Holly Springs
GEORGIA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended
December 31, 2025



Prepared By:

DENISE LAMAZARES
Finance Director

Submitted By:

ROBERT H. LOGAN, CPA | CGMA
City Manager

770-345-5536 | 3237 Holly Springs Pkwy. Holly Springs, GA 30115 | hollyspringsga.us

CITY OF HOLLY SPRINGS, GEORGIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION
Letter of Transmittal ..... i-v
Organization Chart vi
List of Elected Officials vii
List of Principal Officers viii
GFOA Certificate of Achievement ix

FINANCIAL SECTION
Independent Auditor's Report 1-4
Management's Discussion and Analysis 5-15
Basic Financial Statements:
Government-Wide Financial Statements:
Statement of Net Position 16
Statement of Activities ..... 17 and 18
Fund Financial Statements:
Balance Sheet – Governmental Funds 19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 21
Statement of Net Position – Proprietary Fund 22
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund 23
Statement of Cash Flows – Proprietary Fund 24
Notes to Basic Financial Statements 25-53
Required Supplementary Information:
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP Basis) 54
Schedule of Changes in the City's Net Pension Liability and Related Ratios 55
Schedule of City Contributions 56
Combining and Individual Fund Statements and Schedules:
Combining Balance Sheet – Nonmajor Governmental Funds 57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 58
Multiple Grant Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) 59
Parks and Recreation Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) 60
Hotel/Motel Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) 61
TAD Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) 62
American Rescue Plan Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) 63
Debt Service Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) 64

CITY OF HOLLY SPRINGS, GEORGIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

TABLE OF CONTENTS (Continued)

Page

FINANCIAL SECTION (CONTINUED)
Discretely Presented Component Unit:
Balance Sheet – Component Unit –Downtown Development Authority of Holly Springs 65
Statement of Revenues, Expenditures, and Changes in Fund Balance Component Unit – Downtown Development Authority of Holly Springs 66
State Section:
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds 67

STATISTICAL SECTION
Net Position by Component ..... 68 and 69
Changes in Net Position ..... 70 and 71
Fund Balances – Governmental Funds ..... 72 and 73
Changes in Fund Balances – Governmental Funds ..... 74 and 75
Assessed Value and Estimated Actual Value – All Taxable Property ..... 76 and 77
Property Tax Rates – All Overlapping Governments 78
Principal Taxpayers 79
Property Tax Levies and Collections 80
Ratio of Outstanding Debt by Type 81
Direct and Overlapping Debt Governmental Activities Debt 82
Demographic and Economic Statistics 83
Principal Employers 84
Full-Time Equivalent City Government Employees by Function ..... 85 and 86
Operating Indicators by Function ..... 87 and 88
Capital Asset Statistics by Function ..... 89 and 90

COMPLIANCE SECTION
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 91 and 92
Schedule of Findings and Responses 93-95



INTRODUCTORY
SECTION

Mayor
Ryan P. Shirley

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

City Attorney
Robert M. Dyer

City Manager
Robert H. Logan

Assistant City Manager/City Clerk
Karen Norred

June 15, 2026

Honorable Mayor Ryan P. Shirley
Members of the City Council, and
Citizens of the City of Holly Springs

Ladies and Gentlemen:

The Annual Comprehensive Financial Report of the City of Holly Springs, Georgia for the fiscal year ended December 31, 2025, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds and that disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City's financial statements have been audited by Mauldin & Jenkins, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Holly Springs for the year ended December 31, 2025, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Holly Springs' financial statements for the year ended December 31, 2025, are fairly stated in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of the report.

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

PROFILE

The City of Holly Springs was incorporated in 1906 around the busy train depot established by the Louisville & Nashville (L&N) Railroad. Holly Springs was once known for its "green marble" quarry on the west side of the City as well as a destination for local farmers to ship their goods on the L&N Railroad. As Metropolitan Atlanta has grown over the past several decades, the City of Holly Springs has become more suburban in character with light industry, commercial establishments, and numerous residential developments. The City is in the center of Cherokee County approximately thirty-five miles north of Atlanta on I-575 and currently consists of 7.56 square miles.

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

Policy making and legislative authority is vested in the Mayor and five Council Members. The term of each office is four years with elections staggered every two years. The City of Holly Springs is divided into five geographic wards, which are elected at-large by plurality vote. Candidates must reside in the ward in which they are seeking office when qualifying as a candidate. Each candidate is required to reside in such ward during the member's period of service and continue to be registered and eligible to vote in municipal elections of the City. Candidates elected to office in the November election take office in the month of January of the following year and are sworn in at the first council meeting of the year.

The City operates under a city council/manager form of government pursuant to the constitution and laws of the State of Georgia and the City of Holly Springs' Charter. The City Manager is responsible for the daily operations of all City departments and possesses all of the administrative powers granted to the government under the constitution and laws of the State of Georgia and the City's Charter.

This report includes all funds of the City. The City provides a full range of services including police and fire protection, the construction and maintenance of highways, streets, and infrastructure, recreational activities, and cultural events. In addition to general governmental activities, the City also operates a Stormwater Utility. The City's reporting entity also includes the balances and activities of three quasi–governmental entities: the Downtown Development Authority of Holly Springs (DDA), a discretely presented component unit, the Holly Springs Parks and Recreation Authority (HSPRA), and the Urban Redevelopment Agency of the City of Holly Springs, Georgia (URA). The HSPRA and URA are blended component units.

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

As shown below, the City of Holly Springs has experienced a considerable amount of growth in the past 55 years and anticipates more growth in the future as the Atlanta Metropolitan Statistical Area (MSA) continues to expand:

Year	Population	Percentage (%) of County
1970	575	1.85%
1980	687	1.33%
1990	2,406	2.67%
2000	3,195	2.22%
2010	9,189	4.29%
2020	16,213	6.08%
2025	20,261	6.77%

ECONOMIC CONDITION AND OUTLOOK

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

Improved Transportation System

The City of Holly Springs applied for funding from the State Road and Tollway Authority (SRTA) for loan funds for the widening of Holly Springs Parkway from Ronnell Road to Childers Road during the first quarter of 2021. The City of Holly Springs was awarded $6,000,000 through the Georgia Transportation Infrastructure Bank (GTIB) on May 1, 2021. The budget for this phase of the project includes $387,496 for preliminary engineering, $1,582,545 for the acquisition of additional right-of-way and $4,029,959 for construction. This project will include the construction of a four-lane roadway with a raised median, stormwater infrastructure improvements, sidewalks, and pedestrian lamp posts. The City sent out a request for bids for the Holly Springs Parkway Widening Phase III Project in the summer of 2024. The project was awarded to Summit Construction and Development, LLC. At year end, the Holly Springs Parkway Widening Project Phase III was under construction. This project is scheduled for completion in the fourth quarter of 2026.

Water and Sewer Availability

The City of Holly Springs, in conjunction with the Cherokee County Water and Sewerage Authority, entered into an intergovernmental agreement to construct the Downtown Holly Springs Sanitary Sewer Project in 2012. The project was completed in 2015 and provides sanitary sewer for the proposed Holly Springs Town Center Project and various industries in the Hickory Springs Industrial Park. In addition, sanitary sewer lines were extended within the Hickory Springs Industrial Park in 2020 during the construction of Cobb Industrial, Inc., a new steel fabrication company that relocated its operations to Holly Springs, to serve as their new corporate headquarters and production facilities.

Availability of Large Tracts of Land

The eastern section of Holly Springs continues to experience many land use changes primarily due to the large areas of vacant land in this area. Management expects continued development in this area as the City of Holly Springs accepts annexation and rezoning applications for commercial and residential uses along the Hickory Road and State Highway 140 corridors.

Recent Economic Development

The City of Holly Springs has seen significant redevelopment north of Sixes Road on Holly Springs Parkway. The intersection of Sixes Road and Interstate 575 is the northern terminus of a reversible toll lane project that was completed by the Georgia Department of Transportation in a public private partnership on September 8, 2018. Prior to the completion of this project, there was a great deal of interest in this area from developers. Two large market rate apartment complexes were completed at this intersection in 2019 and a third complex was completed in 2023. In addition, a mixed-use development is currently under construction at the intersection of Holly Springs Parkway and Sixes Road. Completion of this project is expected in the summer of 2026. Northside Hospital and Wellstar Health System own several large parcels of land along the western side of I-575 at Sixes Road for the construction of future medical facilities to serve our community. Wellstar Health System completed phase I of their health park in the fall of 2019, generating approximately one hundred new jobs.

Budgetary Controls

The City of Holly Springs maintains budgetary controls to ensure compliance with legal provisions of the annual appropriated budget approved by the City Council. Activities of the General Fund, American Rescue Plan Act of 2021 Fund, Operating Grant Fund, Parks and Recreation Fund, Tax Allocation District Fund, Hotel/Motel Tax Fund, SPLOST VI Fund, Town Center Fund, Debt Service Fund, and Stormwater Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the department level.

The City of Holly Springs submits its annual budget to the Government Finance Officers Association for consideration of the Distinguished Budget Presentation Award each year. The City has received this award from 2010 through 2025.

Financial Policies

The City adopted a Financial Management Policy on September 15, 2008, which management follows in the preparation of its annual budget and daily financial operations. The City of Holly Springs amended its Financial Policy on November 16, 2020, to increase the percentage of budget stabilization reserves to twenty-five percent (25%) of budgeted expenditures in the General Fund to cover unforeseen budget shortfalls. The Policy also provides guidelines for the use of contingencies for unexpected expenditures, cash and investment management, grant management, purchasing policies and internal control policies.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safety of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

Long-Term Financial Planning

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

MAJOR INITIATIVES

Holly Springs Town Center Project

In 2016, the City of Holly Springs issued a request for proposals (RFP) for Master Development Services for the City of Holly Springs Town Center Project. The City received three proposals in early 2017 and selected one of the firms with whom to negotiate a master development agreement. Pursuant to the request for proposals, the master development agreement includes design and construction oversight for the mixed-use development which includes restaurants, retail units, a beer garden, multi-family residential units, single-family residential units, parking deck, amphitheater, and City Hall with a town green. Construction of the Town Center Road Network Project, utilities and associated infrastructure was completed in 2020. Site work and infrastructure construction on the property started in the summer of 2021. This phase of the project was completed in 2024. The vertical construction for the parking deck was completed in June 2024. The amphitheater and City Hall started in 2026, and the multi-family residential units are projected to start in fall 2026.

Hickory Springs Parkway Project

In 2009, the City entered into an agreement with AECOM for the performance of the Town Center Transportation Study & Plan. The study recommended the construction of an industrial connector that would divert traffic from the Hickory Springs Industrial Park across the railroad and P. Rickman Industrial Drive to Holly Springs Parkway at Mountain Brook. In 2021, the City engaged Southeastern Engineering, Inc. (SEI) to begin engineering and environmental work on the Hickory Springs Parkway Project Phase I. The first phase of the project extends from Hickory Road to P. Rickman Industrial Drive with an at-grade railroad crossing. Phase II of the project realigns Hickory Springs Industrial Drive with Hickory Springs Parkway at Hickory Road. Phase III of the project includes the construction of Hickory Springs Parkway from P. Rickman Industrial Drive to Holly Springs Parkway at Mountain Brook. Construction of Phase I is scheduled to begin in early 2027.

AWARDS AND ACKNOWLEDGEMENTS

Independent Audit

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

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Holly Springs for its annual comprehensive financial report for the fiscal year ended December 31, 2024. This was the thirteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

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

Acknowledgments

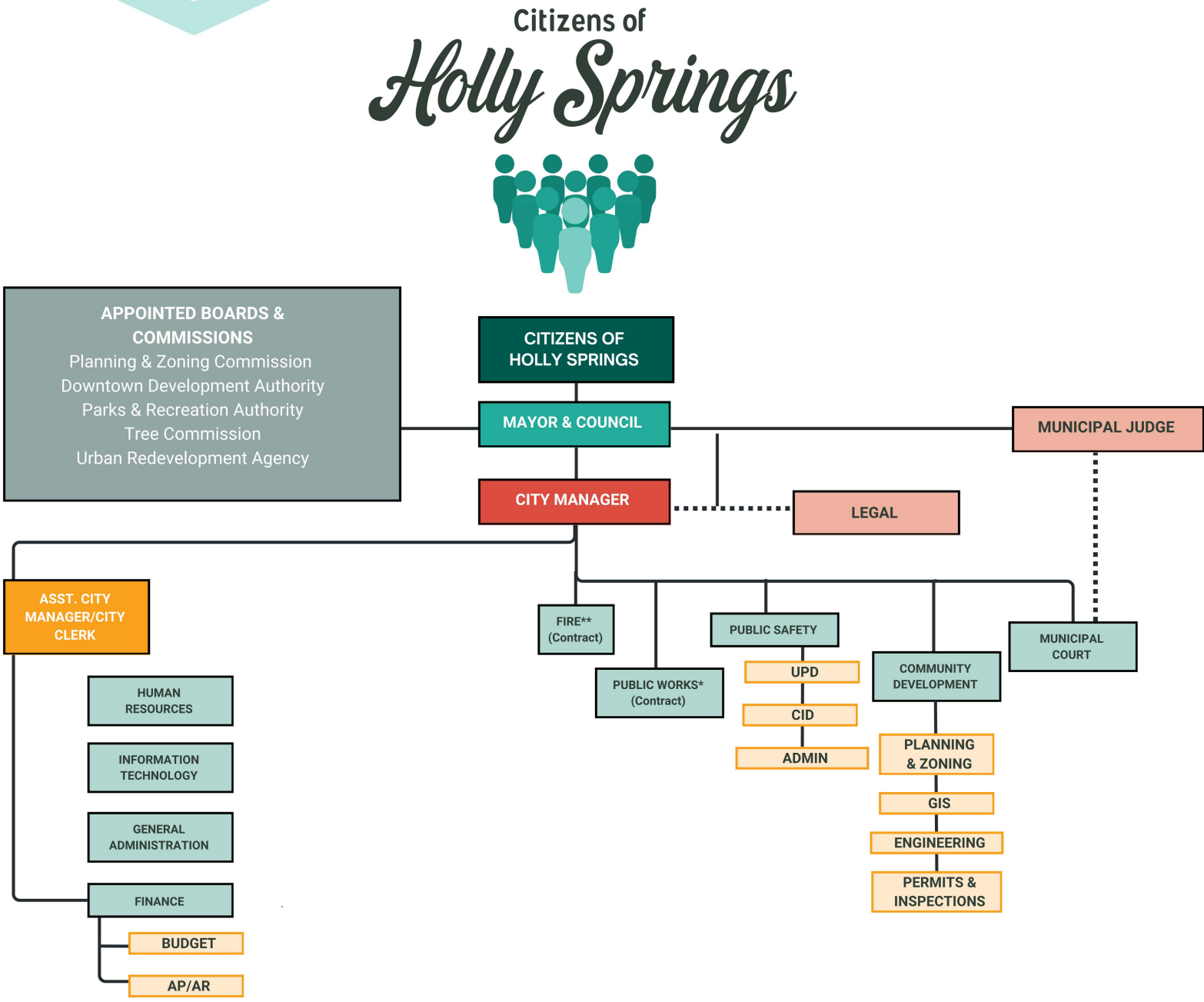
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire City staff and the Certified Public Accounting firm of Mauldin & Jenkins. We would also like to thank the Mayor and members of the City Council for their interest in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Denise Lamazares
Finance Director

Robert H. Logan, CPA, CGMA
City Manager

ORGANIZATION CHART



* Holly Springs entered into an agreement with Optech on December 21, 2015 to provide public works management including all current operations and maintenance services of the Holly Springs Public Works Operations, which broadly and currently consists of the following activities: streets & drainage, parks & grounds maintenance, landscaping of medians, solid waste (yard debris and non-household refuse, not garbage). Optech shall also be responsible for insuring maintenance of equipment, vehicles, and facilities existing within the present property boundaries being used to operate all departments within the City's Public Works operations.

**Holly Springs entered into an agreement with Cherokee County to join the 2nd fire district whereby the fire district offers services to municipalities. Holly Springs approved a new agreement on August 18, 2018. This is referred to as a "consolidation" agreement in the Service Delivery Strategy.

GIS - Geographic Information Systems
AP - Accounts Payable
AR - Accounts Receivable

UPD - Uniform Patrol Division
CID - Criminal Investigations Unity

ELECTED OFFICIALS



MAYOR RYAN P. SHIRLEY

Mayor Ryan Shirley took office on January 1, 2025 as the 24th mayor of the City of Holly Springs. He is passionate about economic development, community engagement, recreational spaces, and infrastructure.



MAYOR PRO TEM MICHAEL R. ZENCHUK II

Representing residents in Ward 3, Mayor Pro Tem Zenchuk was appointed to the Planning & Zoning Commission in 2007 and served through 2011. He was first elected to Council in 2011 to fill an unexpired vacated Council seat. He currently serves as chair of the Public Works committee and co-chair of the Finance & Administration committee.



COUNCILMAN KYLE WHITAKER

Ward 1 Councilman Whitaker began his service to the citizens of Holly Springs in January 2011. He currently serves as chair of the Parks & Recreation and Community Development committees, chair of the Parks & Recreation Authority and as a member of the Downtown Development Authority and Urban Redevelopment Agency.



COUNCILWOMAN DEE PHILLIPS

Councilwoman Phillips is the longest tenured elected official of the City of Holly Springs, beginning her service on January 1, 2002. Representing citizens in Ward 2, she currently serves as chair of the Finance & Administration committee and co-chair of the Parks & Recreation committee.



COUNCILMAN KEVIN MOORE

Councilman Moore was sworn in to represent Ward 4 in September 2021. He has been a fixture in Holly Springs government since 2013 having served on the Downtown Development Authority, and as chairman from 2016-2021. He also served as the Chairman of the Urban Redevelopment Agency since its formation in 2019 through 2021 when he resigned to run for elected office.



COUNCILMAN JEFF WILBUR

Ward 5 Councilman Wilbur was first sworn in to office in September 2020 after being appointed to fill a vacated unexpired Council seat. He then ran for election and won in November 2020 and again in November 2024. He currently serves as chair of the Public Safety committee and co-chair of the Community Development committee.

PRINCIPAL OFFICERS



Robert H. Logan, CPA, CGMA
City Manager

Karen Norred, CMC, ACHRM, CPM
Assistant City Manager/City Clerk





Tommy Keheley
Chief of Police

Nancy Moon, AICP
Community Development Director





Denise Lamazares
Finance Director

Donna Sanders
Court Administrator





Erin Honea, EDFP
Communications &
External Affairs Director

Alex Gray
Public Works Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Holly Springs
Georgia

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrill

Executive Director/CEO



FINANCIAL
SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Holly Springs, Georgia** (the "City") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

MAULDIN & JENKINS, LLC • 200 GALLERIA PARKWAY S.E., SUITE 1700 • ATLANTA, GEORGIA 30339-5946
770-955-8600 • FAX 770-980-4489 • www.mjcpa.com
MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds as required by Official Code of Georgia 48-8-121, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 15, 2026

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, 2025. The audit is required by Georgia law. A Statement of Net Position and the Statement of Activities provides a picture of the activities of the City. Fund Financial Statements provide a more detailed view of the City's services and the revenue dedicated to fund them.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2025 are as follows:

- The City's combined net position increased $8,511,095 (9.04%) to $102,634,953 from $94,123,858. Combined revenue decreased $2,647,870 (8.54%) to $28,361,476 from $31,009,346 in 2024, of which governmental activities totaled $26,531,013 and business-type activities totaled $1,830,463.
- Overall expenses increased $1,600,570 (8.67%) to $19,850,381 from $18,249,811 in 2024, of which governmental activities totaled $19,453,501 and business-type activities totaled $396,880.
- As of December 31, 2025, the City's governmental funds reported combined ending fund balances of $34,786,399. At December 31, 2025, the unassigned fund balance is $5,725,493.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Net Position

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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 discretely presented component unit in its government-wide financial statements: Downtown Development Authority of Holly Springs, and two blended component units: Holly Springs Parks and Recreation Authority and Urban Redevelopment Agency of the City of Holly Springs, Georgia.

