



County of El Dorado
OFFICE OF AUDITOR-CONTROLLER

360 FAIR LANE
PLACERVILLE, CALIFORNIA 95667-4193
Phone: (530) 621-5487 Fax: (530) 295-2535

JOE HARN, CPA
Auditor-Controller

BOB TOSCANO
Assistant Auditor-
Controller

May 7, 2007

Board of Supervisors
County of El Dorado
330 Fair Lane
Placerville, California 95667

Subject: Revised Recommendation-Agenda Item#17-May 8, 2007

Ladies and Gentlemen:

Revised Recommendation

The Auditor-Controller recommends that the Board of Supervisors receive and file the listed audit reports with the revised Management Discussion and Analysis dated May 7, 2007.

Reason for Recommendation

Risk Management has received a number of written communications from the County's actuary since January 11, 2007, indicating that the County's liability for Retiree's Health was significantly higher than the amount disclosed in our annual report. The CAO and I had an obligation to consider disclosing the higher liability in the County's financial statements but did not because we were unaware that a revised actuarial report was available. The liability presented in the revised Management Discussion and Analysis date May 7, 2007, includes the actuary's latest estimate, which was received today.

Because I have just received the latest draft actuarial information, I am unable to comment on the accuracy or completeness of new Retiree's Health liability. Hopefully, over the next few weeks I can obtain a greater understanding of the key assumptions and estimates that went into the report. Further, hopefully, this information will be shared with organized labor immediately, so that they may understand and/or question the actuary's latest report.

Sincerely,

Joe Harn, CPA
Auditor-Controller

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BOARD OF SUPERVISORS
EL DORADO COUNTY
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County of El Dorado

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Members of the Board of Supervisors and
Citizens of El Dorado County:

May 7, 2007

This *Management's Discussion and Analysis* and letter of transmittal of the County of El Dorado's (County) financial statements presents a narrative overview and analysis of the County's financial activities during the fiscal year ended June 30, 2006. Please read it in conjunction with the County's financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$471 million (net assets). Of this, \$35.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors, \$148.2 million is restricted for specific purposes (restricted net assets), and \$287 million is invested in capital assets, net of depreciation and related debts.
- The County experienced an overall increase in net assets of \$38.9 million. This is almost entirely attributable to governmental activities and is \$4.9 million less than that of the prior year's increase of \$43.8 million.
- As of June 30, 2006, the County's governmental funds reported combined fund balances of \$186.4 million. Approximately 87% of this amount, or \$163 million, is available to meet the County's current and future needs.
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$25 million or 16 percent of the General Fund expenditures during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the financial statements. Required Supplementary Information is included in addition to the financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator in determining if the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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. earned but uncollected revenues and earned but unused vacation leave).

Both of these government-wide 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 their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services. The business-type activities of the County include Airports and South Lake Tahoe Transit.

Component units are included in our financial statements and consist of legally separate entities for which the County is financially accountable and that have boards that have been substantially appointed by the County Board of Supervisors and/or provide services entirely to the County. Component units of the County include the El Dorado Transit Authority and Children and Families Commission (Commission).

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County 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 current *in-flows and outflows of spendable resources* as well as the *balances of available resources* at the end of the fiscal year. Such information may be useful in evaluating the County's short-term financial position and the financial resources available in the near future to support the County's programs.

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 *government funds* with similar information presented for *government 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 *government funds* and *governmental activities*.

In addition to the *General Fund*, the County maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects, and permanent funds). Major funds are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Major governmental funds include the *General Fund*, the *Road Fund*, and the *Debt Service Fund*. All other governmental fund types are presented in aggregate as *Other Governmental Funds*.

Proprietary funds are comprised of *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for South Lake Tahoe Transit and County Airports. *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 for its self-insurance (Risk Management Authority), which includes general liability, workers' compensation, employee health benefits, and for its fleet operations and maintenance (Fleet Management). Because these services predominantly benefit government rather than business-type functions, they have been included within *government activities* in the government-wide financial statements.

