

FY2016 Major Facilities Capital Projects Funding

Proposer: Town of Holly Springs

RFP #: 16-045

Proposal Closing Time & Date: 3:00 PM on June 15, 2016

1.0: EXECUTIVE SUMMARY

Identification of project:

The Holly Springs Town Council, at its Annual Retreat in February, gave staff direction to begin planning for a multiple gymnasium & convocation facility. This facility would serve the recreational needs of residents of Holly Springs and Wake County and provide an excellent opportunity to host a variety of tourism-focused events. Scheduling could work quite well with most of the Town usage occurring October through March, allowing for ample hosting capacity during the other six months.

Tourism-focused events could include basketball tournaments, volleyball tournaments, banquets, conventions, car shows, cheer competitions, indoor soccer and the like. These events could be held exclusively at the new facility or in combination with other facilities in Wake County. For example, it may not be logistically possible for a large-scale basketball organization to host a tournament in the current offerings of southern Wake County. Although, a multiple gymnasium facility in Holly Springs could provide the needed courts to attract this tournament and the associated travel and tourism revenues.

A few significant unmet needs could be addressed with the opening of this facility:

1. Holly Springs currently has one hotel facility, the Hampton Inn along Ralph Stephens Road. We know for certain interest exists from hotel developers to locate additional facilities in Town. These developers stay in regular contact with our Economic Development office, but have yet to pull the trigger on a second hotel. It should be noted that inquiries have become more frequent since the completion of the North Main Athletic Center (NMAC). Keep in mind, Wake County owns roughly 20 acres of undeveloped land directly north of NMAC that is prime for hotel development.
2. Organizations looking to host large, indoor events in southern Wake County do not have many, in some cases, any, options to choose from. This shortage may cause organizers to seek host sites elsewhere, outside of Wake County. Southwestern Wake County is growing at an incredible rate, making a multiple-gymnasium facility a critical component of infrastructure that is currently lacking.
3. At present, the Town of Holly Springs has only one gymnasium. We make up for this deficit by entering into joint-use agreements with the Wake County School System, which provides access to their gymnasiums. Our facility needs are now beyond even this arrangement and therefore, an unmet need in the County would be served by the construction of more gymnasiums.

Town staff will be taking a contract to the July 19, 2016 council meeting to initiate a space and land needs analysis for the proposed facility. The Town currently has acreage located at the North Main Athletic Center and this study will help determine if that acreage is sufficient. If not, land will be sought in another location in Town.

Our space and land needs consultant will be tasked with developing three (3) schemes. Each scheme will increase in project scope and cost. We feel confident our \$7,500,000 in bond funds can produce a quality, multiple gymnasium facility. However, the infusion of \$1,500,000 in Wake County grant funds would create a scenario where our project scope could be enhanced to a level that would make hosting tourism-based events much more achievable. It could mean the difference in an additional court and/or features that would be required by an organization seeking a host location.

Proven track-record:

The Town of Holly Springs has a successful track record when partnering with Wake County, including projects such as North Main Athletic Center, Holly Springs Library & Cultural Center, Jones Park, Holly Springs High School Athletic Fields, Holly Grove Middle School Athletic Fields, and Womble Park.

We were awarded \$1,000,000 in Wake County travel and tourism dollars in 2015 for the North Main Athletic Center project. Since the center's opening we have heard countless positive comments from spectators and participants alike. The Town has been tracking attendance at our large events over the first year of operation and just recently reported this data to Wake County. We were thrilled to report total points for year 1 that far exceeded our estimates (70% higher than our year 1 benchmark) and actually came close to reaching total points estimated over the course of the first 2 years. This stellar performance is a testament to the fact that Holly Springs and its partners can deliver.

You may be interested to learn that we are very close to finalizing a deal that will allow NMAC to host the National Collegiate Club Baseball World Series in June of 2017. Players, spectators, families, and support staff from across the country would then converge on Wake County for a week at minimum. Early economic impact estimates are in excess of half a million dollars for what could become an annual event at NMAC.

Brand new facility vs. maintaining existing facilities

An important distinction between our proposal and others the evaluation committee may receive is that our project is 100% based on the construction of a brand new facility in southwestern Wake County. We are not seeking grant funds in an effort to carry out periodic maintenance (i.e operational costs) or upgrade existing facilities. In fact, we would never ask the committee to spend its limited resources in this manner. The Town of Holly Springs fully understands that it assumes all responsibility for operational and maintenance costs after the project is opened.

Responsibilities of project team:

Our project team will consist of Daniel Weeks (Assistant Town Manager), Adam Huffman (Assistant Parks & Recreation Director) and Lori Puzak (Marketing & Special Events Coordinator). These staff members, in conjunction with others from the Town of Holly Springs, would oversee all project components, such as space/land needs analysis, design, bidding and construction. The Holly Springs Town Council will have ultimate approval authority for the expenditure of funds.

Summary of project costs:

Project costs are estimated at this time to be approximately \$9,000,000. This amount includes \$7,500,000 in unissued 2012 Holly Springs Parks & Recreation Bonds and \$1,500,000 from Wake County's Major Facilities Capital Projects Funding, resulting in a Town/County funding ratio of **83%/17%**. This ratio is less than half of the required maximum ratio (65%/35%) stated in the RFP, which represents a favorable opportunity for Wake County to partner with Holly Springs to produce another elite destination in the southwestern part of the county.

Project costs do not include land acquisition as we propose to locate this facility on land currently owned by the Town. Design and construction costs would comprise the majority of the estimated \$9,000,000 total budget.

Primary contact:

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2.0: SCOPE OF PROJECT

On July 19 the Town Council is expected to contract with an architectural/engineering firm to develop a space and land needs analysis at the North Main Athletic Complex to determine if the available land can accommodate the proposed building. Within this scope of work, the Town wishes to construct a new structure which will be comprised of one large gymnasium, multiple offices, a rehab facility, a tennis pro shop, and locker rooms. The focal point of this building is to construct a gymnasium which would accommodate three high school-sized basketball courts with spectator seating for each court. This three-gym facility is needed to handle the local indoor sports demand as well as the desire to host banquets, conventions, car shows, and similar events. Once the space and needs analysis is completed, the firm will provide the Town

with a conceptual floor plan, site plan, and two exterior elevations along with a written narrative for three options. These documents can be provided upon completion.

Currently, Southwest Wake County has limited facilities which can host indoor sports/tournaments, conventions, expos, and special events. If constructed, this project would provide the county with a unique resource which would accommodate the aforementioned needs. By partnering with other municipalities and the Wake County Public School System, this site could host a major indoor tournament in Southwest Wake County. Possible tournaments include basketball, volleyball, futsal, cheerleading, and dance. By building a large structure which can hold three basketball courts, the space could also be used for conventions, expos, and other special events. Antiques, art, guns, home and garden, and wedding expos are a few examples of the types of events possible with a large indoor facility. If the expo has both indoor and outdoor needs, the North Main Athletic Complex can accommodate thousands of people in and around the parking lots and baseball stadium. This unique property may also lead to the construction of a hotel as the volume of tourists brings a strong demand for overnight facilities in Southwest Wake County.

The table below identifies a conservative projection for the anticipated number of visitors /participants for the first year (beginning Fall 2019). The graph calculates the total served by addressing the type of users and the frequency of their use. The parent factor increases visitors, if family members will likely spectate during an event. Over time, the facility will expand its tourist-driven events and visitor number should steadily rise.

Activity	Participants	Usage/Week	# of weeks	Total Participants	Parent Factor	Total Served
Current League Programming						
Youth Basketball	1,200	2	20	48,000	2.0	96,000
Adult Basketball	144	2	7	2,016		2,016
Cheerleading	60	1	14	840	1.5	1,260
AAU Practice Rentals	60	4	12	2,880		2,880
Private School Rentals	24	4	12	1,152	1.5	1,728
Pickleball	60	4	50	12,000		12,000
SWAC Basketball Practice	60	4	2	480		480
					Total	116,364
Potential Programming						
Futsal (5 v. 5)	40	2	12	960	1.5	1,440
Girls Volleyball	80	2	12	1,920	1.5	2,880
Sports Track Out Camp	50	5	50	12,500		12,500
Additional Gym Members	70	6	50	21,000		21,000
					Total	37,820
Tournaments/Competitions						
SWAC Basketball	200	3	1	600	2.0	1,200
SWAC Volleyball	54	3	1	162	2.0	324
AAU Basketball	200	3	2	1,200	2.0	2,400
Futsal	160	3	2	960	2.0	1,920
Cheerleading/Dance	680	2.5	1	1,700	2.5	4,250
					Total	10,094
Expos						
Art & Craft	3,600	1.5	1	5,400		5,400
Trade Show (gun, home, etc.)	5,400	1.5	3	24,300		24,300
Boat/Auto/RV (in/outdoor)	7,500	2	1	11,250		11,250
					Total	40,950
					Grand Total	205,228

2) The Town is requesting \$1,500,000 from Wake County to fund a gymnasium large enough to accommodate three, high school-sized basketball courts. Without the third gym, the Town would not be able to unilaterally host expos and it would diminish its ability to host large scale tournaments. Based on the first-years projections, losing the expos would equate to 40,950 projected visitors per year and decreasing the gym size would reduce tournament visitors by 6,198 people per year (total loss of cheerleading/dance competition since the gym would not be large enough to host a tournament and a third of other tournament participants). Assuming twenty percent of expo participants were day visitors and twenty percent were overnight visitors, the total loss of tax dollars over the course of seven years would be \$414,150 (8,190 day visitors & 8,190 overnight visitors x \$50 x \$.01 X 7 years x 2.5% yearly increase & 8,190 overnight visitors x \$95 x \$.06 x 7 years x 2.5% yearly increase). Assuming sixteen percent of the lost tournament participants were day visitors and sixty percent were overnight visitors, the total loss of tax dollars over the course of seven years would be \$177,771 (992 day visitors & 3,719 overnight visitors x \$50 x \$.01 X 7 years x 2.5% yearly increase & 3,719 overnight visitors x \$95 x \$.06 x 7 years x 2.5% yearly increase). The total tax revenue loss for Wake

County would be \$591,921 over the course of 7 years. The lost tax dollars would be minor compared to the lost economic impact for Southwest Wake County.

3) Currently, the Town of Holly Springs has limited indoor facilities to accommodate sports such as basketball, volleyball, futsal, cheerleading, gymnastics, dance, etc. With the exception of the small Hunt Center gymnasium, the Town has no other indoor sports venues. This lack of space forces the Town to rent gyms from the Wake County Public School System to meet the demands of its basketball program. The Town spends over \$40,000 per year on these rented facilities. If an additional facility were built, the Town could then offer a greater variety of programs. Large scale events and tournaments could also be planned in conjunction with nearby towns to attract visitors from outside of Wake County and increase the demand for more hotels in Southwest Wake County. A delay in the project would create greater deficiencies for the Town's indoor programs, which are growing by 10% every year. Capping participants, decreasing the number of games and practices, and only allowing town residents to participate in programs and/or rentals would be the end result of delaying the project.

4) The Town of Holly Springs will seek input from external organizations, be they public, private or non-profit, during both the planning and design phases of this project. We plan to reach out to our corporate community partners to gauge their involvement interest. The Town fully realizes that such a partnership would strengthen our position financially and operationally. For example, inclusion into the facility of a physical rehabilitation center and associated offices could generate a great deal of support. Similarly, we would welcome a partnership with a private sports organization that could complement our facility offerings.

5) If fortunate enough to be awarded funds for our project, the Town would likely enter into an agreement with Wake County (similar to the NMAC grant discussed above). This agreement would assign certain performance criteria to a specific timeline. We propose to track and measure success based on the methodology outlined in this agreement. Wake County would receive these annual reports (or more frequently if desired) to ensure their investment was paying dividends.

It should be noted, the Town recently submitted an annual report for NMAC where it was shown that facility is performing at a very high level. Performance goals established for NMAC's first year of operation were surpassed by 70%. NMAC was 40 points shy of attaining its two-year goal during its first 365 days of operation.

6) Wake County Board of Commissioner Goals promoted by our project are:

- **ECONOMIC STRENGTH: CREATE A BUSINESS-FRIENDLY ENVIRONMENT TO ATTRACT, RETAIN AND GROW BUSINESS, DIVERSIFY THE ECONOMIC BASE AND CREATE JOB OPPORTUNITIES FOR ALL CITIZENS.**

At its core the multiple gymnasium and convocation center facility is about enhancing quality of life for Wake County families. The types of employees that Wake County

businesses want to hire expect these types of amenities. Businesses make site selection decisions every day based on community amenities that potential new hires will find attractive.

The Town will undoubtedly need to hire FTE's and PTE's to operate this facility. Hotels have already been knocking on our door and we expect this level of interest will increase if news of a convocation center is announced. Obviously, with a hotel project comes numerous employment opportunities and associated business.

- **GREAT GOVERNMENT:** PROMOTE A VISION OF COUNTY GOVERNMENT THAT PARTNERS WITH ALL LEVELS OF GOVERNMENT TO EMPOWER, PROTECT AND SERVE ITS CITIZENS THROUGH A CULTURE OF RESPECT, COLLABORATION AND INNOVATION.

Our project provides a perfect opportunity for leaders at the *county* level to partner with leaders at the *municipal* level. Intergovernmental partnerships reinforce a project's foundation in various ways, including financially, marketability, and politically. The NMAC project should serve as a model for how intergovernmental partners can join forces to develop a wonderful county amenity.

- **PEOPLE, ARTS AND CULTURE:** APPLY AN INTERDISCIPLINARY APPROACH TO SEEK OUT AND HARNESS THE STRENGTHS OF OUR DIVERSE COMMUNITY AND DEVELOP POLICIES THAT REFLECT POSITIVE VALUES, ENHANCE OUR CULTURAL ACTIVITIES, SUPPORT ARTISITIC EXPRESSION, AND IMPROVE QUALITY OF LIFE.

The ability to transform our proposed facility into a spacious host site for large events is a major component of our design plan. We plan to be able to remove elements of the multiple gymnasiums (curtains, bleachers, flooring, etc.) in order to create a large convocation space. Aside from sporting games and tournaments, art exhibitions, classic car shows, and cultural entertainment are examples of events we plan to be able to host in the new facility.

3.0: PROJECT BUDGET AND FUNDING SOURCES

1) Sources of Funding:

Source	Amount	Status	Ratio
Town of Holly Springs: <i>Unissued P&R Bonds</i>	\$7,500,000	Confirmed (Council has given staff direction to proceed with planning)	83.4%
Wake County: <i>2016 MFCPF</i>	\$1,500,000	Pending	16.6%
Totals	\$9,000,000		100%

In November of 2011 Holly Springs voters approved a \$20,000,000 general obligation bond referendum for parks & recreation amenities. Approximately \$12,500,000 was issued in 2012 for projects such as NMAC, Womble Park, Greenways, Sugg Farm, Jones Park and Bass Lake Pedestrian Bridge, leaving about \$7,500,000 in unissued bonds.

The Holly Springs Town Council, at its Annual Retreat in February 2016, gave staff direction to begin planning for a multiple gymnasium & convocation facility. This facility would serve the recreational needs of residents of Holly Springs and Wake County and provide an excellent opportunity to host a variety of tourism-focused events.

2) Category Cost Estimates:

Category	Cost Estimate
Planning & Design	\$500,000
Land Acquisition & ROW	\$0
Construction	\$7,000,000
Equipment/Furnishings	\$500,000
Other	\$300,000
Contingency (10%)	\$700,000
Total	\$9,000,000

These preliminary cost estimates were prepared by town staff and no inflation factor has been included. Town staff will be taking a contract to the July 19, 2016 council meeting to initiate a space and land needs analysis for the proposed facility. During this analysis we will begin to gather a clearer picture of our project scope and associated costs.

3) Impact on Infrastructure:

This new facility will have negligible impact on the Town's existing infrastructure, such as water, sewer and roads. Holly Springs has 10 million gallons a day of water capacity (with the ability to capture 2mgd extra from Jordan Lake) and 6 million gallons a day of sewage treatment capacity (with the ability to increase to 8mgd with minimal plant improvements). At present, 30%-35% of capacity and treatment is being used. Essentially, the Town of Holly Springs could double in size and still have excess water and sewage treatment capacity.

Regarding roads, in recent months the Town was awarded an 80/20 grant from NCDOT for the construction of a road section that would connect NC 55 Bypass to Sportsmanship Way. Project costs are estimated at \$1,500,000, making the Town's contribution \$300,000. Sportsmanship Way is the road visitors currently use for ingress and egress of NMAC. This project is under design and construction is projected to commence in early 2018. Park patrons and traffic flow will greatly benefit from this improvement.

4.0: PROJECT TIMELINE

Project Action	Start Date	Finish Date
Study and Analysis of Project	July 2016	October 2016
Site Identification	complete ¹	complete ¹
Land/Site Acquisition	complete ¹	complete ¹
Architectural/Engineering Design	November 2016	July 2017
Facility Construction	September 2017	September 2018
Equipment Purchase	July 2018	August 2018

¹ The Town purchased roughly 40 acres of land from Wake County a few years ago and since has constructed NMAC. A portion of the original 40 acres remains undeveloped. This is our first choice for a potential site. We will reevaluate our position if the space and land needs analysis determines insufficient land exists at NMAC for the project. Fallback options could include the purchase of additional land around NMAC to create sufficient space or identification of a suitable site elsewhere in Town.

5.0: PROJECT OPERATING PLAN

North Main Athletic Complex - Convocation Center											
Account	Account Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Fund 10 - General Fund											
REVENUE											
327.01	Donations/Sponsors	5,000.00	5,125.00	5,253.13	5,384.45	5,519.06	5,657.04	5,798.47	5,943.43	6,092.01	6,244.31
327.02	Rents & Concessions	40,000.00	41,000.00	42,025.00	43,075.63	44,152.52	45,256.33	46,387.74	47,547.43	48,736.12	49,954.52
327.03	Facility Rental/Lease	114,000.00	116,850.00	119,771.25	122,765.53	125,834.67	128,980.54	132,205.05	135,510.18	138,897.93	142,370.38
327.05	Membership Fees	30,000.00	30,750.00	31,518.75	32,306.72	33,114.39	33,942.25	34,790.80	35,660.57	36,552.09	37,465.89
327.06	Summer Camp Programs	30,000.00	30,750.00	31,518.75	32,306.72	33,114.39	33,942.25	34,790.80	35,660.57	36,552.09	37,465.89
327.08	Leisure Programs	35,000.00	35,875.00	36,771.88	37,691.17	38,633.45	39,599.29	40,589.27	41,604.00	42,644.10	43,710.20
327.11	Track Out Program	125,000.00	128,125.00	131,328.13	134,611.33	137,976.61	141,426.03	144,961.68	148,585.72	152,300.36	156,107.87
		379,000.00	388,475.00	398,186.88	408,141.55	418,345.09	428,803.71	439,523.81	450,511.90	461,774.70	473,319.07
EXPENSE											
Operating Expenditures											
Sub Department 27 - Convocation Center/Programs											
Salaries and employee benefits											
01.01	Salaries & Wages Regular Pay	80,000.00	82,000.00	84,050.00	86,151.25	88,305.03	90,512.66	92,775.47	95,094.86	97,472.23	99,909.04
01.02	Salaries & Wages Part-time	65,000.00	66,625.00	68,290.63	69,997.89	71,747.84	73,541.53	75,380.07	77,264.57	79,196.19	81,176.09
01.03	Salaries & Wages Overtime	5,000.00	5,125.00	5,253.13	5,384.45	5,519.06	5,657.04	5,798.47	5,943.43	6,092.01	6,244.31
01.04	Benefits	31,040.00	31,816.00	32,611.40	33,426.69	34,262.35	35,118.91	35,996.88	36,896.81	37,819.23	38,764.71
	Salaries and employee benefits Totals	181,040.00	185,566.00	190,205.15	194,960.28	199,834.29	204,830.14	209,950.90	215,199.67	220,579.66	226,094.15
Operating Expenditures											
Utilities											
12.05	Professional & Technical	96,000.00	98,400.00	100,860.00	103,381.50	105,966.04	108,615.19	111,330.57	114,113.83	116,966.68	119,890.85
15.01	Training & Travel	106,426.00	109,086.65	111,813.82	114,609.16	117,474.39	120,411.25	123,421.53	126,507.07	129,669.75	132,911.49
41.01	Maintenance & Repair	2,000.00	2,050.00	2,101.25	2,153.78	2,207.63	2,262.82	2,319.39	2,377.37	2,436.81	2,497.73
41.02	Maintenance & Repair Vehicles	3,000.00	3,075.00	3,151.88	3,230.67	3,311.44	3,394.22	3,479.08	3,566.06	3,655.21	3,746.59
50	Fuel	1,500.00	1,537.50	1,575.94	1,615.34	1,655.72	1,697.11	1,739.54	1,783.03	1,827.60	1,873.29
55.01	Programs Instruction	700.00	717.50	735.44	753.82	772.67	791.99	811.79	832.08	852.88	874.20
55.04	Programs Summer Camp	21,000.00	21,525.00	22,063.13	22,614.70	23,180.07	23,759.57	24,353.56	24,962.40	25,586.46	26,226.12
55.10	Programs Track Out	1,000.00	1,025.00	1,050.63	1,076.89	1,103.81	1,131.41	1,159.69	1,188.69	1,218.40	1,248.86
62.01	Supplies Postage	5,000.00	5,125.00	5,253.13	5,384.45	5,519.06	5,657.04	5,798.47	5,943.43	6,092.01	6,244.31
62.03	Supplies Office	500.00	512.50	525.31	538.45	551.91	565.70	579.85	594.34	609.20	624.43
62.04	Supplies Department	2,000.00	2,050.00	2,101.25	2,153.78	2,207.63	2,262.82	2,319.39	2,377.37	2,436.81	2,497.73
62.09	Supplies Food & Beverages	500.00	512.50	525.31	538.45	551.91	565.70	579.85	594.34	609.20	624.43
62.1	Items for Resale	20,000.00	20,500.00	21,012.50	21,537.81	22,076.26	22,628.16	23,193.87	23,773.72	24,368.06	24,977.26
63	Uniforms	1,000.00	1,025.00	1,050.63	1,076.89	1,103.81	1,131.41	1,159.69	1,188.69	1,218.40	1,248.86
	Operating Expenditures Totals	262,626.00	269,191.65	275,921.44	282,819.48	289,889.96	297,137.21	304,565.64	312,179.78	319,984.28	327,983.89
Capital Outlay											
90.01	Capital Outlay Equipment	5,000.00	5,125.00	5,253.13	5,384.45	5,519.06	5,657.04	5,798.47	5,943.43	6,092.01	6,244.31
90.02	Capital Outlay Vehicles	25,000.00	-	-	-	-	-	-	-	-	-
90.03	Capital Outlay Buildings	5,000.00	5,125.00	5,253.13	5,384.45	5,519.06	5,657.04	5,798.47	5,943.43	6,092.01	6,244.31
	Capital Outlay Totals	35,000.00	10,250.00	10,506.25	10,768.91	11,038.13	11,314.08	11,596.93	11,886.86	12,184.03	12,488.63
	NMAC Convocation Center Totals	478,666.00	465,007.65	476,632.84	488,548.66	500,762.38	513,281.44	526,113.47	539,266.31	552,747.97	566,566.67

The Town followed a conservative budget approach for the NMAC Convocation Center. The budget identified modest revenue streams and expenditures in year one, and systematically increased all figures by 2.5% each year thereafter. It's likely the revenues will exceed projections; however, the Town does not like to over-inflate numbers and create unobtainable goals. Athletic revenues will likely experience large gains as more basketball, volleyball, cheerleading, and futsal leagues will positively impact their bottom line (Athletics budget is not provided since revenues and expenditures will not impact the NMAC Convocation Center budget). Overall, the revenues should cover approximately eighty-three percent of the yearly expenses after year one. The following bullets provide explanations for each revenue stream:

- Donations/Sponsors – Funds generated through advertising within the facility. This figure could be substantially greater if building naming rights are purchased.
- Rents & Concessions – There will be a tennis pro shop which will sell items and provide re-stringing services. There will also be a concession stand open during games and events.
- Facility Rentals – This number was ascertained using \$80 per hour per court and the Use Chart in Section 2. This figure has the potential to excel once consistent revenue streams are obtained and greater facility exposure is acquired.
- Membership Fees – It's anticipated that a joint membership between the Hunt Center and this facility could increase memberships revenues by \$30,000. This is a conservative number.
- Summer Camp/Track Out Program – There will be a strong youth program at this facility which will take advantage of the space outside of the prime time.

The following bullets provide explanations for each revenue stream:

- Salaries and Benefits – The full time staff will consist of a facility manager and Customer Service Manager. The part time staff will consist of front desk workers, concession stand workers, and track-out/camp counselors.
- Utilities – Self-explanatory.
- Professional and Technical Contract Services – Includes all the building support contractors and services such as security, HVAC systems, waste removal, elevator service, landscaping, janitorial, pest control, etc.
- Travel Expenses – Cost for FT employees to attend conventions and training sessions.
- Maintenance Expenditures & Fuel – Self explanatory
- Programs – These budget items include supply expenses to run the various programs. Arts and craft supplies, cones, and balls are commonly purchased with these funds.
- Supplies – Include office supplies, coffee, paper, postage, and any item needed to keep the offices running.
- Items for Resale – Include candy, drinks, and food needed to stock the concession stand.
- Uniforms – This includes the cost for full and part time employee uniforms.
- Capital – The facility may need to purchase capital items yearly. The first year, a vehicle will be purchased for running errands and moving equipment. Other expenses are

based on a yearly average, however if there is no need for such items the Town will not allocate funds for these expenses.