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

FUND FINANCIAL STATEMENTS

The Fund Financial statements begin on page 19 and provide detailed information about the City's funds. Some funds are required to be established by state law and by bond covenants. However, the City establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

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

The City maintains four governmental fund types: General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Four individual funds are considered to be major funds: General Fund, SPLOST VI Fund, Urban Redevelopment Agency Fund, and Debt Service Fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 16 through 21 of this report.

Proprietary Funds

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

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

Notes to Financial Statements

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

The notes to financial statements can be found on pages 25 through 53 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 budgets 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 54 through 56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

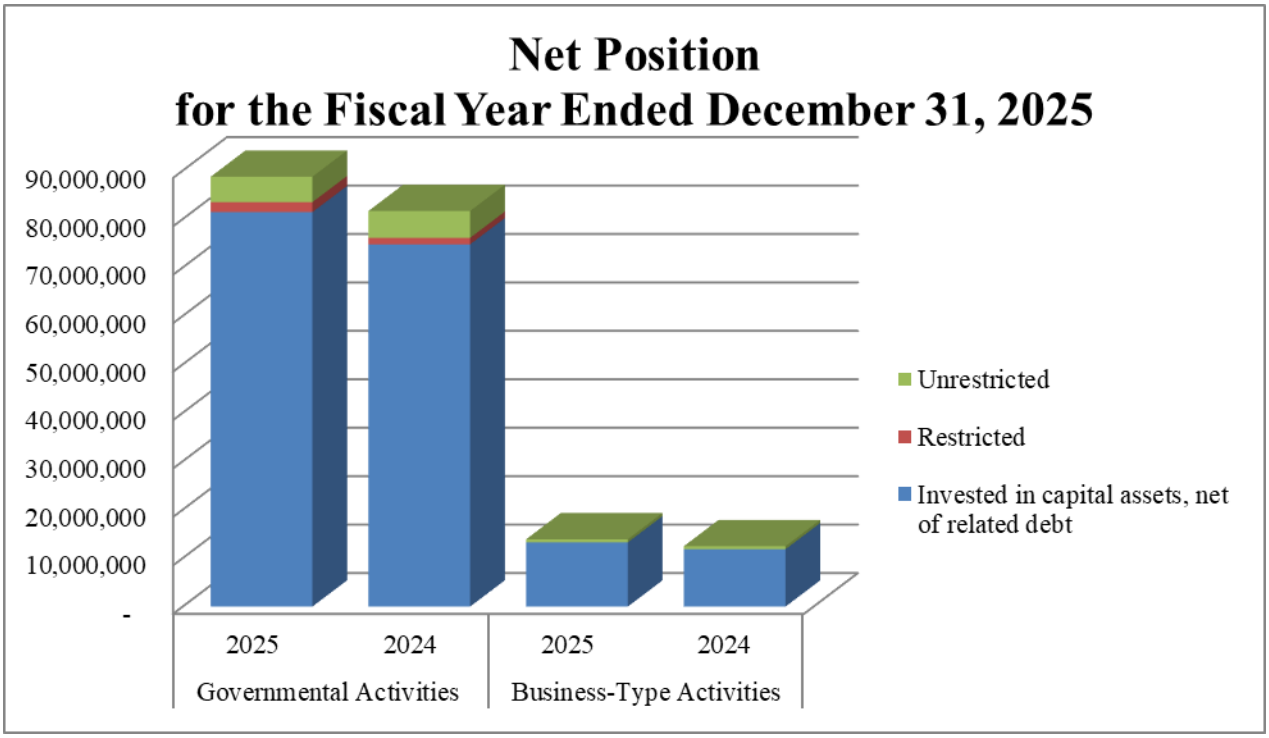
Net position may serve over time as a useful indicator of a government's financial position. The City's combined net position (governmental and business-type activities) totaled $102,634,953 at December 31, 2025.

Combined net position includes a net investment in capital assets of $94,794,584 (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 $1,941,673 of restricted net position that is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. The City has $5,898,696 in unrestricted net position at December 31, 2025.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 46,335,137	$ 27,491,596	$ 660,489	$ 640,507	$ 46,995,626	$ 28,132,103
Capital assets	112,889,614	105,675,468	13,310,090	11,969,145	126,199,704	117,644,613
Total asssets	159,224,751	133,167,064	13,970,579	12,609,652	173,195,330	145,776,716
Deferred outflows of resources	683,051	604,049	8,016	8,515	691,067	612,564
Current liabilities	6,136,731	7,251,194	69,406	141,261	6,206,137	7,392,455
Non-current liabilities	55,033,278	36,112,836	14,363	13,921	55,047,641	36,126,757
Total liabilities	61,170,009	43,364,030	83,769	155,182	61,253,778	43,519,212
Deferred inflows of resources	9,997,666	8,744,468	-	1,742	9,997,666	8,746,210
Net position:						
Net investment in capital assets	81,432,610	74,777,370	13,251,277	11,836,619	94,683,887	86,613,989
Restricted	2,052,370	1,343,276	-	-	2,052,370	1,343,276
Unrestricted	5,255,147	5,541,969	643,549	624,624	5,898,696	6,166,593
Total net position	$ 88,740,127	$ 81,662,615	$ 13,894,826	$ 12,461,243	$ 102,634,953	$ 94,123,858

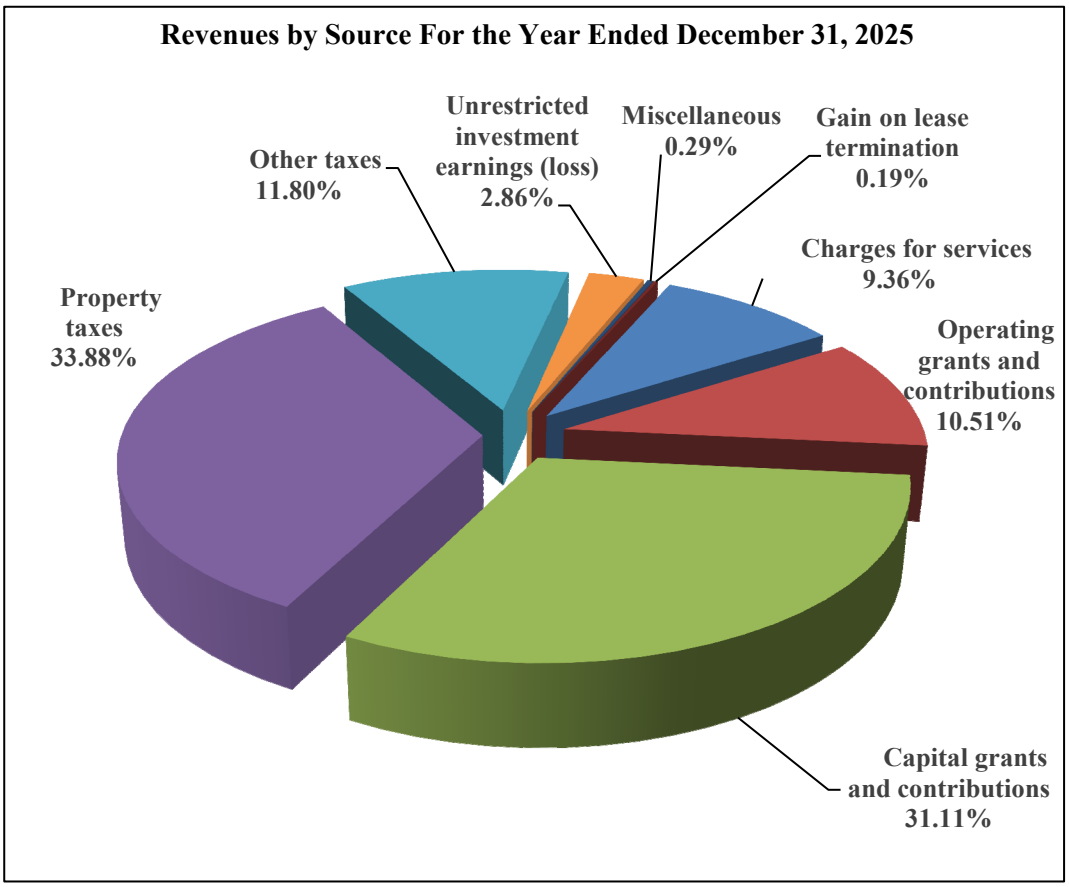
City of Holly Springs' Net Position

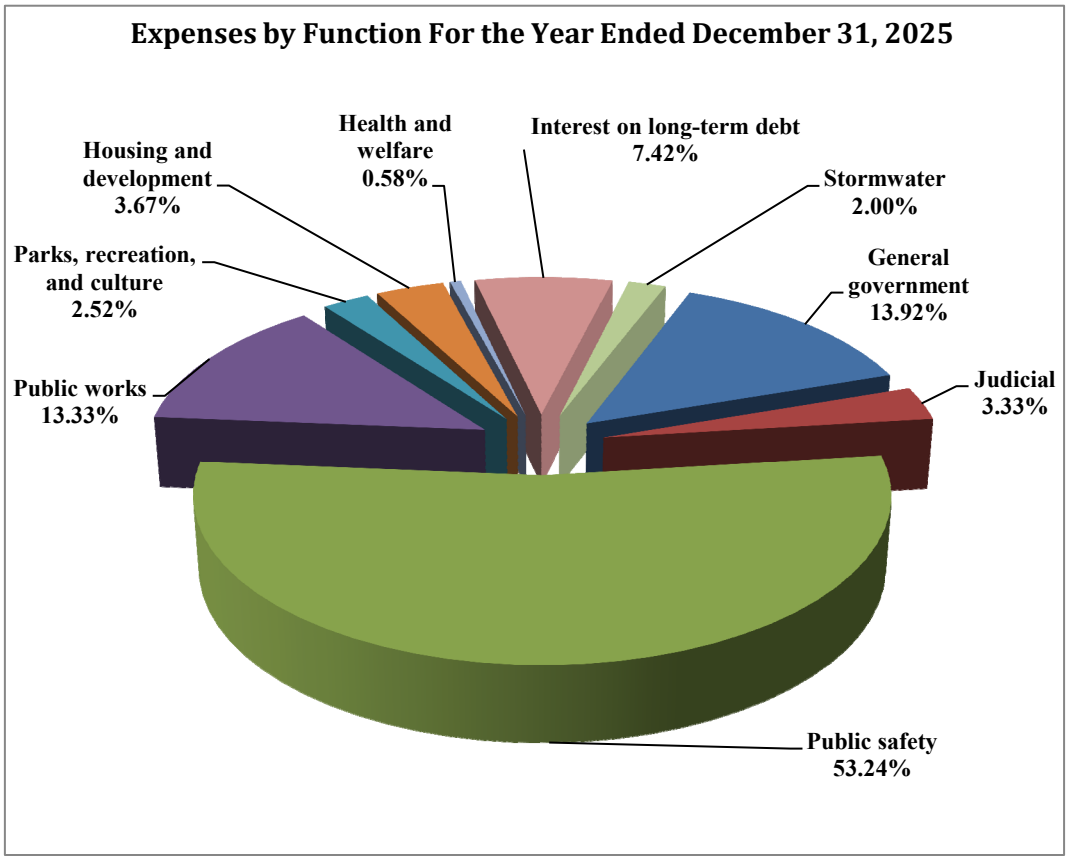
As of December 31, 2025, the City of Holly Springs is able to present positive balances in net position for its governmental and business-type activities.



City of Holly Springs' Changes in Net Position

Revenues	Governmental Activity		Business-Type Activities		Total	
Program Revenues:	2025	2024	2025	2024	2025	2024
Charges for services	$ 1,959,609	$ 2,106,789	$ 695,590	$ 633,098	$ 2,655,199	$ 2,739,887
Operating grants and contributions	2,981,031	984,955	-	-	2,981,031	984,955
Capital grants and contributions	7,687,134	11,832,602	1,134,873	2,749,739	8,822,007	14,582,341
General Revenues:						
Property taxes	9,609,138	8,416,586	-	-	9,609,138	8,416,586
Other taxes	3,347,073	3,097,431	-	-	3,347,073	3,097,431
Unrestricted investment earnings (loss)	810,570	1,049,481	-	-	810,570	1,049,481
Miscellaneous	82,292	138,665	-	-	82,292	138,665
Gain on lease termination	54,166	-	-	-	54,166	-
Total revenues	26,531,013	27,626,509	1,830,463	3,382,837	28,361,476	31,009,346
Expenses						
General government	2,763,757	2,233,337	-	-	2,763,757	2,233,337
Judicial	660,225	634,073	-	-	660,225	634,073
Public safety	10,568,118	10,381,857	-	-	10,568,118	10,381,857
Public works	2,646,048	2,273,275	-	-	2,646,048	2,273,275
Parks, recreation, and culture	500,210	326,374	-	-	500,210	326,374
Housing and development	727,961	703,900	-	-	727,961	703,900
Health and welfare	114,978	107,493	-	-	114,978	107,493
Interest on long-term debt	1,472,204	1,242,854	-	-	1,472,204	1,242,854
Stormwater	-	-	396,880	346,648	396,880	346,648
Total expenses	19,453,501	17,903,163	396,880	346,648	19,850,381	18,249,811
Increase (decrease) in net position before transfers	7,077,512	8,589,894	1,433,583	4,169,641	8,511,095	12,759,535
Transfers	-	(1,133,452)	-	1,133,452	-	-
	-	(1,133,452)	-	1,133,452	-	-
Beginning net position as restated	81,662,615	73,072,721	12,461,243	8,291,602	94,123,858	81,364,323
Ending net position	$ 88,740,127	$ 81,662,615	$ 13,894,826	$ 12,461,243	$ 102,634,953	$ 94,123,858


Revenues by Source For the Year Ended December 31, 2025
Unrestricted investment earnings (loss) 2.86%
Miscellaneous 0.29%
Gain on lease termination 0.19%
Other taxes 11.80%
Charges for services 9.36%
Property taxes 33.88%
Operating grants and contributions 10.51%
Capital grants and contributions 31.11%


Expenses by Function For the Year Ended December 31, 2025
Health and welfare 0.58%
Interest on long-term debt 7.42%
Housing and development 3.67%
Stormwater 2.00%
Parks, recreation, and culture 2.52%
General government 13.92%
Public works 13.33%
Judicial 3.33%
Public safety 53.24%

Governmental Activities

The governmental activities of the City increased net position by $7,077,512. The primary focus of the governmental activities of the City is to maintain and improve city-wide infrastructure as well as to provide public safety, judicial services, health and welfare services, parks and recreation opportunities, and community development and zoning services for our residents. The explanations for significant changes in net position are summarized below.

Revenues

Property tax revenues increased by $1,192,552 (14.17%) in 2025 from 2024 due to growth in the tax digest and millage rate. Charges for services decreased $147,180 (6.99%) due to a decrease in the number of building permits issued during 2025 for residential and commercial projects. Operating Grants and Contributions increased $1,996,076 (202.66%) due an increase in grant funding through the State Road and Tollway Authority (SRTA), an increase in proceeds from the sale of property as transfers from the Downtown Development Authority to the Debt Service Fund and increased funding through the American Rescue Plan Act for public safety expenses. The City of Holly Springs accepted more developer-constructed infrastructure than the prior fiscal year. The contribution of road infrastructure by developers in FY2025 was Magnolia Trace Phases 1, 2 and 3, Pebblewood Grove, Town Walk, Edgewater Phase 5, and Province.

Expenses

General government expenses increased $530,420 (23.75%) in 2025 from 2024 due to increased personnel costs. Judicial expenses increased $26,152 (4.12%) in 2025 from 2024 due to additional court sessions during 2025. Public safety expenses increased $186,261 (1.79%) primarily due to increased personnel costs. Public works expenses increased $372,773 (16.40%) in 2025 from 2024 due to an increase in maintenance costs incurred for city infrastructure. Health and welfare expenses increased $7,485 (6.96%) due to an increase in funding from the Atlanta Regional Commission for the Workforce Innovation Opportunity Act (WIOA) Youth Grant Programs. Parks, recreation, and culture expenses increased $173,836 (53.26%) in 2025 from 2024 due to major capital projects being completed in 2025.

Business-Type Activities

The business-type activities of the City increased net position by $1,433,583. The primary focus of the business-type activities of the City is to maintain and improve city-wide stormwater infrastructure. The explanations for significant changes in net position are summarized below.

Revenues

Charges for services increased by $62,492 (9.87%) in 2025 from 2024 due to growth in the tax digest which resulted in additional stormwater utility fees being collected from property owners. Capital grants and contributions decreased $1,614,866 (58.73%) due to a decrease in the number of roads that were accepted by the City resulting in reduced developer-constructed infrastructure in 2025. The contribution of road infrastructure by developers in FY2025 was Magnolia Trace Phases 1, 2 and 3, Pebblewood Grove, Town Walk, Edgewater Phase 5, and Province. Transfers decreased by $1,133,452 (100%) in 2025 compared to 2024. The decrease was due to transfers recorded in the prior year that did not recur in the current year, including a transfer for construction-in-progress costs associated with projects completed using ARPA funds and a transfer from the General Fund to cover project costs.

Expenses

Stormwater expenses increased $50,232 (14.49%) in 2025 from 2024 due to increased personnel costs and project expenses.

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, 2025, the City's governmental funds reported combined ending fund balances of $34,786,399.

Major Governmental Funds

The General Fund is the operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was $6,020,712, which was comprised of nonspendable fund balance of $217,034 and unassigned fund balance of $5,803,678. Fund balance in the General Fund decreased $311,538 (4.92%) in 2025 from 2024. The primary reason for the decrease was the result of transfers to the Debt Service Fund.

The SPLOST VI Fund is a capital projects fund of the City. The purpose of this fund is to account for the collection of special purpose local option sales tax (SPLOST) and the construction of approved capital projects. At the end of the current fiscal year, the fund balance of the SPLOST VI Fund was $1,129,462, which was comprised of nonspendable fund balance of $455,511 and restricted fund balance of $673,951. Fund balance in the SPLOST VI Fund increased $763,054 in 2025 from 2024 due to a reduction in project construction costs incurred during the year.

The Urban Redevelopment Agency Fund is a blended component unit of the City of Holly Springs. The Agency was created July 15, 2019, with the primary focus of revitalization and promotion of development within the Town Center District. The Urban Redevelopment Agency had previously issued bonds in 2019, 2020, 2021, and 2023, with the latest issuance on September 4, 2025, in the amount of $19,690,000. The restricted fund balance at year-end was $27,001,791.

The Debt Service Fund accounts for the retirement of principal and interest on city-issued debt instruments. In 2019, the City of Holly Springs General Fund transferred $2,179,368 to the Debt Service Fund to retire future debt. The City of Holly Springs will transfer the proceeds of land sales into the Debt Service Fund in future years to retire debt issued for the construction of the Town Center Project. Assigned fund balance at year end was $42,662.

Nonmajor 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 five nonmajor special revenue funds: Parks and Recreation Fund, Tax Allocation District Fund, Hotel/Motel Tax Fund, Multiple Grant Fund, and the American Rescue Plan Act of 2021 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 one nonmajor capital projects fund: Town Center Fund.

Nonmajor governmental funds revenues totaled $3,096,936 for the fiscal year ended December 31, 2025. Nonmajor governmental fund expenditures totaled $4,039,074. Fund balance for all nonmajor governmental funds was

$591,772. Nonmajor fund balances decreased $594,443 primarily due to an increase in project expenditures in the American Rescue Plan Act of 2021 Fund.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The City has one enterprise fund: The Stormwater Utility Fund.

The Stormwater Utility Fund has a net position of $13,894,826 at December 31, 2025, an increase of $1,433,583 over 2024. Net investment in capital assets is $13,251,277 and the unrestricted net position is $643,549. Net position increased in 2025 due to the contribution of stormwater infrastructure from developers in Magnolia Trace Phases 1, 2 and 3, Pebblewood Grove, Town Walk, Edgewater Phase 5, and Province.

