



comprehensive annual financial report • year ended december 31, 2006

• **gwinnett** county georgia





gwinnettcounty, Georgia
Comprehensive Annual Financial Report
Year ended December 31, 2006

Prepared by:
Department of **Financial Services**
and the **Communications Division**

board of
commissioners



Charles E. **Bannister**

CHAIRMAN



Lorraine **Green**

DISTRICT 1



Bert **Nasuti**

DISTRICT 2



Mike **Beaudreau**

DISTRICT 3



Kevin **Kenerly**

DISTRICT 4



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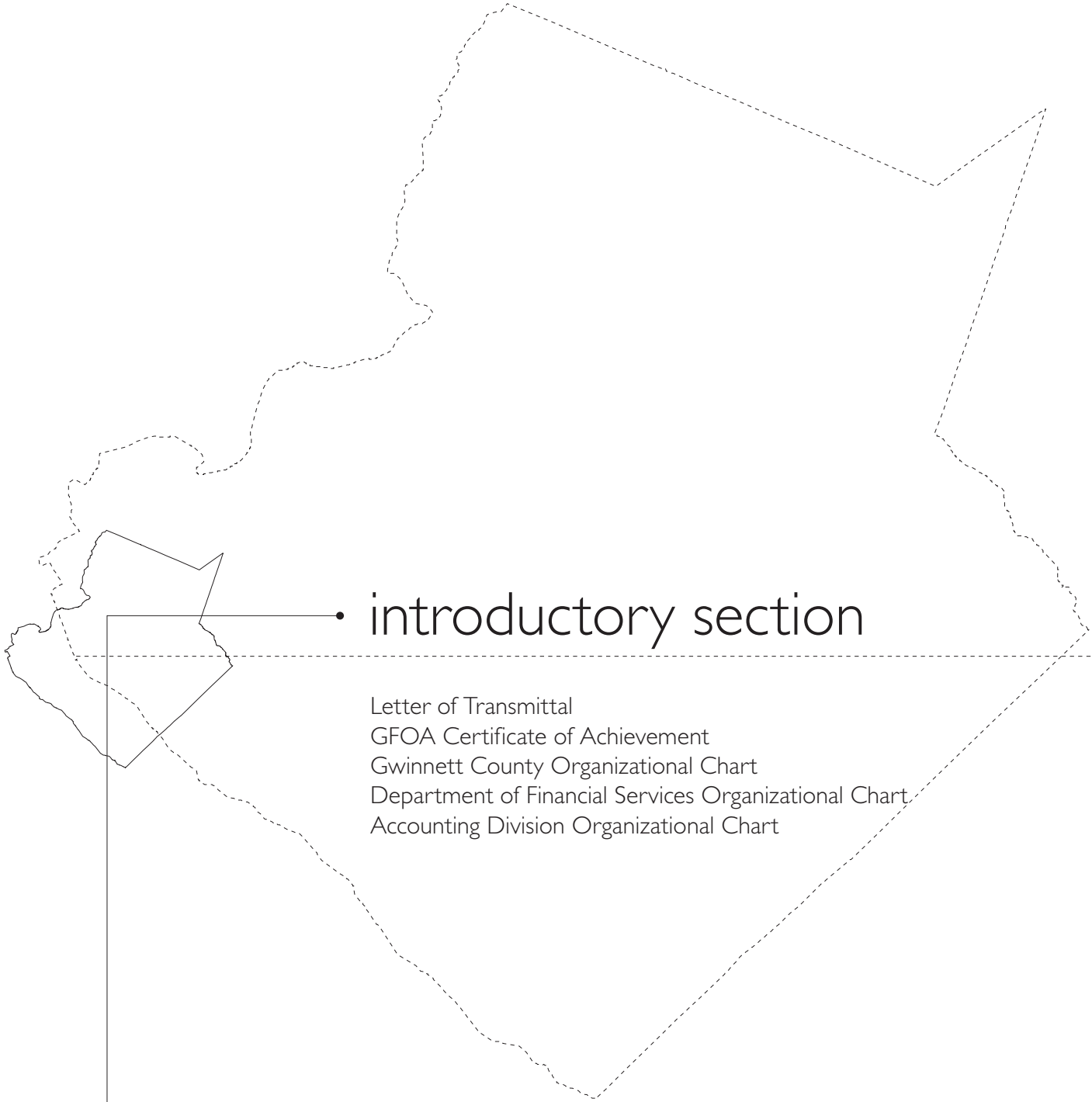
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• introductory section

- Letter of Transmittal
- GFOA Certificate of Achievement
- Gwinnett County Organizational Chart
- Department of Financial Services Organizational Chart
- Accounting Division Organizational Chart





GWINNETT COUNTY
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June 15, 2007

Citizens,
Chairman, and
Members of the Board of Commissioners

Gwinnett County, Georgia:

Again this year, I'm pleased to report that Gwinnett County is in excellent financial shape, thanks to our long-standing traditions of conservative fiscal management and solid long-term planning.

Gwinnett has continued to experience strong population growth. In fact, Gwinnett is Georgia's second-largest county and ranks 71st largest and the 69th fastest growing of all counties in the country (source: U.S. Bureau of the Census). We completed numerous infrastructure improvements in 2006, supported in part by a voter-approved fifth extension of the special purpose local option sales tax.

As Director of Financial Services, I'm pleased to continue our tradition of excellent financial reporting with this comprehensive annual report for the fiscal year ended December 31, 2006.

This report was prepared as required by both local ordinances and state statutes. It provides detailed information on how the County receives, spends, and accounts for its revenues, along with key indicators of financial strength. The County is responsible for the accuracy of the data and for the fairness and completeness of the presentation. We believe this document contains all information necessary to gain an understanding of Gwinnett County's financial activities in 2006, and that the information presented is fair and accurate in all material respects. We encourage readers to consider this transmittal letter in conjunction with the annotated financial statements and management's discussion and analysis.

The Comprehensive Annual Financial Report (CAFR) has three main sections:

- **Introduction** – includes this transmittal letter, members of the Board of Commissioners, organization charts for the County and for the financial services department, and a copy of our certificate of achievement for excellence in financial reporting
- **Financial** – contains the basic financial statements with notes, individual and combined statements and schedules for individual funds, the independent auditor's report, and management's discussion and analysis
- **Statistical** – includes selected financial and demographic information mostly presented in multi-year form

demographics

governmental structure

economic condition and outlook

Two additional sections are also included to comply with other legal requirements:

- **Single Audit** – includes the schedule of expenditures of federal and state awards, schedule of findings and questioned costs, and the independent auditor's report on internal control structure and compliance with applicable laws and regulations. We present this information in accordance with the *Single Audit Act of 1996* and the U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations.
- **Disclosure** – presents annual financial information and operating data for outstanding bond issues. The Securities and Exchange Commission's *Rule 15c 12-2* requires that municipal bond underwriters gain reasonable assurance from bond issuers that they will provide annual information and notices of material events for disclosure to the secondary bond market.

The County has various component units, which are legally separate entities but which have significant operational and/or financial relationships to the County.

- Discretely presented component units are reported in a separate column or row in the financial statements to emphasize that they are legally separate and to differentiate their financial position from those of the primary government. These units include the Gwinnett County Public Library System, the Springbrook Golf Course Commission, the Gwinnett County Health Department, and the Development Authority of Gwinnett County. Individual presentations are found in the combining statements on pages 42 and 43.
- Blended component units are in substance part of the primary government's operations and are therefore included as part of the primary government. Specifically, the Airport Authority, the Public Facilities Authority, the Recreation Authority, and the Water and Sewerage Authority are reported as part of the primary government.

Gwinnett County is the northeast gateway to the metropolitan Atlanta area, with Interstate 85 running generally north/south through the county. The county seat of Lawrenceville is a 25-minute drive from downtown Atlanta. While there are 15 incorporated municipalities within Gwinnett County's 437 square miles, the majority (80.3 percent) of Gwinnett's residents live in unincorporated Gwinnett. Gwinnett has grown rapidly for the past 30 years and continues to gain at least 25,000 new residents annually. The statistical section of this report contains more detailed demographic information.

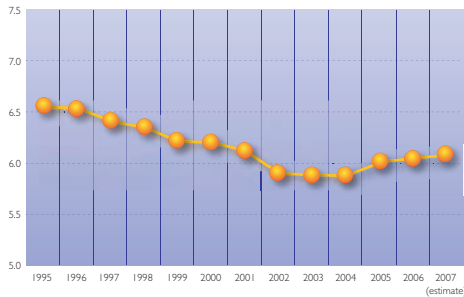
The governing authority consists of a five-member Board of Commissioners, including a full-time chairman elected at-large, and four part-time commissioners elected within districts. The County Administrator reports to the Board of Commissioners and manages the daily operations of 11 appointed operating department directors.

The County government provides traditional county services, such as road construction and maintenance and court-related functions, as well as typical municipal services such as police, fire, emergency medical, recreation, and water and sewer. Private firms provide sanitation services through franchise agreements.

Local Economy

By many different measures, Gwinnett is a prosperous and growing county. We continue to attract tens of thousands of new residents each year, drawn by the opportunities and quality of life we have to offer.

- The county's population now stands at an estimated 757,104 residents. (*Source: July 1, 2006 estimate from the U.S. Bureau of the Census*)



County Employees Per 1,000 Population

major initiatives

- Gwinnett gained more than 11,000 jobs, a growth of 3.7 percent, between 2004 and 2005, contrasted with 2.5 percent statewide, according the Georgia Department of Labor. Gwinnett had 325,053 jobs in third quarter of 2006 (latest figure available), an increase of 2.4 percent over the same quarter a year ago
- Unemployment is 3.5 percent compared to 4.0 percent statewide according the Georgia Department of Labor (March 2007)
- The net Taxable Digest of \$25.2 billion continues to grow with the real property net tax digest and the personal property net tax digest each projected to grow 6.0 percent in 2007
- Gwinnett County has rolled back the millage rate with the passage of the 1997, 2001, and 2005 SPLOST programs a total 2.0 mills. These reductions remain in effect. Combined with rollbacks to offset property value updates, the County has reduced the millage rate a total 3.65 mills since 1996 – a 24 percent reduction to the total county millage. This includes a voter-approved General Obligation Bond that required a .25 mill addition in 2003 for the recently-opened jail expansion

There is more economic information in this report under management's discussion and analysis, and at www.gwinnettcounty.com. Go to Departments > Financial Services > Economic Analysis and look for the **Gwinnett County Economic Indicators** report.

We have consistently maintained a strong financial position despite economic downturns, and we intend to continue that tradition.

This section highlights some of the major initiatives underway in 2006. More recent information and details are available in the 2006 County Budget.

Financial Services

We maintained the top Aaa/AAA ratings from all three major credit rating agencies – Fitch Ratings, Moody's Investor Services, and Standard and Poor's – for the 10th consecutive year in 2006. These ratings produce significant interest savings and are solid evidence of our financial strength and stability.

The special purpose local option sales tax was renewed by voters in 2004, with collections beginning April 1, 2005. Expected total revenues of over \$550 million are being split 84/16 percent between the County and its cities, and are earmarked for transportation, recreation, public safety, and libraries.

The total 2007 budget totals \$1.7 billion, up slightly from 2006, with the Operating budget at \$799 million. The Capital Improvement budget is \$875.9 million for 2007, with almost \$2.3 billion over the next six years (2007 – 2012). The millage rate for 2006 was reduced to 11.3 mills from 11.47 mills in 2005.

The Board of Commissioners established an office of Economic Development in 2006, which announced its first success when Hewlett Packard committed to open a new \$240-million data center in Gwinnett County.

During 2006, we assessed approximately 21,000 new lots/buildings valued at more than \$1 billion.

Planning and Development

Gwinnett issued 6,616 new single-family building permits and 1,858 commercial, office, and industrial permits in 2006. Commercial, office, and industrial permits increased by nearly 23 percent between 2005 and 2006.



The Board of Commissioners has approved three Community Improvement Districts (CIDs) in which property owners in a specific area agree to pay additional taxes. The County agrees to spend that additional revenue on improvements to the area such as street and intersection upgrades.

Gwinnett also had five Overlay Districts in 2006 to enhance the viability and livability of areas near major activity centers by achieving unified aesthetic standards and promoting alternative means of transportation.

Community Services

Ten new or improved parks opened in 2006. We broke ground for three additional new parks, and opened the award-winning Gwinnett Environmental and Heritage Center, built in partnership with the Gwinnett Public Schools and The University of Georgia.

Gwinnett's Parks and Recreation Division was a finalist in the National Recreation and Park Association's *National Gold Medal Awards*. Our award-winning greenspace preservation program added another 200 acres at six sites in 2006, and we opened two new branch libraries, bringing our total to 14 branches.

Public Safety

A new East Police Precinct opened in 2006, as well as a satellite precinct in the Peachtree Corners area. Our new state-of-the-art police training facility will open in 2007. The Pre-Trial Detention Center expansion added 1,440 beds this year, and a new building for Recorder's and Juvenile Courts opened in January 2006. The fire department added a newly relocated station, completed major renovations on another station, and broke ground for two additional new stations. Three new stations and two renovations are planned for future years.

Water Resources

The County installed 85 miles of new water mains and 112 miles of new sewer in 2006 and added 9,900 new water/sewer customers.

A major (40 mgd) expansion of the county's state-of-the-art F. Wayne Hill Water Reclamation Facility was completed in 2006 along with improvements to the Shoal Creek Water Filter Facility. Together, these projects represent a \$559 million investment. A six-year project to install high-capacity water and sewer mains in rapidly growing north Gwinnett was also completed in 2006.

Gwinnett County formed a new stormwater utility in 2006 to manage flooding, drainage, environmental, and water-quality requirements and projects.

Ongoing efforts to consolidate wastewater treatment at more efficient facilities continued throughout 2006. We are building a series of new pump stations and force mains while closing older, less-efficient plants, such as the No Business Creek Water Reclamation Facility that was decommissioned in 2006.

Support Services

Information Technology, in partnership with the Department of Financial Services, continues to implement a series of new enterprise resource and customer relationship management systems to improve the efficiency of our financial, budgeting, purchasing, human resources, utilities, property appraisal, billing, and payroll operations.





A former Wal-Mart building purchased in 2005 now houses a public health clinic, elections, and records management. The main courthouse and administration building is being reconfigured for better space utilization and increased security following the opening of a new building for Recorder's and Juvenile Courts in January.

The County's website, gwinnettcounty.com, now offers access to Geographic Information Systems data and aerial photography along with on-demand and live broadcasts of Board of Commissioners meetings.

Transportation

The County is continuing to follow its Comprehensive Transportation Plan to develop a safe and efficient, multi-modal transportation system to meet the needs of its users through 2020.

Forty months of construction began in early 2006 aimed at improving safety and traffic flow by rebuilding one of the county's major expressway interchanges: I-85 at SR 316.

Our Department of Transportation awarded over \$110 million for 57 road construction projects, compared to \$43 million for 38 projects the previous year. We resurfaced 110 miles of roads and completed 17 "quick fix" projects to relieve congestion and improve traffic safety. We are currently installing automated traffic management systems on six major thoroughfares. Land acquisition was nearly complete at year's end for the first phase of an extension of Sugarloaf Parkway to complete a critical east-west connector route across the county. In 2006, we purchased a total 355 right-of-way parcels at a cost of approximately \$12.6 million.

Ridership on Gwinnett Transit bus lines continued to rise to an average of 1,900 passengers per day on local routes and 5,100 riders on express services to Atlanta.

Human Resources

A major recruiting effort plus pay and benefit increases helped attract a record 133 new police officers and 113 new sheriff's deputies in 2006.

Our very successful Quality of Life police unit will soon be expanded with the consolidation of existing code enforcement officers from Planning and Development into the police unit.

Gwinnett County plans to add a total of 211 new employees in 2007, up from 181 last year, bringing our total to 4,797 positions. The ratio of employees per thousand residents will increase less than a tenth of one percent to 6.18. The County is also continuing to take steps to control escalating benefits and post-employment costs including employee pensions.

Maintaining and expanding the County's infrastructure – including water, sewer, recreation, transportation, criminal justice, and public safety – remains a high priority for the County. The Capital Improvement Program (CIP) captures and coordinates the needs and plans of all County departments. A five-year plan provides for current development, financing, and maintenance needs. The County also maintains a longer-term Comprehensive Plan in accordance with state requirements.

capital improvement program

financial information

Internal Controls

County management maintains internal accounting controls to ensure that the County's assets are protected from loss, theft, or misuse and that adequate accounting data allows financial statements to conform with generally accepted accounting principles. These controls provide reasonable, but not absolute, assurance of meeting our objectives, recognizing that 1) the cost of an accounting control should not exceed the likely benefit, and 2) evaluating costs and benefits requires management estimates and judgments.

Budgetary Controls

Sound financial management and legal compliance require good budget controls. State statutes require the County to operate under an annual balanced budget adopted by local resolution. Within each fund, expenditures may not legally exceed appropriations at the department level. An automated funds-availability verification process provides operational control of departmental budgets, along with an encumbrance accounting system. More details are in *Note 2* of the Notes to Financial Statements.

Financial Services is responsible for compiling an annual budget for all County funds. No later than December 1, the Chairman of the Board of Commissioners submits to the Board a proposed budget for the ensuing calendar year for each County fund. The Board reviews, meets legal requirements for advertising the budget and for holding public hearings, then adopts the annual budget at the first regularly scheduled Commission meeting of the year.

Cash Management

County funds are held in interest bearing, demand deposit and savings accounts at Wachovia Bank NA and at the Office of Treasury and Fiscal Services. Interest paid on these accounts is very short term and typically tied to the Intended Fed Funds Rate. Earnings on deposits rose during 2006. The average of rates paid on demand deposit and savings accounts rose by 1.16 percent from 4.35 percent at December 31, 2005, to 5.51 percent at December 31, 2006.

The County invests excess funds in fixed-income securities, principally with maturities of less than three years. The average rate earned on investments was 3.20 percent at December 31, 2005, and rose by 2.13 percentage points to 5.33 percent at December 31, 2006.

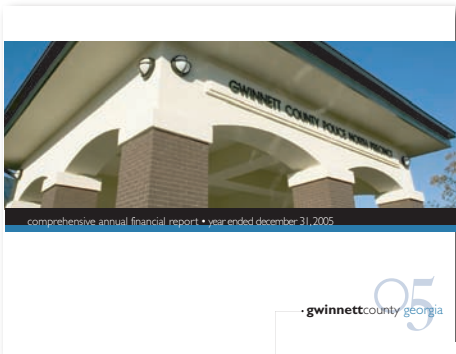
The weighted average yield for cash, cash equivalents, and investments was 4.01 percent at December 31, 2005, and rose to 5.27 percent at December 31, 2006. In dollar terms, earnings rose from \$32,012,307 in 2005 to \$54,697,000 in 2006.

Gwinnett uses a monthly mark-to-market policy. At year-end 2006, total market value across all investments was 100 percent of book value, with 72 percent of the portfolio held in cash or cash equivalents, of which 26 percent was invested with the Office of Treasury and Financial Services and 35 percent was on deposit with Wachovia Bank in demand-deposit and savings accounts. Approximately 31 percent of the portfolio was invested in United States government agency securities.

Risk Management

Financial Services' Risk Management division is responsible for developing and administering the County's risk management, safety/loss control, and employee benefit programs to provide maximum quality protection for the County's assets, employees, and the public at the lowest possible cost.

other information



Three basic strategies help fulfill this mission:

- Financial protection through self-funding
- Countywide safety program
- Expedient claims handling

The County self-funds a large portion of its exposure and buys excess insurance to cover larger, less-frequent, catastrophic losses.

Our comprehensive safety program promotes safe work environments, facilities, and operations for employees and the public.

Efficient claims handling in a professional, responsive manner is critical to meet the claimant's needs and keep claim costs as low as possible. We review and coordinate 21 benefit programs to ensure that County employees and their families have access to cost-efficient programs that are responsive to their needs.

Independent Audit

The financial statements are prepared in compliance with governmental-reporting standards issued by the Governmental Accounting Standards Board, guidelines issued by the Government Finance Officers Association of the United States and Canada, and generally accepted accounting principles applicable to government entities. Georgia requires an annual audit by an independent Certified Public Accountant. Included in the financial section is the report on the County's basic financial statements by the accounting firm of Mauldin & Jenkins, Certified Public Accountants, LLC, which the County selected through a competitive proposal process in 2004.

Mauldin & Jenkins also performed an audit of federal and state awards in accordance with the **Single Audit Act** and the Office of Management and Budget's **Circular A-133**. More information and the Mauldin & Jenkins reports are in the Single Audit Section.

Internal Audit

The County created a new Performance Analysis Division in 2006, that reports directly to the County Administrator. This new Division was created to provide more comprehensive performance measurement initiatives and efficiency analysis for the County, while still focusing on the traditional internal audit requirements. Directed by Board of Commissioners' policy, as authorized by **State of Georgia O.C.G.A Section 36-5-22.2 enacted in 1987**, the Performance Analysis Division's Internal Auditors may examine financial records and administrative procedures pertaining to any funds under the control of the Board of Commissioners, including those of elected officials.

Awards

In 2006, for the 25th consecutive year, Gwinnett County received a Certificate of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the fiscal year ending December 31, 2005. The award honors easily readable, efficiently organized, comprehensive annual financial reporting that conforms to program standards. The certificate recognizes the use of generally accepted accounting principles and meeting applicable legal requirements. The County intends to maintain and surpass this standard and to submit this and future reports to GFOA for consideration.

acknowledgements

This document is made possible by the commitment of the Financial Services staff throughout the year and especially during the annual audit and CAFR preparation. We also thank Mauldin & Jenkins for their assistance. We recognize and appreciate the willingness of each County department to work together toward common goals to benefit Gwinnett County residents.

We extend appreciation and thanks to Board Chairman Charles Bannister; to County Administrator Jock Connell, and to the members of the Board of Commissioners for their support, guidance, and advice in planning and conducting the County's financial activities in a responsible and progressive manner. Our continued solid financial position in 2006 is a tribute to their dedication.

Respectfully submitted,



Lisa Johnsa
Director of Financial Services

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Gwinnett County
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



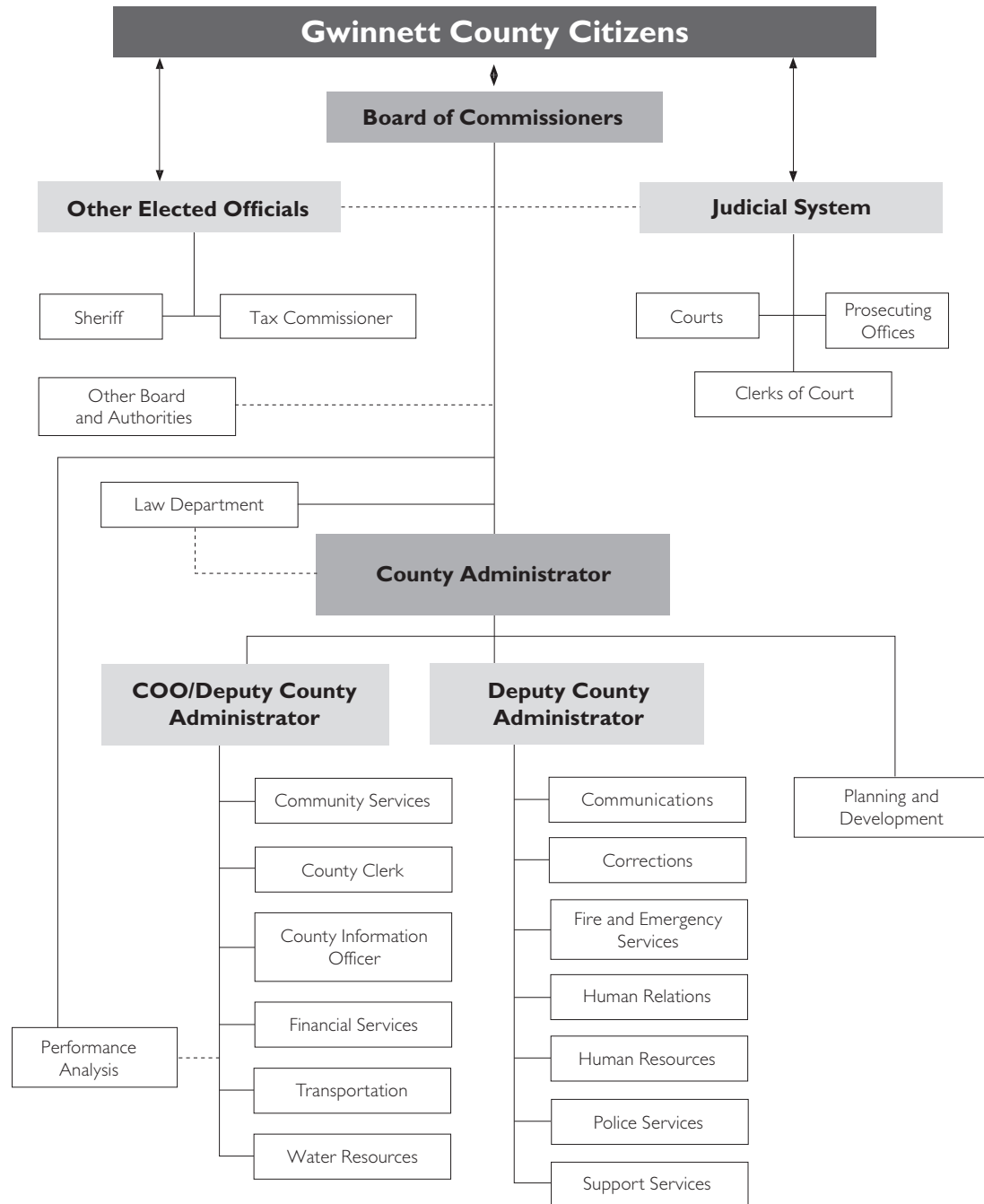
A handwritten signature in black ink, appearing to read "Thomas J. Blain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan".

Executive Director

gwinnett county organizational chart



Department Directors

County Administrator
Jock A. **Connell**

Deputy County Administrator,
COO
Michael D. **Comer**

Deputy County Administrator
Susan **Lee**

County Attorney
Karen **Thomas**

Community Services
Phil **Hoskins**, Director

Corrections
Warden James L. **Kraus**

Financial Services
Lisa **Johnsa**, Director

Fire and Emergency Services
Chief Steve **Rolader**

Human Resources
Kenneth **Poe**, Director

Planning and Development
Glenn **Stephens**, Director

Police Services
Chief Charles M. **Walters**

Support Services
Connie **Hinson**, Director

Transportation
Brian **Allen**, Director

Water Resources
Frank **Stephens**, Director

Elected Officials

Clerk of Court
Tom **Lawler**

District Attorney
Daniel J. **Porter**

Chief Magistrate Court Judge
Warren P. **Davis**

Probate Court Judge
Walter J. **Clarke, II**

Sheriff
R.L. "Butch" **Conway**

Solicitor
Rosanna **Szabo**

Tax Commissioner
Katherine **Sherrington**

State Court Judges
Robert W. **Mock, Sr.**, Chief
Judge
Pamela D. **South**
Joseph C. **Iannazzone**
Carla E. **Brown**
Randolph G. **Rich**
John **Doran, Jr.**

Superior Court Judges
K. Dawson **Jackson**, Chief Judge
Richard T. **Winegarden**
Michael C. **Clark**
Melodie **Snell Conner**
Debra K. **Turner**
William M. **Ray, III**
R. Timothy **Hamil**
Ronnie K. **Batchelor**
Tom **Davis**

Judicially Appointed Officials

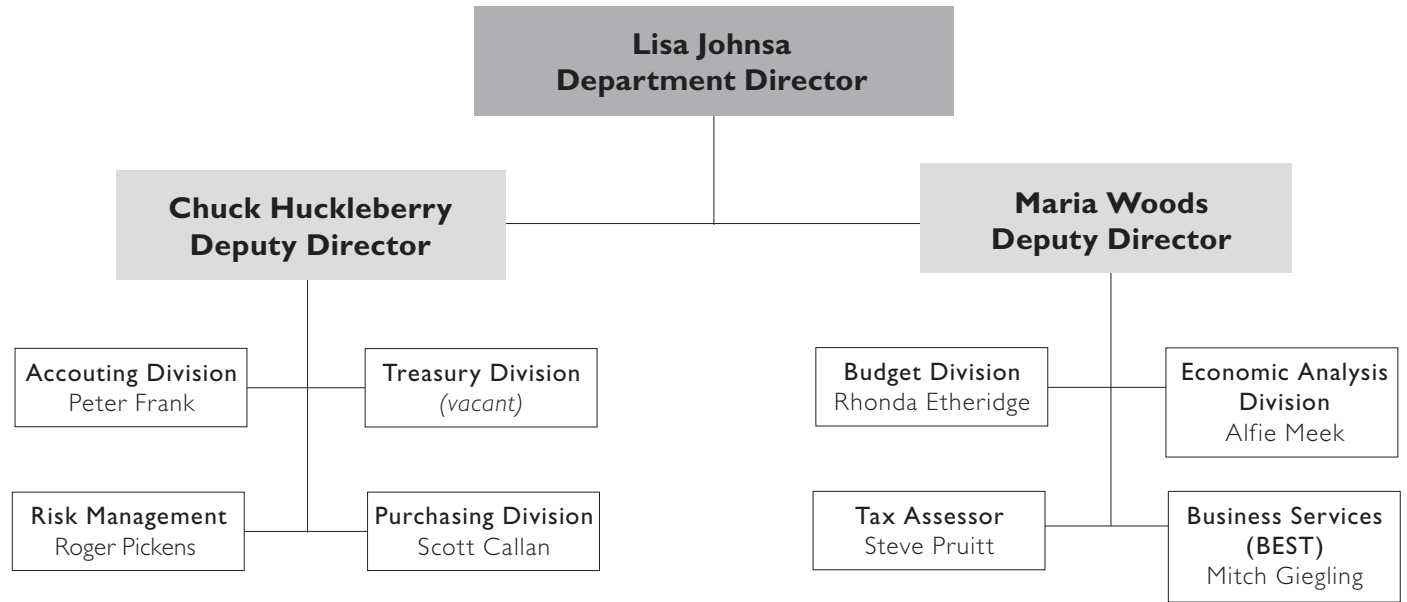
Juvenile Court Judges
Robert V. **Rodatus**, Chief Judge
Stephen E. **Franzén**
Phyllis **Miller**

Recorder's Court Judges
Robert S. **Jones**, Chief Judge
Michael **Greene**
Patti **Muise**
Clerk of Recorder's Court
Jeff C. **West**

Court Administrator
Philip M. **Boudewyns**

**financial services
organization chart**

DEPARTMENT OF FINANCIAL SERVICES

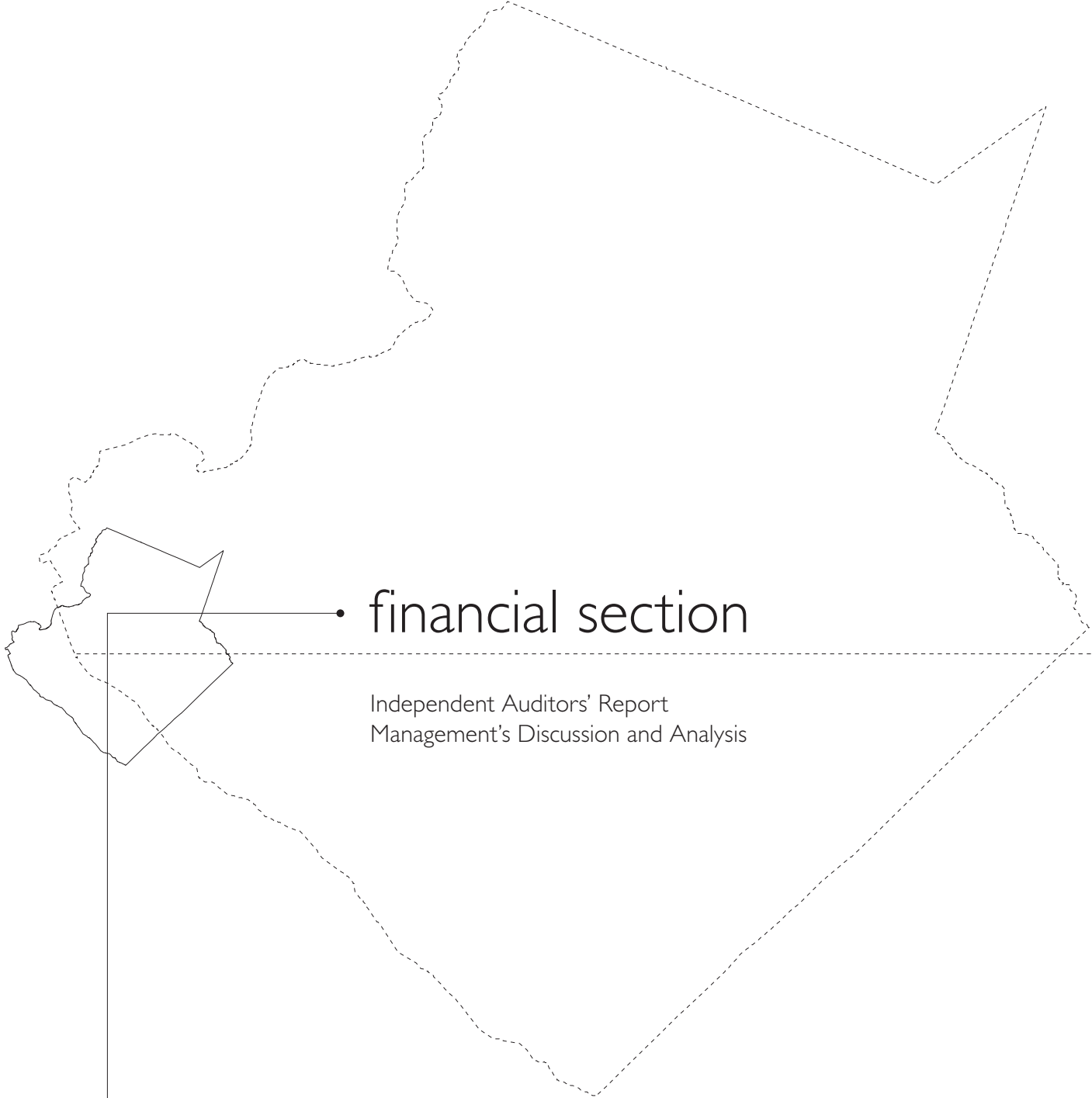


accounting division

Peter **Frank**, Director
Laurie **Bohon**, Accounting Manager
Donna **Buhler**, Accounting Manager

Deirdre **Diggs**, Financial Analyst
Cheryl **Dyer**, Financial Analyst
Michele **Eckhardt**, Financial Analyst
Cindy **Knapp**, Financial Analyst
Kristy **Rott**, Financial Analyst
Hassan **Saudin**, Financial Analyst
Alisha **Voutas**, Financial Analyst

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• financial section

Independent Auditors' Report
Management's Discussion and Analysis



INDEPENDENT AUDITORS' REPORT

The Board of Commissioners Gwinnett County, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Gwinnett County, Georgia** (the County) as of and for the year ended December 31, 2006, which collectively comprise the County'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 Gwinnett County Board of Health, which represents 10% and 44%, respectively, of the assets and revenue of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gwinnett County Board of Health, is based on the report 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gwinnett County, Georgia, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

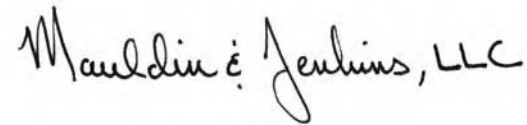
200 GALLERIA PARKWAY S.E., SUITE 1700 • ATLANTA, GA 30339-5946 • 770-955-8600 • 800-277-0080 • FAX 770-980-4489 • www.mjcpa.com

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2007 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedule of Funding Progress (on pages 17 through 29 and page 83, respectively) 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 the 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 the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, statistical section, disclosure section, and the accompanying Schedule of Expenditures of Federal and State Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal and State Awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, statistical, and disclosure sections 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.



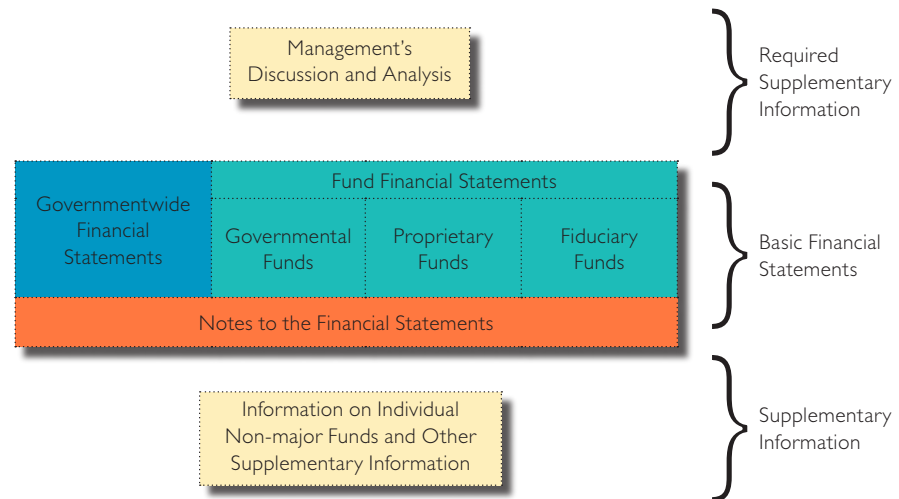
Atlanta, Georgia
June 13, 2007

management's discussion and analysis

overview of the financial statements

As management of Gwinnett County, Georgia, we offer readers of Gwinnett County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2006. This discussion is intended to: 1) assist the reader in understanding significant financial issues; 2) provide an overview of the County's financial activities; 3) identify changes in the County's financial position; 4) identify material deviations from the original budget; and 5) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

This is the fourth Comprehensive Annual Financial Report (CAFR) Gwinnett County has issued under the Governmental Accounting Standards Board (GASB) Statement N^o. 34. Because the presentation is very different from pre-GASB 34 CAFRs, we are providing the following illustration:



The County's basic audited financial statements are comprised of three components: 1) governmentwide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This section also contains other supplementary information in addition to the basic financial statements themselves.

Governmentwide financial statements. The governmentwide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector business reporting. All governmental and business-type activities are combined to arrive at a total for the Primary Government. There are two governmentwide 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 (for all fund types except fiduciary), 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 com-

bines the governmental fund's current financial resources (short-term) with capital assets and long term liabilities. The reader should recall that prior to the implementation of GASB Statement 34, capital assets and long term liabilities were excluded from an entity's balance sheet and instead presented within the General Fixed Asset and General Long Term Debt Account Groups.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. The format of this statement is very different from a traditional "income statement." The format is intended to portray the extent to which governmental activities are funded by taxes and the extent to which business-type activities are supported by the revenues they generate. The statement presents all underlying events giving rise to the changes in net assets, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Each of the governmentwide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, police services, correctional services, fire and emergency services, judiciary, transportation, community services, community development, parks and recreation, library, tourism, and development authority. The business-type activities of the County include Water and Sewer, Airport, Solid Waste, Stormwater, and Transit.

The governmentwide financial statements include Gwinnett County itself (known as the primary government), the Springbrook Golf Course Commission, the Public Library System, the Gwinnett County Health Department, and the Gwinnett County Development Authority. These legally separate entities are designated as 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 Water and Sewer Authority, the Airport Authority, and the Recreation Authority, although also legally separate, operate in some ways similarly to departments of the County, and therefore are included as integral parts of the primary government.

The governmentwide financial statements can be found on pages 31 – 32 of this report. The component unit combining statements are on pages 42 – 43.

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. Gwinnett 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 Gwinnett County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmentwide financial statements. However, unlike the governmentwide 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 more limited than that of the governmentwide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmentwide 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 (in the governmentwide financial statements).

The County maintains separate governmental funds to account for the following activities: General; Special Revenue (Street Lighting, Speed Hump, Sheriff Special Operations, Police Special Investigation, Crime Victim Assistance, Corrections Inmate Welfare, Sheriff Inmate Store, E-911, Recreation District, Grant, and Tourism); Capital Projects (1992 Sales Tax, 1997 Sales Tax, 2001 Sales Tax, 2005 Sales Tax, 2003 General Obligation Bonds Construction, and Other Capital Projects); and Debt Service. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Other Capital Projects, 1997 Sales Tax, 2001 Sales Tax, and 2005 Sales Tax funds, all of which are considered to be major funds. Data from the other (non-major) governmental funds are combined into a single, aggregated column.

Gwinnett County adopts an annual appropriated budget for its general, special revenue, debt service, and capital projects funds. A budgetary comparison statement has been provided for the General Fund. This statement is found on page 37. The basic governmental fund financial statements can be found on pages 33 – 37.

Proprietary funds. Gwinnett County maintains two different types of proprietary funds. Enterprise funds are used to account for quasi-business functions where revenues typically come from charges or fees (gallons of water used, airport rental, etc.) rather than taxes. The County uses enterprise funds to account for its Water and Sewer, Airport, Solid Waste, Stormwater, and Transit activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its group insurance, risk management, fleet activities, and auto liability. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the governmentwide financial statements.

Proprietary funds provide the same type of information as the governmentwide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water and Sewer and Stormwater, which are considered to be major funds of the County.

The basic proprietary fund financial statements can be found on pages 38 – 40 of this report.

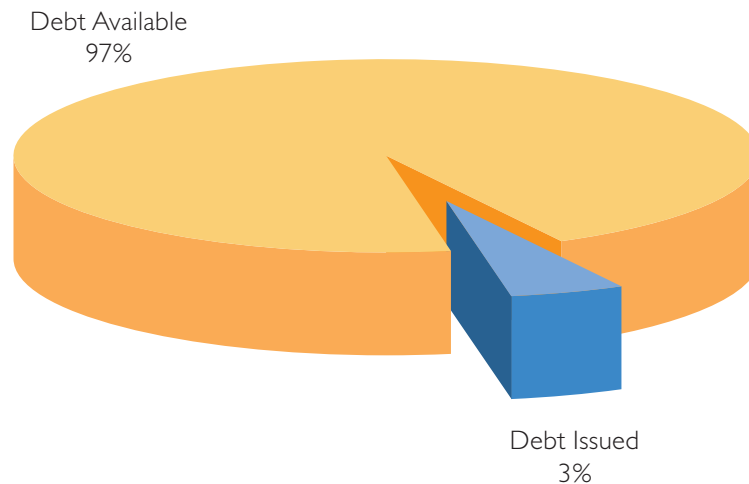
Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the governmentwide financial statements because the resources of those funds are not owned by or available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Gwinnett County maintains seven fiduciary funds, called agency funds for Tax Commissioner, Clerk of the Courts, Recorder's Court, Sheriff, Probate Court, Juvenile Court, and Corrections Inmate. The agency funds are presented in total, in one column in the Statement of Assets and Liabilities on page 41.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the governmentwide and fund financial statements. The notes to the financial statements can be found on pages 45 – 82 of this report.

financial highlights

- Gwinnett County's assets exceeded its liabilities at December 31, 2006, by \$4,969,336,000 (net assets). Of this amount, \$440,638,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of December 31, 2006, the County's governmental funds reported combined ending fund balances of \$742,919,000, a decrease of \$51,749,000 in comparison with the prior year. Of this amount, \$723,033,000 remains in the various funds as unreserved.
- At December 31, 2006, the County's General Fund reported a fund balance of \$148,356,000; an increase of \$15,215,000 or 11 percent from last fiscal year. The key factor in this increase was due to tax revenue growing faster than general fund expenditures.
- Gwinnett County's total long-term bonds decreased by \$32,563,000 during the current fiscal year. The key factor in this decrease was the net retirement of \$30 million in revenue bonds for the Water and Sewer Authority.

**Percentage of Legal Debt Limit Used
(FY 2006)**



governmentwide financial analysis

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. In the case of Gwinnett County, assets exceeded liabilities by \$4,969,336,000 at the close of the most recent fiscal year. This represents an increase of \$286,846,000 or six percent from fiscal year 2005.

Gwinnett County's Net Assets (in thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|-------------------------|--------------|--------------------------|--------------|--------------------------|--------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current and other assets | \$ 1,006,398 | \$ 1,041,898 | \$ 318,169 | \$ 320,438 | \$ 1,324,567 | \$ 1,362,336 |
| Capital assets | 1,758,917 | 1,592,619 | 3,033,497 | 2,900,161 | 4,792,414 | 4,492,780 |
| Total assets | 2,765,315 | 2,634,517 | 3,351,666 | 3,220,599 | 6,116,981 | 5,855,116 |
| Long-term liabilities outstanding | 204,754 | 217,367 | 811,314 | 836,666 | 1,016,068 | 1,054,033 |
| Other liabilities | 75,900 | 70,604 | 55,677 | 47,989 | 131,577 | 118,593 |
| Total liabilities | 280,654 | 287,971 | 866,991 | 884,655 | 1,147,645 | 1,172,626 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 1,580,183 | 1,398,909 | 2,257,189 | 2,155,024 | 3,837,372 | 3,553,933 |
| Restricted | 666,243 | 721,891 | 25,083 | 26,364 | 691,326 | 748,255 |
| Unrestricted | 238,235 | 225,746 | 202,403 | 154,556 | 440,638 | 380,302 |
| Total net assets | \$ 2,484,661 | \$ 2,346,546 | \$ 2,484,675 | \$ 2,335,944 | \$ 4,969,336 | \$ 4,682,490 |

By far the largest portion of the County's net assets (77 percent) at December 31, 2006, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. 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 are not planned to be used to liquidate these liabilities.

An additional portion of the County's net assets (14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$440,638,000) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the 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 and business-type activities. Growth in net assets is an indication the County's financial position has improved over 2005.

gwinnett county's changes in net assets (in thousands)

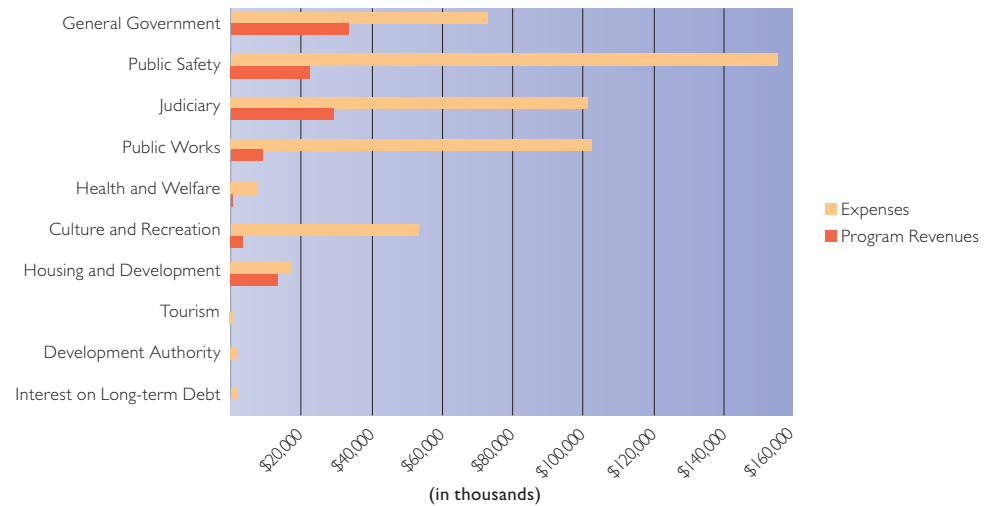
GWINNETT COUNTY'S CHANGES IN NET ASSETS (in thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|-------------------------|--------------------|--------------------------|--------------------|--------------------------|--------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$94,628 | \$93,785 | \$198,332 | \$182,273 | \$292,960 | \$276,058 |
| Operating grants and contributions | 17,039 | 13,231 | 2,506 | - | 19,545 | 13,231 |
| Capital grants and contributions | 17,726 | 18,246 | 124,225 | 191,836 | 141,951 | 210,082 |
| General revenues: | | | | | | |
| Property taxes | 304,215 | 277,441 | - | - | 304,215 | 277,441 |
| Sales taxes | 155,941 | 140,972 | - | - | 155,941 | 140,972 |
| Other taxes | 40,239 | 39,576 | - | - | 40,239 | 39,576 |
| Investment income | 41,055 | 24,561 | 13,642 | 5,694 | 54,697 | 30,255 |
| Other | 6,077 | 3,735 | 7,304 | 2,585 | 13,381 | 6,320 |
| Total revenues | 676,920 | 611,547 | 346,009 | 382,388 | 1,022,929 | 993,935 |
| Expenses | | | | | | |
| General government | 72,728 | 65,846 | - | - | 72,728 | 65,846 |
| Public safety | 154,775 | 142,928 | - | - | 154,775 | 142,928 |
| Judiciary | 105,891 | 89,671 | - | - | 105,891 | 89,671 |
| Public works | 106,270 | 74,006 | - | - | 106,270 | 74,006 |
| Health and welfare | 7,408 | 7,495 | - | - | 7,408 | 7,495 |
| Culture and recreation | 54,967 | 44,069 | - | - | 54,967 | 44,069 |
| Housing and development | 15,004 | 17,244 | - | - | 15,004 | 17,244 |
| Tourism | 2,208 | 1,940 | - | - | 2,208 | 1,940 |
| Development authority | 2,251 | 2,182 | - | - | 2,251 | 2,182 |
| Miscellaneous | - | 4,676 | - | - | - | 4,676 |
| Interest on long-term debt | 2,128 | 2,397 | - | - | 2,128 | 2,397 |
| Water and sewerage | - | - | 172,985 | 156,557 | 172,985 | 156,557 |
| Airport | - | - | 1,940 | 1,716 | 1,940 | 1,716 |
| Solid waste | - | - | 425 | 347 | 425 | 347 |
| Stormwater | - | - | 24,728 | 22,617 | 24,728 | 22,617 |
| Transit | - | - | 12,375 | 13,719 | 12,375 | 13,719 |
| Total expenses | 523,630 | 452,454 | 212,453 | 194,956 | 736,083 | 647,410 |
| Increase in net assets before transfers | 153,290 | 159,093 | 133,556 | 187,432 | 286,846 | 346,525 |
| Transfers | (15,175) | (19,855) | 15,175 | 19,855 | - | - |
| Increase in net assets | 138,115 | 139,238 | 148,731 | 207,287 | 286,846 | 346,525 |
| Net assets – January 1 | 2,346,546 | 2,207,308 | 2,335,944 | 2,128,657 | 4,682,490 | 4,335,965 |
| Net assets – December 31 | \$2,484,661 | \$2,346,546 | \$2,484,675 | \$2,335,944 | \$4,969,336 | \$4,682,490 |

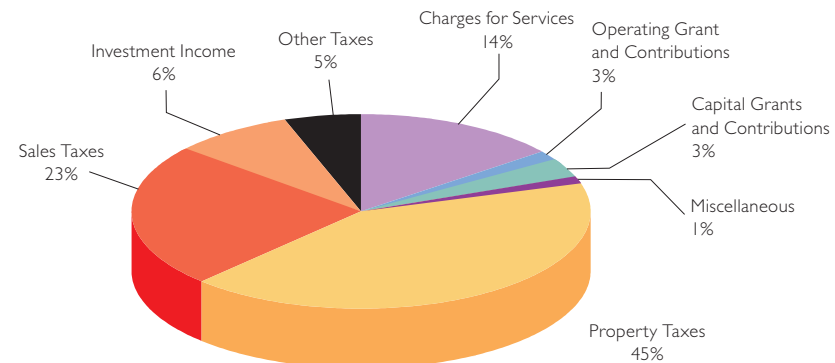
Governmental activities. Governmental activities increased the County's net assets by \$138,115,000 thereby accounting for 48 percent of the total growth in net assets.

