COUNTY OF PLACER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(amounts expressed in thousands)

This section of the County of Placer's (County) comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2006. It should be read in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise noted.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close FY 2005-06 by $719,599 *(net assets).* Of the net assets amount, $307,048 in *unrestricted net assets* is available to meet ongoing obligations to citizens and creditors, $65,451 in *restricted net assets* must be used only for specific purposes and $347,100 is *invested in capital assets, net of related debt.*

- The County's total net assets increased by $88,509. The increase is due to County growth as reflected by increases in all forms of taxes, operating grants and contributions, investment earnings, and an increase in charges for services due to growth and development.

- As of June 30, 2006, the County governmental funds reported combined fund balances of $365,660 an increase of $41,031 in comparison with the prior year. Approximately 89.5 percent of the combined fund balances, or $327,199 is available to meet the County's current and future needs (*unreserved fund balance).*

- At the end of the fiscal year, unreserved fund balance for the General Fund, the county's largest fund, was $125,811 or 57.8 percent of total General Fund expenditures. However, this entire amount has been budgeted either for expenditure in FY 2006-07 or is designated for future uses, although there is usually increased carryover fund balance each year from budget savings or revenues in excess of budget.

- The County's total long-term debt increased by $10,873 or 9.5% in comparison with the prior year. Loans payable accounted for a $16,528 increase in long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis in this section are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: (1) **government-wide** financial statements, (2) **fund** financial statements, and (3) **notes** to the basic financial statements. **Required supplementary information** is included in addition to the basic financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of the County finances, using accounting methods similar to those of a private-sector business. These statements provide both long-term and short-term information about the County's overall financial status. The government-wide financial statements can be found on pages 15-17of this report.

The *Statement of Net Assets* presents information on all the County's assets and liabilities as of the end of the fiscal year, 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.

The *Statement of Activities* presents information on how net assets changed during the fiscal year, with revenues and expenses by major type or function. Revenues and expenses are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes, intergovernmental and program revenues (*governmental activities)* from other functions that are intended to recover most or all of their costs through user fees and charges (*business-type activities).* The governmental activities of the County include general government, public protection, public assistance, health and sanitation, public ways and facilities, recreation and cultural services, and education. The business-type activities of the County include facilities management, public transit and waste disposal.

Blended component units are included in the County's basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. Examples are the Redevelopment Agency of Placer County, the North Lake Tahoe Public Financing Authority, the Gold Country Settlement Funding Corporation, the Placer County Public Finance Authority, the In-Home Support Services Public Authority and numerous County Service Areas and Special Districts governed by the Board of Supervisors. The First 5 Placer Children and Families Commission is reported as a *discretely presented component unit* because the governing body is not substantially the same as the County Board of Supervisors. For further information concerning the County component units, refer to the separately issued financial statements, which are available from the Office of the Auditor-Controller upon request.

Fund financial statements are the more familiar groupings of related accounts that are used to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state or federal law or by debt covenants. All of the County's funds can be divided into three categories: *governmental funds, proprietary funds* and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on near-term financial resources, such as cash, that (1) have been spent on governmental programs during the fiscal year and (2) that will be available for financing such programs in the near future. The governmental funds financial statements are presented by major fund and for nonmajor funds in the aggregate on pages 18-23 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 25 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Public Safety Fund, Road Fund, Capital Improvements Fund and Public Facilities Fees Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

Proprietary funds are of two types: enterprise funds and internal service funds. These funds provide services that are usually supported in total or in major part by customer fees and charges. The proprietary funds financial statements can be found on pages 24-27 of this report.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As noted previously, the County uses enterprise funds to account for Transit, Facilities, County Service Areas and Sewer Maintenance Districts.

Internal service funds are an accounting device used to accumulate and allocate costs for services to the County's various functions. The County uses internal service funds to account for its telecommunications operations, workers' compensation and risk management, employee dental and vision and unemployment insurance programs, fleet services operations and maintenance, special district's administration and operations, correction's food services and countywide technology development and maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included primarily within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. All of the County's enterprise funds are considered to be major enterprise funds. The County's three internal service funds are also combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds, except for agency funds, which have more limited accounting and financial statements because of their purely custodial character. The fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 30-67 of this report.

