

HENRY COUNTY, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Prepared By:
Mike Bush,
Financial Services Director

INTRODUCTORY SECTION

HENRY COUNTY, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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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

Shay Mathis
County Clerk

140 Henry Parkway
McDonough, GA 30253
770.288-6000
FAX 770.288-6026
www.co.henry.ga.us

December 1, 2006

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

Ladies and Gentlemen:

We are honored to hereby present Henry County's Comprehensive Annual Financial Report. The report is as of and for the year ended June 30, 2006. 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 (the "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 and Consultants, 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, 2006. 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 170,000. 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 incorporated and unincorporated areas within its boundaries with the exception of the City of McDonough.

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 Notes to the 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. This continued growth has increased the demand for additional retail and commercial services thereby 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 hosts major sporting events each year aiding in the export of our tax burden through our Local and Special Local Option Sales Taxes. 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 continues to be 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 completion of the Hudson Bridge/Eagles Landing Parkway Interchange at I-75 has improved

travel time in the area tremendously. The County's Comprehensive Transportation Plan in collaboration with the Cities of Hampton, Locust Grove, Stockbridge, and McDonough continues to reduce the impact of rapid growth on the quality of the transportation system in the County.

Henry County is in the process of completing a court annex building to be called the Justice Center. The Justice Center will bring the State, Juvenile and Magistrate Courts along with their administrative offices into one building adjacent to the Courthouse. The project is expected to be completed during the fall of 2006 and the \$9 million project cost will be financed through Special Local Option Sales Tax funds. In concert with the Justice Center, the County is implementing an integrated criminal justice information system which will result in increased efficiency and accuracy for the County's judicial and law enforcement agencies. The system will automatically exchange information such as new arrests and warrants among the different courts and law enforcement offices without any manual intervention, keeping all the agencies up to date on every case in the criminal justice system. Although the \$764,000 new system will be financed through general funds, the system is expected to pay for itself within three years through time and manpower reduction.

Henry County has made an investment of approximately \$1.3 million to install a new phone system, which works over the County's computer network (VOIP). The capital expense for the new system is being off-set by current phone line expenditures. Once the initial investment is paid for, the County expects to save nearly \$400,000 per year by reducing the expenses incurred by the current system. The new system will allow for added capabilities which provide value such as: caller ID, voice mail-integrated with email, call recording for law enforcement, video conferencing, conference calling, automated attendants, wireless access for phones and data (including public wireless access), increased network security, monitoring and reporting, and flexibility.

The Henry County Detention Center is currently in the midst of a major expansion program that will increase the capacity of the main jail facility from 335 beds to approximately 800 beds. Completion of the project is anticipated during summer 2007. The jail expansion is comprised of four pods, which are constructed of pre-stressed, pre-cast concrete. The use of pre-stressed, pre-cast concrete offers an innovative jail housing solution in terms of reduced cost as well as greater security. This expansion of the County jail is the first component of a larger plan of development that will accommodate future growth in jail services for the next twenty year horizon. The overall cost of the project is not expected to exceed \$17 million and will be financed by a combination of impact fees and general funds.

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.

Awards and Acknowledgements. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Henry County, Georgia for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the first year that the County received this prestigious award. In order to be awarded a Certificate of Achievement, the county had to publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report (CAFR) continues to follow 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 Achievement. Accordingly, we are submitting this report to GFOA for evaluation of eligibility for another 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.

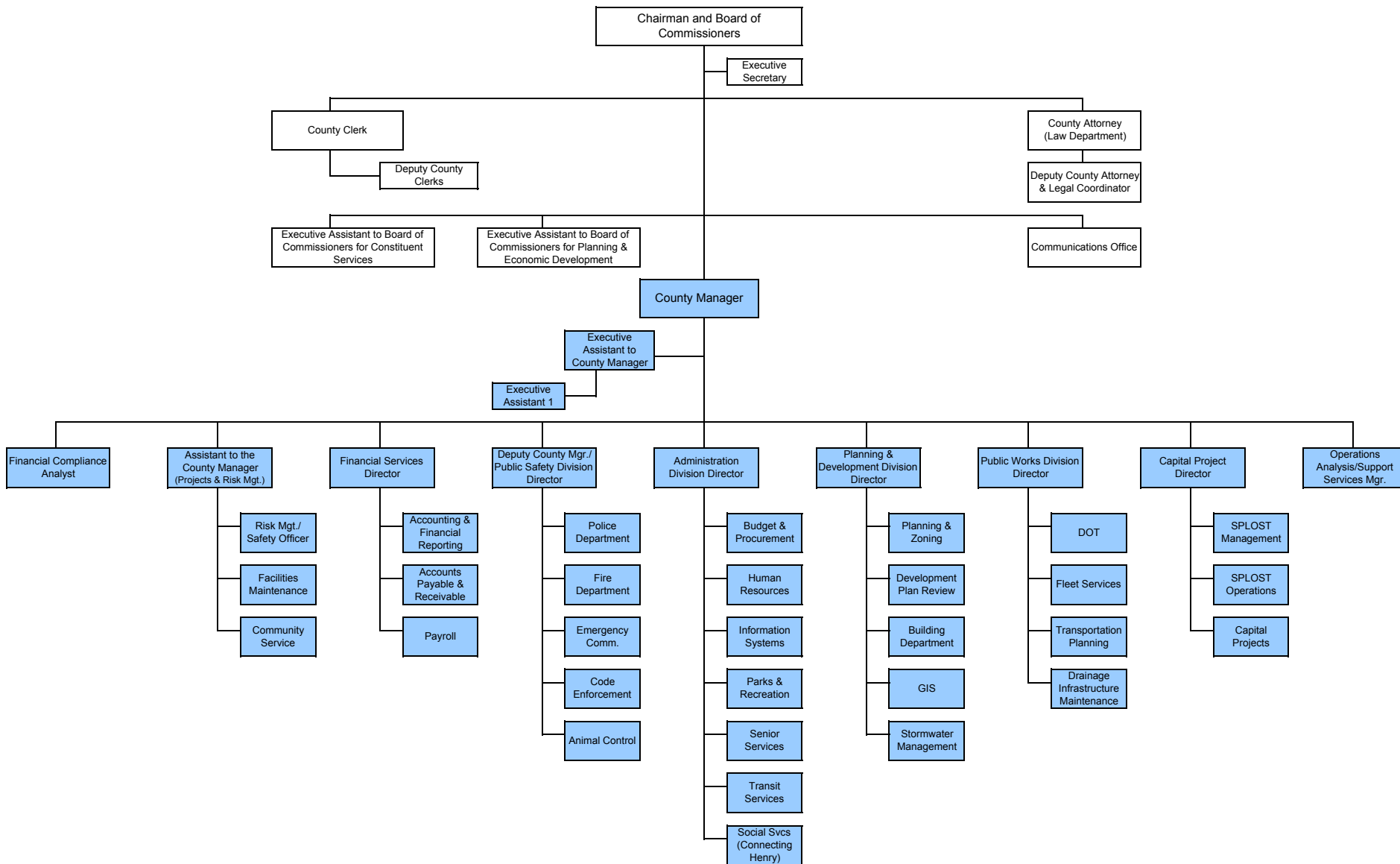
Respectfully submitted,

Mike Bush
Financial Services Director

Kelly Belcastro
Financial Compliance Analyst

HENRY COUNTY, GEORGIA

ORGANIZATIONAL CHART



**HENRY COUNTY, GEORGIA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2006**

Elected Officials

**Chairman, At Large
Vice Chairman, District 4
District 1
District 2
District 3
District 5**

**Jason Harper
Gerry Adams
Warren Holder
Elizabeth (B.J.) Mathis
Randy Stamey
Lee Holman**

**Tax Commissioner
Sheriff
Clerk of Superior Court
Superior Court Judge
Superior Court Judge
Superior Court Judge
State Court Judge
State Court Judge
Probate Court Judge
Magistrate Court Judge
District Attorney
Solicitor**

**Andy Pipkin
William Chaffin
Judy Lewis
William H. Craig
Arch McGarity
Wade Crumbley
Ben Studdard
James Chafin
Kelley Powell
Judy Hayes
Tommy Floyd
Chuck Spahos**

Principal Officials

**County Manager
Public Safety Division Director/Deputy County Manager
County Attorney
County Clerk
Administration Division Director
Capital Projects Director
Financial Services Director
Planning & Development Division Director
Public Works Division Director
Financial Compliance Analyst
Operations Analyst/Support Services Manager
Risk Management/Assistant to the County Manager**

**Rob Magnaghi
Mike Turner
Patrick Jaugstetter
Shay Mathis
Fred Chitwood
Roy Clack
Mike Bush
Michael Harris
Terry McMickle
Kelly Belcastro
Angie Bailey
Michael Sabine**

FINANCIAL SECTION



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, 2006, 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 \$1,508,232 and \$2,305,304, respectively, as of June 30, 2006, and total revenues of \$2,006,855 and \$2,298,690, 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, 2006, 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 November 10, 2006 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.

As described in Notes 1 and 6, the County has retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended and interpreted, as of and for the year ended June 30, 2006.

The Management's Discussion and Analysis (on pages 4 through 13) and the Schedule of Funding Progress (on page 72) are not a required part of the basic financial statements, but are 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.

Mauldin & Jenkins, LLC

Macon, Georgia
November 10, 2006

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, 2006. 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, 2006, by \$470,846,902 (net assets). Of this amount, \$93,016,303 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors,
- At June 30, 2006, the County's General Fund reported an unreserved fund balance of \$50,881,940, an increase of \$6,078,886 or 12.8 % from the last fiscal year.
- The 2002 Special Purpose Local Option Sales Tax (SPLOST) generated collections of \$28,637,161 during fiscal year 2006.
- Henry County Impact Fee fund closed fiscal year 2006 with a fund balance of \$5,916,503, an increase of \$1,256,840 or 27.0% from the last fiscal year.
- During fiscal year 2006, the County retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34. This increased the County's beginning net assets by \$152,790,921. The County has been reporting new construction for infrastructure since 2002, but this year added all infrastructures prior to 2002.

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 (Confiscated Assets Fund, Hotel/Motel Tax Fund, E-911 Fund, Law Library Fund, Court Fund, Technology Fund, Juvenile Assistance Fund 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 \$470,846,902 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (71.3%) 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	
	2006	2005
Current and other assets	\$ 160,720,471	\$ 142,378,115
Capital assets	397,906,538	328,483,587
Total assets	<u>558,627,009</u>	<u>470,861,702</u>
Long-term liabilities outstanding	74,141,239	62,494,515
Other liabilities	13,638,868	8,493,571
Total liabilities	<u>87,780,107</u>	<u>70,988,086</u>
Net assets:		
Invested in capital assets, net of related debt	335,733,103	291,720,459
Restricted	42,097,496	3,081,853
Unrestricted	93,016,303	105,071,304
Total net assets	<u>\$ 470,846,902</u>	<u>\$ 399,873,616</u>

The capital asset balance as of fiscal year 2005 was increased to retroactively record assets purchased or constructed prior to the adoption of GASB 34.

An additional portion of Henry County's net assets (8.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$93,016,303) or (19.8%) 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.

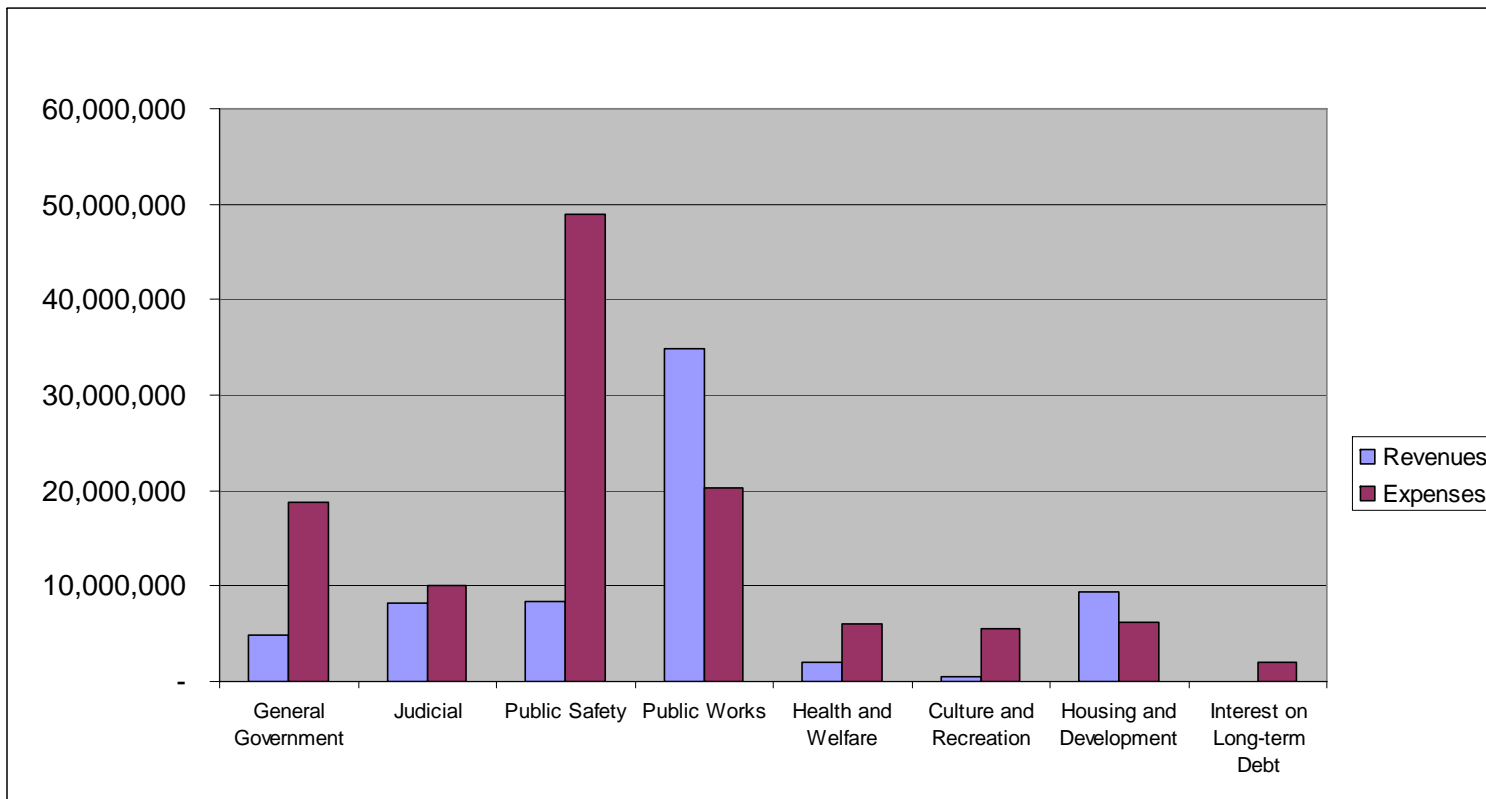
Governmental activities. Governmental activities increased the County's net assets by \$70,973,286. Key elements of this increase are as follows:

Henry County's Changes in Net Assets

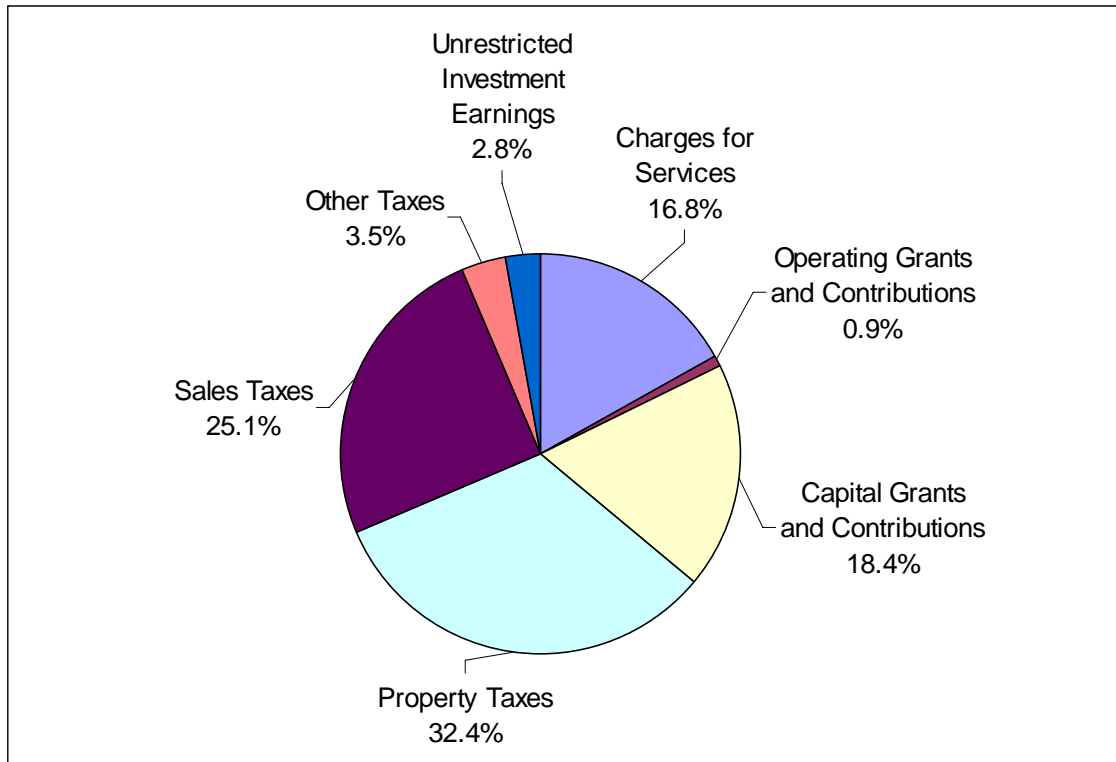
	Governmental Activities	
	2006	2005
Revenues		
Program revenues:		
Charges for services	\$ 31,770,394	\$ 27,379,136
Operating grants and contributions	1,674,623	1,567,095
Capital grants and contributions	34,793,886	26,300,804
General revenues:		
Property taxes	61,117,523	55,550,417
Sales taxes	47,357,776	40,023,574
Other taxes	6,676,204	6,191,217
Unrestricted investment earnings	5,309,584	2,553,397
Gain on sale of capital assets	-	142,935
Total revenues	188,699,990	159,708,575
Expenses		
General government	18,730,505	24,672,480
Judicial	10,022,575	8,878,787
Public safety	48,961,105	44,308,693
Public works	20,203,707	13,988,486
Health and welfare	6,048,439	3,421,976
Culture and recreation	5,603,773	1,128,114
Housing and development	6,167,259	5,061,740
Interest on long-term debt	1,989,341	2,102,788
Total expenses	117,726,704	103,563,064
Increase in net assets	70,973,286	56,145,511
Net assets, beginning of year	399,873,616	343,728,105
Net assets, end of year	\$ 470,846,902	\$ 399,873,616

- Property Taxes increased by \$5,567,106 (10.0%) 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.
- Sales taxes increased by \$7,334,202 (18.3%) 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 \$2,756,187 (107.9%) 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 \$144,736,136, an increase of \$12,725,513 in comparison with the prior year. Approximately 94.9% of this total amount (\$137,345,991) constitutes unreserved fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for encumbrances (\$3,101,154), for wireless communications (\$1,497,529), for jail construction (\$1,289,406), for drug abuse treatment (\$1,068,036), for victim witness programs (\$358,109) or for various other restricted purposes (\$75,911).

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 \$50,881,940, while total fund balance reached \$53,561,758. 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 50.4% of total General Fund expenditures, while total fund balance represents 53.1% of that same amount.

The fund balance of the County's General Fund increased by \$6,078,886 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 2006 fiscal year, the 2002 SPLOST Capital Projects Fund had an undesignated fund balance of \$32,845,046, a decrease of \$14,365,311 from the prior year. The decrease in fund balance was mainly due to an increase in projects being constructed during fiscal year 2006.

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 2006, Henry County entered into five new lease purchases totaling \$21,302,823. One lease was for the expansion of the County Jail. A combination of two more leases were created to add equipment at several County parks and also to replace old lighting for ball fields in existing parks and put new lighting in new parks. One lease was for the purchase of a new server for the County's IS department. The final lease was to purchase a new County phone system. The year-end fund balance for the Lease Purchase Fund is \$23,180,551.

General Fund Budgetary Highlights

During the year there was an increase of \$11,828,793 in appropriations between the original and final amended budget and can be summarized as follows:

- Decrease in general government activities – (\$6,832,199);
- Increase in judicial functions – \$1,241,289, due mainly to an increase in personnel needed to cover the additional Judges.
- Increase in public safety functions – \$5,830,537, due mainly to increase in vehicles and personnel
- Increase in public works services and related capital assets – \$1,600,123, due mainly to increase in equipment and personnel;
- Increase in health and welfare – \$259,725;
- Increase in culture and recreation – \$8,330,438, due mainly to the purchase of parkland known as Nash Farms Battlefield
- Increase in housing and development – \$1,428,880, due mainly to the purchase of vehicles and equipment, and additional personnel.

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, 2006, amounts to \$397,906,538 (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	
	2006	2005
Land	\$ 31,268,559	\$ 24,130,299
Construction in progress	56,815,905	45,750,008
Buildings and improvements	55,156,222	46,928,402
Machinery and equipment	17,870,252	16,981,314
Roads	236,795,600	194,693,564
Total	<u>\$ 397,906,538</u>	<u>\$ 328,483,587</u>

The net beginning balance of capital assets has been increased by \$152,790,921 to retroactively record the County's infrastructure purchased or constructed prior to the adoption of GASB 34.

Governmental assets installed during the year totaled \$87,340,031. 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
- Expansion of jail
- Equipment for parks.

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	
	2006	2005
General obligation bonds	\$ 25,000,000	\$ 25,000,000
Total	\$ 25,000,000	\$ 25,000,000

Henry County’s total bonded 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 2007, 2008, and 2009. Current year interest payments were made in July and December in the amount of \$1,036,216.50. 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 \$512,359,234 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 4.4%, which is an increase from a rate of 5.1% one year ago. The unemployment rate for the State of Georgia at June 30, 2006, is 5.2%.
- 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 monthly collections increased by 14.00% over 2005.
- In Fiscal year 2007, Henry County has budgeted to receive \$26,884,176 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, 2006

ASSETS	Primary Government	Component Units			
	Governmental Activities	Health Department	Development Authority	Library System	Water & Sewerage Authority
Cash and cash equivalents	\$ 68,050,178	\$ 1,424,148	\$ 42,031	\$ 1,214,001	\$ 1,022,084
Investments	42,822,358	-	280,103	25,650	-
Receivables, net of allowances for uncollectibles	5,795,588	-	-	1,600	6,040,830
Due from other governments	9,026,716	74,024	-	-	-
Due from primary government	-	-	108,508	-	118,321
Due from component units	20,213	-	-	-	-
Inventory	251,149	-	-	-	871,944
Prepaid items	1,060,925	-	-	-	685
Restricted assets:					
Cash and cash equivalents	30,927,420	-	-	-	42,150,001
Investments	1,201,498	-	-	-	20,175,168
Accrued interest	-	-	-	-	151,494
Deferred charges	192,397	-	-	-	3,580,113
Capital assets, non-depreciable	88,084,464	-	-	75,127	139,637,868
Capital assets, depreciable (net of accumulated depreciation)	309,822,074	10,060	-	988,926	263,579,460
Other non-current assets	1,372,029	-	-	-	1,296,896
Total assets	\$ 558,627,009	\$ 1,508,232	\$ 430,642	\$ 2,305,304	\$ 478,624,864

(Continued)

HENRY COUNTY, GEORGIA

STATEMENT OF NET ASSETS

JUNE 30, 2006

LIABILITIES	Primary Government	Component Units			
	Governmental Activities	Health Department	Development Authority	Library System	Water & Sewerage Authority
Accounts payable	\$ 8,978,004	\$ -	\$ 10,812	\$ 120,002	\$ 5,198,335
Accrued liabilities	3,395,416	-	-	-	1,655,736
Due to other governments	1,112,207	43,587	-	-	-
Due to component units	108,508	-	-	-	-
Due to primary government	-	-	20,213	-	-
Unearned revenue	44,733	-	-	-	-
Payable from restricted assets:					
Customer deposits payable	-	-	-	-	627,472
Revenue bonds payable	-	-	-	-	4,095,000
Accrued interest payable	-	-	-	-	3,555,080
Non-current liabilities:					
Due within one year	16,891,644	-	-	24,701	1,983,861
Due in more than one year	57,249,595	117,027	-	30,166	232,702,658
Total liabilities	87,780,107	160,614	31,025	174,869	249,818,142
NET ASSETS					
Invested in capital assets, net of related debt	335,733,103	10,060	-	1,064,053	210,147,676
Restricted for:					
Jail construction	1,289,406	-	-	-	-
Drug abuse treatment	1,068,036	-	-	-	-
Juvenile assistance	6,795	-	-	-	-
Fire safety	57,500	-	-	-	-
Victim witness program	358,109	-	-	-	-
Wireless communications	1,497,529	-	-	-	-
Capital projects	37,808,505	-	-	-	-
Other purposes	11,616	41,940	-	-	14,470,748
Unrestricted	93,016,303	1,295,618	399,617	1,066,382	4,188,298
Total net assets	\$ 470,846,902	\$ 1,347,618	\$ 399,617	\$ 2,130,435	\$ 228,806,722

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

HENRY COUNTY, GEORGIA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Functions/Programs	Net (Expenses) Revenues and Changes in Net Assets								
	Expenses	Program Revenues			Primary Government	Component Units			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Health Department	Development Authority	Library System	Water & Sewerage Authority
Primary government:									
General government	\$ 18,730,505	\$ 4,810,001	\$ -	\$ -	\$ (13,920,504)	\$ -	\$ -	\$ -	\$ -
Judicial	10,022,575	8,073,377	97,156	33,075	(1,818,967)	-	-	-	-
Public safety	48,961,105	7,526,674	193,248	729,755	(40,511,428)	-	-	-	-
Public works	20,203,707	909,827	33,777	33,981,056	14,720,953	-	-	-	-
Health and welfare	6,048,439	636,904	1,350,442	-	(4,061,093)	-	-	-	-
Culture and recreation	5,603,773	445,969	-	-	(5,157,804)	-	-	-	-
Housing and development	6,167,259	9,367,642	-	50,000	3,250,383	-	-	-	-
Interest on long-term debt	1,989,341	-	-	-	(1,989,341)	-	-	-	-
Total primary government	\$ 117,726,704	\$ 31,770,394	\$ 1,674,623	\$ 34,793,886	(49,487,801)	-	-	-	-
Component units:									
Health Department	\$ 2,082,530	\$ 940,087	\$ 1,009,220	\$ -	-	(133,223)	-	-	-
Development Authority	366,774	32,528	353,109	-	-	-	18,863	-	-
Library System	1,862,248	82,262	2,186,011	-	-	-	-	406,025	-
Water & Sewerage Authority	47,077,540	32,985,895	-	27,591,968	-	-	-	-	13,500,323
Total component units	\$ 51,389,092	\$ 34,040,772	\$ 3,548,340	\$ 27,591,968	-	(133,223)	18,863	406,025	13,500,323
General revenues:									
Property taxes					61,117,523	-	-	-	10,363,150
Sales taxes					47,357,776	-	-	-	-
Franchise taxes					857,384	-	-	-	-
Insurance premium taxes					4,176,486	-	-	-	-
Other taxes					1,642,334	-	-	-	1,471,602
Unrestricted investment earnings					5,309,584	57,548	9,723	30,417	2,067,097
Gain on sale of capital assets					-	-	-	-	3,532
Total general revenues					120,461,087	57,548	9,723	30,417	13,905,381
Change in net assets					70,973,286	(75,675)	28,586	436,442	27,405,704
Net assets, beginning of year, as restated					399,873,616	1,423,293	371,031	1,693,993	201,401,018
Net assets, end of year					\$ 470,846,902	\$ 1,347,618	\$ 399,617	\$ 2,130,435	\$ 228,806,722

