,927	100%
Sewer system infrastructure, facilities and equipment	750,000	822,677	822,677	-	822,677	100%
City hall administrative offices, facilities and equipment	755,000	755,000	50,751	69,418	120,169	16%
Public works, fire, fleet vehicles and equipment	410,200	410,200	291,795	-	291,795	71%
TOTAL 2010 - SPLOST IV	\$ 6,715,200	\$ 12,898,946	\$ 12,076,292	\$ 69,418	\$ 12,145,710	
2017 - SPLOST V:						
Transportation facilities and improvements	\$ 5,244,912	\$ 23,188,316	\$ 8,139,380	\$ 3,659,648	\$ 11,799,028	51%
Public safety vehicles and equipment	1,428,100	1,428,100	976,124	81,898	1,058,022	74%
Emergency communications system improvements and equipment	510,576	510,576	510,576	-	510,576	100%
Parks and recreation facilities	1,500,000	1,500,000	84,250	-	84,250	6%
Public works and fleet vehicles and equipment	75,000	90,136	18,998	71,138	90,136	100%
General government buildings	1,600,000	1,600,000	14,973	245,553	260,526	16%
TOTAL 2017 - SPLOST V	\$ 10,358,588	\$ 28,317,128	\$ 9,744,301	\$ 4,058,237	\$ 13,802,538	
TOTAL	\$ 24,902,493	\$ 50,570,217	\$ 28,931,764	\$ 4,397,401	\$ 33,329,165	

NOTE - The above schedule has been prepared using the modified accrual basis of accounting. Original estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Taxes. Revised estimated costs represent the project costs funded from Special Purpose Local Option Sales Taxes, as well as local, federal and state sources. Actual costs that are in excess of these amounts have been financed with funds from federal and state grants.



STATISTICAL SECTION

Photo: Tree Commission members, City staff, and other volunteers during the 2022 Great American Cleanup.

STATISTICAL SECTION

This part of the City of Holly Springs' annual comprehensive 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.

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

Revenue Capacity.....	72
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These schedules contain information to help the reader assess the City's most significant local revenue source, Property Tax.

Debt Capacity.....	77
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information.....	79
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information.....	81
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

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

	2022	2021	2020	2019
Governmental activities				
Net investment in capital assets	\$ 52,569,794	\$ 43,859,351	\$ 38,697,277	\$ 37,131,975
Restricted	667,041	527,511	430,968	426,410
Unrestricted	7,310,921	8,502,830	6,557,076	4,909,458
Total government activities net position	<u>\$ 60,547,756</u>	<u>\$ 52,889,692</u>	<u>\$ 45,685,321</u>	<u>\$ 42,467,843</u>
Business-type activities				
Net investment in capital assets	\$ 6,899,751	\$ 5,594,981	\$ 4,542,026	\$ 3,243,491
Unrestricted	(211,198)	53,102	154,680	911,776
Total business-type activities net position	<u>\$ 6,688,553</u>	<u>\$ 5,648,083</u>	<u>\$ 4,696,706</u>	<u>\$ 4,155,267</u>
Primary government				
Net investment in capital assets	\$ 59,469,545	\$ 49,454,332	\$ 43,239,303	\$ 40,375,466
Restricted	667,041	527,511	430,968	426,410
Unrestricted	7,099,723	8,555,932	6,711,756	5,821,234
Total primary government net position	<u>\$ 67,236,309</u>	<u>\$ 58,537,775</u>	<u>\$ 50,382,027</u>	<u>\$ 46,623,110</u>

2018	2017	2016	2015	2014	2013
\$ 32,167,903	\$ 26,030,664	\$ 24,324,215	\$ 19,898,710	\$ 17,729,864	\$ 16,922,381
509,488	253,689	243,680	958,168	989,334	1,121,547
7,495,108	10,571,279	9,491,578	8,909,343	7,970,470	6,763,202
<u>\$ 40,172,499</u>	<u>\$ 36,855,632</u>	<u>\$ 34,059,473</u>	<u>\$ 29,766,221</u>	<u>\$ 26,689,668</u>	<u>\$ 24,807,130</u>
\$ 3,247,671	\$ 2,985,637	\$ 3,030,866	\$ 2,701,939	\$ 2,417,431	\$ 2,198,900
764,184	516,814	397,030	626,637	703,168	801,436
<u>\$ 4,011,855</u>	<u>\$ 3,502,451</u>	<u>\$ 3,427,896</u>	<u>\$ 3,328,576</u>	<u>\$ 3,120,599</u>	<u>\$ 3,000,336</u>
\$ 35,415,574	\$ 29,016,301	\$ 27,355,081	\$ 22,600,649	\$ 20,147,295	\$ 15,806,810
509,488	253,689	243,680	958,168	989,334	1,435,263
8,259,292	11,088,093	9,888,608	9,535,980	8,673,638	6,422,248
<u>\$ 44,184,354</u>	<u>\$ 40,358,083</u>	<u>\$ 37,487,369</u>	<u>\$ 33,094,797</u>	<u>\$ 29,810,267</u>	<u>\$ 23,664,321</u>

