

TOWN OF HOLLY SPRINGS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

HOLLY SPRINGS, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2019

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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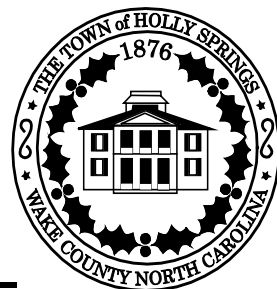
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Town of Holly Springs
North Carolina

INTRODUCTORY SECTION





THE TOWN OF

Holly Springs

November 7, 2019

**Honorable Mayor, Members of the Town Council
and Citizens of the Town of Holly Springs:**

The Comprehensive Annual Financial Report (CAFR) of the Town of Holly Springs for the fiscal year ended June 30, 2019 is submitted by the Town's Finance Department, and it is the comprehensive publication of the Town's financial position at June 30, 2019, and results of operations for the fiscal year then ended for all funds of the Town. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019, and to provide complete and further accountability to citizens and other interested parties by providing a comprehensive report in lieu of the minimum basic financial statement requirements.

Responsibility for both the accuracy of the presented data, and the completeness and the fairness of the presentation, including all disclosures, rests with the Town. We believe the enclosed data and presentation is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the Town's funds over the last fiscal year.

The 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. This letter of transmittal is written to complement the MD&A and should be read in conjunction with it.

Description of the Town

The Town of Holly Springs, incorporated in 1877, is located in southwest Wake County, approximately 18 miles from downtown Raleigh, the State Capital. Holly Springs truly had very humble beginnings. Known first for its abundant fresh springs where weary travelers would stop. It is now known as one of the fastest growing communities in the state of North Carolina. Holly Springs offers a unique blend of small-town charm, coupled with a vibrant and growing business community. Its residents enjoy quality parks, excellent schools, and the opportunity to shop locally. The Town covers approximately 16.25 square miles and has a population of just over 40,000.

The Town operates under a council-manager form of government. The governing body is comprised of a Mayor and a five-member Town Council, elected on a nonpartisan, at large basis for staggered four-year terms. The Town Council has policy-making and legislative authority and is responsible for the budget approval and appointment of the Town manager, Town Attorney and Town Clerk. The Town Manager is responsible for implementing Council policies and Town Ordinances, managing daily operations and appointing department directors.

The Town provides its citizens with a full range of services, including police and fire protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters and sidewalks and other infrastructure, recreation and cultural activities, and water and sewer service. This report includes all of the Town's activities in delivering and administering these services.

Economic Condition and Outlook

The population of Holly Springs at the end of 2019 is estimated to be just over 40,000 based on the 2010 US Census report of 24,661 and based on the issuance of new residential building permits. While permits decreased during the economic downturn, the town issued more than 536 permits to close out Fiscal Year 2019. Holly Springs remains a

preferred residential location due to proximity to employment and cultural centers, low crime rate, good schools, public services for residents and an increase in commercial development.

Significant developments that are attracting even more new residents than before:

- 1) UNC REX Healthcare has begun work on the next phase of expansion at its Holly Springs campus, with a second medical office building. The three-story, 45,000-square-foot facility will attach to the existing atrium and 30,000-square-foot medical office building, which opened in 2011. The second building plans to open in 2019. This will include 50 inpatient beds and 275 new jobs.
- 2) The Downtown Village District plan is moving forward. Two downtown development projects will be active in 2019, including approximately 100,000 SF of retail and office uses.
- 3) Duke Health has been approved for a facility at the N.C. 55 intersection with New Hill Road. Services planned for the 72,291 square foot building include urgent care, MRI, pediatrics, trauma medicine and more.
- 4) In 2019, the town approved rezoning of a mixed residential and commercial development known as Carolina Springs, which anticipates 1700 residential units, commercial development, and a multi-rink iceplex.
- 5) The town will be upgrading to a fixed network tower read system for the monthly water meter readings. This will include a user friendly app to help monitor customers use, save the town and the customer money, promote water conservation and prepare the town for more growth.
- 6) On November 6, 2018, voter's approved a referendum for \$40 million in General Obligation bonds for transportation improvements.

Long-term Financial Planning

With respect to long-term financial planning, the Town has benefited from a rapidly growing tax base to finance the necessary infrastructure and other capital expenditures to support the growth of the Town. Since 2009, the Total Assessed Value of the tax base has increased \$2.4 billion, from \$2.6 billion to \$5 billion. These additional tax revenues have allowed the Town to borrow money for many new capital expenditures such as additions to existing town parks and improvements to streets, sidewalks and greenways, and expanding water and sewer capacity.

The business and industrial growth has also resulted in additional revenues which not only support operations, but some of which are being reserved for our recent expansion of our waste water treatment plant which became fully operational in June of 2011.

One of the other long-term financial planning tools employed by the Town is the Capital Improvement Plan (CIP). This annual plan provides a prioritization of future capital projects, including the anticipated expenditures and funding sources for each project. The CIP also identifies the recurring and operating expenditures of each project.

Major Initiatives

During the year, the Town was involved in a number of major projects as directed by the Town Council and Town Manager. These projects are based on staff budget requests and Council's funding priorities. Upon budget approval, staff maintains and implements programs, policies and activities that support the achievement of the goals and initiatives, which reflect the Town's continued commitment to quality of life while maintaining its unique personality.

Current Noteworthy Projects:

\$40 million transportation improvements with the bond proceeds approved by voters in November 2018..

\$8 million of parks and recreation initiatives funded by GO bonds.

Future Noteworthy Projects:

Future planning for more open space and parks;

Upgrading our Public Works Facilities.

Expanding water and sewer lines for property marketed as needed for industrial sites;

Continued upgrades to our Water Meters to a Fixed Network System.

Financial Information:

Budget Control: In government, much more than in business, the budget is an integral part of a unit's accounting system and daily operations. The North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year. The Town's budget ordinance, adopted by the Town Council, creates a legal limit on spending authorizations. Budgetary control is facilitated by the use of a requisition encumbrance and purchase order system that ensures the adequacy of funds prior to the placement of orders or the award of contracts. **Internal Control:** The Town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Other Information:

Independent Audit: The General Statutes of North Carolina require an annual independent financial audit of all local government units in the State. Elliott Davis, LLC, independent certified public accountants, has examined the financial records of the Town and their opinion has been included in this report. Their examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, as they considered necessary in the circumstances. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the compliance section.

As a recipient of federal and state assistance, the Town is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the Town's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Town has complied with applicable laws and regulations. The results of the Town's single audit for the fiscal year June 30, 2019 included no instance of material weakness in the internal control structure or significant violations of applicable laws and regulations.

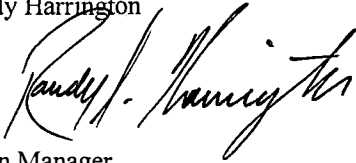
Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Holly Springs for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the 14th consecutive year in which the Town has received this recognition. To be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and

applicable legal requirements. The Certificate of Achievement is valid for a period of one year only and is the highest form of recognition awarded in the field of governmental financial reporting.

Acknowledgments: We appreciate the assistance and dedication of the Finance Department staff throughout the year. The preparation of this report was made possible by the dedicated service and cooperation of Elliott Davis, LLC staff. The cooperation of each department is appreciated as we work together to conduct the Town's financial operations. In addition, we also would like to thank the Mayor and Town Council for their continued support, guidance and advice in planning and conducting the financial activities of the Town in a responsible and progressive manner.

Respectfully submitted,

Randy Harrington

A handwritten signature in black ink, appearing to read "Randy Harrington", written in a cursive style.

Town Manager

Mary Hogan

A handwritten signature in black ink, appearing to read "Mary M. Hogan", written in a cursive style.

Finance Director



Government Finance Officers Association

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

Presented to

**Town of Holly Springs
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Town of Holly Springs

Members of Town Council

Tom O'Brien
Mayor Pro-Tern

Dick Sears
Mayor

Dan Berry
Council Member

Cheri Lee
Council Member

Pete Villadsen
Council Member

Christine Kelly
Council Member

Appointed and Administrative Staff

Randy Harrington
Town Manager*

Daniel Weeks
Assistant Town Manager

Scott Chase
Assistant Town Manager

Mary Hogan
Finance Director*

John Schifano
Town Attorney*

Linda
McKinney
Town Clerk*

Kendra Parrish
Director of Engineering/
Acting Assistant Town
Manager

Irena Krstanovic
Economic Development Director

Daniel Pope
Code Enforcement Director

LeeAnn Plumer
Parks & Recreation Director

Gina Clapp
Planning & Zoning Director

LeRoy Smith
Chief of Fire/Rescue

Luncie McNeil
Public Works Superintendent

Seann Byrd
Water Quality Superintendent

John Herring
Chief of Police

Jeff Wilson
IT Director

Erika Phillips
Human Resources
Director

Advisory Boards and Commissions

Planning Board
Shaun McGrath, Chair

Parks & Rec Advisory Committee
Elizabeth Stone, Chair

Board of Adjustment
Jay Marinko, Chair

* The Town Manager, Town Attorney, Town Clerk and Finance Officer are appointed by Town Council

History of Holly Springs

As the name suggests, the town of Holly Springs originated at a site where fresh waters trickled near age-old holly trees. In colonial times, a small cluster of homes and businesses formed around the original “holly springs” in an area that once was a Tuscarora Indian hunting ground.

A couple miles north at the intersection of two roads, one that went from Hillsborough to Smithfield and the other from Raleigh to the Cape Fear River and then on to Fayetteville, what is now downtown Holly Springs began to form.

It was at this crossroads that Scottish settler Archibald Leslie opened a tailoring business and store and began construction on a 180-acre estate that also contained freshwater springs. Today, all that remains is the main house, listed on the National Register of Historic Places as the Leslie-Alford-Mims House. The springs that supplied the home with water are accessible to the public by a short, winding dirt trail that winds through the woods and past a family cemetery. The house is a commanding landmark in the heart of downtown Holly Springs, having weathered nearly two centuries and a two-week occupation by Union troops during the Civil War.

About two blocks away downtown is the Masonic Lodge, constructed in 1854 and used as a school for girls in 1856. The structure is the oldest lodge and school building remaining in Wake County and still is used today for meetings and community events.

Another structure that survived the Civil War and remains standing today is the Norris-Holland-Hare house off Avent Ferry Road. The original portion was built by Needham Norris, the son of Revolutionary War veteran John Norris Jr., for whom the Daughters of the American Revolution erected a memorial stone on the west side of Avent Ferry Road, not far from where he is reported to be buried. The house built by Needham Norris remains on the opposite side of the road. For two weeks in April 1865, an encampment of Union soldiers encircled the home. The family lived upstairs while Union soldiers occupied the first floor as a field hospital.

Following the Civil War, about 50 freed men pooled their money to buy land for a church where First Baptist Church stands today on Grigsby Avenue. The African-American men and women who helped build the town before the Civil War kept the town alive after emancipation.

In 1875, George Benton Alford moved his mercantile business to Holly Springs where he built a general mercantile, now one of the oldest commercial structures in Wake County, which now houses Dewar’s Antiques. Alford led a successful effort to petition the North Carolina General Assembly to incorporate the Town of Holly Springs in 1877. After its establishment, the Holly Springs town boundary remained a solid, one-mile square for 110 years.

While the town’s economy boomed during the early 1900s, World War I drew men to war and families to bigger cities for improved employment opportunities. In 1924, the Bank of Holly Springs failed, the first bank in the state to go belly up before the great Depression of 1929. The town lay fallow through World War II. In the latter half of the 20th century, however, progress returned to Holly Springs.

In the 1960s, the town installed streetlights and constructed a public water system. During the 1970s, Bernice Lassiter and James Norris were elected as the town’s first African American commissioners. Norris became the first African American mayor of Holly Springs when he resigned as commissioner in

1980 to fill the vacated mayoral seat. Dessie Mae Womble became the first African American female police chief in North Carolina when she was hired in Holly Springs in the early 1980s.

The town was a community of a few hundred residents when Parrish “Ham” Womble became a Holly Springs Town Board member 1981. He served nearly three decades and is remembered for advocating purchase of a 46-acre tract of land that appeared slated for development. Womble wanted the town to use the land for a park instead. That land is now Parrish Womble Park in the heart of Holly Springs and is adjacent to the W.E. Hunt Recreation Center, named after William Earl Hunt, 14-year principal of Wake Optional School.

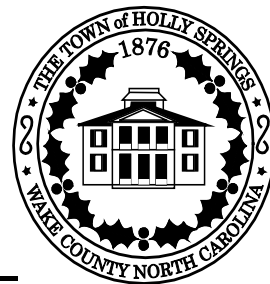
The segregated school with four classrooms, coal-burning heaters but no running water was replaced with a brick building that was renovated into the facility that now serves as a popular community destination.

In 1985, a sewer plant was completed, attracting Warp Technologies, a textile company, to town. The town used the boost in tax base to expand utilities, in turn attracting further development, including the Sunset Ridge golf course community. Thus began another era of growth and prosperity that remains strong today. With a local and regional focus on attracting biotech companies, the Town of Holly Springs was chosen for the nation’s first flu cell culture manufacturing facility in 2006. This facility opened for business in November 2009 with 350 employees. By 2017, the workforce had grown to about 550 full-time employees and 200 contract workers. The facility, now Seqirus, is the second largest flu vaccine manufacturer in the world.

From the past to the present, from the small-town atmosphere where people still know each other by name to the frequent, unique family-oriented activities, Holly Springs is a town that is continuing to grow not just in population and industry but also in heart.

Town of Holly Springs
North Carolina

FINANCIAL SECTION



Independent Auditor's Report

The Honorable Mayor and Town Council
Town of Holly Springs
Holly Springs, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holly Springs, North Carolina (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in the Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and related ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements, budget and actual comparisons, schedule of ad valorem taxes receivable, analysis of current tax levy, the schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, the introductory section and the statistical section as listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements, budget and actual comparisons, schedule of ad valorem taxes receivable, analysis of current tax levy, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual comparisons, schedule of ad valorem taxes receivable, analysis of current tax levy, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis, PLLC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
November 7, 2019

Town of Holly Springs
North Carolina

Management's Discussion and Analysis



Management's Discussion and Analysis

As management of the Town of Holly Springs, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with the transmittal letter in the front of this report, the basic financial statements and accompanying notes to the financial statements, which follow this narrative.

Financial Highlights

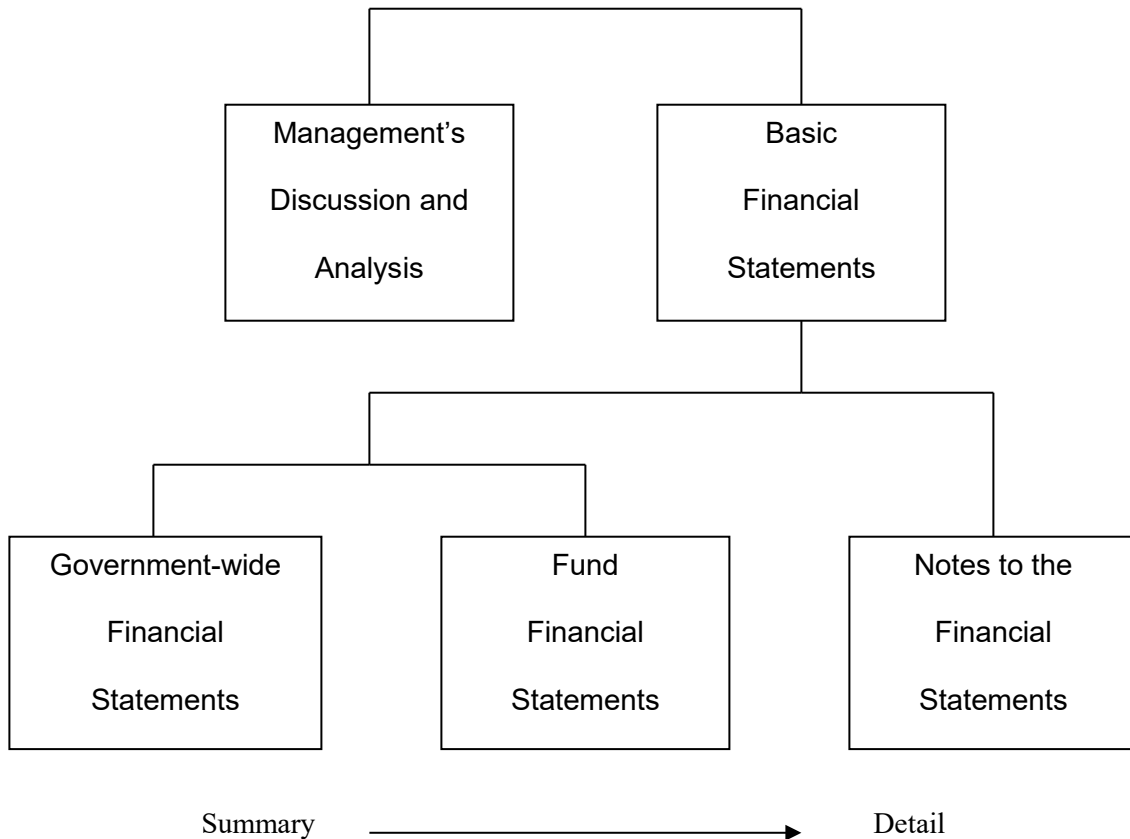
- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$255.6 million (*net position*).
- The government's total net position increased by \$21.2 million in fiscal year 2019. \$13.8 million of the increase resulted from governmental activities, and \$7.4 million resulted from business-type activities.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$31.7 million. The total fund balance in the General Fund increased \$2.6 million, total fund balance in the Combined Streets and Sidewalks Funds decreased \$4.3 million and the total fund balance in the Non-Major Funds increased \$6.3 million, resulting in a net increase in total governmental funds combined fund balance of \$4.6 million.
- Approximately \$10.7 million of the total combined ending fund balance is restricted as compared to \$13.2 million last year. This is primarily due to the decrease in the Stabilization by State Statute for the Project Funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11 million or 30% of total General Fund expenditures for the fiscal year.
- The Town's total financed debt decreased by \$6.2 million during the current fiscal year. We had no new borrowings for FY 2019.
- The Town bond rating remained AA+ with Standard and Poor's and Aa2 with Moody's Rating Services. The North Carolina Municipal Council has the town's rating as an "83", which is comparable to a rating of "A+/A1" by the national rating agencies.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Holly Springs.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 11) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

Management Discussion and Analysis

Town of Holly Springs

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; 2) and business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer, and storm water management services offered by the Town of Holly Springs.

In accordance with the Governmental Accounting Standards Board criteria for inclusion in the reporting entity, the Town of Holly Springs has no component units that must be included in this report.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. 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 Town of Holly Springs, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Holly Springs can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Holly Springs adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town has complied with the budget ordinance and whether or not the Town has succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Holly Springs has two proprietary funds, *Enterprise Funds*. An Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Holly Springs uses an Enterprise Fund to account for its water and waste water activity as well as its storm water management program. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Management Discussion and Analysis

Town of Holly Springs

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 31 through 60 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Holly Spring's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 61 of this report.

As noted earlier, net position may serve over time as one useful indicator of a Town's financial condition. The Town's assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$255.6 million as of June 30, 2019. The Town's net position increased by \$21.2 million for the fiscal year ended June 30, 2019. However, the majority of the Town's net position (\$186.6 million or 73%) reflects the town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Holly Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holly Spring's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are committed to the continued provision of service and cannot be used to liquidate these liabilities. An additional portion of the Town of Holly Spring's net position (approx. \$10.7 million) represents resources that are subject to external restrictions on how they may be used.

Figure 2

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 35,801,378	\$ 29,778,529	\$ 50,812,175	\$ 45,669,087	\$ 86,613,553	\$ 75,447,616
Capital Assets	\$ 145,096,431	\$ 138,804,275	\$ 113,749,025	\$ 111,664,767	\$ 258,845,456	\$ 250,469,042
Total Assets	\$ 180,897,809	\$ 168,582,804	\$ 164,561,200	\$ 157,333,854	\$ 345,459,009	\$ 325,916,658
Deferred Outflows of Resources	\$ 4,058,712	\$ 2,434,289	\$ 840,613	\$ 528,389	\$ 4,899,325	\$ 2,962,678
Long Term Liabilities	\$ 44,015,664	\$ 45,393,937	\$ 36,422,378	\$ 38,552,081	\$ 80,438,042	\$ 83,946,018
Other liabilities	\$ 7,271,829	\$ 5,932,391	\$ 6,294,802	\$ 4,036,314	\$ 13,566,631	\$ 9,968,705
Total Liabilities	\$ 51,287,493	\$ 51,326,328	\$ 42,717,180	\$ 42,588,395	\$ 94,004,673	\$ 93,914,723
Deferred Inflows of Resources	\$ 572,332	\$ 475,580	\$ 86,393	\$ 92,491	\$ 658,725	\$ 568,071
Net Position						
Net Investments in Capital Assets	\$ 108,464,520	\$ 98,782,429	\$ 78,148,397	\$ 73,242,756	\$ 186,612,917	\$ 172,025,185
Restricted	\$ 10,730,713	\$ 13,274,189			\$ 10,730,713	\$ 13,274,189
Unrestricted	\$ 13,901,463	\$ 7,158,567	\$ 44,449,843	\$ 41,938,601	\$ 58,351,306	\$ 49,097,168
Total Net Position	\$ 133,096,696	\$ 119,215,185	\$ 122,598,240	\$ 115,181,357	\$ 255,694,936	\$ 234,396,542

Management Discussion and Analysis
Town of Holly Springs

Town of Holly Springs Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 12,967,129	\$ 10,005,640	\$ 21,055,794	\$ 24,383,601	\$ 34,022,923	\$ 34,389,241
Operating grants and contributions	\$ 707,806	\$ 722,111			\$ 707,806	\$ 722,111
Capital grants and contributions	\$ 4,194,268	\$ 3,826,519	\$ 4,753,170	\$ 2,572,952	\$ 8,947,438	\$ 6,399,471
General revenues						
Property taxes	\$ 20,667,958	\$ 19,209,381			\$ 20,667,958	\$ 19,209,381
Other taxes	\$ 281,621	\$ 270,673			\$ 281,621	\$ 270,673
Grants and contributions not restricted to specific programs		\$ 8,880,075				\$ 8,880,075
Other revenues	\$ 10,460,848	\$ 1,019,935	\$ 805,293	\$ 224,592	\$ 11,266,141	\$ 1,244,527
Total revenues	\$ 49,279,630	\$ 43,934,334	\$ 26,614,257	\$ 27,181,145	\$ 75,893,887	\$ 71,115,479
Expenses						
General government	\$ 6,455,658	\$ 6,107,980			\$ 6,455,658	\$ 6,107,980
Public safety	\$ 11,890,328	\$ 10,912,664			\$ 11,890,328	\$ 10,912,664
Public works	\$ 6,376,293	\$ 5,804,588			\$ 6,376,293	\$ 5,804,588
Economic & physical development	\$ 3,900,880	\$ 3,540,240			\$ 3,900,880	\$ 3,540,240
Cultural and recreation	\$ 7,258,197	\$ 7,040,497			\$ 7,258,197	\$ 7,040,497
Interest on long-term debt	\$ 788,902	\$ 1,247,571			\$ 788,902	\$ 1,247,571
Water and sewer			\$ 17,255,535	\$ 13,929,928	\$ 17,255,535	\$ 13,929,928
Stormwater Management			\$ 669,700	\$ 531,509	\$ 669,700	\$ 531,509
Total expenses	\$ 36,670,258	\$ 34,653,540	\$ 17,925,235	\$ 14,461,437	\$ 54,595,493	\$ 49,114,977
Increase in net position before Transfers	\$ 12,609,372	\$ 9,280,794	\$ 8,689,022	\$ 12,719,708	\$ 21,298,394	\$ 22,000,502
Special items	\$ 1,272,139	\$ 567,135	\$ (1,272,139)	\$ (567,135)	\$ -	\$ -
Increase in net position	\$ 13,881,511	\$ 9,847,929	\$ 7,416,883	\$ 12,152,573	\$ 21,298,394	\$ 22,000,502
Prior period adjustment						
Prior period adjustment		\$ (697,091)		\$ (205,970)		\$ (903,061)
Net position, July 1	\$ 119,215,185	\$ 110,064,347	\$ 115,181,357	\$ 103,234,754	\$ 234,396,542	\$ 213,299,101
Net position, June 30	\$ 133,096,696	\$ 119,215,185	\$ 122,598,240	\$ 115,181,357	\$ 255,694,936	\$ 235,299,603

Governmental activities: The Town's total governmental revenues were \$49.2 million. Program revenues (36%) include: Charges for services of \$12.9 million, operating grants and contributions of \$.7 million and capital grants and contributions of \$4.1 million. General revenues (43%) include: property taxes of \$20.6 million, other taxes of \$.28 million and other miscellaneous revenues of \$10.4 (21%). The Town's total governmental expenses were \$36.7 million, resulting in an increase in the Town's net position of \$12.6 million plus \$1.2 million in transfers for a total increase in net position of \$13.9 million from governmental activities, accounting for 65% of the total growth in the Town's net position.

