

CITY OF HOLLY SPRINGS, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2012

City of Holly Springs, Georgia

Comprehensive Annual Financial Report

For The Year Ended December 31, 2012

Prepared by:

Finance Department









Submitted by:

City Manager

Robert H. Logan, CPA, CGMA

CITY OF HOLLY SPRINGS, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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Introductory Section







Mayor
Timothy B. Downing

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

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

City Attorney
Robert M. Dyer

City Clerk
Karen Norred

City Manager
Robert H. Logan

June 14, 2013

Honorable Mayor Timothy Downing,
Members of the City Council, and
Citizens of the City of Holly Springs

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Holly Springs, Georgia for the fiscal year ended December 31, 2012, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City's financial statements have been audited by RL Jennings & Associates, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Holly Springs for the year ended December 31, 2012 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 unqualified opinion that the City of Holly Springs' financial statements for the year ended December 31, 2012 are fairly stated in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors report is presented as the first component of the financial section of the report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE

The City of Holly Springs was incorporated in 1906 around the busy train depot established by the Louisville & Nashville (L&N) Railroad. Holly Springs was once known for its "green marble" quarry on the west side of the City as well as a destination for local farmers to ship their goods on the L&N Railroad. As Metropolitan Atlanta has grown over the past several decades, the City of Holly Springs has become more suburban with light industry, commercial establishments and numerous residential developments. The City is located in the center of Cherokee County approximately thirty-five miles north of Atlanta on I-575 and currently consists of 6.73 square miles.

Policy making and legislative authority is vested in the Mayor and five Council Members. The Mayor and Council are elected at large by the City residents to serve four year terms. For the election of Council Members, candidates must select a nongeographic post from which to run for office. The candidate who receives the most votes in each nongeographic post is elected to office. The City operates under a council/manager form of government pursuant to

the constitution and laws of the State of Georgia and the City of Holly Springs Charter. The City Manager is responsible for the daily operations of all City departments and possesses all of the administrative powers granted to the government under the constitution and laws of the State of Georgia and the City's charter.

This report includes all funds of the City. The City provides a full range of services including; police and fire protection, the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general governmental activities, the City also operates a Stormwater Utility. The City's reporting entity also includes the balances and activities of one quasi–governmental entity; the Holly Springs Downtown Development Authority, a discretely presented component unit.

The City, in conjunction with its component unit, is striving to improve the lives of its residents through the creation of new parks and recreation venues, upgrades to stormwater infrastructure, roads and sidewalks, the redevelopment of the downtown core area and the acquisition of vehicles and equipment for public safety. The Mayor and City Council are very proactive in planning for the future and initiating plans to meet future needs of the community.

As shown below, the City of Holly Springs has experienced a considerable amount of growth in the past 40 years and anticipates more growth in the future as the Atlanta Metropolitan Statistical Area (MSA) continues to expand:

Year	Population	% 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%
2012	9,667	4.37%

ECONOMIC CONDITION AND OUTLOOK

Some of the factors, which will contribute to the future growth, and development of the City of Holly Springs are listed below:

Improved Transportation System

Transportation systems have a major impact on the growth and development of any community. The completion of the Sixes Road Bridge Project and the upgrade of Sixes Road and the on-ramps and off-ramps at Exit 11 on I-575 have greatly improved traffic flow in the southern section of the City. This has resulted in a lot interest from developers in this area. The Community Development Department continues to work with developers to promote desirable commercial growth in this corridor.

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 is expected to begin construction in early 2014 and will provide sanitary sewer to the downtown area east of Holly Springs Parkway down Hickory Springs Industrial Drive. The project will provide sewer for the proposed Downtown Holly Springs Redevelopment Project and various industries in the Hickory Springs Industrial Park. The project will extend to property owned by Hydro-Chem (Division of Linde BOC), which is the largest private employer in the City of Holly Springs. The sewer extension will provide Hydro-Chem with the long-awaited opportunity to expand their facility.

Availability of Large Tracts of Land

In the future, the eastern section of Holly Springs will experience many land use changes primarily due to the large areas of vacant land in this area. Several large parcels were annexed into the City of Holly Springs over the past ten years in anticipation of development.

Recent Economic Development

Construction recently started on property owned by Bright Meyers Holly Springs Associates, LP at Exit 14 on I-575. This property will include a Wal-Mart Supercenter and a separate strip shopping center that will add approximately 500 jobs. Based upon estimates provided by the developer, this project will add $95,000 in property tax revenues to the City's annual tax digest upon completion. There are also several vacant parcels of land at Exit 14 that the City expects will develop as the shopping center construction progresses.

The Georgia Department of Transportation bridge-widening project on Sixes Road at Exit 11 on I-575 is scheduled for completion in the spring of 2013. There are several parcels of land at this intersection that are zoned general commercial and are ideal for development. The Cherokee County Aquatics Center opened in May 2013 adjacent to the interstate which provides an indoor swim competition venue as well as an outdoor pool facility. WellStar Health System, Inc. requested rezoning and a conditional use permit (CUP) for a hospital, medical office building and hospice facility on Gresham Mill Parkway adjacent to the Cherokee County Aquatics Center in the fall of 2012. The rezoning was approved by the City Council, but the CUP for the hospital facility was denied. WellStar Health System, Inc. is eligible to request another CUP for the hospital facility in 2014.

Budgetary Controls

The City of Holly Springs maintains budgetary controls to ensure compliance with legal provisions of the annual appropriated budget approved by the City Council. Activities of the General Fund, Hotel/Motel Tax Fund, Parks and Recreation Fund, Operating Grant Fund, Capital Improvement Fund, Capital Grant Fund, SPLOST III Fund, SPLOST IV Fund and Stormwater Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the department level.

The City of Holly Springs submits its annual budget to the Government Finance Officers Association for the Distinguished Budget Presentation Award. The City received this award in 2010, 2011and 2012.

Financial Policies

The City adopted a Financial Management Policy on September 15, 2008 which management follows in the preparation of its annual budget and daily financial operations. The Policy provides; guidelines for the use of contingencies for unexpected expenditures, the establishment of a fund balance reserve of approximately 16% of budgeted expenditures in the General Fund, cash and investment management, grant management, purchasing policies and internal control policies.

Long-Term Financial Planning

The City actively engages in multi-year financial planning. The City annually updates its five year capital improvement plan to account for future capital acquisitions and capital asset replacements. The City is actively engaged in long-term forecasting to determine areas where infrastructure upgrades are going to be needed. The Finance Director uses various data in forecasts for future operating and capital needs in the preparation of the City's annual budget document as well.

MAJOR INITIATIVES

Downtown Holly Springs Redevelopment Project

In 2012, the City of Holly Springs, the Holly Springs Downtown Development Authority (DDA) and Macauley-Schmit entered into an Option to Develop Agreement. The purpose of this agreement was to give Macauley-Schmit the option to develop property in downtown Holly Springs that is owned by the City and the DDA. The schematic plan that was approved by the City Council and the DDA includes the redevelopment of approximately twenty acres of property near the intersection of Hickory Road and Palm Street. As proposed, the mixed use development would

include retail units, multi-family units, senior living units, a new City Hall and a town green. Construction is expected to begin in 2014.

Downtown Streetscapes Project

The City of Holly Springs has received approval for funding from the Georgia Department of Transportation Livable Centers Initiative (LCI) and Congestion Mitigation Air Quality (CMAQ) grant programs for the construction of streetscapes in the historic downtown area. Plans are currently underway for the completion of streetscape improvements along Holly Springs Parkway and Hickory Road. The plan calls for pedestrian improvements, lamp posts, landscaping and benches. This project is scheduled for construction in 2014.

Hickory Road Park Project

The City of Holly Springs, along with the Cherokee Recreation and Parks Agency, is planning and designing a new passive park on Hickory Road near Harmony on the Lakes. The park will consist of thirty-three acres of hard and soft surface trails, an open field, playground and pavilions. The park is being funded from an allocation of $1.5 million from the Cherokee County Parks Bond Program. The park has been designed by Foresite Group and is going to bid in July 2013 with an anticipated completion date of July 2014.

AWARDS AND ACKNOWLEDGEMENTS

Independent Audit

The Mayor and City Council and the State of Georgia require an annual audit to be performed on the books of account, financial records and transactions of all administrative departments of the City by independent Certified Public Accountants selected by the City Council. This requirement has been complied with and the auditor's opinion has been included in this report.

Certificate of Achievement

The City of Holly Springs has submitted this report for recognition under the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting program for the year ended December 31, 2012. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report will meet the Certificate of Achievement Program's requirements.

Acknowledgments

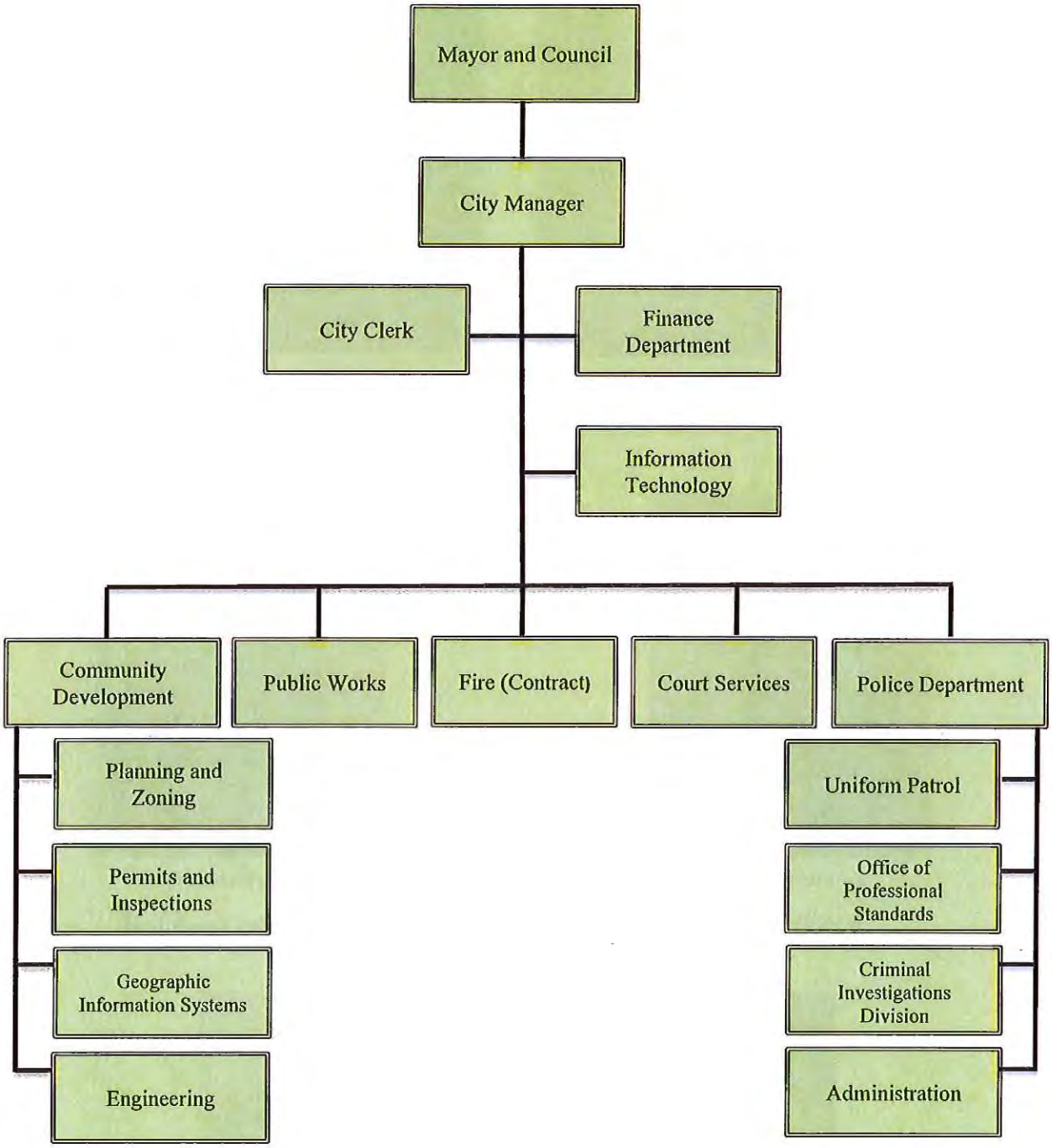
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of Denise Lamazares, Jennifer Stanley and Nancy Wagner and the entire City staff and the Certified Public Accounting firm of RL Jennings & Associates, PC. I would also like to thank the Mayor and members of the City Council for their interest in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Robert H Logan

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

City of Holly Springs, Georgia
Organizational Chart
December 31, 2012



Mayor and City Council

Listing of Elected Officials



Mayor

Timothy Downing



Mayor Pro Tem

Jeremy Smith



Councilmember

Karen Barnett



Councilmember

Dee Phillips



Councilmember

Kyle Whitaker



Councilmember

Michael Roy Zenchuk II



City of Holly Springs, Georgia

Listing of Principal Officials





City Manager/Finance Director

Robert H. Logan, CPA, CGMA

Community Development Director

Nancy Moon

City Clerk

Karen Norred, CMC

Public Works Supervisor

Jordan Tkacsik

Police Chief

Ken Ball

City Attorney

Robert M. Dyer, Esq.

Dyer and Rusbridge, PC

Municipal Court Clerk

Gena Higgins

City Auditors

RL Jennings & Associates, PC





Financial Section







RL Jennings & Associates, PC
Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA
Mona Evans, CPA
Joe Sapp, CPA
Thomas H. Evans, Jr., CPA
Sherry L. Estes, CPA
Lisa J. Hoyle, CPA
Katherine S. Washington, CPA
David E DeScalzo, CPA, CFE, PC

Member

American Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Holly Springs, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Holly Springs, Georgia, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on page 50, and Schedule of Funding Progress for the City of Holly Springs Retirement Plan on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Holly Springs, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is presented for the purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of the City of Holly Springs, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Holly Springs, Georgia's internal control over financial reporting and compliance.

R L Jennings & Associates, PC

Ellijay, Georgia
June 14, 2013

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, 2012. The audit is required by Georgia law. A Statement of Net Position and the Statement of Activities provides a picture of the activities of the City. Fund Financial Statements provide a more detailed view of the City's services and the revenue dedicated to provide them.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 are as follows:

- The City's combined net position increased $1,044,364 (4.62%) to $23,664,321 from $22,619,957 in 2011.
- Combined revenue increased $244,341 (2.67%) to $6,419,213 from $6,174,872 in 2011, of which governmental activities totaled $6,111,005 and business-type activities totaled $308,208.
- Overall expenses increased $491,218 (10.06%) to $5,374,849 from $4,883,631 in 2011, of which governmental activities totaled $5,251,770 and business-type activities totaled $123,079.
- As of December 31, 2012, the City's governmental funds reported combined ending fund balances of $4,525,307. At December 31, 2012, $1,988,544 or 43.94% is available for use (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Net Position

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

The Statement of Activities

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

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

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

The government-wide financial statements can be found on pages 20 and 21 of this report.

