HENRY COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

INTRODUCTORY SECTION

HENRY COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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HENRY COUNTY, GEORGIA

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FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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FINANCIAL SECTION

Mauldin & Jenkins

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Henry County, Georgia
McDonough, Georgia

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of **Henry County, Georgia**, as of and for the year ended June 30, 2003, which collectively comprise Henry County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Henry County Department of Public Health or the Henry County Library System, which statements reflect total assets of $1,532,407 and $1,008,145, respectively, as of June 30, 2003, and total revenues of $2,119,918 and $1,451,868, respectively, for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Henry County Department of Public Health and the Henry County Library System in the component units columns, is based on the reports of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

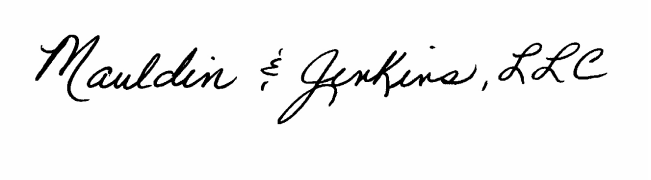
In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Henry County, Georgia as of June 30, 2003, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, Henry County, Georgia has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 31 and 34,* and Statement No. 38, *Certain Financial Statement Note Disclosures,* effective July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2003 on our consideration of Henry County, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (on pages 3 through 9) is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Henry County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Henry County, Georgia. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and is also not a required part of the financial statements of Henry County, Georgia. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Macon, Georgia
November 18, 2003

Management's Discussion and Analysis

As management of Henry County, Georgia, we offer readers of Henry County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements and the notes to the financial statements.

Financial Highlights

- The assets of Henry County exceeded its liabilities at June 30, 2003 by $142,122,624 (net assets). Of this amount, $57,550,099 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2003, the County's General Fund reported an unreserved fund balance of $34,592,536, an increase of $6,112,419 or 21.46 percent from the last fiscal year.
- The citizens of Henry County passed the new 2002 Special Purpose Local Option Sales Tax (SPLOST). The total estimated revenue for this new SPLOST will be $140,000,000. Of this amount, the Cities in the County, will receive approximately $20,000,000, and the County will maintain the other $130,000,000.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Henry County's finances, in a manner similar to a private-sector business. There are two government-wide statements, the statement of net assets and the statement of activities, which are described below.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. It is important to note that this statement, for the first time, consolidates the governmental fund's current financial resources (short-term) with capital assets and long-term liabilities.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the County include general government, judicial, public safety, public works, health and welfare, culture and recreation, and housing and development.

The government-wide financial statements include not only Henry County itself (known as the primary government), but also the Henry County Department of Public Health, the Henry County Development Authority, the Henry County Library System and the Henry County Water and Sewerage Facilities Authority. These are legally separate entities that are component units of the County due to the significance of their operational or financial relationships with the County. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements. 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. Henry County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Henry County maintains governmental funds to account for the following activities: General; Special Revenue (Court Fund, Emergency 911, Hotel/Motel Tax, Confiscated Assets, Law Library, Greenspace, Technology Fund, and Juvenile Assistance); Capital Projects (Capital Asset Fund, 1996 SPLOST Fund, and 2002 SPLOST Fund); and Debt Service. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the 1996 SPLOST Capital Projects Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Henry County adopts an annual appropriated budget for its general, special revenue, capital projects, and debt service funds. A budgetary comparison statement has been provided for the general fund.

Fiduciary funds. 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 statements because the resources of those funds are not available to support Henry County's own programs. The accounting used for fiduciary funds is much like that used in the government-wide financial statements.

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.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Henry County, assets exceed liabilities by $142,122,623 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (58 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and roads); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Henry County's Net Assets

	Governmental Activities 2003
Current and other assets	$ 70,354,718
Capital assets	101,104,088
Total assets	171,458,806
Long-term liabilities outstanding	23,803,055
Other liabilities	5,533,128
Total liabilities	29,336,183
Net assets:	
Invested in capital assets, net of related debt	82,826,472
Restricted	1,746,053
Unrestricted	57,550,099
Total net assets	$ 142,122,624

An additional portion of Henry County's net assets (1.23 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($57,550,099) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Henry County is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental activities.

Governmental activities. Governmental activities increased the County's net assets by $32,383,923. Key elements of this increase are as follows:

Henry County's Changes in Net Assets

	Governmental Activities 2003
Revenues	
Program revenues:	
Charges for services	$ 18,704,055
Operating grants and contributions	1,890,469
Capital grants and contributions	17,367,894
General revenues:	
Property taxes	45,815,388
Sales taxes	17,506,364
Other taxes	5,561,510
Unrestricted investment earnings	788,508
Payment from component unit	500,000
Gain on sale of capital assets	117,208
Total revenues	108,251,396
Expenses	
General government	11,375,134
Judicial	7,573,299
Public safety	37,779,229
Public works	6,643,292
Health and welfare	4,132,763
Culture and recreation	2,999,099
Housing and development	4,224,962
Interest on long-term debt	1,139,695
Total expenses	75,867,473
Increase in net assets	32,383,923
Net assets, beginning of year	109,738,701
Net assets, end of year	$ 142,122,624

Financial Analysis of the Government's Funds

As noted earlier, Henry County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Henry County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $63,469,010, an increase of $1,275,369 in comparison with the prior year. Approximately 96 percent of this total amount ($61,227,591) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period ($495,366), for drug abuse treatment (618,130), for wireless communications (899,120), or for various other restricted purposes ($228,803).

The general fund is the chief operating fund of Henry County. At the end of the current fiscal year, unreserved fund balance of the general fund was $34,592,536, while total fund balance reached $35,144,210. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 49.11 percent of total general fund expenditures, while total fund balance represents 49.90 percent of that same amount.

The fund balance of the County's general fund increased by $5,889,723 during the current fiscal year. This was due mainly to tighter controls on spending.

The 1996 SPLOST Capital Projects fund accounts for the financial resources provided from the 1996 one percent Special Purpose Local Option Sales Tax. These resources must be used for various building projects and road improvements throughout the County. At the end of the 2003 fiscal year, the 1996 SPLOST Capital Projects fund had an undesignated fund balance of $15,757,785, a decrease of $6,539,367 from the prior year. This decrease in fund balance is expected as projects are completed.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were $4,121,320 and can be summarized as follows:

- Increase in general government activities - $363,562, due to an increase in professional fees;
- Increase in public safety functions - $686,626, due mainly to an increase in personnel;
- Increase in judicial functions - $819,742, due mainly to the addition of a new courthouse annex;
- Increase in public works services and related capital assets - $1,584,516, due to two (2) large road projects and an increase in the expected cost of materials;
- Increase in health and welfare – $159,171, due to an increase in contributions;
- Increase in culture and recreation – $364,241, due to higher maintenance costs and additional equipment and staffing;
- Increase in housing and development - $143,462, due to additional staffing.

The budget increase was to be funded by a combination of increased general fund revenues and use of fund balance.

Capital Asset and Debt Administration

Capital assets. Henry County's investment in capital assets for its governmental activities as of June 30, 2003 amounts to $101,236,735 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Henry County's Capital Assets
(net of depreciation)

	Governmental Activities 2003
Land	$ 10,916,240
Construction in progress	11,235,782
Buildings and improvements	45,305,273
Machinery and equipment	17,639,478
Roads	16,007,315
Total	$ 101,104,088

Governmental assets installed during the year totaled $31,098,060. Major projects consisted of the following:

- Addition of Henry County courthouse annex
- Acquisition of Land for Right of Ways
- GASB 34 requirement to add infrastructure to asset listing

Additional information on the County's capital assets can be found in Note 6 of this report.

Long-term debt. At the end of the current fiscal year, Henry County did not have any outstanding bonded debt.

Additional information regarding the County's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets

- On October 17, 2003 the Board of Commissioners voted to implement an impact fee schedule on all new construction in Henry County. The money collected will be used to offset costs associated with the Henry County Library System, parks and recreation, fire protection, sheriff protection, police protection, emergency 911, greenspace, and other administrative activities. The estimated revenue generated by the impact fees is $3,500,000.

- In Fiscal Year 2001 monthly LOST collections grew at a rate of 10.92% over 2000. In fiscal year 2002, LOST collections grew by 9.12% over 2001 collections. In Fiscal Year 2003 monthly collections increased by 7.47% over 2002.

- In Fiscal Year 2005, Henry County expects to receive $16,948,142 in revenues from the Special Purpose Local Option Sale Tax (SPLOST.) This money will help build a new court house annex, an animal shelter, new fire stations, and help build new roads and pave some of the existing dirt roads in the county.

Requests for Information

This financial report is designed to provide a general overview of Henry County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Henry County, 140 Henry Parkway, McDonough, Georgia 30253.

HENRY COUNTY, GEORGIA

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Primary Government	Component Units			
	Governmental Activities	Health Department	Development Authority	Library System	Water & Sewerage Authority
ASSETS					
Cash and cash equivalents	$ 26,227,762	$ 1,458,173	$ 84,212	$ 864,714	$ 1,080,169
Investments	32,613,520	-	280,000	23,869	-
Receivables, net of allowances for uncollectibles	7,256,831	-	-	4,176	3,663,706
Due from other governments	2,463,539	33,160	-	-	-
Due from primary government	-	-	141,317	-	92,392
Inventory	211,784	-	-	-	467,572
Prepaid items	376,472	-	-	-	685
Restricted assets:					
Cash and cash equivalents	1,204,810	-	-	-	94,974,337
Investments	-	-	-	-	12,326,087
Accrued interest	-	-	-	-	151,494
Customer deposits	-	-	-	-	258,925
Deferred charges	-	-	-	-	2,821,282
Capital assets (net of accumulated depreciation)	101,104,088	41,074	-	115,386	256,517,620
Total assets	$ 171,458,806	$ 1,532,407	$ 505,529	$ 1,008,145	$ 372,354,269

(Continued)

HENRY COUNTY, GEORGIA

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Primary Government	Component Units			
	Governmental Activities	Health Department	Development Authority	Library System	Water & Sewerage Authority
LIABILITIES					
Accounts payable	$ 2,523,177	$ -	$ 9,006	$ 48,542	$ 3,391,392
Accrued liabilities	1,274,771	-	-	-	855,100
Retainage payable	872,948	-	-	-	1,872,693
Due to other governments	125,438	33,160	-	-	-
Due to component units	141,317	-	-	-	-
Deferred revenue	595,476	-	-	-	-
Payable from restricted assets:					
Customer deposits payable	-	-	-	-	258,237
Revenue bonds payable	-	-	-	-	2,618,195
Accrued interest payable	-	-	-	-	3,691,259
Noncurrent liabilities:					
Due within one year	5,706,683	-	-	-	1,836,032
Due in more than one year	18,096,372	115,277	-	43,648	207,927,148
Total liabilities	29,336,182	148,437	9,006	92,190	222,450,056
NET ASSETS					
Invested in capital assets, net of related debt	82,826,472	41,074	-	115,386	132,453,104
Restricted for:					
Drug abuse treatment	618,130	-	-	-	-
Juvenile assistance	6,339	-	-	-	-
Fire safety	56,567	-	-	-	-
Victim witness program	165,897	-	-	-	-
Wireless communications	899,120	-	-	-	-
Other uses	-	80,000	-	-	18,626,333
Unrestricted	57,550,099	1,262,896	496,523	800,569	(1,175,224)
Total net assets	$ 142,122,624	$ 1,383,970	$ 496,523	$ 915,955	$ 149,904,213

The accompanying notes are an integral part of these financial statements.