- Revenue increased due to a 13 percent increase in the property tax digest (resulting in a \$26.8 million increase in tax revenue); increased sales tax collections (\$15 million) and increased return on investments (\$16.5 million)
- General government expenses increased \$6.9 million due to increased personnel costs, expanded IT support, and a new economic development unit
- Public safety costs increased \$11.8 million due to the addition of new positions in Police and Fire
- Judiciary expenses increased \$16.2 million due to expansion of the jail and rising inmate medical care costs
- Culture and recreation expenses increased \$10.9 due to the addition of new parks

Expenses and Program Revenues – Governmental Activities (FY 2006)



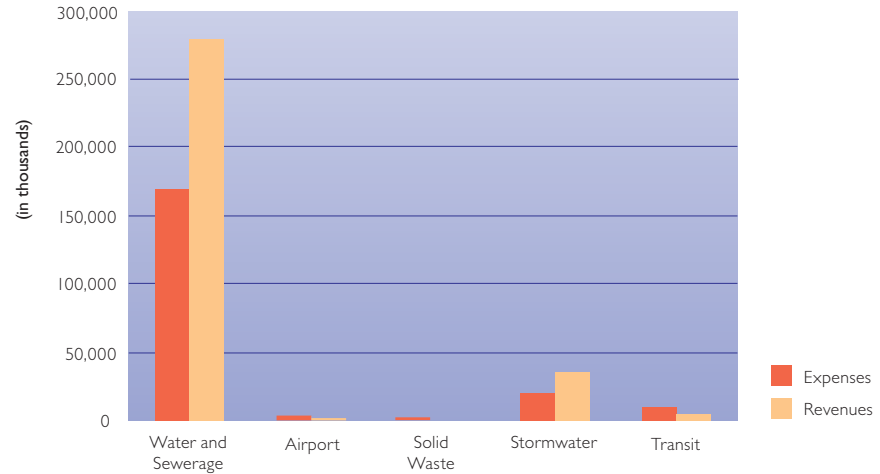
Revenue by Sources – Governmental Activities FY 2006



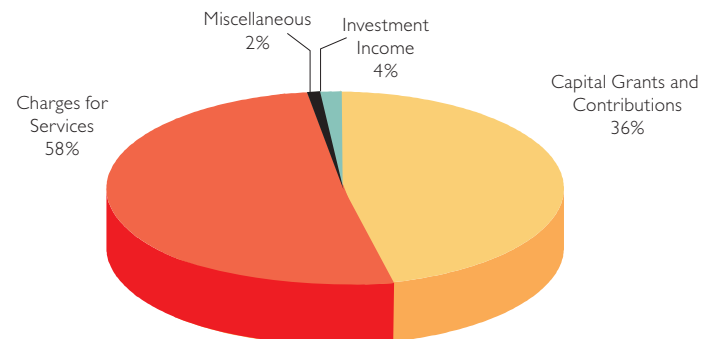
Business-type activities. Business-type activities increased the County's net assets by \$148,731,000 accounting for 52 percent of the total growth in the government's net assets. Key elements of this increase are as follows.

- The Water and Sewerage Fund reported an increase in net assets of \$122,797,000. The major contributing factors for this increase include operating income of \$43,207,000, capital contributions of \$93,105,000, (from system development fees and developer donations of capital assets), and net interest expense of \$24,800,000. Positive cash flows from operations are an integral component for expansion of the system's infrastructure assets
- The Stormwater Fund reported an increase in net assets of \$25,842,000. While the fund reported an operating loss of \$15,865,000, it was offset by net transfers in of \$9,789,000 and capital contributions of \$31,120,000
- The Transit fund reported a decrease in net assets of \$1,972,000. This fund reported an operating loss of \$7,501,000, which was offset by transfers in of \$5,363,000 interest income of \$430,000

**Expenses and Revenues – Business-Type Activities
FY 2006**



**Revenues by Source – Business-Type Activities
FY 2006**



financial analysis of the government's funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the 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.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$742,919,000, a decrease of \$51,749,000 in comparison with the prior year.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$144,441,000. 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 40.6 percent of total general fund expenditures.

The Other Capital Projects Fund accounts for the financial resources to be used for the purchase and construction of major capital facilities, other than those accounted for in specific funds. At the end of the current fiscal year, unreserved fund balance of the Other Capital Projects Fund was \$64,346,000, representing a decrease of \$24,090,000 from 2005. Expenditures exceeded revenues by \$39,383,000 which was offset by a transfer in of \$15,293,000.

The 1997 Sales Tax Fund accounts for the financial resources provided from the 1997 one percent special purpose local option sales tax. These resources, in compliance with a voter-approved initiative, must be used for road improvements, public safety, and parks and recreation. At the end of the 2006 fiscal year, the 1997 Sales Tax Fund reported an unreserved fund balance of \$91,164,000, a decrease in total fund balance of \$53,932,000 from 2005. Expenditures exceeded revenues by \$54,412,000. This decrease in fund balance is expected as the sales tax revenues for the fund ended in 2001, and expenditures are being incurred to complete capital projects.

The 2001 Sales Tax Fund accounts for the financial resources provided from the 2001 one percent special purpose local option sales tax. Such funds were approved by voter referendum for libraries, parks and recreation, public safety, and transportation projects. At the end of fiscal year 2006, the 2001 Sales Tax Fund reported an unreserved fund balance of \$170,711,000, a decrease of \$86,510,000 from 2005. Fund expenditures exceeded revenues by \$86,008,000 during 2006.

The 2005 Sales Tax Fund accounts for the financial resources provided from the 2005 one percent Special Purpose Local Option Sales Tax. Such funds were approved by voter referendum for libraries, parks and recreation, public safety, and transportation projects. At the end of the fiscal year 2006, the 2005 Sales Tax Fund reported an unreserved fund balance of \$175,916,000. Fund revenues exceeded expenditures by \$102,413,000. This increase in fund balance is typical in the early stages of a sales tax capital project fund.

The debt service fund has a total fund balance of \$21,653,000 as of December 31, 2006, all of which is reserved or designated for the payment of debt service.

Proprietary funds. The County's proprietary funds provide the same type of information found in the governmentwide financial statements, but in more detail.

general fund budgetary highlights

Unrestricted net assets of the Water and Sewerage fund at the end of the year amounted to \$170,082,000. The total growth in net assets was \$122,797,000. Other factors concerning the finances of this fund have already been addressed in the discussion of business-type activities.

Differences between the original budget and the final amended budget amount to a net decrease in budgeted expenditures of \$1,777,000 and can be summarized as follows:

- Decrease in general government activities – \$573,000
- Decrease in police services – \$783,000
- Increase in judiciary functions – \$10,596,000 (primarily due to transfer from inmate housing and medical reserves)
- Decrease in public works – \$90,000
- Decrease in correctional services – \$101,000
- Increase in fire and emergency services – \$527,000
- Decrease in community services – \$16,000
- Decrease in planning and development – \$228,000
- Net decrease in non-departmental appropriations – \$11,136,000 (Primarily due to transfer from inmate housing and medical reserves)

general fund actual expense versus budget highlights

Actual expenditures came in \$17,257,000 below budget and can be summarized as follows:

- General government under budget \$5,081,000 (due to lower service requests than budgeted)
- Public safety under budget \$1,589,000 (due to personnel vacancies versus budget)
- Judiciary under budget \$2,046,000 (due to general under-expenditures)
- Miscellaneous expenses under budget \$7,364,000 (due to unspent budgeted reserves)

capital asset and debt administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of December 31, 2006, amounts to \$4,792,414,000 net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges.

**Gwinnett County's Capital Assets
(Net of Depreciation)
(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------------|-------------------------|--------------------|--------------------------|--------------------|--------------------------|--------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Land | \$389,546 | \$358,084 | \$63,507 | \$59,852 | \$453,053 | \$417,936 |
| Improvements | 155,850 | 82,737 | 2,047,314 | 1,827,103 | 2,203,164 | 1,909,840 |
| Buildings | 463,677 | 321,209 | 556,221 | 456,683 | 1,019,898 | 777,892 |
| Equipment | 45,467 | 25,326 | 230,782 | 180,305 | 276,249 | 205,631 |
| Vehicles and motorized equipment | 21,555 | 14,401 | 13,438 | 15,074 | 34,993 | 29,475 |
| Infrastructure (roads) | 567,721 | 511,088 | - | - | 567,721 | 511,088 |
| Construction in progress | 115,101 | 279,774 | 122,235 | 361,144 | 237,336 | 640,918 |
| Total | \$1,758,917 | \$1,592,619 | \$3,033,497 | \$2,900,161 | \$4,792,414 | \$4,492,780 |

Governmental assets moved from construction in progress to the asset records during the year totaled approximately \$368 million. Major projects consisted of the following:

- Detention Center Expansion – \$77.6 million
- Gwinnett Environmental and Heritage Center – \$23.3 million
- Police Training Facility – \$21.3 million
- One Justice Square – \$15.8 million
- Recorder's Court/Juvenile Court – \$14.5 million
- Satellite Boulevard Extension – \$13.9 million
- Central Services Facility – 12 million
- Bethesda Park Expansion – 11.7 million

Business-type assets moved from construction in progress to the asset records during the year equaled approximately \$362 million. Major projects consisted of the following:

- F. Wayne Hill Water Treatment Plant – \$216.5 million
- Brook Road PS/FM – \$11.9 million
- Yellow/Sweet-Beaver Ruin PS/FM – \$8.8 million
- Shoal Creek Sewer – \$4.5 million

Additional information on the County's capital assets can be found in **Note 7** on pages 61 – 64 of this report.

Long-Term Debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$106,555,000 comprised of general obligation debt backed by the full faith and credit of the government. The County is obligated through an intergovernmental agreement for another \$810,200,000 in Water and Sewerage Authority Revenue Bonds. Debt service on these revenue bonds is paid from water and sewerage customer charges. The County is also obligated through an intergovernmental agreement for another \$8,990,000 in Recreation Authority Revenue Bonds. Debt service on these revenue bonds is paid from recreation user fees and charges. For both the Water and Sewer and the Recreation Revenue Bonds, the County would be required to pay the principal and interest on those bonds should operating revenues not be adequate. There has never been an occasion when operating revenues have not been sufficient to cover all such payments.

**Gwinnett County's Outstanding Debt
General Obligation and Revenue Bonds
(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|-----------|--------------------------|-----------|-----------|-----------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| General obligation bonds | \$106,555 | \$116,400 | \$ - | \$ - | \$106,555 | \$116,400 |
| Revenue bonds | 8,990 | 10,915 | 810,200 | 830,993 | 819,190 | 841,908 |
| Total | \$115,545 | \$127,315 | \$810,200 | \$830,993 | \$925,745 | \$958,308 |

The County's total long term bonds decreased by \$32,563,000 during the current fiscal year due to debt payouts in 2006, and defeasement of prior issued debt (see Note 8 for details).

The County maintains a Aaa/AAA credit rating from each of the three rating agencies that review public sector debt. Additional information regarding Gwinnett County's long-term debt can be found in **Note 8** on pages 65 – 72 of this report.

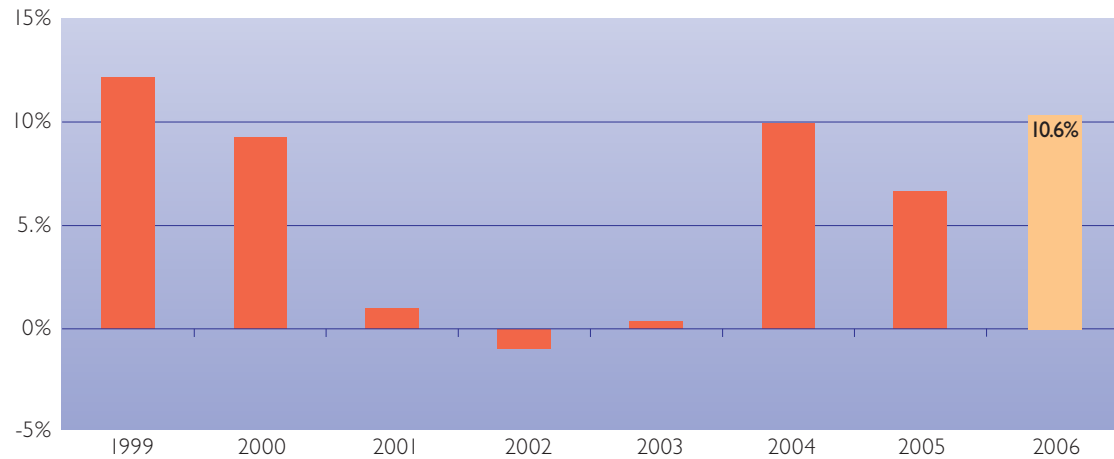
State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is \$2,517,284,000 which is significantly in excess of the County's net outstanding general obligation debt of \$84,902,000.

The economic outlook for Gwinnett County in 2006 is generally positive. Consider the following:

- SPLOST revenue grew 10.6 percent in 2006 as a result of continued pent-up demand and population growth
- The Real Property Tax Digest continues to grow. The County has rolled back the millage rate with the passage of the last two SPLOST programs a total of two mills. These reductions remain in effect and when combined with rollbacks to offset property value updates, the County has reduced the millage rate a total of 3.65 mills since 1996 – almost 24 percent of the total County millage. This includes the addition of .25 mill in 2003 for the voter-approved \$75 million in general obligation bonds to fund the jail expansion

**economic factors
and next year's
budgets and rates**

SPLOST Revenue Growth

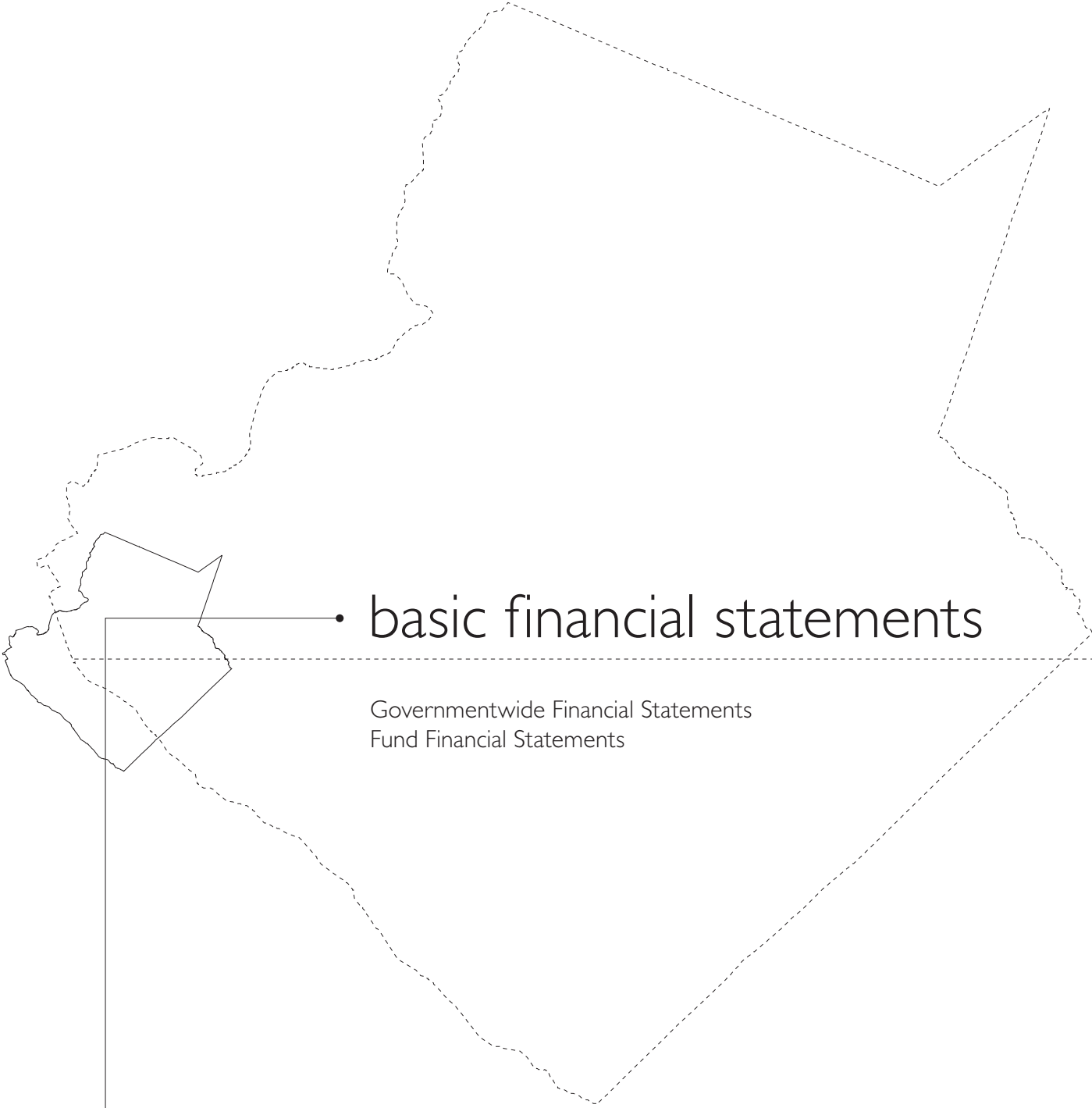


All of these factors were taken into consideration when preparing the 2007 budget. Increased health care and pension benefits costs, plus the future impact of several capital facilities are all imposing significant impacts on the County's budget. To balance these forces, the 2006 budget process has taken a careful and conservative approach to funding the County's needs.

requests for information

This financial report is designed to provide a general overview of the 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 Director of Financial Services, Gwinnett County, 75 Langley Drive, Lawrenceville GA 30045.

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- basic financial statements

Governmentwide Financial Statements
Fund Financial Statements



statement of net assets
december 31, 2006
(in thousands of dollars)

| | Primary Government | | | Component Units |
|---|-------------------------|--------------------------|------------------|-----------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 549,002 | 61,272 | 610,274 | 19,381 |
| Accrued interest receivable | - | - | - | 11 |
| Investments | 291,448 | - | 291,448 | - |
| Receivables, net of allowance | 51,392 | 28,959 | 80,351 | 759 |
| Property Taxes Receivable | - | - | - | - |
| Internal balances | (1,630) | 1,630 | - | - |
| Due from other governments | 23,798 | 860 | 24,658 | 350 |
| Due from primary government | - | - | - | 198 |
| Due from component unit | 3,310 | - | 3,310 | - |
| Inventories | 1,605 | 3,430 | 5,035 | 33 |
| Prepays | 15,421 | 1,699 | 17,120 | 29 |
| Net pension asset | 71,680 | - | 71,680 | - |
| Lease receivable from primary government | - | - | - | 63,595 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | 72,247 | 72,247 | - |
| Investments | - | 144,550 | 144,550 | - |
| Debt issuance costs | 372 | 2,587 | 2,959 | 411 |
| Other assets | - | 935 | 935 | - |
| Capital assets | | | | |
| Land and construction in progress | 504,647 | 185,742 | 690,389 | 2,895 |
| Other capital assets, net of depreciation | 1,254,270 | 2,847,755 | 4,102,025 | 2,924 |
| Total assets | <u>2,765,315</u> | <u>3,351,666</u> | <u>6,116,981</u> | <u>90,586</u> |
| LIABILITIES: | | | | |
| Accounts payable | 58,830 | 29,992 | 88,822 | 1,493 |
| Retainage payable | - | 4,418 | 4,418 | - |
| Other accrued payables | 14,218 | 1,786 | 16,004 | 602 |
| Accrued pension | 184 | - | 184 | - |
| Customer deposits | - | 6,859 | 6,859 | - |
| Accrued interest payable | 1,897 | 11,389 | 13,286 | - |
| Due to others | 573 | 735 | 1,308 | - |
| Due to other governments | - | - | - | 45 |
| Due to component units | 198 | - | 198 | - |
| Unearned revenue | - | 498 | 498 | 4,335 |
| Noncurrent liabilities: | | | | |
| Due within one year | 34,534 | 32,083 | 66,617 | 1,995 |
| Due in more than one year | 170,220 | 779,231 | 949,451 | 68,286 |
| Total liabilities | <u>280,654</u> | <u>866,991</u> | <u>1,147,645</u> | <u>76,756</u> |
| NET ASSETS: | | | | |
| Invested in capital assets, net of related debt | 1,580,183 | 2,257,189 | 3,837,372 | 678 |
| Restricted for: | | | | |
| Capital projects | 502,454 | - | 502,454 | - |
| Debt service | 21,653 | 25,083 | 46,736 | - |
| Other purposes | 142,136 | - | 142,136 | 6,948 |
| Unrestricted | 238,235 | 202,403 | 440,638 | 6,204 |
| Total net assets | <u>\$ 2,484,661</u> | <u>2,484,675</u> | <u>4,969,336</u> | <u>13,830</u> |

The notes to the financial statements are an integral part of this statement.

statement of activities year ended december 31, 2006 (in thousands of dollars)

| Functions/Programs | Expenses | Indirect Expense Allocation | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Assets | | | Component Units |
|--|--------------|-----------------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|-----------|-----------------|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | | Governmental Activities | Business-Type Activities | Total | |
| Primary Government: | | | | | | | | | |
| Governmental Activities: | | | | | | | | | |
| General government | \$ 79,604 | (6,876) | 30,991 | 1,750 | 568 | (39,419) | - | (39,419) | - |
| Public safety | 154,775 | - | 21,158 | 1,101 | 91 | (132,425) | - | (132,425) | - |
| Judiciary | 105,891 | - | 24,744 | 4,376 | - | (76,771) | - | (76,771) | - |
| Public works | 106,251 | 19 | 5,974 | 2,575 | 16,839 | (80,882) | - | (80,882) | - |
| Health and welfare | 7,408 | - | - | 255 | 33 | (7,120) | - | (7,120) | - |
| Culture and recreation | 53,921 | 1,046 | 2,895 | 254 | 100 | (51,718) | - | (51,718) | - |
| Housing and development | 15,004 | - | 8,866 | 6,728 | 95 | 685 | - | 685 | - |
| Tourism | 2,208 | - | - | - | - | (2,208) | - | (2,208) | - |
| Development Authority | 2,251 | - | - | - | - | (2,251) | - | (2,251) | - |
| Interest on long-term debt | 2,128 | - | - | - | - | (2,128) | - | (2,128) | - |
| Total Governmental Activities | 529,441 | (5,811) | 94,628 | 17,039 | 17,726 | (394,237) | - | (394,237) | - |
| Business-Type Activities: | | | | | | | | | |
| Water and Sewer | 167,586 | 5,399 | 185,505 | - | 93,105 | - | 105,625 | 105,625 | - |
| Airport | 1,869 | 71 | 628 | 681 | - | - | (631) | (631) | - |
| Solid Waste | 420 | 5 | - | - | - | - | (425) | (425) | - |
| Stormwater | 24,408 | 320 | 8,694 | 338 | 31,120 | - | 15,424 | 15,424 | - |
| Transit | 12,359 | 16 | 3,505 | 1,487 | - | - | (7,383) | (7,383) | - |
| Total Business-Type Activities | 206,642 | 5,811 | 198,332 | 2,506 | 124,225 | - | 112,610 | 112,610 | - |
| Total Primary Government | \$ 736,083 | - | 292,960 | 19,545 | 141,951 | (394,237) | 112,610 | (281,627) | - |
| Component Units | | | | | | | | | |
| | \$ 39,797 | - | 7,938 | 30,097 | 114 | - | - | - | (1,648) |
| General revenues: | | | | | | | | | |
| Property taxes | \$ 304,215 | - | - | - | - | 304,215 | - | 304,215 | - |
| Sales taxes | 155,941 | - | - | - | - | 155,941 | - | 155,941 | - |
| Other taxes | 40,239 | - | - | - | - | 40,239 | - | 40,239 | - |
| Investment income | 41,055 | 13,642 | - | - | - | 54,697 | - | 54,697 | 2,538 |
| Miscellaneous | 6,077 | 7,304 | - | - | - | 13,381 | - | 13,381 | 102 |
| Total general revenues | 547,527 | 20,946 | - | - | - | 568,473 | - | 568,473 | 2,640 |
| Transfers | (15,175) | 15,175 | - | - | - | - | - | - | - |
| Total general revenues and transfers | 532,352 | 36,121 | - | - | - | 568,473 | - | 568,473 | 2,640 |
| Change in net assets | 138,115 | 148,731 | - | - | - | 286,846 | - | 286,846 | 992 |
| Net Assets – beginning (as restated for component units) | | | | | | 2,346,546 | 2,335,944 | 4,682,490 | 12,838 |
| Net Assets – ending | \$ 2,484,661 | 2,484,675 | - | - | - | 4,969,336 | - | 4,969,336 | 13,830 |

The notes to the financial statements are an integral part of this statement.

**governmental funds
balance sheet
december 31, 2006
(in thousands of dollars)**

| | General | Other Capital Projects | 1997 Sales Tax | 2001 Sales Tax | 2005 Sales Tax | Other Governmental Funds | Total |
|---------------------------------------|-------------------|---------------------------|-------------------|-------------------|-------------------|-----------------------------|----------------|
| ASSETS: | | | | | | | |
| Cash and cash equivalents | \$ 156,174 | 48,246 | 42,375 | 56,533 | 88,132 | 76,249 | 467,709 |
| Investments | 4,997 | 22,222 | 59,847 | 126,889 | 74,282 | 131 | 288,368 |
| Receivables, net of allowance: | | | | | | | |
| Taxes | 14,768 | - | - | - | 25,516 | 1,904 | 42,188 |
| Accounts | 2,623 | 338 | 817 | 1,886 | 1,273 | 1,895 | 8,832 |
| Due from other funds | 437 | - | - | - | - | 10 | 447 |
| Due from other governments | 22,777 | - | - | - | - | 317 | 23,094 |
| Due from component unit | - | - | - | - | - | 3,310 | 3,310 |
| Inventories | 1,042 | - | - | - | - | 116 | 1,158 |
| Prepaid items | 2,873 | - | 434 | - | - | 12,111 | 15,418 |
| Total assets | <u>\$ 205,691</u> | <u>70,806</u> | <u>103,473</u> | <u>185,308</u> | <u>189,203</u> | <u>96,043</u> | <u>850,524</u> |
| LIABILITIES AND FUND BALANCES: | | | | | | | |
| Accounts payable | \$ 8,179 | 6,430 | 11,792 | 14,052 | 13,188 | 1,476 | 55,117 |
| Payroll payable | 11,376 | - | 360 | 29 | 99 | - | 11,864 |
| Other accrued | 1,507 | - | 157 | 82 | - | 608 | 2,354 |
| Accrued pension | 182 | - | - | - | - | 2 | 184 |
| Due to other funds | - | - | - | 434 | - | 3 | 437 |
| Due to others | 573 | - | - | - | - | - | 573 |
| Due to component unit | - | - | - | - | - | 186 | 186 |
| Deferred revenue | 35,518 | 30 | - | - | - | 1,342 | 36,890 |
| Total liabilities | <u>57,335</u> | <u>6,460</u> | <u>12,309</u> | <u>14,597</u> | <u>13,287</u> | <u>3,617</u> | <u>107,605</u> |
| Fund balances: | | | | | | | |
| Reserved for inventories | 1,042 | - | - | - | - | 116 | 1,158 |
| Reserved for prepaid items | 2,873 | - | 434 | - | - | 12,111 | 15,418 |
| Reserved for long-term receivable | - | - | - | - | - | 3,310 | 3,310 |
| Total reserved fund balances | <u>3,915</u> | <u>-</u> | <u>434</u> | <u>-</u> | <u>-</u> | <u>15,537</u> | <u>19,886</u> |
| Unreserved: | | | | | | | |
| Designated for special revenue funds | - | - | - | - | - | 67,022 | 67,022 |
| Designated for capital project funds | - | 64,346 | 90,730 | 170,711 | 175,916 | 317 | 502,020 |
| Designated for debt service funds | - | - | - | - | - | 9,550 | 9,550 |
| Designated for operating stability | 79,652 | - | - | - | - | - | 79,652 |
| Designated for OPEB | 10,000 | - | - | - | - | - | 10,000 |
| Undesignated | 54,789 | - | - | - | - | - | 54,789 |
| Total unreserved fund balances | <u>144,441</u> | <u>64,346</u> | <u>90,730</u> | <u>170,711</u> | <u>175,916</u> | <u>76,889</u> | <u>723,033</u> |
| Total fund balances | <u>148,356</u> | <u>64,346</u> | <u>91,164</u> | <u>170,711</u> | <u>175,916</u> | <u>92,426</u> | <u>742,919</u> |
| Total liabilities and equity | <u>\$ 205,691</u> | <u>70,806</u> | <u>103,473</u> | <u>185,308</u> | <u>189,203</u> | <u>96,043</u> | <u>850,524</u> |

The notes to the financial statements are an integral part of this statement.

reconciliation of the balance sheet to the statement of net assets governmental funds december 31, 2006 (in thousands of dollars)

| | | | |
|--|-----------------|-----------|------------------|
| Fund balances – total governmental funds | | \$ | 742,919 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | |
| Net pension asset is not recorded on the fund financial statements | | | 71,680 |
| Capital assets are not reported in fund statements | | | |
| Capital assets used in government activities are not financial resources and therefore are not reported in the government funds | 1,750,903 | | |
| Capital assets used in Internal service funds are reported in the governmental activities column of the governmentwide statement of net assets | <u>8,014</u> | 1,758,917 | |
| Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds | | | |
| Deferred issuance costs | | | 372 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds | | | |
| Revenue bonds | (8,990) | | |
| General obligation bonds payable | (106,555) | | |
| Premiums | (773) | | |
| Unamortized loss on early refunding | 807 | | |
| Lease payable to component unit | (63,595) | | |
| Accrued leave | (12,408) | | |
| Estimated claims payable | <u>(13,240)</u> | (204,754) | |
| Revenue deferred in the governmental funds due to availability criteria is susceptible to full accrual on the governmentwide statements | | | |
| Property tax | 13,637 | | |
| Insurance premium tax | 22,777 | | |
| Other | 476 | | |
| | | 36,890 | |
| Interest payable on long-term debt is not accrued in the fund statements | | | (1,897) |
| Interest payable on capital lease to component unit is not accrued in the fund statements | | | (12) |
| Internal service funds are used to charge the cost of group insurance, risk management, and fleet management services to individual funds. Assets and liabilities of these funds are included in governmental activities in the statement of net assets. | | | |
| Internal service funds net assets | 76,782 | | |
| Less capital assets already accounted for above | (8,014) | | |
| Plus accrued leave already accounted for above | 178 | | |
| Plus claims payable already accounted for above | 13,240 | | |
| Plus amount due from Enterprise Funds | <u>(1,640)</u> | 80,546 | |
| Net assets of governmental activities | | <u>\$</u> | <u>2,484,661</u> |

The notes to the financial statements are an integral part of this statement.

**governmental funds
statement of revenues,
expenditures, and
changes in fund balances
year ended december 31, 2006
(in thousands of dollars)**

| | General | Other Capital Projects | 1997 Sales Tax | 2001 Sales Tax | 2005 Sales Tax | Other Governmental Funds | Total |
|---|-------------------|---------------------------|-----------------|-------------------|-------------------|--------------------------------|-----------------|
| REVENUES: | | | | | | | |
| Taxes | \$ 305,495 | - | - | - | 155,940 | 43,298 | 504,733 |
| Permits and licenses | 23,990 | - | - | - | - | - | 23,990 |
| Intergovernmental | 4,833 | 1,188 | 3,275 | 697 | 778 | 9,518 | 20,289 |
| Charges for Services | 37,491 | - | - | - | - | 19,621 | 57,112 |
| Fines and Forfeitures | 11,429 | - | - | - | - | 2,097 | 13,526 |
| Investment income | 8,344 | - | 5,193 | 11,279 | 5,802 | 4,780 | 35,398 |
| Change in fair market value of investments | 122 | 413 | 1,450 | 1,034 | (70) | 7 | 2,956 |
| Miscellaneous | 4,338 | 314 | 485 | 226 | 273 | 1,386 | 7,022 |
| Total revenues | <u>396,042</u> | <u>1,915</u> | <u>10,403</u> | <u>13,236</u> | <u>162,723</u> | <u>80,707</u> | <u>665,026</u> |
| EXPENDITURES: | | | | | | | |
| Current operating: | | | | | | | |
| General government | 58,877 | - | - | - | - | 2 | 58,879 |
| Public safety | 137,848 | - | - | - | - | 8,016 | 145,864 |
| Judiciary | 104,136 | - | - | - | - | 919 | 105,055 |
| Public works | 15,913 | - | - | - | - | 6,075 | 21,988 |
| Health and welfare | 7,526 | - | - | - | - | 63 | 7,589 |
| Culture and recreation | 19,411 | - | - | - | - | 23,005 | 42,416 |
| Housing and development | 11,426 | - | - | - | - | - | 11,426 |
| Miscellaneous | 799 | - | - | - | - | - | 799 |
| Tourism | - | - | - | - | - | 2,208 | 2,208 |
| Development authority | - | - | - | - | - | 3,656 | 3,656 |
| Grant programs | - | - | - | - | - | 5,622 | 5,622 |
| Capital outlay | 121 | 41,298 | 64,815 | 99,244 | 60,310 | 16,431 | 282,219 |
| Debt service | - | - | - | - | - | 13,791 | 13,791 |
| Total expenditures | <u>356,057</u> | <u>41,298</u> | <u>64,815</u> | <u>99,244</u> | <u>60,310</u> | <u>79,788</u> | <u>701,512</u> |
| Revenues in excess of (less than) expenditures | <u>39,985</u> | <u>(39,383)</u> | <u>(54,412)</u> | <u>(86,008)</u> | <u>102,413</u> | <u>919</u> | <u>(36,486)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers in | 2,250 | 15,293 | 680 | 23 | - | 153 | 18,399 |
| Transfers out | (27,020) | - | (200) | (525) | - | (5,917) | (33,662) |
| Other financing sources (uses), net | <u>(24,770)</u> | <u>15,293</u> | <u>480</u> | <u>(502)</u> | <u>-</u> | <u>(5,764)</u> | <u>(15,263)</u> |
| Net change in fund balances | 15,215 | (24,090) | (53,932) | (86,510) | 102,413 | (4,845) | (51,749) |
| Fund balance – January 1 | <u>133,141</u> | <u>88,436</u> | <u>145,096</u> | <u>257,221</u> | <u>73,503</u> | <u>97,271</u> | <u>794,668</u> |
| Fund balance – December 31 | <u>\$ 148,356</u> | <u>64,346</u> | <u>91,164</u> | <u>170,711</u> | <u>175,916</u> | <u>92,426</u> | <u>742,919</u> |

The notes to the financial statements are an integral part of this statement.

**reconciliation of the statement
of revenues, expenditures,
and changes in fund balances
of governmental funds to
statement of activities
year ended december 31, 2006
(in thousands of dollars)**

| | | |
|--|----------|------------|
| Net change in fund balances – total governmental funds | | (51,749) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays reported in the governmental funds exceed depreciation expense recorded in the statement of activities as follows: | | |
| Capital Expenditures – General | 282,219 | |
| Capital Expenditures reclassified as expense | (75,719) | |
| Depreciation Expense – General Fixed Assets | (54,915) | |
| Adjustment | | 151,585 |
| Contributions of capital assets are not recorded in governmental funds | | 14,476 |
| The loss on disposition of capital assets is not reported in the fund statements | | (822) |
| Retirement of debt is reported as an expenditure in the fund statements but represents a reduction of liability balances on the governmentwide statement of net assets. | | 11,770 |
| The current years addition to the net pension asset creates a balance sheet item while reducing net expenses of pensionable functions on the governmentwide statements | | 11,316 |
| Issuance costs, accounting loss on defeasance of debt and premium on bonds payable are reported as expenditures or reduction of related expenditures on the fund statements, but are recorded as deferred charges or premiums on the accrual based governmentwide statements and amortized as follows: | | |
| Amortization of deferred issuance costs | | (81) |
| Amortization of deferred loss on defeasance | | (378) |
| Amortization of deferred premium (discount) on bonds | | 207 |
| Accrued interest payable is not included on the fund financial statements | | 145 |
| Lease payments to the Development Authority are reported as expense in the fund statement and as a reduction of the lease payable in the governmentwide statements | | 1,405 |
| Internal Service funds are used to charge the cost of insurance and fleet activities to individual funds. A part of the net revenue (expense) of the internal service funds is reported with governmental activities. | | 5,807 |
| Accrued expenses related to compensated absences are not reported in the fund statements | | (1,228) |
| Some revenue earned is deferred in the governmental funds due to availability criteria. | | (4,338) |
| | | |
| Change in net assets of governmental activities | | \$ 138,115 |

The notes to the financial statements are an integral part of this statement.

**general fund
statement of revenues,
expenditures, and changes
in fund balance – budget and
actual (budget basis)
year ended december 31, 2006
(in thousands of dollars)**

| | Original Budget | Final Budget | Actual (non- GAAP budget basis) | Variance-positive (negative) |
|--|-----------------|--------------|---------------------------------------|---------------------------------|
| REVENUES: | | | | |
| Taxes | \$ 279,515 | 297,321 | 305,495 | 8,174 |
| Permits and licenses | 18,878 | 28,176 | 23,990 | (4,186) |
| Intergovernmental | 6,190 | 6,750 | 4,833 | (1,917) |
| Charges for Services | 26,113 | 37,436 | 37,491 | 55 |
| Fines and Forfeitures | 22,974 | 10,884 | 11,429 | 545 |
| Investment income | 7,182 | 8,128 | 8,344 | 216 |
| Miscellaneous | 12,452 | 14,551 | 4,338 | (10,213) |
| Total revenues | 373,304 | 403,246 | 395,920 | (7,326) |
| EXPENDITURES: | | | | |
| Current operating: | | | | |
| General government: | | | | |
| County administration | 1,644 | 1,698 | 1,633 | 65 |
| Internal audit | 1,033 | 921 | 723 | 198 |
| Law | 1,610 | 1,577 | 1,422 | 155 |
| Support services | 34,929 | 34,471 | 31,590 | 2,881 |
| Financial services | 13,929 | 13,923 | 12,322 | 1,601 |
| Human resources | 3,144 | 3,083 | 3,046 | 37 |
| Tax commissioner | 8,127 | 8,170 | 8,026 | 144 |
| Total general government | 64,416 | 63,843 | 58,762 | 5,081 |
| Public safety: | | | | |
| Police services | 66,444 | 65,661 | 64,704 | 957 |
| Correctional services | 12,424 | 12,323 | 11,847 | 476 |
| Fire and emergency services | 60,464 | 60,991 | 60,826 | 165 |
| Total public safety | 139,332 | 138,975 | 137,377 | 1,598 |
| Judiciary: | | | | |
| Courts | 34,687 | 34,835 | 33,768 | 1,067 |
| District attorney | 6,958 | 6,849 | 6,519 | 330 |
| Probation | 107 | 107 | 92 | 15 |
| Sheriff | 50,494 | 61,065 | 60,680 | 385 |
| Solicitor | 3,778 | 3,764 | 3,515 | 249 |
| Total judiciary | 96,024 | 106,620 | 104,574 | 2,046 |
| Public Works | | | | |
| Public Works | 16,507 | 16,417 | 15,945 | 472 |
| Health and Welfare: | | | | |
| Physical health | 1,615 | 1,615 | 1,615 | - |
| Indigent medical care | 500 | 500 | 500 | - |
| Various subsidized agencies | 3,283 | 3,310 | 3,281 | 29 |
| General community services | 4,749 | 4,733 | 4,623 | 110 |
| Total health and welfare | 10,147 | 10,158 | 10,019 | 139 |
| Culture and recreation: | | | | |
| Library | 17,339 | 17,339 | 17,339 | - |
| Total culture and recreation | 17,339 | 17,339 | 17,339 | - |
| Housing and development: | | | | |
| Planning and development | 10,713 | 10,485 | 9,928 | 557 |
| Total housing and development | 10,713 | 10,485 | 9,928 | 557 |
| Miscellaneous | | | | |
| Miscellaneous | 20,613 | 9,477 | 2,113 | 7,364 |
| Total expenditures | 375,091 | 373,314 | 356,057 | 17,257 |
| Revenues in excess of expenditures | (1,787) | 29,932 | 39,863 | 9,931 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 2,250 | 2,250 | 2,250 | - |
| Transfers out | (27,020) | (27,020) | (27,020) | - |
| Other financing sources (uses), net | (24,770) | (24,770) | (24,770) | - |
| Revenues and other financing sources less than expenditures and other financing uses | (26,557) | 5,162 | 15,093 | 9,931 |
| Fund balance allocation | 26,557 | (5,162) | - | 5,162 |
| Fund balance – January 1 | | | 130,021 | 130,021 |
| Restatement | | | 3,157 | 3,157 |
| Fund balance – January 1, as restated | - | - | 133,178 | 133,178 |
| Fund balance – December 31 | \$ - | - | 148,271 | 281,449 |

The notes to the financial statements are an integral part of this statement.

**proprietary funds
statement of net assets
december 31, 2006
(in thousands of dollars)**

| | Enterprise Funds | | | | |
|--|---------------------|----------------|------------------------|------------------------|------------------------|
| | Water and Sewerage | Stormwater | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
| ASSETS: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 27,102 | 15,843 | 18,327 | 61,272 | 81,293 |
| Investments | - | - | - | - | 3,080 |
| Receivables, net of allowance: | | | | | |
| Accounts | 27,877 | 903 | 179 | 28,959 | 372 |
| Due from other funds | - | - | 1 | 1 | 1 |
| Due from other governments | - | - | 860 | 860 | 704 |
| Inventories | 3,430 | - | - | 3,430 | 447 |
| Prepaid items | 1,682 | 17 | - | 1,699 | 3 |
| Total current assets | <u>60,091</u> | <u>16,763</u> | <u>19,367</u> | <u>96,221</u> | <u>85,900</u> |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| Cash and cash equivalents | 72,247 | - | - | 72,247 | - |
| Investments | 144,550 | - | - | 144,550 | - |
| Total restricted assets | <u>216,797</u> | <u>-</u> | <u>-</u> | <u>216,797</u> | <u>-</u> |
| Land and Construction in progress | 170,006 | 2,497 | 13,239 | 185,742 | - |
| Other capital assets, net of depreciation | 2,426,667 | 392,226 | 28,862 | 2,847,755 | 8,014 |
| Debt issuance costs | 2,587 | - | - | 2,587 | - |
| Other assets | 935 | - | - | 935 | - |
| Total noncurrent assets | <u>2,816,992</u> | <u>394,723</u> | <u>42,101</u> | <u>3,253,816</u> | <u>8,014</u> |
| Total assets | <u>2,877,083</u> | <u>411,486</u> | <u>61,468</u> | <u>3,350,037</u> | <u>93,914</u> |
| LIABILITIES: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 25,909 | 2,097 | 1,986 | 29,992 | 3,713 |
| Payroll payable | 1,448 | 197 | 33 | 1,678 | - |
| Retainage payable | 4,317 | 53 | 48 | 4,418 | - |
| Other accrued | 108 | - | - | 108 | - |
| Estimated claims payable – current | - | - | - | - | 8,721 |
| Due to other funds | 1 | - | 10 | 11 | 1 |
| Due to others | 220 | 515 | - | 735 | - |
| Notes payable-current | 411 | - | - | 411 | - |
| Accumulated leave benefits – current | 1,361 | 209 | 26 | 1,596 | - |
| Deferred revenue | 228 | 270 | - | 498 | - |
| Total current liabilities | <u>34,003</u> | <u>3,341</u> | <u>2,103</u> | <u>39,447</u> | <u>12,435</u> |
| Noncurrent liabilities: | | | | | |
| Payable from restricted assets: | | | | | |
| Customer deposits | 6,859 | - | - | 6,859 | - |
| Accrued interest | 11,389 | - | - | 11,389 | - |
| Revenue bonds payable-current | 30,076 | - | - | 30,076 | - |
| Total payable from restricted assets | <u>48,324</u> | <u>-</u> | <u>-</u> | <u>48,324</u> | <u>-</u> |
| Notes payable | 1,379 | - | - | 1,379 | - |
| Revenue bonds payable | 777,813 | - | - | 777,813 | - |
| Estimated claims payable – noncurrent | - | - | - | - | 4,519 |
| Accumulated leave benefits | 34 | 5 | - | 39 | 178 |
| Total noncurrent liabilities | <u>779,226</u> | <u>5</u> | <u>-</u> | <u>779,231</u> | <u>4,697</u> |
| Total liabilities | <u>861,553</u> | <u>3,346</u> | <u>2,103</u> | <u>867,002</u> | <u>17,132</u> |
| NET ASSETS: | | | | | |
| Invested in capital assets, net of related debt | 1,820,365 | 394,723 | 42,101 | 2,257,189 | 8,014 |
| Restricted for debt service | 25,083 | - | - | 25,083 | - |
| Unrestricted | 170,082 | 13,417 | 17,264 | 200,763 | 68,768 |
| Total net assets | <u>\$ 2,015,530</u> | <u>408,140</u> | <u>59,365</u> | <u>2,483,035</u> | <u>76,782</u> |
| Adjustment to reflect consolidation of internal service fund activities related to enterprise funds. | | | | \$ 1,640 | |
| Net assets of business type activities | | | | <u>2,484,675</u> | |

The notes to the financial statements are an integral part of this statement.

