



Henry County, Georgia

Popular Annual Financial Report

Fiscal Year Ending June 30, 2006

We are pleased to present the Henry County Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2006. The report provides a brief analysis of where County revenues come from and where those dollars are spent, as well as an overview of trends in the local economy. Above all, it is designed to present a more easily understandable financial report.



Cochran Library in Stockbridge

Information in this report has been taken from the 2006 Henry County Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of more than 120 pages of detailed financial statements, notes, schedules and reports, and is available for review on the Henry County website at www.co.henry.ga.us/Finance/pdf/2006Financial.pdf.

The Popular Annual Financial Report, which has been generated internally by the Henry County Financial Services Division, summarizes the financial activities of the primary government of Henry County. The reports and statements contained in the PAFR condense and simplify our 2006 Henry County Comprehensive Annual Financial Report for all Henry County funds and account groups. The PAFR does not conform to Generally Accepted Accounting Principals (GAAP) and governmental reporting standards.



Playground at Mt. Carmel Park

The Popular Annual Financial Report of Henry County is presented as a means of increasing public confidence in County government and its elected officials through easier, more user-friendly financial reporting. As you review our Popular Annual Financial Report, we invite you to share any questions, concerns or recommendations you may have.



Introduction

Funds of the County

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 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. Financial information on these four entities can be found in the Notes to the Financial Statement in the 2006 Henry County Comprehensive Annual Financial Report.

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

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 is one government-wide statement included in this report, the Statement of Net Assets, which is described below. It can be found on page 11.

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 government fund's current financial resources (short-term) with capital assets and long-term liabilities.

Awards

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 is accurate in all material respects and conforms to the standards of the GFOA program for the Certificate of Achievement. Accordingly, we are submitting the FY2006 CAFR to GFOA for evaluation of eligibility for another certificate.

General Information

Henry County was formed in 1821 from Creek Indian lands. Georgia's 50th county is located approximately 30 miles southeast of the City of Atlanta, and is considered part of the metropolitan Atlanta area. The County currently occupies 322.7 square miles of land and serves a population of more than 160,000. Four 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 Manager is responsible for the administration of all of the affairs of the County over which he or she 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 public 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 collections; building inspections; geographic information system; planning and zoning; recycling; and general administrative and support activities. The County provides police protection to the unincorporated areas of the County and the City of Stockbridge. The County also provides fire protection and emergency medical services to all areas of the County except the City of McDonough, which has its own Fire Department.

ELECTED OFFICIALS

Commission Chair	Jason Harper
District 1 Commissioner	Warren Holder
District 2 Commissioner	Elizabeth "BJ" Mathis
District 3 Commissioner	Randy Stamey
District 4 Commissioner	Gerry Adams
District 5 Commissioner	Lee Holman
Tax Commissioner	Andy Pipkin
Sheriff	Donald Chaffin
Superior Court Judge	William H. Craig
Superior Court Judge	Arch McGarity
Superior Court Judge	Wade Crumbley
Superior Court Clerk	Judith Lewis
State Court Judge	Ben Studdard
State Court Judge	James Chafin
Probate Court Judge	Kelley Powell
Magistrate Court Judge	Judy Hayes
District Attorney	Tommy Floyd
Solicitor	Chuck Spahos

APPOINTED OFFICIALS

County Manager	Rob Magnaghi
Deputy County Manager	Mike Turner
County Clerk	Shay Mathis
County Attorney	Patrick Jaugstetter
Public Works	Terry McMickle
Planning/Development	Michael Harris
Administration	Fred Chitwood
Capital Projects	Roy Clack
Financial Services	Michael Bush
Risk Management	Michael Sabine
Support Services	Angie Bailey
Financial Compliance	Kelly Belcastro

Local Economy

Henry County is strategically located along I-75 with a total of seven interchanges within its borders. With a low cost of living, temperate climate and easy access to Atlanta, Henry County provides all the conveniences of a large city, in a small town atmosphere. State and national economic indicators place Henry County in an enviable position as one of the nation's fastest-growing communities, and in fact, in 2006 Henry County experienced the second highest rate of growth in the region with a 5.6 percent increase, adding 8,909 residents.