Business-type activities: The Town's total business-type revenues were \$26.6 million. Program revenues (97%) include: Charges for services of \$21 million and capital grants and contributions of \$4.7 million. Other revenues of \$805,293 (3%) are primarily from nonrecurring miscellaneous payments. The Town's total business-type expenses were \$17.9 million and transfer of \$1.2 million, which resulted in an increase in the Town's net position by \$7.4 million from business-type activities, accounting for 35% of the total growth in the Town's net position.

Management Discussion and Analysis

Town of Holly Springs

Financial Analysis of the Town's Funds

As noted earlier, the Town of Holly Springs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. This is the portion of the fund balance remaining after subtracting the amounts that have been restricted (usually by NC state law) or assigned (designated for a specific purpose by the Town's management).

The General Fund is the chief operating fund of the Town of Holly Springs. At the end of the fiscal year, the unassigned fund balance was \$11 million, while the total fund balance increased to \$17.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As of June 30, 2019, unassigned fund balance was 30% of the year's expenditures (compared to 22% last year), while the total fund balance (less net investments in capital assets) represents 47% of the same amount (43% in 2018).

The Town strives to maintain a favorable minimum unassigned fund balance. Amounts in excess of this minimum may be used for construction projects when the town wishes to avoid the issuance of additional debt, for emergency work needed after natural disasters, or for maintaining a stable tax rate when economically dependent revenues (i.e. sales tax) are less than budgeted amount. The Town typically does not need to budget fund balance during the budget process.

At year end, the governmental funds of the Town of Holly Springs reported a combined total fund balance of \$31.7 million, an increase of \$4.6 million from the prior year. The non-major funds were comprised of special revenue and project funds. The total fund balances of the non-major funds were \$9 million and the Street and Sidewalk Project Fund balance was \$5.1 million.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain or expand services. The Town made only minor changes to its General Fund revenue estimates in order to recognize increases in grant receipts and expanded sales and services. Actual revenues were higher than anticipated revenues by \$5,833,573. Expenditure budgets were increased over the fiscal year primarily to authorize expenditures related to existing and expanded services. Capital expenditures budgets were decreased as projects were continued or extended into the next fiscal year. Actual expenditures were \$3,176,853 less than appropriated. This amount represents position vacancies throughout the budget year along with a savings in projected expenditures.

When compared to the prior year, the total General Fund revenue increased \$6.9 million or 18%. The increase is due to the property taxes (\$1.5 million) and charges for services (\$2.9 million) unrestricted intergovernmental revenues and miscellaneous (\$.7 million).

Total expenditures in the General Fund increased \$1.3 million or 3%, during the same period. This increase was due primarily to the increasing cost of providing services due to population growth (staff costs and operating supplies) as well as for the procurement and maintenance of equipment. The net effect was total fund balance increased by \$2.5 million or 10%.

Street & Sidewalks Projects Fund Highlights: This project fund has revenues and expenditures that carry from year to the next as projects are started and completed. The revenues were less than the expenditures for this current year, but were not less than anticipated. The revenues that match the current year expenditures were received or transferred in prior years. As a result, the change in Fund Balance was \$4,306,419, representing the additional completion of projects.

Management Discussion and Analysis

Town of Holly Springs

In the near future, we will be constructing \$40 million of street and sidewalk improvements as a result of a recent approval by the voters for a Transportation Bond issuance. This fund's activities will continue to vary based upon available funding and approved projects.

Proprietary Funds: The Town of Holly Spring's proprietary fund financial statements provide the same type of information found in the government-wide statements. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year was \$41.3 million, the Storm Water Management Program was \$457,626 and the Systems Development Fund was \$2.6 million. The change in net position was an increase of \$7.4 million due primarily Charges for Services, Grants and Contributions and the establishment of the System Development Fund for infrastructure needs.

The operating revenues decreased by \$3.2 million (15%) from the previous year. This is due to the decrease in development fees. Operating expenses increased by \$1.5 million (15%) due to the increasing cost of providing expanded services due to population growth.

The fund produced positive cash flow operations of \$40.9 million.

Capital Asset and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$258,845,456 (net of depreciation). These assets include buildings, roads and bridges, intangible assets for water rights, machinery and equipment, vehicles and park facilities.

Major capital asset transactions during the year include the following additions:

- Acquired new vehicles of \$578,767 (net of surplus value).
- Construction in progress of \$8 million in governmental-type activities for road improvements and Town Hall Commons.
- Upgrade in Sewer Operating Plant of \$4.7 million.

Town of Holly Springs Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 28,199,939	\$ 28,186,237	\$ 153,725	\$ 153,725	\$ 28,353,664	\$ 28,339,962
Buildings and systems	\$ 21,663,188	\$ 22,321,207	\$ 126,934	\$ 132,046	\$ 21,790,122	\$ 22,453,253
Water and sewer operating plant			\$ 107,672,329	\$ 105,776,162	\$ 107,672,329	\$ 105,776,162
Improvements other than buildings	\$ 16,832,007	\$ 17,907,348	\$ 10,602	\$ 12,050	\$ 16,842,609	\$ 17,919,398
Intangible assets (water rights)			\$ 3,663,994	\$ 3,832,952	\$ 3,663,994	\$ 3,832,952
Machinery and equipment	\$ 2,779,690	\$ 3,183,872	\$ 554,875	\$ 546,009	\$ 3,334,565	\$ 3,729,881
Infrastructure	\$ 49,435,802	\$ 49,305,557			\$ 49,435,802	\$ 49,305,557
Vehicles and motorized equipment	\$ 3,128,261	\$ 2,817,905	\$ 367,349	\$ 359,440	\$ 3,495,610	\$ 3,177,345
Construction in progress	\$ 23,057,544	\$ 15,082,149	\$ 1,199,217	\$ 852,383	\$ 24,256,761	\$ 15,934,532
Total	\$ 145,096,431	\$ 138,804,275	\$ 113,749,025	\$ 111,664,767	\$ 258,845,456	\$ 250,469,042

Additional information on the Town's capital assets can be found on pages 40 - 41 of the notes to the financial statements of this report.

Long-term Debt. As of June 30, 2019, the Town of Holly Springs had total long-term debt of \$85.9 million. Of this amount, \$35.7 million represents bonded debt backed by the full faith and credit of the Town. The remainder

Management Discussion and Analysis

Town of Holly Springs

of the Town's bonded debt is a revenue bond of \$16.4 million which is secured solely by specified revenue sources. In addition to bonded debt, the Town's long-term debt includes installment purchase obligations of \$20.8 million. Of the general obligation debt, \$12,324,215 was issued for the construction and subsequent upgrades of the water and sewer system. The remaining \$12,970,785 of general obligation debt was issued for the construction of parks and recreation facilities. Of the limited obligation debt, \$8,300,000 was issued for the North Main Athletic Center, \$7,338,000 was issued for the Law Enforcement Center and \$1,467,000 was issued for miscellaneous road improvements. The Town has two revenue bonds. \$16 million was issued to finance 8 million gallons of water capacity from Harnett County and \$10 million for the expansion to the Town's wastewater treatment plant from 1.75 million gallons per day to 6 million gallons per day. The Town also has recorded \$12,820,076 of compensated absences and retirement liabilities for employees.

The following chart summarizes the Town's long-term debt as of June 30, 2019:

Town of Holly Spring's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment Purchase Contracts	\$ 10,437,046	\$ 12,113,476	\$ 10,431,611	\$ 11,505,345	\$ 20,868,657	\$ 23,618,821
General Obligation Bonds	\$ 10,220,000	\$ 10,805,000	\$ 9,605,000	\$ 10,090,000	\$ 19,825,000	\$ 20,895,000
Limited Obligation Bonds	\$ 14,135,000	\$ 15,145,000			\$ 14,135,000	\$ 15,145,000
Revenue Bonds			\$ 16,423,113	\$ 17,685,569	\$ 16,423,113	\$ 17,685,569
Bond Premiums	\$ 1,839,865	\$ 1,958,370			\$ 1,839,865	\$ 1,958,370
Compensated Absences	\$ 1,142,811	\$ 1,074,045	\$ 210,335	\$ 180,895	\$ 1,353,146	\$ 1,254,940
Total OPEB Liability	\$ 2,873,070	\$ 2,715,720	\$ 630,673	\$ 589,901	\$ 3,503,743	\$ 3,305,621
Net Pension Obligation	\$ 5,254,505	\$ 3,238,941	\$ 1,153,428	\$ 710,987	\$ 6,407,933	\$ 3,949,928
Total Pension Liability (LEO)	\$ 1,555,254	\$ 1,566,107			\$ 1,555,254	\$ 1,566,107
Total	\$ 47,457,551	\$ 48,616,659	\$ 38,454,160	\$ 40,762,697	\$ 85,911,711	\$ 89,379,356

Town of Holly Springs Outstanding Debt

The Town's long-term financed debt decreased by \$3.4 million during the fiscal year ended June 30, 2019 with the inclusion of the compensated absences and employee retirement benefits.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Town of Holly Springs is \$386,164,273.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 52 - 58 of this report.

Economic Factors and Next Year's Budgets and Rates

The population of Holly Springs at the end of 2019 is estimated to be just over 40,000 based on the 2010 US Census report of 24,661 and based on the issuance of new residential building permits. While permits decreased during the economic downturn, the town issued more than 536 permits to close out Fiscal Year 2019. Holly Springs remains a preferred residential location due to proximity to employment and cultural centers, low crime rate, good schools, public services for residents and an increase in commercial development.

Management Discussion and Analysis

Town of Holly Springs

Significant developments that are attracting even more new residents than before:

- 1) UNC REX Healthcare has begun work on the next phase of expansion at its Holly Springs campus, with a second medical office building. The three-story, 45,000-square-foot facility will attach to the existing atrium and 30,000-square-foot medical office building, which opened in 2011. The second building plans to open in 2019. This will include 50 inpatient beds and 275 new jobs.
- 2) The Downtown Village District plan is moving forward. Two downtown development projects will be active in 2019, including approximately 100,000 SF of retail and office uses.
- 3) Duke Health has been approved for a facility at the N.C. 55 intersection with New Hill Road. Services planned for the 72,291 square foot building include urgent care, MRI, pediatrics, trauma medicine and more.
- 4) In 2019, the town approved rezoning of a mixed residential and commercial development known as Carolina Springs, which anticipates 1700 residential units, commercial development, and a multi-rink iceplex.
- 5) The town will be upgrading to a fixed network tower read system for the monthly water meter readings. This will include a user friendly app to help monitor customers use, save the town and the customer money, promote water conservation and prepare the town for more growth.
- 6) On November 6, 2018, voter's approved a referendum for \$40 million in General Obligation bonds for transportation improvements.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes account for the largest percentage of total General Fund Operations and Debt Service Revenue (53%). In Fiscal Year 2019, the Town increased property tax by \$0.05 for transportation projects as part of the 2018 voter-approved transportation bond referendum. The property tax rate is \$0.4825 per \$100 of value. The remaining revenues for the Town primarily include Sales Tax, Utility Sales Distributions, Building Permits, Parks and Rec Fees and Environmental Fees. These revenues are projected to bring in \$18.6 million, or 41% of the total General Fund Revenues. Combined, these revenue sources account for approximately 94% of the General Fund Revenues.

Budgeted expenditures in the General Fund are relatively the same. Twenty (20) new positions were added to the governmental activities: 1 Human Resources, 2 Finance, 1 Information Technology, 1 Engineering, 1 Planning and Zoning, 7 Police, 4 Fire, 2 Public Works, and 1 Parks and Recreation.

Business-type Activities: Operating revenues in the Water and Sewer Fund result primarily from water and sewer sales. These revenues are budgeted at \$12.4 million and account for 64% of the Water and Sewer Fund budget. Additional revenues come from tap fees, inspections fees, meter fees and reconnection fees. There was a 1.85% increase in the usage fees for water & sewer, due to an increase to the town from its supplier of water. These highlight the revenue changes for the budget year.

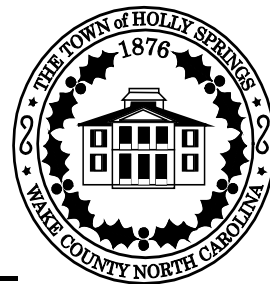
Budgeted expenses for operations for the year are \$9.7 million and account for 50% of the budget. The balance of just over \$9.6 million is for debt service and capital improvement. Two (2) new positions were added to the business-type activities: 1 Water Quality and 1 Utility Engineer.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Mary Hogan, Finance Director, Town of Holly Springs, Post Office Box 8, Holly Springs, North Carolina, 27540.

Town of Holly Springs
North Carolina

Basic Financial Statements



Town of Holly Springs
Statement of Net Position
June 30, 2019

Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 33,048,965	39,344,098	\$ 72,393,063
Taxes receivables (net)	252,320	-	252,320
Accounts receivable (net)	350,514	2,679,521	3,030,035
Interest receivable	-	79,447	79,447
Due from other governments	3,400,609	28,212	3,428,821
Advances between funds	(7,000,000)	7,000,000	-
Prepaid items	110,795	25,965	136,760
Total current assets	30,163,203	49,157,243	79,320,446
Noncurrent asset:			
Restricted cash and cash equivalents	5,638,175	1,654,932	7,293,107
Capital assets:			
Land, non-depreciable improvements, and construction in progress	51,257,483	1,352,942	52,610,425
Unamortized water and water capacity rights	-	3,663,994	3,663,994
Other capital assets, net of depreciation	93,838,948	108,732,089	202,571,037
Total capital assets	145,096,431	113,749,025	258,845,456
Total noncurrent assets	150,734,606	115,403,957	266,138,563
Total assets	180,897,809	164,561,200	345,459,009
DEFERRED OUTFLOWS OF RESOURCES			
LGERS deferrals	3,805,943	835,451	4,641,394
LEO deferrals	229,254	-	229,254
OPEB deferrals	23,515	5,162	28,677
Total deferred outflows of resources	4,058,712	840,613	4,899,325
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,051,240	861,490	2,912,730
Claims and judgements payable - current	-	884,222	884,222
Salaries payable	977,357	223,049	1,200,406
Accrued interest payable	6,108	614,201	620,309
Current portion of compensated absences	912,574	185,920	1,098,494
Current portion of long-term debt	3,324,550	3,525,920	6,850,470
Total current liabilities	7,271,829	6,294,802	13,566,631
Long-term liabilities:			
Payable from restricted assets	795,237	795,836	1,591,073
Claims and judgements payable	-	884,222	884,222
Net pension liability - LGERS	5,254,505	1,153,428	6,407,933
Total pension liability - LEO	1,555,254	-	1,555,254
Compensated absences	230,237	24,415	254,652
Other postemployment benefits liability	2,873,070	630,673	3,503,743
Debt - Due in more than one year	33,307,361	32,933,804	66,241,165
Total long-term liabilities	44,015,664	36,422,378	80,438,042
Total liabilities	51,287,493	42,717,180	94,004,673
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	9,750	-	9,750
LGERS deferrals	125,619	27,575	153,194
LEO deferrals	169,012	-	169,012
OPEB deferrals	267,951	58,818	326,769
Total deferred inflows of resources	572,332	86,393	658,725
NET POSITION			
Net investment in capital assets	108,464,520	78,148,397	186,612,917
Restricted for:			
Stabilization by State Statute	9,067,430	-	9,067,430
Streets	1,159,519	-	1,159,519
Public safety	503,764	-	503,764
Unrestricted	13,901,463	44,449,843	58,351,306
Total net position	\$ 133,096,696	122,598,240	\$ 255,694,936

The notes to the financial statements are an integral part of this statement.

**Town of Holly Springs
Statement of Activities
For the Year Ended June 30, 2019**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 6,455,658	\$ 7,298,373	\$ 77,757	\$ -	\$ 920,472	\$ -	\$ 920,472
Public safety	11,890,328	792,717	-	23,205	(11,074,406)	-	(11,074,406)
Public works	6,376,293	2,521,378	-	-	(3,854,915)	-	(3,854,915)
Economic and physical development	3,900,880	-	20,049	4,171,063	290,232	-	290,232
Cultural and recreational	7,258,197	2,354,661	610,000	-	(4,293,536)	-	(4,293,536)
Interest on long-term debt	788,902	-	-	-	(788,902)	-	(788,902)
Total governmental activities	36,670,258	12,967,129	707,806	4,194,268	(18,801,055)	-	(18,801,055)
Business-type activities:							
Water and sewer	17,255,535	20,215,998	-	4,753,170	-	7,713,633	7,713,633
Stormwater management	669,700	839,796	-	-	-	170,096	170,096
Total business-type activities	17,925,235	21,055,794	-	4,753,170	-	7,883,729	7,883,729
Total primary government	\$ 54,595,493	\$ 34,022,923	\$ 707,806	\$ 8,947,438	(18,801,055)	7,883,729	(10,917,326)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					20,667,958	-	20,667,958
Other taxes					281,621	-	281,621
Unrestricted intergovernmental					9,570,143	-	9,570,143
Investment earnings					327,247	805,293	1,132,540
Miscellaneous					541,851	-	541,851
Gain on sale of assets					21,607	-	21,607
Total general revenues not including transfers					31,410,427	805,293	32,215,720
Transfers					1,272,139	(1,272,139)	-
Total general revenues and transfers					32,682,566	(466,846)	32,215,720
Change in net position					13,881,511	7,416,883	21,298,394
Net position, beginning					119,215,185	115,181,357	234,396,542
Net position, ending					\$ 133,096,696	\$ 122,598,240	\$ 255,694,936

The notes to the financial statements are an integral part of this statement.

Exhibit 3

Ending fund balance for Governmental Funds	\$	31,712,544
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Net position of governmental activities	\$ 133,096,696
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Town of Holly Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4

	Major Funds			
	General	Street & Sidewalks Projects Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 20,664,824	\$ -	\$ -	\$ 20,664,824
Other taxes and licenses	281,335	-	-	281,335
Unrestricted intergovernmental	9,570,143	-	-	9,570,143
Restricted intergovernmental	1,016,542	1,194,855	273,234	2,484,631
Permits and fees	7,339,628	95,303	-	7,434,931
Sales and services	5,414,832	-	-	5,414,832
Investment earnings	241,790	24,550	60,907	327,247
Contributions	-	-	610,000	610,000
Miscellaneous	568,356	-	-	568,356
Total revenues	45,097,450	1,314,708	944,141	47,356,299
EXPENDITURES				
Current:				
General government	6,068,557	-	-	6,068,557
Public safety	10,274,495	-	170,968	10,445,463
Public works	4,228,356	-	-	4,228,356
Economic and physical development	3,647,405	-	-	3,647,405
Cultural and recreational	5,237,054	-	-	5,237,054
Debt service	4,539,381	-	-	4,539,381
Capital outlay	2,881,430	6,791,387	194,794	9,867,611
Total expenditures	36,876,678	6,791,387	365,762	44,033,827
Excess (deficiency) of revenues over expenditures	8,220,772	(5,476,679)	578,379	3,322,472
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	4,993,844	6,643,826	6,346,909	17,984,579
Transfers (to) other funds	(10,637,448)	(5,473,566)	(601,426)	(16,712,440)
Sale of assets	21,607	-	-	21,607
Total other financing sources (uses)	(5,621,997)	1,170,260	5,745,483	1,293,746
Net change in fund balance	2,598,775	(4,306,419)	6,323,862	4,616,218
Fund balances, beginning	14,881,188	9,490,993	2,724,145	27,096,326
Fund balances, ending	\$ 17,479,963	\$ 5,184,574	\$ 9,048,007	\$ 31,712,544

The notes to the financial statements are an integral part of this statement.

Town of Holly Springs
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 4,616,218
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	9,859,036	
Depreciation expense for governmental assets	<u>(5,552,540)</u>	
		4,306,496

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Amount of donated assets	1,985,660
Change in deferred inflows for tax revenues	3,134
Changes in deferred inflows for unearned revenues	(87,070)

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 has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	3,271,430
Increase in accrued interest payable	360,544
Amortization of bond premium	118,505

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.

Compensated absences	(68,766)
Pension expense	(382,558)
Other postemployment benefits	<u>(242,082)</u>

Total changes in net position of governmental activities	<u>\$ 13,881,511</u>
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The notes to the financial statements are an integral part of this statement.

