HENRY COUNTY, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Prepared By:
Mike Bush,
Financial Services Director

INTRODUCTORY SECTION

HENRY COUNTY, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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Board of Commissioners

Jason T. Harper, Chairman

Warren E. Holder
District I

Elizabeth "B.J." Mathis
District II

Randy Stamey
District III

Gerry Adams
District IV

Lee Holman
District V

Rob Magnaghi
County Manager

Susan B. Craig
County Clerk

140 Henry Parkway
McDonough, GA 30253
770.954.2400
FAX 770.954.2418
www.co.henry.ga.us

December 16, 2005

To the Honorable Chairman, Distinguished Members of the County Commission
And the Citizens of Henry County:

Ladies and Gentlemen:

I am honored to hereby present Henry County's first Comprehensive Annual Financial Report. The report is as of and for the year ended June 30, 2005. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of Henry County. To provide a reasonable basis for making these representations, Henry County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in accordance with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the objective is to present reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds, account groups and component units of Henry County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

Henry County's financial statements have been audited by Mauldin & Jenkins, Certified Public Accountants, LLC. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County are free of material misstatement. Our auditors have issued an unqualified opinion on Henry County's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of Henry County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's

internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Single Audit section of this report.

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

PROFILE OF THE GOVERNMENT

Henry County was formed in 1821 from Creek Indian Lands. Georgia's 50th county is located in the north central portion of the State of Georgia, approximately 30 miles southeast of the City of Atlanta, and is considered part of the metropolitan Atlanta area. The County currently occupies 322.7 square miles of land and serves a population of more than 160,000. Henry County is empowered to levy a property tax on both real and personal property located within its boundaries.

Henry County is bordered on the north by Dekalb County, on the east by Rockdale and Newton Counties, on the south by Spalding and Butts Counties, and on the west by Clayton County. Four incorporated municipalities are located within Henry County: McDonough, which is the County seat, Stockbridge, Hampton, and Locust Grove.

The governing authority of Henry County is a Board of Commissioners consisting of five members elected by district and a Chairman elected at large. The commissioners serve on a part-time basis and are elected to staggered terms of four years. The commissioners are responsible, among other things, for passing ordinances, adopting the budget, establishing tax rates, appointing committees and hiring both the County's manager and attorney. In 1974, the General Assembly of Georgia created the position of County Administrator for Henry County. This position was changed to County Manager in 1992. The County Manger is responsible for the administration of all of the affairs of the County over which he has jurisdiction, including offering positions of classified employment, as well as appointing heads of various departments.

Henry County provides a full range of services, including law enforcement; corrections; the construction and maintenance of buildings, parks, streets, highways, bridges, storm water drainage facilities, and other associated infrastructure; parks and recreational activities; 911 emergency communications; voter registration and election; court systems; tax assessment and collection; building inspections; geographic information system; planning and zoning; recycling; and general administrative and support activities. The County also provides fire protection and emergency medical services to the unincorporated areas of the County as well as the City of Stockbridge.

This report includes all funds of the County, as well as those component units that have been determined to meet the criteria for inclusion in the county's reporting entity. Henry County Water and Sewerage Authority, the Henry County Health Department, the Henry County Library System, and the Henry County Development Authority are all included as an integral part of Henry County's financial statements. Additional information on all four of these legally separate entities can be found in the Notes to Financial Statements.

The annual budget serves as the foundation for Henry County's financial planning and control. All departments and agencies of Henry County are required to submit requests for appropriation to the County Manager in March each year. The County Manager uses these requests as the starting point for developing a proposed budget. The County Manager then presents this proposed budget to the Board of Commissioners for review during the month of May. The Board of Commissioners are required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of Henry County's fiscal year. The appropriated budget is prepared by fund and department. The County Manager may make transfers of appropriations within a department. Transfers of appropriations between departments and the appropriation of additional funds, however, require the special approval of the Board of Commissioners. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy. Henry County is strategically located along I-75 with a total of seven interchanges within its borders. With a low cost of living, temperate climate and easy access to Atlanta, Henry County provides all the conveniences of a large city, in a small town atmosphere. State and national economic indicators place Henry County in an enviable position as one of the nation's fastest-growing communities, and in fact, Henry County experienced the highest rate of growth in the region with a 6.8 percent increase adding 10,700 residents over the last year. This continued growth has increased the demand for additional retail and commercial services there by fueling growth in the economic sector. Henry County has a rich variety of retail establishments from large stores in outlying shopping centers to small mom and pop shops that serve the downtown areas. In fact, the Tanger Factory Outlet in Locust Grove draws more than 2 million shoppers annually.

In addition to the permanent residents and businesses of Henry County, the County host several major sporting events each year aiding in the export of our tax burden through our Local and Special Local Option Sales Taxes. The Chick-Fil-A Charity Championship, a Ladies Professional Golf Association (LPGA) Tour Event, is held annually at Eagles Landing Golf Course in Stockbridge, and two major National Association of Stock Car Racing (NASCAR) events are held each year at the Atlanta Motor Speedway in Hampton. Currently, more than 21 hotel and motel facilities provide over 2,100 guest rooms throughout the County.

Major Initiatives. Henry County is part of the Southern Regional Accessibility Study, and the Multi-Modal Corridor Planning Program, which is striving to alleviate traffic congestion and improve mobility in the area. The County has also initiated the development of its first Comprehensive Transportation Plan and an updated Comprehensive Land Use Plan in collaboration with the Cities of Hampton, Locust Grove, Stockbridge, and McDonough. The transportation plan's intent is to reduce the impact of rapid growth on the quality of the transportation system in the County; while the Comprehensive Land Use Plan is intended to bring up to date the future land use map and related land use goals, objectives, and policies in order to promote consistency. This will help in the future development activity and construction of schools and other public facilities.

Henry County's Police Services has realigned all of the police patrol zones based upon three years of call history to improve response times to calls, and is a forerunner in the adoption of the National Incident Management System (NIMS) for public safety emergency response. The County's E-911 system is one of two in the state to use Global Positioning Tracking for mobile phones.

Cash Management Policies and Practices. Henry County has a responsibility to carefully account for public funds, to manage County finances wisely, and to plan for the provision of public services. The process is complex because unlike private businesses, Henry County has a broader range of responsibilities. The County is expected to address the community's social issues, protect the citizens' interest, provide public safety, and enforce laws and regulations. The key values of the County's financial management include fiscal integrity, prudence, planning, accountability, honesty, and openness. Specifically, it is the County's intent to maximize the level of public goods and services while minimizing the level of debt. In this effort, Henry County has contracted with SunTrust Bank to provide banking services, and Merrill Lynch to provide investment services. All operating funds of the county are carried in interest-bearing checking accounts, which bear interest at the rate of the Super Now account, a special rate for non-profit and government entities. The County does not currently incur financial fees or charges for banking services. In relation to our prudent financial management, Henry County maintains an Aa2 credit rating from Moody's Investor Services. This rating produces significant interest savings and is solid evidence of our financial strength and stability.

The Comprehensive Annual Financial Report (CAFR) has been prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). We believe the data presented in this report are accurate in all material respects and conforms to the standards of the GFOA program for the Certificate of Excellence in Financial Reporting. Accordingly, we are submitting this report to GFOA for evaluation of eligibility for the Certificate.

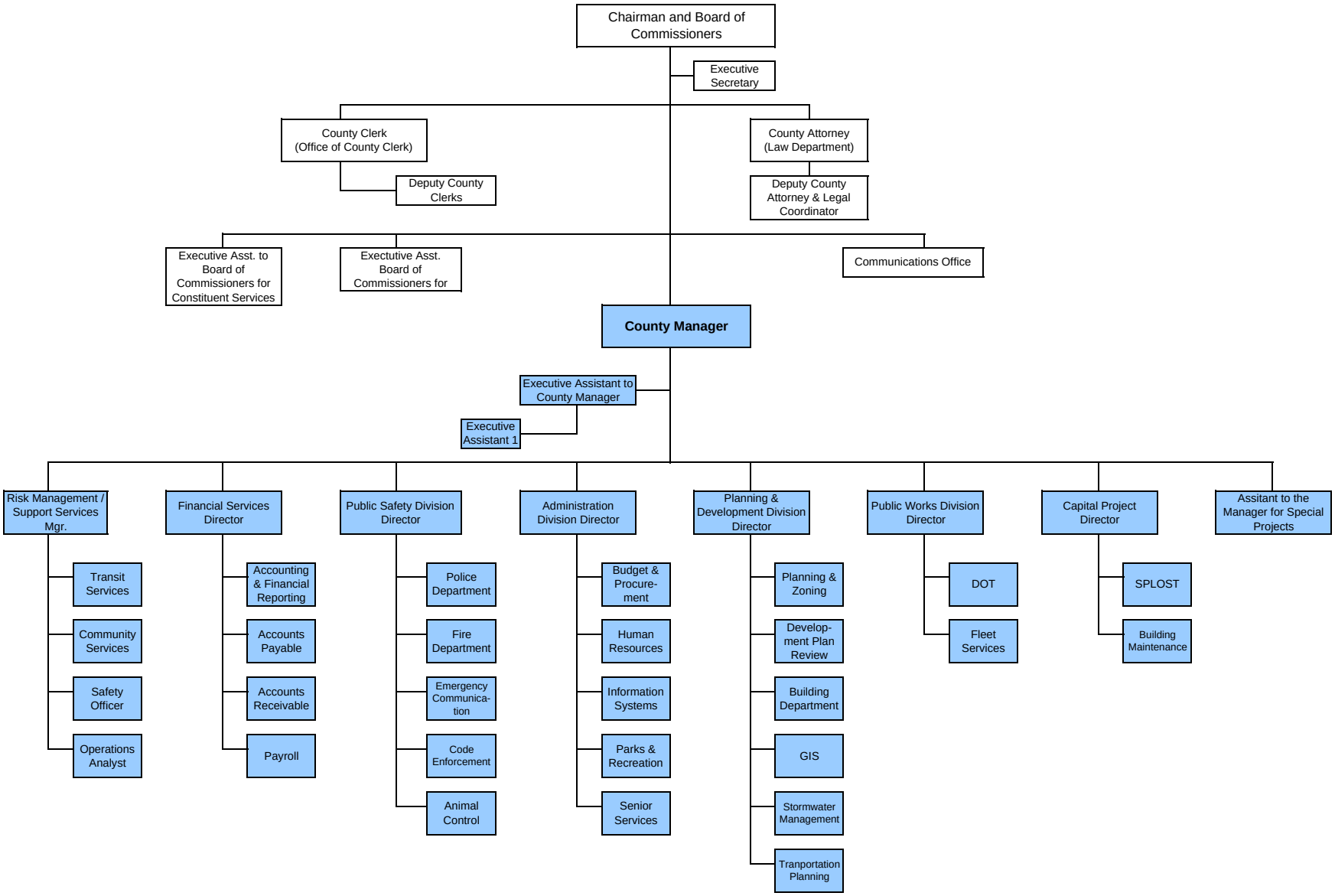
The active involvement and professional support of Mauldin & Jenkins CPAs, LLC, Miller Edwards, Partner, and the auditing staff have been instrumental to the prompt completion of the associated audit of this report. The cooperation of the various elected officials and appointed management has been invaluable. We express our appreciation to all those who contributed to its preparation. Finally, we would like to thank the Board of Commissioners for their leadership and support in conducting the financial affairs of Henry County in a responsible and progressive manner.

Respectfully submitted,

Mike Bush
Financial Services Director

HENRY COUNTY, GEORGIA

ORGANIZATIONAL CHART



HENRY COUNTY, GEORGIA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2005

Elected Officials

Chairman, At Large	**Jason Harper**
Vice Chairman, District 1	**Warren Holder**
District 2	**Elizabeth (B.J.) Mathis**
District 3	**Randy Stamey**
District 4	**Gerry Adams**
District 5	**Lee Holman**
Tax Commissioner	**Andy Pipkin**
Sheriff	**William Chaffin**
Clerk of Superior Court	**Judy Lewis**
Superior Court Judges	**William H. Craig & Arch McGarity**
State Court Judges	**Ben Studdard & James Chafin**
Probate Court Judge	**Del Buttrill**
Magistrate Judge	**Judy Hayes**
District Attorney	**Tommy Floyd**
Solicitor	**Chuck Spahos**

Principal Officials

County Manager	**Rob Magnaghi**
County Attorney	**Patrick Jaugstetter**
Financial Services Director	**Mike Bush**
Public Safety Division Director	**Michael Turner**
Administration Division Director	**Fred Chitwood**
Planning & Development Division Director	**Michael Harris**
Public Works Division Director	**Terry McMickle**
Capital Projects Director	**Roy Clack**
County Clerk	**Susan Craig**

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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 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, 2005, 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 $1,561,868 and $1,987,236, respectively, as of June 30, 2005, and total revenues of $1,906,546 and $1,513,883, 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Henry County, Georgia as of June 30, 2005, and the respective changes in financial position, and the budgetary comparison for the General 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 7, 2005 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 13) 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 introductory section and combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Henry County, Georgia. The 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 nonmajor 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Macon, Georgia
October 7, 2005

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, 2005. 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, 2005, by $247,082,695 (net assets). Of this amount, $105,071,304 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors,
- At June 30, 2005, the County's General Fund reported an unreserved fund balance of $47,410,900, an increase of $11,743,976 or 32.9 % from the last fiscal year.
- The 2002 Special Purpose Local Option Sales Tax (SPLOST) generated collections of $24,231,265 during fiscal year 2005.
- Henry County Impact Fee fund closed fiscal year 2005 with a fund balance of $4,659,663, an increase of $1,722,769 or 58.7% from the last fiscal year.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only Henry County itself (known as the primary government), but also the Henry County Department of Public Health, the Henry County Development Authority, the Henry County Library System and the Henry County Water and Sewerage 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.

The government-wide financial statements can be found on pages 14 – 16 of this report.

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 Asset 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, the 2002 SPLOST Capital Projects Fund, and the 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 nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Henry County adopts an annual appropriated budget for its general, special revenue, capital projects, and debt service funds. A budgetary comparison statement has been provided for the General Fund.

This statement is found on pages 22 – 25 of this report. The basic governmental fund financial statements can be found on page 17 –- 25. Budgetary comparison schedules have also been included in the combining statements for other governmental funds with legally adopted annual budgets.

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.