Henry Town Center, McDonough

This continued growth has increased the demand for additional retail and commercial services by fueling growth in the economic sector. The unemployment rate for Henry County is currently 4.1 percent, which is a decrease from a rate of 5.1 percent one year ago. The unemployment rate for the State of Georgia at June 30, 2006, is 4.6 percent.

Henry County has a rich variety of retail establishments ranging from large stores in outlying areas such as the Henry Town Center shopping complex on Jonesboro Road in McDonough and the Southpoint Mall

development under construction on Bruton Smith Parkway in McDonough, to small "Mom and Pop" shops that serve the downtown areas. In fact, the Tanger Factory Outlet shopping complex in Locust Grove draws more than two 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. Atlanta Motor Speedway accounts for more than half of metro Atlanta's total revenue derived from sports and was projected to bring in \$2.275 billion of the metro area's \$4.5 billion income from sports from years 2000-2005. On race day, Atlanta Motor Speedway holds in excess of 124,000 fans, making it the fifth-largest city in Georgia for the day.



Atlanta Motor Speedway exit off Hwy. 41/19

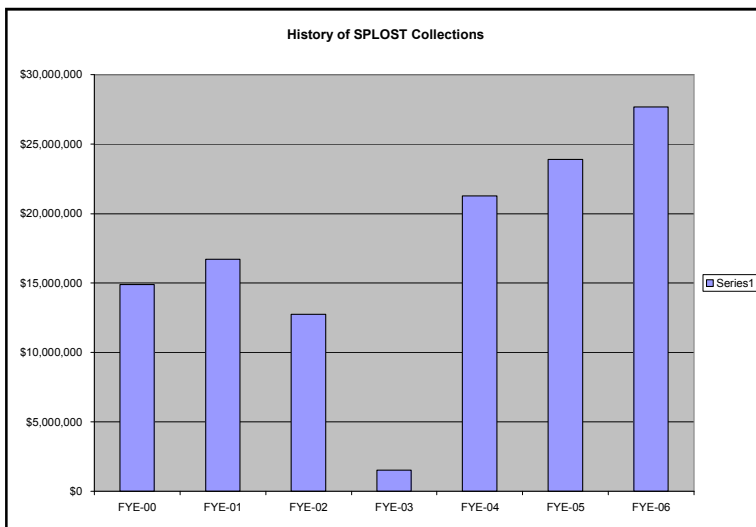
Henry County also plays host each summer to the AABC Roberto Clemente World Series for 7-8-year-old baseball players, the 7-year-old Dizzy Dean World Series, and the Independent Softball Association Youth Fast Pitch World Series, bringing thousands of families from around the country to the County. Currently, more than 21 hotel and motel facilities provide over 2,100 guest rooms throughout the County.

Accomplishments

SPLOST

Henry County's Capital Improvement Program continues to benefit greatly from revenues provided by the Special Purpose Local Option Sales Tax (SPLOST), thanks to the volume of retail trade in the County. In fiscal year 2005-2006, \$27,668,189.82 was collected, with the County's portion being \$22,048,908.58.

Capital improvement projects completed during the year included new libraries in Locust Grove and Stockbridge, and a replacement Fire Station in north McDonough. Hidden Valley Park received a new skate park playground and soccer storage building, while the largest playground in the county was constructed at North Mt. Carmel Park. Concessions, restrooms and pavilions were built at Sandy Ridge Park, Heritage Park, and Richard Craig Park. A new septic system was also installed at the Hidden Valley Senior Center.



Completed road projects during Fiscal Year 2005-2006 include the opening of the 11-lane bridge project on Eagle's Landing Parkway at I-75, of which design funding was paid for out of SPLOST. Other completed projects included intersection improvements at State Route 42/Valley Hill Road/Old Atlanta Road, Flippen Road/Walt Stephens Road/Banks Road, Jonesboro Road/Chambers Road, Brannan Road/Campground Road, and Rock Quarry Road/State Route 42. Paving and resurfacing projects were completed on Alexander Road, Pates Creek Road, Sims Drive, North Pleasant Grove Road, Hickory Lake Trail, Strawberry Lane, and Sims Drive. Culvert repairs were completed on Airline Road over Camp Creek and Big Cotton Indian Creek, and Old Conyers Road over James Creek.