**Town of Holly Springs
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget to Actual
For the Year Ended June 30, 2019**

Exhibit 6

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 19,740,000	\$ 19,740,000	\$ 20,664,824	\$ 924,824
Other taxes and licenses	242,500	242,500	281,335	38,835
Unrestricted intergovernmental	8,771,181	8,771,181	9,570,143	798,962
Restricted intergovernmental	922,806	954,306	1,016,542	62,236
Permits and fees	2,484,450	3,684,450	7,339,628	3,655,178
Sales and services	5,169,426	5,169,426	5,414,832	245,406
Investment earnings	60,000	60,000	241,790	181,790
Miscellaneous	450,500	642,014	568,356	(73,658)
Total revenues	37,840,863	39,263,877	45,097,450	5,833,573
Expenditures:				
Current:				
General government	6,662,493	6,735,507	6,068,557	666,950
Public safety	10,991,230	10,992,213	10,274,495	717,718
Public works	4,461,509	4,359,120	4,228,356	130,764
Economic and physical development	3,974,840	3,973,394	3,647,405	325,989
Cultural and recreational	5,635,134	5,674,821	5,237,054	437,767
Debt service	4,540,539	4,540,539	4,539,381	1,158
Capital Outlay	2,356,667	3,777,937	2,881,430	896,507
Total expenditures	38,622,412	40,053,531	36,876,678	3,176,853
Revenues over (under) expenditures	(781,549)	(789,654)	8,220,772	9,010,426
Other financing sources (uses):				
Transfers from other funds	5,284,588	6,507,693	4,993,844	(1,513,849)
Transfer (to) other funds	(4,540,539)	(5,755,539)	(10,637,448)	(4,881,909)
Sale of assets	37,500	37,500	21,607	(15,893)
Total other financing sources (uses)	781,549	789,654	(5,621,997)	(6,411,651)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	2,598,775	\$ 2,598,775
Fund balances, beginning			14,881,188	
Fund balances, ending			<u>\$ 17,479,963</u>	

The notes to the financial statements are an integral part of this statement.

**Town of Holly Springs
Statement of Net Position
Proprietary Funds
June 30, 2019**

Exhibit 7

	Major Fund	Non-Major Funds		
	Water and Sewer Fund	System Development Fee Fund	Stormwater Management Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	35,959,184	\$ 2,606,822	\$ 778,092	\$ 39,344,098
Accounts receivable (net) - billed	697,399	-	7,301	704,700
Accounts receivable (net) - unbilled	1,941,020	-	33,801	1,974,821
Interest receivable	79,447	-	-	79,447
Due from other governments	27,425	-	787	28,212
Advances between funds	7,000,000	-	-	7,000,000
Prepaid items	25,753	-	212	25,965
Total current assets	45,730,228	2,606,822	820,193	49,157,243
Long-term assets:				
Restricted cash and cash equivalents	1,654,932	-	-	1,654,932
Capital assets:				
Land and other non-depreciable assets	1,352,942	-	-	1,352,942
Unamortized water and water capacity rights	7,634,204	-	-	7,634,204
Other capital assets	147,334,560	-	29,857	147,364,417
Less: Accumulated depreciation and amortization	(42,591,093)	-	(11,445)	(42,602,538)
Capital assets (net)	113,730,613	-	18,412	113,749,025
Total noncurrent assets	115,385,545	-	18,412	115,403,957
Total assets	161,115,773	2,606,822	838,605	164,561,200
DEFERRED OUTFLOWS OF RESOURCES				
OPEB deferrals	4,302	-	860	5,162
LGERS deferrals	696,210	-	139,241	835,451
Total deferred outflows of resources	700,512	-	140,101	840,613
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	709,635	-	151,855	861,490
Claims and judgements payable - current	884,222	-	-	884,222
Salaries payable	199,364	-	23,685	223,049
Accrued interest payable	614,201	-	-	614,201
Compensated absences - current	172,906	-	13,014	185,920
Installment purchase and notes payable - current	1,703,734	-	-	1,703,734
General obligation bonds payable - current	500,000	-	-	500,000
Revenue bond payable - current	1,322,186	-	-	1,322,186
Total current liabilities	6,106,248	-	188,554	6,294,802
Long-term liabilities:				
Payable from restricted assets	795,836	-	-	795,836
Claims and judgements payable	884,222	-	-	884,222
Other postemployment benefits	525,561	-	105,112	630,673
Compensated absences	22,050	-	2,365	24,415
Net pension liability	961,190	-	192,238	1,153,428
Installment purchase and notes payable	8,727,877	-	-	8,727,877
General obligation bonds payable	9,105,000	-	-	9,105,000
Revenue bond payable	15,100,927	-	-	15,100,927
Total noncurrent liabilities	36,122,663	-	299,715	36,422,378
Total liabilities	42,228,911	-	488,269	42,717,180
DEFERRED INFLOWS OF RESOURCES				
LGERS deferrals	22,979	-	4,596	27,575
OPEB deferrals	49,015	-	9,803	58,818
Total deferred inflows of resources	71,994	-	14,399	86,393
NET POSITION				
Net investment in capital assets	78,129,985	-	18,412	78,148,397
Unrestricted	41,385,395	2,606,822	457,626	44,449,843
Total net position	119,515,380	\$ 2,606,822	\$ 476,038	\$ 122,598,240

The notes to the financial statements are an integral part of this statement.

Town of Holly Springs
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Major Fund	Non-Major Fund		
	Water and Sewer Fund	System Development Fee	Stormwater Management Fund	Total
OPERATING REVENUES				
Charges for services	\$ 19,080,926	\$ -	\$ 839,796	\$ 19,920,722
Water and sewer taps	135,810	-	-	135,810
Other operating revenues	999,262	-	-	999,262
Total operating revenues	20,215,998	-	839,796	21,055,794
OPERATING EXPENSES				
Water and sewer administration	5,028,656	-	-	5,028,656
Waste water administration and collection	2,596,734	-	-	2,596,734
Water treatment and distribution	2,721,574	-	-	2,721,574
Stormwater management	-	-	663,729	663,729
Depreciation and amortization	3,948,520	-	5,971	3,954,491
Total operating expenses	14,295,484	-	669,700	14,965,184
Operating income (loss)	5,920,514	-	170,096	6,090,610
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	796,779	-	8,514	805,293
Interest and other charges	(1,179,190)	-	-	(1,179,190)
Loss on sale of assets	(12,417)	-	-	(12,417)
Claims and judgements	(1,768,444)	-	-	(1,768,444)
Total nonoperating revenue (expenses)	(2,163,272)	-	8,514	(2,154,758)
Income (loss) before contributions and transfers	3,757,242	-	178,610	3,935,852
Transfers from other funds	11,814,690	6,613,349	365,773	18,793,812
Transfers to other funds	(15,786,372)	(4,006,527)	(273,052)	(20,065,951)
Capital asset contributions	4,753,170	-	-	4,753,170
Total income (loss) after contributions and transfers	4,538,730	2,606,822	271,331	7,416,883
Change in net position	4,538,730	2,606,822	271,331	7,416,883
Total net position, beginning	114,976,650	-	204,707	115,181,357
Total net position, ending	\$ 119,515,380	\$ 2,606,822	\$ 476,038	\$ 122,598,240

The notes to the financial statements are an integral part of this statement.

**Town of Holly Springs
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019**

	Major Fund	Non-Major Fund		
	Water and Sewer Fund	System Development Fee Fund	Stormwater Management Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 18,660,205	\$ -	\$ 838,754	\$ 19,498,959
Cash paid for goods and services	(6,720,928)	-	(83,330)	(6,804,258)
Cash paid to or on behalf of employees for services	(3,026,898)	-	(335,112)	(3,362,010)
Other operating revenues	999,262	-	-	999,262
Net cash provided by operating activities	9,911,641	-	420,312	10,331,953
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) other funds	(3,971,682)	2,606,822	92,721	(1,272,139)
Increase in due from (to) other funds	274,234	-	-	274,234
Net cash provided (used) by noncapital financing activities	(3,697,448)	2,606,822	92,721	(997,905)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,297,996)	-	-	(1,297,996)
Advances to other funds	(7,000,000)	-	-	(7,000,000)
Principal paid on bond maturities and equipment contracts	(2,821,190)	-	-	(2,821,190)
Interest paid on bond maturities and equipment contracts	(1,185,334)	-	-	(1,185,334)
Net cash used by capital and related financing activities	(12,304,520)	-	-	(12,304,520)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	717,332	-	8,514	725,846
Net cash provided by investing activities	717,332	-	8,514	725,846
Net increase (decrease) in cash and cash equivalents	(5,372,995)	2,606,822	521,547	(2,244,626)
Balances, beginning	42,987,111	-	256,545	43,243,656
Balances, ending	\$ 37,614,116	\$ 2,606,822	\$ 778,092	\$ 40,999,030

The notes to the financial statements are an integral part of this statement.

Continued

**Town of Holly Springs
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019**

Major Fund	Non-Major Fund		
	System		
Water and Sewer Fund	Development Fee Fund	Stormwater Management Fund	Total

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 5,920,514	\$ -	\$ 170,096	\$ 6,090,610
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	3,948,520	-	5,971	3,954,491
Changes in assets and liabilities:				
Accounts receivable and due from other governments	(556,531)	-	(1,042)	(557,573)
Prepaid expenses	(24,733)	-	(195)	(24,928)
Deferred outflows of resources - pensions	(250,189)	-	(62,035)	(312,224)
Net pension liability	368,701	-	73,740	442,441
Deferred inflows of resources - pensions	(21,412)	-	(4,282)	(25,694)
Deferred inflows of resources - OPEB	11,429	-	8,167	19,596
Accounts payable and accrued liabilities	503,739	-	141,225	644,964
Salaries payable	25,880	-	4,178	30,058
Compensated absences	25,456	-	3,984	29,440
Increase in other postemployment benefits	(39,733)	-	80,505	40,772
Total adjustments	3,991,127	-	250,216	4,241,343
Net cash provided by operating activities	\$ 9,911,641	\$ -	\$ 420,312	\$ 10,331,953

Noncash investing, capital, and financing activities:

Contributions of capital assets from developers	\$ 4,753,170	\$ -	\$ -	\$ 4,753,170
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The notes to the financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Holly Springs (the Town) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Holly Springs is a municipal corporation that is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental and business-type activities* of the Town.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, parks and recreation, street maintenance and construction, and sanitation services.

Street & Sidewalks Projects Fund – The Street and Sidewalks Projects Fund is comprised of the following two sub funds: Street & Sidewalks Project Fund and Street Reserve Fund and accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The Town reports the following non-major governmental funds:

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Special Revenue Funds - Special Revenue Funds account for specific revenue sources that are set aside for specified purposes. The Town has one non-major special revenue fund: Emergency Telephone System Fund.

Project Funds - The Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The Town has four non-major project funds within the Governmental Fund Types:

Business Park Development Projects Fund – This fund accounts for the development of the Holly Springs Business Park.

Fiber Optic Telecommunications Reserve Fund – This fund accounts for operation and maintenance of fiber optic telecommunications.

Parks & Recreation Project Fund – The Parks and Recreation Project Fund is comprised of the following two sub funds: Parks & Recreation Project Fund and Park Reserve Fund and accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Town Buildings Projects Fund – The Town Buildings Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The Town reports the following major proprietary fund:

Water and Sewer Fund – This fund is used to account for the Town's water and sewer operations. The fund is comprised of the following sub funds: Water and Sewer Fund, Water Reserve Fund, Wastewater Reserve Fund, Water Tap/Water Line Projects Fund, Waste Water Projects Fund and the Water & Sewer Debt Service Fund. These funds have been consolidated in the Water and Sewer Fund for financial reporting purposes.

The Town reports the following non-major proprietary fund:

Stormwater Management Fund - This fund is used to account for the Town's stormwater management operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services,

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Holly Springs because the tax is levied by Wake County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances and multi-year budgets are adopted for the Special Revenue Funds, the Projects Funds, and the Enterprise Projects Funds, which are consolidated with the Enterprise operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. In accordance with North Carolina General Statutes, expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Budget control is executed at the department level or by project. The Town Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund without limitation and may transfer appropriations up to \$15,000 between financial areas within a fund with an official reporting to Council. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance is adopted.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Town may designate as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Public Safety funds derived from forfeiture funds are classified as restricted cash of the Governmental Activities, as well as Public Safety donations to be used for community outreach and Telephone System upgrades. Required bond reserves are also maintained as restricted cash. Powell Bill funds are also classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through G.S. 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Governmental Activities

General Fund

Customer Deposits	\$	795,237
Streets		1,159,519
Public Safety		107,224
Bond Reserves		3,071,761

Non-Major Funds

Public Safety		504,434
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Total Governmental Activities	\$	5,638,175
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Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Water and Sewer Fund

Customer Deposits \$	795,836
Bond Reserves	859,096

Total Business-type Activities \$	<u>1,654,932</u>
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Total Restricted Cash	<u><u>\$ 7,293,107</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General government infrastructure, assets (road network) acquired prior to July 1, 2003 have not been capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	15 - 40
Buildings	40
Intangible assets	40
Vehicles	5 - 10
Equipment	5 - 10

8. 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 element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has three items that meet this criterion, pension deferrals, LEO deferrals,

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

and other post employment (OPEB) deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has five items that meet this criterion – property taxes receivable, unavailable revenues, deferrals of pension expense, deferrals of LEO expense, and OPEB deferrals that result from the implementation of GASB Statement 68 & 75.

9. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classification designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

**Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019**

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Holly Springs' governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for cultural and recreation – portion of fund balance committed by vote of the Council for cultural and recreation projects.

Committed for economic and physical development – portion of fund balance committed by vote of the Council for economic and physical development.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund is the only fund that reports a positive unassigned fund balance. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The Town of Holly Springs has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. Defined Benefit Cost Sharing Plans

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 Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Holly Springs' employer contributions are recognized when due and the Town of Holly Springs has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Deficit in Fund Balance or Net Position of Individual Funds

The Street Reserve Fund had a deficit fund balance in the amount of \$2,341,585. The Town plans to correct this through transfers from the street and sidewalks project fund in future periods.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's Waste Water Reserve Fund and Water Reserve Fund exceeded the authorized appropriations made by the governing board for claims and judgements by \$884,222 in each fund. This over-expenditure occurred because a settlement for attorney's fees related to an ongoing lawsuit was recorded as a liability after year-end when an adjustment to the budget could no longer be made. Management and the Board will

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

communicate with the Town Attorney's office to identify possible liabilities from claims and judgments prior to year-end in order to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the Town's deposits had a carrying amount of \$69,323,644 and a bank balance of \$69,879,408. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral under the Pooling Method. At June 30, 2019, the Town's petty cash funds totaled \$2,500.

2. Investments

At June 30, 2018, the Town of Holly Springs had \$10,657,737 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's.

The Town has internal management procedures that limits the Town's investments to the provisions of G.S. 159 and restricts the purchase of securities to those rated no lower than "AAA", and commercial paper meeting the requirements of G.S. 159 plus having a national bond rating. The Town's policy stipulates that investments will be diversified to eliminate the risk of loss as a result of over concentration of securities in a specific issuer, class of securities, or maturity sector.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

	<u>June 30, 2019</u>
General Fund:	
Accounts receivable	\$ 5,096
Water & Sewer Fund:	
Accounts receivable	48,459
Stormwater Fund:	
Accounts receivable	7,004
Total	<u>\$ 60,559</u>

4. Summary of General Capital Assets

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 28,186,237	\$ -	\$ -	\$ 13,702	\$ 28,199,939
Construction in progress	15,082,149	8,023,806	-	(48,411)	23,057,544
Total non-depreciable capital assets	<u>43,268,386</u>	<u>8,023,806</u>	<u>-</u>	<u>(34,709)</u>	<u>51,257,483</u>
Depreciable Capital Assets:					
Buildings	27,583,473	43,714	-	-	27,627,187
Equipment	8,042,409	448,974	(29,946)	12,763	8,474,200
Vehicles	7,481,130	1,028,361	(208,343)	-	8,301,148
Land improvements	20,706,291	-	-	21,946	20,728,237
Infrastructure	65,654,774	2,299,841	-	-	67,954,615
Total depreciable capital assets	<u>129,468,077</u>	<u>3,820,890</u>	<u>(238,289)</u>	<u>34,709</u>	<u>133,085,387</u>
Less Accumulated Depreciation:					
Buildings	5,262,266	701,733	-	-	5,963,999
Equipment	4,858,537	865,919	(29,946)	-	5,694,510
Vehicles	4,663,225	718,005	(208,343)	-	5,172,887
Land improvements	2,798,943	1,097,287	-	-	3,896,230
Infrastructure	16,349,217	2,169,596	-	-	18,518,813
Total accumulated depreciation	<u>\$ 33,932,188</u>	<u>\$ 5,552,540</u>	<u>\$ (238,289)</u>	<u>\$ -</u>	<u>\$ 39,246,439</u>
Total depreciable capital assets, net	<u>\$ 95,535,889</u>				<u>\$ 93,838,948</u>
Governmental activity					
Capital Assets, Net	<u>\$ 138,804,275</u>				<u>\$ 145,096,431</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 302,114
Public safety	1,109,941
Public works	2,078,947
Economic development	144,561
Cultural and recreational	<u>1,916,977</u>
Total	<u>\$ 5,552,540</u>

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

5. Summary of Proprietary Capital Assets

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business-Type Activities:					
Water:					
Capital Assets Not Being Depreciated:					
Land	\$ 153,725	\$ -	\$ -	\$ -	\$ 153,725
Construction in progress	852,383	1,035,406	-	(688,572)	1,199,217
Total capital assets not being depreciated	1,006,108	1,035,406	-	(688,572)	1,352,942
Depreciable Capital Assets:					
Buildings	204,461	-	-	-	204,461
Intangible assets	7,634,204	-	-	-	7,634,204
Equipment	1,815,077	108,312	(21,450)	-	1,901,939
Vehicles	1,546,637	154,278	(85,173)	-	1,615,742
Land improvements	17,842	-	-	-	17,842
Operating plants	138,152,834	4,753,170	-	688,572	143,594,576
Total depreciable capital assets	149,371,055	5,015,760	(106,623)	688,572	154,968,764
Less Accumulated Depreciation:					
Buildings	72,415	5,112	-	-	77,527
Intangible assets	3,801,252	168,958	-	-	3,970,210
Equipment	1,269,068	99,446	(21,450)	-	1,347,064
Vehicles	1,211,580	127,981	(72,756)	-	1,266,805
Land improvements	5,792	1,448	-	-	7,240
Operating plants	32,376,672	3,545,575	-	-	35,922,247
Total accumulated depreciation	38,736,779	3,948,520	(94,206)	-	42,591,093
Total depreciable capital assets, net	\$ 110,634,276				\$ 112,377,671
Stormwater:					
Depreciable Capital Assets:					
Vehicles	\$ 29,857	\$ -	\$ -	\$ -	\$ 29,857
Total depreciable capital assets	29,857	-	-	-	29,857
Less Accumulated Depreciation:					
Vehicles	5,474	5,971	-	-	11,445
Total accumulated depreciation	5,474	\$ 5,971	\$ -	\$ -	11,445
Total depreciable capital assets, net	\$ 24,383				\$ 18,412
Business-type activities capital assets, net	\$ 111,664,767				\$ 113,749,025

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEO) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Holly Springs employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Holly Springs' contractually required contribution rate for the year ended June 30, 2019, was 8.25% of compensation for law enforcement officers and 7.5% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Holly Springs were \$1,072,766 for the year ended June 30, 2019.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a liability of \$6,407,933 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

determined. At June 30, 2018, the Town's proportion was 0.27011%, which was an increase of 0.012% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$1,454,583. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 988,592	\$ 33,172
Changes of assumptions	1,700,418	-
Net difference between projected and actual earnings on pension plan investments	879,618	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	120,022
Employer contributions subsequent to the measurement date	1,072,766	-
Total	<u>\$ 4,641,394</u>	<u>\$ 153,194</u>

\$1,072,766 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ 1,647,729
2021	1,069,192
2022	190,014
2023	508,499
2024	-
Thereafter	-
	<u>\$ 3,415,434</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases, including wage inflation	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.0 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	1% Decrease	Current	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of net pension liability (asset)	15,392,410	6,407,933	(1,099,637)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Holly Springs administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefits provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016 the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Active members	50
Total	50

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 percent to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. *Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations in made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$293,753 as benefits came due for the reporting period.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a total pension liability of \$1,555,254. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$123,463.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 75,790
Changes of assumptions	82,096	93,222
Benefit payments and plan administrative expenses made subsequent to the measurement date	147,158	-
Total	<u>\$ 229,254</u>	<u>\$ 169,012</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ (14,158)
2021	(14,158)
2022	(14,158)
2023	(14,158)
2024	(9,965)
Thereafter	(20,319)
	<u>\$ (86,916)</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following represents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	1,722,361	1,555,254	1,403,587

**Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019**

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	<u>2019</u>
Beginning balance	\$ 1,566,107
Service cost	88,153
Interest on the total pension liability	49,468
Differences between expected and actual experience	(68,884)
Changes of assumptions or other inputs	(78,232)
Benefit payments	<u>(1,358)</u>
Ending balance of the total pension liability	<u><u>\$ 1,555,254</u></u>

The plan currently uses mortality tables that vary by age, gender, employee group, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 1,454,583	\$ 123,463	\$ 1,578,046
Pension Liability	6,407,933	1,555,254	7,963,187
Proportionate share of the net pension liability	0.27011%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	988,592	-	988,592
Changes of assumptions	1,700,418	82,096	1,782,514
Net difference between projected and actual earnings on plan investments	879,618	-	879,618
Benefit payments and administrative costs paid subsequent to the measurement date	1,072,766	147,158	1,219,924
Deferred of Inflows of Resources			
Differences between expected and actual experience	33,172	75,790	108,962
Changes of assumptions	-	93,222	93,222
Changes in proportion and differences between contributions and proportionate share of contributions	120,022	-	120,022

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
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Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

The Town has also elected to have employees not engaged in law enforcement to participate in the Supplemental Retirement Income Plan.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$1,534,096, which consisted of \$859,181 from the Town, \$132,879 from the law enforcement officers and \$542,036 from other Town employees.

d. Other Post-Employment Benefits (OPEB)

1) *Healthcare benefits*

Plan Description: Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 2008, this plan provides postemployment healthcare benefits to retirees of the Town before the age of 65 and qualify for unreduced benefits under the provisions set forth in the North Carolina Local Government Employees' Retirement System (NCLGERS) may be eligible to continue group health insurance. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided:

The Town will contribute toward the cost of group health insurance premiums up to the base plan only based on the years of service at retirement using the following schedule:

Years of Service at Retirement	% of Premium Paid by the Town
30	100%
25 - 29	75%
20 - 24	50%

Coverage will continue until the retiree reaches age 65, at which time group health insurance benefits will end. Retirees not meeting the criteria listed in the above table are not eligible to stay on the plan.