FUND FINANCIAL STATEMENTS

The Fund Financial statements begin on page 22 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.

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 flows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities in the government-wide statements.

The City maintains three governmental fund types: the General Fund, Special Revenue Funds and Capital Projects Funds. Only two individual funds are considered to be major funds – the General Fund and SPLOST III 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 22 through 25 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 26 through 28 of this report.

Notes to Financial Statements

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

The notes to financial statements can be found on pages 29 through 49 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees as well as a Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund. This schedule compares the original and final adopted budget of the General Fund of the City of Holly Springs to the actual revenues and expenditures.

The required supplementary information, including related notes, can be found on pages 50 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 $23,664,321 at December 31, 2012.

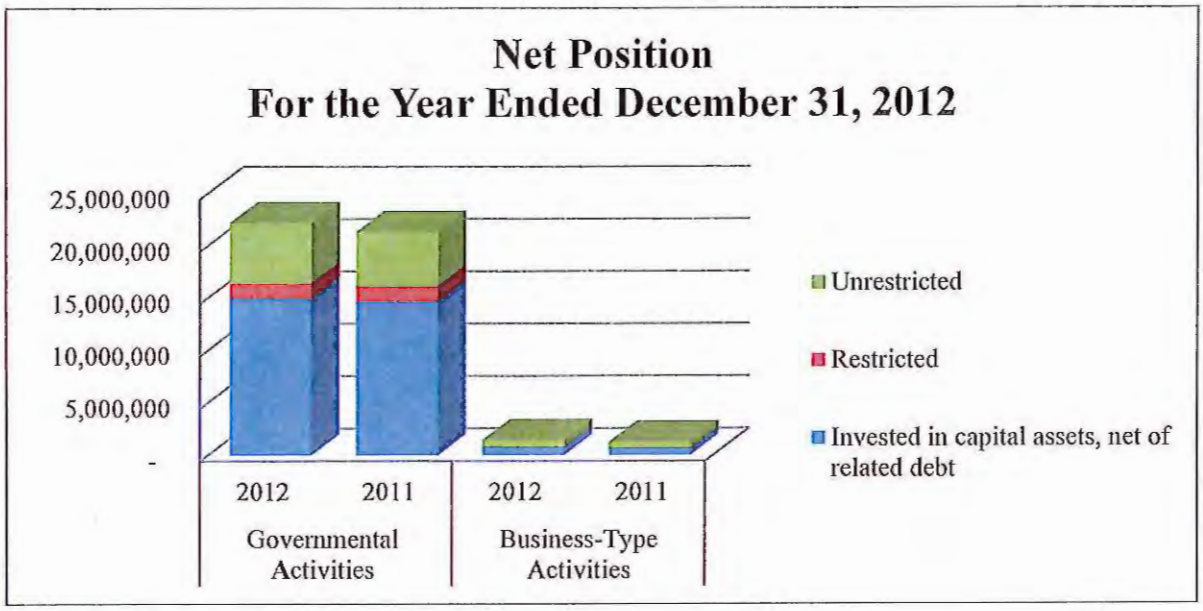
Combined net position includes $15,806,810 invested in capital assets (e.g. land, infrastructure, buildings, equipment, and other); less accumulated depreciation and any related debt outstanding that was needed to build or acquire the assets. The City uses these assets to provide services to the citizens and the businesses in the City; consequently, this net position is not available for future spending. The city has $1,435,263 of restricted net position that is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. The City has $6,422,248 in unrestricted net position at December 31, 2012.

City of Holly Springs' Net Position

The table below presents the City's Net Position as of December 31, 2012 and 2011 respectively:

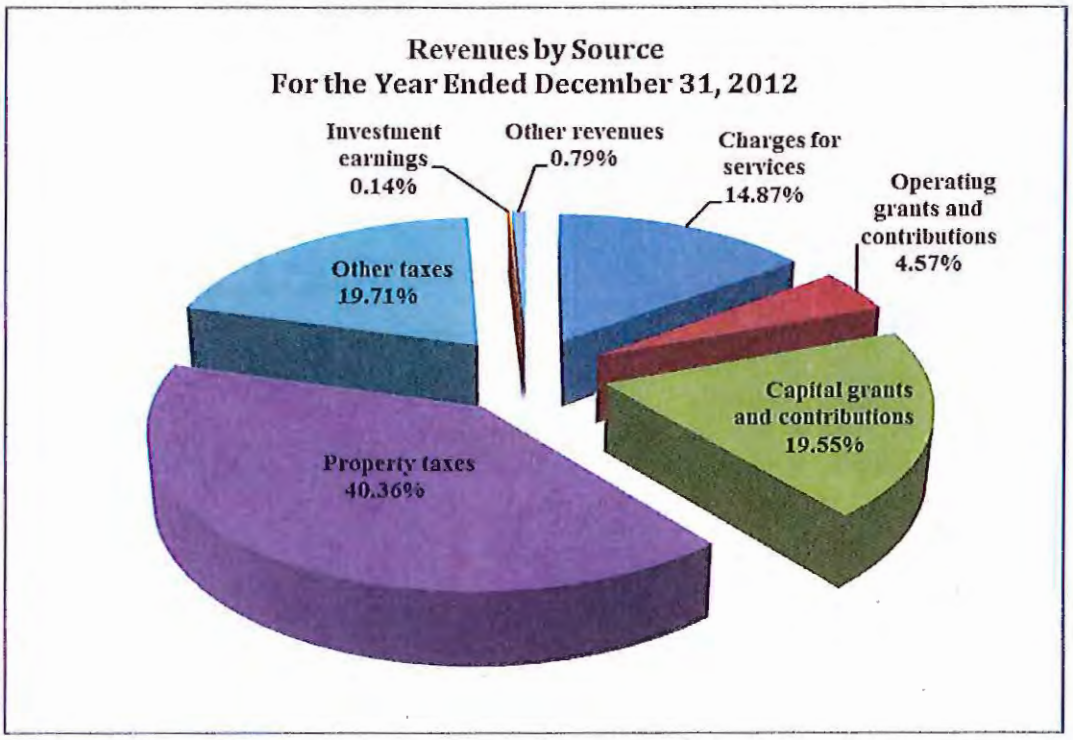
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 7,989,549	$ 7,314,156	$ 648,062	$ 530,051	$ 8,637,611	$ 7,844,207
Capital assets	15,551,704	15,756,110	843,003	749,678	16,394,707	16,505,788
Total assets	$ 23,541,253	$ 23,070,266	$ 1,491,065	$ 1,279,729	$ 25,032,318	$ 24,349,995
Current liabilities	$ 1,284,741	$ 1,142,141	26,207	-	$ 1,310,948	$ 1,142,141
Non-current liabilities	57,049	587,897	-	-	57,049	587,897
Total liabilities	1,341,790	1,730,038	26,207	-	1,367,997	1,730,038
Net position:						
Invested in capital assets, net of related debt	14,963,807	14,655,782	843,003	749,678	15,806,810	15,405,460
Restricted	1,435,263	1,459,236	-	-	1,435,263	1,459,236
Unrestricted	5,800,393	5,225,210	621,855	530,051	6,422,248	5,755,261
Total net position	22,199,463	21,340,228	1,464,858	1,279,729	23,664,321	22,619,957
Total liabilities and net position	$ 23,541,253	$ 23,070,266	$ 1,491,065	$ 1,279,729	$ 25,032,318	$ 24,349,995

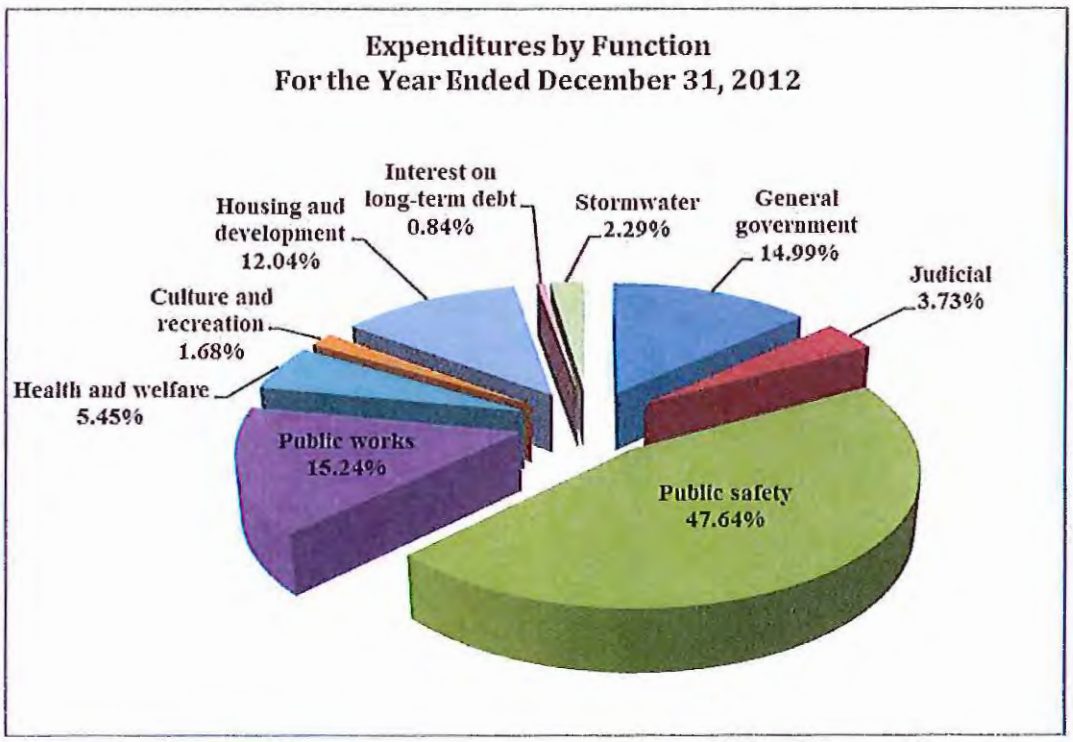
As of December 31, 2012 the City of Holly Springs is able to present positive balances in net position for its governmental and business-type activities.



City of Holly Springs' Changes in Net Position

Revenues	Governmental Activities		Business-Type Activities		Total	
Program Revenues:	2012	2011	2012	2011	2012	2011
Charges for services	$ 660,156	$ 603,766	$ 294,523	$ 265,465	$ 954,679	$ 869,231
Operating grants and contributions	293,104	237,074	-	-	293,104	237,074
Capital grants and contributions	1,254,677	1,176,675	-	-	1,254,677	1,176,675
General Revenues:						
Property taxes	2,591,089	2,647,071	-	-	2,591,089	2,647,071
Other taxes	1,265,480	1,188,053	-	-	1,265,480	1,188,053
Investment earnings	8,756	6,589	496	243	9,252	6,832
Other revenues	50,932	49,936	-	-	50,932	49,936
Total Revenues	6,124,194	5,909,164	295,019	265,708	6,419,213	6,174,872
Expenses						
General government	719,273	732,277	-	-	719,273	732,277
Judicial	200,673	187,181	-	-	200,673	187,181
Public safety	2,454,703	2,326,383	-	-	2,454,703	2,326,383
Public works	818,898	584,016	-	-	818,898	584,016
Health and welfare	292,991	234,056	-	-	292,991	234,056
Culture and recreation	90,174	44,086	-	-	90,174	44,086
Housing and development	647,357	661,674	-	-	647,357	661,674
Interest on long-term debt	27,701	40,884	-	-	27,701	40,884
Stormwater	-	-	123,079	73,074	123,079	73,074
Total Expenses	5,251,770	4,810,557	123,079	73,074	5,374,849	4,883,631
Increase (decrease) in net assets before transfers	872,424	1,098,607	171,940	192,634	1,044,364	1,291,241
Transfers in (out)	(13,189)	-	13,189	-	-	-
Change in net position	859,235	1,098,607	185,129	192,634	1,044,364	1,291,241
Beginning net position	21,340,228	20,241,621	1,279,729	1,087,095	22,619,957	21,328,716
Ending net position	$ 22,199,463	$ 21,340,228	$ 1,464,858	$ 1,279,729	$ 23,664,321	$ 22,619,957


Revenues by Source
For the Year Ended December 31, 2012
Investment earnings 0.14%
Other revenues 0.79%
Charges for services 14.87%
Operating grants and contributions 4.57%
Other taxes 19.71%
Capital grants and contributions 19.55%
Property taxes 40.36%


Expenditures by Function
For the Year Ended December 31, 2012
Interest on long-term debt 0.84%
Housing and development 12.04%
Stormwater 2.29%
General government 14.99%
Judicial 3.73%
Culture and recreation 1.68%
Health and welfare 5.45%
Public works 15.24%
Public safety 47.64%

Governmental Activities

The governmental activities of the City increased net position by $859,235. The primary focus of the governmental activities of the City was to maintain and improve city-wide infrastructure as well as to provide public safety, judicial services, health and welfare services, parks and recreation opportunities, and community development and zoning services for our residents.

Revenues

Property tax revenues decreased by $55,982 (2.11%) in 2012 from 2011 due to a reduction in assessed property values. Charges for services increased $56,390 (9.34%) due to an increase in court fine revenue and building inspection fees during the fiscal year. Operating Grants and Contributions increased $56,030 (23.63%) due to increased funding from the Atlanta Regional Commission (ARC) for Cherokee FOCUS (pass-through grant). Capital grants and contributions increased $78,002 (6.63%) due to an increase in grant funding for the downtown sidewalk project. Other taxes increased $77,427 (6.52%) primarily due to an increase in the franchise tax realized in 2012 as a direct result of a renewal of the cable franchise tax agreement with Comcast.

Expenses

Public safety expenses increased $128,320 (5.52%) primarily due to the increase in police department salaries and wages and overtime due the absence of two employees on FMLA during the year. Public works expenses increased $234,882 (40.22%) due to a major road resurfacing project in 2012. Health and welfare expenses increased $58,935 (25.18%) as a direct result of increased funding from the ARC for the pass-through grant to Cherokee FOCUS. Housing and development expenses decreased $14,317 (2.16%) due to the allocation of salaries to the Stormwater Fund in 2012.

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, 2012, the City's governmental funds reported combined ending fund balances of $4,525,307.

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 $2,664,712, which was comprised of nonspendable fund balance of $56,486, committed fund balance of $619,682 and unassigned fund balance of $1,988,544. In 2011 the General Fund had a fund balance of $2,242,855. Included in General Fund operations for 2012 were $13,189 of net transfers to the Stormwater Fund to reimburse that fund for a stormwater project funded by FEMA in the prior year.