The basic fiduciary fund statement of fiduciary assets and liabilities can be found on page 26 of this report.

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Henry County, assets exceed liabilities by $247,082,695 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (56.2%) 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	
	2005	2004
Current and other assets	$ 142,378,115	$ 116,405,398
Capital assets	175,692,666	133,586,927
Total assets	318,070,781	249,992,325
Long-term liabilites outstanding	62,494,515	51,990,389
Other liabilities	8,493,571	7,064,752
Total liabilities	70,988,086	59,055,141
Net assets:		
Invested in capital assets, net of related debt	138,929,538	112,296,985
Restricted	3,081,853	2,349,393
Unrestricted	105,071,304	76,290,806
Total net assets	$ 247,082,695	$ 190,937,184

An additional portion of Henry County's net assets (1.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($105,071,304) or (42.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

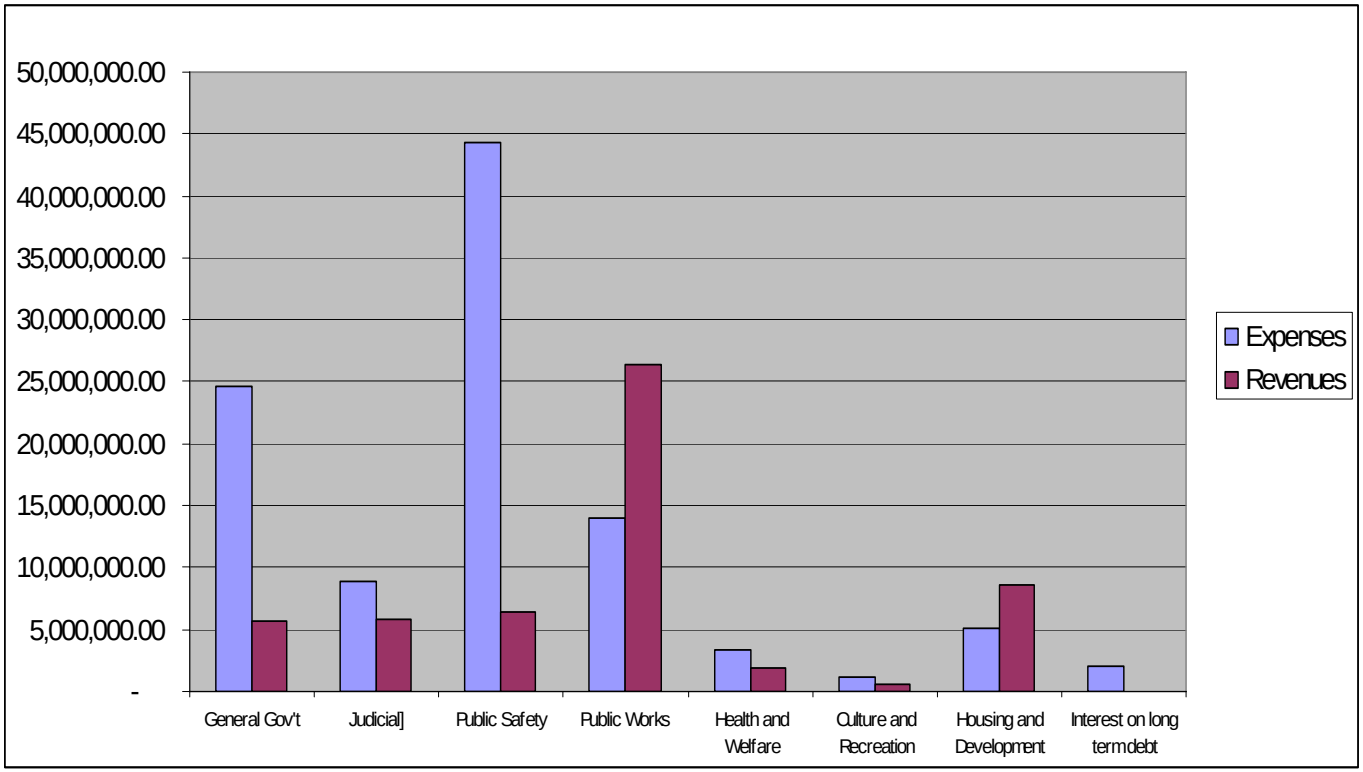
Governmental activities. Governmental activities increased the County's net assets by $56,145,511. Key elements of this increase are as follows:

Henry County's Changes in Net Assets

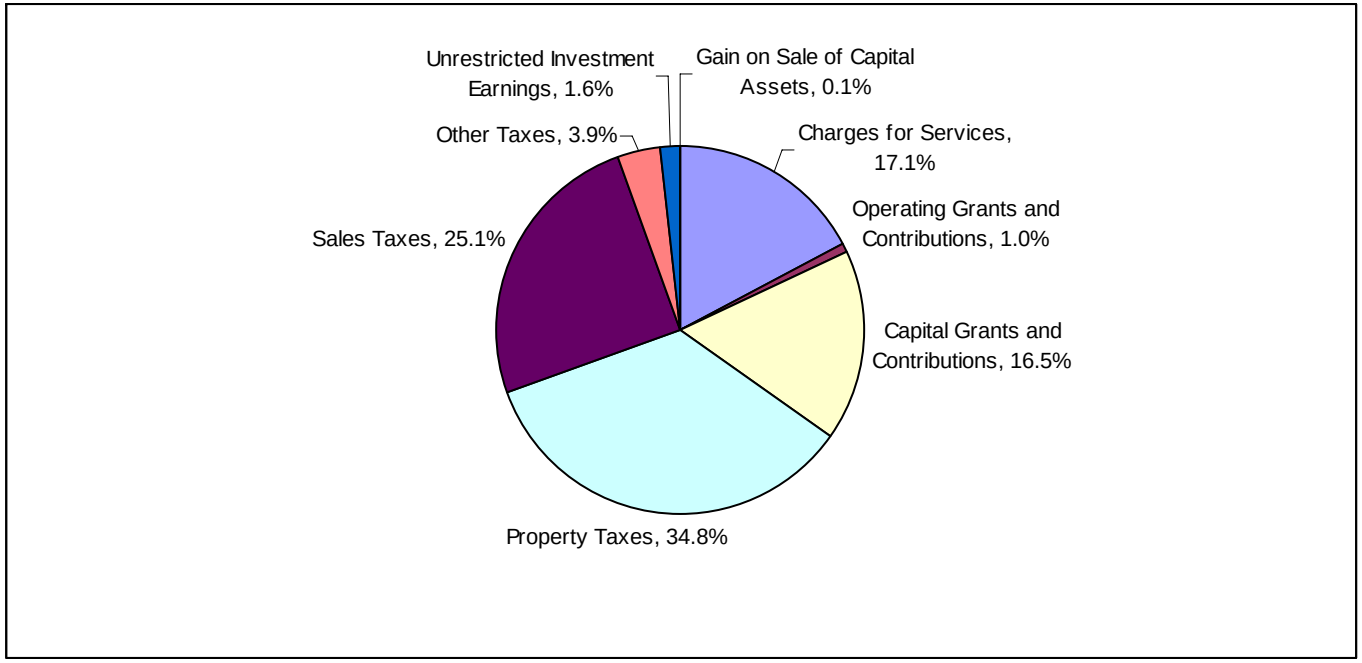
	Governmental Activities	
	2005	2004
Revenues		
Program revenues:		
Charges for services	$ 27,379,136	$ 23,781,786
Operating grants and contributions	1,567,095	1,916,507
Capital grants and contributions	26,300,804	25,747,449
General revenues:		
Property taxes	55,550,417	51,712,735
Sales taxes	40,023,574	36,427,415
Other taxes	6,191,217	5,877,251
Unrestricted investment earnings	2,553,397	740,368
Gain on sale of capital assets	142,935	-
Total revenues	159,708,575	146,203,511
Expenses		
General government	24,672,480	17,626,726
Judicial	8,878,787	8,222,833
Public safety	44,308,693	40,953,308
Public works	13,988,486	16,317,875
Health and welfare	3,421,976	4,488,944
Culture and recreation	1,128,114	4,093,934
Housing and development	5,061,740	4,444,972
Interest on long-term debt	2,102,788	1,240,359
Total expenses	103,563,064	97,388,951
Increase in net assets	56,145,511	48,814,560
Net assets, beginning of year	190,937,184	142,122,624
Net assets, end of year	$ 247,082,695	$ 190,937,184

- Property Taxes increased by $3,837,682 (7.4%) during the year. Most of this increase is due to more professionals in the field appraising homes and improvement to homes as well as the addition of new software in calculating the appraisals.
- Sale taxes increased by $3,596,159 (9.9%) during the year. This is mainly due to Henry County being one of the fastest growing counties in the United States. With new people coming to live in Henry County the demand for consumables has increased. Also, with the addition of a new shopping complex and the expansion of another, many people from other counties come to Henry County.
- Unrestricted investment earnings increased by $1,813,029 (244.9%) during the year. This is due to interest rates coming back up due to the federal government raising rates all throughout the year.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



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 $132,010,623, an increase of $24,965,115 in comparison with the prior year. Approximately 97.7% of this total amount ($128,928,770) 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 (907,315), for wireless communications ($1,176,427), for jail construction ($763,443), for fire safety ($156,164) or for various other restricted purposes ($78,504).

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 $47,410,900, while total fund balance reached $47,482,872. 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 58.7% of total General Fund expenditures, while total fund balance represents 58.8% of that same amount.

The fund balance of the County's General Fund increased by $11,736,980 during the current fiscal year. This was due mainly to tighter controls on spending.

The 2002 SPLOST Capital Projects Fund accounts for the financial resources provided from the 2002 one percent Special Local Option Sales Tax. These resources must be used for various building projects and road improvements throughout the County. At the end of the 2005 fiscal year, the 2002 SPLOST Capital Projects Fund had an undesignated fund balance of $47,210,357, and increase of $4,914,751 from the prior year. The increase in fund balance was mainly due to increased collections running just higher than expenditures each month. 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 2005, Henry County entered into five new lease purchases totaling $15,490,000. One lease was for the construction of a building where the State of Georgia has a Department of Motor Vehicles housed. A combination of two more leases were created to help construct the additions to the Friend's House, the Department of Family and Children Services building, and to renovate the old portion of the historical courthouse. One lease was for the purchase of parkland, and the other lease was for the purchase of fleet vehicles for the entire county. The year-end fund balance for the Lease Purchase Fund is $6,581,251.

General Fund Budgetary Highlights

During the year there was an increase of $7,323,934 in appropriations between the original and final amended budget and can be summarized as follows:

- Decrease in general government activities – ($2,280,219);
- Increase in judicial functions – $870,508, due mainly to an increase in personnel;
- Increase in public safety functions – $4,996,876, due mainly to increase in vehicles and personnel
- Increase in public works services and related capital assets – $2,293,282, due mainly to increase in equipment and personnel;
- Increase in health and welfare – $200,194;
- Increase in culture and recreation – $880,333
- Increase in housing and development - $362,960

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 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, 2005, amounts to $175,692,666 (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	
	2005	2004
Land	$ 22,467,538	$ 15,363,311
Construction in progress	22,484,651	13,229,278
Buildings and improvements	45,057,842	46,156,224
Machinery and equipment	16,981,310	16,029,458
Roads	68,701,325	42,808,656
Total	$ 175,692,666	$ 133,586,927

Governmental assets installed during the year totaled $48,225,219. Major projects consisted of the following:

- Acquisition of Park land
- Acquisition of Land for Right of Ways
- GASB 34 requirement to add infrastructure to asset listing
- Upgrading of fleet for entire County
- Upgrading software in the Tax Assessor's Department as well as the E-911 Fund.

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 and this debt is backed by the full faith and credit of the government.

Henry County's Outstanding Debt
General Obligation Bonds

	Governmental Activities	
	2005	2004
General obligation bonds	$ 25,000,000	$ 25,000,000
Total	$ 25,000,000	$ 25,000,000

Henry County's total debt remained unchanged during the current fiscal year. The $25,000,000 general obligation bond issuance for Henry County's Special Purpose Local Option Sales Tax (SPLOST) program is to be paid back during fiscal years 2006, 2007, and 2008. Current year interest payments were made in July and December in the amount of $736,862. This bond issuance has allowed 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% of its total assessed valuation. The current limitation for Henry County is $471,476,643 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 7 of this report.

Economic Factors and Next Year's Budgets

- The unemployment rate for Henry County is currently 5.1%, which is an increase from a rate of 4.0% one year ago. The unemployment rate for the State of Georgia at June 30, 2005, is 5.6%.
- In Fiscal Year 2001 monthly Local Option Sales Tax 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 monthly collections increased by 9.52% over 2004.
- In Fiscal year 2006, Henry County has budgeted to receive $23,458,062 in revenues from the Special Purpose Local Option Sales Tax (SPLOST.) This money will continue to help build a new courthouse annex, a new fire station, a new library, and continue to help fund the construction of new roads, paving of dirt roads, and creation of new bridges.