**proprietary funds
statement of revenues,
expenses, and changes
in fund net assets
year ended december 31, 2006
(in thousands of dollars)**

| | Enterprise Funds | | | | Internal Service Funds |
|---|-----------------------|-----------------|------------------------------|-------------------|------------------------------|
| | Water and Sewerage | Stormwater | Other Enterprise Funds | Total | |
| OPERATING REVENUES: | | | | | |
| Residential and commercial service | \$ 178,179 | - | - | 178,179 | - |
| Wholesale service | 4,446 | - | - | 4,446 | - |
| Public fire protection charges | 391 | - | - | 391 | - |
| Connection charges | 2,489 | - | - | 2,489 | - |
| Operating lease income and rental income from individual hangars | - | - | 628 | 628 | - |
| Charges to other funds | - | - | - | - | 57,070 |
| Employee contributions | - | - | - | - | 6,930 |
| Intergovernmental | - | 338 | 2,168 | 2,506 | - |
| User fees and charges | - | 8,694 | 3,505 | 12,199 | - |
| Miscellaneous | 7,319 | 71 | 976 | 8,366 | 742 |
| Total operating revenues | <u>192,824</u> | <u>9,103</u> | <u>7,277</u> | <u>209,204</u> | <u>64,742</u> |
| OPERATING EXPENSES: | | | | | |
| Water production | 14,290 | - | - | 14,290 | - |
| Distribution and collection | 24,389 | - | - | 24,389 | - |
| Engineering | 7,504 | - | - | 7,504 | - |
| Reclamation | 26,189 | - | - | 26,189 | - |
| Vehicle maintenance and repair | - | - | - | - | 6,417 |
| Benefit claims | - | - | - | - | 37,446 |
| Insurance premiums | - | - | - | - | 6,113 |
| Depreciation and amortization | 64,304 | 14,175 | 3,130 | 81,609 | 3,225 |
| Transit operations | - | - | 10,611 | 10,611 | - |
| General and administrative | 12,941 | 10,793 | 1,143 | 24,877 | 6,496 |
| Total operating expenses | <u>149,617</u> | <u>24,968</u> | <u>14,884</u> | <u>189,469</u> | <u>59,697</u> |
| Operating income (loss) | <u>43,207</u> | <u>(15,865)</u> | <u>(7,607)</u> | <u>19,735</u> | <u>5,045</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| Interest income | 10,189 | 800 | 727 | 11,716 | 2,706 |
| Investment Income (loss) | 1,926 | - | - | 1,926 | (5) |
| Interest expense | (24,800) | - | - | (24,800) | - |
| Gain (loss) on disposal of capital assets | (1,060) | (2) | - | (1,062) | (123) |
| Total nonoperating revenues (expenses) | <u>(13,745)</u> | <u>798</u> | <u>727</u> | <u>(12,220)</u> | <u>2,578</u> |
| Income (loss) before transfers and contributions | <u>29,462</u> | <u>(15,067)</u> | <u>(6,880)</u> | <u>7,515</u> | <u>7,623</u> |
| Capital contributions | 93,105 | 31,120 | - | 124,225 | - |
| Transfers in | 318 | 9,789 | 5,363 | 15,470 | - |
| Transfers out | (88) | - | (207) | (295) | - |
| Change in net assets | <u>122,797</u> | <u>25,842</u> | <u>(1,724)</u> | <u>146,915</u> | <u>7,623</u> |
| Net Assets – January 1 | <u>1,892,733</u> | <u>382,298</u> | <u>61,089</u> | | <u>69,159</u> |
| Net Assets – December 31 | <u>\$ 2,015,530</u> | <u>408,140</u> | <u>59,365</u> | | <u>76,782</u> |
| Adjustment to reflect consolidation of internal service fund activities related to enterprise funds | | | | 1,816 | |
| Change in net assets of business type activities | | | | <u>\$ 148,731</u> | |

The notes to the financial statements are an integral part of this statement.

proprietary funds statement of cash flows year ended december 31, 2006

| | Enterprise Funds | | | | |
|--|--------------------|-----------------|------------------------|------------------------|------------------------|
| | Water and Sewerage | Storm Water | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ 187,452 | 9,072 | 7,582 | 204,106 | 65,886 |
| Cash payments to suppliers for goods and services | (45,414) | (5,555) | (9,942) | (60,911) | (9,320) |
| Cash payments to employees for services | (34,688) | (4,479) | (642) | (39,809) | (4,070) |
| Claims and premiums paid | - | - | - | - | (44,412) |
| Net cash flows provided/(required) by operating activities | <u>107,350</u> | <u>(962)</u> | <u>(3,002)</u> | <u>103,386</u> | <u>8,084</u> |
| Cash flows from noncapital financial activities: | | | | | |
| Transfers from other funds | 318 | 19,374 | 5,363 | 25,055 | - |
| Transfers (to) other funds | (88) | (9,585) | (207) | (9,880) | - |
| Net cash provided/(required) by noncapital activities | <u>230</u> | <u>9,789</u> | <u>5,156</u> | <u>15,175</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition and construction of capital assets | (111,277) | (10,978) | (951) | (123,206) | (4,408) |
| Proceeds from disposal of capital assets | 48 | - | - | 48 | - |
| Principal payments – revenue bonds | (24,570) | - | - | (24,570) | - |
| Proceeds from bond offering | 114,945 | - | - | 114,945 | - |
| Defeasance of revenue bonds | (115,676) | - | - | (115,676) | - |
| Principal payments – notes payable | (445) | - | - | (445) | - |
| Payment of bond issuance costs | (258) | - | - | (258) | - |
| Interest paid | (25,400) | - | - | (25,400) | - |
| Capital contributed by others | 32,012 | - | - | 32,012 | - |
| Net cash provided/(required) by capital and related financing activities | <u>(130,621)</u> | <u>(10,978)</u> | <u>(951)</u> | <u>(142,550)</u> | <u>(4,408)</u> |
| Cash flows from investing activities: | | | | | |
| Net change in investments in pools | 21,114 | - | - | 21,114 | (3,080) |
| Interest on investments | 12,115 | 800 | 727 | 13,642 | 2,701 |
| Net cash provided/(required) by investing activities | <u>33,229</u> | <u>800</u> | <u>727</u> | <u>34,756</u> | <u>(379)</u> |
| Net increase (decrease) in cash and cash equivalents | 10,188 | (1,351) | 1,930 | 10,767 | 3,297 |
| Cash and cash equivalents at beginning of year | 89,161 | 17,194 | 16,397 | 122,752 | 77,996 |
| Cash and cash equivalents at end of year | <u>\$ 99,349</u> | <u>15,843</u> | <u>18,327</u> | <u>133,519</u> | <u>81,293</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Cash flows from operating activities: | | | | | |
| Operating income (loss) | \$ 43,207 | (15,865) | (7,607) | 19,735 | 5,045 |
| Adjustments to reconcile operating income (loss) to net cash provided/(required) by operating activities | | | | | |
| Depreciation and amortization | 64,304 | 14,175 | 3,130 | 81,609 | 3,225 |
| Change in assets and liabilities: | | | | | |
| (Increase) decrease in receivables | (5,754) | (302) | 305 | (5,751) | 1,137 |
| (Increase) decrease in inventories | (135) | - | - | (135) | 353 |
| (Increase) decrease in prepaid items | (548) | (9) | - | (557) | (1) |
| Increase (decrease) in payables | 5,798 | 769 | 1,173 | 7,740 | (1,683) |
| Increase (decrease) in other liabilities | - | 270 | (3) | 267 | 8 |
| Increase (decrease) in due to other funds | 1 | - | - | 1 | - |
| Increase (decrease) in due to others | (35) | - | - | (35) | - |
| Increase (decrease) in deferred revenue | 97 | - | - | 97 | - |
| Increase (decrease) in customer deposits | 285 | - | - | 285 | - |
| Increase (decrease) in accumulated leave benefits | 130 | - | - | 130 | - |
| Net cash provided/(required) by operating activities | <u>\$ 107,350</u> | <u>(962)</u> | <u>(3,002)</u> | <u>103,386</u> | <u>8,084</u> |
| Non cash capital contributed by others | <u>\$ 61,093</u> | <u>31,120</u> | <u>-</u> | <u>92,213</u> | <u>-</u> |

The notes to the financial statements are an integral part of this statement.

**agency funds – statement of
fiduciary assets and liabilities
december 31, 2006
(in thousands of dollars)**

ASSETS:

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 41,585 |
| Taxes receivable | <u>32,883</u> |
| Total | <u>\$ 74,468</u> |

LIABILITIES:

| | |
|---------------|------------------|
| Due to others | \$ <u>74,468</u> |
| Total | <u>\$ 74,468</u> |

The notes to the financial statements are an integral part of this statement.

**component units
combining statement
of net assets
december 31, 2006
(in thousands of dollars)**

| | Public Library | Golf Course Commission | Development Authority | Health Department | Total |
|---|-------------------|---------------------------|--------------------------|----------------------|------------------|
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 9,956 | \$ 174 | \$ 716 | \$ 8,535 | \$ 19,381 |
| Accrued interest receivable | - | - | 11 | - | 11 |
| Receivables, net of allowance | 734 | - | - | 25 | 759 |
| Lease receivable, current portion | - | - | 1,465 | - | 1,465 |
| Prepaid Expenses | - | - | - | 29 | 29 |
| Due from primary government | - | - | 198 | - | 198 |
| Due from other governments | - | - | - | 350 | 350 |
| Inventories | - | 33 | - | - | 33 |
| Total current assets | <u>10,690</u> | <u>207</u> | <u>2,390</u> | <u>8,939</u> | <u>22,226</u> |
| Noncurrent Assets: | | | | | |
| Restricted assets: | | | | | |
| Lease receivable from primary government | - | - | 62,130 | - | 62,130 |
| Capital assets | | | | | |
| Land and construction in progress | - | 2,895 | - | - | 2,895 |
| Other capital assets, net of depreciation | 1,121 | 1,491 | - | 312 | 2,924 |
| Debt issuance costs | - | - | 411 | - | 411 |
| Total noncurrent assets | <u>1,121</u> | <u>4,386</u> | <u>62,541</u> | <u>312</u> | <u>68,360</u> |
| Total assets | <u>11,811</u> | <u>4,593</u> | <u>64,931</u> | <u>9,251</u> | <u>90,586</u> |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | 647 | 92 | 198 | 556 | 1,493 |
| Unearned revenue | 4,335 | - | - | - | 4,335 |
| Due to other governments | - | - | - | 45 | 45 |
| Accrued salaries and related payments | 602 | - | - | - | 602 |
| Total current liabilities | <u>5,584</u> | <u>92</u> | <u>198</u> | <u>601</u> | <u>6,475</u> |
| Noncurrent Liabilities: | | | | | |
| Due within one year | 51 | 79 | 1,465 | 400 | 1,995 |
| Due in more than one year | 831 | 5,062 | 62,130 | 263 | 68,286 |
| Total noncurrent liabilities | <u>882</u> | <u>5,141</u> | <u>63,595</u> | <u>663</u> | <u>70,281</u> |
| Total liabilities | <u>6,466</u> | <u>5,233</u> | <u>63,793</u> | <u>1,264</u> | <u>76,756</u> |
| NET ASSETS: | | | | | |
| Invested in capital assets, net of related debt | 1,121 | (755) | - | 312 | 678 |
| Restricted – other | - | - | - | 6,948 | 6,948 |
| Unrestricted | 4,224 | 115 | 1,138 | 727 | 6,204 |
| Total net assets (deficit) | <u>\$ 5,345</u> | <u>\$ (640)</u> | <u>\$ 1,138</u> | <u>\$ 7,987</u> | <u>\$ 13,830</u> |

The notes to the financial statements are an integral part of this statement.

**component units
combining statement
of activities
year ended december 31, 2006
(in thousands of dollars)**

| | Expenses | Program Revenues | | | Public Library Total | Golf Course Commission Total | Development Authority Total | Health Department Total | Totals |
|---|-----------|----------------------------|--|--|----------------------------|---------------------------------------|-----------------------------------|-------------------------------|---------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | | | | |
| Public library | \$ 18,302 | 1,644 | 17,400 | 114 | 856 | - | - | - | 856 |
| Golf course commission | 1,228 | 1,025 | - | - | - | (203) | - | - | (203) |
| Development authority | 2,346 | 124 | - | - | - | - | (2,222) | - | (2,222) |
| Health department | 17,921 | 5,145 | 12,697 | - | - | - | - | (79) | (79) |
| Total component units | \$ 39,797 | 7,938 | 30,097 | 114 | 856 | (203) | (2,222) | (79) | (1,648) |
| General Revenues: | | | | | | | | | |
| Lease interest income – development authority | | | | | - | - | 2,251 | - | 2,251 |
| Investment income | | | | | 264 | - | 23 | - | 287 |
| Misc. items for health department | | | | | - | - | - | 102 | 102 |
| Total general revenues | | | | | 264 | - | 2,274 | 102 | 2,640 |
| Change in net assets | | | | | 1,120 | (203) | 52 | 23 | 992 |
| Net Assets – beginning, as restated | | | | | 4,225 | (437) | 1,086 | 7,964 | 12,838 |
| Net Assets – ending | | | | | \$ 5,345 | (640) | 1,138 | 7,987 | 13,830 |

The notes to the financial statements are an integral part of this statement.

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- notes to the financial statements



**notes to the
financial statements**

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Note I.

Summary of Significant Accounting Policies

The financial statements of Gwinnett County, Georgia (the "County"), have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the County are described below:

A. Reporting entity

The County operates under a Commission-County Administrator form of government. As required by GAAP, 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 GAAP, as set forth in the Statement of Governmental Accounting Standards No. 14, "The Financial Reporting Entity," the component units' financial statements have been included as blended or discretely presented component units. Blended component units, although legally separate entities, are in substance part of the County's operations and so financial data from these units are combined with the financial data of the primary government. Each discretely presented component unit, on the other hand, is reported separately in the governmentwide financial statements to emphasize that it is legally separate from the County. The component units' financial information disclosed within the governmentwide financial statements reflects the most recently audited financial statements. The following is a brief review of each component unit addressed in defining the government's reporting entity.

Included with the reporting entity as Blended Component Units:

The **Airport Authority**, consisting of a five-member board, is appointed by the governing authority of the County. The Airport Authority provides a means to issue revenue bonds to acquire, construct, equip, maintain, and improve the airport facilities. Although it is legally separate from the County, the Airport Authority is reported as if it were part of the primary government because its sole purpose is to finance, construct, equip, and expand the County airport facility. At December 31, 2006, the Authority had no assets, liabilities, or fund equity. In addition, during 2006, the Authority had no revenues or expenses.

The **Recreation Authority**, consisting of a nine-member board, is appointed by the governing authority of the County. The Recreation Authority provides a means to issue revenue bonds for park facilities. Although it is legally separate from the County, the Recreation Authority is reported as if it were a part of the primary government because its sole purpose is to finance, construct, equip, and expand County park facilities.

The **Water and Sewerage Authority**, consisting of a five-member board, is appointed by the governing authority of the County. The Water and Sewerage Authority provides a means to issue revenue bonds for water and sewer facilities. Although it is legally separate from the County, the Water and Sewerage Authority is reported as if it were a part of the primary government because its sole purpose is to finance, construct, equip, and expand County water treatment and transmission facilities.

Complete financial statements of the individual blended component units may be obtained at the County's administrative office at the following address:

75 Langley Drive
Lawrenceville, GA 30045

Included with the reporting entity as Discretely Presented Component Unit:

The **Gwinnett County Public Library**, (the "Library"), operates the County's public libraries for the citizens of the County. The Library Board consists of five members appointed by the Gwinnett County Board of Commissioners. Although the County does not have the authority to approve or modify the Library's operational or capital budgets, it does have the ability to control the amount of the funding the County provides. Such funding is significant to the overall operations of the Library.

The Library operates on a fiscal year end of June 30. The financial information presented for this discretely presented component unit is as of June 30, 2006.

Complete financial statements of the Library may be obtained at the entity's administrative office at the following address:

Gwinnett County Public Library
1001 Lawrenceville Highway
Lawrenceville, GA 30045

The **Springbrook Golf Course Commission** (the "Commission") was formed in May 2000 to operate the Springbrook Golf Course. The Commission consists of a five-member board appointed by the governing authority of the County. The assets and equity of the Springbrook Golf Course were transferred to the Commission in return for a Promissory Note in the amount of \$3,310,455. Because the County appoints the board members and because of the financial relationship between the County and the Commission, the Commission is reported as a discretely presented component unit.

The Commission operates on a fiscal year end of December 31. The financial information presented for this discretely presented component unit is as of December 31, 2006.

Complete financial statements of the Springbrook Golf Course Commission may be obtained at the County's administrative office at the following address:

75 Langley Drive
Lawrenceville, GA 30045

The **Development Authority of Gwinnett County** consists of a seven-member board appointed by the governing authority of the County. The Development Authority's sole purpose is to finance the acquisition or construction of industrial and commercial facilities deemed to be in the public interest through the issuance of bonds. Neither the Authority, the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of these bonds except for the 2001 issuance described below. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. In 2001, the Development Authority issued revenue bonds for the expansion of the Gwinnett Center. The County has entered into a lease agreement with the Development Authority to lease the Center for a 30-year period. The County has pledged hotel/motel tax revenues to the Development Authority to satisfy the lease payments in an amount equal to the required debt service of the bonds. Therefore, due to this agreement, a significant financial relationship exists, and the Development Authority is reported as a discretely presented component unit. The Development Authority operates on a fiscal year end of December 31.

Complete financial statements of the individual component unit may be obtained at the County's administrative office at the following address:

75 Langley Drive
Lawrenceville, GA 30045

The **Gwinnett County Board of Health d/b/a the Gwinnett County Health Department** is considered a discretely presented component unit based upon the criteria in GASB Statement N^o. 14. The Board of Health consists of seven members. Two members are appointed by the City of Lawrenceville. The Gwinnett Board of Commissioners appoints three members and the Chairman of the Board of Commissioners (or their designee) serves as a member. The County Superintendent of Schools rounds out the membership. County appointments or members make up the majority of the Board of Health. The County contributed approximately eight percent of the Board's overall revenues during its fiscal year ended June 30, 2006. Because the County appoints the majority of the Board and because of the financial relationship between the Health Department and the County, the Health Department is reported as a discretely presented component unit.

The Board of Health operates on a June 30 fiscal year. The County does not prepare or review the financial statements of the Board of Health, and neither the County nor its auditors have performed an audit of its financial records. The Board of Health engaged another accounting firm to audit its financial statements for the year ended June 30, 2006. Complete financial statements may be obtained at the following address:

Jerry S. Adams, CPA
Post Office Box 2456
Gainesville, GA 30503

Related Organizations

The **Housing Authority of Gwinnett County** (the "Housing Authority") is considered a related organization based upon the criteria in GASB Statement N^o. 14. Pursuant to *Official Code of Georgia Annotated (O.C.G.A.)* §8-3-4, the Housing Authority is a separate legal entity from Gwinnett County. Further, pursuant to *O.C.G.A.* §8-3-50, the County appoints a voting majority of the Housing Authority members. However, the County is not able to impose its will upon the Housing Authority nor does a financial benefit/burden relationship exist between them.

Joint Venture

The **Atlanta Regional Commission** (the "ARC") is considered a joint venture based upon the criteria in GASB Statement N^o. 14. Under Georgia law, the County, in conjunction with other cities and counties in the 10-county metropolitan Atlanta, Georgia, area, is a member of the ARC. Membership in a Regional Development Center (RDC) is required by *O.C.G.A.* §50-8-34, which provides for the organization structure of the RDC in Georgia. The County paid dues in the amount of \$695,900 to the ARC for the year ended December 31, 2006. The RDC Board membership includes the chief elected official of each county and municipality of the area. *O.C.G.A.* §50-8-39.1 provides that the member governments are liable for any debts or obligations of a RDC. Complete financial statements of the RDC may be obtained at the following address:

Atlanta Regional Commission
40 Courtland Street, NE
Atlanta, GA 30303

B. Governmentwide and fund financial statements

The governmentwide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmentwide financial statements do not provide information by fund, but distinguish between the County's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from discretely presented component units. The statement of net assets includes noncurrent assets and liabilities. In addition, the governmentwide statement of activities reflects depreciation expenses on the County's capital assets.

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 customers or applicants 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 considered program revenues are reported instead as general revenues.

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

C. Measurement focus, basis of accounting, and financial statement presentation

The governmentwide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements (agency funds do not have a measurement focus but use the accrual basis of accounting). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Major revenue sources which are susceptible to accrual are Property Tax, Sales Tax, Insurance Premium Tax, and intergovernmental revenue. 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.

In accordance with GASB Statement N^o. 33, "Accounting and Financial Reporting for Nonexchange Transactions," the corresponding assets (receivables) in nonexchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. For 2006, the County has recorded a \$22.8 million receivable and deferred revenue for Insurance Premium Tax due from the State of Georgia for taxes collected in 2006 which will be paid to the County in 2007. The County has also recorded a \$13.6 million receivable and deferred revenue for property taxes levied in 2006 and prior years, but expected to be collected in 2007 (adjusted for an allowance for doubtful accounts).

All other deferred revenue is related to miscellaneous grants for which the county has received the cash but has not yet earned the revenue.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement N°. 34 also requires, as supplementary information, Management's Discussion and Analysis which includes an analytical overview of the County's financial activities.

The County reports the following major governmental funds:

The General Fund is Gwinnett 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 Other Capital Projects Fund accounts for the financial resources to be used for the purchase and construction of major capital facilities, other than those accounted for in specific funds, which are not financed by the proprietary funds.

The 1997 Sales Tax Fund accounts for the financial resources provided from the 1997 one percent Special Purpose Local Option Sales Tax. Such resources are to be used for road improvements, public safety, and parks and recreation.

The 2001 Sales Tax Fund accounts for the financial resources provided from the 2001 one percent Special Purpose Local Option Sales Tax. Such resources are to be used for libraries, parks and recreation, public safety, and transportation projects.

The 2005 Sales Tax Fund accounts for the financial resources provided from the 2005 one percent Special Purpose Local Option Sales Tax. Such resources are to be used for libraries, parks and recreation, public safety, and transportation projects.

The County reports the following major enterprise funds:

The Water and Sewerage fund accounts for the activities of the Water and Sewerage Authority, a blended component unit of the government, and the Water and Sewerage System. The system includes sewage treatment plants, sewage pumping stations and collection systems, and the water distribution system.

The Stormwater Fund accounts for the provision of stormwater services to the residents of the county, including administration, operations, maintenance, billing, and collections.

The County also reports the following fund types:

Internal Service Funds are used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government on a cost reimbursement basis. The County's internal service funds include Group Insurance, Risk Management, Automotive Management, and Auto Liability.

Agency funds account for Tax Commissioner, Clerk of the Courts, Recorder's Court, Sheriff, Probate Court, Juvenile Court, and Corrections.

Agency Funds are accounted for on the accrual basis of accounting and are used to account for assets held by the government as an agent for individuals, private organizations, and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the governmentwide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Gwinnett County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. The Water and Sewerage Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds also include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include demand deposits and savings accounts with financial institutions and deposits with fiscal agents. State of Georgia statutes and the County's investment policy authorize the County to invest in direct obligations of the U.S. Government; obligations insured or guaranteed by the U.S. Government or a U.S. Government agency; obligations of any U.S. Government instrumentally or sponsored corporation; prime bankers' acceptances; obligations of the State of Georgia and its political subdivisions; certain collateralized repurchase agreements; certain customized and collateralized bank products; and the State of Georgia Office of Treasury and Fiscal Services Georgia Fund-I Liquidity Pool. Investments are carried at fair value, which is based on quoted market value.

There is negligible credit risk associated with the County's investments primarily due to reliance upon securities of the U.S. Government and its agencies or instrumentalities by both the County and the Office of Treasury and Fiscal Services. As with any fixed income portfolio, market price risk exists in a changing interest rate environment, and some of the County's investments are subject to decline in market value as interest rates fluctuate. Securities with more than a small amount of market risk are held almost exclusively as investment of capital funds to be used for projects with long construction schedules.

Operating funds are currently invested in the Georgia Fund-I Liquidity Pool; U.S. Government treasuries and agencies of short duration; or maintained in fully collateralized demand deposit, savings, and public funds money market accounts with financial institutions. The Georgia Fund-I operates as constant Net Asset Value (NAV) money market funds, and although these Pools are not registered with the Securities and Exchange Commission, the Georgia Fund-I is operated in a manner consistent with the SEC's *Rule 2a7 of the Investment Company Act of 1940*. The Georgia Fund-I is managed under the policies included in Georgia Law *O.C.G.A. §36-83-4*. The reported value of the Georgia Fund-I is the same as the fair value of the pool shares. (See Note 3 – *Cash, Cash Equivalents, and Investments for additional information*).

E. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. For the most part, the effect of interfund activity has been removed from the governmentwide statement of net assets. Any residual balances outstanding between the governmental and business-type activities are reported in the governmentwide statement of net assets as “internal balances.” In the major fund balance sheets, these receivables and payables are classified as “due from other funds” or “due to other funds.”

F. Inventories

Inventories are valued at cost using a weighted average costing assumption. The cost of inventories is recorded as an expenditure at the time individual inventory items are consumed (consumption method).

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the balance sheet date are recorded as prepaid assets.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, dams, and similar items), are reported in the applicable governmental or business-type activities columns in the governmentwide financial statements. Governmental (general) capital assets are recorded as expenditures (capital outlay) in the governmental funds and capitalized at cost in the governmentwide statement of net assets. The County’s capitalization threshold is \$25,000 for software and \$5,000 for all other assets. Some assets under the threshold, such as firearms, are capitalized for control purposes.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the Water and Sewerage Fund is included as part of the capitalized value of the assets. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until completion of the project) with interest earned on investment proceeds over the same period. During 2006, \$10,222,719 of interest was capitalized.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|-------------------------------------|--------------|
| Buildings | 25 – 50 |
| Infrastructure | 45 – 50 |
| Improvements (other than buildings) | 10 – 99 |
| Equipment | 3 – 10 |

I. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the fund balance sheet because their use is limited by applicable debt covenants.

J. Compensated Absences

The liability for accumulated unpaid vacation pay amounts, as well as other salary-related payments, have been accrued in the proprietary funds and the governmentwide statements of net assets as accumulated leave benefits. These amounts are not considered a current liability within the governmental fund types balance sheets since they will be paid from appropriations of subsequent years.

Accumulated sick pay benefits have not been recorded as a liability because the payment of the benefits is contingent upon the future illness of an employee. It is not expected that any unrecorded sick pay benefits will exceed a normal year's accumulation.

K. Estimated Claims Payable

The liability for claims and judgments against the County, including the estimated liability for claims incurred but not reported at year-end, has been accrued in the County's Risk Management Fund (Internal Service Fund) and the governmentwide statement of net assets.

L. Pension Plan(s)

The County provides a defined benefit pension plan to a large segment of the workforce. Eligibility is based on employment status and a vesting period. Benefits are based on years of service and other factors. It is the County's policy to fund the normal cost and amortization, up to 30 years, of any unfunded prior service cost. The accrued pension liability represents actuarially determined contributions for the year which were due and payable at year end. As discussed in Note 12, a defined contribution plan was established effective August 1, 2000, to provide retirement benefits for appointed employees, appointed officials, and elected officials. The County provides certain other benefits to retirees and otherwise terminated employees as post employment benefits.

M. Long-term Obligations

In the governmentwide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, issuance costs, and deferred losses on debt refundings, are deferred and amortized over the life of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred losses on debt refundings.

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 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.

N. Fund Equity

In governmental funds, reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

O. Net Assets

Net assets on the governmentwide statement of Net Assets include investments in capital assets net of related debt; restricted assets for capital projects, debt service, other purposes; and unrestricted assets.

P. Interfund Transactions

Interfund services provided and used are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used, are reported as transfers.

Q. Connection Charges

In the Enterprise Funds, fees charged to connect into the County's water and sewerage system up to the cost of the connection are recorded as operating income. The remaining portions of the fees are recorded as capital contributions.

R. System Development Charges

In the Water and Sewerage Fund, System Development Charges, in accordance with the *Water and Sewerage Ordinance*, are recorded as revenue.

S. Statement of Cash Flows

For purposes of the statement of cash flows, cash management pools, deposits in the Georgia Fund-I state investment pool, and investments purchased with an original maturity date of three months or less are considered cash equivalents.

T. Allocation of Indirect Expenses

The County allocates indirect expenses of the General Fund to the Enterprise Funds and certain governmental functions based on respective use of indirect services.

U. Component Unit Fund Balance Restatement

The beginning Net Assets and Fund Balances for the Gwinnett County Public Library have been restated to reflect a change in the Library's accounting policy related to recording receivables related to fines. In the prior year, the fines were reported as revenue as received as was appropriate under GAAP; however, in the current year, the Library decided it was preferential to record a receivable for the receivables related to the fines that were deemed collectable. This change increased previously reported net assets of the Library and the total discretely presented component units from \$3,933,000 and \$12,546,000 to \$4,225,000 and \$12,838,000, respectively.

V. Budgetary Basis Fund Balance Restatement

The beginning fund balance, on the non-GAAP budgetary basis, for the General Fund has been restated to reflect a change in the County's budgetary policy regarding encumbrances lapsing. The prior year ended budgetary fund balance has been restated as reflected on the statement of revenues, expenditures, and changes in fund balance – budget and actual (budget basis).

X. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2.

Legal Compliance – Budgets

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the Chairman submits a proposed budget to the Board of Commissioners governing expenditures of all County funds, including Capital Outlay and Public Works Projects, for the fiscal year commencing the following January 1.
2. In December, the Board of Commissioners holds a public hearing on the proposed budget to obtain citizen comments.
3. The Board of Commissioners formally adopts the budget (or continuation budget if the Commission requires additional review of the proposed budget) at the first regular meeting in January of the current budget year. Once the Commission has agreed on the proposed budget, a resolution is adopted by the Commission replacing the continuation budget. A balanced budget is required by law.
4. The legal level of budgeting control (the level at which expenditures may not exceed appropriations) is at the department level for each fund for which a budget is required with the following provision:

Any increase in appropriations in any fund, whether through a change in anticipated revenues or through a transfer of appropriations among departments, shall require Board of Commissioners approval, with one exception. The County Administrator and/or the Director of Financial Services are granted authority to allocate funds to the appropriate fund/department from insurance proceeds and/or from Casualty and Liability Insurance Reserve for the replacement or repair of the damaged equipment items.

5. Annual appropriated budgets are legally adopted for the General Fund, some Special Revenue Funds, the Debt Service Fund and Capital Projects Funds. A budget for the Grant Fund is adopted based on the funding of the various grant programs. Annual operating budgets are prepared for each Enterprise and Internal Service Fund for planning, control, cost allocation, and evaluation purposes. Budgetary amounts are not formally integrated into proprietary fund general ledgers. All appropriations lapse at fiscal year end.
6. Actual expenditures of each fund for the year may not exceed the budget for that fund, or amendments thereto, and may not exceed actual funding sources.
7. Any increase in Appropriations in any Fund for a Department, whether through a change in Anticipated Revenues in any Fund or through a transfer of Appropriations among Departments, shall require the approval of the Board of Commissioners, except in the following cases where authority is granted to:
The Director of Financial Services to:
 - (a) allocate funds to the appropriate Department from insurance proceeds and/or from the Casualty and Liability Insurance Reserve for the replacement or repair of damaged equipment items;
 - (b) allocate funds from established reserves or fund balances for leave balances at retirement, salary adjustments, and reclassifications to Departments and Organizational Units as necessary to provide funding for compensation actions approved by the Board of Commissioners;
 - (c) allocate funds from the established Judicial Reserve to appropriate departments within the Judicial System as required; and to allocate funds from the established Inmate Housing Reserve to appropriate departments as required;
 - (d) allocate funds from departmental budgets to Support Services to provide funding for furniture and fixtures that have been approved by the County Administrator and/or Board of Commissioners;

- (e) allocate funds from the established Inmate Medical Reserve or fund balance to various funds/departments when required to cover medical expenses;
- (f) to transfer funds resulting from salary savings, or to transfer balances resulting from under expenditures in operating accounts into a pension reserve;
- (g) to approve transfers of appropriations within capital projects and to allocate funds previously approved, or, as appropriate, to transfer appropriations among fiscal years for projects as necessary to allow completion of each project and to cover existing obligations/expenses in accordance with the intent and actions of the Board of Commissioners, however, in no case shall appropriations exceed actual available funding sources.

The County Administrator to:

- (a) transfer funds from departmental budgets to Contributions or Capital Projects for amounts up to \$25,000;
 - (b) transfer appropriations within a capital fund from an Information Technology contingency/reserve or projects to new and/or existing IT projects in accordance with the IT Strategic Plan and the intent of the Board of Commissioners;
 - (c) transfer funds within a capital fund from fund or program contingencies and/or savings in existing projects to establish new projects for amounts up to \$100,000;
 - (d) reallocate funding among projects approved by the Board of Commissioners;
8. Appropriations in any fund among the various accounts within a Department shall require only the approval of the Director of Financial Services, except that transfer of Appropriations within a Department, to or from salaries, to or from operating fixed assets, transfers to any conference account, or any copy machine lease account, shall require the approval of the Director of Financial Services for amounts up to \$25,000, or the County Administrator for amounts up to \$100,000, and the approval of the Board of Commissioners for amounts exceeding \$100,000.
9. The Board of Commissioners shall approve increases in authorized positions. Vacant positions may be reallocated within the same department or reassigned to another department, and filled authorized positions may be reassigned at the same grade level between departments with the authorization of the County Administrator.

Operational control of departmental budgets is accomplished through an automated system of preliminary checks of funds availability on an appropriation unit basis (group of accounts). Encumbrances, amounts of the budgetary appropriation reserved to meet an obligation, are maintained as a technique for budgetary control and are recorded when purchase orders are issued for goods and services. In the event of insufficient funds within an appropriation unit, purchase orders are not issued until an interdepartmental budget transfer is made within policy guidelines, or until the Board of Commissioners makes additional funds available.

The original budget for the year ended December 31, 2006, was amended through supplemental appropriations as follows (in thousands of dollars):

| | Original Appropriation Budget | Increase (Decrease) In Appropriation | Amended Appropriation Budget |
|------------------------|----------------------------------|---|---------------------------------|
| General Fund* | \$ 399,861 | (1,777) | 398,084 |
| Special Revenue Funds* | 55,233 | (828) | 54,405 |
| Debt Service Fund | 13,811 | (166) | 13,645 |
| Capital Projects Funds | 590,593 | 83,054 | 673,647 |

* Fire Fund moved to General Fund in 2006 from Special Revenue Funds

The Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) reflect these revisions.

Due to legal requirements, revenues and appropriations for the Governmental Fund Types are budgeted on a basis that is not consistent with GAAP. The actual results of operations on the budget basis are presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund (Basic Financial Statements) and all other governmental funds (Combining Statements).

The budget policy is to accrue bond interest paid in January in the Debt Service Fund. Adjustments necessary to convert the results of operations from the budget basis to the GAAP basis at year-end are as follows (in thousands of dollars):

| | Fund Balances at End of Year | | |
|-------------------------|------------------------------|-----------------------|-------------------|
| | General Fund | Special Revenue Funds | Debt Service Fund |
| GAAP basis fund balance | 148,356 | 70,348 | 21,653 |
| Market Value Adjustment | (85) | 7 | - |
| Budget basis | 148,271 | 70,341 | 21,653 |

Note 3.

Cash, Cash Equivalents, and Investments

Following are the components of the County's cash, cash equivalents, and investments as of December 31, 2006 (in thousands of dollars):

| | Unrestricted | Restricted | Agencies Unrestricted | Primary Government Total |
|----------------------|--------------|------------|-----------------------|--------------------------|
| Cash and Equivalents | 610,274 | 72,247 | 41,585 | 724,106 |
| Investments | 291,448 | 144,550 | - | 435,998 |
| Total | 901,722 | 216,797 | 41,585 | 1,160,104 |

Credit Risk and Interest Rate Risk

The investment objectives of the County are set forth below in the order of priority and are applicable to both the Liquidity Portfolio (near term cash needs) and the Investment Portfolio (longer term cash needs).

- A. Each investment decision shall first consider that capital losses are to be avoided, whether from deterioration of financial fundamentals or erosion of market value due to rapidly changing interest rates or other market and non-market factors.
- B. The portfolios must be structured in such a manner that sufficient liquidity shall exist to pay obligations as they become due, without the requirement for unplanned liquidations of securities. The Director of Financial Services shall establish criteria for the preparation of cash projections, matching maturities, and maintenance of reserve, all in order to maintain liquidity.
- C. The County seeks market rates of return on its investments, consistent with its liquidity requirements and quality and duration/maturity constraints. The County further seeks to preserve its capital by maintaining a low volatility portfolio as it relates to price fluctuations, further modifying return objectives.
- D. County funds will at all times be invested in conformity with the laws of the State of Georgia, specifically 36-80-3, 36-80-4, 36-82-7, and 36-83-4; along with bond ordinances or covenants, this Investment Policy and the Department's written administrative procedures.
- E. The County's investments are to be managed on a total rate of return basis while avoiding speculative strategies and highly volatile securities. Use of high risk (volatile) derivative securities are prohibited from purchase in either the liquidity or investment portfolio. The County seeks to acquire securities with suitable characteristics and to hold those assets until such time as market conditions or other factors create clear opportunities for increased returns. Excessive trading without clearly demonstrable benefit to the County is prohibited.

Interest rate risk

The County's Investment Policy breaks out the County's investments into a liquidity portfolio and an investment portfolio. The liquidity portfolio has assets that are categorized as short-term funds and will be invested in permitted investments maturing in twelve (12) months or less. The average weighted maturity of the liquidity portfolio will not exceed 180 days. The investment portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase.

Custodial credit risk – deposits and investments

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 US government, or bonds of public authorities, counties or municipalities.

As of December 31, 2006, the County's Credit and Interest Rate Risk related to the County's cash equivalents and investments as follows:

| Investment | (market value) Fair Value | Duration (Years) | Credit Quality |
|--|------------------------------|------------------|----------------|
| Federal Agency Securities | \$ 291,270,742 | 0.75 | |
| Federal Mortgage Backed Securities | 41,182,535 | 1.85 | |
| US Treasury Notes | 18,790,175 | 1.72 | |
| State of Georgia – Georgia Fund I | 289,138,478 | 0.04 | AAA |
| Total Cash Equivalents and Investments | \$ 640,381,930 | | |

Note 4. Property Taxes

The County's property taxes were levied on the assessed values of all real and personal property including mobile homes and motor vehicles located in the County. The assessed value at January 1, 2006, upon which the 2006 levy was based, was the taxable assessed value of \$25,172,836,871 (40 percent of the estimated actual taxable value of \$62,932,092,178).

The tax billing cycle for fiscal year 2006 allowed citizens to pay 50 percent of the tax bill in October with the balance due in November as detailed in the following calendar:

| | |
|-----------------------|-------------------|
| Levy date | January 1, 2006 |
| Tax bills mailed by | August 15, 2006 |
| Payment due dates | |
| First installment | October 15, 2006 |
| Second installment | November 15, 2006 |
| Delinquency dates | |
| First Installment | October 16, 2006 |
| Second Installment | November 16, 2006 |
| Approximate lien date | March 16, 2007 |

Note 5.

Allowances For Uncollectible Receivables

Allowances for uncollectible receivables at December 31, 2006, are as follows (in thousands of dollars):

| | |
|-----------------------------|-----------------|
| Taxes receivable: | |
| General Fund | \$ 2,872 |
| Other Governmental Funds | 510 |
| | <u>\$ 3,382</u> |
| Accounts receivable: | |
| General Fund | \$ 1,543 |
| Water and Sewerage Fund | 1,054 |
| | <u>\$ 2,597</u> |

Note 6.

Due From Other Governments

The total amount due from other governments as of December 31, 2006, is \$24,658,000. A total of \$22,823,476 is due from the State of Georgia for Insurance Premium Tax collected by the state in 2006, but not yet paid to the County. This amount was estimated using the amount received for 2006 and adjusting it for projected population growth. The remaining \$1,834,524 is due from various state and local agencies.

Note 7.

Capital Assets

The County's Capital Asset activity for the year ended December 31, 2006, was as follows (in thousands of dollars):

Primary Government

| | Balance January 1, 2006 | Increases | Decreases | Balance December 31, 2006 |
|--|----------------------------|-----------|-----------|------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: land | \$ 358,084 | 31,520 | 58 | 389,546 |
| Construction in progress | 279,774 | 203,269 | 367,942 | 115,101 |
| Total capital assets, not being depreciated | 637,858 | 234,789 | 368,000 | 504,647 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 109,515 | 78,792 | 17 | 188,290 |
| Buildings | 387,682 | 156,137 | 5,244 | 538,575 |
| Equipment | 70,196 | 44,320 | 892 | 113,624 |
| Vehicles | 45,316 | 12,052 | 2,996 | 54,372 |
| Infrastructure | 663,221 | 70,991 | - | 734,212 |
| Total capital assets being depreciated | 1,275,930 | 362,292 | 9,149 | 1,629,073 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 26,778 | 5,678 | 16 | 32,440 |
| Buildings | 66,473 | 9,286 | 860 | 74,899 |
| Equipment | 44,870 | 24,161 | 873 | 68,158 |
| Vehicles | 30,915 | 4,660 | 2,758 | 32,817 |
| Infrastructure | 152,133 | 14,356 | - | 166,489 |
| Total accumulated depreciation | 321,169 | 58,141 | 4,507 | 374,803 |
| Total capital assets, being depreciated, net | 954,761 | 304,151 | 4,642 | 1,254,270 |
| Governmental activities capital assets, net | \$1,592,619 | 538,940 | 372,642 | 1,758,917 |

| | Balance January 1, 2006 | Increases | Decreases | Balance December 31, 2006 |
|--|----------------------------|-----------|-----------|------------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: land | \$ 59,852 | 3,655 | - | 63,507 |
| Construction in progress | 361,144 | 123,187 | 362,096 | 122,235 |
| Total capital assets, not being depreciated | 420,996 | 126,842 | 362,096 | 185,742 |
| Capital assets, being depreciated: | | | | |
| Buildings | 507,782 | 111,824 | - | 619,606 |
| Improvements | 2,154,980 | 257,914 | 1,295 | 2,411,599 |
| Equipment | 277,152 | 80,301 | 5 | 357,448 |
| Vehicles | 28,343 | 590 | 248 | 28,685 |
| Total capital assets being depreciated | 2,968,257 | 450,629 | 1,548 | 3,417,338 |
| Less accumulated depreciation for: | | | | |
| Buildings | 51,099 | 12,286 | - | 63,385 |
| Improvements | 327,877 | 36,484 | 76 | 364,285 |
| Equipment | 96,847 | 29,824 | 5 | 126,666 |
| Vehicles | 13,269 | 2,226 | 248 | 15,247 |
| Total accumulated depreciation | 489,092 | 80,820 | 329 | 569,583 |
| Total capital assets, being depreciated, net | 2,479,165 | 369,809 | 1,219 | 2,847,755 |
| Business-type activities capital assets, net | \$2,900,161 | 496,651 | 363,315 | 3,033,497 |

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands of dollars):

Governmental Activities:

| | |
|--|-----------------|
| General Government | \$10,355 |
| Public Safety | 4,908 |
| Judiciary | 1,848 |
| Public Works | 27,518 |
| Health and Welfare | 11 |
| Culture and Recreation | 10,088 |
| Housing and Development | 187 |
| Total depreciation expense – governmental activities | <u>\$54,915</u> |

Business-type activities:

| | |
|--|-------------------------|
| Water and Sewerage | \$ 64,304 |
| Airport | 1,242 |
| Solid Waste | 2 |
| Stormwater | 14,175 |
| Transit | 1,886 |
| Total depreciation expense – business-type activities | <u><u>\$ 81,609</u></u> |

Certain assets were transferred between governmental activities and business-type activities resulting in additions to accumulated depreciation which are not depreciation expense.

Construction Commitments

The County has active construction projects as of December 31, 2006. At year-end the County's commitments with contractors are as follows (in thousands of dollars):

| | |
|----------------------|-------------------------|
| Contract Value | \$1,198,238 |
| Spent-to-Date | <u>690,031</u> |
| Remaining Commitment | <u><u>\$508,207</u></u> |

Discretely Presented Component Units

The Gwinnett County Public Library's (discretely presented component unit) capital assets reflected activity as follows (in thousands of dollars), as of June 30, 2006:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|-------------------------------|----------------------|------------|-------------|-------------------|
| Equipment | 2,624 | 936 | (937) | 2,623 |
| Less accumulated depreciation | (2,109) | (249) | 856 | (1,502) |
| Net Capital Assets | <u>515</u> | <u>687</u> | <u>(81)</u> | <u>1,121</u> |

A summary of the Springbrook Golf Course Commission's (a discretely presented component unit) capital assets reflected activity is as follows (in thousands of dollars), as of December 31, 2006:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-------------------|-----------|-----------|----------------|
| Land | \$ 2,895 | - | - | \$ 2,895 |
| Capital assets being depreciated: | | | | |
| Buildings | 468 | 6 | - | 474 |
| Club House – Renovation | 609 | - | - | 609 |
| Course – Renovation | 460 | 76 | - | 536 |
| Equipment | 392 | - | - | 392 |
| Other improvements | 57 | - | - | 57 |
| Original Golf Course | 1,402 | - | - | 1,402 |
| Total Capital Assets being depreciated | 3,388 | 82 | - | 3,470 |
| Less accumulated depreciation for: | | | | |
| Buildings | 100 | 29 | - | 129 |
| Club House – Renovation | 53 | 16 | - | 69 |
| Course – Renovation | 99 | 30 | - | 129 |
| Equipment | 133 | 106 | - | 239 |
| Other improvements | 6 | 5 | - | 11 |
| Original Golf Course | 1,402 | - | - | 1,402 |
| Total accumulated being depreciation | 1,793 | 186 | - | 1,979 |
| Total Capital Assets being depreciated | 1,595 | (104) | - | 1,491 |
| Total Springbrook | \$ 4,490 | (104) | - | \$ 4,386 |

The Board of Health's (a discretely presented component unit) capital assets reflected activity is as follows (in thousands of dollars), as of June 30, 2006:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|-------------------------------|-------------------|----------|----------|----------------|
| Equipment | \$ 1,196 | 74 | (188) | \$ 1,082 |
| Less accumulated depreciation | (858) | (96) | 184 | (770) |
| Net capital assets | \$ 338 | (22) | (4) | \$ 312 |

Note 8. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended December 31, 2006 (in thousands of dollars):

| Governmental Activities: | January 1, 2006 | Accretion Amortization | Additions | Retirements | December 31, 2006 | Amounts due within one year |
|--|-----------------|------------------------|-----------|-----------------|-------------------|-----------------------------|
| Group: | | | | | | |
| Revenue bonds | \$ 10,915 | - | - | (1,925) | 8,990 | 2,045 |
| General obligation bonds | 116,400 | - | - | (9,845) | 106,555 | 10,205 |
| Less: deferred amounts For issuance premiums | 980 | - | - | (207) | 773 | - |
| On refunding | (1,185) | - | - | 378 | (807) | - |
| Total bonds payable | 127,110 | - | - | (11,599) | 115,511 | 12,250 |

| Governmental Activities: | January 1, 2006 | Accretion Amortization | Additions | Retirements | December 31, 2006 | Amounts due within one year |
|---------------------------------|-----------------|------------------------|-----------|-------------|-------------------|-----------------------------|
| Lease Payable | 65,000 | - | - | (1,405) | 63,595 | 1,465 |
| Accumulated leave benefits | 11,164 | - | 12,362 | (11,118) | 12,408 | 12,098 |
| Estimated claims payable | 14,093 | - | 30,724 | (31,577) | 13,240 | 8,721 |
| Governmental activity | | | | | | |
| Long-term liabilities | \$ 217,367 | - | 43,086 | (55,699) | 204,754 | 34,534 |

| Business-type Activities: | | | | | | |
|---|----------------|--------------|----------------|------------------|----------------|---------------|
| Notes payable | \$ 2,235 | - | - | (445) | 1,790 | 411 |
| Revenue bonds | 829,895 | 5,535 | 121,375 | (146,605) | 810,200 | 30,076 |
| Less: deferred amounts For issuance premiums (discounts and loss) | 3,094 | - | (6,430) | 1,025 | (2,311) | - |
| Total bonds payable | 832,989 | 5,535 | 114,945 | (145,580) | 807,889 | 30,076 |

| | | | | | | |
|----------------------------|------------|-------|---------|-----------|---------|--------|
| Accumulated leave benefits | 1,442 | - | 1,476 | (1,283) | 1,635 | 1,596 |
| Business-type activity | | | | | | |
| Long-term liabilities | \$ 836,666 | 5,535 | 116,421 | (147,308) | 811,314 | 32,083 |

Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$178,000 of internal service fund accumulated leave benefits and \$13,240,000 of internal service fund claims payable were included in the above amounts.

For governmental funds, accumulated leave benefits are liquidated by the General, E-911, Fire, Recreation, and Internal Service Funds. Estimated claims payable is liquidated by the Group Insurance and Risk Management Internal Service Funds.

For business-type activities, accumulated leave benefits are liquidated by the Water and Sewerage, Airport, Stormwater, and Transit Funds.

Bonds payable are comprised of the following:

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 have been issued for general government activities and are reported in the governmental column of the governmentwide statement of net assets. The 2003 Bonds have a 20-year amortization and the 2002 bonds have a 25-year amortization. General obligation bonds outstanding, as of December 31, 2006, are as follows (in thousands of dollars):

| | Interest Rate (%) | Interest Dates | Issue Date | Maturity Date | Authorized and Issued | Cumulatively Retired | Outstanding |
|-----------------------------------|-------------------|----------------|------------|---------------|-----------------------|----------------------|-------------|
| 2002 General Obligation Refunding | 2.0 – 4.0 | 1/1 – 7/1 | 10/23/02 | 01/01/11 | \$ 61,740 | \$ 21,980 | \$ 39,760 |
| 2003 General Obligation | 2.0 – 4.0 | 1/1 – 7/1 | 07/25/03 | 01/01/23 | 75,000 | 8,205 | 66,795 |
| | | | | | \$136,740 | \$ 30,185 | \$ 106,555 |

Revenue Bonds

The County also issues bonds where the County pledges income derived from the acquired or constructed assets to pay debt service. The County has issued revenue bonds for both governmental and business-type activity.

The revenue bonds related to proprietary activity are reported in the Enterprise Funds as they are expected to be repaid from Enterprise Funds revenues. The governmental revenue bonds are reported in the governmental column of the governmentwide statement of net assets. Revenue bonds outstanding, as of December 31, 2006, are as follows (in thousands of dollars):

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| | Interest Rate % | Interest Dates | Issue Date | Maturity Date | Authorized and Issued | Cumulatively Retired | Cumulative Capital Accretion Interest | Outstanding |
|------------------------------------|-----------------|----------------|------------|---------------|-----------------------|----------------------|---------------------------------------|-------------|
| Governmental Activities: | | | | | | | | |
| 1992 Recreation Refunding | 3.0 – 6.0 | 2/1 – 8/1 | 12/01/92 | 02/01/10 | \$ 31,340 | 22,350 | - | 8,990 |
| Business-type: | | | | | | | | |
| 1994 Water and Sewerage Refunding | 4.9 | 2/1 – 8/1 | 02/25/94 | 08/01/10 | 63,128 | 12,550 | 52,432 | 103,010 |
| 1997 Water and Sewerage | 5.0 – 5.25 | 2/1 – 8/1 | 06/01/97 | 08/01/18 | 100,000 | 100,000 | - | - |
| 1998 Water and Sewerage | 4.5 – 5.0 | 2/1 – 8/1 | 05/01/98 | 08/01/18 | 170,000 | 166,150 | - | 3,850 |
| 2002 Water and Sewerage | 4.0 – 5.25 | 2/1 – 8/1 | 05/01/02 | 08/01/25 | 120,000 | 116,500 | - | 3,500 |
| 2003A Water and Sewerage Refunding | 1.0 – 6.0 | 2/1 – 8/1 | 06/05/03 | 08/01/06 | 18,075 | 18,075 | - | - |
| 2003B Water and Sewerage Refunding | 4.75 – 5.0 | 2/1 – 8/1 | 06/05/03 | 08/01/25 | 200,000 | - | - | 200,000 |
| 2004 Water and Sewerage | Variable | Monthly | 10/21/04 | 08/01/25 | 120,000 | - | - | 120,000 |
| 2005 Water and Sewerage Refunding | 3.0 – 4.50 | 2/1 – 8/1 | 3/17/05 | 8/1/22 | 259,600 | - | - | 259,600 |
| 2006 Water and Sewerage Refunding | 3.75 – 4.50 | 2/1 – 8/1 | 3/9/06 | 8/1/25 | 121,375 | 1,135 | - | 120,240 |
| | | | | | 1,172,178 | 414,410 | 52,432 | 810,200 |
| | | | | | | | | (2,311) |
| | | | | | | | | 807,889 |

Deferred Charges

Net Business-type Bonds Outstanding

The annual requirements to amortize bonds payable as of December 31, 2006, excluding unamortized bond discount/premium and deferred loss on refunding of \$2,345,000, are as follows (in thousands of dollars):

| Year ended December 31 | Governmental | | | | Business-Type | | Total |
|---------------------------|--------------------|---------------|-----------------|--------------|-------------------|----------------|---------------------|
| | General Obligation | | Revenue | | Revenue | | |
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2007 | \$ 10,205 | 3,602 | \$ 2,045 | 477 | \$ 30,076 | 29,951 | \$ 76,356 |
| 2008 | 10,560 | 3,228 | 2,170 | 352 | 28,651 | 31,363 | 76,324 |
| 2009 | 10,945 | 2,860 | 2,310 | 217 | 25,234 | 32,709 | 74,275 |
| 2010 | 11,380 | 2,490 | 2,465 | 74 | 26,104 | 33,693 | 76,206 |
| 2011 | 11,870 | 2,101 | - | - | 35,350 | 26,597 | 75,918 |
| 2012 – 2016 | 18,305 | 8,100 | - | - | 202,165 | 109,543 | 338,113 |
| 2017 – 2021 | 22,645 | 4,451 | - | - | 240,875 | 64,601 | 332,572 |
| 2022 – 2025 | 10,645 | 431 | - | - | 221,745 | 19,485 | 252,306 |
| Total | \$ 106,555 | 27,263 | \$ 8,990 | 1,120 | \$ 810,200 | 347,942 | \$ 1,302,070 |

The Water and Sewer Authority issued \$120,000,000 in variable rate revenue bonds on October 21, 2004. The bonds were divided into two series, A and B. The Series A bonds are underwritten and remarketed by Citigroup and the Series B bonds are underwritten and remarketed by UBS Financial Services, Inc. Other than the designation of Series A and Series B, the bonds are identical in all respects other than the variable rate that will be assigned on an ongoing basis pursuant to the weekly remarketing. The bonds will initially bear interest for a weekly interest rate period, and will continue such until adjusted at the option of the Authority to a daily, short-term, or long-term period. The weekly interest rate is determined by the Remarketing Agent subject to a maximum of 12 percent per annum for Bonds that are not Purchased Bonds, and 25 percent per annum for Purchased Bonds. The interest paid in 2004 through 2008 (and a portion of 2009) is impacted by the swap agreement discussed below.