Operating Budget & Financial Results

- 1) Not applicable
- 2) See attached audit for year ending June 30, 2015

6.0: ESTIMATES ON VISITORS AND RETURN ON INVESTMENT

Using the table in 2.0 Scope of Project, the Town has projected a conservative increase in participants of 2.5% year over year. Based on these calculations, the estimated food and beverage taxes realized after seven years for meals is \$90,767 and for rooms is \$611,235 for a total taxes collected of \$702,002. If the Town were awarded the \$1,500,000 requested, the return on investment over seven years would be roughly 50%. Attachment 4: Visitor Estimates and Return on Investment has been included, one sheet per year for the first seven years of operation.

Attachment 4: Visitor Estimates and Return on Investment Year 1

Definitions:

Visitors -

- a. **Wake County resident** - visitor from within Wake County
- b. **Day Visitor** - Visitor from within 50 mile radius of proposed project
- c. **Overnight Visitor** - Visitor from outside 50 mile radius of proposed project

Room Rate = \$95/per night

Meal Rate = \$50/per day

Visitor Estimates, Economic Impact and Taxes Collected

1. Estimated Wake County residential visitors (annual) = 181,176

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Meal Rate		Meal Spending
2. Estimated Day Visitors (annual) =	<u>9,844</u>	X	\$50	=	<u>\$ 492,200</u>
3. Estimated Overnight Visitors (annual) =	<u>14,208</u>	X	\$50	=	<u>\$ 710,400</u>
4. Total Meal Spending =					<u>\$ 1,202,600</u>
					X 1% Food & Bev Tax = <u>\$ 12,026</u>

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Room Rate		Room Spending
5. Estimated Overnight Rooms (annual) =	<u>14,208</u>	X	\$95	=	<u>\$ 1,349,760</u>
6. Total Room Spending =					<u>\$ 1,349,760</u>
					X 6% Occupancy tax = <u>\$ 80,986</u>

7. Return on Investment based on taxes collected (County funding/total taxes collected) = _____ (in years)

Attachment 4: Visitor Estimates and Return on Investment Year 2

Definitions:

Visitors -

- a. **Wake County resident** - visitor from within Wake County
- b. **Day Visitor** - Visitor from within 50 mile radius of proposed project
- c. **Overnight Visitor** - Visitor from outside 50 mile radius of proposed project

Room Rate = \$95/per night

Meal Rate = \$50/per day

Visitor Estimates, Economic Impact and Taxes Collected

1. Estimated Wake County residential visitors (annual) = 185,705

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Meal Rate		Meal Spending
2. Estimated Day Visitors (annual) =	<u>10,090</u>	X	\$50	=	<u>\$ 504,500</u>
3. Estimated Overnight Visitors (annual) =	<u>14,563</u>	X	\$50	=	<u>\$ 728,150</u>
4. Total Meal Spending =					<u>\$ 1,232,650</u>
					X 1% Food & Bev Tax = <u>\$ 12,327</u>

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Room Rate		Room Spending
5. Estimated Overnight Rooms (annual) =	<u>14,563</u>	X	\$95	=	<u>\$ 1,383,485</u>
6. Total Room Spending =					<u>\$ 1,383,485</u>
					X 6% Occupancy tax = <u>\$ 83,009</u>

7. Return on Investment based on taxes collected (County funding/total taxes collected) = _____ (in years)

Attachment 4: Visitor Estimates and Return on Investment Year 3

Definitions:

Visitors -

- a. **Wake County resident** - visitor from within Wake County
- b. **Day Visitor** - Visitor from within 50 mile radius of proposed project
- c. **Overnight Visitor** - Visitor from outside 50 mile radius of proposed project

Room Rate = \$95/per night

Meal Rate = \$50/per day

Visitor Estimates, Economic Impact and Taxes Collected

1. Estimated Wake County residential visitors (annual) = 190,348

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Meal Rate		Meal Spending
2. Estimated Day Visitors (annual) =	<u>10,342</u>	X	\$50	=	<u>\$ 517,100</u>
3. Estimated Overnight Visitors (annual) =	<u>14,927</u>	X	\$50	=	<u>\$ 746,350</u>
4. Total Meal Spending =					<u>\$ 1,263,450</u>
					X 1% Food & Bev Tax = <u>\$ 12,635</u>

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Room Rate		Room Spending
5. Estimated Overnight Rooms (annual) =	<u>14,927</u>	X	\$95	=	<u>\$ 1,418,065</u>
6. Total Room Spending =					<u>\$ 1,418,065</u>
					X 6% Occupancy tax = <u>\$ 85,084</u>

7. Return on Investment based on taxes collected (County funding/total taxes collected) = _____ (in years)

Attachment 4: Visitor Estimates and Return on Investment Year 4

Definitions:

Visitors -

- a. **Wake County resident** - visitor from within Wake County
- b. **Day Visitor** - Visitor from within 50 mile radius of proposed project
- c. **Overnight Visitor** - Visitor from outside 50 mile radius of proposed project

Room Rate = \$95/per night

Meal Rate = \$50/per day

Visitor Estimates, Economic Impact and Taxes Collected

1. Estimated Wake County residential visitors (annual) = 195,107

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Meal Rate		Meal Spending
2. Estimated Day Visitors (annual) =	<u>10,601</u>	X	\$50	=	<u>\$ 530,050</u>
3. Estimated Overnight Visitors (annual) =	<u>15,301</u>	X	\$50	=	<u>\$ 765,050</u>
4. Total Meal Spending =					<u>\$ 1,295,100</u>
					X 1% Food & Bev Tax = <u>\$ 12,951</u>

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Room Rate		Room Spending
5. Estimated Overnight Rooms (annual) =	<u>15,301</u>	X	\$95	=	<u>\$ 1,453,595</u>
6. Total Room Spending =					<u>\$ 1,453,595</u>
					X 6% Occupancy tax = <u>\$ 87,216</u>

7. Return on Investment based on taxes collected (County funding/total taxes collected) = _____ (in years)

Attachment 4: Visitor Estimates and Return on Investment Year 5

Definitions:

Visitors -

- a. **Wake County resident** - visitor from within Wake County
- b. **Day Visitor** - Visitor from within 50 mile radius of proposed project
- c. **Overnight Visitor** - Visitor from outside 50 mile radius of proposed project

Room Rate = \$95/per night

Meal Rate = \$50/per day

Visitor Estimates, Economic Impact and Taxes Collected

1. Estimated Wake County residential visitors (annual) = 199,984

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Meal Rate		Meal Spending
2. Estimated Day Visitors (annual) =	<u>10,866</u>	X	\$50	=	<u>\$ 543,300</u>
3. Estimated Overnight Visitors (annual) =	<u>15,683</u>	X	\$50	=	<u>\$ 784,150</u>
4. Total Meal Spending =					<u>\$ 1,327,450</u>
					X 1% Food & Bev Tax = <u>\$ 13,275</u>

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Room Rate		Room Spending
5. Estimated Overnight Rooms (annual) =	<u>15,683</u>	X	\$95	=	<u>\$ 1,489,885</u>
6. Total Room Spending =					<u>\$ 1,489,885</u>
					X 6% Occupancy tax = <u>\$ 89,393</u>

7. Return on Investment based on taxes collected (County funding/total taxes collected) = _____ (in years)

Attachment 4: Visitor Estimates and Return on Investment Year 6

Definitions:

Visitors -

- a. **Wake County resident** - visitor from within Wake County
- b. **Day Visitor** - Visitor from within 50 mile radius of proposed project
- c. **Overnight Visitor** - Visitor from outside 50 mile radius of proposed project

Room Rate = \$95/per night

Meal Rate = \$50/per day

Visitor Estimates, Economic Impact and Taxes Collected

1. Estimated Wake County residential visitors (annual) = 204,984

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Meal Rate		Meal Spending
2. Estimated Day Visitors (annual) =	<u>11,137</u>	X	\$50	=	<u>\$ 556,850</u>
3. Estimated Overnight Visitors (annual) =	<u>16,075</u>	X	\$50	=	<u>\$ 803,750</u>
4. Total Meal Spending =					<u>\$ 1,360,600</u>
					X 1% Food & Bev Tax = <u>\$ 13,606</u>

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Room Rate		Room Spending
5. Estimated Overnight Rooms (annual) =	<u>16,075</u>	X	\$95	=	<u>\$ 1,527,125</u>
6. Total Room Spending =					<u>\$ 1,527,125</u>
					X 6% Occupancy tax = <u>\$ 91,628</u>

7. Return on Investment based on taxes collected (County funding/total taxes collected) = _____ (in years)

Attachment 4: Visitor Estimates and Return on Investment Year 7

Definitions:

Visitors -

- a. **Wake County resident** - visitor from within Wake County
- b. **Day Visitor** - Visitor from within 50 mile radius of proposed project
- c. **Overnight Visitor** - Visitor from outside 50 mile radius of proposed project

Room Rate = \$95/per night

Meal Rate = \$50/per day

Visitor Estimates, Economic Impact and Taxes Collected

1. Estimated Wake County residential visitors (annual) = 210,108

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Meal Rate		Meal Spending
2. Estimated Day Visitors (annual) =	<u>11,416</u>	X	\$50	=	<u>\$ 570,800</u>
3. Estimated Overnight Visitors (annual) =	<u>16,477</u>	X	\$50	=	<u>\$ 823,850</u>
4. Total Meal Spending =					<u>\$ 1,394,650</u>
					X 1% Food & Bev Tax = <u>\$ 13,947</u>

Estimated Food and Beverage Spending and Taxes Collected

	Number of Visitors		Room Rate		Room Spending
5. Estimated Overnight Rooms (annual) =	<u>16,477</u>	X	\$95	=	<u>\$ 1,565,315</u>
6. Total Room Spending =					<u>\$ 1,565,315</u>
					X 6% Occupancy tax = <u>\$ 93,919</u>

7. Return on Investment based on taxes collected (County funding/total taxes collected) = less than 15 years (in years)

Based upon the Town's conservative estimate of 2.5% increase in participation, the return on investment based on taxes collected will be realized in less than 15 years.

7.0: ORGANIZATIONAL INFORMATION

Organization Background

- 1) The Town has been incorporated since 1877.
- 2) The Town has over 250 FTE's and is led by an elected Town Council, as follows...
 - a. Dick Sears – Mayor
 - b. Jimmy Cobb – Mayor Pro Tem
 - c. Cheri Lee
 - d. Linda Hunt Williams
 - e. Hank Dickson
 - f. Tom O'Brien
- 3) See #2 above
- 4) We ask the review committee to consider our successful track record with NMAC and other projects when determining our capabilities to implement the project.
- 5) Pending litigation:

JAIDI, LLC and COLONY INSURANCE CO. Vs. TOWN OF HOLLY SPRINGS & COMTRAN (15-CVS-10240)

- (a) Nature of the Case: This matter has not yet been reduced to a lawsuit. In March 2013, town contractors installing a fiber optic line drilled into an underground gasoline storage tank for the above property. The insurance carrier for the gas station, and the North Carolina Department of Environment and Natural Resources, UST section, purport to hold the town liable or somehow culpable.
- (b) Evaluation: The town employees were not responsible for the independent actions of the town's contractors. The contractor, it remains apparent, was following the governing law on underground utilities, and it would appear that the landowner's tank was improperly located in the right of way of the street without permission. Therefore, it is unlikely that the town would legitimately be held liable for this loss.
- (c) The Town was served with a lawsuit on August 18, 2015, claiming damages in an unspecified amount. After informal discussions with plaintiff's attorney, they claim damages in excess of \$1 million. The town is vigorously defending this lawsuit.

FSC, II, LLC d/b/a/ FRED SMITH COMPANY vs. TOWN OF HOLLY SPRINGS (16 CVS 4280)

- a) Nature of the Case: Breach of Contract for construction of Phase 1 of The Town's North Main Athletic Center. Contractor filed suit as the town was withholding money. Town's position is that the contractor breached the contract by failing to remove excess material on the site.
- b) Evaluation: In the opinion of the Town attorney, the town should prevail in a counterclaim against the company for breach of contract.

Annette L. White, Diane Leslie, and Clarice Leslie vs Town of Holly Springs, Charlene Williams and Maurice Williams (15-CVS-11906)

- (a) Nature of the Case: Quiet title action against the town for town owned property. Plaintiffs are past heirs that claim an interest in property once owned by the heirs of the co-defendants who entered into a property swap with the town.
- (b) Evaluation: the town should prevail at a motion to dismiss as the town's rights are established by a 2 year statute of limitations against inverse condemnation against the town. Town placed a water tower on the property six years prior to the filing of the action, and therefore claims against the town are barred.

Catherine Collins and Holly Springs School for Early Education vs Town of Holly Springs (15-CVS-13984)

- (a) Nature of the Case: Appeal from a denial by the board of adjustment for placing sheds on a commercial property on Main Street.
- (b) Evaluation: Town should prevail, however if it does not, it has no financial implications against the town.

6) Not applicable

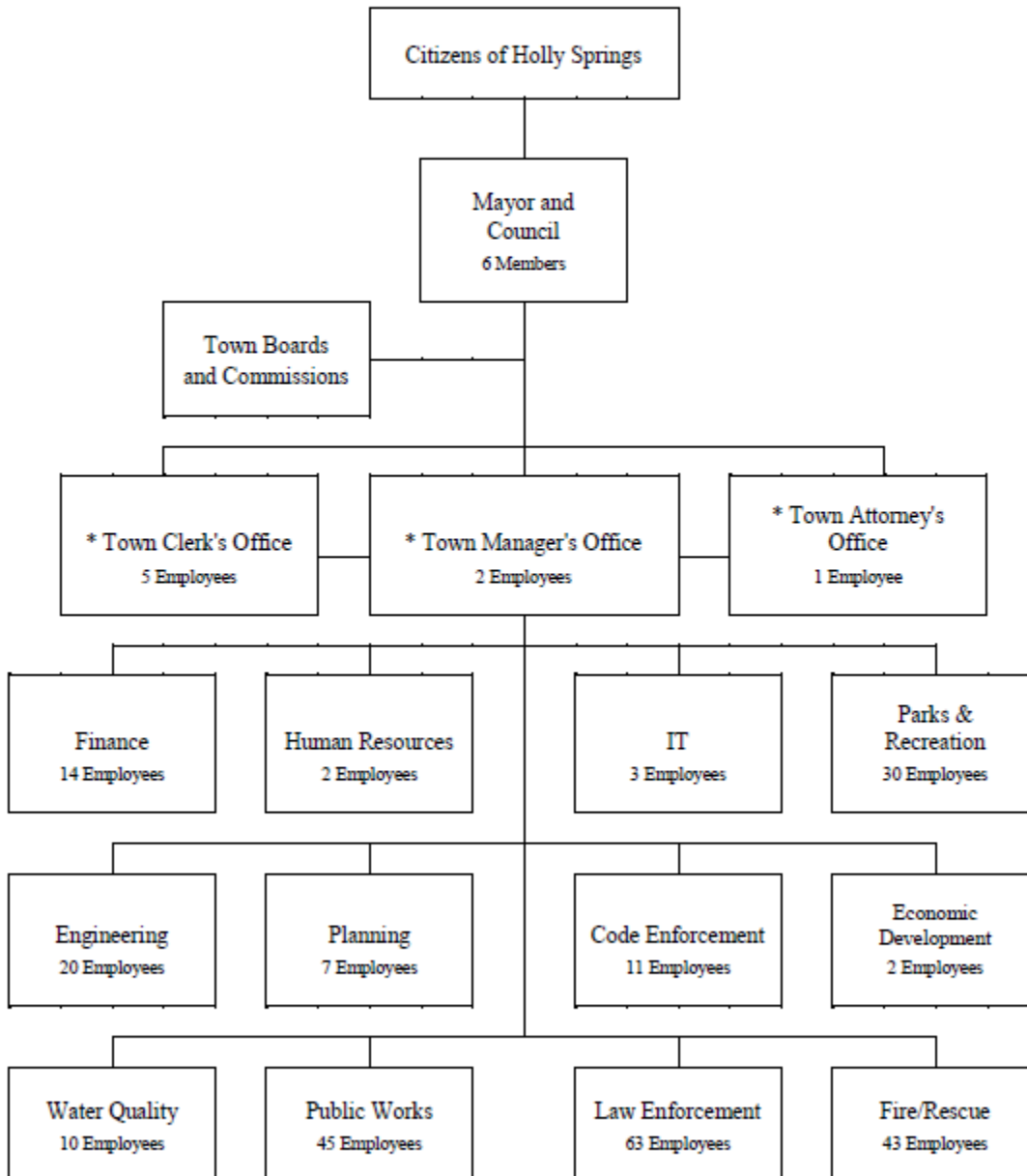
Proposer Team Experience

- 1) Our project team will consist of Daniel Weeks (Assistant Town Manager), Adam Huffman (Assistant Parks & Recreation Director) and Lori Puzak (Marketing & Special Events Coordinator). These staff members, in conjunction with others from the Town of Holly Springs, would oversee all project components, such as space/land needs analysis, design, bidding and construction.

Departments directly charged with carrying out key roles of the project will be the Town Manager's Office and Parks & Recreation. The Holly Springs Town Council will have ultimate approval authority for the expenditure of funds.

An organizational chart is inserted below to provide a better idea as to our structure and levels of authority.

TOWN OF HOLLY SPRINGS ORGANIZATION CHART 2016-2017



Similar Projects

The following are a few projects administered and operated by the Town of Holly Springs:

1) North Main Athletic Center (40 acres)



- Synthetic turf multi-sport fields
- Synthetic turf multi-sport stadium (1,800 seats)
- 8 adult tennis courts
- 4 youth tennis courts
- 1,100 parking spaces
- Bullpen
- Ticket Office
- Concessions
- Press Box
- Home and Visitor Team Locker Rooms

- Training Room
- State-of-the-art Digital Scoreboard and Sound System
- Professional-quality sports lighting

2) Womble Park (46 acres)



- baseball/softball fields
- multi-purpose synthetic turf fields
- tennis courts
- picnic shelter
- playground
- outdoor stage
- walking trails
- horseshoes pits
- volleyball court

3) Law Enforcement Center (opened November 2015)



- 28,000 SF Law Enforcement Center
- \$8,000,000 cost
- 911 telecommunications center
- Offices and records
- Evidence storage
- K9 area
- Town-wide redundant IT site
- Fitness room
- This facility brings all Police functions under one facility

Town of Holly Springs, North Carolina

www.hollyspringsnc.us

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2015

Prepared by the Town of Holly Springs Finance Department:

Mary M. Hogan, Finance Director

Lisa Blackburn, Senior Accountant

Patty Dressen, Senior Accountant

Mary Moore, Accounting Technician

Nancy Ellis, Accounting Technician

Tammy Sigafoose, Finance Assistant

Debbie Mann, Utility Billing Specialist

Gloria Heggie, Utility Billing Specialist

Daniel Weeks, Administration Project Analyst

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TOWN OF HOLLY SPRINGS
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
HOLLY SPRINGS, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2015

INTRODUCTORY SECTION



THE TOWN OF

Holly Springs

December 22, 2015

**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, 2015 is submitted by the Town's Finance Department, and it is the comprehensive publication of the Town's financial position at June 30, 2015, 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, 2015, 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 31,391.

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 2015 is estimated to be just above 31,000 based on the 2010 US Census report of 24,661 and the issuance of new home building permits. The town has seen a major increase in building permits and will issue more than 600 permits to close out calendar year 2015. Holly Springs remains a preferred residential location due to proximity to employment and cultural centers, low crime rate , good schools (there is a new elementary school under construction due to population increase) , public services for residents and an increase in commercial development.

In addition the town's proximity to Raleigh, the state capital, and the continuous national accolades for the Research Triangle Region, the town continues to attract significant developments which attract even more new residents than before:

Phase II of the Holly Springs Towne Center, a regional shopping center, is under construction with an estimated completion date of Spring 2016, and will feature Bed, Bath & Beyond, DSW and Carmike Theaters. This 550,000 square foot retail center (Phase I and II) draws consumers from local communities as well as most of Harnett County and will be ranked in the top ten in the region in size when both phases are completed. Phase I, which was completed in 2015, is anchored by Target and features other junior tenants including Dick's, Marshalls, Michaels, Petco and several restaurants and retail stores.

Healthcare practices and facilities continue to open in Holly Springs. Rex Healthcare opened their Urgent Care and Medical Office building at the intersection of Avent Ferry Road and G.B. Alford Highway in December 2011. In September 2011, Rex was awarded a CON for 50 hospital beds for Holly Springs and expects to be under construction in 2017/2018.

Holly Springs' overall economic condition is very good due to several factors. While residential development has sustained the Town of Holly Springs since the early 1990s, the strength and health of the economy can now be attributed to diversity in development. The increase of non-residential development since 2007 has boosted the Town's tax revenues provided significant job opportunities and has diversified the local economy. Until 2006 the town's tax base composition held at 90% residential and 10% commercial. Since that time, the ratio has improved to 79% and 21% for the \$3.5 billion tax base.

Over 400 non home based businesses exist in Holly Springs offering a wide variety of goods and services for residents. A strong underlying layer of home-based small businesses and entrepreneurs are emerging as a key aspect of the diverse economy and plans are in the works for a public-private partnership that will support these fledgling businesses in the community.

In addition, town staff has worked closely with the owner of a 130 acre parcel that has been rezoned to Research and Technology and has undergone rigorous review and studies leading to approval from the NC Department of Commerce as a Certified Site. Staff will continue to work closely with the NC Department of Commerce to market the Friendship site to industrial prospects. Acknowledging this fact the town council has expended over \$500,000 towards pre-construction activities i.e. surveying, preliminary and final design, and permitting and easement acquisition. The Engineering Department has completed 100% of these activities setting the stage for the project to go to bid at any time.

Novartis Vaccines is, and will continue to be, the crown jewel of the business community in regards to the creation of high quality jobs, generation of substantial tax revenues and as a catalyst of direct and indirect fiscal impacts throughout the community's economy. The economic impact of company's expenditures positively affects the community as contracts for labor and materials are often awarded to local companies. Commercial production began in 2014. More than 750 full time employees are currently serving the facility. A \$35 million pilot plant is complete that triggered the hiring of 100 associates with an average salary of \$100,000. A \$50 million administration building expansion is currently underway. The Holly Springs Novartis Vaccines facility has been sold to CSL, a global,

specialty biopharmaceutical company and the closing of that transaction occurred in August 2015 and the facility is now known as Seqirus.

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 2008, the tax base has increased \$1.8 billion or 204%, from \$1.7 billion to \$3.5 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:

We had one sidewalk project (Grigsby Street) completed during the fiscal year.

Road projects during the fiscal year included planning and design for the extension of South Main Street to connect with Piney Grove-Wilbon Road in the future; and planning for intersection improvements at Avent Ferry Road and Highway 55 bypass and planning for the Sportsmanship Way connection to the Highway 55 bypass.

Planning for the Mims Downtown Park project;

Upgrading the Middle Creek Forcemain;

Upgrades to the sewer reclamation facility from 2.4 mgd to 6 mgd.

Continued process of replacing touch read water meters to radio read water meters for determining water usage;

Future Noteworthy Projects:

Future planning for more open space and parks;

Expanding water and sewer lines for property marketed as a potential industrial site;

Continued expansion of our Fiber Optic Network into neighborhoods and new development;

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

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. Petway, Mills and Pearson, CPA's, 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, 2015 included no instance of material weakness in the internal control structure or significant violations of applicable laws and regulations.