HENRY COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Component Units: Health Department	Component Units: Development Authority	Component Units: Library System	Component Units: Water & Sewerage Authority
Primary government:									
General government	$ 11,375,134	$ 4,744,064	$ -	$ 785,451	$ (5,845,619)	$ -	$ -	$ -	$ -
Judicial	7,573,299	4,804,619	451,888	-	(2,316,792)	-	-	-	-
Public safety	37,779,229	5,120,202	529,231	7,500	(32,122,296)	-	-	-	-
Public works	6,643,292	92,312	2,500	16,574,943	10,026,463	-	-	-	-
Health and welfare	4,132,763	584,281	906,850	-	(2,641,632)	-	-	-	-
Culture and recreation	2,999,099	241,011	-	-	(2,758,088)	-	-	-	-
Housing and development	4,224,962	3,117,566	-	-	(1,107,396)	-	-	-	-
Interest on long-term debt	1,139,695	-	-	-	(1,139,695)	-	-	-	-
Total primary government	$ 75,867,473	$ 18,704,055	$ 1,890,469	$ 17,367,894	(37,905,055)	-	-	-	-
Component units:									
Health Department	$ 2,514,154	$ 828,731	$ 642,949	$ -	-	(1,042,474)	-	-	-
Development Authority	281,790	75,733	-	-	-	-	(206,057)	-	-
Library System	1,373,800	106,364	431,174	-	-	-	-	(836,262)	-
Water & Sewerage Authority	36,957,842	21,264,444	57,928	21,005,966	-	-	-	-	5,370,496
Total component units	$ 41,127,586	$ 22,275,272	$ 1,132,051	$ 21,005,966	-	(1,042,474)	(206,057)	(836,262)	5,370,496
General revenues:									
Property taxes					45,815,388	-	-	-	7,567,718
Sales taxes					17,506,364	-	-	-	-
Other taxes					5,561,510	-	-	-	1,250,909
Unrestricted investment earnings					788,508	27,408	11,751	-	1,921,386
Payments from primary government					-	620,830	379,128	914,330	-
Payments from component unit					500,000	-	-	-	-
Gain on sale of capital assets					117,208	-	-	-	115,023
Total general revenues					70,288,978	648,238	390,879	914,330	10,855,036
Change in net assets					32,383,923	(394,236)	184,822	78,068	16,225,532
Net assets, beginning of year					109,738,701	1,778,206	311,701	837,887	133,678,681
Net assets, end of year					$ 142,122,624	$ 1,383,970	$ 496,523	$ 915,955	$ 149,904,213

The accompanying notes are an integral part of these financial statements.

HENRY COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

ASSETS	General	1996 SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 18,424,449	$ 2,925,707	$ 4,877,606	$ 26,227,762
Investments	14,724,131	14,067,100	3,822,289	32,613,520
Receivables, net of allowances for uncollectibles	4,103,081	-	3,153,750	7,256,831
Due from other governments	2,459,144	-	4,395	2,463,539
Due from other funds	150,323	28,174	1,169,100	1,347,597
Inventory	211,784	-	-	211,784
Prepaid items	376,472	-	-	376,472
Restricted cash	-	-	1,204,810	1,204,810
Total assets	$ 40,449,384	$ 17,020,981	$ 14,231,950	$ 71,702,315
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 1,214,360	$ 390,248	$ 918,569	$ 2,523,177
Accrued liabilities	1,060,745	-	37,247	1,097,992
Retainage payable	-	872,948	-	872,948
Due to other governments	125,438	-	-	125,438
Due to other funds	1,177,553	-	170,044	1,347,597
Due to component units	141,317	-	-	141,317
Deferred revenue	1,585,761	-	539,075	2,124,836
Total liabilities	$ 5,305,174	$ 1,263,196	$ 1,664,935	$ 8,233,305

(Continued)

HENRY COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

LIABILITIES AND FUND BALANCES (Continued)	General	1996 SPLOST Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES				
Reserved for:				
Encumbrances	$ 495,107	$ -	$ 259	$ 495,366
Drug abuse treatment	-	-	618,130	618,130
Juvenile assistance	-	-	6,339	6,339
Fire safety	56,567	-	-	56,567
Victim witness program	-	-	165,897	165,897
Wireless communications	-	-	899,120	899,120
Unreserved, reported in:				
General fund, undesignated	34,592,536	-	-	34,592,536
Special revenue funds, undesignated	-	-	2,183,381	2,183,381
Debt service fund, undesignated	-	-	(22,316)	(22,316)
Capital projects funds, undesignated	-	15,757,785	8,716,205	24,473,990
Total fund balances	35,144,210	15,757,785	12,567,015	63,469,010
Total liabilities and fund balances	$ 40,449,384	$ 17,020,981	$ 14,231,950	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				101,104,088
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				1,529,360
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(23,979,834)
Net assets of governmental activities				$ 142,122,624

The accompanying notes are an integral part of these financial statements.

HENRY COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General	1996 SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 63,302,157	$ 198,915	$ 4,661,155	$ 68,162,227
Licenses and permits	3,487,686	-	-	3,487,686
Intergovernmental	1,936,697	17,744	785,451	2,739,892
Charges for services	7,100,148	-	2,168,139	9,268,287
Fines and forfeitures	3,900,571	-	964,066	4,864,637
Investment income	410,290	295,396	82,822	788,508
Contributions	105,826	-	-	105,826
Miscellaneous	1,101,189	15,150	77,602	1,193,941
Total revenues	81,344,564	527,205	8,739,235	90,611,004
Expenditures:				
Current:				
General government	9,992,829	257,340	1,743,120	11,993,289
Judicial	7,185,411	3,584,280	255,763	11,025,454
Public safety	34,360,372	-	3,241,772	37,602,144
Public works	10,318,043	2,096,127	-	12,414,170
Health and welfare	2,638,085	154,961	743,278	3,536,324
Culture and recreation	2,133,228	1,178,194	36,086	3,347,508
Housing and development	3,807,971	-	146,483	3,954,454
Debt service:				
Principal retirement	230	5,691	3,318,561	3,324,482
Interest	-	11,503	1,159,412	1,170,915
Total expenditures	$ 70,436,169	$ 7,288,096	$ 10,644,475	$ 88,368,740

(Continued)

HENRY COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General	1996 SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	$ 10,908,395	$ (6,760,891)	$ (1,905,240)	$ 2,242,264
Other financing sources (uses):				
Proceeds from capital lease	-	221,524	-	221,524
Transfers in	541,273	-	6,060,939	6,602,212
Transfers out	(4,289,631)	-	(2,312,581)	(6,602,212)
Transfers from component units	500,000	-	-	500,000
Transfers to component units	(1,914,288)	-	-	(1,914,288)
Proceeds from sale of capital assets	143,974	-	81,895	225,869
Total other financing sources (uses)	(5,018,672)	221,524	3,830,253	(966,895)
Net change in fund balances	5,889,723	(6,539,367)	1,925,013	1,275,369
Fund balances, beginning of year	29,254,487	22,297,152	10,642,002	62,193,641
Fund balances, end of year	$ 35,144,210	$ 15,757,785	$ 12,567,015	$ 63,469,010

The accompanying notes are an integral part of these financial statements.

HENRY COUNTY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Net change in fund balances - total governmental funds	$ 1,275,369
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.	11,304,397
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	16,060,344
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	610,539
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,289,125
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.	(155,851)
	$ 32,383,923

The accompanying notes are an integral part of these financial statements.

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 43,503,480	$ 45,555,963	$ 45,204,849	$ (351,114)
Sales tax	16,209,450	13,219,450	12,943,305	(276,145)
Other taxes	5,218,500	5,082,756	5,154,003	71,247
Licenses and permits	3,738,760	3,537,365	3,487,686	(49,679)
Intergovernmental	1,408,196	1,975,600	1,936,697	(38,903)
Charges for services	6,645,308	6,613,461	7,100,148	486,687
Fines and forfeitures	2,649,558	3,992,263	3,900,571	(91,692)
Investment income	500,000	420,000	410,290	(9,710)
Contributions	40,000	106,391	105,826	(565)
Miscellaneous	894,292	980,867	1,101,189	120,322
Total revenues	80,807,544	81,484,116	81,344,564	(139,552)
Expenditures:				
General government:				
Director of administration and finance	-	13,167	13,845	(678)
Board of commissioners	971,483	638,902	577,316	61,586
County manager	860,713	1,575,333	1,413,904	161,429
Tax commissioner	1,266,501	1,281,264	1,204,645	76,619
Tax assessor	1,503,859	1,515,318	1,412,165	103,153
Finance	635,811	625,382	586,309	39,073
Information systems	2,049,357	2,164,432	1,783,008	381,424
Human resources	380,407	364,557	331,416	33,141
Risk management	66,576	66,326	63,633	2,693
Purchasing	428,163	359,015	287,550	71,465
Registrar	290,718	249,825	189,682	60,143
Public buildings	2,417,974	2,158,756	1,532,313	626,443
Elections	271,778	264,663	233,808	30,855
County attorney	285,925	515,887	363,235	152,652
Total general government	$ 11,429,265	$ 11,792,827	$ 9,992,829	$ 1,799,998

(Continued)

