

CAMARILLO HEALTH CARE DISTRICT

**Audit Reports, Management Discussion and
Analysis, and Financial Statements**

June 30, 2007

With Comparative Totals for 2006

Prepared by:

POINDEXTER AND COMPANY

Certified Public Accountant

*Post Office Box 4488
Ventura, California 93007
(805) 659-3600*

**Tax Planning & Consultation · Tax Return Preparation · Business Consultation
Financial Statement Preparation · Auditing Services**

Camarillo Health Care District
Table of Contents
June 30, 2007

| | |
|--|---------|
| Governing Board of Directors | ii |
| Independent Auditor's Report | 1 |
| 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 | 2 - 3 |
| Management Discussion and Analysis | 4 - 7 |
| Statement of Net Assets | 8 |
| Statement of Revenues, Expenses and Changes in Net Assets | 9 - 10 |
| Statement of Cash Flows | 11 |
| Notes to Financial Statements | 12 - 18 |

Camarillo Health Care District
Governing Board of Directors
As of June 30, 2007

| <u>Name</u> | <u>Office</u> |
|-------------------------------|------------------------------|
| James Decker-Mahin, D. Min. | President |
| Peggy O'Neill, R.N. | Vice President |
| John Bailey, Pharm D., M.P.H. | Clerk of the Board |
| Richard S. Loft, M.D. | Director |
| Pamela Grothe, M.B.A. | Director |
| Management | |
| Jane Rozanski | Chief Executive Officer |
| Kara Partridge | Chief Administrative Officer |
| Sue Tatangelo | Chief Resource Officer |
| Tammy Washington | Human Resources Officer |
| Craig LeBreton | Fiscal Operations Officer |

POINDEXTER & COMPANY

Certified Public Accountant

To the Board of Directors of
Camarillo Health Care District

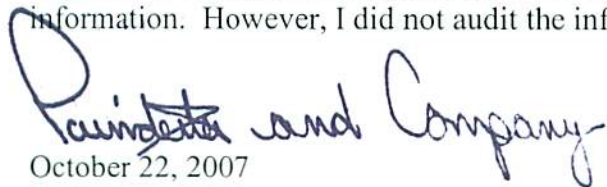
INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of Camarillo Health Care District as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit 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 the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Camarillo Health Care District as of June 30, 2007, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The management discussion and analysis on pages three to seven is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.


October 22, 2007

POINDEXTER & COMPANY

Certified Public Accountant

To the Board of Directors of
Camarillo Health Care District

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

I have audited the financial statements of the Camarillo Health Care District, as of and for the year ended June 30, 2007, and have issued my report thereon dated October 22, 2007. I conducted my 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 Controller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Camarillo Health Care District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My 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, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

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 District'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 District's internal control.

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 District's internal control. I consider the deficiency described below to be a material weakness in internal control over financial reporting.

A material misstatement in the financial statement was noted for the period under audit that was not initially identified by the District's internal control; see adjusting journal entry, AJE02.

My consideration of 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 internal control that might be significant deficiencies of material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Camarillo Health Care District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of Camarillo Health Care District in a separate letter dated October 22, 2007.

This report is intended solely for the information and use of the management, others within the District and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Quintana and Company
October 22, 2007



Camarillo Health Care District

Board of Directors

Pamela Grothe, MBA

President

Richard Loft, MD

Vice President

Jim Decker-Mahin, DMin

Clerk of the Board

Peggy O'Neill, RN

Director

John Bailey, PharmD

Director

Staff

Jane Rozanski

Chief Executive Officer

Management's Discussion and Analysis (For the year ended June 30, 2007)

This discussion and analysis of the Camarillo Health Care District's ("District") financial performance during the stated period, provides an overview of the District's operational activities that had an impact on the financial performance of the District.