Required Supplementary Information is presented concerning budgetary comparison schedules for the General Fund and major Special Revenue Funds, as well as the schedules of funding progress. Required supplementary information can be found on pages 68-73 of this report.

Immediately following the required supplementary information, the combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental funds, internal service funds, and agency funds. The combining and individual fund statements and schedules can be found on pages 74-105 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, net assets (assets in excess of liabilities) were $719,599 as of June 30, 2006, the close of the County's fiscal year.

Condensed Statement of Net Assets
June 30, 2005
(in thousands)

	Governmental Activities		Business-type Activities		Total		
	2006	2005	2006	2005	2006	2005	(%) Change
Assets:							
Current and other assets	$ 478,414	$ 420,343	$ 45,563	$ 42,449	$ 523,977	$ 462,792	13.2%
Capital assets, net	282,816	238,419	88,365	91,207	371,181	329,626	12.6%
Total assets	761,230	658,762	133,928	133,656	895,158	792,418	13.0%
Liabilities:							
Current and other liabilities	48,739	61,702	1,552	3,932	50,291	65,634	-23.4%
Noncurrent liabilities	117,823	94,436	7,445	7,642	125,268	102,078	22.7%
Total liabilities	166,562	156,138	8,997	11,574	175,559	167,712	4.7%
Net Assets:							
Invested in capital assets, net of related debt	261,048	211,898	86,052	88,425	347,100	300,323	15.6%
Restricted	65,451	40,599	-	-	65,451	40,599	61.2%
Unrestricted	268,169	250,126	38,879	33,658	307,048	283,784	8.2%
Total net assets	$ 594,668	$ 502,623	$ 124,931	$ 122,083	$ 719,599	$ 624,706	15.2%

The largest portion of the County's net assets of $347,100 (48.2 percent) reflects its investment in *capital assets* (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, such as tax revenues, since the capital assets themselves cannot be used to liquidate these liabilities. Another significant portion of the County's net assets (42.7 percent) represents *unrestricted net assets* of $307,048, which may be used to meet the County's ongoing obligations to citizens and creditors. The remaining balance of the County's net assets of $65,451 (9.1 percent) represents resources that are subject to external restrictions on how they may be used.

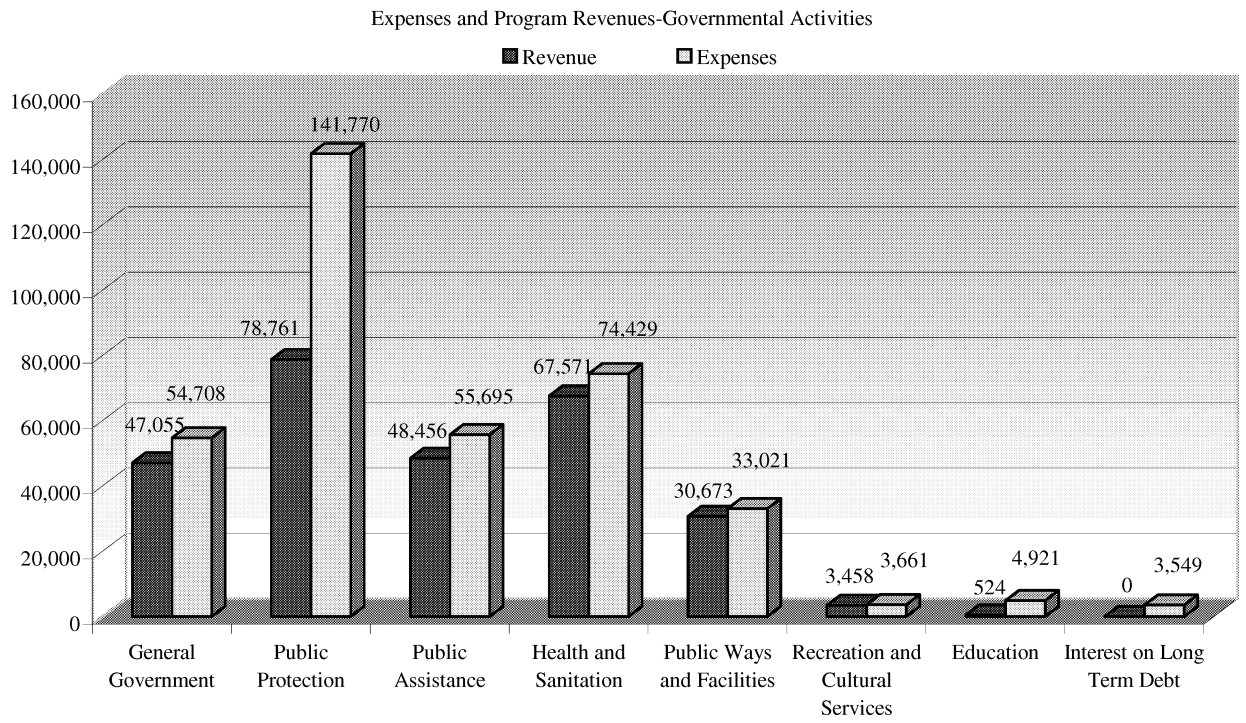
At the end of the current fiscal year, the County reported positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities.

