HENRY COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

INTRODUCTORY SECTION

HENRY COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	Page Number
INTRODUCTORY SECTION	
Table of Contents	i - ii
FINANCIAL SECTION	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12 and 13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15 and 16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17 and 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
General Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual	20 - 23
E911 Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual	24
Statement of Fiduciary Net Assets – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	26
Notes to Financial Statements	27 - 73

HENRY COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

Page Number

FINANCIAL SECTION (Continued)

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Non-major Governmental Funds ..... 74 and 75

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds ..... 76 and 77

Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds – 1996 Issue 78

Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds – 2002 Issue 79

Combining Statement of Assets and Liabilities – Agency Funds 80

Combining Statement of Changes in Assets and Liabilities – Agency Funds ..... 81 - 83

Balance Sheet – Component Unit – Development Authority 84

Statement of Revenues, Expenditures and Changes in Fund Balance – Component Unit – Development Authority 85

COMPLIANCE SECTION

Independent Auditor's Report Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 86 and 87

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 ..... 88 - 90

Schedule of Expenditures of Federal Awards ..... 91 - 93

Schedule of Findings and Questioned Costs ..... 94 - 98

Independent Accountant's Report on Local Assistance Grants 99

State of Georgia Grant Certification Form 100

FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, 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, 2004, 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 $1,539,675 and $1,782,046, respectively, as of June 30, 2004, and total revenues of $1,873,611 and $1,417,472, 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, 2004, and the respective changes in financial position, and the respective budgetary comparisons for the General Fund and E911 Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2004 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (on pages 4 through 11) 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise Henry County, Georgia's basic financial statements. The combining and individual non-major fund financial statements 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 schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and are not a required part of the basic financial statements. 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 non-major fund financial statements and schedules, the schedules of expenditures of special purpose local option sales tax proceeds, 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
October 29, 2004

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, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the financial statements, and the notes to the financial statements.

Financial Highlights

- The assets of Henry County exceeded its liabilities at June 30, 2004 by $190,937,184 (net assets). Of this amount, $76,290,806 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors,
- At June 30, 2004, the County's General Fund reported an unreserved fund balance of $35,666,924, an increase of $1,074,388 or 3.11 percent from the last fiscal year.
- The 2002 Special Purpose Local Option Sales Tax (SPLOST) generated collections of $22,005,408 during fiscal year 2004. Henry County also issued $25,000,000 in general obligation bonds to kick-start the construction of Capital Projects for the SPLOST program.

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 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, Juvenile Assistance and Stormwater Fund); Capital Projects (Capital Assets Fund, 1996 SPLOST Fund, 2002 SPLOST Fund, Lease Purchase Fund and Impact Fee 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, Emergency 911 Fund, 1996 SPLOST Fund, 2002 SPLOST Fund, and Lease Purchase 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 non-major 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. Budgetary comparison statements have been provided for the General Fund and Emergency 911 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 non-major 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 $190,937,184 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (59 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	
	2004	2003
Current and other assets	$ 116,405,398	$ 70,354,718
Capital assets	133,586,927	101,104,088
Total assets	249,992,325	171,458,806
Long-term liabilites outstanding	51,990,389	23,803,005
Other liabilities	7,064,752	5,533,128
Total liabilities	59,055,141	29,336,133
Net assets:		
Invested in capital assets, net of related debt	112,296,985	82,826,472
Restricted	2,349,393	1,746,053
Unrestricted	76,290,806	57,550,098
Total net assets	$ 190,937,184	$ 142,122,623

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 ($76,290,806) 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.

Governmental Activities. Governmental activities increased the County's net assets by $48,814,560. Key elements of this increase are as follows:

Henry County's Changes in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program revenues:		
Charges for services	$ 23,781,786	$ 18,704,055
Operating grants and contributions	27,546,928	1,890,469
Capital grants and contributions	117,028	17,367,894
General revenues:		
Property taxes	51,712,735	45,815,388
Sales taxes	36,427,415	17,506,364
Other taxes	5,877,251	5,561,510
Unrestricted investment earnings	740,368	788,508
Payment from component unit	-	500,000
Gain on sale of capital assets	-	117,208
Total revenues	146,203,511	108,251,396
Expenses		
General government	17,626,726	11,375,134
Judicial	8,222,833	7,573,299
Public Safety	40,953,308	37,779,229
Public Works	9,549,431	6,643,292
Health and welfare	10,177,388	4,132,763
Culture and recreation	4,314,957	2,999,099
Housing and development	5,303,949	4,224,962
Interest on long-term debt	1,240,359	1,139,695
Total expenses	97,388,951	75,867,473
Increase in net assets	48,814,560	32,383,923
Net assets, beginning of year	142,122,624	109,738,701
Net assets, end of year	$ 190,937,184	$ 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 $107,045,508, an increase of $43,576,498 in comparison with the prior year. Approximately 98 percent of this total amount ($104,696,115) 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 for drug abuse treatment (740,215), for wireless communications (1,199,084), for jail construction (324,682), or for various other restricted purposes ($85,412).

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 $35,666,924, while total fund balance reached $35,745,892. 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 48.59 percent of total general fund expenditures, while total fund balance represents 48.70 percent of that same amount.

The fund balance of the County's general fund increased by $601,682 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 2004 fiscal year, the 1996 SPLOST Capital Projects fund had an undesignated fund balance of $12,875,792, a decrease of $2,881,993 from the prior year. This decrease in fund balance is expected as projects are completed.

The 2002 SPLOST Capital Projects fund accounts for the financial resources provided from the 2002 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 2004 fiscal year, the 2002 SPLOST Capital Projects fund had an undesignated fund balance of $42,295,606, an increase of $38,811,941 from the prior year. The increase in fund balance was mainly due to a $25,000,000 General Obligation bond issuance and the completion of the first full year of sales tax collections. An increase in fund balance is expected during the first few years of a SPLOST collection.

In fiscal year 2004, Henry County created the Lease Purchase Fund to track lease purchases separately from any other capital projects fund. Henry County enters into lease purchase agreements for the purchase of land, equipment, vehicles, and buildings through an agreement between the Association of County Commissioners of Georgia and Wachovia Bank. During 2004, Henry County entered into 2 new lease purchases totaling $5,180,000. One lease was for the upgrade of our E-911 system, while the other lease was for the purchase of land for the creation of a county park. The year-end fund balance for the Lease Purchase Fund is $354,350.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were $1,639,040 and can be summarized as follows:

- Decrease in general government activities – ($12,378,575);
- Increase in public safety functions - $5,577,589, due mainly to an increase in personnel;
- Increase in judicial functions - $2,790,371, due mainly to the addition of a new courthouse annex;
- Increase in public works services and related capital assets - $284,843;
- Increase in health and welfare – $371,749;
- Increase in culture and recreation – $1,535,100
- Increase in housing and development - $179,883

The budget increase was to be funded by a combination of increased general fund revenues and use of fund balance. The reason for the decrease in the general government activities is funds were held in the unallocated line items until the end of the year and were then allocated among the different activities. This is also the reason for the increases in all the other activities.

Capital Asset and Debt Administration

Capital Assets. Henry County's investment in capital assets for its governmental activities as of June 30, 2004 amounts to $133,586,927 (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	
	2004	2003
Land	$ 15,363,311	$ 10,916,240
Construction in progress	13,229,278	11,235,782
Buildings and improvements	46,156,224	45,305,273
Machinery and equipment	16,029,458	17,639,478
Roads	42,808,656	16,007,315
Total	$ 133,586,927	$ 101,104,088

Governmental assets installed during the year totaled $40,006,141. Major projects consisted of the following:

- Acquisition of Park land
- Acquisition of Land for Right of Ways
- Donation of infrastructure by developers

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 had total bonded debt outstanding of $25,000,000. Of this amount, $25,000,000 comprises debt backed by the full faith and credit of the government.

Henry County's Outstanding Debt
General Obligation Bonds

	Governmental Activities	
	2004	2003
General obligation bonds	$ 25,000,000	$ -
Total	$ 25,000,000	$ -

Henry County's total debt increased by $25,000,000 (100%) during the current fiscal year. The key factor in this increase was a $25,000,000 general obligation bond issuance for Henry County's Special Purpose Local Option Sales Tax (SPLOST) program. This bond issuance will allow the County to construct capital buildings and improvements. The bonds will be paid off with proceeds from the monthly collection of SPLOST revenue.

Henry County maintains an "Aa2" issuer rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current limitation for Henry County is $464,840,185 which is significantly in excess of the Henry County's outstanding general obligation 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

- The unemployment rate for Henry County is currently 3.9%, which is an increase from a rate of 3.8% one year ago. The unemployment rate for the state of Georgia at November 1, 2004 is 4.1%.
- 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 2004 monthly collections increased by 11.42% over 2003.
- In Fiscal Year 2005, Henry County expects to receive $23,015,653 in revenues from the Special Purpose Local Option Sales Tax (SPLOST.) This money will continue to help build a new courthouse annex, an animal shelter, two new fire stations, and two new libraries, and continue to help fund the construction of new roads, paving of dirt roads, and creation of new bridges.

All of these factors were considered in preparing Henry County's budgets for the 2005 fiscal year.