Proprietary fund financial statements provide similar information as the government-wide financial statements, only in more detail. These statements present the County's *business type activities- enterprise funds* and *government activities- internal service funds*. The *proprietary fund statements* present each of the County's *enterprise funds* (South Lake Tahoe Transit and County Airports) separately and in aggregate, along with the aggregate of the *internal service fund* activity. Additional *internal service fund* financial statements have been provided for Fleet Management and the Risk Management Authority, which provide the detail for each of these 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 government-wide financial statements because the resources of these funds are not available to support the County's programs. The County retains both Investment Trust and Agency type fiduciary funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information regarding the County's budgetary process has been provided along with budgetary comparison schedules for each of the major governmental funds (General Fund, Road Fund, Debt Service Fund). This budgetary information is in addition to and follows the supplementary schedule concerning the County's progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Since prior-year information is available, a comparative analysis of government-wide data will be presented.

Net Assets June 30, (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	\$ 256,341	\$ 239,041	\$ 283	\$ 541	\$ 256,624	\$ 239,582
Capital assets	295,885	272,295	2,704	1,777	298,589	274,072
Total assets	552,226	511,336	2,987	2,318	555,213	513,654
Liabilities:						
Current and other liabilities	35,448	46,926	79	310	35,527	47,236
Long-term liabilities	48,754	30,331	65	71	48,819	30,402
Total liabilities	84,202	77,257	144	381	84,346	77,638
Net Assets:						
Invested in capital assets, net of related debt	284,420	259,833	2,658	1,777	287,078	261,610
Restricted net assets	148,175	146,650	15	7	148,190	146,657
Unrestricted net assets	35,429	27,596	170	153	35,599	27,749
Total net assets	\$ 468,024	\$ 434,079	\$ 2,843	\$ 1,937	\$ 470,867	\$ 436,016

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$471 million at the close of the most recent fiscal year.

By far the largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, structures and improvements, and equipment), less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these net assets are not available for future spending.

An additional portion of the County's net assets, \$148.2 million or 31.5 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance, \$35.6 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the most current fiscal year, the County is able to report positive balances in all three categories of net assets, for the government as a whole. The following table indicates the changes in net assets for governmental and business-type activities:

**Change in Net Assets
June 30,
(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues:						
Charges for services	\$ 60,109	\$ 68,952	\$ 754	\$ 606	\$ 60,863	\$ 69,558
Operating grants and contributions	112,609	98,650	95	689	112,704	99,339
Capital grants and contributions	4,179	4,855	1,298	-	5,477	4,855
General Revenues:						
Taxes	94,138	80,319	-	-	94,138	80,319
Use of money and property	9,381	4,179	1	5	9,382	4,184
Other revenues	5,820	5,384	6	-	5,826	5,684
Total revenues	<u>286,236</u>	<u>262,339</u>	<u>2,139</u>	<u>1,300</u>	<u>288,375</u>	<u>263,639</u>
Expenses						
General government	31,389	35,187			31,389	35,187
Public protection	96,072	75,554			96,072	75,554
Public ways and facilities	26,961	23,180		-	26,961	23,180
Health and sanitation	48,445	42,602		-	48,445	42,602
Public assistance	40,238	37,793		-	40,238	37,793
Education	3,076	2,617		-	3,076	2,617
Recreation and culture	1,025	705		-	1,025	705
Interest on long-term debt	888	989	-	-	888	989
Airports	-	-	907	770	907	770
SLT Transit Program			434	392	434	392
Total expenses	<u>248,094</u>	<u>218,627</u>	<u>1,341</u>	<u>1,162</u>	<u>249,435</u>	<u>219,789</u>
Excess (deficiency) before special items and transfers	38,142	43,712	798	138	38,940	43,850
Transfers	<u>(108)</u>	<u>(93)</u>	<u>108</u>	<u>93</u>	<u>38,940</u>	<u>43,850</u>
Change in net assets	<u>38,034</u>	<u>43,619</u>	<u>906</u>	<u>231</u>	<u>38,940</u>	<u>43,850</u>
Net assets at beginning of year	434,079	392,227	1,937	1,706	436,016	393,933
Restate net assets, see a) b) below	<u>(4,089)</u>	<u>(1,767)</u>	<u>-</u>	<u>-</u>	<u>(4,089)</u>	<u>(1,767)</u>
Net assets at beginning of year - restated	<u>429,990</u>	<u>390,460</u>	<u>1,937</u>	<u>1,706</u>	<u>431,927</u>	<u>392,166</u>
Net assets at end of year	<u>\$ 468,024</u>	<u>\$ 434,079</u>	<u>\$ 2,843</u>	<u>\$ 1,937</u>	<u>\$ 470,867</u>	<u>\$ 436,016</u>