Membership of the HCB Plan consisted of the following at December 31, 2017, the date of the latest actuarial valuation:

Inactive members currently receiving benefits	2
Active members	262
Total	<u>264</u>

2) *Total OPEB Liability*

The Town's total OPEB liability of \$3,503,743 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.75%
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.89%
Health Care Cost Trends	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

3) *Changes in the Total OPEB Liability*

Schedule of Changes in Total Pension Liability
Other Postemployment Benefits Plan

	<u>2019</u>
Balance and July 1, 2018	\$ 3,305,621
Service cost	239,830
Interest	117,478
Differences between expected and actual experience	(228)
Changes of assumptions	(147,518)
Benefit payments	(11,440)
Balance and June 30, 2019	<u>\$ 3,503,743</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 31, 2014.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	<u>1% Decrease (2.89%)</u>	<u>Current Discount Rate (3.89%)</u>	<u>1% Increase (4.89%)</u>
Total OPEB liability	3,969,664	3,503,743	3,092,054

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	2,946,865	3,503,743	4,182,779

d) **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the County recognized OPEB expense of \$316,543. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,966
Changes of assumptions	-	323,803
Benefit payments and plan administrative expenses made subsequent to the measurement date	28,677	-
Total	<u>\$ 28,677</u>	<u>\$ 326,769</u>

\$28,677 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability for the year ended June 30, 2019. Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (40,765)
2021	(40,765)
2022	(40,765)
2023	(40,765)
2024	(40,765)
Thereafter	(122,944)
	<u>\$ (326,769)</u>

2. **Other Employment Benefit**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple employer, State administered cost-sharing plan funded on a one year-term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of months payroll based upon rates established annually by the state. Separate rates are set for employees

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 1,072,766
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	147,158
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	28,677
Differences between expected and actual experience	988,592
Changes of assumptions	1,782,514
Net difference between projected and actual earnings on pension plan investments	879,618
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Total	<u>\$ 4,899,325</u>

Deferred inflows of resources at year-end is comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 9,750	\$ 9,750
Taxes Receivable, less penalties (General Fund)	-	252,320
Unavailable revenues	-	2,930
Changes in assumptions	417,025	-
Differences between expected and actual experience	111,928	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	120,022	-
Total	<u>\$ 658,725</u>	<u>\$ 265,000</u>

4. Risk Management

The Town 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 Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services

Town of Holly Springs, North Carolina
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For the Year Ended June 30, 2019

Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because portions of the Town are in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to and has purchased coverage of \$500,000 per structure through the NFIP.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Director is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

5. Claims, Judgements and Contingent Liabilities

At June 30, 2019, the Town was a defendant to various lawsuits. A class action lawsuit involving builders that were charged capacity fees, a type a fee now found to be illegal in the State of North Carolina, has been brought against the Town. Similar lawsuits have been brought or threatened against other municipalities in North Carolina. The town was able to settle the attorney's fee of this case for the amount of \$2,652,666. A portion of this judgement (\$910,222) was paid during fiscal year 2019, with the remainder being recorded as a liability (\$1,768,444) and due in two future installments. The maximum future liabilities of this lawsuit are approximately \$5 million. These liabilities are dependent on future claims and are not currently measurable. With the exception of this lawsuit, it is the opinion of the Town's management and the Town attorney, the ultimate effect of all other legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Installment Purchase

The Town entered into installment purchase agreements that are detailed below.

General Government Installment Purchases - Principal Balance as of June 30, 2019:

- | | |
|---|-------------|
| (1) Executed in January 2006 for the construction of a new Town Cultural Center and street alignment. The \$3,504,200 note has an interest rate of 3.91% and calls for 15 annual principal payments of \$233,613 beginning January 2007. Final payment is due in fiscal year 2020-2021. The loan is secured by the assets constructed with related debt proceeds. Upon default, entire outstanding balance and accrued interest are immediately due and payable and possession of any collateral is remitted. | \$467,227 |
| (2) Executed in July 2006 for the acquisition of land in the Town's Business Park and certain renovations at the W. E. Hunt Community Center. The \$4,500,000 note has an interest rate of 2.14% and calls for 15 annual principal payments of \$300,000 plus interest beginning July 2007. Final payment is due in fiscal year 2021-2022. The loan is secured by the assets constructed with related debt proceeds. | \$900,000 |
| (3) Executed in January 2007 for the acquisition of land in the Town's Business Park and certain renovations at the W. E. Hunt Community Center. The \$2,925,000 note has an interest rate of 2.14% and calls for 15 annual principal payments of \$195,000 plus interest beginning January 2008. Final payment is due in fiscal year 2021-2022. The loan is secured by the assets constructed with related debt proceeds. | \$585,000 |
| (4) Executed in June 2008 for the widening of the Green Oaks Parkway. The \$6,366,000 note has an interest rate of 2.67% and calls for 18 annual principal payments of \$353,667 plus interest beginning June 2009. Final payment is due in fiscal year 2025-2026. The loan is secured by the assets constructed with related debt proceeds. | \$2,475,666 |

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

- (5) Executed in October 2009 for the building of the Hunt Center and the completion of walking trails and a picnic shelter at Bass Lake. The \$6,524,000 note has an interest rate of 5.20% and calls for 18 annual principal payments of \$383,765 plus interest beginning October 2011. Final payment is due in fiscal year 2027-2028. The loan is secured by the assets constructed with related debt proceeds. Upon default, entire outstanding balance and accrued interest are immediately due and payable and possession of any collateral is remitted.

\$3,453,882

- (6) Executed in September 2013 for the development and construction of a fiber optic network. The \$1,500,000 note has an interest rate of 2.06% and calls for 10 annual principal payments of \$150,000 plus interest beginning September 2014. Final payment is due in fiscal year 2023-2024. The loan is secured by the equipment and any and all additions, accessories, repairs, replacements, substitutions and modifications to the equipment along with any proceeds related to the foregoing. Upon default, entire outstanding balance and accrued interest are immediately due and payable and possession of any collateral is remitted.

\$750,000

- (7) Executed in October 2013 for the purchase of real property to be used for constructing athletic fields. The \$2,058,939 contract with Wake County is an interest free loan payable within 10 years. The Town has paid \$253,668 to date and will make the final payment in fiscal year 2023-2024. Loan is secured by the assets purchased at time of filing the Deed of Trust. Upon default, entire outstanding balance and accrued interest are immediately due and payable and possession of any collateral is remitted.

\$ 1,805,271

Total General Government Installment Purchases

\$ 10,437,046

Water and Sewer Fund Installment Purchases:

- (1) Executed in October 2000 for a water line project. The \$500,000 note calls for 20 annual principal payments of \$25,000 beginning May 2003 and semi-annual interest payments on the outstanding balance at 2.55% per annum. Final payments are due in fiscal year 2021-2022. The loan is secured by the revenues generated by the benefited systems.

\$100,000

- (2) Executed in June 2008 for the construction of a Bass Lake outfall and a Business Park pump station. The \$2,581,000 note has an interest rate of 2.48% and calls for 15 annual principal payments of \$172,067 plus interest beginning June 2009. Final payment is due in fiscal year 2022-2023. The loan is secured by the assets constructed with related debt proceeds. Upon default, entire outstanding balance and accrued interest are immediately due and payable and possession of any collateral is remitted.

\$688,267

- (3) Acceptance of a loan of \$33,534 from NC Dept. of Environment and Natural Resources - American Recovery & Reinvestment Act funds for improvements to the water system in May 2011. The loan has an interest rate of 0% and calls for 1 annual principal payment of \$1,849 beginning May 2011 plus 19 annual principal payments of \$1,668 beginning May 2012. Final payment is due in fiscal year 2029-2030. The loan is secured by the revenues generated by the benefited systems.

\$18,344

- (4) Acceptance of a loan of up to \$17,500,000 from the Clean Water State Revolving Fund to provide funding for the Utleigh Creek Wastewater Treatment Plant upgrade and expansion. The loan provides for interest at a rate of 2.1 %, payable semiannually, and for 20 annual principal payments of \$875,000 to begin in May 2012. Final payment is due in fiscal year 2030-2031. The loan is secured by the revenues generated by the benefited systems.

\$9,625,000

Total Water and Sewer Fund Installment Purchases

\$10,431,611

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Annual debt service payments of installment purchase obligations for the years ending June 30 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,616,045	\$ 311,200	\$ 1,073,734	\$ 221,744
2021	1,616,045	258,984	1,073,734	198,464
2022	1,382,431	206,768	1,073,734	175,185
2023	887,431	163,686	1,073,734	151,905
2024	2,692,702	131,198	876,668	138,631
2025-2029	2,242,392	227,886	4,383,338	367,500
2030-2032	-	-	876,669	18,375
	<u>\$ 10,437,046</u>	<u>\$ 1,299,722</u>	<u>\$ 10,431,611</u>	<u>\$ 1,271,804</u>

b. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds are accounted for as general long-term debt. The general obligation bonds issued to finance the construction of facilities utilized in the operation of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

Parks & Recreation Facilities Bond

- (1) \$970,785 Parks & Recreation Bond issued November 2012, interest at 2.0%, to refinance \$2,000,000 Parks & Recreation Bond issued August 2001, interest at 4.3%-4.5%. The note calls for 30 annual payments of principal and interest through February 2037.

\$310,000

- (2) \$12,000,000 Parks & Recreation Bond issued November 2012, interest at 2.0%, for various parks and recreation projects. The note calls for 30 annual payments of principal and interest through February 2033. The bond was issued with a premium of \$542,391 and the premium will be amortized over the life of the bond using the straight-line method. The unamortized balance of the premium at June 30, 2016 is \$506,231.

\$9,910,000

Total Serviced by General Fund

\$10,220,000

Serviced by the Water and Sewer Fund:

Water Bonds

- (3) \$6,097,959 Water & Sewer Bond issued November 2012, interest rate of 2.0% to refinance bonds issued December 1999 and August 2002, interest at 4.375% and 4.75%, respectively. The note calls for 30 annual payments of principal and interest through February 2037.

\$4,812,500

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Sanitary Sewer Bonds

- (4) \$4,126,256 Sanitary Sewer Bonds issued November 2012, interest rate of 2.0% to refinance bonds issued December 1999 and August 2002, interest at 4.375% and 4.75%, respectively. The note calls for 30 annual payments of principal and interest through February 2037.

\$3,407,500

Refunding Bonds

- (5) \$2,910,000 Refunding Bonds issued March 2006 to retire water and sewer bonds, interest rate of 3.55% to 4.2%, annual installments due through June 2028.

\$ 1,385,000

Total Serviced by Water Sewer Fund

\$9,605,000

Total Bonds

\$19,825,000

Annual debt service requirements to maturity for bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 580,000	\$ 282,000	\$ 500,000	\$ 286,485
2021	580,000	270,400	515,000	274,123
2022	630,000	256,800	530,000	261,303
2023	670,000	246,200	545,000	248,020
2024	670,000	232,800	555,000	234,270
2025-2029	3,695,000	854,850	2,850,000	885,841
2030-2032	2,545,000	229,350	1,470,000	326,702
2033-2037	850,000	25,500	2,640,000	238,354
	<u>\$ 10,220,000</u>	<u>\$ 2,397,900</u>	<u>\$ 9,605,000</u>	<u>\$ 2,755,098</u>

c. Limited Obligation Indebtedness

The Town's limited obligation bonds serviced by the governmental funds are accounted for as general long-term debt. All limited obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

- (1) \$17,105,000 Limited Obligation Bonds, Series 2014, issued September 2014; interest at 2% for 2015 and 2016, 4% for 2017 through 2032, and 5% for 2023 through 2028; to acquire construct and improve (a) a new law enforcement center for the Town, (b) a portion of the Town's North Main Athletic Complex, and (c) certain transportation improvement, as well as to pay financing costs. The note calls for 18 annual principal payments beginning October 1, 2015 and 36 bi-annual interest payments beginning April 1, 2015.

\$14,135,000

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Annual debt service requirements to maturity for limited obligation bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 1,010,000	\$ 570,400
2021	1,010,000	530,000
2022	1,010,000	489,600
2023	1,010,000	449,200
2024	1,005,000	403,875
2025-2029	5,050,000	1,262,500
2030-2032	3,030,000	241,138
2033-2037	1,010,000	16,413
	<u>\$ 14,135,000</u>	<u>\$ 3,963,126</u>

d. Revenue Bonds

- (1) \$16,100,000 Water and Sewer Bond, Series 2008, issued August 2008 under an agreement to participate in the expansion of the Harnett County Regional Water Treatment Facility in exchange for an additional eight million gallons per day of water supply capacity available to the Town. \$1,196,662 of the proceeds of the bond was used to retire the Water and Sewer Revenue Bonds, Series 1991 on August 15, 2008. Principal and interest installments of \$1,250,609 are due annually on August 12 through August 2028. Interest is at a rate of 4.62%. The loan is secured by revenues generated from the benefitted systems.

\$9,837,019

- (2) \$10,000,000 Water and Sewer Bond, Series 2010, issued July 2010 under an agreement to participate in the expansion of the Towns Wastewater Treatment Facility from 1.75 million gallons per day to 6 million gallons per day. Principal and interest installments of \$848,792 are due annually on July 15 through July 2028. Interest is at a rate of 4.90%. The loan is secured by revenues generated from the benefitted systems

\$6,586,094

Total Revenue Bonds

\$16,423,113

The future payments of the revenue bonds are as follows:

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2020	\$ 1,322,186	\$ 596,188
2021	1,384,744	548,278
2022	1,450,264	498,083
2023	1,518,887	445,493
2024	1,590,760	390,394
2025-2029	9,156,272	1,028,954
	<u>\$ 16,423,113</u>	<u>\$ 3,507,390</u>

The Town has pledged future water and sewer customer revenues, net of operating expenses (Net Revenues), to repay the \$26,100,000 Water and Sewer Revenue Bond, Series 2008 and 2010. The Town covenants that it will fix and revise rates, fees and charges for the use of water and sewer system services

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

in such amount as to produce Net Revenues in each fiscal year equal to the total of 120% of debt service requirements on the Series 2008 and 2010 bonds plus 100% of the debt service for all general obligation bonds, installment financing and subordinate bonds. Principal and interest paid during the year ended June 30, 2019 were \$1,262,465 and \$641,916 respectively. The debt service coverage ratio calculation for the year ended June 30, 2019 is as follows:

Operating revenues	\$ 20,215,998
Operating expenses*	<u>(10,894,646)</u>
Operating income	9,321,352
Nonoperating revenues (expenses)**	<u>(984,082)</u>
Income available for debt service	8,337,270
Debt service, principal and interest paid (Revenue bond only)	1,904,381
Debt service ratio	438%

*Per rate covenants, this does not include depreciation expense of \$3,948,520

**Per rate covenants, this does not include interest on borrowed money of \$1,179,190

At June 30, 2019, the Town of Holly Springs had a legal debt margin of \$334,308,251.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

e. Changes in General Long-Term Debt

General Fund assets have and are used to satisfy net pension obligations, other postemployment benefits, and compensated absences.

	Beginning Balances	Additions	Retirements	Ending Balances	Due in Less than One Year
Governmental Activities:					
Installment purchase contracts	\$ 12,113,476	\$ -	\$ 1,676,430	\$ 10,437,046	\$ 1,616,045
Direct placements general obligation bonds	10,805,000	-	585,000	10,220,000	580,000
Bond premium	451,992	-	18,080	433,912	18,080
Direct placements limited obligation bond	15,145,000	-	1,010,000	14,135,000	1,010,000
Bond premium	1,506,378	-	100,425	1,405,953	100,425
Compensated absences	1,074,045	981,340	912,574	1,142,811	912,574
Total OPEB liability	2,715,720	157,350	-	2,873,070	-
Net pension obligation (LGERS)	3,238,941	2,015,564	-	5,254,505	-
Total pension liability (LEO)	<u>1,566,107</u>	<u>-</u>	<u>10,853</u>	<u>1,555,254</u>	<u>-</u>
 Total governmental activities	 <u>\$ 48,616,659</u>	 <u>\$ 3,154,254</u>	 <u>\$ 4,313,362</u>	 <u>\$ 47,457,551</u>	 <u>\$ 4,237,124</u>
	Beginning Balances	Additions	Retirements	Ending Balances	Due in Less than One Year
Business-Type Activities:					
Installment purchase contracts	\$ 11,505,345	\$ -	\$ 1,073,734	\$ 10,431,611	\$ 1,703,734
Direct placements general obligation bonds	10,090,000	-	485,000	9,605,000	500,000
Direct placement revenue bonds	17,685,569	-	1,262,456	16,423,113	1,322,186
Compensated absences	180,895	215,360	185,920	210,335	185,920
Total OPEB liability	589,901	40,772	-	630,673	-
Net pension obligation (LGERS)	<u>710,987</u>	<u>442,441</u>	<u>-</u>	<u>1,153,428</u>	<u>-</u>
 Total business-type activities	 <u>\$ 40,762,697</u>	 <u>\$ 698,573</u>	 <u>\$ 3,007,110</u>	 <u>\$ 38,454,160</u>	 <u>\$ 3,711,840</u>

7. Operating Lease Obligations

The Town has entered into operating leases for various office equipment with terms ranging from three to six years. Rental expense under the agreements for the current year was \$55,128 for Governmental activities. Future minimum payments are as follows:

For the year ended
June 30,

2020	\$ 53,708
2021	36,354
2022	17,280
2023	9,968
2024	2,754
Total	<u>\$ 120,064</u>

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

8. Commitments

The government has active construction projects as of June 30, 2019. At June 30, 2019, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
West Side Sewer Study	\$ 51,135	\$ 17,045
Avent Ferry Pump Station Force Main	67,184	10,816
WWTP Odor Control	319,418	4,410,525
Main Street Extension	8,016,175	764,886
Avent Ferry & Bypass Intersection	1,595,413	24,529
Avent Ferry Bypass/Wide	53,026	40,131
Gable Ridge	20,433	10,947
Town Hall Commons Infrastructure	5,342,913	380,241
Sportsmanship Way/Bypass Connect	1,392,700	1,185,250
Holly Springs Road Widening Phase I	392,363	208,477
Holly Springs Road Widening Phase II	6,680	1,541,820
Green Oaks Pkwy/New Hill Signal	3,000	13,500
Bass Lake Hurricane Repairs	54,194	41,981
Sugg Farm Picnic Shelter	22,275	12,725
Utle Creek Greenway	133,734	109,559
Total	<u>\$ 17,470,643</u>	<u>\$ 8,772,434</u>

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

C. Interfund Balances and Activity

Transfers to/from other funds during the year ended June 30, 2019 consist of the following:

Fund	To	From
General Fund	\$ 453,305	\$ 10,637,448
General Fund Debt Service Fund	4,540,539	-
Street Reserve Fund	10,001	5,473,566
Project Funds, Parks and Recreation Projects	5,996,909	601,426
Steet and Sidewalk Projects	6,633,825	-
System Development Fee - CRF Fund	6,613,349	4,006,527
Stormwater Reserve Fund	365,773	243,992
Water and Sewere Fund	1,371,151	7,825,169
Water and Sewere Debt Service Fund	4,006,527	-
Water Reserve Fund	605,910	546,811
Waste Water Reserve Fund	605,910	6,222,282
WWTP Projects Fund	5,225,192	-
Town Building Projects Fund	350,000	-
Stormwater Management Program Fund	-	29,060
Water Pojects Fund	-	1,192,110
Total	<u>\$ 36,778,391</u>	<u>\$ 36,778,391</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

Interfund Activity

Balances due to/from other funds at June 30, 2019 consist of the following:

	Due From	Due To
Governmental Activities:		
General Fund	\$ 750,000	\$ -
Streets and Sidewalks Projects	-	750,000
	<u>\$ 750,000</u>	<u>\$ 750,000</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

During the year ended June 30, 2019, the Town established an interfund loan in the amount of \$7,000,000 from the Water and Sewer Fund to the Street and Sidewalk Improvement fund to fund preliminary project costs associated with the Transportation Improvement project. This loan is made in anticipation of the Town's issuance of the voter-approved transportation bonds, which are expected to be received in 2021. The loan bears interest at an annual rate of 2.45% and will be paid in full through one payment during 2022.

	<u>Advances From</u>	<u>Advances To</u>
Governmental Activities:		
Streets and Sidewalks Projects	\$ -	\$ 7,000,000
Proprietary Activities:		
Water and Sewer	7,000,000	-
Total	<u>\$ 7,000,000</u>	<u>\$ 7,000,000</u>

D. Net Position/Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 17,479,963
Less:	
Prepaid items	110,795
Restricted for Stabilization by State Statute	4,128,858
Restricted for Streets	1,159,519
Committed for Cultural & Recreational	1,083,165
Remaining fund balance	<u>\$ 10,997,626</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

General Fund	Street & Sidewalks Fund	Water & Sewer Fund	Non-Major Funds
\$572,161	\$4,692,006	\$5,674,083	\$164,265

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Subsequent Events

The Town has evaluated events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of Local Government Commission in North Carolina.

Schedule of Changes in Total Pension Liability

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Schedule of Changes in the Total OPEB Liability and Related Ratios

Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

Town of Holly Springs
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018
Beginning balance	\$ 1,566,107	\$ 1,348,847
Service cost	88,153	73,932
Interest on the total pension liability	49,468	52,065
Differences between expected and actual experience in the measurement of total pension liability	(68,884)	(23,411)
Changes of assumptions or other inputs	(78,232)	114,674
Benefit payments	(1,358)	-
Ending balance of the total pension liability	<u>\$ 1,555,254</u>	<u>\$ 1,566,107</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Holly Springs
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 1,555,254	\$ 1,556,107
Covered payroll	3,455,928	2,987,214
Total pension liability as a percentage of covered payroll	45.00%	52.43%

Notes to the schedules:

The Town of Holly Springs has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Holly Springs
June 30, 2019
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios

	<u>2019</u>
Total OPEB Liability	
Service cost	\$ 239,830
Interest	117,478
Changes of benefit terms	
Differences between expected and actual experience	(228)
Changes of assumptions	(147,518)
Benefit payments	<u>(11,440)</u>
Net change in total OPEB liability	198,122
Total OPEB liability - beginning	<u>3,305,621</u>
Total OPEB liability - ending	<u><u>\$ 3,503,743</u></u>
 Covered payroll	 13,900,834
 Total OPEB liability as a percentage of covered payroll	 25.21%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%

Town of Holly Springs
Town of Holly Springs' Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Holly Springs' proportion of the net pension liability (asset) (%)	0.27011%	0.25855%	0.25138%	0.26003%	0.25086%	0.24620%
Holly Springs' proportion of the net pension liability (asset) (\$)	\$ 6,407,933	\$ 3,949,928	\$ 5,335,129	\$ 1,167,001	\$ (1,479,438)	\$ 2,967,655
Holly Springs' covered payroll	\$12,661,991	\$14,555,252	\$13,598,192	\$12,952,255	\$12,278,020	\$12,278,020
Holly Springs' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	50.61%	27.14%	39.23%	9.01%	(12.05%)	24.17%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

This schedule is intended to show information for ten years, and the additional information will be displayed as it becomes available.

