

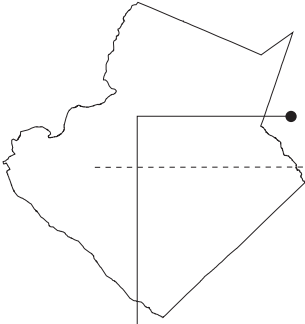


financial update 2006 for the six months ended june 30 (unaudited)

• **gwinnett**county georgia







- financial update 2006

for the six months ended June 30 (unaudited)

responsible
committed to maintaining
fiscal **integrity** and accountability
professional
responsive



board of commissioners



Charles **Bannister**

CHAIRMAN



Lorraine **Green**

DISTRICT 1



Bert **Nasuti**

DISTRICT 2



Mike **Beaudreau**

DISTRICT 3



Kevin **Kenerly**

DISTRICT 4

county administration



Jock A. **Connell**

County Administrator



Michael D. **Comer**

Deputy County Administrator

gwinnett county

Gwinnett County is a large, full-service local government serving the needs of an estimated 751,693 residents.

The County has about 320,476 jobs, and its unemployment rate is among the lowest in the state, at 4.1 percent according to most recent reports.

There are 15 municipalities in the county, but the majority of Gwinnett residents live in unincorporated areas.

A full-time elected chairman and four elected district commissioners govern the county and appoint the County Administrator, who manages the 11 County operating department directors.

table of **contents**

statement of purpose	4
financial developments	4
economic trends	5
fund financials	7



statement of purpose



This report is designed to communicate the County's financial operating results for the six months since December 31, 2005, the date of issuance of the 2005 Comprehensive Annual Financial Report (CAFR), through June 30, 2006.

This report is interim in nature and abbreviated in that it does not include details for all of the various funds maintained by the County. Additionally, this report omits many of the required note disclosures typically found in a fiscal year-end comprehensive annual report. The information contained here is intended to allow management and the public to make limited assessments of near-term trends that may have impact upon operations and financial results. Management views this six-month interim period as an integral part of the annual period. As such, tax revenues are adjusted to reflect a proportionate allocation of annual property tax revenues.

The report includes discussion and information regarding some of the more notable recent developments that may impact County finances, along with summarized financial statements for the General, Water and Sewerage, and Tourism Funds, and an analysis of the local economy as of June 30, 2006. These funds are included because it is the judgment of the department that they provide a reasonable representation of the County's overall results during this six-month period. This report is general in nature; the reader is cautioned that it does not provide the level of detail, nor the comprehensive scope found in a fiscal year-end CAFR. Those desiring or needing such information should contact the Department of Financial Services.

This report may also be found on Gwinnett County's website at www.gwinnettcountry.com.

We hope that you find this report informative and meaningful. If you have any questions regarding the report, please contact the Department of Financial Services at 770.822.7883.

Please note:

This report is provided for general information use only. No securities are offered hereby. This report is not to be construed as an offer to purchase securities, or as an official statement or other disclosure document with respect to securities. Investment decisions should be made only after full review of the Official Statement and other relevant matters in connection with a particular bond issue.

If you are viewing this report on the website, be aware that the information contained in this document speaks only as of its date and will not reflect the County's financial status as of the viewing date. Please contact the Department of Financial Services should you require additional information with respect to the County's financial condition.