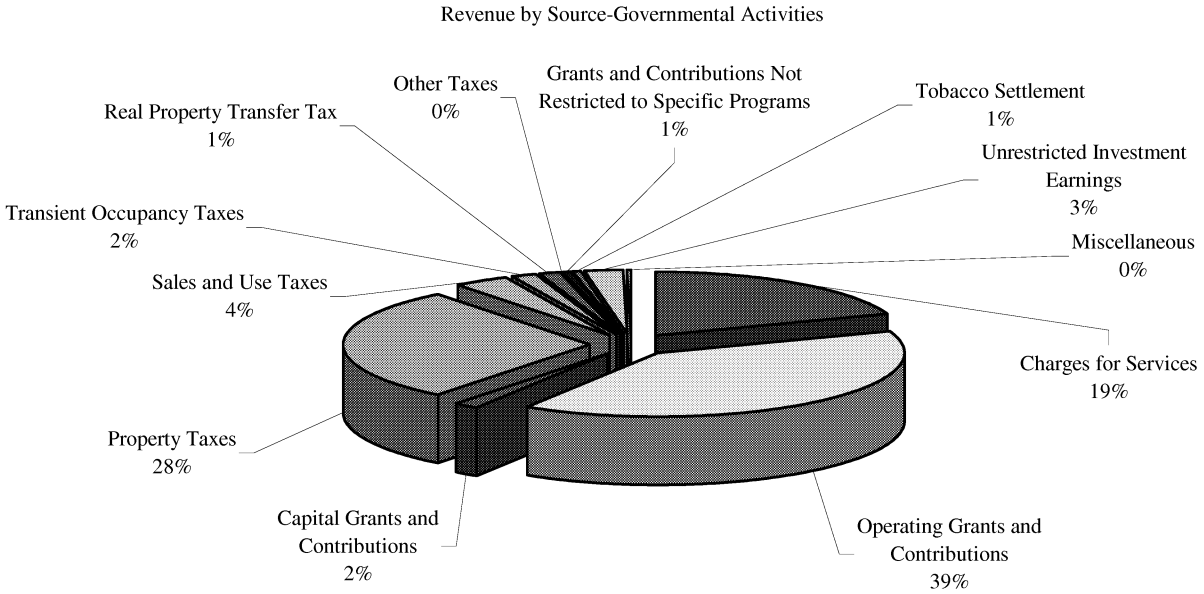
The County's total net assets increased by $88,509. The following table indicates the changes in net assets for governmental and business-type activities:

Condensed Statement of Activities
For the Fiscal Year Ended June 30, 2006
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total		
	2006	2005	2006	2005	2006	2005	(%) Change
Revenues:							
Program revenues:							
Charges for services	$ 88,397	$ 79,303	$ 19,589	$ 18,466	$ 107,986	$ 97,769	10.5%
Operating grants and contributions	181,186	174,839	2,479	9,078	183,665	183,917	-0.1%
Capital grants and contributions	6,915	19,414	171	3,922	7,086	23,336	-69.6%
General revenues:							
Property taxes	131,931	89,912	52	36	131,983	89,948	46.7%
Sales and use taxes	16,788	15,816	3,410	2,506	20,198	18,322	10.2%
Transient occupancy taxes	7,770	8,069	-	-	7,770	8,069	-3.7%
Real property transfer tax	5,824	6,693	-	-	5,824	6,693	-13.0%
Other taxes	112	89	-	-	112	89	25.8%
Grants and contributions not restricted to specific programs	2,660	458	-	-	2,660	458	480.8%
Tobacco settlement	3,044	2,882	-	-	3,044	2,882	5.6%
Unrestricted investment earnings	11,555	8,077	1,095	799	12,650	8,876	42.5%
Miscellaneous	857	1,838	-	-	857	1,838	-53.4%
Total revenues	457,039	407,390	26,796	34,807	483,835	442,197	9.4%
Expenses:							
General government	54,708	60,941	-	-	54,708	60,941	-10.2%
Public protection	141,770	121,450	-	-	141,770	121,450	16.7%
Public assistance	55,695	49,378	-	-	55,695	49,378	12.8%
Health and sanitation	74,429	60,182	-	-	74,429	60,182	23.7%
Public ways and facilities	33,021	35,566	-	-	33,021	35,566	-7.2%
Recreation and cultural services	3,661	409	-	-	3,661	409	795.1%
Education	4,921	4,632	-	-	4,921	4,632	6.2%
Interest on long-term debt	3,549	3,721	-	-	3,549	3,721	-4.6%
Community health clinics	-	-	-	9,530	-	9,530	-100.0%
Property management	-	-	3,288	2,367	3,288	2,367	38.9%
Public transit	-	-	6,646	6,154	6,646	6,154	8.0%
Waste disposal	-	-	13,638	13,042	13,638	13,042	4.6%
Total expenses	371,754	336,279	23,572	31,093	395,326	367,372	7.6%
Increase in net assets before transfers	85,285	71,111	3,224	3,714	88,509	74,825	18.3%
Transfers	284	(3,869)	(284)	3,869	-	-	0.0%
Change in net assets	85,569	67,242	2,940	7,583	88,509	74,825	18.3%
Net assets, beginning of year, restated	509,099	435,380	121,991	114,501	631,090	549,881	14.8%
Net assets, end of year	$ 594,668	$ 502,622	$ 124,931	$ 122,084	$ 719,599	$ 624,706	15.2%