GENERAL FUND BUDGETARY HIGHLIGHTS

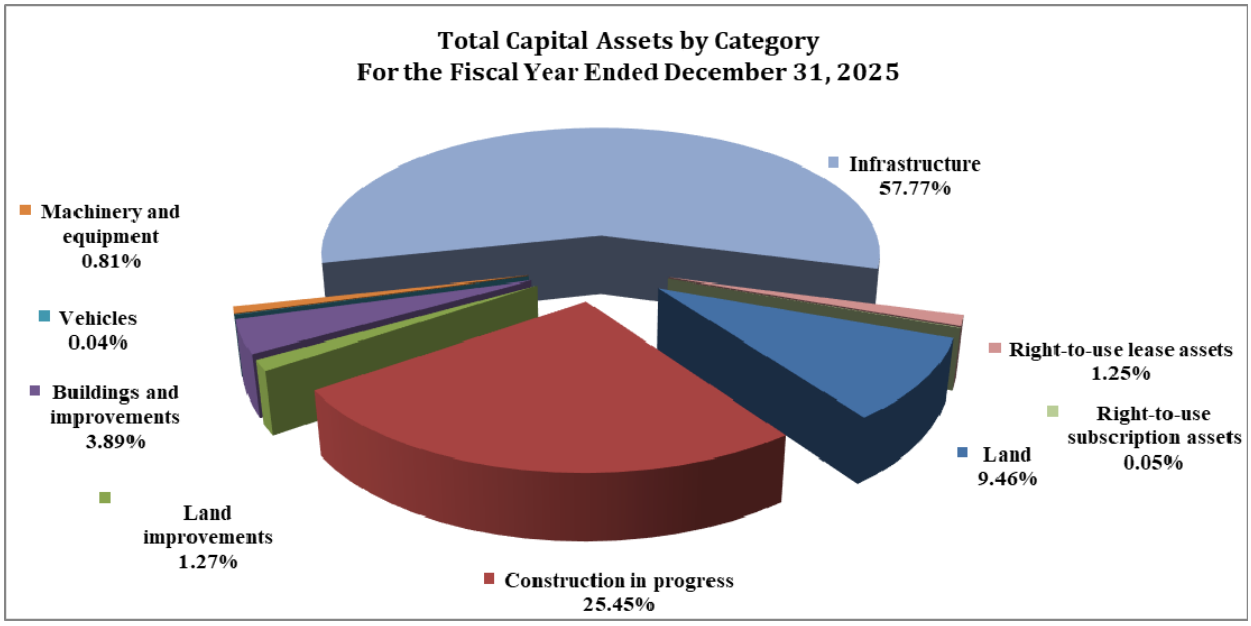
The City's comparison of actual revenues and expenditures in the General Fund to the adopted budget can be found on page 54 of the annual report. In 2025, the City had a net unfavorable budget variance of ($311,538). There was a shortfall in anticipated revenues in 2025 due to a reduction in the issuance of building permits. In addition, there was an increase in transfers to other funds. Management continues to operate under a conservative budget to ensure that the City of Holly Springs maintains a sufficient budget stabilization fund to cover unexpected expenditures and emergencies as they arise during the course of normal operations.

CAPITAL ASSETS

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 11,912,161	$ 11,555,000	$ 32,012	$ 32,012	$ 11,944,173	$ 11,587,012
Construction in progress	32,119,179	28,171,619	-	610,320	32,119,179	28,781,939
Land improvements	1,607,102	1,702,395	-	-	1,607,102	1,702,395
Buildings and improvements	4,905,691	5,045,899	-	-	4,905,691	5,045,899
Vehicles	51,598	92,677	-	-	51,598	92,677
Machinery and equipment	922,578	947,384	102,207	128,894	1,024,785	1,076,278
Infrastructure	59,729,510	56,467,100	13,175,871	11,197,919	72,905,381	67,665,019
Right-to-use lease assets	1,578,192	1,600,305	-	-	1,578,192	1,600,305
Right-to-use subscruption assets	63,603	93,089	-	-	63,603	93,089
	$ 112,889,614	$ 105,675,468	$ 13,310,090	$ 11,969,145	$ 126,199,704	$ 117,644,613

See Note 1-H in the notes to the financial statements for the City's policies regarding capital assets. Note 7 in the notes to the financial statements provides a summary of capital asset activity for the year ended December 31, 2025.



LONG-TERM DEBT

The table below represents long-term debt outstanding as of December 31, 2025 and 2024:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Bonds payable						
direct placement	$ 10,131,237	$ 11,437,264	$ -	$ -	$ 10,131,237	$ 11,437,264
Revenue bonds payable	35,095,000	16,235,000	-	-	35,095,000	16,235,000
Bonds premium	1,698,967	1,147,186	-	-	1,698,967	1,147,186
	46,925,204	28,819,450	-	-	46,925,204	28,819,450
Notes payable-						
direct placement	9,100,877	8,031,739	-	-	9,100,877	8,031,739
Lease liabilities	1,463,756	1,560,290	-	-	1,463,756	1,560,290
Subscription liabilities	40,913	48,496	-	-	40,913	48,496
Net pension liability	1,223,804	987,608	14,363	13,921	1,238,167	1,001,529
Compensated absences	448,121	419,932	1,566	-	449,687	419,932
Total:	$ 59,202,675	$ 39,867,515	$ 15,929	$ 13,921	$ 59,218,604	$ 39,881,436

The City reported long-term debt of $59,202,675 as of December 31, 2025 exclusive of interest expense. The City has no general obligation debt outstanding at December 31, 2025. See Note 9 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, 2025.

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 2026 is $17,500,000. This is more than the amended budget from the prior year. The City of Holly Springs continues to prepare conservative budgets and has established a budget stabilization reserve to ensure the City has sufficient operating funds in the event of unforeseen circumstances. The City also plans to set the millage rate for maintenance and operations at 4.945 mills in 2026 and adopt the millage rate for the Fire District as proposed by the Cherokee County Board of Commissioners.

The City anticipates continued growth in 2026 in the commercial sector at Exits 11 and 14 on I-575 due to the opening of the Northwest Corridor Project along the interstate that includes reversible toll lanes for area residents. The City completed Phase I of the Holly Springs Parkway Widening Project in the summer of 2019. The City applied for funding from the State Road and Tollway Authority (SRTA) through the Georgia Transportation Infrastructure Bank (GTIB) in 2020 and 2021 for additional funding for the construction of Phases II and III of the Holly Springs Parkway Widening Project. On June 23, 2020, Governor Brian Kemp announced that the City of Holly Springs had been awarded $1.25 million in grant funds and $3.5 million in loan funds for Phase II of the Project. On February 25, 2021, Governor Kemp announced that the City of Holly Springs had been awarded a $6 million loan through GTIB for Phase III of the Project. The City sent out a request for bids for the Holly Springs Parkway Widening Project Phase III in the summer of 2024. The contract was awarded to Summit Construction and Development, LLC. Upon completion, the Holly Springs Parkway Widening Project will include a four-lane highway with a median as well as sidewalks and pedestrian lamp posts. The projects will improve traffic flow in the area and provide opportunities for additional development within the corridor.

The City of Holly Springs and the Downtown Development Authority of Holly Springs have been assembling and acquiring blighted property within the Town Center District since 2008. The City plans to construct a mixed-use development referred to as the Holly Springs Town Center Project on the site which will include a new City Hall, parking deck, amphitheater, open space, and ancillary structures. In addition, the City entered into a contract in the summer of 2021 for the sale of land to the private sector for the construction of single-family houses, townhomes, an apartment building, multi-use buildings with lofts over retail, restaurants, and a beer garden. The City has also constructed road improvements in the area as well as water, stormwater, and sanitary sewer infrastructure to accommodate the development of the project. The City received bids for the site work for the Town Center Project on June 17, 2021, and issued the notice to proceed to Vertical Earth, Inc. on August 5, 2021 in the amount of $6,645,849. Vertical construction of the parking deck was completed in June 2024. Upon completion, the private sector components of the Town Center Project will include 65 fee-simple residential units, over 35,000 square feet of commercial space, and approximately 200 market-rate apartments. The public sector components will include a 30,000 square foot City Hall, 323 spaces in the public parking deck as well as the amphitheater, park area and plazas.

FINANCIAL CONTACT

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

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Net Position
December 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 12,235,672	$ 629,058	$ 12,864,730	$ 4,180
Investments	4,387,380	-	4,387,380	109,954
Taxes receivable, net of allowances	465,280	-	465,280	-
Accounts receivable, net of allowances	896,812	-	896,812	217
Deposits	200	-	200	-
Due from other governments	590,975	-	590,975	-
Internal balances	(31,431)	31,431	-	-
Restricted cash	27,001,637	-	27,001,637	-
Lease receivable, due within one year	2,272	-	2,272	-
Lease receivable, due in more than one year	113,795	-	113,795	-
Prepaid items	672,545	-	672,545	-
Total Current Assets	46,335,137	660,489	46,995,626	114,351
Noncurrent Assets:				
Capital Assets:				
Nondepreciable capital assets	44,031,340	32,012	44,063,352	-
Depreciable capital assets, net	68,858,274	13,278,078	82,136,352	625,661
Total Noncurrent Assets	112,889,614	13,310,090	126,199,704	625,661
TOTAL ASSETS	159,224,751	13,970,579	173,195,330	740,012
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	683,051	8,016	691,067	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	683,051	8,016	691,067	-
LIABILITIES				
Current Liabilities:				
Accounts payable	1,174,993	66,394	1,241,387	-
Deposits payable	2,100	-	2,100	-
Retainage payable	21,215	-	21,215	-
Accrued salaries and payroll taxes	185,294	1,446	186,740	-
Accrued interest payable	509,274	-	509,274	-
Compensated absences payable, current portion	336,091	1,566	337,657	-
Lease liability, current portion	648,430	-	648,430	-
Subscription liability, current portion	31,091	-	31,091	-
Notes payable, current portion	812,758	-	812,758	-
Bonds payable, current portion	2,341,027	-	2,341,027	-
Unearned revenue	74,458	-	74,458	-
Total Current Liabilities	6,136,731	69,406	6,206,137	-
Noncurrent Liabilities:				
Compensated absences payable	112,030	-	112,030	-
Lease liability	815,326	-	815,326	-
Subscription liability	9,822	-	9,822	-
Notes payable	8,288,119	-	8,288,119	-
Bonds payable	44,584,177	-	44,584,177	-
Net pension liability	1,223,804	14,363	1,238,167	-
Total Noncurrent Liabilities	55,033,278	14,363	55,047,641	-
TOTAL LIABILITIES	61,170,009	83,769	61,253,778	-
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues - property taxes	9,886,190	-	9,886,190	-
Deferred revenues - leases	111,476	-	111,476	-
TOTAL DEFERRED INFLOWS OF RESOURCES	9,997,666	-	9,997,666	-
NET POSITION				
Net investment in capital assets	81,432,610	13,251,277	94,683,887	625,661
Restricted for:				
Capital projects	2,006,792	-	2,006,792	-
Tourism	8,206	-	8,206	-
Grants	37,372	-	37,372	-
Unrestricted	5,255,147	643,549	5,898,696	114,351
TOTAL NET POSITION	$ 88,740,127	$ 13,894,826	$ 102,634,953	$ 740,012

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Activities
For the Year Ended December 31, 2025

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 2,763,757	$ 77,780	$ 403,974	$ 1,829,793
Judicial	660,225	1,143,306	-	-
Public safety	10,568,118	26,970	-	182,979
Public works	2,646,048	-	2,577,057	5,005,764
Parks, recreation, and culture	500,210	1,130	-	302,639
Housing and development	727,961	710,423	-	-
Health and welfare	114,978	-	-	365,959
Interest on long-term debt	1,472,204	-	-	-
Total Governmental Activities	19,453,501	1,959,609	2,981,031	7,687,134
Business-Type Activities:				
Stormwater	396,880	695,590	-	1,134,873
Total Business-Type Activities	396,880	695,590	-	1,134,873
Total - Primary Government	$ 19,850,381	$ 2,655,199	$ 2,981,031	$ 8,822,007
Component Unit:				
Downtown Development Authority	$ 404,864	$ -	$ -	$ -
Total - Component Unit	$ 404,864	$ -	$ -	$ -

GENERAL REVENUES:
- Taxes:
  - Property
  - Sales
  - Insurance premium
  - Franchise
  - Business and occupation
  - Hotel/motel
- Unrestricted investment earnings
- Miscellaneous
- Gain on sale of assets
- Gain on lease termination

Total General Revenues

Change in Net Position

NET POSITION BEGINNING OF YEAR

NET POSITION END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
$ (452,210)	$ -	$ (452,210)	$ -
483,081	-	483,081	-
(10,358,169)	-	(10,358,169)	-
4,936,773	-	4,936,773	-
(196,441)	-	(196,441)	-
(17,538)	-	(17,538)	-
250,981	-	250,981	-
(1,472,204)	-	(1,472,204)	-
(6,825,727)	-	(6,825,727)	-
-	1,433,583	1,433,583	-
-	1,433,583	1,433,583	-
(6,825,727)	1,433,583	(5,392,144)	-
-	-	-	(404,864)
-	-	-	(404,864)
9,609,138	-	9,609,138	-
435,510	-	435,510	-
1,788,749	-	1,788,749	-
959,678	-	959,678	-
157,144	-	157,144	-
5,992	-	5,992	-
810,570	-	810,570	4,099
82,292	-	82,292	-
-	-	-	282,462
54,166	-	54,166	-
13,903,239	-	13,903,239	286,561
7,077,512	1,433,583	8,511,095	(118,303)
81,662,615	12,461,243	94,123,858	858,315
$ 88,740,127	$ 13,894,826	$ 102,634,953	$ 740,012

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	SPLOST VI Fund	Urban Redevelopment Agency Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 10,418,458	$ 1,072,922	$ 154	$ 42,662	$ 701,476	$ 12,235,672
Investments	4,387,380	-	-	-	-	4,387,380
Receivables (net of allowance for uncollectible):						
Taxes	464,724	-	-	-	556	465,280
Accounts	834,801	17,892	-	-	44,119	896,812
Deposits	-	-	-	-	200	200
Due from other funds	24,513	-	-	-	-	24,513
Restricted cash	-	-	27,001,637	-	-	27,001,637
Lease receivable	-	-	-	-	116,067	116,067
Intergovernmental receivable	88,913	397,008	-	-	105,054	590,975
Prepaid items	217,034	455,511	-	-	-	672,545
TOTAL ASSETS	$ 16,435,823	$ 1,943,333	$ 27,001,791	$ 42,662	$ 967,472	$ 46,391,081
LIABILITIES						
Accounts payable	$ 162,618	$ 795,979	$ -	$ -	$ 216,396	$ 1,174,993
Due to other funds	31,431	-	-	-	24,513	55,944
Deposits payable	-	-	-	-	2,100	2,100
Retainage payable	-	-	-	-	21,215	21,215
Accrued liabilities	185,294	-	-	-	-	185,294
Unearned revenue	74,458	-	-	-	-	74,458
TOTAL LIABILITIES	453,801	795,979	-	-	264,224	1,514,004
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	9,886,190	-	-	-	-	9,886,190
Unavailable revenue - property taxes	23,466	-	-	-	-	23,466
Deferred revenue - leases	-	-	-	-	111,476	111,476
Unavailable revenue - assessments	-	17,892	-	-	-	17,892
Unavailable revenue - municipal court fines	51,654	-	-	-	-	51,654
TOTAL DEFERRED INFLOWS OF RESOURCES	9,961,310	17,892	-	-	111,476	10,090,678
FUND BALANCES						
Nonspendable:						
Prepaid items	217,034	455,511	-	-	-	672,545
Restricted:						
Tourism	-	-	-	-	8,206	8,206
Grant purposes	-	-	-	-	37,372	37,372
Capital projects	-	673,951	27,001,791	-	404,796	28,080,538
Committed for culture and recreation	-	-	-	-	219,583	219,583
Assigned:						
Capital projects	-	-		-	-	-
Debt service	-	-	-	42,662	-	42,662
Unassigned (deficit)	5,803,678	-	-	-	(78,185)	5,725,493
TOTAL FUND BALANCES (DEFICIT)	6,020,712	1,129,462	27,001,791	42,662	591,772	34,786,399
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 16,435,823	$ 1,943,333	$ 27,001,791	$ 42,662	$ 967,472	

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.	112,889,614
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	93,012
Deferred outflows and inflows of resources as well as the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.	(540,753)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(58,488,145)
Net position of governmental activities	$ 88,740,127

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2025

	General Fund	*(Previously Major)* American Rescue Plan Fund	*(Previously Nonmajor)* SPLOST VI Fund	*(Previously Major)* Town Center Fund	Urban Redevelopment Agency Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES								
Taxes	$ 12,514,632	$ -	$ -	$ -	$ -	$ -	$ 441,502	$ 12,956,134
Licenses and permits	649,617	-	-	-	-	-	-	649,617
Intergovernmental	-	-	4,346,482	-	-	282,462	2,577,057	7,206,001
Charges for services	193,830	-	-	-	-	-	1,130	194,960
Fines and forfeitures	1,095,178	-	-	-	-	-	-	1,095,178
Investment earnings	343,804	-	7,488	-	466,766	-	29,914	847,972
Contributions	10	-	-	-		-	-	10
Miscellaneous	34,959	-	-	-	-	-	47,333	82,292
TOTAL REVENUES	14,832,030	-	4,353,970	-	466,766	282,462	3,096,936	23,032,164
EXPENDITURES								
Current:								
General government	2,291,214	-	-	-	-	-	101,196	2,392,410
Judicial	659,237	-	-	-	-	-	-	659,237
Public safety	7,961,160	-	-	-	-	-	1,961,478	9,922,638
Public works	594,471	-	-	-	-	-	-	594,471
Parks, culture, and recreation	12,229	-	-	-	-	-	329,369	341,598
Health and welfare	-	-	-	-	-	-	114,978	114,978
Housing and development	700,523	-	-	-	-	-	6,694	707,217
Capital outlay	-	-	5,119,159	-	-	-	1,525,359	6,644,518
Debt service:								
Principal	557,248	-	342,950	-	-	2,608,766	-	3,508,964
Interest	127,033	-	50,217	-	-	1,178,451	-	1,355,701
Issuance costs	-	-	-	-	371,143	-	-	371,143
TOTAL EXPENDITURES	12,903,115	-	5,512,326	-	371,143	3,787,217	4,039,074	26,612,875
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,928,915	-	(1,158,356)	-	95,623	(3,504,755)	(942,138)	(3,580,711)
OTHER FINANCING SOURCES (USES)								
Issuance of notes payable	-	-	1,841,258	-	-	-	-	1,841,258
Issuance of bonds	-	-	-	-	19,690,000	-	-	19,690,000
Premium on bonds issued	-	-	-	-	690,238	-	-	690,238
Issuance of lease	445,034	-	80,152	-	-	-	-	525,186
Issuance of subscription liabilities	25,680	-	-	-	-	-	-	25,680
Transfers in	-	-	-	-	-	3,504,137	1,611,406	5,115,543
Transfers out	(2,750,467)	-	-	-	(1,441,005)	-	(924,071)	(5,115,543)
Proceeds from sale of capital assets	39,300	-	-	-	-	-	-	39,300
TOTAL OTHER FINANCING SOURCES (USES)	(2,240,453)	-	1,921,410	-	18,939,233	3,504,137	687,335	22,811,662
NET CHANGE IN FUND BALANCES	(311,538)	-	763,054	-	19,034,856	(618)	(254,803)	19,230,951
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	6,332,250	79,550	-	(52,782)	7,966,935	43,280	1,186,215	15,555,448
Adjustment - change within reporting entity	-	(79,550)	366,408	52,782	-	-	(339,640)	-
FUND BALANCES - BEGINNING OF YEAR AS ADJUSTED	6,332,250	-	366,408	-	7,966,935	43,280	846,575	15,555,448
FUND BALANCES - END OF YEAR	$ 6,020,712	$ -	$ 1,129,462	$ -	$ 27,001,791	$ 42,662	$ 591,772	$ 34,786,399

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	$	19,230,951
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlay exceeded depreciation and amortization in the current period.		3,850,212
Net effect of miscellaneous transactions involving capital assets (i.e., donations, disposals and sales) is to increase net position.		3,363,934
The gain on the early termination of a lease is reported in the Statement of Activities, but because it does not provide current financial resources, it is not reported in the governmental funds.		54,166
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		19,931
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents the net of repayments and issuances of the long-term debt.		(19,263,398)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(178,284)
Change in net position - governmental activities	$	7,077,512

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Net Position
Proprietary Fund
December 31, 2025

	Stormwater Fund
ASSETS	
Current Assets:	
Cash	$ 629,058
Due from other funds	31,431
Total Current Assets	660,489
Noncurrent Assets:	
Capital assets:	
Nondepreciable capital assets	32,012
Depreciable capital assets, net	13,278,078
Total Noncurrent Assets	13,310,090
TOTAL ASSETS	13,970,579
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	8,016
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,016
LIABILITIES	
Current Liabilities:	
Accounts payable	66,394
Accrued salaries and payroll taxes	1,446
Current portion of compensated absences	1,566
Total Current Liabilities	69,406
Noncurrent Liabilities:	
Net pension liability	14,363
Total Noncurrent Liabilities	14,363
TOTAL LIABILITIES	83,769
NET POSITION	
Net investment in capital assets	13,251,277
Unrestricted	643,549
TOTAL NET POSITION	$ 13,894,826

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2025

	Stormwater Fund
OPERATING REVENUES	
Charges for services	$ 695,590
TOTAL OPERATING REVENUES	695,590
OPERATING EXPENSES	
Personal services and employee benefits	52,310
Purchased and contractual services	135,030
Materials and supplies	9,356
Depreciation	200,184
TOTAL OPERATING EXPENSES	396,880
OPERATING INCOME	298,710
INCOME BEFORE CAPITAL CONTRIBUTIONS	298,710
Capital contributions from private sources	1,134,873
CHANGE IN NET POSITION	1,433,583
NET POSITION BEGINNING OF YEAR	12,461,243
NET POSITION - END OF YEAR	$ 13,894,826

See accompanying notes to the basic financial statements.