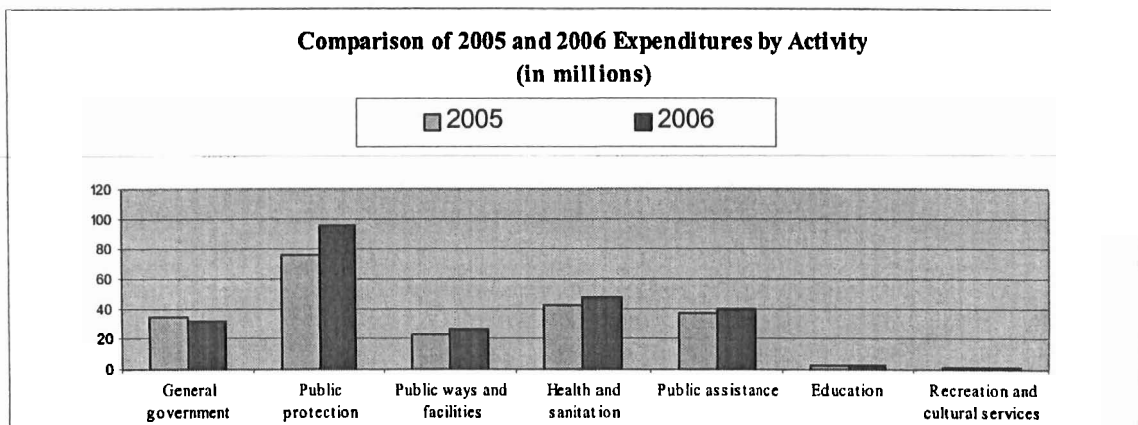
- a) Net assets at the beginning of 2006 were restated by a net decrease of \$4.1 million. This negative adjustment was due mostly to an understatement of long-term liabilities including County Water Agency deferred revenues (\$3.4 million) and California Energy Commission Loan notes payable of (\$655 thousand). The remaining adjustment consisted of the reclassification of a Governmental Fund to a Fiduciary Fund type.
- b) Net assets at the beginning of 2005 were restated by a net decrease of \$1.8 million. This negative adjustment was due mostly to the reclassification of funds from a Governmental Fund to a Fiduciary Fund type. Further, most of this adjustment (\$1.7 million) resulted from the reclassification of the Tax Loss Reserve fund from a Governmental Special Revenue Fund type to a Fiduciary Agency Fund type.

Governmental activities. The County experienced an overall increase in net assets of \$38.9 million. This is almost entirely attributable to *governmental activities* and \$4.9 million less than the prior year's increase of \$43.8 million. This net decrease (\$4.9 million) in excess revenues was the result of a 9% increase in revenues accompanied by a 13% increase in expenditures when compared to the prior year. Further, while expenditures increased in almost all of the functional areas, a significant revenue source actually decreased in 2006. Specifically, charges for services decreased by \$8.6 million or 12%. Further, while this decrease was offset by increases in other revenue sources such as operating grants and contributions, taxes, and revenues from the use of money, the decrease in charges for services contributed to the decrease in excess revenues. The most significant decreases in charges for services included:

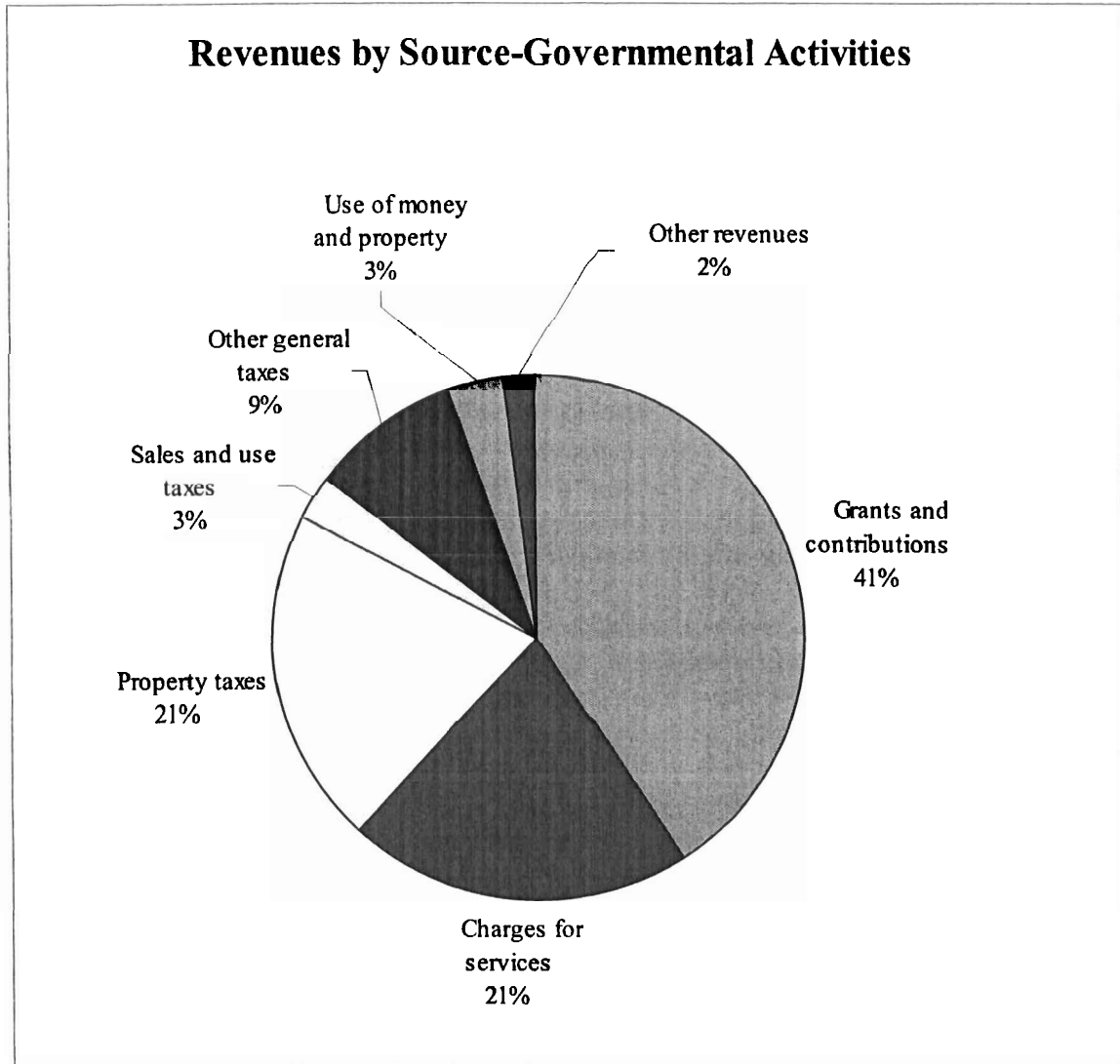
- \$5.6 million decrease, from \$11.2 million in 2005 to \$5.6 million in 2006, in road impact fees generated from the El Dorado Hills / Salmon Falls and Silva Valley Interchange road improvement projects,
- \$2.1 million decrease, from \$2.7 million in 2005 to \$652 thousand 2006, in the Department of Transportation's County Engineer's charges for services for development projects. While it appears that actual revenues were down for these services when compared to last year, from \$1.3 million in 2005 to \$1.1 million in 2006, most of this decrease is attributable to the deferral of the deposits received in advance from contractors. In the past these deposits were recognized in the year received,
- \$800 thousand decrease resulting from the reclassification of library taxes from special assessments to special taxes in fiscal year 2006. These tax revenues are now presented as "other general taxes",
- \$147 thousand decrease in recording fees.