Interest Rate Swap. As a hedge against adverse market conditions, the Authority entered into a swap agreement with Merrill Lynch Capital Services, Inc. The intention of this agreement is to effectively change the Authority's variable interest rate (set by the Bond Securities Industry and Financial Markets Association [SIFMA] Municipal Swap Index) on the bonds to a synthetic fixed rate of 2.7852 percent. The effective date of the swap is the same as the bond issuance date, October 21, 2004. The maturity date of the swap is November 1, 2009. The initial notional value of the swap is \$120,000,000. As of December 31, 2006, the swap had a fair value of \$2,202,150. The overall interest cost to the Authority at the time of issue and for the next three years will be the fixed swap rate of 2.7852 percent, the liquidity fee of 0.105 percent and the remarketing fee of 0.08 percent, for a total of 2.9702 percent. This is the rate used to calculate interest through 2008 and 10 months into 2009 on the debt service requirements schedule. From that point on, 1.06 percent is used, which represents the average of the BMA index for the 12 months preceding 2004.

For the fiscal year ending December 31, 2006, the County paid the following debt service expenses related to the Series 2004A and B Variable Rate Revenue Bonds:

| | |
|------------------|--------------|
| Interest | \$ 4,119,567 |
| Swap Fees | \$ (591,182) |
| Liquidity Fees | \$ 127,514 |
| Remarketing Fees | \$ 96,000 |

Credit risk, or counterparty risk. In the unlikely event that the counterparty becomes insolvent, or fails to make payments as specified in the swap agreement, the Authority would be exposed to credit risk in the amount of the swap's fair value. To minimize this risk, the Authority executed this agreement with counterparties of appropriate credit strength.

Termination risk. The following termination events are defined in the swap agreement: 1) change in law of jurisdiction that occurs after the collar agreement is enacted; 2) change in credit of counterparty due to merger or acquisition; and 3) any event or circumstance on the part of the counterparty or the County that results in an event of default. If early termination occurs during adverse or extraordinary market conditions, the Authority could be exposed to a liability for large interest payments.

Variable Rate Revenue Bonds

| Component Unit | Interest Rate % | Interest Dates | Issue Date | Maturity Date | Authorized and Issued | Cumulative Retired | Outstanding |
|--------------------------------------|-----------------|----------------|------------|---------------|-----------------------|--------------------|-------------|
| Development Authority 2001 Demand | variable | weekly | 05/10/01 | 09/01/31 | \$65,000 | 1,405 | 63,595 |

The Development Authority (a discretely presented component unit) issued \$65,000,000 in variable-rate revenue bonds on May 10, 2001. The estimated annual requirements to amortize the bonds payable as of December 31, 2006, are as follows (in thousands of dollars):

Development Authority 2001 Variable Rate Revenue Bonds

| Year Ended December 31 | Principal | Interest | Total Debt Service |
|------------------------|------------------|------------------|--------------------|
| 2007 | \$ 1,465 | \$ 2,563 | \$ 4,028 |
| 2008 | 1,525 | 2,505 | 4,030 |
| 2009 | 1,595 | 2,440 | 4,035 |
| 2010 | 1,660 | 2,375 | 4,035 |
| 2011 | 1,890 | 2,566 | 4,456 |
| 2012 – 2016 | 10,505 | 12,441 | 22,946 |
| 2017 – 2021 | 12,490 | 9,659 | 22,149 |
| 2022 – 2026 | 14,840 | 6,356 | 21,196 |
| 2027 – 2031 | 17,625 | 2,431 | 20,056 |
| Total | \$ 63,595 | \$ 43,336 | \$ 106,931 |

The County is absolutely and unconditionally obligated under the terms of an intergovernmental contract relating to the bonds, dated April 1, 2001 to pay debt service on the bonds, including principal, interest, and remarketing fees. As a result, the County reports a capital lease obligation to component units and the Development Authority reports a lease receivable from the primary government in an amount, and with future requirements, equal to the above Development Authority bonds. The bonds were issued to finance an expansion of the existing Gwinnett Center.

The bonds are variable rate and bear interest at the rate established by the Bond Market Association (BMA) index, reset weekly, with a maximum rate of 12 percent. The weekly rate in effect at December 31, 2006, was 3.91 percent. Initially, as a hedge against adverse market conditions, the County entered into an agreement with Salomon Brothers Holding Company. This agreement effectively provided an interest rate collar by which the County was protected from rate increases while at the same time, investors were guaranteed a minimum rate of return on their investment. The effective interest rate floor and ceiling resulting from this agreement were 3.14 percent and 5.00 percent.

This collar terminated on May 9, 2006. As a continued hedge against adverse market conditions, the County entered into a swap agreement with Deutsche Bank, AG. This agreement effectively changes the County's variable interest rate (set by the Securities Industry and Financial Markets Association [SIFMA] Municipal Swap Index) on the Bonds to a synthetic fixed rate of 3.864 percent. The effective date of the swap is May 9, 2006. The maturity date of the swap is September 7, 2011. As of December 31, 2006, the swap had a fair market value of (\$846,291). The overall interest cost to the County for the next five years will be the fixed swap rate of 3.864 percent, the liquidity fee of 0.105 per-cent, and the remarketing fee of 0.08 percent, for a total of 4.049 percent.

Risks Associated with Interest Rate Swap Agreement

Credit Risk, or counterparty risk. In the unlikely event that the counterparty becomes insolvent, or fails to make payments as specified in the swap agreement, the County would be exposed to credit risk in the amount of the swap's fair value. To minimize this risk, the County executed this agreement with the counterparties of appropriate credit strength.

Termination Risk. The following termination events are defined in the swap agreement: 1) change in law of jurisdiction that occurs after the swap agreement is enacted; 2) change in credit of counterparty due to merger or acquisition; and 3) an event or circumstance on the part of the counterparty or the County that results in an event of default. If an early termination occurs during adverse or extraordinary market conditions, the County could be exposed to a liability for large interest payments.

For the fiscal year ending December 31, 2006, the County paid the following debt service expenses related to the Series 2001 Revenue Bonds (in thousands of dollars):

| | | |
|-----------------|--------------------|-----------------------|
| Interest | Collar Fees | Liquidity Fees |
| \$2,207,414 | (\$71,481) | \$96,876 |

Advance Refunding of Debt

In 1985 and 1986, the County advance refunded all outstanding Water and Sewerage Authority Revenue Bonds. The County issued revenue bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Water and Sewerage Funds. At December 31, 2006, \$10,305,000 of outstanding revenue bonds are considered defeased.

In 1994, the County advance refunded on a parity with the prior obligations to provide funds to be used to: (a) refund that portion of the Authority's outstanding Revenue Refunding Bonds, Series 1986; and (b) pay the expenses necessary to accomplish the foregoing. Water and Sewerage Revenue Bonds, Series 1994, were issued in the amount of \$63,128,107. The net proceeds of \$63,012,521 were deposited in an irrevocable trust with an escrow agent to pay the principal of redemption premium, if any, and interest on the Refunded Bonds in order to achieve certain debt service savings. As a result of the refunding, a portion of the Water and Sewerage Revenue Bonds ("Series 1986") are considered to be defeased and the liability for those bonds has been removed from the Water and Sewerage Funds. At December 31, 2006, \$25,189,000 of outstanding revenue bonds are considered defeased.

In 2000, the County retired a portion of the Recreation Refunding Series 1992 revenue bonds through a cash defeasance. A total of \$2,379,613 was deposited in an irrevocable trust with an escrow agent to pay the principal and interest on the Refunded Bonds in order to achieve certain debt service savings. As a result, the refunded bonds are considered to be defeased. At December 31, 2006, \$405,000 of outstanding revenue bonds are considered defeased.

In 2002, the County advance refunded all the outstanding General Obligation Bonds (“Series 1992 General Obligation Refunding Bonds”). The net proceeds of the General Obligation Refunding Bond issuance were used to purchase investments that were deposited in irrevocable trusts with an escrow agent to provide all future debt service payments on the refunded bonds and to refund all of the outstanding prior revenue bonds. The result of this transaction is expected to be a decrease in future debt service payments of \$6.4 million. The refunded bonds are considered to be defeased. At December 31, 2006, \$40,850,000 of outstanding revenue bonds are considered defeased.

In 2005, the County advance refunded that portion of the Series 1997 Water and Sewer Revenue Bonds maturing on and after August 1, 2011, in the aggregate principal amount of \$97,200,000; that portion of the Series 1998 Bonds maturing on and after August 1, 2009, in the aggregate principal amount of \$102,380,000; and that portion of the Series 1999 Bonds maturing on and after August 1, 2011, in the aggregate amount of \$50,000,000. The net proceeds of \$259,600,000 from the 2005 Water and Sewerage Refunding Bonds were deposited in irrevocable trusts with an escrow agent to provide all future debt service payments on the refunded bonds. The result of this transaction is a decrease in future debt service payments of \$16,085,880 resulting in a net present value savings to the County of \$13,543,952. The refunded bonds are considered defeased. At December 31, 2006, \$249,580,000 of outstanding revenue bonds are considered defeased.

In 2006, the County advance refunded that portion of the Series 2002 Water and Sewer Revenue Bonds maturing on and after August 1, 2013, in the aggregate principal amount of \$116,500,000. With an original principal amount of \$121,375,000, net proceeds of \$114,945,000 were deposited in irrevocable trusts with an escrow agent to provide all future debt service payments on the refunded bonds. The result of this transaction is a decrease in future debt service payments of \$7,687,038 resulting in a net present value savings to the County of \$4,858,834. The refunded bonds are considered defeased. At December 31, 2006, \$116,500,000 of outstanding revenue bonds are considered defeased.

Debt Margin

The County is subject to the *Municipal Finance Law of Georgia*, which limits the amount of net bonded debt (exclusive of revenue bonds) the County may have outstanding up to 10 percent of the assessed valuation of taxable property. At December 31, 2006, General Obligation Bonds outstanding, net of amounts available in the Debt Service Fund of \$21,653,000 totaled \$84,902,000. The statutory limit at that date was \$2,517,284,000 providing a debt margin of \$2,432,382,000.

Debt Covenants

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. Management believes the County is in compliance with all such significant financial limitations and restrictions.

Notes Payable

The Enterprise Funds have several Georgia Environmental Facilities Authority (GEFA) loans for the construction and acquisition of buildings and equipment. Notes payable outstanding as of December 31, 2006, are as follows (in thousands of dollars):

| Enterprise Funds: | Interest Rate % | Interest Dates | Maturity Dates | Notes Payable January 1, 2006 | Additions | Retirements | Notes Payable December 31, 2006 |
|-------------------|-----------------|---------------------|----------------|-------------------------------|-----------|-------------|---------------------------------|
| GEFA | 5.30 | 3/1, 6/1, 9/1, 12/1 | 9/08 | \$ 206 | - | \$ 72 | \$ 134 |
| GEFA | 6.00 | 2/1, 5/1, 8/1, 11/1 | 5/07 | 116 | - | 81 | 35 |
| GEFA | 2.00 | Quarterly | 4/12 | 1,490 | - | 223 | 1,267 |
| GEFA | 6.25 | 1/1, 4/1, 7/1, 10/1 | 4/11 | 423 | - | 69 | 354 |
| | | | | \$2,235 | - | \$ 445 | \$ 1,790 |

The annual requirements to pay the notes outstanding at December 31, 2006, including interest of approximately \$128,000, are as follows (in thousands of dollars):

| Year Ending December 31 | Enterprise Funds | Principal | Interest |
|-------------------------|------------------|-----------|----------|
| 2007 | 460 | 411 | 49 |
| 2008 | 404 | 369 | 35 |
| 2009 | 344 | 320 | 24 |
| 2010 | 344 | 330 | 14 |
| 2011 | 282 | 277 | 5 |
| 2012 | 83 | 83 | - |
| | \$ 1,917 | 1,790 | 127 |

Operating Lease Commitments

The County leases certain equipment under operating leases. Rental expense for all operating leases aggregated \$5,063,182 for the year ended December 31, 2006. There were no significant future minimum rental payments, contingent rentals, or sublease rentals associated with leases in effect at December 31, 2006.

Conduit Debt

From time to time, the Development Authority, a discretely presented component unit, has issued Industrial Development Revenue Bonds to provide financial assistance to both private and public sector entities for the acquisition and construction of industrial and commercial facilities deemed to be of public interest. Neither the Development Authority, the County, State, nor political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. There were 30 series of industrial development bonds issued from January 1, 1996 to December 31, 2006, totaling \$478,324,313. The total amount of those bonds outstanding as of December 31, 2006, was \$451,313,185.

The aggregate principal amount outstanding for the 84 series issued prior to December 31, 1995, could not be determined; however, their original issue amounts totaled approximately \$231.5 million.

Note 9.

Interfund Balances and Transfers

Interfund receivable and payable balances as of December 31, 2006, are as follows (in thousands of dollars):

| DUE TO | DUE FROM | | | | | Total |
|------------------------|----------------|------------------------|--------------------|----------------------|------------------|---------------|
| | 2001 Sales Tax | Non-major Governmental | Water and Sewerage | Non-major Enterprise | Internal Service | |
| General Fund | \$434 | \$3 | \$ - | \$ - | \$ - | \$ 437 |
| Non-major Governmental | - | - | - | 10 | - | 10 |
| Non-major Enterprise | - | - | 1 | - | - | 1 |
| Internal Service | - | - | - | - | 1 | 1 |
| Total | \$434 | \$3 | \$ 1 | \$ 10 | \$ 1 | \$ 449 |

Interfund receivables and payables result from timing differences related to payroll and other year end transactions which normally clear within one month. Interfund transfers for the year ended December 31, 2006, consisted of the following (in thousands of dollars):

| TRANSFER TO | TRANSFER FROM | | | | | Total |
|------------------------|------------------|----------------|----------------|------------------------|----------------------|------------------|
| | General | 1997 Sales Tax | 2001 Sales Tax | Non-major Governmental | Non-major Enterprise | |
| General Fund | \$ - | \$ 200 | \$ 525 | \$ 1,318 | \$ 207 | \$ 2,250 |
| Other Capital Projects | 11,405 | - | - | 3,888 | - | 15,293 |
| 1997 Sales Tax | - | - | - | 680 | - | 680 |
| 2001 Sales Tax | - | - | - | 23 | - | 23 |
| Non-major Governmental | 151 | - | - | 2 | - | 153 |
| Water and Sewerage | 318 | - | - | - | - | 318 |
| Stormwater | 9,789 | - | - | - | - | 9,789 |
| Non-major Enterprise | 5,357 | - | - | 6 | - | 5,363 |
| Total | \$ 27,020 | \$ 200 | \$ 525 | \$ 5,917 | \$ 207 | \$ 33,869 |

The majority of transfers are from the General Fund to capital projects funds to fund ongoing and planned projects. The General Fund also transfers funds to the Stormwater and Transit Enterprise Funds to cover operating deficits. Additionally, the Water and Sewerage Fund transferred capital assets with a net book value of \$88,000 to the governmental activities.

Note 10.**Risk Management****A. Liability, Property, and Workers Compensation**

It is the policy of the County not to purchase commercial insurance for various types of losses to which it is exposed. Instead, the County management believes it is more economical to manage its risks by purchasing limited liability coverages and internally setting aside assets for claim settlement in its Risk Management Fund, an internal service fund. The Risk Management Fund services claims for the County resulting from general liability, automobile liability, errors and omissions, law enforcement liability, property, and workers' compensation risks. All departments, agencies, and authorities of the County participate in this fund. The Risk Management Fund allocates the cost of providing claims service and claims payment by charging a "premium" to each department, agency, or public authority. These charges, which consider recent trends in actual claims experience of the County as a whole, are accounted for as interfund services provided and used. The County self-funds up to \$2,000,000 for general liability, errors and omissions, and law enforcement liability, with excess coverage of \$20,000,000. The County fully self-funds the automobile liability exposure up to \$350,000 and relies on governmental immunity above these levels. The County purchases direct coverage for property and crime insurance with a limit of \$500,000,000 and \$2,000,000 respectively. This policy provides for a \$250,000 deductible on property damage and \$5,000 deductible on fidelity claims. In addition, the County purchases direct coverage for off-duty police liability with a limit of \$1,000,000 fiduciary liability with a limit of \$5,000,000, and aviation coverage for the airport and helicopters with limits of \$50,000,000 and \$15,000,000 respectively. The County is self-funded up to \$600,000 per occurrence for workers' compensation. Amounts exceeding this are covered by an excess workers' compensation policy. The County has not experienced any significant decreases in insurance coverage. Settlement claims have not exceeded coverage in the past three fiscal years.

The County has joined together with other counties in the state as part of the Association County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund Large Deductible Program. This is a public entity risk pool currently operating as a workers' compensation insurance program for member local governments. The Association County Commissioners of Georgia administers the workers' compensation pool. As part of the Group Self-Insurance Workers' Compensation Fund, the County is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures, and to report as promptly as possible, and in accordance with State law, all incidents which could result in a workers' compensation claim being paid. The County also allows the pool's agents and attorneys to represent the County in investigation, settlement discussions, and all levels of litigation out of any claim made against the County for workers' compensation within the scope of claims protection furnished by the fund. The County is responsible to reimburse the fund for the first \$600,000 of any claim. Amounts exceeding the \$600,000 deductible are covered by an excess workers' compensation policy. The fund is responsible to defend and protect members of the fund in accordance with the workers' compensation law of Georgia.

Outstanding liabilities are reported when it is probable a loss has occurred and the amount of that loss may be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards; therefore, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities are discounted, that is, they reflect potential investment income that is expected to be earned on the loss reserves until they are paid.

Changes in the balances of claims liabilities for each of the years in the two-year period ended December 31, 2006, were as follows:

| | Beginning of Fiscal-Year Liability | Current-Year Claims and Changes in Estimates | Claims Payments | Balance at Fiscal Year-End |
|------|------------------------------------|--|-----------------|----------------------------|
| 2006 | \$11,093,000 | 4,187,440 | 5,040,440 | 10,240,000 |
| 2005 | \$11,023,000 | 10,295,000 | 10,225,000 | 11,093,000 |

At December 31, 2006, the Risk Management Fund held \$25,318,000 in cash and cash equivalents available for payment of these claims.

B. Group Health Insurance

The County accounts for the risks associated with the employee's health insurance plan in the Group Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The County maintains specific stop loss coverage in the amount of \$175,000 per covered individual to reduce the exposure from catastrophic claims. Two third-party administrators are employed to process claims for the group insurance health program. The County has not experienced any significant decreases in insurance coverage.

Changes in balances of claims liabilities for the Group Insurance Fund during 2006 and 2005 are as follows:

| | Beginning of Fiscal-Year Liability | Current-Year Claims and Changes in Estimates | Claims Payments | Balance at Fiscal Year-End |
|------|------------------------------------|--|-----------------|----------------------------|
| 2006 | \$3,000,000 | 26,536,510 | 26,536,510 | 3,000,000 |
| 2005 | \$3,000,000 | 30,823,253 | 30,823,253 | 3,000,000 |

At December 31, 2006, the Group Insurance Fund held \$35,945,000 cash and cash equivalents available for payment of these claims.

2006 Claims for Active Employees:

For 2006, there were 3,713 active employees electing medical coverage through the Gwinnett County Risk Management Division. The average reimbursement is 80 percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by these eligible participants. During the year, expenditures by type for the year ended December 31, 2006, is as follows (in thousands of dollars):

| | |
|------------------------|------------------|
| 3,713 Active Employees | |
| Administrative Costs | \$ 3,087 |
| Stop Loss Insurance | 945 |
| Claims Experience | <u>26,537</u> |
| Total | <u>\$ 30,569</u> |

Note 11.

Deferred Compensation Plan

The County maintains a Section 457 Deferred Compensation Plan administered by a third party. As a result, the assets and liabilities of the plan are not recorded on the County's financial statements. All contributions to this plan are voluntary employee contributions.

Note 12.

Pensions

A. Plan Description

The County contributes to the Association County Commissioners of Georgia ("ACCG") Defined Benefit Plan ("Plan"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating counties in Georgia. The County's payroll for employees covered by the Plan as of January 1, 2006, (the most recent actuarial valuation date) was \$160,133,000 (based on covered earnings for the preceding year).

Employees hired after November 1, 2004, have the choice between a defined benefit plan and one of several defined contribution options. Benefits vest after three years of service for employees hired before November 1, 2004, and vest after five years of service for employees hired after November 1, 2004. Participants become eligible to retire with unreduced benefits at the earlier of: a) age 65 with three years (or five years of service depending on hire date) of participation in the Plan; or b) age plus years of service totaling 75, with minimum of age 50 for participants in the Plan; or c) any age with 30 years of service. Upon eligibility to retire under the plan, participants are entitled to an annual benefit of either two and one-quarter or two and one-half percent of average compensation depending on their contribution amount payable for each year of service as a life annuity. Employees hired after November 1, 2004, upon eligibility to retire only have the choice of one defined benefit option that pays two and one-half percent of average compensation for each year of service payable as a life annuity. A cost of living increase of one percent per year is applied to the retirement benefits for all retirees after January 1, 2006, except for pre-amended participants that do not have any cost of living increases. Compensation is averaged over a sixty-month period prior to retirement or termination. The Plan also provides benefits in the event of death or disability. Upon eligibility to retire under the pre-amended plan, those participants are entitled to an annual benefit of two and one-quarter percent of average compensation. Service is limited to 35 years under the pre-amended plan. These benefit provisions were established (and can be amended) by an adoption agreement executed by the County Board of Commissioners.

Plan Membership

| | |
|--|---------------------|
| Retirees and beneficiaries receiving benefits | 805 |
| Terminated plan members entitled to but not receiving benefits | 1,054 |
| Active plan members | <u>3,431</u> |
| Total | <u><u>5,290</u></u> |

Complete financial statements for the ACCG Defined Benefit Plan can be obtained at the following address:
 GEB Corporation
 1100 Circle 75 Parkway, Suite 300
 Atlanta, GA 30339

B. Contributions

Plan members under the defined benefit plan provisions contribute up to 17.5 percent of their annual covered salary. The contribution rate for 2006 was 4.0 and 7.25 percent except for pre-amended participants who do not make a contribution. The rate is based on the cost of the plan amendment that took effect in November 2004. Plan members under the pre-amended plan provisions are not required to make any contributions to the plan. The County is required to contribute to an actuarially determined rate. §47-20 of the Georgia Code sets forth the funding standards for state and local governmental pension plans. Administrative expenses are based on the total covered payroll of plan members and are added to the annual funding requirement.

The Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish and amend from time to time, the contribution rates for the employer and its plan members.

Schedule of Employer Cost and Contributions (in thousands of dollars)

| Fiscal Year | Annual Pension Cost | Actual County Contribution | Percentage of APC Contributed | Net Pension Asset End of Year |
|-------------|---------------------|----------------------------|-------------------------------|-------------------------------|
| 2006 | \$ 25,604 | 36,920 | 144% | 71,680 |
| 2005 | 23,940 | 30,025 | 125% | 60,364 |
| 2004 | 18,676 | 25,907 | 139% | 54,279 |

The County's annual pension cost and net pension asset for the current year were as follows:

| | |
|--|----------------------|
| Annual required contribution (due at start of plan year) | \$ 25,296,797 |
| Interest from net pension obligation | (5,591,225) |
| Adjustment of net pension asset | 5,898,310 |
| Annual pension cost | 25,603,882 |
| Actual contributions to plan | 36,920,160 |
| Increase in net pension asset | 11,316,278 |
| Net pension asset as of December 31, 2005 | 60,363,983 |
| Net pension asset as of December 31, 2006 | <u>\$ 71,680,261</u> |

C. Defined Benefit Pension Plan

The information presented in the required supplementary schedules above was determined as part of the actuarial valuation as of January 1, 2006. Additional information as of the latest actuarial valuation follows:

| | |
|----------------------------------|-----------------|
| Actuarial Valuation date: | January 1, 2006 |
| Expected employee contributions | \$ 9,269,015 |
| Required county contribution | 25,296,797 |
| County's annual pension cost | 25,603,882 |

Actuarial assumptions:

| | |
|--|---|
| Investment rate of return | 8.0% |
| Projected salary increases | 5.0% |
| Includes inflation at | 3.0% |
| Cost-of-living adjustments (Amended plan only) | 1.0% every year beginning January 1, 2006 |
| Funding Method: Projected Unit Credit | |

Actuarial Value of Plan Assets: Equals market value of assets. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The weighted-average remaining amortization period as of January 1, 2006, was 11 years.

D. Defined Contribution Pension Plan

The Gwinnett County Defined Contribution Pension Plan (the "Plan") is a defined contribution pension plan established by Gwinnett County on August 1, 2000, to provide retirement benefits for appointed employees, appointed officials, and elected officials. The Plan is administered by Great-West Life & Annuity Insurance Company. At December 31, 2006, there were 962 active participants. Plan participants are required to make a one-time, irrevocable election of either 2.5, 5.0, or 7.5 percent contribution of their pensionable earnings, and the County is required to contribute 11.5 percent of pensionable earnings. Plan provisions and contribution requirements are established by and may be amended by the County Board of Commissioners within the scope of all applicable laws. The plan was activated November 1, 2000. For the year ended December 31, 2006, the amount contributed by employees was \$1,673,497. The amount contributed by the County was \$3,979,390. This amount included a contribution by the County of \$111,530 in asset management fees to reimburse employees for part of the cost of administering the Plan.

The Defined Contribution Pension Plan also contains an additional benefit – the Retiree Medical Savings Plan (401h). This plan is also administered by Great-West Life & Annuity Insurance Company. All contributions to this plan are made by the County at 1.5 percent of pensionable earnings. Upon retirement, employees may receive disbursements from this account for eligible medical expenses. In 2006, the County contributed \$485,057 to this plan. Persons leaving County employment prior to retirement forfeit all rights or claims against the medical savings program and those funds are returned to the program for payment of expenses or redistribution in accordance with IRS §401h.

E. Discretely Presented Component Unit (Gwinnett County Public Library) Pension Plan

All “classified” personnel employed by regional and county libraries are covered by the Teachers Retirement System of Georgia (TRS), which is a cost sharing multiple employer Public Employee Retirement System (PERS). A “classified” person is one who works full-time or at least 20 hours a week (part-time).

The Library’s payroll for employees covered by TRS for the year ended June 30, 2006, was \$8,715,861; total payroll was \$9,339,751. For the year ended June 30, 2005, covered employees payroll was \$8,025,862; total payroll was \$8,617,440. For the year ended 2004, covered employees’ payroll was \$7,214,916; total payroll was \$7,428,408. Employees of the Library who are covered by TRS are required by State statute to pay five percent 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. At June 30, 2006, the TRS Library employer contribution rate was 9.24 percent.

Total contributions made during fiscal years 2006, 2005, and 2004 amounted to \$1,241,137, \$1,142,883, and \$1,027,267, respectively. For each year, the following are the amounts made by the Library and employees:

| | Library | Employees | Total |
|------|-----------|-----------|-------------|
| 2006 | \$805,342 | \$435,795 | \$1,241,137 |
| 2005 | \$741,590 | \$401,293 | \$1,142,883 |
| 2004 | 666,569 | 360,698 | 1,027,267 |

For 2006, these contributions represented 9.24 percent (Library) and 5.0 percent (employees) of covered payroll equal to the required contributions. The library’s contribution was actuarially determined.

Complete financial statements for the TRS can be obtained at the following address:
 Two Northside 75, Suite 400
 Atlanta, GA 30381

Note 13.

Other Post Employment Benefits

In addition to the pension benefits described in Note 12, the County provides post-retirement health care benefits, in accordance with County policies, to all employees who retire from the County on or after attaining age 65 with five years of service, or when the age plus years of credited service equal 75 for the Defined Benefit Pension Plan; or after attaining age 62 with three years of service or when the age plus years of credited service equal 65 for the Defined Contribution Pension Plan. Currently, 666 retirees meet those eligibility requirements and have elected Gwinnett County health coverage. In addition, there are 27 disabled and 29 COBRA eligible participants as of December 31, 2006. The County reimburses 80 percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by these eligible participants. Expenditures for these post-retirement health care benefits are recognized as paid. During the year, expenditures of \$7,685,411 were recognized for post-retirement/termination health care. A summary of these expenditures by type for the year ended December 31, 2006, is as follows (in thousands of dollars):

| | |
|--------------|----------------|
| 666 Retirees | \$6,712 |
| 27 Disabled | 724 |
| 29 COBRA | <u>249</u> |
| Total | <u>\$7,685</u> |

Note 14.

Reserved and Designated Fund Balances

Included in the revised investment policy adopted November 3, 2003, was a provision that a minimum of 1/12 of the total General Fund expenditures for the immediately preceding fiscal year be maintained as a designated portion of fund balance. The County designated General Fund fund balance at December 31, 2006, totaling 26 percent of the preceding fiscal year's General Fund expenditures. Reserved and designated fund balances in the various funds as of December 31, 2006, are as follows (in thousands of dollars):

| Reserved for: | General | Other Capital Projects | 1997 Sales Tax | 2001 Sales Tax | 2005 Sales Tax | Other Governmental Funds |
|----------------------|--------------|------------------------|----------------|----------------|----------------|--------------------------|
| Inventories | 1,042 | - | - | - | - | 116 |
| Prepaid Items | 2,873 | - | 434 | - | - | 12,111 |
| Long-term receivable | - | - | - | - | - | 3,310 |
| Total | 3,915 | - | 434 | - | - | \$15,537 |

| Designated for: | General | Other Capital Projects | 1997 Sales Tax | 2001 Sales Tax | 2005 Sales Tax | Other Governmental Funds |
|-------------------------------|-----------------|------------------------|-----------------|------------------|------------------|--------------------------|
| Operating stability | \$79,652 | - | - | - | - | - |
| Other post employ benefits | 10,000 | - | - | - | - | - |
| Street lighting | - | - | - | - | - | 4,442 |
| Speed hump | - | - | - | - | - | 683 |
| Sheriff special operations | - | - | - | - | - | 244 |
| Police special investigations | - | - | - | - | - | 2,980 |
| Crime victims assistance | - | - | - | - | - | 1,505 |
| Corrections inmate welfare | - | - | - | - | - | 226 |
| Sheriff inmate store | - | - | - | - | - | 1,196 |
| E-911 | - | - | - | - | - | 20,378 |
| Recreation district | - | - | - | - | - | 22,421 |
| Tourism | - | - | - | - | - | 12,839 |
| Grant | - | - | - | - | - | 108 |
| 1992 Sales Tax | - | - | - | - | - | 38 |
| 2003 GOB Construction | - | - | - | - | - | 279 |
| Sales Tax | - | - | 90,730 | 170,711 | 175,916 | - |
| Other capital projects | - | 64,346 | - | - | - | - |
| Debt service | - | - | - | - | - | 9,550 |
| Total | \$89,652 | \$64,346 | \$90,730 | \$170,711 | \$175,916 | \$76,889 |

Note 15.

Contingencies

A. Litigation

The County is a defendant in a number of legal actions in the nature of claims for alleged damages to persons and property, wrongful death, violation of civil rights, employment issues, and other similar types of actions arising in the course of County operations. There are a number of these wrongful death, civil rights, and personal injury cases pending against the County, which in the aggregate, create a significant risk of liability exposure to the County. Management believes based upon the opinion of legal counsel that current reserves in the Risk Management Fund should be adequate to cover this exposure.

B. Grants

The County participates in a number of federal financial assistance programs. These programs are subject to independent financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, will not have a material effect on the County's financial position.

Note 16.

Subsequent Events

A. Defined Benefit Pension Plan

Effective January 1, 2007, Gwinnett County withdrew from its membership in the ACCG Agent Multiple Employer Pension Plan and transferred its share of assets to its own locally-governed plan. To manage the plan and assets as a subsequent trustee, the County established the Gwinnett County Public Employees Retirement System whose governance structure includes a board of trustees, the Retirement Plans Management Committee (RPMC), and subsidiary investment and audit committees. Approximately \$424 million in pension trust assets were transferred to the RPMC's custody in January 2007, subject to a final audit to be completed by June 30, 2007. Plan benefits remain substantially the same for existing participants. However, also effective January 1, 2007, the plan has been closed to new hires, who will participate in the County's defined contribution plan.

B. OPEB Trust Fund

As part of the County's compliance efforts for GASB 45, a trust fund was established in May 2007 to account for all assets, revenues, and expenditures associated with the activities of its other post employment benefit (OPEB) plan. Under the terms of a trust agreement between the Board of Commissioners and the RPMC, OPEB assets will be managed by the RPMC in the same manner as the pension trust fund assets. The County transferred \$15.2 million to the OPEB trust on June 1, 2007.

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• required supplementary information



required supplementary information – defined benefit pension plan

Required Supplementary Information Schedule of Funding Progress (unaudited) (in thousands of dollars)

| Actuarial Valuation Date (12/31) | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Funded Ratio (1)/(2) | (4) Unfunded AAL (UAAL) (2) – (1) | (5) Annual Covered Payroll (Prior year) | (6) UAAL as a Percentage of Covered Payroll (4)/(5) |
|----------------------------------|-------------------------------|---------------------------------------|--------------------------|-----------------------------------|---|---|
| 2005 | \$374,604 | \$468,160 | 80.0% | \$93,556 | \$164,133 | 57.0% |
| 2004 | 296,963 | 335,160 | 88.6% | 38,197 | 149,726 | 25.5% |
| 2003 | 248,655 | 300,925 | 82.6% | 52,270 | 140,658 | 37.2% |
| 2002 | 205,066 | 253,298 | 81.0% | 48,232 | 125,223 | 38.5% |

Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

For actuarial assumptions used in the actuarial valuation above, refer to **Note 12** to the financial statements.

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• governmental funds





**non-major
governmental funds
special revenue**

Street Lighting Fund

The street lighting fund is used to account for the activities of the Street Lighting Program. Financing is provided through special assessments levied against properties benefiting from street lighting services.

Speed Hump Fund

This fund was established to account for activities of the County's Speed Hump Program. Financing is provided through special assessments levied against properties benefiting from speed humps.

Sheriff Special Operations Fund

This fund is maintained to account for financial transactions resulting from the confiscation of money or property from drug and narcotics dealers. The law states that any money or property confiscated in this manner shall be used to combat further abuse.

Police Special Investigations Fund

This fund is maintained to account for financial transactions resulting from the confiscation of money or property from drug and narcotics dealers. The law states that any money or property confiscated in this manner shall be used to combat further abuse.

Crime Victims Assistance Fund

This fund accounts for the transactions of the Crime Victims Assistance Fund. Revenues are derived from five percent of fines collected within the State, Superior, Recorder's, Municipal Recorder's, and Magistrate Courts of Gwinnett County. These funds are used to provide assistance to crime victims.

Corrections Inmate Welfare Fund

Certain funds received as proceeds from vending machine sales, commissary sales, and sales of confiscated assets are set aside to provide recreational materials for the benefit of the inmates at the Corrections Institute.

Sheriff Inmate Store Fund

Sale proceeds from the inmate commissary are set aside to provide recreational materials for Correctional Institute inmates.

E-911 Fund

The Emergency 911 Fund is used to account for emergency services which are provided to all county taxpayers. Financing is provided through user fees and charges, contributions from the General Fund, and miscellaneous revenues such as interest income.

Recreation District Funds

Recreation District Funds include the combined accounts of the Recreation Authority and the Recreation Fund, which are used to account for the operations and maintenance of certain County parks and recreational facilities. Financing is provided by a specific annual property tax levy and miscellaneous revenues including admissions, concessions, and sports activity fees.

debt service fund

capital projects funds

Grant Funds

The Grant Funds are used to account for funds received under federal and state grant programs and the matching transfers from other funds.

Tourism Fund

The Tourism Fund is used to account for the collection and disbursement of hotel/motel tax revenue.

Debt Service Fund

This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

1992 Sales Tax Fund

To account for the financial resources provided from the 1992 one percent Special Purpose Local Option Sales Tax. Such resources are to be used for road improvements.

2003 GOB Construction

To account for the financial resources provided by proceeds from the issuance of General Obligation Bonds. The bonds were issued for the purpose of expanding the County's Pre-Trial Detention Center.

**other governmental funds
combining balance sheet
december 31, 2006
(in thousands of dollars)**

| | Special Revenue Funds | | | | | | |
|---------------------------------------|-----------------------|------------|----------------------------|-------------------------------|--------------------------|----------------------------|----------------------|
| | Street Lighting | Speed Hump | Sheriff Special Operations | Police Special Investigations | Crime Victims Assistance | Corrections Inmate Welfare | Sheriff Inmate Store |
| ASSETS: | | | | | | | |
| Cash and cash equivalents | \$ 4,833 | 682 | 259 | 3,037 | 1,479 | 221 | 1,202 |
| Investments | - | - | - | - | - | - | - |
| Receivables, net of allowance: | | | | | | | |
| Taxes | 299 | 4 | - | - | - | - | - |
| Accounts | - | - | - | - | 41 | 7 | - |
| Due from other funds | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Due from component unit | - | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - | - |
| Prepaid assets | - | - | - | - | - | - | - |
| Total assets | <u>\$ 5,132</u> | <u>686</u> | <u>259</u> | <u>3,037</u> | <u>1,520</u> | <u>228</u> | <u>1,202</u> |
| LIABILITIES AND FUND BALANCES: | | | | | | | |
| Accounts payable | \$ 405 | - | 15 | 57 | 2 | 2 | 6 |
| Other accrued | - | - | - | - | 12 | - | - |
| Accrued pension | - | - | - | - | 1 | - | - |
| Due to other funds | - | - | - | - | - | - | - |
| Due to component unit | - | - | - | - | - | - | - |
| Deferred revenue | 285 | 3 | - | - | - | - | - |
| Total liabilities | <u>690</u> | <u>3</u> | <u>15</u> | <u>57</u> | <u>15</u> | <u>2</u> | <u>6</u> |
| Fund balances: | | | | | | | |
| Reserved for inventories | - | - | - | - | - | - | - |
| Reserved for prepaid items | - | - | - | - | - | - | - |
| Reserved for long term receivable | - | - | - | - | - | - | - |
| Total reserved fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Unreserved: | | | | | | | |
| Designated for special revenue funds | 4,442 | 683 | 244 | 2,980 | 1,505 | 226 | 1,196 |
| Designated for capital project funds | - | - | - | - | - | - | - |
| Designated for debt service funds | - | - | - | - | - | - | - |
| Total undesignated | <u>4,442</u> | <u>683</u> | <u>244</u> | <u>2,980</u> | <u>1,505</u> | <u>226</u> | <u>1,196</u> |
| Total fund balances | <u>4,442</u> | <u>683</u> | <u>244</u> | <u>2,980</u> | <u>1,505</u> | <u>226</u> | <u>1,196</u> |
| Total liabilities and fund balances | <u>\$ 5,132</u> | <u>686</u> | <u>259</u> | <u>3,037</u> | <u>1,520</u> | <u>228</u> | <u>1,202</u> |

comprehensive annual financial report 06 **gwinnett**county

| E-911 | Recreation District | Grant | Tourism | Total | Debt Service | Capital Project Funds | | | Total Other Governmental Funds |
|---------------|---------------------|--------------|---------------|---------------|---------------|-----------------------|-----------------------------|------------|--------------------------------|
| | | | | | | 1992 Sales Tax | 2003 GOB Construction | Total | |
| 20,250 | 22,048 | 97 | 12,677 | 66,785 | 9,264 | - | 200 | 200 | 76,249 |
| - | - | - | - | - | - | - | 131 | 131 | 131 |
| - | 1,004 | - | - | 1,307 | 597 | - | - | - | 1,904 |
| 423 | 89 | 656 | 523 | 1,739 | 23 | 132 | 1 | 133 | 1,895 |
| - | - | 10 | - | 10 | - | - | - | - | 10 |
| - | - | 317 | - | 317 | - | - | - | - | 317 |
| - | 3,310 | - | - | 3,310 | - | - | - | - | 3,310 |
| - | 116 | - | - | 116 | - | - | - | - | 116 |
| - | 8 | - | - | 8 | 12,103 | - | - | - | 12,111 |
| <u>20,673</u> | <u>26,575</u> | <u>1,080</u> | <u>13,200</u> | <u>73,592</u> | <u>21,987</u> | <u>132</u> | <u>332</u> | <u>464</u> | <u>96,043</u> |
| 246 | - | 424 | 163 | 1,332 | - | 94 | 50 | 144 | 1,476 |
| 49 | - | 547 | - | 608 | - | - | - | - | 608 |
| - | 1 | - | - | 2 | - | - | - | - | 2 |
| - | - | - | - | - | - | - | 3 | 3 | 3 |
| - | - | - | 198 | 186 | - | - | - | - | 186 |
| - | 719 | 1 | - | 1,008 | 334 | - | - | - | 1,342 |
| <u>295</u> | <u>720</u> | <u>972</u> | <u>361</u> | <u>3,136</u> | <u>334</u> | <u>94</u> | <u>53</u> | <u>147</u> | <u>3,617</u> |
| - | 116 | - | - | 116 | - | - | - | - | 116 |
| - | 8 | - | - | 8 | 12,103 | - | - | - | 12,111 |
| - | 3,310 | - | - | 3,310 | - | - | - | - | 3,310 |
| - | <u>3,434</u> | - | - | <u>3,434</u> | <u>12,103</u> | - | - | - | <u>15,537</u> |
| 20,378 | 22,421 | 108 | 12,839 | 67,022 | - | - | - | - | 67,022 |
| - | - | - | - | - | - | 38 | 279 | 317 | 317 |
| - | - | - | - | - | 9,550 | - | - | - | 9,550 |
| <u>20,378</u> | <u>22,421</u> | <u>108</u> | <u>12,839</u> | <u>67,022</u> | <u>9,550</u> | <u>38</u> | <u>279</u> | <u>317</u> | <u>76,889</u> |
| 20,378 | 25,855 | 108 | 12,839 | 70,456 | 21,653 | 38 | 279 | 317 | 92,426 |
| <u>20,673</u> | <u>26,575</u> | <u>1,080</u> | <u>13,200</u> | <u>73,592</u> | <u>21,987</u> | <u>132</u> | <u>332</u> | <u>464</u> | <u>96,043</u> |

**other governmental funds
combining statement of
revenues, expenditures, and
changes in fund balances
year ended december 31, 2006
(in thousands of dollars)**

| | Special Revenue Funds | | | | | | | |
|--|-----------------------|------------|----------------------------|------------------------------|--------------------------|----------------------------|----------------------|---------------|
| | Street Lighting | Speed Hump | Sheriff Special Operations | Police Special Investigation | Crime Victims Assistance | Corrections Inmate Welfare | Sheriff Inmate Store | E-911 |
| REVENUES: | | | | | | | | |
| Taxes | \$ 16 | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - | - |
| Charges for Services | 5,881 | 93 | - | - | - | 86 | 187 | 10,491 |
| Investment income | 297 | 17 | 1 | 135 | 62 | 6 | 43 | 1,147 |
| Change in fair value of investments | - | - | - | - | - | - | - | - |
| Fines and Forfeitures | - | - | 201 | 1,000 | 896 | - | - | - |
| Miscellaneous | 6 | - | 38 | 49 | - | 9 | - | - |
| Total revenues | <u>6,200</u> | <u>110</u> | <u>240</u> | <u>1,184</u> | <u>958</u> | <u>101</u> | <u>230</u> | <u>11,638</u> |
| EXPENDITURES: | | | | | | | | |
| Current operating: | | | | | | | | |
| General government | - | - | - | - | - | - | - | - |
| Public safety | - | - | - | 609 | - | 88 | - | 7,319 |
| Judiciary | - | - | 16 | - | 774 | - | 129 | - |
| Public works | 6,055 | 20 | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | 63 | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - |
| Grant programs | - | - | - | - | - | - | - | - |
| Tourism | - | - | - | - | - | - | - | - |
| Development authority | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | 17 | 75 | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Total expenditures | <u>6,055</u> | <u>20</u> | <u>33</u> | <u>684</u> | <u>837</u> | <u>88</u> | <u>129</u> | <u>7,319</u> |
| Revenues in excess of (less than) expenditures | <u>145</u> | <u>90</u> | <u>207</u> | <u>500</u> | <u>121</u> | <u>13</u> | <u>101</u> | <u>4,319</u> |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Other financing sources (uses), net | - | - | - | - | - | - | - | - |
| Net change in fund balances | 145 | 90 | 207 | 500 | 121 | 13 | 101 | 4,319 |
| Fund balances – January 1 | <u>4,297</u> | <u>593</u> | <u>37</u> | <u>2,480</u> | <u>1,384</u> | <u>213</u> | <u>1,095</u> | <u>16,059</u> |
| Fund balances – December 31 | <u>\$ 4,442</u> | <u>683</u> | <u>244</u> | <u>2,980</u> | <u>1,505</u> | <u>226</u> | <u>1,196</u> | <u>20,378</u> |

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| Recreation District | Grant | Tourism | Total | Debt Service | Capital Project Funds | | | Total Other Governmental Funds |
|---------------------|----------------|---------------|----------------|---------------|-----------------------|-----------------------|-----------------|--------------------------------|
| | | | | | 1992 Sales Tax | 2003 GOB Construction | Total | |
| 22,510 | - | 7,029 | 29,555 | 13,743 | - | - | - | 43,298 |
| 254 | 9,062 | - | 9,316 | 148 | 54 | - | 54 | 9,518 |
| 2,883 | - | - | 19,621 | - | - | - | - | 19,621 |
| 1,550 | 3 | 378 | 3,639 | 550 | 168 | 423 | 591 | 4,780 |
| 7 | - | - | 7 | - | - | - | - | 7 |
| - | - | - | 2,097 | - | - | - | - | 2,097 |
| 1,029 | 255 | - | 1,386 | - | - | - | - | 1,386 |
| <u>28,233</u> | <u>9,320</u> | <u>7,407</u> | <u>65,621</u> | <u>14,441</u> | <u>222</u> | <u>423</u> | <u>645</u> | <u>80,707</u> |
| - | - | 2 | 2 | - | - | - | - | 2 |
| - | - | - | 8,016 | - | - | - | - | 8,016 |
| - | - | - | 919 | - | - | - | - | 919 |
| - | - | - | 6,075 | - | - | - | - | 6,075 |
| - | - | - | 63 | - | - | - | - | 63 |
| 23,005 | - | - | 23,005 | - | - | - | - | 23,005 |
| - | 5,622 | - | 5,622 | - | - | - | - | 5,622 |
| - | - | 2,208 | 2,208 | - | - | - | - | 2,208 |
| - | - | 3,656 | 3,656 | - | - | - | - | 3,656 |
| - | 4,009 | - | 4,101 | - | 3 | 12,327 | 12,330 | 16,431 |
| - | - | - | - | 13,791 | - | - | - | 13,791 |
| <u>23,005</u> | <u>9,631</u> | <u>5,866</u> | <u>53,667</u> | <u>13,791</u> | <u>3</u> | <u>12,327</u> | <u>12,330</u> | <u>79,788</u> |
| <u>5,228</u> | <u>(311)</u> | <u>1,541</u> | <u>11,954</u> | <u>650</u> | <u>219</u> | <u>(11,904)</u> | <u>(11,685)</u> | <u>919</u> |
| 2 | 151 | - | 153 | - | - | - | - | 153 |
| (3,734) | (1,480) | - | (5,214) | - | (703) | - | (703) | (5,917) |
| <u>(3,732)</u> | <u>(1,329)</u> | <u>-</u> | <u>(5,061)</u> | <u>-</u> | <u>(703)</u> | <u>-</u> | <u>(703)</u> | <u>(5,764)</u> |
| 1,496 | (1,640) | 1,541 | 6,893 | 650 | (484) | (11,904) | (12,388) | (4,845) |
| <u>24,359</u> | <u>1,748</u> | <u>11,298</u> | <u>63,563</u> | <u>21,003</u> | <u>522</u> | <u>12,183</u> | <u>12,705</u> | <u>97,271</u> |
| <u>25,855</u> | <u>108</u> | <u>12,839</u> | <u>70,456</u> | <u>21,653</u> | <u>38</u> | <u>279</u> | <u>317</u> | <u>92,426</u> |

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budgetary compliance

Special Revenue Funds

Schedule of revenues, expenditures, and changes in fund balance – budget and actual

Capital Projects Funds

Schedule of revenues, expenditures, and changes in fund balance – budget and actual

Debt Service Fund

Schedule of revenues, expenditures, and changes in fund balance – budget and actual