**This will be the same percentage for all participant employers in the LGERS plan.

Town of Holly Springs
Town of Holly Springs' Pension Contributions
Required Supplementary Information
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,072,766	\$ 957,247	\$ 1,088,779	\$ 931,025	\$ 920,877	\$ 869,384
Contributions in relation to the contractually required contribution	<u>1,072,766</u>	<u>957,247</u>	<u>1,088,779</u>	<u>931,025</u>	<u>920,877</u>	<u>869,384</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Holly Springs' covered payroll	\$13,735,801	\$12,661,991	\$14,555,252	\$13,598,192	\$12,952,255	\$12,278,020
Contributions as a percentage of covered payroll	7.81%	7.56%	7.48%	6.85%	7.11%	7.08%

This schedule is intended to show information for ten years, and the additional information will be displayed as it becomes available.

**INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

This section contains additional information on the Governmental and Proprietary Funds (budget to actual comparison) and other schedules (ad valorem taxes receivable and current tax levy).

Town of Holly Springs
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year taxes	\$ 19,700,000	\$ 20,623,304	\$
Prior year taxes	20,000	12,967	
Penalties and interest	20,000	28,553	
Total	<u>19,740,000</u>	<u>20,664,824</u>	<u>924,824</u>
Other taxes and licenses:			
Motor vehicle tax	240,000	277,743	
Rental vehicle tax	2,500	3,592	
Total	<u>242,500</u>	<u>281,335</u>	<u>38,835</u>
Unrestricted intergovernmental:			
Local option sales taxes	6,662,781	7,327,702	
Utility sales tax	1,800,000	1,892,019	
Beer and wine tax	135,000	140,306	
Solid waste disposal tax	23,400	24,125	
ABC profit distribution	150,000	185,991	
Total	<u>8,771,181</u>	<u>9,570,143</u>	<u>798,962</u>
Restricted intergovernmental:			
Powell Bill allocation	825,000	845,245	
Controlled substance tax	-	286	
Federal grants	4,000	23,205	
County and other grants	125,306	147,806	
Total	<u>954,306</u>	<u>1,016,542</u>	<u>62,236</u>
Permits and fees:			
Building permits	1,300,000	1,599,130	
Development fees	2,224,750	5,531,886	
Planning and zoning fees	159,700	208,612	
Total	<u>3,684,450</u>	<u>7,339,628</u>	<u>3,655,178</u>
Sales and services:			
Sanitation/Recycling fees	2,407,540	2,521,378	
Fire/Rescue service fees	738,686	790,627	
Other sales and services	14,500	21,400	
Recreation department fees	2,009,700	2,081,427	
Total	<u>5,170,426</u>	<u>5,414,832</u>	<u>244,406</u>
Investment earnings	<u>60,000</u>	<u>241,790</u>	<u>181,790</u>

**Town of Holly Springs
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Miscellaneous revenue	611,514	541,851	
Lease - equipment/space	23,500	24,415	
Court fees	6,000	2,090	
Total	641,014	568,356	(72,658)
Total revenues	39,263,877	45,097,450	5,833,573
Expenditures:			
General Government:			
Public Affairs and Communications:			
Salaries and employee benefits	569,411	514,247	
Operating expenditures	2,746,167	2,489,044	
Capital outlay	5,500	2,320	
Total	3,321,078	3,005,611	315,467
Administration:			
Salaries and employee benefits	1,062,533	957,376	
Operating expenditures	422,807	215,177	
Total	1,485,340	1,172,553	312,787
Finance:			
Salaries and employee benefits	542,973	540,721	
Operating expenditures	139,232	117,731	
Capital outlay	7,000	6,569	
Total	689,205	665,021	24,184
Information Technology:			
Salaries and employee benefits	373,378	353,417	
Operating expenditures	899,780	880,844	
Capital outlay	310,600	309,954	
Total	1,583,758	1,544,215	39,543
Total general government	7,079,381	6,387,400	691,981
Public safety:			
Law Enforcement:			
Salaries and employee benefits	5,190,097	4,789,944	
Operating expenditures	385,594	380,171	
Capital outlay	615,920	609,643	
Total	6,191,611	5,779,758	411,853

**Town of Holly Springs
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Telecommunications:			
Salaries and employee benefits	848,306	838,946	
Operating expenditures	13,000	9,493	
Total	861,306	848,439	12,867
Fire/Rescue:			
Salaries and employee benefits	3,991,847	3,697,838	
Operating expenditures	563,369	558,103	
Capital outlay	170,860	170,826	
Total	4,726,076	4,426,767	299,309
Total public safety	11,778,993	11,054,964	724,029
Public works:			
Streets and highways:			
Salaries and employee benefits	583,380	555,366	
Operating expenditures	178,100	147,094	
Capital outlay	65,000	65,000	
Total	826,480	767,460	59,020
Fleet maintenance:			
Salaries and employee benefits	134,442	132,337	
Operating expenditures	64,900	61,972	
Capital outlay	24,000	23,823	
Total	223,342	218,132	5,210
Powell Bill:			
Salaries and employee benefits	212,849	190,612	
Operating expenditures	114,400	109,025	
Capital outlay	1,497,751	666,227	
Total	1,825,000	965,864	859,136
Sanitation:			
Salaries and employee benefits	1,001,818	962,872	
Operating expenditures	2,069,231	2,069,078	
Capital outlay	254,000	255,329	
Total	3,325,049	3,287,279	37,770
Total public works	6,199,871	5,238,735	961,136
Economic and physical development			
Economic development:			
Salaries and employee benefits	180,230	175,924	
Operating expenditures	81,050	68,140	
Capital outlay	19,000	6,797	
Total	280,280	250,861	29,419

**Town of Holly Springs
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Code enforcement:			
Salaries and employee benefits	1,079,040	1,013,159	
Operating expenditures	193,850	189,313	
Capital outlay	27,000	26,062	
Total	<u>1,299,890</u>	<u>1,228,534</u>	<u>71,356</u>
Planning and zoning:			
Salaries and employee benefits	829,116	792,107	
Operating expenditures	217,235	213,270	
Capital outlay	195,325	183,197	
Total	<u>1,241,676</u>	<u>1,188,574</u>	<u>53,102</u>
Engineering:			
Salaries and employee benefits	1,223,394	1,061,142	
Operating expenditures	169,479	134,350	
Total	<u>1,392,873</u>	<u>1,195,492</u>	<u>197,381</u>
Total economic and physical development	<u>4,214,719</u>	<u>3,863,461</u>	<u>351,258</u>
Cultural and recreational:			
Park and Field maintenance:			
Salaries and employee benefits	585,408	557,415	
Operating expenditures	752,874	717,519	
Capital outlay	446,200	444,197	
Total	<u>1,784,482</u>	<u>1,719,131</u>	<u>65,351</u>
Community center/programs:			
Salaries and employee benefits	1,134,837	992,097	
Operating expenditures	423,821	379,312	
Capital outlay	32,000	32,000	
Total	<u>1,590,658</u>	<u>1,403,409</u>	<u>187,249</u>
Cultural Center:			
Salaries and employee benefits	302,186	302,074	
Operating expenditures	351,712	334,860	
Capital outlay	21,281	21,280	
Total	<u>675,179</u>	<u>658,214</u>	<u>16,965</u>

**Town of Holly Springs
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Bass Lake Park & Retreat Center:			
Salaries and employee benefits	472,445	443,418	
Operating expenditures	151,400	140,765	
Capital outlay	22,000	22,000	
Total	<u>645,845</u>	<u>606,183</u>	<u>39,662</u>
Athletics:			
Salaries and employee benefits	310,860	293,651	
Operating expenditures	333,700	308,252	
Capital outlay	12,200	11,176	
Total	<u>656,760</u>	<u>613,079</u>	<u>43,681</u>
Public Facilities Maintenance			
Salaries and employee benefits	142,921	142,849	
Operating expenditures	462,533	426,040	
Capital outlay	4,800	3,368	
Total	<u>610,254</u>	<u>572,257</u>	<u>37,997</u>
NMAC			
Salaries and employee benefits	109,743	101,301	
Operating expenditures	144,607	97,501	
Capital outlay	22,500	21,662	
Total	<u>276,850</u>	<u>220,464</u>	<u>56,386</u>
Total cultural and recreational	<u>6,240,028</u>	<u>5,792,737</u>	<u>447,291</u>
Debt service			
Principal retirement	4,540,539	3,271,430	
Interest and other charges	-	1,267,951	
Total debt service	<u>4,540,539</u>	<u>4,539,381</u>	<u>1,158</u>
Total expenditures	<u>40,053,531</u>	<u>36,876,678</u>	<u>3,176,853</u>
Revenues over (under) expenditures	<u>(789,654)</u>	<u>8,220,772</u>	<u>9,010,426</u>
Other financing sources (uses):			
Transfers from other funds:	6,507,693	4,993,844	(1,513,849)
Transfers (to) other funds:	(5,755,539)	(10,637,448)	(4,881,909)
Sale of assets	37,500	21,607	(15,893)
Total	<u>789,654</u>	<u>(5,621,997)</u>	<u>(6,411,651)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>2,598,775</u>	<u>\$ 2,598,775</u>
Fund balances, beginning		<u>14,881,188</u>	
Fund balances, ending		<u>\$ 17,479,963</u>	

Town of Holly Springs
Street & Sidewalks Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Restricted intergovernmental:					
State Grants	\$ 17,139,065	\$ 8,931,274	\$ 1,194,855	\$ 10,126,129	\$ (7,012,936)
Developer's contributions	32,400	32,400	-	32,400	-
Total revenues	<u>17,171,465</u>	<u>8,963,674</u>	<u>1,194,855</u>	<u>10,158,529</u>	<u>(7,012,936)</u>
Expenditures					
Main Street Extension	16,063,564	11,526,175	340,839	11,867,014	4,196,550
Sunset Lake Rd Sidewalk Phase II	2,700	-	2,700	2,700	-
Avent Ferry Bypass	3,349,467	1,744,593	5,346	1,749,939	1,599,528
Avent Ferry Bypass/Rd Widening	2,226,933	344,635	184,139	528,774	1,698,159
North Main Street	8,000	-	100	100	7,900
Avent Ferry Phase II	70,000	69,780	-	69,780	220
Main St Eastbound Right Turn Lane	88,000	-	-	-	88,000
Gable Ridge	330,356	7,500	269,502	277,002	53,354
Town Hall Commons	8,318,968	3,007,626	4,229,908	7,237,534	1,081,434
Sportsmanship Way/Bypass Connect	4,257,812	151,830	1,141,279	1,293,109	2,964,703
Holly Springs Rd Widening Phase I	646,750	-	424,813	424,813	221,937
Holly Springs Rd Widening Phase II	1,703,350	-	6,680	6,680	1,696,670
Green Oaks Parkway	335,000	-	3,000	3,000	332,000
New Hill Sidewalk	295,480	47,095	12,832	59,927	235,553
Crosswalk Safety	191,047	20,797	170,249	191,046	1
Total expenditures	<u>37,887,427</u>	<u>16,920,031</u>	<u>6,791,387</u>	<u>23,711,418</u>	<u>14,176,009</u>
Revenues over (under) expenditures	<u>(20,715,962)</u>	<u>(7,956,357)</u>	<u>(5,596,532)</u>	<u>(13,552,889)</u>	<u>7,163,073</u>
Other financing sources (uses):					
Transfers from other funds:	15,893,612	11,537,570	6,633,825	18,171,395	2,277,783
Limited obligation bonds issued	3,031,000	3,031,000	-	3,031,000	-
Proceeds from installment financing	1,791,350	-	-	-	(1,791,350)
Total other financing sources (uses)	<u>20,715,962</u>	<u>14,568,570</u>	<u>6,633,825</u>	<u>21,202,395</u>	<u>486,433</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 6,612,213</u>	<u>1,037,293</u>	<u>\$ 7,649,506</u>	<u>\$ 7,649,506</u>
Reconciliation from Budgetary					
Basis to Modified Accrual:					
Change in Reserve Fund			(5,343,712)		
Fund balance, beginning			9,490,993		
Fund balance, ending			<u>\$ 5,184,574</u>		

Town of Holly Springs
Street Reserve Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Restricted intergovernmental:			
Transportation payment in lieu	\$ -	\$ 72,494	\$ 72,494
Infrastructure payment in lieu	-	22,809	22,809
Investment earnings	39,750	24,550	(15,200)
Total revenues	<u>39,750</u>	<u>119,853</u>	<u>80,103</u>
Expenditures			
Interest expense	-	-	-
Revenues over (under) expenditures	<u>39,750</u>	<u>119,853</u>	<u>80,103</u>
Other financing sources (uses):			
Transfers from other funds:	4,192,216	10,001	(4,182,215)
Transfers (to) other funds:	(9,440,616)	(5,473,566)	3,967,050
Bond issuance	5,208,650	-	(5,208,650)
Total other financing sources (uses)	<u>(39,750)</u>	<u>(5,463,565)</u>	<u>(5,423,815)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(5,343,712)</u>	<u>\$ (5,343,712)</u>
Fund balance, beginning		3,002,127	
Fund balance, ending		<u>\$ (2,341,585)</u>	

**Town of Holly Springs
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019**

	Special Revenue Funds	Project Funds	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ -	\$ 8,505,831	\$ 8,505,831
Restricted cash and cash equivalents	504,434	-	504,434
Due from other governments	<u>19,264</u>	<u>42,883</u>	<u>62,147</u>
 Total assets	 <u><u>\$ 523,698</u></u>	 <u><u>\$ 8,548,714</u></u>	 <u><u>\$ 9,072,412</u></u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 670</u>	<u>\$ 23,735</u>	<u>\$ 24,405</u>
 Total liabilities	 <u>670</u>	 <u>23,735</u>	 <u>24,405</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	19,264	165,077	184,341
Public Safety	503,764	-	503,764
Committed:			
Cultural and recreational	-	7,853,664	7,853,664
Economic and physical development	<u>-</u>	<u>269,316</u>	<u>269,316</u>
Unassigned	<u>-</u>	<u>236,922</u>	<u>236,922</u>
 Total fund balances	 <u>523,028</u>	 <u>8,524,979</u>	 <u>9,048,007</u>
 Total liabilities and fund balances	 <u><u>\$ 523,698</u></u>	 <u><u>\$ 8,548,714</u></u>	 <u><u>\$ 9,072,412</u></u>

Town of Holly Springs
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds	Project Funds	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Restricted intergovernmental	\$ 231,163	\$ 42,071	\$ 273,234
Contributions	-	610,000	610,000
Investment earnings	6,901	54,006	60,907
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>238,064</u>	<u>706,077</u>	<u>944,141</u>
Expenditures			
Public safety	170,968	-	170,968
Capital outlay	-	194,794	194,794
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>170,968</u>	<u>194,794</u>	<u>365,762</u>
Revenues over (under) expenses	67,096	511,283	578,379
Other financing sources (uses):			
Transfers from other funds	-	6,346,909	6,346,909
Transfers to other funds	-	(601,426)	(601,426)
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>-</u>	<u>5,745,483</u>	<u>5,745,483</u>
Net change in fund balances	67,096	6,256,766	6,323,862
Fund balances, beginning	455,932	2,268,213	2,724,145
Fund balances, ending	<u>\$ 523,028</u>	<u>\$ 8,524,979</u>	<u>\$ 9,048,007</u>

Town of Holly Springs
Emergency Telephone System Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
911 Subscriber Fees	\$ 231,156	\$ 231,163	\$ 7
Interest Income	<u>2,800</u>	<u>6,901</u>	<u>4,101</u>
Total revenues	<u>233,956</u>	<u>238,064</u>	<u>4,108</u>
Expenditures			
Expenditures:			
911 expenditures	<u>233,956</u>	<u>170,968</u>	<u>62,988</u>
Total expenditures	<u>233,956</u>	<u>170,968</u>	<u>62,988</u>
Revenues over (under) expenditures	<u>\$ -</u>	67,096	<u>\$ 67,096</u>
Fund balance, beginning		<u>455,932</u>	
Fund balance, ending		<u>\$ 523,028</u>	

**Town of Holly Springs
Balance Sheet
Non-Major Project Funds
June 30, 2019**

	Business Park Development Project Fund	Fiber Optic Telecommunications Reserve Fund	Town Building Project Fund	Parks & Recreation Project Fund	Total Non-Major Project Funds
Assets					
Cash and cash equivalents	\$ 269,316	\$ 8,257	\$ 228,665	\$ 7,999,593	\$ 8,505,831
Due from other governments	-	-	-	42,883	42,883
Total assets	<u>\$ 269,316</u>	<u>\$ 8,257</u>	<u>\$ 228,665</u>	<u>\$ 8,042,476</u>	<u>\$ 8,548,714</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 23,735	\$ 23,735
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,735</u>	<u>23,735</u>
Fund balances:					
Restricted:					
Stabilization by State Statute	-	-	-	165,077	165,077
Committed:					
Cultural and recreational				7,853,664	7,853,664
Economic and physical development	269,316	-		-	269,316
Unassigned	-	8,257	228,665	-	236,922
Total fund balances	<u>269,316</u>	<u>8,257</u>	<u>228,665</u>	<u>8,018,741</u>	<u>8,524,979</u>
Total liabilities and fund balances	<u>\$ 269,316</u>	<u>\$ 8,257</u>	<u>\$ 228,665</u>	<u>\$ 8,042,476</u>	<u>\$ 8,548,714</u>

Town of Holly Springs
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Project Fund
For the Year Ended June 30, 2019

	Business Park Development Project Fund	Fiber Optic Reserve Telecommunications	Town Buildings Projects Fund	Parks & Recreation Projects Fund	Total Non-Major Project Funds
Revenues					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 42,071	\$ 42,071
Contributions	-	-	-	610,000	610,000
Investment earnings	-	115	-	53,891	54,006
Total revenues	-	115	-	705,962	706,077
Expenditures					
Capital outlay	-	-	-	194,794	194,794
Total expenditures	-	-	-	194,794	194,794
Revenues over (under) expenses	-	115	-	511,168	511,283
Other financing sources (uses):					
Transfers from other funds	-	-	350,000	5,996,909	6,346,909
Transfers (to) other Funds	-	-	-	(601,426)	(601,426)
Total other financing sources (uses)	-	-	350,000	5,395,483	5,745,483
Net change in fund balances	-	115	350,000	5,906,651	6,256,766
Fund balances, beginning	269,316	8,142	(121,335)	2,112,090	2,268,213
Fund balances, ending	<u>\$ 269,316</u>	<u>\$ 8,257</u>	<u>\$ 228,665</u>	<u>\$ 8,018,741</u>	<u>\$ 8,524,979</u>

Town of Holly Springs
Business Park Development Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues				
Restricted intergovernmental:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	-	\$ -	\$ -
Fund balance, beginning		269,316		
Fund balance, ending		<u>\$ 269,316</u>		

Town of Holly Springs
Fiber Optic Telecommunications Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Nonoperating revenues:			
Interest earnings	\$ -	\$ 115	\$ 115
Expenditures:			
Total expenditures	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	115	\$ 115
Fund balances, beginning		8,142	
Fund balances, ending		\$ 8,257	

**Town of Holly Springs
Town Buildings Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019**

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures					
Public Works Facility	350,000	-	-	-	350,000
Total expenditures	350,000	-	-	-	350,000
Revenues over (under) expenditures	(350,000)	-	-	-	350,000
Other financing sources (uses):					
Transfers from other funds:	350,000	-	350,000	350,000	-
Transfers (to) other funds:	-	-	-	-	-
Total other financing sources (uses)	350,000	-	350,000	350,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	350,000	\$ 350,000	\$ 350,000
Fund balance, beginning			(121,335)		
Fund balance, ending			<u>\$ 228,665</u>		

Town of Holly Springs
Parks & Recreation Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Grants	\$ 60,000	\$ -	\$ 42,071	\$ 42,071	\$ (17,929)
Interest earnings	-	-	-	-	-
Total revenues	60,000	-	42,071	42,071	(17,929)
Expenditures					
Sugg Farm Administration					
Contracted services	189,591	135,257	13,244	148,501	41,090
Bass Lake Hurricane Repairs					
Contracted services	972,234	92,422	27,675	120,097	852,137
Sugg Farm Picnic Shelter					
Contracted services	838,500	22,275	20,141	42,416	796,084
Sugg Farm Maintenance Shelter					
Contracted services	35,037	34,394	-	34,394	643
Utle Creek Greenway					
Professional fees	243,300	-	133,734	133,734	109,566
Total expenditures	2,278,662	284,348	194,794	479,142	1,799,520
Revenues over (under) expenditures	(2,218,662)	(284,348)	(152,723)	(437,071)	1,781,591
Other financing sources (uses):					
Transfers from other funds:	2,224,071	2,224,071	-	2,224,071	-
Transfers (to) other funds:	(5,409)	(5,409)	-	(5,409)	-
Total other financing sources (uses)	2,218,662	2,218,662	-	2,218,662	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 1,934,314	(152,723)	\$ 1,781,591	\$ 1,781,591
Reconciliation from Budgetary Basis to Modified Accrual:					
Change in Reserve Fund			6,059,374		
Fund balance, beginning			2,112,090		
Fund balance, ending			<u>\$ 8,018,741</u>		

**Town of Holly Springs
Park Reserve Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Restricted Intergovernmental:			
Recreation impact fees	\$ 1,757,480	\$ -	\$ (1,757,480)
Contributions	615,000	610,000	(5,000)
Interest earnings	11,400	53,891	42,491
Total revenues	<u>2,383,880</u>	<u>663,891</u>	<u>(1,719,989)</u>
Other financing sources (uses):			
Transfers from other funds:	323,294	5,996,909	5,673,615
Transfers (to) other funds:	<u>(2,707,174)</u>	<u>(601,426)</u>	<u>2,105,748</u>
Total other financing sources (uses)	<u>(2,383,880)</u>	<u>5,395,483</u>	<u>7,779,363</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>6,059,374</u>	<u>\$ 6,059,374</u>
Fund balance, beginning		<u>717,884</u>	
Fund balance, ending		<u>\$ 6,777,258</u>	

**Town of Holly Springs
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales:			
Residential	\$ 9,671,135	\$ 10,273,458	\$
Total	9,671,135	10,273,458	602,323
Sewer charges:			
Residential	8,252,740	8,807,468	
Total	8,252,740	8,807,468	554,728
Water and sewer taps	130,500	135,810	5,310
Other operating revenues			
Returned check charges	2,000	1,975	
Water inspection fees	48,500	44,323	
Sewer inspection fees	150,000	71,569	
Development permits	60,000	72,580	
Water and Sewer permits	3,300	5,000	
Water meter fees	233,000	278,801	
Service charge meter deposits	7,000	4,365	
Re-connect fees	49,000	59,290	
Late fees	190,000	191,930	
Miscellaneous revenue	124,797	83,486	
Reclaimed inspection fees	8,500	1,000	
Lab testing fees	15,000	101,787	
Total other operating revenues	891,097	916,106	25,009
Total operating revenues	18,945,472	20,132,842	1,187,370
Nonoperating revenues:			
Interest earnings	35,000	231,600	
Total nonoperating revenues	35,000	231,600	196,600
Total revenues	18,980,472	20,364,442	1,383,970