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, 2004

	Primary Government	Component Units			
	Governmental Activities	Health Department	Development Authority	Library System	Water & Sewerage Authority
ASSETS					
Cash and cash equivalents	$ 32,325,826	$ 1,477,095	$ 33,706	$ 853,731	$ 533,707
Investments	44,259,816	-	280,035	24,066	-
Receivables, net of allowances for uncollectibles	8,010,699	-	-	-	4,396,564
Due from other governments	2,958,869	39,510	-	-	-
Due from primary government	-	-	10,341	-	80,915
Due from component units	1,068	-	-	-	-
Inventory	190,871	-	-	-	605,772
Prepaid items	447,025	-	-	-	685
Restricted assets:					
Cash and cash equivalents	26,946,244	-	-	-	65,061,607
Investments	-	-	-	-	13,444,381
Accrued interest	-	-	-	-	151,494
Customer deposits	-	-	-	-	384,521
Deferred charges	346,315	-	-	-	2,680,214
Capital assets, non-depreciable	28,592,589	-	-	-	119,467,365
Capital assets, depreciable (net of accumulated depreciation)	104,994,338	23,070	-	904,249	201,717,499
Other non-current assets	918,665	-	-	-	559,541
Total assets	$ 249,992,325	$ 1,539,675	$ 324,082	$ 1,782,046	$ 409,084,265

(Continued)

HENRY COUNTY, GEORGIA

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government	Component Units			
	Governmental Activities	Health Department	Development Authority	Library System	Water & Sewerage Authority
LIABILITIES					
Accounts payable	$ 3,499,644	$ -	$ 6,241	$ 33,508	$ 6,804,488
Accrued liabilities	2,229,185	-	-	-	720,051
Retainage payable	570,186	-	-	-	3,043,583
Due to other governments	202,021	39,510	-	-	-
Due to component units	10,341	-	-	-	-
Due to primary government	-	-	1,068	-	-
Deferred revenue	553,375	-	-	-	-
Payable from restricted assets:					
Customer deposits payable	-	-	-	-	381,330
Revenue bonds payable	-	-	-	-	3,150,000
Accrued interest payable	-	-	-	-	3,631,033
Non-current liabilities:					
Due within one year	6,511,659	-	-	-	2,301,756
Due in more than one year	45,478,730	108,240	-	51,536	207,242,179
Total liabilities	59,055,141	147,750	7,309	85,044	227,274,420
NET ASSETS					
Invested in capital assets, net of related debt	112,296,985	23,070	-	904,249	168,957,755
Restricted for:					
Jail construction	324,682	-	-	-	-
Drug abuse treatment	740,215	-	-	-	-
Juvenile assistance	6,398	-	-	-	-
Fire safety	58,723	-	-	-	-
Victim witness program	46	-	-	-	-
Wireless communications	1,199,084	-	-	-	-
Other uses	20,245	80,000	-	-	18,123,265
Unrestricted	76,290,806	1,288,855	316,773	792,753	(5,271,175)
Total net assets	$ 190,937,184	$ 1,391,925	$ 316,773	$ 1,697,002	$ 181,809,845

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

HENRY COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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	$ 17,626,726	$ 5,648,613	$ -	$ 44,601	$ (11,933,512)	$ -	$ -	$ -	$ -
Judicial	8,222,833	4,488,902	433,193	-	(3,300,738)	-	-	-	-
Public safety	40,953,308	5,838,803	296,506	51,327	(34,766,672)	-	-	-	-
Public works	9,549,431	756,524	25,692,327	21,100	16,920,520	-	-	-	-
Health and welfare	10,177,388	615,478	1,124,902	-	(8,437,008)	-	-	-	-
Culture and recreation	4,314,957	334,741	-	-	(3,980,216)	-	-	-	-
Housing and development	5,303,949	6,098,725	-	-	794,776	-	-	-	-
Interest on long-term debt	1,240,359	-	-	-	(1,240,359)	-	-	-	-
Total primary government	$ 97,388,951	$ 23,781,786	$ 27,546,928	$ 117,028	(45,943,209)	-	-	-	-
Component units:									
Health Department	$ 1,865,656	$ 903,006	$ 956,368	$ -	-	(6,282)	-	-	-
Development Authority	411,722	6,920	215,704	-	-	-	(189,098)	-	-
Library System	1,457,126	97,868	1,319,604	-	-	-	-	(39,654)	-
Water & Sewerage Authority	40,813,762	25,241,876	35,411	24,787,172	-	-	-	-	9,250,697
Total component units	$ 44,548,266	$ 26,249,670	$ 2,527,087	$ 24,787,172	-	(6,282)	(189,098)	(39,654)	9,250,697
General revenues:									
Property taxes					51,712,735	-	-	-	8,585,168
Sales taxes					36,427,415	-	-	-	-
Other taxes					5,877,251	-	-	-	1,387,123
Unrestricted investment earnings					740,368	14,237	9,348	-	895,804
Gain on sale of capital assets					-	-	-	-	5,395
Total general revenues					94,757,769	14,237	9,348	-	10,873,490
Change in net assets					48,814,560	7,955	(179,750)	(39,654)	20,124,187
Net assets, beginning of year					142,122,624	1,383,970	496,523	915,955	149,904,213
Prior period adjustment					-	-	-	820,701	11,781,445
Net assets, beginning of year (as restated)					142,122,624	1,383,970	496,523	1,736,656	161,685,658
Net assets, end of year					$ 190,937,184	$ 1,391,925	$ 316,773	$ 1,697,002	$ 181,809,845

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

HENRY COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

ASSETS	General	E-911 Fund	1996 SPLOST Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 5,343,476	$ 3,256,628	$ 1,550,684	$ 15,058,746	$ -	$ 7,116,292	$ 32,325,826
Investments	23,849,352	-	12,196,464	-	-	8,214,000	44,259,816
Receivables, net of allowances for uncollectibles	4,159,310	-	-	3,811,532	-	39,857	8,010,699
Due from other governments	2,940,970	-	-	-	-	17,899	2,958,869
Due from other funds	3,815,700	-	104,504	-	-	1,131,017	5,051,221
Due from component unit	1,068	-	-	-	-	-	1,068
Inventory	190,871	-	-	-	-	-	190,871
Prepaid items	447,025	-	-	-	-	-	447,025
Restricted cash	-	-	-	25,282,566	1,663,678	-	26,946,244
Total assets	$ 40,747,772	$ 3,256,628	$ 13,851,652	$ 44,152,844	$ 1,663,678	$ 16,519,065	$ 120,191,639
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 753,622	$ 150,093	$ 97,809	$ 1,385,669	$ -	$ 1,112,451	$ 3,499,644
Accrued liabilities	1,717,643	40,631	-	15,805	-	46,563	1,820,642
Retainage payable	-	-	570,186	-	-	-	570,186
Due to other governments	202,021	-	-	-	-	-	202,021
Due to other funds	823,152	1,866,820	307,865	455,764	1,309,328	288,292	5,051,221
Due to component units	10,341	-	-	-	-	-	10,341
Deferred revenue	1,495,101	-	-	-	-	496,975	1,992,076
Total liabilities	$ 5,001,880	$ 2,057,544	$ 975,860	$ 1,857,238	$ 1,309,328	$ 1,944,281	$ 13,146,131

(Continued)

HENRY COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

LIABILITIES AND FUND BALANCES (Continued)	General	E-911 Fund	1996 SPLOST Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES							
Reserved for:							
Jail construction	$ -	$ -	$ -	$ -	$ -	$ 324,682	$ 324,682
Drug abuse treatment	-	-	-	-	-	740,215	740,215
Juvenile assistance	-	-	-	-	-	6,398	6,398
Fire safety	58,723	-	-	-	-	-	58,723
Victim witness program	-	-	-	-	-	46	46
Wireless communications	-	1,199,084	-	-	-	-	1,199,084
Employee retirement benefits	1,817	-	-	-	-	-	1,817
Grants	18,428	-	-	-	-	-	18,428
Unreserved, reported in:							
General fund, undesignated	35,666,924	-	-	-	-	-	35,666,924
Special revenue funds, undesignated	-	-	-	-	-	1,808,182	1,808,182
Debt service fund, undesignated	-	-	-	-	-	1,016,842	1,016,842
Capital projects funds, undesignated	-	-	12,875,792	42,295,606	354,350	10,678,419	66,204,167
Total fund balances	35,745,892	1,199,084	12,875,792	42,295,606	354,350	14,574,784	107,045,508
Total liabilities and fund balances	$ 40,747,772	$ 3,256,628	$ 13,851,652	$ 44,152,844	$ 1,663,678	$ 16,519,065	
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.							133,586,927
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.							1,438,701
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.							(52,052,617)
Net pension asset used in governmental activities is not a financial resource and, therefore, is not reported in the funds.							918,665
Net assets of governmental activities							$ 190,937,184

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, 2004

	General	E-911 Fund	1996 SPLOST Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	$ 71,708,743	$ -	$ -	$ 22,005,408	$ -	$ 280,891	$ 93,995,042
Licenses and permits	3,621,108	-	-	-	-	3,015,990	6,637,098
Intergovernmental	1,902,477	-	-	-	-	66,036	1,968,513
Charges for services	8,912,259	2,346,156	-	-	-	5,977	11,264,392
Fines and forfeitures	3,314,362	-	-	-	-	1,208,415	4,522,777
Administrative fees	704,317	-	-	-	-	-	704,317
Investment income	405,122	11,395	148,909	123,037	14,787	37,118	740,368
Contributions	3,116	-	-	-	-	-	3,116
Miscellaneous	750,270	-	11,250	4,700	-	-	766,220
Total revenues	91,321,774	2,357,551	160,159	22,133,145	14,787	4,614,427	120,601,843
Expenditures:							
Current:							
General government	10,514,209	-	45,368	5,406,571	1,055,466	479,109	17,500,723
Judicial	7,734,633	-	67,491	626,509	-	286,174	8,714,807
Public safety	35,598,980	2,602,037	-	157,908	621,998	1,384,717	40,365,640
Public works	9,125,985	-	814,444	2,235,202	165,290	152,532	12,493,453
Health and welfare	3,098,622	-	196,611	-	59,176	6,824,008	10,178,417
Culture and recreation	3,112,448	-	960,372	617,707	3,780,000	1,080,000	9,550,527
Housing and development	4,222,623	-	-	-	-	1,088,422	5,311,045
Debt service:							
Principal retirement	-	-	-	-	-	3,621,556	3,621,556
Interest and fiscal charges	-	-	-	750	-	1,084,703	1,085,453
Issuance costs	-	-	-	365,555	-	-	365,555
Total expenditures	$ 73,407,500	$ 2,602,037	$ 2,084,286	$ 9,410,202	$ 5,681,930	$ 16,001,221	$ 109,187,176