From Fiscal Year End (FYE) 2000 to FYE 2006, revenue from the 1% Special Purpose Local Option Sales Tax (SPLOST) has grown from \$15 million to more than \$27 million, due in large part to the influx of retail stores and developments. Voters did not renew the SPLOST in November 2001, which accounts for the drop in sales tax revenue in 2002 and 2003. The current SPLOST was approved in November 2002 and took effect in April 2003, with the first revenue check received in July 2003.



FY 2006 was filled with ribbon cuttings on completed SPLOST projects. From left to right, the ribbon is cut on the new Crumbley Road bridge, a plaque is unveiled at the new Locust Grove Library, and the ribbon is cut at the new Fire Station 7.

Accomplishments

Public Safety

Henry County residents can rest a little easier knowing their County's Emergency Response Personnel are better able to handle a natural disaster or major catastrophe than any other county in Georgia.

The County took delivery in FY 2006 of its new Mobile 911 Communications Center. The \$414,000 vehicle was provided through a grant from the Office of Homeland Security and is equipped with telecommunications technology and computer satellite internet access that will enable it to continue processing emergency 911 phone calls, even in the event of a major catastrophe that causes power and communications failures throughout the area. No other County in the State is better equipped to respond during such emergencies.



The Henry County Mobile 911 Communications Center was purchased with grants from the Office of Homeland Security.

This unit adds to the County's catastrophic emergency response arsenal, which includes a Mobile Command Unit complete with computer terminals, satellite communications technology, and multiple screens to monitor any disaster situation, as well as a trailer to be used during mutual aid and disaster relief efforts that holds the essential Red Cross equipment necessary to establish an emergency relief shelter capable of housing up to 100 people.

Parks and Recreation

Henry County Parks and Recreation had a busy year improving recreational facilities for County residents. Parks and Recreation unveiled the new Sunshine League Field, picnic shelter and handicap-accessible playground at Richard Craig Park in McDonough. The new field is made from a rubber material produced by a company that specializes in rubber flooring. The County is proud to be able to provide all children with an opportunity to play baseball regardless of any limitations.



Capital improvements in the park system included adding a regional playground at Mt. Carmel Park, and community playgrounds at North Forty, Hidden Valley and the Soccer Complex. Parking lots were redone at Cochran, North Forty and Hidden Valley parks. Additional acreage was added at Moseley and Hidden Valley. A skate park was added to Hidden Valley. Tennis courts were expanded at Hidden Valley and courts were resurfaced at Richard Craig. An 18-hole disc golf course was opened at

Moseley Park, and the County converted a 20-year-old landfill park at Windy Hill into a paintball complex.

Henry County acquired 204 acres of a Civil War battlefield that lies partially within the County. The site was an encampment for at least four different Confederate Army groups, and was the site of the largest cavalry charge in Georgia. The passive park space was cleaned up and renovated, and the existing house will be converted into a museum to house artifacts found on the site.

Accomplishments

One Henry—One Vision For The Future

Henry County's vision for the future is a smarter land use pattern that conserves rural character by focusing new growth in high quality neighborhoods and schools centered around a wide variety of accessible commercial and public services. There will be improved mobility, more choice and enough jobs for every household to live and work in Henry County. During the next 20 years, Henry County and its cities are committed to work together with all elements of the community to achieve this vision.



A successful comprehensive plan begins with a process of thinking about and visualizing the future. A collaborative approach to community engagement was used to craft a vision for Henry County and its cities that served as the foundation for this planning effort. Above is the Henry Countywide vision statement that resulted from this collaborative effort. This vision is reflected in Future Development Map and implementation strategies that will be part of this plan, begun in FY 2005, continuing through FY 2006, and being completed in FY 2007.

A series of visioning meetings were held during the year to solicit input from County residents. As a result of those meetings, five major goals for the Comprehensive Plan were established:

- ◆ Enhance mobility for people and goods in Henry County and its Cities.
- ◆ Enhance accessibility for people and goods in Henry County and its Cities.
- ◆ Reinforce growth patterns that meet the County and City visions.
- ◆ Protect and enhance the County's and Cities' environment.
- ◆ Ensure coordination among the planning and development activities of the County, its Cities, the School District, the Water and Sewer Authority, and other organizations.

Transit Department

The Henry County Transit Department continues to improve on its ability to provide safe and economical travel options for the citizens of the County. During FY 2006 the department received two new expansion buses and three replacement buses from the Georgia Department of Transportation. Transit also developed a departmental security and emergency preparedness plan, with all staff receiving security and emergency training.