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, 2005

	Primary Government	Component Units			
	Governmental Activities	Health Department	Development Authority	Library System	Water & Sewerage Authority
ASSETS					
Cash and cash equivalents	$ 60,925,974	$ 1,507,987	$ 68,949	$ 1,074,462	$ 953,940
Investments	38,494,571	-	280,035	24,598	-
Receivables, net of allowances for uncollectibles	9,277,764	-	-	2,513	4,371,310
Due from other governments	3,370,972	38,092	-	-	-
Due from primary government	-	-	89,249	-	87,211
Due from component units	58,448	-	-	-	-
Inventory	182,640	-	-	-	681,875
Prepaid items	423,448	-	-	-	685
Restricted assets:					
Cash and cash equivalents	28,403,440	-	-	-	41,971,184
Investments	-	-	-	-	14,857,582
Accrued interest	-	-	-	-	151,494
Deferred charges	269,356	-	-	-	2,912,914
Capital assets, non-depreciable	44,952,189	-	-	75,127	137,869,554
Capital assets, depreciable (net of accumulated depreciation)	130,740,477	15,789	-	810,536	236,046,429
Other non-current assets	971,502	-	-	-	864,237
Total assets	$ 318,070,781	$ 1,561,868	$ 438,233	$ 1,987,236	$ 440,768,415

(Continued)

HENRY COUNTY, GEORGIA

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government	Component Units			
	Governmental Activities	Health Department	Development Authority	Library System	Water & Sewerage Authority
LIABILITIES					
Accounts payable	$ 3,810,350	$ -	$ 8,754	$ 15,888	$ 4,556,193
Accrued liabilities	2,613,324	-	-	-	711,665
Retainage payable	950,911	-	-	-	3,879,920
Due to other governments	994,737	38,092	-	-	-
Due to component units	89,249	-	-	-	-
Due to primary government	-	-	58,448	-	-
Deferred revenue	35,000	-	-	226,000	-
Payable from restricted assets:					
Customer deposits payable	-	-	-	-	510,930
Revenue bonds payable	-	-	-	-	3,895,000
Accrued interest payable	-	-	-	-	3,616,752
Non-current liabilities:					
Due within one year	8,250,093	-	-	13,980	1,860,944
Due in more than one year	54,244,422	100,483	-	37,375	220,335,994
Total liabilities	70,988,086	138,575	67,202	293,243	239,367,398
NET ASSETS					
Invested in capital assets, net of related debt	138,929,538	15,789	-	885,663	188,105,036
Restricted for:					
Jail construction	763,443	-	-	-	-
Drug abuse treatment	907,315	-	-	-	-
Juvenile assistance	6,532	-	-	-	-
Fire safety	60,356	-	-	-	-
Victim witness program	156,164	-	-	-	-
Wireless communications	1,176,427	-	-	-	-
Other purposes	11,616	80,000	-	-	17,958,397
Unrestricted	105,071,304	1,327,504	371,031	808,330	(4,662,416)
Total net assets	$ 247,082,695	$ 1,423,293	$ 371,031	$ 1,693,993	$ 201,401,017

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

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HENRY COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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	$ 24,672,480	$ 5,240,899	$ 3,000	$ 496,974	$ (18,931,607)	$ -	$ -	$ -	$ -
Judicial	8,878,787	5,615,159	200,518	-	(3,063,110)	-	-	-	-
Public safety	44,308,693	6,033,506	51,443	373,862	(37,849,882)	-	-	-	-
Public works	13,988,486	870,640	26,715	25,429,968	12,338,837	-	-	-	-
Health and welfare	3,421,976	570,855	1,252,906	-	(1,598,215)	-	-	-	-
Culture and recreation	1,128,114	515,877	-	-	(612,237)	-	-	-	-
Housing and development	5,061,740	8,532,200	32,513	-	3,502,973	-	-	-	-
Interest on long-term debt	2,102,788	-	-	-	(2,102,788)	-	-	-	-
Total primary government	$ 103,563,064	$ 27,379,136	$ 1,567,095	$ 26,300,804	(48,316,029)	-	-	-	-
Component units:									
Health Department	$ 1,875,178	$ 874,256	$ 1,003,506	$ -	-	2,584	-	-	-
Development Authority	377,331	61,350	361,236	-	-	-	45,255	-	-
Library System	1,516,892	86,376	1,424,226	-	-	-	-	(6,290)	-
Water & Sewerage Authority	46,127,132	28,371,143	-	25,536,325	-	-	-	-	7,780,336
Total component units	$ 49,896,533	$ 29,393,125	$ 2,788,968	$ 25,536,325	-	2,584	45,255	(6,290)	7,780,336
General revenues:									
Property taxes					55,550,417	-	-	-	9,440,499
Sales taxes					40,023,574	-	-	-	-
Other taxes					6,191,217	-	-	-	1,347,011
Unrestricted investment earnings					2,553,397	28,784	9,003	3,281	1,023,326
Gain on sale of capital assets					142,935	-	-	-	-
Total general revenues					104,461,540	28,784	9,003	3,281	11,810,836
Change in net assets					56,145,511	31,368	54,258	(3,009)	19,591,172
Net assets, beginning of year					190,937,184	1,391,925	316,773	1,697,002	181,809,845
Net assets, end of year					$ 247,082,695	$ 1,423,293	$ 371,031	$ 1,693,993	$ 201,401,017

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

HENRY COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

ASSETS	General Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 19,133,748	$ 25,537,206	$ -	$ 16,255,020	$ 60,925,974
Investments	21,013,395	-	-	17,481,176	38,494,571
Receivables, net of allowances for uncollectibles	4,425,327	4,197,192	-	655,245	9,277,764
Due from other governments	3,342,970	-	-	28,002	3,370,972
Due from other funds	3,943,729	8,936	-	883,601	4,836,266
Due from component unit	58,448	-	-	-	58,448
Inventory	182,640	-	-	-	182,640
Prepaid items	423,448	-	-	-	423,448
Restricted cash	-	20,389,053	8,014,387	-	28,403,440
Total assets	$ 52,523,705	$ 50,132,387	$ 8,014,387	$ 35,303,044	$ 145,973,523
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 826,894	$ 1,502,490	$ -	$ 1,480,966	$ 3,810,350
Accrued liabilities	1,818,507	23,802	-	62,622	1,904,931
Retainage payable	-	341,074	-	609,837	950,911
Due to other governments	165,866	828,871	-	-	994,737
Due to other funds	763,861	225,793	1,433,136	2,413,476	4,836,266
Due to component units	89,249	-	-	-	89,249
Deferred revenue	1,376,456	-	-	-	1,376,456
Total liabilities	$ 5,040,833	$ 2,922,030	$ 1,433,136	$ 4,566,901	$ 13,962,900

(Continued)

HENRY COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

LIABILITIES AND FUND BALANCES (Continued)	General Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES					
Reserved for:					
Jail construction	$ -	$ -	$ -	$ 763,443	$ 763,443
Drug abuse treatment	-	-	-	907,315	907,315
Juvenile assistance	-	-	-	6,532	6,532
Fire safety	60,356	-	-	-	60,356
Victim witness program	-	-	-	156,164	156,164
Wireless communications	-	-	-	1,176,427	1,176,427
Grants	11,616	-	-	-	11,616
Unreserved, reported in:					
General fund, undesignated	47,410,900	-	-	-	47,410,900
Special revenue funds, undesignated	-	-	-	1,663,902	1,663,902
Debt service fund, undesignated	-	-	-	4,604,604	4,604,604
Capital projects funds, undesignated	-	47,210,357	6,581,251	21,457,756	75,249,364
Total fund balances	47,482,872	47,210,357	6,581,251	30,736,143	132,010,623
Total liabilities and fund balances	$ 52,523,705	$ 50,132,387	$ 8,014,387	$ 35,303,044	

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.	175,692,666
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,341,456
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(62,933,552)
Net pension asset used in governmental activities is not a financial resource and, therefore, is not reported in the funds.	971,502
Net assets of governmental activities	$ 247,082,695

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, 2005

	General Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 77,360,336	$ 24,231,265	$ -	$ 270,852	$ 101,862,453
Licenses and permits	4,537,756	-	-	4,081,910	8,619,666
Intergovernmental	1,878,443	-	-	514,506	2,392,949
Charges for services	9,207,977	-	-	2,870,613	12,078,590
Fines and forfeitures	3,179,299	-	-	1,191,764	4,371,063
Administrative fees	1,208,416	-	-	-	1,208,416
Investment income	973,919	926,278	103,049	550,151	2,553,397
Contributions	65,282	-	-	-	65,282
Miscellaneous	1,037,240	58,631	-	5,530	1,101,401
Total revenues	99,448,668	25,216,174	103,049	9,485,326	134,253,217
Expenditures:					
Current:					
General government	11,161,112	-	-	838,257	11,999,369
Judicial	8,542,151	-	-	314,627	8,856,778
Public safety	39,586,559	-	-	4,058,045	43,644,604
Public works	9,874,481	-	-	488,044	10,362,525
Health and welfare	3,370,665	-	-	-	3,370,665
Culture and recreation	3,274,071	-	-	-	3,274,071
Housing and development	4,980,365	-	-	135,580	5,115,945
Capital outlay	-	15,474,896	7,574,209	8,716,273	31,765,378
Debt service:					
Principal retirement	-	-	1,015,134	4,581,474	5,596,608
Interest and fiscal charges	-	-	133,257	1,977,114	2,110,371
Total expenditures	$ 80,789,404	$ 15,474,896	$ 8,722,600	$ 21,109,414	$ 126,096,314

(Continued)

HENRY COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	$ 18,659,264	$ 9,741,278	$ (8,619,551)	$ (11,624,088)	$ 8,156,903
Other financing sources (uses):					
Proceeds from capital lease	-	-	15,490,000	1,077,359	16,567,359
Transfers in	328,985	700,867	-	13,686,226	14,716,078
Transfers out	(7,439,133)	(5,527,394)	(643,548)	(1,106,003)	(14,716,078)
Proceeds from sale of capital assets	187,864	-	-	52,989	240,853
Total other financing sources (uses)	(6,922,284)	(4,826,527)	14,846,452	13,710,571	16,808,212
Net change in fund balances	11,736,980	4,914,751	6,226,901	2,086,483	24,965,115
Fund balances, beginning of year	35,745,892	42,295,606	354,350	28,649,660	107,045,508
Fund balances, end of year	$ 47,482,872	$ 47,210,357	$ 6,581,251	$ 30,736,143	$ 132,010,623

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, 2005

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

Net change in fund balances - total governmental funds	$	24,965,115
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.		17,315,461
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		24,790,278
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(97,245)
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.		(10,601,101)
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.		(226,997)
	$	56,145,511

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 AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 54,757,311	$ 55,769,131	$ 55,647,662	$ (121,469)
Sales tax	14,443,527	15,792,310	15,792,309	(1)
Other taxes	5,655,605	5,920,368	5,920,365	(3)
Licenses and permits	3,438,675	4,544,652	4,537,756	(6,896)
Intergovernmental	1,393,684	1,509,235	1,878,443	369,208
Charges for services	8,453,780	9,066,564	9,207,977	141,413
Fines and forfeitures	3,466,621	3,179,725	3,179,299	(426)
Administrative fees	617,000	-	1,208,416	1,208,416
Investment income	400,581	973,920	973,919	(1)
Contributions	-	65,283	65,282	(1)
Miscellaneous	418,192	1,012,696	1,037,240	24,544
Total revenues	93,044,976	97,833,884	99,448,668	1,614,784
Expenditures:				
General government:				
Director of administration and finance	300,702	308,556	176,237	132,319
Board of commissioners	639,873	1,047,078	983,024	64,054
County manager	350,286	332,352	319,295	13,057
Tax commissioner	1,423,160	1,673,175	1,646,532	26,643
Tax assessor	1,605,618	1,649,455	1,527,047	122,408
Finance	774,144	806,002	784,586	21,416
Information systems	1,317,650	1,589,225	1,484,374	104,851
Human resources	499,039	445,459	439,993	5,466
Risk management	800,000	996,743	886,041	110,702
Purchasing	256,576	375,686	370,188	5,498
Registrar	249,678	308,782	292,119	16,663
Public buildings	1,374,570	1,666,492	1,565,669	100,823
Elections	375,507	401,540	323,422	78,118
County attorney	443,511	472,867	362,585	110,282
Contingency	1,000,000	7,541,702	-	7,541,702
Other - unclassified	10,485,019	-	-	-
Total general government	21,895,333	19,615,114	11,161,112	8,454,002

(Continued)

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures: (Continued)				
Judicial:				
Clerk of superior court	$ 1,529,122	$ 1,608,693	$ 1,551,972	$ 56,721
Judge of superior court	166,304	174,105	168,511	5,594
State court	605,507	661,896	605,719	56,177
Clerk of state court	469,471	497,464	481,337	16,127
State court solicitor	874,436	968,455	951,934	16,521
Probate court	564,224	608,203	576,512	31,691
Magistrate court	602,122	670,818	665,210	5,608
Juvenile court	1,020,528	1,136,087	1,067,764	68,323
District attorney	490,979	700,613	539,587	161,026
Public defender	1,571,381	1,590,002	1,553,456	36,546
Court reporter	126,100	224,346	210,675	13,671
Jury/bailiff	198,500	248,500	169,474	79,026
Total judicial	8,218,674	9,089,182	8,542,151	547,031
Public safety:				
Director of public safety	176,115	178,942	157,983	20,959
Police	1,291,640	1,628,888	1,610,695	18,193
Criminal investigation division	1,325,064	1,388,380	1,264,262	124,118
Narcotics	680,845	705,123	592,656	112,467
Support service	1,066,834	1,056,363	879,388	176,975
Uniform patrol division	6,311,345	7,305,403	6,845,165	460,238
Sheriff	4,048,295	4,992,986	4,930,209	62,777
Jail	6,158,162	6,841,572	6,520,411	321,161
Code enforcement	886,335	961,709	931,466	30,243
Fire	12,062,755	13,859,193	13,672,426	186,767
Fire administration	1,692,078	1,751,912	1,716,980	34,932
Coroner	100,440	103,353	86,750	16,603
Early release	369,232	392,192	378,168	14,024
Total public safety	36,169,140	41,166,016	39,586,559	1,579,457

(Continued)

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures: (Continued)				
Public works:				
Director of public works	$ 115,036	$ 125,269	$ 119,482	$ 5,787
DOT	2,863,051	3,182,479	2,827,398	355,081
Construction & roads	340,000	938,588	367,561	571,027
Maintenance shop	953,676	2,031,088	1,005,032	1,026,056
Scraping and hauling	4,279,212	4,974,552	4,561,301	413,251
Highways and streets	510,045	60,291	57,186	3,105
Waste management	15,700	17,200	16,800	400
Transit system	928,729	969,264	919,721	49,543
Total public works	10,005,449	12,298,731	9,874,481	2,424,250
Health and welfare:				
General health	819,673	846,674	786,355	60,319
Family service	248,825	248,826	248,080	746
Senior services	2,177,648	2,350,840	2,336,230	14,610
Total health and welfare	3,246,146	3,446,340	3,370,665	75,675
Culture and recreation:				
Human services	114,486	114,486	2,707	111,779
Libraries	914,330	1,140,331	1,140,330	1
Recreation	1,686,112	2,340,444	2,131,034	209,410
Total culture and recreation	2,714,928	3,595,261	3,274,071	321,190
Housing and development:	(880,333)			
Director of human and community services	174,383	175,719	138,289	37,430
Conservation	119,208	145,542	138,102	7,440
Conservation - NRCS	39,249	39,764	31,114	8,650
Building department	2,094,680	2,117,459	2,067,614	49,845
Development inspections	557,121	557,140	451,321	105,819
Planning and zoning	740,782	940,280	898,101	42,179

(Continued)

HENRY COUNTY, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures: (Continued)				
Housing and development: (continued)				
GIS mapping	$ 265,880	$ 301,880	$ 261,196	$ 40,684
Development plan review	398,946	412,677	401,369	11,308
Transportation development	201,922	264,670	232,023	32,647
Economic development authority	361,240	361,240	361,236	4
Total housing and development	4,953,411	5,316,371	4,980,365	336,006
Total expenditures	87,203,081	94,527,015	80,789,404	13,737,611
Excess of revenues over expenditures	5,841,895	3,306,869	18,659,264	15,352,395
Other financing sources (uses):				
Transfers in	707,079	372,303	328,985	(43,318)
Transfers out	(6,648,974)	(6,648,974)	(7,439,133)	(790,159)
Proceeds from sale of capital assets	100,000	187,864	187,864	-
Total other financing sources (uses)	(5,841,895)	(6,088,807)	(6,922,284)	(833,477)
Net change in fund balances	-	(2,781,938)	11,736,980	14,518,918
Fund balances, beginning of year	35,745,892	35,745,892	35,745,892	-
Fund balances, end of year	$ 35,745,892	$ 32,963,954	$ 47,482,872	$ 14,518,918

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

HENRY COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2005

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 6,029,236
Taxes receivable	4,637,588
Total assets	$ 10,666,824
LIABILITIES	
Due to component unit	$ 87,210
Due to others	10,579,614
Total liabilities	$ 10,666,824

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

BASIC FINANCIAL STATEMENTS

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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 of the County and its discretely presented component units, the Henry County Department of Public Health, the Henry County Development Authority, the Henry County Library System, and the Henry County Water and Sewerage Authority, 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, the financial statements of the reporting entity include those of the County (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 and financial relationships with the County. In conformity with accounting principles generally accepted in the United States of America, as set forth in Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity"; the component units' financial statements have been included as discretely presented component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. Based upon the application of these criteria, the following is a brief review of each component unit addressed in defining the County's reporting entity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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.