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

HENRY COUNTY, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2006

ASSETS	General Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 14,604,793	\$ 26,892,797	\$ -	\$ 26,552,588	\$ 68,050,178
Investments	30,756,171	-	-	12,066,187	42,822,358
Receivables, net of allowances for uncollectibles	5,335,612	26,078	-	433,898	5,795,588
Due from other governments	3,873,074	5,113,327	-	40,315	9,026,716
Due from other funds	4,693,884	708,491	-	380,072	5,782,447
Due from component unit	20,213	-	-	-	20,213
Inventory	251,149	-	-	-	251,149
Prepaid items	510,612	-	-	550,313	1,060,925
Restricted cash	-	6,448,161	24,479,259	-	30,927,420
Restricted investments	-	-	1,201,498	-	1,201,498
Total assets	<u>\$ 60,045,508</u>	<u>\$ 39,188,854</u>	<u>\$ 25,680,757</u>	<u>\$ 40,023,373</u>	<u>\$ 164,938,492</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 2,166,605	\$ 5,060,629	\$ 487,594	\$ 1,263,176	\$ 8,978,004
Accrued liabilities	2,614,595	27,976	-	98,179	2,740,750
Due to other governments	89,542	1,022,665	-	-	1,112,207
Due to other funds	24,060	232,538	2,012,612	3,513,237	5,782,447
Due to component units	108,508	-	-	-	108,508
Deferred revenue	1,480,440	-	-	-	1,480,440
Total liabilities	<u>\$ 6,483,750</u>	<u>\$ 6,343,808</u>	<u>\$ 2,500,206</u>	<u>\$ 4,874,592</u>	<u>\$ 20,202,356</u>

(Continued)

HENRY COUNTY, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2006

LIABILITIES AND FUND BALANCES (Continued)	General Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 2,610,702	\$ -	\$ -	\$ 490,452	\$ 3,101,154
Jail construction	-	-	-	1,289,406	1,289,406
Drug abuse treatment	-	-	-	1,068,036	1,068,036
Juvenile assistance	-	-	-	6,795	6,795
Fire safety	57,500	-	-	-	57,500
Victim witness program	-	-	-	358,109	358,109
Wireless communications	-	-	-	1,497,529	1,497,529
Grants	11,616	-	-	-	11,616
Unreserved, reported in:					
General fund, undesignated	50,881,940	-	-	-	50,881,940
Special revenue funds, undesignated	-	-	-	461,283	461,283
Debt service fund, undesignated	-	-	-	13,164,213	13,164,213
Capital projects funds, undesignated	-	32,845,046	23,180,551	16,812,958	72,838,555
Total fund balances	53,561,758	32,845,046	23,180,551	35,148,781	144,736,136
Total liabilities and fund balances	\$ 60,045,508	\$ 39,188,854	\$ 25,680,757	\$ 40,023,373	

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.	397,906,538
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,435,707
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(74,603,508)
Net pension asset used in governmental activities is not a financial resource and, therefore, is not reported in the funds.	1,372,029
Net assets of governmental activities	\$ 470,846,902

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, 2006

	General Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 86,142,791	\$ 28,637,161	\$ -	\$ 277,300	\$ 115,057,252
Licenses and permits	5,106,583	-	-	4,467,672	9,574,255
Intergovernmental	2,333,476	1,416	-	45,709	2,380,601
Charges for services	11,335,338	-	-	3,065,984	14,401,322
Fines and forfeitures	4,874,550	-	-	1,517,561	6,392,111
Investment income	2,153,988	1,656,744	288,471	1,210,381	5,309,584
Contributions	42,416	-	-	-	42,416
Miscellaneous	1,286,497	175,906	-	6,155	1,468,558
Total revenues	113,275,639	30,471,227	288,471	10,590,762	154,626,099
Expenditures:					
Current:					
General government	13,420,886	-	-	300,000	13,720,886
Judicial	10,051,586	-	-	444,410	10,495,996
Public safety	44,887,738	-	-	2,705,380	47,593,118
Public works	10,170,996	-	-	1,282,634	11,453,630
Health and welfare	4,689,034	-	-	-	4,689,034
Culture and recreation	11,675,909	-	-	-	11,675,909
Housing and development	5,975,636	-	-	131,951	6,107,587
Capital outlay	-	35,608,447	4,398,520	9,648,275	49,655,242
Debt service:					
Principal retirement	-	-	-	9,449,016	9,449,016
Interest and fiscal charges	-	-	-	2,350,501	2,350,501
Total expenditures	\$ 100,871,785	\$ 35,608,447	\$ 4,398,520	\$ 26,312,167	\$ 167,190,919
Excess (deficiency) of revenues over (under) expenditures	12,403,854	(5,137,220)	(4,110,049)	(15,721,405)	(12,564,820)

(Continued)

HENRY COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund	2002 SPLOST Fund	Lease Purchase Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):					
Issuance of capital leases	\$ -	\$ -	\$ 21,302,823	\$ -	\$ 21,302,823
Transfers in	224,721	207,245	-	21,486,024	21,917,990
Transfers out	(10,536,586)	(9,435,336)	(593,474)	(1,352,594)	(21,917,990)
Proceeds from sale of capital assets	3,986,897	-	-	613	3,987,510
Total other financing sources (uses)	(6,324,968)	(9,228,091)	20,709,349	20,134,043	25,290,333
Net change in fund balances	6,078,886	(14,365,311)	16,599,300	4,412,638	12,725,513
Fund balances, beginning of year	47,482,872	47,210,357	6,581,251	30,736,143	132,010,623
Fund balances, end of year	\$ 53,561,758	\$ 32,845,046	\$ 23,180,551	\$ 35,148,781	\$ 144,736,136

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, 2006

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

Net change in fund balances - total governmental funds	\$ 12,725,513
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.	39,665,769
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	29,757,182
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	94,251
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.	(11,427,094)
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.	<u>157,665</u>
	<u>\$ 70,973,286</u>

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, 2006

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 59,552,349	\$ 60,922,500	\$ 61,023,272	\$ 100,772
Sales tax	15,889,318	18,496,061	18,720,615	224,554
Other taxes	6,156,983	6,397,321	6,398,904	1,583
Licenses and permits	4,119,828	5,106,713	5,106,583	(130)
Intergovernmental	1,285,444	2,179,862	2,333,476	153,614
Charges for services	9,415,640	11,379,332	11,335,338	(43,994)
Fines and forfeitures	2,516,590	4,842,072	4,874,550	32,478
Investment income	1,008,179	2,154,517	2,153,988	(529)
Contributions	-	42,417	42,416	(1)
Miscellaneous	647,392	972,793	1,286,497	313,704
Total revenues	100,591,723	112,493,588	113,275,639	782,051
Expenditures:				
General government:				
Director of administration and finance	168,725	186,528	174,721	11,807
Board of commissioners	2,426,300	1,695,427	1,395,981	299,446
County manager	361,430	362,760	360,928	1,832
Support services	-	74,356	64,810	9,546
County attorney	473,748	540,541	436,900	103,641
Tax commissioner	1,553,606	1,607,190	1,570,235	36,955
Finance	809,203	851,834	802,388	49,446
Information systems	1,492,208	1,570,583	1,556,258	14,325
Human resources	410,451	1,812,454	1,802,675	9,779
Risk management	1,134,759	1,146,738	1,088,398	58,340
Purchasing	510,435	545,353	516,097	29,256
Tax assessor	1,724,948	1,751,654	1,617,605	134,049
Elections	672,809	703,348	524,535	178,813
Public buildings	1,622,284	1,673,413	1,509,355	164,058
Other - unclassified	7,993,472	-	-	-
Total general government	21,354,378	14,522,179	13,420,886	1,101,293

(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, 2006

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures: (Continued)				
Judicial:				
Judge of superior court	\$ 175,398	\$ 351,453	\$ 318,393	\$ 33,060
Clerk of superior court	1,612,994	1,659,698	1,555,180	104,518
Court reporter	241,115	346,978	253,540	93,438
Jury/bailiff	233,000	288,718	250,513	38,205
District attorney	819,544	924,521	915,307	9,214
Public defender	874,290	898,552	882,728	15,824
Juvenile court	1,603,727	1,477,798	1,430,939	46,859
State court	934,478	1,373,875	1,335,192	38,683
State court solicitor	930,114	1,155,934	1,144,343	11,591
Clerk of state court	534,401	563,029	546,729	16,300
Magistrate court	679,575	773,483	766,480	7,003
Probate court	636,016	701,902	652,242	49,660
Total judicial	<u>9,274,652</u>	<u>10,515,941</u>	<u>10,051,586</u>	<u>464,355</u>
Public safety:				
Director of public safety	160,886	193,121	187,117	6,004
Police	1,433,664	1,900,500	1,781,479	119,021
Criminal investigation division	1,425,753	1,704,155	1,670,848	33,307
Narcotics	597,669	702,760	673,088	29,672
Support service	744,519	892,129	828,851	63,278
Uniform patrol division	7,439,162	8,023,740	7,883,391	140,349
Fire	15,452,073	17,086,268	16,602,173	484,095
E911 / Emergency Management	-	1,296,593	1,292,964	3,629
Sheriff	5,329,548	5,821,002	5,461,298	359,704
Jail	7,016,751	7,616,980	6,980,790	636,190
Early release	381,333	393,924	362,741	31,183
Coroner	107,728	113,800	70,927	42,873
Code enforcement	953,374	1,122,327	1,086,374	35,953
Animal control	-	5,698	5,697	1
Total public safety	<u>41,042,460</u>	<u>46,872,997</u>	<u>44,887,738</u>	<u>1,985,259</u>

(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, 2006

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures: (Continued)				
Public works:				
Director of public works	\$ 120,501	\$ 126,536	\$ 121,420	\$ 5,116
DOT	2,898,559	3,473,531	3,151,105	322,426
Construction & roads	279,500	976,815	973,239	3,576
Scraping and hauling	5,137,925	5,220,427	4,855,616	364,811
Waste management	16,900	24,790	24,489	301
Maintenance shop	1,041,537	1,272,946	1,045,127	227,819
Total public works	<u>9,494,922</u>	<u>11,095,045</u>	<u>10,170,996</u>	<u>924,049</u>
Health and welfare:				
General health	864,269	883,903	857,458	26,445
Department of family and children services	251,525	251,525	251,219	306
Family connection	-	70,349	69,819	530
Transit system	997,274	1,052,330	959,739	92,591
Senior services	2,574,727	2,689,413	2,550,799	138,614
Total health and welfare	<u>4,687,795</u>	<u>4,947,520</u>	<u>4,689,034</u>	<u>258,486</u>
Culture and recreation:				
Recreation	2,493,835	10,794,273	10,675,909	118,364
Libraries	1,000,000	1,000,000	1,000,000	-
Total culture and recreation	<u>3,493,835</u>	<u>11,794,273</u>	<u>11,675,909</u>	<u>118,364</u>
Housing and development:				
Director of human and community services	122,501	133,376	127,660	5,716
Conservation	147,418	194,142	168,867	25,275
Conservation - NRCS	39,387	39,536	3,449	36,087
Building department	2,110,512	2,138,829	2,087,172	51,657
Development inspections	558,606	622,562	600,783	21,779
Planning and zoning	859,053	1,184,637	889,879	294,758

(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, 2006

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures: (Continued)				
Housing and development: (continued)				
GIS mapping	\$ 344,417	\$ 352,497	\$ 264,432	\$ 88,065
Development plan review	403,378	485,723	474,895	10,828
Transportation development	185,823	1,048,672	1,010,065	38,607
Economic development authority	348,434	348,435	348,434	1
Total housing and development	<u>5,119,529</u>	<u>6,548,409</u>	<u>5,975,636</u>	<u>572,773</u>
Total expenditures	<u>94,467,571</u>	<u>106,296,364</u>	<u>100,871,785</u>	<u>5,424,579</u>
Excess of revenues over expenditures	6,124,152	6,197,224	12,403,854	6,206,630
Other financing sources (uses):				
Transfers in	217,480	332,214	224,721	(107,493)
Transfers out	(7,441,632)	(10,536,586)	(10,536,586)	-
Proceeds from sale of capital assets	100,000	3,986,898	3,986,897	(1)
Total other financing sources (uses)	<u>(7,124,152)</u>	<u>(6,217,474)</u>	<u>(6,324,968)</u>	<u>(107,494)</u>
Net change in fund balances	(1,000,000)	(20,250)	6,078,886	6,099,136
Fund balances, beginning of year	<u>47,482,872</u>	<u>47,482,872</u>	<u>47,482,872</u>	<u>-</u>
Fund balances, end of year	<u>\$ 46,482,872</u>	<u>\$ 47,462,622</u>	<u>\$ 53,561,758</u>	<u>\$ 6,099,136</u>

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

HENRY COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 7,050,839
Taxes receivable	<u>5,252,814</u>
Total assets	<u>\$ 12,303,653</u>
LIABILITIES	
Due to component unit	\$ 118,321
Due to others	<u>12,185,332</u>
Total liabilities	<u>\$ 12,303,653</u>

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

BASIC FINANCIAL STATEMENTS

GUIDE TO NOTES

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HENRY COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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.

C. Retroactive Restatement of Net Assets in Accordance with GASB No. 34

The County has retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments", as amended and interpreted, as of and for the year ended June 30, 2006. This resulted in restating the opening balance of net assets of the Government-wide Financial Statements' governmental activities by an amount of \$152,790,921 from \$247,082,695 to a restated amount of \$399,873,616.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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 types:

The **Special Revenue Funds** are used to account for revenue sources that are legally restricted to expenditure for specific purposes.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

E. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

F. 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."

G. 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.

H. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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. During the current year, the County has retroactively reported major general infrastructure assets. In this case, the County chose to include all items regardless of their acquisition date. The County was able to estimate the historical cost for the initial reporting of these assets through backtrending.

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:

<u>Asset Category</u>	<u>Years</u>
Buildings and improvements	40
Machinery and equipment	3-10
Roads	40

J. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. 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.