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures: (Continued)				
Judicial:				
Clerk of superior court	$ 1,472,005	$ 1,395,798	$ 1,305,797	$ 90,001
Judge of superior court	110,528	263,186	198,078	65,108
State court	457,432	507,651	466,575	41,076
Clerk of state court	610,846	506,478	429,216	77,262
State court solicitor	636,972	768,863	726,856	42,007
Probate court	565,135	558,685	524,911	33,774
Magistrate court	564,142	564,512	517,675	46,837
Juvenile court	995,391	982,337	864,905	117,432
District attorney	375,256	358,054	337,886	20,168
Victim/witness	130,087	155,292	151,840	3,452
Public defender	700,818	1,340,818	1,160,332	180,486
Court reporter	52,900	164,010	161,652	2,358
Jury/bailiff	398,868	324,438	339,688	(15,250)
Total judicial	7,070,380	7,890,122	7,185,411	704,711
Public safety:				
Director of public safety	-	37,021	37,815	(794)
Police	7,904,148	2,459,097	2,270,878	188,219
Criminal investigation division	408,623	1,084,384	1,070,952	13,432
Narcotics	383,205	493,738	431,160	62,578
Support service	245,822	1,009,787	969,423	40,364
Uniform patrol division	2,306,832	6,227,546	5,958,149	269,397
Sheriff	3,963,259	3,901,628	3,717,621	184,007
Jail	4,616,447	5,341,742	5,202,239	139,503
Code enforcement	743,167	833,377	828,040	5,337
Fire	13,773,357	12,387,057	11,809,857	577,200
Fire administration	586,761	1,845,632	1,611,559	234,073
Coroner	82,839	89,965	73,998	15,967
Early release	458,126	443,026	373,469	69,557
Probation	-	5,212	5,212	-
Total public safety	$ 35,472,586	$ 36,159,212	$ 34,360,372	$ 1,798,840

(Continued)

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures: (Continued)				
Public works:				
Director of public works	$ -	$ -	$ 9,827	$ (9,827)
DOT	2,843,640	2,889,217	2,747,909	141,308
Construction & roads	2,425,590	3,846,799	2,095,389	1,751,410
Maintenance shop	1,148,610	1,020,805	978,889	41,916
Scraping and hauling	3,497,211	3,768,435	3,529,958	238,477
Waste management	30,000	30,500	30,181	319
Transit system	1,090,115	1,063,926	925,890	138,036
Total public works	11,035,166	12,619,682	10,318,043	2,301,639
Health and welfare:				
General health	491,499	580,475	584,391	(3,916)
Family service	249,434	259,454	247,139	12,315
Senior services	1,884,461	1,944,636	1,806,555	138,081
Total health and welfare	2,625,394	2,784,565	2,638,085	146,480
Culture and recreation:				
Recreation	1,989,343	2,353,584	2,133,228	220,356
Housing and development:				
Director of human and community services	-	15,539	35,416	(19,877)
Conservation	149,809	135,564	115,518	20,046
Conservation - NRCS	40,780	40,943	40,576	367
Building department	2,894,372	2,649,182	2,443,639	205,543
Planning and zoning	880,709	840,560	795,112	45,448
Development plan review	-	427,344	377,710	49,634
Total housing and development	$ 3,965,670	$ 4,109,132	$ 3,807,971	$ 301,161

(Continued)

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures: (Continued)				
Debt Service:				
Principal retirement	$ -	$ -	$ 230	$ (230)
Total debt service	-	-	230	(230)
Total expenditures	73,587,804	77,709,124	70,436,169	7,272,955
Excess of revenues over expenditures	7,219,740	3,774,992	10,908,395	7,133,403
Other financing sources (uses):				
Transfers in	105,000	225,339	541,273	315,934
Transfers out	(5,510,448)	(5,545,448)	(4,289,631)	1,255,817
Transfers from component units	-	500,000	500,000	-
Transfers to component units	(1,914,292)	(1,953,292)	(1,914,288)	39,004
Proceeds from sale of capital assets	100,000	39,864	143,974	104,110
Total other financing sources (uses)	(7,219,740)	(6,733,537)	(5,018,672)	1,714,865
Net change in fund balances	-	(2,958,545)	5,889,723	8,848,268
Fund balances, beginning of year	29,254,487	29,254,487	29,254,487	-
Fund balances, end of year	$ 29,254,487	$ 26,295,942	$ 35,144,210	$ 8,848,268

The accompanying notes are an integral part of these financial statements.

HENRY COUNTY, GEORGIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 3,875,086
Investments	11,650,068	-
Total assets	11,650,068	3,875,086
LIABILITIES		
Due to component unit	-	92,392
Due to others	-	3,782,694
Total liabilities	-	3,875,086
NET ASSETS		
Held in trust for pension benefits	$ 11,650,068	$ -

The accompanying notes are an integral part of these financial statements.

HENRY COUNTY, GEORGIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Pension Trust Fund
ADDITIONS	
Contributions	$ 1,993,295
Investment earnings:	
Interest	249,534
Net increase in the fair value of investments	62,760
Total investment earnings	312,294
Total additions	2,305,589
DEDUCTIONS	
Benefits	541,630
Administrative expenses	7,110
Total deductions	548,740
Change in net assets	1,756,849
Net assets, beginning of year	9,893,219
Net assets, end of year	$ 11,650,068

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Henry County, Georgia (the "County") was created by legislative act in 1821 and operates under a Board of Commissioners/County Manager form of government, providing the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

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

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present Henry County, Georgia (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationship with the County.

Discretely Presented Component Units

Henry County Department of Public Health.
The Henry County Department of Public Health is governed by a seven-member board, of which four members are appointed by the governing authority of the County. The County approves the required local match portion of the budget requested by the Health Department which is administered by the appointed Board of the Health Department. The Henry County Department of Public Health is presented as a governmental fund type component unit.

The Henry County Department of Public Health's financial statements have been presented separately and can be obtained by writing to the Henry County Department of Public Health, 135 Henry Parkway, McDonough, Georgia 30253.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Henry County Development Authority.
The Henry County Development Authority is governed by a five-member board, of which four members are appointed by the governing authority of the County. The County approves the annual operating budget for the Henry County Development Authority. The Henry County Development Authority is presented as a governmental fund type component unit.

Separate financial statements are not prepared for the Henry County Development Authority.

Henry County Library System.
The Henry County Library System is governed by a nine-member board, of which six members are appointed by the governing authority of the County. The County approves the annual funding portion of the budget requested by the Library System which is administered by the appointed Library Board. In addition, the County provides a substantial majority of funding for the operations of the Library System, therefore, the Library is considered to be fiscally dependent on the County. The Henry County Library System is presented as a governmental fund type component unit.

The Henry County Library System's financial statements have been presented separately and can be obtained by writing to the Henry County Library System, 1001 Florence McGarity Parkway, McDonough, Georgia 30252.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Henry County Water and Sewerage Authority.
The Henry County Water and Sewerage Authority (the "Water and Sewerage Authority") was created under the Acts of the General Assembly of the State of Georgia on March 28, 1961 to provide water and related services throughout Henry County, Georgia. The Authority is governed by a Board of Commissioners which is appointed by Henry County. The Henry County Water and Sewerage Authority is presented as a proprietary fund type component unit.

Separate financial statements for the Henry County Water and Sewerage Authority may be obtained by writing to the Henry County Water and Sewerage Authority, 1695 Highway 20 West, McDonough, Georgia 30253.

Blended Component Unit

The **Henry County Governmental Finance Corporation** (the "Finance Corporation") is governed by the members of the County's Board of Commissioners. Although it is legally separate from the County, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings through capital lease arrangements. Because capital lease arrangements between a primary government and its blended component unit are not to be reported as capital leases in the financial reporting entity's financial statements, the debt and assets of the Finance Corporation are reported as a form of the County's debt and assets. All debt service activity of the Finance Corporation will be reported as debt service activity of the County.

Separate financial statements are not prepared for the Henry County Finance Corporation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County reports the following major governmental funds:

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

The ***capital projects 1996 SPLOST fund*** accounts for the revenues and expenditures relating to the 1996 one percent Special Purpose Local Option Sales Tax.

Additionally, the County reports the following fund types:

The ***pension trust fund*** accounts for the activities of the County's retirement plan which accumulates resources for pension benefit payments to qualified County employees.

The ***agency funds*** are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amounts reported as *program revenues* include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County. For purposes of the statement of cash flows, the Henry County Water and Sewerage Authority (component unit) considers all highly liquid investments (including restricted cash and customer deposits) with a maturity of three months or less when purchased to be cash equivalents.

Statutes authorize the County to invest in obligations of the United States and of its agencies and instrumentalities, bonds of the State of Georgia and its agencies, instrumentalities and political subdivisions, certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations, and Georgia Fund 1, the Local Government Investment Pool. Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines a participant's shares sold and redeemed based on $1.00 per share.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

The County's investments, and the investments of its component units are stated at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which is fair value.

E. Interfund Receivables and Payables

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

F. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

G. Restricted Assets

Certain proceeds of the Water and Sewerage Authority (component unit) revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is restricted by applicable bond covenants.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the Water and Sewerage Authority is included as part of the capitalized value of the assets constructed.

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

Asset Category	Years
Buildings and improvements	40
Machinery and equipment	3-10
Roads	50

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when the employees separate from service with the County. All vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the 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 the 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.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Use of Estimates

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

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

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $23,979,834 difference are as follows:

Capital leases payable	$	(18,277,616)
Compensated absences		(2,434,006)
Claims and judgments payable		(1,407,500)
Landfill postclosure costs		(1,683,933)
Accrued interest		(176,779)
Net adjustment to reduce *fund balance - total governmental funds to arrive at net assets - governmental activities*	$	(23,979,834)

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

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $11,304,397 difference are as follows:

Capital outlay	$ 14,929,054
Depreciation expense	(3,624,657)
Net adjustment to increase *net change in fund balances - total governmental funds to arrive at change in net assets - governmental activities*	$ 11,304,397

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

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Another element of the reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of this $16,060,344 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	$	16,169,005
In the statement of activities, only the *gain* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.		(108,661)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net assets of governmental activities*	$	16,060,344

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

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Another element of the reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this $3,289,125 difference are as follows:

Debt incurred:		
Capital lease financing	$	(221,524)
Claims and judgments payable		(82,500)
Principal repayments:		
Capital leases		3,324,482
Landfill postclosure costs		268,667
Net adjustment to increase net change in *fund balances - total governmental funds* to arrive at change in *net assets - governmental activities*	$	3,289,125

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $155,851 difference are as follows:

Compensated absences	$	(187,071)
Accrued interest		31,220
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net assets - governmental activities*	$	(155,851)

NOTE 3. LEGAL COMPLIANCE - BUDGETS

A. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the County Manager submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at the County Administration Building to obtain taxpayer comments.

3. Prior to July 1, the budget is legally enacted through passage of an ordinance.

4. Any transfers of budgeted amounts and any revisions that alter the total expenditures of any department or fund must be approved by the Commissioners. The legal level of budgetary control is the department level.

5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets were legally adopted for the General Fund, E911 Fund, Confiscated Assets Fund, Hotel/Motel Tax Fund, Law Library, Greenspace Fund, Court Fund, and Capital Assets Fund. The supplementary budgetary appropriations made were not material.

NOTE 3. LEGAL COMPLIANCE – BUDGETS (Continued)

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2003, expenditures exceed budget at the fund level, as follows:

General Fund Department	Excess
Director of administration and finance	$ 678
Jury/baliff	15,250
Director of public safety	794
Director of public works	9,827
General health	3,916
Director of human and community services	19,877

D. Deficit Fund Equity

The Debt Service Fund had a deficit fund balance of $22,316 as of June 30, 2003. This deficit will be eliminated through future transfers from other funds.