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. Therefore, fund financial statements have been included in the Combining and Individual Fund Statements and Schedules.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Henry County Library System (Continued)

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.

Henry County Water and Sewerage Authority

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

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

Blended Component Unit

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The County reports the following major governmental funds:

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

The ***Capital Projects 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 type:

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 $62,933,552 difference are as follows:

Capital leases payable	$	(30,806,811)
General obligation bonds payable		(25,000,000)
Less: Deferred charge for issuance costs (to be amortized over life of debt)		269,356
Plus: Issuance premium (to be amortized against interest expense)		(1,345,370)
Compensated absences		(2,883,857)
Claims and judgments payable		(1,001,000)
Landfill postclosure costs		(1,457,477)
Accrued interest		(708,393)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(62,933,552)

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 $17,315,461 difference are as follows:

Capital outlay	$ 22,904,391
Depreciation expense	(5,588,930)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net assets - governmental activities*	$ 17,315,461

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 $24,790,278 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.	$	25,320,828
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.		(530,550)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net assets of governmental activities*	$	24,790,278

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 $10,601,101 difference are as follows:

Debt incurred:	
Capital lease financing	$ (16,567,359)
Claims and judgments payable	(46,000)
Principal repayments:	
Capital leases	5,596,608
Claims and judgments payable	300,000
Landfill postclosure costs	115,650
Net adjustment to decrease net change in *fund balances - total governmental funds* to arrive at change in *net assets - governmental activities*	$ (10,601,101)

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 $226,997 difference are as follows:

Compensated absences	$	(287,417)
Amortization of issuance costs		(76,959)
Amortization of premium on general obligation bonds		384,392
Accrued interest		(299,850)
Net pension obligation		52,837
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net assets - governmental activities*	$	(226,997)

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, Special Revenue Fund, and Debt Service Fund. Project length budgets were adopted for all Capital Projects Funds. A budget was not adopted for the Confiscated Assets Fund for the fiscal year ended June 30, 2005.

   The supplementary budgetary appropriations made were not material.

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

NOTE 3. LEGAL COMPLIANCE - BUDGETS

B. Deficit Fund Equity

The Stormwater Fund had a deficit fund balance of $627,765 as of June 30, 2005. This deficit will be eliminated through future transfers from other funds.

C. Excess of Expenditures over Appropriations

For the year ended June 30, 2005, expenditures exceeded budget, as follows:

Fund or Department	Excess
E-911 Fund	$ 622,538
Law Library Fund	26,173
Debt Service Fund	1,149,301

These overexpenditures were funded by greater than anticipated revenues and transfers in the case of the E-911 Fund, by greater than anticipated revenues in the Law Library Fund, and by transfers in the Debt Service Fund.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2005, are summarized as follows:

Balances per statement of net assets:		
Cash - Primary government	$	60,925,974
Cash - Health Department		1,507,987
Cash - Development Authority		68,949
Cash - Library System		1,074,462
Cash - Water & Sewerage Authority		953,940
Investments - Primary government		38,494,571
Investments - Development Authority		280,035
Investments - Library System		24,598
Restricted assets:		
Cash - Primary government		28,403,440
Cash - Water & Sewerage Authority		41,971,184
Investments - Water & Sewerage Authority		14,857,582
Balances per statement of fiduciary net assets:		
Cash - Agency funds		6,029,236
	$	194,591,958
Cash deposited with financial institutions		141,319,100
Cash deposited with Georgia Fund 1		46,677,190
Federal Home Loan Bank Agency Coupon		6,595,668
	$	194,591,958

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk. State statutes authorize the County to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2005, the investments in the Georgia Fund 1 was rated AAAm by Standard & Poor's and the investment in the Federal Home Loan Bank Agency Coupon was rated AAA by Standard & Poor's.

At June 30, 2005, the County had the following investment:

Investment	Maturities	Fair Value
Primary government:		
Georgia Fund 1	24 day weighted average	$ 38,390,678
Certificates of Deposit	9 months	103,893
		$ 38,494,571
Component units:		
Georgia Fund 1	24 day weighted average	$ 8,286,512
Certificates of Deposit	25.5 month weighted average	280,035
Federal Home Loan Bank Agency Coupon	August 15, 2006	6,595,668
		$ 15,162,215

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE 5. RECEIVABLES

Receivables at June 30, 2005, for the County's individual major funds and nonmajor funds in the aggregate are as follows:

	General	2002 SPLOST Fund	Nonmajor Governmental Funds	Total
Receivables:				
Taxes	$ 1,958,412	$ 4,144,356	$ 23,981	$ 6,126,749
Accounts	4,049,842	52,836	631,264	4,733,942
Other	291,377	-	-	291,377
Gross receivables	6,299,631	4,197,192	655,245	11,152,068
Less allowance for uncollectibles	1,874,304	-	-	1,874,304
Net total receivables	$ 4,425,327	$ 4,197,192	$ 655,245	$ 9,277,764

The Henry County Water and Sewerage Authority had accounts receivable at June 30, 2005, of $4,371,310, which is net of an allowance for uncollectibles of $74,804.

Property taxes attached as an enforceable lien on property as of November 16, 2004. Property taxes were levied on July 19, 2004, billed on September 3, 2004, and payable on or before November 15, 2004. The County bills and collects its own property taxes. Property taxes levied for 2004 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, 2005, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 15,697,525	$ 5,915,484	$ -	$ 854,529	$ 22,467,538
Construction in progress	13,229,278	12,924,192	(432,632)	(3,236,187)	22,484,651
Total	28,926,803	18,839,676	(432,632)	(2,381,658)	44,952,189
Capital assets, being depreciated:					
Buildings and improvements	53,437,838	18,759	-	567,754	54,024,351
Machinery and equipment	36,802,521	4,045,956	(1,425,685)	280,966	39,703,758
Roads	44,072,150	25,320,828	-	1,532,938	70,925,916
Total	134,312,509	29,385,543	(1,425,685)	2,381,658	164,654,025
Less accumulated depreciation for:					
Buildings and improvements	(7,615,828)	(1,344,820)	-	(5,861)	(8,966,509)
Machinery and equipment	(20,773,063)	(3,283,013)	1,327,767	5,861	(22,722,448)
Roads	(1,263,494)	(961,097)	-	-	(2,224,591)
Total	(29,652,385)	(5,588,930)	1,327,767	-	(33,913,548)
Total capital assets, being depreciated, net	104,660,124	23,796,613	(97,918)	2,381,658	130,740,477
Governmental activities capital assets, net	$ 133,586,927	$ 42,636,289	$ (530,550)	$ -	$ 175,692,666

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	$ 3,128,380
Judicial	56,275
Public safety	1,451,314
Public works	546,561
Health and welfare	85,730
Culture and recreation	224,554
Housing and development	96,116
Total depreciation expense - governmental activities	$ 5,588,930

B. Discretely Presented Component Unit – Health Department

Capital asset activity for the Health Department for the year ended June 30, 2005, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	$ 122,886	$ 2,167	$ -	$ 125,053
Less accumulated depreciation for:				
Machinery and equipment	(99,816)	(9,448)	-	(109,264)
Total capital assets, net	$ 23,070	$ (7,281)	$ -	$ 15,789

NOTE 6. CAPITAL ASSETS (CONTINUED)

C. Discretely Presented Component Unit – Library System

Capital asset activity for the Library System for the year ended June 30, 2005, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 75,127	$ -	$ -	$ 75,127
Capital assets, being depreciated:				
Buildings and improvements	167,840	-	-	167,840
Equipment	7,950	-	-	7,950
Books and materials	2,339,294	141,863	(42,759)	2,438,398
Total	2,515,084	141,863	(42,759)	2,614,188
Less accumulated depreciation for:				
Buildings and improvements	(138,190)	(6,501)	-	(144,691)
Equipment	(5,433)	(1,590)	-	(7,023)
Books and materials	(1,542,339)	(152,358)	42,759	(1,651,938)
Total	(1,685,962)	(160,449)	42,759	(1,803,652)
Total capital assets, being depreciated, net	829,122	(18,586)	-	810,536
Total capital assets, net	$ 904,249	$ (18,586)	$ -	$ 885,663

NOTE 6. CAPITAL ASSETS (CONTINUED)

D. Discretely Presented Component Unit – Water & Sewerage Authority

Capital asset activity for the Water & Sewerage Authority for the year ended June 30, 2005, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 30,545,665	$ -	$ -	$ -	$ 30,545,665
Construction in progress	88,921,700	54,768,988	-	(36,366,799)	107,323,889
Total	119,467,365	54,768,988	-	(36,366,799)	137,869,554
Capital assets, being depreciated:					
Buildings	6,907,821	3,415	-	-	6,911,236
Improvements other than buildings	274,267,057	14,840,088	(5,411,518)	36,366,799	320,062,426
Machinery and equipment	6,079,917	222,794	(5,775)	-	6,296,936
Vehicles	2,742,484	31,077	(46,649)	-	2,726,912
Total	289,997,279	15,097,374	(5,463,942)	36,366,799	335,997,510
Less accumulated depreciation for:					
Buildings	(1,241,740)	(344,715)	-	-	(1,586,455)
Improvements other than buildings	(79,966,652)	(13,114,786)	2,567,334	-	(90,514,104)
Machinery and equipment	(4,733,743)	(569,422)	5,775	-	(5,297,390)
Vehicles	(2,337,645)	(262,136)	46,649	-	(2,553,132)
Total	(88,279,780)	(14,291,059)	2,619,758	-	(99,951,081)
Total capital assets, being depreciated, net	201,717,499	806,315	(2,844,184)	36,366,799	236,046,429
Total capital assets, net	$ 321,184,864	$ 55,575,303	$ (2,844,184)	$ -	$ 373,915,983

NOTE 7. 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, 2005, are as follows:

Purpose	Interest Rate	Due Date	Amount
Water and Sewerage Authority	2.00%-5.00%	2011	$ 4,340,000
Water and Sewerage Authority	5.00%	2012	8,395,000
Water and Sewerage Authority	2.60%-5.75%	2018	980,000
Water and Sewerage Authority	4.90%-6.00%	2020	12,520,000
Water and Sewerage Authority	3.75%-6.15%	2026	45,315,000
Water and Sewerage Authority	3.00%-5.25%	2030	51,485,000
Water and Sewerage Authority	2.00%-5.38%	2030	47,840,000
			170,875,000
	Plus unamortized premiums		8,127,672
	Less unamortized discounts		(221,182)
	Less unamortized deferred charges - refunding		(7,281,356)
			$ 171,500,134

NOTE 7. 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
2006	$ 3,895,000	$ 8,680,205
2007	4,095,000	8,532,190
2008	4,265,000	8,350,811
2009	4,460,000	8,175,326
2010	4,665,000	7,980,291
2011-2015	25,800,000	36,423,099
2016-2020	32,085,000	28,994,567
2021-2025	39,975,000	19,519,701
2026-2030	51,635,000	8,263,589
Total	$ 170,875,000	$ 134,919,779

NOTE 7. 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, 2005, 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		1,345,370
					$ 26,345,370

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

Fiscal year ending June 30,	Principal	Interest
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	$ 2,705,207

NOTE 7. 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 $37,400,000, of which $21,836,953 had been drawn as of June 30, 2005. These notes are as follows at June 30, 2005:

Interest Rate	Term	Due Date	Amount
2.00%	10 years	2007	$ 21,627
3.70%	20 years	2021	13,266,007
3.49%	20 years	2021	18,833,233
3.00%	20 years	2026	21,836,953
			$ 53,957,820

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

Fiscal year ending June 30,	Principal	Interest
2006	$ 1,449,186	$ 1,129,323
2007	1,501,550	1,076,960
2008	1,544,668	1,022,783
2009	1,600,669	966,782
2010	1,658,701	908,750
2011-2015	9,240,435	3,596,821
2016-2020	11,041,804	1,795,453
2021-2022	4,083,854	139,725
Total	$ 32,120,867	$ 10,636,597

The above debt service requirements to maturity table does not include provision for the construction line of credit agreement for $37,400,000, of which $21,836,953 has been drawn as of June 30, 2005. This note payable is in the draw down phase as of June 30, 2005, and repayment will be determined when construction is complete and all draws have been made.