M. 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.

NOTES TO FINANCIAL STATEMENTS

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 \$74,603,508 difference are as follows:

Capital leases payable	\$ (42,660,618)
General obligation bonds payable	(25,000,000)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	192,397
Plus: Issuance premium (to be amortized against interest expense)	(960,978)
Compensated absences	(3,487,879)
Claims and judgments payable	(635,869)
Landfill postclosure costs	(1,395,895)
Accrued interest	<u>(654,666)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (74,603,508)</u>

NOTES TO FINANCIAL STATEMENTS

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 \$39,665,769 difference are as follows:

Capital outlay	\$ 53,393,708
Depreciation expense	<u>(13,727,939)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u>\$ 39,665,769</u>

NOTES TO FINANCIAL STATEMENTS

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 \$29,757,182 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.	\$ 33,946,323
In the statement of activities, only the <i>gain</i> 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.	<u>(4,189,141)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 29,757,182</u>

NOTES TO FINANCIAL STATEMENTS

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 \$11,427,094 difference are as follows:

Debt incurred:	
Capital lease financing	\$ (21,302,823)
Claims and judgments payable	(14,869)
Principal repayments:	
Capital leases	9,449,016
Claims and judgments payable	380,000
Landfill postclosure costs	<u>61,582</u>
Net adjustment to decrease net change in <i>fund balances - total governmental funds</i> to arrive at change in <i>net assets - governmental activities</i>	<u><u>\$ (11,427,094)</u></u>

NOTES TO FINANCIAL STATEMENTS

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 \$157,665 difference are as follows:

Compensated absences	\$ (604,022)
Amortization of issuance costs	(76,959)
Amortization of premium on general obligation bonds	384,392
Accrued interest	53,727
Net pension obligation	<u>400,527</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u><u>\$ 157,665</u></u>

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

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 Funds, and Debt Service Fund. Project length budgets were adopted for all Capital Projects Funds.

The supplementary budgetary appropriations made were not material.

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

B. Deficit Fund Equity

The Stormwater Fund had a deficit fund balance of \$1,910,399 as of June 30, 2006. This deficit will be eliminated through future transfers from other funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2006 are summarized as follows:

Balances per statement of net assets:

Cash - Primary government	\$ 68,050,178
Cash - Health Department	1,424,148
Cash - Development Authority	42,031
Cash - Library System	1,214,001
Cash - Water & Sewerage Authority	1,022,084
Investments - Primary government	42,822,358
Investments - Development Authority	280,103
Investments - Library System	25,650
Restricted assets:	
Cash - Primary government	30,927,420
Investments - Primary government	1,201,498
Cash - Water & Sewerage Authority	42,150,001
Investments - Water & Sewerage Authority	20,175,168

Balances per statement of fiduciary net assets:

Cash - Agency funds	7,050,839
	<u>\$ 216,385,479</u>
Cash deposited with financial institutions	\$ 152,783,790
Cash deposited with Georgia Fund 1	40,613,517
Federal Home Loan Bank Agency Coupons	21,786,674
Mutual Fund	1,201,498
	<u>\$ 216,385,479</u>

NOTES TO FINANCIAL STATEMENTS

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. The County's policy is to invest only in the following: U.S. government and agency debt obligations; U.S. government instrumentality debt obligations; high grade corporate debt with ratings at or above A3 by Moody's or A- by Standard & Poor's; mortgage-backed securities with ratings at or above AA3 by Moody's or AA by Standard & Poor's; and bank certificates of deposit. As of June 30, 2006, the investments in the Georgia Fund 1 were rated AAAM by Standard & Poor's, the investment in the Federal Home Loan Bank Agency Coupons were rated AAA by Standard & Poor's, and the investment in the mutual fund was rated AAAM by Standard & Poor's.

At June 30, 2006, the County had the following investment:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Primary government:		
Georgia Fund 1	28 day weighted average	\$ 26,843,725
Mutual Fund	5 day weighted average	1,201,498
Federal Home Loan Bank Agency Coupon	July 31, 2006	5,003,149
Federal Home Loan Bank Agency Coupon	September 28, 2006	5,175,846
Federal Home Loan Bank Agency Coupon	December 28, 2006	5,176,653
Certificates of Deposit	11.17 month weighted average	622,985
		<u>\$ 44,023,856</u>
Component units:		
Georgia Fund 1	28 day weighted average	\$ 13,769,792
Certificates of Deposit	14 month weighted average	280,103
Federal Home Loan Bank Agency Coupon	August 15, 2006	6,431,026
		<u>\$ 20,480,921</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk. In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the duration of any investment to a maximum of five years.

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. As of June 30, 2006, all of the County, Development Authority, Health Department, and Library System's bank balances were properly insured and collateralized as defined by GASB pronouncements. The Water and Sewerage Authority had certain funds which were uninsured and under collateralized in the amount of \$161,933. These bank balances were subsequently properly insured and collateralized within 10 days of year-end as allowed by the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c) and as defined by GASB pronouncements.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no specific investment policy in regards to custodial credit risk for investments.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables at June 30, 2006 for the County's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General</u>	<u>2002 SPLOST Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 2,176,953	\$ -	\$ 26,947	\$ 2,203,900
Accounts	5,002,279	26,078	406,951	5,435,308
Other	316,128	-	-	316,128
Gross receivables	<u>7,495,360</u>	<u>26,078</u>	<u>433,898</u>	<u>7,955,336</u>
Less allowance for uncollectibles	2,159,748	-	-	2,159,748
Net total receivables	<u>\$ 5,335,612</u>	<u>\$ 26,078</u>	<u>\$ 433,898</u>	<u>\$ 5,795,588</u>

The Henry County Water and Sewerage Authority had accounts receivable at June 30, 2006 of \$6,040,830, which is net of an allowance for uncollectibles of \$74,804.

Property taxes attached as an enforceable lien on property as of November 16, 2005. Property taxes were levied on August 11, 2005, billed on September 9, 2005, and payable on or before November 15, 2005. The County bills and collects its own property taxes. Property taxes levied for 2005 are recorded as receivables, net of estimated uncollectibles.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the primary government for the year ended June 30, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 24,130,299	\$ 8,524,595	\$ (3,904,740)	\$ 2,518,405	\$ 31,268,559
Construction in progress	45,750,008	39,765,112	-	(28,699,215)	56,815,905
Total	<u>69,880,307</u>	<u>48,289,707</u>	<u>(3,904,740)</u>	<u>(26,180,810)</u>	<u>88,084,464</u>
Capital assets, being depreciated:					
Buildings and improvements	59,031,917	5,651	-	9,850,603	68,888,171
Machinery and equipment	39,703,760	5,098,350	(1,488,280)	336,211	43,650,041
Infrastructure	317,171,070	33,946,323	-	15,993,996	367,111,389
Total	<u>415,906,747</u>	<u>39,050,324</u>	<u>(1,488,280)</u>	<u>26,180,810</u>	<u>479,649,601</u>
Less accumulated depreciation for:					
Buildings and improvements	(12,103,515)	(1,628,434)	-	-	(13,731,949)
Machinery and equipment	(22,722,446)	(4,261,222)	1,203,879	-	(25,779,789)
Infrastructure	(122,477,506)	(7,838,283)	-	-	(130,315,789)
Total	<u>(157,303,467)</u>	<u>(13,727,939)</u>	<u>1,203,879</u>	<u>-</u>	<u>(169,827,527)</u>
Total capital assets, being depreciated, net	<u>258,603,280</u>	<u>25,322,385</u>	<u>(284,401)</u>	<u>26,180,810</u>	<u>309,822,074</u>
Governmental activities capital assets, net	<u>\$ 328,483,587</u>	<u>\$ 73,612,092</u>	<u>\$ (4,189,141)</u>	<u>\$ -</u>	<u>\$ 397,906,538</u>

The net beginning balance of capital assets has been increased by \$152,790,921 to retroactively record the County's infrastructure purchased or constructed prior to the adoption of GASB 34.

NOTES TO FINANCIAL STATEMENTS

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		\$	2,329,412
Judicial			110,691
Public safety			2,232,338
Public works			8,354,405
Health and welfare			100,137
Culture and recreation			477,441
Housing and development			123,515
			123,515
Total depreciation expense - governmental activities		\$	13,727,939

B. Discretely Presented Component Unit – Health Department

Capital asset activity for the Health Department for the year ended June 30, 2006, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$ 125,053	\$ 1,800	\$ -	\$ 126,853
Less accumulated depreciation for:				
Machinery and equipment	(109,264)	(7,529)	-	(116,793)
Total capital assets, net	\$ 15,789	\$ (5,729)	\$ -	\$ 10,060

NOTES TO FINANCIAL STATEMENTS

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, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	2,438,398	316,638	(12,147)	2,742,889
Total	<u>2,614,188</u>	<u>316,638</u>	<u>(12,147)</u>	<u>2,918,679</u>
Less accumulated depreciation for:				
Buildings and improvements	(144,691)	(4,108)	-	(148,799)
Equipment	(7,023)	(927)	-	(7,950)
Books and materials	(1,651,938)	(133,213)	12,147	(1,773,004)
Total	<u>(1,803,652)</u>	<u>(138,248)</u>	<u>12,147</u>	<u>(1,929,753)</u>
Total capital assets, being depreciated, net	<u>810,536</u>	<u>178,390</u>	<u>-</u>	<u>988,926</u>
Total capital assets, net	<u>\$ 885,663</u>	<u>\$ 178,390</u>	<u>\$ -</u>	<u>\$ 1,064,053</u>

NOTES TO FINANCIAL STATEMENTS

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, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 30,545,665	\$ -	\$ (147,630)	\$ -	\$ 30,398,035
Construction in progress	107,323,889	29,380,038	-	(27,464,094)	109,239,833
Total	<u>137,869,554</u>	<u>29,380,038</u>	<u>(147,630)</u>	<u>(27,464,094)</u>	<u>139,637,868</u>
Capital assets, being depreciated:					
Buildings	6,911,236	74,902	-	-	6,986,138
Improvements other than buildings	320,062,426	14,581,553	-	27,464,094	362,108,073
Machinery and equipment	6,296,936	682,355	(1,216,398)	-	5,762,893
Vehicles	2,726,912	309,266	(38,894)	-	2,997,284
Total	<u>335,997,510</u>	<u>15,648,076</u>	<u>(1,255,292)</u>	<u>27,464,094</u>	<u>377,854,388</u>
Less accumulated depreciation for:					
Buildings	(1,586,455)	(353,091)	-	-	(1,939,546)
Improvements other than buildings	(90,514,104)	(14,505,664)	-	-	(105,019,768)
Machinery and equipment	(5,297,390)	(497,191)	1,187,911	-	(4,606,670)
Vehicles	(2,553,132)	(194,706)	38,894	-	(2,708,944)
Total	<u>(99,951,081)</u>	<u>(15,550,652)</u>	<u>1,226,805</u>	<u>-</u>	<u>(114,274,928)</u>
Total capital assets, being depreciated, net	<u>236,046,429</u>	<u>97,424</u>	<u>(28,487)</u>	<u>27,464,094</u>	<u>263,579,460</u>
Total capital assets, net	<u>\$ 373,915,983</u>	<u>\$ 29,477,462</u>	<u>\$ (176,117)</u>	<u>\$ -</u>	<u>\$ 403,217,328</u>

NOTES TO FINANCIAL STATEMENTS

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, 2006, are as follows:

Purpose	Interest Rate	Due Date	Amount
Water and Sewerage Authority	2.00%-5.00%	2011	\$ 3,640,000
Water and Sewerage Authority	5.00%	2012	8,380,000
Water and Sewerage Authority	4.90%-6.00%	2020	11,955,000
Water and Sewerage Authority	3.75%-6.15%	2026	45,240,000
Water and Sewerage Authority	3.00%-5.25%	2030	50,865,000
Water and Sewerage Authority	2.00%-5.38%	2030	46,900,000
			166,980,000
	Plus unamortized premiums		7,757,804
	Less unamortized discounts		(201,534)
	Less unamortized deferred charges - refunding		(6,798,471)
			\$ 167,737,799

NOTES TO FINANCIAL STATEMENTS

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
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	4,890,000	7,770,696
2012-2016	26,800,000	35,118,856
2017-2021	33,400,000	27,193,640
2028-2026	42,060,000	17,509,338
2027-2030	42,345,000	5,608,428
Total	<u>\$ 166,980,000</u>	<u>\$ 126,239,576</u>

NOTES TO FINANCIAL STATEMENTS

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, 2006, consisted of the following:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Various construction projects within the County	2.50%-5.00%	4 years	2008	\$ 25,000,000	\$ 25,000,000
			Plus unamortized premium		960,978
					<u>\$ 25,960,978</u>

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

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 8,080,000	\$ 902,362
2008	8,325,000	575,444
2009	8,595,000	191,188
Total	<u>\$ 25,000,000</u>	<u>\$ 1,668,994</u>

NOTES TO FINANCIAL STATEMENTS

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 \$62,366,000, of which \$39,939,693 had been drawn as of June 30, 2006. These notes are as follows at June 30, 2006:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Amount</u>
2.00%	10 years	2007	\$ 10,921
3.70%	20 years	2021	12,671,105
3.49%	20 years	2022	17,918,768
3.00%	20 years	2026	39,939,693
			<u>\$ 70,540,487</u>

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

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,502,851	\$ 1,070,032
2008	1,546,178	1,015,647
2009	1,602,401	959,424
2010	1,660,670	901,156
2011	1,721,059	840,766
2012-2016	9,590,928	3,218,197
2017-2021	11,466,670	1,342,455
2022	1,510,037	18,600
Total	<u>\$ 30,600,794</u>	<u>\$ 9,366,277</u>

The above debt service requirements to maturity table does not include provision for the construction line of credit agreement for \$62,366,000, of which \$39,939,693 has been drawn as of June 30, 2006. This note payable is in the draw down phase as of June 30, 2006, and repayment will be determined when construction is complete and all draws have been made.

NOTES TO FINANCIAL STATEMENTS

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, 2006:

Land	\$ 2,302,901
Buildings and improvements	13,766,052
Equipment	19,960,768
	\$ 36,029,721

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, 2006:

Fiscal year ending June 30,	
2007	\$ 7,745,272
2008	7,322,827
2009	5,144,631
2010	4,831,120
2011	4,657,784
2012-2016	18,191,845
2017-2021	4,630,279
Total minimum lease payments	52,523,758
Less amount representing interest	9,863,140
Present value of future minimum lease payments	\$ 42,660,618

NOTES TO FINANCIAL STATEMENTS

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, 2006, the outstanding amount of bonds considered defeased is \$2,610,000.

