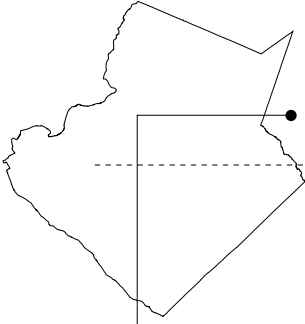




financial update 2010 for the six months ended june 30 (unaudited)

• **gwinnett**county georgia





- financial update 2010

for the six months ended June 30 (unaudited)

responsible
committed to maintaining
fiscal **integrity** and accountability
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DISTRICT 2



Mike **Beaudreau**

DISTRICT 3



Kevin **Kenerly**

DISTRICT 4

county
administration



Glenn **Stephens**

County Administrator



gwinnettcounty

Gwinnett County is a large, full-service local government serving the needs of an estimated 833,213 residents.

The County has an estimated 294,454 jobs with an unemployment rate of 8.8 percent according to the most recent reports.

There are 15 municipalities in the County; however, most 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 12 department directors. Gwinnett County is also comprised of 23 elected officials and eight judicially appointed officials.

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statement of purpose



This report communicates the County's financial operating results for the six months ended June 30, 2010.

This interim report does not include financial statements for all of the various funds maintained by the County and it omits required note disclosures typically found in a fiscal year-end comprehensive annual report. It is intended to allow management and the public to make limited assessments of near-term trends that may have an impact on operations and financial results. Tax revenue includes a proportionate allocation of annual property tax for this six-month interim period.

The report includes information and discussion of some notable recent developments that may impact County finances. We have also included summarized financial statements for the General, Water and Sewerage, Tourism, and Stadium funds, as well as an analysis of the local economy as of June 30, 2010. We believe these funds provide a reasonable representation of the County's overall results during this six-month period. This general report does not provide the level of detail nor the comprehensive scope found in a fiscal year-end Comprehensive Annual Financial Report. Readers who need such information should contact the Department of Financial Services for assistance.

This report is also available on Gwinnett County's website at www.gwinnettcountry.com.

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

Please note:

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

When viewing this report on the website, be aware that this information is only accurate as of June 30, 2010, and may not reflect the County's financial status as of the viewing date. Please contact the Department of Financial Services if you need additional information.

financial developments

Bond Defeasance

Through a collaborative effort between Gwinnett County, the Gwinnett Development Authority, and Gwinnett Clean and Beautiful Services, revenue bonds in the amount of \$14,495,000 were issued in fall 2008 to construct a Recovered Materials Processing Facility as part of the Solid Waste Plan. The plan at that time included mandatory recycling. Due to unplanned circumstances in 2009, the facility construction was placed on hold until a new Solid Waste Plan was implemented. The new plan went into effect on July 1, 2010 and did not include mandatory recycling. Therefore, the County chose not to construct the facility and proceeded with a cash defeasance of the bonds.



economic trends

gwinnett county initial unemployment claims (monthly average) *(figure 1)*

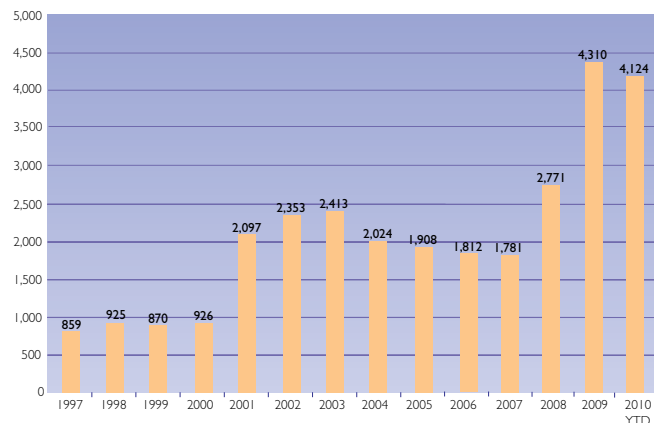
Tax Digest

In late July to early August of 2009, the County sought and obtained a Temporary Collection Order to bill and collect ad valorem taxes needed to fund the continued operations of the County. On December 1, 2009, the County approved the final millage rate, representing an increase of 2.28 mills over the amount used for the Temporary Collection Order. The tax bills for the increase in the 2009 millage rate were issued in March 2010. This one-time revenue billing generated more than \$50 million for the General Fund and more than \$5 million for the Recreation Fund. Due to the condition of the housing market, Gwinnett County's tax digest (40 percent assessed value) decreased by more than \$3 billion in 2010. While the County has benefitted from the increased millage rate and the one-time billing in 2010, the ad valorem digest is projected to continue to decline.