Grant Fund

Schedule of revenues and expenditures, project length – budget and actual

**special revenue funds
schedule of revenues,
expenditures, and
changes in fund balance
budget and actual
(budget basis)
year ended december 31, 2006
(in thousands of dollars)**

| | Street Lighting | | | Speed Hump | | |
|---|-----------------|--------------------------------------|-------------------------------------|------------|--------------------------------------|-------------------------------------|
| | Budget | Actual (non-GAAP Budget Basis) | Variance- positive (negative) | Budget | Actual (non-GAAP Budget Basis) | Variance- positive (negative) |
| REVENUES: | | | | | | |
| Taxes | \$ - | 16 | 16 | - | - | - |
| Permits and licenses | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | 6,077 | 5,881 | (196) | 104 | 93 | (11) |
| Fines and forfeitures | - | - | - | - | - | - |
| Investment income | - | 297 | 297 | - | 17 | 17 |
| Miscellaneous | - | 6 | 6 | - | - | - |
| Total revenues | <u>6,077</u> | <u>6,200</u> | <u>123</u> | <u>104</u> | <u>110</u> | <u>6</u> |
| EXPENDITURES: | | | | | | |
| Current operating: | | | | | | |
| Public safety | - | - | - | - | - | - |
| Judiciary | - | - | - | - | - | - |
| Public works | 6,077 | 6,055 | 22 | 20 | 20 | - |
| Health and welfare | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Tourism | - | - | - | - | - | - |
| Development Authority | - | - | - | - | - | - |
| Capital Outlay | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Total expenditures | <u>6,077</u> | <u>6,055</u> | <u>22</u> | <u>20</u> | <u>20</u> | <u>-</u> |
| Revenues in excess of (less than) expenditures | <u>-</u> | <u>145</u> | <u>145</u> | <u>84</u> | <u>90</u> | <u>6</u> |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Working capital reserve | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other financing sources (uses), net | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and other financing sources in excess of (less than) expenditures and other financing uses | <u>-</u> | <u>145</u> | <u>145</u> | <u>84</u> | <u>90</u> | <u>6</u> |
| Fund balance allocation | - | - | - | (84) | - | 84 |
| Fund balances – January 1 | <u>-</u> | <u>4,297</u> | <u>4,297</u> | <u>-</u> | <u>593</u> | <u>593</u> |
| Fund balances – December 31 | <u>\$ -</u> | <u>4,442</u> | <u>4,442</u> | <u>-</u> | <u>683</u> | <u>683</u> |

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| Sheriff Special Operations | | | Police Special Investigations | | | Crime Victim Assistance | | |
|----------------------------|--------------------------------------|-------------------------------------|-------------------------------|--------------------------------------|-------------------------------------|-------------------------|--------------------------------------|-------------------------------------|
| Budget | Actual (non-GAAP Budget Basis) | Variance- positive (negative) | Budget | Actual (non-GAAP Budget Basis) | Variance- positive (negative) | Budget | Actual (non-GAAP Budget Basis) | Variance- positive (negative) |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 50 | 201 | 151 | 1,006 | 1,000 | (6) | 946 | 896 | (50) |
| - | 1 | 1 | - | 135 | 135 | - | 62 | 62 |
| - | 38 | 38 | - | 49 | 49 | - | - | - |
| 50 | 240 | 190 | 1,006 | 1,184 | 178 | 946 | 958 | 12 |
| - | - | - | 1,006 | 609 | 397 | - | - | - |
| 41 | 16 | 25 | - | - | - | 883 | 774 | 109 |
| - | - | - | - | - | - | 63 | 63 | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | 17 | (17) | - | 75 | (75) | - | - | - |
| 41 | 33 | 8 | 1,006 | 684 | 322 | 946 | 837 | 109 |
| 9 | 207 | 198 | - | 500 | 500 | - | 121 | 121 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 9 | 207 | 198 | - | 500 | 500 | - | 121 | 121 |
| (9) | - | 9 | - | - | - | - | - | - |
| - | 37 | 37 | - | 2,480 | 2,480 | - | 1,384 | 1,384 |
| - | 244 | 244 | - | 2,980 | 2,980 | - | 1,505 | 1,505 |

(continued)

**special revenue funds
schedule of revenues,
expenditures, and changes
in fund balance
budget and actual
(budget basis) – continued
year ended december 31, 2006
(in thousands of dollars)**

| | Corrections Inmate Welfare | | | Sheriff Inmate Store | | | E-911 | | |
|---|----------------------------|--------------------------------------|-------------------------------------|----------------------|--------------------------------------|-------------------------------------|--------|--------------------------------------|-------------------------------------|
| | Budget | Actual (non-GAAP Budget Basis) | Variance- positive (negative) | Budget | Actual (non-GAAP Budget Basis) | Variance- positive (negative) | Budget | Actual (non-GAAP Budget Basis) | Variance- positive (negative) |
| REVENUES: | | | | | | | | | |
| Taxes | - | - | - | - | - | - | - | - | - |
| Permits and licenses | - | - | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - | - | - |
| Charges for services | 147 | 86 | (61) | 219 | 187 | (32) | 11,209 | 10,491 | (718) |
| Fines and forfeitures | - | - | - | - | - | - | - | - | - |
| Investment income | - | 6 | 6 | - | 43 | 43 | - | 1,147 | 1,147 |
| Miscellaneous | - | 9 | 9 | - | - | - | - | - | - |
| Total revenues | 147 | 101 | (46) | 219 | 230 | 11 | 11,209 | 11,638 | 429 |
| EXPENDITURES: | | | | | | | | | |
| Current operating: | | | | | | | | | |
| Public safety | 147 | 88 | 59 | - | - | - | 11,209 | 7,319 | 3,890 |
| Judiciary | - | - | - | 218 | 129 | 89 | - | - | - |
| Public works | - | - | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - | - |
| Tourism | - | - | - | - | - | - | - | - | - |
| Development Authority | - | - | - | - | - | - | - | - | - |
| Development Authority | - | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - | - |
| Total expenditures | 147 | 88 | 59 | 218 | 129 | 89 | 11,209 | 7,319 | 3,890 |
| Revenues in excess of (less than) expenditures | - | 13 | 13 | 1 | 101 | 100 | - | 4,319 | 4,319 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | |
| Working capital reserve | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Other financing sources (uses), net | - | - | - | - | - | - | - | - | - |
| Revenues and other financing sources in excess of (less than) expenditures and other financing uses | - | 13 | 13 | 1 | 101 | 100 | - | 4,319 | 4,319 |
| Fund balance allocation | - | - | - | (1) | - | 1 | - | - | - |
| Fund balances – January 1 | - | 213 | 213 | - | 1,095 | 1,095 | - | 16,059 | 16,059 |
| Fund balances – December 31 | - | 226 | 226 | - | 1,196 | 1,196 | - | 20,378 | 20,378 |

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| Recreation District | | | Tourism | | |
|---------------------|--------------------------------------|-------------------------------------|--------------|--------------------------------------|-------------------------------------|
| Budget | Actual (non-GAAP Budget Basis) | Variance- positive (negative) | Budget | Actual (non-GAAP Budget Basis) | Variance- positive (negative) |
| 25,214 | 22,510 | (2,704) | 7,150 | 7,029 | (121) |
| - | - | - | - | - | - |
| - | 254 | 254 | - | - | - |
| 2,800 | 2,883 | 83 | - | - | - |
| - | - | - | - | - | - |
| - | 1,550 | 1,550 | - | 378 | 378 |
| - | 1,029 | 1,029 | - | - | - |
| <u>28,014</u> | <u>28,226</u> | <u>212</u> | <u>7,150</u> | <u>7,407</u> | <u>257</u> |
| - | - | - | - | 2 | (2) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 27,591 | 23,005 | 4,586 | - | - | - |
| - | - | - | 3,494 | 2,208 | 1,286 |
| - | - | - | 3,656 | 3,656 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>27,591</u> | <u>23,005</u> | <u>4,586</u> | <u>7,150</u> | <u>5,866</u> | <u>1,284</u> |
| 423 | 5,221 | 4,798 | - | 1,541 | 1,541 |
| - | - | - | - | - | - |
| - | 2 | 2 | - | - | - |
| - | (3,734) | (3,734) | - | - | - |
| <u>-</u> | <u>(3,732)</u> | <u>(3,732)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 423 | 1,489 | 1,066 | - | 1,541 | 1,541 |
| (423) | - | 423 | - | - | - |
| <u>-</u> | <u>24,359</u> | <u>24,359</u> | <u>-</u> | <u>11,298</u> | <u>11,298</u> |
| <u>-</u> | <u>25,848</u> | <u>25,848</u> | <u>-</u> | <u>12,839</u> | <u>12,839</u> |

**capital projects funds
schedule of revenues,
expenditures, and
changes in fund balances
budget and actual
(budget basis)
year ended december 31, 2006
(in thousands of dollars)**

| | 1992 Sales Tax | | | 1997 Sales Tax | | | 2001 Sales Tax | | |
|---|----------------|--------|------------------------------|----------------|----------|------------------------------|----------------|----------|------------------------------|
| | Budget | Actual | Variance-positive (negative) | Budget | Actual | Variance-positive (negative) | Budget | Actual | Variance-positive (negative) |
| REVENUES: | | | | | | | | | |
| Intergovernmental | \$ - | 54 | 54 | 14,721 | 3,275 | (11,446) | 11,516 | 697 | (10,819) |
| Sale tax proceeds | - | - | - | - | - | - | - | - | - |
| Investment income | - | 168 | 168 | 1,257 | 5,193 | 3,936 | 2,373 | 11,279 | 8,906 |
| Miscellaneous | - | - | - | 444 | 485 | 41 | 487 | 226 | (261) |
| Total revenues | - | 222 | 222 | 16,422 | 8,953 | (7,469) | 14,376 | 12,202 | (2,174) |
| EXPENDITURES: | | | | | | | | | |
| Capital outlay | - | 3 | (3) | 148,778 | 64,815 | 83,963 | 230,783 | 99,244 | 131,539 |
| Total expenditures | - | 3 | (3) | 148,778 | 64,815 | 83,963 | 230,783 | 99,244 | 131,539 |
| Revenues in excess of (less than) expenditures | - | 219 | 219 | (132,356) | (55,862) | 76,494 | (216,407) | (87,042) | 129,365 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | |
| Transfers in | - | - | - | - | 680 | 680 | - | 23 | 23 |
| Transfers out | - | (703) | - | - | (200) | (200) | - | (525) | - |
| Other financing sources (uses), net | - | (703) | - | - | 480 | 480 | - | (502) | 23 |
| Revenues and other financing sources in excess of (less than) expenditures and other financing uses | - | (484) | (484) | (132,356) | (55,382) | 76,974 | (216,407) | (87,544) | 128,863 |
| Fund balance allocation | - | - | - | 132,356 | - | (132,356) | 216,407 | - | (216,407) |
| Fund balances – January 1 | 522 | 522 | - | - | 145,096 | 145,096 | - | 257,221 | 257,221 |
| Fund balances – December 31 | \$ 522 | 38 | (484) | - | 89,714 | 89,714 | - | 169,677 | 169,677 |

comprehensive annual **financial** report **06** **gwinnett**county

| 2005 Sales Tax | | | 2003 GOB Construction | | | Other Capital Projects | | |
|----------------|---------------|------------------------------|-----------------------|---------------|------------------------------|------------------------|---------------|------------------------------|
| Budget | Actual | Variance-positive (negative) | Budget | Actual | Variance-positive (negative) | Budget | Actual | Variance-positive (negative) |
| 2,034 | 778 | (1,256) | - | - | - | - | 1,188 | 1,188 |
| 143,630 | 155,940 | 12,310 | - | - | - | - | - | - |
| 897 | 5,802 | 4,905 | 257 | 423 | 166 | - | - | - |
| 92 | 273 | 181 | - | - | - | - | 314 | 314 |
| 146,653 | 162,793 | 16,140 | 257 | 423 | 166 | - | 1,502 | 1,502 |
| <u>183,213</u> | <u>60,310</u> | <u>122,903</u> | <u>12,440</u> | <u>12,327</u> | <u>113</u> | <u>98,433</u> | <u>41,298</u> | <u>57,135</u> |
| 183,213 | 60,310 | 122,903 | 12,440 | 12,327 | 113 | 98,433 | 41,298 | 57,135 |
| (36,560) | 102,483 | 139,043 | (12,183) | (11,904) | 279 | (98,433) | (39,796) | 58,637 |
| - | - | - | - | - | - | - | 15,293 | 15,293 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 15,293 | 15,293 |
| (36,560) | 102,483 | 139,043 | (12,183) | (11,904) | 279 | (98,433) | (24,503) | 73,930 |
| 36,560 | - | (36,560) | 12,183 | - | (12,183) | 98,433 | - | (98,433) |
| - | 73,503 | 73,503 | - | 12,183 | 12,183 | - | 88,436 | 88,436 |
| - | 175,986 | 175,986 | - | 279 | 279 | - | 63,933 | 63,933 |

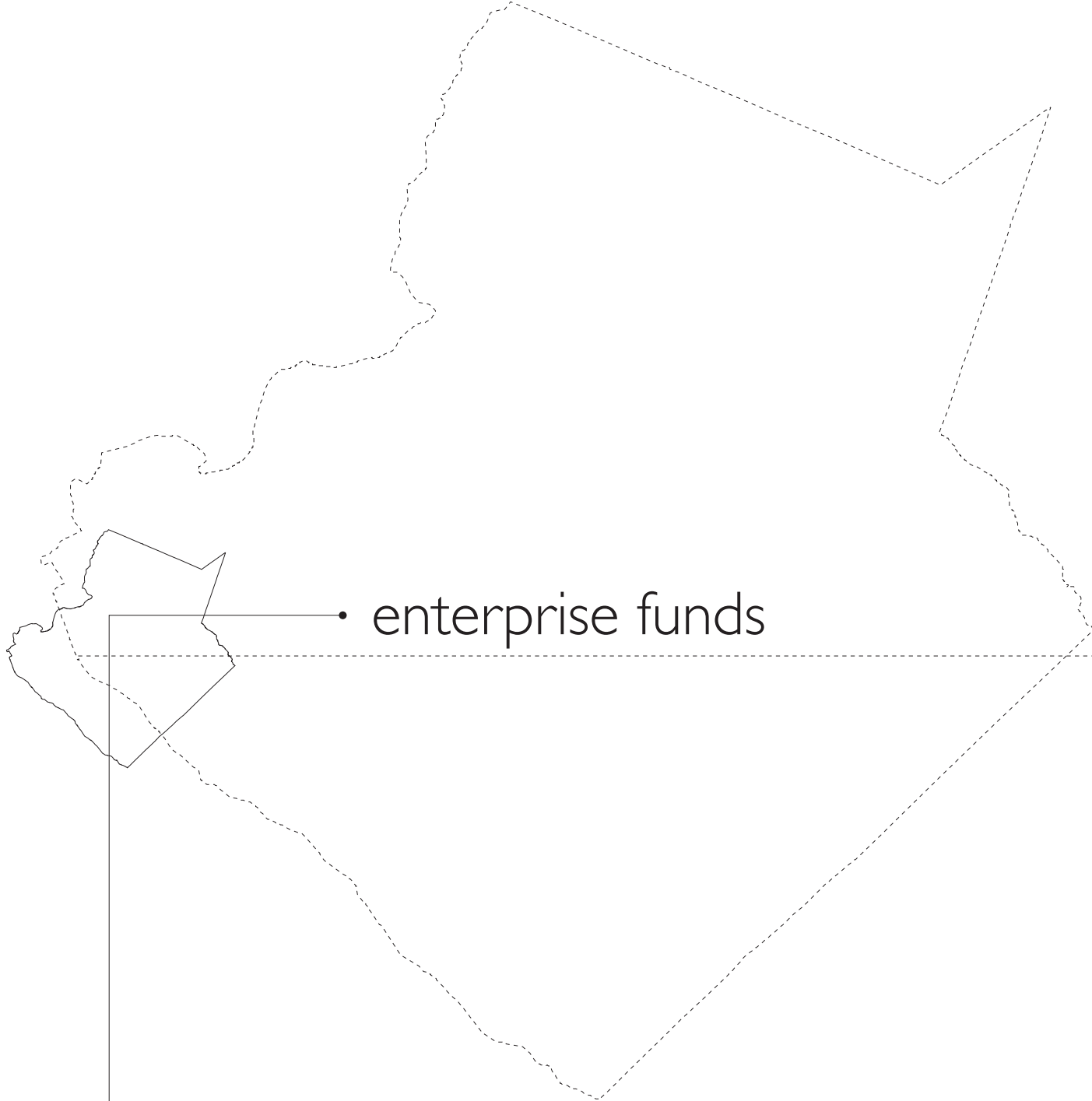
**debt service fund
schedule of revenues,
expenditures, and
changes in fund balance
budget and actual
(budget basis)
year ended december 31, 2006
(in thousands of dollars)**

| | Debt Service Fund | | |
|--|-------------------|-----------------------------------|---------------------------------|
| | Budget | Actual (non-GAAP budget basis) | Variance-positive (negative) |
| REVENUES: | | | |
| Taxes | \$ 15,110 | 13,743 | (1,367) |
| Intergovernmental | 150 | 148 | (2) |
| Investment income | 500 | 550 | 50 |
| Miscellaneous | - | - | - |
| Total revenues | <u>15,760</u> | <u>14,441</u> | <u>(1,319)</u> |
| EXPENDITURES: | | | |
| Current operating: | | | |
| Debt service | <u>13,645</u> | <u>13,791</u> | <u>(146)</u> |
| Total expenditures | <u>13,645</u> | <u>13,791</u> | <u>(146)</u> |
| Revenues in excess of (less than) expenditures | 2,115 | 650 | (1,465) |
| Fund balance allocation | (2,115) | - | 2,115 |
| Fund balance – January 1 | | 21,138 | 21,138 |
| Restatement | | (135) | (135) |
| Fund balance – January 1, as restated | <u>-</u> | <u>21,003</u> | <u>21,003</u> |
| Fund balance – December 31 | <u>\$ -</u> | <u>21,653</u> | <u>21,653</u> |

**grant fund schedule of
revenues and expenditures
annual budget and actual
(budget basis)
(in thousands of dollars)**

| | Grant Fund | | |
|--|------------|-----------------------------------|---------------------------------|
| | Budget | Actual (non-GAAP budget basis) | Variance-positive (negative) |
| REVENUES: | | | |
| Intergovernmental revenues | \$ 15,248 | 13,729 | (1,519) |
| EXPENDITURES: | | | |
| Program expenditures | 15,248 | 13,729 | 1,519 |
| Revenues in excess of (less than) expenditures | - | - | - |

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• enterprise funds



other enterprise funds

Airport Funds

Airport Funds include the combined accounts of the Airport Enterprise Funds and the Airport Authority, which are used to account for the acquisition, construction, operations, and maintenance of the County airport, including financing and related debt service.

Solid Waste Funds

Solid Waste Funds are used to account for the operations as provided in the *Solid Waste Collection and Disposal Services Ordinance* which became effective May 1, 1991. The primary intent of the ordinance is the reduction of solid waste being received at disposal facilities. Revenues are derived from franchise fees paid by waste collectors.

Transit Funds

Transit Funds are used to account for the acquisition, improvement, maintenance, and operations of the Transit System. Revenues are derived from fares, federal and state grants, and local taxes. The Transit System began operations in 2001.

**other enterprise funds
combining statement
of net assets
december 31, 2006
(in thousands of dollars)**

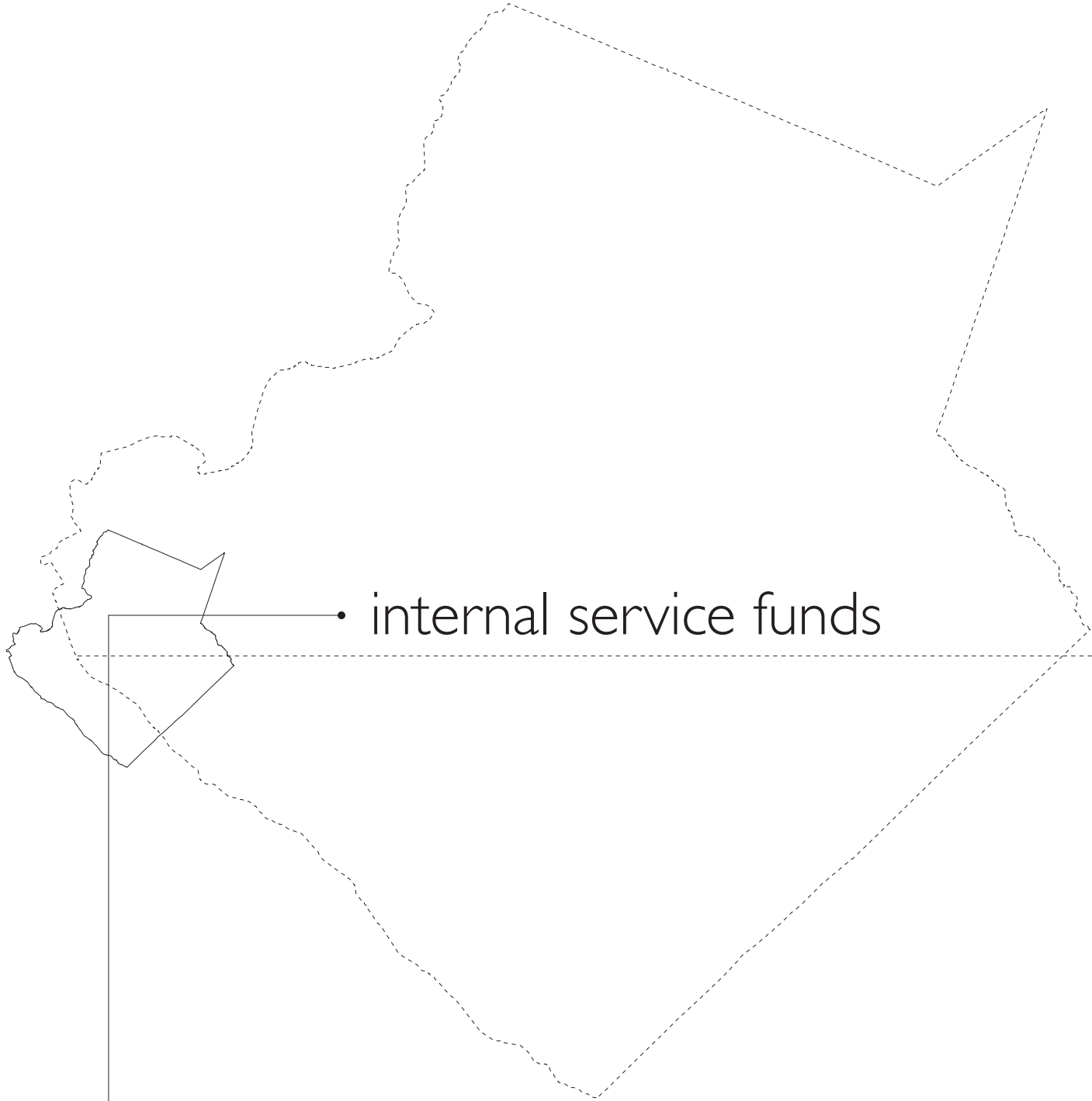
| | Airport | Solid Waste | Transit | Total |
|---|-------------------|------------------|-------------------|-------------------|
| ASSETS: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,005 | 5,528 | 10,794 | 18,327 |
| Receivables, net of allowance: | | | | |
| Accounts | 102 | - | 77 | 179 |
| Due from other funds | - | - | 1 | 1 |
| Due from other governments | 530 | - | 330 | 860 |
| Total current assets | <u>2,637</u> | <u>5,528</u> | <u>11,202</u> | <u>19,367</u> |
| Noncurrent assets: | | | | |
| Land and construction in progress | 11,910 | - | 1,329 | 13,239 |
| Other capital assets, net of depreciation | 13,094 | 73 | 15,695 | 28,862 |
| Total noncurrent assets | <u>25,004</u> | <u>73</u> | <u>17,024</u> | <u>42,101</u> |
| Total assets | <u>27,641</u> | <u>5,601</u> | <u>28,226</u> | <u>61,468</u> |
| LIABILITIES: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 195 | - | 1,791 | 1,986 |
| Payroll payable | 7 | - | 26 | 33 |
| Retainage payable | 48 | - | - | 48 |
| Due to other funds | 10 | - | - | 10 |
| Accumulated leave benefits – current | 16 | - | 10 | 26 |
| Total current liabilities | <u>276</u> | <u>-</u> | <u>1,827</u> | <u>2,103</u> |
| Noncurrent liabilities: | | | | |
| Accumulated leave benefits | - | - | - | - |
| Total noncurrent liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>276</u> | <u>-</u> | <u>1,827</u> | <u>2,103</u> |
| NET ASSETS: | | | | |
| Invested in capital assets, net of related debt | 25,004 | 73 | 17,024 | 42,101 |
| Unrestricted | 2,361 | 5,528 | 9,375 | 17,264 |
| Total net assets | <u>\$ 27,365</u> | <u>5,601</u> | <u>26,399</u> | <u>59,365</u> |

**other enterprise funds
combining statement of
revenues, expenses, and
changes in fund net assets
year ended december 31, 2006
(in thousands of dollars)**

| | Airport | Solid Waste | Transit | Total |
|--|------------------|--------------|----------------|----------------|
| OPERATING REVENUES: | | | | |
| Operating lease income and rental income | | | | |
| from individual hangars | \$ 628 | - | - | 628 |
| Intergovernmental | 681 | - | 1,487 | 2,168 |
| User fees and charges | - | - | 3,505 | 3,505 |
| Miscellaneous | 223 | 748 | 5 | 976 |
| Total operating revenues | <u>1,532</u> | <u>748</u> | <u>4,997</u> | <u>7,277</u> |
| OPERATING EXPENSES: | | | | |
| Depreciation | 1,242 | 2 | 1,886 | 3,130 |
| Transit operations | - | - | 10,611 | 10,611 |
| General and administrative | 716 | 427 | - | 1,143 |
| Total operating expenses | <u>1,958</u> | <u>429</u> | <u>12,497</u> | <u>14,884</u> |
| Operating income (loss) | <u>(426)</u> | <u>319</u> | <u>(7,500)</u> | <u>(7,607)</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest income | 81 | 216 | 430 | 727 |
| Total nonoperating revenues (expenses) | <u>81</u> | <u>216</u> | <u>430</u> | <u>727</u> |
| Income (loss) before transfers and contributions | <u>(345)</u> | <u>535</u> | <u>(7,070)</u> | <u>(6,880)</u> |
| Transfers in | - | - | 5,363 | 5,363 |
| Transfers out | - | (207) | - | (207) |
| Change in net assets | <u>(345)</u> | <u>328</u> | <u>(1,707)</u> | <u>(1,724)</u> |
| Net Assets – January 1 | <u>27,710</u> | <u>5,273</u> | <u>28,106</u> | <u>61,089</u> |
| Net Assets – December 31 | <u>\$ 27,365</u> | <u>5,601</u> | <u>26,399</u> | <u>59,365</u> |

**other enterprise funds
combining statement
of cash flows
year ended december 31, 2006
(in thousands of dollars)**

| | Airport | Solid Waste | Transit | Total |
|--|-----------------|----------------|----------------|----------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 972 | 748 | 5,862 | 7,582 |
| Cash payments to suppliers for goods and services | (249) | (455) | (9,238) | (9,942) |
| Cash payments to employees for services | (297) | - | (345) | (642) |
| Net cash flows provided (required) by operating activities | <u>426</u> | <u>293</u> | <u>(3,721)</u> | <u>(3,002)</u> |
| Cash flows from noncapital financial activities: | | | | |
| Transfers from other funds | - | - | 5,363 | 5,363 |
| Transfers (to) other funds | - | (207) | - | (207) |
| Net cash provided (required) by noncapital activities | <u>-</u> | <u>(207)</u> | <u>5,363</u> | <u>5,156</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital assets | (693) | - | (258) | (951) |
| Net cash required by capital and related financing activities | <u>(693)</u> | <u>-</u> | <u>(258)</u> | <u>(951)</u> |
| Cash flows from investing activities: | | | | |
| Interest on investments | 81 | 216 | 430 | 727 |
| Net cash provided by investing activities | <u>81</u> | <u>216</u> | <u>430</u> | <u>727</u> |
| Net increase (decrease) in cash and cash equivalents | (186) | 302 | 1,814 | 1,930 |
| Cash and cash equivalents at beginning of year | 2,191 | 5,226 | 8,980 | 16,397 |
| Cash and cash equivalents at end of year | <u>\$ 2,005</u> | <u>5,528</u> | <u>10,794</u> | <u>18,327</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Cash flows from operating activities: | | | | |
| Operating income (loss) | \$ (426) | 319 | (7,500) | (7,607) |
| Adjustments to reconcile operating income (loss) to net cash provided/ (required) by operating activities | | | | |
| Depreciation | 1,242 | 2 | 1,886 | 3,130 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in receivables | (560) | - | 865 | 305 |
| Increase (decrease) in payables | 170 | (28) | 1,031 | 1,173 |
| Increase (decrease) in other liabilities | - | - | (3) | (3) |
| Net cash provided/(required) by operating activities | <u>\$ 426</u> | <u>293</u> | <u>(3,721)</u> | <u>(3,002)</u> |



• internal service funds



internal service funds

Group Insurance Fund

To account for charges to other funds and contributions from employees and for the payment of health, disability, and life insurance premiums and benefits.

Risk Management Fund

To account for charges to other funds and for the payment of workers' compensation claims and liability claims.

Automotive Management and Service Fund

To account for monies to be utilized for the future acquisition and service of automotive vehicles and equipment.

Automotive Liability

To account for monies to be utilized for future automotive accident expenses.

**internal service funds
combining statement
of net assets
december 31, 2006
(in thousands of dollars)**

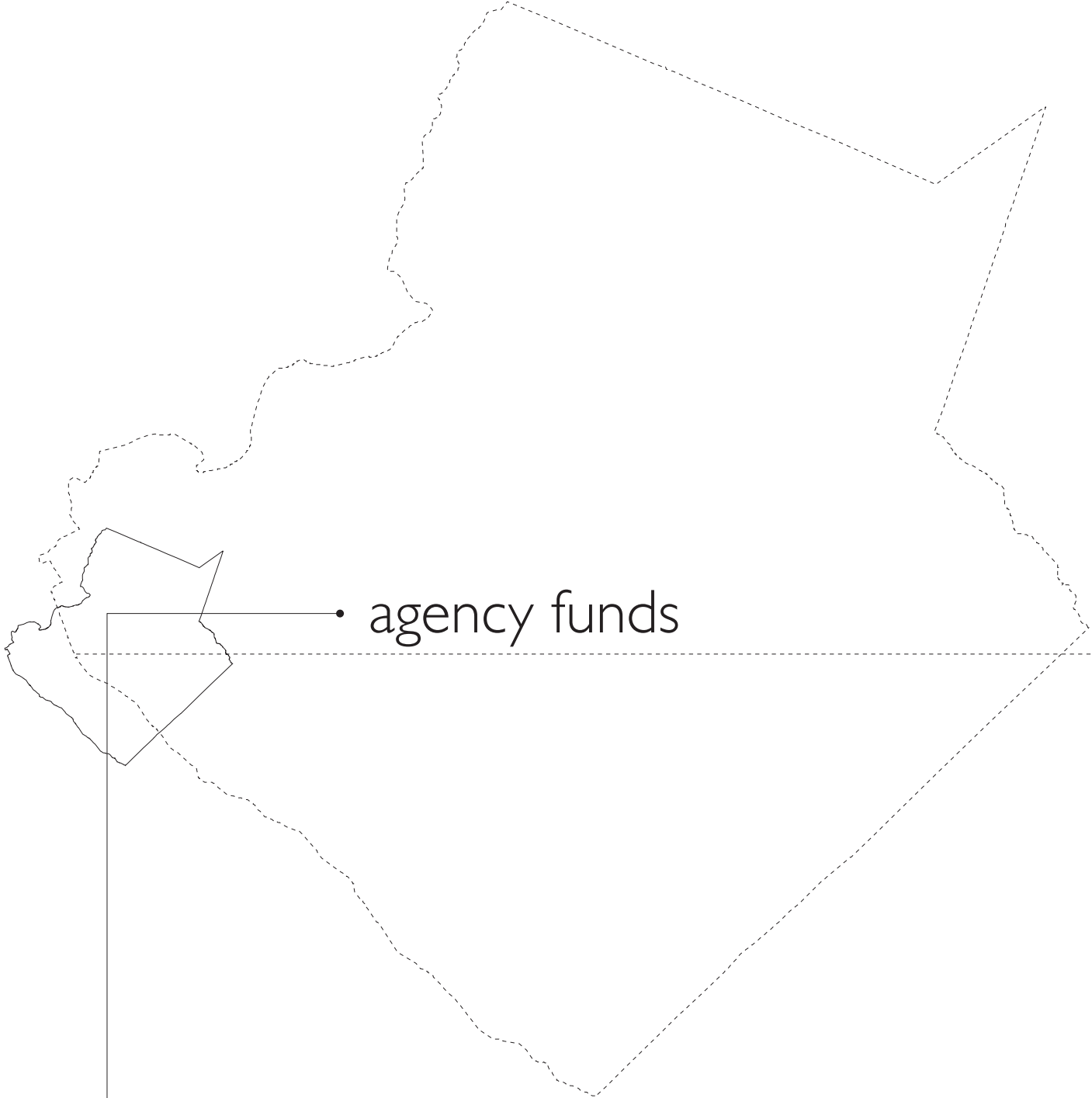
| | Group Insurance | Risk Management | Automotive Management and Service | Auto Liability Fund | Total |
|---|--------------------|--------------------|---|---------------------------|---------------|
| ASSETS: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 32,865 | 25,318 | 22,020 | 1,090 | 81,293 |
| Investments | 3,080 | - | - | - | 3,080 |
| Receivables, net of allowance: | | | | | |
| Accounts | 26 | 299 | 47 | - | 372 |
| Due from other funds | - | 1 | - | - | 1 |
| Due from other governments | - | - | 704 | - | 704 |
| Inventories | - | - | 447 | - | 447 |
| Prepaid assets | - | 1 | 2 | - | 3 |
| Total current assets | <u>35,971</u> | <u>25,619</u> | <u>23,220</u> | <u>1,090</u> | <u>85,900</u> |
| Other capital assets, net of depreciation | - | - | 8,014 | - | 8,014 |
| Total assets | <u>35,971</u> | <u>25,619</u> | <u>31,234</u> | <u>1,090</u> | <u>93,914</u> |
| LIABILITIES: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 1,699 | 480 | 1,518 | 16 | 3,713 |
| Estimated claims payable-current | 3,000 | 5,721 | - | - | 8,721 |
| Due to other funds | - | 1 | - | - | 1 |
| Total current liabilities | <u>4,699</u> | <u>6,202</u> | <u>1,518</u> | <u>16</u> | <u>12,435</u> |
| Estimated claims payable-noncurrent | - | 4,519 | - | - | 4,519 |
| Accumulated leave benefits | 32 | 44 | 102 | - | 178 |
| Total liabilities | <u>4,731</u> | <u>10,765</u> | <u>1,620</u> | <u>16</u> | <u>17,132</u> |
| NET ASSETS: | | | | | |
| Invested in capital assets, net of related debt | - | - | 8,014 | - | 8,014 |
| Unrestricted | 31,240 | 14,854 | 21,600 | 1,074 | 68,768 |
| Total net assets | <u>\$ 31,240</u> | <u>14,854</u> | <u>29,614</u> | <u>1,074</u> | <u>76,782</u> |

**internal service funds
combining statement of
revenues, expenses, and
changes in fund net assets
year ended december 31, 2006
(in thousands of dollars)**

| | Group Insurance | Risk Management | Automotive Management and Service | Auto Liability Fund | Total |
|-----------------------------------|--------------------|--------------------|---|---------------------------|---------------|
| OPERATING REVENUES: | | | | | |
| Charges to other funds | \$ 39,620 | 9,302 | 7,395 | 753 | 57,070 |
| Employee contributions | 6,930 | - | - | - | 6,930 |
| Miscellaneous | 141 | 7 | 594 | - | 742 |
| Total operating revenues | <u>46,691</u> | <u>9,309</u> | <u>7,989</u> | <u>753</u> | <u>64,742</u> |
| OPERATING EXPENSES: | | | | | |
| Vehicle maintenance and repair | - | - | 6,417 | - | 6,417 |
| Benefit claims | 34,640 | 2,587 | - | 219 | 37,446 |
| Insurance premiums | 3,478 | 2,635 | - | - | 6,113 |
| Depreciation and amortization | - | - | 3,225 | - | 3,225 |
| General and administrative | 3,883 | 2,608 | - | 5 | 6,496 |
| Total operating expenses | <u>42,001</u> | <u>7,830</u> | <u>9,642</u> | <u>224</u> | <u>59,697</u> |
| Operating income (loss) | <u>4,690</u> | <u>1,479</u> | <u>(1,653)</u> | <u>529</u> | <u>5,045</u> |
| NONOPERATING REVENUES: | | | | | |
| Interest income | 826 | 950 | 910 | 20 | 2,706 |
| Investment income (loss) | (5) | - | - | - | (5) |
| Loss on disposal of capital asset | - | - | (123) | - | (123) |
| Total nonoperating revenues | <u>821</u> | <u>950</u> | <u>787</u> | <u>20</u> | <u>2,578</u> |
| Change in net assets | 5,511 | 2,429 | (866) | 549 | 7,623 |
| Net assets – January 1 | <u>25,729</u> | <u>12,425</u> | <u>30,480</u> | <u>525</u> | <u>69,159</u> |
| Net assets – December 31 | <u>\$ 31,240</u> | <u>14,854</u> | <u>29,614</u> | <u>1,074</u> | <u>76,782</u> |

**internal service funds
combining statement
of cash flows
year ended
december 31, 2006
(in thousands of dollars)**

| | Group Insurance | Risk Management | Automotive Management and Service | Auto Liability | Total |
|--|--------------------|--------------------|---|----------------|----------|
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ 46,773 | 9,311 | 9,042 | 760 | 65,886 |
| Cash payments to suppliers for goods and services | (3,866) | (1,573) | (3,881) | - | (9,320) |
| Cash payments to employees for services | (482) | (864) | (2,719) | (5) | (4,070) |
| Claims and premiums paid | (38,118) | (6,075) | - | (219) | (44,412) |
| Net cash flows provided (required) by operating activities | 4,307 | 799 | 2,442 | 536 | 8,084 |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition and construction of capital assets | - | - | (4,408) | - | (4,408) |
| Net cash required by capital and related financing activities | - | - | (4,408) | - | (4,408) |
| Cash flows from investing activities: | | | | | |
| Net change in investment pools | (3,080) | - | - | - | (3,080) |
| Interest on investments | 821 | 950 | 910 | 20 | 2,701 |
| Net cash provided (required) by investing activities | (2,259) | 950 | 910 | 20 | (379) |
| Net increase in cash and cash equivalents | 2,048 | 1,749 | (1,056) | 556 | 3,297 |
| Cash and cash equivalents at beginning of year | 30,817 | 23,569 | 23,076 | 534 | 77,996 |
| Cash and cash equivalents at end of year | \$ 32,865 | 25,318 | 22,020 | 1,090 | 81,293 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Cash flows from operating activities: | | | | | |
| Operating income (loss) | \$ 4,690 | 1,479 | (1,653) | 529 | 5,045 |
| Adjustments to reconcile operating income (loss) to net cash provided/ (required) by operating activities | | | | | |
| Depreciation | - | - | 3,225 | - | 3,225 |
| Change in assets and liabilities: | | | | | |
| (Increase) decrease in receivables | 82 | 2 | 1,053 | - | 1,137 |
| (Increase) decrease in prepaids | - | (1) | - | - | (1) |
| (Increase) decrease in inventories | - | - | 353 | - | 353 |
| Increase (decrease) in payables | (469) | (685) | (536) | 7 | (1,683) |
| Increase (decrease) in other liabilities | 4 | 4 | - | - | 8 |
| Net cash provided/(required) by operating activities | \$ 4,307 | 799 | 2,442 | 536 | 8,084 |



• agency funds



agency funds

Tax Commissioner

To account for the collection of property taxes, motor vehicle tag and title fees, fees for recording intangibles, etc., which are disbursed to various taxing units.

Clerk of Court

To account for the collection of various fines, forfeitures, jury fund receipts, real estate transfer taxes, fees, civil awards, etc., which are disbursed to other parties.

Recorder's Court

To account for the collection of various fines and forfeitures (mostly traffic violations) which are disbursed to other parties.

Sheriff

To account for the collection of cash bonds, fines, forfeitures, fifas, etc., which are disbursed to other parties.

Probate Court

To account for the collection of fees for firearms, licenses, certificates, marriage licenses, etc., which are disbursed to other parties.

Juvenile Court

To account for the collection of probation supervision fees, which are disbursed to other parties.

Corrections

To account for funds being held on inmate's behalf, which are disbursed to other parties on behalf of the inmate.

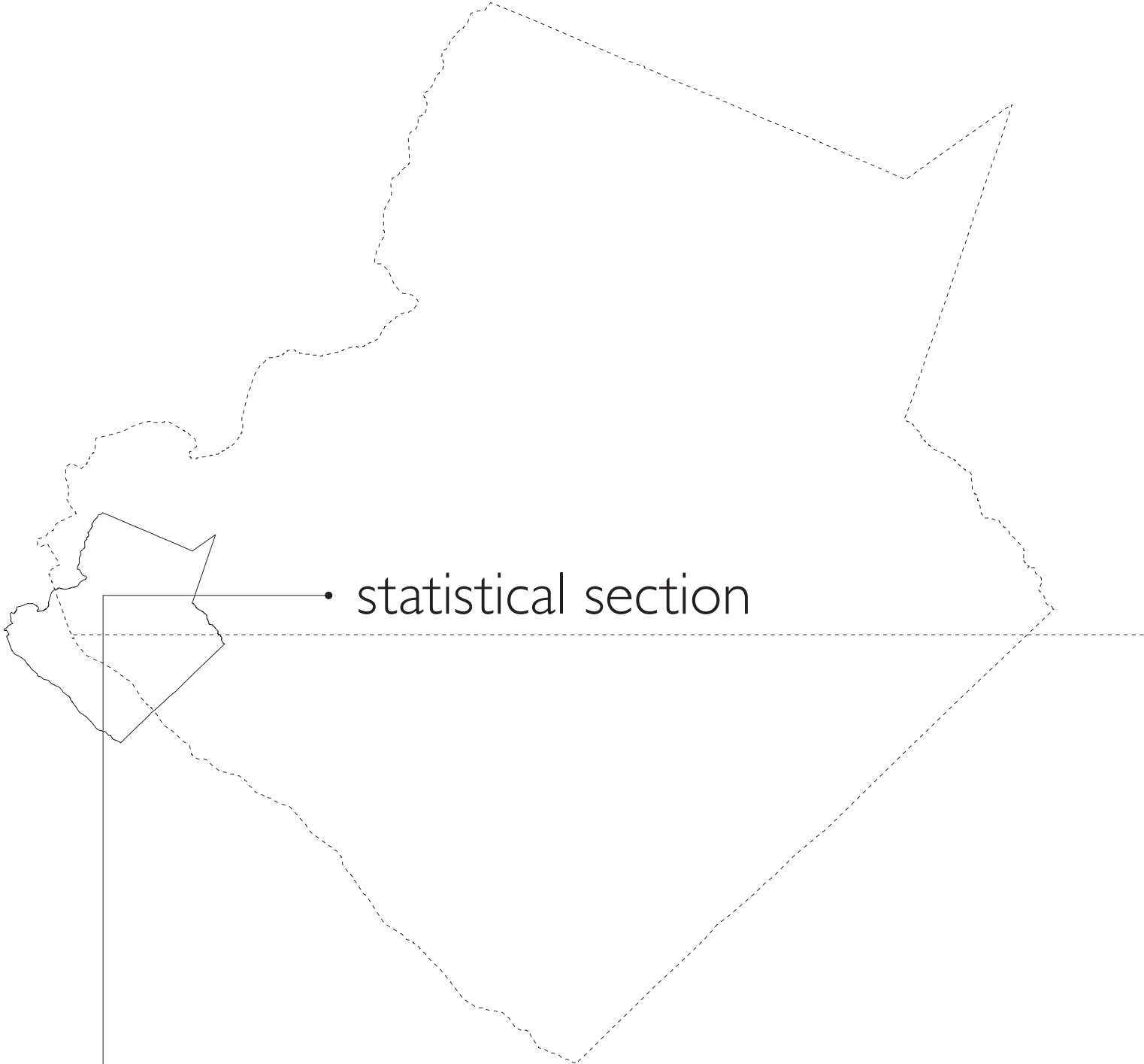
**agency funds
combining statement of
fiduciary assets and liabilities
december 31, 2006
(in thousands of dollars)**

| | Tax Commissioner | Clerk of the Courts | Recorder's Court | Sheriff | Probate Court | Juvenile Court | Corrections | Total |
|---------------------------|---------------------|------------------------|---------------------|------------|------------------|-------------------|-------------|---------------|
| ASSETS: | | | | | | | | |
| Cash and cash equivalents | \$ 13,354 | 26,446 | 757 | 808 | 22 | 147 | 51 | 41,585 |
| Taxes receivable | 32,883 | - | - | - | - | - | - | 32,883 |
| Total | \$ <u>46,237</u> | <u>26,446</u> | <u>757</u> | <u>808</u> | <u>22</u> | <u>147</u> | <u>51</u> | <u>74,468</u> |
| LIABILITIES: | | | | | | | | |
| Due to others | \$ 46,237 | 26,446 | 757 | 808 | 22 | 147 | 51 | 74,468 |
| Total | \$ <u>46,237</u> | <u>26,446</u> | <u>757</u> | <u>808</u> | <u>22</u> | <u>147</u> | <u>51</u> | <u>74,468</u> |

**agency funds
combining statement of
changes in fiduciary
assets and liabilities
year ended december 31, 2006
(in thousands of dollars)**

| | Balance January 1, 2006 | Additions | Deductions | Balance December 31, 2006 |
|---------------------------|----------------------------|----------------|----------------|------------------------------|
| TAX COMMISSIONER: | | | | |
| Cash and cash equivalents | \$ 6,856 | 619,648 | 613,150 | 13,354 |
| Taxes receivable | 40,020 | 265,465 | 272,602 | 32,883 |
| Total | <u>\$ 46,876</u> | <u>885,113</u> | <u>885,752</u> | <u>46,237</u> |
| Due to others | <u>46,876</u> | <u>885,113</u> | <u>885,752</u> | <u>46,237</u> |
| CLERK OF COURTS: | | | | |
| Cash and cash equivalents | \$ 31,922 | 56,814 | 62,290 | 26,446 |
| Due to others | <u>31,922</u> | <u>56,814</u> | <u>62,290</u> | <u>26,446</u> |
| RECORDER'S COURT: | | | | |
| Cash and cash equivalents | \$ 682 | 11,998 | 11,923 | 757 |
| Due to others | <u>682</u> | <u>11,998</u> | <u>11,923</u> | <u>757</u> |
| SHERIFF: | | | | |
| Cash and cash equivalents | \$ 803 | 10,504 | 10,499 | 808 |
| Due to others | <u>803</u> | <u>10,504</u> | <u>10,499</u> | <u>808</u> |
| PROBATE COURT: | | | | |
| Cash and cash equivalents | \$ 22 | 307 | 307 | 22 |
| Due to others | <u>22</u> | <u>307</u> | <u>307</u> | <u>22</u> |
| JUVENILE COURT: | | | | |
| Cash and cash equivalents | \$ 138 | 164 | 155 | 147 |
| Due to others | <u>138</u> | <u>164</u> | <u>155</u> | <u>147</u> |
| CORRECTIONS: | | | | |
| Cash and cash equivalents | \$ 17 | 636 | 602 | 51 |
| Due to others | <u>17</u> | <u>636</u> | <u>602</u> | <u>51</u> |
| TOTAL: | | | | |
| Cash and cash equivalents | \$ 40,440 | 700,071 | 698,926 | 41,585 |
| Taxes receivable | 40,020 | 265,465 | 272,602 | 32,883 |
| Total | <u>\$ 80,460</u> | <u>965,536</u> | <u>971,528</u> | <u>74,468</u> |
| Due to others | <u>80,460</u> | <u>965,536</u> | <u>971,528</u> | <u>74,468</u> |

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• statistical section



**statistical section
(unaudited)**

This part of Gwinnett 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's says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time..... S1 – S5

Revenue Capacity

These schedules contain information to help the reader assess the County's most significant local revenue source, property tax..... S6 – S9

Debt Capacity

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 debt in the futureS10 – S12

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.....S13 – S14

Operating Information

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.....S15 – S17

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 December 31, 2002; schedules presenting governmentwide information include information beginning in that year. Due to significant State of Georgia chart of account changes implemented in 2005, the County is only reporting comparable financial statement information back to 2004 in the Statistical Section.

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**net assets by components – last three years (in thousands of dollars)
(accrual basis of accounting)**

| | Fiscal Year | | |
|---|--------------------|------------------|------------------|
| | 2004 | 2005 | 2006 |
| Governmental activities | | | |
| Invested in capital assets, net of related debt | \$1,293,946 | 1,398,909 | 1,580,183 |
| Restricted | 693,897 | 721,891 | 666,243 |
| Unrestricted | 219,465 | 225,746 | 238,235 |
| Total governmental activities net assets | <u>\$2,207,308</u> | <u>2,346,546</u> | <u>2,484,661</u> |
| Business-type activities | | | |
| Invested in capital assets, net of related debt | \$1,970,986 | 2,155,024 | 2,257,189 |
| Restricted | 24,989 | 26,364 | 25,083 |
| Unrestricted | 132,682 | 154,556 | 202,403 |
| Total business-type activities net assets | <u>\$2,128,657</u> | <u>2,335,944</u> | <u>2,484,675</u> |
| Primary government | | | |
| Invested in capital assets, net of related debt | \$3,264,932 | 3,553,933 | 3,837,372 |
| Restricted | 718,886 | 748,255 | 691,326 |
| Unrestricted | 352,147 | 380,302 | 440,638 |
| Total primary activities net assets | <u>\$4,335,965</u> | <u>4,682,490</u> | <u>4,969,336</u> |

changes in net assets – last three years (in thousands of dollars) (accrual basis of accounting)

| | Fiscal Year | | |
|--|------------------|----------------|----------------|
| | 2004 | 2005 | 2006 |
| Expenses | | | |
| Governmental activities: | | | |
| General government | \$60,789 | 65,846 | 72,728 |
| Public safety | 137,822 | 142,928 | 154,775 |
| Judiciary ⁽¹⁾ | 84,978 | 89,671 | 105,891 |
| Public works ⁽²⁾ | 52,965 | 74,006 | 106,270 |
| Health and welfare | 11,328 | 7,495 | 7,408 |
| Culture and recreation | 39,166 | 44,069 | 54,967 |
| Housing and development | 16,845 | 17,244 | 15,004 |
| Tourism | 4,476 | 1,940 | 2,208 |
| Development authority | 2,169 | 2,182 | 2,251 |
| Miscellaneous | 3,536 | 4,676 | - |
| Interest on long-term debt | 3,794 | 2,397 | 2,128 |
| Total governmental activities | <u>\$417,868</u> | <u>452,454</u> | <u>523,630</u> |
| Business-type activities: | | | |
| Water and sewer | \$144,853 | 156,557 | 172,985 |
| Airport | 1,490 | 1,716 | 1,940 |
| Solid waste | 524 | 347 | 425 |
| Stormwater | 20,959 | 22,617 | 24,728 |
| Transit | 11,391 | 13,719 | 12,375 |
| Total business-type activities | <u>\$179,217</u> | <u>194,956</u> | <u>212,453</u> |
| Total primary government expenses | <u>\$597,085</u> | <u>647,410</u> | <u>736,083</u> |
| Program revenues | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| General government | \$44,357 | 33,725 | 30,991 |
| Public safety | 15,706 | 18,502 | 21,158 |
| Judiciary | 24,007 | 22,912 | 24,744 |
| Public works ⁽³⁾ | 126 | 5,837 | 5,974 |
| Health and welfare | - | 67 | - |
| Culture and recreation | 3,542 | 3,651 | 2,895 |
| Housing and development ⁽³⁾ | - | 9,091 | 8,866 |
| Operating grants and contributions | 14,711 | 13,231 | 17,039 |
| Capital grants and contributions | 18,886 | 18,246 | 17,726 |
| Total governmental activities program revenues | <u>\$121,335</u> | <u>125,262</u> | <u>129,393</u> |

continued...