This report consists of a series of financial statements with accompanying notes. The Statement of Net Assets reflects the financial position of the District at the end of the period. The Statement of Revenues, Expenses and Changes in Net Assets provide the results from operations through the fiscal year, and reflect how the operating results for the current period affected the Statement of Net Assets. The District uses a single enterprise fund for accounting and reporting the results of all operations. The statements referenced above include all assets and liabilities using an accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Financial Status of the District

The District is operated and reported as a single enterprise fund; there are no subsidiary fund statements presented as part of this report. The following is a summary of the net assets of the District and the change in those net assets from the prior fiscal year.

| <u>Assets</u> | <u>2007</u> | <u>2006</u> |
|--------------------------------|------------------|------------------|
| Current Assets | \$1,225,988 | \$1,113,824 |
| Restricted Assets | 54,647 | 2,705,670 |
| <u>Buildings and Equipment</u> | <u>1,898,583</u> | <u>1,603,839</u> |
| Total Assets | \$3,179,218 | \$5,423,333 |

| <u>Liabilities</u> | | |
|---------------------|-----------|-----------|
| Current Liabilities | \$293,710 | \$282,905 |

| <u>Net Assets</u> | | |
|----------------------------------|------------------|------------------|
| Restricted Net Assets | 27,757 | 2,797,805 |
| <u>Unrestricted Net Assets</u> | <u>2,857,751</u> | <u>2,342,623</u> |
| Total Liabilities and Net Assets | \$3,179,218 | \$5,423,333 |

The asset value of the District decreased by \$2,244,115, due to removing the receipt of the bequest for transportation that will not begin to be received until FY 2007-08.

During FY 2006-07, the District acquired 1,536 sq. ft. at: 1227 Flynn Rd, Ste. 304, Camarillo CA 93012, thereby increasing building and equipment assets.

Restricted net assets consist of donations collected by the District, used for financial assistance to clients who participate in program activities.

Revenue generated from operations produces approximately 23% of total revenue. Non-operating revenues such as property taxes, interest and grants are 77% of the total.

| <u>Operating Revenues</u> | <u>2007</u> | <u>2006</u> |
|-------------------------------------|--------------------|--------------------|
| Program Revenues | \$814,515 | \$841,933 |
| Miscellaneous Revenue | 15,147 | 20,844 |
| Sales, Net of Cost of Sales | 0 | (680) |
| Total Operating Revenues | \$829,662 | \$862,097 |
| | | |
| <u>Non-Operating Revenues</u> | | |
| Property Taxes | \$1,975,961 | \$1,789,827 |
| Grant Income | 660,503 | 524,090 |
| Contributions | 15,393 | 2,764,440 |
| Legacies & Bequests | 20,000 | 0 |
| Interest Income | 37,962 | 43,798 |
| Investment Activity | 641 | (104,434) |
| Other Non-Operating Revenue | 3,598 | 376 |
| Loss on Sale of Equipment | (2,377) | (15,520) |
| Total Non-Operating Revenues | \$2,711,681 | \$5,002,577 |

Operating revenues have decreased by \$32,435 due to seasonal changes in community participation in District services. Non-Operating revenues have decreased by \$2,290,896 due to removing the receipt of the bequest for transportation that will not begin to be received until FY 2007-08.

Actual Results versus Budget

The Board of Directors adopts an annual budget in June of each year for the following fiscal year, beginning on July 1. Performance to budget is monitored by the Board throughout the year. Following is a summary of actual results in comparison to budget.

| | <u>Actual</u> | <u>Budget</u> |
|--------------------------------------|--------------------|--------------------|
| Total Operating Revenues | \$ 829,662 | \$ 964,235 |
| Less: Operating Expenses | | |
| Salaries & Benefits | (1,804,813) | (1,962,965) |
| <u>Program & Admin. Expenses</u> | <u>(1,146,648)</u> | <u>(1,184,043)</u> |
| Net Operating Revenues (Loss) | (\$2,121,799) | (\$2,182,773) |
| | | |
| Non-Operating Revenues | | |
| Property Taxes | \$1,975,961 | \$1,818,307 |
| Grant Income | 660,503 | 667,692 |
| Contributions | 15,393 | 1,000 |
| Legacies & Bequests | 20,000 | 0 |
| Interest Income | 37,962 | 15,000 |
| Investment Activity | 641 | 0 |
| Other Non-Operating Revenue | 3,598 | 0 |
| <u>Loss on Sale of Equipment</u> | <u>(2,377)</u> | <u>0</u> |
| Total Non-Operating Revenues | \$2,711,681 | \$2,501,999 |
| | | |
| Less Depreciation | (\$181,787) | (\$187,197) |
| | | |
| Change in Net Assets | \$ 408,095 | \$ 132,029 |

Requests for information:

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report should be addressed to the Chief Administrative Officer, Camarillo Health Care District, 3639 E. Las Posas Road, Suite 117, Camarillo, CA 93010.