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

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, 2005:

Land	$	6,082,901
Buildings and improvements		10,222,313
Equipment		19,550,268
	$	35,855,482

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, 2005:

Fiscal year ending June 30,		
2006	$	6,677,897
2007		6,470,658
2008		5,648,797
2009		3,118,281
2010		2,804,645
2011-2015		11,052,869
2016-2017		820,820
Total minimum lease payments		36,593,967
Less amount representing interest		5,787,156
Present value of future minimum lease payments	$	30,806,811

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

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, 2005, the outstanding amount of bonds considered defeased is $3,070,000.

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, 2005:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Capital lease obligations	$ 19,836,060	$ 16,567,359	$ 5,596,608	$ 30,806,811	$ 5,372,093
General obligation bonds	25,000,000	-	-	25,000,000	-
Plus unamortized premium	1,729,762	-	384,392	1,345,370	-
General obligation bonds, net	26,729,762	-	384,392	26,345,370	-
Landfill postclosure costs	1,573,127	-	115,650	1,457,477	123,000
Claims and judgments payable	1,255,000	46,000	300,000	1,001,000	355,000
Compensated absences	2,596,440	3,035,584	2,748,167	2,883,857	2,400,000
	$ 51,990,389	$ 19,648,943	$ 9,144,817	$ 62,494,515	$ 8,250,093

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

NOTE 7. 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, 2005:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Revenue bonds	$ 167,160,000	$ 51,485,000	$ 47,770,000	$ 170,875,000	$ 3,895,000
Plus unamortized premiums	2,665,007	5,661,548	198,883	8,127,672	-
Less unamortized discounts	(1,047,813)	-	(826,631)	(221,182)	-
Less unamortized deferred charges	(2,780,418)	(4,817,762)	(316,824)	(7,281,356)	-
Revenue bonds, net	165,996,776	52,328,786	46,825,428	171,500,134	3,895,000
Notes payable	45,985,845	17,485,906	9,513,931	53,957,820	1,449,186
Compensated absences	364,595	410,194	363,031	411,758	411,758
Other noncurrent liabilities	346,719	-	124,493	222,226	-
	$ 212,693,935	$ 70,224,886	$ 56,826,883	$ 226,091,938	$ 5,755,944

NOTE 8. 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, 2005, amounted to $22,900. The lease of the Locust Grove Library Facility is an annual lease which matures on July 31, 2006 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, 2006	$ 21,494

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

	Payable Fund				
Receivable Fund	**General Fund**	**2002 SPLOST Fund**	**Lease Purchase Fund**	**Nonmajor governmental funds**	**Total**
General Fund	$ -	$ 121,289	$ 1,413,225	$ 2,409,215	$ 3,943,729
2002 SPLOST Fund	4,675	-	-	4,261	8,936
Nonmajor governmental funds	759,186	104,504	19,911	-	883,601
Total	$ 763,861	$ 225,793	$ 1,433,136	$ 2,413,476	$ 4,836,266

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	2002 SPLOST Fund	Lease Purchase Fund	Nonmajor governmental funds	Total
General Fund	$ -	$ -	$ 98,849	$ 230,136	$ 328,985
2002 SPLOST Fund	-	-	-	700,867	700,867
Nonmajor governmental funds	7,439,133	5,527,394	544,699	175,000	13,686,226
Total	$ 7,439,133	$ 5,527,394	$ 643,548	$ 1,106,003	$ 14,716,078

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:

	2005	2004
Derivation of Annual Pension Cost		
Annual Required Contribution	$ 2,844,506	$ 1,756,780
Interest on Net Pension Obligation	(31,825)	-
Amortization of Net Pension Obligation	33,578	-
Annual Pension Cost	$ 2,846,259	$ 1,756,780
Derivation of Net Pension Obligation		
Annual Pension Cost for Fiscal Year 2005		$ 2,846,259
Actual Contributions to Plan for Fiscal Year 2005		2,899,096
Increase (Decrease) in Net Pension Obligation		(52,837)
Net Pension Obligation (Asset) as of June 30, 2004		(918,665)
Net Pension Obligation (Asset) as of June 30, 2005		$ (971,502)
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 Percent of Pay (closed)
Remaining Amortization Period		30

NOTE 10. DEFINED BENEFIT PENSION PLANS (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)
1/1/04	2,846,259	2,899,096	102	(971,502)

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) %
12/31/2004	17,229,441	37,173,775	19,944,334	215.8	39,078,908	51.0

NOTE 10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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, 2005, 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 plan year ended June 30, 2005, are as follows:

	2005	2004
Derivation of Annual Pension Cost		
Annual Required Contribution	$ 532,107	$ 246,517
Interest on Net Pension Obligation	(27,519)	-
Amortization of Net Pension Obligation	29,034	-
Annual Pension Cost	$ 533,622	$ 246,517
Derivation of Net Pension Obligation		
Annual Pension Cost for Fiscal Year 2005		$ 533,622
Actual Contributions to Plan for Fiscal Year 2005		838,318
Increase (Decrease) in Net Pension Obligation		(304,696)
Net Pension Obligation (Asset) as of June 30, 2004		(559,541)
Net Pension Obligation (Asset) as of June 30, 2005		$ (864,237)
Basis of Valuation		
Current Valuation Date		January 1, 2005
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		10

NOTE 10. DEFINED BENEFIT PENSION PLANS (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 (Asset)
7/1/04	$ 246,517	$ 806,058	327 %	$ (559,541)
7/1/05	533,622	838,318	157	(864,237)

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
12/31/2004	$ 1,590,442	$ 6,258,410	$ 4,667,968	25.4 %	$ 6,216,734	75.1 %

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

NOTE 11. DEFERRED COMPENSATION PLAN

The County offers the ACCG 457 Deferred Compensation Program created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participation to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. In accordance with GASB Statement No. 32 “Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,” no assets or liabilities of the City’s Deferred Compensation Plan are included in the City’s financial statements.

NOTE 12. DEFINED CONTRIBUTION PENSION PLAN

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, 2005, were $123,949 based on qualifying salaries of $1,164,017. Ten-year historical trend information and relevant actuarial information may be obtained from the Employees' Retirement System, Two Northside 75, Suite 300, Atlanta, Georgia 30318-7778 or calling 1-404-352-6400.

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS

The County provides postretirement health care benefits, as per the requirements of a resolution, for certain retirees and their dependents. The provisions and obligations to contribute are established and may be amended by the Henry County Board of Commissioners. 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, 2005, there were 24 retired employees receiving health care benefits. For the year ended June 30, 2005, the County paid $100,795 for these benefits, which was net of $27,930 of retiree contributions.

NOTE 14. 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, 2005, the County collected $270,852 of hotel/motel taxes. Of this amount, $135,580, or 50.1%, was given to the Chamber. The remaining funds of $135,272, or 49.9%, are kept by the County and used for other activities promoting tourism.

NOTE 15. 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.

NOTE 15. RISK MANAGEMENT (CONTINUED)

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.

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, 2005. No provisions have been made in the financial statements for the year ended June 30, 2005, 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 16. 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, 2005, the County has a remaining 19 years of monitoring. Engineering studies estimate postclosure costs of approximately $1,457,477 over the 20 year period. These costs are based on what it would cost to perform all postclosure care in 2005, 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 17. COMMITMENTS AND CONTINGENCIES

Contractual Commitments:

In addition to the liabilities enumerated in the balance sheet, at June 30, 2005, the County has contractual commitments on uncompleted contracts of approximately $15,138,374.

The Water and Sewerage Authority (component unit) has outstanding contractual commitments for construction of $14,264,116.

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 $1,832,314 to $2,190,314. A total of $1,543,314 of this amount is believed by management and legal counsel to be probable. Of the $1,543,314, $542,314 relates to retainage on construction contracts and is recorded as retainage payable in the 1996 SPLOST fund. The remaining $1,001,000 is recorded as claims and judgments payable on the government-wide statement of net assets, of which $655,000 has been settled, but not yet paid by the County as of June 30, 2005. 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 17. 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, 2005, the total amount outstanding under these revenue certificates amounted to $57,883,523.

NOTE 18. JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the 10 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, 2005, the County paid $153,350 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 19. CHANGES IN RESERVATIONS

The changes in reserved fund balances for the year ended June 30, 2005, are as follows:

	General Fund	E-911 Fund	Court Fund	Total
Reserved for:				
Jail construction	$ -	$ -	$ 438,761	$ 438,761
Drug abuse treatment	-	-	167,100	167,100
Juvenile assistance	-	-	134	134
Fire safety	1,633	-	-	1,633
Victim witness program	-	-	156,118	156,118
Wireless communications	-	(22,657)	-	(22,657)
Employee retirement benefits	(1,817)	-	-	(1,817)
Grants	(6,812)	-	-	(6,812)

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NONMAJOR 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.

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

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.

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Fund

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

Capital Projects Funds

1996 SPLOST Fund – This fund is used to account for the revenues and expenditures relating to the 1996 one percent Special Purpose Local Option Sales Tax.

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
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue						
ASSETS	**Confiscated Assets Fund**	**Hotel/Motel Tax Fund**	**E-911 Fund**	**Law Library Fund**	**Greenspace Fund**	**Technology Fund**	**Juvenile Assistance Fund**
Cash and cash equivalents	$ 1,211,503	$ 16,036	$ 2,271,983	$ 218,435	$ -	$ 210,904	$ 197,359
Investments	-	-	-	103,893	-	-	-
Accounts receivable	-	23,981	508,015	-	-	-	123,249
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	$ 1,211,503	$ 40,017	$ 2,779,998	$ 322,328	$ -	$ 210,904	$ 320,608
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 89,949	$ -	$ 207,181	$ -	$ -	$ -	$ -
Accrued liabilities	-	-	46,449	-	-	-	-
Retainage payable	-	-	-	-	-	-	-
Due to other funds	19,324	40,017	1,082,505	-	-	-	-
Total liabilities	109,273	40,017	1,336,135	-	-	-	-
FUND BALANCES							
Reserved for jail construction							
Reserved for drug abuse treatment	-	-	-	-	-	-	-
Reserved for juvenile assistance	-	-	-	-	-	-	-
Reserved for victim witness program	-	-	-	-	-	-	-
Reserved for wireless communications	-	-	1,176,427				
Unreserved	1,102,230	-	267,436	322,328	-	210,904	320,608
Total fund balances (deficits)	1,102,230	-	1,443,863	322,328	-	210,904	320,608
Total liabilities and fund balances	$ 1,211,503	$ 40,017	$ 2,779,998	$ 322,328	$ -	$ 210,904	$ 320,608

(Continued)

HENRY COUNTY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue			Capital Projects			
ASSETS	**Court Fund**	**Stormwater Fund**	**Debt Service Fund**	**1996 SPLOST Fund**	**Impact Fees Fund**	**Capital Assets Fund**	**Total**
Cash and cash equivalents	$ 1,875,299	$ -	$ 5,119,099	$ 351,148	$ 4,783,254	$ -	$ 16,255,020
Investments	-	-	-	10,447,177	-	6,930,106	17,481,176
Accounts receivable	-	-	-	-	-	-	655,245
Due from other governments	28,002	-	-	-	-	-	28,002
Due from other funds	17,690	-	-	104,504	-	761,407	883,601
Total assets	$ 1,920,991	$ -	$ 5,119,099	$ 10,902,829	$ 4,783,254	$ 7,691,513	$ 35,303,044
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 197	$ 1,489	$ -	$ 289,444	$ -	$ 892,706	$ 1,480,966
Accrued liabilities	-	16,173	-	-	-	-	62,622
Retainage payable	-	-	-	609,837	-	-	609,837
Due to other funds	19,179	610,103	514,495	4,157	123,591	105	2,413,476
Total liabilities	19,376	627,765	514,495	903,438	123,591	892,811	4,566,901
FUND BALANCES							
Reserved for jail construction	763,443	-	-	-	-	-	763,443
Reserved for drug abuse treatment	907,315	-	-	-	-	-	907,315
Reserved for juvenile assistance	6,532	-	-	-	-	-	6,532
Reserved for victim witness program	156,164	-	-	-	-	-	156,164
Reserved for wireless communications	-	-	-	-	-	-	1,176,427
Unreserved	68,161	(627,765)	4,604,604	9,999,391	4,659,663	6,798,702	27,726,262
Total fund balances (deficits)	1,901,615	(627,765)	4,604,604	9,999,391	4,659,663	6,798,702	30,736,143
Total liabilities and fund balances	$ 1,920,991	$ -	$ 5,119,099	$ 10,902,829	$ 4,783,254	$ 7,691,513	$ 35,303,044

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Special Revenue						
	Confiscated Assets Fund	Hotel/Motel Tax Fund	E-911 Fund	Law Library Fund	Greenspace Fund	Technology Fund	Juvenile Assistance Fund
Revenues							
Taxes	$ -	$ 270,852	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	17,532	-	496,974	-	-
Charges for services	-	-	2,685,182	-	-	-	185,431
Fines and forfeitures	299,051	-	-	95,146	-	75,037	-
Investment income	19,132	-	76,862	3,893	1,903	3,568	176
Miscellaneous	-	-	-	-	-	-	-
Total revenues	318,183	270,852	2,779,576	99,039	498,877	78,605	185,607
Expenditures							
Current:							
General government	-	-	-	-	538,257	-	-
Judicial	-	-	-	51,173	-	24,171	59,315
Public safety	296,068	-	3,761,977	-	-	-	-
Public works	-	-	-	-	-	-	-
Housing and development	-	135,580	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	296,068	135,580	3,761,977	51,173	538,257	24,171	59,315
Excess (deficiency) of revenues over (under) expenditures	22,115	135,272	(982,401)	47,866	(39,380)	54,434	126,292
Other financing sources (uses)							
Proceeds from capital lease	-	-	-	-	-	-	-
Transfers in	-	-	1,315,495	-	-	-	-
Transfers out	-	(135,272)	(88,315)	-	(13)	-	-
Proceeds from sale of capital assets	52,989	-	-	-	-	-	-
Total other financing sources (uses)	52,989	(135,272)	1,227,180	-	(13)	-	-
Net change in fund balances	75,104	-	244,779	47,866	(39,393)	54,434	126,292
Fund balances (deficit), beginning of year	1,027,126	-	1,199,084	274,462	39,393	156,470	194,316
Fund balances (deficit), end of year	$ 1,102,230	$ -	$ 1,443,863	$ 322,328	$ -	$ 210,904	$ 320,608