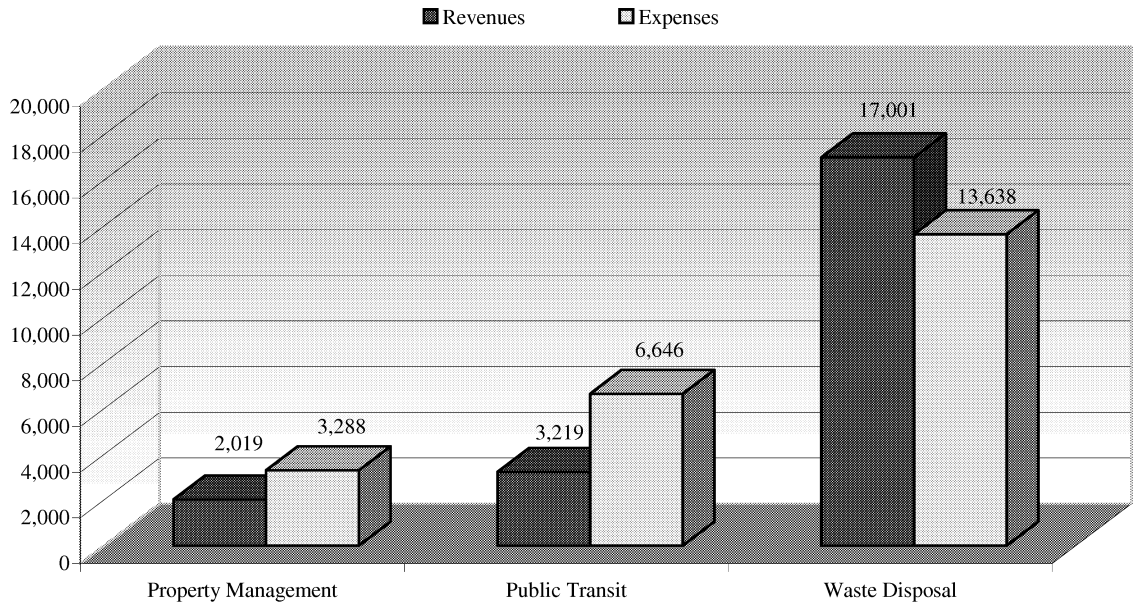
Governmental activities increased the County's net assets by $85,569 thereby accounting for most of the increase in net assets of the County. The increase is due to County growth as reflected by increases in all forms of taxes, operating grants and contributions, investment earnings, and an increase in charges for services due to growth and development.



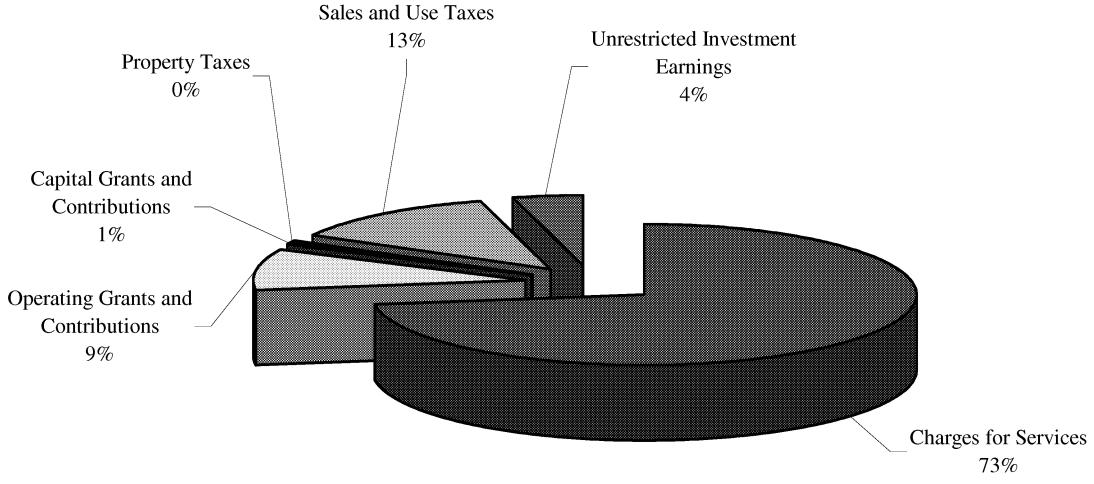


Business-type activities increased the County's net assets by $2,940. The key factors that contributed to this change were increases in sales taxes, investment earnings, and charges for services due to growth and development. Also, the community health clinics business-type activity was converted to a governmental activity at the start of the fiscal year ended June 30, 2006. Accordingly, operating grants and contributions and associated community health clinic expenses decreased by approximately $6,600 and $9,530, respectively.

Expenses and Program Revenues-Business Type Activities



Revenue by Source-Business-Type Activities



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental funds

The County's general government functions are contained in the General, Special Revenue, Capital Projects, Debt Service, and Permanent Funds. Also included in these funds are the special districts governed by the Board of Supervisors. As noted previously, 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 more immediate financing requirements.