NOTE 4. CASH AND INVESTMENTS

A. Cash on Deposit

At June 30, 2003, the County's deposits were $31,307,658 and the bank balance was $32,547,160. The Water and Sewerage Authority's (component unit) deposits were $96,313,431 and the bank balance was $96,993,510. The Department of Public Health's (component unit) deposits were $1,458,173 and the bank balance was $1,501,074. The Henry County Development Authority's (component unit) deposits were $364,212 and the bank balance was $364,422. The Henry County Library System's (component unit) deposits were $864,714 and the bank balance was $946,660. The amount of cash held in bank is classified into three categories of custodial credit risk: 1) cash that is insured or collateralized with securities held by the County or by its agent in the County's name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the County's name, and 3) uncollateralized bank accounts.

The bank balance is classified as follows at June 30, 2003:

	Category			
	1	2	3	Total
Primary government	$ 28,247,719	$ 2,043,397	$ 2,256,044	$ 32,547,160
Component unit - Water and Sewerage Authority	550,135	95,359,348	1,084,027	96,993,510
Component unit - Department of Public Health	1,501,074	-	-	1,501,074
Component unit - Development Authority	364,422	-	-	364,422
Component unit - Library System	200,000	746,660	-	946,660
	$ 30,863,350	$ 98,149,405	$ 3,340,071	$ 132,352,826

NOTE 4. CASH AND INVESTMENTS (Continued)

B. Investments

Statutes authorize the County and the Water and Sewerage Authority (component unit) to invest in obligations of the United States and of its agencies and instrumentalities, bonds of the State of Georgia and its agencies, instrumentalities and political subdivisions, certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations, and Georgia Fund 1, the Local Government Investment Pool. The Pension Trust Fund is also authorized to invest in corporate bonds and debentures that are not in default as to principal and interest, corporate stock and first liens on real estate provided that all such investments do not exceed 50% of the assets of the Pension Trust Fund.

Investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 is for investments that are insured or registered or for which the securities are held by the government or its agent in the government's name. Category 2 is for uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the government's name. Category 3 is for uninsured and unregistered investments for which the securities are held by the broker or dealer, or by financial institution trust departments or agents but not in the government's name.

NOTE 4. CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

	Category				Fair
	1	2	3	Cost	Value
Primary Government:					
Mutual Funds	$ -	$ -	$ -	$ 11,650,068	$ 11,650,068
Investments in Georgia Fund 1				32,613,520	32,613,520
Total primary government				44,263,588	44,263,588
Component Units:					
U.S. Government securities	7,296,391	-	-	6,275,940	7,296,391
Investments in Georgia Fund 1				5,053,565	5,053,565
Total component units				11,329,505	12,349,956
Total reporting entity				$ 55,593,093	$ 56,613,544

The reporting of investments at fair value in accordance with GASB Statement No. 31 resulted in an unrealized gain of $347,348 to be reflected as investment income in the Water and Sewerage Authority.

NOTE 4. CASH AND INVESTMENTS (Continued)

C. Reconciliation of Cash and Investments

A reconciliation of cash and investments of the reporting entity shown in (A) and (B) above to the corresponding amounts shown on the statement of net assets is as follows:

Balances per statement of net assets:		**Balances per (A) and (B) above:**	
Cash - Primary government	$ 26,227,762	Cash - County	$ 31,307,658
Cash - Health Department	1,458,173	Cash - Health Department	1,458,173
Cash - Development Authority	84,212	Cash - Library System	864,714
Cash - Library System	864,714	Cash - Development Authority	364,212
Cash - Water & Sewerage Authority	1,080,169	Cash - Water and Sewerage Authority	96,313,431
Investments - Primary government	32,613,520	Investments	56,613,544
Investments - Development Authority	280,000		$ 186,921,732
Investments - Library System	23,869		
Restricted assets:			
Cash - Primary government	1,204,810		
Cash - Water & Sewerage Authority	94,974,337		
Investments - Water & Sewerage Authority	12,326,087		
Customer deposits - Water & Sewerage Authority	258,925		
Balances per statement of fiduciary net assets:			
Cash - Agency funds	3,875,086		
Investments - Pension Trust Fund	11,650,068		
	$ 186,921,732		

NOTE 5. RECEIVABLES

Receivables at June 30, 2003 for the County's individual major funds and nonmajor funds in the aggregate are as follows:

	General	Nonmajor Governmental Funds	Total
Receivables:			
Taxes	$ 2,229,272	$ 3,106,285	$ 5,335,557
Accounts	2,768,447	47,465	2,815,912
Other	456,659	-	456,659
Gross receivables	5,454,378	3,153,750	8,608,128
Less allowance for uncollectibles	1,351,297	-	1,351,297
Net total receivable	$ 4,103,081	$ 3,153,750	$ 7,256,831

The Henry County Water and Sewerage Authority had accounts receivable at June 30, 2003 of $3,663,706, which is net of an allowance for uncollectibles of $74,805.

Property taxes attached as an enforceable lien on property as of December 31, 2002. Property taxes were levied on October 30, 2002, and payable on or before December 30, 2002. The County bills and collects its own property taxes. Property taxes levied for 2002 are recorded as receivables, net of estimated uncollectibles.

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the primary government for the year ended June 30, 2003 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 8,027,329	$ 2,888,911	$ -	$ -	$ 10,916,240
Construction in progress	18,472,297	9,028,619	-	(16,265,134)	11,235,782
Total	26,499,626	11,917,530	-	(16,265,134)	22,152,022
Capital assets, being depreciated:					
Buildings and improvements	43,514,271	383,123	-	7,754,929	51,652,323
Machinery and equipment	26,223,461	2,628,401	(569,308)	8,510,205	36,792,759
Roads	-	16,169,005	-	-	16,169,005
Total	69,737,732	19,180,529	(569,308)	16,265,134	104,614,087
Less accumulated depreciation for:					
Buildings and improvements	(5,297,669)	(1,049,381)	-	-	(6,347,050)
Machinery and equipment	(17,200,342)	(2,413,586)	460,647	-	(19,153,281)
Roads	-	(161,690)	-	-	(161,690)
Total	(22,498,011)	(3,624,657)	460,647	-	(25,662,021)
Total capital assets, being depreciated, net	47,239,721	15,555,872	(108,661)	16,265,134	78,952,066
Governmental activities capital assets, net	$ 73,739,347	$ 27,473,402	$ (108,661)	$ -	$ 101,104,088

NOTE 6. CAPITAL ASSETS (Continued)

A. Primary Government (Continued)

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

Governmental activities:		
General government	$	414,436
Judicial		113,435
Public safety		1,606,867
Public works		837,900
Health and welfare		294,704
Culture and recreation		246,856
Housing and development		110,459
Total depreciation expense - governmental activities	$	3,624,657

NOTE 6. CAPITAL ASSETS (Continued)

B. Discretely Presented Component Unit – Health Department

Capital asset activity for Health Department for the year ended June 30, 2003 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	$ 106,948	$ 15,556	$ (4,625)	$ 117,879
Less accumulated depreciation for:				
Machinery and equipment	(59,267)	(22,163)	4,625	(76,805)
Total capital assets, net	$ 47,681	$ (6,607)	$ -	$ 41,074

C. Discretely Presented Component Unit – Library System

Capital asset activity for Library System for the year ended June 30, 2003 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Property and equipment	$ 250,917	$ -	$ -	$ 250,917
Less accumulated depreciation for:				
Property and equipment	(127,440)	(8,091)	-	(135,531)
Total capital assets, net	$ 123,477	$ (8,091)	$ -	$ 115,386

NOTE 6. CAPITAL ASSETS (Continued)

D. Discretely Presented Component Unit – Water & Sewerage Authority

Capital asset activity for Water & Sewerage Authority for the year ended June 30, 2003 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 27,844,944	$ 2,358,596	$ (480,750)	$ -	$ 29,722,790
Construction in progress	24,997,243	33,096,930	-	(15,639,060)	42,455,113
Total	52,842,187	35,455,526	(480,750)	(15,639,060)	72,177,903
Capital assets, being depreciated:					
Buildings	6,885,047	9,101	-	8,586	6,902,734
Improvements other than buildings	217,859,037	8,663,863	-	15,638,703	242,161,603
Machinery and equipment	4,886,072	783,754	(87,910)	(9,096)	5,572,820
Vehicles	2,351,426	381,871	(101,156)	867	2,633,008
Total	231,981,582	9,838,589	(189,066)	15,639,060	257,270,165
Less accumulated depreciation for:					
Buildings	(552,469)	(344,091)	-	134	(896,426)
Improvements other than buildings	(56,255,993)	(9,778,574)	-	(12,760)	(66,047,327)
Machinery and equipment	(3,344,502)	(755,751)	87,910	9,602	(4,002,741)
Vehicles	(1,634,991)	(453,143)	101,156	3,024	(1,983,954)
Total	(61,787,955)	(11,331,559)	189,066	-	(72,930,448)
Total capital assets, being depreciated, net	170,193,627	(1,492,970)	-	15,639,060	184,339,717
Total capital assets, net	$ 223,035,814	$ 33,962,556	$ (480,750)	$ -	$ 256,517,620

NOTE 7. OPERATING LEASES

The Henry County Library System (component unit) has committed under various leases for rental of photo copiers and the Locust Grove Library Facility. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2003 amounted to $22,900. The lease of the Locust Grove Library Facility is an annual lease which matures on July 31, 2003 and will renew automatically unless either party terminates in writing before April 30 of each year. Management intends to continue the lease of this facility. Future minimum lease payments for these leases are as follows:

Fiscal year ending June 30,	
2004	$ 21,494
2005	21,494
Total	$ 42,988

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES

Revenue Bonds:

The Water and Sewerage Authority (component unit) issues bonds where the Authority pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2003 are as follows:

Purpose	Interest Rate	Due Date	Amount
Water and Sewerage Authority	7.00%	2004	$ 73,195
Water and Sewerage Authority	3.35%-6.70%	2004	555,000
Water and Sewerage Authority	2.00%-5.00%	2011	5,125,000
Water and Sewerage Authority	2.60%-5.75%	2012	11,120,000
Water and Sewerage Authority	3.75%-6.15%	2026	45,455,000
Water and Sewerage Authority	2.00%-5.375%	2030	49,160,000
Water and Sewerage Authority	4.90%-6.00%	2030	58,190,000
			169,678,195
	Plus unamortized premium, net		1,231,012
	Less unamortized deferred charges - refunding		(2,503,789)
			$ 168,405,418

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES (Continued)

Revenue Bonds: (Continued)