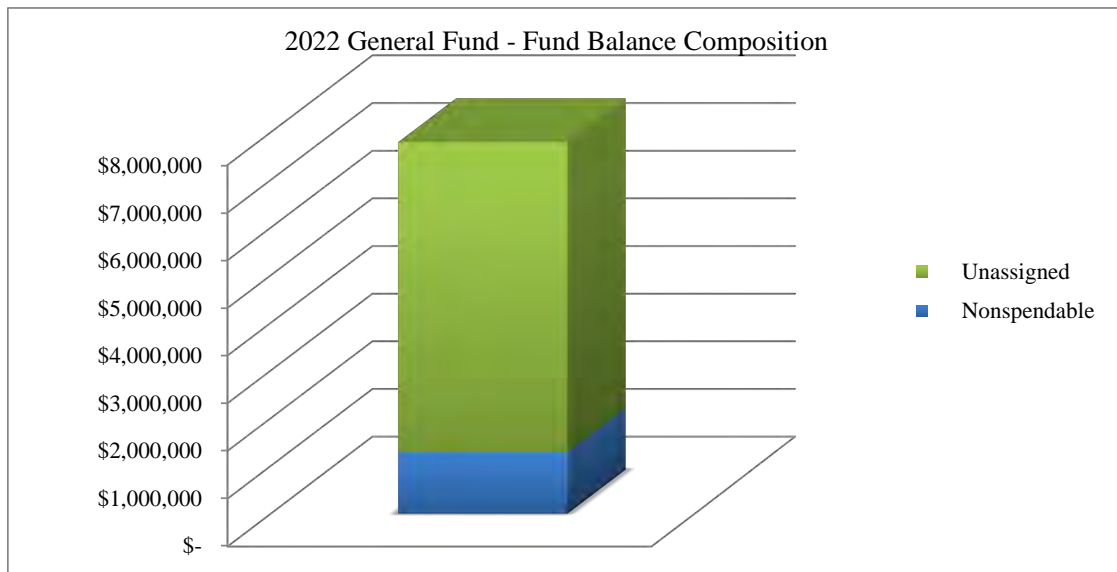
CITY OF HOLLY SPRINGS, GEORGIA
CHANGES IN NET POSITION
LAST TEN YEARS
(accrual basis of accounting)

	2022	2021	2020	2019	2018
Expenses					
Governmental Activities:					
General government	\$ 1,488,621	\$ 1,411,629	\$ 1,465,002	\$ 1,736,735	\$ 1,044,094
Judicial	396,747	342,465	341,441	272,503	231,180
Public safety	7,094,514	6,075,444	5,764,524	4,674,738	4,373,129
Public works	1,888,611	1,952,642	1,544,921	1,329,733	1,252,467
Culture and recreation	199,659	219,934	167,587	307,982	172,860
Housing and development	808,604	708,634	823,734	752,982	768,455
Health and welfare	75,353	135,667	118,907	183,219	172,892
Interest on long-term debt	458,314	249,052	208,040	135,745	61,049
Total Governmental Activities Expenses	12,410,423	11,095,467	10,434,156	9,393,637	8,076,126
Business-Type Activities:					
Stormwater utility	794,243	335,099	329,963	263,042	275,411
Total Business-Type Expenses	794,243	335,099	329,963	263,042	275,411
Total Primary Government Expenses	\$ 13,204,666	\$ 11,430,566	\$ 10,764,119	\$ 9,656,679	\$ 8,351,537
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 71,820	\$ 76,555	\$ 83,030	\$ 86,108	\$ 110,977
Judicial	411,454	654,957	674,383	783,630	465,429
Public safety	107,473	83,679	78,249	27,249	8,642
Public works	60,513	363,618	34,310	7,120	357,826
Culture and recreation	77	-	25	25	25
Housing and development	1,167,375	2,349,490	1,254,755	1,314,651	1,978,792
Operating grants and contributions	369,928	151,923	960,555	207,780	227,619
Capital grants and contributions	8,366,848	6,392,426	2,999,820	2,416,876	5,611,562
Total Governmental Activities Program Revenues	10,555,488	10,072,648	6,085,127	4,843,439	8,760,872
Business-type activities:					
Charges for services:					
Stormwater utility	471,014	448,345	421,320	405,617	320,932
Capital grants and contributions	1,363,699	838,072	449,573	-	432,000
Total Business-Type Activities Program Revenues	1,834,713	1,286,417	870,893	405,617	752,932
Total Primary Government Program Revenues	\$ 12,390,201	\$ 11,359,065	\$ 6,956,020	\$ 5,249,056	\$ 9,513,804
Net (Expense) Revenue					
Governmental Activities	\$ (1,854,935)	\$ (1,022,819)	\$ (4,349,029)	\$ (4,550,198)	\$ 684,746
Business-Type Activities	1,040,470	951,318	540,930	142,575	477,521
Total Primary Government Net Expense	\$ (814,465)	\$ (71,501)	\$ (3,808,099)	\$ (4,407,623)	\$ 1,162,267
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property tax	\$ 6,541,520	\$ 5,898,943	\$ 5,317,852	\$ 4,746,878	\$ 4,150,720
Franchise tax	887,338	830,394	829,062	741,199	720,336
Business tax	1,593,243	916,415	885,244	845,098	790,056
Selective sales tax	457,404	447,886	444,622	374,415	361,458
Other revenues	41,587	88,005	57,980	73,252	48,679
Unrestricted investment earnings (loss)	(28,585)	24,590	31,747	64,700	40,501
Gain (Loss) from disposal of capital assets	20,492	20,957	-	-	-
Transfers	-	-	-	-	6,900
Total Government Activities	9,512,999	8,227,190	7,566,507	6,845,542	6,118,650
Business-Type Activities:					
Unrestricted investment earnings	-	59	509	837	643
Gain from disposal of capital assets	-	-	-	-	38,140
Transfers	-	-	-	-	(6,900)
Total Business-Type Activities	-	59	509	837	643
Total Primary Government	9,512,999	8,227,249	7,567,016	6,846,379	6,119,293
Change in Net Position					
Governmental Activities	\$ 7,658,064	\$ 7,204,371	\$ 3,217,478	\$ 2,295,344	\$ 6,803,396
Business-type activities	1,040,470	951,377	541,439	143,412	478,164
	\$ 8,698,534	\$ 8,155,748	\$ 3,758,917	\$ 2,438,756	\$ 7,281,560