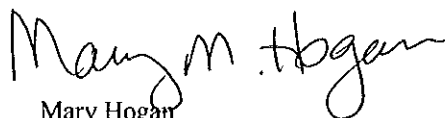
Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Holly Springs for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the 10th consecutive year in which the Town 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 Petway, Mills and Pearson, CPA 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,



Charles Simmons III
Town Manager



Mary Hogan
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, 2014

Executive Director/CEO

Town of Holly Springs

Members of Town Council

Tim Sack
Mayor Pro-Tern

Dick Sears
Mayor

Jimmy Cobb
Council Member

Cheri Lee
Council Member

Linda Williams
Council Member

Hank Dickson
Council Member

Appointed and Administrative Staff

Chuck Simmons
Town Manager*

Mary Hogan
Finance Director*

John Schifano
Town Attorney*

Joni Powell
Town Clerk*

Kendra Parrish
Director of Engineering

Jennifer Mizelle
Economic Development Director

Ricky Blackmon
Code Enforcement Director

Len Bradley
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

Daniel Weeks
Project Manager

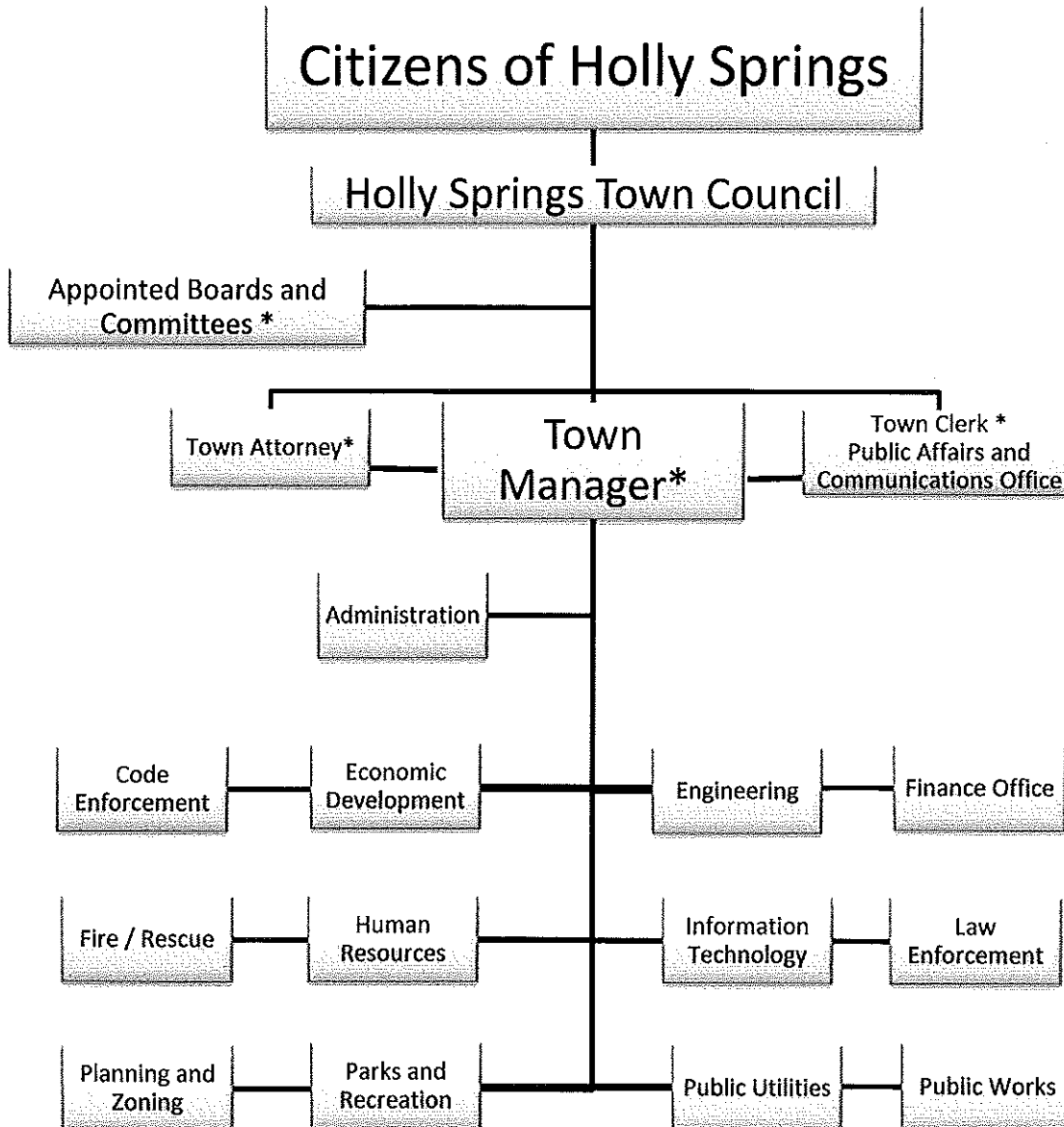
Advisory Boards and Commissions

Planning Board
Tom Hughes, Chair

Parks & Rec Advisory Committee
Kevin Adams, Chair

Board of Adjustment
Glen Walker, Chair

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



* = Boards and Committees, the Town Manager, Town Attorney and Town Clerk are appointed by the Town Council. The Town Manager oversees all hired and appointed positions except members of the Town's uncompensated advisory and quasi-judicial boards and committees, who serve at the pleasure of the Town Council.

Holly Springs Town History

A name like Holly Springs conjures images of cool waters steadily trickling from resilient, deep aquifers, springs that run past vibrant, age-old holly trees that have withstood storms and droughts, wars and depressions, and times of peace and prosperity. Indeed, this southern Wake town originated at such a place, where 40-foot holly trees towered over freshwater springs.

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. The tiny community included a sawmill, cotton gin, store and a house that was used as a school and as a church. The church relocated a couple miles north at the intersection of two roads, one that went from Hillsborough to Smithfield and the other from Raleigh to Fayetteville. The crossroads was to become what is now downtown Holly Springs.

It was at this crossroads that Scottish settler Archibald Leslie opened a tailoring business and store. Today, all that remains is the main house, listed on the National Register of Historic Places as the Leslie-Alford-Mims House, and the springs, accessible to the public by a short, winding trail that winds through the woods and past a family cemetery. The house is a commanding landmark, visible from Main Street in the heart of downtown Holly Springs.

During the Civil War, the Holly Springs community was stripped of fighting-age men. Local schools shut down and the progress of the once-thriving community was put on hold. Near the end of the war, when a flank of the Union Army was sent to cut off retreating Confederate forces and then was recalled, the Union Army's headquarters was established in the Leslie house while the troops encamped in the neighboring farms around the Holly Springs community.

After the Civil War, prosperity did not return easily to Holly Springs. Historian M.N. Amis described the town as "a deserted village;" only 10 buildings of size in the community are shown in an 1871 survey. Among the buildings was the downtown 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.

In 1875, Colonel George Benton Alford moved his mercantile business to Holly Springs. He purchased the Leslie house and expanded it. He ran a general mercantile, sawmill, cotton gin, turpentine work and brick kiln. Alford, along with twenty other Holly Springs men, helped bring a railroad to the community, establish the Holly Springs Land and Improvement Company, which encouraged economic development in town, and 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 1900's, several events shortly thereafter forced the Town into a recess. World War I drew men to war and families to bigger cities for improved employment opportunities. Colonel Alford, who had stirred up economic momentum, died in 1923. 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, seemingly forgotten in the southern corner of the state's capitol county.

In the latter half of the 20th century, progress returned to Holly Springs. In the 1960s, the Town installed streetlights and constructed a public water system. A sewer plant was completed in 1985, attracting Warp Technologies, a textile company, to Town. With the addition of Warp Technologies, Holly Springs' tax base doubled from \$8 to \$16 million. The Town used the boost in revenue to expand utilities, in turn attracting further development. Today, the town has a tax base exceeding three billion and continues to add strong growth and prosperity for its residents.

FINANCIAL SECTION



PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

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Phyllis M. Pearson

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Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

Independent Auditors' Report

To 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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Holly Springs' 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holly Springs, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, 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.

Other Matters

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's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 20 through 29 and 71 through 74, respectively, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 75 and 76, respectively 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Holly Springs, North Carolina's basic financial statements. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, statistical section and Schedule of Expenditures of Federal and State Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules 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 information and the statistical sections have not been subjected to the auditing procedures in the audit of basic financial statements, and accordingly, we do not express an opinion 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 30, 2015 on our consideration of the Town of Holly Springs' 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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Holly Springs' internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

November 30, 2015

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, 2015. 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

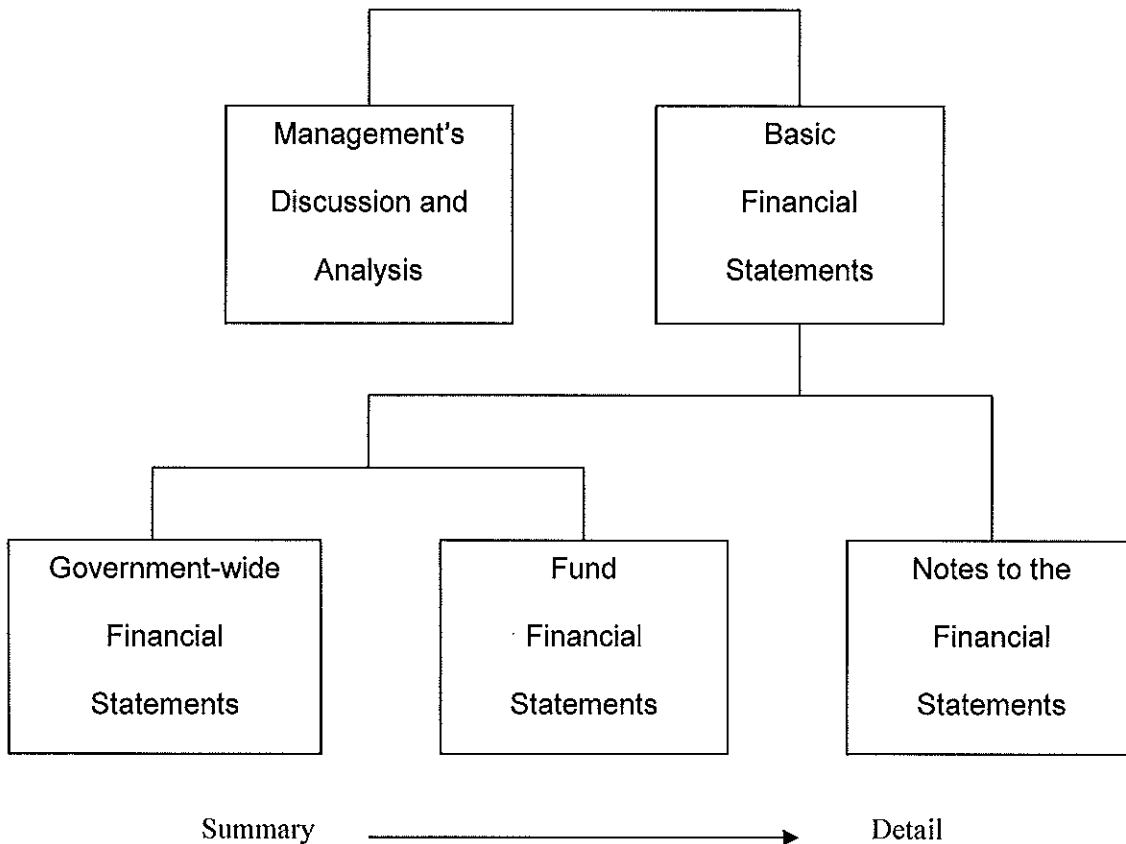
- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$169.7 million (*net position*).
- The government's total net position increased by \$11.2 million in fiscal year 2015. \$5.4 million of the increase resulted from governmental activities, and \$5.8 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 \$23.4 million. The total fund balance in the General Fund increased \$1.67 million, total fund balance in the Combined Capital Projects Funds and Non-Major Funds increased \$2.866 million. The Combined Capital Projects Funds include the Street Project Fund and the Parks and Recreation Project Fund which were previously reported in the Non Major Fund Colum. The change has made the breakdown look like the Combined Capital Projects Fund had an increase of \$4.65 million and the Non-Major Funds decreased \$1.784 million. The resulting in a net increase in total governmental funds combined fund balance of \$4.53 million. The increase is also a reflection of the Limited Obligation Bond that we are holding for our NMAC and Law Enforcement Center Projects, which will be completed in FY 2017. Approximately \$14.8 million or 63.5% of the total combined ending fund balance is restricted as compared to 61% last year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8.6 million or 31% of total General Fund expenditures for the fiscal year.
- The Town's total financed debt increased by \$.9 million during the current fiscal year for capital projects debt.
- 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; 2) the proprietary fund statements; and 3) the fiduciary 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.

Management Discussion and Analysis Town of Holly Springs

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.

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 stormwater 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 three categories: governmental funds, proprietary funds and fiduciary 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.

Management Discussion and Analysis

Town of Holly Springs

Proprietary Funds – The Town of Holly Springs has one proprietary fund, an *Enterprise Fund*. 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. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – The Town of Holly Springs has one fiduciary fund, the *Law Enforcement Officers' Separation Allowance Fund*. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

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 33 through 56 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 benefits to its employees. Required supplementary information can be found beginning on page 57 of this report.

Town of Holly Springs Statement of Net Position
Figure 2

	Governmental		Business-type			
	Activities		Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 29,243,390	\$ 21,673,626	\$ 26,870,855	\$ 22,836,534	\$ 56,114,245	\$ 44,510,160
Capital Assets	120,581,640	102,826,788	101,240,176	101,672,382	221,821,816	204,499,170
Deferred Outflows of Resources	765,401	-	155,476	-	920,877	-
Total Assets and Deferred Outflow	\$ 150,590,431	\$ 124,500,414	\$ 128,266,507	\$ 124,508,916	278,856,938	249,009,330
Long-term Liabilities	\$ 47,131,463	\$ 31,276,756	\$ 45,323,240	\$ 47,935,272	\$ 92,454,703	\$ 79,212,028
outstanding						
Other Liabilities	8,940,401	7,204,397	4,120,191	4,108,605	13,060,592	11,313,002
Deferred inflows of resources	3,077,172	43,660	585,199	-	3,662,371	43,660
Total Liabilities and Deferred Inflow	\$ 59,149,036	\$ 38,524,813	\$ 50,028,630	\$ 52,043,877	109,177,666	\$ 90,568,690
Net Position:						
Net investment in capital assets	\$ 74,189,844	\$ 69,944,838	\$ 49,588,554	\$ 51,814,633	\$ 123,778,398	\$ 121,759,471
Restricted	4,088,141	3,011,707	-	-	4,088,141	3,011,707
Unrestricted	13,163,410	13,019,056	28,649,223	20,650,406	41,812,633	33,669,462
Total Net Position	\$ 91,441,395	\$ 85,975,601	\$ 78,237,777	\$ 72,465,039	169,679,172	\$ 158,440,640

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 \$169.7 million as of June 30, 2015. The Town's net position increased by \$11.2 million for the fiscal year ended June 30, 2015. However, the majority of the Town's net position (\$123.7 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. \$3 million) represents resources that are subject to external restrictions on how they may be used.

Management Discussion and Analysis
Town of Holly Springs

Town of Holly Springs Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 6,141,592	\$ 5,291,538	\$ 9,994,142	\$ 8,824,314	\$ 16,135,734	\$ 14,115,852
Operating grants and contributions	2,310,297	1,596,573	2,518,586	941,444	4,828,883	2,538,017
Capital grants and contributions	679,807	376,600	4,176,414	4,111,657	4,856,221	4,488,257
General revenues:						
Property taxes	16,223,733	15,619,742			16,223,733	15,619,742
Other taxes	293,621	304,881			293,621	304,881
Grants and contributions not restricted to specific programs	7,335,754	6,110,835			7,335,754	6,110,835
Other revenues	109,835	326,279	115,328	100,048	225,163	426,327
Total revenues	33,094,639	29,626,448	16,804,470	13,977,463	49,899,109	43,603,911
Expenses:						
General government	3,462,828	3,528,051	-	-	3,462,828	3,528,051
Public safety	8,625,666	8,291,593	-	-	8,625,666	8,291,593
Public works	5,439,989	5,216,527	-	-	5,439,989	5,216,527
Economic & physical development	2,727,983	2,515,614	-	-	2,727,983	2,515,614
Cultural and recreation	4,385,491	4,168,776	-	-	4,385,491	4,168,776
Interest on long-term debt	1,517,904	1,109,591	-	-	1,517,904	1,109,591
Water and sewer			10,391,706	10,310,680	10,391,706	10,310,680
Stormwater Management			304,303			
Total expenses	26,159,861	24,830,152	10,696,009	10,310,680	36,551,567	35,140,832
Increase in net position before transfers and special items	6,934,778	4,796,296	6,108,461	3,666,783	13,043,239	8,463,079
Transfers	-	-	-	-	-	-
Special items	(52,482)	-	-	-	(52,482)	-
Increase in net position	6,934,778	4,796,296	6,108,461	3,666,783	13,043,239	8,463,079
Prior period adjustment	(1,416,502)	-	(335,723)	-	-	-
Net position, July 1	84,559,099	74,278,494	72,129,316	65,288,141	156,688,415	139,566,635
Net position, June 30	\$ 91,493,877	\$ 79,074,790	\$ 78,237,777	\$ 68,954,924	\$ 169,731,654	\$ 148,029,714

Governmental activities: The Town's total governmental revenues were \$33 million. Program revenues (28%) include: Charges for services of \$6.1 million, operating grants and contributions of \$2.3 million and capital grants and contributions of \$.7 million. General revenues (50%) include: property taxes of \$16.2 million and other taxes of \$.3 million. Approximately \$7.4 million (22%) were grants and contributions not restricted to specific programs and other revenues, which are primarily nonrecurring miscellaneous payments. The Town's total governmental expenses were \$26.1 million, which result in an increase in the Town's net position of \$6.8 million from governmental activities, accounting for 61% of the total growth in the Town's net position.

Management Discussion and Analysis

Town of Holly Springs

Business-type activities: The Town's total business-type revenues were \$16.8 million. Program revenues (99%) include: Charges for services of \$10 million, operating grants and contributions of \$2.5 million and capital grants and contributions of \$4.1 million. Other revenues of \$115,328 (.2) are primarily from nonrecurring miscellaneous payments. The Town's total business-type expenses were \$10.7 million, which result in an increase in the Town's net position by \$6.1 million from business-type activities, accounting for 39% of the total growth in the Town's net position

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, unrestricted fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund within the governmental funds. At the end of the current fiscal year, the Town of Holly Springs fund balance available was \$8.6 million or 74% of the \$11.6 million total fund balance of the general fund. Grants and contributions increased \$1.2 million from the prior year which accounts for the main increase in revenues, since total General Fund revenues increased \$1.5 million or 7%. Total expenditures in the General Fund increased \$1.3 million or 5%. The net effect was total fund balance increased by 5.4 million or 7%

As of June 30, 2015, non-major funds were comprised of special revenue and capital project funds. The total fund balances of the non-major funds was \$1.3 million, of which \$1 million (77%) was reported in non-major special revenue funds and \$.3 million (23%) was reported in non-major capital project funds. The non-major capital project funds are ongoing projects that have not been completed. The fund balances of the non-major special revenue funds are reported in the emergency telephone fund. Development fees are collected and reserved in these funds for future park and recreation and street infrastructure projects.

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 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 \$857,260. Expenditure budgets were increased over the fiscal year primarily to authorize expenditures related to existing and expanded services. Actual expenditures were \$1,229,414 million less than appropriated. This amount represents position vacancies throughout the budget year along with non-capital project expenditures.

Proprietary Funds: The Town of Holly Spring's proprietary fund financial statements provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year was \$28.5 million. The total growth in net position for the fund was \$5.6 million. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

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, 2015, totals \$221,821,816 (net of depreciation). These assets include buildings, roads and bridges, intangible assets for water rights, machinery and equipment, vehicles and park facilities.

Management Discussion and Analysis
Town of Holly Springs

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

- Acquired land at a cost of \$186,216.
- Acquired new equipment and vehicles of \$584,546 and \$1,179,287, respectively, within governmental activities and \$85,009 and \$58,040 within business-type activities.
- Construction in progress of \$12,491,676 in governmental-type activities for the Parks & Recreation Bond Projects, Law Enforcement Complex and other road improvements.
- Contributed capital additions for water and sewer operating plant of \$25,288,130.

**Town of Holly Springs Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 24,547,271	\$ 24,387,781	\$ 165,554	\$ 138,828	\$ 24,712,825	\$ 24,526,609
Buildings and systems	15,233,994	15,711,302	147,382	152,494	15,381,376	15,863,796
Water and sewer operating plant			92,957,296	67,669,166	92,957,296	67,669,166
Improvements other than buildings	4,684,892	32,979	16,394	12,288	4,701,086	45,267
Intangible assets (water rights)			4,438,364	4,651,117	4,438,364	4,651,117
Machinery and equipment	1,091,206	785,602	391,245	387,139	1,482,451	1,172,741
Infrastructure	47,257,661	47,304,464			47,257,661	47,304,464
Vehicles and motorized equipment	2,464,516	1,794,036	209,655	221,966	2,674,171	2,016,002
Construction in progress	25,302,300	12,810,624	2,914,286	28,439,384	28,216,586	41,250,008
Total	\$ 120,581,640	\$ 102,826,788	\$ 101,240,176	\$ 101,672,382	\$ 221,821,816	\$ 204,499,170

Additional information on the Town's capital assets can be found on pages 41 - 42 of the notes to the financial statements of this report.

Long-term Debt. As of June 30, 2015, the Town of Holly Springs had total long-term debt of \$93,605,054. Of this amount, \$40,880,000 represents bonded debt backed by the full faith and credit of the Town. The remainder of the Town's bonded debt is a revenue bond of \$21,140,954 which is secured solely by specified revenue sources. In addition to bonded debt, the Town's long-term debt includes installment purchase obligations of \$31,584,100. Of the general obligation debt, \$12,324,215 was issued for the construction and subsequent upgrades of its 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 waste water treatment plant from 1.75 million gpd to 6 million gpd.

The following chart summarizes the Town's long-term debt as of June 30, 2015:

**Town of Holly Spring's Outstanding Debt
Figure 5**

Management Discussion and Analysis
Town of Holly Springs

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 12,429,244	\$ 12,722,833	\$ 11,345,756	\$ 11,867,167	\$ 23,775,000	\$ 24,590,000
Limited Obligation Bonds	\$ 17,105,000	-	-	-	\$ 17,105,000	-
Revenue Bonds	-	-	21,140,954	22,190,300	21,140,954	22,190,300
Installment Purchase Obligations	16,857,552	20,159,117	14,726,548	15,800,282	31,584,100	35,959,399
Total	\$ 46,391,796	\$ 32,881,950	\$ 47,213,258	\$ 49,857,749	\$ 93,605,054	\$ 82,739,699

Town of Holly Springs Outstanding Debt

The Town's long-term financed debt increased by \$10.8 million (13%) during the fiscal year ended June 30, 2015 from debt issued for new projects.

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 margin for Town of Holly Springs is \$228,627,530.

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 49 - 54 of this report.

Economic Factors and Next Year's Budgets and Rates

The population of Holly Springs at the end of 2015 is estimated to be just under 31,331 based on the 2010 US Census report of 24,661 and based on the issuance of new home building permits. While permits decreased during the economic downturn, the town will issue more than 625 permits to close out 2015. 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.

Two significant developments are attracting even more new residents than before:

- 1) The opening of the NC540 Triangle Expressway (toll road) interchange at NC55 in Holly Springs provides a transportation option for drivers wishing to avoid congestion particularly during peak traffic hours. This new roadway reduces travel time to popular destinations to the north such as the Raleigh Durham International Airport and Research Triangle Park.
- 2) Phase I of the Holly Springs Towne Center, a regional shopping center, is open. The center is anchored by Target and features other junior tenants including Dick's, Marshalls, Michaels, Petco and several restaurants and retail stores. Phase II is under construction with a completion date of summer 2016 and will feature Bed, Bath & Beyond, DSW and a movie theater. This 550,000 square foot retail center (Phase I and II) draws consumers from local communities as well as most of neighboring Harnett County.

Management Discussion and Analysis

Town of Holly Springs

Construction on the Novartis Vaccines and Diagnostics facility is complete. As of October 2013, more than 750 full time employees are on site representing Novartis employees and contract workers. The Wake County tax assessed value of the facility, personal property and land as of 2012 is just over \$350 million generating over \$1.5 million in annual taxes to the town of Holly Springs and ranking as the fifth largest tax payer in Wake County. Expansions to the facility continue due to contracts from US Health and Human Services and include a pilot plant, warehouse expansion and additional administrative office space.

As of June 2015, we have completed the installation of a \$1.5 million fiber optic network that allows faster internet service to the town facilities.

Healthcare practices and facilities continue to open in Holly Springs:

- Rex Healthcare opened their Urgent Care and Medical Office building at the intersection of Avent Ferry Road and G.B. Alford Highway on December 5, 2011. The first phase consists of 30,000 square feet. They have recently announced the construction of a 50 bed hospital at the same location. Construction should begin in 2019.

We are nearing completion on a \$9 million state of the art Law Enforcement Center to house our Police and 911 Departments.

We are nearing completion on a multi-sport Athletic Center that will consist of soccer fields, tennis courts and an 1800 seat stadium for baseball, football, lacrosse and soccer programs.

We have secured approximately \$10 million in federal and state grant money for upcoming transportation projects including an upgrade to the Avent Ferry/ US 55 intersections and additional work on the Main Street Extension. The Town has also financed a portion of these projects.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: Property taxes (resulting from economic growth) have the largest increase in budgeted revenues at 7.5%. The property tax rate is \$0.435 per \$100 of value. Property taxes account for 55% of the total General Fund Revenue. The remaining revenues for the Town primarily include Sales Tax, Franchise Taxes and Building Permits. These revenues are projected to bring in \$7.5 million, or 25% of the total General Fund Revenues. Combined, these revenue sources account for approximately 80% of the General Fund Revenues. Conservative budgeting practices have afforded the Town the opportunity to fund its needs without raising the property tax rate.

Budgeted expenditures in the General Fund are relatively the same. Six (6) new positions were added to the governmental activities: 1 Code Enforcement, 1 Accountant, 3 Firefighters, and 1 Public Works Technician.

Business-type Activities: Operating revenues in the Water and Sewer Fund result primarily from water and sewer sales. These revenues account for 85% of the Water and Sewer Fund budget. Additional revenues come from tap fees, inspections fees, capacity replacement fees, meter fees and reconnection fees. There were no increases in the water & sewer billing fees for the new budget year and development fees will be appropriated as 56% of water capacity fees and 100% of sewer capacity fees to be designated outside of the operating budget for future capital needs. These highlight the revenue changes for the budget year.