In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2006, the County's governmental funds reported combined fund balances of $365,660, an increase of $41,031 in comparison with the prior year. Approximately 89.5 percent of the combined fund balances, or $327,199, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved indicating that it is not available for new spending because it has been committed: (1) to pay debt service; (2) to reflect inventories, notes receivables, prepaid items, imprest cash, and amounts advanced to other funds that are long-term in nature and thus do not represent available spendable resources; and (3) to liquidate contractual commitments of the period.

The General Fund is the chief operating fund of the County. At June 30, 2006, unreserved fund balance of the General Fund was $125,811, while total fund balance reached $134,101. 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 represented 57.9 percent of total fund expenditures, while total fund balance represented 61.7 percent of that same amount. Fund balance of the County's General Fund increased by $13,488 during the current fiscal year. The key factors to this change were increases in all forms of taxes and charges for services revenues and a stabilization of the County's workforce leading directly to cost savings.

The remaining major funds and other governmental funds' balances increased by $27,543 to $231,559. The key factors in this increase is (1) a $17,794 change in fund balance in the Road and Public Facilities Fees Funds that will be used to fund and complete our 3 major construction projects, (2) a $4,921 decrease in the Capital Improvements Fund as a result of current year construction, and (3) a $14,843 increase in Other Governmental Funds to complete our 3 major construction projects and for planned projects in the County redevelopment areas.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

Revenues Classified by Source
(amounts expressed in thousands)

	2006		2005		Increase (Decrease)	
Revenues by Source	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Change**
Taxes	$ 162,425	36.44%	$ 118,407	29.69%	$ 44,018	37.18%
Licenses and permits	8,112	1.82%	8,469	2.12%	(357)	-4.22%
Fines, forfeitures and penalties	11,042	2.48%	11,857	2.97%	(815)	-6.87%
Use of money and property	10,428	2.34%	7,475	1.87%	2,953	39.51%
Intergovernmental	183,632	41.19%	188,685	47.29%	(5,053)	-2.68%
Charges for services	64,963	14.56%	59,157	14.83%	5,806	9.81%
Contributions and donations	1,022	0.23%	364	0.09%	658	180.77%
Tobacco settlement	2,481	0.56%	2,700	0.68%	(219)	-8.11%
Miscellaneous revenues	1,672	0.38%	1,854	0.46%	(182)	-9.82%
Total	$ 445,777	100.00%	$ 398,968	100.00%	$ 46,809	11.73%

- *Taxes increased* by $44 million or 37.2%. This increase is a result of the strong local real estate market as the County remains one of the fastest-growing counties in California. In addition, approximately $25 million was recorded in the current year as taxes revenue due to a property tax/motor vehicle in-lieu (MVIL) car tax shift as required by State statute. In FY04/05, the State cut the MVIL car tax for the benefit of the State taxpayers. To compensate, the State "swapped" property tax revenue ($20 million in FY04/05) previously distributed in the County for education funding by shifting such revenue from education to the County.

- *Intergovernmental increased* $20.0 million (once you remove the property tax/MVIL car tax shift mentioned above) as a result of new state and federal funding of County programs.

- *Use of money and property increased* $2.9 million or 39.5%. This increase is due to an annual interest yield increase from a low of 1.85 % to a high of 4.43%. In addition, the average monthly balance of the General Fund in the Treasury increased about 12%. The total investment portfolio is now over $1 billion.

- *Charges for services increased* $5.8 million or 9.8%. This increase is due to increases in charges for special assessments, planning and engineering services, election services, recording fees and institution care.

The following table presents the amount of expenditures by function as well as increases or decreases from the prior year displayed.