The Gwinnett County Index of Leading Economic Indicators fell 1.6 percent in June as all four of the indicators deteriorated. After a 12-month rally, the Leading Index fell below the 12-month moving average. This index is designed to forecast the County's economic performance six to nine months in advance. Being consistently above or below this average signals that the economy is headed in one direction or the other six to nine months in the future. Anecdotal evidence suggests the recovery in the Leading Index is likely unsustainable as nationwide concern that the economy will "double dip" back into a recession grows.

Of the four Leading Index indicators, the single largest contributor to the index decrease was consumer expectations, which dropped 23.4 percent during the month. Compared to the same month a year earlier, consumer expectations are down about 12 percent.

Initial unemployment claims is another component that factored heavily into the monthly decrease. Initial claims rose 13.2 percent in June over May to a level of 4,568 (seasonally adjusted). Relative to June 2009, initial claims improved by approximately 10 percent. **Figure 1** shows that the 2010 year-to-date monthly average of initial claims is slightly lower than in 2009. But until more jobs are created, the weak labor situation will continue to be an impediment to any potential recovery and its effect will ripple throughout the economy.





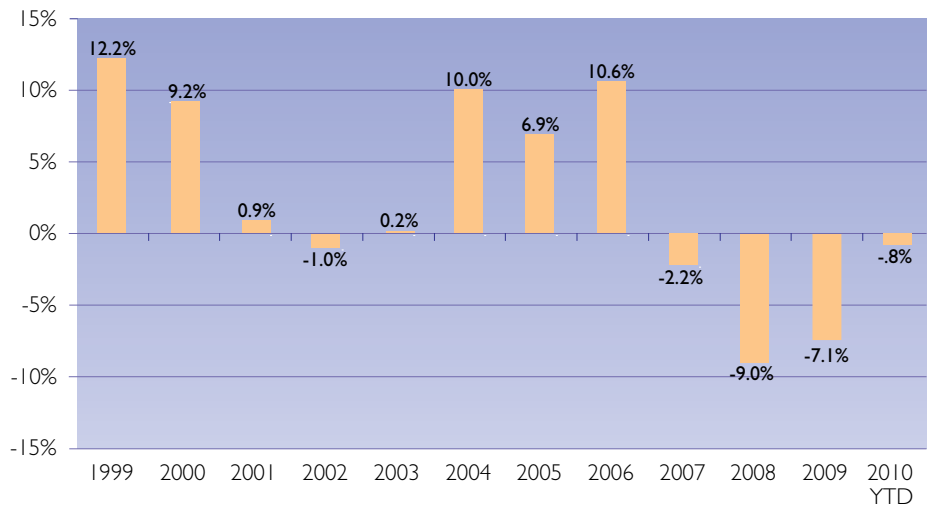
mid-year report for the six months ended June 30 (unaudited) • 2010

The Current Index, designed to track the recent state of the Gwinnett County economy, increased 2.0 percent for the 12 months ending April 2010. After 30 consecutive months below the 12-month moving average, the Current Index has not been consistently above or below the four-month moving average indicating the beginning of a flat trend line.

Ironically, the main driver of the increase in the Current Index was consumer confidence, which increased 87.1 percent over the same month a year ago and is up 48.3 percent from March 2010. So despite being skeptical of the future, consumers' apprehension about the current state of the economy is gradually beginning to dissipate. However, readings are still quite low by historical standards.

This positive progression of consumers' feelings toward the current economic situation also helps explain, in part, a monthly increase of 2.5 percent in sales tax collections in March 2010 and a year-over-year increase of 12.6 percent (seasonally adjusted). Sales tax collections are still 0.8 percent behind 2009 levels for the year, but we expect to see a slight growth in collections at year-end. **(Figure 2)**

**gwinnett county
SPLOST
(Y-Y change in
monthly collections)
(figure 2)**



The Gwinnett County Economic Indicators reports are online at www.gwinnettcountry.com located under Departments>Planning & Development>Economic Analysis.

fund financials

General Fund

Fund Balance increased \$65 million or 56 percent since June 30, 2009. Total assets increased \$98 million or 67 percent over FY 2009.