Human Relations Department

The Human Relations (HR) Department's top priority is customer service. Operating the County's main switchboard, HR takes thousands of calls with zero complaints. The HR staff maintains the County's personnel records system and assists County employees daily with issues regarding insurance, pay, grievances, taxes, address changes, and other information. HR maintains department rosters and advises departments on savings and positions available to be filled.

During FY 2006, HR processed 12,557 applications for 161 positions. They updated and presented for adoption a revised Department of Transportation Drug Testing Policy, and distributed 1,450 copies of the new Personnel Policy Manual. HR conducted annual harassment/sexual harassment training for managers and supervisors, presented a Health Fair and monthly Lunch & Learns on a variety of health topics. In addition, HR Director Rebecca Zebe was asked to present "Healthcare and HR" to the Georgia Government Finance Officers Association.

Financial Highlights

General Fund

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 percent, from the last fiscal year. The total General Fund balance, including \$2,679,818 in reserved fund balance, is \$53,561,758.

SPLOST

The 2002 Special Purpose Local Option Sales Tax (SPLOST) generated collections of \$28,637,161 during Fiscal Year 2006.

Impact Fee

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 percent from the last fiscal year.

GASB 34

Henry County implemented a part of Government Accounting Standards Board Statement No. 34

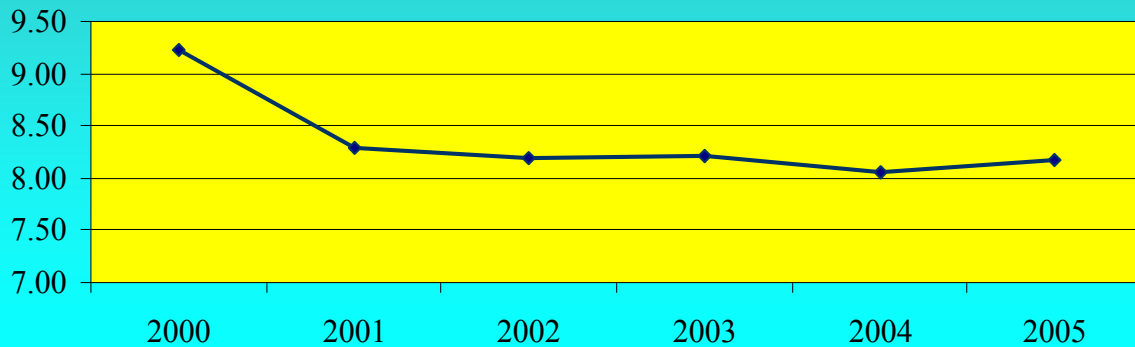
(GASB 34), which provides information about the government's public infrastructure assets, such as bridges, roads, and storm sewers. This caused the County to have to restate net assets for 2005, which increased net assets by \$152,790,921. The County has been reporting new construction for infrastructure since 2002, but this year added all infrastructures prior to 2002.

Assets

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

Ratio of Authorized County Employees per 1,000 residents



Henry County's population has increased by more than 50,000 people between 2000 and 2005, while the ratio of authorized County employees per 1,000 residents has decreased. Despite this, the County has been able to not only maintain, but increase its level of service to residents through sound fiscal planning and dedicated employees. Examples of the high level of service can be found in increased police and fire protection, new libraries and judicial centers, and more efficient use of financial resources.

Financial Analysis

Budgetary Highlights

*The General Fund is the chief operating fund of Henry County. The fund balance of the County's General Fund increased by \$6,078,866 during the current fiscal year. This was due mainly to tighter controls on spending.

*Property Taxes increased by \$5,567,106 (10 percent) during the year. Most of this increase is due to more professionals in the field appraising homes and improvements to homes as well as the addition of new software in calculating the appraisals.

*Sales Taxes increased by \$7,334,202 (18.3 percent) 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 areas come to Henry County.

*Unrestricted investment earnings increased by \$2,756,187 (107.9 percent) during the year. This is due to interest rates coming back up due to the federal government raising rates all throughout the year.