(Continued)

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Special Revenue			Capital Projects			
	Court Fund	Stormwater Fund	Debt Service Fund	1996 SPLOST Fund	Impact Fees Fund	Capital Assets Fund	Total
Revenues							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 270,852
Licenses and permits	-	-	-	-	4,081,910	-	4,081,910
Intergovernmental	-	-	-	-	-	-	514,506
Charges for services	-	-	-	-	-	-	2,870,613
Fines and forfeitures	722,530	-	-	-	-	-	1,191,764
Investment income	31,576	-	42,067	274,622	96,352	-	550,151
Miscellaneous	-	-	-	5,530	-	-	5,530
Total revenues	754,106	-	42,067	280,152	4,178,262	-	9,485,326
Expenditures							
Current:							
General government	-	-	300,000	-	-	-	838,257
Judicial	179,968	-	-	-	-	-	314,627
Public safety	-	-	-	-	-	-	4,058,045
Public works	-	488,044	-	-	-	-	488,044
Housing and development	-	-	-	-	-	-	135,580
Capital outlay	-	-	-	3,156,553	2,280,493	3,279,227	8,716,273
Debt service:							
Principal	-	-	4,581,474	-	-	-	4,581,474
Interest	-	-	1,977,114	-	-	-	1,977,114
Total expenditures	179,968	488,044	6,858,588	3,156,553	2,280,493	3,279,227	21,109,414
Excess (deficiency) of revenues over (under) expenditures	574,138	(488,044)	(6,816,521)	(2,876,401)	1,897,769	(3,279,227)	(11,624,088)
Other financing sources (uses)							
Proceeds from capital lease	-	-	-	-	-	1,077,359	1,077,359
Transfers in	-	-	11,105,150	-	-	1,265,581	13,686,226
Transfers out	-	-	(700,867)	-	(175,000)	(6,536)	(1,106,003)
Proceeds from sale of capital assets	-	-	-	-	-	-	52,989
Total other financing sources (uses)	-	-	10,404,283	-	(175,000)	2,336,404	13,710,571
Net change in fund balances	574,138	(488,044)	3,587,762	(2,876,401)	1,722,769	(942,823)	2,086,483
Fund balances (deficit), beginning of year	1,327,477	(139,721)	1,016,842	12,875,792	2,936,894	7,741,525	28,649,660
Fund balances (deficit), end of year	$ 1,901,615	$ (627,765)	$ 4,604,604	$ 9,999,391	$ 4,659,663	$ 6,798,702	$ 30,736,143

HENRY COUNTY, GEORGIA
SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Hotel/Motel Fund			E-911 Fund		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Taxes	$ 270,852	$ 270,852	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-	17,532	17,532
Charges for services	-	-	-	2,186,752	2,685,182	498,430
Fines and forfeitures	-	-	-	-	-	-
Investment income	-	-	-	13,000	76,862	63,862
Total revenues	270,852	270,852	-	2,199,752	2,779,576	579,824
Expenditures						
Current:						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	3,139,439	3,761,977	(622,538)
Public works	-	-	-	-	-	-
Housing and development	157,306	135,580	21,726	-	-	-
Total expenditures	157,306	135,580	21,726	3,139,439	3,761,977	(622,538)
Excess (deficiency) of revenues over (under) expenditures	113,546	135,272	21,726	(939,687)	(982,401)	(42,714)
Other financing sources (uses)						
Transfers in	-	-	-	939,687	1,315,495	375,808
Transfers out	(113,546)	(135,272)	(21,726)	-	(88,315)	(88,315)
Total other financing sources (uses)	(113,546)	(135,272)	(21,726)	939,687	1,227,180	287,493
Net change in fund balances	-	-	-	-	244,779	244,779
Fund balances (deficit), beginning of year	-	-	-	1,199,084	1,199,084	-
Fund balances (deficit), end of year	$ -	$ -	$ -	$ 1,199,084	$ 1,443,863	$ 244,779

(Continued)

HENRY COUNTY, GEORGIA
SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Law Library Fund			Greenspace Fund		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-	496,974	496,974
Charges for services	-	-	-	-	-	-
Fines and forfeitures	25,000	95,146	70,146	-	-	-
Investment income	-	3,893	3,893	-	1,903	1,903
Total revenues	25,000	99,039	74,039	-	498,877	498,877
Expenditures						
Current:						
General government	-	-	-	538,258	538,257	1
Judicial	25,000	51,173	(26,173)	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Total expenditures	25,000	51,173	(26,173)	538,258	538,257	1
Excess (deficiency) of revenues over (under) expenditures	-	47,866	47,866	(538,258)	(39,380)	498,878
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(13)	(13)	-
Total other financing sources (uses)	-	-	-	(13)	(13)	-
Net change in fund balances	-	47,866	47,866	(538,271)	(39,393)	498,878
Fund balances (deficit), beginning of year	274,462	274,462	-	39,393	39,393	-
Fund balances (deficit), end of year	$ 274,462	$ 322,328	$ 47,866	$ (498,878)	$ -	$ 498,878

(Continued)

HENRY COUNTY, GEORGIA
SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Technology Fund			Juvenile Assistance Fund		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	76,354	185,431	109,077
Fines and forfeitures	67,340	75,037	7,697	-	-	-
Investment income	3,568	3,568	-	-	176	176
Total revenues	70,908	78,605	7,697	76,354	185,607	109,253
Expenditures						
Current:						
General government	-	-	-	-	-	-
Judicial	70,908	24,171	46,737	76,354	59,315	17,039
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Total expenditures	70,908	24,171	46,737	76,354	59,315	17,039
Excess (deficiency) of revenues over (under) expenditures	-	54,434	54,434	-	126,292	126,292
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	-	54,434	54,434	-	126,292	126,292
Fund balances (deficit), beginning of year	156,470	156,470	-	194,316	194,316	-
Fund balances (deficit), end of year	$ 156,470	$ 210,904	$ 54,434	$ 194,316	$ 320,608	$ 126,292

(Continued)

HENRY COUNTY, GEORGIA
SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Court Fund			Stormwater Fund		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	724,801	722,530	(2,271)	-	-	-
Investment income	31,577	31,576	(1)	-	-	-
Total revenues	756,378	754,106	(2,272)	-	-	-
Expenditures						
Current:						
General government	-	-	-	-	-	-
Judicial	282,845	179,968	102,877	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	492,855	488,044	4,811
Housing and development	-	-	-	-	-	-
Total expenditures	282,845	179,968	102,877	492,855	488,044	4,811
Excess (deficiency) of revenues over (under) expenditures	473,533	574,138	100,605	(492,855)	(488,044)	4,811
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(473,533)	-	473,533	-	-	-
Total other financing sources (uses)	(473,533)	-	473,533	-	-	-
Net change in fund balances	-	574,138	574,138	(492,855)	(488,044)	4,811
Fund balances (deficit), beginning of year	1,327,477	1,327,477	-	(139,721)	(139,721)	-
Fund balances (deficit), end of year	$ 1,327,477	$ 1,901,615	$ 574,138	$ (632,576)	$ (627,765)	$ 4,811

HENRY COUNTY, GEORGIA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Final Budget	Actual	Variance With Final Budget
Revenues			
Investment income	$ -	$ 42,067	$ 42,067
Total revenues	-	42,067	42,067
Expenditures			
Current:			
General government	681,837	300,000	381,837
Debt service:			
Principal	3,975,326	4,581,474	(606,148)
Interest and fiscal charges	1,052,124	1,977,114	(924,990)
Total expenditures	5,709,287	6,858,588	(1,149,301)
Deficiency of revenues under expenditures	(5,709,287)	(6,816,521)	(1,107,234)
Other financing sources (uses)			
Transfers in	5,709,287	11,105,150	5,395,863
Transfers out	-	(700,867)	(700,867)
Total other financing sources (uses)	5,709,287	10,404,283	4,694,996
Net change in fund balances	-	3,587,762	3,587,762
Fund balances (deficit), beginning of year	1,016,842	1,016,842	-
Fund balances (deficit), end of year	$ 1,016,842	$ 4,604,604	$ 3,587,762

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 1996 ISSUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Building Projects:					
Libraries	$ 3,000,000	$ 3,000,000	$ 2,858,364	$ 2,349	$ 2,860,713
Recreation	8,000,000	9,426,315	10,807,120	711,093	11,518,213
Courthouse expansion/renovation	4,500,000	7,304,779	8,073,176	-	8,073,176
Courthouse parking	1,850,000	3,550,000	3,345,187	-	3,345,187
Senior citizens center	3,780,000	4,678,259	4,721,896	-	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	711,134	-	711,134
	25,980,000	35,210,698	37,081,474	713,442	37,794,916
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	5,148	2,194,919
Cities/Fairview projects	2,500,000	2,500,000	2,312,708	-	2,312,708
Dirt road paving	6,168,600	11,563,655	10,239,738	831,549	11,071,287
Major construction projects	22,179,400	17,821,289	12,485,513	1,587,493	14,073,006
Program management	-	963,532	1,012,964	18,921	1,031,885
	34,020,000	35,574,548	28,787,231	2,443,111	31,230,342
Contingency	-	6,000,000	62,283	-	62,283
Total	$ 60,000,000	$ 76,785,246	$ 65,930,988	$ 3,156,553	$ 69,087,541

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2002 ISSUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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	-	182,927	182,927
Court annex/judicial annex building	7,300,000	7,300,000	626,509	671,825	1,298,334
Community center(s) for family and youth activities	5,000,000	5,000,000	-	-	-
Library facilities	5,700,000	5,700,000	197,528	2,383,213	2,580,741
Animal shelter	1,000,000	1,000,000	62,642	1,077,189	1,139,831
Fire stations	2,200,000	2,200,000	95,267	760,619	855,886
Park and recreational facilities	12,000,000	12,000,000	420,179	1,255,411	1,675,590
Roads, streets, curbs, bike paths, gutters, sidewalks and bridges	85,016,659	85,016,659	2,235,202	3,588,869	5,824,071
City of Hampton	3,011,785	3,011,785	823,808	757,843	1,581,651
City of Locust Grove	1,822,417	1,822,417	498,483	458,568	957,051
City of McDonough	6,637,436	6,637,436	1,815,527	1,670,152	3,485,679
City of Stockbridge	7,711,703	7,711,703	2,109,369	1,940,465	4,049,834
Program management	-	-	1,117,053	727,815	1,844,868
	$ 140,000,000	$ 140,000,000	$ 10,001,567	$ 15,474,896	$ 25,476,463

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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, 2005

ASSETS	Tax Commissioner	Clerk of Superior Court	Probate Court	Magistrate Court	Sheriff	State Court	Juvenile Court	Total
Cash and cash equivalents	$ 606,009	$ 3,386,705	$ 180,881	$ 127,268	$ 621,530	$ 1,092,052	$ 14,791	$ 6,029,236
Taxes receivable	4,637,588	-	-	-	-	-	-	4,637,588
Total assets	$ 5,243,597	$ 3,386,705	$ 180,881	$ 127,268	$ 621,530	$ 1,092,052	$ 14,791	$ 10,666,824
LIABILITIES								
Due to component unit	$ 50,322	$ 36,888	$ -	$ -	$ -	$ -	$ -	$ 87,210
Due to others	5,193,275	3,349,817	180,881	127,268	621,530	1,092,052	14,791	10,579,614
Total liabilities	$ 5,243,597	$ 3,386,705	$ 180,881	$ 127,268	$ 621,530	$ 1,092,052	$ 14,791	$ 10,666,824

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
TAX COMMISSIONER				
ASSETS				
Cash and cash equivalents	$ 650,641	$ 126,438,934	$ 126,483,566	$ 606,009
Taxes receivable	4,715,357	4,637,588	4,715,357	4,637,588
	$ 5,365,998	$ 131,076,522	$ 131,198,923	$ 5,243,597
LIABILITIES				
Due to component unit	$ 39,794	$ 10,830,563	$ 10,820,035	$ 50,322
Due to others	5,326,204	120,245,959	120,378,888	5,193,275
	$ 5,365,998	$ 131,076,522	$ 131,198,923	$ 5,243,597
CLERK OF SUPERIOR COURT				
ASSETS				
Cash and cash equivalents	$ 4,259,719	$ 15,028,421	$ 15,901,435	$ 3,386,705
LIABILITIES				
Due to component unit	$ 41,121	$ 387,343	$ 391,576	$ 36,888
Due to others	4,218,598	14,641,078	15,509,859	3,349,817
	$ 4,259,719	$ 15,028,421	$ 15,901,435	$ 3,386,705

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
PROBATE COURT				
ASSETS				
Cash and cash equivalents	$ 98,220	$ 242,385	$ 159,724	$ 180,881
LIABILITIES				
Due to others	$ 98,220	$ 242,385	$ 159,724	$ 180,881
MAGISTRATE COURT				
ASSETS				
Cash and cash equivalents	$ 116,435	$ 667,680	$ 656,847	$ 127,268
LIABILITIES				
Due to others	$ 116,435	$ 667,680	$ 656,847	$ 127,268
SHERIFF				
ASSETS				
Cash and cash equivalents	$ 444,751	$ 1,519,527	$ 1,342,748	$ 621,530
LIABILITIES				
Due to others	$ 444,751	$ 1,519,527	$ 1,342,748	$ 621,530

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
STATE COURT				
ASSETS				
Cash and cash equivalents	$ 704,473	$ 1,968,726	$ 1,581,147	$ 1,092,052
LIABILITIES				
Due to others	$ 704,473	$ 1,968,726	$ 1,581,147	$ 1,092,052
JUVENILE COURT				
ASSETS				
Cash and cash equivalents	$ 24,045	$ 53,897	$ 63,151	$ 14,791
LIABILITIES				
Due to others	$ 24,045	$ 53,897	$ 63,151	$ 14,791
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 6,298,284	$ 145,919,570	$ 146,188,618	$ 6,029,236
Taxes receivable	4,715,357	4,637,588	4,715,357	4,637,588
	$ 11,013,641	$ 150,557,158	$ 150,903,975	$ 10,666,824
LIABILITIES				
Due to component unit	$ 80,915	$ 11,217,906	$ 11,211,611	$ 87,210
Due to others	10,932,726	139,339,252	139,692,364	10,579,614
	$ 11,013,641	$ 150,557,158	$ 150,903,975	$ 10,666,824

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COMPONENT UNIT – DEVELOPMENT AUTHORITY

HENRY COUNTY, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
JUNE 30, 2005

ASSETS		
Cash and cash equivalents	$	68,949
Investments		280,035
Due from primary government		89,249
Total assets	$	438,233
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	8,754
Due to primary government		58,448
Total liabilities		67,202
FUND BALANCE		
Unreserved, undesignated		371,031
Total fund balance		371,031
Total liabilities and fund balance	$	438,233

HENRY COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Revenues		
Charges for services	$	61,350
Investment income		9,003
Contributions		361,236
Total revenues		431,589
Expenditures		
Housing and development		377,331
Total expenditures		377,331
Net change in fund balance		54,258
Fund balance, beginning of year		316,773
Fund balance, end of year	$	371,031

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STATISTICAL SECTION

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

Contents ..... **Page**

Financial Trends ..... **89 – 94**
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity ..... **95 – 98**
These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity ..... **99 and 100**
These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information ..... **101 and 102**
These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information ..... **103 – 105**
These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year. The County implemented GASB Statement 34 for the year ended June 30, 2003; schedules presenting government-wide information include information beginning in that year.