- Cash and cash equivalents increased primarily due to additional property taxes billed in March 2010 with a due date of May 2010 per an approved millage increase in December 2009
- Taxes receivable increased primarily because the 2010 tax billing was approximately \$20 million more than 2009



**general fund:
mid-year report
balance sheet**

- Due from other governments and deferred revenue increased due to an accrual for insurance premiums taxes to be collected in October. This was not included as an accrual as of June 30, 2009
- Other accrued liabilities increased due to timing in payroll postings for contributions

June 30, 2010 and 2009		
	Unaudited	
Balance Sheet	6/30/10	6/30/09
Assets		
Cash, cash equivalents, and investments	\$ 41,529,744	(9,674,728)
Receivables, net of allowance:		
Taxes	162,966,151	139,168,260
Accounts	15,039,293	15,276,848
Due from other governments	23,057,924	-
Inventories	1,380,993	1,302,051
Prepaid items	549,564	707,269
Total Assets	\$ 244,523,669	146,779,700
Liabilities		
Accounts payable	\$ 23,733,484	17,743,728
Other accrued	9,342	4,022
Due to others	384,848	301,823
Deferred revenue	39,254,403	12,635,332
Total Liabilities	\$ 63,382,077	30,684,905
Fund Balance		
Reserved	\$ 1,930,557	2,009,320
Unreserved, designated for operating stability	70,151,928	75,218,067
Unreserved, undesignated	109,059,107	38,867,408
Total Fund Balances	\$ 181,141,592	116,094,795
Total Liabilities and Fund Balances	\$ 244,523,669	146,779,700



mid-year report for the six months ended june 30 (unaudited) • 2010

Total operating revenues increased \$54 million or 25 percent over the same period in 2009 while operating expenditures decreased \$2.4 million.

Revenues

- Tax revenue increased due to a 2010 billing increase of approximately \$20 million and increased collections from the additional 2009 property tax billing
- Permits and license revenue increased due to a fee increase for permits
- Charges for services decreased due to a drop in collected fees mainly for EMS. A decrease in Medicaid/Medicare receipts for EMS services is partially due to an audit of all billings by the federal government
- Investment income declined due to a fall in short-term interest rates along with a decrease in investments held
- Miscellaneous revenue increased because the county received funds for school crossing guard services rendered by police services

Expenditures

- General government expenditures decreased primarily because of reduced salaries and wages due to retirements and reduction in force
- Public works expenditures decreased approximately \$1 million. Approximately 76 percent of the decrease is related to personal services
- Housing and development expenditures decreased due primarily to reduced salaries and wages as a result of retirements and reduction in force
- Capital outlay decreased due to the amount of weapons purchased in second quarter compared to 2009





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

For Six Months Ended June 30, 2010 and 2009		
	Unaudited	
Operating Statement	6/30/10	6/30/09
Revenues		
Taxes	\$ 234,710,026	178,223,422
Permits and licenses	3,451,385	2,845,490
Intergovernmental	1,247,672	1,380,907
Charges for services	18,319,757	21,499,492
Fines and forfeitures	5,962,161	5,828,679
Investment income	129,897	344,996
Miscellaneous	1,769,804	1,591,675
Total Revenues	\$ 265,590,702	211,714,661
Expenditures		
General government	\$ 30,743,595	32,488,265
Public safety	79,268,316	78,334,839
Judiciary	57,691,101	57,401,601
Public works	6,177,017	7,203,049
Health and welfare	9,927,110	9,935,769
Culture and recreation	14,715,448	15,227,238
Housing and development	3,991,694	4,620,235
Miscellaneous	580,644	277,403
Capital outlay	3,092	6,109
Total Expenditures	\$ 203,098,017	205,494,508
Revenues in Excess of Expenditures	\$ 62,492,685	6,220,153



mid-year report for the six months ended June 30 (unaudited) • 2010

Water and Sewerage

Net Assets are up about \$47 million or 2.2 percent since June 30, 2009.