*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 function: \$5,830,537, due mainly to an increase in vehicles and personnel.
- ◆ Increase in public works services and related capital assets: \$1,600,123, due mainly to an increase in equipment and personnel.
- ◆ Increase in health and welfare: \$259,725.
- ◆ Increase in culture and recreation: \$8,330,438, due mainly to purchase of parkland known as Nash Farm Battlefield.
- ◆ Increase in housing and development: \$1,428,880, due mainly to 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 balances. 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 increase in all the other activities.

Net Assets

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 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and roads); less any related debt used to acquire those assets that are still outstanding. The County uses these 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. An additional portion of Henry County's net assets (8.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining 19.8 percent balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2006 fiscal year, Henry County was 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 increased the County's net assets by \$70,973,286.

Financial Analysis

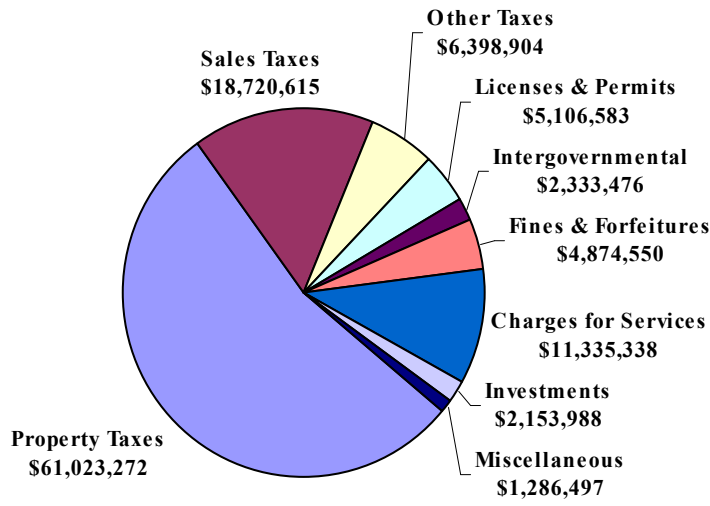
Henry County's Net Assets

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

Henry County's Changes in Net Assets

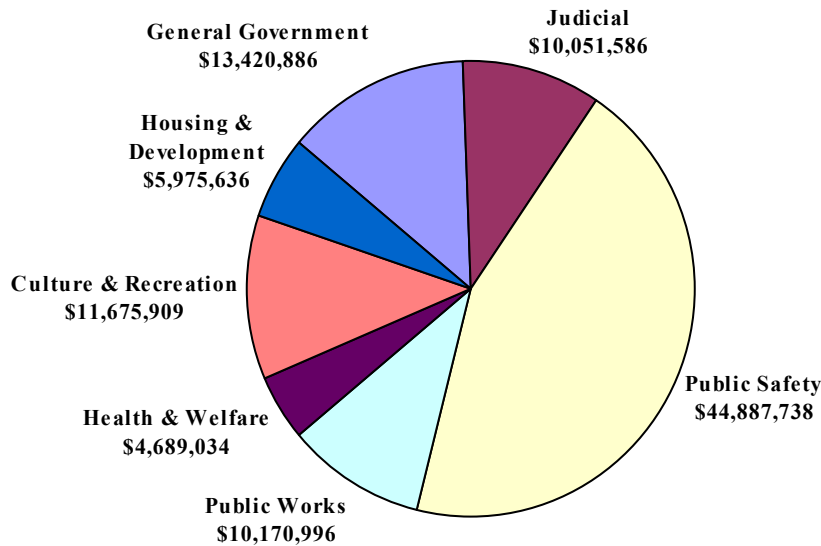
	2006	2005
Revenues		
Program revenues:		
Charges for services	\$31,770,394	\$27,379,136
Operating grants & contributions	\$1,674,623	\$1,567,095
Capital grants & contributions	\$34,793,886	\$26,300,804
General Revenues:		
Property taxes	\$61,117,523	\$55,550,417
Sales taxes	\$47,357,776	\$40,023,574
Other taxes	\$6,676,204	\$6,191,217
Unrestricted investment earnings	\$5,309,584	\$2,553,397
Gain on sale of capital assets	-	<u>\$142,935</u>
Total Revenues	\$188,699,990	\$159,708,575
Expenses		
General government	\$18,730,505	\$24,672,480
Judicial	\$10,022,575	\$8,678,787
Public safety	\$48,961,105	\$44,308,693
Public works	\$20,203,707	\$13,988,486
Health & welfare	\$6,048,439	\$3,421,976
Culture & recreation	\$5,603,773	\$1,128,114
Housing and development	\$6,167,259	\$5,061,740
Interest on long-term debt	<u>\$1,989,341</u>	<u>\$2,102,788</u>
Total Expenses	\$117,726,704	\$103,563,064
Increase in Net Assets	\$70,973,286	\$56,145,511
Net Assets, beginning of year	<u>\$399,873,616</u>	<u>\$343,728,105</u>
Net Assets, end of year	\$470,846,902	\$399,873,616