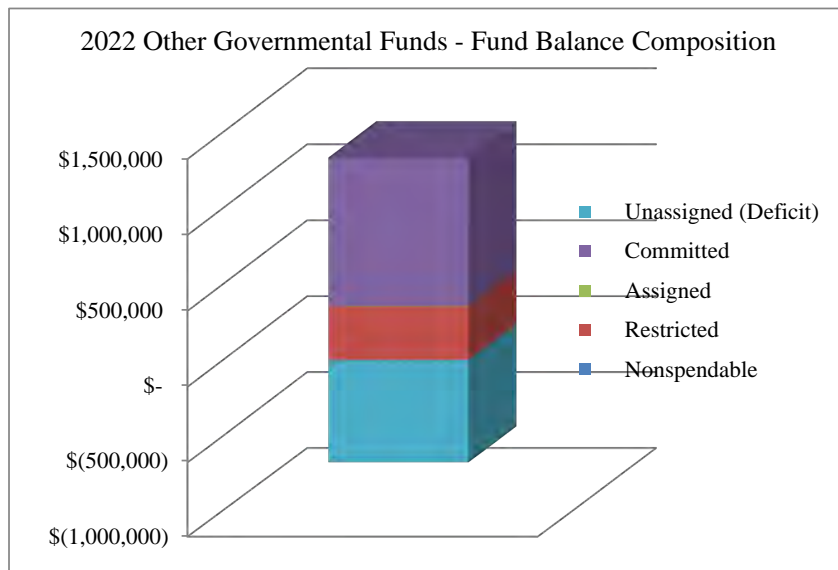
2017	2016	2015	2014	2013
\$ 1,040,174	\$ 909,915	\$ 798,252	\$ 723,511	\$ 821,428
255,842	256,405	265,562	213,602	222,432
4,341,176	3,660,936	3,193,076	2,714,404	2,546,687
878,923	1,111,932	1,752,586	1,410,749	601,360
165,714	288,774	153,693	145,443	85,757
663,374	570,308	371,399	305,589	1,081,899
179,437	224,872	356,242	303,924	346,239
931	1,240	3,922	7,428	13,256
<u>7,525,571</u>	<u>7,024,382</u>	<u>6,894,732</u>	<u>5,824,650</u>	<u>5,719,058</u>
252,740	261,832	212,527	202,889	155,272
252,740	261,832	212,527	202,889	155,272
<u>\$ 7,778,311</u>	<u>\$ 7,286,214</u>	<u>\$ 7,107,259</u>	<u>\$ 6,027,539</u>	<u>\$ 5,874,330</u>
\$ 183,531	\$ 183,362	\$ 143,996	\$ 118,227	\$ 93,365
-	-	-	-	-
349,414	311,239	368,899	372,194	440,811
-	-	-	-	-
18,544	10,395	9,620	9,575	7,075
1,308,937	930,550	793,387	622,488	597,370
235,203	243,692	364,977	320,643	368,733
2,378,027	4,032,287	3,491,269	1,506,298	2,507,082
<u>4,473,656</u>	<u>5,711,525</u>	<u>5,172,148</u>	<u>2,949,425</u>	<u>4,014,436</u>
327,271	360,910	320,493	322,619	298,534
-	-	102,316	-	1,391,959
<u>327,271</u>	<u>360,910</u>	<u>422,809</u>	<u>322,619</u>	<u>1,690,493</u>
<u>\$ 4,800,927</u>	<u>\$ 6,072,435</u>	<u>\$ 5,594,957</u>	<u>\$ 3,272,044</u>	<u>\$ 5,704,929</u>
\$ (3,051,915)	\$ (1,312,857)	\$ (1,722,584)	\$ (2,875,225)	\$ (1,704,622)
74,531	99,078	210,282	119,730	1,535,221
<u>\$ (2,977,384)</u>	<u>\$ (1,213,779)</u>	<u>\$ (1,512,302)</u>	<u>\$ (2,755,495)</u>	<u>\$ (169,401)</u>
\$ 4,062,016	\$ 3,899,541	\$ 3,420,246	\$ 3,212,535	\$ 2,899,441
677,907	628,911	604,313	578,242	528,764
742,319	695,402	644,069	612,157	561,690
344,217	334,148	320,726	297,484	262,465
21,773	30,090	29,072	50,284	52,912
15,272	14,064	7,988	7,061	7,017
(15,430)	3,952	3,764	-	-
-	-	-	-	-
<u>5,848,074</u>	<u>5,606,108</u>	<u>5,030,178</u>	<u>4,757,763</u>	<u>4,312,289</u>
24	242	518	533	257
-	-	-	-	-
-	-	-	-	-
<u>24</u>	<u>242</u>	<u>518</u>	<u>533</u>	<u>257</u>
<u>5,848,098</u>	<u>5,606,350</u>	<u>5,030,696</u>	<u>4,758,296</u>	<u>4,312,546</u>
\$ 2,796,159	\$ 4,293,251	\$ 3,307,594	\$ 1,882,538	\$ 2,607,667
74,555	99,320	210,800	120,263	1,535,478
<u>\$ 2,870,714</u>	<u>\$ 4,392,571</u>	<u>\$ 3,518,394</u>	<u>\$ 2,002,801</u>	<u>\$ 4,143,145</u>