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HENRY COUNTY, GEORGIA

NET ASSETS BY COMPONENT
LAST THREE FISCAL YEARS

	Fiscal Year		
	2003	2004	2005
Primary government:			
Invested in capital assets, net of related debt	$ 82,826,472	$ 112,296,985	$ 138,929,538
Restricted	1,746,053	2,349,393	3,081,853
Unrestricted	57,550,098	76,290,806	105,071,304
Total primary government net assets	$ 142,122,623	$ 190,937,184	$ 247,082,695

HENRY COUNTY, GEORGIA

CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Expenses			
Primary government			
General government	$ 11,375,134	$ 17,626,726	$ 24,672,480
Judicial	7,573,299	8,222,833	8,878,787
Public safety	37,779,229	40,953,308	44,308,693
Public works	6,643,292	16,317,875 (1)	13,988,486
Health and welfare	4,132,763	4,488,944	3,421,976
Culture and recreation	2,999,099	4,093,934	1,128,114
Housing and development	4,224,962	4,444,972	5,061,740
Interest on long-term debt	1,139,695	1,240,359	2,102,788
Total primary government expenses	$ 75,867,473	$ 97,388,951	$ 103,563,064
Program revenues			
Primary government:			
Charges for services:			
Impact fee collection	$ -	$ 3,015,990 (2)	$ 4,081,910
Other housing and development	3,117,566	3,082,735	4,450,290
General government	4,744,064	5,648,613	5,240,899
Judicial	4,804,619	4,488,902	5,615,159
Public safety	5,120,202	5,838,803	6,033,506
Other activities	917,604	1,706,743	1,957,372
Operating grants and contributions	2,390,469	1,916,507	1,567,095
Capital grants and contributions	17,367,894	25,747,449	26,300,804
Total primary government program revenues	$ 38,462,418	$ 51,445,742	$ 55,247,035
Net (expense)/revenue			
Total primary government net expense	$ (37,405,055)	$ (45,943,209)	$ (48,316,029)

(Continued)

HENRY COUNTY, GEORGIA

CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
General Revenues and Other Changes in Net Assets			
Primary government:			
Taxes			
Property taxes	45,815,388	$ 51,712,735	$ 55,550,417
Sales taxes	17,506,364 (3)	36,427,415	40,023,574
Other taxes	5,561,510	5,877,251	6,191,217
Unrestricted investment earnings	788,508	740,368	2,553,397
Gain on sale of capital assets	117,208	-	142,935
Total primary government	$ 69,788,978	$ 94,757,769	$ 104,461,540
Change in Net Assets			
Total primary government	$ 32,383,923	$ 48,814,560	$ 56,145,511

(1) The increase from the prior period was due to the initiation of a resurfacing plan for all county roads in 2004.
(2) The County began assessing developmental impact fees in 2004.
(3) The 1996 Special Purpose Local Option Sales Tax collections ended during fiscal year 2003 before collections began for the 2002 Special Purpose Local Option Sales Tax.

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HENRY COUNTY, GEORGIA

FUND BALANCES, GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
General Fund			
Reserved	$ 551,674	$ 78,968 (1)	$ 71,972
Unreserved	34,592,536	35,666,924	47,410,900
Total general fund	$ 35,144,210	$ 35,745,892	$ 47,482,872
All Other Governmental Funds			
Reserved	$ 1,689,745	$ 2,270,425	$ 3,009,881
Unreserved, reported in:			
Special revenue funds	2,183,381	1,808,182	1,663,902
Capital projects funds	(22,316)	1,016,842	4,604,604
Debt service funds	24,473,990	66,204,167	75,249,364
Total all other governmental funds	$ 28,324,800	$ 71,299,616	$ 84,527,751

(1) The decrease from the prior period is due to the elimination of the use of encumbrance rollovers.

HENRY COUNTY, GEORGIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Revenues			
Taxes	$ 68,162,227	$ 93,995,042	$ 101,862,453
Licenses and permits	3,487,686	6,637,098	8,619,666
Intergovernmental	2,739,892	1,968,513	2,392,949
Charges for services	9,268,287	11,264,392	12,078,590
Fines and forfeitures	4,864,637	4,522,777	4,371,063
Administrative fees	-	704,317	1,208,416
Investment income	788,508	740,368	2,553,397 (1)
Contributions	605,826 (2)	3,116	65,282
Miscellaneous	1,193,941	766,220	1,101,401
Total revenues	$ 91,111,004	$ 120,601,843	$ 134,253,217
Expenditures			
General government	$ 11,993,289	$ 17,500,723 (3)	$ 11,999,369
Judicial	11,025,454	8,714,807	8,856,778
Public safety	37,602,144	40,365,640	43,644,604
Public works	12,414,170	19,261,897 (3)	10,362,525
Health and welfare	4,157,154	4,489,973	3,370,665
Culture and recreation	4,261,838	9,329,504 (3)	3,274,071
Housing and development	4,333,582	4,452,068	5,115,945
Capital outlay	- (4)	- (4)	31,765,378
Debt service:			
Principal retirement	3,324,482	3,621,556	5,596,608
Interest and fiscal charges	1,170,915	1,085,453	2,110,371
Issuance costs	-	365,555	-
Total expenditures	90,283,028	109,187,176	126,096,314
Excess of revenues over expenditures	827,976	11,414,667	8,156,903

(Continued)

HENRY COUNTY, GEORGIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Other Financing Sources (Uses)			
Proceeds from capital lease	$ 221,524	$ 5,180,000	$ 16,567,359 (5)
Proceeds from issuance of bonds	-	25,000,000 (6)	-
Premium on bonds	-	1,825,860	-
Transfers in	6,602,212	27,044,617	14,716,078
Transfers out	(6,602,212)	(27,044,617)	(14,716,078)
Proceeds from sale of capital assets	225,869	155,971	240,853
Total other financing sources (uses)	447,393	32,161,831	16,808,212
Net change in fund balances	$ 1,275,369	$ 43,576,498	$ 24,965,115
Debt service as a percentage of noncapital expenditures	5.6%	6.1%	8.2%

(1) The increase from the prior period is due to the increase in interest rates.
(2) In 2003, the Henry County Department of Health and Welfare Services made a $500,000 contribution to the County.
(3) The increase from the prior period is due to an increase in capital projects. Capital outlay was included within the functional expenditure categories.
(4) Prior to 2005, all capital outlay was included within the functional expenditure categories.
(5) The County entered into seven new lease purchase agreements during the fiscal year.
(6) The County issued $25 million in general obligation bonds in 2004.

HENRY COUNTY, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other (1)					
1996	$ 1,113,981,449	$ 474,540,088	$ 168,265,192	$ 5,207,515	$ 208,615,830	$ 1,553,378,414	14.00	$ 3,883,446,035	40%
1997	1,217,579,379	536,315,218	200,168,256	7,922,682	234,752,988	1,727,232,547	13.75	4,318,081,368	40%
1998	1,391,764,212	635,108,536	115,476,245	10,766,219	264,953,074	1,888,162,138	14.24	4,720,405,345	40%
1999	1,535,489,090	772,290,255	242,737,326	13,371,450	357,474,870	2,206,413,251	12.72	5,516,033,128	40%
2000	1,777,059,429	839,879,371	252,353,550	15,403,946	461,075,670	2,423,620,626	12.56	6,059,051,565	40%
2001	2,096,632,290	1,005,287,357	300,432,618	10,698,507	559,638,979	2,853,411,793	12.51	7,133,529,483	40%
2002	2,476,793,288	1,259,409,347	347,111,730	14,977,146	665,724,101	3,432,567,410	11.81	8,581,418,525	40%
2003	2,788,093,657	1,355,253,002	381,641,030	13,923,808	703,336,212	3,835,575,285	11.69	9,588,938,213	40%
2004	3,176,393,257	1,514,744,199	406,978,890	12,301,259	777,838,655	4,332,578,950	11.74	10,831,447,375	40%
2005	3,549,801,966	1,620,263,499	423,649,350	11,087,769	890,036,158	4,714,766,426	12.04	11,786,916,065	40%

Source: Henry County Tax Commissioner

(1) Includes Heavy Equipment, Mobile Homes, and Timber.

HENRY COUNTY, GEORGIA

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per $1,000 of assessed value)

	Fiscal Year Ended June 30,									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Henry County rates										
Maintenance & Operations										
Unincorporated	14.00	13.75	14.24	12.72	12.56	12.51	11.81	11.69	11.74	12.04
Insurance Reduction (1)	(1.08)	(1.01)	(1.00)	-	-	-	-	-	-	-
Municipal rates										
McDonough (2)	5.00	5.00	5.00	4.50	4.00	3.50	3.00	2.84	2.77	2.71
Stockbridge	1.00	-	-	-	-	-	-	-	-	-
Hampton	-	-	-	-	-	-	-	-	-	-
Locust Grove	-	-	-	-	-	-	-	-	-	-
LOST Reduction	(3.34)	(3.42)	(3.92)	(3.30)	(3.40)	(3.10)	(3.02)	(3.01)	(2.89)	(2.82)
Fire Protection	1.71	1.97	1.97	1.87	2.13	1.88	2.50	2.56	2.39	2.02
Water Authority	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Hospital Authority	1.04	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Board of Education										
Maintenance & Operations	17.00	17.50	17.50	17.50	17.50	17.15	17.15	17.65	18.90	18.90
Debt Service	4.50	4.00	4.00	4.00	4.00	3.06	3.06	3.06	3.06	3.06
State of Georgia	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total Unincorporated	36.08	36.04	36.04	36.04	36.04	34.75	34.75	35.20	36.45	36.45
Total Municipalities (3)										
McDonough	40.45	40.08	40.07	38.67	37.00	34.56	33.44	33.33	35.02	35.33
Stockbridge	38.16	37.05	37.04	36.04	36.04	34.75	34.75	35.04	36.45	36.45
Hampton	37.16	37.05	37.04	36.04	35.15	32.97	32.97	33.38	34.67	34.67
Locust Grove	37.16	37.05	37.04	36.04	35.21	33.10	33.10	33.47	34.80	34.80

Source: Henry County Tax Commissioner

(1) Insurance reduction is applied only to unincorporated rates.

(2) Fire protection included in City of McDonough rate.

(3) Beginning in 2000, all cities except Stockbridge received a reduction for police services.

HENRY COUNTY, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2005 Taxable Assessed Value	2005 Rank	2005 Percentage of Total Taxable Assessed Value	1996 Taxable Assessed Value	1996 Rank	1996 Percentage of Total Taxable Assessed Value
Cardinal Health 103, Inc.	$ 85,632,551	1	1.82 %	$ 27,905,631	4	1.80 %
BellSouth Telecomm	21,705,319	2	0.46	14,557,969	6	0.94
Atlanta Motor Speedway	20,309,250	3	0.43	10,788,442	9	0.69
Georgia Power Company	19,154,273	4	0.41	-		-
Henry Town Center LLC	18,864,440	5	0.40	-		-
Kens Foods, Inc.	13,930,393	6	0.30	-		-
Istar Financial, Inc.	13,587,200	7	0.29	-		-
Weeks Realty LP	13,058,360	8	0.28	-		-
Tru Properties, Inc	12,028,760	9	0.26	-		-
Central Henry Development	11,225,708	10	0.24	-		-
NEC Home Electronics	-		-	39,040,852	1	2.51
Ford Motor Dist. Center	-		-	34,825,234	2	2.24
Prefco XII (Nestle)	-		-	29,436,941	3	1.90
Snapper / McDonough Power	-		-	20,362,652	5	1.31
Pep Boys	-		-	12,246,495	7	0.79
Killearn Properties	-		-	11,078,420	8	0.71
Norfolk Southern	-		-	9,774,882	10	0.63
Totals	$ 229,496,254		4.87 %	$ 210,017,518		13.52 %

Source: Henry County Tax Commissioner

NOTE: Snapper Power Equipment downsized in 1997 and NEC Home Electronics relocated out of Henry County in 1998. Ken's Foods moved into the County in 1998, followed by Toys R Us in 1999, Istar in 2002, and Henry Town Center in 2005.