- Cash and investments are up primarily due to the issuance of revenue bonds in the fall of 2009
- Receivables are up due to increased revenues (see Operating Statement)
- The inventories decrease is due to a policy change (removal of high turnover expendable chemicals from inventory) and improved material forecasts
- Prepaid items decreased primarily due to the clearing of materials stored on site for the Old Norcross Road project in December 2009
- Capital assets are up as a result of several large projects which include: Yellow River WRF, No Business Creek Tunnel, Water Reclamation Outfall, and the use of 2009 bond funds
- Due to others remained the same due to condemnation escrows in litigation
- The decrease in deferred revenue is related to sewer assessments. As customers are billed monthly, deferred revenue decreases and revenue increases. No new sewer assessments have been added since June 30, 2009
- Notes payable increased due to two new GEFA loans in 2009 for phase III of the No Business Creek Tunnel project and the Gas to Energy project
- Revenue bonds payable increased due to bond issues in fall 2009 offset by principal payments in August 2009
- Arbitrage payable decreased as payment was made in the fall of 2009





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



June 30, 2010 and 2009		
	Unaudited	
Statement of Net Assets	6/30/10	6/30/09
Assets		
Cash and cash equivalents	\$ 96,078,620	55,606,182
Investments	137,901,833	53,524,515
Receivables, net of allowance	30,055,425	28,823,908
Inventories	2,591,173	3,735,075
Prepaid items	579,106	898,377
Capital assets, net of accumulated depreciation	3,122,636,392	3,067,766,952
Debt issuance costs	6,106,139	2,974,107
Other assets	823,276	860,592
Total Assets	\$ 3,396,771,964	3,214,189,708
Liability and Equity:		
Accounts payable	\$ 15,362,164	16,239,336
Retainage payable	5,869,415	12,083,056
Due to others	67,538	67,538
Deferred revenue	113,591	163,449
Notes payable	49,973,171	35,703,561
Customer deposits	3,537,829	3,413,434
Accrued interest	18,753,586	14,745,597
Revenue bonds payable	1,078,083,358	952,570,098
Accumulated leave benefits	2,262,815	1,627,796
Arbitrage payable	-	1,650,308
Total Liabilities:	\$ 1,174,023,467	1,038,264,173
Net Assets		
Invested in capital assets, net of related debt	\$ 2,089,479,583	2,120,892,226
Restricted net assets	56,071,608	42,414,757
Unrestricted	77,197,306	12,618,552
Total Net Assets	\$ 2,222,748,497	2,175,925,535



mid-year report for the six months ended June 30 (unaudited) • 2010

Overall operating revenues are up \$20 million or 20 percent over the same period in 2009 while expenses are up only \$1.7 million.

Revenues

- Residential and commercial service revenue is up due to rate increases (Water 6.5 percent, Sewer 9.6 percent), a year-round, three-tier system to promote conservation, and sewer base charges effective July 1, 2009
- Wholesale revenue is down due to consumption decreases in Braselton and Auburn
- Fire protection revenue is up due to a rate increase effective September 1, 2009
- Connection charge revenue is up due to an increase in development in previously dormant subdivisions
- Intergovernmental revenue is up due to subsidized GEFA loans and Recovery Zone Bonds issued in 2009

Expenses

- General and administrative expenses are up due primarily to an increase in bad debt expense. Bad debt expense has increased as a result of the current state of the economy and increased rates

water and
sewerage fund:
mid-year report
operating statement



For Six Months Ended June 30, 2010 and 2009		
	Unaudited	
Operating Statement	6/30/10	6/30/09
Operating Revenues		
Residential and commercial service	\$ 107,996,743	92,857,437
Wholesale service	4,314,578	4,583,697
Public fire protection charges	331,706	229,056
Connection charges	268,935	121,331
Intergovernmental	4,084,648	-
Miscellaneous	2,790,851	1,765,996
Total Operating Revenues	\$ 119,787,461	99,557,517
Operating Expenses		
Water production	\$ 7,773,560	8,450,149
Distribution and collections	12,859,183	12,024,439
Engineering	2,477,163	2,843,161
Reclamation	12,880,982	13,099,071
Depreciation and amortization	32,002,117	31,949,522
General and administrative	10,419,703	8,330,747
Total Operating Expenses	\$ 78,412,708	76,697,089
Operating Income	\$ 41,374,753	22,860,428



tourism fund:
balance sheet



Tourism Fund

Cash and cash equivalents are down almost \$1 million since June 30, 2009, due to hotel motel tax revenues being down in 2009. Also, \$648,000 was used for the Civic Center parking deck in September 2009.