⁽¹⁾ Change from 2005 to 2006 is discussed in the MD&A.

⁽²⁾ Payments to cities from the SPLOST program began in 2005 and a full year of payments were made in 2006.

⁽³⁾ Charges for services for these functions were classified as general government in 2004.

changes in net assets – last three years (in thousands of dollars) (accrual basis of accounting) – continued

Business-type activities:

| | | | |
|--|--------------------|------------------|------------------|
| Charges for services: | | | |
| Water and sewer | \$164,700 | 178,105 | 185,505 |
| Airport | 739 | 626 | 628 |
| Solid waste | 724 | - | - |
| Stormwater ⁽¹⁾ | 1,080 | 991 | 8,694 |
| Transit | 1,874 | 2,551 | 3,505 |
| Operating grants and contributions | - | - | 2,506 |
| Capital grants and contributions ⁽²⁾ | 138,547 | 191,836 | 124,225 |
| Total business-type activities program revenues | \$307,664 | 374,109 | 325,063 |
| Total primary government program revenues | \$428,999 | 499,371 | 454,456 |
| Net (expense)/revenue | | | |
| Governmental activities | (\$296,533) | (327,192) | (394,237) |
| Business-type activities | 128,447 | 179,153 | 112,610 |
| Total primary government net expense | (\$168,086) | (148,039) | (281,627) |

General revenues and other changes in net assets

Governmental activities:

| | | | |
|---------------------------------------|------------------|----------------|----------------|
| Taxes: | | | |
| Property taxes | \$259,363 | 277,441 | 304,215 |
| Sales taxes | 131,831 | 140,972 | 155,941 |
| Other taxes | 37,639 | 39,576 | 40,239 |
| Investment income | 12,768 | 24,561 | 41,055 |
| Miscellaneous | 6,866 | 3,735 | 6,077 |
| Transfers | (22,520) | (19,855) | (15,175) |
| Total governmental activities | \$425,947 | 466,430 | 532,352 |
| Business-type activities: | | | |
| Investment income | \$2,782 | 5,694 | 13,642 |
| Miscellaneous | 1,929 | 2,585 | 7,304 |
| Transfers | 22,520 | 19,855 | 15,175 |
| Total business-type activities | \$27,231 | 28,134 | 36,121 |
| Total primary government | \$453,178 | 494,564 | 568,473 |
| Change in net assets | | | |
| Governmental activities | \$129,414 | 139,238 | 138,115 |
| Business-type activities | 155,678 | 207,287 | 148,731 |
| Total primary government | \$285,092 | 346,525 | 286,846 |

⁽¹⁾ New stormwater utility formed in 2006 with billings to all customers for the first time.

⁽²⁾ Capital contributions fluctuate with development activity.

fund balances, governmental funds – last three years (in thousands of dollars)
(modified accrual basis of accounting)

| | Fiscal Year | | |
|---|------------------|----------------|----------------|
| | 2004 | 2005 | 2006 |
| General fund | | | |
| Reserved | \$4,354 | 2,801 | 3,915 |
| Unreserved | 96,525 | 130,340 | 144,441 |
| Total General fund | \$100,879 | 133,141 | 148,356 |
| All other governmental funds | | | |
| Reserved ⁽¹⁾ | \$136,534 | 15,311 | 15,971 |
| Unreserved, reported in | | | |
| Special revenue funds | 107,373 | 60,145 | 67,022 |
| Capital project funds ⁽¹⁾ | 478,856 | 576,961 | 502,020 |
| Debt service funds | 22,342 | 9,110 | 9,550 |
| Total all other governmental funds | \$745,105 | 661,527 | 594,563 |
| Total | \$845,984 | 794,668 | 742,919 |

⁽¹⁾ Starting in 2005, the County no longer carried forward encumbrances from the prior year.

changes in fund balances, governmental funds – last three years (in thousands of dollars) (modified accrual basis of accounting)

| | Fiscal Year | | |
|--|-------------------|-----------------|-----------------|
| | 2004 | 2005 | 2006 |
| Revenues: | | | |
| Taxes | \$435,619 | 442,762 | 504,733 |
| Permits and licenses | 25,525 | 22,590 | 23,990 |
| Intergovernmental | 20,080 | 17,619 | 20,289 |
| Charges for services | 45,234 | 55,775 | 57,112 |
| Fines and forfeitures | 12,483 | 12,345 | 13,526 |
| Investment income | 11,684 | 22,716 | 38,354 |
| Miscellaneous | 6,866 | 6,261 | 7,022 |
| Total revenues | \$557,491 | 580,068 | 665,026 |
| Expenditures: | | | |
| General government | \$45,510 | 58,117 | 58,879 |
| Public safety | 130,889 | 138,885 | 145,864 |
| Judiciary | 80,716 | 92,058 | 105,055 |
| Public works | 19,424 | 20,056 | 21,988 |
| Health and welfare | 6,292 | 7,560 | 7,589 |
| Culture and recreation | 35,442 | 38,591 | 42,416 |
| Housing and development | 11,344 | 11,907 | 11,426 |
| Miscellaneous | 4,202 | 551 | 799 |
| Tourism | 2,000 | 1,940 | 2,208 |
| Development authority | 2,169 | 2,182 | 3,656 |
| Grant programs | 7,545 | 6,620 | 5,622 |
| Capital outlay | 146,382 | 219,291 | 282,219 |
| Debt service | | | |
| Principal | 9,360 | 9,565 | 9,845 |
| Interest | 4,448 | 4,203 | 3,946 |
| Total expenditures | \$505,723 | 611,526 | 701,512 |
| Excess of revenues over expenditures | \$51,768 | (31,458) | (36,486) |
| Other financing sources/(uses) | | | |
| Transfer in | 30,061 | 31,040 | 18,399 |
| Transfer out | (52,581) | (50,895) | (33,662) |
| Total other financing sources/(uses) | (\$22,520) | (19,855) | (15,263) |
| Net change in fund balance | \$29,248 | (51,313) | (51,749) |
| Debt service as a percentage of noncapital expenditures | 4.0% | 3.6% | 3.3% |

assessed value and estimated value of taxable property – last 10 fiscal years

| Fiscal Year Ended Dec. 31, | Real Property | | | Personal Property | | Less: Tax Exemptions | Total Taxable Assessed Value | Total Direct Tax Rate | Total Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|----------------------------|----------------------|---------------------|---------------------|-------------------|----------------------|----------------------|------------------------------|-----------------------|----------------------------|--|
| | Residential Property | Commercial Property | Other Real Property | Motor Vehicle | Other ⁽¹⁾ | | | | | |
| 1997 | \$6,177,920,090 | 3,114,038,560 | 345,214,754 | 1,275,847,858 | 2,583,384,950 | 2,006,249,910 | 11,490,156,302 | 9.30 | 28,725,390,755 | 40% |
| 1998 | 6,622,333,600 | 3,352,191,510 | 359,090,785 | 1,379,531,000 | 2,775,909,300 | 2,122,504,040 | 12,366,552,155 | 9.40 | 30,916,380,388 | 40% |
| 1999 | 8,037,117,550 | 4,350,715,310 | 484,595,006 | 1,571,845,000 | 2,914,439,870 | 2,202,539,144 | 15,156,173,592 | 8.65 | 37,890,433,980 | 40% |
| 2000 | 8,912,373,190 | 4,687,224,730 | 499,491,093 | 1,615,512,400 | 3,188,516,070 | 2,399,557,441 | 16,503,560,042 | 8.48 | 41,258,900,105 | 40% |
| 2001 | 10,146,911,360 | 5,108,960,180 | 525,092,726 | 1,786,903,697 | 3,360,854,830 | 3,056,514,672 | 17,872,208,121 | 8.43 | 44,680,520,303 | 40% |
| 2002 | 11,749,613,060 | 5,440,409,120 | 603,199,160 | 1,919,245,700 | 3,159,759,660 | 3,444,303,347 | 19,427,923,353 | 8.30 | 48,569,808,383 | 40% |
| 2003 | 13,055,804,380 | 5,637,445,160 | 641,260,167 | 1,958,612,800 | 3,085,229,010 | 3,785,724,988 | 20,592,626,529 | 8.29 | 51,481,566,323 | 40% |
| 2004 | 14,445,717,520 | 5,856,853,840 | 657,607,367 | 1,960,787,080 | 2,969,656,260 | 4,184,612,558 | 21,706,009,509 | 8.27 | 54,265,023,773 | 40% |
| 2005 | 15,476,738,817 | 6,136,046,299 | 675,505,950 | 1,935,290,900 | 3,177,314,281 | 4,258,466,874 | 23,142,429,373 | 10.14 | 57,856,073,433 | 40% |
| 2006 | 17,138,866,772 | 6,912,104,174 | 636,083,282 | 1,894,747,650 | 3,364,490,860 | 4,773,455,867 | 25,172,836,871 | 10.00 | 62,932,092,178 | 40% |

Source: General Fund Information from Gwinnett County Budget Division and Gwinnett County Tax Commissioner

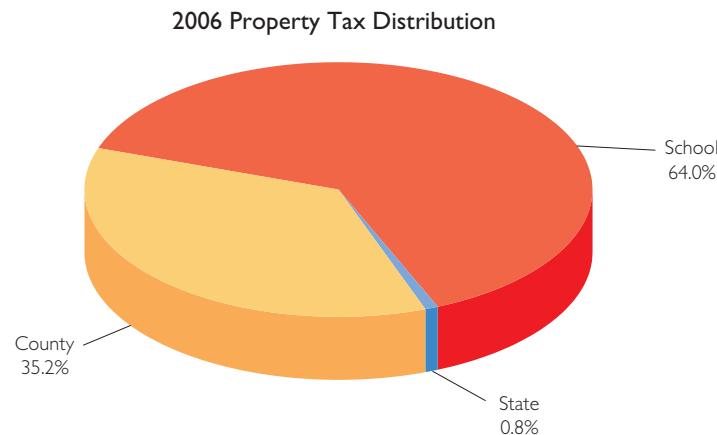
⁽¹⁾ Includes mobile homes

⁽²⁾ Approximately 1/3 of all County properties are reviewed annually to insure proper assessed values.

direct and overlapping property tax rates – last 10 fiscal years (rate per \$1,000 of assessed value)

| Jurisdiction: | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| County | | | | | | | | | | |
| Maintenance and Operations: | | | | | | | | | | |
| Unincorporated | 9.30 | 9.40 | 8.65 | 8.48 | 8.43 | 8.30 | 8.29 | 8.27 | 10.14 | 10.00 |
| Municipalities | 9.30 | 9.40 | 8.65 | 8.48 | 8.43 | 8.30 | 8.29 | 8.27 | 10.14 | 10.00 |
| Debt Service | 0.75 | 0.75 | 0.60 | 0.57 | 0.30 | 0.30 | 0.49 | 0.49 | 0.49 | 0.48 |
| Fire Protection | 2.40 | 2.30 | 2.10 | 2.06 | 1.90 | 1.87 | 1.87 | 1.87 | - | - |
| Recreation | 1.00 | 1.00 | 0.90 | 0.88 | 0.86 | 0.85 | 0.85 | 0.84 | 0.84 | 0.82 |
| Total County – Unincorporated | 13.45 | 13.45 | 12.25 | 11.99 | 11.49 | 11.32 | 11.50 | 11.47 | 11.47 | 11.30 |
| Total County – Municipalities | 13.45 | 13.45 | 12.25 | 11.99 | 11.49 | 11.32 | 11.50 | 11.47 | 11.47 | 11.30 |
| School | | | | | | | | | | |
| Maintenance and Operations | 17.10 | 18.10 | 17.45 | 17.12 | 18.62 | 18.62 | 18.87 | 18.87 | 19.25 | 19.25 |
| Debt Service | 3.65 | 2.65 | 2.30 | 2.05 | 1.80 | 1.68 | 1.43 | 1.43 | 1.30 | 1.30 |
| Total School | 20.75 | 20.75 | 19.75 | 19.17 | 20.42 | 20.30 | 20.30 | 20.30 | 20.55 | 20.55 |
| State | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Total Unincorporated | 34.45 | 34.45 | 32.25 | 31.41 | 32.16 | 31.87 | 32.05 | 32.02 | 32.27 | 32.10 |
| Total Municipalities | 34.45 | 34.45 | 32.25 | 31.41 | 32.16 | 31.87 | 32.05 | 32.02 | 32.27 | 32.10 |

Source: Budget Division – Tax Levy Resolution



principal property tax payers – 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 |
| BellSouth | \$131,761,870 | 1 | 0.49% | \$89,850,771 | 1 | 0.79% |
| Publix | 107,715,300 | 2 | 0.39% | 28,906,100 | 10 | 0.26% |
| Wal-Mart | 101,931,690 | 3 | 0.38% | - | - | - |
| Georgia Power | 92,950,890 | 4 | 0.34% | 65,244,434 | 3 | 0.78% |
| Mall of Georgia | 78,227,906 | 5 | 0.29% | - | - | - |
| Scientific Atlanta | 71,380,762 | 6 | 0.26% | 87,897,000 | 2 | 0.58% |
| Jackson EMC | 54,709,360 | 7 | 0.20% | 30,490,447 | 9 | 0.27% |
| Sugarloaf Mills | 49,600,000 | 8 | 0.18% | - | - | - |
| Gwinnett Prado | 41,062,196 | 9 | 0.15% | - | - | - |
| Cingular Wireless | 40,585,590 | 10 | 0.15% | - | - | - |
| Home Depot | | | | - | - | - |
| Lucent Technologies | | | | 63,320,970 | 4 | 0.56% |
| Gwinnett Place Assoc. | | | | 36,651,880 | 5 | 0.32% |
| Makita Corp. | | | | 33,221,580 | 7 | 0.29% |
| McKesson Corp. | | | | 30,973,500 | 8 | 0.27% |
| Atlanta Gas Light | | | | 34,699,934 | 6 | 0.33% |

Source: 1) The final tax digest dated 02/16/2007 which is the state certified digest updated with additional adjustments made during the year. 2) Report provided by the Tax Assessor's Office.

property tax levies and collections – last 10 fiscal years

| Fiscal Year Ended Dec. 31, | 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 | \$365,785,570 | 361,329,721 | 98.8% | 13,613,139 | 374,942,860 | 102.5% |
| 1998 | 394,070,048 | 389,448,836 | 98.8% | 13,761,738 | 403,210,574 | 102.3% |
| 1999 | 443,709,937 | 438,327,340 | 98.8% | 8,532,899 | 446,860,239 | 100.7% |
| 2000 | 470,131,591 | 462,394,777 | 98.4% | 8,527,793 | 470,922,570 | 100.2% |
| 2001 | 521,516,706 | 514,827,709 | 98.7% | 12,406,803 | 527,234,512 | 101.1% |
| 2002 | 562,783,629 | 553,561,766 | 98.4% | 12,348,314 | 565,910,080 | 100.6% |
| 2003 | 606,972,122 | 586,116,379 | 96.6% | 17,456,999 | 603,573,378 | 99.4% |
| 2004 | 648,121,744 | 640,266,373 | 98.8% | 23,969,204 | 664,235,577 | 102.5% |
| 2005 | 678,156,729 | 594,462,395 | 87.7% | 22,218,409 | 616,680,804 | 90.9% |
| 2006 | 764,376,210 | 696,354,942 | 91.1% | 33,194,563 | 729,549,505 | 95.4% |

Source: Tax reports provided by the Tax Commissioner's Office

ratios of outstanding debt by type – last 10 years (in thousands of dollars except population and net-bonded debt per capita)

| Fiscal Year Ended Dec. 31, | Population | Governmental Activities Gwinnett County General Obligation Debt | | | | | Business-Type Activities | | | | | |
|----------------------------|------------|--|---------------------------------|------------------------------|---------------------------------------|------------|--------------------------|-----------------------|-------------------------------|--------------------------|-------------------------------|------------|
| | | Gross General Obligation Bonds | Less: Debt Service Fund Balance | Net General Obligation Bonds | Percentage of Assessed Property Value | Per Capita | Revenue Bonds | Water and Sewer Bonds | Certificates of Participation | Total Primary Government | Percentage of Personal Income | Per Capita |
| 1997 | 516,032 | \$84,965 | 11,558 | 73,407 | 0.61% | 142.25 | 26,055 | 297,986 | 51,727 | 449,175 | 3.07% | 870.44 |
| 1998 | 540,954 | 80,440 | 13,630 | 66,810 | 0.55% | 123.50 | 24,585 | 417,442 | 44,941 | 553,778 | 3.65% | 1,023.71 |
| 1999 | 567,569 | 75,680 | 15,563 | 60,117 | 0.37% | 105.92 | 23,035 | 460,744 | 37,762 | 581,658 | 3.44% | 1,024.82 |
| 2000 | 596,659 | 70,660 | 18,091 | 52,569 | 0.29% | 88.11 | 19,035 | 450,825 | 30,144 | 552,573 | 3.02% | 926.11 |
| 2001 | 623,903 | 65,360 | 16,387 | 48,973 | 0.25% | 78.49 | 17,585 | 439,519 | 22,046 | 528,123 | 2.65% | 846.48 |
| 2002 | 649,355 | 61,740 | 15,271 | 46,469 | 0.22% | 71.56 | 16,055 | 551,791 | - | 614,315 | 2.93% | 946.04 |
| 2003 | 673,526 | 135,325 | 21,626 | 113,699 | 0.51% | 168.81 | 14,440 | 743,852 | - | 871,991 | 3.96% | 1,294.67 |
| 2004 | 700,502 | 125,965 | 22,342 | 103,623 | 0.45% | 147.93 | 12,725 | 842,346 | - | 958,694 | 4.54% | 1,368.58 |
| 2005 | 726,790 | 116,400 | 21,003 | 95,397 | 0.39% | 131.26 | 10,915 | 829,895 | - | 936,207 | 4.26% | 1,288.14 |
| 2006 | 757,104 | 106,555 | 21,653 | 84,902 | 0.34% | 112.14 | 8,990 | 810,200 | - | 904,092 | N/A | 1,194.15 |

Source: Population and personal income from demographic and economic statistics (page S13), Debt information from CAFR Financial Statements, and Note 8 to Financial Statements.

legal debt margin information – last 10 fiscal years (in thousands of dollars)

| | Fiscal Year Ended December 31, | | | | | | | | | |
|--|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Debt limit | \$1,149,015 | 1,236,655 | 1,515,617 | 1,650,356 | 1,787,221 | 1,942,792 | 2,059,263 | 2,170,601 | 2,314,243 | 2,517,284 |
| Total net debt applicable to limit | 73,407 | 66,810 | 60,117 | 52,569 | 48,973 | 46,469 | 113,699 | 103,623 | 95,397 | 84,902 |
| Legal debt margin | \$1,075,608 | 1,169,845 | 1,455,500 | 1,597,787 | 1,738,248 | 1,896,323 | 1,945,564 | 2,066,978 | 2,218,846 | 2,432,382 |
| Total net debt applicable to the limit as a percentage of debt limit | 6.4% | 5.4% | 4.0% | 3.2% | 2.7% | 2.4% | 5.5% | 4.8% | 4.1% | 3.4% |

Legal debt margin calculation for fiscal year 2006

| | |
|---|---------------|
| Assessed value | \$ 25,172,837 |
| Debt limit (10%) of assessed value | 2,517,284 |
| Debt applicable to limit | |
| General obligation bonds | 106,555 |
| Less: amount set aside for repayment of general obligation debt | 21,653 |
| Total net debt applicable to limit | 84,902 |
| Legal debt margin | \$ 2,432,382 |

pledged-revenue coverage – last 10 fiscal years (in thousands of dollars)

| Fiscal Year | Utility Service Charges | Less: ⁽¹⁾ Operating Expenses | Plus: | | Net Revenue Available | Debt Service | | | Coverage | Required Coverage |
|-------------|-------------------------|---|--|--|-----------------------|--------------|----------|--------|----------|-------------------|
| | | | Investment Income and Other ⁽²⁾ | | | Principal | Interest | Total | | |
| 1997 | \$105,503 | 40,975 | 9,921 | | 74,449 | - | - | 28,756 | 2.59 | 1.2 |
| 1998 | 118,751 | 45,278 | 17,883 | | 91,356 | - | - | 33,532 | 2.72 | 1.2 |
| 1999 | 139,593 | 48,983 | 15,133 | | 105,743 | 16,705 | 21,892 | 38,597 | 2.74 | 1.2 |
| 2000 | 145,731 | 53,400 | 17,296 | | 109,627 | 21,180 | 22,895 | 44,075 | 2.49 | 1.2 |
| 2001 | 153,434 | 63,184 | 16,367 | | 106,617 | 22,400 | 21,661 | 44,061 | 2.42 | 1.2 |
| 2002 | 154,746 | 75,061 | 12,721 | | 92,406 | 23,685 | 20,342 | 44,027 | 2.10 | 1.2 |
| 2003 | 158,733 | 79,045 | 4,839 | | 84,527 | 25,100 | 29,715 | 54,815 | 1.54 | 1.2 |
| 2004 | 166,393 | 80,163 | 2,275 | | 88,505 | 26,465 | 33,216 | 59,681 | 1.48 | 1.2 |
| 2005 | 179,567 | 84,381 | 4,573 | | 99,759 | 27,710 | 30,859 | 58,569 | 1.70 | 1.2 |
| 2006 | 192,824 | 85,313 | 12,115 | | 119,626 | 28,970 | 30,977 | 59,947 | 2.00 | 1.2 |

Notes: (1) Operating expenses other than interest on debt, depreciation, and amortization. (2) Excludes gain or loss on sale of capital assets, (3) Debt information from CAFR Financial Statements and Note 8 to the Financial Statements.

demographic and economic statistics – last 10 fiscal years

| Year | Population ⁽¹⁾ | Personal Income (amounts expressed in thousands) | Per Capita Personal Income ⁽²⁾ | Unemployment Rate ⁽³⁾ |
|------|---------------------------|--|---|-------------------------------------|
| 1997 | 516,032 | \$14,195,660 | \$27,509 | 2.5% |
| 1998 | 540,954 | 15,608,700 | 28,854 | 2.5% |
| 1999 | 567,569 | 17,101,020 | 30,130 | 2.2% |
| 2000 | 596,659 | 19,007,980 | 31,857 | 2.7% |
| 2001 | 623,903 | 19,507,710 | 31,267 | 3.2% |
| 2002 | 649,355 | 19,529,550 | 30,075 | 4.4% |
| 2003 | 673,526 | 20,078,030 | 29,510 | 4.3% |
| 2004 | 700,502 | 21,088,290 | 30,105 | 4.0% |
| 2005 | 726,790 | 22,665,660 | 31,186 | 4.5% |
| 2006 | 757,104 | Not available | Not available | 3.9% |

Source: (1) Census data; (2) Regional Economic Information System, Bureau of Economic Analysis and US Department of Commerce data from April 2005 for 2003; (3) Georgia Department of Labor, preliminary January 2005 not seasonally adjusted.

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principal employers – current year and nine years ago

| Employer | 2006 | | | 1997 | | |
|-----------------------------------|-----------|------|---------------------------------------|-----------|------|---------------------------------------|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Gwinnett County Public Schools | 19,378 | 1 | 6.0% | 9,260 | 1 | 3.2% |
| Gwinnett County Government | 4,797 | 2 | 1.5% | 3,091 | 4 | 1.1% |
| Promina Gwinnett Health System | 4,500 | 3 | 1.4% | 2,575 | 6 | 0.9% |
| Wal-Mart | 3,990 | 4 | 1.2% | | | |
| Publix Supermarkets | 3,318 | 5 | 1.0% | 2,635 | 5 | 0.9% |
| US Post Office | 2,613 | 6 | 0.8% | | | |
| State of Georgia | 2,144 | 7 | 0.7% | | | |
| Kroger Company | 2,042 | 8 | 0.6% | 1,920 | 8 | 0.7% |
| Primerica Financial Services | 1,858 | 9 | 0.6% | 1,440 | 9 | 0.5% |
| Scientific Atlanta | 1,680 | 10 | 0.5% | 3,375 | 3 | 1.2% |
| Lucent Technologies | 293 | | | 3,500 | 2 | 1.2% |
| CIBA Vision | 200 | | | 2,000 | 7 | 0.7% |
| Motorola Energy Products Division | 400 | | | 1,400 | 10 | 0.5% |

Source: Gwinnett County Department of Financial Services, Total County Employment from the Georgia Department of Labor, 2nd Quarter 2006 and 1997 Annual.

full-time equivalent county employees by function – last 10 fiscal years

| Function | Fiscal Year Ended December 31, | | | | | | | | | |
|--------------------------|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| General Government | 477 | 503 | 499 | 511 | 523 | 535 | 567 | 558 | 571 | 575 |
| Public Safety: | | | | | | | | | | |
| Police | 638 | 684 | 704 | 724 | 762 | 766 | 810 | 857 | 927 | 951 |
| Fire | 539 | 542 | 560 | 583 | 610 | 617 | 637 | 654 | 674 | 713 |
| Corrections | 79 | 79 | 82 | 121 | 121 | 122 | 127 | 139 | 141 | 142 |
| Sheriff | 325 | 346 | 357 | 369 | 390 | 394 | 421 | 429 | 540 | 621 |
| Judiciary | 289 | 308 | 317 | 318 | 343 | 359 | 379 | 382 | 400 | 415 |
| Transportation | 203 | 206 | 168 | 170 | 173 | 173 | 177 | 178 | 179 | 179 |
| Community Services | 184 | 187 | 189 | 190 | 194 | 200 | 207 | 218 | 230 | 241 |
| Water Resources | 460 | 466 | 519 | 536 | 556 | 561 | 584 | 598 | 600 | 606 |
| Planning and Development | 118 | 121 | 130 | 131 | 132 | 132 | 137 | 139 | 143 | 143 |
| Total | 3,312 | 3,442 | 3,525 | 3,653 | 3,804 | 3,859 | 4,046 | 4,152 | 4,405 | 4,586 |

Source: Department of Financial Services, Budget Division

operating indicators by function – last 10 years

| Function | Fiscal Year Ended December 31, | | | | | | | | | |
|--|--------------------------------|---------|---------|---------|---------|---------|---------|-----------|-----------|-----------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Police | | | | | | | | | | |
| General calls | 199,585 | 212,030 | 224,757 | 276,372 | 302,040 | 319,121 | 331,035 | 359,362 | 373,813 | 360,690 |
| Traffic calls | 53,133 | 66,493 | 96,206 | 143,237 | 141,619 | 155,861 | 147,819 | 159,754 | 140,657 | 149,291 |
| Officers/1,000 population | 0.87 | 0.89 | 0.91 | 0.84 | 0.84 | 0.80 | 0.83 | 0.85 | 0.86 | 0.99 |
| Fire | | | | | | | | | | |
| Calls answered | N/A | N/A | N/A | 35,865 | 39,208 | 38,403 | 42,046 | 47,343 | 56,377 | 61,886 |
| Inspections | N/A | N/A | 11,432 | 12,009 | 12,649 | 11,263 | 9,534 | 12,480 | 12,355 | 12,406 |
| Transportation | | | | | | | | | | |
| Street resurfacing(miles) | 105 | 118 | 119 | 111 | 115 | 123 | 115 | 113 | 115 | 110 |
| Parks and Recreation | | | | | | | | | | |
| Classes/programs/camps/ events | 1,043 | 1,773 | 4,081 | 3,992 | 2,898 | 4,423 | 4,556 | 4,692 | 4,803 | 4,643 |
| Number of facility and pavilion rentals | 1,328 | 1,378 | 1,232 | 1,246 | 1,870 | 1,905 | 1,846 | 2,842 | 3,801 | 4,457 |
| Number of pool admissions and passes | 83,711 | 198,360 | 230,127 | 226,689 | 285,729 | 335,115 | 339,998 | 394,596 | 415,242 | 400,014 |
| Number of senior citizens one way passenger trips | N/A | 36,536 | 32,001 | 34,083 | 32,672 | 29,282 | 32,904 | 37,967 | 32,374 | 38,232 |
| Water | | | | | | | | | | |
| Plant capacity (mgd) | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 225 | 225 | 225 |
| Average daily consumption (mgd) | 66.6 | 79.9 | 86.6 | 85.2 | 85.4 | 83.4 | 76.0 | 82.6 | 80.7 | 87.4 |
| Maximum daily pumpage (mgd) | 102.3 | 117.9 | 137.4 | 142.6 | 120.2 | 122.5 | 106.0 | 112.8 | 113.3 | 129.8 |
| Water meters installed | 7,636 | 8,865 | 8,480 | 9,359 | 10,070 | 9,118 | 8,538 | 8,707 | 8,773 | 7,290 |
| Miles of water mains installed | 92 | 98 | 100 | 109 | 154 | 100 | 81 | 65 | 94 | 94 |
| Number of customers | 149,076 | 158,129 | 167,527 | 174,848 | 185,236 | 195,320 | 203,657 | 211,723 | 220,856 | 230,752 |
| Sewer | | | | | | | | | | |
| Average annual daily flow (mgd) | 35 | 38 | 38 | 42 | 45 | 47 | 50 | 51 | 52 | 51 |
| Number of customers | 74,931 | 79,720 | 87,825 | 95,532 | 104,382 | 113,336 | 120,967 | 128,121 | 135,311 | 138,284 |
| Miles of sewer mains installed | 111 | 82 | 104 | 119 | 120 | 108 | 74 | 125 | 159 | 111 |
| Transit | | | | | | | | | | |
| Total passengers | - | - | - | - | 28,000 | 300,000 | 985,566 | 1,571,434 | 1,858,670 | 1,917,854 |

Source: County operating departments

capital asset statistics by function – last 10 years

| Function | Fiscal Year Ended December 31, | | | | | | | | | |
|-------------------------------|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Police precincts/stations | 6 | 7 | 8 | 8 | 8 | 8 | 9 | 9 | 10 | 10 |
| Fire stations | 20 | 20 | 21 | 22 | 23 | 23 | 24 | 24 | 25 | 26 |
| Transportation | | | | | | | | | | |
| Miles County maintained roads | 2,025 | 2,100 | 2,156 | 2,227 | 2,260 | 2,389 | 2,464 | 2,464 | 2,650 | 2,700 |
| Streetlights maintained | 21,000 | 25,500 | 29,070 | 32,336 | 35,000 | 35,500 | 39,734 | 41,953 | 45,000 | 46,421 |
| Traffic signals maintained | 394 | 427 | 465 | 492 | 540 | 545 | 570 | 590 | 610 | 612 |
| Parks and Recreation | | | | | | | | | | |
| Acreage total | 1,983 | 3,162 | 3,623 | 3,890 | 5,225 | 7,336 | 7,572 | 7,781 | 8,062 | 8,247 |
| Swimming pool sites | 6 | 6 | 6 | 6 | 8 | 8 | 8 | 11 | 11 | 12 |
| Baseball fields | 69 | 69 | 69 | 80 | 80 | 83 | 83 | 91 | 93 | 102 |
| Soccer fields | 20 | 22 | 22 | 22 | 22 | 22 | 22 | 26 | 26 | 26 |
| Tennis courts | 31 | 31 | 31 | 34 | 34 | 34 | 34 | 35 | 39 | 41 |
| Playgrounds | 15 | 15 | 15 | 22 | 26 | 26 | 30 | 32 | 35 | 36 |
| Libraries | 9 | 9 | 10 | 10 | 10 | 11 | 11 | 11 | 12 | 14 |
| Library circulation | 4,287,830 | 4,692,967 | 5,158,149 | 5,158,149 | 5,568,742 | 5,714,056 | 6,100,381 | 6,172,537 | 6,376,188 | 6,158,664 |
| Water | | | | | | | | | | |
| Miles of water mains | 2,424 | 2,522 | 2,622 | 2,732 | 2,863 | 2,982 | 3,056 | 3,121 | 3,215 | 3,300 |
| Fire hydrants | 24,351 | 25,757 | 27,256 | 28,187 | 29,708 | 31,144 | 34,841 | 35,515 | 37,484 | 38,916 |
| Raw water storage (mgd) | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 45 | 45 | 45 |
| Sewer | | | | | | | | | | |
| Miles of sewer mains | 1,493 | 1,575 | 1,678 | 1,797 | 1,917 | 2,010 | 2,084 | 2,210 | 2,368 | 2,480 |
| Miles of storm sewers | | | | | | | | | | |
| Treatment capacity (mgd) | 48.1 | 48.1 | 48.1 | 48.1 | 64.1 | 64.1 | 64.1 | 64.1 | 64.1 | 71.6 |
| Transit buses | - | - | - | - | 14 | 35 | 63 | 63 | 63 | 77 |

Source: County operating departments

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• single audit section







**single audit section
december 31, 2006**

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Schedule of Expenditures of Federal, State, and Local Awards – Year ended December 31, 2006

| Title | Federal CFDA Number | Grantor Program Number | Fund Agency Org | Program Period | Funding Source | | |
|--|---------------------|------------------------|-----------------|----------------|----------------|---|---------------------------------------|
| | | | | | Federal | State/Local | |
| U.S. Department of Agriculture | | | | | | | |
| Watershed Protection and Flood Prevention | 10.904 | 69-4310-3-138 | NRCS-2003 | 29-Sep-03 | 31-Dec-08 | Department of Agriculture | Natural Resource Conservation Service |
| SUBTOTAL | | | | | | | |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | | | | |
| U.S. Department of Housing and Urban Development | | | | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-01-UC-13-0004 | CDBG-2001 | 01-Jan-01 | Completion | Department of Housing and Urban Development | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-02-UC-13-0004 | CDBG-2002 | 01-Jan-02 | Completion | Department of Housing and Urban Development | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-03-UC-13-0004 | CDBG-2003 | 01-Jan-03 | Completion | Department of Housing and Urban Development | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-04-UC-13-0004 | CDBG-2004 | 01-Jan-04 | Completion | Department of Housing and Urban Development | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-05-UC-13-0004 | CDBG-2005 | 01-Jan-05 | Completion | Department of Housing and Urban Development | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-06-UC-13-0004 | CDBG-2006 | 01-Jan-06 | Completion | Department of Housing and Urban Development | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-07-UC-13-0004 | CDBG-2007 | 01-Jan-05 | Completion | Department of Housing and Urban Development | |
| SUBTOTAL | | | | | | | |
| Emergency Shelter Grants Program | 14.231 | S-05-UC-13-0011 | ES-2005 | 01-Jan-05 | 31-Dec-06 | Department of Housing and Urban Development | |
| Emergency Shelter Grants Program | 14.231 | S-06-UC-13-0011 | ES-2006 | 01-Jan-06 | 31-Dec-07 | Department of Housing and Urban Development | |
| SUBTOTAL | | | | | | | |
| HOME Investment Partnerships Program | 14.239 | M-01-UC-13-0201 | HOME-2001 | 01-Jan-01 | 31-Dec-06 | Department of Housing and Urban Development | |
| HOME Investment Partnerships Program | 14.239 | M-03-UC-13-0201 | HOME-2003 | 01-Jan-03 | 31-Dec-08 | Department of Housing and Urban Development | |
| HOME Investment Partnerships Program | 14.239 | M-04-UC-13-0201 | HOME-2004 | 01-Jan-04 | 31-Dec-09 | Department of Housing and Urban Development | |
| HOME Investment Partnerships Program | 14.239 | M-05-UC-13-0201 | HOME-2005 | 01-Jan-05 | 31-Dec-10 | Department of Housing and Urban Development | |
| HOME Investment Partnerships Program | 14.239 | M-06-UC-13-0201 | HOME-2006 | 01-Jan-06 | 01-Jan-11 | Department of Housing and Urban Development | |
| SUBTOTAL | | | | | | | |
| Community Development Block Grants/Brownfields Economic Development Initiative | 14.246 | B-02-SP-GA-0158 | SP-2002 | 27-Sep-02 | 01-Oct-07 | Department of Housing and Urban Development | |
| SUBTOTAL | | | | | | | |
| TOTAL U.S. DEPT. OF HOUSING AND URBAN DEV. | | | | | | | |

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| Program or Award Amount | 2006 | | | | | | Total |
|----------------------------|--------------------|--------------------|--------------|----------|------------------|------------------|--------------------|
| | Federal | | State | | Local | | |
| | Expenditures | Revenues | Expenditures | Revenues | Expenditures | Revenues | |
| \$3,500,000.00 | \$270,213 | \$270,213 | | | | | \$270,213 |
| | \$270,213 | \$270,213 | \$0 | \$0 | \$0 | \$0 | \$270,213 |
| | \$270,213 | \$270,213 | \$0 | \$0 | \$0 | \$0 | \$270,213 |
| \$2,935,000.00 | \$150,166 | \$150,166 | | | | | \$150,166 |
| \$2,953,000.00 | \$66,012 | \$66,012 | | | | | \$66,012 |
| \$4,744,000.00 | \$268,312 | \$267,251 | | | | | \$268,312 |
| \$4,827,000.00 | \$982,396 | \$982,396 | | | | | \$982,396 |
| \$4,615,969.00 | \$1,694,713 | \$1,663,885 | | | \$1,453 | | \$1,696,166 |
| \$4,200,238.00 | \$2,141,495 | \$2,255,856 | | | \$28,378 | \$28,402 | \$2,169,873 |
| \$3,400,000.00 | \$491,994 | | | | | | \$491,994 |
| | \$5,795,088 | \$5,385,567 | \$0 | \$0 | \$29,831 | \$28,402 | \$5,824,919 |
| \$176,555.00 | \$56,474 | \$55,404 | | | | | \$56,474 |
| \$177,543.00 | \$117,033 | \$117,033 | | | | | \$117,033 |
| | \$173,507 | \$172,437 | \$0 | \$0 | \$0 | \$0 | \$173,507 |
| \$854,000.00 | \$12,427 | \$12,427 | | | | | \$12,427 |
| \$1,620,057.00 | \$140,873 | \$140,873 | | | | | \$140,873 |
| \$1,744,830.00 | \$329,281 | \$329,281 | | | | | \$329,281 |
| \$1,644,910.00 | \$107,263 | \$107,937 | | | \$40,426 | | \$147,689 |
| \$1,520,842.00 | \$8,000 | \$8,000 | | | \$51,142 | \$209,896 | \$59,142 |
| | \$597,844 | \$598,518 | \$0 | \$0 | \$91,568 | \$209,896 | \$689,412 |
| \$490,000.00 | \$161,880 | \$161,880 | | | | | \$161,880 |
| | \$161,880 | \$161,880 | \$0 | \$0 | \$0 | \$0 | \$161,880 |
| | \$6,728,318 | \$6,318,401 | \$0 | \$0 | \$121,399 | \$238,298 | \$6,849,717 |

continued...

Schedule of Expenditures of Federal, State, and Local Awards – Year ended December 31, 2006

| Title | Federal CFDA Number | Grantor Program Number | Fund Agency Org | Program Period | | Funding Source | |
|---|---------------------|-------------------------|-----------------|----------------|-----------|----------------------------|--|
| | | | | | | Federal | State/Local |
| U.S. Department of the Interior | | | | | | | |
| Outdoor Recreation – Acquisition, Development, and Planning | 15.916 | 13-00853 | GADNR-2004 | 01-Oct-04 | 31-Dec-06 | Department of the Interior | GA Department of Natural Resources Parks and Historic Sites Division |
| SUBTOTAL | | | | | | | |
| TOTAL U.S. DEPARTMENT OF THE INTERIOR | | | | | | | |
| U.S. Department of Justice | | | | | | | |
| Juvenile Accountability Incentive Block Grant | 16.523 | 03B-1C-0003 | JAIBG-2004 | 01-Oct-04 | 30-Jun-06 | Department of Justice | Children & Youth Coordinating Council |
| Juvenile Accountability Incentive Block Grant | 16.523 | 03B-ST-0003-04B-ST-0001 | POS-2005A | 01-Oct-05 | 30-Sep-06 | Department of Justice | Council of Juvenile Court Judges of Georgia |
| Juvenile Accountability Incentive Block Grant | 16.523 | 04B-ST-0001 | POS-2006 | 01-Oct-06 | 30-Sep-07 | Department of Justice | Council of Juvenile Court Judges of Georgia |
| SUBTOTAL | | | | | | | |
| Crime Victims Assistance | 16.575 | C05-8-070 | VW05 | 01-Oct-05 | 30-Sep-06 | Department of Justice | Criminal Justice Coordinating Council |
| Crime Victims Assistance | 16.575 | C06-8-067 | VW06 | 01-Oct-06 | 30-Sep-07 | Department of Justice | Criminal Justice Coordinating Council |
| SUBTOTAL | | | | | | | |
| Byrne Formula Grant Program | 16.579 | B03-8-109 | CJCC-2005 | 01-Jul-05 | 30-Sep-06 | Department of Justice | Criminal Justice Coordinating Council |
| SUBTOTAL | | | | | | | |
| Violence Against Women Formula Grants | 16.588 | W04-8-009 | STOP-2004 | 01-Jan-05 | 31-Dec-05 | Department of Justice | Criminal Justice Coordinating Council |
| Violence Against Women Formula Grants | 16.588 | W05-8-009 | STOP-2006 | 01-Jan-06 | 31-Dec-06 | Department of Justice | Criminal Justice Coordinating Council |
| SUBTOTAL | | | | | | | |
| Local Law Enforcement Block Grants Program | 16.592 | 2004-LB-BX-1418 | LLEBG-LE04 | 05-Nov-04 | 04-Nov-06 | Department of Justice | |
| Local Law Enforcement Block Grants Program | 16.592 | 2005-DJ-BX-1085 | LLEBG-LE05/JAG | 01-Oct-04 | 30-Sep-08 | Department of Justice | |
| SUBTOTAL | | | | | | | |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | | | | | |
| U.S. Department of Labor | | | | | | | |
| WIA Adult Program | 17.258 | WD0153 | WIA-2005 | 01-Jul-05 | 30-Jun-06 | Department of Labor | Atlanta Regional Commission |

comprehensive annual **financial** report **06** **gwinnett**county

| Program or Award Amount | 2006 | | | | | | Total |
|-------------------------|--------------|-----------|--------------|----------|--------------|----------|-----------|
| | Federal | | State | | Local | | |
| | Expenditures | Revenues | Expenditures | Revenues | Expenditures | Revenues | |
| \$92,665.00 | \$57,556 | \$92,665 | | | | | \$57,556 |
| | \$57,556 | \$92,665 | \$0 | \$0 | \$0 | \$0 | \$57,556 |
| | \$57,556 | \$92,665 | \$0 | \$0 | \$0 | \$0 | \$57,556 |
| \$183,855.00 | \$39,256 | \$36,446 | | | \$4,362 | \$4,362 | \$43,618 |
| \$10,000.00 | \$6,770 | \$6,770 | | | | | \$6,770 |
| \$5,000.00 | \$5,000 | \$5,000 | | | | | \$5,000 |
| | \$51,026 | \$48,216 | \$0 | \$0 | \$4,362 | \$4,362 | \$55,388 |
| \$64,399.00 | \$37,731 | \$36,778 | | | \$17,265 | \$16,859 | \$54,996 |
| \$64,399.00 | \$17,682 | \$14,109 | | | \$1,673 | \$1,673 | \$19,355 |
| | \$55,413 | \$50,887 | \$0 | \$0 | \$18,937 | \$18,532 | \$74,350 |
| \$44,583.00 | \$33,132 | \$33,132 | | | \$11,451 | \$11,451 | \$44,583 |
| | \$33,132 | \$33,132 | \$0 | \$0 | \$11,451 | \$11,451 | \$44,583 |
| \$122,815.00 | (\$362) | | | | (\$121) | | (\$482) |
| \$122,815.00 | \$74,011 | \$74,010 | | | \$23,861 | \$23,824 | \$97,872 |
| | \$73,650 | \$74,010 | \$0 | \$0 | \$23,741 | \$23,824 | \$97,390 |
| \$114,861.00 | \$45,994 | | | | \$12,926 | | \$58,920 |
| \$174,365.00 | \$40,134 | | | | \$1,391 | \$11,168 | \$41,525 |
| | \$86,128 | \$0 | \$0 | \$0 | \$14,317 | \$11,168 | \$100,445 |
| | \$299,349 | \$206,245 | \$0 | \$0 | \$72,808 | \$69,337 | \$372,156 |
| \$87,345.00 | \$42,977 | \$43,775 | | | | | \$42,977 |

continued...

Schedule of Expenditures of Federal, State, and Local Awards – Year ended December 31, 2006

| Title | Federal CFDA Number | Grantor Program Number | Fund Agency Org | Program Period | | Funding Source | |
|--|---------------------|-------------------------|---------------------|----------------|------------|---------------------------------|--|
| | | | | | | Federal | State/Local |
| WIA Adult Program | 17.258 | WD0538.4 | WIA-2006 | 01-Jul-06 | 30-Jun-07 | Department of Labor | Atlanta Regional Commission |
| SUBTOTAL | | | | | | | |
| TOTAL U.S. DEPARTMENT OF LABOR | | | | | | | |
| U.S. Department of Transportation | | | | | | | |
| Airport Improvement Program | 20.106 | 3-13-0074-26 | FAA 06-7426 | 12-Jul-06 | 31-Dec-10 | Department of Transportation | Federal Aviation Administration Atlanta Airports District Office |
| Airport Improvement Program | 20.106 | AIP-3-13-0074-25 | FAA-2003 | 26-Aug-03 | 31-Dec-10 | Department of Transportation | Federal Aviation Administration Atlanta Airports District Office |
| SUBTOTAL | | | | | | | |
| Highway Planning and Construction | 20.205 | UP0610 | ARC06-LCI | 01-Jan-06 | 15-Feb-07 | Department of Transportation | Atlanta Regional Commission |
| Highway Planning and Construction | 20.205 | UP0604 | ARC-2006 | 01-Jan-06 | 31-Dec-07 | Department of Transportation | Atlanta Regional Commission |
| Highway Planning and Construction | 20.205 | STP-0005-00 (689) | GADOT 06-689 | 03-Feb-05 | 10-May-07 | Department of Transportation | Georgia Department of Transportation |
| Highway Planning and Construction | 20.205 | N/A | GRTA-2005 | 01-Sep-05 | Completion | Department of Transportation | GA Regional Transportation Authority |
| SUBTOTAL | | | | | | | |
| Federal Transit Formula Grant | 20.507 | GA-90-X133-01 | FTA-133 | 31-Aug-01 | 07-Nov-08 | Department of Transportation | Federal Transit Administration |
| Federal Transit Formula Grant | 20.507 | GA-90-X155-00 | FTA-155 (OPERATING) | 24-Jan-02 | 12-Jan-08 | Department of Transportation | Federal Transit Administration |
| Federal Transit Formula Grant | 20.507 | GA-90-X170-00 | FTA-170 | 03-Sep-02 | 01-Jan-09 | Department of Transportation | Federal Transit Administration |
| Federal Transit Formula Grant | 20.507 | GA-90-X192-00 | FTA-192 | 18-Sep-03 | 01-Jan-09 | Department of Transportation | Federal Transit Administration |
| Federal Transit Formula Grant | 20.507 | GA-90-X192-00 | FTA-192 (OPERATING) | 18-Sep-03 | 01-Jan-09 | Department of Transportation | Federal Transit Administration |
| Federal Transit Formula Grant | 20.507 | GA-90-X218-00 | FTA-218 (OPERATING) | 06-Sep-05 | 31-Aug-08 | Department of Transportation | Federal Transit Administration |
| Federal Transit Formula Grant | 20.507 | GA-90-X231-00 | FTA-231 (OPERATING) | 12-Sep-06 | 31-Aug-09 | Department of Transportation | Federal Transit Administration |
| Federal Transit Formula Grant | 20.507 | #133,#155,#170, #192 | GP MALL LEASE | 01-Jan-05 | 31-Dec-06 | Department of Transportation | Federal Transit Administration |
| SUBTOTAL | | | | | | | |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | | | | | |
| U.S. Environmental Protection Agency | | | | | | | |
| Nonpoint Source Implementation Grant | 66.460 | 751-60077 | EPD 06-FY04 (E07) | 23-Mar-06 | 30-Sep-08 | Environmental Protection Agency | Georgia Environmental Protection Division, Water Protection Branch |

comprehensive annual **financial** report **06** **gwinnett**county

| Program or Award Amount | 2006 | | | | | | Total |
|-------------------------|--------------|-------------|--------------|----------|--------------|----------|-------------|
| | Federal | | State | | Local | | |
| | Expenditures | Revenues | Expenditures | Revenues | Expenditures | Revenues | |
| \$25,260.00 | \$44,190 | \$44,190 | | | | | \$44,190 |
| | \$87,167 | \$87,965 | \$0 | \$0 | \$0 | \$0 | \$87,167 |
| | \$87,167 | \$87,965 | \$0 | \$0 | \$0 | \$0 | \$87,167 |
| \$121,445.00 | \$101,137 | \$101,137 | | | | | \$101,137 |
| \$2,242,500.00 | \$592,478 | \$552,109 | | | | | \$592,478 |
| | \$693,615 | \$653,246 | \$0 | \$0 | \$0 | \$0 | \$693,615 |
| \$100,000.00 | \$62,800 | \$62,800 | | | | | \$62,800 |
| \$1,000,000.00 | \$355,812 | \$355,812 | | | | | \$355,812 |
| \$1,087,209.60 | \$321,312 | \$289,181 | | | | | \$321,312 |
| \$3,600,000.00 | \$395,937 | \$395,937 | \$98,984 | \$98,984 | \$25,439 | | \$520,360 |
| | \$1,135,862 | \$1,103,731 | \$98,984 | \$98,984 | \$25,439 | \$0 | \$1,260,285 |
| \$20,955,122.00 | \$106,642 | \$106,642 | | | | | \$106,642 |
| \$1,302,607.00 | \$107,196 | \$107,196 | | | \$24,570 | \$24,570 | \$131,766 |
| \$5,690,544.00 | \$168,400 | \$168,400 | | | | | \$168,400 |
| \$385,915.00 | \$4,529 | \$4,529 | | | | | \$4,529 |
| \$1,822,457.00 | \$882,641 | \$882,641 | | | | | \$882,641 |
| \$925,373.00 | \$237,297 | \$237,297 | | | | | \$237,297 |
| \$1,440,000.00 | \$86,917 | \$85,582 | | | | | \$86,917 |
| \$951,280.00 | | | | | \$2,234 | \$2,234 | \$2,234 |
| | \$1,593,622 | \$1,592,287 | \$0 | \$0 | \$26,804 | \$26,804 | \$1,620,426 |
| | \$3,423,099 | \$3,349,264 | \$98,984 | \$98,984 | \$52,243 | \$26,804 | \$3,574,326 |
| \$211,100.00 | \$117,438 | \$117,438 | | | | | \$117,438 |

continued...