The Water and Sewerage Authority's revenue bond debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest
2004	$ 2,618,195	$ 8,858,037
2005	3,135,000	8,739,404
2006	3,260,000	8,623,087
2007	3,415,000	8,494,422
2008	3,565,000	8,333,843
2009-2013	20,770,000	39,021,843
2014-2018	27,135,000	32,976,413
2019-2023	36,150,000	24,477,616
2024-2028	46,990,000	13,989,882
2029-2030	22,640,000	1,876,436
Total	$ 169,678,195	$ 155,390,983

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES (Continued)

Other Long-Term Debt:

The Water and Sewerage Authority (component unit) has incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects. These notes are as follows at June 30, 2003:

Interest Rate	Term	Due Date	Amount
2.00%	10 years	2007	$ 42,408
6.70%	16 years	2011	1,090,318
6.50%	16 years	2011	1,217,677
5.85%	20 years	2016	818,478
5.30%	20 years	2017	2,009,090
5.60%	20 years	2019	869,379
5.16%	20 years	2019	2,591,559
3.70%	20 years	2021	14,392,604
3.49%	20 years	2021	20,434,393
			$ 43,465,906

The Water and Sewerage Authority's other long-term debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest
2004	$ 1,831,108	$ 1,674,069
2005	1,937,161	1,628,358
2006	2,020,292	1,545,227
2007	2,107,252	1,458,267
2008	2,187,087	1,367,373
2009-2013	11,660,173	5,364,973
2014-2018	12,690,362	2,958,228
2019-2022	9,032,471	629,957
Total	$ 43,465,906	$ 16,626,452

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES (Continued)

Capital Leases:

The County and the Water and Sewerage Authority (component unit) have entered into lease agreements as lessee for financing the acquisition and construction of various buildings and equipment. The lease agreements qualify as capital leases for accounting purposes and have been recorded at the present values of the future minimum lease payments as of the date of their inception.

The following is an analysis of assets leased under capital leases as of June 30, 2003:

	Primary Government	Component Unit - Water & Sewerage Authority
Buildings and equipment	$ 14,188,039	$ 27,451

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES (Continued)

Capital Leases: (Continued)

The following is a schedule of future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2003:

	County	Component Unit - Water & Sewerage Authority
Fiscal year ending June 30,		
2004	$ 4,291,610	$ 5,011
2005	3,939,323	-
2006	3,248,639	-
2007	3,060,458	-
2008	3,004,131	-
2009-2013	4,798,066	-
2014-2015	370,014	-
Total minimum lease payments	22,712,241	5,011
Less amount representing interest	4,434,625	87
Present value of future minimum lease payments	$ 18,277,616	$ 4,924

Prior Year Defeasance of Debt:

The Water and Sewerage Authority has defeased certain outstanding revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2003, the outstanding amount of bonds considered defeased is $34,880,000.

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES (Continued)

Changes in Long-Term Liabilities:

The following is a summary of long-term debt activity of the primary government for the year ended June 30, 2003:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Due Within One Year
Capital lease obligations	$ 21,380,574	$ 221,524	$ 3,324,482	$ 18,277,616	$ 3,297,683
Landfill postclosure costs	1,952,600	-	268,667	1,683,933	109,000
Claims and judgments payable	1,325,000	257,500	175,000	1,407,500	-
Compensated absences	2,246,935	2,456,246	2,269,175	2,434,006	2,300,000
	$ 26,905,109	$ 2,935,270	$ 6,037,324	$ 23,803,055	$ 5,706,683

For governmental activities, landfill postclosure costs, claims and judgments, and compensated absences are generally liquidated by the General Fund.

The following is a summary of long-term debt activity of the Water and Sewerage Authority for the year ended June 30, 2003:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Due Within One Year
Capital lease obligations	$ 14,341	$ -	$ 9,417	$ 4,924	$ 4,924
Notes payable	45,086,657	-	1,620,751	43,465,906	1,831,108
Total capital leases and notes payable	45,100,998	-	1,630,168	43,470,830	1,836,032
Revenue bonds payable	144,632,310	54,285,000	29,239,115	169,678,195	2,618,195
Plus unamortized premium (discount), net	(1,349,594)	2,419,712	(160,894)	1,231,012	-
Less deferred charges on refunding	-	(2,632,260)	(128,471)	(2,503,789)	-
Total revenue bonds payable	143,282,716	54,072,452	28,949,750	168,405,418	2,618,195
Arbitrage rebate payable	-	505,127	-	505,127	-
Total long-term debt	$ 188,383,714	$ 54,577,579	$ 30,579,918	$ 212,381,375	$ 4,454,227

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2003 is as follows:

Due to/from other funds:

Funds	Due From Other Funds	Due To Other Funds
General Fund	$ 150,323	$ 1,177,553
1996 SPLOST Fund	28,174	-
Nonmajor governmental funds	1,169,100	170,044
Total governmental funds	$ 1,347,597	$ 1,347,597

These 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.

Interfund transfers:

Funds	Transfers In	Transfers Out
General Fund	$ 541,273	$ 4,289,631
Nonmajor governmental funds	6,060,939	2,312,581
Total governmental funds	$ 6,602,212	$ 6,602,212

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Due to/from primary government and component units:

Fund/Component Unit	Due From	Due To
General Fund	$ -	$ 141,317
Agency funds	-	92,392
Total primary government	-	233,709
Development Authority	141,317	-
Water & Sewerage Authority	92,392	-
Total component units	233,709	-
	$ 233,709	$ 233,709

Transfers between the primary government and component units:

Fund/Component Unit	Transfers In	Transfers Out
General Fund	$ 500,000	$ 1,914,288
Total primary government	500,000	1,914,288
Health Department	620,830	500,000
Development Authority	379,128	-
Library System	914,330	-
Total component units	1,914,288	500,000
	$ 2,414,288	$ 2,414,288

NOTE 10. RETIREMENT PLANS

Primary Government

The Henry County Matching Dollar Pension Plan (the "Plan") is a single employer defined contribution plan established by Henry County and administered by The Variable Annuity Life Insurance Company for substantially all of its full-time employees. The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the Henry County Board of Commissioners. At June 30, 2003, there were 1,252 plan members.

Employees are required to contribute 6% of their compensation to the Plan, except for employees hired before July 1994 who are not bound by this percentage. The County contributes an amount equal to 6% of each participant's compensation. Depending on the amount contributed by the employee to the deferred compensation plan, the County also contributes between 3% and 6% of the employees' base salary each month as follows:

Employee Contribution	County Contribution Additions
0%	3%
1% - 2%	4%
3%-5%	5%
6%	6%

The County's contribution for each employee is 100% vested after five years continuous service. For the fiscal year ended June 30, 2003, the County contributed $1,993,295 to the Plan. The amount contributed by employees was $2,510,314.

NOTE 10. RETIREMENT PLANS (Continued)

Health Department – Component Unit

The employees of the Health Department participate in the Georgia State Employees Retirement System, a multi-employer, defined contribution plan. The Plan is administered by the State of Georgia, and accumulated benefits and Plan assets are not determined or allocated to the individual participating governmental entities. The Georgia State Employees' Retirement System of Georgia requires ten years of continuous service to become fully vested. The total retirement contributions to the Georgia State Employees Retirement System for the year ended June 30, 2003 were $119,116 based on qualifying salaries of $1,127,884. Ten-year historical trend information and relevant actuarial information may be obtained from the Employee's Retirement System, Two Northside 75, Suite 300, Atlanta, Georgia 30318-7778 or calling 1-404-352-6400.

Library System – Component Unit

The Henry County Library System participates in the Teachers Retirement System of Georgia (TRS) retirement plan. Substantially all librarians and clerical personnel employed by regional and county libraries are covered by TRS, which is a cost-sharing multiple employer defined benefit pension plan. TRS provides service retirement, disability retirement and survivors benefits for its members in accordance with State statute. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts. Employees of the Library who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. The Library makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary.

NOTE 10. RETIREMENT PLANS (Continued)

Water and Sewerage Authority – Component Unit

The Henry County Water and Sewerage Authority IRC 401(a) Plan is a single employer defined contribution plan established by the Board of Directors of the Water and Sewerage Authority and administered by ICMA Retirement Corporation for substantially all of its full-time employees. The Water and Sewerage Authority contributes between 8% and 10% of its employees' annual base salary. The Water and Sewerage Authority's contribution for each employee is 100% vested after five years continuous service. Employees are not required to contribute to the plan. The Water and Sewerage Authority's total payroll during the year ended June 30, 2003 was $6,151,771 and covered payroll was $5,141,721. The Water and Sewerage Authority made its required contribution of $490,065 for the year ended June 30, 2003.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

The County provides postretirement health care benefits, as per the requirements of a local ordinance, for certain retirees and their dependents. Employees must complete 10 consecutive years of service, and the sum of the total years of service plus retiree's age must equal 75 or more. The County pays 80% of the premium and the employee must pay the remaining 20%. The County finances the plan on a pay-as-you-go basis. As of June 30, 2003, there were 6 retired employees who are receiving health care benefits. For the year ended June 30, 2003, the County paid $41,744 for these benefits, which was net of $9,432 if retiree contributions.

NOTE 12. HOTEL/MOTEL TAX

The County has levied a 5% hotel/motel tax. Of this percentage, 2% plus 15.71% of the remaining 3% is given to the Henry County Chamber of Commerce to be used for the promotion of tourism. For the fiscal year ended June 30, 2003, $146,483 was given to the Chamber. The remaining funds are kept by the County and used for other activities promoting tourism.

NOTE 13. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) Property and Liability Insurance Fund, and is a member of the Group Self Insurance Workers Compensation Fund (GSIWCF) for its workers compensation risks. Both IRMA and GSIWCF exist by authority of the Official Code of Georgia (OCGA), and both participate in risk sharing arrangements among Georgia county governments. The memberships allow the County to share liability, crime, workers compensation, motor vehicle and property damage risks.

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

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

Chapter 85 of Title 36 and Chapter 9 of Title 34 of the OCGA authorize Georgia counties to form interlocal management agencies. GIRMA and GSIWCF act as risk management agencies to function as unincorporated nonprofit instrumentalities of its member counties. GIRMA and GSIWCF establish and administer one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property and workers compensation losses occurring in the operation of member governments.

NOTE 13. RISK MANAGEMENT (Continued)

The County retains no amount of loss (no deductible) on its workers compensation claims, and retains the first $25,000 (in the form of a deductible) of each risk of loss in the form of a deductible for all other property and liability losses. The County files all claims with GIRMA and GSIWCF, respectively, and these instrumentalities bill the County for any risk of loss up to the deductible amounts.

The basis for estimating the liabilities for unpaid claims is an incurred but not reported calculation as established by an actuary. The County is not aware of any claims which the County is liable for the deductible amount which were outstanding and unpaid as of June 30, 2003. No provisions have been made in the financial statements for the year ended June 30, 2003 for any estimate of potential unpaid claims.