(Continued)

HENRY COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General	E-911 Fund	1996 SPLOST Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	$ 17,914,274	$ (244,486)	$ (1,924,127)	$ 12,722,943	$ (5,667,143)	$ (11,386,794)	$ 11,414,667
Other financing sources (uses):							
Proceeds from capital lease	-	-	-	-	5,180,000	-	5,180,000
Proceeds from issuance of bonds	-	-	-	25,000,000	-	-	25,000,000
Premium on bonds	-	-	-	1,825,860	-	-	1,825,860
Transfers in	2,581,767	700,663	-	-	3,055,550	20,706,637	27,044,617
Transfers out	(19,979,534)	-	(957,866)	(736,862)	(2,214,057)	(3,156,298)	(27,044,617)
Proceeds from sale of capital assets	85,175	-	-	-	-	70,796	155,971
Total other financing sources (uses)	(17,312,592)	700,663	(957,866)	26,088,998	6,021,493	17,621,135	32,161,831
Net change in fund balances	601,682	456,177	(2,881,993)	38,811,941	354,350	6,234,341	43,576,498
Fund balances, beginning of year	35,144,210	742,907	15,757,785	3,483,665	-	8,340,443	63,469,010
Fund balances, end of year	$ 35,745,892	$ 1,199,084	$ 12,875,792	$ 42,295,606	$ 354,350	$ 14,574,784	$ 107,045,508

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	$	43,576,498
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.		8,427,522
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		24,055,317
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(90,659)
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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(27,755,443)
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.		601,325
	$	48,814,560

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

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 49,152,770	$ 51,715,945	$ 51,803,394	$ 87,449
Sales tax	13,829,915	14,293,915	14,422,007	128,092
Other taxes	5,323,156	5,533,312	5,483,342	(49,970)
Licenses and permits	3,591,683	3,630,950	3,621,108	(9,842)
Intergovernmental	1,394,336	2,201,534	1,902,477	(299,057)
Charges for services	7,492,173	8,239,327	8,912,259	672,932
Fines and forfeitures	3,965,331	2,955,062	3,314,362	359,300
Administrative fees	-	616,400	704,317	87,917
Investment income	429,000	379,000	405,122	26,122
Contributions	-	3,116	3,116	-
Miscellaneous	417,739	694,189	750,270	56,081
Total revenues	85,596,103	90,262,750	91,321,774	1,059,024
Expenditures:				
General government:				
Director of administration and finance	163,786	151,745	130,305	21,440
Board of commissioners	1,544,525	748,791	713,246	35,545
County manager	362,823	826,501	701,220	125,281
Tax commissioner	1,095,128	1,402,102	1,344,579	57,523
Tax assessor	1,408,728	1,593,980	1,458,193	135,787
Finance	533,763	722,551	702,682	19,869
Information systems	1,375,435	1,701,444	1,614,234	87,210
Human resources	359,802	405,991	403,449	2,542
Risk management	725,668	747,102	743,634	3,468
Purchasing	255,541	331,324	301,582	29,742
Registrar	173,509	241,771	232,001	9,770
Public buildings	1,212,186	1,439,356	1,392,934	46,422
Elections	174,997	201,913	182,315	19,598
County attorney	295,624	612,947	593,835	19,112
Other - unclassified	13,824,578	-	-	-
Total general government	$ 23,506,093	$ 11,127,518	$ 10,514,209	$ 613,309

(Continued)

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures: (Continued)				
Judicial:				
Clerk of superior court	$ 1,087,282	$ 1,644,881	$ 1,508,292	$ 136,589
Judge of superior court	114,848	274,395	206,457	67,938
State court	434,454	663,080	573,021	90,059
Clerk of state court	436,387	487,294	473,296	13,998
State court solicitor	687,278	883,003	862,692	20,311
Probate court	434,778	543,062	527,234	15,828
Magistrate court	531,543	619,695	594,845	24,850
Juvenile court	896,388	1,146,915	980,282	166,633
District attorney	219,080	382,214	368,866	13,348
Public defender	848,797	1,741,593	1,384,514	357,079
Court reporter	148,482	215,197	205,393	9,804
Jury/bailiff	78,000	106,359	49,741	56,618
Total judicial	5,917,317	8,707,688	7,734,633	973,055
Public safety:				
Director of public safety	164,395	177,897	163,436	14,461
Police	622,014	1,496,921	1,427,655	69,266
Criminal investigation division	1,067,072	1,375,180	1,242,703	132,477
Narcotics	523,912	607,545	568,192	39,353
Support service	998,937	1,054,696	981,542	73,154
Uniform patrol division	5,657,737	6,501,396	6,396,899	104,497
Sheriff	3,357,283	4,076,970	3,926,633	150,337
Jail	6,222,883	6,399,683	5,920,845	478,838
Code enforcement	748,388	881,949	868,644	13,305
Fire	10,589,012	12,192,875	11,956,607	236,268
Fire administration	1,558,144	2,270,228	1,721,205	549,023
Coroner	75,845	80,955	62,876	18,079
Early release	326,055	372,971	361,743	11,228
Total public safety	$ 31,911,677	$ 37,489,266	$ 35,598,980	$ 1,890,286

(Continued)

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures: (Continued)				
Public works:				
Director of public works	$ 116,648	$ 114,985	$ 112,966	$ 2,019
DOT	2,340,390	3,044,847	2,867,852	176,995
Construction & roads	1,638,000	887,400	297,931	589,469
Maintenance shop	1,393,164	1,455,107	1,055,561	399,546
Scraping and hauling	3,709,326	4,029,174	3,820,410	208,764
Highways and streets	337,825	188,330	112,090	76,240
Waste management	30,000	30,080	23,879	6,201
Transit system	773,424	873,697	835,296	38,401
Total public works	10,338,777	10,623,620	9,125,985	1,497,635
Health and welfare:				
General health	849,146	860,646	870,281	(9,635)
Family service	259,434	210,571	210,515	56
Senior services	1,749,515	2,158,627	2,017,826	140,801
Total health and welfare	2,858,095	3,229,844	3,098,622	131,222
Culture and recreation:				
Human services	117,826	97,398	64,017	33,381
Libraries	914,330	914,330	914,330	-
Recreation	1,068,164	2,623,692	2,134,101	489,591
Total culture and recreation	2,100,320	3,635,420	3,112,448	522,972
Housing and development:				
Director of human and community services	122,495	75,976	37,868	38,108
Conservation	108,148	133,436	118,336	15,100
Conservation - NRCS	43,586	43,330	41,055	2,275
Building department	2,263,202	2,375,863	2,337,339	38,524
Planning and zoning	1,301,245	1,205,526	1,036,823	168,703
Development plan review	345,627	441,229	435,498	5,731
Economic development authority	323,564	412,390	215,704	196,686
Total housing and development	4,507,867	4,687,750	4,222,623	465,127
Total expenditures	81,140,146	79,501,106	73,407,500	6,093,606
Excess of revenues over expenditures	$ 4,455,957	$ 10,761,644	$ 17,914,274	$ 7,152,630

(Continued)

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Budget			Variance With
	Original	Final	Actual	Final Budget
Other financing sources (uses):				
Transfers in	$ 316,810	$ 970,867	$ 2,581,767	$ 1,610,900
Transfers out	(4,822,767)	(11,829,014)	(19,979,534)	(8,150,520)
Proceeds from sale of capital assets	50,000	85,175	85,175	-
Total other financing sources (uses)	(4,455,957)	(10,772,972)	(17,312,592)	(6,539,620)
Net change in fund balances	-	(11,328)	601,682	613,010
Fund balances, beginning of year	35,144,210	35,144,210	35,144,210	-
Fund balances, end of year	$ 35,144,210	$ 35,132,882	$ 35,745,892	$ 613,010

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

HENRY COUNTY, GEORGIA

E-911 FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ -	$ 394,596	$ -	$ (394,596)
Charges for services	1,768,088	2,346,157	2,346,156	(1)
Investment income	12,000	15,000	11,395	(3,605)
Total revenues	1,780,088	2,755,753	2,357,551	(398,202)
Expenditures:				
Current:				
Public safety	2,344,651	4,628,411	2,602,037	2,026,374
Total expenditures	2,344,651	4,628,411	2,602,037	2,026,374
Excess (deficiency) of revenues over (under) expenditures	(564,563)	(1,872,658)	(244,486)	1,628,172
Other financing sources:				
Proceeds from capital lease	-	1,400,000	-	(1,400,000)
Transfers in	564,563	472,658	700,663	228,005
Total other financing sources	564,563	1,872,658	700,663	(1,171,995)
Net change in fund balances	-	-	456,177	456,177
Fund balances, beginning of year	742,907	742,907	742,907	-
Fund balances, end of year	$ 742,907	$ 742,907	$ 1,199,084	$ 456,177

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

HENRY COUNTY, GEORGIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 6,298,284
Total assets	-	6,298,284
LIABILITIES		
Due to component unit	-	80,915
Due to others	-	6,217,369
Total liabilities	$ -	$ 6,298,284

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, 2004

	Pension Trust Fund
ADDITIONS	
Investment earnings:	
Interest	$ 212,820
Net increase in the fair value of investments	690,025
Total investment earnings	902,845
Total additions	902,845
DEDUCTIONS	
Transfers	12,253,448
Administrative expenses	299,465
Total deductions	12,552,913
Change in net assets	(11,650,068)
Net assets, beginning of year	11,650,068
Net assets, end of year	$ -

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 ***E-911 Fund*** accounts for the County's emergency communications operations by providing an open channel between citizens and public safety providers.