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

	2022	2021	2020	2019
General fund				
Nonspendable	\$ 1,288,662	\$ 1,963,154	\$ 2,829,515	\$ 3,678,054
Unassigned	6,501,069	6,815,764	4,578,120	2,585,277
Total General fund	<u>\$ 7,789,731</u>	<u>\$ 8,778,918</u>	<u>\$ 7,407,635</u>	<u>\$ 6,263,331</u>
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	347,900	401,351	395,184	384,662
Assigned	3,314	786,495	1,592,641	1,988,086
Committed	979,642	435,317	513,325	149,491
Unassigned (Deficit)	(677,449)	(925,304)	(2,441,411)	(3,058,475)
Total all other governmental funds	<u>\$ 653,407</u>	<u>\$ 697,859</u>	<u>\$ 59,739</u>	<u>\$ (536,236)</u>



2018	2017	2016	2015	2014	2013
\$ 1,490,068	\$ 64,236	\$ 52,706	\$ 174,041	\$ 42,510	\$ 77,733
7,084,267	6,835,206	5,647,642	4,991,439	4,344,293	3,554,510
<u>\$ 8,574,335</u>	<u>\$ 6,899,442</u>	<u>\$ 5,700,348</u>	<u>\$ 5,165,480</u>	<u>\$ 4,386,803</u>	<u>\$ 3,632,243</u>
\$ 15,322	\$ -	\$ -	\$ -	\$ -	\$ -
364,625	277,665	264,209	958,168	1,181,598	1,121,547
17,593	863,673	442,185	725,129	623,374	587,513
246,679	-	-	-	-	-
(962,561)	(538,965)	(20,529)	-	-	-
<u>\$ (318,342)</u>	<u>\$ 602,373</u>	<u>\$ 685,865</u>	<u>\$ 1,683,297</u>	<u>\$ 1,804,972</u>	<u>\$ 1,709,060</u>



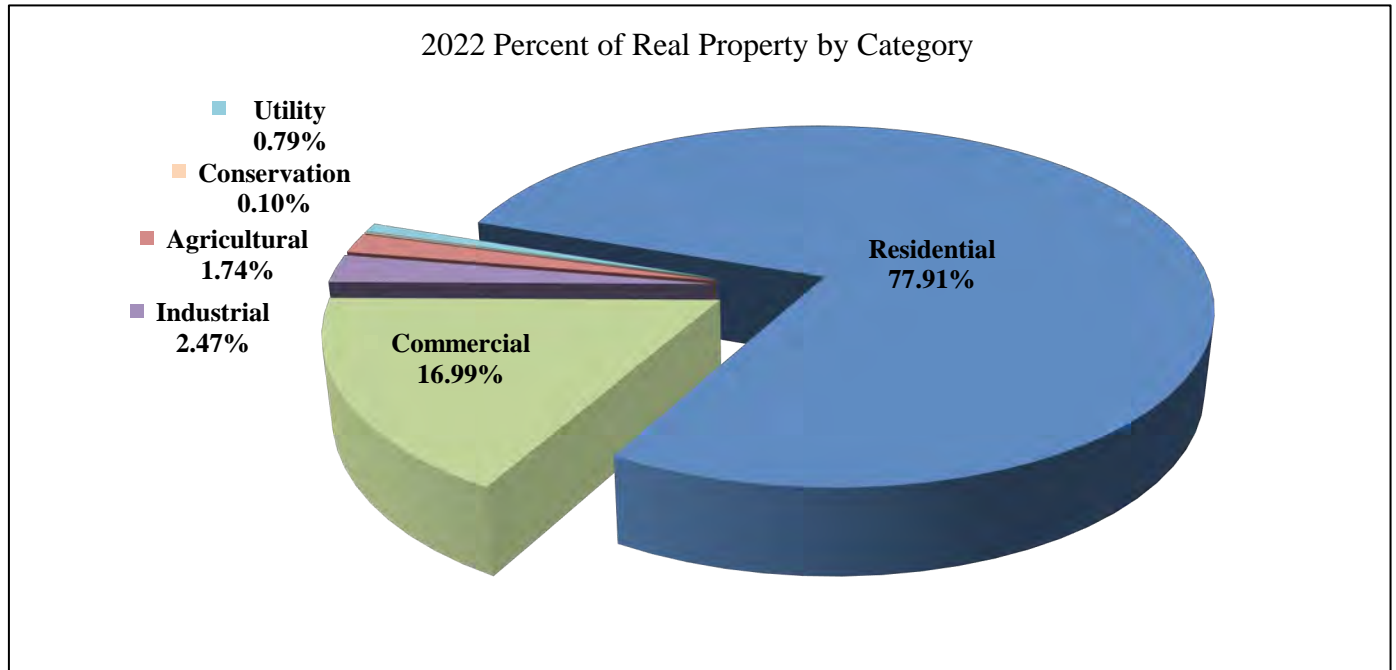
CITY OF HOLLY SPRINGS, GEORGIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)