The SPLOST III 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 and the associated retirement of debt. At the end of the current fiscal year, the restricted fund balance of the SPLOST III Fund was $1,078,222. In 2011 the SPLOST III Fund had a fund balance of $1,392,609.

Non-Major Governmental Funds

Special Revenue Funds are used to account for the City's collection and disbursement of specific revenues that are legally restricted for specified purposes. The City has three non-major special revenue funds: the Parks and Recreation Fund, Hotel/Motel Tax Fund and Multiple Grant Fund.

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

Non-major governmental funds revenues totaled $1,225,163 for the fiscal year ending December 31, 2012. Non-major governmental fund expenditures totaled $752,523. Fund balance for all non-major governmental funds was $782,373. Non-major fund balances increased $472,640 due primarily to the addition of two non-major funds in 2012; the SPLOST IV Fund and Capital Improvements Fund. The SPLOST IV Fund recorded special local option sales tax revenues of $575,709 in 2012 and the Capital Improvements Fund realized $211,857 in transfers from the Parks and Recreation Fund in 2012.

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.

GENERAL FUND BUDGETARY HIGHLIGHTS

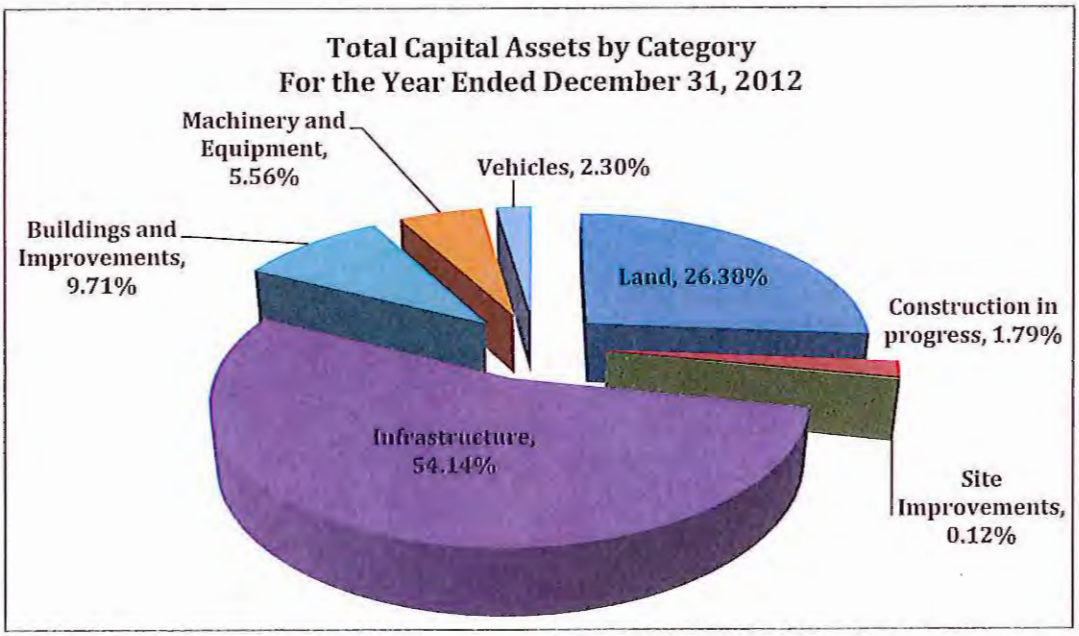
The City's comparison of actual revenues and expenditures in the General Fund to the adopted budget can be found on page 50 of the annual report.

CAPITAL ASSETS

The table below represents capital assets, net of accumulated depreciation:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 4,324,897	$ 4,049,854	$ -	$ -	$ 4,324,897	$ 4,049,854
Construction in Progress	293,336	243,390	-	4,760	293,336	248,150
Site Improvements	19,172	21,706	-	-	19,172	21,706
Infrastructure	8,038,312	8,258,469	837,702	737,156	8,876,014	8,995,625
Buildings and Improvements	1,591,851	1,636,963	-	-	1,591,851	1,636,963
Machinery and Equipment	906,560	977,252	5,301	7,762	911,861	985,014
Vehicles	377,576	568,477	-	-	377,576	568,477
Total:	$ 15,551,704	$ 15,756,111	$ 843,003	$ 749,678	$ 16,394,707	$ 16,505,789

See Note 1F in the notes to the financial statements regarding the City's policies regarding capital assets. Note 5A in the notes to the financial statements provides a summary of capital asset activity for the year ended December 31, 2012.



LONG-TERM DEBT

The table below represents long-term debt outstanding:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital Leases	$ 587,897	$ 1,100,328	$ -	$ -	$ 587,897	$ 1,100,328
Total:	$ 587,897	$ 1,100,328	$ -	$ -	$ 587,897	$ 1,100,328

The City reported long-term debt of $587,897 as of December 31, 2012 exclusive of interest expense. The City has no general obligation debt outstanding at December 31, 2012. See Note 7A 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, 2012.

The Holly Springs Downtown Development Authority issued debt in 2009 and 2011 to acquire property for redevelopment within the City. See Note 7B in the notes to the financial statements for additional information.

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 2013 is $3,965,000. This is an increase of $80,000 over the prior year. The budget for fiscal year 2013 increased over fiscal year 2012 due to an increase in budgeted expenditures in the Police Department for liability insurance, small equipment and salaries and wages.

The City does not anticipate significant growth in 2013 due to the general slowdown of the national economy. However, the city does anticipate continued growth in the commercial sector at exits 11 and 14 on Interstate 575 due

to the construction of an outlet mall at exit 10, the recent opening of the Cherokee County Aquatics Center at exit 11 and the construction of a Walmart Supercenter at exit 14. The City continues to see an increase in activity in the residential sector as well. There are several subdivisions with numerous platted lots throughout the City of Holly Springs that are ready for the construction of single-family residences. The first two quarters of 2013, the City of Holly Springs issued more building permits for single family residential structures than were issued in all of 2012. Management of the City is optimistic and will plan for the growth accordingly.

FINANCIAL CONTACT

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

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents	$ 5,050,400	$ 407,208	$ 5,457,608	$ 9,302
Restricted cash and cash equivalents	1,574,829	-	1,574,829	-
Restricted investments	250,057	-	250,057	35,189
Property taxes receivable	206,021	-	206,021	-
Stormwater fees receivable	49,441	-	49,441	-
Accounts receivable, net	460,805	-	460,805	41
Fines receivable, net	80,358	-	80,358	-
Due from primary government	-	-	-	20,358
Due from other governments	272,006	-	272,006	-
Internal balances	(240,854)	240,854	-	-
Prepaid expenses	56,486	-	56,486	-
Deposit	230,000	-	230,000	-
Capital assets:				
Non-depreciable	4,618,233	-	4,618,233	1,877,442
Depreciable, net of accumulated depreciation	10,933,471	843,003	11,776,474	268,490
Total assets	$ 23,541,253	$ 1,491,065	$ 25,032,318	$ 2,210,822
Liabilities				
Accounts payable	$ 17,931	$ 26,207	$ 44,138	$ -
Accrued and other liabilities	78,329	-	78,329	13,587
Deposits	157,743	-	157,743	-
Due to other governments	330,921	-	330,921	-
Due to component unit	20,358	-	20,358	-
Unearned revenue	93,614	-	93,614	-
Compensated absences	54,997	-	54,997	-
Capital leases and promissory notes, current portion	530,848	-	530,848	373,396
Capital leases and promissory notes, non-current portion	57,049	-	57,049	413,173
Total liabilities	1,341,790	26,207	1,367,997	800,156
Net Position				
Invested in capital assets, net of related debt	14,963,807	843,003	15,806,810	1,359,363
Restricted for:				
Capital projects	1,391,952	-	1,391,952	-
Other purposes	43,311	-	43,311	-
Unrestricted	5,800,393	621,855	6,422,248	51,303
Total net position	22,199,463	1,464,858	23,664,321	1,410,666
Total liabilities and net position	$ 23,541,253	$ 1,491,065	$ 25,032,318	$ 2,210,822

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 719,273	$ 100,235	$ -	$ -
Judicial	200,673	-	-	-
Public safety	2,454,703	389,084	-	106,407
Public works	818,898	-	-	537,104
Health and welfare	292,991	-	293,104	-
Culture and recreation	90,174	11,322	-	-
Housing and development	647,357	159,515	-	611,166
Interest	27,701	-	-	-
Total governmental activities	5,251,770	660,156	293,104	1,254,677
Business-type Activities:				
Stormwater Utility	123,079	294,523	-	-
Total primary government	$ 5,374,849	$ 954,679	$ 293,104	$ 1,254,677
Component Unit:				
Downtown Development Authority	$ 86,887	$ 21,072	$ 408,873	$ -

General revenues:
- Property taxes
- Franchise taxes
- Business taxes
- Selective sales tax
- Other revenues
- Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
$ (619,038)	$ -	$ (619,038)	
(200,673)	-	(200,673)	
(1,959,212)	-	(1,959,212)	
(281,794)	-	(281,794)	
113	-	113	
(78,852)	-	(78,852)	
123,324	-	123,324	
(27,701)	-	(27,701)	
(3,043,833)	-	(3,043,833)	
-	171,444	171,444	
(3,043,833)	171,444	(2,872,389)	
			$ 343,058
2,591,089	-	2,591,089	-
451,734	-	451,734	-
551,174	-	551,174	-
262,572	-	262,572	-
50,932	-	50,932	-
8,756	496	9,252	174
(13,189)	13,189		
3,903,068	13,685	3,916,753	174
859,235	185,129	1,044,364	343,232
21,340,228	1,279,729	22,619,957	1,067,434
$ 22,199,463	$ 1,464,858	$ 23,664,321	$ 1,410,666

CITY OF HOLLY SPRINGS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	SPLOST III	Nonmajor Governmental	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 4,702,247	$ 975,216	$ 947,766	$ 6,625,229
Investments	250,057	-	-	250,057
Property taxes receivable	206,021	-	-	206,021
Stormwater fees receivable	49,441	-	-	49,441
Accounts receivable	396,688	155,064	28,053	579,805
Fines receivable	160,358	-	-	160,358
Due from other governments	20,934	-	251,072	272,006
Due from other funds	-	116,006	-	116,006
Prepaid items	56,486	-	-	56,486
Total assets	$ 5,842,232	$ 1,246,286	$ 1,226,891	$ 8,315,409
Liabilities				
Accounts payable	$ 17,442	$ -	$ 489	$ 17,931
Accrued and other liabilities	70,949	-	-	70,949
Deposits	140,193	13,000	4,550	157,743
Due to other governments	15,909	-	315,012	330,921
Due to component unit	20,358	-	-	20,358
Due to other funds	247,385	-	109,475	356,860
Unearned revenue	93,341	-	273	93,614
Total liabilities	605,577	13,000	429,799	1,048,376
Deferred Inflows of Resources				
Deferred property taxes	2,401,422	-	-	2,401,422
Unavailable municipal court fines	160,358	-	-	160,358
Unavailable franchise taxes	10,163	-	-	10,163
Unavailable charges for services	-	155,064	-	155,064
Unavailable grant revenue	-	-	14,719	14,719
Total deferred inflows of resources	2,571,943	155,064	14,719	2,741,726
Fund Balances				
Nonspendable	56,486	-	-	56,486
Restricted	-	1,078,222	357,041	1,435,263
Committed	619,682	-	-	619,682
Assigned	-	-	425,332	425,332
Unassigned	1,988,544	-	-	1,988,544
Total fund balances	2,664,712	1,078,222	782,373	4,525,307
Total liabilities, deferred inflows of resources and fund balances	$ 5,842,232	$ 1,246,286	$ 1,226,891	$ 8,315,409

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Total fund balances - governmental funds			$ 4,525,307
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 financial statements, but are reported in the governmental activities column of the Statement of Net Position.			15,551,704
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.			2,741,726
In the Statement of Net Position management has established an allowance for uncollectible accounts against certain revenues which are deferred in the governmental funds financial statements.			(199,000)
Deposits in tbe Statement of Net Position that are not current financial resources and are not available to pay current obligations, are not reported in the governmental funds financial statements.			230,000
Certain liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds' Balance Sheet but are reported in governmental activities in the Statement of Net Position.			
	Accrued interest	$ (7,380)	
	Capital leases payable	(587,897)	
	Compensated absences	(54,997)	(650,274)
Total net position - governmental activities			$ 22,199,463

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	SPLOST III	Nonmajor Governmental	Total Governmental Funds
Revenues				
Property taxes	$ 2,671,658	$ -	$ -	$ 2,671,658
Franchise taxes	441,571	-	-	441,571
Business taxes	551,174	-	-	551,174
Selective sales taxes	-	-	262,572	262,572
Licenses and permits	226,580	-	-	226,580
Intergovernmental	-	582,103	948,333	1,530,436
Charges for services	18,146	-	5,400	23,546
Fines and forfeitures	367,364	-	-	367,364
Interest	8,757	2,385	241	11,383
Donations from private sources	-	-	5,922	5,922
Other revenues	76,665	-	2,695	79,360
Total revenues	4,361,915	584,488	1,225,163	6,171,566
Expenditures				
Current:				
General government	695,848	-	-	695,848
Judicial	199,641	-	-	199,641
Public safety	2,324,164	-	-	2,324,164
Public works	252,305	-	-	252,305
Health and welfare	-	-	293,264	293,264
Culture and recreation	-	-	74,799	74,799
Housing and development	222,271	408,873	4,542	635,686
Capital outlay:				
General government	292,545	-	-	292,545
Public works	-	1,633	307,579	309,212
Culture and recreation	-	-	13,949	13,949
Debt service:				
Principal	-	457,961	54,470	512,431
Interest	-	30,408	3,920	34,328
Total expenditures	3,986,774	898,875	752,523	5,638,172
Excess of revenues over (under) expenditures	375,141	(314,387)	472,640	533,394
Other financing sources (uses)				
Proceeds from sale of capital assets	59,905	-	-	59,905
Transfers in	-	-	269,145	269,145
Transfers out	(13,189)	-	(269,145)	(282,334)
Total other financing sources (uses)	46,716	-	-	46,716
Net change in fund balances	421,857	(314,387)	472,640	580,110
Fund balances (deficit), beginning of year	2,242,855	1,392,609	309,733	3,945,197
Fund balances, end of year	$ 2,664,712	$ 1,078,222	$ 782,373	$ 4,525,307

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds		$ 580,110
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capitalizable assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which such assets charged to capital outlays exceeded depreciation in the current year.		
Capital outlays	$ 356,440	
Depreciation expense	(487,038)	(130,598)
Proceeds from the sale of capital assets provide current financial resources to governmental funds; however, such proceeds are offset by the cost and accumulated depreciation of such assets and the resulting gain or loss on disposal is recorded in the Statement of Activities. This is the amount by which governmental fund proceeds exceeded the resulting loss.		(73,808)
Repayment of long-term debt principal is an expenditure of governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		512,431
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		(11,467)
Certain 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. Likewise, certain expenditures in governmental funds are not recognized as expenses in the Statement of Activities to the extent they reduce accrued liabilities:		
Provision for bad debts	(22,000)	
Compensated absences	(2,191)	
Accrued interest	6,758	(17,433)
Change in net position - governmental activities		$ 859,235

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2012

	Stormwater Utility
Assets	
Current:	
Cash	$ 407,208
Due from General Fund	247,385
Total current assets	654,593
Capital assets:	
Capital assets depreciated, net	843,003
Total capital assets	843,003
Total Assets	$ 1,497,596
Liabilities and Net Position	
Current:	
Accounts payable	$ 26,207
Due to SPLOST III Fund	6,531
Total current liabilities	32,738
Net Position:	
Invested in capital assets	843,003
Unrestricted	621,855
Total net position	1,464,858
Total liabilities and net position	$ 1,497,596

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Stormwater Utility
Operating Revenues	
Charges for services - stormwater fees	$ 294,523
Total operating revenues	294,523
Operating Expenses	
Personal services	77,029
Contractual and professional services	12,917
Supplies	2,081
Repairs and maintenance	6,305
Other operating expenses	9,200
Depreciation expense	15,547
Total operating expenses	123,079
Operating income	171,444
Nonoperating revenue	
Interest income	496
Total nonoperating revenue	496
Income before transfers	171,940
Transfer in from General Fund	13,189
Change in net position	185,129
Net position, beginning of year	1,279,729
Net position, end of year	$ 1,464,858

The accompanying notes are an integral part of this statement.