HENRY COUNTY, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1996	$ 48,937,660	$ 47,151,153	96.3 %	$ 1,368,511	$ 48,519,664	99.1 %
1997	53,664,222	52,239,963	97.3	1,959,560	54,199,523	101.0
1998	62,216,323	60,080,948	96.6	1,237,533	61,318,481	98.6
1999	70,525,103	67,615,840	95.9	2,135,375	69,751,215	98.9
2000	77,137,807	73,643,707	95.5	2,432,163	76,075,870	98.6
2001	86,886,817	85,614,862	98.5	2,831,301	88,446,163	101.8
2002	103,739,072	98,638,535	95.1	4,167,615	102,806,150	99.1
2003	114,849,885	110,386,263	96.1	5,631,895	116,018,158	101.0
2004	127,299,079	124,071,710	97.5	5,890,088	129,961,798	102.1
2005	149,456,772	139,171,748	93.1	5,222,567	144,394,315	96.6

Source: Henry County Tax Commissioner

HENRY COUNTY, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	General Bonded Debt: General Obligation Bonds (1)	Percentage of Actual Property Value (2)	Per Capita (3)	Other Governmental Activities Debt: Certificates of Participation	Other Governmental Activities Debt: Capital Lease Obligations	Total Primary Government	Percentage of Personal Income (3)	Per Capita (3)
1996	$ -	-	$ -	$ 4,280,000	$ 1,385,337	$ 5,665,337	0.28 %	$ 62.48
1997	-	-	-	3,920,000	2,291,517	6,211,517	0.27	63.79
1998	-	-	-	3,535,000	4,634,783	8,169,783	0.33	78.10
1999	-	-	-	-	10,067,196	10,067,196	0.35	89.08
2000	-	-	-	-	21,243,984	21,243,984	0.65	174.58
2001	-	-	-	-	28,025,601	28,025,601	0.78	214.75
2002	-	-	-	-	21,380,574	21,380,574	0.57	152.57
2003	-	-	-	-	18,277,616	18,277,616	0.46	121.72
2004	25,000,000	0.23 %	159.95	-	19,836,060	44,836,060	1.07	286.86
2005	25,000,000	0.21	149.70	-	30,806,811	55,806,811	1.27	334.17

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

(1) The County issued $25 million of general obligation bonds in 2004.
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
(3) See the Schedule of Demographic and Economic Statistics for personal income and population data.

HENRY COUNTY, GEORGIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt limit	$ 155,337,841	$ 172,723,255	$ 188,816,214	$ 220,641,325	$ 242,362,063	$ 285,341,179	$ 343,256,741	$ 383,557,529	$ 433,257,895	$ 471,476,643
Total net debt applicable to limit	-	-	-	-	-	-	-	-	25,000,000	25,000,000
Legal debt margin	$ 155,337,841	$ 172,723,255	$ 188,816,214	$ 220,641,325	$ 242,362,063	$ 285,341,179	$ 343,256,741	$ 383,557,529	$ 408,257,895	$ 446,476,643
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	5.77%	5.30%

Legal Debt margin Calculation for Fiscal Year 2005

Assessed value	$ 4,714,766,426
Debt limit (10% of assessed value)	471,476,643
Debt applicable to limit:	
General obligation bonds	25,000,000
Less: Amount set aside for repayment of General obligation debt	-
Total net debt applicable to limit	25,000,000
Legal debt margin	$ 446,476,643

NOTE: Under state finance law, the County's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying the general obligation bonds.

HENRY COUNTY, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands) (1)	Per Capita Personal Income (1)	Median Age (3)	School Enrollment (4)	Unemployment Rate (2)
1996	90,671	$ 2,001,025	22,069	31.9	15,704	2.8 %
1997	97,376	2,271,807	23,330	31.9	17,158	2.5
1998	104,603	2,500,116	23,901	31.9	18,707	2.3
1999	113,011	2,848,718	25,207	31.9	20,265	1.9
2000	121,686	3,284,729	26,993	33.4	21,708	2.7
2001	130,505	3,615,520	27,704	33.4	23,627	2.9
2002	140,137	3,777,793	26,958	33.4	25,479	3.9
2003	150,165	3,974,626	26,468	33.4	27,744	4.3
2004	156,300	4,173,357	26,164	33.4	29,912	4.0
2005	167,000	4,382,025	26,239	33.4	32,413	5.1

(1) Source: Bureau of Economic Analysis: Regional Economic Accounts
(2) Source: U. S. Bureau of Labor Statistics
(3) Source: U. S. Bureau of the Census, Census 1990 and 2000
(4) Source: Henry County Board of Education

NOTE: 2004 and 2005 population, per capita, and personal income are estimates based on past regional trends.
NOTE: School enrollment is based on beginning of school year.

HENRY COUNTY, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2005 Employees (1)	2005 Rank	2005 Percentage of Total County Employment (2)	1996 Employees (3)	1996 Rank	1996 Percentage of Total County Employment (2)
Henry County Board of Education (4)	3,784	1	4.73 %	2,194	1	4.54 %
Henry County Board of Commissioners (4)	1,418	2	1.77	752	3	1.55
Henry Medical Center (4)	1,287	3	1.61	750	4	1.55
Wal-Mart	1,010	4	1.26	-		-
SunTrust Service Corporation	700	5	0.88	-		-
Federal Aviation Administration	533	6	0.67	-		-
Georgia Power Company	458	7	0.57	-		-
Snapper, Inc.	457	8	0.57	1,200	2	2.48
Toys"R" Us	450	9	0.56	-		-
Aero Plastics, Inc.	350	10	0.44	-		-
NEC	-		-	510	5	1.06
Dowling Textiles	-		-	490	6	1.01
Ford Parts & Distribution	-		-	300	7	0.62
Southern States, Inc.	-		-	223	8	0.46
Smead Manufacturing, Inc.	-		-	200	9	0.41
BellSouth	-		-	170	10	0.35
Totals	10,447		13.06 %	6,789		14.03 %

(1) Source: Henry County Development Authority
(2) Source: U.S. Bureau of Labor Statistics
(3) Source: Henry County and Henry County Water and Sewerage Authority Water and Sewerage Revenue Bonds Series 1996
(4) Source: 1996 information obtained from individual employers human resources departments.

NOTE: Snapper, Inc. downsized substantially in 1997.

HENRY COUNTY, GEORGIA

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees as of June 30,									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Function										
General Government	263	261	279	278	337	377	431	451	481	585
Public Safety										
Police & Sheriff										
Officers	126	134	128	134	137	148	147	157	183	183
Civilians	25	27	45	33	36	51	38	39	38	37
Corrections	84	88	87	93	94	119	112	143 (1)	155	164
Fire										
Firefighters	135	145	165	185	208	216	219	229	231	257
Civilians	4	4	4	5	8	7	9	9	9	8
Highways and streets										
Engineering	10	14	14	16	16	20	26	25	21	19
Maintenance	54	61	59	54	69	75	73	76	93 (2)	80
Culture and recreation	51	37	38	46	46	65	71	72	79	85
Total	752	771	819	844	951	1078	1126	1201	1290	1418

Source: Henry County Human Resources Department

(1) The addition of a jail pod and the restoration of the old jail required additional corrections employees in 2003.
(2) The County added a third patching crew to the road maintenance department in 2004.

HENRY COUNTY, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN CALENDAR YEARS

	Calendar Year									
Function	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Police										
Physical arrest	n/a	2,854	6,432	7,042	7,262	12,760	9,821	6,882	6,723	5,587
Parking violations	n/a	13	132	12	21	20	36	60	51	35
Traffic violations	n/a	10,257	11,517	10,839	10,909	14,365	18,696	14,052	12,805	11,874
Fire										
Calls answered	6,919	7,385	8,574	8,870	9,404	10,833	11,387	12,007	13,263	14,704
Inspections	770	941	600	1,219	925	1,746	1,261	3,001	4,739	4,163
Highways and streets										
Street resurfacing	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	55	25
Culture and recreation										
Athletic field permits issued	6,771	9,074	21,016	12,592	13,167	13,211	12,690	21,020	15,464	5,155
Community center admissions	29,540	36,166	36,160	29,101	57,978	63,761	37,807	65,092	34,331	11,444

NOTE: Indicators are not available for the general government function.
NOTE: Departments maintain statistical information on a calendar-year basis.

Sources: Various County departments.

HENRY COUNTY, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 1996	1997	1998	1999	2000	2001		2002	2003	2004	2005
Police											
Stations	2	2	2	2	2	2		2	2	2	2
Patrol Units	n/a	n/a	n/a	n/a	n/a	n/a		n/a	n/a		
Patrol Zones	11	11	11	11	11	11		11	11	11	11
Fire Stations	7	8	9	10	11	11		12	12	12	12
Public Works											
Streets (miles)	1,154	1,166	1,168	1,194	1,206	1,211		1,221	1,244	1,281	1,318
Traffic Signals	5	6	8	8	11	13		14	15	15	15
Culture and Recreation											
Park Acreage	158.9	158.9	294.9	294.9	294.9	756.9	(1)	756.9	756.9	836.9	836.9
Playgrounds	8	8	12	12	12	18		18	18	18	18
Baseball/Softball Diamonds	33	33	43	43	43	66		66	66	66	66
Soccer/Football Fields	4	4	4	4	4	16		16	16	17	17
Community Centers	2	2	2	2	2	3		3	3	3	3

NOTE: Indicators are not available for the general government, judicial, health and welfare, and housing and development functions.

(1) The increase from the prior period was due to the purchase of Heritage Park, Hidden Valley Park, J.P. Moseley Park, and Mt. Carmel Park.

Source: Various County departments.

COMPLIANCE SECTION

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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, 2005, which collectively comprise Henry County, Georgia's basic financial statements and have issued our report thereon dated October 7, 2005. 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 05-1 and 05-2.

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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 05-3 and 05-4.

We also noted certain additional matters that we reported to the management of Henry County, Georgia in a separate letter dated October 7, 2005.

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

Mauldin & Jenkins, LLC

Macon, Georgia
October 7, 2005

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, 2005. 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 Water and Sewerage Authority, which received $17,485,906 in federal awards, which is not included in the schedule during the year ended June 30, 2005. 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 that 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, 2005.

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 7, 2005

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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	AG0513	$ 112,325
Community Care Services Program - Title III, Part C	93.045	AG0513	96,682
Nutrition Services Incentive Program	93.053	AG0513	51,802
Total Special Programs for the Aging, Title III Funds			260,809
Community Care Services Program - Title III, Part E	93.052	AG0513	24,405
Temporary Assistance for Needy Families	93.558	427-57-45251	20,000
Community Services Block Grant	93.569	427-93-45709	25,811
Community Services Block Grant	93.569	427-93-05051	39,988
			65,799
Social Services Block Grant	93.667	427-57-45232	43,000
Social Services Block Grant	93.667	AG0513	49,848
			92,848
Total U.S. Department of Health and Human Services			463,861
U.S. Department of Justice			
Office of Justice Programs			
Juvenile Justice and Delinquency Prevention	16.523	03B-ST-0001	5,100
Juvenile Justice and Delinquency Prevention	16.523	04B-ST-0001	9,650
			14,750
Juvenile Justice and Delinquency Prevention	16.548	02P-120-0201-0009	16,884

(Continued)

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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	C03-8-078	$ 7,490
District Attorney's Office Solicitor's Victim Witness Assistance Program	16.575	C02-8-188	6,047
			13,537
Children and Youth Coordinating Council Girls Gender Program	16.540	03J-12-0304-0012	17,763
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2224	2,546
Local Law Enforcement Block Grant	16.592	2004-LB-BX-1580	17,363
			19,909
Total U.S. Department of Justice			82,843
U.S. Department of Homeland Security			
Pass Through Program - Georgia Emergency Management Agency			
Office of Domestic Preparedness Equipment Program	97.004	2003-MU-T3-0010	323,205
Office of Domestic Preparedness Equipment Program	97.004	2003-MU-T3-0010	17,532
Office of Domestic Preparedness Equipment Program	97.004	2004-GE-T4-0012	23,897
			364,634
Homeland Security Grant	97.067	2003-TE-TX-0181	25,105
Total Homeland Security Cluster			389,739
Local Emergency Operations Plan	97.051	A-7094	4,266
Total U.S. Department of Homeland Security			394,005

(Continued)

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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	2004-075-163AL	$ 31,026
Pass Through Program- Georgia Department of Human Resources			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	427-57-45107	78,072
Pass Through Program- Georgia Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509	MTG00-0119-00-013	68,221
Formula Grants for Other Than Urbanized Areas	20.509	MTG00-0100-00-019	54,969
Formula Grants for Other Than Urbanized Areas	20.509	MTG00-0100-00-069	708
Formula Grants for Other Than Urbanized Areas	20.509	MTG00-0100-00-118	2,429
			126,327
Total U.S. Department of Transportation			235,425
U.S. Department of Education			
Pass Through Program- Georgia Department of Human Resources			
Rehabilitation Services	84.126	427-57-45030	3,000
Total U.S. Department of Education			3,000
Total Federal Awards			$ 1,179,134

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, 2005

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 05-1 and 05-2. These reportable conditions were not considered to be material weaknesses.

3. Two 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* and are included in the Schedule of Findings and Questioned Costs as items 05-3 and 05-4.

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. No audit findings required to be reported in accordance with Section 510 (a) of OMB Circular A-133 were noted.

7. The programs tested as major programs included: U.S. Department of Homeland Security, Special Homeland Security Cluster, including the following: Office of Domestic Preparedness Equipment Program, CFDA #97.004 and Homeland Security Grant, CFDA # 97.067.

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, 2005

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

05-1 Maintenance of Records for Agency Fund Accounts (Repeat Finding)

Condition: During our audit of the various elected officials as of June 30, 2005, 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.

Auditee Response: We concur. Subsequent to year-end, we have updated 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)

05-2 Segregation of Duties (Repeat Finding)

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, 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.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

05-3 Adoption of Budgets

Condition: For the fiscal year ending June 30, 2005, no budget was adopted for the Confiscated Assets Special Revenue Fund in accordance with the Official Code of Georgia (OCGA) Sections 36-81-2 through 36-81-6.

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

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

Auditee response: We concur. The County will adopt a balanced budget for each fund as required by the OCGA for the next fiscal year.

05-4 State Court Partial Payments

Condition: For the fiscal year ending June 30, 2005, partial payments received by the State Court were not remitted to the proper authorities in accordance with the Official Code of Georgia (OCGA) 15-21 A-4.

Criteria: The OCGA requires that the partial payments shall be remitted to the proper authorities by the end of each month following the month in which such funds are received.

Recommendation: The County should turn over the partial payments to the proper authorities as soon as possible.

Auditee response: We concur. The County is working to determine the proper authorities and will pay the funds as soon as possible.

HENRY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

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

None reported.

HENRY COUNTY, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

A. FINDINGS – FINANCIAL STATEMENT AUDIT

04-1 Maintenance of Records for Agency Fund Accounts

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.

Auditee response: During the fiscal year ended June 30, 2005, we developed detail listings for the Clerk of Superior Court, the Magistrate Court, and the State Court. However, these listings were not maintained and reconciled to the cash balances on hand on a monthly basis.

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 Clerk of Superior Court, Probate Court, Magistrate Court, Law Library, Juvenile Court, Tax Commissioner, and Sheriff.

Auditee response: The offices listed above are still 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 PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

B. 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.

Auditee response: During the fiscal year ending June 30, 2005, 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*.