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

The ***Capital Projects 2002 SPLOST fund*** is used to account for the revenue and expenditures relating to the 2002 one percent Special Purpose Local Option Sales Tax.

The ***Capital Projects lease purchase fund*** accounts for the revenues and expenditures relating to the proceeds from capital leases.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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 and is regulated by the Georgia Office of Treasury and Fiscal Services. 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 primary government's general obligation bonds and capital leases, as well as certain resources set aside for their repayment, and 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	40

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 $52,052,617 difference are as follows:

Capital leases payable	$	(19,836,060)
General obligation bonds payable		(25,000,000)
Less: Deferred charge for issuance costs (to be amortized over life of debt)		346,315
Plus: Issuance premium (to be amortized against interest expense)		(1,729,762)
Compensated absences		(2,596,440)
Claims and judgments payable		(1,255,000)
Landfill postclosure costs		(1,573,127)
Accrued interest		(408,543)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(52,052,617)

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 $8,427,522 difference are as follows:

Capital outlay	$ 14,375,720
Depreciation expense	(5,948,198)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net assets - governmental activities*	$ 8,427,522

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 $24,055,317 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.	$	25,630,421
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.		(1,575,104)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net assets of governmental activities*	$	24,055,317

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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $27,755,443 difference are as follows:

Debt incurred:		
Capital lease financing	$	(5,180,000)
General obigation bonds payable		(25,000,000)
Plus: premium		(1,825,860)
Less: issuance costs		365,555
Claims and judgments payable		152,500
Principal repayments:		
Capital leases		3,621,556
Landfill postclosure costs		110,806
Net adjustment to decrease net change in *fund balances - total governmental funds* to arrive at change in *net assets - governmental activities*	$	(27,755,443)

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 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 $601,325 difference are as follows:

Compensated absences	$	(162,434)
Amortization of issuance costs		(19,240)
Amortization of premium on general obligation bonds		96,098
Accrued interest		(231,764)
Net pension obligation		918,665
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net assets - governmental activities*	$	601,325

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, Technology Fund, Juvenile Assistance Fund, Stormwater Fund, Debt Service Fund, and Capital Assets Fund. The supplementary budgetary appropriations made were not material.

6. All annual appropriations lapse at the end of each year.

B. Deficit Fund Equity

The Stormwater Fund had a deficit fund balance of $139,721 as of June 30, 2004. This deficit will be eliminated through future transfers from other funds.

NOTE 4. CASH AND INVESTMENTS

A. Cash on Deposit

At June 30, 2004, the County's deposits were $65,670,355 and the bank balance was $66,692,134. The Water and Sewerage Authority's (component unit) deposits were $65,979,835 and the bank balance was $67,167,490. The Department of Public Health's (component unit) deposits were $1,477,095 and the bank balance was $1,500,760. The Henry County Development Authority's (component unit) deposits were $313,741 and the bank balance was $315,170. The Henry County Library System's (component unit) deposits were $853,731 and the bank balance was $873,855. 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, 2004:

	Category			
	1	2	3	Total
Primary government	$ 64,388,633	$ 2,303,501	$ -	$ 66,692,134
Component unit - Water and Sewerage Authority	489,348	66,678,142	-	67,167,490
Component unit - Department of Public Health	1,500,760	-	-	1,500,760
Component unit - Development Authority	275,170	40,000	-	315,170
Component unit - Library System	200,000	673,855	-	873,855
	$ 66,853,911	$ 69,695,498	$ -	$ 136,549,409

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.

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.

	Category				
	1	2	3	Cost	Fair Value
Primary Government:					
Investments in Georgia Fund 1				$ 44,159,815	$ 44,159,815
Total primary government				44,159,815	44,159,815
Component Units:					
U.S. Government securities	6,854,672	-	-	6,275,940	6,854,672
Investments in Georgia Fund 1				6,613,775	6,613,775
Total component units				12,889,715	13,468,447
Total reporting entity				$ 57,049,530	$ 57,628,262

The reporting of investments at fair value in accordance with GASB Statement No. 31 resulted in an unrealized loss of $441,719 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:		
Cash - Primary government	$	32,325,826
Cash - Health Department		1,477,095
Cash - Development Authority		33,706
Cash - Library System		853,731
Cash - Water & Sewerage Authority		533,707
Investments - Primary government		44,259,816
Investments - Development Authority		280,035
Investments - Library System		24,066
Restricted assets:		
Cash - Primary government		26,946,244
Cash - Water & Sewerage Authority		65,061,607
Investments - Water & Sewerage Authority		13,444,381
Customer deposits - Water & Sewerage Authority		384,521
Balances per statement of fiduciary net assets:		
Cash - Agency funds		6,298,284
	$	191,923,019

Balances per (A) and (B) above:		
Cash - County	$	65,670,355
Cash - Health Department		1,477,095
Cash - Library System		853,731
Cash - Development Authority		313,741
Cash - Water and Sewerage Authority		65,979,835
Investments		57,628,262
	$	191,923,019

NOTE 5. RECEIVABLES

Receivables at June 30, 2004, for the County's individual major funds and non-major funds in the aggregate are as follows:

	General	2002 SPLOST Fund	Nonmajor Governmental Funds	Total
Receivables:				
Taxes	$ 2,005,641	$ 3,811,532	$ 25,685	$ 5,842,858
Accounts	3,202,676	-	14,172	3,216,848
Other	207,417	-	-	207,417
Gross receivables	5,415,734	3,811,532	39,857	9,267,123
Less allowance for uncollectibles	1,256,424	-	-	1,256,424
Net total receivables	$ 4,159,310	$ 3,811,532	$ 39,857	$ 8,010,699

The Henry County Water and Sewerage Authority had accounts receivable at June 30, 2004, of $4,396,564, which is net of an allowance for uncollectibles of $74,805.

Property taxes attached as an enforceable lien on property as of November 18, 2003. Property taxes were levied on September 17, 2003, and payable on or before November 17, 2003. The County bills and collects its own property taxes. Property taxes levied for 2003 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, 2004, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 10,916,240	$ 4,294,955	$ -	$ 152,116	$ 15,363,311
Construction in progress	11,235,782	8,032,636	(1,481,933)	(4,557,207)	13,229,278
Total	22,152,022	12,327,591	(1,481,933)	(4,405,091)	28,592,589
Capital assets, being depreciated:					
Buildings and improvements	51,652,323	-	-	2,195,805	53,848,128
Machinery and equipment	36,792,759	1,984,691	(1,974,929)	-	36,802,521
Roads	16,169,005	25,693,859	-	2,209,286	44,072,150
Total	104,614,087	27,678,550	(1,974,929)	4,405,091	134,722,799
Less accumulated depreciation for:					
Buildings and improvements	(6,347,050)	(1,344,854)	-	-	(7,691,904)
Machinery and equipment	(19,153,281)	(3,501,540)	1,881,758	-	(20,773,063)
Roads	(161,690)	(1,101,804)	-	-	(1,263,494)
Total	(25,662,021)	(5,948,198)	1,881,758	-	(29,728,461)
Total capital assets, being depreciated, net	78,952,066	21,730,352	(93,171)	4,405,091	104,994,338
Governmental activities capital assets, net	$ 101,104,088	$ 34,057,943	$ (1,575,104)	$ -	$ 133,586,927

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	$	461,192
Judicial		300,240
Public safety		2,597,209
Public works		1,740,203
Health and welfare		351,603
Culture and recreation		346,535
Housing and development		151,216
Total depreciation expense - governmental activities	$	5,948,198

NOTE 6. CAPITAL ASSETS (Continued)

B. Discretely Presented Component Unit – Health Department

Capital asset activity for Health Department for the year ended June 30, 2004, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	$ 117,879	$ 5,007	$ -	$ 122,886
Less accumulated depreciation for:				
Machinery and equipment	(76,805)	(23,011)	-	(99,816)
Total capital assets, net	$ 41,074	$ (18,004)	$ -	$ 23,070

C. Discretely Presented Component Unit – Library System

Capital asset activity for Library System for the year ended June 30, 2004, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Property and equipment	$ 250,917	$ -	$ -	$ 250,917
Books and materials	2,267,479	123,119	-	2,390,598
Total	2,518,396	123,119	-	2,641,515
Less accumulated depreciation for:				
Property and equipment	(135,531)	(8,092)	-	(143,623)
Books and materials	(1,446,777)	(146,866)	-	(1,593,643)
Total	(1,582,308)	(154,958)	-	(1,737,266)
Total capital assets, net	$ 936,088	$ (31,839)	$ -	$ 904,249

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, 2004, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 29,722,790	$ -	$ -	$ 822,875	$ 30,545,665
Construction in progress	42,455,113	51,966,517	-	(5,499,930)	88,921,700
Total	72,177,903	51,966,517	-	(4,677,055)	119,467,365
Capital assets, being depreciated:					
Buildings	6,902,734	5,087	-	-	6,907,821
Improvements other than buildings	256,174,070	13,437,624	-	4,655,363	274,267,057
Machinery and equipment	5,572,820	495,211	(294)	12,180	6,079,917
Vehicles	2,633,008	133,460	(33,496)	9,512	2,742,484
Total	271,282,632	14,071,382	(33,790)	4,677,055	289,997,279
Less accumulated depreciation for:					
Buildings	(896,426)	(345,314)	-	-	(1,241,740)
Improvements other than buildings	(68,278,346)	(11,688,306)	-	-	(79,966,652)
Machinery and equipment	(4,002,742)	(731,295)	294	-	(4,733,743)
Vehicles	(1,983,954)	(387,187)	33,496	-	(2,337,645)
Total	(75,161,468)	(13,152,102)	33,790	-	(88,279,780)
Total capital assets, being depreciated, net	196,121,164	919,280	-	4,677,055	201,717,499
Total capital assets, net	$ 268,299,067	$ 52,885,797	$ -	$ -	$ 321,184,864