Expenditures by Function
(amounts expressed in thousands)

	2006		2005		Increase (Decrease)	
Expenditures by Function	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Change**
General government	$ 54,552	12.94%	$ 55,713	15.31%	$ (1,161)	-2.08%
Public protection	141,926	33.70%	119,945	32.97%	21,981	18.33%
Public assistance	55,842	13.26%	49,378	13.58%	6,464	13.09%
Health and sanitation	74,929	17.79%	60,094	16.52%	14,835	24.69%
Public ways and facilities	29,121	6.91%	27,268	7.50%	1,853	6.80%
Recreation and cultural services	3,638	0.86%	338	0.09%	3,300	976.33%
Education	4,879	1.16%	4,520	1.24%	359	7.94%
Capital outlay	48,207	11.45%	39,842	10.96%	8,365	21.00%
Principal paid on long-term debt	1,372	0.33%	2,820	0.79%	(1,448)	-51.35%
Interest and fiscal charges	3,712	0.88%	3,767	1.04%	(55)	-1.46%
Bond issuance costs	1,876	0.45%	-	0.00%	1,876	0.00%
Payment to refunded bond escrow agent	1,089	0.26%	-	0.00%	1,089	0.00%
Total	$ 421,143	99.99%	$ 363,685	100.00%	$ 57,458	15.80%

- *Public protection* expenditures increased $21,981 or 18.3%. This increase is mostly due to salaries and benefits, purchases of equipment, general liability insurance, and costs associated with countywide cost allocation.

- *Public assistance* expenditures increased $6,464 or 13.1% from the prior year as a result of increases in salaries and benefits and a substantial Case Load Growth.

- *Health and sanitation* expenditures increased $14,835 or 24.7%. This increase is due to more intensive and costly alcohol, drug and residential services, new West Nile and Waste Tire Programs, opening of new school based day treatment site, and higher outpatient network provider contracts. In addition, Community Clinics expenditures were being reported in the General Fund for the first time.

- *Capital outlay* expenditures increased $8,365 or 21.0%. This increase was due to telecommunication costs and payments on construction contracts for the Auburn Justice Center and Land Development Building as they neared completion.

Proprietary funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the enterprise funds increased $2,940 to $124,931. The key factors that contributed to this change were increases in sales taxes, investment earnings, and charges for services due to growth and development. The internal service funds net assets increased by $13,093 to $36,265.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget for the fiscal year ended June 30, 2006 resulted in an $11,655 increase in appropriations. Mid-year budget changes were made to the Public Assistance appropriation to incorporate the state/federal/county share of the In-Home Supportive Services Program provider salaries and benefits. In addition, mid-year budget additions were made to the Health Services appropriation to fund new state and federal programs. The difference between the final amended budget and actual expenditures for the fiscal year ended June 30, 2006 was $40,156 and can be briefly summarized as follows:

- $22,171 under-budget in general government expenditures due to a stabilization of the County's workforce, departmental cost savings and contingencies.

- $9,597 and $4,393 under-budget in public protection and health and sanitation expenditures, respectively, due to a stabilization of the County's workforce, the creation of the Community Development Resource Agency, and departmental cost savings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounted to $371,181 (net of accumulated depreciation). This investment in capital assets includes land and easements, infrastructure, structures and improvements, equipment and construction in progress. The total increase in the County's investment in capital assets for the current period was 12.6 percent.

Major capital asset events during the current fiscal year included the following:

- $6.5 million increase in equipment as a result of adding fire equipment due to the consolidation of Placer Consolidated Fire into the County's operations, equipment for the Radio Network project, and additional vehicles purchased through our capital lease financing program.

- $38.1 million increase in construction in progress mainly due to the continuation of three major capital projects: South Placer Criminal Justice Facility, Auburn Justice Center and the Community Development Resource Center. In addition, the Redevelopment Agency has started two parking lot projects in North Lake Tahoe.

The following table presents a summary of the County's capital assets at June 30, 2006.

Capital Assets
June 30, 2006
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total		
	2006	2005	2006	2005	2006	2005	% of change
Land	$ 40,789	$ 38,083	$ 1,398	$ 1,398	$ 42,187	$ 39,481	6.85%
Construction in progress	88,910	48,827	221	1,206	89,131	50,033	78.14%
Structures and improvements	90,077	85,875	47,348	46,797	137,425	132,672	3.58%
Equipment	51,896	44,901	8,645	9,091	60,541	53,992	12.13%
Infrastructure	205,667	204,596	87,351	86,812	293,018	291,408	0.55%
Less: Accumulated depreciation	(194,523)	(183,863)	(56,598)	(54,096)	(251,121)	(237,959)	5.53%
Total	$ 282,816	$ 238,419	$ 88,365	$ 91,208	$ 371,181	$ 329,627	12.61%

More detailed information about the County's capital assets is presented in Note 4 in the basic financial statements.