	2022	2021	2020	2019
Revenues:				
Taxes	\$ 9,475,857	\$ 8,089,482	\$ 7,474,145	\$ 6,714,339
Licenses and permits	1,179,962	2,154,138	1,306,895	1,387,949
Intergovernmental	3,628,256	2,719,976	3,306,981	2,599,661
Charges for services	189,813	700,019	134,418	115,214
Fines and forfeitures	458,428	683,196	697,594	738,797
Interest	(28,585)	25,255	34,582	65,945
Donations from private sources	2,456	770	11,500	28,750
Other revenue	41,587	88,004	57,980	68,252
Total revenues	<u>14,947,774</u>	<u>14,460,840</u>	<u>13,024,095</u>	<u>11,718,907</u>
Expenditures:				
Current:				
General government	1,474,979	1,528,965	1,455,956	3,750,274
Judicial	397,087	346,071	335,159	270,331
Public safety	7,168,470	5,849,663	5,390,586	4,920,447
Public works	750,576	661,211	584,292	577,675
Health and welfare	75,353	135,667	118,907	183,219
Parks, culture and recreation	123,511	142,116	93,767	323,616
Housing and development	809,790	718,910	801,176	733,976
Capital outlay	8,549,323	3,035,241	7,864,209	4,556,125
Debt service:				
Principal	836,944	1,030,395	154,926	304,436
Interest	249,799	277,303	125,059	125,299
Issuance costs	-	130,873	95,991	-
Total expenditures	<u>20,435,832</u>	<u>13,856,415</u>	<u>17,020,028</u>	<u>15,745,398</u>
Excess(deficiency) of revenues over expenditures	<u>(5,488,058)</u>	<u>604,425</u>	<u>(3,995,933)</u>	<u>(4,026,491)</u>
Other financing sources (uses):				
Issuance of Lease	433,582	-	-	-
Issuance of long-term debt	3,939,164	1,229,551	5,819,104	1,493,031
Proceeds from disposal of capital assets	81,673	25,427	67,108	4,562
Transfers in	5,675,459	1,548,678	6,123,113	4,795,671
Transfers (out)	(5,675,459)	(1,548,678)	(6,123,113)	(4,795,671)
Total other financing sources (uses)	<u>4,454,419</u>	<u>1,254,978</u>	<u>5,886,212</u>	<u>1,497,593</u>
Net change in fund balances	<u>\$ (1,033,639)</u>	<u>\$ 1,859,403</u>	<u>\$ 1,890,279</u>	<u>\$ (2,528,898)</u>
Debt service as a percentage of noncapital expenditures:	<u>9.48%</u>	<u>13.50%</u>	<u>4.11%</u>	<u>4.49%</u>

2018	2017	2016	2015	2014	2013
\$ 5,989,583	\$ 5,582,428	\$ 5,221,402	\$ 4,710,042	\$ 4,399,578	\$ 4,202,032
2,884,877	1,358,643	1,012,827	877,253	692,844	661,322
2,060,192	2,046,269	3,792,829	1,753,918	1,664,757	1,444,195
421,498	142,345	100,763	70,533	52,348	30,356
466,287	335,907	334,566	389,908	411,035	427,464
42,764	15,406	15,157	9,808	8,728	8,968
28,478	23,855	18,302	8,075	15,181	22,559
48,679	33,847	39,217	30,717	61,255	58,972
<u>11,942,358</u>	<u>9,538,700</u>	<u>10,535,063</u>	<u>7,850,254</u>	<u>7,305,726</u>	<u>6,855,868</u>
1,542,280	920,148	819,309	799,051	678,717	693,305
235,967	243,688	261,335	286,373	211,556	222,251
4,131,113	3,589,867	3,413,547	3,133,362	2,518,284	2,343,040
642,451	577,532	442,958	349,258	370,357	236,884
172,892	179,437	224,872	356,242	303,938	346,519
117,372	92,014	255,150	150,479	130,547	70,858
750,990	640,322	561,728	397,747	298,874	1,076,180
3,325,210	2,316,710	7,941,197	1,607,851	1,950,389	784,233
296,798	336,283	281,417	127,215	138,944	530,848
61,938	68,808	31,418	6,252	6,558	15,911
-	-	-	-	-	-
<u>11,277,011</u>	<u>8,964,809</u>	<u>14,232,931</u>	<u>7,213,830</u>	<u>6,608,164</u>	<u>6,320,029</u>
<u>665,347</u>	<u>573,891</u>	<u>(3,697,868)</u>	<u>636,424</u>	<u>697,562</u>	<u>535,839</u>
-	-	-	-	133,553	250,829
-	-	3,200,000	-	-	-
38,920	4,748	35,305	20,578	19,358	29,328
668,636	898,740	382,706	12,872	94,670	650,189
(661,736)	(361,779)	(382,706)	(12,872)	(94,670)	(650,189)
<u>45,820</u>	<u>541,709</u>	<u>3,235,305</u>	<u>20,578</u>	<u>152,911</u>	<u>280,157</u>
<u>\$ 711,167</u>	<u>\$ 1,115,600</u>	<u>\$ (462,563)</u>	<u>\$ 657,002</u>	<u>\$ 850,473</u>	<u>\$ 815,996</u>
<u>4.29%</u>	<u>5.94%</u>	<u>4.70%</u>	<u>2.29%</u>	<u>2.69%</u>	<u>9.76%</u>