NOTE 7. OPERATING LEASES

The Henry County Library System (component unit) is 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, 2004, amounted to $22,900. The lease of the Locust Grove Library Facility is an annual lease which matures on July 31, 2004 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,	
2005	$ 21,494

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, 2004, are as follows:

Purpose	Interest Rate	Due Date	Amount
Water and Sewerage Authority	5.00%	2011	$ 8,410,000
Water and Sewerage Authority	2.00%-5.00%	2011	5,030,000
Water and Sewerage Authority	2.60%-5.75%	2012	1,915,000
Water and Sewerage Authority	3.75%-6.15%	2026	45,385,000
Water and Sewerage Authority	2.00%-5.38%	2030	48,740,000
Water and Sewerage Authority	4.90%-6.00%	2030	57,680,000
			167,160,000
	Plus unamortized premium, net		1,617,194
	Less unamortized deferred charges - refunding		(2,780,418)
			$ 165,996,776

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
2005	$ 3,150,000	$ 8,714,479
2006	3,275,000	8,597,412
2007	3,435,000	8,467,997
2008	3,585,000	8,306,418
2009	3,755,000	8,155,583
2010-2014	21,910,000	37,947,670
2015-2019	28,705,000	31,499,830
2020-2024	38,165,000	22,523,015
2025-2029	49,555,000	11,513,832
2030	11,625,000	636,626
Total	$ 167,160,000	$ 146,362,862

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

General Obligation Bonds:

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. General obligation bonds at June 30, 2004, consisted of the following:

Purpose	Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
Various construction projects within the County	2.50%-5.00%	4 years	2008	$ 25,000,000	$ 25,000,000
			Plus unamortized premium		1,729,762
					$ 26,729,762

The general obligation bond debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest
2005	$ -	$ 777,159
2006	-	1,036,213
2007	8,080,000	902,362
2008	8,325,000	575,444
2009	8,595,000	191,188
Total	$ 25,000,000	$ 3,482,366

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. Included with these notes is a construction line of credit agreement for $20,000,000, of which $4,351,048 had been drawn as of June 30, 2004. These notes are as follows at June 30, 2004:

Interest Rate	Term	Due Date	Amount
2.00%	10 years	2007	$ 32,121
6.70%	16 years	2011	983,549
6.50%	16 years	2011	1,097,532
5.85%	20 years	2016	776,240
5.30%	20 years	2017	1,914,284
5.60%	20 years	2019	833,892
5.16%	20 years	2019	2,509,781
3.70%	20 years	2021	13,839,677
3.49%	20 years	2021	19,647,721
3.00%	20 years	2026	4,351,048
			$ 45,985,845

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

Other Long-Term Debt: (Continued)

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

Fiscal year ending June 30,	Principal	Interest
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	1,367,374
2009	2,282,058	1,272,403
2010-2014	11,769,590	4,881,977
2015-2019	12,879,074	2,460,030
2020-2022	6,452,283	338,746
Total	$ 41,634,797	$ 14,952,382

The above debt service requirements to maturity table does not include provision for the construction line of credit agreement for $20,000,000, of which $4,351,048 has been drawn as of June 30, 2004. This note payable is in the draw down phase as of June 30, 2004, and repayment will be determined when construction is complete and all draws have been made.

Capital Leases:

The County has 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, 2004:

Buildings and equipment	$ 17,453,598

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, 2004:

Fiscal year ending June 30,		
2005	$	4,778,183
2006		4,087,216
2007		3,899,318
2008		3,624,654
2009		1,753,159
2010-2014		6,044,774
2014-2015		29,431
Total minimum lease payments		24,216,735
Less amount representing interest		4,380,675
Present value of future minimum lease payments	$	19,836,060

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, 2004, the outstanding amount of bonds considered defeased is $3,500,000.

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, 2004:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
Capital lease obligations	$ 18,277,616	$ 5,180,000	$ 3,621,556	$ 19,836,060	$ 3,770,159
General obligation bonds	-	25,000,000	-	25,000,000	-
Plus unamortized premium	-	1,825,860	96,098	1,729,762	-
General obligation bonds, net	-	26,825,860	96,098	26,729,762	-
Landfill postclosure costs	1,683,933	-	110,806	1,573,127	86,500
Claims and judgments payable	1,407,500	305,000	457,500	1,255,000	355,000
Compensated absences	2,434,006	2,714,711	2,552,277	2,596,440	2,300,000
	$ 23,803,055	$ 35,025,571	$ 6,838,237	$ 51,990,389	$ 6,511,659

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

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

Changes in Long-Term Liabilities: (Continued)

The following is a summary of long-term debt activity of the Water and Sewerage Authority for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
Revenue bonds	$ 169,678,195	$ 8,410,000	$ 10,928,195	$ 167,160,000	$ 3,150,000
Plus unamortized premium	1,231,012	406,992	20,810	1,617,194	-
Less unamortized deferred charges	(2,503,789)	(535,087)	(258,458)	(2,780,418)	-
Revenue bonds, net	168,405,418	8,281,905	10,690,547	165,996,776	3,150,000
Notes payable	43,465,906	4,351,047	1,831,108	45,985,845	1,937,161
Compensated absences	316,206	356,783	308,394	364,595	364,595
Other noncurrent liabilities	505,127	-	158,408	346,719	-
	$ 212,692,657	$ 12,989,735	$ 12,988,457	$ 212,693,935	$ 5,451,756

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2004, is as follows:

Due to/from other funds:

	Payable Fund						
Receivable Fund	**General Fund**	**E911 Fund**	**1996 SPLOST Fund**	**2002 SPLOST Fund**	**Lease Purchase Fund**	**Non-major governmental funds**	**Total**
General Fund	$ -	$ 1,866,820	$ -	$ 351,260	$ 1,309,328	$ 288,292	$ 3,815,700
1996 SPLOST Fund	-	-	-	104,504	-	-	104,504
Nonmajor governmental funds	823,152	-	307,865	-	-	-	1,131,017
Total	$ 823,152	$ 1,866,820	$ 307,865	$ 455,764	$ 1,309,328	$ 288,292	$ 5,051,221

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.

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

Interfund transfers:

	Transfers Out					
Transfers In	General Fund	1996 SPLOST Fund	2002 SPLOST Fund	Lease Purchase Fund	Non-major governmental funds	Total
General Fund	$ -	$ 650,001	$ -	$ 1,788,090	$ 143,676	$ 2,581,767
E911 Fund	680,941	-	-	19,722	-	700,663
Lease Purchase Fund	42,928	-	-	-	3,012,622	3,055,550
Non-major governmental funds	19,255,665	307,865	736,862	406,245	-	20,706,637
Total	$ 19,979,534	$ 957,866	$ 736,862	$ 2,214,057	$ 3,156,298	$ 27,044,617

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 10. DEFINED BENEFIT PENSION PLANS

Primary Government

Plan Description

On July 1, 2003, the County began sponsoring the Association County Commissioners of Georgia Henry County Defined Benefit Plan (The Plan), which is a defined benefit pension plan.

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan is affiliated with the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (The ACCG Plan), an agent multiple-employer pension plan administered by GEBCorp. The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of The ACCG Plan, as provided in Section 19.03 of The ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan, as provided in Section 19.02 of The ACCG Plan document. Complete financial statements for the Association County Commissioners of Georgia (ACCG) Defined Benefit Pension Plan can be obtained from Pension Service Company, 1100 Circle 75 Parkway, Suite 300, Atlanta, Georgia 30339.

Funding Policy

The County is required to contribute an actuarially determined amount annually to The Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by The ACCG Plan trustees and intended to satisfy the minimum contribution requirements as set forth in the State of Georgia statutes. Plan participants are required to contribute 6% of their compensation to the plan.

NOTE 10. DEFINED BENEFIT PENSION PLANS (Continued)

Annual Pension Cost

The County's annual pension cost and net pension asset for the pension plan for the current year is as follows:

	July 1, 2003
Derivation of Annual Pension Cost	
Annual Required Contribution	$ 1,756,780
Interest on Net Pension Obligation	-
Amortization of Net Pension Obligation	-
Annual Pension Cost	$ 1,756,780
Derivation of Net Pension Obligation	
Annual Pension Cost for Fiscal Year 2004	$ 1,756,780
Actual Contributions to Plan for Fiscal Year 2004	2,675,445
Increase (Decrease) in Net Pension Obligation	(918,665)
Net Pension Obligation as of Plan Inception	-
Net Pension Obligation (Asset) as of June 30, 2004	$ (918,665)
Basis of Valuation	
Current Valuation Date	July 1, 2003
Annual Return on Invested Plan Assets	8.0%
Projected Annual Salary Increases	5.0%
Expected Annual Inflation	3.0%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Level Dollar (closed)
Remaining Amortization Period	10

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Trend Information for The Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
7/1/03	$ 1,756,780	$ 2,675,445	152 %	$ (918,665)

Required Supplementary Information
Schedule of Funding Progress

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2003	$ 2,434,190	$ -	$ (2,434,190)	100.0 %	$ 37,732,099	(6.5) %

This is a new Pension Plan, effective July 1, 2003. As of that date, no past service had been credited to any eligible employee. Subsequently, employees were allowed to electively purchase past service credits through the transfer of their account balance from the prior plan. The actuarial liability for these purchased past service credits, and the attendant transferred assets, will be reflected on the January 1, 2004, Actuarial Valuation.

NOTE 10. DEFINED BENEFIT PENSION PLANS

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.

Water and Sewerage Authority – Component Unit

Plan Description

On January 1, 2004, the Authority began sponsoring the Association County Commissioners of Georgia Restated Pension Plan for Henry County Water and Sewerage Authority (The Plan), which is a defined benefit pension plan.