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

		Stormwater Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	715,358
Cash payments to employees for services		(50,099)
Cash payments for goods and services		(213,083)
NET CASH PROVIDED BY OPERATING ACTIVITIES		452,176
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets		(406,256)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		(406,256)
NET INCREASE IN CASH AND CASH EQUIVALENTS		45,920
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		583,138
CASH AND CASH EQUIVALENTS - END OF YEAR	$	629,058
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	298,710
Adjustments:		
Depreciation		200,184
Decrease in assets and deferred outflows of resources:		
Due from other funds		19,768
Prepaid items		6,170
Deferred outflows of resources (pensions)		499
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable		(74,867)
Accrued salaries and payroll taxes		1,446
Compensated absences		1,566
Deferred inflows of resources (pensions)		(1,742)
Net pension liability		442
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	452,176
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Donated infrastructure	$	1,134,873
TOTAL NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	$	1,134,873

See accompanying notes to the basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City was incorporated in 1906 and operates under a city council/manager form of government. Policy making and legislative authority are vested in the Mayor and five council members. The City Manager is responsible for the daily operations of all City departments. The City provides basic services which include general government, judicial, public safety, public works, health and welfare, culture and recreation, and housing and development. Stormwater management services are also provided.

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

The **Downtown Development Authority of Holly Springs ("DDA")** has been included as a discretely presented component unit in the accompanying financial statements. The DDA was created June 21, 1999, with the primary purpose of promoting development through revitalization of the downtown area of the City. The DDA derives revenue from rent charged on a building contributed to the DDA by the City. The DDA is fiscally dependent on the City for the funding of its obligations and any debt. The City Council appoints all members of the Board of Directors. Financial information related to the DDA may be obtained from the City upon request. Separate financial statements for the DDA are not prepared.

The **Holly Springs Parks and Recreation Authority ("HSPRA")** has been included as a blended component unit in the accompanying financial statements. The HSPRA was created May 17, 2004, with the primary purpose of acquiring real estate for the future development of a city park. The City possesses the authority to review, approve and revise the budget and governs collection and disbursement of funds. The City Council serves as the Board of Directors. Separate financial statements for HSPRA are not prepared. Financial information related to HSPRA may be obtained from the office of the City Manager of the City of Holly Springs.

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The effect of interfund activity has been removed from the government-wide statements, except for interfund services provided and used. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from its legally separate discretely presented *component unit* for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Statement of Activities reports the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses and program revenues identifies the extent to which each program is self-financing or draws from the general revenues of the City.

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

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

The Stormwater Utility, the City's proprietary fund, began operations in January 2010. The Utility was formed to provide stormwater management services and stormwater management systems and facilities in order to reduce pollution and increase water quality within the City. The operations of the Utility are supported by stormwater service fees based on the relative contribution of each customer to the demand for stormwater management services.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental funds:

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

The **Special Purpose Local Option Sales Tax (SPLOST) VI Fund** is used to account for revenues provided by a 2022 referendum authorizing a one percent Special Purpose Local Option Sales Tax for Cherokee County, to be shared with the City. SPLOST VI revenues are to be used for facilities, and improvements in connection with transportation, law enforcement vehicles and equipment, emergency communications system improvements and equipment; parks and recreation facilities; public works and fleet vehicles and equipment; general government buildings; and debt for the financing of such projects.

The **Urban Redevelopment Agency** accounts for the redevelopment and revitalization of the Town Center District within the City.

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, sales taxes, franchise taxes, licenses and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including lease liabilities as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. Capital asset acquisitions, including entering into contracts giving the City the right-to-use leases assets, are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering such services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services provided.

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

D. Cash and Investments

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

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

E. Restricted Assets

The City's unexpended Series 2023 and Series 2025 Urban Redevelopment Agency of the City of Holly Springs, Georgia general obligation debt proceeds are restricted to finance all or a portion of costs of the revitalization of the Town Center District. Proceeds of this bond issuance are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

F. Prepaid Items

Certain payments to vendors for services that will benefit future accounting periods are recorded as prepaid items in both government-wide and governmental fund financial statements. These items are accounted for using the consumption method. Prepaid items reported by governmental funds are also equally offset by fund balance classified as nonspendable, which indicates they do not constitute "available, spendable financial resources" even though they are a component of net current assets.

G. Budgets

Formal budgetary accounting is employed as a management control device for the General Fund, special revenue funds, Debt Service Fund, and capital projects funds of the City. The governmental fund's budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual operating budgets are adopted for the General Fund and each special revenue fund for each fiscal year through passage of an annual budget ordinance and amended as required. The City adopts project-length budgets for the capital projects funds. During the fiscal year ended December 31, 2025, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, machinery and equipment, right-to-use assets, and infrastructure assets (such as roads, bridges, sidewalks, stormwater and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value as of the date donated.

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

Land and construction in progress are not depreciated. Other capital assets of the primary government are depreciated or amortized using the straight-line method over the following estimated useful lives:

Asset Class	Years
Machinery and equipment	3-30
Vehicles	6-15
Right-to-use leased vehicles and equipment	4-6
Land improvements	20-30
Buildings and improvements	20-50
Infrastructure	30-75

I. 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. Sick pay is accumulated and in accordance with GASB Statement No. 101 and an estimate for the time to be used during employment has been accrued. Accordingly, the liability for compensated absences in the government-wide statements consists of unpaid, accumulated vacation leave and sick pay.

J. Long-Term Obligations

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

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

K. Interfund Transactions and Balances

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources

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

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

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

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

M. Fund Balance

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

Fund balances are classified as follows:

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balance (Continued)

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

Unassigned: Fund balances are reported as unassigned as the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. In addition, any remaining deficits in the City's governmental funds which remain after all other fund balances have been exhausted are classified as unassigned. The City reports positive unassigned fund balance only in the General Fund. The City, by ordinance, has created a minimum fund balance policy to be no less than 25% of budgeted expenditures in the General Fund.

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

N. Net Position

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

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

O. Pensions

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

P. Use of Estimates

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Leases

Lessee

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

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

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

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

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

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

Lessor

The City is a lessor for noncancellable leases of property. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements. The City recognizes lease receivables with an initial, individual value of $5,000 or more.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

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

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

Deferred inflows of resources related to leases are reported with other deferred inflows of resources and lease receivables are reported with noncurrent assets on the statement of net position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Subscription-Based Information Technology Arrangements (SBITA)

The City has a noncancellable SBITA of office productivity software. The City recognizes a SBITA liability and an intangible right-to-use SBITA asset on the Statement of Net Position. The City recognizes SBITAs with an initial, individual value of $10,000 or more.

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

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

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City uses the prime rate at the SBITA inception date as the discount rate.
- The City term includes the noncancellable period of the SBITA. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option prices that the SBITA is reasonably certain to exercise.

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

The City reports SBITA assets with capital assets and SBITA liabilities are reported separately on the Statement of Net Position.

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the Government-wide Statement of Net Position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds." The details of this $58,488,145 difference are as follows:

Notes payable	$	(9,100,877)
Bonds payable		(45,226,237)
Premium on issuance of bonds		(1,698,967)
Lease liability		(1,463,756)
Subscription-based IT arrangement liability		(40,913)
Accrued interest payable		(509,274)
Compensated absences		(448,121)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(58,488,145)

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

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

Another element of that reconciliation states that "deferred outflows and inflows of resources as well as the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available resources and, therefore, are not reported in the governmental funds." The details of this $540,753 difference are as follows:

Net pension liability	$ (1,223,804)
Deferred outflows of resources - pension related items	683,051
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (540,753)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense." The details of this $3,850,212 difference are as follows:

Capital outlay	$ 6,379,212
Depreciation and amortization expense	(2,529,000)
Net adjustment to increase *net changes in fund balance - total governmental funds* to arrive at *changes in net position - governmental activities*	$ 3,850,212

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Net effect of miscellaneous transactions involving capital assets (i.e., donations, disposals and sales) is to increase net position." The details of this $3,363,934 difference are as follows:

Donated infrastructure	$	3,303,250
Transfer of capital assets from component units, net book value		121,502
Disposal of capital assets, net book value		(60,818)
Net adjustment to increase *net changes in fund balance - total governmental funds* to arrive at *changes in net position - governmental activities*	$	3,363,934

Another element of that reconciliation explains that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents the repayment of the long-term debt." The details of this $19,263,398 difference are as follows:

Issuance of notes payable	$	(1,841,258)
Issuance of bonds payable		(19,690,000)
Issuance of bonds premium		(690,238)
Issuance of lease liability		(525,186)
Issuance of subscription liability		(25,680)
Repayment of subscription liability		33,263
Repayment of lease liability		567,554
Repayment of bonds payable		2,136,027
Repayment of notes payable		772,120
Net adjustment to decrease *net changes in fund balance - total governmental funds* to arrive at *changes in net position - governmental activities*	$	(19,263,398)

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $178,284 difference are as follows:

Accrued interest	$	254,960
Compensated absences		28,189
Bond premium amortization		(138,457)
Change in net pension liability and related deferred inflows and outflows of resources		33,592
Net adjustment to increase *net changes in fund balance - total governmental funds* to arrive at *changes in net position - governmental activities*	$	178,284

NOTE 3. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

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

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

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

Supplementary appropriations made during the year by the City Council were primarily the result of construction costs attributable to the various ongoing construction projects and transfers to the Debt Service Fund for the retirement of debt issued by the Holly Springs Parks and Recreation Authority and the Urban Redevelopment Agency of the City of Holly Springs, Georgia. All appropriations lapse at year-end.

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

B. Fund Deficits

The Town Center Fund is reporting a deficit fund balance as of December 31, 2025 of $78,185. This deficit will be recovered through transfers from the General Fund in future years.

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes and City policy require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities of the State of Georgia. Amounts that exceed standard depository insurance limits are required to be collateralized either: (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2025, the City had deposits with one (1) financial institutions collateralized by the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks' holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. Additionally, the City had certificates of deposit with other financial institutions that did not individually exceed standard depository insurance limits. As of December 31, 2025, all of the City's deposits with financial institutions were insured and/or collateralized as required by state statutes.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Total deposits and investments as of December 31, 2025, are summarized as follows:

As Reported in the Statement of Net Position		
Cash and cash equivalents	$	12,864,730
Restricted cash and cash equivalents		27,001,637
Investments		4,387,380
	$	44,253,747

Investments of the General Fund consist of ten certificates of deposit and one index-linked certificate of deposit placed with an FDIC-insured financial institution. The certificates are for terms of 5 months, bear interest rates of 4.25%, and have maturities ranging from February 15, 2026 to March 7, 2026. The index-linked certificate of deposit bears no interest rate and matures July 17, 2027.

Fair Value Measurements

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

NOTE 5. RECEIVABLES

The City bills and collects its own property taxes. Property taxes were levied on October 20, 2025, with bills being payable on or before December 20, 2025, after which the account is assessed penalties and interest, or the property is subject to a lien, as applicable. Interest is assessed on the first of each month, and a 5% penalty was assessed on April 20, 2026, with the lien date being February 19, 2026. Property taxes receivable at year-end is based on the tax levy, less amounts collected prior to December 31, 2025. The property taxes levied in October were intended for use in the 2026 budget year. Therefore, the entire 2025 digest levy is included in deferred revenue on the governmental funds' balance sheet and the governmental activities Statement of Net Position. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually for collectability.

Stormwater fees were billed on behalf of the Stormwater Utility Fund by the General Fund in connection with its tax levy on October 20, 2025. Such fees are for the calendar year 2025 and, accordingly, are not deferred at year-end. Stormwater fees receivable at year-end have been reviewed for collectability by management, and the fees owed to the Stormwater Utility Fund by the General Fund at year-end are recorded in the due to/due from accounts of the General Fund and the Stormwater Utility Fund.

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

	General Fund	SPLOST VI Fund	Nonmajor Governmental Funds
Receivables:			
Taxes	$ 464,724	$ -	$ 556
Intergovernmental	88,913	397,008	105,054
Stormwater fees	103,273	-	-
Fines	68,872	-	-
Accounts	751,845	17,892	44,119
Gross receivables	1,477,627	414,900	149,729
Less allowance for uncollectibles	(89,189)	-	-
Net receivables	$ 1,388,438	$ 414,900	$ 149,729

NOTE 6. LEASE RECEIVABLE

The City is a lessor of a lease issued to a third party. The City receives annual payments from the lease ranging from $8,000 to $15,000, which includes the principal and interest components of the payments. The interest rate for the lease is 6.53%. For the current fiscal year, the City recognized $8,000 in lease revenue.

At December 31, 2025, the City's total receivable for future lease payments was $116,067. The City reports a deferred inflow of resources in the amount of $111,476 associated with these lease agreements that will be recognized over the lease term, which terminates in October 2040.

NOTE 7. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 11,555,000	$ 121,502	$ -	$ 235,659	$ 11,912,161
Construction in progress	28,171,619	5,553,021	-	(1,605,461)	32,119,179
Total capital assets, not being depreciated	39,726,619	5,674,523	-	(1,369,802)	44,031,340
Capital assets, being depreciated and amortized:					
Land improvements	2,347,319	16,938	-	-	2,364,257
Buildings and improvements	6,205,446	33,418	-	-	6,238,864
Vehicles	733,932	-	(70,614)	-	663,318
Machinery and equipment	2,319,263	119,155	(31,400)	-	2,407,018
Infrastructure	66,091,141	3,409,064	-	1,369,802	70,870,007
Right-to-use vehicles	1,676,830	445,034	(71,104)	-	2,050,760
Right-to-use equipment	604,117	80,152	-	-	684,269
Subscription assets	144,201	25,680	(35,947)	-	133,934
Total capital assets, being depreciated and amortized	80,122,249	4,129,441	(209,065)	1,369,802	85,412,427
Less accumulated depreciation and amortization for:					
Land improvements	644,924	112,231	-	-	757,155
Buildings and improvements	1,159,547	173,626	-	-	1,333,173
Vehicles	641,255	41,079	(70,614)	-	611,720
Machinery and equipment	1,371,879	143,961	(31,400)	-	1,484,440
Infrastructure	9,624,041	1,516,456	-	-	11,140,497
Right-to-use vehicles	376,381	355,446	(10,286)	-	721,541
Right-to-use equipment	304,261	131,035	-	-	435,296
Subscription assets	51,112	55,166	(35,947)	-	70,331
Total accumulated depreciation	14,173,400	2,529,000	(148,247)	-	16,554,153
Total capital assets, being depreciated and amortized, net	65,948,849	1,600,441	(60,818)	1,369,802	68,858,274
Governmental activities capital assets, net	$ 105,675,468	$ 7,274,964	$ (60,818)	$ -	$ 112,889,614

NOTE 7. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	$ 32,012	$ -	$ -	$ -	$ 32,012
Construction in progress	610,320	406,256	-	(1,016,576)	-
Total capital assets, not being depreciated	642,332	406,256	-	(1,016,576)	32,012
Capital assets, being depreciated:					
Vehicles	21,598	-	-	-	21,598
Machinery and equipment	291,199	-	-	-	291,199
Infrastructure	12,112,671	1,134,873	-	1,016,576	14,264,120
Total capital assets, being depreciated	12,425,468	1,134,873	-	1,016,576	14,576,917
Less accumulated depreciation for:					
Vehicles	21,598	-	-	-	21,598
Machinery and equipment	162,305	26,687	-		188,992
Infrastructure	914,752	173,497	-	-	1,088,249
Total accumulated depreciation	1,098,655	200,184	-	-	1,298,839
Total capital assets, being depreciated, net	11,326,813	934,689	-	1,016,576	13,278,078
Business-type activities capital assets, net	$ 11,969,145	$ 1,340,945	$ -	$ -	$ 13,310,090

Depreciation and amortization expense for the year ended December 31, 2025, was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 70,556
Public safety	604,838
Public works	1,680,335
Culture and recreation	157,821
Housing and development	15,450
Total depreciation and amortization expense - governmental activities	$ 2,529,000
Business-type activities:	
Stormwater Utility	$ 200,184

NOTE 7. CAPITAL ASSETS (CONTINUED)

B. Component Unit – Downtown Development Authority of Holly Springs

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Development Authority:				
Capital assets, not being depreciated:				
Land	$ 747,163	$ -	$ (121,502)	$ 625,661
Total capital assets, not being depreciated	747,163	-	(121,502)	625,661
Development Authority capital assets, net	$ 747,163	$ -	$ (121,502)	$ 625,661

NOTE 8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of December 31, 2025 is as follows:

A. Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Stormwater Utility Fund	General Fund	$ 31,431
General Fund	Multiple Grant Fund	24,513
		$ 55,944

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

NOTE 8. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

B. Transfers to/from Other Funds

Transfers between funds during the year ended December 31, 2025 were as follows:

Transfers In	Transfers Out	Amount
Debt Service Fund	General Fund	$ 2,580,066
Nonmajor governmental funds	General Fund	170,401
Nonmajor governmental funds	Urban Redevelopment Agency Fund	1,441,005
Debt Service Fund	Nonmajor governmental funds	924,071

Transfers are used to provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers to the Debt Service Fund from the General Fund were for debt service payments. The transfers to nonmajor governmental funds from the General Fund were: 1) to TAD for the tax increment and 2) to Town Center Fund to cover project expenditures. The transfers to the Town Center Fund from URA were drawdowns from the URA 2023 Bond and URA 2025 Bond for project expenditures. The transfers to the Debt Service Fund from nonmajor governmental funds were for debt service payments. These were from TAD and Parks and Recreation funds.

NOTE 9. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable - direct placement	$ 11,437,264	$ -	$ (1,306,027)	$ 10,131,237	$ 1,306,027
Revenue bonds payable	16,235,000	19,690,000	(830,000)	35,095,000	1,035,000
Bonds premium	1,147,186	690,238	(138,457)	1,698,967	-
Total bonds payable	28,819,450	20,380,238	(2,274,484)	46,925,204	2,341,027
Notes payable - direct placement	8,031,739	1,841,258	(772,120)	9,100,877	812,758
Lease liabilities	1,560,290	525,186	(621,720) **	1,463,756	648,430
Subscription liability	48,496	25,680	(33,263)	40,913	31,091
Net pension liability	987,608	621,672	(385,476)	1,223,804	-
Compensated absences *	419,932	28,189	-	448,121	336,091
Governmental activities long-term liabilities	$ 39,867,515	$ 23,422,223	$ (4,087,063)	$ 59,202,675	$ 4,169,397
Business-Type Activities:					
Compensated absences *	$ -	$ 1,566	$ -	$ 1,566	$ 1,566
Net pension liability	13,921	4,966	(4,524)	14,363	-
Business-type activities long-term liabilities	$ 13,921	$ 6,532	$ (4,524)	$ 15,929	$ 1,566

* The change in the City's compensated absences liability is presented as a net change.