The County pays an annual premium to IRMA and GSIWCF for the above referred to coverages, and IRMA and GSIWCF are self-sustaining through member premiums. There have been no significant reductions of insurance coverages, and settlement amounts have not exceeded coverages for the current year or the three prior years.

NOTE 14. LANDFILL POSTCLOSURE CARE

Effective June 30, 1993, the Henry County Landfill was closed and no additional waste has been accepted. According to state and federal laws and regulations, the County must perform certain maintenance and monitoring functions at the site for a minimum of thirty years. As of June 30, 2003, the County has a remaining twenty-one years of monitoring. Engineering studies estimate postclosure costs of approximately $1,683,933 over the twenty-one year period. These costs are based on what it would cost to perform all postclosure care in 2003, adjusted annually for inflation. Actual costs may be higher due to changes in inflation, changes in technology, or changes in regulations. Should any problems occur during this postclosure period, the costs and time period required for the maintenance and monitoring functions may substantially increase.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Contractual commitments:

In addition to the liabilities enumerated in the balance sheet, at June 30, 2003, the County has contractual commitments on uncompleted contracts of approximately $585,425.

The Water and Sewerage Authority (component unit) has outstanding contractual commitments for construction of $26,823,647.

Litigation:

The County is involved in several pending lawsuits. The nature of the lawsuits varies considerably. Management and the County's legal counsel have determined an aggregate liability, which is reasonably possible to arise from the proceedings in the amount of $2,519,814. A total of $1,949,814 of this amount is believed by management and legal counsel to be probable. Of the $1,949,814, $542,314 relates to retainage on construction contracts and is recorded as retainage payable in the 1996 SPLOST fund. The remaining $1,407,500 is recorded as claims and judgments payable on the government-wide statement of net assets, of which $1,037,000 has been settled, but not yet paid by the County as of June 30, 2003. The County will continue to assert its position in a defense against these claims.

Grant contingencies:

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, County management believes such disallowances, if any, will not be significant.

NOTE 15. COMMITMENTS AND CONTINGENCIES (Continued)

Contract with the Hospital Authority of Henry County:

The County has entered into a contract with the Hospital Authority of Henry County (the "Hospital Authority") which obligates the County to make certain payments to the Hospital Authority in consideration of the Hospital Authority's agreement to provide hospital care to the County's indigent sick. Pursuant to an executed contract between the County and the Hospital Authority, the County is obligated to make payments, if necessary, in amounts sufficient to enable the Hospital Authority to provide for payment of the principal and interest on the Series 1992B Revenue Certificates and the Series 1997 Revenue Certificates as the same become due and payable at maturity or by proceedings for mandatory redemption, but within the current seven (7) millage limitation specified in the Georgia Hospital Authorities Law. Such payments, if deemed necessary, are to be paid to the Hospital Authority at least ten (10) days prior to each January 1 and July 1 of each year. At June 30, 2003, the total amount outstanding under these revenue certificates amounted to $61,140,818.

NOTE 16. JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the ten county Atlanta region, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. During its year ended June 30, 2003, the County paid $129,445 in such dues. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional development commissions in Georgia.

The ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a regional development commission. Separate financial statements may be obtained from:

Atlanta Regional Commission
40 Courtland Street, N.E.
Atlanta, Georgia 30303

NOTE 17. CHANGE IN REPORTING ENTITY

For the fiscal year ended June 30, 2003, the County's financial statements include the following new funds: Technology Fund, Juvenile Assistance Fund, Debt Service Fund, and 2002 SPLOST Fund.

NOTE 18. SUBSEQUENT EVENTS

Primary Government

Subsequent to the year ended June 30, 2003, the County adopted a new defined benefit pension plan for its employees. The plan is affiliated with the Association County Commissioners of Georgia Defined Benefit Plan, an agent multiple-employer pension plan administered by GEBCorp. The provisions of the plan as well as the required supplementary and trend information will be included in the June 30, 2004 financial statements.

Water and Sewerage Authority – Component Unit

Subsequent to June 30, 2003, the Water and Sewerage Authority issued revenue bonds in the amount of $8,410,000 for the purpose of refunding a portion of currently outstanding revenue bonds.

On July 1, 2003, the Water and Sewerage Authority entered into a financing arrangement with the Georgia Environmental Facilities Authority to borrow $20,000,000 for the construction of a water treatment facility.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Court Fund - This fund is used to account for revenues received from the various courts in the County which are reserved for specific uses.

E-911 - This fund is used to account for the County's emergency communications operations by providing an open channel between citizens and public safety providers.

Confiscated Assets - This fund is used to account for cash received either as a result of a cash confiscation or cash received from a sale of capital assets acquired from a drug raid.

Hotel/Motel Tax - This fund is used to account for funds collected from the hotel/motel tax and disbursed to other agencies.

Law Library Fund - This fund is used to account for the resources received from the various courts of Henry County and disbursements for the support of a centralized law library.

Greenspace Fund - This fund is used to account for the revenues received from the State of Georgia for the Greenspace Project.

Technology Fund - This fund is used to account for fees collected by the State Court which are to be used to provide for the technological needs of the court.

Juvenile Assistance Fund - This fund is used to account for fees collected by the Juvenile Court which are to be used for mediation costs and other ancillary services on behalf of juveniles under the court's supervision.

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Fund

Debt Service Fund - This fund is used to account for the accumulation of resources for payment of the County's long-term debt.

Capital Projects Funds

2002 SPLOST Fund – This fund is used to account for the revenue and expenditures relating to the 2002 one percent Special Purpose Local Option Sales Tax.

Capital Assets Fund - This fund is used to account for the financial resources to be used to purchase or construct major capital facilities other than those accounted for in specific funds.

HENRY COUNTY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003

	Special Revenue							
ASSETS	**Court Fund**	**E-911**	**Confiscated Assets**	**Hotel/Motel Tax**	**Law Library**	**Greenspace**	**Technology Fund**	**Juvenile Assistance**
Cash and cash equivalents	$ 808,004	$ 899,120	$ 1,824,573	$ -	$ 237,039	$ 574,030	$ 95,586	$ 196,438
Investments	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	28,203	-	-	-	47,465
Due from other governments	4,395	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Total assets	$ 812,399	$ 899,120	$ 1,824,573	$ 28,203	$ 237,039	$ 574,030	$ 95,586	$ 243,903
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	$ -	$ 18,732	$ 86,796	$ 14,205	$ -	$ -	$ 5,623	$ -
Accrued liabilities	-	29,568	-	-	-	-	-	-
Due to other funds	10,679	107,913	14,388	13,998	-	750	-	-
Deferred revenue	-	-	-	-	-	539,075	-	-
Total liabilities	10,679	156,213	101,184	28,203	-	539,825	5,623	-
FUND BALANCES								
Reserved for encumbrances	-	259	-	-	-	-	-	-
Reserved for drug abuse treatment	618,130	-	-	-	-	-	-	-
Reserved for juvenile assistance	6,339	-	-	-	-	-	-	-
Reserved for victim witness program	165,897	-	-	-	-	-	-	-
Reserved for wireless communications	-	899,120	-	-	-	-	-	-
Unreserved	11,354	(156,472)	1,723,389	-	237,039	34,205	89,963	243,903
Total fund balances (deficits)	801,720	742,907	1,723,389	-	237,039	34,205	89,963	243,903
Total liabilities and fund balances	$ 812,399	$ 899,120	$ 1,824,573	$ 28,203	$ 237,039	$ 574,030	$ 95,586	$ 243,903

(Continued)

HENRY COUNTY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003

ASSETS	Debt Service	Capital Projects: 2002 SPLOST Fund	Capital Projects: Capital Assets Fund	Total
Cash and cash equivalents	$ -	$ 242,816	$ -	$ 4,877,606
Investments	-	786,062	3,036,227	3,822,289
Accounts receivable	-	3,078,082	-	3,153,750
Due from other governments	-	-	-	4,395
Due from other funds	-	-	1,169,100	1,169,100
Restricted cash and cash equivalents	-	-	1,204,810	1,204,810
Total assets	$ -	$ 4,106,960	$ 5,410,137	$ 14,231,950
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ 615,616	$ 177,597	$ 918,569
Accrued liabilities	-	7,679	-	37,247
Due to other funds	22,316	-	-	170,044
Deferred revenue	-	-	-	539,075
Total liabilities	22,316	623,295	177,597	1,664,935
FUND BALANCES				
Reserved for encumbrances	-	-	-	259
Reserved for drug abuse treatment	-	-	-	618,130
Reserved for juvenile assistance	-	-	-	6,339
Reserved for victim witness program	-	-	-	165,897
Reserved for wireless communications	-	-	-	899,120
Unreserved	(22,316)	3,483,665	5,232,540	10,877,270
Total fund balances (deficits)	(22,316)	3,483,665	5,232,540	12,567,015
Total liabilities and fund balances	$ -	$ 4,106,960	$ 5,410,137	$ 14,231,950

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Special Revenue							
	Court Fund	E-911	Confiscated Assets	Hotel/Motel Tax	Law Library	Greenspace	Technology Fund	Juvenile Assistance
Revenues								
Taxes	$ -	$ -	$ -	$ 297,011	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-	-	785,451	-	-
Charges for services	-	2,062,587	-	-	-	-	-	105,552
Fines and forfeitures	294,193	-	448,828	-	105,795	-	115,250	-
Investment income	12,740	11,267	18,433	-	150	18,087	-	252
Miscellaneous income	-	-	-	-	-	-	-	440
Total revenues	306,933	2,073,854	467,261	297,011	105,945	803,538	115,250	106,244
Expenditures								
Current:								
General government	-	-	-	-	-	785,451	-	-
Judicial	5,900	-	-	-	118,088	-	25,287	-
Public safety	-	2,029,952	234,110	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	23,278
Culture and recreation	-	-	-	-	-	-	-	-
Housing and development	-	-	-	146,483	-	-	-	-
Debt Service:	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	5,900	2,029,952	234,110	146,483	118,088	785,451	25,287	23,278
Excess (deficiency) of revenues over (under) expenditures	301,033	43,902	233,151	150,528	(12,143)	18,087	89,963	82,966
Other financing sources (uses)								
Transfers in	-	1,444,345	-	-	-	-	-	160,937
Transfers out	(421,367)	(1,488,247)	-	(150,528)	-	-	-	-
Proceeds from sale of capital assets	-	-	81,895	-	-	-	-	-
Total other financing sources (uses)	(421,367)	(43,902)	81,895	(150,528)	-	-	-	160,937
Net change in fund balances	(120,334)	-	315,046	-	(12,143)	18,087	89,963	243,903
Fund balances, beginning of year	922,054	742,907	1,408,343	-	249,182	16,118	-	-
Fund balances (deficit), end of year	$ 801,720	$ 742,907	$ 1,723,389	$ -	$ 237,039	$ 34,205	$ 89,963	$ 243,903