financial developments

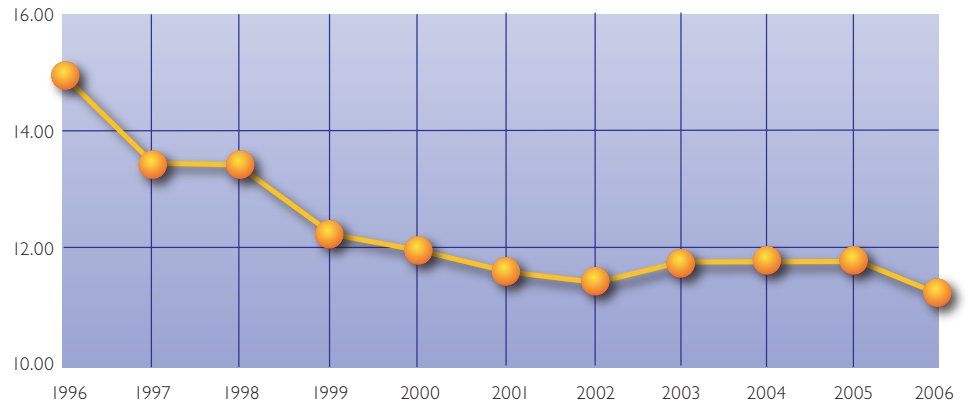
Revenue Bonds Issued in 2006

The County issued \$121.4 million in Water and Sewerage Authority Refunding Revenue Bonds in April 2006. The Series 2006 Bonds were issued to advance refund a portion of the Series 2002 Bonds. The refunding resulted in net present value savings of \$4.8 million, which will be realized over the life of the bonds. Final maturity of the 2006 Bonds occurs in 2025.

millage rate history
(figure 1)

New Millage Rates

The County has historically kept the millage rate consistent or lower for operations and maintenance of government services. The County has lowered the millage rate a total of 3.65 mills since 1996. The total County rate for 2006 is 11.30 mills (Figure 1), a decrease of .17 mills from 2005.

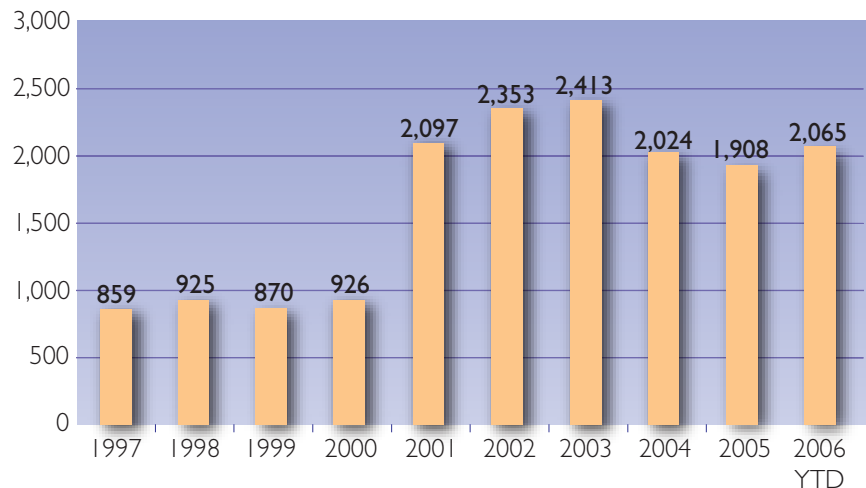


economic trends

After being above the 12-month moving average for five consecutive months at the beginning of 2006, the Index of Leading Economic Indicators declined and moved below the 12-month moving average last month. The index has fluctuated around the 12-month moving average for the past year, which unfortunately paints an inconclusive outlook for Gwinnett County.

One sign for the future of our economy that causes concern is the increase in initial claims for unemployment. After improving for the last two years the year-to-date average is back up to 2,065. However, despite the increase from last year, it continues to be a significant improvement from the highs in 2001 – 2003 (Figure 2).