**Town of Holly Springs
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
Water and Sewer Administration:			
Central services			
Salaries and employee benefits	5,000	-	
Operating expenditures	1,959,099	1,844,697	
Total	1,964,099	1,844,697	119,402
Administration			
Salaries and employee benefits	107,051	69,427	
Operating expenditures	1,500	1,450	
Total	108,551	70,877	37,674
Finance			
Salaries and employee benefits	584,161	549,027	
Repairs and maintenance	14,500	14,280	
Operating expenditures	1,159,831	1,110,266	
Capital outlay	1,637,410	506,760	
Total	3,395,902	2,180,333	1,215,569
Information Technology			
Salaries and employee benefits	80,864	80,637	
Operating expenditures	75,967	64,363	
Capital outlay	8,000	7,644	
Total	164,831	152,644	12,187
Engineering:			
Salaries and employee benefits	789,814	760,624	
Repairs and maintenance	6,000	5,670	
Operating expenditures	180,946	164,029	
Total	976,760	930,323	46,437
Total Water and Sewer Administration	6,610,143	5,178,874	1,431,269
Water Quality:			
Waste Quality Administration:			
Salaries and employee benefits	136,948	136,851	
Repairs and maintenance	500	-	
Operating expenditures	36,840	32,709	
Total	174,288	169,560	4,728

**Town of Holly Springs
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Waste Water Treatment Plant:			
Salaries and employee benefits	634,308	634,303	
Repairs and maintenance	107,344	103,819	
Operating expenditures	467,940	442,509	
Capital outlay	50,000	49,370	
Total	<u>1,259,592</u>	<u>1,230,001</u>	<u>29,591</u>
Waste Water Pump Stations:			
Salaries and employee benefits	255,844	229,677	
Repairs and maintenance	104,000	102,108	
Operating expenditures	459,250	456,913	
Total	<u>819,094</u>	<u>788,698</u>	<u>30,396</u>
Waste Water Laboratory:			
Salaries and employee benefits	154,854	126,568	
Repairs and maintenance	1,125	1,052	
Operating expenditures	78,825	76,255	
Total	<u>234,804</u>	<u>203,875</u>	<u>30,929</u>
Waste Water Collection:			
Salaries and employee benefits	383,559	383,045	
Repairs and maintenance	18,500	18,477	
Operating expenditures	49,900	47,548	
Total	<u>451,959</u>	<u>449,070</u>	<u>2,889</u>
Total Water Quality	<u>2,939,737</u>	<u>2,841,204</u>	<u>98,533</u>
Water Treatment and Distribution:			
Water Distribution:			
Salaries and employee benefits	722,599	690,143	
Repairs and maintenance	18,800	18,756	
Operating expenditures	65,508	62,289	
Capital outlay	80,200	80,196	
Total	<u>887,107</u>	<u>851,384</u>	<u>35,723</u>
Water Storage and Vaults:			
Salaries and employee benefits	65,010	63,263	
Water purchases	2,200,000	1,944,847	
Repairs and maintenance	6,000	5,585	
Operating expenditures	75,200	72,965	
Capital outlay	28,000	28,000	
Total	<u>2,374,210</u>	<u>2,114,660</u>	<u>259,550</u>
Total Water Treatment and Distribution	<u>3,261,317</u>	<u>2,966,044</u>	<u>295,273</u>
Total expenditures	<u>12,811,197</u>	<u>10,986,122</u>	<u>1,825,486</u>

**Town of Holly Springs
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers from other funds:	1,103,490	1,371,151	267,661
Transfers (to) other funds:	(7,272,765)	(7,825,169)	(552,404)
Total other financing sources (uses)	(6,169,275)	(6,454,018)	(284,743)
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>2,924,302</u>	<u>\$ 2,924,713</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		2,924,302	
Reconciling items:			
Capital outlay		733,410	
Capital contributions		4,753,170	
Decrease in OPEB liability		39,733	
Decrease in compensated absences		(25,456)	
Increase in deferred outflows of resources - pensions		250,189	
Increase in net pension liability		(368,701)	
Decrease in deferred inflows of resources - pensions		21,412	
Increase in deferred inflows of resources - OPEB		(11,429)	
Depreciation and amortization		(3,936,258)	
Asset transfer to Governmental activities		-	
Change in accrued interest		6,144	
Total reconciling items		<u>1,462,214</u>	
Net income water and sewer fund		<u>4,386,516</u>	
Net income debt service fund		2,821,193	
Net loss water tap/ water line project fund		(1,192,110)	
Net income waste water projects fund		5,212,930	
Net loss waste water reserve fund		(6,215,937)	
Net income water reserve fund		(473,862)	
Net income - GAAP		<u>\$ 4,538,730</u>	

Town of Holly Springs
Water & Sewer Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Capacity replacement fees	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures			
Debt service:			
Principal retirement	4,006,527	2,820,782	1,185,745
Interest and other charges	-	1,185,334	(1,185,334)
Total expenditures	4,006,527	4,006,116	411
Revenues under expenditures	(4,006,527)	(4,006,116)	411
Other financing sources:			
Transfers from other funds:	4,006,527	4,006,527	-
Total other financing sources	4,006,527	4,006,527	-
Revenues and other financing sources over expenditures	\$ -	411	\$ 411
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		411	
Reconciling items:			
Principal Payments		2,820,782	
Total reconciling items		\$ 2,820,782	
Net income		\$ 2,821,193	

Town of Holly Springs
Water Tap / Water Line Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 64,379	\$ -	\$ 64,379	\$ 64,379
Total revenues	-	64,379	-	64,379	64,379
Expenditures					
Mims Property Stormwater Device	1,240,188	312,872	-	312,872	927,316
Jordan Lake Application	14,974,450	14,755,987	-	14,755,987	218,463
Reclaim Water Master Plan	58,624	27,480	9,160	36,640	21,984
Total expenditures	16,273,262	15,096,339	9,160	15,105,499	1,167,763
Revenues under expenditures	(16,273,262)	(15,031,960)	(9,160)	(15,041,120)	1,232,142
Other financing sources (uses):					
Transfers from other funds:	2,562,024	2,540,942	-	2,540,942	(21,082)
Transfers to other funds:	(1,192,112)	-	(1,192,110)	(1,192,110)	2
Bond proceeds	14,903,350	14,887,338	-	14,887,338	(16,012)
Appropriated fund balance	-	-	-	-	-
Total other financing sources (uses)	16,273,262	17,428,280	(1,192,110)	16,236,170	(37,092)
Revenues and other financing sources over expenditures	\$ -	\$ 2,396,320	(1,201,270)	\$ 1,195,050	\$ 1,195,050
Reconciliation from budgetary basis (modified accrual) to full accrual:					
Revenues and other sources over expenditures and other uses			(1,201,270)		
Reconciling items:					
Capital outlay			9,160		
Total reconciling items			9,160		
Net income			\$ (1,192,110)		

Town of Holly Springs
Waste Water Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Actual			Variance
	Project Authorization	Prior Years	Current Year	Favorable (Unfavorable)
Revenues				
Investment earnings	\$ -	\$ 4,191	\$ -	\$ 4,191
Total revenues	-	4,191	-	4,191
Expenditures				
Environmental Assessment for Utley Creek WRF				
Capital Outlay - Infrastructure	668,908	409,624	178,959	588,583
Total Utley Creek WRF	668,908	409,624	178,959	588,583
WWTP 6 MGD Expansion:				
Professional Fees	50,000	57,068	-	57,068
Attorney Fees	600,000	343,138	-	343,138
Consultant Fees	2,360,663	3,413,716	8,938	3,422,654
Contracted Services	3,371,519	2,200,181	-	2,200,181
Discharge Modeling	190,650	251,702	-	251,702
Capital Outlay	26,170,000	23,491,067	-	23,491,067
Total WWTP 6 MGD Expansion	32,742,832	29,756,872	8,938	29,765,810
West Side Sewer Study				
Consultant Fees	68,180	51,135	-	51,135
Total West Side Sewer Study	68,180	51,135	-	51,135
East Regional Pump Station				
Professional Fees	39,900	30,755	-	30,755
Total East Regional Pump Station	39,900	30,755	-	30,755
Avent Ferry Pump Sta Force Main				
Professional Fees	82,000	45,968	25,216	71,184
Capital outlay	16,050	-	-	-
Contingency	1,605	-	-	-
Total Avent Ferry Pump Sta Force Main	99,655	45,968	25,216	71,184
WWTP Odor Control				
Professional Fees	4,768,588	2,030	342,313	344,343
Contingency	472,994	-	-	-
Total WWTP Odor Control	5,241,582	2,030	342,313	344,343
Total expenditures	38,861,057	30,296,384	555,426	30,851,810
Revenues under expenditures	(38,861,057)	(30,292,193)	(555,426)	(30,847,619)
Other financing sources (uses):				
Transfers from other funds:				
Federal SRF revolving funds	9,252,277	3,744,229	5,225,192	8,969,421
Installment purchase obligations issued	17,500,000	17,500,000	-	17,500,000
Total other financing sources (uses)	12,108,780	10,000,000	-	10,000,000
Revenues and other financing sources over (under) expenditures	38,861,057	31,244,229	5,225,192	36,469,421
	\$ -	\$ 952,036	4,669,766	\$ 5,621,802

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other uses	4,669,766
Reconciling items:	
Capital outlay	555,426
Depreciation	(12,262)
Total reconciling items	543,164
Net income	\$ 5,212,930

Town of Holly Springs
Waste Water Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Development fees	\$ 954,055	\$ 5,600	\$ (948,455)
Investment earnings	86,170	279,057	192,887
Total revenues	1,040,225	284,657	(755,568)
Expenditures			
Claims and judgements	-	884,222	(884,222)
	-	884,222	(884,222)
Revenues over expenditures	1,040,225	(599,565)	(1,639,790)
Other financing sources (uses):			
Transfers from other funds:	5,649,709	605,910	(5,043,799)
Transfers (to) other funds:	(6,689,934)	(6,222,282)	467,652
Total other financing sources (uses)	(1,040,225)	(5,616,372)	(4,576,147)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (6,215,937)	\$ (6,215,937)

Town of Holly Springs
Water Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Development fees	\$ 85,000	\$ 21,460	\$ (63,540)
Water storage reserve	43,679	43,679	-
Investment earnings	90,600	286,122	195,522
Total revenues	219,279	351,261	131,982
Expenditures			
Claims and judgements	-	884,222	(884,222)
	-	884,222	(884,222)
Revenues over (under) expenditures	219,279	(532,961)	(752,240)
Other financing sources (uses):			
Transfers from other funds:	242,499	605,910	363,411
Transfers (to) other funds:	(461,778)	(546,811)	(85,033)
Total other financing sources (uses)	(219,279)	59,099	278,378
Revenues and other financing sources over (under) expenditures	\$ -	\$ (473,862)	\$ (473,862)

Town of Holly Springs
System Development Fee Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:	\$ -	\$ -	\$ -
Expenditures:	-	-	-
Other financing sources (uses):			
Transfers from other funds	4,006,527	6,613,349	2,606,822
Transfers to other funds	(4,006,527)	(4,006,527)	-
Total other financing sources (uses)	-	2,606,822	2,606,822
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 2,606,822	\$ 2,606,822

**Town of Holly Springs
Stormwater Management Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Stormwater management fees			
Residential	\$ 420,000	\$ 435,378	\$ 15,378
Non-residential	50,000	54,190	4,190
Development fees	167,558	334,248	166,690
Total	<u>637,558</u>	<u>823,816</u>	<u>186,258</u>
 Nonoperating revenues:			
Interest earnings	-	6,969	6,969
Total nonoperating revenues	<u>-</u>	<u>6,969</u>	<u>6,969</u>
 Total revenues	<u>637,558</u>	<u>830,785</u>	<u>193,227</u>
 Expenditures:			
Stormwater Management			
Engineering:			
Salaries and employee benefits	448,458	439,369	9,089
Repairs and maintenance	1,000	850	150
Operating expenditures	159,040	123,431	35,609
Total	<u>608,498</u>	<u>563,650</u>	<u>44,848</u>
Total Stormwater Management	<u>608,498</u>	<u>563,650</u>	<u>44,848</u>
Total expenditures	<u>608,498</u>	<u>563,650</u>	<u>44,848</u>
 Other financing sources (uses):			
Transfers to other funds	(29,060)	(29,060)	-
Total other financing sources (uses)	<u>(29,060)</u>	<u>(29,060)</u>	<u>-</u>
 Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>238,075</u>	<u>\$ 238,075</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		238,075	
Reconciling items:			
Depreciation		(5,971)	
Decrease in OPEB liability		(80,505)	
Increase in compensated absences		(3,984)	
Decrease in deferred outflows of resources - pensions		62,035	
Increase in deferred inflows of resources - pensions		4,282	
Increase in deferred inflows of resources OPEB		(8,167)	
Decrease in net pension liability		(73,740)	
Total reconciling items		<u>(106,050)</u>	
Net income		132,025	
Net income Stormwater Reserve Fund		<u>139,306</u>	
Net income - GAAP		<u>\$ 271,331</u>	

Town of Holly Springs
Stormwater Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Fees in lieu stormwater	\$ 100,000	\$ 15,980	\$ (84,020)
Investment earnings	4,000	1,545	(2,455)
Total revenues	104,000	17,525	(86,475)
Revenues over expenditures	104,000	17,525	(86,475)
Other financing sources (uses):			
Transfers from other funds:	509,765	365,773	(143,992)
Transfers (to) other funds:	(613,765)	(243,992)	369,773
Total other financing sources (uses)	(104,000)	121,781	225,781
Revenues and other financing sources over (under) expenditures	\$ -	\$ 139,306	\$ 139,306

OTHER SCHEDULES

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

**Town of Holly Springs
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 20,877,006	(20,860,513)	\$ 16,493
2017-2018	30,314	-	(11,599)	18,715
2016-2017	12,437	-	(655)	11,782
2015-2016	21,569	-	(16)	21,553
2014-2015	2,680	-	(185)	2,495
2013-2014	13,076	-	(104)	12,972
2012-2013	16,419	-	(207)	16,212
2011-2012	20,258	-	(239)	20,019
2010-2011	14,475	-	(229)	14,246
2009 & Prior	117,958	-	(125)	117,833
	<u>\$ 249,186</u>	<u>\$ 20,877,006</u>	<u>\$ (20,873,872)</u>	<u>\$ 252,320</u>

Reconcilement with revenues:

Ad valorem taxes-General Fund	\$ 20,664,824
Reconciling items:	
Auto decals	277,743
Deferred taxes collected	(38,166)
Penalties and interest	(28,553)
Change in prepaid taxes	(1,977)
Subtotal	<u>209,047</u>
Total collections and credits	<u>\$ 20,873,871</u>

**Town of Holly Springs
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 4,825,887,716	\$ 0.4325	\$ 20,871,964	\$ 18,842,495	\$ 2,029,469
Motor Vehicle Decals	93,410	\$ 0.4325	404	404	
Penalties	1,072,284		4,638	4,638	-
Total	<u>4,827,053,410</u>		<u>20,877,006</u>	<u>18,847,537</u>	<u>2,029,469</u>
Discoveries:					
Prior year taxes	-		-	-	-
Total	-		<u>20,877,006</u>	<u>18,847,537</u>	<u>2,029,469</u>
Releases	-		-	-	-
Total Property Valuation	<u>\$ 4,827,053,410</u>		<u>20,877,006</u>	<u>18,847,537</u>	<u>2,029,469</u>
Net levy			20,877,006	18,847,537	2,029,469
Uncollected taxes at June 30, 2019			<u>(16,493)</u>	<u>(5,869)</u>	<u>(10,624)</u>
Current year's taxes collected			<u>\$ 20,860,513</u>	<u>\$ 18,841,668</u>	<u>\$ 2,018,845</u>
Current levy collection percentage			<u>99.92%</u>	<u>99.97%</u>	<u>99.48%</u>

Town of Holly Springs

North Carolina

STATISTICAL SECTION

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

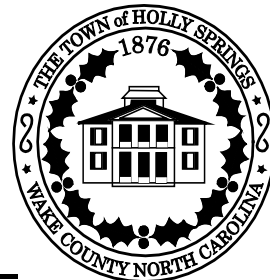
Financial Trends - These tables contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity - These tables contain information to help the reader assess the government's most significant local revenue source, the property tax.

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

Demographic and Economic - These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

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



**Town of Holly Springs
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)**

Table 1

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 61,360,043	\$ 70,528,610	\$ 72,309,276	\$ 72,421,426	\$ 69,944,838	\$ 74,189,844	\$ 78,395,657	91,210,179	98,782,429	108,464,520
Restricted	976,595	3,875,878	3,067,152	2,952,713	3,011,707	4,088,141	4,180,063.00	6,168,323	13,274,189	10,730,713
Unrestricted	(3,478,840) ⁽¹⁾	(6,586,575) ⁽¹⁾	(1,097,934) ⁽¹⁾	5,452,197	13,019,056	13,163,410	17,265,812.00	12,685,845	7,158,567	13,901,463
Total governmental activities net position	<u>\$ 58,857,798</u>	<u>\$ 67,817,913</u>	<u>\$ 74,278,494</u>	<u>\$ 80,826,336</u>	<u>\$ 85,975,601</u>	<u>\$ 91,441,395</u>	<u>\$ 99,841,532</u>	<u>110,064,347</u>	<u>119,215,185</u>	<u>133,096,696</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 58,544,526	\$ 50,528,189	\$ 49,749,485	\$ 51,179,606	\$ 51,814,633	\$ 49,588,554	\$ 59,220,434	65,738,531	73,242,756	78,148,397
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,103,611	10,136,219	15,538,656	17,971,619	20,650,406	28,649,223	34,354,678.00	37,496,223	41,938,601	44,449,843
Total business-type activities net position	<u>\$ 59,648,137</u>	<u>\$ 60,664,408</u>	<u>\$ 65,288,141</u>	<u>\$ 69,151,225</u>	<u>\$ 72,465,039</u>	<u>\$ 78,237,777</u>	<u>\$ 93,575,112</u>	<u>103,234,754</u>	<u>115,181,357</u>	<u>122,598,240</u>
Primary government										
Net investment in capital assets	\$ 119,904,569	\$ 121,056,799	\$ 122,058,761	\$ 123,601,032	\$ 121,759,471	\$ 123,778,398	\$ 137,616,091	156,948,710	172,025,185	186,612,917
Restricted	976,595	3,875,878	3,067,152	2,952,713	3,011,707	4,088,141	4,180,063	6,168,323	13,274,189	10,730,713
Unrestricted	(2,375,229)	3,549,644	14,440,722	23,423,816	33,669,462	41,812,633	51,620,490	50,182,068	49,097,168	58,351,306
Total primary government net position	<u>\$ 118,505,935</u>	<u>\$ 128,482,321</u>	<u>\$ 139,566,635</u>	<u>\$ 149,977,561</u>	<u>\$ 158,440,640</u>	<u>\$ 169,679,172</u>	<u>\$ 193,416,644</u>	<u>213,299,101</u>	<u>234,396,542</u>	<u>255,694,936</u>

Notes:

(1) - Negative amount due to unexpended installment financing proceeds and debt incurred for assets not owned by the Town.

**Town of Holly Springs
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

Table 2

Expenses	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
General government	\$ 4,079,533	\$ 4,194,282	\$ 4,553,730	\$ 3,448,919	\$ 3,528,051	\$ 3,462,828	\$ 5,427,002	\$ 6,313,275	\$ 6,107,980	\$ 6,455,658
Public safety	6,712,325	7,305,938	7,505,873	7,864,710	8,291,593	8,625,666	9,375,298	9,819,225	10,912,664	11,890,328
Public works	3,436,969	3,518,352	3,276,193	5,499,102	5,216,527	5,439,989	5,117,826	5,764,726	5,804,588	6,376,293
Economic and physical development	2,593,290	2,419,557	2,676,443	2,385,357	2,515,614	2,727,983	2,717,471	3,050,354	3,540,240	3,900,880
Cultural and recreational	3,128,433	3,818,106	3,728,385	3,920,197	4,168,776	4,385,491	4,853,362	6,582,467	7,040,497	7,258,197
Interest on long-term debt	1,208,195	1,235,994	1,072,095	935,315	1,109,591	1,517,904	1,131,787	1,426,709	1,247,571	788,902
Total governmental activities expenses	<u>\$ 21,158,745</u>	<u>\$ 22,492,229</u>	<u>\$ 22,812,719</u>	<u>\$ 24,053,600</u>	<u>\$ 24,830,152</u>	<u>\$ 26,159,861</u>	<u>\$ 28,622,746</u>	<u>\$ 32,956,756</u>	<u>\$ 34,653,540</u>	<u>\$ 36,670,258</u>
Business-type activities:										
Water and sewer	9,280,670	9,493,666	10,000,253	10,789,690	10,310,680	10,391,706	12,525,209	13,769,219	13,929,928	\$ 17,255,535
Stormwater Management	-	-	-	-	-	304,303	382,116	426,954	531,509	669,700
Total business-type activities	<u>9,280,670</u>	<u>9,493,666</u>	<u>10,000,253</u>	<u>10,789,690</u>	<u>10,310,680</u>	<u>10,696,009</u>	<u>12,907,325</u>	<u>14,196,173</u>	<u>14,461,437</u>	<u>\$ 17,925,235</u>
Total primary government expenses	<u>\$ 30,439,415</u>	<u>\$ 31,985,895</u>	<u>\$ 32,812,972</u>	<u>\$ 34,843,290</u>	<u>\$ 35,140,832</u>	<u>\$ 36,855,870</u>	<u>\$ 41,530,071</u>	<u>\$ 47,152,929</u>	<u>\$ 49,114,977</u>	<u>\$ 54,595,493</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,650	\$ 2,850	\$ 2,625	\$ 13,125	\$ 8,400	\$ 21,575	\$ 16,325	\$ 20,925	\$ 2,858,813	\$ 7,298,373
Public safety	1,299,093	938,809	1,205,742	4,447	-	-	3,935	649,785	853,789	792,717
Public works	1,605,763	1,873,839	2,603,670	3,528,051	3,149,640	3,640,733	4,126,782	4,211,351	2,385,218	2,521,378
Economic and physical development	177,441	365,088	453,985	463,451	629,514	881,538	979,236	1,082,787	-	-
Cultural and recreational	894,383	1,022,967	1,391,613	1,437,567	1,503,984	1,597,746	2,078,761	2,659,557	3,907,820	2,354,661
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	831,345	1,327,139	1,316,669	1,586,696	1,596,573	2,310,297	1,911,070	937,153	722,111	707,806
Capital grants and contributions	5,123,523	8,193,166	3,372,210	2,983,090	376,600	679,807	2,497,859	6,186,357	3,826,519	4,194,268
Total governmental activities program revenues	<u>\$ 9,934,198</u>	<u>\$ 13,723,858</u>	<u>\$ 10,346,514</u>	<u>\$ 10,016,427</u>	<u>\$ 7,264,711</u>	<u>\$ 9,131,696</u>	<u>\$ 11,613,968</u>	<u>\$ 15,747,915</u>	<u>\$ 14,554,270</u>	<u>\$ 17,869,203</u>
Business-type activities:										
Charges for services:										
Water and sewer	7,030,068	7,843,749	8,184,981	8,221,998	8,824,314	9,593,146	10,665,649	13,010,379	23,522,105	\$ 20,215,998
Stormwater Management	-	-	-	-	-	400,996	424,890	438,541	861,496	839,796
Operating grants and contributions	634,508	1,043,042	1,365,299	1,185,994	941,444	2,518,586	3,087,544	34,014	-	-
Capital grants and contributions	4,424,249	3,323,888	4,905,290	4,905,290	4,111,657	4,176,414	13,247,053	11,209,180	2,572,952	4,753,170
Total business-type activities program revenues	<u>12,088,825</u>	<u>12,210,679</u>	<u>14,455,570</u>	<u>14,313,282</u>	<u>13,877,415</u>	<u>16,689,142</u>	<u>27,425,136</u>	<u>24,692,114</u>	<u>26,956,553</u>	<u>\$ 25,808,964</u>
Total primary government program revenues	<u>\$ 22,023,023</u>	<u>\$ 25,934,537</u>	<u>\$ 24,802,084</u>	<u>\$ 24,329,709</u>	<u>\$ 21,142,126</u>	<u>\$ 25,820,838</u>	<u>\$ 39,039,104</u>	<u>\$ 40,440,029</u>	<u>\$ 41,510,823</u>	<u>\$ 43,678,167</u>
Net (expense)/revenue										
Governmental activities	\$ (11,224,547)	\$ (8,768,371)	\$ (12,466,205)	\$ (14,037,173)	\$ (17,565,441)	\$ (17,028,165)	\$ (17,008,778)	\$ (17,208,841)	\$ (20,099,270)	\$ (18,801,055)
Business-type activities	2,808,155	2,717,013	4,455,317	3,728,089	3,566,735	5,993,133	14,517,811	10,495,941	12,495,116	7,883,729
Total primary government net revenue/(expense)	<u>\$ (8,416,392)</u>	<u>\$ (6,051,358)</u>	<u>\$ (8,010,888)</u>	<u>\$ (10,309,084)</u>	<u>\$ (13,998,706)</u>	<u>\$ (11,035,032)</u>	<u>\$ (2,490,967)</u>	<u>\$ (6,712,900)</u>	<u>\$ (7,604,154)</u>	<u>\$ (10,917,326)</u>

Table 2 (cont.)