As mentioned, while revenues increased by 9%, governmental activity expenditures increased by 12% when compared to 2005. This increase in expenditures occurred in almost of all functional areas, the most significant of which occurred under public protection.

Below is a graph that presents a comparison of 2005 and 2006 expenditures under each of the governmental activities,



Following is a graphical presentation of the various revenue sources at the entity-wide level. As presented, the County received most of its recognized revenues from grants and contributions (41 percent) and charges for services (21 percent), property taxes (21 percent).



Business-type activities. Business-type activities increased the County's net assets by \$906 thousand. This net increase is primarily the result of \$1 million of federal revenues received and awarded to County Airports for capital improvements. A portion of these improvements was still under construction as of June 30, 2006.

Similar to prior years, the County Airports is operating at a loss, \$202 thousand in 2006 compared to \$219 thousand last year. As in prior years, both the Placerville and Georgetown Airports had a loss from operations, whereby operating expenditures exceeded operating revenues (charges for services). Unlike last year, however, the County Airports did manage to improve their operating position. Specifically, while the

County Airports' operating expenditures went up by \$136 thousand or 18.0 percent in 2006, charges for services increased slightly more by \$153 thousand or 28.3 percent thus allowing them to close some of the gap between operating income and expenditures.

To help finance the operations of business-type activities in 2006, County governmental funds contributed \$108 thousand to the County Airports during the year.

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. Governmental activities are generally accounted for under the General, special revenue, permanent, debt service, and capital project funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances as spendable resources. Such information is useful in assessing the County's short-term financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of June 30, 2006 the County's governmental funds reported a combined ending fund balance of \$186.4 million, compared to the \$175.4 million restated fund balance of the previous year. Approximately 87 percent of this fund balance, or \$163 million, is unreserved and undesignated and thus is available to meet the County's current and future spending needs. The remainder of the fund balance has either been reserved and is not available for spending, or has been designated for a specific spending purpose in the future.

The General Fund is the chief operating fund of the County. As of June 30, 2006, the General Fund's unreserved undesignated fund balance was \$25 million, an increase of \$4.4 million from last year. This increase is due to a net change in fund balance of \$11 million offset by an increase in reserves and designation of \$6.6 million.

The June 30, 2006 unreserved undesignated fund balance, as compared to General Fund expenditures for the year, is approximately 15.8 percent, compared to 14.7 percent last year. Thus, without any additional revenue inflows, this fund balance could support the General Fund's activities for approximately 58 days, compared 54 days last year.

In addition to the General Fund, the County maintains two major governmental funds, the Road Fund and the Debt Service Fund. The Road Fund accounts for the planning, design, construction, maintenance, and administration of the County's transportation activities (public ways and facilities). The Road Fund recorded \$15.3 million in revenues in 2006, compared to \$14.6 million last year. Conversely, expenditures recorded in this fund increased by over \$7.9 million, \$43.9 million in 2006 compared to \$36 million in

2005, and may be attributed to increased road maintenance and administration activities during the year.

The Debt Service Fund accounts for the accumulation of resources and payment of general long-term debt principal and interest. In 2006 the fund recorded just \$181 thousand in revenues, compared to \$227 thousand 2005. More significantly, however, principal and interest payments decreased by \$2.5 million in 2006. This moderate decrease in revenues accompanied by the more significant decrease in principal and interest payments are both due to the maturity of the El Dorado Hills Business Park bond issue in 2005.