** Reductions include $567,554 in principal payments and $54,166 from early lease termination.

For governmental activities, the net pension liability is liquidated by the General Fund.

NOTE 9. LONG-TERM DEBT (CONTINUED)

Direct Placement - Notes Payable

During the year ended December 31, 2016, Holly Springs Parks and Recreation Authority issued notes payable in the amount of $3,200,000 for the purpose of purchasing real estate for future park development. Terms of the notes require biannual payments of $179,368 at an interest rate of 2.25% maturing in the year 2026. As of December 31, 2025, the outstanding principal balance is $353,246.

On August 12, 2020, the City of Holly Springs entered into a note payable agreement in the amount of $3,500,000 with the Georgia Transportation Infrastructure Bank (GTIB), which included an accompanying GTIB grant, to fund Phase II of the widening of Holly Springs Parkway. This note is issued in the form of a line of credit whereby no repayment occurs until the time the City draws the funds. As of December 31, 2024, the City has made their final draw and has begun making payments. Terms of the note requires monthly payments of $31,520 at an interest rate of 1.56% maturing in the year 2034 As of December 31, 2025, the outstanding principal balance is $3,146,646.

On April 1, 2021, the City of Holly Springs entered into a note payable agreement in the amount of $6,000,000 with the Georgia Transportation Infrastructure Bank (GTIB), which included an accompanying GTIB grant, to fund Phase III of the widening of Holly Springs Parkway. This note is issued in the form of a line of credit whereby no repayment occurs until the time the City draws the funds. As of December 31, 2025, the City had drawn down $4,000,985 of the available funds. The remaining amount is available for draw as the construction occurs. Terms of the note stipulate that no interest will accrue until the full amount of the note has been drawn down, or until construction is complete, whichever occurs first. Upon the final draw, or completed construction, the note will require 120 monthly payments of principal and interest at 1.63%. The full maturity schedule will be included once the full balance has been drawn down.

On May 24, 2023, Holly Springs Parks and Recreation Authority issued notes payable in the amount of $1,920,000 for the purpose of future park development. Terms of the notes require biannual payments of $64,000 at an interest rate of 4.40% maturing in the year 2038. As of December 31, 2025, the outstanding principal balance is $1,600,000.

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

Year Ending December 31,	Principal	Interest	Total
2026	$ 812,758	$ 122,722	$ 935,480
2027	464,723	105,744	570,467
2028	470,012	94,907	564,919
2029	475,385	83,659	559,044
2030	480,844	72,491	553,335
2031-2035	2,076,170	195,191	2,271,361
2036-2038	320,000	21,417	341,417
Total	$ 5,099,892	$ 696,131	$ 5,796,023

NOTE 9. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

On November 1, 2023, the Urban Redevelopment Agency of the City of Holly Springs, Georgia issued general obligation bonds in the amount of $17,025,000 for the purpose of funding all or a portion of costs of the revitalization of the Town Center District. The bonds carry an interest rate of 5.00% which are payable on May 1 and November 1 of each year and matures on November 1, 2038. The outstanding balance of these bonds at December 31, 2025 is $15,405,000.

On September 4, 2025, the Urban Redevelopment Agency of the City of Holly Springs, Georgia issued general obligation bonds in the amount of $19,690,000 for the purpose of funding all or a portion of costs of the revitalization of the Town Center District. The bonds carry an interest rate of 4.55% which are payable on May 1 and November 1 of each year and matures on November 1, 2055. The outstanding balance of these bonds at December 31, 2025 is $19,690,000.

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

Year Ending December 31,	Principal	Interest	Total
2026	$ 1,035,000	$ 1,915,388	$ 2,950,388
2027	1,235,000	1,714,781	2,949,781
2028	1,295,000	1,655,281	2,950,281
2029	1,360,000	1,592,781	2,952,781
2030	1,425,000	1,527,031	2,952,031
2031-2035	8,290,000	6,531,156	14,821,156
2036-2040	6,605,000	4,322,656	10,927,656
2041-2045	1,895,000	3,055,188	4,950,188
2046-2050	6,480,000	2,345,475	8,825,475
2051-2055	5,475,000	1,368,750	6,843,750
Total	$ 35,095,000	$ 26,028,487	$ 61,123,487

Direct Placement Bonds

On September 30, 2021, the Urban Redevelopment Agency of the City of Holly Springs, Georgia issued general obligation bonds in the amount of $6,756,113 for the purpose of funding various roadwork, sidewalks, streetscapes, stormwater infrastructure, and utility projects. These bonds are issued in the form of a line of credit at the local financial institution whereby no repayment occurs until the time the City draws the funds. Terms of the bonds require semiannual payments at an interest rate of 2.2914% maturing in the year 2036. As of December 31, 2025, the outstanding principal balance is $5,716,709.

On April 14, 2020, the Urban Redevelopment Agency of the City of Holly Springs, Georgia issued general obligation bonds in the amount of $3,000,000 for the purpose of funding the Town Center Road Network, Industrial Connector, and Town Center Projects. These bonds were issued in the form of a line of credit at the local financial institution whereby no repayment occurred until the time the City drew the funds. As of December 31, 2022, the entirety of the amount available had been drawn down by the County. The bonds, which bear an interest rate of 2.35%, mature in June 2035. As of December 31, 2025, the outstanding principal balance is $2,192,307.

On August 14, 2019, the Urban Redevelopment Agency of the City of Holly Springs, Georgia issued general obligation bonds in the amount of $5,000,000 for the purpose of funding the Town Center Road Network, Industrial Connector, and Town Center Projects. The bonds carry an interest rate of 3.10% which are payable on February 14 and August 14 of each year and matures on August 14, 2030. The outstanding balance of these bonds at December 31, 2025 is $2,222,221.

NOTE 9. LONG-TERM DEBT (CONTINUED)

Direct Placement Bonds (Continued)

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

Year Ending December 31,	Principal	Interest	Total
2026	$ 1,306,027	$ 244,363	$ 1,550,390
2027	1,306,027	209,495	1,515,522
2028	1,306,027	292,665	1,598,692
2029	1,306,027	139,758	1,445,785
2030	750,471	109,220	859,691
2031-2035	3,636,969	285,213	3,922,182
2036	519,689	8,939	528,628
Total	$ 10,131,237	$ 1,289,653	$ 11,420,890

Lease Liabilities - In 2025, the City entered lease agreements as lessee for the acquisition and use of vehicles and equipment. An initial lease liability was recorded in the amount of $525,186. As of December 31, 2025, the value of the lease liability was $1,463,756. The City is required to make monthly principal and interest payments in the amounts ranging from $777 to $6,560. The leases have interest rates ranging from 7.25% to 7.95%.

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

Year Ending December 31,	Principal	Interest	Total
2026	$ 648,430	$ 119,171	$ 767,601
2027	523,177	23,006	546,183
2028	198,762	11,407	210,169
2029	93,387	2,642	96,029
Total	$ 1,463,756	$ 156,226	$ 1,619,982

Subscription-Based Information Technology Arrangements (SBITAs) - In 2025, the City entered into a subscription-based information technology arrangement. An initial subscription liability was recorded in the amount of $25,680. As of December 31, 2025, the value of the subscription liability was $40,913. The City is required to make annual principal and interest payments in the amounts ranging from $5,580 to $17,000. The City utilized an incremental borrowing rate of 5.50%.

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

Year Ending December 31,	Principal	Interest	Total
2026	$ 31,091	$ 2,277	$ 33,368
2027	5,013	567	5,580
2028	4,809	291	5,100
Total	$ 40,913	$ 3,135	$ 44,048

NOTE 10. RISK MANAGEMENT

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

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

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

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

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

The remainder of this page is intentionally left blank.

NOTE 11. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City, as authorized by the City Council, has established The City of Holly Springs Retirement Plan (CHSRP), a defined benefit pension plan, covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City makes no investments on behalf of the CHSRP. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized, and may be amended, by City Council, the CHSRP provides pension benefits and death benefits for plan members and beneficiaries. Eligibility for participation is available immediately beginning with the date of employment for all full-time employees who work at least forty (40) hours a week. Elected officials are also covered by the CHSRP. Employee benefits fully vest after five years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 2.0% of final average earnings.

An employee may elect early retirement at the age of 55 provided he has a minimum of ten years total credited service. Retirement between the ages of 55-65 will result in a reduced monthly benefit.

To receive full benefits, an employee must be age 65 with at least five years of service. The benefit is based on the highest five year's average earnings. Employees do not contribute toward the plan.

Plan Membership. At July 1, 2025, the date of the most recent actuarial valuation, there were 139 participants consisting of the following:

Retired participants and beneficiaries	19
Vested former participants	59
Active participants	61
Total	139

Contributions. The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law (Georgia Code Section 47-20-10). The Board of Trustees of GMEBS has adopted an actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan, as adopted by the City Council, is to contribute an amount equal to or greater than the recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Employees do not contribute to the plan. For the year ended December 31, 2025, the City's contribution rate was 8.95% of annual payroll. City contributions to the plan were $360,000 for the year ended December 31, 2025.

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City

Actuarial data developed in connection with the City's actuarial valuation as of July 1, 2025, were used to measure total pension liability as of March 31, 2025 using update procedures performed by the actuary. The balances as of March 31, 2025, constitute measurements of the net pension liability for the year ended December 31, 2025.

Actuarial Assumptions. The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates for healthy retirees and beneficiaries for the July 1, 2025 valuation were based on the Sex-Distinct Pri-2012 Head-Count Weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. For disabled retirees and beneficiaries, the Sex-Distinct Pri-2012 Head-Count Weighted Disabled Retiree Mortality Table with rates multiplied by 1.25 was used.

The methods and assumptions used in the July 1, 2025 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2024 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (1)
Domestic equity	45%	6.60%
International equity	20%	7.03%
Domestic fixed income	20%	2.70%
Real estate	10%	3.40%
Global fixed income	5%	3.70%
Cash	0%	
	100%	

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

Discount Rate. The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the recommended contribution rate as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability. As of March 31, 2025, the expected long-term rate of return remained the same at 7.375%.

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2025 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/24	$ 5,524,212	$ 4,522,683	$ 1,001,529
Changes for the year:			
Service cost	234,441	-	234,441
Interest	421,485	-	421,485
Differences between expected and actual experience	199,516	-	199,516
Contributions—employer	-	390,000	(390,000)
Net investment income	-	239,091	(239,091)
Benefit payments, including refunds of employee contributions	(87,205)	(87,205)	-
Administrative expense	-	(10,287)	10,287
Net changes	768,237	531,599	236,638
Balances at 12/31/25	$ 6,292,449	$ 5,054,282	$ 1,238,167

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.375%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.375%) or 1 percentage-point higher (8.375%) than the current rate:

	1% Decrease 6.375%	Current Discount Rate - 7.375%	1% Increase 8.375%
City's net pension liability	$ 2,174,869	$ 1,238,167	$ 467,008

Changes in the Net Pension Liability of the City. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2025.

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended December 31, 2025, the City recognized pension expense of $422,791. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
City contributions made subsequent to the measurement period	$ 270,000
Experience differences	340,984
Net difference between projected and actual earnings on pension plan investments	80,083
Total	$ 691,067

City contributions subsequent to the measurement date of $270,000 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	
2025	$ 228,491
2026	173,436
2027	(1,909)
2028	21,049
Total	$ 421,067

NOTE 12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (the "City of Holly Springs Deferred Compensation Plan") created in accordance with Internal Revenue Code (IRC) Section 457(b). The Plan, which qualifies as a defined contribution plan, is available to all City employees immediately upon employment. Participants may elect to make pre-tax contributions subject to the deferral limitations of the revenue code. As Plan administrator, the City has elected to obtain the services of Mass Mutual as a third-party service provider and plan trustee.

As required by Section 457(b) of the IRC, plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. Investments are managed by the trustee under one of the available investment options or a combination thereof. Accordingly, the assets and liabilities of the plan are not included in the accompanying financial statements. During the year ended December 31, 2025, 23 participating employees contributed $76,597 to the Plan. The City does not contribute to the Plan.

NOTE 13. JOINT VENTURE

The City, in conjunction with other cities and counties in the Atlanta metropolitan area, is a member of the Atlanta Regional Commission (ARC). Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC. Board membership of the ARC includes the chief elected official of each county, one appointed mayor from municipalities in the area, and one appointed citizen representative also from the area. Dues to the ARC are assessed at the County level and are, accordingly, paid by Cherokee County.

Each member county and municipality is required to pay minimum annual dues to the ARC. Georgia law also provides that member governments are liable for any debts or obligations of the ARC (O.C.G.A. 50-8-39.1). Separate financial statements can be provided by contacting the ARC directly at: Atlanta Regional Commission 229 Peachtree St, NE Suite 100, Atlanta, GA 30303.

NOTE 14. HOTEL/MOTEL LODGING TAX

The City imposes a 3% hotel/motel excise tax on lodging facilities within the City. During the year ended December 31, 2025, taxes of $5,992 were reported as revenue from the lodging tax. According to Georgia statute (O.C.G.A. 48-13-51), all spending of these taxes are required to be for promoting tourism, conventions and trade shows. The City spent $6,694 during 2025 for these purposes.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Fire protection and emergency services are provided by the City through an intergovernmental agreement with Cherokee County, Georgia. The agreement covers a ten (10) year period commencing on April 19, 2022, and ending April 19, 2032 and includes a renewal provision for an additional ten (10) year period. Compensation paid to Cherokee County for such services is determined by a calculation based on millage rates and the tax digest of the City, as defined, and adjusted under the terms of the agreement. The amount paid by the City for these services during 2025 was $4,249,731.

In December 2015, the City entered into an agreement for outsourcing its public works department. Under the terms of the agreement, Optech Monette, LLC (Optech) will provide public works management, including current operation and maintenance services of the City's public works department, which broadly and currently consist of the following activities: streets and drainage, parks and grounds maintenance, landscaping of medians, and solid waste disposal. It also provides for the maintenance of the equipment and facilities existing within the City's public works operations. The agreement became effective on January 1, 2016, and was renewed on December 16, 2019, and amended on September 25, 2023, with an initial base fee of $467,172, and includes annual increases thereafter of approximately 2% through the end of 2027.

On August 7, 2024, the City opened bids for the Holly Springs Parkway Widening Phase III Project (RFB#2024-02). The City awarded the project to Summit Construction & Development, Inc. on August 28, 2024, in the amount of $6,130,277. After the contract award, the City initiated a change order in the amount of $1,117,983 due to scope changes in the project. The revised total contract amount was $7,248,260 on December 31, 2024. The project is currently under construction with anticipated completion in November of 2026. The City paid Summit Construction & Development, Inc. $2,059,765.89 in 2025.

On January 24, 2025, the City issued a request for qualifications for the Holly Springs Amphitheatre Construction Manager at Risk for Pre-Construction and Construction Services Contract (RFQ#2025-01). The City awarded the project to Reeves Young, LLC on May 22, 2025, in an amount not to exceed $2,388,675. The project is currently under construction with anticipated completion in October of 2026.

On April 30, 2025, the City issued a request for qualifications for the Holly Springs City Hall Construction Manager at Risk (CMAR) for Value Engineering/Guaranteed Maximum Price (GMP) and Construction Services Contract (RFQ#2025-02). The City awarded the project to Gilbane, Inc., DBA Gilbane Building Company on October 28, 2025, in an amount not to exceed $21,714,431. The project is currently under construction with anticipated completion in August of 2027.

NOTE 16. TAX ABATEMENTS

Under Bonds for Title agreements entered into by the Cherokee County Development Authority, real and personal property tax revenues not collected for the 2025 fiscal period that would have otherwise gone to the City of Holly Springs but for the agreements, totaled $6,654. The Authority abates up to 100% of the property tax bills through a reduction in the assessed value of the facilities that the new or relocating businesses construct or purchase. Recipients met eligibility criteria, and these actions align with the City of Holly Springs' strategic goals related to quality economic growth. Performance and accountability expectations are part of all agreements pertaining to job creation and related measures. Performance is monitored at least annually by the Authorities' staff and stakeholders. Companies are substantially exceeding performance expectations.

FINANCIAL
SECTION
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOLLY SPRINGS, GEORGIA

Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Property taxes	$ 9,423,216	$ 9,423,216	$ 9,609,061	$ 185,845
Franchise taxes	915,500	885,500	959,678	74,178
Business taxes	1,654,000	1,654,000	1,945,893	291,893
Licenses and permits	530,525	530,525	649,617	119,092
Intergovernmental	500	500	-	(500)
Charges for services	121,575	121,575	193,830	72,255
Fines and forfeitures	735,900	735,900	1,095,178	359,278
Investment earnings	150,250	150,250	343,804	193,554
Contributions	250	250	10	(240)
Miscellaneous	2,518,284	2,518,284	34,959	(2,483,325)
TOTAL REVENUES	16,050,000	16,020,000	14,832,030	(1,187,970)
EXPENDITURES				
Current:				
General government:				
Governing body	192,417	171,005	168,732	2,273
General administration	2,429,214	2,162,069	2,122,482	39,587
Total general government	2,621,631	2,333,074	2,291,214	41,860
Judicial	594,050	688,050	659,237	28,813
Public safety				
Police services	6,276,882	6,263,445	5,672,908	590,537
Fire services	2,380,000	2,300,000	2,288,252	11,748
Total public safety	8,656,882	8,563,445	7,961,160	602,285
Public works				
Highways and streets	548,189	505,189	410,017	95,172
Street and traffic lights	153,000	200,000	184,454	15,546
Total public works	701,189	705,189	594,471	110,718
Culture and recreation	44,000	44,500	12,229	32,271
Housing and development				
Community development	644,031	668,192	649,515	18,677
Economic development	27,050	60,050	51,008	9,042
Total housing and development	671,081	728,242	700,523	27,719
Debt Service				
Principal	531,872	558,000	557,248	752
Interest	121,495	127,500	127,033	467
Total Debt Service	653,367	685,500	684,281	1,219
TOTAL EXPENDITURES	13,942,200	13,748,000	12,903,115	844,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,107,800	2,272,000	1,928,915	(343,085)
OTHER FINANCING SOURCES (USES)				
Issuance of leases	400,000	400,000	445,034	45,034
Issuance of subscription liabilities	-	30,000	25,680	(4,320)
Transfers out	(2,557,800)	(2,752,000)	(2,750,467)	1,533
Proceeds from sale of capital assets	50,000	50,000	39,300	(10,700)
TOTAL OTHER FINANCING SOURCES (USES)	(2,107,800)	(2,272,000)	(2,240,453)	31,547
NET CHANGE IN FUND BALANCES	-	-	(311,538)	(311,538)
FUND BALANCES - BEGINNING OF YEAR	6,332,250	6,332,250	6,332,250	-
FUND BALANCES - END OF YEAR	$ 6,332,250	$ 6,332,250	$ 6,020,712	$ (311,538)

CITY OF HOLLY SPRINGS, GEORGIA

Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios
For the Year Ended December 31, 2025