Financial Analysis



General Fund Revenues - Fiscal Year Ended June 30, 2006

Total General Fund revenues of the fiscal year which ended June 30, 2006, were \$113,275,639. Revenues of the prior year were \$99,448,668. The most significant variance was an increase in local sales tax revenue of approximately \$7,334,202, due to Henry County being one of the fastest growing counties in the nation.

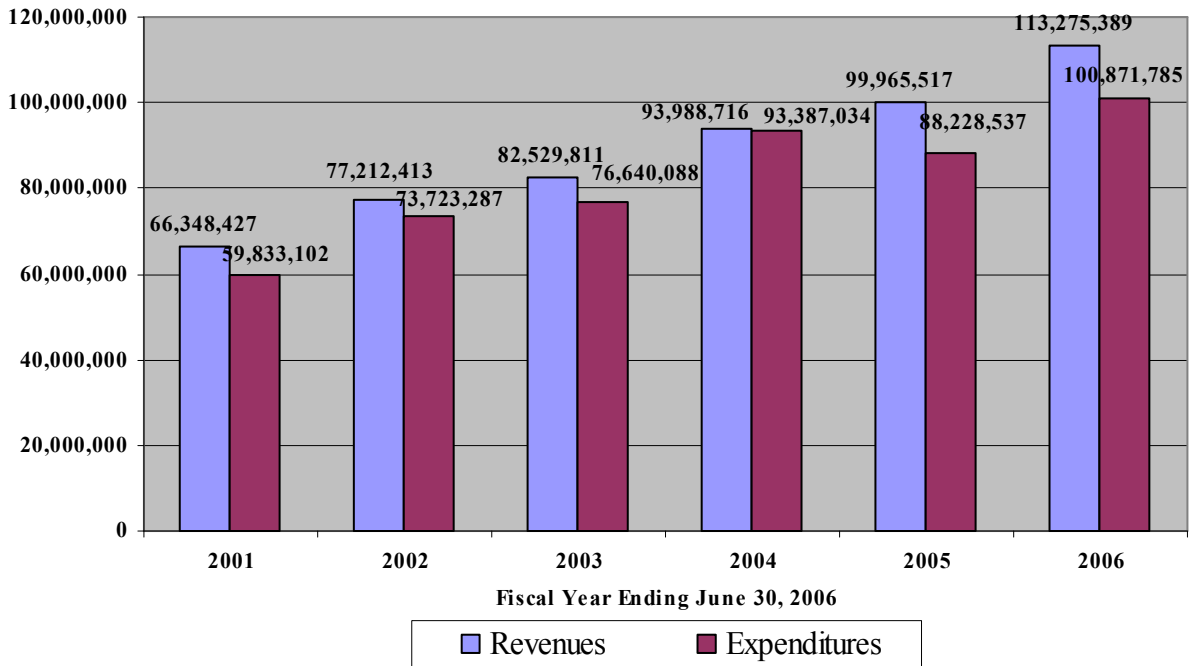


General Fund Expenditures - Fiscal Year Ended June 30, 2006

Total expenditures during the year ended June 30, 2006 were \$100,871,785. Expenditures of the prior year were \$80,789,404. The increase in expenditures as compared to the previous year is primarily related to increases in land acquisition, vehicles and personnel.