CITY OF HOLLY SPRINGS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Stormwater Utility
Cash Flows from Operating Activities	
Receipts from customers	$ 322,726
Payments to employees	(75,146)
Payments to suppliers	(12,640)
Net cash provided by operating activities	234,940
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(89,997)
Cash (used) by capital and related financing activities	(89,997)
Cash Flows from Non-Capital Financing Activities	
Transfer in from General Fund	13,189
Cash provided by non-capital financing activities	13,189
Cash Flows from Investing Activities	
Interest received	496
Cash provided by investing activities	496
Net increase in cash	158,628
Cash, beginning of year	248,580
Cash, end of year	$ 407,208
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 171,444
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	15,547
Decrease in due from General Fund	30,086
Decrease in prepaids	4,000
Increase in accounts payable	7,332
Increase in due to SPLOST III Fund	6,531
Net cash provided by operating activities	$ 234,940

The accompanying notes are an integral part of this statement.

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 government 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. The Reporting Entity

The City operates under a City Commission form of government. The accompanying financial statements include those of the City (the primary government) and its component unit. In defining the reporting entity for financial reporting purposes, and as required by accounting principles generally accepted in the United States of America, City management has considered all potential component units. The criteria used for including an organization within the reporting entity as a component unit, as set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity" and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", is financial accountability. Financial accountability is defined as appointment of a voting majority of the organization's board and either the ability to impose will by the primary government or the possibility that the organization will provide a financial benefit or impose a financial burden on the primary government. As a result of applying these criteria, the Holly Springs Downtown Development Authority (the "Authority") has been determined to be a component unit and is included in the City's financial statements in discrete presentation in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The Authority was created June 21, 1999, with the primary purpose of promoting development through revitalization of the downtown area of the City. The Authority derives revenue from rent charged on a building contributed to the Authority by the City, but is primarily dependent on contributions from the City for operating capital and for meeting debt service obligations. The City appoints all members to the board. Financial information related to the Authority may be obtained from the City upon request.

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. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from its legally separate *component unit* for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities reports the degree to which the direct expenses of a given function or segment are 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 operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses and program revenues identifies the extent to which each program is self-financing or draws from the general revenues of the City.

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

Separate financial statements are provided for the City's governmental funds and its proprietary fund. Governmental and proprietary fund financial statements report detailed information about the City. The focus of fund financial statements is on major funds rather than reporting funds by type. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Stormwater Utility, the City's proprietary fund, was formed in 2009 and 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. In January, 2010 the City contributed all existing stormwater assets with a net book value of $748,834 to the Utility.

The City reports the following major governmental funds:

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

The Special Purpose Local Option Sales Tax (SPLOST III) Fund is used to account for the revenues provided by a 2004 referendum authorizing a one percent Special Purpose Local Option Sales Tax for Cherokee County to be shared with the City. Such revenues are to be used for streets and sidewalks, new city hall, downtown square and streetscapes, public safety and public works vehicles and equipment, and the retirement of associated debt.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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. The net position restricted for capital projects reflect the restrictions of their use.

Governmental fund financial statements, on the other hand, are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Stormwater Utility enterprise fund are charges for stormwater management services provided. Operating expenses of the enterprise fund include the cost of these services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

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. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized by the governmental funds.

D. Cash and Investments

State of Georgia statutes require all financial institution deposits and investments in excess of the federal depository insured amount to be fully collateralized by an equivalent amount of state or U.S. obligations. State of Georgia statues authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investor's Service, Inc., negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, repurchase agreements when collateralized by U.S. Government or agency obligations, and pooled investment programs sponsored by the State of Georgia for the investment of local government funds. Investments are reported at fair value as determined by quoted market prices.

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

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items reported in 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Capital assets of governmental activities, which include land, buildings, vehicles, machinery and equipment, and infrastructure (such as roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. In accordance with GASB 34, infrastructure assets acquired prior to July 1, 2004, have been capitalized as of December 31, 2007. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are expensed as incurred.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

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

G. Compensated Absences

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

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities of the primary government under governmental activities.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Transactions and Balances

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursement to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Outstanding interfund balances at year end related to such reimbursements, as well as activity between funds representative of lending/borrowing arrangements, are reported as "due to/from other funds" in the governmental fund financial statements. All other interfund transactions are reported as transfers. At year end, all interfund balances outstanding and all transfers among governmental funds are eliminated in the government-wide statements.

Receipts and/or payments to or from other governmental units not included in the reporting entity of the City are not reported as transfers, but rather according to the purpose for which the receipt or payment is made.

J. Deferred Outflows / Inflows of Resources

In preparing the accompanying financial statements, the City has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Items which qualify to be reported within this element include property taxes levied in 2012 for the 2013 budget and certain unavailable revenues under the *current financial resources measurement focus.* Accordingly, such items appear in the governmental funds balance sheet as deferred inflows of resources and will be recognized as an inflow of resources in 2013 or the period in which the amounts become available.

K. Fund Balance

During 2011, the City adopted GASB Statement No. 54, which establishes criteria for classifying fund balances in governmental fund financial statements. Accordingly, fund balances are presented in various classifications that comprise a hierarchy which is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted: This classification includes amounts that are restricted to specific purposes whereby constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City's special revenue and capital projects funds are legally restricted to expenditures for specific purposes.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the City's intent to use for a specific purpose but are neither restricted nor committed. This intent can be expressed by (a) the City Council itself or (b) the Council delegating this responsibility to City management through the budgetary process. This classification also includes all remaining positive fund balance for all governmental funds other than the General Fund.

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

The City's policy would be to use restricted fund balances first when an expenditure is incurred 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 incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

L. Net Position

Net position is based on the *economic resources measurement focus* and represents the difference between (a) assets and deferred outflows of resources and (b) 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 resources first when an expenditure is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Use of Estimates

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

NOTE 2. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

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

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

Annual appropriated budgets are adopted on a modified accrual basis which is consistent with generally accepted accounting principles for governmental funds. 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 the City's council members. Material supplementary appropriations made during the year by City Council were for public safety purposes; others were immaterial. All annual appropriations lapse at year end.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not employed by the City.

B. Excess of Expenditures over Appropriations

As shown in the accompanying budgetary comparison schedules for the General Fund and nonmajor special revenue funds, departmental expenditures during 2012 did not exceed appropriated budget amounts.

NOTE 3. CASH DEPOSITS AND INVESTMENTS

Cash on the accompanying financial statements includes cash on hand, demand deposits and money market accounts on deposit with financial institutions. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository

NOTE 3. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At December 31, 2012, the City had no cash deposits that were exposed to custodial credit risk.

Investments at December 31, 2012, consist of a certificate of deposit placed with an FDIC insured financial institution. The certificate bears interest at 0.5% and matures April 4, 2013.

NOTE 4. RECEIVABLES

The City bills and collects its own property taxes. Property taxes were levied on October 5, 2012, with bills being payable on or before December 20, 2012, after which the account is assessed penalties and interest or the property is subject to a lien, as applicable. The penalty and lien dates are March 22, 2013 and June 3, 2013, respectively. Property taxes receivable at year end is estimated based on the tax levy, less amounts collected prior to December 31, 2012. The property taxes levied in October were intended for use in the 2013 budget year. Therefore, the entire 2012 digest levy of $2,369,087 is included in deferred revenue on the governmental fund balance sheet. Prior year levies were recorded using substantially the same principles, and remaining receivables are re-evaluated annually for collectability.

Stormwater fees of $316,974 were billed on behalf of the Stormwater Utility Fund by the General Fund in connection with its tax levy on October 5, 2012. Such fees are for the calendar year 2012 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 Stormwater Utility by the General Fund at year end are recorded in the due from/due to accounts of the General Fund and the Stormwater Utility Fund.

Accounts receivable consist primarily of franchise and excise taxes, along with other amounts due to the City as of December 31, 2012, for services rendered. Fines receivable represent adjudicated amounts outstanding at December 31, 2012. Fine surcharges of $15,909 collected during 2012, but unremitted at year end, are recorded as due to other governments. Accounts receivable and fines receivable not collected within 60 days following year end are not considered available to liquidate liabilities of the current period and, accordingly, have been included in deferred revenue.

Receivables at December 31, 2012, for the City's individual major funds and nonmajor funds in the aggregate are as follows:

Receivables:	General	SPLOST III	Nonmajor Governmental	Total
Property taxes	$ 206,021	$ -	$ -	$ 206,021
Stormwater fees	49,441	-	-	49,441
Accounts	396,688	155,064	28,053	579,805
Fines	160,358	-	-	160,358
Due from other governments	20,934	-	251,072	272,006
Total Receivables	$ 833,442	$ 155,064	$ 279,125	$ 1,267,631

NOTE 4. RECEIVABLES (CONTINUED)

Allowances for uncollectible accounts have been recorded in the Statement of Net Position based on historical experience and management's estimates of collectability. As of year end, allowances for uncollectible accounts receivable and fines receivable are $119,000 and $80,000, respectively.

NOTE 5. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2012, was as follows:

Governmental Activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not depreciated:				
Land	$ 4,049,854	$ 275,043	$ -	$ 4,324,897
Construction in progress	243,390	49,946	-	293,336
Total capital assets not depreciated	4,293,244	324,989	-	4,618,233
Capital assets depreciated:				
Land improvements	29,308	-	-	29,308
Buildings and improvements	1,973,186	-	-	1,973,186
Vehicles	1,104,290	-	(158,486)	945,804
Machinery and equipment	1,624,965	31,451	-	1,656,416
Infrastructure	9,595,755	-	-	9,595,755
Total capital assets depreciated	14,327,504	31,451	(158,486)	14,200,469
Less accumulated depreciation for:				
Land improvements	7,602	2,534	-	10,136
Buildings and improvements	336,223	45,112	-	381,335
Vehicles	535,813	117,093	(84,678)	568,228
Machinery and equipment	647,714	102,142	-	749,856
Infrastructure	1,337,286	220,157	-	1,557,443
Total accumulated depreciation	2,864,638	487,038	(84,678)	3,266,998
Total capital assets depreciated, net	11,462,866	(455,587)	(73,808)	10,933,471
Governmental activities capital assets, net	$ 15,756,110	$ (130,598)	$ (73,808)	$ 15,551,704

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-type Activites:	Beginning Balance	Additions	Reclassification	Ending Balance
Capital assets not depreciated:				
Construction in progress	$ 4,760	$ 70,052	$ (74,812)	$ -
Total capital assets not depreciated	4,760	70,052	(74,812)	-
Capital assets depreciated:				
Machinery and equipment	12,684	-	-	12,684
Infrastructure	867,851	38,820	74,812	981,483
Total capital assets depreciated	880,535	38,820	74,812	994,167
Less accumulated depreciation for:				
Machinery and equipment	4,922	2,461	-	7,383
Infrastructure	130,695	13,086	-	143,781
Total accumulated depreciation	135,617	15,547	-	151,164
Total capital assets depreciated, net	744,918	23,273	74,812	843,003
Business-type activities capital assets, net	$ 749,678	$ 93,325	$ -	$ 843,003

Depreciation expense for the year ended December 31, 2012, was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	$ 22,835
Public safety	132,200
Public works	306,680
Culture and recreation	15,375
Housing and development	9,948
Total depreciation expense - Government activities	$ 487,038
Business-type Activities:	
Stormwater	$ 15,547

NOTE 5. CAPITAL ASSETS (CONTINUED)

B. Component Unit – Holly Springs Downtown Development Authority

Capital asset activity for the year ended December 31, 2012, was as follows:

Development Authority:	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not depreciated:				
Land	$ 1,877,442	$ -	$ -	$ 1,877,442
Total capital assets not depreciated	1,877,442	-	-	1,877,442
Capital assets depreciated:				
Buildings and improvements	304,312	-	-	304,312
Furniture and fixtures	10,901	-	-	10,901
Total capital assets depreciated	315,213	-	-	315,213
Less accumulated depreciation for:				
Buildings and improvements	25,678	10,144	-	35,822
Furniture and fixtures	10,901	-	-	10,901
Total accumulated depreciation	36,579	10,144	-	46,723
Total capital assets depreciated, net	278,634	(10,144)	-	268,490
Total Development Authority capital assets, net	$ 2,156,076	$ (10,144)	$ -	$ 2,145,932

Depreciation of $10,144 for the year ended December 31, 2012, was charged to expenses of the Authority in the accompanying Statement of Activities.