Budgeted expenses in the Water and Sewer Fund are relatively the same as well. Two (2) new positions were added to the business-type activities: 1 Development Inspector and 1 Pump Station Technician.

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 the Finance Director, Town of Holly Springs, Post Office Box 8, Holly Springs, North Carolina, 27540.

BASIC FINANCIAL STATEMENTS

**Town of Holly Springs
Statement of Net Position
June 30, 2015**

Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,850,823	\$ 24,290,758	\$ 32,141,581
Taxes receivables (net)	3,107	-	3,107
Accrued interest receivable on taxes	-	-	-
Accounts receivable (net)	189,232	1,801,395	1,990,627
Due from other governments	2,014,295	26,715	2,041,010
Prepaid items	52,239	500	52,739
Total current assets	10,109,696	26,119,368	36,229,064
Noncurrent asset:			
Restricted cash and cash equivalents	17,890,966	514,777	18,405,743
Net pension asset - LGERS	1,242,728	236,710	1,479,438
Capital assets:			
Land, non-depreciable improvements, and construction in progress	49,849,570	3,079,840	52,929,410
Unamortized water and water capacity rights	-	4,438,364	4,438,364
Other capital assets, net of depreciation	70,732,070	93,721,972	164,454,042
Total capital assets	120,581,640	101,240,176	221,821,816
Total noncurrent assets	139,715,334	101,991,663	241,706,997
Total assets	149,825,030	128,111,031	277,936,061
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	765,401	155,476	920,877
Total deferred outflows of resources	765,401	155,476	920,877
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	3,784,225	436,901	4,221,126
Salaries payable	433,076	-	433,076
Accrued interest payable	618,068	864,338	1,482,406
Current portion of long-term liabilities	4,105,032	2,818,952	6,923,984
Total current liabilities	8,940,401	4,120,191	13,060,592
Long-term liabilities:			
Payable from restricted assets	339,660	514,777	854,437
Due in more than one year	46,791,803	44,808,563	91,600,366
Total long-term liabilities	47,131,463	45,323,340	92,454,803
Total liabilities	56,071,864	49,443,531	105,515,395
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	4,877	-	4,877
Pension deferrals	3,072,295	585,199	3,657,494
Total deferred inflows of resources	3,077,172	585,199	3,662,371
NET POSITION			
Net investment in capital assets	71,875,960	49,588,554	121,464,514
Restricted for:			
Stabilization by State Statute	2,112,113	-	2,112,113
Streets	833,222	-	833,222
Public safety	1,142,806	-	1,142,806
Unrestricted	15,477,294	28,649,223	44,126,517
Total net position	\$ 91,441,395	\$ 78,237,777	\$ 169,679,172

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, 2015

Exhibit 2

					Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for		Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
		Services	Operating Grants and Contributions				
Primary government:							
Governmental Activities:							
General government	\$ 3,462,828	\$ 21,575	\$ -	\$ -	\$ (3,441,253)	\$ -	\$ (3,441,253)
Public safety	8,625,666	-	824,421	-	(7,801,245)	-	(7,801,245)
Public works	5,439,989	3,640,733	761,546	-	(1,037,710)	-	(1,037,710)
Economic and physical development	2,727,983	881,538	724,330	679,807	(442,308)	-	(442,308)
Cultural and recreational	4,385,491	1,597,746	-	-	(2,787,745)	-	(2,787,745)
Interest on long-term debt	1,517,904	-	-	-	(1,517,904)	-	(1,517,904)
Total governmental activities	26,159,861	6,141,592	2,310,297	679,807	(17,028,165)	-	(17,028,165)
Business-type activities:							
Water and sewer	10,391,706	9,593,146	2,518,586	4,176,414	-	5,896,440	5,896,440
Stormwater management	304,303	400,996	-	-	-	96,693	96,693
Total business-type activities	10,696,009	9,994,142	2,518,586	4,176,414	-	5,993,133	5,993,133
Total primary government	\$ 36,855,870	\$ 16,135,734	\$ 4,828,883	\$ 4,856,221	(17,028,165)	5,993,133	(11,035,032)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					16,223,733	-	16,223,733
Other taxes					293,621	-	293,621
Grants and contributions not restricted to specific programs					7,335,754	-	7,335,754
Unrestricted investment earnings					88,056	115,328	203,384
Miscellaneous					21,779	-	21,779
Special item - loss on disposal of assets					(52,482)	-	(52,482)
Total general revenues not including transfers					23,910,461	115,328	24,025,789
Change in net position					6,882,296	6,108,461	12,990,757
Net position, beginning, as previously reported					85,975,601	72,465,039	158,440,640
Change in accounting principle					(1,762,548)	(335,723)	(2,098,271)
Prior period adjustment					346,046	-	346,046
Net position, beginning, as restated					84,559,099	72,129,316	156,688,415
Net position, ending					\$ 91,441,395	\$ 78,237,777	\$ 169,679,172

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

Town of Holly Springs
Balance Sheet
Governmental Funds
June 30, 2015

Exhibit 3

	Major Funds				Total Non-Major Funds	Total Governmental Funds
	General	Parks & Recreation Capital Project Fund	Street & Sidewalks Capital Projects Fund	Town Buildings Capital Projects		
ASSETS						
Cash and cash equivalents	\$ 1,977,487	\$ 2,363,489	\$ 3,241,995	\$ -	\$ 267,852	\$ 7,850,823
Restricted cash and cash equivalents	1,508,177	8,506,400	3,031,000	3,785,773	1,059,616	17,890,966
Receivables, net:						
Taxes	3,107	-	-	-	-	3,107
Accounts	189,232	-	-	-	-	189,232
Due from other governments	1,920,921	33,014	-	-	60,360	2,014,295
Prepaid items	52,239	-	-	-	-	52,239
Internal balances	7,361,756	(6,069,021)	(750,000)	(540,775)	(1,960)	-
Total assets	<u>13,012,919</u>	<u>4,833,882</u>	<u>5,522,995</u>	<u>3,244,998</u>	<u>1,385,868</u>	<u>28,000,662</u>
LIABILITIES						
Accounts payable and accrued liabilities:	578,406	2,690,837	103,588	407,795	3,599	3,784,225
Salaries and benefits payable	433,076	-	-	-	-	433,076
Payable from restricted assets	339,660	-	-	-	-	339,660
Total liabilities	<u>1,351,142</u>	<u>2,690,837</u>	<u>103,588</u>	<u>407,795</u>	<u>3,599</u>	<u>4,556,961</u>
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	3,107	-	-	-	-	3,107
Prepaid taxes	4,877	-	-	-	-	4,877
Total deferred inflows of resources	<u>7,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,984</u>
FUND BALANCES						
Non Spendable						
Prepaid Items	52,239	-	-	-	-	52,239
Restricted						
Stabilization by State Statute	2,112,113	-	-	-	-	2,112,113
Streets	833,222	-	-	-	-	833,222
Public safety	24,955	-	-	-	1,117,851	1,142,806
Committed:						
Cultural and recreational	-	2,143,045	-	-	-	2,143,045
Economic and physical development	-	-	5,419,407	-	267,852	5,687,259
Public safety	-	-	-	2,837,203	-	2,837,203
Unassigned	8,631,264	-	-	-	(3,434)	8,627,830
Total fund balances	<u>11,653,793</u>	<u>2,143,045</u>	<u>5,419,407</u>	<u>2,837,203</u>	<u>1,382,269</u>	<u>23,435,717</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,012,919</u>	<u>\$ 4,833,882</u>	<u>\$ 5,522,995</u>	<u>\$ 3,244,998</u>	<u>\$ 1,385,868</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	120,581,640
Net pension asset	1,242,728
Contributions to the pension plan in the current fiscal year	765,401
Earned revenues considered deferred inflows of resources in fund statements.	3,107
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(50,896,835)
Pension related deferrals	(3,072,295)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(618,068)
Net position of governmental activities	<u>\$ 91,441,395</u>

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

Town of Holly Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit 4

	General	Parks & Recreation Capital Project Fund	Street & Sidewalks Capital Projects Fund	Town Buildings Capital Projects Fund		
REVENUES						
Ad valorem taxes	\$ 16,286,363	\$ -	\$ -	\$ -	\$ -	\$ 16,286,363
Other taxes and licenses	293,621	-	-	-	-	293,621
Unrestricted intergovernmental	7,335,754	-	-	-	-	7,335,754
Restricted intergovernmental	884,258	-	679,808	-	724,330	2,288,396
Permits and fees	1,932,747	339,156	743,751	-	-	3,015,654
Sales and services	3,827,647	-	-	-	-	3,827,647
Investment earnings	12,894	37,522	25,274	2,661	9,705	88,056
Miscellaneous	21,779	-	-	-	-	21,779
Total revenues	30,595,063	376,678	1,448,833	2,661	734,035	33,157,270
EXPENDITURES						
Current:						
General government	3,115,533	-	-	256,781	-	3,372,314
Public safety	8,164,053	-	-	-	3,434	8,167,487
Public works	3,721,059	-	-	-	81,411	3,802,470
Economic and physical development	2,752,672	-	-	-	-	2,752,672
Cultural and recreational	3,966,824	-	-	-	-	3,966,824
Debt service:						
Principal	3,595,154	-	-	-	-	3,595,154
Interest and other charges	1,424,840	-	-	-	-	1,424,840
Capital outlay	1,369,301	13,706,164	1,482,143	4,204,375	-	20,761,983
Total expenditures	28,109,436	13,706,164	1,482,143	4,461,156	84,845	47,843,744
Excess (deficiency) of revenues over expenditures	2,485,627	(13,329,486)	(33,310)	(4,458,495)	649,190	4,686,474)
OTHER FINANCING SOURCES (USES)						
Transfers (to) from other funds	(1,145,385)	1,150,000	(4,615)	-	-	-
Sale of assets	330,593	-	-	-	-	330,593
Limited obligation bonds issued	-	8,581,653	3,031,000	7,300,000	-	18,912,653
Total other financing sources (uses)	(814,792)	9,731,653	3,026,385	7,300,000	-	19,243,246
Net change in fund balance	1,670,835	(3,597,833)	2,993,075	2,841,505	649,190	4,556,772
Fund balances, beginning, as previously reported	9,982,958	5,748,895	2,430,060	3,299	733,079	18,898,291
Prior period adjustment	-	(8,017)	(3,728)	(7,601)	-	(19,346)
Fund balances, beginning, as restated	9,982,958	5,740,878	2,426,332	(4,302)	733,079	18,878,945
Fund balances, ending	\$11,653,793	\$2,143,045	\$5,419,407	\$2,837,203	\$1,382,269	\$23,435,717

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		\$ 4,556,772
<p>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.</p>		
Capital outlay expenditures which were capitalized	20,761,983	
Depreciation expense for governmental assets	<u>(2,989,178)</u>	
		17,772,805
Proceeds from disposal of assets		(330,593)
Loss on disposal of assets		(52,482)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		765,401
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred inflows for tax revenues		(62,630)
<p>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.</p>		
New long-term debt issued		(18,912,653)
Principal payments on long-term debt		3,595,154
Increase in accrued interest payable		(111,144)
Amortization of bond premium		18,080
<p>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.</p>		
Compensated absences		(7,012)
Pension expense		(67,019)
Net pension obligation		(55,917)
Other postemployment benefits		<u>(226,466)</u>
Total changes in net position of governmental activities		<u>\$ 6,882,296</u>

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 and Actual
For the Year Ended June 30, 2015

Exhibit 6

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 16,214,100	\$ 16,214,100	\$ 16,286,363	\$ 72,263
Other taxes and licenses	244,000	244,000	293,621	49,621
Unrestricted intergovernmental	5,931,100	7,077,675	7,335,754	258,079
Restricted intergovernmental	813,150	1,022,528	884,258	(138,270)
Permits and fees	1,330,200	1,430,200	1,932,747	502,547
Sales and services	3,681,500	3,681,500	3,827,647	146,147
Investment earnings	50,000	50,000	12,894	(37,106)
Miscellaneous	13,700	17,800	21,779	3,979
Total revenues	28,277,750	29,737,803	30,595,063	857,260
Expenditures:				
Current:				
General government	3,478,575	3,287,811	3,115,533	172,278
Public safety	8,184,175	8,679,139	8,164,053	515,086
Public works	3,580,925	3,725,269	3,721,059	4,210
Economic and physical development	3,046,125	3,116,536	2,752,672	363,864
Cultural and recreational	4,081,100	4,106,455	3,966,824	139,631
Debt service:				
Principal retirement	4,662,000	3,595,154	3,595,154	-
Interest and other charges	-	1,426,007	1,424,840	1,167
Capital Outlay	1,554,100	1,402,479	1,369,301	33,178
Total expenditures	28,587,000	29,338,850	28,109,436	1,229,414
Revenues over (under) expenditures	(309,250)	398,953	2,485,627	2,086,674
Other financing sources (uses):				
Limited Obligation Bonds issued	-	284,550	-	(284,550)
Sale of assets	200,000	200,000	330,593	130,593
Transfers from other funds	-	104,999	4,615	(100,384)
Transfers to other funds	-	(1,150,000)	(1,150,000)	-
Appropriated fund balance	109,250	161,498	-	(161,498)
Total other financing sources (uses)	309,250	(398,953)	(814,792)	(415,839)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	1,670,835	\$ 1,670,835
Fund balances, beginning			9,982,958	
Fund balances, ending			\$ 11,653,793	

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, 2015**

Exhibit 7

	Major Fund Water and Sewer Fund	Non-Major Fund Stormwater Management	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 24,224,020	\$ 66,738	\$ 24,290,758
Accounts receivable (net) - billed	201,932	6,565	208,497
Accounts receivable (net) - unbilled	1,559,118	33,780	1,592,898
Due from other governments	26,715	-	26,715
Prepaid items	500	-	500
Total current assets	<u>26,012,285</u>	<u>107,083</u>	<u>26,119,368</u>
Noncurrent assets:			
Net pension asset	236,710	-	236,710
Restricted cash and cash equivalents	<u>514,777</u>	<u>-</u>	<u>514,777</u>
Capital assets:			
Land and other non-depreciable assets	3,079,840	-	3,079,840
Unamortized water and water capacity rights	4,438,364	-	4,438,364
Other capital assets, net of depreciation	93,721,972	-	93,721,972
Capital assets (net)	<u>101,240,176</u>	<u>-</u>	<u>101,240,176</u>
Total noncurrent assets	<u>101,991,663</u>	<u>-</u>	<u>101,991,663</u>
Total assets	<u><u>128,003,948</u></u>	<u><u>107,083</u></u>	<u><u>128,111,031</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	141,393	14,083	155,476
Total deferred outflows of resources	<u>141,393</u>	<u>14,083</u>	<u>155,476</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	422,970	13,931	436,901
Accrued interest payable	864,338	-	864,338
Compensated absences - current	116,296	3,958	120,254
Installment purchase and notes payable - current	525,978	-	525,978
General obligation bonds payable - current	1,073,734	-	1,073,734
Revenue bond payable - current	1,098,986	-	1,098,986
Total current liabilities	<u>4,102,302</u>	<u>17,889</u>	<u>4,120,191</u>
Noncurrent liabilities:			
Payable from restricted assets	514,777	-	514,777
Other postemployment benefits	258,833	5,107	263,940
Compensated absences	29,074	989	30,063
Installment purchase and notes payable	14,200,570	-	14,200,570
General obligation bonds payable	10,272,022	-	10,272,022
Revenue bond payable	20,041,968	-	20,041,968
Total noncurrent liabilities	<u>45,317,244</u>	<u>6,096</u>	<u>45,323,340</u>
Total liabilities	<u>49,419,546</u>	<u>23,985</u>	<u>49,443,531</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	585,199	-	585,199
Total deferred inflows of resources	<u>585,199</u>	<u>-</u>	<u>585,199</u>
NET POSITION			
Net investment in capital assets	49,588,554	-	49,588,554
Unrestricted	28,552,042	97,181	28,649,223
Total net position	<u><u>\$ 78,140,596</u></u>	<u><u>\$ 97,181</u></u>	<u><u>\$ 78,237,777</u></u>

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, 2015

	Major Fund	Non-Major Fund	
	Water and	Stormwater	
	Sewer Fund	Management Fund	Total
OPERATING REVENUES			
Charges for services	\$ 9,593,146	\$ 400,955	\$ 9,994,101
Water and sewer taps	129,360	-	129,360
Other operating revenues	2,389,226	41	2,389,267
Total operating revenues	12,111,732	400,996	12,512,728
OPERATING EXPENSES			
Water and sewer administration	998,775	-	998,775
Waste water administration and collection	2,504,409	-	2,504,409
Water treatment and distribution	2,865,417	-	2,865,417
Stormwater management	-	304,303	304,303
Depreciation and amortization	2,655,280	-	2,655,280
Total operating expenses	9,023,881	304,303	9,328,184
Operating income (loss)	3,087,851	96,693	3,184,544
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	114,840	488	115,328
Interest and other charges	(1,367,825)	-	(1,367,825)
Total nonoperating revenue (expenses)	(1,252,985)	488	(1,252,497)
Income (loss) before contributions and transfers	1,834,866	97,181	1,932,047
Capital contributions	4,176,414	-	4,176,414
Total income (loss) after contributions and transfers	6,011,280	97,181	6,108,461
Change in net position	6,011,280	97,181	6,108,461
Total net position, beginning, as previously reported	72,465,039	-	72,465,039
Change in accounting principle	(335,723)	-	(335,723)
Total net position, beginning, as restated	72,129,316	-	72,129,316
Total net position, ending	\$ 78,140,596	\$ 97,181	\$ 78,237,777

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, 2015

	Water and Sewer Fund	Stormwater Management Fund	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 9,567,160	\$ 360,610	\$ 9,927,770
Cash paid for goods and services	(3,799,548)	(18,415)	(3,817,963)
Cash paid to or on behalf of employees for services	(2,658,065)	(275,986)	(2,934,051)
Net customer deposits	35,630	-	35,630
Other operating revenues	2,389,226	41	2,389,267
Net cash provided (used) by operating activities	5,534,403	66,250	5,600,653
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,259,898)	-	(2,259,898)
Principal paid on bond maturities and equipment contracts	(2,644,492)	-	(2,644,492)
Interest paid on bond maturities and equipment contracts	(1,409,831)	-	(1,409,831)
Water and sewer acreage and capacity replacement fees	4,176,414	-	4,176,414
Net cash provided (used) by capital and related financing activities	(2,137,807)	-	(2,137,807)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	114,840	488	115,328
Net cash provided (used) by investing activities	114,840	488	115,328
 Net increase (decrease) in cash and cash equivalents	 3,511,436	 66,738	 3,578,174
Balances, beginning	21,227,361	-	21,227,361
Balances, ending	\$ 24,738,797	\$ 66,738	\$ 24,805,535

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, 2015**

	Water and Sewer Fund	Stormwater Management Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 3,087,851	\$ 96,693	\$ 3,184,544
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,655,280	-	2,655,280
Pension expense	12,766	-	12,766
Changes in assets and liabilities:			-
(Increase) decrease in accounts receivable	(155,346)	(40,345)	(195,691)
(Increase) decrease in prepaid expenses	(500)	-	(500)
(Increase) decrease in due from other governments	(23,246)	-	(23,246)
Increase (decrease) in accounts payable and accrued liabilities	19,487	13,931	33,418
Increase (decrease) in customer deposits	35,630	-	35,630
Increase (decrease) in compensated absences	(5,576)	9,065	3,489
(Increase) decrease in deferred outflows of resources for pensions	(141,393)	(14,083)	(155,476)
Increase (decrease) in other postemployment benefits	49,450	989	50,439
Total adjustments	2,446,552	(30,443)	2,416,109
Net cash provided by operating activities	<u>\$ 5,534,403</u>	<u>\$ 66,250</u>	<u>\$ 5,600,653</u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets from developers	\$ -	\$ -	\$ -

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

**Town of Holly Springs
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015**

Exhibit 10

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 310,701</u>
 NET POSITION	
Assets held in trust for pension obligations	<u>\$ 310,701</u>

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

Exhibit 11

**Town of Holly Springs
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015**

	<u>Pension Trust Fund</u>
ADDITIONS	
Employer contributions	<u>\$ -</u>
	-
Investment income:	
Interest	<u>2,272</u>
Total investment income	<u>2,272</u>
Total additions	<u>2,272</u>
DEDUCTIONS	
Administrative expense	<u>-</u>
Total deductions	<u>-</u>
Change in net position	2,272
Total net position, beginning	308,429
Total net position, ending	<u><u>\$ 310,701</u></u>

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, 2015

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. 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, proprietary and fiduciary* 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.

**Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015**

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

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

Town Buildings Capital Projects Fund – The Town Buildings Capital Projects Fund 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:

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: 911 PSAP Fund.

Capital Project Funds - The Capital 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 one non-major capital project fund within the Governmental Fund Types: the Business Park Development Capital Projects Fund.

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

The Town reports the following major proprietary funds:

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 Capital Reserve Fund, Wastewater Capital Reserve Fund, Water Tap/Water Line Capital Projects Fund, Waste Water Capital Projects Fund. These funds have been consolidated in the Water and Sewer Fund for financial reporting purposes.

The Town reports the following non-major proprietary funds:

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

The Town reports the following fund type:

Pension Trust Fund - The Town has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

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, Proprietary, and Fiduciary Fund Financial Statements.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary 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.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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, 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 Capital Projects Funds, and the Enterprise Capital Projects Funds, which are consolidated with the Enterprise operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the fund level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$15,000. All amendments must be approved by the governing board. 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.

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 Super NOW 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 as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, 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

Unexpended installment financing proceeds to be used in the Parks & Recreation Capital Project Funds for the Hunt Center project and Public Safety funds derived from forfeiture funds as well as Emergency Telephone System Fund moneys restricted for public safety are reclassified as restricted cash of the Governmental Activities. 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. Revenue Bond reserve requirements are recorded as restricted cash in the Water and Sewer Fund. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Governmental Activities

General Fund

Bond/Loan Proceeds	\$ 310,340
Customer Deposits	339,660
Streets	833,222
Public Safety	1,084,571
	<u>2,567,793</u>

Parks & Recreation Capital Project Fund

Bond/Loan Proceeds	15,323,173
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Total Governmental Activities	<u><u>\$ 17,890,966</u></u>
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Business-type Activities

Water and Sewer Fund

Customer Deposits	\$ 514,777
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Total Business-type Activities	<u>514,777</u>
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Total Restricted Cash	<u><u>\$ 18,405,743</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, 2012.

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. Capital Assets

Capital assets are defined by the government as assets with a n initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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:

Asset Class	Estimated Useful Lives
Infrastructure	15 - 40
Buildings	40
Intangible assets	40
Vehicles	5 - 10
Furniture and equipment	5 - 10
Computer software and equipment	3

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

7. 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 one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. 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 three items that meet this criterion – prepaid taxes, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. 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.

9. 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 est, 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.

10. 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.

**Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015**

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.

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.

Assigned Fund Balance - portion of fund balance that the Town of Holly Springs intends to use 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.

Assigned for economic and physical development - portion of fund balance assigned 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 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.

11. Pensions

For purposes of measuring the net pension asset, 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.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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

None.

C. Excess of Expenditures over Appropriations

Water and Sewer Administration expenditures in the Water and Sewer Fund exceeded budgeted amounts by \$ 14,918. This amount is immaterial however management and the Board will more closely monitor budget to actual statements to avoid overages in the future.