General Revenues and Other Changes in Net Position	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Taxes:										
Property taxes, levied for general purpose	\$ 11,978,254	\$ 12,642,284	\$ 13,291,089	\$ 14,461,270	\$ 15,619,742	\$ 16,223,733	\$ 17,257,526	18,178,641	19,209,381	\$ 20,667,959
Franchise Tax	43,639	36,426	-	-	-	-	-	-	-	-
Other taxes	241,522	210,952	226,783	234,245	304,881	293,621	245,812	263,595	270,673	281,621
Unrestricted grants and contributions	4,278,961	4,556,982	5,296,831	5,630,346	6,110,835	7,335,754	7,975,706	8,317,739	8,880,075	8,889,855
Unrestricted investment earnings	21,846	69,255	95,816	110,730	186,353	88,056	91,790	67,113	241,480	327,247
Gain (Loss) on sale of assets	9,189	35,202	10,700	-	-	21,779	111,308	39,782	(454)	21,607
Miscellaneous	40,056	177,385	5,567	148,424	167,478	(52,482)	(222,998)	609,585	778,909	541,851
Transfers	-	-	-	-	462,694	-	-	946,124	567,135	1,272,139
Total government activities	<u>16,613,467</u>	<u>17,728,486</u>	<u>18,926,786</u>	<u>20,585,015</u>	<u>22,851,983</u>	<u>23,910,461</u>	<u>25,459,144</u>	<u>28,422,579</u>	<u>29,947,199</u>	<u>\$ 32,002,279</u>
Business-type activities:										
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	123,457	187,208	168,416	134,995	10,048	115,328	134,205	109,825	226,328	\$ 805,293
Gain (Loss) on sale of assets	-	-	-	-	-	-	(9,070)	-	(1,736)	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	352,969	-	-	(946,124)	(567,135)	(1,272,139)
Total business-type activities	<u>123,457</u>	<u>187,208</u>	<u>168,416</u>	<u>134,995</u>	<u>363,017</u>	<u>115,328</u>	<u>125,135</u>	<u>(836,299)</u>	<u>(342,543)</u>	<u>\$ (466,846)</u>
Total primary government	<u>\$ 16,736,924</u>	<u>\$ 17,915,694</u>	<u>\$ 19,095,202</u>	<u>\$ 20,720,010</u>	<u>\$ 23,215,000</u>	<u>\$ 24,025,789</u>	<u>\$ 25,584,279</u>	<u>\$ 27,586,280</u>	<u>\$ 29,604,656</u>	<u>\$ 31,535,433</u>
Change in Net Position										
Governmental activities	\$ 5,388,920	\$ 8,960,115	\$ 6,460,581	\$ 6,547,842	\$ 5,149,265	\$ 6,882,296	\$ 7,868,445	11,173,956	9,847,929	\$ 13,496,434
Business-type activities	2,931,612	1,016,271	4,623,733	3,863,084	3,313,814	6,108,461	15,224,877	9,659,642	12,152,573	7,416,882
Total primary government	<u>\$ 8,320,532</u>	<u>\$ 9,976,386</u>	<u>\$ 11,084,314</u>	<u>\$ 10,410,926</u>	<u>\$ 8,463,079</u>	<u>\$ 12,990,757</u>	<u>\$ 23,093,322</u>	<u>\$ 20,833,598</u>	<u>\$ 22,000,502</u>	<u>\$ 20,913,316</u>

Town of Holly Springs
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

Table 3

Fiscal Year	Property Tax (1)	Tax Rate
2010	11,978,254	0.415
2011	12,642,284	0.415
2012	13,291,089	0.415
2013	14,461,270	0.435
2014	15,619,742	0.435
2015	16,223,733	0.435
2016	17,257,526	0.4325
2017	18,178,641	0.4325
2018	19,432,310	0.4325
2019	20,664,824	0.4825

Notes:

(1) - Town of Holly Springs only levies a property tax.

Town of Holly Springs
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4

Pre - GASB 54		Fiscal Year									
		2010									
General Fund											
Reserved		\$ 2,635,726									
Unreserved		2,672,306									
Total General Fund		5,308,032									
All other governmental funds											
Reserved		\$ 2,582,387									
Unreserved, reported in:											
Special revenue funds		-									
Capital projects funds		5,295,628									
Total all other governmental funds		\$ 7,878,015									

Post - GASB 54		Fiscal Year									
		2010	(1) 2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund											
Fund Balance:											
Nonspendable	\$ -	\$ 151,860	\$ 161,285	\$ 46,140	\$ 52,140	\$ 52,239	\$ 70,081	79,950	91,303	110,795	
Restricted	-	3,833,704	2,946,540	2,663,930	2,544,522	2,970,290	3,639,779	5,778,229	6,886,858	5,288,377	
Committed	-	-	-	-	-	-	-	-	361,055	1,083,165	
Assigned	-	335,265	53,315	65,922	-	-	-	-	-	-	
Unassigned	-	1,510,129	3,573,699	4,725,897	7,386,296	8,631,264	8,458,193	7,268,830	7,541,972	10,997,626	
Total General Fund		-	5,830,958	6,734,839	7,501,889	9,982,958	11,653,793	12,168,053	13,127,009	14,881,188	17,479,963
All other governmental funds											
Fund Balance:											
Nonspendable	\$ -	\$ 42,174	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	
Restricted	-	-	120,612	288,783	467,185	1,117,851	540,284	390,094	6,387,331	5,442,336	
Committed	-	3,525,544	4,148,431	16,073,301	8,448,148	7,515,167	8,964,567	10,467,668	6,661,741	8,122,980	
Assigned	-	-	-	-	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	(3,434)	(3,434)	8,142	(833,934)	667,265	
Total all other governmental funds		-	\$ 3,567,718	\$ 4,269,043	\$ 16,362,084	\$ 8,915,333	\$ 8,629,584	\$ 9,501,417	10,865,904	12,215,138	14,232,581

Notes:

(1) - GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions is designed to better convey the restrictions upon the fund balance of a governmental fund. Restatement of previous fund balances reported cannot be done with certainty, due to a lack of detailed records. Accordingly, the information above is presented in "Pre-GASB 54" and "Post-GASB 54" sections. As information becomes available, the Post-GASB 54 section will be eliminated.

Town of Holly Springs
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 5

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Ad valorem taxes	\$ 11,973,553	\$ 12,717,485	\$ 13,283,297	\$ 14,459,706	\$ 15,687,338	\$ 16,286,363	\$ 17,018,909	18,174,054	19,206,514	20,664,824
Other taxes and licenses	205,744	210,952	226,782	234,245	304,881	293,621	245,812	263,595	270,305	281,335
Unrestricted intergovernmental	4,278,961	4,556,982	5,296,831	5,630,346	6,110,835	7,335,754	7,975,705	8,317,740	8,880,075	9,570,143
Restricted intergovernmental	4,451,493	1,591,154	2,001,306	1,360,685	1,518,433	2,288,396	3,065,521	5,379,580	3,386,261	2,484,631
Permits and fees	1,115,393	1,528,596	2,589,228	2,668,637	2,364,570	3,015,654	3,560,678	3,938,888	5,168,469	7,434,931
Sales and services	2,871,283	2,746,721	3,076,195	3,241,890	3,381,708	3,827,647	4,296,864	4,919,619	5,268,409	5,414,832
Investment earnings	40,522	90,396	116,135	110,730	186,353	88,056	91,790	67,113	241,480	327,247
Contributions									601,000	610,000
Miscellaneous	154,882	365,182	25,751	167,478	155,960	21,779	132,295	352,190	819,408	568,356
Total revenues	25,091,831	23,807,468	26,615,525	27,873,717	29,710,078	33,157,270	36,387,574	41,412,779	43,841,921	47,356,299
Expenditures										
General government	2,995,010	2,928,723	3,816,906	3,269,815	3,330,493	3,372,314	4,777,766	4,992,465	5,762,700	6,068,557
Public Safety	6,641,089	7,513,586	7,097,298	7,060,856	7,498,671	8,167,487	8,753,090	9,041,240	9,598,597	10,445,463
Public Works	3,365,058	3,462,700	3,093,524	3,857,299	3,525,567	3,802,470	3,343,570	3,862,106	3,828,097	4,228,356
Economic and physical development	2,548,171	2,406,813	2,808,247	2,346,102	2,469,042	2,752,672	2,725,969	3,043,549	3,349,044	3,647,405
Culture and recreation	2,864,602	3,786,289	3,544,361	3,463,886	3,704,644	3,966,824	4,056,012	4,572,031	5,225,265	5,237,054
Debt service										
Principal	4,459,289	2,163,364	3,360,928	2,589,337	2,984,012	3,595,154	3,372,453	3,470,119	3,270,280	3,271,430
Interest and other charges	1,039,137	1,190,368	1,103,835	968,312	1,213,304	1,424,840	1,435,953	1,366,365	1,373,669	1,267,951
Capital outlay	4,546,311	4,711,195	2,863,027	4,704,960	12,093,646	20,761,983	9,344,540	9,727,367	9,158,453	9,867,611
Total expenditures	28,458,667	28,163,038	27,688,126	28,260,567	36,819,379	47,843,744	37,809,353	40,075,242	41,566,105	44,033,827
Excess of revenues over (under) expenditures	(3,366,836)	(4,355,570)	(1,072,601)	(386,850)	(7,109,301)	(14,686,474)	(1,421,779)	1,337,537	2,275,816	3,322,472
Other financing sources (uses)										
Transfers in	5,696,849	889,538	597,840	1,683,900	337,784	4,615	3,830,312	3,880,782	15,331,363	17,984,579
Transfers out	(5,696,849)	(889,538)	(597,840)	(1,683,900)	15,185	(4,615)	(4,412,243)	(2,934,658)	(14,781,725)	(16,712,440)
General Obligation Bonds issued	-	-	-	12,542,391	-	-	-	-	-	-
Bond Premiums							(118,505)			
Insurance proceeds	-	-	453,487	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	330,593	45,267	39,782	26,825	21,607
Installment purchase obligations	6,524,000	568,200	2,224,320	704,550	1,790,650	-	-	-	-	-
Limited Obligation Bonds issued						18,912,653				
Total other financing sources (uses)	6,524,000	568,200	2,677,807	13,246,941	2,143,619	19,243,246	(655,169)	985,906	576,463	1,293,746
Net change in fund balances	\$ 3,157,164	\$ (3,787,370)	\$ 1,605,206	\$ 12,860,091	\$ (4,965,682)	\$ 4,556,772	\$ (2,076,948)	2,323,443	2,852,279	4,616,218
Debt service as a percentage of noncapital expenditures	23.0%	14.3%	18.0%	15.1%	17.0%	18.5%	16.9%	15.9%	14.3%	13.3%

Town of Holly Springs
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 6

Fiscal Year	Real Property	Personal Property	Public Service Company	Total Assessed Value	Ratio of Assessed Value to Estimated Actual Value ⁽¹⁾	Property Tax Rate ⁽²⁾
2010	2,632,410,959	248,302,635	10,985,372	2,891,698,966	100%	0.415
2011	2,731,516,906	506,775,987	10,750,243	3,249,043,136	100%	0.415
2012	2,726,525,443	464,333,093	11,339,424	3,202,197,960	100%	0.415
2013	2,820,610,148	497,569,451	11,317,969	3,329,497,568	100%	0.435
2014	2,980,832,198	267,785,254	202,730,575	3,451,348,027	100%	0.435
2015	3,157,366,328	255,641,980	11,280,764	3,424,289,072	100%	0.435
2016 ⁽³⁾	3,318,803,500	235,417,044	14,038,511	3,568,259,055	100%	0.4325
2017	3,676,515,021	149,168,524	14,414,591	3,840,098,136	100%	0.4325
2018	3,950,714,099	97,295,550	15,827,540	4,063,837,189	100%	0.4325
2019	4,356,646,328	453,292,958	15,948,430	4,825,887,716	100%	0.4325

Notes:

(1) Assessed value is established by the Wake County Tax Department at 100% estimated market value.

(2) Rate per \$100 of assessed valuation.

(3) A revaluation of all property is required every eight (8) years by North Carolina State Statute. The last revaluation occurred as of December 31, 2015 (4) and the previous revaluation was December 31, 2008 (3).

**Town of Holly Springs
Property Tax rates
Direct and Overlapping⁽¹⁾ Governments
Last Ten Fiscal Years**

Table 7

Fiscal Year	Town of Holly Springs	Wake County	Combined Tax Rate Per \$100 of Assessed Value
2010	0.415	0.534	0.949
2011	0.415	0.534	0.949
2012	0.415	0.534	0.949
2013	0.435	0.534	0.969
2014	0.435	0.534	0.969
2015	0.435	0.534	0.969
2016 (1)	0.4325	0.601	1.0330
2017	0.4325	0.615	1.0475
2018	0.4325	0.654	1.0869
2019	0.4325	0.721	1.1532

Notes:

(1) - A revaluation of all property is required every eight (8) years by North Carolina State Statute. The last revaluation occurred as of December 31, 2015 and the previous .
revaluation occurred as of December 31, 2008.

**Town of Holly Springs
Principal Property Taxpayers
June 30, 2019**

Table 8

Taxpayer	Type of Enterprise	2019			2010		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Seqirus Inc (1)	Pharmaceuticals	\$ 198,898,502	1	4.12%	-		
KRG New Hill Place LLC	Commercial Prop Owner	\$ 81,031,448	2	1.68%	-		
CCC Villages at Pecan Grove LLC	Rental Property	\$ 52,409,776	3	1.09%	-		
MSS Apartments LLC	Residential Build/Dev	\$ 27,568,567	4	0.57%	-		
Evans Holly Springs LLC	Residential Build/Dev	\$ 13,435,483	5	0.28%	-		
Rosen Holly Springs LLC	Residential Build/Dev	\$ 12,663,038	6	0.26%	-		
Walmart Stores	Residential Build/Dev	\$ 12,383,662	7	0.26%	-		
HTA - Holly Springs MOB LLC	Retail Development	\$ 11,390,628	8	0.24%	-		
Optimus Springs LLC	Residential Build/Dev	\$ 11,173,483	9	0.23%	-		
Trellis Pointe LLC	Rental Property	\$ 11,115,329	10	0.23%	-		
Novartis Vaccines & Diagnostics Inc (1)	Pharmaceuticals	-			214,310,324	1	7.17%
Twelve Oaks LLC	Residential Build/Dev	-			37,061,662	2	1.24%
Walmart Real Estate Business Trust	Retail Development	-			18,145,769	3	0.61%
KRG New Hill Place LLC	Commercial Prop Owner	-			15,183,759	4	0.51%
J&H of Holly Springs LLC	Retail Development	-			13,213,761	5	0.44%
Holly Springs Crossing LLC	Shopping Center	-			11,733,904	6	0.39%
John Wieland Homes & Neighborhoods	Residential Build/Dev	-			10,393,725	7	0.35%
Holly Springs Retail Investment	Retail Development	-			9,283,559	8	0.31%
Southpark Village Investments LLC	Residential Build/Dev	-			8,522,605	9	0.29%
Warp Technologies Inc	Textile Manufacturer	-			7,932,129	10	0.27%
Totals		<u>\$ 432,069,916</u>		<u>9.0%</u>	<u>\$ 76,263,442</u>		<u>11.6%</u>
Total Assessed Value		<u>\$ 4,825,887,716</u>			<u>\$ 2,990,381,007</u>		

Source: Wake County Revenue Department, Statistics and Reports - Top Taxpayers and Tax Base Components

(1) Novartis merged to become Seqirus Inc. in July 2015

**Town of Holly Springs
Property Tax Levies and Collections
Last Ten Fiscal Years**

Table 9

Fiscal Year	Tax Levy	Current Tax Collections	Percent of Taxes Collected	Subsequent Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2010 (2)	12,126,154	11,918,200	98.3%	179,390	12,097,590	99.8%
2011	12,814,707	12,669,268	98.9%	194,365	12,863,633	100%
2012	13,449,393	13,289,115	98.8%	142,622	13,431,737	99.9%
2013	14,636,933	14,485,360	99.0%	132,697	14,618,057	99.9%
2014	15,866,133	15,768,583	99.4%	133,848	15,902,431	100%
2015	16,458,003	16,422,026	99.8%	74,720	16,496,746	100%
2016	17,172,963	17,134,568	99.8%	(5,436)	17,129,132	99.7%
2017	18,517,564	18,490,570	99.9%	22,408	18,512,978	100%
2018	19,438,128	19,401,996	99.8%	27,447	19,429,443	100%
2019	20,886,990	20,845,848	99.8%	14,752	20,860,600	99.9%

Notes:

(1) - A revaluation of all property is required every eight (8) years by North Carolina State Statute. The last revaluations occurred as of December 31, 2000 and December 31, 2008.

(2) - The \$1.2 million increase in the tax levy from fiscal year 2009 is attributable to new commercial development, including over \$700,000 attributable to Novartis Vaccine and Diagnostics Inc., a pharmaceutical company which has a manufacturing plant in the town. See table 8 for more information.

**Town of Holly Springs
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Table 10

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Debt as a % of Assessed Valuation ⁽²⁾	Per Capita ⁽³⁾
	GO Bonds	Installment Purchases	LO Bonds	GO Bonds	Installment Purchases	Revenue Bonds			
2010	1,200,000	25,491,871		13,311,900	19,835,037	15,593,211	\$ 75,432,019	2.6%	3,041
2011	1,100,000	23,996,707		13,028,900	19,463,306	25,063,008 ⁽¹⁾	\$ 82,651,921	2.5%	3,258
2012	1,000,000	22,960,099		12,736,900	18,172,011	24,149,388	\$ 79,018,398	2.5%	2,994
2013	13,513,176 ⁽⁴⁾	21,104,527		12,324,215	16,874,016	23,192,250	\$ 87,008,184	2.6%	3,105
2014	13,247,144	21,159,117		11,867,167	15,800,282	22,190,300	\$ 84,264,010	2.4%	2,802
2015	12,935,475	16,857,552	18,912,653 ⁽⁵⁾	11,345,756	14,726,548	21,140,954	\$ 95,918,938	2.8%	3,056
2016	11,840,000	14,410,099	16,630,000	11,035,000	13,652,813	20,041,967	\$ 87,609,879	2.5%	2,623
2017	11,390,000	11,983,485	16,155,000	10,570,000	12,579,079	18,890,992	\$ 81,568,556	2.1%	2,309
2018	11,256,992	12,113,476	16,651,378	10,090,000	11,505,345	17,685,565	\$ 79,302,756	2.0%	2,145
2019	10,220,000	10,437,046	14,135,000	9,605,000	10,431,611	16,423,113	\$ 71,251,770	1.5%	1,838

Notes:

(1) - During fiscal year 2011, revenue bonds of \$10 million were issued for the wastewater treatment plant expansion and upgrade.

(2) - Total primary government debt divided by assessed valuation. Assessed valuations can be found in Table 6, page 117.

(3) - Total primary government debt divided by total population. Population data can be found on Table 15, page 126.

(4) - During the fiscal year 2013, Parks & Recreation GO Bonds of \$12,000,000 were issued.

(5) - During the fiscal year 2015, LOB Bonds of \$17,105,000 were issued.

Town of Holly Springs
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

Fiscal Year	General Obligation Bonds (1)	Percentage of Assessed Property Value	Per Capita (2)
2010	14,511,900	0.50%	585
2011	14,128,900	0.43%	557
2012	13,736,900	0.43%	521
2013	25,295,000	0.76%	903
2014	24,590,000	0.71%	818
2015	23,775,000	0.69%	757
2016	22,875,000	0.64%	685
2017	21,960,000	0.57%	622
2018	20,895,000	0.51%	565
2019	19,825,000	0.41%	512

Note: Details regarding the Town's debt can be found in the notes to the financial statements.

(1) - Includes General Obligation Bonds from governmental and business-type activities.

(2) - Population data can be found in the Schedule of Demographic and Economic Statistics

Town of Holly Springs
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

Table 12

Governmental Unit	General Obligation Debt Outstanding (1)	Estimated Percentage Applicable To Town (2)	Estimated Share of Overlapping Debt (4)
Debt repaid with property taxes - Wake County	1,727,510	2.87%	<u>\$ 49,645</u>
Subtotal, overlapping debt			49,645
Town of Holly Springs direct debt			<u>36,631,911</u> (3)
Total direct and overlapping debt			<u><u>\$ 36,681,556</u></u>

Notes:

(1) - Amount represents General Obligation Debt of Wake County, North Carolina. The Town is a Municipal Government within Wake County.