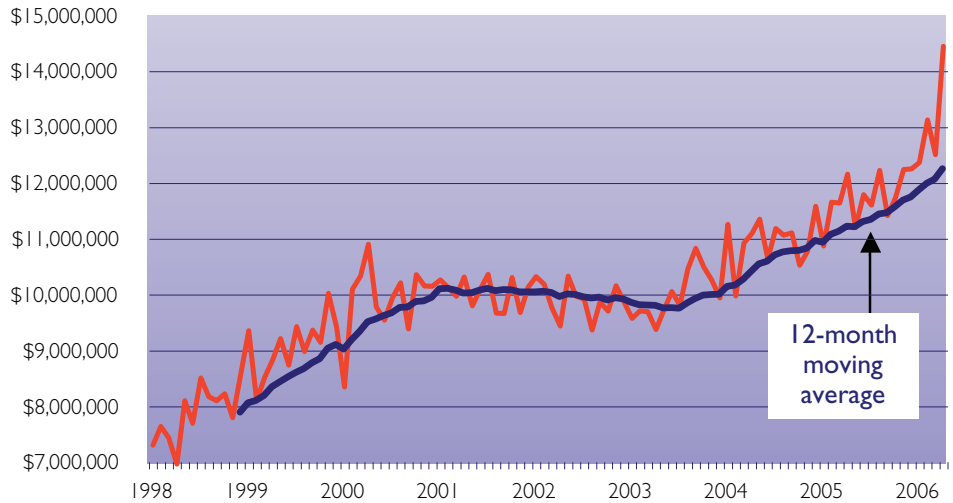
gwinnett county initial unemployment claims
(monthly average seasonally adjusted)
(figure 2)





**gwinnett county
sales tax revenues
year-over-year
percent change
(seasonally adjusted;
constant dollars)**
(figure 3)

The driving force behind the Index of Current Economic Indicators, which rose 0.7 percent in the most recent month, continues to be sales tax revenue. The month of April posted an all-time high of almost \$14.5 million dollars, an increase of 19.9 percent above the same month a year ago. That represents more than \$100 million more in retail sales than were registered last holiday season (*Figure 3*).



Another positive factor would be hotel/motel room nights, which posted a 7.3 percent year-over-year increase in May. On a moving average basis, May was the ninth consecutive month that hotels posted a year-over-year increase in room nights.

The Gwinnett County Index of Lagging Economic Indicators increased 2.3 percent over last year. This index is designed to confirm turns in the Gwinnett County economy, which is significant because even if the other economic indices have turned positive, until the lagging index turns, the economy may not yet have actually recovered. The driving force behind this increase was the sharp decline in number of bankruptcies. However, this was a factor of a spike in bankruptcies at the end of the year due to a law change that made filing for bankruptcy more difficult, and may not represent a true turn.

To review the quarterly Gwinnett County Economic Indicators reports, please visit our website at www.gwinnettcounty.com. The reports are located under *Departments > Financial Services > Economic Analysis*.

fund financials

general fund:
mid-year report
balance sheet



The following information is provided regarding the General, Water and Sewerage, and Tourism Funds as of June 30, 2006.

General Fund

- Total assets increased by \$31 million or 22 percent over FY 2005.
- Cash, cash equivalents, and investments are up \$16.2 million, primarily due to the closing of the Fire Fund, and its merging into the General Fund. Beginning in 2005, all property tax revenue for Fire Protection Services was recognized in the General Fund.
- Tax receivables increased \$13 million, due primarily to tax digest growth and strong collections of prior year taxes.

June 30, 2006 and 2005		
	Unaudited	
Balance Sheet	6/30/06	6/30/05*
Assets:		
Cash, cash equivalents, and investments	\$ 50,653,283	\$ 34,452,784
Receivables, net of allowance:		
Taxes	117,125,252	104,118,078
Accounts	2,388,178	2,079,640
Due from other funds	3,278	3,278
Due from other governments	–	1,615
Inventories	1,276,283	365,965
Prepaid items	908,957	323,206
Total assets	\$ 172,355,231	\$ 141,344,566
Liabilities:		
Accounts payable	\$ 15,333,069	\$ 11,694,898
Other accrued	6,004,022	6,082,033
Accrued pension	86,214	4,238,111
Due to others	434,289	459,866
Deferred revenue	6,790,186	2,971,193
Total liabilities	28,647,780	25,446,101
Fund Balance:		
Reserved	12,696,163	8,987,502
Unreserved	131,011,288	106,910,963
Total fund balance:	143,707,451	115,898,465
Total liabilities and fund balances:	\$ 172,355,231	\$ 141,344,566