	2025	2024	2023	2022	2021
Total pension liability					
Service cost	$ 234,441	$ 205,476	$ 180,837	$ 203,508	$ 167,392
Interest on total pension liability	421,485	362,036	315,932	286,847	245,120
Differences between expected and actual experience	199,516	292,979	179,426	(11,099)	165,574
Benefit payments, including refunds of employee contributions	(87,205)	(79,518)	(71,874)	(52,551)	(44,281)
Net change in total pension liability	768,237	780,973	604,321	426,705	533,805
Total pension liability - beginning	5,524,212	4,743,239	4,138,918	3,712,213	3,178,408
Total pension liability - ending (a)	$ 6,292,449	$ 5,524,212	$ 4,743,239	$ 4,138,918	$ 3,712,213
Plan fiduciary net position					
Contributions - employer	$ 390,000	$ 330,000	$ 315,000	$ 300,000	$ 300,000
Net investment income	239,091	641,496	(233,535)	194,185	946,962
Benefit payments, including refunds of employee contributions	(87,205)	(79,518)	(71,874)	(52,551)	(44,281)
Administrative expenses	(10,287)	(8,459)	(8,579)	(8,376)	(7,742)
Net change in plan fiduciary net position	531,599	883,519	1,012	433,258	1,194,939
Plan fiduciary net position - beginning	4,522,683	3,639,164	3,638,152	3,204,894	2,009,955
Plan fiduciary net position - ending (b)	$ 5,054,282	$ 4,522,683	$ 3,639,164	$ 3,638,152	$ 3,204,894
City's net pension liability - ending (a) - (b)	$ 1,238,167	$ 1,001,529	$ 1,104,075	$ 500,766	$ 507,319
Plan fiduciary net position as a percentage of the total pension liability	80.3%	81.9%	76.7%	87.9%	86.3%
Covered payroll	$ 3,634,180	$ 3,240,639	$ 3,201,134	$ 2,797,657	$ 2,512,106
City's net pension liability as a percentage of covered payroll	34.1%	30.9%	34.5%	17.9%	20.2%

	2020	2019	2018	2017	2016
Total pension liability					
Service cost	$ 173,684	$ 173,655	$ 146,792	$ 107,470	$ 93,900
Interest on total pension liability	213,972	185,708	145,308	105,979	88,699
Differences between expected and actual experience	118,354	56,851	138,511	26,213	56,170
Changes in actuarial assumptions	13,294	-	33,233	-	-
Changes in benefit terms	-	-	-	293,685	-
Benefit payments, including refunds of employee contributions	(40,341)	(38,444)	(34,218)	(17,526)	(14,089)
Net change in total pension liability	478,963	377,770	429,626	515,821	224,680
Total pension liability - beginning	2,699,445	2,321,675	1,892,049	1,376,228	1,151,548
Total pension liability - ending (a)	$ 3,178,408	$ 2,699,445	$ 2,321,675	$ 1,892,049	$ 1,376,228
Plan fiduciary net position					
Contributions - employer	$ 227,182	$ 164,835	$ 145,802	$ 158,790	$ 384,000
Net investment income	(156,641)	68,630	190,954	161,041	8,092
Benefit payments, including refunds of employee contributions	(40,341)	(38,444)	(34,218)	(17,526)	(14,089)
Administrative expenses	(8,264)	(6,895)	(6,499)	(7,399)	(4,112)
Net change in plan fiduciary net position	21,936	188,126	296,039	294,906	373,891
Plan fiduciary net position - beginning	1,988,019	1,799,893	1,503,854	1,208,948	835,057
Plan fiduciary net position - ending (b)	$ 2,009,955	$ 1,988,019	$ 1,799,893	$ 1,503,854	$ 1,208,948
City's net pension liability - ending (a) - (b)	$ 1,168,453	$ 711,426	$ 521,782	$ 388,195	$ 167,280
Plan fiduciary net position as a percentage of the total pension liability	63.2%	73.6%	77.5%	79.5%	87.8%
Covered payroll	$ 2,394,080	$ 1,991,354	$ 1,798,776	$ 1,580,812	$ 1,296,442
City's net pension liability as a percentage of covered payroll	48.8%	35.7%	29.0%	24.6%	12.9%

CITY OF HOLLY SPRINGS, GEORGIA

Required Supplementary Information
Schedule of City Contributions
For the Year Ended December 31, 2025

	2025	2024	2023	2022	2021
Actuarially determined contribution	$ 339,177	$ 287,496	$ 251,329	$ 281,273	$ 245,433
Contributions in relation to the actuarially determined contribution	360,000	360,000	360,000	300,000	300,000
Contribution deficiency (excess)	$ (20,823)	$ (72,504)	$ (108,671)	$ (18,727)	$ (54,567)
Covered payroll	4,020,208	3,505,504	3,152,350	3,217,395	2,657,744
Contributions as a percentage of Covered payroll	8.95%	10.27%	11.42%	9.32%	11.29%

	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 224,061	$ 202,910	$ 152,143	$ 143,688	$ 112,284
Contributions in relation to the actuarially determined contribution	300,000	202,910	152,143	143,688	112,284
Contribution deficiency (excess)	$ (75,939)	$ -	$ -	$ -	$ -
Covered payroll	2,463,560	2,370,920	1,864,832	1,776,757	1,515,497
Contributions as a percentage of Covered payroll	12.18%	8.56%	8.16%	8.09%	7.41%

Notes to the Schedule

Valuation Date	July 1, 2025
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost-of-Living Adjustment	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 12 years.

FINANCIAL
SECTION
NONMAJOR GOVERNMENTAL FUNDS

CITY OF HOLLY SPRINGS, GEORGIA

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025

	Special Revenue Funds					Capital Project Funds	Total Nonmajor Governmental Funds
	Multiple Grant Fund	Parks and Recreation Fund	Hotel/Motel Tax Fund	TAD Fund	American Rescue Plan Fund	Town Center Fund	
ASSETS							
Cash	$ 48	$ 177,236	$ 7,650	$ 462,815	$ -	$ 53,727	$ 701,476
Receivables (net of allowance for uncollectibles):							
Taxes	-	-	556	-	-	-	556
Accounts	-	44,119	-	-	-	-	44,119
Deposits	-	200	-	-	-	-	200
Lease receivable	-	116,067	-	-	-	-	116,067
Intergovernmental receivable	61,877	-	-	43,177	-	-	105,054
TOTAL ASSETS	$ 61,925	$ 337,622	$ 8,206	$ 505,992	$ -	$ 53,727	$ 967,472
LIABILITIES							
Accounts payable	$ 40	$ 4,463	$ -	$ 101,196	$ -	$ 110,697	$ 216,396
Retainage payable	-	-	-	-	-	21,215	21,215
Due to other funds	24,513	-	-	-	-	-	24,513
Deposits payable	-	2,100	-	-	-	-	2,100
TOTAL LIABILITIES	24,553	6,563	-	101,196	-	131,912	264,224
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue - lease	-	111,476	-	-	-	-	111,476
TOTAL DEFERRED INFLOWS OF RESOURCES	-	111,476	-	-	-	-	111,476
FUND BALANCES							
Restricted:							
Tourism	-	-	8,206	-	-	-	8,206
Grant purposes	37,372	-	-	-	-	-	37,372
Capital projects	-	-	-	404,796	-	-	404,796
Committed for culture and recreation	-	219,583	-	-	-	-	219,583
Unassigned (deficit)	-	-	-	-	-	(78,185)	(78,185)
TOTAL FUND BALANCES	37,372	219,583	8,206	404,796	-	(78,185)	591,772
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 61,925	$ 337,622	$ 8,206	$ 505,992	$ -	$ 53,727	$ 967,472

CITY OF HOLLY SPRINGS, GEORGIA

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2025

	Special Revenue Funds					Capital Project Funds		Total
	Multiple Grant Fund	Parks and Recreation Fund	Hotel/Motel Tax Fund	TAD Fund	*(Previously Major)* American Rescue Plan Fund	*(Previously Nonmajor)* SPLOST VI Fund	*(Previously Major)* Town Center Fund	Nonmajor Governmental Funds
REVENUES								
Taxes	$ -	$ 435,510	$ 5,992	$ -	$ -	$ -	$ -	$ 441,502
Intergovernmental	114,978	-	-	602,369	1,859,710	-	-	2,577,057
Charges for services	-	1,130	-	-	-	-	-	1,130
Investment earnings	-	7,696	-	-	22,218	-	-	29,914
Miscellaneous	-	47,333	-	-	-	-	-	47,333
TOTAL REVENUES	114,978	491,669	5,992	602,369	1,881,928	-	-	3,096,936
EXPENDITURES								
Current:								
General government	-	-	-	101,196	-	-	-	101,196
Public safety	-	-	-	-	1,961,478	-	-	1,961,478
Culture and recreation	-	329,369	-	-	-	-	-	329,369
Health and welfare	114,978	-	-	-	-	-	-	114,978
Housing and development	-	-	6,694	-	-	-	-	6,694
Capital outlay	-	8,951	-	-	-	-	1,516,408	1,525,359
TOTAL EXPENDITURES	114,978	338,320	6,694	101,196	1,961,478	-	1,516,408	4,039,074
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	153,349	(702)	501,173	(79,550)	-	(1,516,408)	(942,138)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	120,401	-	-	1,491,005	1,611,406
Transfers out	-	(179,368)	-	(744,703)		-	-	(924,071)
TOTAL OTHER FINANCING SOURCES (USES)	-	(179,368)	-	(624,302)	-	-	1,491,005	687,335
NET CHANGE IN FUND BALANCES	-	(26,019)	(702)	(123,129)	(79,550)	-	(25,403)	(254,803)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	37,372	245,602	8,908	527,925	-	366,408	-	1,186,215
Adjustment - change within reporting entity	-	-	-	-	79,550	(366,408)	(52,782)	(339,640)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR AS ADJUSTED	37,372	245,602	8,908	527,925	79,550	-	(52,782)	846,575
FUND BALANCES (DEFICITS) - END OF YEAR	$ 37,372	$ 219,583	$ 8,206	$ 404,796	$ -	$ -	$ (78,185)	$ 591,772

CITY OF HOLLY SPRINGS, GEORGIA

Multiple Grant Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 70,000	$ 115,000	$ 114,978	$ (22)
TOTAL REVENUES	70,000	115,000	114,978	(22)
EXPENDITURES				
Current:				
Health and welfare	70,000	115,000	114,978	22
TOTAL EXPENDITURES	70,000	115,000	114,978	22
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING OF YEAR	37,372	37,372	37,372	-
FUND BALANCES - END OF YEAR	$ 37,372	$ 37,372	$ 37,372	$ -

CITY OF HOLLY SPRINGS, GEORGIA

Parks and Recreation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 435,000	$ 434,000	$ 435,510	$ 1,510
Charges for services	250	1,125	1,130	5
Investment earnings	-	7,700	7,696	(4)
Miscellaneous	35,000	47,000	47,333	333
TOTAL REVENUES	470,250	489,825	491,669	1,844
EXPENDITURES				
Current:				
Culture and recreation	290,880	331,630	329,369	2,261
Capital Outlay	-	9,000	8,951	49
TOTAL EXPENDITURES	290,880	340,630	338,320	2,310
EXCESS OF REVENUES OVER EXPENDITURES	179,370	149,195	153,349	4,154
OTHER FINANCING USES				
Transfers out	(179,370)	(179,370)	(179,368)	2
TOTAL OTHER FINANCING USES	(179,370)	(179,370)	(179,368)	2
NET CHANGE IN FUND BALANCES	-	(30,175)	(26,019)	4,156
FUND BALANCES - BEGINNING OF YEAR	245,602	245,602	245,602	-
FUND BALANCES - END OF YEAR	$ 245,602	$ 215,427	$ 219,583	$ 4,156

CITY OF HOLLY SPRINGS, GEORGIA

Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Hotel/Motel taxes	$ 6,000	$ 6,700	$ 5,992	$ (708)
TOTAL REVENUES	6,000	6,700	5,992	(708)
EXPENDITURES				
Current:				
Housing and development	6,000	6,700	6,694	6
TOTAL EXPENDITURES	6,000	6,700	6,694	6
NET CHANGE IN FUND BALANCES	-	-	(702)	(702)
FUND BALANCES - BEGINNING OF YEAR	8,908	8,908	8,908	-
FUND BALANCES - END OF YEAR	$ 8,908	$ 8,908	$ 8,206	$ (702)

CITY OF HOLLY SPRINGS, GEORGIA

Tax Allocation District (TAD) Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 552,225	$ 600,000	$ 602,369	$ 2,369
TOTAL REVENUES	552,225	600,000	602,369	2,369
EXPENDITURES				
Current:				
General government	-	101,250	101,196	54
TOTAL EXPENDITURES	-	101,250	101,196	54
EXCESS OF REVENUES OVER EXPENDITURES	552,225	498,750	501,173	2,423
OTHER FINANCING SOURCES (USES)				
Transfers in	102,250	120,000	120,401	401
Transfers out	(654,475)	(745,000)	(744,703)	297
TOTAL OTHER FINANCING SOURCES (USES)	(552,225)	(625,000)	(624,302)	698
NET CHANGE IN FUND BALANCES	-	(126,250)	(123,129)	3,121
FUND BALANCES - BEGINNING OF YEAR	527,925	527,925	527,925	-
FUND BALANCES - END OF YEAR	$ 527,925	$ 401,675	$ 404,796	$ 3,121

CITY OF HOLLY SPRINGS, GEORGIA

American Rescue Plan Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 1,900,000	$ 1,859,710	$ 1,859,710	$ -
Interest	20,000	22,218	22,218	-
TOTAL REVENUES	1,920,000	1,881,928	1,881,928	-
EXPENDITURES				
Current:				
Public safety	1,920,000	1,961,478	1,961,478	-
TOTAL EXPENDITURES	1,920,000	1,961,478	1,961,478	-
NET CHANGE IN FUND BALANCES	-	(79,550)	(79,550)	-
FUND BALANCES - BEGINNING OF YEAR	79,550	79,550	79,550	-
FUND BALANCES - END OF YEAR	$ 79,550	$ -	$ -	$ -

CITY OF HOLLY SPRINGS, GEORGIA

Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental revenue	$ -	$ 283,000	$ 282,462	$ (538)
TOTAL REVENUES	-	283,000	282,462	(538)
EXPENDITURES				
Debt Service:				
Principal	2,608,792	2,608,792	2,608,766	26
Interest	1,180,603	1,180,603	1,178,451	2,152
TOTAL EXPENDITURES	3,789,395	3,789,395	3,787,217	2,178
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,789,395)	(3,506,395)	(3,504,755)	1,640
OTHER FINANCING SOURCES				
Transfers in	3,789,395	3,506,395	3,504,137	(2,258)
TOTAL OTHER FINANCING SOURCES	3,789,395	3,506,395	3,504,137	(2,258)
NET CHANGE IN FUND BALANCES	-	-	(618)	(618)
FUND BALANCES - BEGINNING OF YEAR	43,280	43,280	43,280	-
FUND BALANCES - END OF YEAR	$ 43,280	$ 43,280	$ 42,662	$ (618)

FINANCIAL
SECTION
DISCRETELY PRESENTED COMPONENT UNIT

CITY OF HOLLY SPRINGS, GEORGIA

Balance Sheet
Component Unit - Downtown Development Authority of Holly Springs
December 31, 2025

	Downtown Development Authority of Holly Springs
ASSETS	
Cash	$ 4,180
Investments	109,954
Interest receivable	217
Total assets	114,351
LIABILITIES	
Accounts payable	-
Total liabilities	-
FUND BALANCE	
Unassigned	114,351
Total fund balance	$ 114,351

CITY OF HOLLY SPRINGS, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balance
Component Unit - Downtown Development Authority of Holly Springs
For the Year Ended December 31, 2025

	Downtown Development Authority of Holly Springs
Revenues:	
Investment earnings	$ 4,099
Miscellaneous	282,462
Total revenues	286,561
Expenditures:	
Current:	
Economic development	900
Intergovernmental expenditures	282,462
Total expenditures	283,362
Net change in fund balance	3,199
Fund balance, beginning of year	111,152
Fund balance, end of year	$ 114,351



STATE
SECTION

CITY OF HOLLY SPRINGS, GEORGIA

Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended December 31, 2025

PROJECTS	ORIGINAL ESTIMATED COST	REVISED ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	ESTIMATED PERCENTAGE OF COMPLETION
2024 - SPLOST VI:						
Transportation facilities and improvements	$ 9,000,000	9,000,000	$ 2,888,065	$ 4,841,978	$ 7,730,043	86%
Public safety vehicles and equipment	1,000,000	1,000,000	-	80,152	80,152	8%
Parks and recreation facilities	1,653,952	1,653,952	-	94,579	94,579	6%
Public works and fleet vehicles and equipment	100,000	100,000	-	8,220	8,220	8%
General government buildings	10,000,000	10,000,000	224,075	487,397	711,472	7%
Business and economic development facilities	2,000,000	2,000,000	-	-	-	0%
TOTAL 2024 - SPLOST VI	$ 23,753,952	$ 23,753,952	$ 3,112,140	$ 5,512,326	$ 8,624,466	

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



STATISTICAL
SECTION

STATISTICAL SECTION

This part of the City of Holly Springs' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial section, note disclosures, and required supplementary information says about the City's overall financial health.

	Page
Financial Trends……	68-75

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

Revenue Capacity……...	76-80

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

Debt Capacity……	81 and 82

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

Demographic and Economic Information……..	83 and 84

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

Operating Information……..	85-90

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

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

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

	2025	2024	2023	2022
Governmental activities				
Net investment in capital assets	$ 81,432,610	$ 74,777,370	$ 59,561,437	$ 52,569,794
Restricted	2,052,370	1,343,276	2,226,068	667,041
Unrestricted	5,255,147	5,541,969	11,285,216	7,310,921
Total government activities net position	$ 88,740,127	$ 81,662,615	$ 73,072,721	$ 60,547,756
Business-type activities				
Net investment in capital assets	$ 13,251,277	$ 11,836,619	$ 8,090,606	$ 6,899,751
Unrestricted	643,549	624,624	200,996	(211,198)
Total business-type activities net position	$ 13,894,826	$ 12,461,243	$ 8,291,602	$ 6,688,553
Primary government				
Net investment in capital assets	$ 94,683,887	$ 86,613,989	$ 67,652,043	$ 59,469,545
Restricted	2,052,370	1,343,276	2,226,068	667,041
Unrestricted	5,898,696	6,166,593	11,486,212	7,099,723
Total primary government net position	$ 102,634,953	$ 94,123,858	$ 81,364,323	$ 67,236,309

2021	2020	2019	2018	2017	2016
$ 43,859,351	$ 38,697,277	$ 37,131,975	$ 32,167,903	$ 26,030,664	$ 24,324,215
527,511	430,968	426,410	509,488	253,689	243,680
8,502,830	6,557,076	4,909,458	7,495,108	10,571,279	9,491,578
$ 52,889,692	$ 45,685,321	$ 42,467,843	$ 40,172,499	$ 36,855,632	$ 34,059,473
$ 5,594,981	$ 4,542,026	$ 3,243,491	$ 3,247,671	$ 2,985,637	$ 3,030,866
53,102	154,680	911,776	764,184	516,814	397,030
$ 5,648,083	$ 4,696,706	$ 4,155,267	$ 4,011,855	$ 3,502,451	$ 3,427,896
$ 49,454,332	$ 43,239,303	$ 40,375,466	$ 35,415,574	$ 29,016,301	$ 27,355,081
527,511	430,968	426,410	509,488	253,689	243,680
8,555,932	6,711,756	5,821,234	8,259,292	11,088,093	9,888,608
$ 58,537,775	$ 50,382,027	$ 46,623,110	$ 44,184,354	$ 40,358,083	$ 37,487,369