NOTE 6. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of December 31, 2012, is as follows:

A. Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Stormwater Utility	General Fund	$ 247,385
Splost III	Nonmajor governmental fund	109,475
Splost III	Stormwater Utility	6,531
		$ 363,391

The outstanding balances between funds primarily result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the

NOTE 6. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

accounting system, and (3) payments between funds are made. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers to/from Other Funds

Transfers between funds during the year ended December 31, 2012, were as follows:

Transfers In	Transfers Out	Amount
Nonmajor governmental funds	Nonmajor governmental funds	$ 269,145
Stormwater Utility	General Fund	13,189
		$ 282,334

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

NOTE 7. LONG-TERM DEBT

A. Primary Government

At December 31, 2012, outstanding lease purchase contracts of the primary government (governmental activities) are as follows:

Lease contract for land purchase in the amount of $1,800,000, payable in semi-annual installments of $244,184, including interest at 3.71% through August, 2013.	
Current	$ 475,108
Lease contract for purchase of 4 public safety vehicles and equipment and 1 public works vehicle in the amount of $167,259, payable in annual installments of $58,390, including interest at 2.35% through October, 2014.	$ 112,789
Less current portion	(55,740)
	$ 57,049

NOTE 7. LONG-TERM DEBT (CONTINUED)

The lease contract for purchase of land is collateralized by land with a book value of $1,824,754 at December 31, 2012. The contract terms require principal and interest payments until maturity as follows:

	Principal	Interest	Total
2013	$ 475,108	$ 13,261	$ 488,369

The lease contract for purchase of vehicles and equipment is collateralized by vehicles with a book value of $92,859 at December 31, 2012. The contract terms require principal and interest payments until maturity as follows:

	Principal	Interest	Total
2013	$ 55,740	$ 2,650	$ 58,390
2014	57,049	1,341	58,390
	$ 112,789	$ 3,991	$ 116,780

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

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Lease purchase contracts [1]	$ 1,100,328	$ -	$ (512,431)	$ 587,897	$ 530,848
Compensated absences [2]	52,805	74,529	(72,337)	54,997	54,997
	$ 1,153,133	$ 74,529	$ (584,768)	$ 642,894	$ 585,845

[1] Lease purchase principal payments of $457,961 and $54,470 were paid by SPLOST III and SPLOST IV, respectively. Interest payments of $30,408 and $3,920 were paid by SPLOST III and SPLOST IV, respectively.

[2] Typically, compensated absences are paid by the General Fund.

B. Component Unit – Holly Springs Downtown Development Authority

In October, 2006, the Holly Springs Downtown Development Authority (the "Authority") purchased land as part of the redevelopment of the downtown area and borrowed $1,350,000 to finance this purchase. Subsequently, in August, 2009, the Authority refinanced these borrowings with a new $1,300,000 promissory note. Under terms of the new 2009 promissory note, outstanding borrowings bear interest at 6.08% annually, require semi-annual principal and interest payments of $185,506 through August, 2013, and are collateralized by an intergovernmental agreement between the Authority and the City whereby the City has agreed to transfer to the Authority amounts sufficient to repay the 2009 borrowings. The taxing power of the City is pledged to its obligations under the intergovernmental agreement.

NOTE 7. LONG-TERM DEBT (CONTINUED)

In March, 2011, the Authority entered into a promissory note agreement in the amount of $450,000 to purchase land with an existing building for redevelopment purposes. The note bears interest at 4.39% and requires annual principal payments and semi-annual interest payments in varying amounts through March, 2016. The land and building with a book value of $415,310 at December 31, 2012, are collateral to the note.

Changes in component unit long-term debt during the year are summarized as follows:

Development Authority:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Promissory notes	$ 1,138,885	$ -	$ (352,316)	$ 786,569	$ 373,396

At December 31, 2012, borrowings outstanding of $354,755 under the 2009 promissory note require principal and interest payments as follows:

	Principal	Interest	Total
2013	$ 354,755	$ 16,257	$ 371,012

At December 31, 2012, borrowings outstanding of $431,814 under the 2011 promissory note require principal and interest payments as follows:

	Principal	Interest	Total
2013	18,641	18,802	37,443
2014	19,053	17,963	37,016
2015	19,473	17,105	36,578
2016	374,647	8,316	382,963
	$ 431,814	$ 62,186	$ 494,000

Payments during 2012 of principal and interest for the two promissory notes in the amount of $408,873 were paid by the SPLOST III Fund on behalf of the Authority and are reported as housing and development expenditures in the accompanying governmental funds' financial statements.

NOTE 8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

NOTE 8. RISK MANAGEMENT (CONTINUED)

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims have not exceeded the coverages in any of the past three years.

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

NOTE 9. RETIREMENT PLANS

A. Pension Plan

The City's defined benefit pension plan, City of Holly Springs Retirement Plan (CHSRP), provides retirement, disability and death benefits to plan members and beneficiaries. CHSRP is affiliated with Georgia Municipal Employees' Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The GMEBS assigns the authority to establish and amend the benefit and contributions provisions of the plan to the respective employer entities; for the CHSRP, that authority rests with the City of Holly Springs, Georgia. Georgia Municipal Association has issued a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by contacting the Georgia Municipal Association or by calling (404) 688-0472.

Funding Policy - The City is required to contribute an actuarially determined amount annually to the CHSRP. The recommended contribution for the plan year beginning January 1, 2013 of $78,844 is 7.14% of annual covered payroll, and includes the annual required contribution, administrative fees and an adjustment for timing contributions over twelve months. The contribution amount is determined using actuarial methods and assumptions approved by the GMEBS Board of Trustees and meets applicable State of Georgia funding standards. Plan members are not required to contribute to the plan. Employees are eligible after one year of employment and are vested after five years of service. Elected officials and city managers are eligible and become vested immediately upon employment. All plan costs are paid by the City.

NOTE 9. RETIREMENT PLANS (CONTINUED)

Plan Membership

As of July 1, 2012, Plan membership consisted of the following:

Retired participants and beneficiaries	4
Vested former participants	22
Active participants	34
Total	60

Annual Pension Cost - The City's actual contribution for calendar year 2012 of $75,333 was based, in part, on the previous recommended contribution for the plan year beginning July 1, 2011. Annual required contributions are determined using the "projected unit credit" actuarial cost method and "closed level dollar" amortization method for remaining unfunded liability. The remaining amortization period varies for the bases, with a net effective amortization period of 13 years.

The asset valuation method utilizes the sum of the actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% for 2011, 32% for 2012, 26% for 2013, and 20% of market value for 2014 and later years.

The actuarial assumptions included (a) an investment rate of return of 7.75%, (b) projected salary increases of 3.5% plus age and service based merit increases, and (c) cost of living adjustments of 0.00%. The actuarial value of CHSRP assets was determined using an "asset smoothing technique" which gradually incorporates investment performances that exceed or fall short of the expected investment rate of return of 7.75%.

Trend Information for the CHSRP
(Based on results of the July 1, 2011 actuarial valuation)

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset/ Obligation
12/31/2012	$ 71,807	100 %	$ -
12/31/2011	66,490	100	-
12/31/2010	61,783	100	-

The City's annual pension cost and net pension asset/obligation for the year ended December 31, 2012, were determined as follows:

NOTE 9. RETIREMENT PLANS (CONTINUED)

Annual required contribution	$ 69,047
Interest on net pension obligation	-
Adjustment to annual required contribution	2,760
Annual pension cost	71,807
Administrative expenses	3,526
	75,333
Contribution made	(75,333)
Change in net pension asset/obligation	-
Net pension asset/obligation, beginning of year	-
Net pension asset/obligation, end of year	$ -

As of the most recent valuation date of July 1, 2012, the funded status of the CHSRP was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	$ 440,331	$ 598,708	$ 158,377	73.55 %	$ 1,085,857	14.59 %

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

There were no changes in methods or assumptions from the prior valuation.

B. Deferred Compensation Plan:

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation in the plan is open to the City's current employees. The City has elected to obtain an outside service provider for this plan. The City serves as the plan administrator.

In accordance with Section 457 of the Internal Revenue Code, plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. Investments are managed by the Plan's trustee under one of the investment options, or a combination thereof. Accordingly, the assets and liabilities of the deferred compensation plan are not included in the accompanying financial statements. During the year ending December 31, 2012, employees contributed $21,676 to the plan. The City does not contribute to the plan.

NOTE 10. 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. The ARC Board membership includes the chief elected official of each county and municipality in the area. Georgia law also provides that the members are liable for any debts or obligations of the ARC (O.C.G.A. 50-8-39.1). Separate financial statements can be provided by contacting the ARC directly at:

Atlanta Regional Commission
40 Courtland Street, NE
Atlanta, GA 30303

NOTE 11. HOTEL/MOTEL TAX REVENUES AND TOURISM EXPENDITURES

The City imposes a 3% hotel/motel tax on lodging facilities within the City. During the year ended December 31, 2012, taxes of $5,615 were collected. According to Georgia statute (O.C.G.A. 48-13-51), all taxes collected are required to be spent promoting tourism, conventions and trade shows. The City spent $4,542 (81% of collections) for these purposes during 2012 and has budgeted additional expenditures for 2013.

NOTE 12. COMMITMENTS AND CONTINGENCIES

There are legal actions pending or threatened against the City in the ordinary course of business, which seek remedies or damages. Although no assurance can be given with respect to the ultimate outcome of these matters, the City believes that liability, if any, that may result from any of these matters would not have a material adverse effect on the accompanying financial statements or the City's ability to meet its obligations.

The City routinely enters into various contracts and agreements in the ordinary course of business. Such commitments are not considered material to the accompanying financial statements.

NOTE 13. FUND BALANCE

Beginning with the year ended December 31, 2011, the City adopted GASB Statement No. 54, which redefines how fund balances of governmental funds are presented in the financial statements. Accordingly, fund balances are classified as follows:

Nonspendable: Amounts that are either not in spendable form or they are legally or contractually required to be maintained intact.

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

Committed: Amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the City Council through resolution or ordinance.

NOTE 13. FUND BALANCE (CONTINUED)

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

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

The details of fund balances included in the accompanying Governmental Funds Balance Sheet at December 31, 2012, are as follows:

General Fund – Prepaid items in the amount of $56,486 are considered Nonspendable Fund Balance; amounts committed by formal action of the City Council for budget stabilization purposes of $619,682 are considered Committed Fund Balance (See Note 14); and the residual General Fund balance of $1,988,544 is classified as Unassigned Fund Balance.

SPLOST III Fund – The amount classified as Restricted Fund Balance of $1,078,222 can be spent only for legally authorized and approved capital projects and retirement of associated debt. (See Note 1B)

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

Nonmajor Funds	Purpose	Fund Balance
Restricted Fund Balances:		
Special Revenue Funds:		
Multiple Grant	Purposes specified by grantors of monies received from various federal and state agencies	$ 38,201
Hotel/Motel	Promote tourism, conventions and trade shows	5,110
Capital Projects Funds:		
SPLOST IV	Acquire or construct legally authorized and approved capital projects and retirement of associated debt	307,160
Capital Grant	Acquire or construct capital projects	6,570
Capital Improvements	Acquire or construct major capital assets and capital improvements	-
Total Restricted Fund Balances		$ 357,041
Assigned Fund Balance:		
Special Revenue Fund:		
Parks and Recreation	Acquire and maintain parks and recreation facilities	$ 425,332

NOTE 14. RESTRICTED ASSETS

Restrictions on cash and investments in the government-wide Statement of Net Position at December 31, 2012, are as follows:

Governmental activities:	
Cash and cash equivalents:	
General Fund - for law enforcement purposes	$ 239
General Fund - for budget stabilization purposes	369,625
SPLOST III Fund - for streets, sidewalks, downtown development and other purposes (See Note 1B)	975,216
Non-major fund - for acquisition or construction of legally authorized infrastructure, facilities, vehicles and equipment	209,668
Non-major funds - for purposes of grants received	15,385
Non-major fund - for tourism, conventions, and trade shows	4,696
Total restricted cash	$ 1,574,829
Investments - for budget stabilization purposes	$ 250,057

In 2008, the City Council adopted the City of Holly Springs Financial Management Program (the Program). Section II G of the Program provides for a fund balance reserve in the General Fund for working capital to cover expenditures caused by unforeseen emergencies or revenue shortfalls, and to eliminate short-term borrowing for cash flow purposes. The Program also provides that this reserve shall accumulate and be maintained at approximately sixteen percent (16%) of budgeted expenditures of the General Fund. In the event City management anticipates the need to tap into the budget stabilization resources fund, the City Council must give formal approval for the withdrawal and use of the funds. Each year, with the adoption of the General Fund budget, the balance of the budget stabilization resources fund is evaluated by City management to ensure that the balance approximates sixteen percent (16%) of the approved General Fund budgeted expenditures.

CITY OF HOLLY SPRINGS, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 2,356,550	$ 2,356,550	$ 2,671,658	$ 315,108
Franchise taxes	350,000	350,000	441,571	91,571
Business taxes	517,500	517,500	551,174	33,674
Licenses and permits	164,500	164,500	226,580	62,080
Intergovernmental	5,000	5,000	-	(5,000)
Charges for services	39,400	39,400	18,146	(21,254)
Fines and forfeitures	340,050	340,050	367,364	27,314
Interest	6,500	6,500	8,757	2,257
Other revenues	45,500	45,500	76,665	31,165
Total revenues	3,825,000	3,825,000	4,361,915	536,915
Expenditures				
General government	722,234	997,235	988,393	8,842
Judicial	200,335	205,334	199,641	5,693
Public safety	2,340,700	2,355,700	2,324,164	31,536
Public works	311,214	311,214	252,305	58,909
Housing and development	265,517	265,517	222,271	43,246
Contingency	45,000	11,811	-	11,811
Total expenditures	3,885,000	4,146,811	3,986,774	160,037
Excess of revenues over (under) expenditures	(60,000)	(321,811)	375,141	696,952
Other financing sources (uses)				
Proceeds from sale of capital assets	60,000	60,000	59,905	(95)
Transfers out	0	(13,189)	(13,189)	-
Total other financiug sources (uses)	60,000	46,811	46,716	(95)
Net change in fund balauce	-	(275,000)	421,857	696,857
Fund balance, beginning of year	2,242,855	2,242,855	2,242,855	-
Fund balance, end of year	$ 2,242,855	$ 1,967,855	$ 2,664,712	$ 696,857

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

A. BUDGETS AND BUDGETARY CONTROL

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Annual budgets are adopted for the General Fund and all special revenue funds. The budget is adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by department, which constitutes the legal level of control. Budget revisions at this level are subject to final review by the City Council. Revisions to the budget were made throughout the year.

During the year ended December 31, 2012, General Fund departmental expenditures did not exceed appropriated budget amounts.

CITY OF HOLLY SPRINGS, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE
CITY OF HOLLY SPRINGS RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2012

Funded Status

The table below sets forth required supplementary information to be disclosed in the Schedule of Funding Progress for the City. The items presented are based on the actuarial valuation date:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	$ 440,331	$ 598,708	$ 158,377	73.55 %	$ 1,085,857	14.59 %
7/1/2011	356,464	549,601	193,137	64.86	1,086,781	17.77
7/1/2010	275,904	388,074	112,170	71.10	1,290,625	8.69
10/1/2009	241,871	340,221	98,350	71.09	1,257,139	7.82
9/1/2008	179,072	242,972	63,900	73.70	800,883	7.98
9/1/2007	130,199	213,402	83,203	61.01	956,399	8.70

Effect of plan changes on the actuarial accrued liability

The effect on the actuarial accrued liability of any current-year changes in actuarial assumptions or benefit provisions is:

> The plan provisions valued and the actuarial assumptions and cost methods are the same as those used in the preceding valuation.