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, 2015, the Town's deposits had a carrying amount of \$49,358,118 and a bank balance of \$49,682,160. Of the bank balance, \$1,500,000 was covered by federal depository insurance and \$48,182,160 was covered by collateral under the Pooling Method. At June 30, 2015, the Town's petty cash funds totaled \$2,700.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

2. Investments

At June 30, 2015, the Town of Holly Springs had \$1,497,207 invested in the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

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:

	June 30, 2015
General Fund:	
Taxes receivable	\$ 256,959
Interest receivable	100,840
Accounts receivable	7,774
Total	<u>\$ 365,573</u>
Enterprise Fund:	
Accounts receivable	50,979
Total	<u><u>\$ 416,552</u></u>

4. Summary of General Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land 24,	\$ 387,781	\$ 458,890	\$ 299,400	\$ 24,547,271
Construction in progress	12,810,624	18,853,389	6,361,713	25,302,300
Total capital assets not being depreciated	37,198,405	19,312,279	6,661,113	49,849,571
Capital assets being depreciated				
Buildings	18,670,526	-	-	18,670,526
Equipment	4,535,688	584,546	-	5,120,234
Vehicles	5,711,167	1,179,287	242,610	6,647,844
Land improvements	44,074	4,706,333	-	4,750,407
Infrastructure	56,011,184	1,702,081	-	57,713,265
Total capital assets being depreciated	84,972,639	8,172,247	242,610	92,902,276
Less accumulated depreciation for				
Buildings	2,959,224	477,308	-	3,436,532
Equipment	3,750,086	278,942	-	4,029,028
Vehicles	3,917,131	429,424	163,227	4,183,328
Land improvements	11,095	54,620	-	65,715
Infrastructure	8,706,720	1,748,884	-	10,455,604
Total accumulated depreciation	\$ 19,344,256	\$2,989,178	\$163,227	22,170,207
Total capital assets being depreciated, net	65,628,383			70,732,069
Governmental activities capital assets, net	<u>\$102,826,788</u>			<u><u>\$ 120,581,640</u></u>

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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

General Government	\$ 147,340
Public Safety	538,006
Public Works	1,762,140
Economic & Physical Development	65,826
Cultural & Recreational	475,866
Total depreciation expense	<u>\$2,989,178</u>

5. Summary of Proprietary Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated				
Land 1	\$ 38,828	\$ 26,726	\$ -	\$ 165,554
Construction in progress	28,439,384	2,053,300	27,578,398	914,286
Total capital assets not being depreciated	28,578,212	2,080,026	27,578,398	3,079,840
Capital assets being depreciated				
Buildings	204,461	-	-	204,461
Intangible Assets	7,634,204	-	-	7,634,204
Equipment	1,445,245	85,009	-	1,530,254
Vehicles	1,390,243	58,040	24,394	1,423,889
Land improvements	17,842	-	-	17,842
Operating Plants	88,031,532	27,578,398	-	115,609,930
Total capital assets being depreciated	98,723,527	27,721,447	24,394	126,420,580
Less accumulated depreciation for				
Buildings	51,967	5,112	-	57,079
Intangible Assets	2,983,087	212,753	-	3,195,840
Equipment	1,058,106	80,903	-	1,139,009
Vehicles	1,168,277	70,351	24,394	1,214,234
Land improvements	5,554	1,448	5,554	1,448
Operating Plants	20,362,366	2,290,268	-	22,652,634
Total accumulated depreciation	25,629,357	\$2,660,835	\$29,948	28,260,244
Total capital assets being depreciated, net	73,094,170			98,160,336
Business-type activities capital assets, net	<u>\$ 101,672,382</u>			<u>\$ 101,240,17</u>

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.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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 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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$920,877 for the year ended June 30, 2015.

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.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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

At June 30, 2015, the Town reported an asset of \$1,479,438 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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 determined. At June 30, 2014, the Town's proportion was 0.25086%, which was an increase of 0.00466% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$79,785. At June 30, 2015, 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	\$ -	\$ 161,654
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,444,097
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	51,743
Town contributions subsequent to the measurement date	920,877	-
Total	\$ 920,877	\$ 3,657,494

\$920,877 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (914,507)
2017	(914,507)
2018	(914,507)
2019	(913,973)
	<u>\$ (3,657,494)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Sensitivity of the Town's proportionate share of the net pension asset 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 5,021,850	\$ (1,479,438)	\$ (6,953,312)

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.

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, 2014 the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan member entitled to but not yet receiving benefits	0
Active plan members	44
Total	<u>44</u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits and refunds 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 Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Method Used to Value Investments. The assets of the fund are cash and are valued at fair value.

3. 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 by making contributions based on actuarial valuations. For the current year, the Town contributed \$0, or 0% of covered payroll. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method, level percent of pay closed amortization method, twenty years remaining amortization period, and market value asset valuation method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post retirement benefit increases.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension costs and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 56,802
Interest on net pension obligation	3,616
Adjustment to annual required contribution	<u>(4,501)</u>
Annual pension cost	55,917
Contributions made	<u>-</u>
Increase (decrease) in net pension obligation	55,917
Net pension obligation beginning of year	<u>72,358</u>
Net pension obligation end of year	<u><u>\$ 128,275</u></u>

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 56,607	100.34%	\$ 15,751
6/30/2014	56,607	0.00%	72,358
6/30/2015	55,917	0.00%	128,275

4. Funded Status and Funding Progress.

As of December 31 2012, the most recent actuarial valuation date, the plan was 57.80 percent funded. The actuarial accrued liability for benefits was \$533,657 and the actuarial value of assets was \$308,429, resulting in an unfunded actuarial accrued liability (UAAL) of \$225,228. The covered payroll (annual payroll of active employees covered by the plan) was \$2,304,839, and the ratio of the UAAL to the covered payroll was 9.77 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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 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 officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$200,522, which consisted of \$132,551 from the Town and \$67,971 from the law enforcement officers. The Town has also elected to contribute each month an amount equal to 5.0% of each eligible employee's salary for each non-law enforcement employee. Contributions for the year ended June 30, 2015 were \$802,102, which consisted of \$513,819 from the Town and \$288,283 from the non-law enforcement employees.

d. Other Postemployment Benefits

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.

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%
15 - 19	0%

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, 2012, the date of the latest actuarial valuation:

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	0	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	198	44
Total	<u>198</u>	<u>44</u>

Funding Policy. The Town will pay the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by the Town Council. The Town's members pay \$419 per month for dependent children, \$638 per month for spouse and \$1,107 per month for family coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis. The Town has no retirees receiving benefits and therefore made no contributions to the plan.

The current ARC rate is 2.33% of annual covered payroll. For the current year, the Town made no contributions. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0% and 0% of covered payroll, respectively. The Town's contributions total \$3,151 in fiscal year 2015. There were no contributions made by employees. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting and the Water and Sewer Fund, which is maintained on the accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 were as follows:

Annual required contribution	\$ 277,961
Interest on net OPEB obligation	46,884
Adjustment to annual required contribution	(44,789)
Annual net OPEB cost	<u>280,056</u>
Contributions made	3,151
Increase (decrease) in net OPEB obligation	<u>276,905</u>
Net OPEB obligation beginning of year	1,172,094
Net OPEB obligation end of year	<u>\$ 1,448,999</u>

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Fiscal Year Ended	Annual Net OPEB Cost	Percentage of Annual Net OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 271,771	0.00%	\$ 900,323
6/30/2014	271,771	0.00%	1,172,094
6/30/2015	280,056	1.13%	1,448,999

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,232,753. The covered payroll (annual payroll of active employees covered by the plan) was \$11,583,855, and the ratio of the UAAL to the covered payroll was 19.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.5% to 5.0% annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

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 months 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. The Town considers these contributions to be immaterial.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Fiscal Year Ended	Annual Net OPEB Cost	Percentage of Annual Net OPEB Cost Contributed	Net OPEB Obligation
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Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

3. Deferred Outflows and Inflows of Resources

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

	Amount
Contributions to pension plan in current fiscal year	\$ 920,877
	<u>\$ 920,877</u>

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

Prepaid taxes (General Fund)	\$ 4,877
Taxes receivable (General Fund), less penalties	3,107
Pension deferrals	3,657,494
	<u>\$ 3,665,478</u>

4. Commitments

Cultural Center Lease

On January 9, 2006, the Town entered into an agreement with Wake County to construct the Holly Springs Cultural Center. The Town agreed to reimburse the County for the total construction costs of \$3.3 million and entered into a 99-year lease from the County for nominal rent after completion of the Center in December 2006.

The funds to reimburse the County were obtained through installment financing of \$3.3 million in January 2007.

5. 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 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.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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, 2015:

- (1) Executed in March 2005 for the construction of a new fire station. The \$3,000,000 note has an interest rate of 3.65% and calls for 12 annual principal payments of \$250,000 beginning March 2006. Final payment is due in fiscal year 2016-2017.

\$500,000
- (2) Executed in January 2006 for street alignment and a portion of the construction cost of a new Town Cultural Center (non capital debt). 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. This debt was not issued for the Town's Capital purposes.

\$1,401,680
- (3) 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. Ninety Seven percent (\$3,492,000) of this debt was not issued for the Town's Capital purposes.

\$2,100,000
- (4) 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. Ninety Seven percent (\$2,269,800) of this debt was not issued for the Town's Capital purposes.

\$1,365,000
- (5) 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.

\$3,890,333
- (6) Executed in February 2012 to refinance the previous debt of \$941,070, the proceeds of which were used for road widening and major renovations to Fire Station 2; and for the reconstruction of Fire Station 2. The note is secured by deed of trust on the property. The \$1,674,320 note has an interest rate of 2.3% and calls for five annual installments of \$334,864. The final payment is due in February 2017.

\$669,728
- (7) 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.

\$4,988,941
- (8) Executed in July 2012 for the purchase of vehicles and equipment. The \$704,550 note with PNC Bank has an interest rate of 1.39% and calls for 4 annual payments of \$182,300 beginning July 2013. Final payment is due in fiscal year 2016-2017.

\$357,138
- (9) 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.

\$1,350,000

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

- (10) Executed in October 2013 for the purchase of police vehicles. The \$290,650 note with BB&T has an interest rate of 1.94% and calls for 5 annual payments of \$61,556 beginning September 2014. Final payment is due in fiscal year 2018-2019.

\$234,732

Total General Government Installment Purchases

\$16,857,552

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.

\$200,000

- (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.

\$1,376,533

- (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.

\$25,014

- (4) Acceptance of a loan of up to \$17,500,000 from the Clean Water State Revolving Fund to provide funding for the Utley 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.

\$13,125,000

Total Water and Sewer Fund Installment Purchases

\$14,726,548

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
2016	\$ 2,435,248	\$ 563,235	\$ 1,073,734	\$ 314,863
2017	2,438,818	490,622	1,073,734	291,583
2018	1,675,280	417,952	1,073,734	268,304
2019	1,676,430	364,607	1,073,734	245,024
2020	1,616,045	311,200	1,073,734	221,744
2021-2025	5,510,770	859,344	4,974,537	764,428
2026-2030	1,504,961	129,178	4,383,341	275,625
	<u>\$ 16,857,552</u>	<u>\$ 3,136,138</u>	<u>\$ 24,726,548</u>	<u>\$ 381,571</u>

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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, 2015 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.
- \$899,244
- (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, 2015 is \$506,231.
- \$11,530,000
- Total Serviced by General Fund \$12,429,244

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.
- \$5,648,580

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.
- \$3,822,176

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.
- \$1,875,000
- Total Serviced by Water Sewer Fund \$11,345,756
- Total General Obligation Bonds \$23,775,000

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 374,022	\$ 331,995	\$ 525,978	\$ 323,465
2017	374,889	324,514	540,111	311,163
2018	515,323	317,017	549,677	298,441
2019	515,323	306,710	554,677	285,385
2020	515,757	296,404	564,243	252,081
2021-2025	3,203,607	1,305,479	2,736,393	1,149,206
2026-2030	4,065,110	803,209	2,554,890	727,911
2031-2035	2,773,727	187,196	2,356,272	360,154
2036-2037	91,486	4,111	963,515	43,289
	<u>\$ 12,429,244</u>	<u>\$ 3,876,635</u>	<u>\$ 11,345,756</u>	<u>\$ 3,751,095</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 2022, 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.

\$17,105,000

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 475,000	\$ 690,400
2017	475,000	678,525
2018	1,010,000	651,200
2019	1,010,000	610,800
2020	1,010,000	570,400
2021-2025	5,045,000	2,226,175
2026-2030	5,050,000	1,020,100
2031-2033	3,030,000	146,450
	<u>\$17,105,000</u>	<u>\$6,594,050</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%.

\$12,685,093

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

- (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 gpd to 6 million gpd. Principal and interest installments of \$848,792 are due annually on July 15 through July 2028. Interest is at a rate of 4.90%.

\$8,455,861

Total Revenue Bonds

\$21,140,954

The future payments of the revenue bonds are as follows:

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2016	\$ 1,098,986	\$ 766,983
2017	1,150,975	727,220
2018	1,205,427	685,562
2019	1,262,456	641,916
2020	1,322,186	596,188
2021-2025	7,610,695	2,214,914
2026-2029	7,490,229	696,286
	<u>\$21,140,954</u>	<u>\$ 6,329,069</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 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, 2015 were \$1,049,346 and \$804,935 respectively. The debt service coverage ratio calculation for the year ended June 30, 2015 is as follows:

Operating revenues	\$ 12,111,732
Operating expenses*	<u>(6,368,599)</u>
Operating income	5,743,133
Nonoperating revenues (expenses)**	-
Nonoperating revenues (capital reserve fund revenues)	<u>3,096,237</u>
Income available for debt service	8,839,370
Debt service, principal and interest paid (Revenue bond only)	1,854,281
Debt service ratio	477%

*Per rate covenants, this does not include depreciation expense of \$2,655,280

**Per rate covenants, this does not include interest on borrowed money of \$1,367,825

At June 30, 2015 the Town of Holly Springs had a legal debt margin of \$228,627,530.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

e. Changes in General Long-Term

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Governmental Activities:					
Installment Purchases	\$ 20,159,117	\$ -	\$ 3,301,565	\$ 16,857,552	\$ 2,435,248
General Obligation Bonds	12,722,833	-	293,589	12,429,244	374,022
Bond Premium	524,311	-	18,080	506,231	18,080
General Obligation Bonds	-	17,105,000	-	17,105,000	475,000
Bond Premium	-	1,807,653	-	1,807,653	100,425
Compensated Absences	870,809	282,291	275,279	877,821	702,257
Other Postemployment Benefits	958,593	226,466	-	1,185,059	-
Net Pension Obligation - LGERS	2,492,830	-	2,492,830	-	-
Net Pension Obligation - LEO	72,358	55,917	-	128,275	-
Governmental Activities Long-Term Liabilities	<u>\$ 37,800,851</u>	<u>\$ 19,477,327</u>	<u>\$ 6,381,343</u>	<u>\$ 50,896,835</u>	<u>\$ 4,105,032</u>

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Business-Type Activities:					
Installment Purchases	\$ 15,800,282	\$ -	\$ 1,073,734	\$ 14,726,548	\$ 1,073,734
General Obligation Bonds	11,867,167	-	521,411	11,345,756	525,978
Revenue Bonds	22,190,300	-	1,049,346	21,140,954	1,098,986
Compensated Absences	146,828	110,989	107,500	150,317	120,254
Other Postemployment Benefits	213,501	50,439	-	263,940	-
Net Pension Obligation - LGERS	474,825	-	474,825	-	-
Business-Type Activities Long-Term Liabilities	<u>\$ 50,692,903</u>	<u>\$ 161,428</u>	<u>\$ 3,226,816</u>	<u>\$ 47,627,515</u>	<u>\$ 2,818,952</u>

General fund assets have and are used to satisfy net pension obligations and compensated absences.

Total liabilities, including bonds payable and accrued interest, that are not due and payable in the current period and therefore are not reported in the fund financial statements:

Governmental Activities Long-Term Liabilities	\$ 50,896,835
Accrued Interest	618,068
Total Governmental Activities Long-Term Liabilities	<u>\$ 51,514,903</u>

f. Operating Lease Obligations

The Town has entered into operating leases for various office equipment for terms ranging from two to six years. Rental expense under these agreements for the current year was \$28,327 for Governmental Activities and \$169 for Business-type Activities. Future minimum rental payments are \$20,876 and \$1,725 for the years ended June 30, 2016 and 2017, respectively.

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

C. Interfund Balances and Activity

Transfers to/from other funds during the year ended June 30, 2015 consist of the following:

Transfer to General Fund from:	
Street Capital Reserve Fund	\$ 4,615
Transfer to Park Capital Reserve Fund from:	
General Fund	1,900,000
Transfer to Street Capital Reserve Fund from:	
General Fund	750,000
Transfer to Street & Sidewalk Capital Project Fund from:	
Street & Sidewalk Capital Reserve Fund	194,100
Transfer to Waste Water Capital Project Fund from:	
Water Capital Reserve Fund	1,446,488
	<u>\$ 4,295,203</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.

Balances due to/from other funds at June 30, 2105 consist of the following:

Due to the General Fund from the:	
Parks & Recreation Capital Project Fund	\$ 5,319,021
Town Buildings Capital Projects Fund	540,775
Fiber Optic Telecommunications	1,960
	<u>\$ 5,861,756</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.

D. 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	\$ 11,653,793
Less:	
Prepaid expenses	52,239
Stabilization by State Statutue	2,112,113
Streets	833,222
Public Safety	24,955
Remaining fund balance	<u>\$ 8,631,264</u>

Town of Holly Springs, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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.

VI. Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,762,548 and \$335,723, respectively.

VII. Prior Period Adjustment

A prior period adjustment to governmental activities in the amount of \$365,392 was recorded to adjust for capital assets acquired in prior years but not added to capital assets in the proper period. Prior period adjustments in the amount of (\$8,017), (\$3,728) and (\$7,601) were made to the Parks & Recreation Capital Project Fund, the Street & Sidewalks Capital Projects Fund, and the Town Buildings Capital Projects Fund, respectively, to record project activity in the correct period.

VIII. Special Item – Loss on Disposal of Assets

The Town elected to dispose of several capital assets during the fiscal year ended June 30, 2015. Gross proceeds from the sale of these assets totaled \$330,593, and the loss on disposal totaled \$52,482.

Town of Holly Springs
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (VAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2002	\$ -	\$ 81,838	\$ 81,838	0.00%	\$ 840,849	9.73%
12/31/2003	-	99,660	99,660	0.00%	909,528	10.96%
12/31/2004	99,660	107,364	7,704	92.82%	894,135	0.86%
12/31/2005	72,120	112,432	40,312	64.15%	1,055,323	3.82%
12/31/2006	85,618	109,169	23,551	78.43%	1,183,492	1.99%
12/31/2007	100,509	138,511	38,002	72.56%	1,475,913	2.57%
12/31/2008	119,599	199,580	79,981	59.93%	1,754,606	4.56%
12/31/2009	146,641	382,585	235,944	38.33%	2,003,447	11.78%
12/31/2010	200,736	391,948	191,212	51.21%	2,119,185	9.02%
12/31/2011	251,627	474,203	222,576	53.06%	2,218,848	10.03%
12/31/2012	308,429	533,657	225,228	57.80%	2,304,839	9.77%

**Town of Holly Springs
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	\$ 13,208	146.8%
2007	15,469	87.2%
2008	14,891	100.0%
2009	19,090	100.0%
2010	27,194	99.4%
2011	54,095	100.0%
2012	50,891	100.0%
2013	56,802	100.0%
2014	56,802	0.0%
2015	56,802	0.0%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the following actuarial valuation:

Valuation date:	12/31/2012
Actuarial cost method:	Projected unit credit
Amortization method:	Level percent of pay closed
Remaining amortization period:	18 years
Asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	4.25%-7.85%
*Includes inflation at	3.00%
Cost of living adjustments	None

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	-	1,420,870	\$1,420,870	0%	10,856,336	13.09%
12/31/2010	-	1,853,203	1,853,203	0%	10,640,951	17.42%
12/31/2011	-	2,175,174	2,175,174	0%	11,169,893	19.47%
12/31/2012	-	2,232,753	2,232,753	0%	11,583,855	19.27%

**Town of Holly Springs
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 192,822	0.00%
2011	191,442	0.00%
2012	243,256	0.00%
2013	270,647	0.00%
2014	270,647	0.00%
2015	277,961	1.13%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the following actuarial valuation:

Valuation date: 12/31/2012

Actuarial cost method: Projected unit credit

Amortization method: Level percent of pay, open

Remaining amortization period: 30 years

Asset valuation method: Market value

Actuarial assumptions:

Investment rate of return* 4.00%

Medical cost trend rate

Pre-Medicare trend rate 8.50% - 5.00%

Year of Ultimate trend rate 2018

*Includes inflation at 3.00%

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

	<u>2015</u>	<u>2014</u>
Holly Springs' proportion of the net pension liability (asset) (%)	0.2509%	0.2462%
Holly Springs' proportion of the net pension liability (asset) (\$)	\$ (1,479,438)	\$ 2,967,655
Holly Springs' covered-employee payroll	\$ 5,353,179	\$ 5,324,921
Holly Springs' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-27.64%	55.73%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

**Town of Holly Springs
Town of Holly Springs' Contributions
Required Supplementary Information
Last Two Fiscal Years**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 920,877	\$ 869,384
Contributions in relation to the contractually required contribution	<u>920,877</u>	<u>869,384</u>
Contribution deficiency (excess)	\$ -	\$ -
 Holly Springs' covered-employee payroll	 \$12,952,255	 12278020
Contributions as a percentage of covered-employee payroll	7.11%	7.08%

**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
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year taxes	\$	\$ 16,171,172	\$
Prior year taxes		72,790	
Penalties and interest		42,401	
Total 16,	<u>214,100</u>	<u>16,286,363</u>	<u>72,263</u>
Other taxes and licenses:			
Motor vehicle tax		283,634	
Rental vehicle tax		2,482	
Privilege licenses		7,505	
Total	<u>244,000</u>	<u>293,621</u>	<u>49,621</u>
Unrestricted intergovernmental:			
Local option sales taxes		5,337,639	
Utility franchise tax		1,715,868	
Beer and wine tax		131,811	
Solid waste disposal tax		17,834	
ABC profit distribution		130,473	
Electronic recycling		2,129	
Total	<u>7,077,675</u>	<u>7,335,754</u>	<u>258,079</u>
Restricted intergovernmental:			
Powell Bill allocation		746,338	
Controlled substance tax		121	
Federal grants		128,545	
County and other grants		9,254	
Total	<u>1,022,528</u>	<u>884,258</u>	<u>(138,270)</u>
Permits and fees:			
Building permits		1,042,359	
Development fees		727,908	
Planning and zoning fees		162,480	
Total	<u>1,430,200</u>	<u>1,932,747</u>	<u>502,547</u>
Sales and services:			
Sanitation/Recycling fees		1,845,773	
Fire/Rescue service fees		686,501	
Other sales and services		36,782	
Recreation department fees		1,258,591	
Total	<u>3,681,500</u>	<u>3,827,647</u>	<u>146,147</u>
Investment earnings	<u>50,000</u>	<u>12,894</u>	<u>(37,106)</u>

continued

continued

Town of Holly Springs
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Miscellaneous revenue		9,583	
Lease - equipment/space		3,850	
Court fees		4,246	
Private contributions		4,100	
Total	<u>17,800</u>	<u>21,779</u>	<u>3,979</u>
Total revenues	<u>29,737,803</u>	<u>30,595,063</u>	<u>857,260</u>
Expenditures:			
General Government:			
Public Affairs and Communications:			
Salaries and employee benefits		456,250	
Operating expenditures		171,612	
Total	<u>664,050</u>	<u>627,862</u>	<u>36,188</u>
Administration:			
Salaries and employee benefits		668,833	
Operating expenditures		159,539	
Total	<u>1,014,761</u>	<u>828,372</u>	<u>186,389</u>
Finance:			
Salaries and employee benefits		348,347	
Operating expenditures		389,255	
Total	<u>810,150</u>	<u>737,602</u>	<u>72,548</u>
Information Technology:			
Salaries and employee benefits		292,338	
Operating expenditures		629,359	
Capital outlay		53,135	
Total	<u>982,050</u>	<u>974,832</u>	<u>7,218</u>
Total general government	<u>3,471,011</u>	<u>3,168,668</u>	<u>302,343</u>
Public safety:			
Law Enforcement:			
Salaries and employee benefits		3,671,096	
Operating expenditures		559,448	
Capital outlay		126,678	
Total	<u>4,659,208</u>	<u>4,357,222</u>	<u>301,986</u>

continued

continued

**Town of Holly Springs
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Telecommunications:			
Salaries and employee benefits		595,577	
Operating expenditures		14,092	
Total	<u>609,993</u>	<u>609,669</u>	<u>324</u>
Fire/Rescue:			
Salaries and employee benefits		2,740,362	
Operating expenditures		583,478	
Capital outlay		918,462	
Total	<u>4,224,280</u>	<u>4,242,302</u>	<u>(18,022)</u>
Total public safety	<u>9,493,481</u>	<u>9,209,193</u>	<u>284,288</u>
Public works:			
Streets and highways:			
Salaries and employee benefits		344,627	
Operating expenditures		484,620	
Capital outlay		81,368	
Total	<u>972,050</u>	<u>910,615</u>	<u>61,435</u>
Fleet maintenance:			
Salaries and employee benefits		115,271	
Operating expenditures		105,563	
Capital outlay		6,174	
Total	<u>211,375</u>	<u>227,008</u>	<u>(15,633)</u>
Powell Bill:			
Salaries and employee benefits		187,987	
Operating expenditures		102,119	
Capital outlay		16,905	
Total	<u>453,186</u>	<u>307,011</u>	<u>146,175</u>
Sanitation:			
Salaries and employee benefits		755,735	
Operating expenditures		1,625,137	
Capital outlay		27,645	
Total	<u>2,220,750</u>	<u>2,408,517</u>	<u>(187,767)</u>
Total public works	<u>3,857,361</u>	<u>3,853,151</u>	<u>4,210</u>

continued

continued

Town of Holly Springs
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Economic and physical development			
Economic development:			
Salaries and employee benefits		215,158	
Operating expenditures		113,904	
Total	389,725	329,062	60,663
Code enforcement:			
Salaries and employee benefits		751,166	
Operating expenditures		50,437	
Capital outlay		43,268	
Total	904,200	844,871	59,329
Planning and zoning:			
Salaries and employee benefits		568,592	
Operating expenditures		40,969	
Capital outlay		19,204	
Total	716,475	628,765	87,710
Engineering:			
Salaries and employee benefits		784,174	
Operating expenditures		228,272	
Total	1,219,636	1,012,446	207,190
Total economic and physical development	3,230,036	2,815,144	414,892
Cultural and recreational:			
Park and Field maintenance:			
Salaries and employee benefits		585,969	
Operating expenditures		699,104	
Capital outlay		31,187	
Total	1,409,250	1,316,260	92,990
Community center/programs:			
Salaries and employee benefits		755,828	
Operating expenditures		258,356	
Total	1,053,375	1,014,184	39,191
Cultural Center:			
Salaries and employee benefits		225,481	
Operating expenditures		320,393	
Total	552,175	545,874	6,301

continued

Town of Holly Springs
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Bass Lake Park & Retreat Center:			
Salaries and employee benefits		384,903	
Operating expenditures		169,810	
Capital outlay		45,275	
Total	642,950	599,988	42,962
Athletics:			
Salaries and employee benefits		282,345	
Operating expenditures		284,635	
Total	608,050	566,980	41,070
Total cultural and recreational	4,265,800	4,043,286	222,514
Debt service			
Principal retirement		3,595,154	
Interest and other charges		1,424,840	
Total debt service	5,021,161	5,019,994	1,167
Total expenditures	29,338,850	28,109,436	1,229,414
Revenues over (under) expenditures	398,953	2,485,627	2,086,674
Other financing sources (uses):			
Transfers from other funds:			
Street Capital Reserve Fund	104,999	4,615	(100,384)
Transfers to other funds:			
Park Capital Reserve Fund	(1,150,000)	(1,150,000)	-
Limited Obligation Bond proceeds	284,550	-	(284,550)
Sale of assets	200,000	330,593	130,593
Appropriated fund balance	161,498	-	(161,498)
Total	(398,953)	(814,792)	(415,839)
Revenues and other financing sources over expenditures and other financing uses	\$ -	1,670,835	\$ 1,670,835
Fund balances, beginning		9,982,958	
Fund balances, ending		\$ 11,653,793	