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, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 30,806,811	\$ 21,302,823	\$ 9,449,016	\$ 42,660,618	\$ 5,958,072
General obligation bonds	25,000,000	-	-	25,000,000	8,080,000
Plus unamortized premium	1,345,370	-	384,392	960,978	-
General obligation bonds, net	26,345,370	-	384,392	25,960,978	8,080,000
Landfill postclosure costs	1,457,477	-	61,582	1,395,895	42,703
Claims and judgments payable	1,001,000	14,869	380,000	635,869	310,869
Compensated absences	2,883,857	3,601,975	2,997,953	3,487,879	2,500,000
	<u>\$ 62,494,515</u>	<u>\$ 24,919,667</u>	<u>\$ 13,272,943</u>	<u>\$ 74,141,239</u>	<u>\$ 16,891,644</u>

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

NOTES TO FINANCIAL STATEMENTS

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, 2006:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue bonds	\$ 170,875,000	\$ -	\$ 3,895,000	\$ 166,980,000	\$ 4,095,000
Plus unamortized premiums	8,127,672	-	369,868	7,757,804	-
Less unamortized discounts	(221,182)	-	(19,648)	(201,534)	-
Less unamortized deferred charges	(7,281,356)	-	(482,885)	(6,798,471)	-
Revenue bonds, net	171,500,134	-	3,762,335	167,737,799	4,095,000
Notes payable	53,957,820	18,102,740	1,520,073	70,540,487	1,502,851
Compensated absences	411,758	438,298	369,046	481,010	481,010
Other noncurrent liabilities	222,226	-	200,003	22,223	-
	<u>\$ 226,091,938</u>	<u>\$ 18,541,038</u>	<u>\$ 5,851,457</u>	<u>\$ 238,781,519</u>	<u>\$ 6,078,861</u>

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, 2006, amounted to \$22,900. The lease of the Locust Grove Library Facility is an annual lease which matures on July 31, 2007 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,
2007

\$ 21,494

NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2006 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>				<u>Total</u>
	<u>General Fund</u>	<u>2002 SPLOST Fund</u>	<u>Lease Purchase Fund</u>	<u>Nonmajor governmental funds</u>	
General Fund	\$ -	\$ 128,034	\$ 1,060,996	\$ 3,504,854	\$ 4,693,884
2002 SPLOST Fund	-	-	700,108	8,383	708,491
Nonmajor governmental funds	24,060	104,504	251,508	-	380,072
Total	<u>\$ 24,060</u>	<u>\$ 232,538</u>	<u>\$ 2,012,612</u>	<u>\$ 3,513,237</u>	<u>\$ 5,782,447</u>

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.

NOTES TO FINANCIAL STATEMENTS

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

Interfund transfers:

Transfers In	Transfers Out				Total
	General Fund	2002 SPLOST Fund	Lease Purchase Fund	Nonmajor governmental funds	
General Fund	\$ -	\$ -	\$ 79,372	\$ 145,349	\$ 224,721
2002 SPLOST Fund	-	-	-	207,245	207,245
Nonmajor governmental funds	10,536,586	9,435,336	514,102	1,000,000	21,486,024
Total	<u>\$ 10,536,586</u>	<u>\$ 9,435,336</u>	<u>\$ 593,474</u>	<u>\$ 1,352,594</u>	<u>\$ 21,917,990</u>

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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:

	2006	2005
<u>Derivation of Annual Pension Cost</u>		
Annual Required Contribution	\$ 3,597,200	\$ 2,844,506
Interest on Net Pension Obligation	(98,725)	(31,825)
Amortization of Net Pension Obligation	104,147	33,578
Annual Pension Cost	\$ 3,602,622	\$ 2,846,259

Derivation of Net Pension Obligation

Annual Pension Cost for Fiscal Year 2006		\$ 3,602,622
Actual Contributions to Plan for Fiscal Year 2006		4,003,149
Increase (Decrease) in Net Pension Obligation		(400,527)
Net Pension Obligation (Asset) as of June 30, 2005		(971,502)
Net Pension Obligation (Asset) as of June 30, 2006		\$ (1,372,029)

Basis of Valuation

Current Valuation Date		January 1, 2006
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

NOTES TO FINANCIAL STATEMENTS

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)
7/1/05	\$ 3,602,622	\$ 4,003,149	111 %	\$ (1,372,029)
7/1/04	2,846,259	2,899,096	102	(971,502)
7/1/03	1,756,780	2,675,445	152	(918,665)

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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, 2006, was 5%.

NOTES TO FINANCIAL STATEMENTS

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, 2006 are as follows:

	2006	2005
<u>Derivation of Annual Pension Cost</u>		
Annual Required Contribution	\$ 559,585	\$ 532,107
Interest on Net Pension Obligation	(65,980)	(27,519)
Amortization of Net Pension Obligation	69,605	29,034
Annual Pension Cost	\$ 563,210	\$ 533,622

<u>Derivation of Net Pension Obligation</u>		
Annual Pension Cost for Fiscal Year 2006		\$ 563,210
Actual Contributions to Plan for Fiscal Year 2006		995,869
Increase (Decrease) in Net Pension Obligation		(432,659)
Net Pension Obligation (Asset) as of June 30, 2005		(864,237)
Net Pension Obligation (Asset) as of June 30, 2006		\$ (1,296,896)

<u>Basis of Valuation</u>		
Current Valuation Date		January 1, 2006
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

NOTES TO FINANCIAL STATEMENTS

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)
7/1/06	563,210	995,869	177	(1,296,896)

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 salaries 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 County's Deferred Compensation Plan are included in the County's financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. 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, 2006, there were 33 retired employees receiving health care benefits. For the year ended June 30, 2006, the County paid \$184,162 for these benefits, which was net of \$41,975 of retiree contributions.

NOTE 13. HOTEL/MOTEL TAX

The County has levied a 5% hotel/motel tax. Of this percentage, 2% plus 15.71% of the remaining 3% is given to the Henry County Chamber of Commerce to be used for the promotion of tourism. For the fiscal year ended June 30, 2006, the County collected \$277,300 of hotel/motel taxes. Of this amount, \$131,951, or 47.6%, was given to the Chamber. The remaining funds of \$145,349, or 52.4%, are kept by the County and used for other activities promoting tourism.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 14. 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 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, 2006. No provisions have been made in the financial statements for the year ended June 30, 2006, for any estimate of potential unpaid claims.

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

NOTE 15. LANDFILL POSTCLOSURE CARE

Effective June 30, 1993, the Henry County Landfill was closed and no additional waste has been accepted. According to state and federal laws and regulations, the County must perform certain maintenance and monitoring functions at the site for a minimum of 30 years. As of June 30, 2006, the County has a remaining 20 years of monitoring. Engineering studies estimate postclosure costs of approximately \$1,395,895 over the 20 year period. These costs are based on what it would cost to perform all postclosure care in 2006, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. COMMITMENTS AND CONTINGENCIES

Contractual Commitments:

In addition to the liabilities enumerated in the balance sheet, at June 30, 2006, the County has contractual commitments on uncompleted contracts of approximately \$11,910,700.

The Water and Sewerage Authority (component unit) has outstanding contractual commitments for construction of \$15,560,359.

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 \$1,518,814 to \$1,696,000. A total of \$1,247,314 of this amount is believed by management and legal counsel to be probable. Of the \$1,247,314, \$542,314 and \$69,131 relate to retainage on construction contracts and are recorded as retainage payable in the 1996 SPLOST fund and 2002 SPLOST fund, respectively. The remaining \$635,869 is recorded as claims and judgments payable on the government-wide statement of net assets, of which \$300,000 has been settled, but not yet paid by the County as of June 30, 2006. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contract with the Hospital Authority of Henry County:

The County has entered into a contract with the Hospital Authority of Henry County (the "Hospital Authority") which obligates the County to make certain payments to the Hospital Authority in consideration of the Hospital Authority's agreement to provide hospital care to the County's indigent sick. Pursuant to an executed contract between the County and the Hospital Authority, the County is obligated to make payments, if necessary, in amounts sufficient to enable the Hospital Authority to provide for payment of the principal and interest on the Series 1992B Revenue Certificates and the Series 1997 Revenue Certificates as the same become due and payable at maturity or by proceedings for mandatory redemption, but within the current seven (7) millage limitation specified in the Georgia Hospital Authorities Law. Such payments, if deemed necessary, are to be paid to the Hospital Authority at least ten (10) days prior to each January 1 and July 1 of each year. At June 30, 2006, the total amount outstanding under these revenue certificates amounted to \$56,204,080.

NOTE 17. 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, 2006, the County paid \$163,650 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

NOTES TO FINANCIAL STATEMENTS

NOTE 18. CHANGES IN RESERVATIONS

The changes in reserved fund balances for the year ended June 30, 2006 are as follows:

	<u>General Fund</u>	<u>E-911 Fund</u>	<u>Court Fund</u>	<u>Technology Fund</u>	<u>Stormwater Fund</u>	<u>Impact Fees Fund</u>	<u>Total</u>
Reserved for:							
Encumbrances	\$ 2,610,702	\$ 4,190	\$ -	\$ 9,005	\$ 64,170	\$ 413,087	\$ 3,101,154
Jail construction	-	-	525,963	-	-	-	525,963
Drug abuse treatment	-	-	160,721	-	-	-	160,721
Juvenile assistance	-	-	263	-	-	-	263
Fire safety	(2,856)	-	-	-	-	-	(2,856)
Victim witness program	-	-	201,945	-	-	-	201,945
Wireless communications	-	321,102	-	-	-	-	321,102

REQUIRED SUPPLEMENTARY INFORMATION

**HENRY COUNTY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Primary Government

<u>Measurement Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
12/31/2005	\$ 28,445,440	\$ 54,129,925	\$ 25,684,485	52.6 %	\$ 44,353,973	57.9 %
12/31/2004	22,979,420	44,188,335	21,208,915	52.0	39,078,908	54.3
12/31/2003	2,434,190	-	(2,434,190)	100.0	37,732,099	(6.5) %

Water and Sewerage Authority – Component Unit

<u>Measurement Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
12/31/2005	\$ 2,813,334	\$ 7,655,401	\$ 4,842,067	36.7 %	\$ 7,173,951	67.5 %
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

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.

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

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.

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, 2006

ASSETS	Special Revenue						
	Confiscated Assets Fund	Hotel/Motel Tax Fund	E-911 Fund	Law Library Fund	Court Fund	Technology Fund	Juvenile Assistance Fund
Cash and cash equivalents	\$ 690,114	\$ -	\$ 2,156,416	\$ 290,101	\$ 2,797,625	\$ 282,260	\$ 200,441
Investments	514,235	-	-	108,751	-	-	-
Accounts receivable	-	26,947	257,900	-	-	-	149,051
Due from other governments	-	-	-	-	40,315	-	-
Due from other funds	-	-	-	-	-	-	24,060
Prepaid items	-	-	-	-	-	-	-
Total assets	\$ 1,204,349	\$ 26,947	\$ 2,414,316	\$ 398,852	\$ 2,837,940	\$ 282,260	\$ 373,552
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 104,040	\$ 21,756	\$ 57,272	\$ -	\$ 1,598	\$ -	\$ -
Accrued liabilities	-	-	59,139	-	5,723	-	-
Due to other funds	19,324	5,191	334,646	-	260,605	-	-
Total liabilities	123,364	26,947	451,057	-	267,926	-	-
FUND BALANCES							
Reserved for encumbrances	-	-	4,190	-	-	9,005	-
Reserved for jail construction	-	-	-	-	1,289,406	-	-
Reserved for drug abuse treatment	-	-	-	-	1,068,036	-	-
Reserved for juvenile assistance	-	-	-	-	6,795	-	-
Reserved for victim witness program	-	-	-	-	358,109	-	-
Reserved for wireless communications	-	-	1,497,529	-	-	-	-
Unreserved	1,080,985	-	461,540	398,852	(152,332)	273,255	373,552
Total fund balances (deficit)	1,080,985	-	1,963,259	398,852	2,570,014	282,260	373,552
Total liabilities and fund balances	\$ 1,204,349	\$ 26,947	\$ 2,414,316	\$ 398,852	\$ 2,837,940	\$ 282,260	\$ 373,552

(Continued)

HENRY COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

ASSETS	<u>Special Revenue</u>		<u>Capital Projects</u>			Total
	<u>Stormwater Fund</u>	<u>Debt Service Fund</u>	<u>1996 SPLOST Fund</u>	<u>Impact Fees Fund</u>	<u>Capital Assets Fund</u>	
Cash and cash equivalents	\$ -	\$ 13,164,213	\$ 847,189	\$ 6,124,229	\$ -	\$ 26,552,588
Investments	-	-	5,003,148	-	6,440,053	12,066,187
Accounts receivable	-	-	-	-	-	433,898
Due from other governments	-	-	-	-	-	40,315
Due from other funds	-	-	104,504	-	251,508	380,072
Prepaid items	-	-	-	-	550,313	550,313
Total assets	\$ -	\$ 13,164,213	\$ 5,954,841	\$ 6,124,229	\$ 7,241,874	\$ 40,023,373
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 2,277	\$ -	\$ 990,837	\$ 70,000	\$ 15,396	\$ 1,263,176
Accrued liabilities	33,317	-	-	-	-	98,179
Due to other funds	1,874,805	-	545	137,726	880,395	3,513,237
Total liabilities	1,910,399	-	991,382	207,726	895,791	4,874,592
FUND BALANCES						
Reserved for encumbrances	64,170	-	-	413,087	-	490,452
Reserved for jail construction	-	-	-	-	-	1,289,406
Reserved for drug abuse treatment	-	-	-	-	-	1,068,036
Reserved for juvenile assistance	-	-	-	-	-	6,795
Reserved for victim witness program	-	-	-	-	-	358,109
Reserved for wireless communications	-	-	-	-	-	1,497,529
Unreserved	(1,974,569)	13,164,213	4,963,459	5,503,416	6,346,083	30,438,454
Total fund balances (deficit)	(1,910,399)	13,164,213	4,963,459	5,916,503	6,346,083	35,148,781
Total liabilities and fund balances	\$ -	\$ 13,164,213	\$ 5,954,841	\$ 6,124,229	\$ 7,241,874	\$ 40,023,373