Effect of plan changes on recommended contributions

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is:

> The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

The actuarial assumptions used are disclosed in Note 9 to the financial statements.

CITY OF HOLLY SPRINGS, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	Special Revenue			Capital Projects			
	Multiple Grant	Parks and Recreation	Hotel/Motel	SPLOST IV	Capital Grant	Capital Improvements	Total
Assets							
Cash	$ 13,662	$ 403,005	$ 4,696	$ 209,668	$ 1,723	$ 315,012	$ 947,766
Accounts receivable	-	27,639	414	-	-	-	28,053
Due from other governments	24,539	-	-	206,967	19,566	-	251,072
Total assets	$ 38,201	$ 430,644	$ 5,110	$ 416,635	$ 21,289	$ 315,012	$ 1,226,891
Liabilities							
Accounts payable	$ -	$ 489	$ -	$ -	$ -	$ -	$ 489
Deposits	-	4,550	-	-	-	-	4,550
Due to other governments	-	-	-	-	-	315,012	315,012
Due to other funds	-	-	-	109,475	-	-	109,475
Unearned revenue	-	273	-				273
Total liabilities	-	5,312	-	109,475	-	315,012	429,799
Deferred Inflows of Resources							
Unavailable grant revenue	-	-	-	-	14,719	-	14,719
Total deferred inflows of resources	-	-	-	-	14,719	-	14,719
Fund Balances							
Restricted	38,201	-	5,110	307,160	6,570	-	357,041
Assigned	-	425,332	-	-	-	-	425,332
Total fund balances	38,201	425,332	5,110	307,160	6,570	-	782,373
Total liabilities, deferred inflows of resources and fund balances	$ 38,201	$ 430,644	$ 5,110	$ 416,635	$ 21,289	$ 315,012	$ 1,226,891

CITY OF HOLLY SPRINGS, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue			Capital Projects			
	Multiple Grant	Parks and Recreation	Hotel/Motel	SPLOST IV	Capital Grant	Capital Improvements	Total
Revenues							
Selective sales taxes	$ -	$ 256,957	$ 5,615	$ -	$ -	$ -	$ 262,572
Intergovernmental	293,064	-	-	575,709	79,560	-	948,333
Charges for services	-	5,400	-	-	-	-	5,400
Interest	40	-	5	176	20	-	241
Donations from private sources	-	5,922	-	-	-	-	5,922
Other revenues	-	2,695	-	-	-	-	2,695
Total revenues	293,104	270,974	5,620	575,885	79,580	-	1,225,163
Expenditures							
Current:							
Health and welfare	293,264	-	-	-	-	-	293,264
Culture and recreation	-	74,799	-	-	-	-	74,799
Housing and development	-	-	4,542	-	-	-	4,542
Capital outlay:							
Public works	-	-	-	257,623	49,956	-	307,579
Culture and recreation	-	13,949	-	-	-	-	13,949
Debt service:							
Principal	-	-	-	54,470	-	-	54,470
Interest	-	-	-	3,920	-	-	3,920
Total expenditures	293,264	88,748	4,542	316,013	49,956	-	752,523
Excess of revenues over (under) expenditures	(160)	182,226	1,078	259,872	29,624	-	472,640
Other financing sources (uses):							
Transfers in	-	-	-	52,288	5,000	211,857	269,145
Transfers (out)	-	(211,857)	-	(5,000)	(52,288)		(269,145)
Total other financing sources (uses)	-	(211,857)	-	47,288	(47,288)	211,857	-
Net change in fund balances	(160)	(29,631)	1,078	307,160	(17,664)	211,857	472,640
Fund balances (deficit), beginning of year	38,361	454,963	4,032	-	24,234	(211,857)	309,733
Fund balances, end of year	$ 38,201	$ 425,332	$ 5,110	$ 307,160	$ 6,570	$ -	$ 782,373

CITY OF HOLLY SPRINGS, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
MULTIPLE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 262,780	$ 295,000	$ 293,064	$ (1,936)
Interest	-	50	40	(10)
Total revenues	262,780	295,050	293,104	(1,946)
Expenditures				
Current:				
Health and Welfare	262,780	295,050	293,264	1,786
Total expenditures	262,780	295,050	293,264	1,786
Excess of revenues over (under) expenditures	-	-	(160)	(160)
Net change in fund balance	-	-	(160)	(160)
Fund balance, beginning of year	38,361	38,361	38,361	-
Fund balance, end of year	$ 38,361	$ 38,361	$ 38,201	$ (160)

CITY OF HOLLY SPRINGS, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Selective sales tax	$ 188,500	$ 188,500	$ 256,957	$ 68,457
Charges for services	5,000	5,000	5,400	400
Donations from private sources		-	5,922	5,922
Other revenues	-	-	2,695	2,695
Total revenues	193,500	193,500	270,974	77,474
Expenditures				
Current:				
Culture and recreation	90,643	90,643	74,799	15,844
Capital Outlay:				
Culture and recreation	15,000	15,000	13,949	1,051
Total expenditures	105,643	105,643	88,748	16,895
Excess of revenues over (under) expenditures	87,857	87,857	182,226	94,369
Other financing sources (uses)				
Transfers out	(211,857)	(211,857)	(211,857)	-
Total other financing sources (uses)	(211,857)	(211,857)	(211,857)	-
Net change in fund balance	(124,000)	(124,000)	(29,631)	94,369
Fund balance at beginning of year	454,963	454,963	454,963	-
Fund balance at end of year	$ 330,963	$ 330,963	$ 425,332	$ 94,369

CITY OF HOLLY SPRINGS, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
HOTEL/MOTEL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Selective sales tax	$ 4,000	$ 5,000	$ 5,615	$ 615
Interest	10	10	5	(5)
Total revenues	4,010	5,010	5,620	610
Expenditures				
Current:				
Housing and development	4,010	5,010	4,542	468
Total expenditures	4,010	5,010	4,542	468
Excess of revenues over (under) expenditures	-	-	1,078	1,078
Net change in fund balance	-	-	1,078	1,078
Fund balance at beginning of year	4,032	4,032	4,032	-
Fund balance at end of year	$ 4,032	$ 4,032	$ 5,110	$ 1,078

Statistical Section







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

	2012	2011	2010	2009
Governmental activities				
Invested in capital assets, net of related debt	$ 14,963,807	$ 14,655,782	$ 14,613,696	$ 14,624,875
Restricted	1,435,263	1,459,236	1,242,434	1,373,131
Unrestricted	5,800,393	5,225,210	4,457,419	3,718,313
Total government activities net position	$ 22,199,463	$ 21,340,228	$ 20,313,549	$ 19,716,319
Business-type activities (1)				
Invested in capital assets	$ 843,003	$ 749,678	$ 758,950	$ -
Unrestricted	621,855	530,051	328,145	-
Total business-type activities net position	$ 1,464,858	$ 1,279,729	$ 1,087,095	$ -
Primary government				
Invested in capital assets, net of related debt	$ 15,806,810	$ 15,405,460	$ 15,372,646	$ 14,624,875
Restricted	1,435,263	1,459,236	1,242,434	1,373,131
Unrestricted	6,422,248	5,755,261	4,785,564	3,718,313
Total primary government net position	$ 23,664,321	$ 22,619,957	$ 21,400,644	$ 19,716,319

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

(2) The City of Holly Springs implemented the Governmental Accounting Standards Board (GASB) Statement No. 34 in 2004. This was the first year that the City reported data on the accrual basis. No accrual statements were prepared prior to 2004.

2008	2007	2006	2005	2004 (2)
$ 14,092,914	$ 13,658,687	$ 12,057,141	$ 5,560,605	$ 4,879,755
974,914	568,928	183,569	618,317	652,998
3,441,017	3,129,749	2,878,882	2,669,645	1,801,470
$ 18,508,845	$ 17,357,364	$ 15,119,592	$ 8,848,567	$ 7,334,223
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
$ -	$ -	$ -	$ -	$ -
$ 14,092,914	$ 13,658,687	$ 12,057,141	$ 5,560,605	$ 4,879,755
974,914	568,928	183,569	618,317	652,998
3,441,017	3,129,749	2,878,882	2,669,645	1,801,470
$ 18,508,845	$ 17,357,364	$ 15,119,592	$ 8,848,567	$ 7,334,223

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

	2012	2011	2010	2009
Expenses				
General government	$ 719,273	$ 732,277	$ 692,663	$ 787,818
Judicial	200,673	187,181	190,427	275,904
Public safety	2,454,703	2,326,383	2,266,681	2,205,715
Public works	818,898	584,016	528,658	575,436
Health and welfare	292,991	234,056	160,192	146,791
Culture and recreation	90,174	44,086	41,577	64,376
Housing and development	647,357	661,674	864,632	669,986
Interest	27,701	40,884	57,140	27,525
Stormwater utility	123,079	73,074	20,690	-
Total Expenses	$ 5,374,849	$ 4,883,631	$ 4,822,660	$ 4,753,551
Program Revenues				
Charges for services:				
General government	$ 100,235	$ 74,092	$ 24,808	$ 81,044
Public safety	389,084	320,919	285,136	364,452
Public works	-	-	-	-
Culture and recreation	11,322	5,213	6,437	1,375
Housing and development	159,515	203,542	189,352	317,736
Stormwater utility	294,523	265,465	358,911	-
Operating grants and contributions:				
General government	-	2,550	16,845	-
Health and welfare	293,104	234,524	160,192	205,316
Capital grants and contributions:				
General government	-	-	-	1,014,595
Public safety	106,407	100,772	1,452	31,996
Culture and recreation	-	-	-	-
Public works	537,104	-	875,643	21,873
Housing and development	611,166	1,075,903	800,413	-
Total Program Revenues	$ 2,502,460	$ 2,282,980	$ 2,719,189	$ 2,038,387
Total Net (Expense) Revenue	$ (2,872,389)	$ (2,600,651)	$ (2,103,471)	$ (2,715,164)
General Revenues and Other Changes in Net Position				
Taxes:				
Property tax	$ 2,591,089	$ 2,647,071	$ 2,553,574	$ 2,473,086
Franchise tax	451,734	429,737	502,270	352,179
Business tax	551,174	513,649	303,995	665,507
Selective sales tax	262,572	244,667	231,086	-
Other revenues	50,932	49,936	88,743	61,470
Unrestricted investment earnings	9,252	6,832	4,362	6,459
Total	$ 3,916,753	$ 3,891,892	$ 3,684,030	$ 3,558,701
Total Change in Net Position	$ 1,044,364	$ 1,291,241	$ 1,580,559	$ 843,537

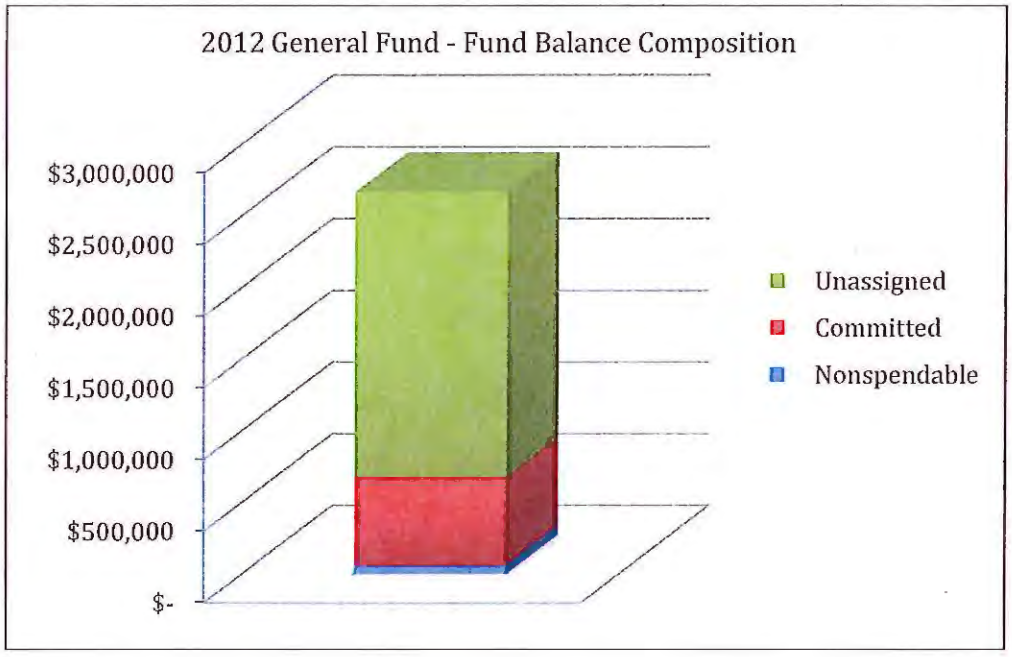
(1) The City of Holly Springs implemented GASB Statement No. 34 in 2004. This was the first year that the City reported data on the accrual basis. No accrual statements were prepared prior to 2004.