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan is affiliated with the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (The ACCG Plan), an agent multiple-employer pension plan administered by GEBCorp. The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of The ACCG Plan, as provided in Section 19.03 of The ACCG Plan document. The Authority has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan, as provided in Section 19.02 of The ACCG Plan document. Complete financial statements for the Association County Commissioners of Georgia (ACCG) Defined Benefit Pension Plan can be obtained from Pension Service Company, 1100 Circle 75 Parkway, Suite 300, Atlanta, Georgia 30339.

Funding Policy

The Authority is required to contribute an actuarially determined amount annually to The Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by The ACCG Plan trustees and intended to satisfy the minimum contribution requirements as set forth in the State of Georgia statutes. Plan participants are required to contribute a percentage of their compensation to the plan. The required contribution at June 30, 2004, was 5%.

NOTE 10. DEFINED BENEFIT PENSION PLANS (Continued)

Water and Sewerage Authority – Component Unit (Continued)

Annual Pension Cost

The Authority's annual pension cost and net pension obligation for the pension plan for the short plan year, from January 1, 2004, through June 30, 2004, is as follows:

	January 1, 2004
Derivation of Annual Pension Cost	
Annual Required Contribution	$ 246,517
Interest on Net Pension Obligation	-
Amortization of Net Pension Obligation	-
Annual Pension Cost	$ 246,517
Derivation of Net Pension Obligation	
Annual Pension Cost for Fiscal Year 2004	$ 246,517
Actual Contributions to Plan for Fiscal Year 2004	806,058
Increase (Decrease) in Net Pension Obligation	(559,541)
Net Pension Obligation as of Plan Inception	-
Net Pension Obligation (Asset) as of June 30, 2004	$ (559,541)
Basis of Valuation	
Current Valuation Date	January 1, 2004
Annual Return on Invested Plan Assets	8.0%
Projected Annual Salary Increases	5.0%
Expected Annual Inflation	3.0%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Level Percentage (closed)
Remaining Amortization Period	30

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Water and Sewerage Authority – Component Unit (Continued)

Trend Information for The Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Obligation
7/1/04	$ 246,517	$ 806,058	327 %	$ (559,541)

Required Supplementary Information
Schedule of Funding Progress

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
None						

The first valuation for this Plan begins with the January 1, 2004, valuation.

NOTE 11. DEFINED CONTRIBUTION PENSION PLANS

Primary Government

The Henry County Matching Dollar Pension Plan (the Plan) is a single employer defined contribution plan established by Henry County. It was previously administered by The Variable Annuity Life Insurance Company for substantially all of its full-time employees. As of July 1, 2003, the Plan was transferred to GEBCorp. 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, 2004, there were 1,233 plan members.

Previously, employees were 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 contributed an amount equal to 6% of each participant's compensation. The County began sponsoring a defined benefit plan during the year ended June 30, 2004. Each employee is required to contribute 6% of their compensation to the new defined benefit plan. The employee may contribute any additional amount to the defined contribution plan. Employees are not required to contribute to the defined contribution plan. The County no longer contributes to this plan.

The County's previous contribution for each employee is 100% vested after five years continuous service. For the fiscal year ended June 30, 2004, the amount contributed by employees was $529,009. The County made no contributions.

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 10 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, 2004, were $117,944 based on qualifying salaries of $1,136,473. 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.

NOTE 11. DEFINED CONTRIBUTION PENSION 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 salaries. 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, 2004, was $7,257,487 and covered payroll was $3,259,933. The Water and Sewerage Authority made its required contribution of $329,473 for the year ended June 30, 2004.

NOTE 12. 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, 2004, there were 12 retired employees receiving health care benefits. For the year ended June 30, 2004, the County paid $51,244 for these benefits, which was net of $13,596 of retiree contributions.

NOTE 13. 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, 2004, the County collected $280,891 of hotel/motel taxes. Of this amount, $141,271 was given to the Chamber. The remaining funds are kept by the County and used for other activities promoting tourism.

NOTE 14. 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 workers' 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 14. 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 for which the County is liable for the deductible amount which were outstanding and unpaid as of June 30, 2004. No provisions have been made in the financial statements for the year ended June 30, 2004, for any estimate of potential unpaid claims.

The County pays an annual premium to IRMA and GSIWCF for the above referenced 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 15. 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 30 years. As of June 30, 2004, the County has a remaining 20 years of monitoring. Engineering studies estimate postclosure costs of approximately $1,573,127 over the 20 year period. These costs are based on what it would cost to perform all postclosure care in 2004, 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 16. COMMITMENTS AND CONTINGENCIES

Contractual Commitments:

In addition to the liabilities enumerated in the balance sheet, at June 30, 2004, the County has contractual commitments on uncompleted contracts of approximately $4,863,479.

The Water and Sewerage Authority (component unit) has outstanding contractual commitments for construction of $36,544,937.

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 to range in amounts from $1,983,314 to $11,983,314. A total of $1,797,314 of this amount is believed by management and legal counsel to be probable. Of the $1,797,314, $542,314 relates to retainage on construction contracts and is recorded as retainage payable in the 1996 SPLOST fund. The remaining $1,255,000 is recorded as claims and judgments payable on the government-wide statement of net assets, of which $955,000 has been settled, but not yet paid by the County as of June 30, 2004. 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 16. 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, 2004, the total amount outstanding under these revenue certificates amounted to $59,529,740.

NOTE 17. 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, 2004, the County paid $144,550 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 18. CHANGE IN REPORTING ENTITY

For the fiscal year ended June 30, 2004, the County's financial statements include the following new funds: Lease Purchase Fund, Impact Fees Fund, and Stormwater Fund. The Pension Trust Fund has been closed to reflect the Plan's move to a defined benefit pension plan administered by GEBCorp.

NOTE 19. PRIOR PERIOD ADJUSTMENTS

Water and Sewerage Authority – Component Unit

During the year ended June 30, 2004, the Authority performed a review of its capital assets and discovered that the Authority had inadvertently excluded assets that had been donated to the Authority in prior periods. Additionally, the Authority noted certain capital assets that had been disposed of in prior periods but had not been removed from the Authority's financial statements. The effect of this is to recognize a prior period adjustment to the net assets of the Authority as of June 30, 2003. A summary of the effects of this prior period adjustment is as follows:

	Capital Assets	Accumulated Depreciation	Net Assets
As previously reported at June 30, 2003	$ 329,448,070	$ 72,930,448	$ 149,904,213
As adjusted at June 30, 2003	343,460,535	75,161,468	161,685,658
Prior period adjustment	$ 14,012,465	$ 2,231,020	$ 11,781,445

Library System – Component Unit

GASBS No. 34 requires the Library to report and depreciate library books and library reference materials. Historically, the Library has reported these items as expenses in the financial statements. During the fiscal year, the State Library System required the Library to report books and materials as assets per GASBS No. 34. The Library calculated the beginning balance of books and materials based on a formula provided them by the State Library System. Using this formula, it was determined that the beginning balance of books and materials was $2,267,479 with accumulated depreciation on these assets of $1,446,777. The net effect of this change is an increase in net assets of $820,702 at July 1, 2003.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Confiscated Assets Fund - 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 Fund - 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.

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

Stormwater Fund – This fund is used to account for the activities involved in the setup of a program to be used in the maintenance of surface water runoff and costs of addressing the environmental issues resulting from the runoff.

NON-MAJOR 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

Impact Fees Fund – This fund is used to account for capital projects activity funded by developmental impact fees.

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
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue					
ASSETS	**Confiscated Assets Fund**	**Hotel/Motel Tax Fund**	**Law Library Fund**	**Greenspace Fund**	**Technology Fund**	**Juvenile Assistance Fund**
Cash and cash equivalents	$ 1,122,639	$ -	$ 174,462	$ 540,582	$ 156,818	$ 180,144
Investments	-	-	100,000	-	-	-
Accounts receivable	-	25,685	-	-	-	14,172
Due from other governments	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	$ 1,122,639	$ 25,685	$ 274,462	$ 540,582	$ 156,818	$ 194,316
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 76,189	$ 12,963	$ -	$ -	$ 348	$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	19,324	12,722	-	4,214	-	-
Deferred revenue	-	-	-	496,975	-	-
Total liabilities	95,513	25,685	-	501,189	348	-
FUND BALANCES						
Reserved for jail construction						
Reserved for drug abuse treatment	-	-	-	-	-	-
Reserved for juvenile assistance	-	-	-	-	-	-
Reserved for victim witness program	-	-	-	-	-	-
Unreserved	1,027,126	-	274,462	39,393	156,470	194,316
Total fund balances (deficits)	1,027,126	-	274,462	39,393	156,470	194,316
Total liabilities and fund balances	$ 1,122,639	$ 25,685	$ 274,462	$ 540,582	$ 156,818	$ 194,316

(Continued)

HENRY COUNTY, GEORGIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue			Capital Projects		
ASSETS	**Court Fund**	**Stormwater Fund**	**Debt Service Fund**	**Impact Fees Fund**	**Capital Assets Fund**	**Total**
Cash and cash equivalents	$ 1,136,426	$ -	$ 778,749	$ 3,026,472	$ -	$ 7,116,292
Investments	-	-	-	-	8,114,000	8,214,000
Accounts receivable	-	-	-	-	-	39,857
Due from other governments	17,899	-	-	-	-	17,899
Due from other funds	173,152	-	307,865	-	650,000	1,131,017
Total assets	$ 1,327,477	$ -	$ 1,086,614	$ 3,026,472	$ 8,764,000	$ 16,519,065
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ -	$ 476	$ -	$ -	$ 1,022,475	$ 1,112,451
Accrued liabilities	-	6,266	40,297	-	-	46,563
Due to other funds	-	132,979	29,475	89,578	-	288,292
Deferred revenue	-	-	-	-	-	496,975
Total liabilities	-	139,721	69,772	89,578	1,022,475	1,944,281
FUND BALANCES						
Reserved for jail construction	324,682	-	-	-	-	324,682
Reserved for drug abuse treatment	740,215	-	-	-	-	740,215
Reserved for juvenile assistance	6,398	-	-	-	-	6,398
Reserved for victim witness program	46	-	-	-	-	46
Unreserved	256,136	(139,721)	1,016,842	2,936,894	7,741,525	13,503,443
Total fund balances (deficits)	1,327,477	(139,721)	1,016,842	2,936,894	7,741,525	14,574,784
Total liabilities and fund balances	$ 1,327,477	$ -	$ 1,086,614	$ 3,026,472	$ 8,764,000	$ 16,519,065