Town of Holly Springs
Parks & Recreation Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

Authorization	Project	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	100,000	55,394	20,241	75,635	(24,365)
Total revenues	100,000	55,394	20,241	75,635	(24,365)
Expenditures					
W.E. Hunt Center					
Capital Outlay	30,768	-	265,466	265,466	(234,698)
Parks & Rec Bond Projects					
Bond Administration	140,664	140,663	-	140,663	1
Greenways	868,175	862,989	-	862,989	5,186
Womble Park & Playground	3,218,306	3,218,029	-	3,218,029	277
Jones Park & Playground	392,306	363,964	14,278	378,242	14,064
N Main Athletic Complex	9,241,007	4,436,832	3,846,024	8,282,856	958,151
N Main Athletic Complex-II	10,660,363	427,228	9,524,398	9,951,626	708,737
Sugg Property	1,126,417	1,110,436	-	1,110,436	15,981
N Main Athletic Complex Admin	67,000	-	55,998	55,998	11,002
Total expenditures	25,745,006	10,560,141	13,706,164	24,266,305	1,478,701
Revenues over (under) expenditures	(25,645,006)	(10,504,747)	(13,685,923)	(24,190,670)	1,454,336
Other financing sources (uses):					
Bond proceeds	17,223,059	12,542,391	8,581,653	21,124,044	3,900,985
Miscellaneous	-	16,034	-	16,034	16,034
Transfers from other funds:					
Park Capital Reserve Fund	7,371,123	1,831,405	-	1,831,405	(5,539,718)
General Fund	29,309	29,309	-	29,309	-
Street Capital Reserve Fund	1,021,515	1,021,515	-	1,021,515	-
Total other financing sources (uses)	25,645,006	15,440,654	8,581,653	24,022,307	(1,622,699)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 4,935,907	(5,104,270)	\$ (168,363)	\$ (168,363)
Fund balance, beginning, as previously reported			5,641,843		
Prior period adjustment			(8,017)		
Fund balance, beginning, as restated			5,633,826		
Fund balance, ending			<u>\$ 529,556</u>		

Town of Holly Springs
Park Capital Reserve Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

Authorization	Project	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Restricted Intergovernmental:					
Recreation impact fees	\$ 3,835,725	\$ 3,942,777	\$ 339,156	\$ 4,281,933	\$ 446,208
County reimbursement	133,720	133,720	-	133,720	-
Interest earnings	74,066	74,065	17,281	91,346	17,280
Total revenues	<u>4,043,511</u>	<u>4,150,562</u>	<u>356,437</u>	<u>4,506,999</u>	<u>463,488</u>
Other financing sources (uses):					
Transfers (to) from other funds:					
General Fund	(1,805,686)	(1,055,685)	1,150,000	94,315	1,900,001
Capital Project Fund	(2,237,825)	(2,237,825)	-	(2,237,825)	-
Total other financing sources (uses)	<u>(4,043,511)</u>	<u>(3,293,510)</u>	<u>1,150,000</u>	<u>(2,143,510)</u>	<u>1,900,001</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 857,052</u>	<u>1,506,437</u>	<u>\$ 2,363,489</u>	<u>\$ 2,363,489</u>
Fund balance, beginning			<u>107,052</u>		
Fund balance, ending			<u>\$ 1,613,489</u>		

Town of Holly Springs
Street & Sidewalks Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

Authorization	Project	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Restricted intergovernmental:					
State Grants	\$ 2,072,000	\$ 789,427	\$ 679,808	1,469,235	(602,765)
Total revenues	2,072,000	789,427	679,808	1,469,235	(602,765)
Expenditures					
Ralph Stephens/Piney Grove Conn.	2,856,080	1,397,636	680,452	2,078,088	777,992
Middle Creek Bridge	58,500	35,977	-	35,977	22,523
Grigsby Sidewalk	282,300	-	3,685	3,685	278,615
Avent Ferry Rd Widening	180,000	-	-	-	180,000
W Holly Springs Rd Sidewalk	-	81,000	-	81,000	(81,000)
Old HS/Apex Road Extension	70,238	26,402	-	26,402	43,836
Avent Ferry and Bypass Intersect	189,100	-	164,114	164,114	24,986
Avent Ferry Rd Improvements	207,105	-	73,155	73,155	133,950
2015 Street Improvements	751,464	-	553,237	553,237	198,227
Sunset Lake/Main Street	350,000	-	-	-	350,000
Sportsmanship Way Signal	220,000	-	-	-	220,000
Gable Ridge	8,250	-	7,500	7,500	750
Bass Lake Bridge Sidewalk	4,615	-	-	-	4,615
Total expenditures	5,177,652	1,541,015	1,482,143	3,023,158	2,154,494
Revenues over (under) expenditures	(3,105,652)	(751,588)	(802,335)	(1,553,923)	1,551,729
Other financing sources (uses):					
Transfers from other funds:					
Capital Reserve Fund	3,105,652	685,521	194,100	879,621	(2,226,031)
Limited obligation bonds issued	-	-	3,031,000	3,031,000	3,031,000
Total other financing sources (uses)	3,105,652	685,521	3,225,100	3,910,621	804,969
Revenues and other financing sources over (under) expenditures	\$ -	(66,067)	2,422,765	\$2,356,698	\$2,356,698
Fund balance, beginning, as previously reported			293,684		
Prior period adjustment			(3,728)		
Fund balance, beginning, as restated			289,956		
Fund balance, ending			\$2,712,721		

Town of Holly Springs
Street Capital Reserve Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

Authorization	Project	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Restricted intergovernmental:					
Street impact fees	\$ 5,234,085	\$ 7,905,692	\$ 551,050	\$ 8,456,742	\$ 3,222,657
Transportation payment in lieu	1,568,000	2,275,097	192,701	2,467,798	899,798
Investment earnings	185,185	185,251	25,274	210,525	25,340
Total revenues	6,987,270	10,366,040	769,025	11,135,065	4,147,795
Other financing sources (uses):					
Transfers (to) from other funds:					
General Fund	(1,557,630)	(2,303,015)	745,385	(1,557,630)	-
Capital Reserve Fund	(110,995)	(110,995)	-	(110,995)	-
Capital Project Funds:					
Business Park Development	2,196,759	3,294,359	-	3,294,359	1,097,600
Parks & Recreation	(1,057,515)	(1,057,515)	-	(1,057,515)	-
Street & Sidewalk	(6,457,889)	(5,916,190)	(194,100)	(6,110,290)	347,599
Total other financing sources (uses)	(6,987,270)	(6,093,356)	551,285	(5,542,071)	1,445,199
Revenues and other financing sources over (under) expenditures	\$ -	\$ 4,272,684	1,320,310	\$ 5,592,994	\$ 5,592,994
Fund balance, beginning			2,136,376		
Fund balance, ending			\$ 3,456,686		

Town of Holly Springs
Town Buildings Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

Authorization	Project	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 180	\$ 2,661	\$ 2,841	\$ 2,841
Total revenues	-	180	2,661	2,841	2,841
Expenditures					
Law Enforcement Center	8,650,990	373,831	4,396,565	4,770,396	3,880,594
Fiber Optic Project	1,500,000	1,435,050	64,591	1,499,641	359
Total expenditures	10,150,990	1,808,881	4,461,156	6,270,037	3,880,953
Revenues over (under) expenditures	(10,150,990)	(1,808,701)	(4,458,495)	(6,267,196)	3,883,794
Other financing sources (uses):					
Transfers (to) from other funds:					
General Fund	350,990	-	-	-	(350,990)
Limited obligation bonds issued	7,300,000	-	7,300,000	7,300,000	-
Proceeds from installment financing	1,500,000	1,500,000	-	1,500,000	-
Appropriated fund balance	1,000,000	-	-	-	(1,000,000)
Total other financing sources (uses)	10,150,990	1,500,000	7,300,000	8,800,000	(1,350,990)
Revenues and other financing sources over (under) expenditures		<u>\$(308,701)</u>	<u>2,841,505</u>	<u>\$2,532,804</u>	<u>\$ 2,532,804</u>
Fund balance, beginning			<u>3,299</u>		
Prior period adjustment			<u>(7,601)</u>		
Fund balance, beginning, as restated			<u>(4,302)</u>		
Fund balance, ending			<u>\$ 2,837,203</u>		

Town of Holly Springs
Town Buildings Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 180	\$ 2,661	\$ 2,841	\$ 2,841
Total revenues	-	180	2,661	2,841	2,841
Expenditures					
Law Enforcement Center	8,650,990	373,831	4,396,565	4,770,396	3,880,594
Fiber Optic Project	1,500,000	1,435,050	64,591	1,499,641	359
Total expenditures	10,150,990	1,808,881	4,461,156	6,270,037	3,880,953
Revenues over (under) expenditures	(10,150,990)	(1,808,701)	(4,458,495)	(6,267,196)	3,883,794
Other financing sources (uses):					
Transfers (to) from other funds:					
General Fund	350,990	-	-	-	(350,990)
Limited obligation bonds issued	7,300,000	-	7,300,000	7,300,000	-
Proceeds from installment financing	1,500,000	1,500,000	-	1,500,000	-
Appropriated fund balance	1,000,000	-	-	-	(1,000,000)
Total other financing sources (uses)	10,150,990	1,500,000	7,300,000	8,800,000	(1,350,990)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (308,701)	2,841,505	\$ 2,532,804	\$ 2,532,804
Fund balance, beginning			3,299		
Prior period adjustment			(7,601)		
Fund balance, beginning, as restated			(4,302)		
Fund balance, ending			\$ 2,837,203		

Town of Holly Springs
Town Buildings Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

Authorization	Project	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 180	\$ 2,661	\$ 2,841	\$ 2,841
Total revenues	-	180	2,661	2,841	2,841
Expenditures					
Law Enforcement Center	8,650,990	373,831	4,396,565	4,770,396	3,880,594
Fiber Optic Project	1,500,000	1,435,050	64,591	1,499,641	359
Total expenditures	10,150,990	1,808,881	4,461,156	6,270,037	3,880,953
Revenues over (under) expenditures	(10,150,990)	(1,808,701)	(4,458,495)	(6,267,196)	3,883,794
Other financing sources (uses):					
Transfers (to) from other funds:					
General Fund	350,990	-	-	-	(350,990)
Limited obligation bonds issued	7,300,000	-	7,300,000	7,300,000	-
Proceeds from installment financing	1,500,000	1,500,000	-	1,500,000	-
Appropriated fund balance	1,000,000	-	-	-	(1,000,000)
Total other financing sources (uses)	10,150,990	1,500,000	7,300,000	8,800,000	(1,350,990)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 2,308,700	2,532,804	\$	\$ 2,532,804
Fund balance, beginning			3,299		
Prior period adjustment			(7,601)		
Fund balance, beginning, as restated			(4,302)		
Fund balance, ending			\$ 2,837,203		

**Town of Holly Springs
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015**

	Special Revenue Funds	Capital Project Funds	Fiber Optic Telecommunications	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ 267,852	\$ -	\$ 267,852
Restricted cash and cash equivalents	1,059,616	-	-	1,059,616
Due from other governments	60,360	-	-	60,360
Total assets	\$ 1,119,976	\$ 267,852	\$ -	\$ 1,387,828
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,125	\$ -	\$ 1,474	\$ 3,599
Due to other funds	-	-	1,960	1,960
Total liabilities	2,125	-	3,434	5,559
Fund balances:				
Restricted:				
Public Safety	1,117,851	-	-	1,117,851
Committed:				
Economic and physical development	-	267,852	-	267,852
Public safety	-	-	-	-
Unassigned	-	-	(3,434)	(3,434)
Total fund balances	1,117,851	267,852	(3,434)	1,382,269
Total liabilities and fund balances	\$ 1,119,976	\$ 267,852	\$ -	\$ 1,387,828

Town of Holly Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds	Capital Project Funds	Fiber Optic Telecommunications	Total Non-Major Governmental Funds
Revenues				
Restricted intergovernmental	\$ 724,330	\$ -	\$ -	\$ 724,330
Street impact fees	-	-	-	-
Transportation payment in lieu	-	-	-	-
Investment earnings	7,747	1,958	-	9,705
	<u>732,077</u>	<u>1,958</u>	<u>-</u>	<u>734,035</u>
Total revenues				
	<u>732,077</u>	<u>1,958</u>	<u>-</u>	<u>734,035</u>
Expenditures				
Public safety	81,411	-	-	81,411
Economic and physical development	-	-	3,434	3,434
Capital projects	-	-	-	-
	<u>81,411</u>	<u>-</u>	<u>3,434</u>	<u>84,845</u>
Total expenditures				
	<u>81,411</u>	<u>-</u>	<u>3,434</u>	<u>84,845</u>
Revenues over (under) expenses	650,666	1,958	(3,434)	649,190
Other financing sources (uses):				
Transfers (to) from General Fund		-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	650,666	1,958	(3,434)	649,190
Fund balances, beginning, as previously reported	<u>467,185</u>	<u>265,894</u>	<u>-</u>	<u>733,079</u>
Prior period adjustment		-		-
Fund balances, beginning, as restated	467,185	265,894	-	733,079
Fund balances, ending	<u>\$ 1,117,851</u>	<u>\$ 267,852</u>	<u>\$ (3,434)</u>	<u>\$ 1,382,269</u>

**Town of Holly Springs
Balance Sheet
Non-Major Special Revenue Fund
June 30, 2015**

Emergency
Telephone System
Fund

Assets

Restricted cash and cash equivalents	\$ 1,059,616
Due from other governments	<u>60,360</u>
Total assets	<u><u>\$ 1,119,976</u></u>

Liabilities and Fund Balances

Liabilities:

Accounts payable and accrued liabilities	\$ 2,125
Due to other funds	<u>-</u>
Total liabilities	<u>2,125</u>

Fund balances:

Restricted:	
Public Safety	<u>1,117,851</u>
Total fund balances	<u>1,117,851</u>

Total liabilities and fund balances	<u><u>\$ 1,119,976</u></u>
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Town of Holly Springs
Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Special Revenue Fund
For the Year Ended June 30, 2015

	Emergency Telephone System Fund
Revenues	
Restricted intergovernmental	\$ 724,330
Investment earnings	<u>7,747</u>
Total revenues	<u>732,077</u>
Expenditures	
Public safety	<u>81,411</u>
Total expenditures	<u>81,411</u>
Revenues over (under) expenses	650,666
Other financing sources (uses):	
Transfers from General Fund	<u>-</u>
Total other financing sources (uses)	<u>-</u>
Revenues and other sources over expenditures	650,666
Fund balances, beginning	<u>467,185</u>
Fund balances, ending	<u><u>\$ 1,117,851</u></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, 2015

Authorization	Project	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Restricted intergovernmental:					
911 Subscriber Fees	\$ 120,000	\$ -	\$ 724,330	\$ 724,330	\$ 604,330
Interest Income	-	-	7,747	7,747	7,747
Total revenues	120,000	-	732,077	732,077	612,077
Expenditures					
Expenditures:					
911 expenditures	120,000	-	81,411	81,411	38,589
Capital outlay-equipment	-	-	-	-	-
Total expenditures	120,000	-	81,411	81,411	38,589
Revenues over (under) expenditures	-	-	650,666	650,666	650,666
Other financing sources (uses):					
Transfer from General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	650,666	\$ 650,666	\$ 650,666
Fund balance, beginning			467,185		
Fund balance, ending			\$1,117,851		

**Town of Holly Springs
Balance Sheet
Non-Major Capital Project Fund
June 30, 2015**

**Business Park
Development
Capital Project
Fund**

Assets

Cash and cash equivalents	\$ 267,852
Restricted cash	-
Due from other governments	-
	<hr/>
Total assets	<u><u>\$ 267,852</u></u>

Liabilities and Fund Balances

Liabilities:

Accounts payable and accrued liabilities	\$ -
Due to other funds	-
	<hr/>
Total liabilities	<hr/> -

Fund balances:

Committed:	
Economic and physical development	267,852
Public safety	-
	<hr/>
Total fund balances	<u>267,852</u>

Total liabilities and fund balances	<u><u>\$ 267,852</u></u>
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Town of Holly Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Project Fund
For the Year Ended June 30, 2015

	Business Park Development Capital Project Fund
Revenues	
Restricted intergovernmental	
Federal grant	\$ -
State grant	-
Street impact fees	-
Transportation payment in lieu	-
Investment earnings	1,958
	<hr/>
Total revenues	1,958
	<hr/>
Expenditures	
Development Incentives	-
	<hr/>
Total expenditures	-
	<hr/>
Revenues over (under) expenses	1,958
Other financing sources (uses):	
Limited obligation bonds issued	-
Transfers (to) from:	
General Fund	-
Parks & Recreation Capital Project Fund	-
Transfers from:	
General Fund	-
	<hr/>
Total other financing sources (uses)	-
	<hr/>
Net change in fund balances	1,958
Fund balances, beginning	265,894
Fund balances, ending	<u><u>\$ 267,852</u></u>

Town of Holly Springs
Business Park Development Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

Authorization	Project	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues					
Restricted intergovernmental:					
Investment earnings	\$ -	\$ -	\$ 1,958	\$ 1,958	\$ 1,958
Total revenues	-	-	1,958	1,958	1,958
Expenditures					
Development Incentives	-	-	-	-	-
Total expenditures	-	-	-	-	-
Revenues over (under) expenditures	-	-	1,958	1,958	1,958
Other financing sources (uses):					
Transfers (to) from other funds:					
General fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	1,958	\$ 1,958	\$ 1,958
Fund balance, beginning			265,894		
Fund balance, ending			\$267,852		

continued

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, 2015

B	udget	Actual	Variance Positive (Negative)
Revenues:			
Water sales:			
Residential	\$	\$ 5,427,914	\$
Total	<u>5,127,341</u>	<u>5,427,914</u>	<u>300,573</u>
Sewer charges:			
Residential		4,165,232	
Total	<u>3,974,725</u>	<u>4,165,232</u>	<u>190,507</u>
Water and sewer taps	<u>88,500</u>	<u>129,360</u>	<u>40,860</u>
Other operating revenues			
Returned check charges		1,515	
Water inspection fees		42,222	
Water capacity replacement fees		940,500	
Sewer capacity replacement fees		827,500	
Sewer inspection fees		52,666	
Development permits		100,927	
Water and Sewer permits		4,700	
Water meter fees		235,175	
Service charge meter deposits		8,345	
Re-connect fees		30,355	
Late fees		91,125	
Miscellaneous revenue		26,790	
Reclaimed inspection fees		17,645	
Lab testing fees		9,761	
Total other operating revenues	<u>488,740</u>	<u>2,389,226</u>	<u>1,900,486</u>
Total operating revenues	<u>9,679,306</u>	<u>12,111,732</u>	<u>2,432,426</u>
Nonoperating revenues:			
Interest earnings		39,011	
Total nonoperating revenues	<u>100,000</u>	<u>39,011</u>	<u>(60,989)</u>
Total revenues	<u>9,779,306</u>	<u>12,150,743</u>	<u>2,371,437</u>

continued

continued

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, 2015

B	udget	Actual	Variance Positive (Negative)
Expenditures:			
Water and Sewer Administration:			
Utility Billing:			
Salaries and employee benefits		248,395	
Operating expenditures		128,439	
Total	395,400	376,834	18,566
Engineering:			
Salaries and employee benefits		475,393	
Repairs and maintenance		2,952	
Operating expenditures		171,349	
Capital outlay		26,030	
Total	642,240	675,724	(33,484)
Total Water and Sewer Administration	1,037,640	1,052,558	(14,918)
Water Quality:			
Waste Quality Administration:			
Salaries and employee benefits		109,848	
Operating expenditures		21,987	
Total	133,550	131,835	1,715
Waste Water Treatment Plant:			
Salaries and employee benefits		507,864	
Repairs and maintenance		47,178	
Operating expenditures		614,819	
Capital outlay		-	
Total	1,169,662	1,169,861	(199)
Waste Water Pump Stations:			
Salaries and employee benefits		191,251	
Repairs and maintenance		27,769	
Operating expenditures		462,686	
Capital outlay		38,851	
Total	744,450	720,557	23,893

continued

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, 2015

	Budget	Actual	Variance Positive (Negative)
B			
Waste Water Laboratory:			
Salaries and employee benefits		144,266	
Repairs and maintenance		4,540	
Operating expenditures		58,264	
Capital outlay		8,268	
Total	223,942	215,338	8,604
Waste Water Collection:			
Salaries and employee benefits		248,722	
Repairs and maintenance		13,657	
Operating expenditures		82,435	
Capital outlay		69,900	
Total	413,800	414,714	(914)
Total Water Quality	2,685,404	2,652,305	33,099
Water Treatment and Distribution:			
Water Distribution:			
Salaries and employee benefits		478,211	
Repairs and maintenance		10,508	
Operating expenditures		72,713	
Total	651,671	561,432	90,239
Water Storage and Vaults:			
Salaries and employee benefits		57,133	
Water purchases		1,776,440	
Repairs and maintenance		4,981	
Operating expenditures		86,259	
Total	1,929,891	1,924,813	5,078
Water Meters/Cross Connections			
Salaries and employee benefits		196,982	
Repairs and maintenance		1,380	
Operating expenditures		163,661	
Capital outlay		-	
Projects:			
Water Meter Change Out		43,268	
Total	436,250	405,291	30,959
Total Water Treatment and Distribution	3,017,812	2,891,536	126,276

continued

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, 2015

B	udget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement		2,644,492	
Interest and other charges		1,409,831	
Total debt service	4,054,450	4,054,323	127
Total expenditures	110,795,306	0,650,722	144,584
Other financing sources (uses):			
Transfers (to) from other funds:			
Water capital reserve fund	1,016,000	-	(1,016,000)
Appropriated fund balance	-	-	-
Total other financing sources (uses)	1,016,000	-	(1,016,000)
Revenues and other sources over (under) expenditures and other uses	\$ -	1,500,021	\$ 1,500,021
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 1,500,021	
Reconciling items:			
Principal retirement		2,644,492	
Capital outlay		143,049	
Increase in OPEB liability		(45,334)	
Decrease in compensated absences		1,456	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		141,393	
Pension expense		(12,766)	
Depreciation and amortization		(2,655,280)	
Capital contributions		-	
Interest Income Capital Projects and Capital Reserve Funds		75,829	
Water and sewer acreage and capacity replacement fees		4,176,414	
Change in accrued interest		42,006	
Total reconciling items		4,511,259	
Net income		\$ 6,011,280	

Town of Holly Springs
Water Tap / Water Line Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2015

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ -	\$ 2,886	\$ 2,886	\$ 2,886
Total revenues	-	-	2,886	2,886	2,886
Expenditures					
Mims Property Stormwater Device	584,885	194,979	-	194,979	389,906
Jordan Lake Application	40,000	34,000	4,000	38,000	2,000
Total expenditures	624,885	228,979	4,000	232,979	391,906
Revenues under expenditures	(624,885)	(228,979)	(1,114)	(230,093)	394,792
Other financing sources (uses):					
Transfers (to) from other funds:					
Capital Reserve	40,000	40,000	-	40,000	-
Water and Sewer	584,885	584,885	-	584,885	-
Total other financing sources (uses)	624,885	624,885	-	624,885	-
Revenues and other financing sources over (under) expenditures					
	\$ -	\$ 395,906	\$ (1,114)	\$ 394,792	\$ 394,792

Town of Holly Springs
Waste Water Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2015