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

Fiscal Year	Real Property					
	Residential Assessed Value	Commercial Assessed Value	Industrial Assessed Value	Agricultural Assessed Value	Conservation Assessed Value	Utility Assessed Value
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
2019	483,513,483	110,647,714	20,103,336	13,131,480	1,256,480	7,209,200
2020	547,523,816	114,684,952	33,154,398	16,221,750	1,028,943	7,450,843
2021	643,696,070	152,518,568	25,165,844	20,444,012	917,280	8,357,156
2022	847,885,130	184,932,328	26,925,253	18,945,036	1,076,680	8,547,394

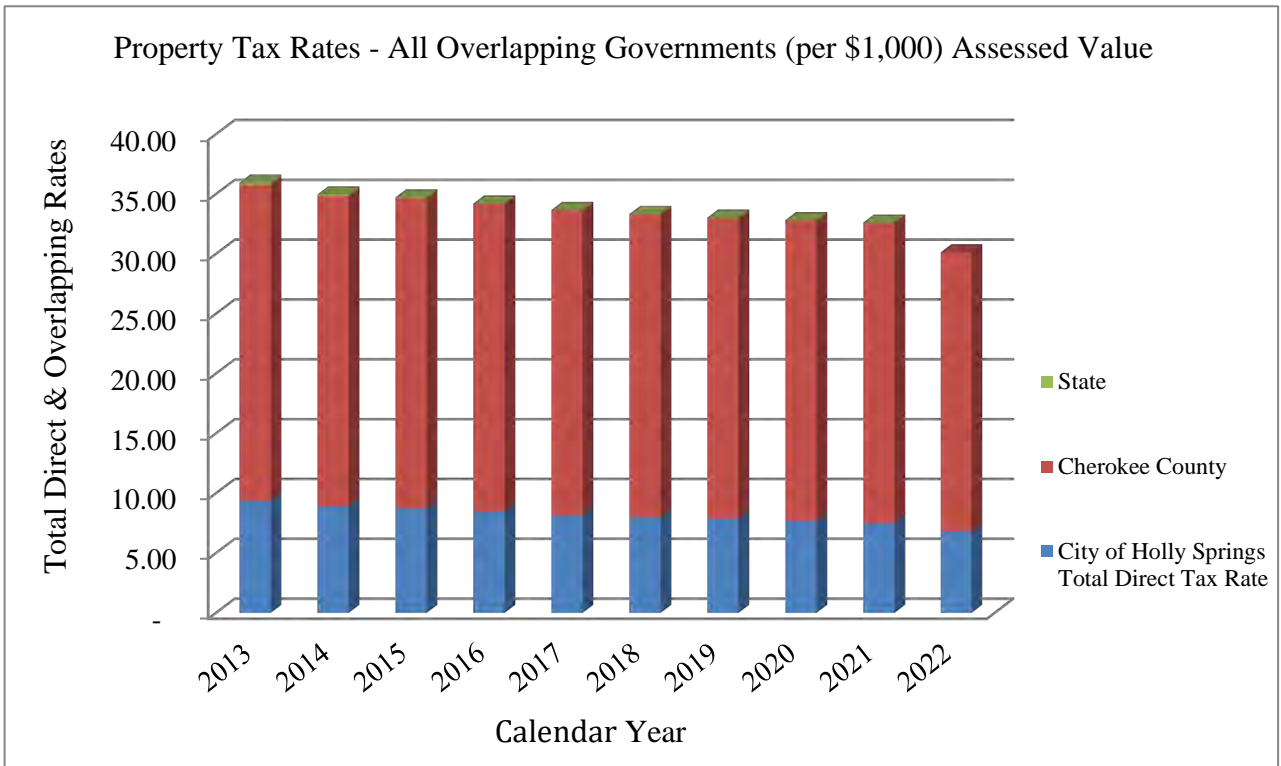


The Cherokee County Assessor performs property tax assessments on all property within Cherokee County including all of the cities therein. The fair market value is determined based on comparables for sales in the area and zoning and is then distributed to each of the taxing entities to process the annual property tax bills. Taxes are calculated on forty percent (40%) of the fair 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					
\$ 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%
4,516,000	33,040	20,680,560	619,730,173	7.879	1,549,325,433	40%
3,875,040	19,376	118,706,306	605,252,812	7.692	1,513,132,030	40%
3,338,490	17,683	132,203,225	722,251,878	7.512	1,805,629,695	40%
3,338,490	719,603	165,748,874	926,621,040	6.825	2,316,552,600	40%

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

Calendar Year	City of Holly Springs Total Direct Tax Rate	Cherokee County	State	Total Direct & Overlapping Rates
2013	9.373	26.424	0.15	35.947
2014	8.936	25.922	0.10	34.958
2015	8.751	25.914	0.05	34.715
2016	8.460	25.739	0.00	34.199
2017	8.148	25.514	0.00	33.662
2018	7.999	25.319	0.00	33.318
2019	7.879	25.146	0.00	33.025
2020	7.692	25.123	0.00	32.815
2021	7.512	25.096	0.00	32.608
2022	6.825	23.299	0.00	30.124