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Special Revenue					
	Confiscated Assets Fund	Hotel/Motel Tax Fund	Law Library Fund	Greenspace Fund	Technology Fund	Juvenile Assistance Fund
Revenues						
Taxes	$ -	$ 280,891	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	42,101	-	-
Charges for services	-	-	-	-	-	5,977
Fines and forfeitures	364,354	-	90,679	-	78,010	-
Investment income	12,194	-	57	5,188	-	-
Total revenues	376,548	280,891	90,736	47,289	78,010	5,977
Expenditures						
Current:						
General government	-	-	-	42,101	-	-
Judicial	-	-	53,313	-	11,503	-
Public safety	1,139,550	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	55,564
Culture and recreation	-	-	-	-	-	-
Housing and development	-	141,272	-	-	-	-
Debt Service:	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	1,139,550	141,272	53,313	42,101	11,503	55,564
Excess (deficiency) of revenues over (under) expenditures	(763,002)	139,619	37,423	5,188	66,507	(49,587)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(4,057)	(139,619)	-	-	-	-
Proceeds from sale of capital assets	70,796	-	-	-	-	-
Total other financing sources (uses)	66,739	(139,619)	-	-	-	-
Net change in fund balances	(696,263)	-	37,423	5,188	66,507	(49,587)
Fund balances (deficit), beginning of year	1,723,389	-	237,039	34,205	89,963	243,903
Fund balances (deficit), end of year	$ 1,027,126	$ -	$ 274,462	$ 39,393	$ 156,470	$ 194,316

(Continued)

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Special Revenue			Capital Projects		
	Court Fund	Stormwater Fund	Debt Service Fund	Impact Fees Fund	Capital Assets Fund	Total
Revenues						
Taxes	$ -	$ -	$ -	$ -	$ -	$ 280,891
Licenses and permits	-	-	-	3,015,990	-	3,015,990
Intergovernmental	23,935	-	-	-	-	66,036
Charges for services	-	-	-	-	-	5,977
Fines and forfeitures	675,372	-	-	-	-	1,208,415
Investment income	9,008	-	1,591	9,077	3	37,118
Total revenues	708,315	-	1,591	3,025,067	3	4,614,427
Expenditures						
Current:						
General government	-	-	-	-	437,008	479,109
Judicial	182,558	-	-	-	38,800	286,174
Public safety	-	-	-	-	245,167	1,384,717
Public works	-	152,532	-	-	-	152,532
Health and welfare	-	-	-	-	6,768,444	6,824,008
Culture and recreation	-	-	-	-	1,080,000	1,080,000
Housing and development	-	-	-	88,173	858,977	1,088,422
Debt Service:	-					
Principal	-	-	3,621,556	-	-	3,621,556
Interest	-	-	1,084,703	-	-	1,084,703
Total expenditures	182,558	152,532	4,706,259	88,173	9,428,396	16,001,221
Excess (deficiency) of revenues over (under) expenditures	525,757	(152,532)	(4,704,668)	2,936,894	(9,428,393)	(11,386,794)
Other financing sources (uses)						
Transfers in	-	12,811	5,743,826	-	14,950,000	20,706,637
Transfers out	-	-	-	-	(3,012,622)	(3,156,298)
Proceeds from sale of capital assets	-	-	-	-	-	70,796
Total other financing sources (uses)	-	12,811	5,743,826	-	11,937,378	17,621,135
Net change in fund balances	525,757	(139,721)	1,039,158	2,936,894	2,508,985	6,234,341
Fund balances (deficit), beginning of year	801,720	-	(22,316)	-	5,232,540	8,340,443
Fund balances (deficit), end of year	$ 1,327,477	$ (139,721)	$ 1,016,842	$ 2,936,894	$ 7,741,525	$ 14,574,784

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 1996 ISSUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Building Projects					
Libraries	$ 3,000,000	$ 3,000,000	$ 2,857,592	$ 772	$ 2,858,364
Recreation	8,000,000	9,426,315	9,197,520	1,609,600	10,807,120
Courthouse expansion/renovation	4,500,000	7,304,779	8,012,844	60,332	8,073,176
Courthouse parking	1,850,000	3,550,000	3,030,163	315,024	3,345,187
Senior citizens center	3,780,000	4,678,259	4,525,285	196,611	4,721,896
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	6,108	711,134
	25,980,000	35,210,698	34,893,027	2,188,447	37,081,474
Road Improvements:					
Right-of-way acquisition - Hampton / Locust Grove road	1,000,000	554,068	546,537	-	546,537
Resurfacing	2,172,000	2,172,004	2,189,771	-	2,189,771
Cities/Fairview projects	2,500,000	2,500,000	2,312,708	-	2,312,708
Dirt road paving	6,168,600	11,563,655	10,060,266	179,472	10,239,738
Major construction projects	22,179,400	17,821,289	11,873,702	611,811	12,485,513
Program management	-	963,532	973,704	39,260	1,012,964
	34,020,000	35,574,548	27,956,688	830,543	28,787,231
Contingency	-	6,000,000	39,123	23,160	62,283
Total	$ 60,000,000	$ 76,785,246	$ 62,888,838	$ 3,042,150	$ 65,930,988

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2002 ISSUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Project	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	-	626,509	626,509
Community center(s) for family and youth activities	5,000,000	5,000,000	-	-	-
Library facilities	5,700,000	5,700,000	-	197,528	197,528
Animal shelter	1,000,000	1,000,000	-	62,642	62,642
Fire stations	2,200,000	2,200,000	-	95,267	95,267
Park and recreational facilities	12,000,000	12,000,000	-	420,179	420,179
Roads, streets, curbs, bike paths, gutters, sidewalks and bridges	85,016,659	85,016,659	-	2,235,202	2,235,202
City of Hampton	3,011,785	3,011,785	137,034	686,774	823,808
City of Locust Grove	1,822,417	1,822,417	82,919	415,564	498,483
City of McDonough	6,637,436	6,637,436	301,999	1,513,528	1,815,527
City of Stockbridge	7,711,703	7,711,703	350,877	1,758,492	2,109,369
Program management	-	-	84,840	1,032,213	1,117,053
	$ 140,000,000	$ 140,000,000	$ 957,669	$ 9,043,898	$ 10,001,567

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, 2004

ASSETS	Tax Commissioner	Clerk of Superior Court	Probate Court	Magistrate Court	Sheriff	State Court	Juvenile Court	Total
Cash and cash equivalents	$ 650,641	$ 4,259,719	$ 98,220	$ 116,435	$ 444,751	$ 704,473	$ 24,045	$ 6,298,284
LIABILITIES								
Due to component unit	$ 39,794	$ 41,121	$ -	$ -	$ -	$ -	$ -	$ 80,915
Due to others	610,847	4,218,598	98,220	116,435	444,751	704,473	24,045	6,217,369
Total liabilities	$ 650,641	$ 4,259,719	$ 98,220	$ 116,435	$ 444,751	$ 704,473	$ 24,045	$ 6,298,284

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
TAX COMMISSIONER				
ASSETS				
Cash and cash equivalents	$ 644,134	$ 115,529,511	$ 115,523,004	$ 650,641
LIABILITIES				
Due to component unit	$ 50,756	$ 9,984,403	$ 9,995,365	$ 39,794
Due to others	593,378	105,545,108	105,527,639	610,847
	$ 644,134	$ 115,529,511	$ 115,523,004	$ 650,641
CLERK OF SUPERIOR COURT				
ASSETS				
Cash and cash equivalents	$ 1,952,440	$ 17,329,698	$ 15,022,419	$ 4,259,719
LIABILITIES				
Due to component unit	$ 41,636	$ 434,327	$ 434,842	$ 41,121
Due to others	1,910,804	16,895,371	14,587,577	4,218,598
	$ 1,952,440	$ 17,329,698	$ 15,022,419	$ 4,259,719

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
PROBATE COURT				
ASSETS				
Cash and cash equivalents	$ 46,795	$ 124,092	$ 72,667	$ 98,220
LIABILITIES				
Due to others	$ 46,795	$ 124,092	$ 72,667	$ 98,220
MAGISTRATE COURT				
ASSETS				
Cash and cash equivalents	$ 101,635	$ 517,158	$ 502,358	$ 116,435
LIABILITIES				
Due to others	$ 101,635	$ 517,158	$ 502,358	$ 116,435
SHERIFF				
ASSETS				
Cash and cash equivalents	$ 428,941	$ 1,208,393	$ 1,192,583	$ 444,751
LIABILITIES				
Due to others	$ 428,941	$ 1,208,393	$ 1,192,583	$ 444,751

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
STATE COURT				
ASSETS				
Cash and cash equivalents	$ 669,880	$ 1,905,437	$ 1,870,844	$ 704,473
LIABILITIES				
Due to others	$ 669,880	$ 1,905,437	$ 1,870,844	$ 704,473
JUVENILE COURT				
ASSETS				
Cash and cash equivalents	$ 31,261	$ 21,186	$ 28,402	$ 24,045
LIABILITIES				
Due to others	$ 31,261	$ 21,186	$ 28,402	$ 24,045
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 3,875,086	$ 136,635,475	$ 134,212,277	$ 6,298,284
LIABILITIES				
Due to component unit	$ 92,392	$ 10,418,730	$ 10,430,207	$ 80,915
Due to others	3,782,694	126,216,745	123,782,070	6,217,369
	$ 3,875,086	$ 136,635,475	$ 134,212,277	$ 6,298,284

COMPONENT UNIT – DEVELOPMENT AUTHORITY

HENRY COUNTY, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
JUNE 30, 2004

ASSETS		
Cash and cash equivalents	$	33,706
Investments		280,035
Due from primary government		10,341
Total assets	$	324,082
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	6,241
Due to primary government		1,068
Total liabilities		7,309
FUND BALANCE		
Unreserved, undesignated		316,773
Total fund balance		316,773
Total liabilities and fund balance	$	324,082

HENRY COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Revenues		
Charges for services	$	6,920
Investment income		9,348
Contributions		215,704
Total revenues		231,972
Expenditures		
Housing and development		411,722
Total expenditures		411,722
Net change in fund balance		(179,750)
Fund balance, beginning of year		496,523
Fund balance, end of year	$	316,773

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

We have audited the financial statements of the governmental activities, the aggregate 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, 2004, which collectively comprise Henry County, Georgia's basic financial statements and have issued our report thereon dated October 29, 2004. 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.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-1 and 04-2.