June 30, 2010 and 2009		
	Unaudited	
Balance Sheet	6/30/10	6/30/09
Assets		
Cash and cash equivalents	\$ 2,960,656	3,908,978
Receivables, net of allowance		
Accounts Receivable	518,154	441,987
Total Assets	\$ 3,478,810	4,350,965
Liabilities		
Accounts payable	\$ -	-
Fund Balance		
Unreserved, designated for, reported in Tourism (parking deck)	\$ 1,065,045	1,782,479
Unreserved, undesignated, reported in Special revenue funds	2,413,765	2,568,486
Total Fund Balances	\$ 3,478,810	4,350,965
Total Liabilities and Fund Balances	\$ 3,478,810	\$4,350,965



mid-year report for the six months ended June 30 (unaudited) • 2010

**tourism fund:
operating statement**

Revenues are up slightly compared to the first six months of 2009 due to increased Hotel/Motel tax collections. Expenditures are down slightly because payments to the Gwinnett Convention and Visitors Bureau (GCVB) are based on a percentage of projected Hotel/Motel tax collections, and are paid in advance at the beginning of each quarter. Projections were conservative for 2010 due to the economy. At year-end, payments to the GCVB will be adjusted to a percentage of actual Hotel/Motel tax collections.

For Six Months Ended June 30, 2010 and 2009		
Operating Statement	Unaudited	
	6/30/10	6/30/09
Revenues		
Taxes	\$ 2,955,977	2,703,955
Investment income	271	268
Miscellaneous	357	-
Total Operating Revenues	\$ 2,956,605	2,704,223
Expenditures		
General government	\$ 64	-
Tourism GCVB payment	732,670	1,104,958
Development Authority – debt service	1,481,980	1,498,613
Total Expenditures	\$ 2,214,714	2,603,571
Revenues in Excess of Expenditures	\$ 741,891	100,652



Stadium Fund

Fund Balance decreased by about \$225,000 since June 30, 2009, due primarily to a decline in motor vehicle rental tax collections and the debt service payment made in fall 2009. In February 2010, naming rights for the stadium were sold in a 16-year arrangement with Cool-ray Heating and Cooling. The County’s share of the naming rights contract will be approximately \$4.7 million over the life of the contract.

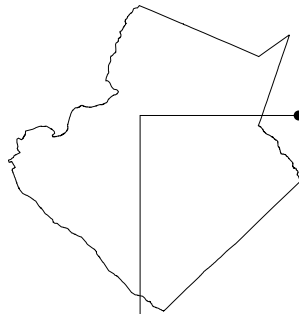


**stadium fund:
balance sheet**

June 30, 2010 and 2009		
	Unaudited	
Balance Sheet	6/30/10	6/30/09
Assets		
Cash and equivalents	\$ 1,018,046	1,317,109
AR-Other	74,033	-
Total Assets	\$ 1,092,079	1,317,109
Liabilities		
Accounts payable	-	-
Total Liabilities	-	-
Fund Balance:		
Unreserved, undesignated, reported in Special revenue fund	\$ 1,092,079	1,317,109
Total Fund Balances	\$ 1,092,079	1,317,109
Total Liabilities and Fund Balances	\$ 1,092,079	1,317,109

**stadium fund:
operating statement**

For Six Months Ended June 30, 2010 and 2009		
	Unaudited	
Operating Statement	6/30/10	6/30/09
Revenues		
Taxes	\$ 393,114	407,500
GCVB contribution	400,000	400,000
Investment income	96	105
User charges	465,250	472,342
Total Revenues	\$ 1,258,460	1,279,947
Expenditures		
Debt service	\$ 1,058,045	1,587,068
Miscellaneous	33,884	800
Total Expenditures	\$ 1,091,929	1,587,868
Revenues in Excess of (less than) Expenditures	\$ 166,531	(307,921)



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