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue						
	Confiscated Assets Fund	Hotel/Motel Tax Fund	E-911 Fund	Law Library Fund	Court Fund	Technology Fund	Juvenile Assistance Fund
Revenues							
Taxes	\$ -	\$ 277,300	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	45,709	-	-	-	-	-	-
Charges for services	-	-	2,555,684	-	-	-	128,275
Fines and forfeitures	435,225	-	-	133,215	846,030	103,091	-
Investment income	41,680	-	118,915	4,858	88,641	9,363	160
Miscellaneous	5,705	-	-	-	-	-	-
Total revenues	<u>528,319</u>	<u>277,300</u>	<u>2,674,599</u>	<u>138,073</u>	<u>934,671</u>	<u>112,454</u>	<u>128,435</u>
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Judicial	-	-	-	61,549	266,272	41,098	75,491
Public safety	550,177	-	2,155,203	-	-	-	-
Public works	-	-	-	-	-	-	-
Housing and development	-	131,951	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>550,177</u>	<u>131,951</u>	<u>2,155,203</u>	<u>61,549</u>	<u>266,272</u>	<u>41,098</u>	<u>75,491</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,858)</u>	<u>145,349</u>	<u>519,396</u>	<u>76,524</u>	<u>668,399</u>	<u>71,356</u>	<u>52,944</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(145,349)	-	-	-	-	-
Proceeds from sale of capital assets	613	-	-	-	-	-	-
Total other financing sources (uses)	<u>613</u>	<u>(145,349)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(21,245)	-	519,396	76,524	668,399	71,356	52,944
Fund balances (deficit), beginning of year	<u>1,102,230</u>	<u>-</u>	<u>1,443,863</u>	<u>322,328</u>	<u>1,901,615</u>	<u>210,904</u>	<u>320,608</u>
Fund balances (deficit), end of year	<u>\$ 1,080,985</u>	<u>\$ -</u>	<u>\$ 1,963,259</u>	<u>\$ 398,852</u>	<u>\$ 2,570,014</u>	<u>\$ 282,260</u>	<u>\$ 373,552</u>

(Continued)

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue		Capital Projects			Total
	Stormwater Fund	Debt Service Fund	1996 SPLOST Fund	Impact Fees Fund	Capital Assets Fund	
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277,300
Licenses and permits	-	-	-	4,467,672	-	4,467,672
Intergovernmental	-	-	-	-	-	45,709
Charges for services	-	-	-	25	382,000	3,065,984
Fines and forfeitures	-	-	-	-	-	1,517,561
Investment income	-	376,643	359,608	210,513	-	1,210,381
Miscellaneous	-	-	450	-	-	6,155
Total revenues	-	376,643	360,058	4,678,210	382,000	10,590,762
Expenditures						
Current:						
General government	-	300,000	-	-	-	300,000
Judicial	-	-	-	-	-	444,410
Public safety	-	-	-	-	-	2,705,380
Public works	1,282,634	-	-	-	-	1,282,634
Housing and development	-	-	-	-	-	131,951
Capital outlay	-	-	5,889,923	2,421,370	1,336,982	9,648,275
Debt service:						
Principal	-	9,449,016	-	-	-	9,449,016
Interest	-	2,350,501	-	-	-	2,350,501
Total expenditures	1,282,634	12,099,517	5,889,923	2,421,370	1,336,982	26,312,167
Excess (deficiency) of revenues over (under) expenditures	(1,282,634)	(11,722,874)	(5,529,865)	2,256,840	(954,982)	(15,721,405)
Other financing sources (uses)						
Transfers in	-	20,489,728	493,933	-	502,363	21,486,024
Transfers out	-	(207,245)	-	(1,000,000)	-	(1,352,594)
Proceeds from sale of capital assets	-	-	-	-	-	613
Total other financing sources (uses)	-	20,282,483	493,933	(1,000,000)	502,363	20,134,043
Net change in fund balances	(1,282,634)	8,559,609	(5,035,932)	1,256,840	(452,619)	4,412,638
Fund balances (deficit), beginning of year	(627,765)	4,604,604	9,999,391	4,659,663	6,798,702	30,736,143
Fund balances (deficit), end of year	\$ (1,910,399)	\$ 13,164,213	\$ 4,963,459	\$ 5,916,503	\$ 6,346,083	\$ 35,148,781

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, 2006

	Confiscated Assets Fund			Hotel/Motel Fund		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ 270,636	\$ 277,300	\$ 6,664
Intergovernmental	-	45,709	45,709	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	2,275,000	435,225	(1,839,775)	-	-	-
Investment income	10,544	41,680	31,136	-	-	-
Miscellaneous	-	5,705	5,705	-	-	-
Total revenues	<u>2,285,544</u>	<u>528,319</u>	<u>(1,757,225)</u>	<u>270,636</u>	<u>277,300</u>	<u>6,664</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	2,343,157	550,177	1,792,980	-	-	-
Public works	-	-	-	-	-	-
Housing and development	-	-	-	130,478	131,951	(1,473)
Total expenditures	<u>2,343,157</u>	<u>550,177</u>	<u>1,792,980</u>	<u>130,478</u>	<u>131,951</u>	<u>(1,473)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,613)</u>	<u>(21,858)</u>	<u>35,755</u>	<u>140,158</u>	<u>145,349</u>	<u>5,191</u>
Other financing sources (uses)						
Transfers out	-	-	-	(140,158)	(145,349)	(5,191)
Proceeds from sale of capital assets	57,613	613	(57,000)	-	-	-
Total other financing sources (uses)	<u>57,613</u>	<u>613</u>	<u>(57,000)</u>	<u>(140,158)</u>	<u>(145,349)</u>	<u>(5,191)</u>
Net change in fund balances	-	(21,245)	(21,245)	-	-	-
Fund balances (deficit), beginning of year	<u>1,102,230</u>	<u>1,102,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ 1,102,230</u>	<u>\$ 1,080,985</u>	<u>\$ (21,245)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(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, 2006

	E-911 Fund			Law Library Fund		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	818	-	(818)	-	-	-
Charges for services	2,570,222	2,555,684	(14,538)	-	-	-
Fines and forfeitures	-	-	-	190,000	133,215	(56,785)
Investment income	117,060	118,915	1,855	-	4,858	4,858
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>2,688,100</u>	<u>2,674,599</u>	<u>(13,501)</u>	<u>190,000</u>	<u>138,073</u>	<u>(51,927)</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Judicial	-	-	-	190,000	61,549	128,451
Public safety	2,427,778	2,155,203	272,575	-	-	-
Public works	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Total expenditures	<u>2,427,778</u>	<u>2,155,203</u>	<u>272,575</u>	<u>190,000</u>	<u>61,549</u>	<u>128,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>260,322</u>	<u>519,396</u>	<u>259,074</u>	<u>-</u>	<u>76,524</u>	<u>76,524</u>
Other financing sources (uses)						
Transfers out	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	260,322	519,396	259,074	-	76,524	76,524
Fund balances (deficit), beginning of year	<u>1,443,863</u>	<u>1,443,863</u>	<u>-</u>	<u>322,328</u>	<u>322,328</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ 1,704,185</u>	<u>\$ 1,963,259</u>	<u>\$ 259,074</u>	<u>\$ 322,328</u>	<u>\$ 398,852</u>	<u>\$ 76,524</u>

(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, 2006

	Court Fund			Technology Fund		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	837,378	846,030	8,652	85,994	103,091	17,097
Investment income	88,642	88,641	(1)	9,363	9,363	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>926,020</u>	<u>934,671</u>	<u>8,651</u>	<u>95,357</u>	<u>112,454</u>	<u>17,097</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Judicial	551,196	266,272	284,924	95,357	41,098	54,259
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-
Total expenditures	<u>551,196</u>	<u>266,272</u>	<u>284,924</u>	<u>95,357</u>	<u>41,098</u>	<u>54,259</u>
Excess (deficiency) of revenues over (under) expenditures	<u>374,824</u>	<u>668,399</u>	<u>293,575</u>	<u>-</u>	<u>71,356</u>	<u>71,356</u>
Other financing sources (uses)						
Transfers out	(374,824)	-	374,824	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(374,824)</u>	<u>-</u>	<u>374,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	668,399	668,399	-	71,356	71,356
Fund balances (deficit), beginning of year	<u>1,901,615</u>	<u>1,901,615</u>	<u>-</u>	<u>210,904</u>	<u>210,904</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ 1,901,615</u>	<u>\$ 2,570,014</u>	<u>\$ 668,399</u>	<u>\$ 210,904</u>	<u>\$ 282,260</u>	<u>\$ 71,356</u>

(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, 2006

	Juvenile Assistance Fund			Stormwater Fund		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	79,483	128,275	48,792	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	175	160	(15)	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>79,658</u>	<u>128,435</u>	<u>48,777</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Judicial	79,658	75,491	4,167	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	1,324,864	1,282,634	42,230
Housing and development	-	-	-	-	-	-
Total expenditures	<u>79,658</u>	<u>75,491</u>	<u>4,167</u>	<u>1,324,864</u>	<u>1,282,634</u>	<u>42,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>52,944</u>	<u>52,944</u>	<u>(1,324,864)</u>	<u>(1,282,634)</u>	<u>42,230</u>
Other financing sources (uses)						
Transfers out	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	52,944	52,944	(1,324,864)	(1,282,634)	42,230
Fund balances (deficit), beginning of year	<u>320,608</u>	<u>320,608</u>	<u>-</u>	<u>(627,765)</u>	<u>(627,765)</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ 320,608</u>	<u>\$ 373,552</u>	<u>\$ 52,944</u>	<u>\$ (1,952,629)</u>	<u>\$ (1,910,399)</u>	<u>\$ 42,230</u>

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, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment income	\$ 376,644	\$ 376,643	\$ (1)
Total revenues	<u>376,644</u>	<u>376,643</u>	<u>(1)</u>
Expenditures			
Current:			
General government	300,000	300,000	-
Debt service:			
Principal	16,972,797	9,449,016	7,523,781
Interest and fiscal charges	2,644,626	2,350,501	294,125
Total expenditures	<u>19,917,423</u>	<u>12,099,517</u>	<u>7,817,906</u>
Deficiency of revenues under expenditures	<u>(19,540,779)</u>	<u>(11,722,874)</u>	<u>7,817,905</u>
Other financing sources (uses)			
Transfers in	19,748,025	20,489,728	741,703
Transfers out	(207,246)	(207,245)	1
Total other financing sources (uses)	<u>19,540,779</u>	<u>20,282,483</u>	<u>741,704</u>
Net change in fund balances	-	8,559,609	8,559,609
Fund balance, beginning of year	<u>4,604,604</u>	<u>4,604,604</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,604,604</u>	<u>\$ 13,164,213</u>	<u>\$ 8,559,609</u>

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 1996 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Building Projects:					
Libraries	\$ 3,000,000	\$ 3,000,000	\$ 2,860,713	\$ -	\$ 2,860,713
Recreation	8,000,000	12,100,000	11,518,213	558,924	12,077,137
Courthouse expansion/renovation	4,500,000	8,100,000	8,073,176	-	8,073,176
Courthouse parking	1,850,000	3,600,000	3,345,187	30,903	3,376,090
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	3,825,000	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	-	715,000	711,134	-	711,134
	<u>25,980,000</u>	<u>38,767,798</u>	<u>37,794,916</u>	<u>589,827</u>	<u>38,384,743</u>
Road Improvements:					
Right-of-way acquisition - Hampton / Locust Grove road	1,000,000	554,068	546,537	-	546,537
Resurfacing	2,172,000	3,500,000	2,194,919	440,388	2,635,307
Cities/Fairview projects	2,500,000	2,325,000	2,312,708	-	2,312,708
Dirt road paving	6,168,600	12,050,000	11,071,287	-	11,071,287
Major construction projects	22,179,400	21,550,000	14,073,006	4,365,775	18,438,781
Program management	-	1,150,000	1,031,885	-	1,031,885
	<u>34,020,000</u>	<u>41,129,068</u>	<u>31,230,342</u>	<u>4,806,163</u>	<u>36,036,505</u>
Contingency	-	300,000	62,283	-	62,283
Total	<u>\$ 60,000,000</u>	<u>\$ 80,196,866</u>	<u>\$ 69,087,541</u>	<u>\$ 5,395,990</u>	<u>\$ 74,483,531</u>

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2002 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Senior citizens center	\$ 2,200,000	\$ -	\$ -	\$ -	\$ -
Stockbridge tag office and land acquisition	400,000	190,000	182,927	4,962	187,889
Court annex/judicial annex building	7,300,000	13,000,000	1,298,334	9,575,889	10,874,223
Community center(s) for family and youth activities	5,000,000	-	-	-	-
Library facilities	5,700,000	7,997,059	2,580,741	1,662,485	4,243,226
Animal shelter	1,000,000	1,185,600	1,139,831	18,786	1,158,617
Fire stations	2,200,000	2,969,000	855,886	2,265,443	3,121,329
Park and recreational facilities	12,000,000	12,475,000	1,675,590	3,480,260	5,155,850
Roads, streets, curbs, bike paths, gutters, sidewalks and bridges	85,016,659	79,000,000	5,824,071	12,708,066	18,532,137
City of Hampton	3,011,785	3,011,785	1,581,651	895,826	2,477,477
City of Locust Grove	1,822,417	1,822,417	957,051	542,060	1,499,111
City of McDonough	6,637,436	6,637,436	3,485,679	1,974,241	5,459,920
City of Stockbridge	7,711,703	7,711,703	4,049,834	2,293,771	6,343,605
Program management	-	4,000,000	1,844,868	680,591	2,525,459
	<u>\$ 140,000,000</u>	<u>\$ 140,000,000</u>	<u>\$ 25,476,463</u>	<u>\$ 36,102,380</u>	<u>\$ 61,578,843</u>

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, 2006

ASSETS	Tax Commissioner	Clerk of Superior Court	Probate Court	Magistrate Court	Sheriff	State Court	Juvenile Court	Total
Cash and cash equivalents	\$ 1,094,942	\$ 4,709,202	\$ 135,131	\$ 73,900	\$ 777,692	\$ 250,697	\$ 9,275	\$ 7,050,839
Taxes receivable	5,252,814	-	-	-	-	-	-	5,252,814
Total assets	<u>\$ 6,347,756</u>	<u>\$ 4,709,202</u>	<u>\$ 135,131</u>	<u>\$ 73,900</u>	<u>\$ 777,692</u>	<u>\$ 250,697</u>	<u>\$ 9,275</u>	<u>\$ 12,303,653</u>
LIABILITIES								
Due to component unit	\$ 80,182	\$ 38,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,321
Due to others	6,267,574	4,671,063	135,131	73,900	777,692	250,697	9,275	12,185,332
Total liabilities	<u>\$ 6,347,756</u>	<u>\$ 4,709,202</u>	<u>\$ 135,131</u>	<u>\$ 73,900</u>	<u>\$ 777,692</u>	<u>\$ 250,697</u>	<u>\$ 9,275</u>	<u>\$ 12,303,653</u>