Schedule of Expenditures of Federal, State, and Local Awards – Year ended December 31, 2006

| Title | Federal CFDA Number | Grantor Program Number | Fund Agency Org | Program Period | Funding Source | | |
|--|---------------------|------------------------|-----------------|----------------|----------------|---|--|
| | | | | | Federal | State/Local | |
| Nonpoint Source Implementation Grant | 66.460 | 751-40105 | EPD-2004-CCBMP | 28-Apr-04 | 30-Jun-07 | Environmental Protection Agency | Georgia Environmental Protection Division, Water Protection Branch |
| Nonpoint Source Implementation Grant | 66.460 | 751-40069 | EPD-AERIAL | 30-Sep-03 | 30-Apr-07 | Environmental Protection Agency | Georgia Environmental Protection Division, Water Protection Branch |
| SUBTOTAL | | | | | | | |
| Surveys, Studies, Investigations, and Special Purpose Grant | 66.606 | XP9740-13-00-0 | EPA-2000 | 01-Oct-00 | 31-Dec-10 | Environmental Protection Agency | Environmental Protection Agency Atlanta Federal Center |
| SUBTOTAL | | | | | | | |
| TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY | | | | | | | |
| U.S. Department of Energy | | | | | | | |
| Weatherization Assistance for Low-Income Persons | 81.042 | DOER-WX-DOE-2005/06-29 | DE-2005 | 01-Apr-05 | 31-Mar-06 | Department of Energy | Georgia Environmental Facilities Authority |
| Weatherization Assistance for Low-Income Persons | 81.042 | DOER-WX-DOE-2006/07-29 | DE-2006 | 01-Apr-06 | 31-Mar-07 | Department of Energy | Georgia Environmental Facilities Authority |
| SUBTOTAL | | | | | | | |
| TOTAL U.S. DEPARTMENT OF ENERGY | | | | | | | |
| U.S. Department of Health and Human Services | | | | | | | |
| Special Programs for the Aging – Title III, Part B Supportive Services and Senior Center | 93.044 | AR06 | AR05-IIIB | 01-Jul-05 | 30-Jun-06 | Department of Health and Human Services | Atlanta Regional Commission |
| Special Programs for the Aging – Title III, Part B Supportive Services and Senior Center | 93.044 | AR07 | AR06-IIIB | 01-Jul-06 | 30-Jun-07 | Department of Health and Human Services | Atlanta Regional Commission |
| Special Programs for the Aging – Title III, Part C Nutrition Services | 93.045 | AR06 | AR05-IIIC | 01-Jul-05 | 30-Jun-06 | Department of Health and Human Services | Atlanta Regional Commission |
| Special Programs for the Aging – Title III, Part C Nutrition Services | 93.045 | AR07 | AR06-IIIC | 01-Jul-06 | 30-Jun-07 | Department of Health and Human Services | Atlanta Regional Commission |
| Nutrition Services Incentive Program | 93.053 | AR06 | AR05-USDA | 01-Jul-05 | 30-Jun-06 | Department of Health and Human Services | Atlanta Regional Commission |
| Nutrition Services Incentive Program | 93.053 | AR07 | AR06-USDA | 01-Jul-06 | 30-Jun-07 | Department of Health and Human Services | Atlanta Regional Commission |
| SUBTOTAL – Aging Cluster | | | | | | | |

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| Program or Award Amount | 2006 | | | | | | Total |
|-------------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| | Federal | | State | | Local | | |
| | Expenditures | Revenues | Expenditures | Revenues | Expenditures | Revenues | |
| \$360,000.00 | \$6,524 | \$6,524 | | | | | \$6,524 |
| \$151,704.00 | \$6,789 | \$6,789 | | | | | \$6,789 |
| | \$130,751 | \$130,751 | \$0 | \$0 | \$0 | \$0 | \$130,751 |
| \$2,151,100.00 | \$62,563 | \$53,908 | | | | | \$62,563 |
| | \$62,563 | \$53,908 | \$0 | \$0 | \$0 | \$0 | \$62,563 |
| | \$193,315 | \$184,660 | \$0 | \$0 | \$0 | \$0 | \$193,315 |
| \$45,554.00 | \$9,542 | \$9,542 | | | | | \$9,542 |
| \$52,153.00 | \$29,111 | \$29,111 | | | | | \$29,111 |
| | \$38,653 | \$38,653 | \$0 | \$0 | \$0 | \$0 | \$38,653 |
| | \$38,653 | \$38,653 | \$0 | \$0 | \$0 | \$0 | \$38,653 |
| \$147,434.00 | \$62,879 | \$67,350 | \$3,699 | \$3,961 | \$7,398 | \$9,014 | \$73,975 |
| \$147,434.00 | \$61,841 | \$58,077 | \$3,638 | \$3,417 | \$7,275 | \$8,401 | \$72,754 |
| \$315,278.00 | \$134,916 | \$125,735 | \$7,936 | \$7,396 | \$15,872 | \$23,534 | \$158,725 |
| \$315,278.00 | \$126,235 | \$121,004 | \$7,426 | \$7,117 | \$14,851 | \$23,695 | \$148,512 |
| \$29,026.00 | \$10,793 | \$14,256 | | | | | \$10,793 |
| \$39,043.00 | \$18,767 | \$19,528 | | | | | \$18,767 |
| | \$415,430 | \$405,950 | \$22,698 | \$21,891 | \$45,379 | \$64,694 | \$483,525 |

continued...

Schedule of Expenditures of Federal, State, and Local Awards – Year ended December 31, 2006

| Title | Federal CFDA Number | Grantor Program Number | Fund Agency Org | Program Period | | Funding Source | |
|---|---------------------|------------------------|----------------------|----------------|------------|---------------------------------------|--|
| | | | | | | Federal | State/Local |
| National Family Caregiver Support | 93.052 | AR06 | AR05-IIIIE | 01-Jul-05 | 30-Jun-06 | Department of Health & Human Services | Atlanta Regional Commission |
| National Family Caregiver Support | 93.052 | AR07 | AR06-IIIIE | 01-Jul-06 | 30-Jun-07 | Department of Health & Human Services | Atlanta Regional Commission |
| SUBTOTAL | | | | | | | |
| Low-Income Home Energy Assistance | 93.568 | DOER-WX-HHS-2005/06-29 | HS-2005 | 01-Apr-05 | 31-Mar-06 | Department of Health & Human Services | Georgia Environmental Facilities Authority |
| Low-Income Home Energy Assistance | 93.568 | DOER-WX-HHS-2006/07-29 | HS-2006 | 01-Apr-06 | 31-Mar-07 | Department of Health & Human Services | Georgia Environmental Facilities Authority |
| SUBTOTAL | | | | | | | |
| Social Services Block Grant | 93.667 | AR06 | AR05-SSBG | 01-Jul-05 | 30-Jun-06 | Department of Health & Human Services | Atlanta Regional Commission |
| Social Services Block Grant | 93.667 | AR07 | AR06-SSBG | 01-Jul-06 | 30-Jun-07 | Department of Health & Human Services | Atlanta Regional Commission |
| SUBTOTAL | | | | | | | |
| Medical Assistance Program | 93.778 | 000272742B | GADCH-2005 | 30-Jun-04 | 30-Jun-06 | Department of Health & Human Services | Georgia Depart of Community Health |
| Medical Assistance Program | 93.778 | 000272742B | GADCH-2006A | 30-Sep-05 | 30-Jun-06 | Department of Health & Human Services | Georgia Depart of Community Health |
| Medical Assistance Program | 93.778 | 000272742B | GADCH-2007 | 01-Jul-06 | 30-Jun-07 | Department of Health & Human Services | Georgia Depart of Community Health |
| SUBTOTAL | | | | | | | |
| TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES | | | | | | | |
| U.S. Department of Homeland Security | | | | | | | |
| State Domestic Preparedness Equipment Support Program | 97.004 | 2004-GE-T4-0012 | CERT-2004 | 29-Mar-04 | Completion | Department of Homeland Security | Georgia Depart of Homeland Security |
| State Domestic Preparedness Equipment Support Program | 97.004 | | GBI-06 LIVESCAN | 17-Oct-06 | 31-Dec-06 | Department of Homeland Security | Georgia Bureau of Investigation |
| State Domestic Preparedness Equipment Support Program | 97.004 | 2003-MU-T3-0010 | HAZMAT-2003-02 | 03-Jun-03 | 31-Mar-07 | Department of Homeland Security | Georgia Depart of Homeland Security |
| State Domestic Preparedness Equipment Support Program | 97.004 | 2005-GR-T5-0020 | HOMELAND-POL-BUFFER | 01-Jul-05 | 31-Dec-07 | Department of Homeland Security | Georgia Depart of Homeland Security |
| State Domestic Preparedness Equipment Support Program | 97.004 | 2003-MU-T3-0010 | HOMELAND-POLICE-PH 2 | 01-Jan-05 | 31-Dec-06 | Department of Homeland Security | Georgia Depart of Homeland Security |
| State Domestic Preparedness Equipment Support Program | 97.004 | 2003-MU-T3-0010 | HOMELAND-POL-SNIFFER | 12-Aug-05 | 31-Dec-06 | Department of Homeland Security | Georgia Depart of Homeland Security |
| State Domestic Preparedness Equipment Support Program | 97.004 | 2005-GE-T5-0052 | HSGP-FY2005 | 01-May-05 | 30-Sept-06 | Department of Homeland Security | Georgia Depart of Homeland Security |
| State Domestic Preparedness Equipment Support Program | 97.004 | | MUGSHOT INTERFACE | 02-May-06 | 31-Dec-06 | Department of Homeland Security | Georgia Bureau of Investigation |
| SUBTOTAL | | | | | | | |

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| Program or Award Amount | 2006 | | | | | | Total |
|-------------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| | Federal | | State | | Local | | |
| | Expenditures | Revenues | Expenditures | Revenues | Expenditures | Revenues | |
| \$57,542.00 | \$21,154 | \$22,946 | \$4,231 | \$4,589 | \$2,821 | \$3,059 | \$28,205 |
| \$57,542.00 | \$22,095 | \$20,148 | \$4,419 | \$4,030 | \$2,946 | \$2,685 | \$29,461 |
| | \$43,249 | \$43,094 | \$8,650 | \$8,619 | \$5,767 | \$5,744 | \$57,666 |
| \$51,958.00 | \$13,299 | \$13,299 | | | | | \$13,299 |
| \$77,869.00 | \$25,714 | \$25,714 | | | | | \$25,714 |
| | \$39,013 | \$39,013 | \$0 | \$0 | \$0 | \$0 | \$39,013 |
| \$121,261.00 | \$39,840 | \$54,443 | | | \$5,433 | \$8,868 | \$45,272 |
| \$121,261.00 | \$46,280 | \$52,484 | | | \$6,311 | \$7,156 | \$52,591 |
| | \$86,119 | \$106,927 | \$0 | \$0 | \$11,744 | \$16,024 | \$97,863 |
| \$35,450.00 | \$1,801 | | | | | | \$1,801 |
| \$90,475.00 | \$33,570 | \$19,286 | | | | | \$33,570 |
| \$90,475.00 | \$29,265 | \$62,280 | | | | | \$29,265 |
| | \$64,636 | \$81,565 | \$0 | \$0 | \$0 | \$0 | \$64,636 |
| | \$648,448 | \$676,549 | \$31,348 | \$30,510 | \$62,907 | \$86,412 | \$742,703 |
| \$24,000.00 | (\$1,516) | | | | | | (\$1,516) |
| \$19,635.00 | \$19,635 | \$19,635 | | | | | \$19,635 |
| \$2,534.50 | | (\$10) | | | | | |
| \$245,466.60 | \$88,951 | \$88,951 | | | | | \$88,951 |
| \$779,500.00 | \$658,015 | \$658,015 | | | | | \$658,015 |
| \$41,000.00 | \$39,711 | \$39,711 | | | | | \$39,711 |
| \$47,000.00 | \$44,344 | \$44,344 | | | | | \$44,344 |
| \$4,500.00 | \$4,500 | \$4,500 | | | | | \$4,500 |
| | \$853,639 | \$855,145 | \$0 | \$0 | \$0 | \$0 | \$853,639 |

continued...

Schedule of Expenditures of Federal, State, and Local Awards – Year ended December 31, 2006

| Title | Federal CFDA Number | Grantor Program Number | Fund Agency Org | Program Period | Funding Source | | |
|---|---------------------|-------------------------|---------------------|----------------|----------------|---------------------------------|--|
| | | | | | Federal | State/Local | |
| Public Assistance Grants | 97.036 | FEMA-3218-EM-GA | GEMA-2006 | 01-Jan-06 | Completion | Department of Homeland Security | Georgia Department of Homeland Security |
| SUBTOTAL | | | | | | | |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | | | | | |
| SUBTOTAL FEDERAL ASSISTANCE | | | | | | | |
| State/Local Assistance | | | | | | | |
| Weatherization Program | N/A | DOER-AGLC-WX-06/07-29 | AGL-2006 | 01-Oct-06 | 30-Apr-07 | | Georgia Environmental Facilities Authority |
| Weatherization Program | N/A | GEFA-DOER-AGLC-WX-05/06 | ALT GAS LIGHT-2005 | 15-Sep-05 | 25-Jan-07 | | Georgia Environmental Facilities Authority |
| Alzheimer Program | N/A | AR06 | AR05-ALZ | 01-Jul-05 | 30-Jun-06 | | Atlanta Regional Commission |
| Alzheimer Program | N/A | AR07 | AR06-ALZ | 01-Jul-06 | 30-Jun-07 | | Atlanta Regional Commission |
| Community Based Day Care Services Division of Aging Services Home Delivered Meals | N/A | AR06 | AR05-CBS | 01-Jul-05 | 30-Jun-06 | | Atlanta Regional Commission |
| Community Based Day Care Services Division of Aging Services Home Delivered Meals | N/A | AR07 | AR06-CBS | 01-Jul-06 | 30-Jun-07 | | Atlanta Regional Commission |
| Special Program for the Aging | N/A | AR06 | AR05-ITCO | 01-Jul-05 | 30-Jun-06 | | Atlanta Regional Commission |
| Special Program for the Aging | N/A | | ARC-2003 | 01-Jul-04 | Completion | | Atlanta Regional Commission |
| Local Assistance Funds | N/A | 07-C-L-203 | DCA-2006-GVCA | 03-Oct-06 | 02-Oct-07 | | Georgia Depart of Community Affairs |
| Local Assistance Funds | N/A | 06-C-L-092 | DCA-2006-PLYGRD | 05-Sep-06 | 05-Sep-07 | | Georgia Depart of Community Affairs |
| Local Assistance Funds | N/A | 06-C-L-015 | DCA-NLI 2006 | 01-Jan-06 | 31-Dec-06 | | Georgia Depart of Community Affairs |
| Family Connection for Gwinnett Coalition Fiscal Agent | N/A | 427-93-06060340-99 | FAMCONN-2005 | 01-Jul-05 | 30-Jun-06 | | Partnership Family Connection |
| Family Connection for Gwinnett Coalition Fiscal Agent | N/A | 427-93-07070375-99 | FAMCONN-2006 | 01-Jul-06 | 30-Jun-07 | | Partnership Family Connection |
| Airport Improvement Project | N/A | AP-060-9000-25(135) | GADOT 06-135 | 16-Jun-06 | 31-Dec-10 | | Georgia Depart of Transportation |
| Capital Improvement Assistance | N/A | PT000-2001-06-014 | GADOT#06-014 (OPER) | 30-Jun-06 | 31-Dec-09 | | Georgia Depart of Transportation |
| Capital Improvement Assistance | N/A | PT000-2001-03-011 | GADOT-011 | 24-Feb-03 | 31-Dec-08 | | Georgia Depart of Transportation |
| Capital Improvement Assistance | N/A | PT000-2001-03-011 | GADOT-011 (OPER) | 24-Feb-03 | 31-Dec-08 | | Georgia Depart of Transportation |
| Capital Improvement Assistance | N/A | PT000-0001-99-014 | GADOT-014 | 17-Jun-99 | 31-Dec-07 | | Georgia Depart of Transportation |
| Capital Improvement Assistance | N/A | PT000-2001-04-015 | GADOT-015 (OPER) | 16-Jun-04 | 31-Dec-08 | | Georgia Depart of Transportation |
| Capital Improvement Assistance | N/A | PT000-2001-01-017 | GADOT-017 | 29-Jun-01 | 31-Dec-07 | | Georgia Depart of Transportation |
| Capital Improvement Assistance | N/A | PT000-0001-99-021 | GADOT-021 | 17-Jun-99 | 31-Dec-07 | | Georgia Depart of Transportation |
| Local Donation | N/A | | VEHICLES-2006 | 18-Jul-06 | Completion | | Friends of Gwinnett County Senior Services |

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| Program or Award Amount | 2006 | | | | | | Total |
|-------------------------|-----------------|-----------------|--------------|--------------|--------------|--------------|--------------|
| | Federal | | State | | Local | | |
| | Expenditures | Revenues | Expenditures | Revenues | Expenditures | Revenues | |
| \$177,784.00 | \$177,537 | \$173,786 | | | | | \$177,537 |
| | \$177,537 | \$173,786 | \$0 | \$0 | \$0 | \$0 | \$177,537 |
| | \$1,031,176 | \$1,028,931 | \$0 | \$0 | \$0 | \$0 | \$1,031,176 |
| | \$12,777,292.74 | \$12,253,545.04 | \$130,332.14 | \$129,494.00 | \$309,356.32 | \$420,850.89 | \$13,216,981 |
| \$30,758.00 | | | \$688 | \$688 | | | \$688 |
| \$7,500.00 | | | \$330 | \$330 | | | \$330 |
| \$50,360.00 | | | \$22,348 | \$22,556 | | | \$22,348 |
| \$50,343.00 | | | \$19,476 | \$25,615 | | | \$19,476 |
| \$240,366.00 | | | \$128,133 | \$116,590 | | | \$128,133 |
| \$240,366.00 | | | \$87,506 | \$118,353 | | | \$87,506 |
| \$3,157.00 | | | \$3,139 | \$3,150 | | | \$3,139 |
| \$30,935.00 | | | | | \$29,407 | | \$29,407 |
| \$25,000.00 | | | | \$18,750 | | | \$18,750 |
| \$10,000.00 | | | | \$7,500 | | | \$7,500 |
| \$35,000.00 | | | \$35,000 | \$35,000 | | | \$35,000 |
| \$50,000.00 | | | \$25,535 | \$25,535 | | | \$25,535 |
| \$50,000.00 | | | \$20,928 | \$20,928 | | | \$20,928 |
| \$39,163.00 | | | \$29,218 | \$27,516 | | | \$29,218 |
| \$180,000.00 | | | \$38,914 | \$38,748 | | | \$38,914 |
| \$48,104.50 | | | \$392 | \$392 | | | \$392 |
| \$230,000.00 | | | \$47,616 | \$47,616 | | | \$47,616 |
| \$1,182,949.55 | | | \$2,099 | \$2,099 | | | \$2,099 |
| \$59,397.70 | | | \$1,612 | \$1,612 | | | \$1,612 |
| \$2,529,858.80 | | | \$20,432 | \$20,432 | | | \$20,432 |
| \$1,800,220.00 | | | | | | | |
| \$32,000.00 | | | | | | \$32,000 | |

continued...

Schedule of Expenditures of Federal, State, and Local Awards – Year ended December 31, 2006

| Title | Federal CFDA Number | Grantor Program Number | Fund Agency Org | Program Period | Funding Source | |
|---------------------------------|---------------------|------------------------|-----------------|----------------|----------------|-------------|
| | | | | | Federal | State/Local |
| SUBTOTAL STATE/LOCAL ASSISTANCE | | | | | | |
| TOTAL PROGRAMS | | | | | | |

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| Program or Award Amount | 2006 | | | | | | Total |
|-------------------------|-----------------|-----------------|--------------|--------------|--------------|--------------|--------------|
| | Federal | | State | | Local | | |
| | Expenditures | Revenues | Expenditures | Revenues | Expenditures | Revenues | |
| | | | \$483,365 | \$533,411 | \$29,407 | \$32,000 | \$512,772 |
| | \$12,777,292.74 | \$12,253,545.04 | \$613,696.91 | \$662,904.71 | \$338,763.71 | \$452,850.89 | \$13,729,753 |
| | | | | | | | \$0 |

basis of presentation and accounting

The accompanying schedule of expenditures of federal, state, and local awards presents the activity of all federal and state financial assistance programs of Gwinnett County, Georgia (the "County"). The County reporting entity is defined in **Note 1** to the County's financial statements. Federal financial assistance received directly from federal agencies, federal assistance passed through other government agencies, and state and local financial assistance are included on the schedule.

The accompanying schedule of expenditures of federal, state, and local awards is presented using the modified accrual basis of accounting for governmental fund types and the accrual basis of accounting for proprietary fund types as more fully described in **Note 1** to the County's financial statements.

sub-recipient disbursements

During 2006, disbursements were made to sub-recipients of the following grant programs:

| Program | CFDA | Amount |
|--------------------------------------|--------|--------------------|
| Community Development Block Grant | 14.218 | \$2,021,051 |
| Emergency Shelter Grant | 14.231 | 166,963 |
| Home Investments Partnership Program | 14.239 | 454,356 |
| Local Law Enforcement Block Grant | 16.592 | 11,345 |
| Atlanta Regional Commission | 20.205 | 62,800 |
| Partnership for Community Action | 81.042 | 78,683 |
| Department of Community Affairs | N/A | 35,000 |
| Family Connections | N/A | 46,464 |
| Total | | \$2,876,662 |



**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***

**The Board of Commissioners
Gwinnett County, Georgia**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Gwinnett County, Georgia** (the “County”) as of and for the year ended December 31, 2006, which collectively comprise the County’s basic financial statements and have issued our report thereon dated June 13, 2007, which refers to the work of 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2006-1, 2006-2, 2006-3, 2006-4, 2006-5, 2006-6, 2006-7, 2006-8, 2006-9, and 2006-10, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-1, 2006-2, 2006-3, 2006-4, 2006-5, 2006-6, 2006-7, and 2006-8 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated June 13, 2007.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, the Board of Commissioners, 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.

Atlanta, Georgia
June 13, 2007

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.



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

**The Board of Commissioners
Gwinnett County, Georgia**

Compliance

We have audited the compliance of Gwinnett County, Georgia (the "County") 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 December 31, 2006. The County'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 the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Gwinnett County Board of Health, which received \$5,253,581 in federal awards which are not included in the Schedule of Expenditures of Federal and State Awards for the year ended December 31, 2006. Our audit, described below, did not include the operations of the Gwinnett County Board of Health because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 the County'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 of the County's compliance with those requirements.

In our opinion, the County 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 December 31, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2006-11.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, 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

Atlanta, Georgia
June 13, 2007

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(1) Summary of Auditors' Results

(a) The type of report issued on the financial statements: **unqualified opinion**

(b) Internal control over financial reporting:

Material weaknesses identified: **yes**

Significant deficiencies identified, not considered to be
material weaknesses: **yes**

(c) Noncompliance material to the financial statements noted: **no**

(d) Internal control over major programs:

Material weaknesses identified: **no**

Significant deficiencies identified, not considered to be
material weaknesses: **none reported**

(e) The type of report issued on compliance for major programs: **Unqualified.**

(f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **yes**

(g) Major Programs:

Highway Planning and Construction Program, CFDA #20.205

Federal Transit Formula Grant, CFDA #20.507

Homeland Security Grant Program, CFDA #97.004

GWINNETT COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

- (h) Dollar threshold to distinguish between Type A and Type B programs: **\$383,319**
- (i) Audit qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2006-1 Water and Sewer Receivables and Deposits

Criteria: Internal controls should be in place to ensure that the amounts reported as water and sewer fees receivable are appropriate, including reconciling the subsidiary ledger to the general ledger in a timely manner.

Condition: The County's water and sewer fees receivable and customer deposits required significant adjustment after year end in order to reconcile the subsidiary ledger to the general ledger.

Context/Cause: The Department of Water Resources implemented a new billing system this year. As a result of this implementation, the reconciliation of water and sewer receivables and customer deposits, between the general ledger and the subsidiary billing system ledger, became difficult and delayed. Some manual entries were required to mitigate differences between payments received and their application to certain customer accounts. During the course of our testwork, we noted that several adjustments were required to be made to receivables and deposits as a result of these reconciliation problems and to correct certain manual entries. Additionally, as a result of these reconciliation problems, the County has not focused on collection efforts as it has in the past and as a result the water and sewer receivables at year end are older than normal.

GWINNETT COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

2006-1 Water and Sewer Receivables and Deposits (Continued)

Effects: Audit adjustments totaling approximately \$8,400,000 were needed to correctly report receivables and deposits as of December 31, 2006.

Recommendation: We recommend the County continue to work on improving the reconciliation of the new billing system with the general ledger and focus on collections of water and sewer receivables.

Response: The County agrees with the recommendation above. Dedicated resources have been assigned by the Department of Water Resources to focus on developing reports from the new billing system that will allow for more timely reconciliation of all receivable and deposit accounts. Also, a major focus on collections of past due customer accounts is underway and will have a significant impact on reducing past due receivables prior to the current fiscal year end.

2006-2 Taxes Receivables and Related Deferred Revenue

Criteria: Internal controls should be in place to ensure that the amounts reported as taxes receivable, and the related deferred revenue, are accurate.

Condition: Internal controls did not detect a misstatement in the reporting of the County's taxes receivable and related deferred revenue.

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

2006-2 Taxes Receivables and Related Deferred Revenue (Continued)

Context/Cause: During our testing of taxes receivable and the related deferred revenue, audit adjustments were required to correct the current year end amounts, primarily related to the insurance premium tax receivable. The amounts had mispostings or double postings of year end closing entries based on the County's calculations and analysis performed.

Effects: Audit adjustments totaling approximately \$4,900,000 was needed to correctly report receivables and related deferred revenue as of December 31, 2006.

Recommendation: We recommend the County carefully review these year end closing entries in order to ensure the related journal entries are accurate.

Response: The County agrees with the recommendation above. The Accounting Division has established a more detailed review of these important journal entries by the Accounting Manager. There is now a formal process to reconcile the taxes receivable and deferred revenue balances to the subsidiary ledgers to prevent future adjustments.

GWINNETT COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

2006-3 Ambulance Fees Receivables

Criteria: Internal controls should be in place to ensure that the amounts reported as ambulance fees receivable are appropriate, including reconciling the subsidiary ledger to the general ledger in a timely manner.

Condition: Internal controls did not detect a misstatement in the reporting of the County's ambulance fees receivable in a timely manner.

Context/Cause: During our testing of ambulance fees receivable, an audit adjustment was required to correct the current year end amount. The receivable on the general ledger had not been updated to reflect certain activity of the current year; however, this information was maintained in the subsidiary ledger.

Effects: An audit adjustment totaling approximately \$1,700,000 was needed to correctly report receivables for the year ended December 31, 2006.

Recommendation: We recommend the County carefully reconcile the ambulance fees receivable to ensure they are reported in the proper reporting period.

Response: The County agrees with the recommendation above. The Accounting Division has established a more detailed review of these important journal entries by the Accounting Manager. There is now a formal process to reconcile the Ambulance Fees Receivables balance to the subsidiary ledgers to prevent future adjustments.

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

2006-4 Accounts Payable and related Grants Receivable

Criteria: Procedures should be in place to ensure that all departments accumulate their accounts payable, and any related grants receivable that would result from the accrual, in a timely manner as part of the year end closing process.

Condition: The Department of Transportation had several liabilities required to be accrued after the County's normal accumulation of accounts payable was completed. These accruals related to grant funded projects and thus also required the accrual of grants receivable.

Context/Cause: Subsequent to preparing the trial balance and schedule of expenditures of federal awards, several accruals were discovered by County management which required that accounts payable, and subsequently grants receivable, be recorded.

Effects: Adjustments totaling approximately \$1,900,000 were needed to correctly report accounts payable and related grants receivable as of December 31, 2006.

Recommendation: We recommend the County's Department of Financial Services work with the Department of Transportation to ensure that all accounts payable are accumulated in a timely manner as part of the year end closing process and that any related expenditures be analyzed to determine the amount of grants receivable required.

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*
(Continued)

2006-4 Accounts Payable and related Grants Receivable (Continued)

Response: The County agrees with the recommendation above. The Accounting Division held several year-end closing meetings, in December 2006, with all County Departments and emphasized the importance of providing expense accruals to the Accounting Division on a timely basis. The Accounting Division has provided a list of the late accruals to the Department of Transportation and asked them to develop a corrective action plan to prevent this from happening in the future. We will continue to hold year-end meetings with the Departments to emphasize the importance of this process.

2006-5 Accounting for Certain Debt Transactions

Criteria: Internal controls should be in place to ensure that the amounts reported for accrued interest payable, and other unique debt transactions, are accurate.

Condition: Internal controls did not detect a misstatement in the reporting of the County's accrued interest payable and other unique debt transactions.

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*
(Continued)

2006-5 Accounting for Certain Debt Transactions (Continued)

Context/Cause: The County's 1994 Water and Sewerage Bonds include capital appreciation bonds. Since their issuance, the County has been appropriately accreting principal, adding to the bond principal payable and recording interest expense. The first actual principal payment is due in 2007 and, during the 2006 year end closing process, the County recorded accrued interest payable for this full payment although most of it had been accreted into bond principal payable and thus double recorded the liability. These are the only capital appreciation bonds the County has outstanding. There were two other audit adjustments, for smaller amounts, related to unique debt accounting issues.

Effects: Audit adjustments totaling approximately \$6,700,000 were needed to correctly report debt amounts for the year ended December 31, 2006.

Recommendation: We recommend the County carefully review these year end closing entries in order to ensure the related journal entries are accurate.

Response: The County agrees with the recommendation above. The Accounting Division has established a more detailed review of these important Capital Appreciation Bond journal entries by the Accounting Manager.

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*
(Continued)

2006-6 Cash Held with Agency Funds on Behalf of the County

Criteria: Cash that is held at year end with the agency funds (Tax Commissioner, courts, etc.) on behalf of the County, but not yet remitted to the respective County funds, should be reported as cash within the respective County funds and not as cash of the agency funds.

Condition: Internal controls did not detect a misstatement in the reporting of this cash within the respective County funds.

Context/Cause: During our testing of the General Fund as well as other funds which receive property taxes and court fees, it was discovered that some of the year end closing entries to record this cash had been recorded twice and audit adjustments were required to correct the current year end amounts.

Effects: Audit adjustments totaling approximately \$6,400,000 were needed to correctly report the cash held with the agency funds as of December 31, 2006.

Recommendation: We recommend the County carefully review these year end closing entries in order to ensure the related journal entries are accurate.

Response: The County agrees with the recommendation above. The Accounting Division has established a more detailed review of these important journal entries by the Accounting Manager. There is now a formal process to reconcile the Agency Fund cash balances to the subsidiary ledgers to prevent future adjustments.

GWINNETT COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(2) **Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)**

2006-7 Payroll and Related Accrued Liabilities

Criteria: Internal controls should be in place to ensure that the amounts reported as accrued liabilities are appropriate.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the County's liabilities, predominately for payroll and related accruals.

Context/Cause: During our testing of accrued liabilities including payroll and benefit related accounts, we noted that certain liabilities had automated postings from the payroll system which were working incorrectly. The County detected that these errors were occurring and corrected the process for these postings. Certain errors created by the past postings had not yet been corrected.

Effects: Audit adjustments totaling approximately \$3,000,000 were needed to correctly report accrued liabilities.

Recommendation: We recommend the County routinely review all balance sheet accounts within the system, analyzing them to determine if any corrections are required.

Response: The County agrees with the recommendation above. The Accounting Division has established a formal payroll reconciliation that is being performed after each payroll processing that will prevent these errors from occurring in the future.

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

2006-8 Transfer of E-911 Funds for Capital Projects

Criteria: Official Code of Georgia Annotated Section 46-5-134(f) requires that collections of charges for E-911 must be retained and spent only on the operating or capital costs of providing E-911 service.

Condition: As part of the normal procedures of the County, \$2.7 million was transferred out of the E-911 Fund to a capital projects fund based on the budget of a E-911 related capital project. The amount was transferred at the onset of the project, before any costs were incurred. Transferring the funds out of the E-911 fund prior to any costs being incurred increases the opportunity for these funds to be spent on projects other than E-911 projects and thus increases the risk of noncompliance.

Context/Cause: Transferring funds into a capital project fund based on a project budget is a normal procedure for the County.

Effects: Financial statements were adjusted by \$2.7 million to reverse the transfer from the E-911 fund to the capital projects fund.

Recommendation: We recommend the County consider revising their capital projects funding policy as it relates to funding provided by compliance related funds like E-911 charges or grants.

Response: The County agrees with the recommendation above. We have revised the capital project funding policy and will only transfer E-911 funds to a capital project if the funds are being spent in that period for E-911 related projects.

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

Finding 2006-9 - Segregation of Duties

Criteria: Segregation of employee's duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of certain duties.

Condition/Context: During the course of our testwork, we noted several areas in which the segregation of duties could be improved. The predominate area noted with this concern relates to the funds held by elected officials recorded in the County's Agency funds as well as the County's component units. The segregation of duties issues revolve primarily around the handling and recording of cash receipts. The same person who receives the cash also is the person recording the cash receipt within the system with no separate reconciled log of cash receipts. We also noted in several instances that the same individual who prepares checks for disbursement is the same individual who mails the checks out after signature. We noted certain of these issues in the following areas of the County: Magistrate Court, State Court, Superior Court, Probate Court, Juvenile Court, Planning and Development Department, Springbrook Golf Course Commission, and the Gwinnett County Development Authority.

Effect: Without some segregation of duties within these functions there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the County, its Agency Funds, and component units.

Cause: The limited number of employees involved in the various offices and the resulting overlapping of duties causes segregation of duties to be difficult.

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

Finding 2006-9 - Segregation of Duties (Continued)

Recommendation: We recommend the County work to design and operate effective segregation of duties with the offices of these elected officials and component units. Having adequate segregation of duties will ensure the proper recording and recognition of accounting transactions and will lessen the potential for misappropriation of County assets.

Response: The County agrees with the recommendation above. The County has performed a detailed review of several of the Courts regarding segregation of duties issues and the County has recommended the following: document policies and procedures for cash management, ensure appropriate segregation of duties among those individuals collecting cash and those employees who disburse cash, meet with the external auditors on an annual basis to ensure that the internal controls for segregation of duties are appropriately designed and functioning, consider implementing a Finance Office within the Clerk's Office to provide daily supervision of cash collections and disbursements, and to periodically do a surprise count of cash drawers for any individuals using a cash drawer to receive cash and make change.

Finding 2006-10 - Maintenance of a Ledger of Amount Owed by Agency Funds

Criteria: Agency funds are used to account for resources held by the County, primarily the elected officials, 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.

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

Finding 2006-10 - Maintenance of a Ledger of Amount Owed by Agency Funds (Continued)

Condition/Context: During our audit of the elected officials, we noted accounts in the Clerk of Courts, Recorder's Court, Sheriff, and Juvenile Court for which no detail listing could be provided to support the balance of who the amount of funds being held was to be distributed to as of year end. We did note that in most cases the elected officials maintain records of the receipts and disbursements each month but they are not reconciling those to the month end balances. Such a detail should be readily available and reconciled throughout the year as additional support for the funds being held.

Effect: If these accounts are not maintained properly, as stated above, it could lead to inaccurate financial information or possible misappropriation of funds.

Cause: The bank accounts are not reconciled to subsidiary payable ledgers as of any month or year end period.

Recommendation: We recommend the Finance Department work with the elected officials to ensure that these details are properly maintained and reconciled throughout the year.

Response: The County's Department of Financial Services will continue to offer assistance to the elected officials. The Director of Accounting will contact each elected official's office to discuss this finding and possible corrective actions by October 1, 2007.

GWINNETT COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

(3) Findings and Questioned Costs Relating to Federal Awards

Finding: 2006-11

Program: CFDA No. 97.004

CFDA Program Title: Homeland Security Grant Program

Federal Award Years: 2003, 2005, and 2006

Criteria: The A-102 Common Rule requires that equipment, purchased with federal funds, be used in the program for which it was acquired or, when appropriate, other Federal programs and equipment records shall be maintained.

Condition: The County did not add capital assets, purchased with federal grant funds, to its capital asset system, denoting that they were purchased with federal grant funds.

Effects or possible effects: Not including capital assets purchased with federal funds in the capital asset system or denoting that they were purchased with federal funds could result in proceeds from the disposal of those assets not being retained in the program as required by federal requirements.

Questioned Costs: None, as no assets were disposed of, but capital assets acquired with the value of \$116,014 were not included in the capital asset system or denoted to have been purchased with federal funds.

Cause: The County did not make the proper notations within the capital asset system.

GWINNETT COUNTY, GEORGIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

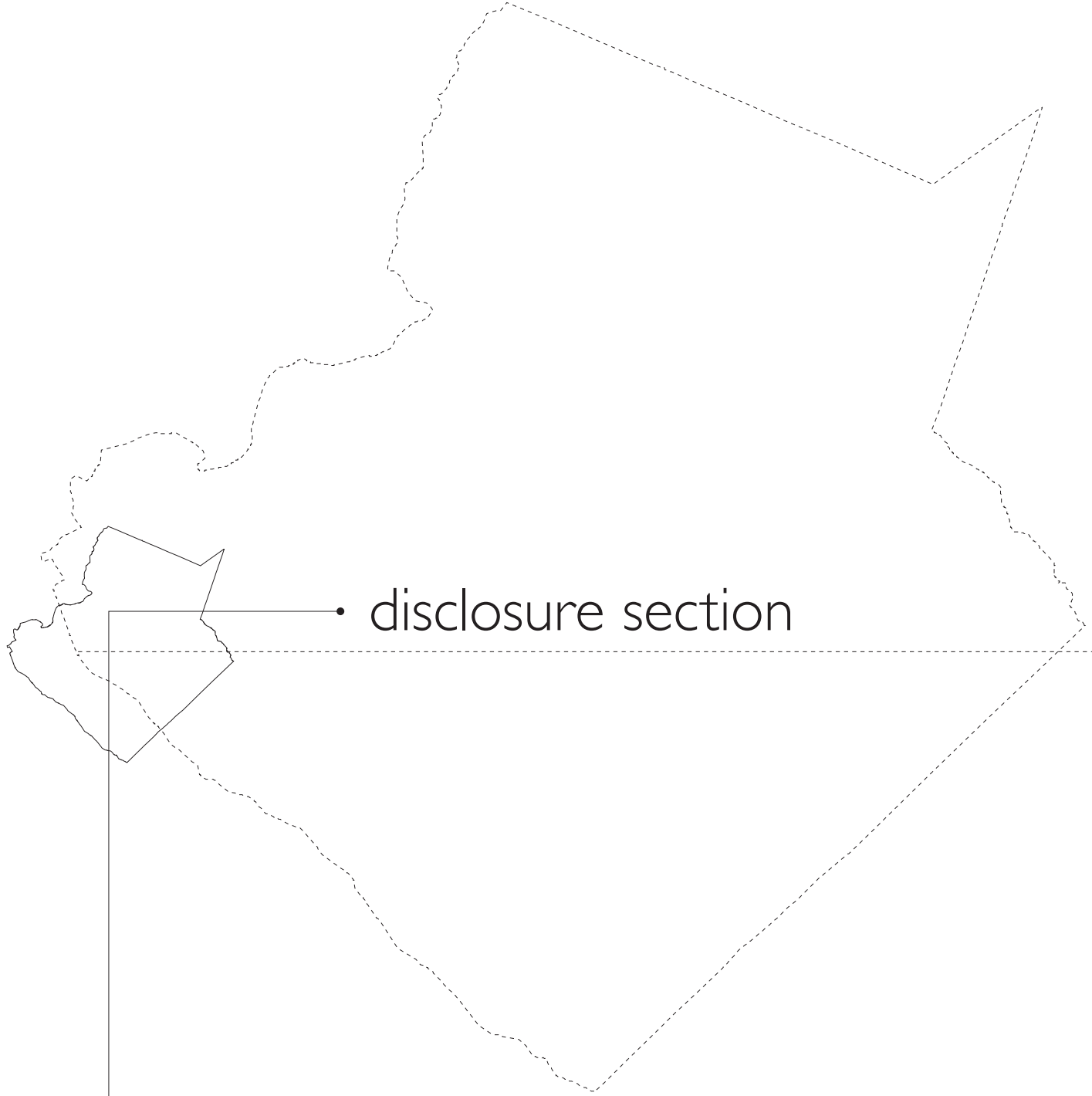
(3) Findings and Questioned Costs Relating to Federal Awards (Continued)

Prevalence and Consequence of the Finding: Other capital assets were noted to have been properly included and denoted as federally funded. All capital assets acquired with this program, which were 11 assets valued at \$846,117, were tested and 7 assets totaling \$116,014 were noted to not have the proper denotation.

Recommendation: We recommend the County follow procedures to properly include all grant related information in the capital asset system for grant funded capital assets.

Views of Responsible Officials: The County agrees with the recommendation above. The Accounting Division and the Grants Section have established a formal reconciliation process to ensure that all grant related information be included in the capital asset system in the future.

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• disclosure section





continuing annual and event disclosures

The following disclosures comply with amendments of the **Securities and Exchange Commission (SEC) Rule 15c2-12 (b) (5) (i) (A) to (D)**. Effective in 1995, the amendments required municipal bond underwriters to gain reasonable assurance from bond issuers that they will provide continuing annual information and notices of material events for disclosure to the secondary bond market.

The following table provides a summary of continuing bond disclosure requirements:

| | Annual Financial Information SEC Rule 15c2-12 (9b) (5) (I) (A) | Audited Annual Financial Statements SEC Rule 15c2-12 (B) (5) (I) (B) | Notice Of Material Events SEC Rule (B) (5) (I) (C) | Notice of Failure to Provide Annual Information SEC Rule (B) (5) (I) (D) |
|--|--|--|--|--|
| Nationally Recognized Municipal Securities Information | X | X | | |
| Municipal Securities Rulemaking Board | | | X | X |

agreement and affected bond issue

In respective Bond Resolutions, the County and the Water and Sewerage Authority (Authority) agreed to provide continuing disclosure of (a) annual information and (b) notices of material events upon issuing its:

- *Water and Sewerage Authority Revenue Bonds, Series 1998*
- *Water and Sewerage Authority Revenue Bonds, Series 2002*
- *Water and Sewerage Authority Revenue Bonds, Series 2003b*
- *Water and Sewerage Authority Revenue Bonds, Series 2004*
- *Water and Sewerage Authority Revenue Bonds, Series 2005*
- *Water and Sewerage Authority Revenue Bonds, Series 2006*

description of the water and sewer system

The Water System

The county obtains all of its water supply needs from facilities located at Lake Sidney Lanier (Lake Lanier), a 38,000-acre lake located just north of the County. Withdrawal from Lake Lanier is regulated through permits issued by the U.S. Army Corps of Engineers and the Georgia Department of Natural Resources, Environmental Protection Division (EPD). The water system consists primarily of the treatment facilities at Lake Lanier; transmission mains, distribution mains, booster stations, storage, and administration and operations facilities. The Lake Lanier facilities and the majority of the water system's facilities and pipes were constructed after 1970. The former Duluth Potable Water Production Facility was replaced in 1995 with a permanent remote-controlled booster pump station with a 45-million-gallons-per-day (mgd) capacity. The Shoal Creek Filter Plant was completed in 2004. A brief description of primary water system facilities is provided below.

Water Production Facilities. The Lake Lanier facilities include two raw water intakes with pump stations, four raw water force mains, a surge tank, a raw water reservoir, two water filtration plants, and two finished water pump stations. The Lanier Raw Water Pump Station, dating from 1976, is located on the shore of Lake Lanier and has access to deep water in the main body of the lake. This intake consists of three 72-inch diameter fiberglass pipes of varying lengths, arranged to withdraw water from approximately 10, 24,

and 45 feet below normal surface elevation of the lake (1,071 feet above mean sea level). The new Shoal Creek Intake and Pump Station utilizes a 14-foot diameter tunnel below the lake bottom to withdraw water from an elevation of 1,025 msl.

The Lanier Raw Water Pump Station has six 30 mgd pumps, allowing for a peak pumping capacity of 180 mgd and a firm capacity of 150 mgd. Two raw water force mains, 48-inch and 72-inch diameters, follow a parallel route 2.9 miles to the Lanier Filter Plant. These mains are protected using a steel hydro-pneumatic surge tank, which prevents water column separation in the event of a power failure or emergency pump shutdown. The Shoal Creek Raw Water Pump Station has four 35 mgd pumps dedicated to the Shoal Creek Filter Plant, and four 50 mgd pumps dedicated to the Lanier Filter Plant. This greatly improves reliability of the water system by having back-up pumping capability for both water production facilities. Two 72-inch diameter raw water mains carry water to the Shoal Creek and Lanier Filter Plants. This station went into operation in September 2004.

Construction of the Raw Water Distribution Structure was finished in 2005. This structure is the “meeting place” for all raw water lines from both raw water pump stations. There are accommodations for pipelines to/from the proposed future raw water reservoir. This structure allows distribution of water from either raw water pump station to either or both water treatment plants. There are also accommodations for pipelines to/from the proposed future raw water reservoir. This allows additional flexibility to maintain operations in the event of outages at either raw water pump stations.

In 2003, an engineering agreement was signed for design of a major upgrade to the Lanier Raw Water Pump Station; design continued through 2004, and the project was bid in 2005. This work includes new pumps and motors, hydraulic system, electrical switchgear, motor starters and controls, and HVAC systems. Completion is expected in spring 2008.

The Lanier Filter Plant is located on a 94-acre site north of the City of Buford. The plant has a treatment capacity of 150 mgd. Facility components consist of a 37 million-gallon raw water storage reservoir; ozone disinfection facilities; pre-treatment facilities (rapid mix and flocculation); filtration; clearwells; a high service pump station; chemical storage, handling, and feed systems; and newly completed residuals handling facilities. High service pumping to the water distribution system is accomplished with seven variable speed pumps, allowing a nominal firm capacity of 195 mgd. This capacity is supplemented by use of the 45 mgd Duluth Booster Pump Station, which is supplied by a pressure main from the Lanier Filter Plant through a 48-inch diameter water main. The plant is operated through the use of an integrated Supervisory Control and Data Acquisition (SCADA) computer system, which controls both the treatment facility and tanks/pump stations within the distribution system. In 1998, the Lanier Filter Plant was presented with the Grand Award of Excellence by the Consulting Engineers of Georgia. Improvements and enhancements to the Lanier Filter Plant were completed in 2002. The clearwell storage was increased by 20 mg. This increased finished water storage, allowing multi-day averaging to reduce maximum day demand peaking factor from 1.67 to 1.5, which extended the sufficiency of the Lanier Filter Plant capacity by two years. Also, a \$20 million upgrade of the residual handling facility was completed in August 2002. This improvement removed the previous liquid sludge contribution to the sanitary sewer system and replaced it with a dewatering system capable of producing a reusable residuals product. Work began in 2006 to provide an improved Backwash Equalization Process to improve operation of the residuals facility. Start-up of the Shoal Creek Filter Plant took place in September 2004. The Shoal Creek facility duplicates the processes employed at the Lanier facility, with the exception of the residuals handling process: all filter backwash water is pumped to the Lanier facility for dewatering. The Shoal Creek Filter Plant sits on an 88-acre site approximately two miles west of the Lanier Filter Plant. With its capacity of 75 mgd, the total water system capacity is now 225 mgd; having the second facility improves redundancy and reliability of the overall water system.

The 1986 Amendments to the *Safe Drinking Water Act* (SDWA) expanded requirements for testing and monitoring for lead and copper content of drinking water (the “Lead and Copper Rule”), along with other new water quality parameters. To date, the

County has met the completion schedule for such testing and monitoring. The Lead and Copper Rule requires sampling of 100 customer homes deemed to be “high risk” for lead contamination. These homes must have been constructed during a specific time period prior to the EPA ban of lead-based solder, and must have lead-based solder used to join the copper pipes within the home plumbing system. Initially, a number of these homes tested above the “action level” set by EPA in the Lead and Copper Rule. However, the County’s testing of the treated water at various stages of the treatment process, transmission, and distribution system failed to show lead content above the detection limit of two parts-per-billion (ppb). Thus, there is no indication that the problem originates within the water system itself, but is probably due to workmanship and/or materials used in construction of some homes. Results from three rounds of testing in 1999, 2000, and again in 2001, fell below the “action level” set by the Lead and Copper Rule. This has negated the requirement for public education mailings, and has resulted in reduced monitoring status beginning in 2000. The County continues to refine this program through monitoring of precisely defined Water Quality Parameters in the distribution system.