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 3,858	\$ 1,820	\$ 5,678	\$ 5,678
Total revenues	-	3,858	1,820	5,678	5,678
Expenditures					
Environmental Assessment for Utley Creek WRF					
Professional Fees	265,122	78,450	123,861	202,311	62,811
Total Utley Creek WRF	265,122	78,450	123,861	202,311	62,811
WWTP 6 MGD Expansion:					
Professional Fees	50,000	57,068	-	57,068	(7,068)
Attorney Fees	600,000	343,138		343,138	256,862
Consultant Fees	2,300,000	3,376,474		3,376,474	(1,076,474)
Contracted Services	215,160	-	14,400	14,400	200,760
Discharge Modeling	190,650	251,702		251,702	(61,052)
Capital Outlay	26,170,000	23,491,067		23,491,067	2,678,933
Total WWTP 6 MGD Expansion	29,525,810	27,519,449	14,400	27,533,849	1,991,961
Earp Street & Middle Creek Forcemain					
Contracted Services	1,994,875	159,824	1,329,594	1,489,418	505,457
Capital Outlay - Land	180,000	-	26,726	26,726	153,274
Total Earp Street & Middle Creek	2,174,875	159,824	1,356,320	1,516,144	658,731
Ballenridge Outfall					
Professional Fees	103,600	184,215	-	184,215	(80,615)
Contracted Services	-	60,232	-	60,232	(60,232)
Capital Outlay - Land	406,810	149,287	-	149,287	257,523
Total Ballenridge Outfall	510,410	393,734	-	393,734	116,676
Sludge Dewatering System					
Professional Fees	641,638	-	563,093	563,093	78,545
Total Sludge Dewatering System	641,638	-	563,093	563,093	78,545
West Side Sewer Study					
Professional Fees	68,180	-	17,045	17,045	51,135
Total West Side Sewer Study	68,180	-	17,045	17,045	51,135
East Regional Pump Station					
Professional Fees	39,900	-	1,305	1,305	38,595
Total East Regional Pump Station	39,900	-	1,305	1,305	38,595
Bass Lake Interceptor					
Consultant Fees	23,300	-	-	-	23,300
Total Bass Lake Interceptor	23,300	-	-	-	23,300
Total expenditures	33,249,235	28,151,457	2,076,024	30,227,481	3,021,754
Revenues under expenditures	(33,249,235)	(28,147,599)	(2,074,204)	(30,221,803)	3,027,432
Other financing sources (uses):					
Transfers (to) from other funds:					
Capital Reserve	4,749,235	1,461,352	1,446,488	2,907,840	(1,841,395)
Water and Sewer	-	53,925	-	53,925	53,925
Federal SRF revolving funds	17,500,000	17,500,000	-	17,500,000	-
Installment purchase obligations issued	11,000,000	10,000,000	-	10,000,000	(1,000,000)
Total other financing sources (uses)	33,249,235	29,015,277	1,446,488	30,461,765	(2,787,470)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 867,678	\$ (627,716)	\$ 239,962	\$ 239,962

Town of Holly Springs
Waste Water Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2015

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues					
Waste water acreage fees	\$ 577,900	\$ 2,673,550	\$ 371,920	\$ 3,045,470	\$ 2,467,570
Capacity replacement fees	11,047,182	17,654,672	1,070,514	18,725,186	7,678,004
Reclaimed capacity	-	23,750	1,125	24,875	24,875
Fees in lieu wastewater	125,000	467,035	94,377	561,412	436,412
Fees in lieu pump station	2,262,250	6,208,733	621,748	6,830,481	4,568,231
Fees in lieu Middle Creek	90,800	407,727	25,785	433,512	342,712
Fees in lieu reclaimed water	(1)	(2,618)	60,188	57,570	57,571
Investment earnings	536,550	596,737	-	596,737	60,187
Total revenues	14,639,681	28,029,586	2,245,657	30,275,243	15,635,562
Revenues over expenditures	14,639,681	28,029,586	2,245,657	30,275,243	15,635,562
Other financing sources (uses):					
Transfers (to) from other funds:					
Water and Sewer	(5,903,875)	(5,903,875)	-	(5,903,875)	-
Town Buildings capital projects	(23,500)	(23,500)	-	(23,500)	-
Parks & Recreation capital projects	(219,984)	(219,984)	-	(219,984)	-
Wastewater capital projects	(5,752,022)	(4,377,985)	(1,446,488)	(5,824,473)	(72,451)
Water Tap / Water Line capital projects	(2,390,300)	(2,390,300)	-	(2,390,300)	-
Water Sewer capital projects	(350,000)	(350,000)	-	(350,000)	-
Total other financing sources (uses)	(14,639,681)	(13,265,644)	(1,446,488)	(14,712,132)	(72,451)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 14,763,942	\$ 799,169	\$ 15,563,111	\$ 15,563,111

Town of Holly Springs
Water Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2015

		Actual			Variance
	Project	Prior	Current	Total Project	Favorable
	Authorization	Years	Year	To Date	(Unfavorable)
Revenues					
Water acreage fees	\$ 338,410	\$ 2,262,158	\$ 348,430	\$ 2,610,588	\$ 2,272,178
Capacity replacement fees	2,404,495	14,563,666	1,234,250	15,797,916	13,393,421
Fees in lieu water	57,700	323,742	89,563	413,305	355,605
Fees in lieu Wake County	51,020	113,810	3,402	117,212	66,192
Fees in lieu stormwater	190,800	451,425	92,937	544,362	353,562
Fees in lieu SFRF	-	307,816	108,208	416,024	416,024
Water storage reserve	237,400	613,392	53,967	667,359	429,959
Investment earnings	222,180	222,481	71,123	293,604	71,424
Total revenues	3,502,005	18,858,490	2,001,880	20,860,370	17,358,365
Revenues over expenditures	3,502,005	18,858,490	2,001,880	20,860,370	17,358,365
Other financing sources (uses):					
Transfers to from other funds:					
Water Line capital projects	(480,975)	(438,975)	-	(438,975)	42,000
Town Buildings capital projects	(24,000)	(24,000)	-	(24,000)	-
Parks & Recreation capital projects	(132,985)	(132,985)	-	(132,985)	-
Water and Sewer	(2,864,045)	(2,864,045)	-	(2,864,045)	-
Total other financing sources (uses)	(3,502,005)	(3,460,005)	-	(3,460,005)	42,000
Revenues and other					
financing sources over					
(under) expenditures	\$ -	\$15,398,485	\$2,001,880	\$17,400,365	\$17,400,365

**Town of Holly Springs
Stormwater Management Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2015**

	t	Actual	Variance Positive (Negative)
Revenues:			
Stormwater management fees			
Residential	\$	\$ 350,249	\$
Non-residential		50,706	
Total	<u>388,100</u>	<u>400,955</u>	<u>12,855</u>
Miscellaneous revenue	<u>-</u>	<u>41</u>	<u>41</u>
Nonoperating revenues:			
Interest earnings		488	
Total nonoperating revenues	<u>-</u>	<u>488</u>	<u>488</u>
Total revenues	<u>388,100</u>	<u>401,484</u>	<u>13,384</u>
Expenditures:			
Stormwater Management			
Engineering:			
Salaries and employee benefits		275,986	
Repairs and maintenance		3,686	
Operating expenditures		28,660	
Total	<u>388,100</u>	<u>308,332</u>	<u>79,768</u>
Total Stormwater Management	<u>388,100</u>	<u>308,332</u>	<u>79,768</u>
Total expenditures	<u>388,100</u>	<u>308,332</u>	<u>79,768</u>
Other financing sources (uses):			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>93,152</u>	<u>\$ 93,152</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 93,152	
Reconciling items:			
Increase in OPEB liability		(5,107)	
Increase in compensated absences		(4,947)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		14,083	
Total reconciling items		<u>4,029</u>	
Net income		<u>\$ 97,181</u>	

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, 2015

Fiscal B Year	Uncollected alance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 16,458,003	\$ (16,422,026)	\$ 35,977
2013-2014	97,550	-	(66,811)	30,739
2012-2013	33,021	-	(7,391)	25,630
2011-2012	30,431	-	(3,424)	27,007
2010-2011	24,873	-	(7,740)	17,133
2009-2010	16,095	-	(1,041)	15,054
2008-2009	15,561	-	(1,036)	14,525
2007-2008	14,516	-	(1,177)	13,339
2006-2007	12,416	-	(480)	11,936
2005-2006	69,293	-	(567)	68,726
	<u>\$ 313,756</u>	<u>\$ 16,458,003</u>	<u>\$ (16,511,693)</u>	<u>\$ 260,066</u>

Less: allowance for uncollectible accounts - taxes	
General Fund	(256,959)
Add: interest receivable	
General Fund	100,840
Less: allowance for uncollectible accounts - interest	
General Fund	(100,840)
Ad valorem taxes receivable-net	<u>\$ 3,107</u>

Reconciliation with revenues:

Ad valorem taxes-General Fund	\$ 16,286,363
Reconciling items:	
Rebates / adjustments	1,459
Auto decals	283,634
Deferred taxes collected	(32,309)
Penalties and interest	(42,401)
Subtotal	<u>210,383</u>
Total collections and credits	<u>\$ 16,496,746</u>

Town of Holly Springs
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2015

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 3,707,089,482	\$ 0.435	\$ 16,130,027	\$ 14,858,323	\$ 1,271,704
Motor Vehicle Decals			276,800	-	276,800
Penalties			14,947	14,947	-
Total	<u>3,707,089,482</u>		<u>16,421,774</u>	<u>14,873,270</u>	<u>1,548,504</u>
Discoveries:					
Prior year taxes	5,257,734	0.415	21,820	21,820	-
Prior year taxes	4,652,703	0.435	19,332	18,506	826
Total	<u>3,716,999,919</u>		<u>16,462,926</u>	<u>14,913,596</u>	<u>1,549,330</u>
Releases	(1,131,724)	0.435	(4,923)	(4,922)	(1)
Total Property Valuation	<u>\$ 3,715,868,195</u>		<u>16,458,003</u>	<u>14,908,674</u>	<u>1,549,329</u>
Net levy			16,458,003	14,908,674	1,549,329
Uncollected taxes at June 30, 2015			(35,977)	(35,928)	(49)
Current year's taxes collected			\$ 16,422,026	\$ 14,872,746	\$ 1,549,280
Current levy collection percentage			99.78%	99.76%	100.00%

Secondary Market Disclosures:

Assessed Valuation	100%
Real Property	3,157,366,328
Personal Property	255,641,980
Public Service Value	11,280,764
Vehicle Value	291,579,123
Total Assessed Valuation	<u>3,715,868,195</u>
Tax Rate per \$100	0.435
Levy (includes discoveries, abatements, penalties, and vehicle decal fees)	\$ 16,458,003

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Invested in capital assets, net of related debt	\$ 27,883,013	\$ 31,630,868	\$ 53,218,298	\$ 58,367,414	\$ 61,360,043	\$ 70,528,610	\$ 72,309,276	\$ 72,421,426	\$ 69,944,838	\$ 74,189,844
Restricted	479,103	591,130	1,078,410	1,117,317	976,595	3,875,878	3,067,152	2,952,713	3,011,707	4,088,141
Unrestricted	3,712,371	678,444	(9,007,023) (1)	(6,015,853) (1)	(3,478,840)	(6,586,575)	(1,097,934)	5,452,197	13,019,056	13,163,410
Total governmental activities net position	\$ 32,074,487	\$ 32,900,442	\$ 45,289,685	\$ 53,468,878	\$ 58,857,798	\$ 67,817,913	\$ 74,278,494	\$ 80,826,336	\$ 85,975,601	\$ 91,441,395
Business-type activities										
Invested in capital assets, net of related debt	\$ 32,109,825	\$ 34,867,894	\$ 43,487,045	\$ 53,488,078	\$ 58,544,526	\$ 50,528,189	\$ 49,749,485	\$ 51,179,606	\$ 51,814,633	\$ 49,588,554
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	8,212,451	10,533,650	6,640,152	3,228,447	1,103,611	10,136,219	15,538,656	17,971,619	20,650,406	28,649,223
Total business-type activities net position	\$ 40,322,276	\$ 45,401,544	\$ 50,127,197	\$ 56,716,525	\$ 59,648,137	\$ 60,664,408	\$ 65,288,141	\$ 69,151,225	\$ 72,465,039	\$ 78,237,777
Primary government										
Invested in capital assets, net of related debt	\$ 59,992,838	\$ 66,498,762	\$ 96,705,343	\$ 111,855,492	\$ 119,904,569	\$ 121,056,799	\$ 122,058,761	\$ 123,601,032	\$ 121,759,471	\$ 123,778,398
Restricted	479,103	591,130	1,078,410	1,117,317	976,595	3,875,878	3,067,152	2,952,713	3,011,707	4,088,141
Unrestricted	11,924,822	11,212,094	(2,366,871)	(2,787,406)	(2,375,229)	3,549,644	14,440,722	23,423,816	33,669,462	41,812,633
Total primary government net position	\$ 72,396,763	\$ 78,301,986	\$ 95,416,882	\$ 110,185,403	\$ 118,505,935	\$ 128,482,321	\$ 139,566,635	\$ 149,977,561	\$ 158,440,640	\$ 169,679,172

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General government	\$ 2,386,233	\$ 2,882,908	\$ 3,487,897	\$ 4,079,588	\$ 4,079,533	\$ 4,194,282	\$ 4,553,730	\$ 3,448,919	\$ 3,528,051	\$ 3,452,828
Public safety	3,687,656	4,286,987	5,288,552	6,384,276	6,712,325	7,305,938	7,505,873	7,864,710	8,291,593	8,625,666
Public works	3,879,228	3,435,262	3,023,173	3,399,847	3,436,969	3,518,352	3,276,193	5,499,102	5,216,527	5,439,989
Economic and physical development	1,391,965	8,859,193	3,841,595	2,417,247	2,593,290	2,419,557	2,676,443	2,385,357	2,515,614	2,727,983
Cultural and recreational	5,076,725	2,470,947	3,129,321	3,040,930	3,128,433	3,818,106	3,728,385	3,920,197	4,168,776	4,365,491
Interest on long-term debt	508,045	885,520	895,560	1,072,794	1,208,195	1,235,994	1,072,095	935,315	1,109,591	1,517,904
Total governmental activities expenses	\$ 16,929,852	\$ 22,800,817	\$ 19,666,098	\$ 20,394,662	\$ 21,158,745	\$ 22,492,229	\$ 22,812,719	\$ 24,053,600	\$ 24,830,152	\$ 26,159,861
Business-type activities:										
Water and sewer	7,378,943	8,313,323	9,144,721	9,544,002	9,280,670	9,493,666	10,000,253	10,789,690	10,310,680	10,391,706
Stormwater Management	-	-	-	-	-	-	-	-	-	304,303
Total business-type activities	7,378,943	8,313,323	9,144,721	9,544,002	9,280,670	9,493,666	10,000,253	10,789,690	10,310,680	10,696,009
Total primary government expenses	\$ 24,308,795	\$ 31,114,140	\$ 28,810,819	\$ 29,938,664	\$ 30,439,415	\$ 31,985,895	\$ 32,812,972	\$ 34,843,290	\$ 35,140,832	\$ 36,855,870
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,825	\$ 2,000	\$ 4,100	\$ 5,450	\$ 2,650	\$ 2,850	\$ 2,625	\$ 13,125	\$ 8,400	\$ 21,575
Public safety	986,580	1,488,955	1,301,385	1,553,628	1,299,093	938,809	1,205,742	4,447	-	-
Public works	1,922,626	1,990,474	2,540,832	1,563,779	1,603,763	1,873,839	2,603,670	3,528,051	3,149,640	3,640,733
Economic and physical development	81,777	635,474	696,717	268,234	177,441	365,088	453,985	463,451	628,514	881,538
Cultural and recreational	916,646	1,053,781	1,190,067	1,036,534	894,363	1,022,967	1,391,613	1,437,567	1,503,984	1,597,746
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,278,223	1,304,175	859,707	812,144	831,345	1,327,139	1,316,669	1,586,696	1,596,573	2,310,297
Capital grants and contributions	6,171,574	4,722,899	11,503,599	7,618,914 ⁽³⁾	5,123,523	8,193,166	3,372,210	2,983,090	376,600	679,807
Total governmental activities program revenues	\$ 11,389,251	\$ 11,177,758	\$ 18,096,407	\$ 12,858,683	\$ 9,934,198	\$ 13,723,858	\$ 10,346,514	\$ 10,016,427	\$ 7,264,711	\$ 9,131,696
Business-type activities:										
Charges for services:										
Water and sewer	4,522,010	5,425,872	5,543,833	6,057,737	7,030,068	7,843,749	8,184,981	8,221,998	8,824,314	9,593,146
Stormwater Management	-	-	-	-	-	-	-	-	-	400,996
Operating grants and contributions	2,697,672	1,759,265	1,577,731	1,022,966	634,508	1,043,042	1,365,299	1,185,994	941,444	2,518,586
Capital grants and contributions	7,992,785	5,817,935	6,427,616	8,779,929	4,424,249	3,323,888	4,905,290	4,905,290	4,111,657	4,176,414
Total business-type activities program revenues	15,212,467	13,003,072	13,549,180	15,860,632	12,088,825	12,210,679	14,455,570	14,313,282	13,877,415	16,689,142
Total primary government revenues	\$ 26,581,718	\$ 24,180,830	\$ 31,645,587	\$ 28,719,315	\$ 22,023,023	\$ 25,934,537	\$ 24,802,084	\$ 24,329,709	\$ 21,142,126	\$ 25,820,838
Net (expense)/revenue										
Governmental activities	\$ (5,560,601)	\$ (11,623,059)	\$ (1,569,691)	\$ (7,535,999)	\$ (11,224,547)	\$ (8,768,371)	\$ (12,486,205)	\$ (14,037,173)	\$ (17,585,441)	\$ (17,028,165)
Business-type activities	7,833,524	4,689,749	4,404,459	6,316,630	2,808,155	2,717,013	4,455,317	3,728,089	3,566,735	5,993,133
Total primary government net revenue/(expense)	\$ 2,272,923	\$ (6,933,310)	\$ 2,834,768	\$ (1,219,369)	\$ (8,416,392)	\$ (6,051,358)	\$ (8,010,888)	\$ (10,309,084)	\$ (13,998,706)	\$ (11,035,032)

Table 2 (cont.)

General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Property taxes, levied for general purpose	\$ 6,932,490	\$ 7,974,019	\$ 9,106,294	\$ 10,819,103	\$ 11,978,254	\$ 12,642,284	\$ 13,291,089	\$ 14,461,270	\$ 15,619,742	\$ 16,223,733
Franchise Tax	156,983	142,294	41,225	40,703	43,839	36,426	-	-	-	-
Other taxes	157,364	165,868	212,158	279,976	241,522	210,952	226,783	234,245	304,881	293,621
Unrestricted grants and contributions	3,003,563	3,671,257	4,227,578	4,438,840	4,278,961	4,556,982	5,296,831	5,630,346	6,110,835	7,335,754
Unrestricted investment earnings	405,183	435,091	429,878	100,392	21,846	69,255	95,816	110,730	186,353	88,056
Gain (Loss) on sale of assets	(19,020)	-	23,086	(20,005)	9,189	35,202	10,700	-	-	21,779
Miscellaneous	6,494	36,313	(81,285)	56,183	40,056	177,385	5,567	148,424	167,478	(52,482)
Capital Contributed	(205,000)	-	-	-	-	-	-	-	-	-
Transfers	50,500	-	-	-	-	-	-	-	462,694	-
Total government activities	10,488,557	12,424,842	13,958,934	15,715,192	16,613,467	17,728,486	18,926,786	20,585,015	22,851,983	23,910,461
Business-type activities:										
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	200,296	389,519	321,194	272,898	123,457	187,208	168,416	134,995	10,048	115,328
Gain (Loss) on sale of assets	(2,250)	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Capital Contributed	205,000	-	-	-	-	-	-	-	-	-
Transfers	(50,500)	-	-	-	-	-	-	-	352,969	-
Total business-type activities	352,546	389,519	321,194	272,898	123,457	187,208	168,416	134,995	363,017	115,328
Total primary government	\$ 10,841,103	\$ 12,814,361	\$ 14,280,128	\$ 15,987,990	\$ 16,736,924	\$ 17,915,694	\$ 19,095,202	\$ 20,720,010	\$ 23,215,000	\$ 24,025,789
Change in Net Position										
Governmental activities	\$ 4,956,117	\$ 801,783	\$ 12,389,243	\$ 8,179,193	\$ 5,388,920	\$ 8,960,115	\$ 6,460,581	\$ 6,547,842	\$ 5,149,265	\$ 6,882,296
Business-type activities	8,186,070	5,079,268	4,725,653	6,589,328	2,931,612	1,016,271	4,623,733	3,863,084	3,313,814	6,108,461
Total primary government	\$ 13,142,187	\$ 5,881,051	\$ 17,114,896	\$ 14,768,521	\$ 8,320,532	\$ 9,976,386	\$ 11,084,314	\$ 10,410,926	\$ 8,463,079	\$ 12,990,757

Notes:

- (1) - Increase from developer contributions of street and sidewalk infrastructure.
- (2) - Revenues include increase in capacity replacement fees in the sewer reserve fund.
- (3) - Decrease from prior year attributable to less donated infrastructure assets due to significant decline in building and construction in the depressed economy.

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

Table 3

<u>Fiscal Year</u>	<u>Property Tax ⁽¹⁾</u>	<u>Tax Rate</u>
2006	6,932,490	0.530
2007	7,974,019	0.530
2008	9,106,294	0.530
2009	10,819,103	0.415
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

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

	2006	2007	2008	2009	2010	2011	2012	2013
General Fund								
Reserved	\$ 1,785,164	\$ 2,453,225	\$ 4,960,999	\$ 3,510,927	\$ 2,635,726	\$ -	\$ -	\$ -
Unreserved	3,509,046	3,171,313	1,111,093	1,967,344	2,672,306	-	-	-
Total General Fund	5,294,210	5,624,538	6,072,092	5,478,271 ⁽²⁾	5,308,032	-	-	-
All other governmental funds								
Reserved	\$ 1,233,117	\$ 1,222,518	\$ 2,305,690	\$ 875,887	\$ 2,582,387	\$ -	\$ -	\$ -
Unreserved, reported in:								
Special revenue funds	41,356	166,541	-	-	-	-	-	-
Capital projects funds	1,335,656 ⁽¹⁾	1,156,736	4,567,693	3,674,724	5,295,628	-	-	-
Total all other governmental funds	\$ 2,610,129	\$ 2,545,795	\$ 6,873,383	\$ 4,550,611	\$ 7,878,015	\$ -	\$ -	\$ -

Post - GASB 54

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
							(3)			
General Fund										
Fund Balance:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,860	\$ 161,285	\$ 46,140	\$ 52,140	\$ 52,239
Restricted	-	-	-	-	-	3,833,704	2,946,540	2,663,930	2,544,522	2,970,290
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	335,265	53,315	65,922	-	-
Unassigned	-	-	-	-	-	1,510,129	3,573,699	4,725,897	7,386,296	8,631,264
Total General Fund	-	-	-	-	-	5,830,958	6,734,839	7,501,889	9,982,958	11,653,793
All other governmental funds										
Fund Balance:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,174	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	120,612	288,783	467,185	1,117,851
Committed	-	-	-	-	-	3,525,544	4,148,431	16,073,301	8,448,148	7,515,167
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(3,434)
Total all other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,567,718	\$ 4,269,043	\$ 16,362,084	\$ 8,915,333	\$ 8,629,584

Notes:

(1) - Decrease is attributable to the Town expending prior year unexpended installment purchase proceeds in the Town Buildings Capital Projects Fund for the construction of the new fire station.

(2) - Decrease in fund balance attributable to capital purchases during the year which were funded by appropriated fund balance.