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
TAX COMMISSIONER				
ASSETS				
Cash and cash equivalents	\$ 606,009	\$ 140,455,566	\$ 139,966,633	\$ 1,094,942
Taxes receivable	4,637,588	5,252,814	4,637,588	5,252,814
	\$ 5,243,597	\$ 145,708,380	\$ 144,604,221	\$ 6,347,756
LIABILITIES				
Due to component unit	\$ 50,322	\$ 11,327,008	\$ 11,297,148	\$ 80,182
Due to others	5,193,275	134,381,372	133,307,073	6,267,574
	\$ 5,243,597	\$ 145,708,380	\$ 144,604,221	\$ 6,347,756
CLERK OF SUPERIOR COURT				
ASSETS				
Cash and cash equivalents	\$ 3,386,705	\$ 22,133,197	\$ 20,810,700	\$ 4,709,202
LIABILITIES				
Due to component unit	\$ 36,888	\$ 465,524	\$ 464,273	\$ 38,139
Due to others	3,349,817	21,667,673	20,346,427	4,671,063
	\$ 3,386,705	\$ 22,133,197	\$ 20,810,700	\$ 4,709,202

(Continued)

HENRY COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
PROBATE COURT				
ASSETS				
Cash and cash equivalents	<u>\$ 180,881</u>	<u>\$ 192,558</u>	<u>\$ 238,308</u>	<u>\$ 135,131</u>
LIABILITIES				
Due to others	<u>\$ 180,881</u>	<u>\$ 192,558</u>	<u>\$ 238,308</u>	<u>\$ 135,131</u>
MAGISTRATE COURT				
ASSETS				
Cash and cash equivalents	<u>\$ 127,268</u>	<u>\$ 831,364</u>	<u>\$ 884,732</u>	<u>\$ 73,900</u>
LIABILITIES				
Due to others	<u>\$ 127,268</u>	<u>\$ 831,364</u>	<u>\$ 884,732</u>	<u>\$ 73,900</u>
SHERIFF				
ASSETS				
Cash and cash equivalents	<u>\$ 621,530</u>	<u>\$ 1,942,889</u>	<u>\$ 1,786,727</u>	<u>\$ 777,692</u>
LIABILITIES				
Due to others	<u>\$ 621,530</u>	<u>\$ 1,942,889</u>	<u>\$ 1,786,727</u>	<u>\$ 777,692</u>
(Continued)				

HENRY COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
STATE COURT				
ASSETS				
Cash and cash equivalents	\$ 1,092,052	\$ 1,032,424	\$ 1,873,779	\$ 250,697
LIABILITIES				
Due to others	\$ 1,092,052	\$ 1,032,424	\$ 1,873,779	\$ 250,697
JUVENILE COURT				
ASSETS				
Cash and cash equivalents	\$ 14,791	\$ 37,150	\$ 42,666	\$ 9,275
LIABILITIES				
Due to others	\$ 14,791	\$ 37,150	\$ 42,666	\$ 9,275
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 6,029,236	\$ 166,625,148	\$ 165,603,545	\$ 7,050,839
Taxes receivable	4,637,588	5,252,814	4,637,588	5,252,814
	<u>\$ 10,666,824</u>	<u>\$ 171,877,962</u>	<u>\$ 170,241,133</u>	<u>\$ 12,303,653</u>
LIABILITIES				
Due to component unit	\$ 87,210	\$ 11,792,532	\$ 11,761,421	\$ 118,321
Due to others	10,579,614	160,085,430	158,479,712	12,185,332
	<u>\$ 10,666,824</u>	<u>\$ 171,877,962</u>	<u>\$ 170,241,133</u>	<u>\$ 12,303,653</u>

COMPONENT UNIT – DEVELOPMENT AUTHORITY

HENRY COUNTY, GEORGIA
BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
JUNE 30, 2006

ASSETS		
Cash and cash equivalents		\$ 42,031
Investments		280,103
Due from primary government		<u>108,508</u>
Total assets		<u><u>\$ 430,642</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable		\$ 10,812
Due to primary government		<u>20,213</u>
Total liabilities		<u>31,025</u>
FUND BALANCE		
Unreserved, undesignated		<u>399,617</u>
Total fund balance		<u>399,617</u>
Total liabilities and fund balance		<u><u>\$ 430,642</u></u>

HENRY COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNIT - DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Revenues	
Charges for services	\$ 32,528
Investment income	9,723
Contributions	<u>353,109</u>
Total revenues	<u>395,360</u>
Expenditures	
Housing and development	<u>366,774</u>
Total expenditures	<u>366,774</u>
Net change in fund balance	28,586
Fund balance, beginning of year	<u>371,031</u>
Fund balance, end of year	<u>\$ 399,617</u>

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	90 – 95
<i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i>	
Revenue Capacity	96 – 99
<i>These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.</i>	
Debt Capacity	100 and 101
<i>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.</i>	
Demographic and Economic Information	102 and 103
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.</i>	
Operating Information	104 – 106
<i>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.</i>	

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.

HENRY COUNTY, GEORGIA

NET ASSETS BY COMPONENT LAST FOUR FISCAL YEARS

	Fiscal Year			
	2003	2004	2005	2006
Primary government:				
Invested in capital assets, net of related debt	\$ 82,826,472	\$ 112,296,985	\$ 138,929,538	\$ 335,733,103 (1)
Restricted	1,746,053	2,349,393	3,081,853	42,097,496
Unrestricted	57,550,098	76,290,806	105,071,304	93,016,303
Total primary government net assets	\$ 142,122,623	\$ 190,937,184	\$ 247,082,695	\$ 470,846,902

(1) During fiscal year 2006, the County retroactively reported its major general infrastructure assets.

HENRY COUNTY, GEORGIA

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Primary government				
General government	\$ 11,375,134	\$ 17,626,726	\$ 24,672,480	\$ 18,730,505
Judicial	7,573,299	8,222,833	8,878,787	10,022,575
Public safety	37,779,229	40,953,308	44,308,693	48,961,105
Public works	6,643,292	16,317,875 (1)	13,988,486	20,203,707
Health and welfare	4,132,763	4,488,944	3,421,976	6,048,439
Culture and recreation	2,999,099	4,093,934	1,128,114	5,603,773
Housing and development	4,224,962	4,444,972	5,061,740	6,167,259
Interest on long-term debt	1,139,695	1,240,359	2,102,788	1,989,341
Total primary government expenses	<u>\$ 75,867,473</u>	<u>\$ 97,388,951</u>	<u>\$ 103,563,064</u>	<u>\$ 117,726,704</u>
Program revenues				
Primary government:				
Charges for services:				
Impact fee collection	\$ -	\$ 3,015,990 (2)	\$ 4,081,910	\$ 4,467,672
Other housing and development	3,117,566	3,082,735	4,450,290	4,899,970
General government	4,744,064	5,648,613	5,240,899	4,810,001
Judicial	4,804,619	4,488,902	5,615,159	8,073,377
Public safety	5,120,202	5,838,803	6,033,506	7,526,674
Other activities	917,604	1,706,743	1,957,372	1,992,700
Operating grants and contributions	2,390,469	1,916,507	1,567,095	1,674,623
Capital grants and contributions	17,367,894	25,747,449	26,300,804	34,793,886
Total primary government program revenues	<u>\$ 38,462,418</u>	<u>\$ 51,445,742</u>	<u>\$ 55,247,035</u>	<u>\$ 68,238,903</u>
Net (expense)/revenue				
Total primary government net expense	<u>\$ (37,405,055)</u>	<u>\$ (45,943,209)</u>	<u>\$ (48,316,029)</u>	<u>\$ (49,487,801)</u>

(Continued)

HENRY COUNTY, GEORGIA

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

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Primary government:				
Taxes				
Property taxes	\$ 45,815,388	\$ 51,712,735	\$ 55,550,417	\$ 61,117,523
Sales taxes	17,506,364 (3)	36,427,415	40,023,574	47,357,776
Other taxes	5,561,510	5,877,251	6,191,217	6,676,204
Unrestricted investment earnings	788,508	740,368	2,553,397	5,309,584 (4)
Gain on sale of capital assets	117,208	-	142,935	-
Total primary government	<u>\$ 69,788,978</u>	<u>\$ 94,757,769</u>	<u>\$ 104,461,540</u>	<u>\$ 120,461,087</u>
Change in Net Assets				
Total primary government	<u>\$ 32,383,923</u>	<u>\$ 48,814,560</u>	<u>\$ 56,145,511</u>	<u>\$ 70,973,286</u>

(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.

(4) The increase from the prior period was due to a new investment policy adopted by the County.

HENRY COUNTY, GEORGIA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Reserved	\$ 551,674	\$ 78,968 (1)	\$ 71,972 (1)	\$ 2,679,818
Unreserved	34,592,536	35,666,924	47,410,900	50,881,940
Total general fund	<u>\$ 35,144,210</u>	<u>\$ 35,745,892</u>	<u>\$ 47,482,872</u>	<u>\$ 53,561,758</u>
All Other Governmental Funds				
Reserved	\$ 1,689,745	\$ 2,270,425	\$ 3,009,881	\$ 4,710,327
Unreserved, reported in:				
Special revenue funds	2,183,381	1,808,182	1,663,902	461,283
Debt service funds	(22,316)	1,016,842	4,604,604	13,164,213
Capital projects funds	24,473,990	66,204,167	75,249,364	72,838,555
Total all other governmental funds	<u>\$ 28,324,800</u>	<u>\$ 71,299,616</u>	<u>\$ 84,527,751</u>	<u>\$ 91,174,378</u>

(1) The decrease from the prior period is due to the elimination of the use of encumbrance rollovers for fiscal years 2004 and 2005.

HENRY COUNTY, GEORGIA

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 68,162,227	\$ 93,995,042	\$ 101,862,453	\$ 115,057,252
Licenses and permits	3,487,686	6,637,098	8,619,666	9,574,255
Intergovernmental	2,739,892	1,968,513	2,392,949	2,380,601
Charges for services	9,268,287	11,264,392	12,078,590	14,401,322
Fines and forfeitures	4,864,637	4,522,777	4,371,063	6,392,111
Administrative fees	-	704,317	1,208,416	-
Investment income	788,508	740,368	2,553,397 (1)	5,309,584 (7)
Contributions	605,826 (2)	3,116	65,282	42,416
Miscellaneous	1,193,941	766,220	1,101,401	1,468,558
Total revenues	\$ 91,111,004	\$ 120,601,843	\$ 134,253,217	\$ 154,626,099
Expenditures				
General government	\$ 11,993,289	\$ 17,500,723 (3)	\$ 11,999,369	\$ 13,720,886
Judicial	11,025,454	8,714,807	8,856,778	10,495,996
Public safety	37,602,144	40,365,640	43,644,604	47,593,118
Public works	12,414,170	19,261,897 (3)	10,362,525	11,453,630
Health and welfare	4,157,154	4,489,973	3,370,665	4,689,034
Culture and recreation	4,261,838	9,329,504 (3)	3,274,071	11,675,909
Housing and development	4,333,582	4,452,068	5,115,945	6,107,587
Capital outlay	- (4)	- (4)	31,765,378	49,655,242
Debt service:				
Principal retirement	3,324,482	3,621,556	5,596,608	9,449,016
Interest and fiscal charges	1,170,915	1,085,453	2,110,371	2,350,501
Issuance costs	-	365,555	-	-
Total expenditures	90,283,028	109,187,176	126,096,314	167,190,919
Excess (deficiency) of revenues over expenditures	827,976	11,414,667	8,156,903	(12,564,820)

(Continued)

HENRY COUNTY, GEORGIA

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

	Fiscal Year			
	2003	2004	2005	2006
Other Financing Sources (Uses)				
Capital leases	\$ 221,524	\$ 5,180,000	\$ 16,567,359 (5)	\$ 21,302,823 (8)
Issuance of bonds	-	25,000,000 (6)	-	-
Premium on bonds	-	1,825,860	-	-
Transfers in	6,602,212	27,044,617	14,716,078	21,917,990
Transfers out	(6,602,212)	(27,044,617)	(14,716,078)	(21,917,990)
Proceeds from sale of capital assets	225,869	155,971	240,853	3,987,510
Total other financing sources (uses)	<u>447,393</u>	<u>32,161,831</u>	<u>16,808,212</u>	<u>25,290,333</u>
 Net change in fund balances	 <u>\$ 1,275,369</u>	 <u>\$ 43,576,498</u>	 <u>\$ 24,965,115</u>	 <u>\$ 12,725,513</u>
 Debt service as a percentage of noncapital expenditures	 5.6%	 5.4%	 7.5%	 10.4%

(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.

(7) The increase from the prior period is due to the County's new investment policy.

(8) The County entered into five new lease purchase agreements during the fiscal year.

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)					
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%
2006	4,030,385,731	1,711,614,189	426,951,430	15,233,252	1,060,592,258	5,123,592,344	14.13	12,808,980,860	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,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Henry County rates										
Maintenance & Operations										
Unincorporated	13.75	14.24	12.72	12.56	12.51	11.81	14.25	14.13	14.06	14.13
Insurance Reduction (1)	(1.01)	(1.00)	-	-	-	-	-	-	-	-
Municipal rates										
McDonough (2)	5.00	5.00	4.50	4.00	3.50	3.00	2.84	2.77	2.71	2.56
Stockbridge	-	-	-	-	-	-	-	-	-	-
Hampton	-	-	-	-	-	-	-	-	-	-
Locust Grove	-	-	-	-	-	-	-	-	-	-
LOST Reduction	(3.42)	(3.92)	(3.30)	(3.40)	(3.10)	(3.02)	(3.01)	(2.89)	(2.82)	(2.89)
Fire Protection	1.97	1.97	1.87	2.13	1.88	2.50	2.56	2.39	2.02	1.18
Water Authority	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Hospital Authority	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Board of Education										
Maintenance & Operations	17.50	17.50	17.50	17.50	17.15	17.15	17.65	18.90	18.90	19.40
Debt Service	4.00	4.00	4.00	4.00	3.06	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	36.04	36.04	36.04	36.04	34.75	34.75	35.20	36.45	36.45	36.95
Total Municipalities (3)										
McDonough	40.08	40.07	38.67	37.00	34.56	33.44	33.33	35.02	35.33	37.03
Stockbridge	37.05	37.04	36.04	36.04	34.75	34.75	35.04	36.45	36.45	36.95
Hampton	37.05	37.04	36.04	35.15	32.97	32.97	33.38	34.67	34.67	35.65
Locust Grove	37.05	37.04	36.04	35.21	33.10	33.10	33.47	34.80	34.80	35.67

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.
- (4) Beginning in 2006, the Cities of McDonough and Hampton receive a rollback for Planning and Development.