The County conducted a corrosion control optimization study with the help of a consulting engineering firm that examined options available to minimize corrosion. The County has conducted full-scale system evaluations of corrosion inhibitors to select products best suited for this specific water chemistry. EPD approved the County’s long-term corrosion control plan in 1995 and in 1999. Successful use of blended phosphate corrosion inhibitors has optimized the County’s corrosion control program.

The *1996 Reauthorization of the Safe Drinking Water Act* required that water systems begin publication and distribution of annual *Consumer Confidence Reports (CCRs)* in 1999. Our CCR, called “Gwinnett Water Words,” was mailed with the April 1999, June 2000, June 2001, June 2002, May 2003, April 2004, and April 2005, and April 2006 water bills. CCRs detail all regulated contaminants, and certain unregulated contaminants, detected in drinking water. These include specific language dealing with particular contaminants (including lead), which may be found in drinking water and/or bottled waters. There has been a positive response from consumers regarding this report.

Vulnerability Assessment. The *Public Health, Security, and Bioterrorism Preparedness and Response Act of 2002 (PL107-188)* required community water systems serving more than 100,000 persons to conduct Vulnerability Assessments and prepare specific Emergency Response Plans. Gwinnett County DWR received EPA grant funds of \$115,000 to defray costs of this work. The Vulnerability Assessment was completed by the March 2003 deadline, and the Emergency Response Plan was finished by September 2003, as required. Specific security improvements such as closed-circuit television cameras, card-readers and automatic door locks, and fence enhancements were installed in 2004. Additional security upgrades were designed in 2006 for bid in early 2007.

Pathogen Inactivation. As part of the Long-Term 2 Enhanced Surface Water Treatment Rule, USEPA is collecting data on pathogen occurrence in drinking water facilities, which will impact future water quality standards. The Shoal Creek Filter Plant was designed to meet these potential regulatory requirements for pathogen inactivation with Ozone. Design began in 2006 for an ultra violet disinfection system for the Lanier Filter Plant to provide equality of treatment at both facilities and give an additional barrier of protection against these contaminants. This design/build project will bid in mid-2007.

Transmission Mains. The transmission system includes approximately 162 miles of transmission mains. The major transmission main looping the county was completed in 1980. Approximately 87 miles of 36- and 48-inch pipe loop around the county, making it possible to reliably serve the entire area with water even in the event of a major transmission main break. Major branches form the grid to provide water service to all populated areas within the county, and also lead to wholesale customers neighboring the county. Because of continuing growth and increasing water demands, a third 48-inch transmission main was installed along the western portion of the county to reinforce the transmission main loop. This ductile iron transmission main is 21 miles long and connects to a 30-inch

transmission main in Norcross. Connections between this main and the original transmission system provide greater flexibility and reliability of the water distribution system. Additionally, a new 78-inch transmission main from the Lanier Filter Plant to the center of the loop at Lawrenceville was completed in 2000. The Shoal Creek Filter Plant construction included a new transmission main to connect the plant to the existing Lanier Filter Plant. Upcoming in 2007 is the construction of a major transmission line from the Shoal Creek Filter Plant to the existing transmission mains located at Peachtree Industrial Boulevard, that will become part of the county loop system

The project begun in 2003 to replace the remaining sections of 48-inch concrete pipe on the west side of the county was completed in early 2004. The improvement allows for conversion of this pipe from a gravity main to a pressurized main, and increases the flow capacity to the west leg of the transmission system.

Distribution Mains. The distribution main system consists of approximately 3,300 [11] miles of pipes of various sizes that draw water from the transmission main system for distribution to customers.

Booster Stations. The Water System includes several booster pump stations that raise water pressure in local areas to acceptable levels. They are used to provide service to customers in hilltop areas above the system delivery gradient or where limitations in transmission and storage capacity make delivery pressures too low. Currently, the water distribution system has 19 booster stations. A major re-pump station, jointly owned by the County and the City of Norcross, provides service for the heavily populated Norcross area. Major rehabilitation of this station, including new pumps and motors, was completed in 2003. Subsequent operation and maintenance of this facility is being handled by the County. While booster stations raise water pressure above the standard system gradient, topography dictates that other areas (considerably below the system delivery gradient) are relieved of excess pressure. This is accomplished by the creation of special zones that are isolated under normal circumstances by pressure-reducing valves.

To optimize service delivery, the County has established four separate pressure zones, based on topography: South, Central, North, and Upper North. The Upper North Pressure Zone consists of the highest elevations in the county and is served by the Bogan Road Pump Station. A contract was awarded in 2002 for upsizing the existing Bogan Road Pump Station to better serve this growing area, and work was completed in 2003. The North Pressure Zone is served by three high service pumps at the Lanier Filter Plant. Additionally, water is pumped into the north area by two pump stations, Sunny Hill and Price Road. A contract was awarded in 2002 to construct the Northside (now named the Rock Quarry Road) Pump Station, to build a 10 mg tank and a 20 mgd capacity pump station. Work progressed satisfactorily and the pump station was completed in summer 2004. The Central Pressure Zone consists of customers at average elevations. Water is delivered to the central area from four high service pumps at the Lanier Filter Plant through the county's transmission mains, and from the Duluth Booster Pump Station. As mentioned previously, the Duluth Booster Pump Station, located 12 miles into the distribution system, is supplied by a pressure main from the Lanier Filter Plant. The Central Service Area Tank Facility and Pump Station, now called the Grayson Pump Station, was completed in November 2001 and incorporates 20 million gallons of storage and a 40 mgd pump station. Land acquisition is under way for the Westside Pump Station, which will consist of two 15 mg tanks and a 30 mgd pump station. Design was completed this year for a new pump station at the Rockbridge Road tank site. This will replace the 1970s vintage pump station which has served this area for 30+ years. The South Pressure Zone is a region with elevations lower than the rest of the County; water is delivered to the South area from the central area along a series of pressure-reducing valves.

Storage Facilities. Water system storage is either ground storage, in elevated tanks, or in standpipes located at key sites throughout the distribution system. The finished water clearwells at the Lanier and Shoal Creek Filter Plants provide storage at 58.2 million

gallons (39.2 at Lanier and 19 at Shoal Creek). Five and 10 million-gallon ground storage tanks are located near the cities of Norcross, Buford, Grayson, Snellville, and Lilburn. The County and the City of Norcross equally share storage capacity in the Norcross tank. Completion of a new 10 mg tank in Buford and the new clearwell at the Shoal Creek Filter Plant boosts total finished water storage to 120.7 mg.

Customers of the Water System. As of December 31, 2006, the Water System had 230,752 retail customers. The Water System provides treated water to both retail and wholesale customers within and around the county. The Water System provides water at retail rates directly to customers residing in unincorporated areas of the county, as well as to many customers within incorporated areas. As municipalities within the county annex contiguous areas, water and sewer service remains with Gwinnett County and the residents of the contiguous areas continue to purchase water at retail rates. Gwinnett County provides direct retail service to the residents of Berkeley Lake, Dacula, Duluth, Grayson, Lilburn, Snellville, Sugar Hill, and Suwanee. The Water System also provides direct retail service to some of the residents of the cities of Buford, Lawrenceville, Loganville, and Norcross. It serves some of the residents of Buford, Lawrenceville, and Norcross, on a wholesale basis. The City of Lawrenceville supplements its water system with wells. The City of Buford has its own intake in Lake Lanier and its own water treatment plant. The Gwinnett County Water System also sells water on a wholesale basis to Rockdale County, the Barrow County Water Authority, the Town of Auburn in Barrow County, the City of Braselton in Barrow County (billed with Barrow County), the City of Loganville in both Gwinnett and Walton Counties, the Walton County Water and Sewer Authority, and the City of Gainesville. The County purchased the City of Duluth water system in December 1991, the City of Grayson water system in May 1993, the City of Sugar Hill water and sewer system in December 1995, and the City of Dacula water system in May 1996.

The following table shows the average daily consumption, in mgd, of water billed by the Water System during the years 1999 through 2006:

**water consumption
1999 – 2006**

| Year | Gwinnett County Consumption | | Out-of-County Consumption* | Total Average Daily Consumption |
|------|-----------------------------|-----------|----------------------------|---------------------------------|
| | Retail | Wholesale | Wholesale | |
| 1999 | 61.32 | 3.19 | 7.79 | 73.27 |
| 2000 | 62.86 | 3.64 | 7.46 | 73.91 |
| 2001 | 61.38 | 3.53 | 8.23 | 73.11 |
| 2002 | 61.95 | 3.55 | 5.91 | 71.41 |
| 2003 | 58.68 | 2.88 | 1.16 | 62.72 |
| 2004 | 58.23 | 3.01 | 0.99 | 62.23 |
| 2005 | 63.01 | 2.83 | 1.06 | 66.90 |
| 2006 | 73.13* | 2.62 | 1.32 | 77.07 |

*Out-of-county consumption is all at wholesale rates.

Water that is unaccounted for due to water system losses, fire flows, and other causes were approximately 14 percent between 1997 and 2001. Due to these same factors, non-revenue water was 15.1 percent in 2001, 13.8 percent in 2002, 17.5 percent in 2003,

17.7 percent in 2004, and 12.9 percent in 2005. Although these are typical values for a municipal system this size (the national average is 15 percent), the County has begun a program to identify and decrease sources of unaccounted for water in the system.

The following tables show the 10 largest retail and wholesale customers of the Water System during the 12 months ended December 31, 2006. Total water usage during the 12 months ending December 31, 2006, was 26,693,849 gallons, generating \$114,727,524 in usage revenues (excluding late fees). No single retail customer accounted for more than .81 percent of total Water System usage revenues in 2006, and the 10 largest retail customers together accounted for 2.52 percent of such revenues. No single wholesale customer accounted for more than 1.7 percent of total Water System usage revenues in 2005, and the 10 wholesale customers together accounted for 4.2 percent of such revenues.

water use: 10 largest retail water customers – 2006

| Customer | Thousands of Gallons-Per-Year | mgd | Total Revenues Received |
|------------------------------------|-------------------------------|-------------|-------------------------|
| Gwinnett County Board of Education | 226,371.6 | 0.62 | \$931,130.08 |
| Publix #3430700 | 149,246.0 | 0.41 | 497,621.80 |
| Phillips State Prison | 77,741.0 | 0.21 | 259,275.30 |
| Gwinnett County BOC (Jail) | 68,243.0 | 0.19 | 230,311.90 |
| MTS Sweetwater Road | 48,013.9 | 0.13 | 198,366.27 |
| OFS – Brightwave | 55,061.6 | 0.15 | 187,543.28 |
| Management Association | 42,299.1 | 0.12 | 163,923.03 |
| Bridgewater Apartments | 40,027.0 | 0.11 | 156,986.66 |
| Mission Heritage Park | 37,708.7 | 0.10 | 139,040.31 |
| Las Colinas at Brook Hollow | 34,145.0 | 0.09 | 128,853.75 |
| TOTAL | 778,856.9 | 2.13 | \$ 2,893,052.38 |

water use: wholesale water customers – 2006

| Customer | Thousands of Gallons-Per-Year | mgd | Total Revenues Received |
|-----------------------|-------------------------------|-------------|-------------------------|
| City of Lawrenceville | 589,404.2 | 1.16 | \$ 2,191,961.62 |
| City of Norcross | 329,976.9 | 0.90 | 1,037,217.54 |
| City of Braselton | 304,346.8 | 0.83 | 1,004,344.44 |
| City of Auburn | 155,896.1 | 0.43 | 514,459.13 |
| City of Loganville | 43,899.8 | 0.12 | 144,869.34 |
| Walton County Water | 27,403.0 | 0.08 | 90,429.90 |
| Buford | 16,012.5 | 0.04 | 52,839.93 |
| City of Suwanee | 98.7 | 0.00 | 325.71 |
| City of Gainesville | 10.0 | 0.00 | 33.00 |
| Barrow County | 0.0 | 0.00 | 0.00 |
| TOTAL | 1,467,048.0 | 3.56 | \$ 5,036,480.61 |

retail monthly meter charges

Current Water Rates. The table presented below shows major rate categories currently in effect. The Gwinnett County Board of Commissioners adopted the following rates at their regular meeting of December 12, 2000. The Board of Commissioners has subsequently adopted rate increases effective in 2005; January 1, 2006; January 1, 2007; and January 1, 2008 (see *schedules that follow*). Water rates are fixed by the County and are subject to change, as the County deems advisable. Rates set by the County are not subject to approval by any outside agency.

| Meter Size | Base Charge |
|------------|-------------|
| ¾" | \$ 7.30 |
| 1" | 16.00 |
| 1 ½" | 26.00 |
| 2" | 51.00 |
| 3" | 140.00 |
| 4" | 205.00 |
| 6" | 390.00 |
| 8" | 730.00 |

Note: The base charge is separate from the volume charge for either water or sewer usage. Where one meter serves more than one unit, the monthly meter charge is the greater of (a) the number of units in the structure or location served times \$5.85, or (b) the monthly charge for size actually installed.

retail monthly water charges

Volume Charge. Except for the seasonal residential water surcharge and seasonal irrigation water charge as described below, all accounts shall be charged the following volume charge for water that passes through the water meter:

| Current 2007 | Effective January 1, 2008 | Effective January 1, 2009 |
|----------------------|---------------------------|---------------------------|
| \$3.47/1,000 gallons | \$3.66/1,000 gallons | \$3.86/1,000 gallons |

First Tier Seasonal Water Surcharge – All Accounts Other Than Irrigation and Builder. For all billings for the months of June, July, August, September, and October, all accounts other than irrigation, non-sewer irrigation and builder accounts that use more than 10,000 gallons and that use more than 125 percent but less than 200 percent of the average usage of the previous January, February, and March billings shall pay a surcharge on usage above that 125 percent allowance as follows:

| Current 2007 | Effective January 1, 2008 | Effective January 1, 2009 |
|----------------------|---------------------------|---------------------------|
| \$0.87/1,000 gallons | \$0.92/1,000 gallons | \$0.97/1,000 gallons |

Second Tier Seasonal Water Surcharge – All Accounts Other Than Irrigation and Builder. For all billings for the months of June, July, August, September, and October, all retail and all wholesale accounts other than irrigation, non-sewer irrigation and builder accounts that use more than 10,000 gallons and that use more than 200 percent of the average usage of the previous January, February, and March billings shall pay a surcharge on usage above that 200 percent threshold as follows:

| Current 2007 | Effective January 1, 2008 | Effective January 1, 2009 |
|----------------------|---------------------------|---------------------------|
| \$3.47/1,000 gallons | \$3.66/1,000 gallons | \$3.86/1,000 gallons |

Seasonal Irrigation and Builder Water Volume Charge. For all billings for the months of June, July, August, September, and October, all irrigation and non-sewer irrigation and builder accounts shall pay the following volume rate for all water during the billing period:

| Current 2007 | Effective January 1, 2008 | Effective January 1, 2009 |
|----------------------|---------------------------|---------------------------|
| \$4.34/1,000 gallons | \$4.58/1,000 gallons | \$4.83/1,000 gallons |

For billings in all other months, the volume rate on irrigation and non-sewer irrigation and builder accounts shall be as follows:

| Current 2007 | Effective January 1, 2008 | Effective January 1, 2009 |
|----------------------|---------------------------|---------------------------|
| \$4.17/1,000 gallons | \$4.52/1,000 gallons | \$4.09/1,000 gallons |

fire protection

Customers are charged \$1.45 per inch of fire service pipe diameter per month. Each private line is equipped with an approved detector meter at the customer's expense.

connection charge

Charges for connecting new services to the Water System (effective since December 1, 1992):

| Meter Size | Charge per Connection |
|------------|-----------------------|
| ¾" | \$ 350 |
| 1" | 583 |
| 1½" | 1,167 |
| 2" | 1,870 |
| 3" | 860 |
| 4" | 1,160 |
| 6" | 2,150 |
| 8" | 3,960 |
| 10" | 4,120 |
| 12" | 6,440 |

water system development charges

| Water Meter Size | January 1, 2003 | January 1, 2004 | January 1, 2005 | January 1, 2006 | January 1, 2007 |
|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| ¾" | \$ 811 | \$ 977 | \$ 1,177 | \$ 1,292 | \$ 1,418 |
| 1" | 1,794 | 2,492 | 3,461 | 4,079 | 4,807 |
| 1½" | 3,868 | 5,574 | 8,032 | 9,641 | 11,573 |
| 2" | 6,391 | 9,358 | 13,702 | 16,580 | 20,063 |
| 3" | 12,975 | 19,371 | 28,921 | 35,338 | 43,179 |
| 4" | 18,940 | 27,006 | 38,509 | 45,984 | 54,910 |
| 6" | 45,386 | 70,837 | 110,561 | 138,125 | 172,561 |
| 8" | 70,615 | 108,691 | 167,298 | 207,558 | 257,506 |
| 10" | Varies* | | | | |
| 12" | Varies* | | | | |

*Determined by the Department of Public Utilities

Raw Water Supply. On July 2, 1973, the County entered into the "Contract between the United States of America and Gwinnett County, Georgia, for Withdrawal of Water from Lake Sidney Lanier;" and has since entered into several extensions and modifications to that agreement (collectively known as the "Contract"). The Contract granted the County the right to withdraw raw water from Lake Lanier for municipal and industrial uses at an average annual rate of 53 mgd. The Contract permitted the County to construct and operate facilities to withdraw water and requires the County to maintain certain records.

The Contract originally provided that either party could terminate it upon providing three years notice. Unless otherwise terminated, the Contract would continue for 30 years or until the Federal government completed its study of area water storage, discharge, and withdrawal needs. In June 1985, the U.S. Corps of Engineers, Army Engineers District-Mobile (the Corps of Engineers) gave the County notice that the Contract would be terminated on July 1, 1989. In June 1989, the Contract was extended for six months, until January 1, 1990. That historical contract is no longer in effect; however, the County has continued to withdraw water from Lake Lanier, which provides all of the County's raw water.

From 1990 to 2000, the County paid \$9.74 per million gallons for water withdrawn. In April 2000, the U.S. Corps of Engineers increased this amount to \$18.80 per million gallons. In December 2000, customers of the Southeastern Power Administration, which receive the benefits of hydropower production from Corps of Engineers projects in the ACT and ACF basins, filed a lawsuit seeking an increase in the price charged to municipalities drawing domestic water supplies from Lake Lanier. Gwinnett County, with the Atlanta Regional Commission and others, joined in the mediation of this lawsuit. The settlement of this litigation, signed by the United States, the State of Georgia, and hydropower customers as well as the municipal water purveyors, restores the contractual relationship between Gwinnett County and the United States Corps of Engineers pending *National Environmental Policy Act* procedures. The new contracts will reserve unto Gwinnett County a portion of the conservation pool of Lake Lanier sufficient to yield an annual average supply of up to 152 mgd even during a severe drought. The annual cost of raw water will increase from approximately \$700,000 per year on an escalating and interminable schedule to approximately \$1,780,000 per year on a 30-year amortization schedule, after which payments for that volume of water cease. The interim water storage contract appended to the mediation agreement and which is convertible to a permanent storage contract has a 10-year term with an automatic 10-year renewal pro-

vision. This conversion to a permanent storage contract is contingent upon clarification of the legal authority granted to the U.S. Army Corps of Engineers by the Congress to enter into permanent contracts.

The Water System is required to have a permit from EPD to withdraw water from Lake Lanier. In 1997, the County received a revised withdrawal permit for 150 mgd during a maximum day. This rate of withdrawal coincided with the capacity of the expanded plant on which construction was completed in December 1997. The withdrawal permit was amended in 1999 to change the 150-mgd limit from "maximum day" to "average day for any month." This permit modification allowed the County to proceed with the new Shoal Creek Filter Plant construction to increase the water production capacity from 150 mgd to 225 mgd. Major construction of this plant was finished in 2004 with items on the contractor's punch list to be completed in 2005. The current withdrawal permit is sufficient to meet near-term demand projections. For example, the maximum monthly withdrawal rate was 99 mgd in 2001, 103 mgd in 2002, and 90 mgd in 2003. The County will continue to pursue increased withdrawals from Lake Lanier as demand increases, such that, as a minimum, the withdrawal permit from Georgia EPD will rise to be consistent with the yield of the storage contract with the U.S. Army Corps of Engineers.

On June 28, 1990, the State of Alabama filed a lawsuit in the *United States District Court for the Northern District of Alabama against the Corps of Engineers, State of Alabama v. the United States Army Corps of Engineers, et al.* In the lawsuit, the State of Alabama alleges that, among other things, the Corps of Engineers violated the *National Environmental Policy Act* in connection with the proposed reallocation of a portion of Lake Lanier's conservation storage to municipal and industrial water supply. The State of Florida joined the lawsuit, and on September 19, 1990, at the request of the State of Alabama and the Corps of Engineers, the District Court entered an order staying the proceedings so that the negotiations among the States may occur and a comprehensive study of the water resources of the Alabama-Coosa-Tallapoosa and the Apalachicola-Chattahoochee-Flint River basins could be performed. This study is known as the "ACT/ACF Basins Comprehensive Water Resources Study." The Corps of Engineers, along with the States of Georgia, Alabama, and Florida performed the study. The three states approved Basin Compacts in early 1997, essentially completing the Comprehensive Study. These Compacts were ratified by the U.S. Congress and signed by the President of the United States in December 1997. The three states and the federal government were in the process of developing a management system for water resources in the ACT/ACF basins and a formula for the allocation of ACT/ACF water and storage, as mandated by the Compacts. However, the ACF compact, and interstate water allocation discussions between Georgia, Alabama, and Florida on the ACF basis, ended on September 1, 2003. The case in the Northern District of Alabama is proceeding.

The State of Florida has initiated new litigation against the United States Corps of Engineers alleging that the Corps' continued operation of the ACF system in support of water supply without the interagency consultation required by Section 7 of the *Endangered Species Act* is a violation of the Act.

An additional issue facing the Water System is long term supply after 2030. In the event the County does not receive an allocation sufficient to meet its forecasted demand beyond 2030, the County will have to consider alternative means of meeting the projected demand. The costs of implementing alternative means to meet this demand cannot be determined at this time. However, return flows of high quality reclaimed water are expected to be advantageous to Gwinnett's future allocation.

the sewerage system

The sewerage treatment facilities of the System (the "Sewerage System") consist of five major and two minor Water Reclamation Facilities ("WRFs") that are wholly owned by the County. Minor WRFs are those treating 1 mgd or less. In addition, the County either owns or has contractual treatment capacity currently in two other WRFs. Total permitted treatment capacity currently available to Gwinnett County is 71.62 mgd.

sewerage system capacity and usage in 2006

Treatment of Wastewater. Gwinnett County's total owned and contracted wastewater treatment capacity is currently 71.62 mgd. All of the sewerage system's major WRFs provide advanced treatment under some of the most stringent environmental requirements in the state of Georgia. A Water Resources Laboratory providing chemical and microbiological analyses ensures the WRFs provide consistent reporting and monitoring to the regulators. Additional laboratory services include monitoring and enforcement of industrial pretreatment requirements, and ambient water quality monitoring of the streams and rivers within the county as needed. Separate process control laboratories are also maintained at each WRF to monitor plant performance and provide data for process control decisions.

Water Reclamation Facilities. The Sewerage System's major treatment facilities are the F. Wayne Hill Water Resources Center, the Yellow River WRF, the Crooked Creek WRF, the Beaver Ruin WRF, and the Jackson Creek WRF. The Sewerage System has purchased treatment capacity in DeKalb County. The following table shows the permitted capacity in mgd of each treatment facility and the approximate usage for each during 2006.

| Wastewater Treatment Facility | Permit | ADMMF | AADF |
|--------------------------------------|--------------|-----------------------------|--------------|
| F. Wayne Hill Water Resources Center | 29.0 | 21.0 | 19.5 |
| Crooked Creek WRF | 16.0 | 13.9 | 11.4 |
| Yellow River | 13.5 | 10.3 | 9.2 |
| Pole Bridge WPCF ⁽¹⁾ | 5.0 | 4.8 | 4.5 |
| Beaver Ruin WRF | 4.5 | 4.2 | 3.2 |
| Jackson Creek WRF | 3.0 | 3.0 | 2.8 |
| Jacks Creek WRF ⁽²⁾ | 0.62 | 0.5 | 0.5 |
| No Business Creek WRF ⁽³⁾ | 1.0 | 0.7 | 0.1 |
| Buford Southside WPCP ⁽⁴⁾ | 0.6 | 0.3 | 0.02 |
| TOTAL System | 73.22 | 53.75 ⁽⁵⁾ | 51.22 |

(1) Plant capacity at Pole Bridge is used through an agreement with DeKalb County.

(2) Facility capacity re-rated from 1.0 mgd to 0.63 mgd in November 2006.

(3) Facility decommissioned March 2006.

(4) Flow rerouted to County facility in January 2006.

(5) This figure shows the Average Daily Maximum Month Flow for the total system and is not the sum of the individual locations.

The numbers shown by each individual location reflect location specific information before system totals are calculated.

The County reports the number of National Pollutant Discharge Elimination System (NPDES) permit violations experienced by the County's WRFs were one, zero, zero, one, zero and two for the years 2001 through 2006 respectively. Additionally, Gwinnett County WRFs have won a total of 92 awards from the National Association of Clean Water Agencies and the Georgia Association of Water Professionals in the years 2001 through 2006, including Platinum Awards for five WRFs for five consecutive years with no permit violations. In 2001 and 2002, Jackson Creek WRF and in 2006, the F. Wayne Hill Water Resources Center (FWH WRC) were selected as **Plant of the Year** in their size categories by the Georgia Association of Water Professionals.

As part of a 50-Year Water and Wastewater Master Plan, the F. Wayne Hill Water Resources Center (FWH WRC) started operation in early 2001. This first phase of the \$645 million advanced water reclamation center was constructed on a 200-acre footprint inside a 700-acre site in the northwest portion of the county in a triangle bound by SR 20, I-85, and I-985. The additional acreage outside the Center provides buffered areas and space for the Gwinnett County Environmental & Heritage Center. The initial permit issued by the EPD allows for discharge of up to 20 million gallons of reclaimed water per day through an existing outfall in the Chat-

tahoochee River, just inside Fulton County. In April 2006, the County received a permit to temporarily increase the permitted discharge to the Chattahoochee River from 20 mgd to 29 mgd. This increase will remain in effect until the effluent pipeline to Lake Lanier is complete. In late 2005, construction was completed on an additional 40 mgd of treatment capacity at the FWH WRC. The additional capacity will bring the total water reclamation capacity of the F. Wayne Hill WRC to 60 mgd. The facility is part of a comprehensive plan to protect and conserve the county's limited water supply. The FWH WRC meets the strictest overall treatment requirements in the Southeast, producing high quality reclaimed water that is clean enough to discharge to a drinking water supply source. In November 2006, the Georgia EPD issued the permit for the 40 mgd expansion of the plant. The discharge is permitted into Lake Sidney Lanier. This lake is the source of the drinking water that created the wastewater. The FWH WRC will begin to discharge to Lake Lanier when the pipeline to the Lake is complete in 2009.

Collection System. Gwinnett County has approximately 2,368 miles of sewers ranging in size from eight inches to 72 inches in diameter, and approximately 200 pump stations. These gravity sewers and pump stations collect and transmit the wastewater flow from the water customers who are served by the sewer system to the WRFs. Sewer service is provided in the central, western, and north central portions of the county. The Lower Apalachee and Lower Alcovy basins are only minimally served by sewers presently. The current Water and Wastewater Master Plan Update outlines future areas to be served by the sewer system and projects a timeline for this service. The County experienced several sanitary sewer overflows in 2006, mainly due to root intrusion and grease accumulation in the sewer system. The County has a program to address these issues.

Interbasin connection by pumped flows allows management to direct flow to the treatment facility that is best able to handle the flows. In basins where treatment facilities are located downgradient of other treatment facilities, the upgradient facilities have diversion gravity lines that allow flows to be diverted for downstream treatment when needed. All pump stations have remote telemetry capability, which reports power outages, high water level alarms, and other problems to a central control center that is manned continuously. Critical pump stations that could overflow into waters with the potential for human contact have backup telemetry as well. The telemetry system is monitored by a computer that periodically queries the current status of the stations and verifies the pump stations' ability to call in alarms.

All pump stations are visited and checked by maintenance personnel on the scheduled preventive maintenance frequency recommended by the manufacturer. Alarms are investigated and needed repairs are promptly accomplished. Right-of-ways and easements are maintained for access to all sewer system gravity lines and pump stations. Large pump stations have dual electrical feed or standby generators for emergency use. The County owns portable generators that can be transported to small pump stations in power outage situations.

A state-approved pretreatment program is in place. This program protects the treatment facilities from discharges to the sewers of materials that could upset or harm the biological treatment processes at the treatment plants. In addition, this program protects the sewer collection system from discharges of materials that could damage the gravity lines and/or the pump stations.

Reserve Capacity. In the late 1970s and early 1980s the County entered into reserve capacity agreements with certain large landholders as a means of generating capital to construct WRFs. The facilities were constructed as promised by the County, and the reserve capacity made available for the holders of these liens on future capacity. The reserve capacity was specific to parcels of land, and as this land was subdivided and sold, so too were the sewerage rights associated with it. The County administrative staff carefully monitors the assignments of these rights. Meanwhile, the Sewerage System derives over \$15,000 per year in revenues from the unexercised options. The following table shows the approximate remaining open commitments of these agreements as of December 31, 2006.

reserve capacity status report

| Assignee | mgd |
|--------------------------------------|-------|
| Kraft Corporation | 0.022 |
| Indian Brook Park Association | 0.013 |
| Williams Brothers Concrete | 0.011 |
| Trammell Crow Company ⁽¹⁾ | 0.009 |
| Kuniansky Max | 0.007 |
| Sams, Mr. Kenneth | 0.006 |
| Waffle House | 0.005 |
| Property Georgia Warehouse | 0.005 |
| Metro Land Management | 0.004 |
| Formetco Incorporated | 0.004 |
| Mollexa II Corporation | 0.003 |
| United Stationers Company | 0.002 |
| Rick Case | 0.002 |
| Burkett Oil Company, Incorporated | 0.001 |
| Trammell Crow Company ⁽²⁾ | 0.001 |
| K C Coatings, Incorporated | 0.001 |
| Autozone | 0.001 |
| D & D Associates | 0.001 |
| Wachovia Bank | 0.001 |
| TOTAL | 0.099 |

Source: Gwinnett County Department of Public Utilities

Customers of the Sewerage System. As of December 31, 2006, the Sewerage System had 138,284 retail customers. The City of Norcross uses the Sewerage System facilities on a wholesale basis. Norcross made capital contributions to the Sewerage System to aid in construction and in order to assure itself of adequate future treatment capacity. Norcross maintains its own sewer lines within its corporate limits. A similar contract with DeKalb County allows DeKalb to share proportionately in the operational cost of the Jackson Creek WRF up to the 1.12 mgd capacity reserved for DeKalb. Residents of Lilburn, Snellville, Berkeley Lake, Grayson, Duluth, Dacula, Suwanee, and Sugar Hill who are connected to the Sewerage System receive their service directly from the County. A portion of the residents of Buford are served by Buford's wastewater treatment system, while others are served by the County.

The following table shows the 10 largest retail users of the Sewerage System during 2006. Total sewer usage during 2006 was 16,897,514.6 gallons, generating \$66,118,528.97 in usage revenues (excluding late fees). No single retail user accounted for more than 1.21 percent of total Sewerage System revenues in 2006, and the 10 largest users together accounted for 4.2 percent of such revenues. In addition to retail customers, the County also provided service to two municipal customers on a wholesale basis: DeKalb County and the City of Norcross. DeKalb County produced 0.44 mgd of wastewater in 2006 and was billed \$399,456.83. The City of Norcross produced .94 mgd of wastewater in 2006 and was billed \$886,867.88. These two wholesale customers accounted for 1.95 percent of the total Sewerage System revenues.

10 largest retail sewerage users – 2006

| Customer | Thousands of Gallons Per Year | mgd | Total Revenues Received |
|-------------------------------------|-------------------------------|-------------|-------------------------|
| Gwinnett County Board of Education* | 202,822.6 | 0.56 | \$ 800,473.35 |
| Publix 3430700 | 122,470.4 | 0.34 | 484,982.78 |
| Phillips Correctional Institute | 77,741.0 | 0.21 | 307,854.36 |
| Gwinnett County BOC (Jail) | 63,563.0 | 0.17 | 251,709.48 |
| MTS Sweetwater Road | 48,013.9 | 0.13 | 190,135.04 |
| Management Association | 42,299.1 | 0.12 | 167,504.44 |
| Bridgewater Apartment | 40,027.0 | 0.11 | 158,506.92 |
| Mission Heritage Park | 37,708.7 | 0.10 | 149,326.45 |
| FPC/Westwood Apartments | 35,119.8 | 0.09 | 139,074.42 |
| Las Colinas | 34,145.0 | 0.09 | 135,214.20 |
| Totals | 703,910.5 | 1.92 | \$2,784,781.44 |

* Does not include irrigation accounts.

Current Sewerage Rates. The schedule presented below shows sanitary sewer rates. The Board of Commissioners adopted these rates at their meeting on July 19, 2005. The rates are subject to change by the County, as it deems advisable. Rates set by the County are not subject to the approval of any outside agency.

volume sewer charge

The following volumetric sewer charge shall apply to all water consumed.

| Effective January 1, 2007 | Effective January 1, 2008 | Effective January 1, 2009 |
|---------------------------|---------------------------|---------------------------|
| \$4.17/1000 gallons | \$4.52/1000 gallons | \$4.90/1000 gallons |

industrial surcharge

As computed for specific conditions of discharge.

sewer system development charge

| Water Meter Size | January 1, 2003 | | | | | January 1, 2004 | | | | | January 1, 2005 | | | | | January 1, 2006 | | | | | January 1, 2007 | | | | |
|------------------|-----------------|----------|----------|----------|----------|-----------------|------|--------|--------|--------|-----------------|--------|------|--------|--------|-----------------|--------|--------|------|--------|-----------------|--------|--------|--------|--|
| | Size | Jan 03 | Jan 04 | Jan 05 | Jan 06 | Jan 07 | Size | Jan 03 | Jan 04 | Jan 05 | Jan 06 | Jan 07 | Size | Jan 03 | Jan 04 | Jan 05 | Jan 06 | Jan 07 | Size | Jan 03 | Jan 04 | Jan 05 | Jan 06 | Jan 07 | |
| ¾" | | \$ 1,512 | \$ 1,804 | \$ 2,153 | \$ 2,352 | \$ 2,569 | | | | | | | | | | | | | | | | | | | |
| 1" | | 4,792 | 5,848 | 7,137 | 7,884 | 8,709 | | | | | | | | | | | | | | | | | | | |
| 1.5" | | 11,701 | 14,212 | 17,262 | 19,025 | 20,967 | | | | | | | | | | | | | | | | | | | |
| 2" | | 19,815 | 24,256 | 29,693 | 32,853 | 36,349 | | | | | | | | | | | | | | | | | | | |
| 3" | | 51,932 | 59,531 | 68,242 | 73,064 | 78,227 | | | | | | | | | | | | | | | | | | | |
| 4" | | 69,571 | 78,379 | 88,302 | 93,725 | 99,481 | | | | | | | | | | | | | | | | | | | |
| 6" | | 179,503 | 215,969 | 259,843 | 285,017 | 312,630 | | | | | | | | | | | | | | | | | | | |
| 8" | | 274,470 | 327,558 | 390,914 | 427,049 | 466,525 | | | | | | | | | | | | | | | | | | | |
| 10"* | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12"* | | | | | | | | | | | | | | | | | | | | | | | | | |

*System development charges for meters larger than 8" will be determined by the Department Water Resources to reflect anticipated average daily wastewater flows; insufficient data are available to develop equivalent flow factor for these large meters.

annual financial information

gwinnett county water and sewerage system and authority summary of combined operating results (in thousands of dollars)

SEC Rule 15c2-12(b)(5)(i)(A) requires annual financial information and operating data that are generally consistent with the presentation included in the Official Statement for each Bond Issue. The following table provides a summary of combined operating results:

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|-------------|-----------|-------------|-------------|--------------------------|
| Operating Revenues: | | | | | |
| Residential and commercial service | \$178,179 | \$170,187 | \$155,209 | \$145,625 | \$140,444 |
| Wholesale service | 4,446 | 4,711 | 5,725 | 4,621 | 9,033 |
| Public fire protection charges to other funds | 391 | 412 | 392 | 378 | 353 |
| Connection charges | 2,489 | 2,795 | 3,375 | 3,248 | 2,896 |
| Intergovernmental | - | - | - | 115 | 334 |
| Miscellaneous | 7,319 | 1,462 | 1,692 | 4,746 | 1,686 |
| Total operating revenues | 192,824 | 179,567 | 166,393 | 158,733 | 154,746 |
| Operating Expenses: | | | | | |
| Water production | 14,290 | 13,238 | 12,718 | 14,332 | 11,012 |
| Distribution and collection | 24,389 | 27,174 | 26,770 | 26,302 | 26,630 |
| Engineering | 7,504 | 7,164 | 6,837 | 6,360 | 6,035 |
| Reclamation | 26,189 | 24,835 | 23,799 | 22,193 | 21,842 |
| Depreciation and amortization | 64,304 | 46,277 | 36,570 | 32,939 | 31,412 |
| General and administrative | 12,941 | 11,970 | 10,039 | 9,858 | 9,542 |
| Total operating expenses | 149,617 | 130,658 | 116,733 | 111,984 | 106,473 |
| Operating income | 43,207 | 48,909 | 49,660 | 46,749 | 48,273 |
| Nonoperating Revenues (Expenses): | | | | | |
| Interest income | 10,189 | 6,742 | 2,790 | 6,328 | 9,650 |
| Change in fair value of investments | 1,926 | (2,169) | (515) | (1,489) | 3,071 |
| Interest expense | (24,800) | (26,367) | (27,141) | (22,312) | (15,707) |
| Loss on sale of fixed assets | (1,060) | (628) | (1,844) | (16,292) | (567) |
| Income before operating transfers | 29,462 | 26,487 | 22,950 | 12,984 | 44,720 |
| Capital contributions ⁽¹⁾ | 93,105 | 155,710 | 93,117 | 60,867 | 61,827 |
| Transfers in | 318 | 196 | 145 | 1,215 | 422 |
| Transfers out | (88) | - | - | - | - |
| Net income | 122,797 | 182,393 | 116,212 | 75,066 | 106,969 |
| Add depreciation on fixed assets acquired as capital contributions | N/A | N/A | N/A | N/A | N/A |
| Increase in net assets | 122,797 | 182,393 | 116,212 | 75,066 | 106,969 |
| Net assets, as previously reported | | | 1,412,426 | 1,337,360 | 1,230,391 ⁽²⁾ |
| January 1 Restatement | | | 181,702 | | |
| January 1 restated | 1,892,733 | 1,710,340 | 1,594,128 | | |
| Net assets, December 31 | \$2,015,530 | 1,892,733 | \$1,710,340 | \$1,412,426 | \$1,337,360 |

(1) As a result of GASB 34, beginning in fiscal year 2002, Capital Contributions now flow through the income statement and the add back of depreciation is no longer done. (2) January 1, 2002, beginning balance was adjusted due to GASB 34 treatment of Capital Contributions.

security for the bonds

General

The Series 1997, 1998, 2002, 2003b, 2004, 2005, and 2006 Bonds are limited, special obligations of the Authority. The County and the Authority entered into a Lease Agreement (the "Lease") dated November 1, 1985, and subsequently amended by the Amended and Restated Lease Contract in 1997 and supplemented by the Supplemental Lease Contract (the "Supplemental Lease") dated as of October 1, 2004, by which the Authority leased to the County all of its water and sewer facilities (collectively referred to as the "System"). Facilities acquired after November 1, 1985, are part of the System. The Lease is in effect until all revenue bonds are paid in full, but no later than October 1, 2054. The County manages and operates the System under the terms of the Lease as well as pledges the County's full faith and credit and taxing power as security for revenue bonds issued by the Authority.

All bonds issued after execution of the Supplemental Lease are expressly junior and subordinate to the pledge of net revenues with respect to bonds issued prior to that date. Lease Payments equal to the debt service of all First and Second Lien Bonds are to be paid directly by the County, on behalf of the Authority, into the Sinking Fund. The revenues of the Authority representing the Lease Payments from the County as provided in the Lease have been pledged to the payment of the principal of and interest on the Series 1994, 1997, 1998, 2002, 2003, 2004, 2005, and 2006 Bonds and any Additional Bonds or Obligations issued therewith. A portion of the 2002 Bonds were legally defeased with the proceeds of the 2006 Bonds.

The Water and Sewer Authority issued \$121,375,000 in refunding bonds ("2006 Refunding Bonds") on March 9, 2006. The 2006 Refunding Bonds were issued to 1) refund the 2002 Bonds in part and 2) pay costs related to the issuance of the Bonds. The 2006 Refunding Bonds were issued at a True Interest Cost of 4.3846 percent and resulted in net present value savings of \$4.9 million or 4.176 percent of the refunded par amount.

Revenue Fund and Lease Payments

All revenue derived from ownership and operations of the System or from properties in connection therewith shall be collected by the County and deposited promptly into the Revenue Fund created pursuant to the Lease. The County shall first pay from the Revenue Fund the reasonable and necessary costs of operating and maintaining the System in accordance with sound business practice, but before making provision for depreciation, interest expense and amortization. The net revenues remaining in the Revenue Fund after the payment of such operating expense, as provided in the Lease and the Supplemental Lease, are pledged to the payment of interest and principal of outstanding First and Second Lien debt. Net revenues remaining after payment of debt service are paid to the Renewal and Extension Fund for funding of capital projects.

The Lease requires the County to revise and adjust as often as it shall appear necessary the schedule of rates, fees, and charges for water and sewerage services and facilities to provide funds sufficient to operate and maintain the System on a sound businesslike basis and to make the debt service payments as required. Pursuant to the Lease, the County has covenanted that such rates, fees, and charges shall be maintained at such level as to produce Net Revenues equal to 1.2 times the Debt Service Requirement in the current year and, taking into account amounts on deposit therein, to create and maintain by the end of each year a balance in the Renewal and Extension Fund of not less than \$3,000,000.

With respect to Second Lien Bonds issued as Variable Rate Obligations, including the Series 2004 Bonds, the Debt Service Requirement is computed at a rate equal to the sum of (a) the lesser of: (i) the average annual interest rate on such Variable Rate Bonds for the 12 consecutive months preceding the date of calculation, and (ii) the average of the BMA Index for the 12 consecutive months preceding the date of calculation; and (b) any fees associated with any Liquidity Facility or Remarketing Agreement related to such bonds.

**debt service reserve –
MBIA surety bond**

Additional Bonds

As stated in the Supplemental Lease, the Authority will not issue Additional Bonds under the First Lien debt after October 1, 2004. However, the Supplemental Lease does not restrict the issuance of Additional Second Lien bonds. Following are conditions that must be met before the issuance of Additional Bonds:

- (a) None of the outstanding First and Second Lien Bonds are in default as to payment of principal and interest; the Authority remains in compliance with the Lease as supplemented and amended; the County is in compliance with the Lease and has consented in writing to the issuance of such Additional Bonds.
- (b) All payments to the Sinking Fund for both First and Second Lien Bonds are currently being made in the full amount as required.
- (c) A firm of independent certified public accountants shall have certified that based on Net Revenues for a period of 12 full consecutive calendar months out of the 18 consecutive calendar months preceding the month of the adoption of the proceedings for the issuance of such Additional Bonds, the Debt Service Coverage Ratio for each full Sinking Fund Year subsequent to issuance of the proposed Additional Bonds shall not be less than 1.10.
- (d) If such proposed Additional Bonds are issued to finance a capital project, the Authority shall have received a report of the Consulting Engineers setting forth the description of the project and projected future Debt Service Coverage Ratios.
- (e) All procedures relating to authorization of Additional Bonds and subsequent validation proceedings are followed.

The Lease requires the establishment of a Debt Service Reserve Account (the “Reserve Account”) within the Sinking Fund in an amount equal to the highest annual debt service on the First Lien Bonds. In place of maintaining a Debt Service Reserve Account, the Authority has purchased a debt service reserve surety bond from MBIA. The premium on the surety bond was fully paid at issuance and delivery of the First Lien Bonds. The bond provides that, upon proper notice to MBIA that the Authority has failed to make the required deposit with the Paying Agent sufficient to pay interest and principal due, MBIA will make such payments to fulfill obligations up to \$44,002,030. The surety bond does not ensure against non-payment caused by the insolvency or negligence of the Sinking Fund Custodian. The Authority will be required to reimburse MBIA for any draws under the surety bond with interest at a market rate. Upon such reimbursement, the surety bond will be reinstated to the extent of such reimbursement up to the maximum limit thereof.

The surety bond is only applicable to outstanding First Lien Bonds issued in 1994, 1998, 2002, and 2003. All Second Lien Bonds issued in 2004, 2005, and, 2006 and thereafter do not have a debt service reserve requirement.

annual debt service requirements

Debt service requirements on the Water and Sewerage Authority Revenue Bonds, Series 1994, 1998, 2002, 2003b, 2004, 2005, and 2006 are as follows:

| Bond Year Ending December 31 | First Lien | | | | Second Lien | | |
|------------------------------|--------------------------------|--------------------------------|--------------------------------|------------------------------------|--------------------------------|--------------------------------|---------------------------------|
| | Debt Service Requirements 1994 | Debt Service Requirements 1998 | Debt Service Requirements 2002 | Debt Service Requirements 2003 (b) | Debt Service Requirements 2004 | Debt Service Requirements 2005 | Debt Service Requirements 2006* |
| 2007 | 28,730,000 | 2,072,500 | 142,500 | 9,548,188 | 3,564,240 | 10,474,744 | 5,494,671 |
| 2008 | 28,724,999 | 2,068,500 | 142,500 | 9,548,188 | 3,564,240 | 10,474,744 | 5,491,446 |
| 2009 | 28,720,000 | - | 142,500 | 9,548,188 | 3,546,240 | 10,474,744 | 5,493,046 |
| 2010 | 28,735,000 | - | 142,500 | 9,548,188 | 3,182,200 | 12,694,744 | 5,494,609 |
| 2011 | - | - | 1,642,500 | 18,948,188 | 1,272,000 | 34,588,144 | 5,495,769 |
| 2012 – 2016 | - | - | 2,082,500 | 94,756,913 | 6,360,590 | 172,701,069 | 35,807,157 |
| 2017 – 2021 | - | - | - | 94,753,075 | 55,991,511 | 99,078,224 | 55,653,332 |
| 2022 – 2025 | - | - | - | 75,802,272 | 71,269,192 | 9,921,550 | 84,237,302 |
| Total | \$114,909,999 | 4,141,000 | 4,295,000 | 322,453,200 | 148,768,213 | 360,407,963 | 203,167,332 |

* The Series 2002 Bonds were partially defeased with the proceeds from the 2006 Bond.

audited annual financial statements

The Financial Section of this Comprehensive Annual Financial Report contains the County's Financial Statements with related Independent Auditors' Report. The County also has separately issued financial statements for the Water and Sewerage Authority, with related Independent Auditors' Report. These statements are consistent with the financial statements contained in the Official Statements in compliance with SEC Rule 15c2-12(b)(5)(i)(A) and (B).

required notices

The following table lists each material event and required notice defined in 15c2-12(b)(5)(i)(C) and (D). Since none occurred, the table confirms that no notice to the Nationally Recognized Municipal Securities Information Repository or the Municipal Securities Rule Making Board was required for any of the material events related to the Series 1998, 2002, 2003b, 2004, 2005, and 2006 Water and Sewerage Bonds. This confirms compliance with SEC Rule 15c2-12(b)(5)(i)(C) and (D) from July 3, 1995, to the date of this report.

* Bonds are variable rate demand notes. Rate 2.97 percent through October 2009; 4 percent thereafter.

Notice of Material Events or Failure to Provide Required Annual Financial Information

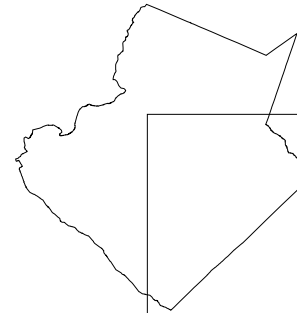
| Rule Sec. | Description | Series 1998 | Series 2002 | Series 2003b | Series 2004 | Series 2005 | Series 2006 |
|-----------|--|-------------|-------------|--------------|-------------|-------------|-------------|
| (C)(1) | Principal and interest payment delinquencies | None | None | None | None | None | None |
| (C)(2) | Non-payment related defaults | None | None | None | None | None | None |

Notice of Material Events or Failure to Provide Required Annual Financial Information

| Rule Sec. | Description | Series 1998 | Series 2002 | Series 2003b | Series 2004 | Series 2005 | Series 2005 |
|-----------|--|-------------|-------------|--------------|-------------|-------------|-------------|
| (C)(1) | Principal and interest payment delinquencies | None | None | None | None | None | None |
| (C)(2) | Non-payment related defaults | None | None | None | None | None | None |
| (C)(3) | Unscheduled draws on debt service reserves reflecting financial difficulties | None | None | None | None | None | None |
| (C)(4) | Unscheduled draws on credit enhancements reflecting financial difficulties | None | None | None | None | None | None |
| (C)(5) | Substitution of credit or liquidity providers, or their failure to perform | None | None | None | None | None | None |
| (C)(6) | Adverse tax opinions or events affecting the tax-exempt status of the security | None | None | None | None | None | None |
| (C)(7) | Modifications to rights of security holders | None | None | None | None | None | None |
| (C)(8) | Bond calls | None | None | None | None | None | None |
| (C)(9) | Defeasances | Partial | Partial | None | None | None | None |
| (C)(10) | Release, substitution, or sale of property securing repayment of the securities | None | None | None | None | None | None |
| (C)(11) | Ratings changes | None | None | None | None | None | None |
| (D) | Failure to provide annual financial information or operating data in a timely manner | None | None | None | None | None | None |

other information

Other relevant information is located in the Statistical Section of this Comprehensive Annual Financial Report.



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