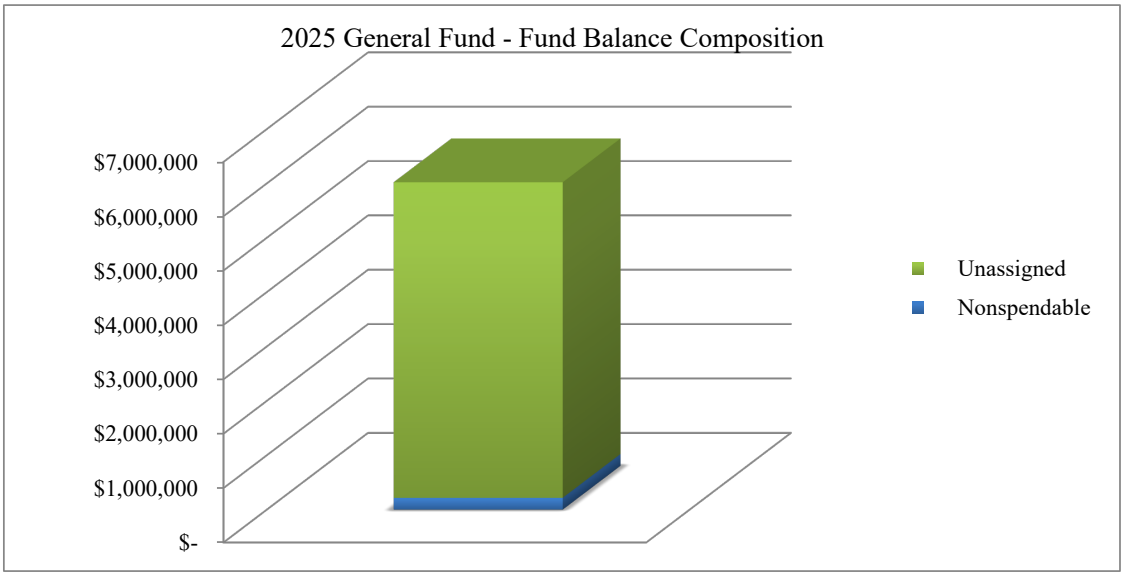
CITY OF HOLLY SPRINGS, GEORGIA
CHANGES IN NET POSITION
LAST TEN YEARS
(accrual basis of accounting)

	2025	2024	2023	2022	2021
Expenses					
Governmental Activities:					
General government	$ 2,763,757	$ 2,233,337	$ 2,087,645	$ 1,488,621	$ 1,411,629
Judicial	660,225	634,073	595,574	396,747	342,465
Public safety	10,568,118	10,381,857	9,052,194	7,094,514	6,075,444
Public works	2,646,048	2,273,275	2,334,512	1,888,611	1,952,642
Culture and recreation	500,210	326,374	240,212	199,659	219,934
Housing and development	727,961	703,900	786,388	808,604	708,634
Health and welfare	114,978	107,493	136,672	75,353	135,667
Interest on long-term debt	1,472,204	1,242,854	407,281	458,314	249,052
Total Governmental Activities Expenses	19,453,501	17,903,163	15,640,478	12,410,423	11,095,467
Business-Type Activities:					
Stormwater utility	396,880	346,648	275,799	794,243	335,099
Total Business-Type Expenses	396,880	346,648	275,799	794,243	335,099
Total Primary Government Expenses	$ 19,850,381	$ 18,249,811	$ 15,916,277	$ 13,204,666	$ 11,430,566
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	$ 77,780	$ 77,940	$ 87,670	$ 71,820	$ 76,555
Judicial	1,143,306	1,001,918	912,136	411,454	654,957
Public safety	26,970	43,005	45,866	107,473	83,679
Public works	-	-	338,103	60,513	363,618
Culture and recreation	1,130	990	869	77	-
Housing and development	710,423	982,936	796,355	1,167,375	2,349,490
Operating grants and contributions	2,981,031	984,955	7,149,399	369,928	151,923
Capital grants and contributions	7,687,134	11,832,602	8,141,291	8,366,848	6,392,426
Total Governmental Activities Program Revenues	12,627,774	14,924,346	17,471,689	10,555,488	10,072,648
Business-Type activities:					
Charges for services:					
Stormwater utility	695,590	633,098	609,624	471,014	448,345
Capital grants and contributions	1,134,873	2,749,739	1,269,286	1,363,699	838,072
Total Business-Type Activities Program Revenues	1,830,463	3,382,837	1,878,910	1,834,713	1,286,417
Total Primary Government Program Revenues	$ 14,458,237	$ 18,307,183	$ 19,350,599	$ 12,390,201	$ 11,359,065
Net (Expense) Revenue					
Governmental Activities	$ (6,825,727)	$ (2,978,817)	$ 1,831,211	$ (1,854,935)	$ (1,022,819)
Business-Type Activities	1,433,583	3,036,189	1,603,111	1,040,470	951,318
Total Primary Government Net Expense	$ (5,392,144)	$ 57,372	$ 3,434,322	$ (814,465)	$ (71,501)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property tax	$ 9,609,138	$ 8,416,586	$ 7,304,102	$ 6,541,520	$ 5,898,943
Franchise tax	959,678	902,560	878,264	887,338	830,394
Insurance premium tax	1,788,749	1,562,017	1,439,368	-	-
Business tax	157,144	192,752	169,658	1,593,243	916,415
Selective sales tax	435,510	440,102	423,538	457,404	447,886
Other revenues	88,284	63,602	30,271	41,587	88,005
Unrestricted investment earnings (loss)	810,570	1,049,481	429,879	(28,585)	24,590
Gain from disposal of capital assets	-	75,063	142,981	20,492	20,957
Gain from lease termination	54,166	-	-	-	-
Transfers	-	(1,133,452)	-	-	-
Total Government Activities	13,903,239	11,568,711	10,818,061	9,512,999	8,227,190
Business-Type Activities:					
Unrestricted investment earnings	-	-	-	-	59
Gain from disposal of capital assets	-	-	-	-	-
Transfers	-	1,133,452	-	-	-
Total Business-Type Activities	-	1,133,452	-	-	59
Total Primary Government	13,903,239	12,702,163	10,818,061	9,512,999	8,227,249
Change in Net Position					
Governmental Activities	$ 7,077,512	$ 8,589,894	$ 12,649,272	$ 7,658,064	$ 7,204,371
Business-Type Activities	1,433,583	4,169,641	1,603,111	1,040,470	951,377
	$ 8,511,095	$ 12,759,535	$ 14,252,383	$ 8,698,534	$ 8,155,748

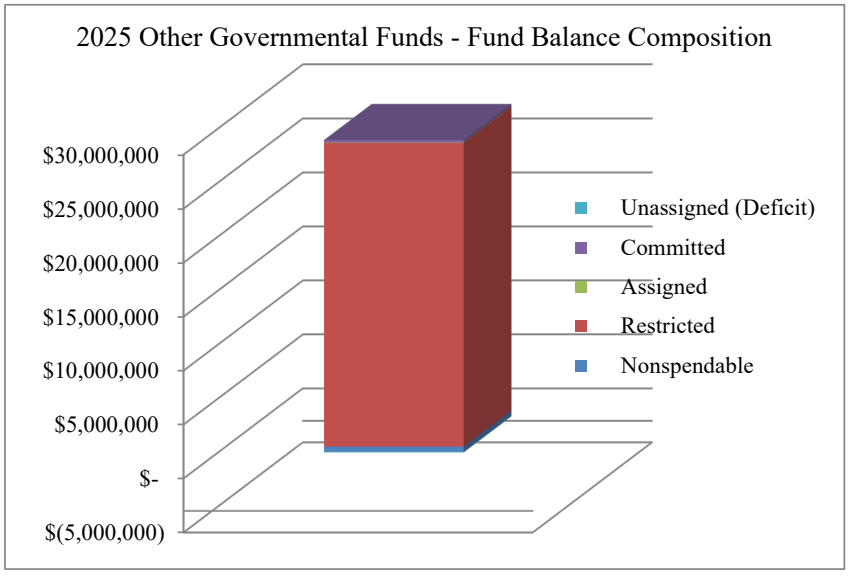
2020	2019	2018	2017	2016
$ 1,465,002	$ 1,736,735	$ 1,044,094	$ 1,040,174	$ 909,915
341,441	272,503	231,180	255,842	256,405
5,764,524	4,674,738	4,373,129	4,341,176	3,660,936
1,544,921	1,329,733	1,252,467	878,923	1,111,932
167,587	307,982	172,860	165,714	288,774
823,734	752,982	768,455	663,374	570,308
118,907	183,219	172,892	179,437	224,872
208,040	135,745	61,049	931	1,240
10,434,156	9,393,637	8,076,126	7,525,571	7,024,382
329,963	263,042	275,411	252,740	261,832
329,963	263,042	275,411	252,740	261,832
$ 10,764,119	$ 9,656,679	$ 8,351,537	$ 7,778,311	$ 7,286,214
$ 83,030	$ 86,108	$ 110,977	$ 183,531	$ 183,362
674,383	783,630	465,429	-	-
78,249	27,249	8,642	349,414	311,239
34,310	7,120	357,826	-	-
25	25	25	18,544	10,395
1,254,755	1,314,651	1,978,792	1,308,937	930,550
960,555	207,780	227,619	235,203	243,692
2,999,820	2,416,876	5,611,562	2,378,027	4,032,287
6,085,127	4,843,439	8,760,872	4,473,656	5,711,525
421,320	405,617	320,932	327,271	360,910
449,573	-	432,000	-	-
870,893	405,617	752,932	327,271	360,910
$ 6,956,020	$ 5,249,056	$ 9,513,804	$ 4,800,927	$ 6,072,435
$ (4,349,029)	$ (4,550,198)	$ 684,746	$ (3,051,915)	$ (1,312,857)
540,930	142,575	477,521	74,531	99,078
$ (3,808,099)	$ (4,407,623)	$ 1,162,267	$ (2,977,384)	$ (1,213,779)
$ 5,317,852	$ 4,746,878	$ 4,150,720	$ 4,062,016	$ 3,899,541
829,062	741,199	720,336	677,907	628,911
-	-	-	-	-
885,244	845,098	790,056	742,319	695,402
444,622	374,415	361,458	344,217	334,148
57,980	73,252	48,679	21,773	30,090
31,747	64,700	40,501	15,272	14,064
-	-	-	(15,430)	3,952
-	-	-	-	-
-	-	6,900	-	-
7,566,507	6,845,542	6,118,650	5,848,074	5,606,108
509	837	643	24	242
-	-	38,140	-	-
-	-	(6,900)	-	-
509	837	31,883	24	242
7,567,016	6,846,379	6,150,533	5,848,098	5,606,350
$ 3,217,478	$ 2,295,344	$ 6,803,396	$ 2,796,159	$ 4,293,251
541,439	143,412	509,404	74,555	99,320
$ 3,758,917	$ 2,438,756	$ 7,312,800	$ 2,870,714	$ 4,392,571

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

	2025	2024	2023	2022
General fund				
Nonspendable	$ 217,034	$ 201,987	$ 163,150	$ 1,288,662
Unassigned	5,803,678	6,130,263	9,989,270	6,501,069
Total General fund	$ 6,020,712	$ 6,332,250	$ 10,152,420	$ 7,789,731
All other governmental funds				
Nonspendable	$ 455,511	$ 2,395	$ -	$ -
Restricted	28,126,116	8,905,153	15,955,924	347,900
Committed	219,583	43,280	1,843,815	3,314
Assigned	42,662	245,602	755,682	979,642
Unassigned (Deficit)	(78,185)	26,768	(662,117)	(677,449)
Total all other governmental funds	$ 28,765,687	$ 9,223,198	$ 17,893,304	$ 653,407



2021	2020	2019	2018	2017	2016
$ 1,963,154	$ 2,829,515	$ 3,678,054	$ 1,490,068	$ 64,236	$ 52,706
6,815,764	4,578,120	2,585,277	7,084,267	6,835,206	5,647,642
$ 8,778,918	$ 7,407,635	$ 6,263,331	$ 8,574,335	$ 6,899,442	$ 5,700,348
$ 1,000	$ -	$ -	$ 15,322	$ -	$ -
400,351	395,184	384,662	364,625	277,665	264,209
435,317	1,597,884	1,988,086	17,593	863,673	442,185
786,495	513,325	149,491	246,679	-	-
(925,304)	(2,296,654)	(3,058,475)	(962,561)	(538,965)	(20,529)
$ 697,859	$ 209,739	$ (536,236)	$ (318,342)	$ 602,373	$ 685,865



CITY OF HOLLY SPRINGS, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN YEARS

(modified accrual basis of accounting)

	2025	2024	2023	2022
Revenues:				
Taxes	$ 12,956,134	$ 11,514,229	$ 10,228,006	$ 9,475,857
Licenses and permits	649,617	824,663	819,539	1,179,962
Intergovernmental	7,206,001	4,842,025	10,531,694	3,628,256
Charges for services	194,960	292,812	442,146	189,813
Fines and forfeitures	1,095,178	1,002,655	924,426	458,428
Interest earnings (loss)	847,972	1,051,132	429,879	(28,585)
Contributions	10	-	-	2,456
Miscellaneous	82,292	63,602	30,271	41,587
Total revenues	23,032,164	19,591,118	23,405,961	14,947,774
Expenditures:				
Current:				
General government	2,392,410	2,150,083	2,049,685	1,474,979
Judicial	659,237	631,795	593,329	397,087
Public safety	9,922,638	9,876,696	8,583,663	7,168,470
Public works	594,471	826,822	782,136	750,576
Culture and recreation	341,598	192,921	151,353	123,511
Health and welfare	114,978	107,493	136,672	75,353
Housing and development	707,217	676,385	759,516	809,790
Capital outlay	6,644,518	16,363,880	15,083,534	8,549,323
Debt service:				
Principal	3,508,964	3,075,959	1,492,544	836,944
Interest	1,355,701	1,399,430	415,277	249,799
Issuance costs	371,143	-	310,284	-
Total expenditures	26,612,875	35,301,464	30,357,993	20,435,832
Excess (deficiency) of revenues over expenditures	(3,580,711)	(15,710,346)	(6,952,032)	(5,488,058)
Other financing sources (uses):				
Issuance of notes payable	1,841,258	2,596,916	4,734,316	3,939,164
Issuance of bonds	19,690,000	-	19,548,759	-
Premium on bonds issued	690,238	-	1,292,381	-
Issuance of lease	525,186	1,119,799	730,924	433,582
Issuance of subscription liabilities	25,680	32,375	69,697	-
Proceeds from sale of capital assets	39,300	143,628	178,541	81,673
Transfers in	5,115,543	11,502,661	13,648,925	5,675,459
Transfers out	(5,115,543)	(12,175,309)	(13,648,925)	(5,675,459)
Total other financing sources (uses)	22,811,662	3,220,070	26,554,618	4,454,419
Net change in fund balances	$ 19,230,951	$ (12,490,276)	$ 19,602,586	$ (1,033,639)
Debt service as a percentage of noncapital expenditures:	24.04%	23.82%	12.50%	9.48%

2021	2020	2019	2018	2017	2016
$ 8,089,482	$ 7,474,145	$ 6,714,339	$ 5,989,583	$ 5,582,428	$ 5,221,402
2,154,138	1,306,895	1,387,949	2,884,877	1,358,643	1,012,827
2,719,976	3,306,981	2,599,661	2,060,192	2,046,269	3,792,829
700,019	134,418	115,214	421,498	142,345	100,763
683,196	697,594	738,797	466,287	335,907	334,566
25,255	34,582	65,945	42,764	15,406	15,157
770	11,500	28,750	28,478	23,855	18,302
88,004	57,980	68,252	48,679	33,847	39,217
14,460,840	13,024,095	11,718,907	11,942,358	9,538,700	10,535,063
1,528,965	1,455,956	3,750,274	1,542,280	920,148	819,309
354,016	335,159	270,331	235,967	243,688	261,335
5,849,663	5,390,586	4,920,447	4,131,113	3,589,867	3,413,547
661,211	584,292	577,675	642,451	577,532	442,958
142,116	93,767	323,616	117,372	92,014	255,150
135,667	118,907	183,219	172,892	179,437	224,872
710,965	801,176	733,976	750,990	640,322	561,728
3,035,241	7,864,209	4,556,125	3,325,210	2,316,710	7,941,197
1,030,395	154,926	304,436	296,798	336,283	281,417
277,303	125,059	125,299	61,938	68,808	31,418
130,873	95,991	-	-	-	-
13,856,415	17,020,028	15,745,398	11,277,011	8,964,809	14,232,931
604,425	(3,995,933)	(4,026,491)	665,347	573,891	(3,697,868)
1,229,551	5,819,104	1,493,031	-	-	3,200,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
25,427	67,108	4,562	38,920	4,748	35,305
1,548,678	6,123,113	4,795,671	668,636	898,740	382,706
(1,548,678)	(6,123,113)	(4,795,671)	(661,736)	(361,779)	(382,706)
1,254,978	5,886,212	1,497,593	45,820	541,709	3,235,305
$ 1,859,403	$ 1,890,279	$ (2,528,898)	$ 711,167	$ 1,115,600	$ (462,563)
13.50%	4.11%	4.49%	4.29%	5.94%	4.70%

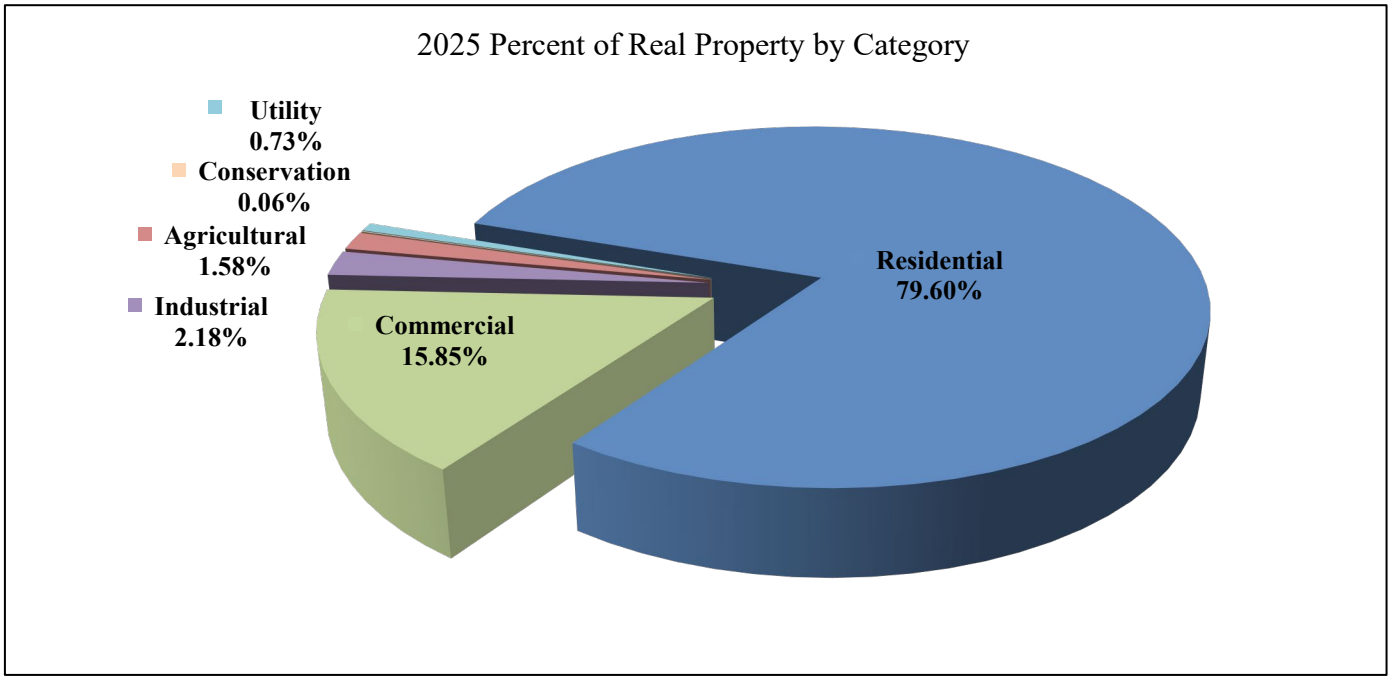
CITY OF HOLLY SPRINGS, GEORGIA

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
2016	$ 289,723,362	$ 81,974,594	$ 21,683,912	$ 15,199,000	$ 1,524,400	$ 6,330,920
2017	338,040,992	90,005,201	19,686,382	14,511,480	1,561,440	6,479,800
2018	405,327,714	95,844,347	20,303,507	13,361,280	1,465,240	6,892,920
2019	483,513,483	110,647,714	20,103,336	13,131,480	1,256,480	7,209,200
2020	547,523,816	114,684,952	33,154,398	16,221,750	1,028,943	7,450,843
2021	643,696,070	152,518,568	25,165,844	20,444,012	917,280	8,357,156
2022	847,885,130	184,932,328	26,925,253	18,945,036	1,076,680	8,547,394
2023	1,124,500,709	217,435,056	29,170,923	22,563,700	662,920	9,070,046
2024	1,174,481,744	234,529,177	34,221,479	23,621,224	714,200	10,319,716
2025	1,255,485,975	250,007,877	34,366,384	24,917,308	993,240	11,500,250

Source: City of Holly Springs' Tax Department and Cherokee County.