HENRY COUNTY, GEORGIA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cardinal Health 103, Inc.	\$ 40,023,814	1	0.78 %	\$ -	-	- %
BellSouth Telecomm	21,705,319	2	0.42	26,445,031	1	1.53
Atlanta Motor Speedway	20,309,250	3	0.40	11,956,361	5	0.69
Georgia Power Company	19,154,273	4	0.37	-	-	-
Henry Town Center LLC	18,864,440	5	0.37	-	-	-
Kens Foods, Inc.	13,930,393	6	0.27	-	-	-
Istar Financial, Inc.	13,587,200	7	0.27	-	-	-
Weeks Realty LP	13,058,360	8	0.25	-	-	-
Tru Properties, Inc (Toys 'R Us)	12,028,760	9	0.23	-	-	-
Atlanta Gas Light Company	11,225,708	10	0.22	-	-	-
Pep Boys	-	-	-	24,242,547	2	1.40
Prefco XII (Nestle)	-	-	-	19,479,491	3	1.13
Killearn Properties	-	-	-	13,306,850	4	0.77
Snapper / McDonough Power	-	-	-	11,765,426	6	0.68
Norfolk Southern	-	-	-	10,006,774	7	0.58
Goodyear Tire & Rubber/Kelly Springfield	-	-	-	8,562,983	8	0.50
Ford Motor Dist. Center	-	-	-	6,876,551	9	0.40
NEC Home Electronics	-	-	-	4,756,955	10	0.28
Totals	<u>\$ 183,887,517</u>		<u>3.59 %</u>	<u>\$ 137,398,969</u>		<u>7.95 %</u>

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 Financial 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
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
2006	167,000,428	163,055,967	97.6	3,270,634	166,326,601	99.6

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		Percentage of Actual Property Value (2)	Per Capita (3)	Other Governmental Activities Debt		Total Primary Government	Percentage of Personal Income (3)	Per Capita (3)
	General Obligation Bonds (1)				Certificates of Participation	Capital Lease Obligations			
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	
2006	25,000,000	0.20	139.99	-	42,660,618	67,660,618	1.36	378.87	

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,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 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	\$ 512,359,234
Total net debt applicable to limit	-	-	-	-	-	-	-	25,000,000	25,000,000	25,000,000
Legal debt margin	<u>\$ 172,723,255</u>	<u>\$ 188,816,214</u>	<u>\$ 220,641,325</u>	<u>\$ 242,362,063</u>	<u>\$ 285,341,179</u>	<u>\$ 343,256,741</u>	<u>\$ 383,557,529</u>	<u>\$ 408,257,895</u>	<u>\$ 446,476,643</u>	<u>\$ 487,359,234</u>
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	5.77%	5.30%	4.88%

Legal Debt margin Calculation for Fiscal Year 2005

Assessed value	\$ 5,123,592,344
Debt limit (10% of assessed value)	512,359,234
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	<u>25,000,000</u>
Legal debt margin	<u>\$ 487,359,234</u>

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (amounts expressed in thousands) (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (2)</u>
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
2006	178,584	4,988,245	27,932	33.4	37,350	4.4

(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: 2005 and 2006 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 SEVEN YEARS AGO

Taxpayer	2006			1999		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (3)	Rank	Percentage of Total County Employment (2)
Henry County Board of Education	4,500	1	5.27 %	2,400	1	3.91 %
Henry Medical Center	1,499	3	1.75	850	3	1.38
Henry County Board of Commissioners	1,395	2	1.63	830	4	1.35
Wal-Mart	1,350	4	1.58	550	5	0.90
Federal Aviation Administration	706	6	0.83	-		-
SunTrust Service Corporation	700	5	0.82	-		-
Georgia Power Company	505	7	0.59	-		-
Snapper, Inc.	462	8	0.54	1,000	2	1.63
Toys "Я" Us	450	9	0.53	-		-
Aero Plastics, Inc.	350	10	0.41	-		-
Ford Parts & Distribution	-		-	350	6	0.57
Dowling Textiles	-		-	300	7	0.49
Smead Manufacturing, Inc.	-		-	280	8	0.46
Pep Boys	-		-	270	9	0.44
NEC	-		-	250	10	0.41
Totals	11,917		13.95 %	7,080		11.54 %

(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 1999

NOTE: Snapper, Inc. downsized substantially in 1999.

NOTE: 1997 and 1998 information is not available.

HENRY COUNTY, GEORGIA

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

Function	Full-time Equivalent Employees as of June 30,									
	1997 (3)	1998 (3)	1999 (3)	2000 (3)	2001 (3)	2002 (3)	2003 (3)	2004 (3)	2005 (3)	2006 (4)
General Government	261	279	278	337	377	431	451	481	585	605
Public Safety										
Police & Sheriff										
Officers	134	128	134	137	148	147	157	183	183	211
Civilians	27	45	33	36	51	38	39	38	37	59
Corrections	88	87	93	94	119	112	143 (1)	155	164	117
Fire										
Firefighters	145	165	185	208	216	219	229	231	257	257
Civilians	4	4	5	8	7	9	9	9	8	8
Highways and streets										
Engineering	14	14	16	16	20	26	25	21	19	22
Maintenance	61	59	54	69	75	73	76	93 (2)	80	80
Culture and recreation	37	38	46	46	65	71	72	79	85	36
Total	<u>771</u>	<u>819</u>	<u>844</u>	<u>951</u>	<u>1,078</u>	<u>1,126</u>	<u>1,201</u>	<u>1,290</u>	<u>1,418</u>	<u>1,395</u>

(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.

(3) Source: Henry County Human Resources Department.

(4) Source: Department of Community Affairs March 2006 Annual Survey of Government Employment.

HENRY COUNTY, GEORGIA
OPERATING INDICATORS BY FUNCTION
LAST TEN CALENDAR YEARS

Function	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Physical arrest	1,359	2,501	2,399	2,760	3,472	4,215	3,739	3,984	3,959	5,394
Parking violations	13	132	12	21	20	36	60	51	35	51
Traffic violations	16,288	20,714	17,750	19,961	27,746	35,565	24,184	21,981	36,662	52,921
Fire										
Calls answered	7,385	8,574	8,870	9,404	10,833	11,387	12,007	13,263	14,704	17,059
Inspections	941	600	1,219	925	1,746	1,261	3,001	4,739	4,163	4,070
Highways and streets										
Street resurfacing	n/a	n/a	n/a	n/a	n/a	n/a	n/a	55	25	45
Culture and recreation										
Athletic field permits issued	9,074	21,016	12,592	13,167	13,211	12,690	21,020	15,464	5,155	19,191
Community center admissions	36,166	36,160	29,101	57,978	63,761	37,807	65,092	34,331	11,444	30,631

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Stations	2	2	2	2	2	2	2	2	2	4
Patrol Units	N/A	N/A	N/A	N/A	N/A	130	158	195	232	232
Patrol Zones	11	11	11	11	11	11	11	11	11	20
Fire Stations	8	9	10	11	11	12	12	12	12	12
Public Works										
Streets (miles)	1,166	1,168	1,194	1,206	1,211	1,221	1,244	1,281	1,318	1,363
Traffic Signals	6	8	8	11	13	14	15	15	15	23
Culture and Recreation										
Park Acreage	158.9	294.9	294.9	294.9	756.9 (1)	756.9	756.9	836.9	836.9	1,162.9
Playgrounds	8	12	12	12	18	18	18	18	18	22
Baseball/Softball Diamonds	33	43	43	43	66	66	66	66	66	66
Soccer/Football Fields	4	4	4	4	16	16	16	17	17	18
Community Centers	2	2	2	2	3	3	3	3	3	4

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



**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, 2006, which collectively comprise Henry County, Georgia's basic financial statements and have issued our report thereon dated November 10, 2006. 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 2006-1 and 2006-2.

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 do not believe the reportable conditions described above are material weaknesses.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items 2006-3.

We also noted certain additional matters that we reported to the management of Henry County, Georgia in a separate letter dated November 10, 2006.

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

Mauldin & Jenkins, LLC

Macon, Georgia
November 10, 2006



**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, 2006. 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 \$18,102,739 in federal awards, which is not included in the schedule during the year ended June 30, 2006. 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, 2006.

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.

Mauldin & Jenkins, LLC

Macon, Georgia
November 10, 2006

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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	AG0609	\$ 70,518
Community Care Services Program - Title III, Part C	93.045	AG0609	139,399
Nutrition Services Incentive Program	93.053	AG0609	46,723
Total Special Programs for the Aging, Title III Funds			256,640
Community Care Services Program - Title III, Part E	93.052	AG0609	24,405
Temporary Assistance for Needy Families	93.558	427-57-45251	20,685
Community Services Block Grant	93.569	427-93-06060872	43,365
Social Services Block Grant	93.667	427-57-45232	43,000
Social Services Block Grant	93.667	427-57-45271	75,500
Social Services Block Grant	93.667	AG0609	59,129
			177,629
Total U.S. Department of Health and Human Services			522,724
U.S. Department of Justice			
Bulletproof Vest Program	16.607	2005-BO-BX-050-28259	17,785
Drug Dog Program	16.738	2005-DJ-BX-0616	27,572
Pass Through Program - Department of Juvenile Justice			
Purchase of Services for Juvenile Offenders	16.523	02B-ST-0003	1,100
Purchase of Services for Juvenile Offenders	16.523	03B-ST-0003	7,046
			8,146
Life Skills to Work Program	16.548	04P-12-0003	19,621

(Continued)

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Federal Award Program	CFDA #	Grant I. D.	Expenditures
U.S. Department of Justice (Continued)			
Pass Through Program - Department of Juvenile Justice (Continued)			
Girls Gender Program	16.540	03J-12-0304-0012	\$ 3,388
Girls Gender Program	16.540	04J-12-0404-0020	11,635
			15,023
Pass Through Program - Criminal Justice Coordinating Council			
Criminal Justice Records Grant	16.579	B03-8-095	14,726
			14,726
Total U.S. Department of Justice			102,873
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	102,159
Office of Domestic Preparedness Equipment Program	97.004	2003-MU-T3-0010	372,542
Office of Domestic Preparedness Equipment Program	97.004	2005-GR-T5-0020	45,709
			520,410
Assistance to Firefighters Program	97.044	EMW-2004-FG-06940-002	188,680
			188,680
Total U.S. Department of Homeland Security			709,090
U.S. Department of the Interior			
Pass Through Program- Georgia Department of Natural Resources			
Land and Water Conservation Fund Grant	15.916	04-CV-3655-M	50,000
			50,000
Total U.S. Department of the Interior			50,000

(Continued)

HENRY COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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	2006-075-163AL	\$ 70,890
Pass Through Program- Georgia Department of Human Resources Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	427-57-45107	48,800
Pass Through Program- Georgia Department of Transportation Formula Grants for Other Than Urbanized Areas	20.509	MTG00-0100-00-019	87,350
Formula Grants for Other Than Urbanized Areas	20.509	MTG00-0130-00-039	121,650
			209,000
Total U.S. Department of Transportation			328,690
U.S. Department of Education			
Pass Through Program- Georgia Department of Human Resources Rehabilitation Services	84.126	427-57-45030	10,000
Total U.S. Department of Education			10,000
Total Expenditures of Federal Awards			\$ 1,723,377

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, 2006

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

yes no

Reportable conditions identified not considered to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal Control over major programs:

Material weaknesses identified?

yes no

Reportable conditions identified not considered to be material weaknesses?

yes none reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance
with OMB Circular A-133, Section 510(a)?

yes no

Identification of major program:

CFDA Number

97.004

Name of Federal Program or Cluster

Homeland Security Grant Program

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

\$300,000

Auditee qualified as low-risk auditee?

yes no

HENRY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

SECTION II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2006-1. Maintenance of Records for Agency Fund Accounts (Repeat Finding)

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.

Condition: During our audit of the various elected officials as of June 30, 2006, 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.

Context: At the office of the Tax Commissioner, we noted approximately \$15,000 of excess cash at June 30, 2006. At the office of the Probate Court, we noted approximately \$26,000 of excess cash at June 30, 2006. At the offices of the Clerk of Superior Court, Magistrate Court, and State Court, we noted no listings were maintained and reconciled to support the escrowed balances held by the Courts as of June 30, 2006.

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

Cause: The excess at the offices of the Tax Commissioner and Probate Court were caused by funds being held during prior years. The lack of listings at the offices of the Clerk of Superior Court, Magistrate Court, and State Court is due to a limited number of individuals in each office.

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.

HENRY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

SECTION II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2006-2. Segregation of Duties (Repeat Finding)

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.

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, Sheriff, and Development Authority.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

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.

Cause: The lack of segregation of duties is due to the limited number of individuals in each office to perform all of the duties.

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

Auditee 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. Most of the above offices have made the appropriate changes needed to properly segregate duties.

HENRY COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

SECTION II
FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2006-3. State Court Partial Payments (Repeat Finding)

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

Condition: For the fiscal year ending June 30, 2006, 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.

Recommendation: The County should turn over the partial payments to the proper authorities as soon as possible and continue to remit payments to the proper authorities by the end of each month following the month in which such funds are received.

Auditee Response: We concur. Subsequent to June 30, 2006, the State Court remitted all partial payments that were held to the proper authorities and are remitting funds received on a timely basis as required.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

HENRY COUNTY, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

2005-1. Maintenance of Records for Agency Fund Accounts (Repeat Finding)

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.

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.

Auditee Response/Status: Unresolved. See current finding number 2006-1.

2005-2. Segregation of Duties (Repeat Finding)

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.

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, Sheriff, and Development Authority.

Auditee Response/Status: Unresolved. See current finding number 2006-2.

HENRY COUNTY, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

2005-3. Adoption of Budgets

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.

Condition: For the fiscal year ended June 30, 2005, no budget was adopted for the Confiscated Assets special revenue fund in accordance with the Official Code of Georgia (OCGA) Section 36-81-2 through 36-81-6.

Auditee Response/Status: The above finding was corrected during fiscal year 2006 and is not included as a finding for the current year.

2005-4. State Court Partial Payments (Repeat Finding)

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

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.

Auditee Response/Status: Unresolved. See current finding number 2006-3.