The combined governmental fund balance increased by \$11 million during 2006, compared to a \$19.4 million increase last year. This lower increase in fund balance was the result of expenditures increasing by 13.8 percent, \$285.9 million in 2006 compared to \$251.3 million in 2005, while revenues increased by only 9.5 percent, \$295.7 million in 2006 compared to \$269.9 million in 2005. Thus, while governmental funds continue to realize a net increase in fund balance, it is less than that of last year.

Proprietary funds. As described earlier, when certain activities are preformed for which user fees or charges are designed to cover expenditures, proprietary funds are used. The County accounts for both governmental activities (internal service funds) and business type activities (enterprise funds) using these types of funds.

As discussed earlier, the net assets of enterprise funds increased by \$906 thousand primarily due to non-operating capital improvement revenues received by the County Airports. Also discussed earlier, the County enterprise funds have not been able to generate sufficient operating revenues to cover expenses, which in turn necessitated governmental fund contribution of \$108 thousand in 2006.

Net assets of the internal service funds increased by \$5.8 million. This amount is almost entirely attributable to a net gain realized by the Risk Management Authority.

GENERAL FUND BUDGETARY ANALYSIS

Differences between the original and the final amended budgeted revenues increased by \$5.4 or 2.9 percent, while budgeted expenditures increased by \$5.4 million, or 2.7 percent. The largest of these budget modifications included:

- \$1.2 increase in the estimated State intergovernmental revenues,
- \$1.9 increase in the estimated Federal intergovernmental revenues,
- \$2 million increase in estimated other financing sources,
- \$332 thousand increase in County Counsel services and supplies,
- \$2.1 thousand increase in Recorder – Elections budget,
- \$1.1 million increase in estimated contributions to other funds,
- \$392 thousand increase in Sheriff's budget,

- \$1.5 million increase in the Jail budget,
- \$211 thousand increase in Planning and Zoning budget,

The variance between resources budgeted (original and final) and the actual amounts received were moderate, \$6.6 million in total or just 3.4 percent. Specifically, compared to a final resource budget of \$191.7 million, actual funding equaled \$185.2 million. This budget shortage of revenues can be attributed to the over-forecasting of both state and federal intergovernmental revenues (\$3.8 million and \$2.2 million respectively), charges for services (\$1.4 million), and other financing sources (\$2 million), offset by the under budgeting of inflows associated with the use of money and property (\$1.9 million).

The difference between the budgeted expenditures and actual were more significant. Specifically, expenditures fell \$33 million or 15.9 percent below the final budget. This variance can be mostly attributed to actual expenditures falling below projected expenditures within the following governmental activities:

- **General Government** – Actual expenditures fell below final budget by \$14.9 million or 23.3 percent. While almost all of the general government operating units had expenditures that fell below their final budget, some units showed considerable differences (budget exceeded actual by over \$200 thousand), including Treasurer/Tax Collector, Assessor, County Counsel, Recorder-Elections, County Promotion, Information Technologies, Engineer, and Contributions to Other Funds.
- **Public Protection** – Actual expenditures fell below final budget by \$8.8 million or 9.2 percent. Similar to the general government function, virtually all of the departments under public protection fell below their budgets, while many departments fell significantly below budget (budget exceeded actual by over \$200 thousand) including the District Attorney’s Office, Child Support Services, Sheriff, Sheriff-Bailiff, Central Dispatch, Juvenile Hall, Probation, Building Inspector, Emergency Services, Recorder-Clerk, Planning and Zoning, and Animal Control Departments.
- **Health and Sanitation** – Actual expenditures fell below final budget by \$525 thousand or 17.2 percent with salaries and benefits making up the majority, under budget by over \$460 thousand.
- **Public Assistance** – Actual expenditures fell below final budget by \$1.7 million or 6.42 percent as a result of expenditures falling well below budget in the Social Services Administration Unit (\$2.2 million), while exceeding budget in the Social Services Programs (\$335 thousand) and Categorical Aids other charges (\$233 thousand).