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Debt Service	Capital Projects 2002 SPLOST Fund	Capital Projects Capital Assets Fund	Total
Revenues				
Taxes	$ -	$ 4,364,144	$ -	$ 4,661,155
Intergovernmental	-	-	-	785,451
Charges for services	-	-	-	2,168,139
Fines and forfeitures	-	-	-	964,066
Investment income	-	28	21,865	82,822
Miscellaneous income	-	77,162	-	77,602
Total revenues	-	4,441,334	21,865	8,739,235
Expenditures				
Current:				
General government	-	957,669	-	1,743,120
Judicial	-	-	106,488	255,763
Public safety	-	-	977,710	3,241,772
Health and welfare	-	-	720,000	743,278
Culture and recreation	-	-	36,086	36,086
Housing and development	-	-	-	146,483
Debt Service:				
Principal	3,318,561	-	-	3,318,561
Interest	1,159,412	-	-	1,159,412
Total expenditures	4,477,973	957,669	1,840,284	10,644,475
Excess (deficiency) of revenues over (under) expenditures	(4,477,973)	3,483,665	(1,818,419)	(1,905,240)
Other financing sources (uses)				
Transfers in	4,455,657	-	-	6,060,939
Transfers out	-	-	(252,439)	(2,312,581)
Proceeds from sale of capital assets	-	-	-	81,895
Total other financing sources (uses)	4,455,657	-	(252,439)	3,830,253
Net change in fund balances	(22,316)	3,483,665	(2,070,858)	1,925,013
Fund balances, beginning of year	-	-	7,303,398	10,642,002
Fund balances (deficit), end of year	$ (22,316)	$ 3,483,665	$ 5,232,540	$ 12,567,015

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 1996 ISSUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Building Projects:					
Libraries	$ 3,000,000	$ 3,000,000	$ 2,845,465	$ 12,127	$ 2,857,592
Recreation	8,000,000	9,426,315	8,031,453	1,166,067	9,197,520
Courthouse expansion/renovation	4,500,000	7,304,779	5,539,054	2,473,790	8,012,844
Courthouse parking	1,850,000	3,550,000	1,901,910	1,128,253	3,030,163
Senior citizens center	3,780,000	4,678,259	4,370,324	154,961	4,525,285
Developmentally disabled training center	500,000	529,528	529,528	-	529,528
Jail pod	2,650,000	3,800,000	3,824,798	-	3,824,798
Two fire stations	700,000	1,220,011	1,210,271	-	1,210,271
Performing arts center	1,000,000	1,000,000	1,000,000	-	1,000,000
Program management	-	701,806	705,026	-	705,026
	25,980,000	35,210,698	29,957,829	4,935,198	34,893,027
Road Improvements:					
Right-of-way acquisition - Hampton / Locust Grove road	1,000,000	554,068	528,147	18,390	546,537
Resurfacing	2,172,000	2,172,004	2,172,004	17,767	2,189,771
Cities/Fairview projects	2,500,000	2,500,000	2,078,738	233,970	2,312,708
Dirt road paving	6,168,600	11,563,655	9,638,267	421,999	10,060,266
Major construction projects	22,179,400	17,821,289	10,235,731	1,637,971	11,873,702
Program management	-	963,532	950,903	22,801	973,704
	34,020,000	35,574,548	25,603,790	2,352,898	27,956,688
Contingency	-	6,000,000	39,123	-	39,123
Total	$ 60,000,000	$ 76,785,246	$ 55,600,742	$ 7,288,096	$ 62,888,838

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2002 ISSUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Senior citizens center	$ 2,200,000	$ 2,200,000	$ -	$ -	$ -
Stockbridge tag office and land acquisition	400,000	400,000	-	-	-
Court annex/judicial annex building	7,300,000	7,300,000	-	-	-
Community center(s) for family and youth activities	5,000,000	5,000,000	-	-	-
Library facilities	5,700,000	5,700,000	-	-	-
Animal shelter	1,000,000	1,000,000	-	-	-
Fire stations	2,200,000	2,200,000	-	-	-
Park and recreational facilities	12,000,000	12,000,000	-	-	-
Roads, streets, curbs, bike paths, gutters, sidewalks and bridges	85,016,659	85,016,659	-	-	-
City of Hampton	3,011,785	3,011,785	-	137,034	137,034
City of Locust Grove	1,822,417	1,822,417	-	82,919	82,919
City of McDonough	6,637,436	6,637,436	-	301,999	301,999
City of Stockbridge	7,711,703	7,711,703	-	350,877	350,877
Program management	-	-	-	84,840	84,840
	$ 140,000,000	$ 140,000,000	$ -	$ 957,669	$ 957,669

AGENCY FUNDS

Tax Commissioner - This fund is used to account for all real, personal and intangible taxes collected and forwarded to the County and other government units.

Sheriff - This fund is used to account for the collection of fines and bond forfeitures and the subsequent remittance to the applicable parties.

The following agency funds are used to account for fines, fees and other moneys collected by the courts and remitted to other parties in accordance with court orders and state law: **Clerk of Superior Court, Probate Court, Magistrate Court, State Court, and Juvenile Court.**

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2003

ASSETS	Tax Commissioner	Clerk of Superior Court	Probate Court	Magistrate Court	Sheriff	State Court	Juvenile Court	Total
Cash and cash equivalents	$ 644,134	$ 1,952,440	$ 46,795	$ 101,635	$ 428,941	$ 669,880	$ 31,261	$ 3,875,086
LIABILITIES								
Due to component unit	$ 50,756	$ 41,636	$ -	$ -	$ -	$ -	$ -	$ 92,392
Due to others	593,378	1,910,804	46,795	101,635	428,941	669,880	31,261	3,782,694
Total liabilities	$ 644,134	$ 1,952,440	$ 46,795	$ 101,635	$ 428,941	$ 669,880	$ 31,261	$ 3,875,086

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
TAX COMMISSIONER				
ASSETS				
Cash and cash equivalents	$ 939,927	$ 98,371,775	$ 98,667,568	$ 644,134
LIABILITIES				
Due to component unit	$ 88,368	$ 8,470,149	$ 8,507,761	$ 50,756
Due to others	851,559	89,901,626	90,159,807	593,378
	$ 939,927	$ 98,371,775	$ 98,667,568	$ 644,134
CLERK OF SUPERIOR COURT				
ASSETS				
Cash and cash equivalents	$ 2,658,522	$ 11,520,908	$ 12,226,990	$ 1,952,440
LIABILITIES				
Due to component unit	$ 24,748	$ 402,346	$ 385,458	$ 41,636
Due to others	2,633,774	11,118,562	11,841,532	1,910,804
	$ 2,658,522	$ 11,520,908	$ 12,226,990	$ 1,952,440

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
PROBATE COURT				
ASSETS				
Cash and cash equivalents	$ 129,965	$ 204,934	$ 288,104	$ 46,795
LIABILITIES				
Due to others	$ 129,965	$ 204,934	$ 288,104	$ 46,795
MAGISTRATE COURT				
ASSETS				
Cash and cash equivalents	$ 98,086	$ 546,984	$ 543,435	$ 101,635
LIABILITIES				
Due to others	$ 98,086	$ 546,984	$ 543,435	$ 101,635
SHERIFF				
ASSETS				
Cash and cash equivalents	$ 517,302	$ 1,375,319	$ 1,463,680	$ 428,941
LIABILITIES				
Due to others	$ 517,302	$ 1,375,319	$ 1,463,680	$ 428,941

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
STATE COURT				
ASSETS				
Cash and cash equivalents	$ 647,458	$ 2,168,923	$ 2,146,501	$ 669,880
LIABILITIES				
Due to others	$ 647,458	$ 2,168,923	$ 2,146,501	$ 669,880
JUVENILE COURT				
ASSETS				
Cash and cash equivalents	$ -	$ 47,002	$ 15,741	$ 31,261
LIABILITIES				
Due to others	$ -	$ 47,002	$ 15,741	$ 31,261
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 4,991,260	$ 114,235,845	$ 115,352,019	$ 3,875,086
LIABILITIES				
Due to component unit	$ 113,116	$ 8,872,495	$ 8,893,219	$ 92,392
Due to others	4,878,144	105,363,350	106,458,800	3,782,694
	$ 4,991,260	$ 114,235,845	$ 115,352,019	$ 3,875,086

COMPONENT UNIT – DEVELOPMENT AUTHORITY

HENRY COUNTY, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
JUNE 30, 2003

ASSETS	
Cash and cash equivalents	$ 84,212
Investments	280,000
Due from primary government	141,317
Total assets	$ 505,529
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 9,006
Total liabilities	9,006
FUND BALANCE	
Unreserved, undesignated	496,523
Total fund balance	496,523
Total liabilities and fund balance	$ 505,529

HENRY COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Revenues	
Charges for services	$ 75,733
Interest income	11,751
Total revenues	87,484
Expenditures	
Housing and development	281,790
Total expenditures	281,790
Deficiency of revenues under expenditures	(194,306)
Other financing sources	
Transfers in from primary government	379,128
Total other financing sources	379,128
Net change in fund balance	184,822
Fund balance, beginning of year	311,701
Fund balance, end of year	$ 496,523

COMPLIANCE SECTION

Mauldin & Jenkins

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS, LLC

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

To the Board of Commissioners
of Henry County, Georgia
McDonough, Georgia

We have audited the financial statements of Henry County, Georgia as of and for the year ended June 30, 2003, and have issued our report thereon dated November 18, 2003. We did not audit the financial statements of the Henry County Department of Public Health or the Henry County Library System. Those financial statements were audited by other auditors whose reports have been furnished to us. 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.

Compliance

As part of obtaining reasonable assurance about whether Henry County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 03-1 and 03-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henry County Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Henry County, Georgia's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 03-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the management and Board of Commissioners of Henry County, Georgia, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
November 18, 2003

Mauldin & Jenkins

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of Henry County, Georgia
McDonough, Georgia

Compliance

We have audited the compliance of Henry County, Georgia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Henry County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Henry County, Georgia's management. Our responsibility is to express an opinion on Henry County, Georgia's compliance based on our audit.

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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henry County, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Henry County, Georgia's compliance with those requirements.

In our opinion, Henry County, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 03-4 and 03-5.