* 2005 cash restated for timing differences of cash transfers from sales tax funds to the master concentration account.



financial update

for the six months ended June 30 (unaudited)

06

**general fund:
mid-year report
operating statement**

- Total operating revenues increased \$31.2 million. The majority of this increase is due primarily to 2005 utility taxes that were billed in 2006.
- Expenditures increased by \$41.9 million. The majority of this increase is attributable to the addition of Fire Services to the General Fund beginning January 1, 2006. The remaining increase reflects increases in personal services. A total of 145 new positions were added in the 2006 General Fund Budget, 81 of which were in the Sheriff's Department.

For Six Months Ended June 30, 2006 and 2005		
	Unaudited	
Operating Statement	6/30/06	6/30/05
Revenues:		
Taxes	\$ 146,107,799	\$ 119,746,927
Permits and licenses	16,915,285	14,746,687
Intergovernmental	1,974,104	1,793,518
Charges for services	9,184,532	9,478,834
Fines and forfeitures	4,922,582	4,469,057
Investment income	4,016,086	869,192
Miscellaneous	5,127,837	5,908,561
Total revenues:	188,248,225	157,012,776
Expenditures:		
Current operating		
General government	28,661,317	27,126,401
Public safety	67,249,299	38,259,712
Judiciary	49,724,329	41,946,380
Public works	7,781,699	7,226,500
Health and welfare	5,239,915	3,502,142
Culture and recreation	13,962,177	12,611,143
Housing and development	5,695,126	5,759,177
Miscellaneous	280,739	214,542
Capital outlay	26,924	49,332
Total expenditures:	178,621,525	136,695,329
Revenues in Excess of Expenditures:	\$ 9,626,700	\$ 20,317,447



water and
sewerage fund:
mid-year report
statement of
net assets



June 30, 2006 and 2005		
	Unaudited	
Statement of Net Assets	6/30/06	6/30/05
Assets:		
Cash and cash equivalents	\$ 80,834,699	\$ 101,841,351
Investments	175,625,749	177,202,770
Receivables, net of allowance:	32,934,401	22,888,302
Inventories	4,030,550	4,229,879
Prepaid items	2,025,969	578,718
Fixed assets, net of accumulated depreciation	2,491,477,872	2,330,655,222
Debt issuance costs	2,466,967	4,478,523
Other assets	972,540	1,009,856
Total assets:	2,790,368,747	2,642,884,621
Liability and equity:		
Accounts payable	5,656,944	8,824,816
Retainage payable	3,012,923	17,426,362
Other accrued	107,484	1,347,586
Due to others	230,012	–
Due to other funds	49,335	–
Deferred revenue	228,429	130,741
Notes payable	2,014,969	215,709
Customer deposits	6,762,249	6,365,368
Accrued interest	11,124,051	13,771,083
Revenue bonds payable	835,540,788	860,136,009
Accumulated leave benefits	1,265,125	1,210,617
Total liabilities:	865,992,309	909,428,291
Net Assets:		
Invested in capital assets, net of related debt	1,731,676,605	1,470,519,213
Restricted net assets	117,070,257	173,509,025
Unrestricted	75,629,576	89,428,092
Total Net Assets:	\$ 1,924,376,438	\$ 1,733,456,330

Water and Sewerage Funds

- Total assets grew by six percent from mid-year 2005 (\$147 million).
- Cash and equivalents decreased by \$21 million and investments decreased \$1.6 million. This decrease is attributable to the County's ability to use pay-as-you-go financing for Capital Improvements.
- Capital assets increased by \$161 million. Approximately \$135 million of that increase was contributed capital from developer donations of infrastructure assets.
- Total liabilities decreased \$43.4 million, primarily due to the retirement of revenue bonds of \$27.7 million in the Fall of 2005. The remaining decrease is due to large



financial update

for the six months ended june 30 (unaudited)

06

**water and
sewerage fund:
mid-year report
operating statement**

decreases in accounts payable and retainage payable, from the completion/near completion of several large capital projects.