In general, while County management had shown some improvement, the practice of over budgeting both fund inflows and outflows continues. Further, while this practice does meet legal requirements and renders a “balanced” budget, the resulting inflated budgets continue to be limited in their ability to provide management with a useful tool for monitoring performance and controlling expenditures.

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 amounts to \$298.6 million (net of accumulated depreciation). The investment in capital assets includes land and improvements, construction in progress, infrastructure, structures and improvements, and equipment. Fixed assets increased by a net of \$24.5 million in 2006, as a result of an increase of \$23.6 million under governmental activities and \$928 thousand in business-type activities.

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

- \$5.4 million in additions to land and improvements consisting entirely of right of way purchases for road improvements.
- \$12.6 million in additions to structures and improvements that included improvements to the Placerville Government Center Heating and Air Conditioning System (\$656 thousand), completion of the El Dorado Hills Library Construction project (\$6.4 million) and South Lake Tahoe Ball Field project (\$2.7 million), and the purchase and installation of methane tanks at the Union Mine Disposal site (\$1.5 million). The latter includes the reclassification of one of these tanks from land and improvements.
- \$25.7 million in infrastructure additions (county roads). While a portion of these additions were donated by private parties (\$1.2 million), most of these improvements were the result of County funded improvements and included the Missouri Flat Interchange (\$1.8 million), El Dorado Hills Interchange Saratoga Realignment (\$2.6 million), El Dorado Hills Interchange enhancements (\$2.3 million), and the reconstruction of the bridge at Dry Creek on Green Valley Road (\$832 thousand), and Green Valley Road Mormon Island to Francisco Road improvements (\$1.4 million).

Debt Administration. As of June 30, 2006 the County's outstanding long-term debt totaled \$17.2 million. The largest components of this obligation consists of \$9.6 million in bond debt, followed by \$3 million and \$1.8 million in notes payable due to the California Department of Housing and Community Development and the California Housing Finance Agency respectively, and \$1.8 million in capital lease obligations.

OTHER COUNTY OBLIGATIONS

The County has contractually obligated itself with various labor organizations to provide post retirement benefits to its employees and former employees. As a result, the County has assumed significant unfunded obligations to its retirees and future retirees. Although these obligations are described in the notes to the financial statements, they are not presented as liabilities on the County's financial statements.

As of June 30, 2006 the County calculated its unfunded or net obligation at \$110.3 million, using actuarial reports as of June 30, 2005 for CalPERS and June 30, 2006 for Retiree's Health plans.

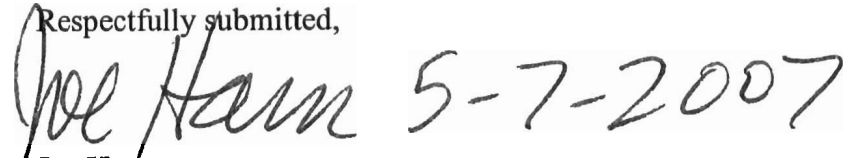
The resulting computation of the unfunded or net obligation may be summarized as follows:

Post Retirement Benefit Plan	Liability	Plan Assets	Net Obligation
CalPERS Safety	\$ 135,837,649	\$ 107,793,103	\$ 28,044,546
CalPERS Misc	300,683,309	259,377,379	41,305,930
Retiree's Health	46,806,000	5,894,357	40,911,643
Total	\$ 483,326,958	\$ 373,064,839	\$ 110,262,119

The liability for Retiree's Health of \$46,806,000 is based on the assumption that the Board of Supervisors will enforce the current cap on the County's contributions for Retiree's Health. Generally accepted accounting principles require the County to recognize its retiree's health obligation without the limitation of the cap for financial reporting purposes until such cap is enforced and thereby begins to alter the established pattern of sharing costs. The County's liability for Retiree's Health as of June 30, 2006, for financial reporting purposes is \$87,409,000.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the El Dorado County Auditor-Controller, 360 Fair Lane, Placerville, California 95667.

Respectfully submitted,

 Joe Harn
 El Dorado County Auditor-Controller