Internal Control Over Compliance

The management of Henry County, Georgia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Henry County, Georgia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management and Board of Commissioners of Henry County, Georgia and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
November 18, 2003

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Grant Program	CFDA #	Grant I. D.	Expenditures
FEDERAL AWARD PROGRAMS			
U.S. Department of Health and Human Services			
Pass Through Program - Georgia Department of Human Resources			
Community Care Services Program - Title III Funds	93.044	N/A	$ 187,824
USDA Meals	93.045	N/A	36,504
Temporary Assistance for Needy Families	93.558	427-57-45251	28,530
Community Services Block Grant	93.569	427-93-25887	5,300
Community Services Block Grant	93.569	427-93-35746	65,891
Community Services Block Grant	93.569	427-93-35229	34,796
			105,987
Social Services Block Grant	93.667	427-57-45271	60,000
Social Services Block Grant	93.667	427-57-45232	64,000
			124,000
Total U.S. Department of Health and Human Services			482,845
U.S. Department of Justice			
Office of Justice Programs			
Juvenile Justice and Delinquency Prevention	16.523	01B-ST-0001	3,200
Juvenile Justice and Delinquency Prevention	16.523	02B-ST-0002	12,260
Juvenile Justice and Delinquency Prevention	16.523	01B-ST-0004	3,727
			19,187
Juvenile Justice and Delinquency Prevention	16.540	01J-12-0104-0017	19,086
Juvenile Justice and Delinquency Prevention	16.540	01J-12-0104-0003	5,699
Juvenile Justice and Delinquency Prevention	16.540	01B-FM-0009	6,778
			31,563

(Continued)

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Grant Program	CFDA #	Grant I. D.	Expenditures
FEDERAL AWARD PROGRAMS (Continued)			
U.S. Department of Justice (Continued)			
Office of Justice Programs (Continued)			
Juvenile Justice and Delinquency Prevention	16.548	00P-12-0002-0008	$ 52,436
Juvenile Justice and Delinquency Prevention	16.548	01P-12-0101-0015	44,715
			97,151
Solicitor's Victim Witness Assistance Program	16.575	C00-8-058	10,661
Solicitor's Victim Witness Assistance Program	16.575	C00-8-054	22,620
District Attorney's Office Solicitor's Victim Witness Assistance Program	16.575	C00-8-132	10,930
District Attorney's Office Solicitor's Victim Witness Assistance Program	16.575	C02-8-027	21,038
			65,249
Local Law Enforcement Block Grant	16.592	2002-LB-BX-0601	41,923
Bulletproof Vest Program	16.607	2001BUBX01004767	1,707
COPS More	16.710	2001CMWX0114	212,690
Total U.S. Department of Justice			469,470

(Continued)

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Grant Program	CFDA #	Grant I. D.	Expenditures
FEDERAL AWARD PROGRAMS (Continued)			
U.S. Department of Transportation			
Pass Through Program- Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	164-AL-03-205	$ 129,120
Pass Through Program- Georgia Department of Human Resources			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	N/A	74,630
Pass Through Program- Georgia Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509	MTG00-0114-00-015	64,080
Total U.S. Department of Transportation			267,830
Federal Emergency Management Agency			
Assistance to Firefighters	83.544	EMW-2003-FG-04019	101,185
Total Federal Emergency Management Agency			101,185
U.S. Department of Education			
Pass Through Program- Georgia Department of Human Resources			
Rehabilitation Services	84.126	N/A	6,417
Total U.S. Department of Education			6,417
Total Federal Awards			$ 1,327,747

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

HENRY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Henry County, Georgia.

2. One reportable condition relating to the audit of the financial statements is reported in the Report on Compliance and on Internal Control Over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and is included in the Schedule of Findings and Questioned Costs as item 03-3.

3. Two instances of noncompliance relating to the audit of the financial statements of Henry County, Georgia are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards, and are included in the Schedule of Findings and Questioned Costs as items 03-1 and 03-2.

4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirement Applicable to Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditor's report on compliance for the major federal award programs for Henry County, Georgia expresses an unqualified opinion.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule as items 03-4 and 03-5 under section C – Findings and Questioned Costs – Major Federal Award Programs Audit.

7. The programs tested as major programs included: U.S. Department of Transportation, State and Community Highway Safety, CFDA# 20.600 and U.S. Department of Justice, COPS More Grant, CFDA# 16.710.

8. The threshold for distinguishing Type A and B programs was $300,000.

9. Henry County, Georgia was determined to be a low-risk auditee.

HENRY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

03-1 Adoption of budgets (Repeat finding)

Condition: For the fiscal year ending June 30, 2003, no budget was adopted for the following funds in accordance with the Official Code of Georgia (OCGA) Sections 36-81-2 through 36-81-6: Technology Fund, Juvenile Assistance Fund, Debt Service Fund and the 2002 SPLOST Fund.

Criteria: House Bill 1364 of the 1998 session of the Georgia General Assembly requires an annual balanced budget for the general fund, each special revenue fund, and each debt service fund and requires a project length balanced budget for each capital projects fund.

Recommendation: The County should adopt a balanced budget for each fund as required by the OCGA.

03-2 Emergency 911 telephone system

Condition: For the fiscal year ending June 30, 2003, thirty cents of the monthly wireless-enhanced emergency 911 charges was not deposited into a separate restricted reserve account and the County did not have a separate restricted reserve account in accordance with the Official Code of Georgia (OCGA) Section 46-5-134.

Criteria: The Official Code of Georgia (OCGA) Section 46-5-134 requires that all emergency 911 charges be deposited into a separate restricted revenue fund known as the Emergency Telephone System Fund and thirty cents of the monthly wireless-enhanced emergency 911 charges be deposited into a separate restricted reserve account.

Recommendation: The County should set up a separate restricted reserve account and begin placing thirty cents of the monthly wireless-enhanced charges into this account.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

03-3 Maintenance of records for agency fund accounts

Condition: During our audit of the various elected officials as of June 30, 2003, we noted the detail listings of amounts payable to (or on behalf of) various parties were not being reconciled to the respective recorded cash balances. This situation was observed on certain amounts maintained at the following elected officials' offices: the Tax Commissioner, the Clerk of Superior Court, the Probate Court, the Juvenile Court, the Magistrate Court, and the State Court.

Criteria: Agency funds are used to account for resources held by the County in a purely custodial capacity, which means that all funds held are owed to other governments, organizations, or individuals. Due to the nature of these funds, it is important that adequate records be maintained to account for receipts, disbursements, and any residual funds that are held to be paid at a later date. Such listings should be reconciled to the respective cash balances maintained.

Recommendation: The County should maintain adequate records including detailed listings to support the balances held in the agency funds.

HENRY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

03-4. Draw down of funds before spending (U.S. Department of Justice, COPS More Grant, CFDA# 16.710)

Condition: For the fiscal year ending June 30, 2003, the County drew down funds on this grant more than six (6) months prior to spending the funds.

Criteria: According to the grant agreement, this grant is to operate on a reimbursement basis, which means the County must spend the money before requesting reimbursement. The grant does allow draw downs prior to spending the money in cases where the grant recipient does not have cash on hand to pay for expenses relating to a grant project, however the recipient is allowed a maximum of ten (10) days to spend the money once it is drawn down.

Recommendation: The County should draw down and spend grant money within the time limits imposed by the grantor agency.

03-5. Failure to request extensions in a timely manner (U.S. Department of Justice, COPS More Grant, CFDA# 16.710)

Condition: For the fiscal year ending June 30, 2003, the County did not file an extension request until five (5) months after the deadline for filing an extension and two (2) months after the end of the grant period.

Criteria: According to the grant agreement, an extension for additional time must be filed at least ninety (90) days prior to the end of the grant period in order to prevent loss of funding.

Recommendation: The County should complete and file extension requests within the time requirements given in the grant agreement.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.

Mauldin & Jenkins

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS, LLC

INDEPENDENT ACCOUNTANT'S REPORT ON LOCAL ASSISTANCE GRANTS

To the Board of Commissioners
of Henry County, Georgia
McDonough, Georgia

We have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about Henry County, Georgia's compliance during the fiscal year ended June 30, 2003 with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for Local Assistance Grants #00-C-L-206, #03-C-L-759, and #03-C-L-760. Management is responsible for Henry County, Georgia's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about Henry County, Georgia's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting Henry County, Georgia's compliance with the above mentioned requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Henry County, Georgia's compliance with the specified requirement.

In our opinion, management's assertion that Henry County, Georgia complied with the aforementioned requirement for the fiscal year ended June 30, 2003 is fairly stated, in all material respects.

This report is intended solely for the information and use of Henry County, Georgia Board of Commissioners and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
November 18, 2003

STATE OF GEORGIA GRANT CERTIFICATION FORM

A	Local Government	**Henry County, Georgia**
B	Information for Year Ended	**June 30, 2003**
C	State Awarding Agency	**Georgia Dept of Community Affairs**
D	Grant Identification Number	**00-C-L-206**
E	Grant Title	**Local Assistance Grant**
F	Grant Award Date	**July 23, 1999**
G	Grant Amount	**$10,000**
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	**$2,500**
I	Grant Receipts or Revenue Recognized	**$0**
J	Grant Disbursements or Expenditures	**$0**
K	Balance - Current Year (Cash or Accrued or Deferred Revenue) (Line H + Line I - Line J)	**$2,500**

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made. I understand that failure to comply with the provisions of the law applicable to this grant award shall result in a forfeiture of such grant and the return to the state of any such grant funds received.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____

STATE OF GEORGIA GRANT CERTIFICATION FORM

A	Local Government	**Henry County, Georgia**
B	Information for Year Ended	**June 30, 2003**
C	State Awarding Agency	**Georgia Dept of Community Affairs**
D	Grant Identification Number	**03-C-L-759**
E	Grant Title	**Local Assistance Grant**
F	Grant Award Date	**July 1, 2002**
G	Grant Amount	**$10,000**
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	**$0**
I	Grant Receipts or Revenue Recognized	**$10,000**
J	Grant Disbursements or Expenditures	**$10,000**
K	Balance - Current Year (Cash or Accrued or Deferred Revenue) (Line H + Line I - Line J)	**$0**

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made. I understand that failure to comply with the provisions of the law applicable to this grant award shall result in a forfeiture of such grant and the return to the state of any such grant funds received.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____

STATE OF GEORGIA GRANT CERTIFICATION FORM

A	Local Government	**Henry County, Georgia**
B	Information for Year Ended	**June 30, 2003**
C	State Awarding Agency	**Georgia Dept of Community Affairs**
D	Grant Identification Number	**03-C-L-760**
E	Grant Title	**Local Assistance Grant**
F	Grant Award Date	**July 1, 2002**
G	Grant Amount	**$7,500**
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	**$0**
I	Grant Receipts or Revenue Recognized	**$7,500**
J	Grant Disbursements or Expenditures	**$7,500**
K	Balance - Current Year (Cash or Accrued or Deferred Revenue) (Line H + Line I - Line J)	**$0**

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made. I understand that failure to comply with the provisions of the law applicable to this grant award shall result in a forfeiture of such grant and the return to the state of any such grant funds received.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____