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

Taxpayer	2022			2013		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
BCORE MF Holly Springs	\$ 28,796,520	1	3.11%			
MA Darby at Holly Springs LLC	24,106,440	2	2.60%			
MAR Harbor Creek LLC	23,652,280	3	2.55%	\$ 6,272,440	1	2.16%
Kohn Pamela Trustee: Walmart	11,181,307	4	1.21%			
Home Depot USA Inc.	6,360,784	5	0.69%	5,422,976	2	1.87%
Holly Springs Building LLC	4,868,720	6	0.53%			
PMAT East Cherokee LLC	3,755,560	7	0.41%	3,511,600	3	1.21%
Cherokee Auto Land LLC	3,650,040	8	0.39%			
WOJV Canton LLC	3,031,600	9	0.33%	1,432,562	8	0.49%
Northside Hospital-Cherokee	2,774,880	10	0.30%	2,666,360	4	0.92%
Windstream				1,769,636	5	0.61%
The Kroger Company				1,741,963	6	0.60%
Selas Fluid Processing Corp.				1,595,226	7	0.55%
Sawnee EMC				1,366,354	9	0.47%
Toonigh Shops LLC				1,049,880	10	0.36%
	<u>\$ 112,178,131</u>		<u>12.12%</u>	<u>\$ 26,828,997</u>		<u>9.24%</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 (1)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	110,516	2,947,051	98.34%
2016	3,358,570	3,187,187	94.90%	160,881	3,348,068	99.69%
2017	3,604,067	3,419,339	94.87%	166,674	3,586,013	99.50%
2018	4,078,118	3,870,504	94.91%	199,404	4,069,908	99.80%
2019	4,657,066	4,413,414	94.77%	242,853	4,656,267	99.98%
2020	5,014,722	4,689,073	93.51%	309,205	4,998,277	99.67%
2021	5,612,369	5,345,270	95.24%	251,659	5,345,270	95.24%
2022	6,355,314	6,150,562	96.78%	N/A	6,150,562	96.78%

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

<u>Governmental Activities</u>							
<u>Fiscal Year</u>	<u>Lease Liability</u>	<u>Notes Payable</u>	<u>Revenue Bonds Payable</u>		<u>Percentage of Personal Income</u>	<u>Per Capita</u>	
		<u>Parks & Recreation Authority</u>	<u>Urban Redevelopment Agency</u>	<u>SPLOST V GTIB</u>			
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	
2019	-	2,156,339	1,493,031	-	0.82%	287	
2020	-	2,036,413	7,277,135	-	1.96%	659	
2021	-	1,621,574	7,891,130	-	2.00%	673	
2022	429,718	1,364,435	11,005,857	248,496	1.99%	705	

CITY OF HOLLY SPRINGS, GEORGIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2022

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
City Direct Debt:			
Parks and Recreation Authority - 2016 Issue	\$ 1,364,435	100.00%	\$ 1,364,435
GTIB Note Payable - 2020 Issue	35,000	100.00%	35,000
GTIB Note Payable - 2021 Issue	213,496	100.00%	213,496
Lease liabilities	429,718	100.00%	429,718
Urban Redevelopment Agency - 2019 Issue	3,888,888	100.00%	3,888,888
Urban Redevelopment Agency - 2020 Issue	2,884,615	100.00%	2,884,615
Urban Redevelopment Agency - 2021 Issue	4,232,354	100.00%	4,232,354
Total Direct Debt	<u>13,048,506</u>		<u>13,048,506</u>
Overlapping General Obligation Debt:			
Cherokee County - 2010 Issue	4,017,000	6.67%	267,934
Cherokee County - 2012 Issue	2,420,000	6.67%	161,414
Cherokee County - 2014 Issue	15,868,000	6.67%	1,058,396
Cherokee County - Refunding bond 2016	19,713,247	6.67%	1,314,874
Cherokee County School District	334,911,975	6.67%	22,338,629
Lease Liability Debt	<u>581,740</u>	6.67%	<u>38,802</u>
Total Overlapping Debt	<u>377,511,962</u>		<u>25,180,048</u>
Total Direct and Overlapping Debt	<u>\$ 390,560,468</u>		<u>\$ 38,228,554</u>

Source: Information obtained from the Cherokee County, Georgia Comprehensive Annual Financial Report dated September 30, 2022.

Note: Overlapping governments are those that coincide, at least in part, within 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>
2013	9,868	\$ 245,804,949	\$ 25,937	34.90	Some College	1,421	5.1%
2014	10,318	260,281,868	25,226	35.02	Some College	1,104	4.1%
2015	10,786	291,426,934	27,019	35.91	Some College	1,090	3.9%
2016	11,364	317,066,964	27,901	35.91	Some College	1,049	3.6%
2017	11,987	365,759,331	30,513	36.00	Some College	1,194	3.6%
2018	12,915	402,340,995	31,153	36.61	Some College	975	3.2%
2019	15,442	537,211,738	34,789	36.00	Some College	1,004	2.7%
2020	16,213	546,280,822	33,694	38.00	Some College	1,001	6.0%
2021	17,500	577,272,500	32,987	37.22	Some College	1,028	2.8%
2022	18,500	656,232,000	35,472	35.00	Some College	976	2.6%

(1) Population estimates from Cherokee Office of Economic Development

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

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

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

(5) Average Education Level from Cherokee Office of Economic Development

(6) School Enrollment includes student population at Holly Springs Elementary provided by Cherokee County School District, Lyndon Academy, and L.R. Tippens Education Center