2008	2007	2006	2005	2004 (1)
$ 641,435	$ 555,615	$ 973,362	$ 806,840	$ 682,062
245,928	188,116	-	-	-
1,182,108	1,108,435	1,189,244	1,004,208	891,371
988,756	556,387	534,006	725,766	579,411
-	-	-	-	-
936,884	814,310	190,259	114,464	95,661
451,827	542,979	401,919	299,167	352,270
2,974	-	23,304	-	-
-	-	-	-	-
$ 4,449,912	$ 3,765,842	$ 3,312,094	$ 2,950,445	$ 2,600,775
$ 234,919	$ 736,525	$ 86,580	$ 128,869	$ 54,527
413,607	459,592	369,718	366,571	280,867
-	-	-	4,058	-
5,675	-	5,109	4,687	4,380
329,684	-	945,154	601,206	487,181
-	-	-	-	-
4,804	-	-	-	-
-	-	-	-	-
356,069	-	-	-	-
5,000	319,138	9,828	29,016	-
-	44,704	5,178	2,158	870
-	860,308	2,878,730	725,939	17,500
-	751,495	-	-	65,000
$ 1,349,758	$ 3,171,762	$ 4,300,297	$ 1,862,504	$ 910,325
$ (3,100,154)	$ (594,080)	$ 988,203	$ (1,087,941)	$ (1,690,450)
$ 2,155,180	$ 1,882,727	$ 1,539,090	$ 1,053,881	$ 960,329
316,602	279,482	281,164	210,833	194,114
587,045	591,073	475,212	398,953	398,740
1,141,761	-	-	762,188	567,739
13,698	5,042	70,356	119,347	5,323
37,349	131,232	70,206	57,083	23,459
$ 4,251,635	$ 2,889,556	$ 2,436,028	$ 2,602,285	$ 2,149,704
$ 1,151,481	$ 2,295,476	$ 3,424,231	$ 1,514,344	$ 459,254

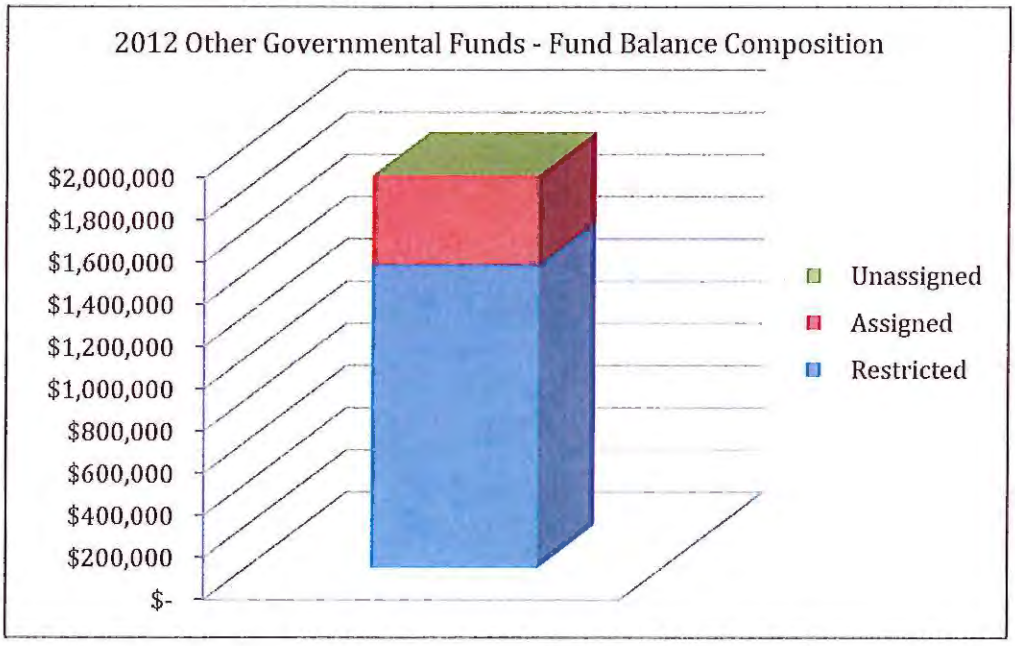
CITY OF HOLLY SPRINGS, GEORGIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)

	2012	2011	2010	2009
General fund				
Nonspendable	$ 56,486	$ 65,788	$ 60,518	$ 21,009
Committed	619,682	619,682	-	-
Unassigned	1,988,544	1,557,385	1,462,088	1,339,533
Total general fund	$ 2,664,712	$ 2,242,855	$ 1,522,606	$ 1,360,542
All other governmental funds				
Restricted	$ 1,435,263	$ 1,459,236	$ 1,215,129	$ 1,342,659
Assigned	425,332	454,963	496,117	310,889
Unassigned	-	(211,857)	(211,857)	(236,937)
Total all other governmental funds	$ 1,860,595	$ 1,702,342	$ 1,499,389	$ 1,416,611

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



2008	2007	2006	2005	2004	2003
$ 59,758	$ -	$ 1,031	$ 1,031	$ 1,031	$ 1,031
-	-	-	-	-	-
952,655	1,203,160	2,450,487	2,143,294	1,686,450	1,916,272
$ 1,012,413	$ 1,203,160	$ 2,451,518	$ 2,144,325	$ 1,687,481	$ 1,917,303
$ -	$ -	$ -	$ 98,342	$ 618,606	$ 248,342
144,176	24,055	13,823	36,761	23,582	34,326
975,198	568,928	388,691	983,666	34,392	387,818
$ 1,119,374	$ 592,983	$ 402,514	$ 1,118,769	$ 676,580	$ 670,486



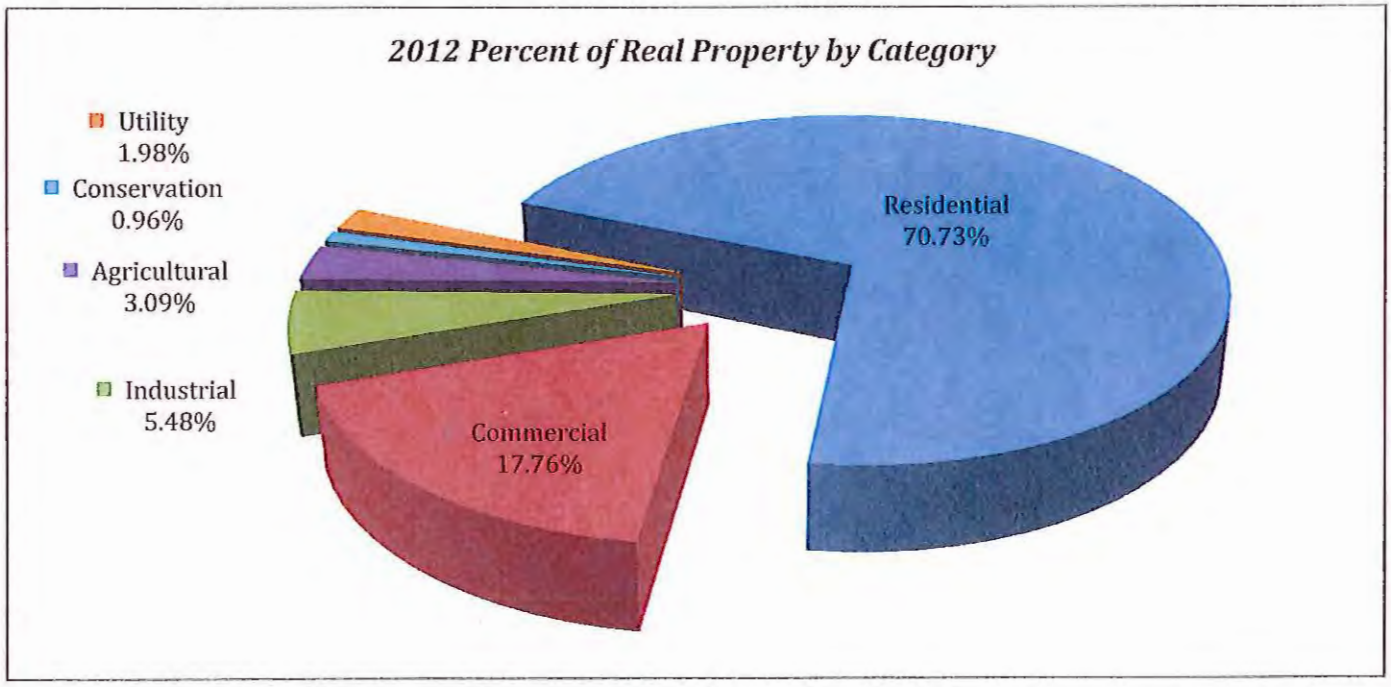
CITY OF HOLLY SPRINGS, GEORGIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)

	2012	2011	2010	2009
Revenues:				
Taxes	$ 3,926,975	$ 3,806,897	$ 3,571,677	$ 3,434,685
Licenses and permits	226,580	245,884	160,951	368,228
Intergovernmental	1,530,436	1,427,110	1,324,788	1,271,817
Charges for services	23,546	35,623	29,088	27,172
Fines and forfeitures	367,364	284,208	259,543	369,207
Interest	11,383	8,093	5,547	8,422
Other revenue	85,282	48,996	88,743	61,470
Total revenues	6,171,566	5,856,811	5,440,337	5,541,001
Expenditures:				
Current:				
General government	695,848	707,668	679,963	755,205
Judicial	199,641	186,549	189,273	276,937
Public safety	2,324,164	2,187,997	2,188,611	2,101,137
Public works	252,305	272,116	237,580	296,950
Health and welfare	293,264	234,298	160,192	146,791
Culture and recreation	74,799	28,712	26,208	52,751
Housing and development	635,686	658,630	853,993	662,226
Capital outlay	615,706	348,202	450,948	2,743,452
Debt service:				
Principal	512,431	441,432	447,790	20,606
Interest	34,328	46,937	64,703	3,517
Total expenditures	5,638,172	5,112,541	5,299,261	7,059,572
Excess(deficiency) of revenues over expenditures	533,394	744,270	141,076	(1,518,571)
Other financing sources (uses):				
Proceeds from capital lease	-	167,259	-	1,800,000
Proceeds from sale of capital assets	59,905	11,673	-	-
Contributions from private sources	-	-	-	-
Transfers in	269,145	266,485	40,000	463,572
Transfers out	(282,334)	(266,485)	(40,000)	(463,572)
Total other financing sources (uses)	46,716	178,932	-	1,800,000
Net change in fund balances	$ 580,110	$ 923,202	$ 141,076	$ 281,429
Debt service as a percentage of noncapital expenditures:	10.89%	11.42%	11.82%	5.62%

2008	2007	2006	2005	2004	2003
$ 2,738,021	$ 2,302,244	$ 2,170,201	$ 2,479,620	$ 2,117,708	$ 1,972,406
469,615	559,859	920,393	684,621	458,017	295,236
1,151,565	1,975,645	1,157,961	119,347	65,000	95,890
30,629	176,666	-	-	-	-
413,607	459,592	421,005	409,275	296,136	240,329
37,349	131,232	110,501	57,083	23,459	26,478
79,909	5,042	75,631	42,003	43,701	54,943
4,920,695	5,610,280	4,855,692	3,791,949	3,004,021	2,685,282
622,085	546,529	851,604	722,508	651,679	594,000
245,080	189,079	-	-	-	-
1,098,359	988,941	1,079,271	921,656	1,354,831	846,371
350,576	336,514	279,477	238,391	161,983	199,116
17,632	-	-	-	-	-
925,254	803,113	148,204	100,692	125,235	951,127
502,325	539,589	443,498	309,559	249,015	208,284
1,227,617	1,869,618	2,426,139	649,295	690,329	-
19,483	16,240	23,136	22,832	-	-
4,640	54,940	23,304	2,772	-	-
5,013,051	5,344,563	5,274,633	2,967,705	3,233,072	2,798,898
(92,356)	265,717	(418,941)	824,244	(229,051)	(113,616)
67,020	-	-	73,079	-	-
4,911	-	9,879	1,710	5,323	-
356,069	-	-	-	-	-
32,934	382,018	613,678	234,884	1,176,393	344,476
(32,934)	(382,018)	(613,678)	(234,884)	(1,176,393)	(344,476)
428,000	-	9,879	74,789	5,323	-
$ 335,644	$ 265,717	$ (409,062)	$ 899,033	$ (223,728)	$ (113,616)
6.41%	2.09%	1.66%	1.12%	0.00%	0.00%

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

	Real Property					
	Residential	Commercial	Industrial	Agricultural	Conservation	Utility
Fiscal Year	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value
2003	$ 69,564,960	$ 17,352,880	$ 11,168,040	$ 6,149,800	$ 312,200	$ 2,575,880
2004	79,737,320	23,733,960	11,471,720	9,586,880	312,200	2,815,440
2005	98,779,720	30,635,120	11,812,440	10,787,800	312,200	3,135,720
2006	139,341,600	32,293,360	15,585,240	10,796,520	602,680	4,059,520
2007	196,631,600	39,999,000	16,161,840	10,152,520	602,680	4,205,080
2008	225,120,800	47,530,600	18,464,920	15,040,560	4,011,480	5,021,200
2009	215,318,520	52,415,520	19,101,520	14,485,600	4,638,800	5,489,520
2010	205,617,000	49,738,160	18,350,520	11,657,480	3,402,880	5,039,912
2011	195,170,640	49,082,800	15,871,720	8,800,520	2,924,400	4,868,234
2012	173,329,840	43,509,800	13,435,360	7,573,600	2,355,680	4,848,338

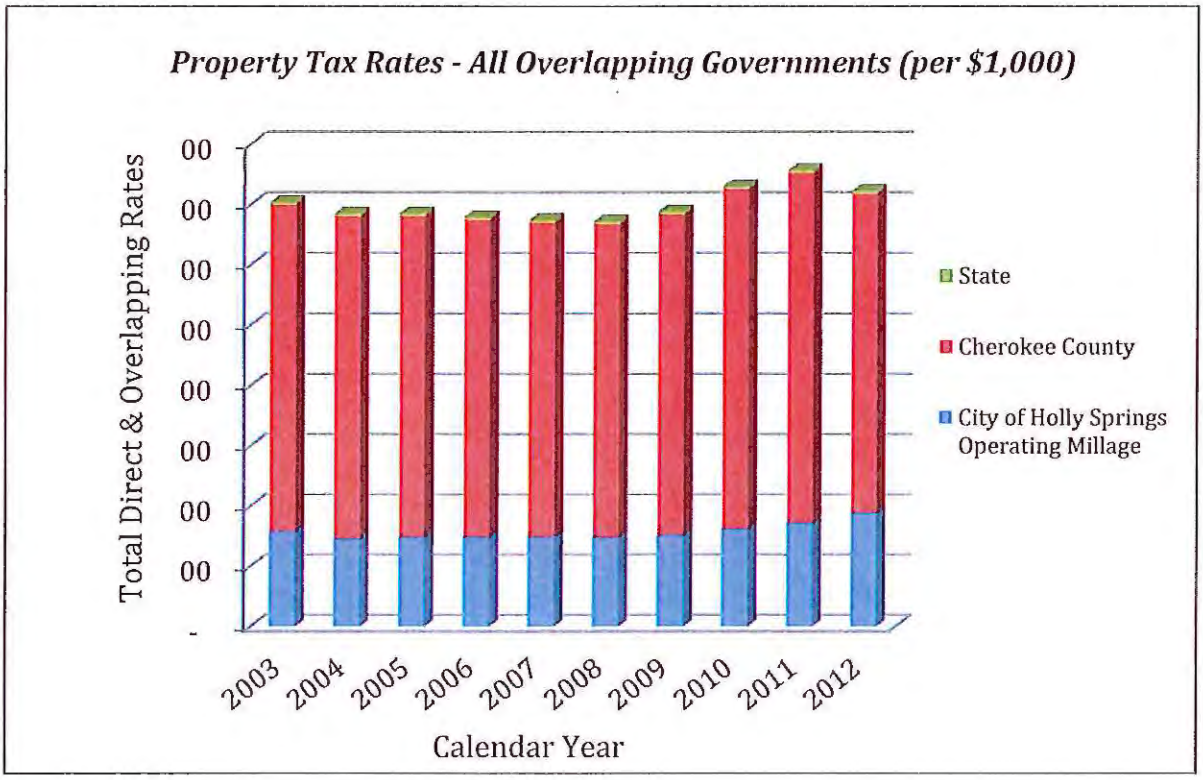


The Cherokee County Assessor performs property tax assessments on all property within Cherokee County including all of the cities therein. The fair market value is determined based on comparables for sales in the area and zoning and land use assumptions. The tax digest is submitted to the Georgia Department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