(2) - The percentage of overlapping debt applicable to the town is estimated using assessed property values. The applicable percentage represents the town's total assessed value divided by Wake County's total assessed value.

(3) - Includes all governmental general obligation and installment financing debt.

(4) - Overlapping debt does not include the debt of the Special Airport District of Durham and Wake Counties as these bonds are payable by the Airport Authority out of airport revenues.

**Town of Holly Springs
Legal Debt Margin Information
Last Ten Fiscal Years**

Table 13

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$231,335,917	\$259,923,451	\$256,175,837	\$ 266,359,805	\$ 276,107,842	\$ 274,049,458	\$ 285,460,724	\$ 335,654,566	\$ 359,442,254	\$ 386,164,273
Total net debt applicable to limit	<u>51,059,536</u>	<u>49,006,790</u>	<u>46,489,186</u>	<u>67,505,102</u>	<u>50,672,232</u>	<u>62,993,344</u>	<u>58,292,912</u>	<u>57,450,064</u>	<u>58,012,536</u>	<u>51,856,022</u>
Legal debt margin	<u>\$180,276,381</u>	<u>\$210,916,661</u>	<u>\$209,686,651</u>	<u>\$ 198,854,703</u>	<u>\$ 225,435,610</u>	<u>\$ 211,056,114</u>	<u>\$ 227,167,812</u>	<u>\$ 278,204,502</u>	<u>\$ 301,429,718</u>	<u>\$ 334,308,251</u>
Total net debt applicable to the limit as a percentage of debt limit	22.07%	18.85%	18.15%	25.34%	18.35%	22.99%	20.42%	17.12%	16.14%	13.43%

Legal Debt Margin Calculation for Fiscal Year 2019 ⁽¹⁾

Assessed Value	\$4,827,053,410
Debt Limit (8% of total assessed value)	386,164,273
Debt applicable to limit:	
General obligation bonds	20,258,912
Limited obligation bonds	15,540,953
Lease Financing Agreements	20,868,657
Less: Statute exclusion for water bonds	<u>(4,812,500)</u>
Total net debt applicable to limit	<u>51,856,022</u>
Legal Debt Margin	<u>\$ 334,308,251</u>

Notes:

(1) - Under North Carolina general statutes, the legal debt limit should not exceed 8% of total assessed property value. By law, the statutes provide exclusions for bonded debt which has been issued for water and sewer systems, provided the criteria for excluding the debt has been satisfied by the unit of government.

(2) - Increase in debt limit was significantly impacted by the increase in the assessed property values resulting from the December 2008 revaluation of property values in Holly Springs.

**Town of Holly Springs
Pledge-Revenue Coverage
Last Ten Fiscal Years**

Table 14

Sewer Revenue Bonds								
Fiscal Year	Water and Sewer Charges (1)	Other Non- Operating Revenues (2)	Total Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
2010	7,089,133	27,772	7,116,905	2,815,521	4,301,384	506,789	743,820	3.44
2011	7,830,502	12,459	7,842,961	2,815,521	5,027,440	530,203	720,406	4.02
2012	9,550,280	3,443,765	12,994,045	5,569,925	7,424,120	956,697	1,142,703	3.54
2013	9,407,992	4,030,585	13,438,577	6,663,737	6,774,840	957,138	1,420,811	2.85
2014	9,765,758	4,211,705	13,977,463	6,318,282	7,659,181	2,532,733	1,545,133	1.88
2015	12,111,732	4,215,425	16,327,157	6,596,399	9,730,758	2,644,492	1,409,831	2.40
2016	11,752,068	7,010,631	18,762,699	7,871,184	10,891,515	2,622,720	1,413,419	2.70
2017	13,010,379	7,045,592	20,055,971	9,075,842	10,980,129	2,689,710	1,339,931	2.72
2018	12,066,349	11,455,756	23,522,105	12,874,164	10,647,941	2,759,161	1,263,993	2.65
2019	19,216,736	999,262	20,215,998	10,986,122	9,229,876	2,821,193	1,185,334	2.30

Notes:

(1) - Includes water and sewer charges and tap fees.

(2) - Amounts represent sewer capacity replacement fees. These revenues are now accounted for in the System Development Fees Fund.

**Town of Holly Springs
Demographic and Economic Statistics
Last Ten Fiscal Years**

Table 15

Fiscal Year	Holly Springs Population (1)	Wake County Population (2)	Personal Income (1,000's) (3)	Per Capita Income (4)	Median Age (5)	School Enrollment (6)	Unemployment Rate (7)
2010	24,804	900,993	35,576,938	41,440	34.1	5,764	8.5%
2011	25,372	928,693	40,193,567	43,280	34.6	**	8.0%
2012	26,390	952,151	42,693,474	44,839	34.4	7,010	7.7%
2013	28,020	963,593	44,911,652	46,097	34.4	7,816	7.2%
2014	30,071	1,000,000	49,629,485	49,695	35.0	7,937	5.5%
2015	31,391	1,000,000+	50,257,552	50,294	35.0	8,114	5.5%
2016	33,395	1,024,198	53,028,913	51,776	35.0	8,126	4.3%
2017	35,323	1,046,791	56,592,270	54,063	35.0	8,655	3.6%
2018	36,973	1,072,203	57,229,926	54,549	36.2	8,655	3.6%
2019	38,757	1,092,305	60,216,950	56,162	36.4	8,939	3.6%

Notes:

(1) - Population projections are compiled by Town of Holly Springs Planning & Zoning Department.

(2) - Population projections from US Census Bureau as of July 2018.

(3) - Personal Income for Wake County according to the US Department of Commerce Bureau of Economic Analysis. Personal income information is available for Wake County and not the Town. Latest data available is for 2017 updated March 2019

(4) - Per capita Income for Wake County according to the US Department of Commerce Bureau of Economic Analysis - Per Capita Personal Income by County Table. Personal income information is available for Wake County and not the Town. Latest data available is for 2017 updated March 2019

(5) - Median age for Wake County according to Wake.Gov as of March 2019

(6) - School enrollment for public schools within Town incorporated limits provided by WCPSS.
<<http://www.wcpss.net/about-us/our-facilities/facility-utilization/>>
Enrollment figures for 2011 are not available on WCPSS website.
Enrollment figures updated through 2018-19

(7) - Unemployment rate for Wake County according to Wake.GOV as of March 1,2019

**Town of Holly Springs
Principal Employers
Last Ten Fiscal Years**

Table 16

Employer	2019			2010		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Seqirus	750	1	4.8%			
WCPS	734	2	4.7%			
Town of Holly Springs	300	3	1.9%			
Walmart	285	4	1.8%			
Rex Healthcare	275	5	1.8%			
Target	265	6	1.7%			
Rovisys	150	7	1.0%			
Pierce Group Benefits	148	8	1.0%			
Ideal Landscaping	118	9	0.8%			
My Computer Career	115	10	0.7%			
Novartis Vaccines	-	-		300	1	10.5%
Walmart	-	-		275	2	9.7%
Town of Holly Springs				216	3	7.6%
Holly Springs High School				145	4	5.1%
Holly Ridge Middle School				120	5	4.2%
Holly Springs Elementary				120	6	4.2%
Holly Ridge Elementary				115	7	4.0%
Holly Grove Elementary				110	8	3.9%
Harris Teeter				105	9	3.7%
Warp Technologies				95	10	3.3%

Source: Town of Holly Springs Economic Development Department.

Town of Holly Springs
Full-time Equivalent Town Government Employees by Function
Last Ten Fiscal Years

Table 17

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Governing Body	5	5	5	5	5	5	5	5	5	2
Administration	10	10	10	9	8	8	10	10	11	18
Finance	8	8	8	8	7	8	10	10	11	10
Economic & Physical Development										
Economic Development	2	2	2	2	2	2	1	2	2	2
Planning	7	6	6	6	6	7	9	8	9	10
Code Enforcement	13	10	10	10	9	9	12	12	12	12
Engineering	20	19	19	19	18	18	21	21	23	27
Public Safety										
Law Enforcement										
Officers	38	44	44	44	44	50	50	49	56	64
Civilians	11	10	10	12	12	10	13	13	12	13
Fire/Rescue	34	37	37	37	39	39	41	40	45	49
Public Works										
Streets	9	9	9	11	11	10	12	10	11	14
Solid Waste	11	11	11	11	11	12	11	11	14	14
Fleet Maintenance	3	2	2	2	2	2	2	2	2	2
Parks & Recreation	25	26	27	29	26	27	33	33	34	34
Water										
Water Storage	2	2	2	1	1	1	1	1	1	1
Water Distributions	11	11	11	10	9	10	11	12	12	12
Water Meters	0	0	0	4	4	4	4	4	4	4
Water Quality										
WW Treatment	6	7	8	8	8	8	8	8	8	8
Pump Stations	4	3	3	3	3	3	4	4	4	4
Laboratory	2	2	2	2	2	2	2	2	2	2
WW Collections	7	7	6	4	4	4	3	4	5	6
Total	228	231	232	237	231	239	263	261	283	308

Source: Town of Holly Springs Finance Department.

**Town of Holly Springs
Operating Indicators by Function
Last Ten Years**

Table 18

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function:										
Public Safety										
Physical arrests	486	413	341	321	423	470	462	444	383	310
Traffic violations	2,574	3,718	2,214	3,159	3034	2385	2227	1914	1163	1019
Number of fire calls answered	1,480	1,320	1,107	1,407	1522	1657	1877	1903	2130	2174
Number of EMS calls answered	1,385	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Inspections	804	580	600	829	813	960	1010	1107	548	1789
Police response rate										5:09 **
Fire response rate										4:31
EMS response rate										n/a
Highways and streets										
Street resurfacing (miles)	1.05	1.05	1.05	2.04	0	2	5.25	7.17	5.59	5.59
Potholes repaired	52	75	190	89	78	240	191	191	163	163
Sidewalk repaired (linear ft.)	1,172	1,412	4,107	1,262	1242	2210	2163	2808	3029	3029
Street sweeping (miles)	1,900	500	400	400	350	684	575	150 (1)	240	240
Code Enforcement/Inspections										
Building permits	175	220	360	409	432	420	677	661	636	636
Sanitation										
Residential waste collected (tons/year)	6,427.52	6,177.76	6,722.89	6,666.81	6762.01	7408.15	8567.74	9472.06	7980.68	9917.76
Recyclables collected (tons/year)	2,084.71	1,769.65	1,750.05	1,734.13	1961.70	1940.12	2021.16	1660.1	2071.7	2353.95
Yard waste collected (tons/year)	11,240 cy	13,528 cy	25,832 cy	19,662 cy	19,874 cy	22200 c	27152 cy	37932.09*	23524 cy	4253820*
Household/appliances (tons/year)	81.86	87.80	74.72	78.02	83	159 pieces	183 pieces	24.69*	25 pieces	24
Recycle pick-up fee	3.25	4.25	4.25	4.25	4.25	4.25	4.34	4.34	4.34	4.34
Trash pick-up fee	8.15	9.50	9.50	9.50	9.50	9.50	9.69	9.69	9.69	9.69
Yard waste pick-up fee									3	3
Culture and recreation										
Athletic field permits issued	11	8	8	12	21	48	49	76	268	349
Community center admissions	\$ 294,695	\$ 531,600	\$ 829,630	\$ 851,098	\$ 863,603	\$ 916,966	\$ 948,829	\$ 1,357,634	\$ 1,286,597	\$ 1,042,227
Youth participation:										
Fall soccer	791	768	740	702	708	831	822	822	957	971
Spring soccer	831	933	779	733	691	798	916	916	994	1081
Football & cheerleading	302	232	224	224	139	189	180	131	123	152
Basketball	600	631	709	688		899	897	895	909	881
Baseball	1340	1366	1450	1284	1289	1366	1392	1420	1474	1526
Before & after school	963	810	967	872	926	906	1328	1776	1300	1479
Summer camp	1202	1242	1534	1253	1247	1413	1198	1366	1378	1230
Track-out									1169	1019
Track	57	74	90	113	112	110	109	105	100	97
Adult participation:										
Basketball	144	144	144	132	108	144	144	144	120	120
Coed soccer	80	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Softball	435	570	495	700	640	580	580	540	400	360
Fitness room	425	382	1189	3436	3,204	3,529	4159	4241	4400	3238
Water										
Water customers	8,366	8,582	8,933	9,375	9874	10364	11644	11435	12345	12864
Average water bill	\$ 27.27	\$ 30.02	\$ 31.34	\$ 32.46	34.71	36.86	39.45	42.04	36.22	38.22
Water main breaks	0	2	2	4	3	1	3	5	6	0
Sanitary Sewer Overflows (SSO)	2	2	0	1	2	3	2	1	0	0
Average daily consumption (MGD)	1,639,186	1,380,000	1,876,000	1,873,000	1,952,000	2,449,000	2,913,000	3,211,000	2,667,000	3,821,000
Wastewater										
Average daily sewage treatment	1.207	1.309	1.412	1.521	1.757	1.98	2.163	2.263	2.351	2.65

* Reported in tons/year. This is a reporting change from prior years.

(1) Street Sweeper non-operational for a significant time period during the year.

** Includes all calls both emergency and non-emergency call (animal control included) and is from time of dispatch to arrival on scene

Sources: Town of Holly Springs Police, Fire, Parks and Recreation, Public Works Departments.

**Town of Holly Springs
Capital Asset Statistics by Function
Last Ten Fiscal Years**

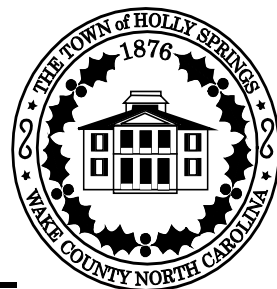
Table 19

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function											
Public safety											
Police stations	1	1	1	1	2	2	2	1	1	1	1
Police patrol units	46	46	48	48	48	48	48	56	58	58	58
Fire stations	3	3	3	3	3	3	3	3	3	3	3
Fire trucks	8	8	8	8	8	7	7	7	7	8	8
EMS vehicles	2	0	0	0	0	0	0	0	0	0	0
Sanitation											
Refuse collection trucks											
Collection trucks	8	8	8	8	4	4	4	5	4	7	8
Highways and streets											
Streets (miles)	95.29	96.34	101.22	103.08	106.17	108.50	115.66	118.58	125.75	131.34	140.2
Traffic signals	12	13	13	15	22	22	25	25	28	32	32
Public parking spaces	832	832	832	993	993	993	993	993	1932	1932	1932
Culture and recreation											
Parks acreage	175	257	274	274	433	537	573	573	573	573	573
Parks	5	5	5	5	6	5	5	5	5	5	5
Baseball fields	9	10	10	10	10	10	11	11	11	11	11
Tennis courts	6	6	6	6	6	9	21	21	21	21	21
Community centers	1	1	1	1	1	1	1	2	2	2	1
Water											
Water mains (feet)											
4" water line	4,102	4,102	4,408	4,408	4,818	5,450	6,627	7,785	7,785	7,797	8,151
6" water line	16,642	18,050	24,116	27,561	29,414	32,438	39,809	44,976	52,392	58,130	65,810
8" water line	72,308	81,274	85,261	93,136	99,978	111,178	147,722	163,418	198,425	212,395	248,391
12" water line	82,138	85,219	98,357	100,529	104,660	107,602	120,450	127,194	142,194	148,560	169,344
Total	175,190	188,645	212,142	225,634	238,870	256,668	314,608	343,373	400,796	426,882	491,696
Maximum daily capacity (millions of gallons per day)	4.2	4.2	10	10	10	10	12	12	12	12	12
Sewer											
8" Sewer Lines (feet)	152,181	160,850	175,832	187,835	197,115	211,686	258,582	283,704	340,545	362,000	398,645
Max daily treatment capacity (millions of gallons per day)	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	6	6	6

Sources: Town of Holly Springs Police, Fire, Parks and Recreation, Public Works Departments.

Town of Holly Springs
North Carolina

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***

The Honorable Mayor and
Members of Town Council
Town of Holly Springs, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holly Springs, North Carolina (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 7, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Town of Holly Springs' Response to Findings

Town of Holly Springs' response to the findings identified in our audit is described in the accompanying Corrective Action Plan. Town of Holly Springs' response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, PLLC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
November 7, 2019

**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; in Accordance with
OMB Uniform Guidance; and the State Single Audit Implementation Act**

The Honorable Mayor and
Members of Town Council
Town of Holly Springs, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Holly Springs, North Carolina's (the "Town") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2018. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, PLLC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
November 7, 2019

**Independent Auditor's Report on Compliance for Each Major State Program;
Report on Internal Control over Compliance; in Accordance with
OMB Uniform Guidance; and the State Single Audit Implementation Act**

The Honorable Mayor and
Members of Town Council
Town of Holly Springs, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of Holly Springs, North Carolina's (the "Town") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2019. The Town's major state programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section the Uniform Guidance as described in the *Audit*

Manual for Governmental Auditors in North Carolina and which are described in the accompanying schedule of findings and questioned costs as items 2019-2. Our opinion on each major state program is not modified with respect to these matters.

The Town of Holly Springs' response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town of Holly Springs' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-2, that we consider to be a significant deficiency.

The Town's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Elliott Davis, PLLC

Raleigh, North Carolina
November 7, 2019

Town of Holly Springs

Schedule of Findings and Questioned Costs

For the year ended June 30, 2019

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☒ Yes ☐ None reported

Noncompliance material to the financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance
2 CFR 200.516(a):

☐ Yes ☒ No

Identification of major federal programs:

CFDA Number

20.205

Name of Federal Program or Cluster

Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

No

State Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance
with the State Single Audit Implementation Act:

☒ Yes ☐ No

Identification of major state programs:

Powell Bill

DOT-4

Town of Holly Springs

Schedule of Findings and Questioned Costs

For the year ended June 30, 2019

II. FINANCIAL STATEMENT FINDINGS

2019-1: Accounts Payable Cutoff

Criteria or specific requirement: Payables should be recorded in the period in which the goods are received or the services occurred in order to reflect proper cutoff and ensure that the financial statements are complete with respect to accounts payable.

Conditions: During a search for unrecorded liability, we noted that 2 payments should have been recorded as accounts payable as of June 30, 2019, but were not.

Context: 2 cases out of 16 cases in total had this cutoff problem.

Effect: Accounts payable was understated in the General Fund and in the Water and Sewer Fund due to the unrecorded liabilities as of June 30, 2019.

Cause: Invoices and refund requests were received after year end with service dates not properly identified, causing the accounts payable and expenses to be recorded in the wrong period.

Recommendation: During year-end closing procedures, we recommend that the Town identify all unmatched purchase orders, receiving reports, invoices and refund requests to determine if a payable should be recorded.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

Town of Holly Springs

Schedule of Findings and Questioned Costs

For the year ended June 30, 2019

IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

2019-2: Powell Bill Allowable Costs

Information on the state program Powell Bill, NC Department of Transportation.

Criteria or specific requirement: Powell Bill funds are only to be used for allowable costs as outlined in the State Compliance Supplement.

Conditions: We identified an invoice paid with Powell Bill funds for an item that is unallowable according to the program compliance requirements.

Context: We sampled 63 Powell Bill expenditures and noted the above condition in 1 of the 63 expenditures tested.

Effect: The Town used Powell Bill funds for an unallowable item in the amount of \$1,050.

Cause: Internal controls were not in place to ensure that Powell Bill funds were only used for allowable costs.

Recommendation: The Town should provide training to ensure that employees involved with Powell Bill funding are knowledgeable of costs allowed under the grant.



THE TOWN OF

Holly Springs

Corrective Action Plan

2019-1 Accounts Payable Cutoff

Recommendation: During year-end closing procedures, we recommend that the Town identify all unmatched purchase orders, receiving reports, invoices and refund requests to determine if a payable should be recorded.

Corrective Action Plan: Management agrees with the finding. We will strengthen controls to identify all unmatched purchase orders, receiving reports and refund requests.

Proposed Completion Date: 12/01/2019

Name of Contact Person: Mary Hogan, Finance Director

2019-2 Powell Bill Allowable Costs

Recommendation: The Town should provide training to ensure that employees involved with Powell Bill funding are knowledgeable of costs allowed under the grant.

Corrective Action Plan: Management agrees with the finding. The Powell Bill report is submitted to the state by the Town each year in July. Prior to submitting the report, Town staff do a thorough audit of the revenues and expenditures that are booked into those accounts and make any reclassifications or adjustments to the revenues and expenses prior to the year-end close out or the submission of the report. This process caught the typo prior to our year-end trial balance. The testing by our auditors this year was done prior to our internal audit. The adjustments were made prior to the year-end trial balance report. We will perform our internal prior to the auditor's arrival. We will continue to train staff on proper Powell Bill expenditures as recommended.

Date Completed: 06/30/2019

Name of Contact Person: Mary Hogan, Finance Director

Town of Holly Springs, North Carolina

Summary Schedule of Prior Year's Audit Findings

For the year ended June 30, 2018

2018-1: Accounts Payable Cutoff

Conditions: Invoices for services that occurred over a time period spanning both fiscal years should be allocated by service date to the applicable period. While testing accounts payable cutoff, we found one invoice that spanned from mid-June to mid-July that was not paid for until July, and was not accrued for as of year-end.

Current Status: During the search for unrecorded liability testing, auditors noted that 2 payments that should have been recorded as accounts payable as of June 30, 2019. See finding 2019-1.

2018-2: Entries to Fund Balance

Conditions: Residual fund balance was not appropriated for spending through a budget amendment; rather, expenditures were posted directly to fund balance.

Current Status: Management considers this finding to have been cleared during the year ended June 30, 2019.

2018-3: LOB Bank Account

Conditions: In 2014 the Town issued a Limited Obligation Bond and placed the bond proceeds in a separate bank account. This bank account was not recorded in the general ledger.

Current Status: Management considers this finding to have been cleared during the year ended June 30, 2019.

Town of Holly Spring, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
US Department of Transportation:				
Passed through NC Department of Transportation:				
Highway Planning and Construction	20.205	DOT-18	\$ 1,805,338	\$ -
Total U.S. Department of Transportation			<u>1,805,338</u>	<u>-</u>
US Department of Homeland Security:				
Federal Emergency Management Agency (FEMA)	97.036		27,675	-
Total U.S. Department of Homeland Security			<u>27,675</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>1,833,013</u>	<u>-</u>
STATE AWARDS				
NC Department of Transportation				
Powell Bill		DOT-4	-	965,235
NC Department of Public Instruction				
North Carolina General Assembly				20,000
TOTAL STATE AWARDS			<u>-</u>	<u>985,235</u>
TOTAL FEDERAL AND STATE ASSISTANCE			<u>\$ 1,833,013</u>	<u>\$ 985,235</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the Town under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this Schedule of Expenditures of Federal and State Awards is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Holly Springs, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Holly Springs has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.