(3) - 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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Ad valorem taxes	\$ 6,902,468	\$ 7,950,031	\$ 9,085,582	\$ 10,820,806	\$ 11,973,553	\$ 12,717,465	\$ 13,283,237	\$ 14,459,706	\$ 15,687,338	\$ 16,286,363
Other taxes and licenses	95,288	110,322	125,088	173,152	205,744	210,952	226,782	234,245	304,881	293,621
Unrestricted intergovernmental	3,003,563	3,671,257	4,227,578	4,438,840	4,278,961	4,556,982	5,296,831	5,630,346	6,110,835	7,335,754
Restricted intergovernmental	1,322,598	1,717,373	1,300,675	2,494,148	4,451,493	1,591,154	2,001,306	1,360,685	1,518,433	2,288,396
Permits and fees	2,425,880	2,886,727	3,121,483	1,392,895	1,115,393	1,528,596	2,569,228	2,668,637	2,364,570	3,015,654
Sales and services	1,489,332	2,288,628	2,648,764	2,856,144	2,871,283	2,746,721	3,076,195	3,241,890	3,381,708	3,827,647
Investment earnings	433,344	470,372	472,482	120,394	40,522	90,396	116,135	110,730	186,353	88,056
Miscellaneous	211,455	501,528	204,059	232,608	154,882	365,182	25,751	167,478	155,960	21,779
Total revenues	15,883,928	19,596,238	21,185,711	22,528,987	25,091,831	23,807,488	26,615,525	27,873,717	29,710,078	33,157,270
Expenditures										
General government	2,223,084	2,584,241	2,909,664	3,154,979	2,995,010	2,928,723	3,816,906	3,269,815	3,330,493	3,372,314
Public Safety	3,581,311	4,895,745	5,112,579	6,073,553	6,641,089	7,513,586	7,097,298	7,060,856	7,498,671	8,167,487
Public Works	3,817,522	3,568,920	3,236,515	3,523,905	3,365,058	3,482,700	3,093,524	3,857,289	3,525,567	3,802,470
Economic and physical development	1,384,323	8,859,490	3,831,553	2,399,308	2,548,171	2,406,813	2,808,247	2,346,102	2,469,042	2,752,672
Culture and recreation	5,555,852	3,384,498	3,608,019	3,156,043	2,864,602	3,786,289	3,544,361	3,463,886	3,704,644	3,966,824
Debt service										
Principal	1,828,857	2,280,536	2,653,238	2,778,599	4,459,289	2,163,364	3,360,928	2,589,337	2,984,012	3,595,154
Interest and other charges	506,061	666,419	932,343	1,121,864	1,039,137	1,190,368	1,103,835	968,312	1,213,304	1,424,840
Capital outlay	5,040,855	1,338,794	853,657	3,237,329	4,546,311	4,711,195	2,863,027	4,704,960	12,093,646	20,761,983
Total expenditures	23,937,865	27,578,643	23,139,568	25,445,580	28,458,667	28,163,038	27,688,126	28,260,567	36,819,379	47,843,744
Excess of revenues over (under) expenditures	(8,053,937)	(7,982,405)	(1,953,857)	(2,916,593)	(3,366,836)	(4,355,570)	(1,072,601)	(386,850)	(7,109,301)	(14,686,474)
Other financing sources (uses)										
Transfers in	906,240	929,955	-	-	5,696,849	889,538	597,840	1,683,900	337,784	4,615
Transfers out	(855,740)	(929,955)	-	-	(5,696,849)	(889,538)	(597,840)	(1,683,900)	15,185	(4,615)
General Obligation Bonds issued	-	-	-	-	-	-	-	12,542,391	-	-
Insurance proceeds	-	-	-	-	-	-	453,487	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	330,593
Installment purchase obligations	5,574,340	7,615,000	6,729,000	-	6,524,000	568,200	2,224,320	704,550	1,790,650	-
Limited Obligation Bonds issued	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	5,624,840	7,615,000	6,729,000	-	6,524,000	568,200	2,677,807	13,246,941	2,143,619	18,912,653
Net change in fund balances	\$ (2,429,097) ⁽¹⁾	\$ (367,405) ⁽¹⁾	\$ 4,775,143	\$ (2,916,593) ⁽²⁾	\$ 3,157,164	\$ (3,787,370)	\$ 1,605,206	\$ 12,860,091	\$ (4,985,682)	\$ 4,556,772
Debt service as a percentage of noncapital expenditures	12.4%	11.2%	16.1%	17.6%	23.0%	14.3%	18.0%	15.1%	17.0%	18.5%

Notes:

(1) - Decrease is attributable to the Town expending prior year unexpended installment purchase proceeds in the Town Buildings Capital Projects Fund for the construction of the new fire station.

(2) - Decrease is attributable to expenditures of one-time capital items and loss of development fees due to downturn in economy.

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⁾
2006	1,106,781,464	195,517,170	8,473,704	1,310,772,338	100%	0.530
2007	1,294,202,987	221,294,388	8,674,073	1,524,171,448	100%	0.530
2008	1,482,234,005	234,336,384	7,388,630	1,723,959,019	100%	0.530
2009 ⁽³⁾	2,348,890,813	239,892,738	9,854,518	2,598,638,069	100%	0.415
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

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, 2008.

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

Table 7

<u>Fiscal Year</u>	<u>Town of Holly Springs</u>	<u>Wake County</u>	<u>Combined Tax Rate Per \$100 of Assessed Value</u>
2006	0.530	0.604	1.134
2007	0.530	0.634	1.164
2008	0.530	0.678	1.208
2009 (2)	0.415	0.534	0.949
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

Notes:

(1) - Overlapping rates are those of local and county governments that apply to property owners within the Town of Holly Springs.

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

**Town of Holly Springs
Principal Property Taxpayers
June 30, 2015**

Table 8

		2015			2006		
Taxpayer	Type of Enterprise	Taxable		Rank	Percentage of Total Taxable Assessed Value		Rank
		Assessed Value	Assessed Value		Assessed Value	Assessed Value	
Novartis Vacc & Diag Inc	Pharmaceuticals	\$ 342,087,239	\$ 342,087,239	1	-	-	
KRG New Hill Place LLC	Commercial Prop Owner	\$ 37,805,158	\$ 37,805,158	2	8.87%	-	
Holly Springs NC Apartments	Multi-Family Development	\$ 25,186,155	\$ 25,186,155	3	0.98%	-	
MSS Apartments LLC	Residential Build/Dev	\$ 21,244,404	\$ 21,244,404	4	0.65%	-	
Walmart	Retail Development	\$ 19,739,506	\$ 19,739,506	5	0.55%	-	
WSLD 12 Oaks VI LLC	Residential Build/Dev	\$ 15,197,760	\$ 15,197,760	6	0.51%	-	
Optimus Springs LLC	Residential Build/Dev	\$ 12,589,288	\$ 12,589,288	7	0.39%	-	
Rosen Holly Springs LLC	Shopping Center	\$ 11,800,634	\$ 11,800,634	8	0.33%	-	
Holly Springs Crossing LLC	Shopping Center	\$ 11,733,904	\$ 11,733,904	9	0.31%	-	
Holly Springs Residential Properties	Residential Build/Dev	\$ 10,493,300	\$ 10,493,300	10	0.30%	-	
Hanson Aggregates Carolina	Mining	-	-		0.27%	-	
Lennar Carolinas Inc	Residential Build/Dev	-	-			9,856,910	1
Trellis Pointe LLC	Rental Property	-	-			8,283,559	2
Warp Technologies Inc	Textile Manufacturer	-	-			6,983,212	3
Clubcorp Golf of NC LLC	Golf Course Manager	-	-			6,460,323	4
KB Home	Residential Build/Dev	-	-			6,587,120	5
Public Service Co of NC Inc	Utility	-	-			6,573,719	6
J&H of Holly Springs	Development	-	-			5,522,903	7
Holly Springs Crossing LLC	Retail Development	-	-			5,442,179	8
SSO LLC	Development	-	-			5,320,919	9
Totals		\$ 507,877,348	\$ 507,877,348			5,024,651	10
					13.2%	\$ 40,931,814	
Total Assessed Value		\$ 3,855,679,410	\$ 3,855,679,410			\$ 1,472,705,115	4.5%

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

**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
2006	6,977,089	6,831,049	97.9%	111,615	6,942,664	99.5%
2007	8,046,484	7,871,929	97.8%	128,766	8,000,695	99.4%
2008	9,188,548	8,997,420	97.9%	153,290	9,150,710	99.6%
2009 (2)	10,930,856	10,737,111	98.2%	175,088	10,912,199	99.8%
2010 (3)	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	100.4%
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	100.2%
2015	16,458,003	16,422,026	99.8%	74,720	16,496,746	100.2%

Notes:

(1) - Includes discoveries, releases, and adjustments.

(2) - 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.

(3) - 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 (7)	Per Capita (8)
	GO Bonds	Installment Purchases	LO Bonds	GO Bonds	Installment Purchases	Revenue Bonds			
2006	1,600,000	16,645,534 (1)		14,318,400	2,382,855	1,222,000	\$ 36,168,789	2.8%	1,986
2007	1,500,000	21,829,998 (2)		14,079,900	2,035,247	1,204,500	\$ 40,649,645	2.7%	2,053
2008	1,400,000	26,005,760 (3)		13,834,400	4,204,989 (4)	1,186,000	\$ 46,631,149	2.7%	2,232
2009	1,300,000	23,327,160		13,576,900	20,232,357	16,100,000	\$ 74,536,417 (5)	2.9%	3,470
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 (6)	\$ 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 (9)	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 (10)	11,345,756	14,726,548	21,140,954	\$ 95,918,938	2.8%	3,056

Notes:

(1) - During fiscal year 2006, installment purchase obligations were executed for \$3,504,200 and \$1,882,140 for the construction of a Parks and Recreation Cultural Center and road improvements, respectively.

(2) - During fiscal year 2007, installment purchases were executed for \$7.4 million to acquire and subsequently donate land for a pharmaceutical company which committed to build a manufacturing plant in the Town. See page 51 of Notes to the Basic Financial Discussion for additional information on these transactions.

(3) - During fiscal year 2008, an installment purchase was executed in the amount of \$6.4 million for development of the Holly Springs Business Park.

(4) - During fiscal year 2008, an installment purchase was executed in the amount of \$2.6 million for sewer infrastructure at Bass Lake.

(5) - During fiscal year 2009, an installment purchase was executed in the amount of \$16.2 million for the wastewater treatment plant expansion and upgrade and revenue bonds of \$16.1 million were issued for future additional water supply capacity and to retire an existing water and sewer revenue bond.

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

(7) - Total primary government debt divided by assessed valuation. Assessed valuations can be found in Table 6, page 105.

(8) - Total primary government debt divided by total population. Population data can be found on Table 15, page 114.

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

(10) - 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

<u>Fiscal Year</u>	<u>General Obligation Bonds (1)</u>	<u>Percentage of Assessed Property Value</u>	<u>Per Capita (2)</u>
2006	15,918,400	1.21%	874
2007	15,579,900	1.02%	787
2008	15,234,400	0.88%	729
2009	14,876,900	0.57%	693
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

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 on page 112.

**Town of Holly Springs
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015**

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	1,967,590,000	2.70%	<u>\$ 53,075,180</u>
Subtotal, overlapping debt			53,075,180
Town of Holly Springs direct debt			<u>46,898,027</u> (3)
Total direct and overlapping debt			<u><u>\$ 99,973,207</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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 104,861,787	\$ 121,933,716	\$ 137,916,722	\$ 207,891,046	(2) \$ 231,335,917	\$ 259,923,451	\$ 256,175,837	\$ 266,359,805	\$ 287,948,063	\$ 297,269,456
Total net debt applicable to limit	28,320,881	32,984,467	39,154,341	52,324,170	51,059,536	49,006,790	46,489,186	67,505,102	50,672,232	45,888,344
Legal debt margin	\$ 76,541,106	\$ 88,949,249	\$ 98,762,381	\$ 155,566,876	\$ 180,276,381	\$ 210,916,661	\$ 209,686,651	\$ 198,854,703	\$ 237,275,831	\$ 251,381,112
Total net debt applicable to the limit as a percentage of debt limit	27.01%	27.05%	28.39%	25.17%	22.07%	18.85%	18.15%	25.34%	17.60%	15.44%

Legal Debt Margin Calculation for Fiscal Year 2015 ⁽¹⁾

Assessed Value	\$ 3,715,868,195
Debt Limit (8% of total assessed value)	297,269,456
Debt applicable to limit:	
General obligation bonds	23,775,000
Non bonded debt	31,584,100
Less: Statute exclusion for water bonds	(9,470,756)
Total net debt applicable to limit	45,888,344
Legal Debt Margin	\$ 251,381,112

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

Fiscal Year	Sewer Revenue Bonds					Debt Service		
	Water and Sewer Charges (1)	Other Non- Operating Revenues (2)	Total Charges	Less:		Principal	Interest	Coverage
				Operating Expenses	Net Available Revenue			
2006	4,693,810	53,974 (3)	4,747,784	2,214,020	2,533,764	17,000	54,206	35.58
2007	5,573,504	64,398	5,637,902	2,388,243	3,249,659	17,500	53,463	45.79
2008	5,632,983	93,339	5,726,322	2,732,595	2,993,727	18,500	52,697	42.05
2009	6,138,587	26,600 (3)	6,165,187	2,057,530	4,107,657	1,186,000 (4)	10,662	3.43
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

Notes:

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

(2) - Amounts represent sewer development fees.

(3) - Decrease is attributable to less sewer development fees used to cover debt due to an increase in water and sewer charges.

(4) - During fiscal year revenue bond with a principal balance of \$1,186,000 was paid off in conjunction with the issuance of a new revenue bond in the amount of \$16,100,000. First payment of new revenue bond will be in fiscal year 2009-10.

**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)
2006	18,214	792,940	31,365,979	39,497	33.9	2,709	3.4%
2007	19,804	831,746	34,623,447	41,714	34.1	4,084	3.4%
2008	20,892	866,068	36,190,313	41,691	33.6	4,929	4.1%
2009	21,482	897,214	35,727,859	39,821	34.1	5,629	8.3%
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+	-	-	35.0	8,114	5.5%

Notes:

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

(2) - Population projections are developed by Wake County Planning and North Carolina State

(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 2012.

(4) - Per capita Income for Wake County according to the US Department of Commerce Bureau of Economic Analysis <<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=5#reqid=70&step=1&isuri=1>> Latest data available is for 2012.

(5) - Median age for Wake County according to the North Carolina Office of State Management and Budget and Wake County Planning Department estimates. 2014 data from NC Dept of Commerce

(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.

(7) - Unemployment rate for Wake County as reported by the Employment Security Commission of North Carolina. 2014 rate is as of July 2014.

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

Table 16

Employer	2015			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Seqirus	750	1	16.0%	-	-	
WCPSS (County Schools)	700	2	14.9%	279	1	11.9%
Wal-Mart	285	3	6.1%	-	-	
Target	265	4	5.6%	-	-	
Town of Holly Springs	240	5	5.1%	231	2	9.9%
Pierce Group Benefits	148	6	3.1%	-	-	
Ideal Landscaping	115	7	2.4%	59	7	2.5%
Rex Healthcare	83	8	1.8%	110	4	4.7%
Warp Technologies	56	9	1.2%	140	3	6.0%
Corrugated Container	50	10	1.1%	45	9	1.9%
Harris Teeter	-	-		107	5	4.6%
Lowe's Foods	-	-		85	6	3.6%
Food Lion	-	-		55	8	2.4%
Holland Grill Co.	-	-		45	10	1.9%

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

	Full-time Equivalent Employees as of June 30, 2015									
Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Governing Body	4	5	5	5	5	5	5	5	5	5
Administration	9	9	10	10	10	10	10	9	8	8
Finance	8	8	8	8	8	8	8	8	7	8
Economic & Physical Development										
Economic Development	2	2	2	2	2	2	2	2	2	2
Planning	7	7	7	7	7	6	6	6	6	7
Code Enforcement	11	11	13	13	13	10	10	10	9	9
Engineering	16	19	19	20	20	19	19	19	18	18
Public Safety										
Law Enforcement										
Officers	24	30	36	38	38	44	44	44	44	50
Civilians	7	7	8	11	11	10	10	12	12	10
Fire/Rescue	21	25	28	34	34	37	37	37	39	39
Public Works										
Streets	7	7	8	9	9	9	9	11	11	10
Solid Waste	8	9	10	11	11	11	11	11	11	12
Fleet Maintenance	2	2	2	3	3	2	2	2	2	2
Parks & Recreation	18	22	25	25	25	26	27	29	26	27
Water										
Water Storage	1	1	2	2	2	2	2	1	1	1
Water Distributions	9	10	10	11	11	11	11	10	9	10
Water Meters	0	0	0	0	0	0	0	4	4	4
Water Quality										
WW Treatment	4	4	4	3	6	7	8	8	8	8
Pump Stations	3	3	3	4	4	3	3	3	3	3
Laboratory	2	2	2	2	2	2	2	2	2	2
WW Collections	5	6	6	7	7	7	6	4	4	4
Total	168	189	208	225	228	231	232	237	231	239

Town of Holly Springs
Operating Indicators by Function
Last Ten Years

Table 18

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function:										
Public Safety										
Physical arrests	338	333	434	520	486	413	341	321	423	470
Traffic violations	2,616	3,338	2,498	3,305	2,574	3,718	2,214	3,159	3034	2385
Number of fire calls answered	1,252	1,308	1,584	1,502	1,480	1,320	1,107	1,407		1657
Number of EMS calls answered	1,563	1,544	1,832	1,585	1,385	n/a	n/a	n/a	n/a	n/a
Inspections	518	532	546	708	804	580	600	829	813	960
Highways and streets										
Street resurfacing (miles)	0.00	0.00	0.00	0.00	1.05	1.05	1.05	2.04		2
Potholes repaired	33	57	60	42	52	75	190	89	78	240
Sidewalk repaired (linear ft.)	2504	221	116	1,884	1,172	1,412	4,107	1,262	1242	2210
Street sweeping (miles)	2,800	2,200	2,500	2,500	1,900	500	400	400	350	684
Code Enforcement/Inspections										
Building permits	912	573	390	216	175	220	360	409	432	420
Sanitation										
Residential waste collected (tons/year)	5,128.68	6,547.62	6,395.29	6,154.44	6,427.52	6,177.76	6,722.89	6,666.81	6762.01	7408.15
Recyclables collected (tons/year)	868.22	1,245.98	1,118.32	1,966.59	2,084.71	1,769.65	1,750.05	1,734.13	1961.70	1940.12
Yard waste collected (tons/year)	3,583.36	2,022.11	2,259.56	2,459.88	11,240 cy	13,528 cy	25,832 cy	19,662 cy	19,874 cy	22200 c
Household/appliances (tons/year)	1,319.56	4.87	75.42	82.43	81.86	87.80	74.72	78.02	83	159 pieces
Recycle pick-up fee	2.40	2.40	3.25	3.25 #	3.25	4.25	4.25	4.25	4.25	4.25
Trash pick-up fee	9.80	9.80	8.15	8.15 #	8.15	9.50	9.50	9.50	9.50	9.50
Culture and recreation										
Athletic field permits issued	11	11	11	11	11	8	8	12	21	48
Community center admissions										
Youth participation:	\$ 454,998	\$ 377,468	\$ 182,772	\$ 290,970	\$ 294,695	\$ 531,600	\$ 829,630	\$ 851,098	\$ 863,603	\$ 916,966
Fall soccer	568	588	620	768	791	768	740	702	708	831
Spring soccer	617	663	663	751	831	933	779	733	691	798
Football & cheerleading	309	309	270	287	302	232	224	224	139	189
Basketball	435	470	545	586	600	631	709	688	816	899
Baseball	637	738	787	1,044	1340	1366	1450	1284	1289	1366
Before & after school	95	75	100	1,039	963	810	967	872	926	906
Summer camp	130	250	400	1,274	1202	1242	1534	1253	1247	1413
Track	31	25	25	40	57	74	90	113	112	110
Adult participation:										
Basketball	59	54	80	144	144	144	144	132	108	144
Coed soccer	48	84	72	80	80	n/a	n/a	n/a	n/a	n/a
Softball	540	486	600	435	435	570	495	700	640	580
Fitness room	446	481	345	548	425	382	1189	3436	3,204	3,529
Water										
Water customers	6,858	7,539	7,975	8,184	8,366	8,582	8,933	9,375	9874	10364
Average water bill	\$ 26.13	\$ 28.93	\$ 26.72	\$ 26.63	\$ 27.27	\$ 30.02	\$ 31.34	\$ 32.46	34.71	36.86
Water main breaks	3	4	1	2	0	2	2	4	3	1
Sanitary Sewer Overflows (SSO)	2	2	1	7	2	2	0	1	2	3
Average daily consumption (MGD)	733.530	884,759	1,807,204	1,783,000	1,639,186	1,380,000	1,876,000	1,873,000	1,952,000	2,449,000
Wastewater										
Average daily sewage treatment	1,0290	1,0984	0,9690	1,0850	1,207	1,309	1,412	1,521	1,757	1,98

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

Table 19

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police stations	1	1	1	1	1	1	1	2	2	2
Police patrol units	29	45	46	46	46	48	48	48	48	48
Fire stations	2	2	3	3	3	3	3	3	3	3
Fire trucks	6	7	8	8	8	8	8	8	7	7
EMS vehicles	2	2	2	2	0	0	0	0	0	0
Sanitation										
Collection trucks	8	8	8	8	8	8	8	4	4	4
Highways and streets										
Streets (miles)	77.15	82.10	90.67	95.29	96.34	101.22	103.08	106.17	108.50	115.66
Traffic signals	8	8	11	12	13	13	15	22	22	25
Public parking spaces	590	802	832	832	832	832	993	993	993	2,034
Culture and recreation										
Parks and recreation	167	175	175	175	257	274	274	433	537	573
Parks	5	5	5	5	5	5	5	6	5	5
Baseball fields	6	9	9	9	10	10	10	10	10	11
Tennis courts	0	6	6	6	6	6	6	6	9	21
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (feet)										
4" water line	1,758	3,035	3,733	4,102	4,102	4,408	4,408	4,818	5,450	6,627
6" water line	5,324	8,435	10,999	16,642	18,050	24,116	27,561	29,414	32,438	39,809
8" water line	21,104	37,320	54,498	72,308	81,274	85,261	93,136	99,978	111,178	147,722
12" water line	18,107	50,530	65,367	82,138	85,219	98,357	100,529	104,660	107,602	120,450
Total	46,293	99,320	134,597	175,190	188,645	212,142	225,634	238,870	256,668	314,608
Maximum daily capacity (millions of gallons per day)	2.3	4.2	4.2	4.2	4.2	10	10	10	10	12
Sewer										
8" Sewer Lines (feet)	41,201	69,921	114,837	152,181	160,850	175,832	187,835	197,115	211,686	258,582
Max daily treatment capacity (millions of gallons per day)	1.5	1.5	1.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4

COMPLIANCE SECTION



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**Independent Auditors' Report On Internal Control Over Financial Reporting And
On Compliance and Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

To the Honorable Mayor and Town Council
Town of Holly Springs
Holly Springs, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Holly Springs, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Holly Springs' basic financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Holly Springs' 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 of Holly Springs' 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

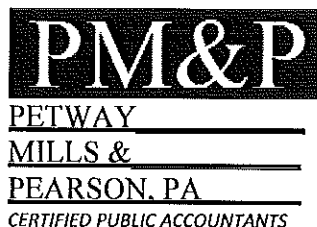
Purpose of this Report

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

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

November 30, 2015



C. Briggs Petway, Jr.
Phyllis M. Pearson

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Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act

To the Honorable Mayor and Town Council
Town of Holly Springs
Holly Springs, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of Holly Springs' 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 the Town of Holly Springs' major State program for the year ended June 30, 2015. The Town of Holly Springs' major State program is identified in the summary of auditors' 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 the Town of Holly Springs' major State program 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 and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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 of Holly Springs' 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 the major State program. However, our audit does not provide a legal determination of the Town of Holly Springs' compliance.

Opinion on Each Major State Program

In our opinion, the Town of Holly Springs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Town of Holly Springs 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 of compliance, we considered the Town of Holly Springs' internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of

expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of 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 a 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 significant deficiencies or material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

November 30, 2015



PETWAY

MILLS &

PEARSON, PA

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Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act

To the Honorable Mayor and Town Council
Town of Holly Springs
Holly Springs, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Holly Springs' compliance with the types of compliance requirements described in the *OMB Circular A-133 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 the Town of Holly Springs' major federal program for the year ended June 30, 2015. The Town of Holly Springs' major federal program is identified in the summary of auditors' 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 the Town of Holly Springs' major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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 of Holly Springs' 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 the major federal program. However, our audit does not provide a legal determination of the Town of Holly Springs' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Holly Springs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Town of Holly Springs 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 of compliance, we considered the Town of Holly Springs' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of

expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of 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 a 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 significant deficiencies or material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

November 30, 2015

Town of Holly Springs
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION I. – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not
considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial
statements noted _____ yes X no

Federal Awards

Internal control over major Federal program:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not
considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued: Unmodified

Any audit findings disclosed that are
required to be reported in accordance with
OMB Circular A-133? _____ yes X no

Identification of major Federal program:

<u>Program Name</u>	<u>CFDA #</u>
Highway Planning and Construction	20.205-1

Dollar threshold used to distinguish
between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

State Awards

Internal control over major State program:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not
considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued: Unmodified

Any audit findings disclosed that are
required to be reported in accordance with the
State Single Audit Implementation Act _____ yes X no

Identification of major State program:

<u>Program Name</u>	
Powell Bill	DOT-4

**Town of Holly Springs
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

SECTION II. – FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III. – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION IV. – STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

**Town of Holly Springs
Corrective Action Plan
For the Year Ended June 30, 2015**

SECTION II. – FINANCIAL STATEMENT FINDINGS

None Required.

SECTION III. – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Required.

SECTION IV. – STATE AWARD FINDINGS AND QUESTIONED COSTS

None Required.

**Town of Holly Springs
Summary Schedule of Prior Year's Audit Findings
For the Year Ended June 30, 2015**

There were no prior year audit findings.

Town of Holly Spring, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

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 Safest Cluster				
State and Community Highway Safety	20.600		\$ 91,555	\$ -
Incentive Grant Program to Increase Motorcyclist Safety	20.120		36,990	-
Total Highway Safety Cluster				
Highway Planning and Construction	20.205-1		679,808	-
Total U.S. Department of Transportation			808,353	-
TOTAL FEDERAL AWARDS			808,353	-
STATE AWARDS				
NC Department of Transportation				
Powell Bill		DOT-4	-	764,305
TOTAL STATE AWARDS			-	764,305
TOTAL FEDERAL AND STATE ASSISTANCE			\$ 808,353	\$ 764,305

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the Town and is presented on the modified accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.