(7) Unemployment Rate provided Georgia Department of Labor

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

Employer	2022			2013		
	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment (2)
Walmart #5814	199	1	5.57%			
Cherokee County School District	117	2	3.27%	69	5	1.13%
Home Depot, USA, Inc.	105	3	2.94%	87	2	1.43%
Publix Super Markets, Inc.	100	4	2.80%	70	4	1.15%
Kroger Store #430	89	5	2.49%	76	3	1.25%
Cobb Industrial Inc.	64	6	1.79%			
One Life Fitness	57	7	1.59%			
Weaver Grading and Hauling	57	8	1.59%			
Nor-Ral Plastics, Inc.	56	9	1.57%	49	6	0.81%
Southeast Restoration	54	10	1.51%	38	7	0.63%
Agile Fragrance Division				34	8	0.56%
Hydro-Chem, A Division of Linde Eng.				127	1	2.09%
Marquis Tile, Inc.				28	9	0.46%
Rolling Frito-Lay Sales				26	10	0.43%
Total	<u>898</u>		25.12%	<u>604</u>		9.94%

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

(2) Information obtained from the U.S. Census Bureau Fact Finder - 2013 Business Patterns

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

Function	2022	2021	2020	2019	2018
General Government					
Management	4.0	4.0	4.0	3.0	3.0
Finance	3.0	3.0	3.0	2.0	2.0
Technology	1.0	1.0	1.0	1.0	1.0
Facilities	5.0	4.0	4.0	1.0	1.0
Judicial					
Municipal Court	4.0	4.0	4.0	3.0	3.0
Public Safety					
Police Officers	35.0	35.0	34.0	31.0	27.0
Police Administration	7.0	6.0	7.0	6.0	6.0
Probation (1)	1.0	1.0	1.0	1.0	1.0
Public Works					
Streets	0.0	-	-	-	-
Culture and Recreation					
Parks	0.0	-	-	-	-
Housing and Development					
Building	5.0	4.0	4.0	6.0	6.0
Planning and Zoning	2.0	2.0	2.0	2.0	2.0
Stormwater	2.0	1.0	1.0	2.0	1.0
Total	69.0	65.0	65.0	58.0	53.0

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

2017	2016	2015	2014	2013
3.0	3.0	3.0	3.0	4.0
1.0	2.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
3.0	3.0	2.5	2.0	2.0
22.0	19.0	19.0	16.0	16.0
5.0	4.0	4.0	4.0	4.0
1.0	-	-	-	-
-	-	3.0	3.0	3.0
-	-	0.5	-	-
4.0	5.5	3.5	2.0	2.0
2.0	1.0	1.0	1.0	1.0
2.0	2.5	1.0	1.0	2.0
45.0	42.0	40.5	35.0	37.0

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

Function	2022	2021	2020	2019	2018
General government					
Ordinances approved	23	26	26	40	24
Special events held (1)	-	1	1	7	8
Occupation tax licenses issued (2)	633	678	886	813	692
Court					
Number of citations processed	6,686	8,345	7,648	6,825	4,777
Number & type of court sessions:					
Arraignments	21	22	22	25	23
Trials	4	4	4	4	2
Police					
Calls for service	15,600	16,353	18,633	19,717	15,604
Part 1 crimes reported	377	291	259	324	277
Public Works					
Number of potholes repaired	19	28	53	41	38
Miles of streets resurfaced	2.39	1.31	2.52	4.20	2.62
Community Development					
Building permits/CO's issued	1,254	1,395	1,064	1,184	1,319
Acres annexed	6.04	23.52	24.70	85.96	35.24
Culture and Recreation					
Park acres maintained	46	46	46	46	46
Stormwater					
Stormwater projects completed	-	-	1	-	-

(1) Most special events cancelled in 2020 and 2021 due to COVID protocols.

In 2022, the City decided to pause all special events until construction on the Town Center was complete.

(2) Includes Home Occupation and Traditional Occupation Licenses.

2017	2016	2015	2014	2013
27	27	15	12	11
8	8	7	7	9
719	719	633	539	909
2,247	2,438	2,021	2,804	2,468
23	23	23	25	25
4	4	4	7	7
12,939	12,612	12,593	27,501	26,056
326	435	393	186	201
34	35	13	2	9
1.31	2.36	3.04	5.35	3.90
961	567	565	297	136
119.33	53.53	98.54	-	2.91
46	46	46	13	13
2	2	1	-	-

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

Function	2022	2021	2020	2019	2018
Public Safety					
Police					
Stations	1	1	1	1	1
Patrol Units	49	35	38	38	25
Public Works					
Streets (miles)	63.5	63.17	62.36	61.66	60
Parks and Recreation					
Acreage of Parks	46	46	46	46	46
Playgrounds	3	3	3	3	3
Baseball Fields	1	1	1	1	1
Community Center	1	1	1	1	1

2017	2016	2015	2014	2013
1	1	1	1	1
21	18	17	16	13
60	60	60	59	59
46	46	46	46	46
3	3	3	2	2
1	1	1	1	1
1	1	1	1	1



COMPLIANCE SECTION

Photo: Pictured L to R, Deputy Chief Greg Clyburn, 2022 Bob Fuller Leadership Award recipient Captain Casey Barton, 2022 Officer of the Year Detective Travis Wood, and Chief Tommy Keheley.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Holly Springs, Georgia (the "City"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 3, 2023.

Report on 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") as a basis for designing 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.

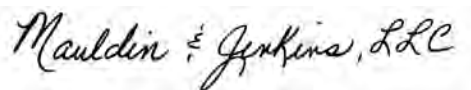
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
July 3, 2023