Long-term debt

At June 30, 2006, the County had total long-term debt outstanding of $125,268. This amount is comprised of $57,882 in loans payable, $22,523 of certificates of participation, $12,841 of compensated absences, $2,023 of sewer and water and lease revenue bonds, $23,698 of self-insurance liability, $4,819 of landfill post closure liability and $1,482 of capital leases payable.

During the fiscal year ended June 30, 2006, total long-term debt increased 9.5% as a result of the Gold Country Settlement Funding Corporation borrowing additional funds of approximately $15.0 million from the Securitization Agency.

The following table represents a summary of the County long-term debt as of June 30, 2006.

Outstanding Long-Term Debt
June, 30 2006
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total		
	2006	2005	2006	2005	2006	2005	% of change
Revenue bonds	$ -	$ -	$ 2,023	$ 2,314	$ 2,023	$ 2,314	-12.58%
Capital leases	1,192	1,063	290	468	1,482	1,531	-3.20%
Certificates of participation	22,523	24,060	-	-	22,523	24,060	-6.39%
Loans payable	57,882	41,354	-	-	57,882	41,354	39.97%
Self insurance	23,698	27,629	-	-	23,698	27,629	-14.23%
Landfill postclosure liability	-	-	4,819	4,944	4,819	4,944	-2.53%
Compensated absences	12,528	12,017	313	546	12,841	12,563	2.21%
Total	$ 117,823	$ 106,123	$ 7,445	$ 8,272	$ 125,268	$ 114,395	9.50%

More detailed information about the County's long-term debt is presented in Notes 7 and 8 in the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Due to the State's continuing budget deficits and resulting risk of significant revenue reductions, the following County budget goals were adopted in preparing the County's balanced budget for fiscal year 2006-2007:

- To maintain critical operations, programs and service levels within funding constraints.
- Continue with planned for and previously funded facility infrastructure projects.
- To maintain, where possible, adequate contingencies and reserve levels.

In addition to the above, these factors were also considered:

- The fiscal year 2006-2007 budget maintains baseline services and funds high priority projects such as the road overlay program, capital construction projects, equipment and fleet replacement, and funding for open space acquisitions and maintenance. The FY2006-07 budget includes an increase of $37 million or 6% from the prior years adopted budget.
- Salary and benefit costs in the County's operating funds have increased approximately $23.9 million from the prior year budget. In addition to expected salary adjustments for labor contract provisions and merit step increases, the cost for employee medical, dental and vision insurance coverage continues to rise at a phenomenal rate, as well as contributions to the employee retirement system.
- New labor agreements with the County's two labor organizations will impact future budgets. In addition, the Board will be reviewing the compensation and benefits package of County managers and confidential employees that may also impact future budgets.
- Pension and health care reform dominate the State legislative process. The County, in preparation for GASB Statement No. 45, has actuarially determined our other post employment benefits (OPEB) liability to be approximately $328 million. The Board of Supervisors has designated $20 million to help fund our future OPEB contributions. In addition, County departments will be charged a percentage of funds based on salaries to fund future OPEB contributions.
- The Board of Supervisors has approved a $563 million Capital Facilities Financing Plan over the next decade, including completion of the Auburn Justice Center and Community Development Resource Center, Phase I of the South Placer Criminal Justice Center (new courthouse and jail), Children's Emergency Center, Burton Creek Justice Center, Colfax Library and major infrastructure improvements in North Lake Tahoe.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any information provided in this report or requests for additional information should be addressed to County of Placer, Office of Auditor-Controller, 2970 Richardson Drive, Auburn, CA 95603.