- Operating revenues are up about \$9.9 million, primarily in the area of residential and commercial services due to the rate increase that was effective on January 1, 2006.
- Miscellaneous revenues are up \$4.3 million, primarily due to a one-time sales tax refund of \$4.7 million.
- Operating expenses (excluding depreciation) are approximately the same as mid-year 2005. Distribution and collection expenses decreased \$2.3 million, primarily in the area of repairs and maintenance of collection systems and meters. It is expected that meter installation will pick up in the second half of 2006, while preventive maintenance will continue to run lower than 2005 due to cost controls that were implemented in early 2006.

For Six Months Ended June 30, 2006 and 2005		
	Unaudited	
Operating Statement	6/30/06	6/30/05
Operating revenues:		
Residential and commercial service	\$ 83,475,055	\$ 77,935,478
Wholesale service	2,387,561	2,184,271
Public fire protection charges	178,578	179,172
Connection charges	1,256,022	1,390,987
Miscellaneous	5,853,543	1,514,444
Total operating revenues:	93,150,759	83,204,352
Operating expenses:		
Water production	6,517,097	6,356,711
Distribution and collection	11,975,482	14,229,152
Engineering	3,435,611	3,401,546
Reclamation	11,322,506	10,335,634
Depreciation and amortization	26,368,462	22,031,734
General and administrative	5,287,197	4,318,276
Total operating expenses:	64,906,355	60,673,053
Operating Income:	\$ 28,244,404	\$ 22,531,299

**tourism fund:
balance sheet**



Tourism Fund

Cash and equivalents in the tourism fund are up \$2.7 million since June 30, 2005. The increase reflects rising hotel/motel collections as described in the economic trends section on page 6.

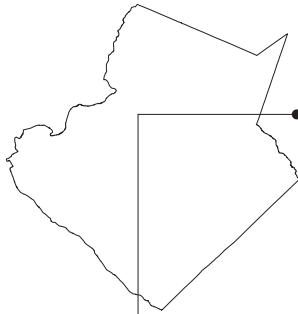
June 30, 2006 and 2005		
	Unaudited	
Balance Sheet	6/30/06	6/30/05
Assets:		
Cash and equivalents	\$12,405,365	\$9,693,339
Receivables, net		
Taxes	632,337	568,699
Total assets:	\$13,037,702	\$10,262,038
Liabilities:		
Accounts payable	-	\$198,312
Fund Balance:		
Designated for special revenue funds	13,037,702	10,063,726
Total Liabilities and Fund Balance:	\$13,037,702	\$10,262,038



**tourism fund:
operating statement**

Revenues of the tourism fund are up \$427,573, or 13.4 percent, compared to the first six months of 2005. The primary source of revenue for this fund is hotel/motel tax. As discussed in the Economic Trends section, May 2006 was the ninth consecutive month that hotels posted a year-over-year increase in room nights. Expenditures in the tourism fund remained close to the June 30, 2005, expenditures.

For Six Months Ended June 30, 2006 and 2005		
	Unaudited	
Operating Statement	6/30/06	6/30/05
Revenues:		
Taxes	\$ 3,493,831	\$ 3,058,878
Investment income	113,372	120,752
Total operating revenues:	3,607,203	3,179,630
Expenditures and transfers:		
Tourism	969,866	804,180
Transfer to component unit	897,916	1,084,239
Total expenditures and transfers:	1,867,782	1,888,419
Net Income:	\$ 1,739,421	\$ 1,291,211



prepared by:
The Department of
Financial Services

Lisa **Johnsa**, Director

data compilation:
Peter **Frank**
Laurie **Bohon**
Alfie **Meek**
Financial Services

editing:
Communications Division

layout and design:
Shannon E. **Coffey**
Communications Division



Dacula Branch Library

cover photograph:
James **Corn**
Communications Division

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gwinnettcounty
75 langley drive
lawrenceville, ga 30045

www.gwinnettcounty.com