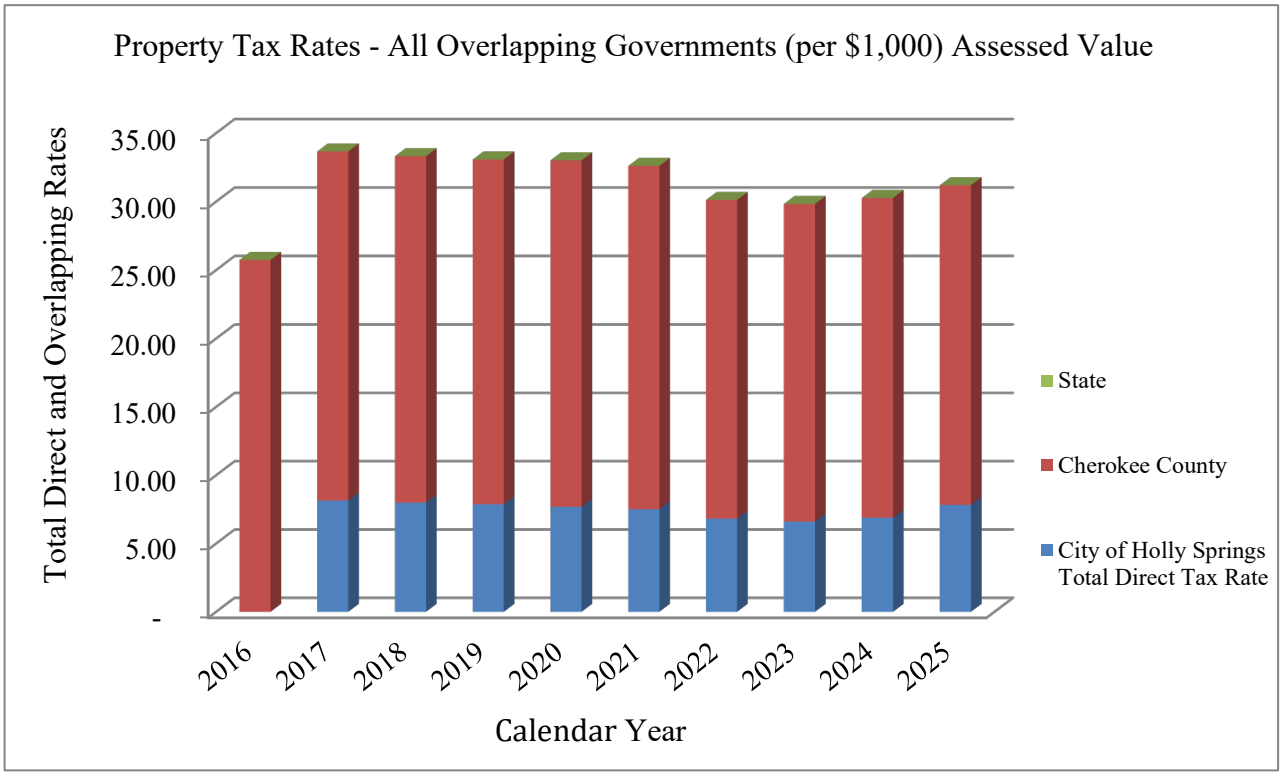
The Cherokee County Assessor performs property tax assessments on all property within Cherokee County including all of the cities therein. The fair market value is determined based on comparables for sales in the area and zoning and is then distributed to each of the taxing entities to process the annual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

Personal Property						
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
$ 9,624,910	$ 104,320	$ 2,504,398	$ 423,661,020	8.460	$ 1,059,152,550	40%
7,113,510	104,400	9,396,403	468,106,802	8.148	1,170,267,005	40%
5,522,860	102,720	6,835,069	541,985,519	7.999	1,354,963,798	40%
4,516,000	33,040	20,680,560	619,730,173	7.879	1,549,325,433	40%
3,875,040	19,376	118,706,306	605,252,812	7.692	1,513,132,030	40%
3,338,490	17,683	132,203,225	722,251,878	7.512	1,805,629,695	40%
3,338,490	719,603	165,748,874	926,621,040	6.825	2,316,552,600	40%
3,341,730	723,361	382,222,040	1,025,246,405	6.605	2,563,116,013	40%
3,091,030	817,034	400,657,243	1,081,138,361	6.888	2,702,845,903	40%
2,826,990	817,343	444,389,814	1,136,525,553	7.833	2,841,313,883	40%

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

Calendar Year	City of Holly Springs Total Direct Tax Rate	Cherokee County	State	Total Direct and Overlapping Rates
2016	8.460	25.739	0.00	34.199
2017	8.148	25.514	0.00	33.662
2018	7.999	25.319	0.00	33.318
2019	7.879	25.196	0.00	33.075
2020	7.692	25.322	0.00	33.014
2021	7.512	25.096	0.00	32.608
2022	6.825	23.299	0.00	30.124
2023	6.605	23.223	0.00	29.828
2024	6.888	23.379	0.00	30.267
2025	7.833	23.363	0.00	31.196

Source: City of Holly Springs' Tax Department and Cherokee County.



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

Taxpayer	2025 Taxable Assessed Value	2025 Rank	2025 Percentage of Taxable Assessed Value	2016 Taxable Assessed Value	2016 Rank	2016 Percentage of Taxable Assessed Value
EQR-Sixes Ridge LLC	$ 32,099,440	1	2.82%			
MA Darby at Holly Springs LLC	28,000,003	2	2.46%			
MAR Harbor Creek LLC	23,892,600	3	2.10%	$ 9,074,600	1	2.14%
DD HSP LLC	19,345,000	4	1.70%			
Kohn Pamela Trustee: Walmart	10,775,620	5	0.95%	6,431,480	2	1.52%
Home Depot USA Inc	8,765,238	6	0.77%	3,151,320	5	0.74%
Worthing Holly Springs LLC	5,349,080	7	0.47%			
Holly Springs Building LLC	5,222,120	8	0.46%			
East Cherokee LLC	4,812,320	9	0.42%	4,285,720	3	1.01%
CP Bartow Properties	4,105,820	10	0.36%			
JMS Holly Springs						
Northside Hospital-Cherokee				3,694,240	4	0.87%
Wellstar Health				2,554,720	6	0.60%
FD Hickory Flatsdevelopers LLC				2,472,120	7	0.58%
Windsor House Assisted Living				2,220,880	8	0.52%
Bright-Meyers Holly Springs				1,881,480	9	0.44%
The Kroger Company				1,850,400	10	0.44%
	$ 142,367,241		12.51%	$ 37,616,960		8.86%

Source: City of Holly Springs' Tax Department and Cherokee County.

CITY OF HOLLY SPRINGS, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	$ 3,358,570	$ 3,187,187	94.90%	$ 161,375	$ 3,348,562	99.70%
2017	3,604,067	3,419,339	94.87%	167,171	3,586,510	99.51%
2018	4,078,118	3,870,504	94.91%	199,892	4,070,396	99.81%
2019	4,657,066	4,413,414	94.77%	243,561	4,656,975	99.99%
2020	5,014,722	4,689,073	93.51%	311,380	5,000,453	99.72%
2021	5,612,369	5,345,270	95.24%	266,573	5,611,843	99.99%
2022	6,355,314	6,150,562	96.78%	200,751	6,351,313	99.94%
2023	7,379,510	7,165,060	97.09%	159,884	7,324,944	99.26%
2024	8,501,958	7,864,458	92.50%	622,745	8,487,203	99.83%
2025	9,886,190	9,446,860	95.56%	N/A	9,446,860	95.56%

(1) The City now holds annual tax sales 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						
			Notes Payable		Revenue Bonds Payable		
Fiscal Year	Lease Liability (1)	Subscription Liability (1)	Parks and Recreation Authority (1)	SPLOST VI GTIB (1)	Urban Redevelopment Agency (1)	Percentage of Personal Income (2)	Per Capita (3)
2016	$ 45,424	$ -	$ 3,048,432	$ -	$ -	0.98%	$ 272
2017	-	-	2,757,573	-	-	0.75%	230
2018	-	-	2,460,775	-	-	0.61%	191
2019	-	-	2,156,339	-	1,493,031	0.68%	236
2020	-	-	2,036,413	-	7,277,135	1.70%	574
2021	-	-	1,621,574	-	7,891,130	1.65%	544
2022	429,718	-	1,364,435	248,496	11,005,857	1.99%	705
2023	872,618	44,976	2,890,961	3,062,812	31,060,672	4.77%	1,906
2024	1,560,290	48,496	2,425,985	5,605,754	28,819,450	4.75%	1,910
2025	1,463,756	40,913	1,953,246	7,147,631	46,925,204	6.11%	2,839

(1) City of Holly Springs Annual Comprehensive Financial Report

(2) Percentage of Personal Income is calculated from information obtained from the U.S. Census Bureau Quick Facts, American Fact Finder and World Population Review

(3) Per capita information is from World Population Review

CITY OF HOLLY SPRINGS, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2025

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
City Direct Debt:			
Parks and Recreation Authority - 2016 Issue	$ 353,246	100.00%	$ 353,246
Parks and Recreation Authority - 2023 Issue	1,600,000	100.00%	1,600,000
GTIB Note Payable - 2020 Issue	3,146,646	100.00%	3,146,646
GTIB Note Payable - 2021 Issue	4,000,985	100.00%	4,000,985
Lease liabilities	1,463,756	100.00%	1,463,756
Subscription liabilities	40,913	100.00%	40,913
Bonds premium	1,698,967	100.00%	1,698,967
Urban Redevelopment Agency - 2019 Issue	2,222,221	100.00%	2,222,221
Urban Redevelopment Agency - 2020 Issue	2,192,307	100.00%	2,192,307
Urban Redevelopment Agency - 2021 Issue	5,716,709	100.00%	5,716,709
Urban Redevelopment Agency - 2023 Issue	15,405,000	100.00%	15,405,000
Urban Redevelopment Agency - 2025 Issue	19,690,000	100.00%	19,690,000
Total Direct Debt	57,530,750		57,530,750
Overlapping General Obligation Debt:			
Cherokee County - 2012 Issue	1,665,000	6.24%	103,896
Cherokee County - 2014 Issue	12,055,000	6.24%	752,232
Cherokee County - Refunding Bond 2016	11,488,646	6.24%	716,892
Cherokee County School District	513,218,978	6.24%	32,024,864
Subscription Liability	725,685	6.24%	45,283
Notes Payable	1,936,714	6.24%	120,851
Total Overlapping Debt	541,090,023		33,764,017
Total Direct and Overlapping Debt	$ 598,620,773		$ 91,294,767

Source: Information obtained from the Cherokee County, Georgia Annual Comprehensive Financial Report dated September 30, 2025.

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

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

CITY OF HOLLY SPRINGS, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN YEARS

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)
2016	11,364	$ 317,066,964	$ 27,901	35.91	Some College	1,049	3.6%
2017	11,987	365,759,331	30,513	36.00	Some College	1,194	3.6%
2018	12,915	402,340,995	31,153	36.61	Some College	975	3.2%
2019	15,442	537,211,738	34,789	36.00	Some College	1,004	2.7%
2020	16,213	546,280,822	33,694	38.00	Some College	1,001	6.0%
2021	17,500	577,272,500	32,987	37.22	Some College	1,028	2.8%
2022	18,500	656,232,000	35,472	35.00	Some College	976	2.6%
2023	19,900	794,706,500	39,935	36.00	Some College	948	2.9%
2024	20,133	809,890,191	40,227	37.00	Some College	997	3.3%
2025	20,261	941,792,063	46,483	36.75	Some College	1,089	3.3%

(1) Population estimates from World Population Review

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

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

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

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

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

(7) Unemployment Rate provided Georgia Department of Labor

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

	2025			2016		
Employer	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment (2)
Walmart #5814	199	1	5.22%	190	1	2.72%
Cherokee County School District	176	2	4.62%	80	6	1.14%
Home Depot, USA, Inc.	110	3	2.89%	92	4	1.32%
Wellstar	100	4	2.62%			
Publix Super Markets, Inc.	105	5	2.75%	76	7	1.09%
Kroger Store #430	89	6	2.33%	81	5	1.16%
Southeast Restoration	60	7	1.57%	54	8	0.77%
Northside	63	8	1.65%			
Cobb Industrial	63	9	1.65%			
Sidelines Grille	62	10	1.63%			
Armark K-12				181	2	2.59%
Hydro-Chem, A Division of Linde Eng.				114	3	1.63%
Nor-Ral Plastics, Inc.				53	9	0.76%
Pride Electric, Inc.				38	10	0.54%
Total	1,027		26.93%	959		13.72%

(1) Information obtained from City of Holly Springs Occupational Tax System, Cherokee County School District, and Cherokee Office of Economic Development
(2) Information obtained from the U.S. Census Bureau Fact Finder - 2016 Business Patterns

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

Function	2025	2024	2023	2022	2021
General Government					
City Manager	1.5	1.0	1.0	1.0	1.0
City Clerk	2.5	2.5	2.5	2.5	2.5
Finance	3.0	3.0	3.0	3.0	3.0
Licensing	0.5	0.5	0.5	0.5	0.0
Human Resources	1.0	0.5	0.5	0.5	0.5
Technology	1.0	1.0	1.0	1.0	1.0
Facilities	3.0	3.0	3.0	3.0	3.0
Communications and External Affairs	0.5	0.5	0.5	0.0	0.0
Judicial					
Municipal Court	2.0	2.5	3.5	3.5	3.5
Public Safety					
Police Officers	38.0	35.0	35.0	35.0	35.0
Police Administration	7.5	7.0	6.0	6.5	6.5
Probation (1)	1.0	1.0	1.0	1.0	1.0
Public Works					
Streets	1.0	0.0	0.0	0.0	0.0
Culture and Recreation					
Parks	0.0	0.0	0.0	0.0	0.0
Housing and Development					
Building	3.0	5.0	5.0	5.0	4.0
Planning and Zoning	1.5	1.5	1.5	1.5	2.0
Economic Development	0.5	0.5	0.5	0.0	0.0
Stormwater	1.0	1.5	1.5	2.0	1.0
Total	68.5	66.0	66.0	66.0	64.0

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

2020	2019	2018	2017	2016
1.0	1.0	1.0	1.0	1.0
2.5	1.5	1.5	1.5	1.5
3.0	2.0	2.0	1.0	2.0
0.0	0.0	0.0	0.0	0.0
0.5	0.5	0.5	0.5	0.5
1.0	1.0	1.0	1.0	1.0
3.0	1.0	1.0	1.0	1.0
0.0	0.0	0.0	0.0	0.0
3.5	3.0	3.0	3.0	3.0
34.0	31.0	27.0	22.0	19.0
7.0	6.0	6.0	5.0	4.0
1.0	1.0	1.0	1.0	0.0
0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0
4.0	6.0	6.0	4.0	5.5
2.0	2.0	2.0	2.0	1.0
0.0	0.0	0.0	0.0	0.0
1.0	2.0	1.0	2.0	2.5
63.5	58.0	53.0	45.0	42.0

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

Function	2025	2024	2023	2022	2021
General government					
Ordinances approved	22	22	32	23	26
Special events held (1)	1	1	-	-	1
Occupation tax licenses issued (2)	1032	660	627	633	678
Court					
Number of citations processed	6,568	7,795	7,138	6,686	8,345
Number and type of court sessions:					
Arraignments	18	15	20	21	22
Trials	4	4	3	4	4
Police					
Calls for service	19,670	19,155	17,851	15,600	16,353
Part 1 crimes reported	479	407	431	377	291
Public Works					
Number of potholes repaired	25	20	16	19	28
Miles of streets resurfaced	1.47	1.86	1.75	2.39	1.31
Community Development					
Building permits/COs issued	571	601	926	1,254	1,395
Acres annexed	24.81	54.28	31.36	6.04	23.52
Culture and Recreation					
Park acres maintained	68.58	68.58	68.58	46	46
Stormwater					
Stormwater projects completed	1	2	-	-	-

(1) Most special events cancelled in 2020 and 2021 due to COVID protocols.
In 2022, the City decided to pause all special events until construction on the Town Center was complete.

(2) Includes Home Occupation and Traditional Occupation Licenses.

2020	2019	2018	2017	2016
26	40	24	27	27
1	7	8	8	8
886	813	692	719	719
7,648	6,825	4,777	2,247	2,438
22	25	23	23	23
4	4	2	4	4
18,633	19,717	15,604	12,939	12,612
259	324	277	326	435
53	41	38	34	35
2.52	4.20	2.62	1.31	2.36
1,064	1,184	1,319	961	567
24.70	85.96	35.24	119.33	53.53
46	46	46	46	46
1	-	-	2	2

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

Function	2025	2024	2023	2022	2021
Public Safety					
Police					
Stations	1	1	1	1	1
Patrol Units	46	44	48	49	35
Public Works					
Streets (miles)	72.1	72.1	67.2	63.5	63.2
Parks and Recreation					
Acreage of Parks	68.58	68.58	68.58	46	46
Playgrounds	3	3	3	3	3
Baseball Fields	1	1	1	1	1
Community Center	1	1	1	1	1

Source: Georgia Department of Transportation Center Line Data and City of Holly Springs, Georgia's capital asset data.

2020	2019	2018	2017	2016
1	1	1	1	1
38	38	25	21	18
62.4	61.7	60	60	60
46	46	46	46	46
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1



COMPLIANCE
SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Holly Springs, Georgia (the "City"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 15, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Item 2025-001 that we consider to be a material weakness.

MAULDIN & JENKINS, LLC • 200 GALLERIA PARKWAY S.E., SUITE 1700 • ATLANTA, GEORGIA 30339-5946
770-955-8600 • FAX 770-980-4489 • www.mjcpa.com
MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and Other Matters

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

City of Holly Springs' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 15, 2026

CITY OF HOLLY SPRINGS, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	**X** yes ____ no
Significant deficiencies identified?	____ yes **X** none reported
Noncompliance material to financial statements noted?	____ yes **X** no

Federal Awards

There was not an audit of major federal award programs for the year ended December 31, 2025 due to the total amount of federal awards expended being less than $1,000,000.

CITY OF HOLLY SPRINGS, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

Finding 2025-001 – Accounts Receivable and Related Revenue

Criteria: Internal controls should be in place to ensure that financial statements are properly reporting accounts receivable and revenue in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's accounts receivable and revenue.

Context/Cause: During our testing, the SPLOST VI Fund required an adjustment of $282,814 to decrease accounts receivable and revenue.

Effect: An audit adjustment of $282,814 was required to correctly report the City's accounts receivable and revenue for the fiscal year ended December 31, 2025.

Recommendation: We recommend the City implements and/or strengthens internal controls surrounding the recording of accounts receivable and revenue.

Response: The adjustment of $282,814 to decrease SPLOST VI accounts receivable resulted from a timing error in the year-end receivable calculation. Historically, SPLOST distributions from Cherokee County were received by check; however, during the current year, distributions transitioned to ACH payments. As a result, funds were received earlier than anticipated, causing one additional month of revenue receipts to be inadvertently included in accounts receivable at year-end.

Management has reviewed the circumstances surrounding this adjustment and determined that the overstatement was due to an error in the recognition of year-end receivables related to the change in payment timing. To prevent similar occurrences in the future, the Finance Director will perform a reconciliation of all SPLOST receipts received before and after year-end and verify the number of monthly distributions included in the receivable calculation. This additional review procedure will help ensure that accounts receivable balances are accurately reported.

CITY OF HOLLY SPRINGS, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2025

Finding 2024-001 – Liabilities

Criteria: Internal controls should be in place to ensure that financial statements are properly reporting liabilities in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's liabilities.

Context/Cause: During our testing, the Stormwater Utility Fund required adjustments of $132,526 to its accounts payable and construction in progress. The net impact of the adjustment had no impact on net position.

Status: Corrected