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conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Henry County, Georgia in a separate letter dated October 29, 2004.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.* However, we noted certain matters that we reported to the management of Henry County, Georgia in a separate letter dated October 29, 2004.

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.



Macon, Georgia
October 29, 2004

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, 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, 2004. 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.

Henry County, Georgia's basic financial statements include the operations of the Henry County Library System, which received $2,200 in federal awards, which is not included in the schedule during the year ended June 30, 2004. Our audit, described below, did not include the operations of the Henry County Library System because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133. In addition, Henry County, Georgia's basic financial statements include the operations of the Henry County Water and Sewerage Authority, which received $4,351,048 in federal awards which is not included in the schedule during the year ended June 30, 2004. This schedule has been included in the separately issued statements of the Henry County Water and Sewerage Authority.

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, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 04-3.

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 in accordance 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 reportable 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 caused by error or fraud 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 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.



Macon, Georgia
October 29, 2004

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Award Program	CFDA #	Grant I. D.	Expenditures
U.S. Department of Health and Human Services			
Pass Through Program - Georgia Department of Human Resources			
Community Care Services Program - Title III, Part B	93.044	N/A	$ 71,895
Community Care Services Program - Title III, Part C	93.045	N/A	137,550
Nutrition Services Incentive Program	93.053	N/A	35,516
Total Special Programs for the Aging, Title III Funds			244,961
Community Care Services Program - Title III, Part E	93.052	N/A	23,412
Temporary Assistance for Needy Families	93.558	427-57-45251	16,234
Community Services Block Grant	93.569	427-93-35746	4,504
Community Services Block Grant	93.569	427-93-45526	44,232
			48,736
Social Services Block Grant	93.667	427-57-45232	43,000
Social Services Block Grant	93.667	427-57-45271	59,232
Social Services Block Grant	93.667	N/A	49,849
			152,081
Total U.S. Department of Health and Human Services			485,424
U.S. Department of Justice			
Office of Justice Programs			
Juvenile Justice and Delinquency Prevention	16.523	02B-ST-0002	12,105
Juvenile Justice and Delinquency Prevention	16.548	01P-120-0101-0015	55,285
Juvenile Justice and Delinquency Prevention	16.548	02P-120-0201-0009	43,436
			98,721

(Continued)

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Award Program	CFDA #	Grant I. D.	Expenditures
U.S. Department of Justice (Continued)			
Office of Justice Programs (Continued)			
Solicitor's Victim Witness Assistance Program	16.575	C02-8-054	$ 8,804
Solicitor's Victim Witness Assistance Program	16.575	C03-8-078	27,963
District Attorney's Office Solicitor's Victim Witness Assistance Program	16.575	C02-8-188	15,629
District Attorney's Office Solicitor's Victim Witness Assistance Program	16.575	C02-8-027	8,306
			60,702
Pass Through Program- Georgia Emergency Management Agency			
Domestic Preparedness State Homeland Grant	16.007	2003-TE-TX-0181	51,327
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2224	33,967
COPS More	16.710	2001-CM-WX-0114	21,684
Total U.S. Department of Justice			278,506
Federal Emergency Management Agency			
Assistance to Firefighters	97.044	EMW-2003-FG-04019	100,502
Total Federal Emergency Management Agency			100,502

(Continued)

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Award Program	CFDA #	Grant I. D.	Expenditures
U.S. Department of Transportation			
Pass Through Program- Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2003-205-164AL	$ 33,436
State and Community Highway Safety	20.600	2004-075-163AL	85,375
			118,811
Pass Through Program- Georgia Department of Human Resources			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	N/A	48,800
Pass Through Program- Georgia Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509	MTG00-0119-00-013	55,112
Formula Grants for Other Than Urbanized Areas	20.509	MTG00-0100-00-069	20,000
			75,112
Total U.S. Department of Transportation			242,723
U.S. Department of Education			
Pass Through Program- Georgia Department of Human Resources			
Rehabilitation Services	84.126	N/A	4,250
Total U.S. Department of Education			4,250
Total Federal Awards			$ 1,111,405

Note: The 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, 2004

A. SUMMARY OF AUDIT RESULTS

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

2. Two reportable conditions relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and are included in the Schedule of Findings and Questioned Costs as items 04-1 and 04-2. These reportable conditions were not considered to be material weaknesses.

3. No instances of noncompliance relating to the audit of the financial statements of Henry County, Georgia are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements 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. An audit finding that is required to be reported in accordance with Section 510(a) of OMB Circular A-133 is reported in this schedule as item 04-3 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 Health and Human Services, Special Programs for Aging, Title III Cluster, including the following: Community Care Services Program – Title III, Part B, CFDA #93.044, Community Care Services Program – Title III, Part C, CFDA # 93.045, and Nutrition Services Incentive Program, CFDA # 93.053.

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, 2004

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

04-1 Maintenance of Records for Agency Fund Accounts (Repeat Finding)

Condition: During our audit of the various elected officials as of June 30, 2004, 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 accounts maintained at the following elected officials' offices: the Tax Commissioner, the Clerk of Superior Court, the Magistrate Court, the Probate 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.

Effect: By not reconciling the cash balances on hand to the supporting detail listings, differences could occur and go undetected by the elected officials.

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

Response: We concur. Subsequent to year-end, we have developed detail listings for the Clerk of Superior Court, the Magistrate Court, and the State Court. We will work to determine to whom all cash balances are owed, maintain these listings, and reconcile them to the cash balances on hand on a monthly basis.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

04-2 Segregation of Duties

Condition: There is not appropriate segregation of duties between recording, distribution, and reconciliation of cash accounts and other operational functions in the various funds possessed by the County. This is especially prominent in the offices of the Probate Court, Magistrate Court, Law Library, Juvenile Court, Clerk of Court, Tax Commissioner, and Sheriff.

Criteria: Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Effect: Failure to properly segregate duties between recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Recommendation: The duties of recording, distribution, and reconciliation of accounts should be segregated between employees.

Response: We concur. The offices listed above are in the process of reviewing their respective systems to evaluate and determine the most efficient and effective solution to properly segregate duties between recording, distribution, and reconciliation of accounts to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

HENRY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

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

04-3 Cost Sharing for Services (U.S. Department of Health and Human Services, Community Care Services Program – Title III, Part C, CFDA# 93.045)

Condition: For the fiscal year ending June 30, 2004, the County charged a cost share to individuals who were provided services by Senior Services of Henry County.

Criteria: According to the compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, cost-sharing is not allowed for Title III, Part C services.

Effect: The County has not been in compliance with the grant agreement and the compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*.

Recommendation: The County should cease charging a cost share for services provided under Title III, Part C.

Response: We concur. Subsequent to year-end, we have ceased charging a cost share for services provided under Title III, Part C and have begun requesting donations, which is allowable under the grant agreement and the compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

03-1 Adoption of Budgets

Finding: 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) Section 36-81-2 through 36-81-6: Technology Fund, Juvenile Assistance Fund, Debt Service Fund, and the 2002 SPLOST Fund.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS (Continued)

03-1 Adoption of Budgets (Continued)

Status: For the fiscal year ending June 30, 2004, the County has adopted budgets for the general fund, special revenue funds, debt service fund, and capital projects funds.

03-2 Emergency 911 Telephone System

Finding: For the fiscal year ending June 30, 2003, the County had not set up a separate restricted reserve account for thirty cents of the monthly wireless-enhanced emergency 911 charges in accordance with the Official Code of Georgia (OCGA) Section 46-5-134.

Status: For the fiscal year ending June 30, 2004, the County has set up a separate restricted reserve cash account and revenue account.

03-4 Draw Down of Funds Before Spending (U.S. Department of Justice, COPS More Grant, CFDA #16.710)

Finding: 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.

Status: For the fiscal year ending June 30, 2004, the County properly expended funds prior to requesting reimbursement.

03-5 Failure to Request Extensions in a Timely Manner (U.S. Department of Justice, COPS More Grant, CFDA #16.710)

Finding: 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.

Status: The grant ended shortly after the beginning of the fiscal year ended June 30, 2004, and no further extensions were needed.

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, 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, 2004, with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for Local Assistance Grant #00-C-L-206. 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, 2004, 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
October 29, 2004

STATE OF GEORGIA GRANT CERTIFICATION FORM

A	Local Government	**Henry County, Georgia**
B	Information for Year Ended	**June 30, 2004**
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 Due from DCA**
I	Grant Receipts or Revenue Recognized	**$2,500**
J	Grant Disbursements or Expenditures	**$0**
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 _____

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