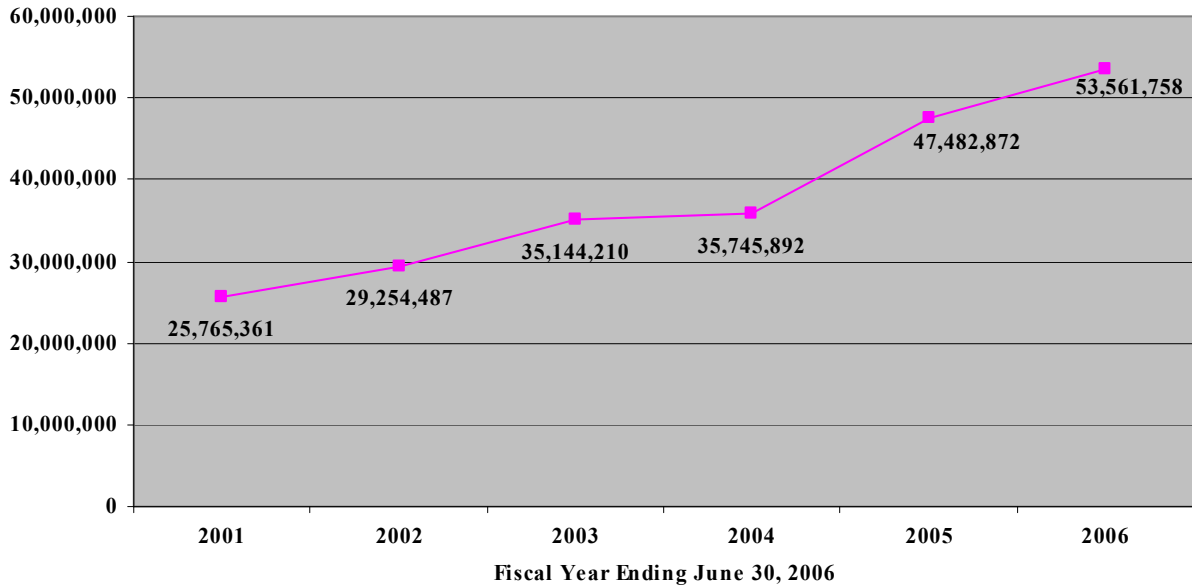
Financial Analysis

General Fund Revenues & Expenditures



An analysis of General Fund revenues and expenditures (above), as well as the resulting net change in the fund balance of the General Fund for the last six fiscal years (below) is shown. It should be noted that other finance sources, such as transfers in and proceeds of debt, are included with the revenues. Other financing uses, such as transfers out, are included with the expenditures.

Net Change in Fund Balance



Budget Process

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 is 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.

Key Values and Financial Reporting

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.

If effectively used, the County's budget serves as the primary tool in allocating financial resources to programs and services. Specifically, the budget can serve as a policy making tool, a management tool, a financial tool, and a communication tool.

For accountability purposes, the County operates in a "fish bowl." That is, decisions are made in an open public forum and the County is accountable to its citizens while pursuing goals of efficiency and effectiveness.

Henry County's financial statements have been audited by Mauldin & Jenkins, Certified Public Accountants, LLC. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements.

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. Information in this report is taken from the 2005-2006 Certified Annual Financial Report, which is available for public review on the Finance Department page of the Henry County Board of Commissioners' website at www.co.henry.ga.us/Finance/pdf/2006Financial.pdf.

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 Board of Commissioners, 140 Henry Parkway, McDonough, GA 30253.

Cash Management Policies and Procedures

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' interests, 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 Sun Trust Bank to provide banking services, and Merrill Lynch to provide investment services. All operating funds of the County are carried in interest-bearing checking accounts, which bear interest at the rate of the "Super Now" account, a special rate for non-profit and government entities. The County does not currently incur financial fees or charges for banking services. In relation to our prudent financial management, Henry County maintains an Aa2 credit rating from Moody's Investor Services. This rating produces significant interest savings and is solid evidence of our financial strength and stability.

The key values of the County's financial management include fiscal integrity, prudence, planning, accountability, honesty, and openness.

Financial Highlights

Lease Purchase Fund

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 (ACCG) 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 Information Systems 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.

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 systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Long-term Debt

Henry County's total debt remained unchanged during the current fiscal year. The \$25,000,000 general obligation bond issuance for Henry County's Special Purpose Local Option Sales Tax (SPLOST) program is to be paid back during fiscal years 2006, 2007, and 2008. Current year interest payments were made in July and December in the amount of \$1,036,216.50. The 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 percent of its total assessed valuation. The current limitation for Henry County is \$512,359,234, which is significantly in excess of Henry County's outstanding general obligation debt.