Personal Property						
Motor Vehicles Assessed Value	Other Assessed Value	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a % of Actual Value
$ 7,681,960	$ 8,291,261	$ 2,240,195	$ 120,856,786	7.920	$ 302,141,965	40%
7,692,970	10,642,566	2,323,203	145,993,056	7.290	364,982,640	40%
7,592,440	11,623,808	2,447,945	174,679,248	7.421	436,698,120	40%
7,629,270	12,866,935	2,809,339	223,175,125	7.470	557,937,813	40%
10,134,600	15,019,714	4,658,508	292,907,034	7.470	732,267,585	40%
14,005,910	19,179,912	11,431,358	348,375,382	7.370	870,938,455	40%
16,082,960	20,173,626	7,555,307	347,706,066	7.607	869,265,165	40%
15,593,260	17,028,555	6,032,515	326,427,767	8.098	816,069,418	40%
16,393,730	18,132,908	4,853,117	311,244,952	8.598	778,112,380	40%
18,846,450	18,930,045	7,804,487	282,829,113	9.449	707,072,783	40%

CITY OF HOLLY SPRINGS GEORGIA
PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
(Per $1000 of Assessed Value)
LAST TEN YEARS

Calendar Year	City of Holly Springs Operating Millage	Cherokee County	State	Total Direct & Overlapping Rates
2003	7.920	27.030	0.25	35.200
2004	7.290	26.720	0.25	34.260
2005	7.421	26.589	0.25	34.260
2006	7.470	26.247	0.25	33.967
2007	7.470	26.000	0.25	33.720
2008	7.370	25.973	0.25	33.593
2009	7.607	26.553	0.25	34.410
2010	8.098	28.148	0.25	36.496
2011	8.598	28.985	0.25	37.833
2012	9.449	26.455	0.20	36.104



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

	2012			2003		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Holly Springs LLC	$ 6,563,880	1	2.14%	$ 7,239,800	1	6.12%
Home Depot, USA, Inc.	5,498,992	2	1.79%			
CW Capital Management	4,144,520	3	1.35%	6,141,400	2	5.19%
Northside Hospital-Cherokee, Inc.	2,773,160	4	0.90%			
The Kroger Co.	2,843,466	5	0.93%	3,037,262	3	2.57%
Windstream Georgia Comm Corp	1,755,311	6	0.57%	2,483,967	4	2.10%
Walgreens	1,455,789	7	0.47%			
Downtown Hickory Flat, LLC	1,270,240	8	0.41%			
Sawnee EMC	1,231,518	9	0.40%	1,170,320	5	0.99%
Linde Boc Process Plants, LLC				978,200	6	0.83%
Canton Toonigh LLC				815,520	7	0.69%
OCS Enterprises Inc.				556,160	8	0.47%
Nodvin, Marvin P. C/O Dixon La				148,800	9	0.13%
Toonigh Shops, LLC	1,063,680	10	0.35%	105,560	10	0.09%
	$ 27,536,876		9.0%	$ 22,676,989		19.17%

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy (1)		Amount	Percentage of Levy
2003	$ 955,851	$ 810,952	84.84%	$ 144,899	$ 955,851	100.00%
2004	1,047,463	921,009	87.93%	126,454	1,047,463	100.00%
2005	1,178,092	1,132,607	96.14%	45,485	1,178,092	100.00%
2006	1,543,843	1,474,560	95.51%	69,283	1,543,843	100.00%
2007	2,008,919	1,918,104	95.48%	90,815	2,008,919	100.00%
2008	2,504,835	2,198,103	87.75%	306,732	2,504,835	100.00%
2009	2,537,493	2,143,664	84.48%	393,829	2,537,493	100.00%
2010	2,383,870	482,749	20.25%	1,894,674	2,377,423	99.73%
2011	2,392,266	1,997,607	83.50%	360,918	2,358,525	98.59%
2012	2,369,086	2,207,203	93.17%	-	2,207,203	93.17%

(1) The due date for the 2010 property tax digest was February 15, 2011. The normal due date for property taxes is December 20th annually (the same year as the taxes are billed).

(2) The City of Holly Springs entered into a contract with a private company in 2012 to pursue the collection of delinquent property tax receivable balances. The City conducted two tax sales through December 31, 2012 which were very successful. The City plans to hold an annual tax sale going forward to ensure that all of the delinquent property tax receivable balances are paid in full.

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

	Governmental Activities						
Fiscal Year	Capital Leases	Total Primary Government	Notes Payable - Component Unit	Total Component Unit	Total Reporting Entity	Percentage of Personal Income	Per Capita
2003	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2004	-	-	600,361	600,361	600,361	0.42%	129
2005	73,079	73,079	781,717	781,717	854,796	0.40%	161
2006	47,475	47,475	961,456	961,456	1,008,931	0.46%	160
2007	24,339	24,339	1,351,456	1,351,456	1,375,795	0.62%	175
2008	42,897	42,897	1,311,421	1,311,421	1,354,318	0.61%	156
2009	1,822,291	1,822,291	1,311,421	1,311,421	3,133,712	1.40%	343
2010	1,374,501	1,374,501	1,003,590	1,003,590	2,378,091	1.06%	259
2011	1,100,328	1,100,328	1,138,885	1,138,885	2,239,213	0.99%	239
2012	587,897	587,897	786,569	786,569	1,374,466	0.61%	147

CITY OF HOLLY SPRINGS, GEORGIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2012

Governmental Unit	Type of Debt	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Cherokee County - 2005 Issue	General Obligation Bonds	$ 3,640,000	4.09%	$ 148,781
Cherokee County - 2008 Issue	General Obligation Bonds	3,655,000	4.09%	149,394
Cherokee County - 2009 Issue	General Obligation Bonds	37,445,000	4.09%	1,530,527
Cherokee County - 2010 Issue	General Obligation Bonds	10,767,000	4.09%	440,090
Cherokee County - 2011 Issue	General Obligation Bonds	9,810,000	4.09%	400,974
Cherokee County School District	General Obligation Bonds	334,805,000	4.09%	13,684,820
		400,122,000		16,354,587
Resource Recovery Development Authority - 2007 Issue	Guaranteed Revenue Debt	17,220,000	4.09%	703,850
Total Overlapping Debt		$ 417,342,000		$ 17,058,437
Overlapping Debt per Capita:		$ 1,765		

Information obtained from the Cherokee County, Georgia Comprehensive Annual Financial Report dated September 30, 2012

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

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

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

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (3)	Median Age (4)	Average Education Level (5)	School Enrollment (6)	Unemployment Rate (7)
2003	4,380	$ 70,056,300	$ 30,243	32.1	Some College	898	4.0%
2004	4,664	141,759,150	30,394	32.2	Some College	907	3.9%
2005	5,300	213,462,000	29,243	32.3	Some College	911	4.0%
2006	6,322	221,741,100	28,644	32.4	Some College	987	3.8%
2007	7,844	222,565,560	28,045	32.5	Some College	1,023	3.8%
2008	8,664	223,390,020	27,446	32.6	Some College	1,105	5.7%
2009	9,126	224,214,480	26,847	32.7	Some College	1,125	8.5%
2010	9,189	225,038,940	26,429	32.8	Some College	1,243	8.2%
2011	9,362	225,863,400	26,011	32.9	Some College	1,256	8.0%
2012	9,667	226,687,860	27,449	33.0	Some College	1,405	7.7%

(1) Population estimates from US Census Bureau Quick Facts and American Fact Finder
(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 US Census Bureau Quick Facts, American Fact Finder and estimates
(5) Average Education Level from US Census Bureau Quick Facts, and American Fact Finder
(6) School Enrollment includes student population at Holly Springs Elementary and Crossroads Middle/High School (Ace Academy) provided by the Cherokee County School District and Lyndon Academy
(7) Unemployment Rate provided by Georgia Department of Labor

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

	2012			2003		
Employer	Employees (1)	Rank	Percentage of Total City Employment(2)	Employees	Rank	Percentage of Total City Employment(2)
Cherokee County School District	200	1	4.39%	118	2	5.20%
Hydro-Chem, A Division of Linde Eng.	125	2	2.74%	96	3	4.23%
Home Depot, USA, Inc.	96	3	2.11%			
Kroger Store #430	84	4	1.84%	125	1	5.51%
Publix Super Markets, Inc.	71	5	1.56%	75	4	3.30%
Nor-Ral Plastics, Inc.	53	6	1.16%	20	8	0.88%
Tec Automation, Inc.	44	7	0.97%			
Agilex Fragrance Division	35	8	0.77%	15	9	0.66%
Northside Radiology Associates	35	9	0.77%			
Marquis Tile, Inc.	30	10	0.66%	29	5	1.28%
Eco-Tech Inc.				23	6	1.01%
Wendy's Old Fashioned				22	7	0.97%
Gibson Technical Services				15	10	0.66%
Total	773		16.97%	$ 538		23.70%

(1) Information obtained from City of Holly Springs CLT/Occupational Tax System and Cherokee County School District
(2) Information obtained from the U.S. Census Bureau Fact Finder - Employment Status

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

Function	2012	2011	2010	2009	2008	2007
General Government						
Management	2.0	2.0	2.0	2.0	2.0	2.0
Finance	1.0	1.0	1.0	1.0	1.0	1.0
Technology	1.0	1.0	1.0	1.0	1.0	1.0
Judicial						
Municipal Court	2.0	2.0	2.0	2.0	2.0	2.0
Public Safety						
Police Officers	14.0	14.0	13.0	14.0	15.0	15.0
Police Administration	4.0	4.0	4.0	4.0	4.0	4.0
Public Works						
Streets	3.0	3.0	2.0	3.0	3.0	3.0
Culture and Recreation						
Parks	1.0	1.0	1.0	1.0	1.0	1.0
Housing and Development						
Building	2.0	2.0	2.0	6.0	7.0	6.0
Planning and Zoning	1.0	1.0	1.0	1.0	2.0	2.0
Stormwater (1)	1.0	0.5	0.5	0.0	0.0	0.0
Total	32.0	31.5	29.5	35.0	38.0	37.0

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

2006	2005	2004	2003
2.0	2.0	2.0	1.0
1.0	1.0	1.0	1.0
1.0	1.0	1.0	0.0
2.0	2.0	2.0	1.0
14.0	12.0	11.0	10.0
4.0	3.0	3.0	3.0
3.0	3.0	2.0	2.0
1.0	1.0	1.0	1.0
5.0	3.0	2.0	2.0
2.0	1.0	1.0	1.0
0.0	0.0	0.0	0.0
35.0	29.0	26.0	22.0

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

Function	2012	2011	2010	2009	2008
General government					
Ordinances approved	11	11	8	9	8
Special events held	11	9	9	9	8
Occupation tax licenses issued (1)	1,826	1,834	1,720	1,532	1,495
Court					
Number of citations processed	2,178	1,869	2,080	2,815	2,568
Number & type of court sessions:					
Arraignments	19	21	22	21	23
Trials	6	4	4	5	6
Judge's seminars	3	4	-	-	-
Police					
Calls for service	24,426	30,558	17,623	23,180	N/A
Part 1 crimes reported	274	280	308	237	263
Public Works					
Number of potholes repaired	11	11	8	N/A	N/A
Miles of streets resurfaced	3.02	1.23	-	1.75	-
Community Development					
Building permits issued	140	130	109	180	299
Acres annexed	10.39	-	-	-	-
Culture and Recreation					
Park acres maintained	13	13	13	13	13
Stormwater					
Stormwater projects completed (2)	8	2	-	-	-

(1) Includes Home Occupation, Traditional Occupation Licenses and Insurance Licenses
(2) The first full year of operation for the City of Holly Springs Stormwater Fund was 2010. No projects were completed until 2011.

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

2007	2006	2005	2004	2003
5	6	10	8	6
7	7	7	6	6
N/A	N/A	N/A	N/A	N/A
3,802	3,337	3,454	2,700	2,071
18	19	19	19	18
5	5	5	5	5
-	-	-	-	-
N/A	N/A	N/A	N/A	N/A
228	248	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
-	15.17	6.88	3.90	1.80
458	579	451	266	N/A
-	123.00	224.00	100.00	858.00
13	13	13	13	13
-	-	-	-	-

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

Function	2012	2011	2010	2009	2008	2007
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol Units	13	13	13	13	13	10
Public Works						
Streets (miles)	59	59	59	59	44	44
Parks and Recreation						
Acreage of Parks (1)	46	46	46	13	13	13
Playgrounds	2	2	2	2	2	2
Baseball Fields	1	1	1	1	1	1
Community Center	1	1	1	1	1	1

(1) Acreage of Parks includes thirty-three acres of land purchased by the City of Holly Springs on Hickory Road in 2010 for use as a passive park. Construction is not scheduled for completion until 2014.

2006	2005	2004	2003
1	1	1	1
9	8	8	7
44	44	44	44
13	13	13	13
2	2	2	2
1	1	1	1
1	1	1	1

Internal Control and Compliance Section







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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Holly Springs, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Holly Springs, Georgia's basic financial statements and have issued our report thereon dated June 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Holly Springs, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Holly Springs, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Holly Springs, Georgia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (See finding 2008-01)

Compliance and Other Matters

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

City of Holly Springs, Georgia's Response to Findings

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

Purpose of this Report

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

R L Jennings & Associates, PC

Ellijay, Georgia
June 14, 2013

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

Repeat finding from prior years

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

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

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

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

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

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

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

State Section







CITY OF HOLLY SPRINGS, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2012

Project	Estimated Cost		Expenditures			Estimated %
	Original	Current	Prior Years	Current Year	Total	of Completion
Special Use Sales Tax Fund - SPLOST III						
Streets and sidewalks	$ 3,407,000	$ 3,407,000	$ 2,754,805	$ 1,633	$ 2,756,438	81%
New city hall	2,600,000	2,600,000	1,916,183	897,242	2,813,425	108%
Downtown square and streetscapes	1,602,705	1,602,705	-	-	-	0%
Public safety and public works vehicles and equipment	219,000	219,000	206,487		206,487	94%
	$ 7,828,705	$ 7,828,705	$ 4,877,475	$ 898,875	$ 5,776,350	
Special Use Sales Tax Fund - SPLOST IV						
Transportation facilities and improvements	$ 3,100,000	$ 3,100,000	$ -	$ 257,623	$ 257,623	8%
Law enforcement facilities, vehicles and equipment	1,700,000	1,700,000	-	58,390	58,390	3%
Sewer system infrastructure, facilities and equipment	750,000	750,000	-	-	-	0%
City hall administrative offices, facilities and equipment	755,000	755,000	-	-	-	0%
Public works, fire, fleet vehicles and equipment	410,200	410,200	-	-	-	0%
	$ 6,715,200	$ 6,715,200	$ -	$ 316,013	$ 316,013	

Notes to schedule:

The above schedule has been prepared using the modified accrual basis of accounting.
Taxes from the 2004 referendum are accounted for by SPLOST III Fund.
Taxes from the 2010 referendum are accounted for by SPLOST IV Fund.