Jane Rozanski
Chief Executive Officer

Camarillo Health Care District
Statement of Net Assets
June 30, 2007
With Comparative Totals for 2006

| | 2007 | 2006 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents (Note 2) | \$ 63,560 | \$ 131,107 |
| Investments (Note 2) | 864,123 | 735,525 |
| Accounts receivable | 2,218 | 1,437 |
| Other receivables | 89,795 | 88,200 |
| Grant receivable | 174,475 | 142,696 |
| Interest receivable | 12,914 | 7,718 |
| Prepaid expenses | 18,903 | 7,141 |
| Total Current Assets | 1,225,988 | 1,113,824 |
| Restricted cash and cash equivalents (Note 2) | 54,647 | 58,327 |
| Restricted investments | | 2,647,343 |
| Building and equipment, net of accumulated depreciation (Note 3) | 1,898,583 | 1,603,839 |
| Total Assets | \$ 3,179,218 | \$ 5,423,333 |
| LIABILITIES AND FUND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 55,991 | \$ 59,927 |
| Accrued expenses | 195,607 | 173,403 |
| Deferred revenue (Note 4) | 42,112 | 49,575 |
| Total Liabilities | 293,710 | 282,905 |
| NET ASSETS | | |
| Invested in capital assets | 1,898,583 | 1,603,839 |
| Restricted net assets (Note 5) | 27,757 | 35,942 |
| Permanently restricted net assets | | 2,761,863 |
| Unrestricted net assets | 959,168 | 738,784 |
| Total Liabilities and Fund Equity | \$ 3,179,218 | \$ 5,423,333 |

Camarillo Health Care District
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007
With Comparative Totals for 2006

| | 2007 | 2006 |
|--|-------------|-------------|
| OPERATING REVENUES | | |
| Program revenues | \$ 814,515 | \$ 841,933 |
| Miscellaneous revenue | 15,147 | 20,844 |
| Sales, net of cost of sales of \$0 and \$680 | | (680) |
| | 829,662 | 862,097 |
| OPERATING EXPENSES | | |
| Program Expenses | | |
| Salaries, wages and benefits | 1,757,196 | 1,704,707 |
| Professional fees | 285,909 | 129,998 |
| Postage and printing | 86,709 | 84,481 |
| Supplies and activities | 153,589 | 121,470 |
| Depreciation | 181,787 | 169,207 |
| Insurance | 38,104 | 51,559 |
| Advertising and promotion | 25,262 | 15,021 |
| Utilities and telephone | 45,893 | 43,277 |
| Repairs and maintenance | 69,657 | 66,894 |
| Other program | 59,614 | 110,677 |
| NFL scholarships | | 39,684 |
| | 2,703,720 | 2,536,975 |
| Total Program Expenses | | |
| Administration Expenses | | |
| Salaries, wages and benefits | 47,617 | 88,592 |
| Professional fees | 214,604 | 217,093 |
| Postage and printing | 4,688 | 2,174 |
| Supplies and activities | 19,921 | 17,050 |
| Insurance | 22,567 | 15,908 |
| Advertising and promotion | 1,775 | 266 |
| Utilities and telephone | 14,105 | 13,140 |
| Repairs and maintenance | 6,140 | 5,568 |
| Other administration | 93,557 | 98,054 |
| Bad debts | 4,554 | |
| | 429,528 | 457,845 |
| Total Administration Expenses | | |
| Total Operating Expenses | 3,133,248 | 2,994,820 |
| Operating Loss | (2,303,586) | (2,132,723) |

Camarillo Health Care District
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007
With Comparative Totals for 2006

| | 2007 | 2006 |
|--|--------------|--------------|
| NON-OPERATING REVENUES/(EXPENSES) | | |
| Property taxes | 1,975,961 | 1,789,827 |
| Grant income | 660,503 | 524,090 |
| Contributions | 15,393 | 2,764,440 |
| Legacies and bequests | 20,000 | |
| Interest income | 37,962 | 43,798 |
| Unrealized Gain/Loss on Investments | 641 | (115,544) |
| Realized Gain/Loss on Investments | | 11,110 |
| Other non-operating revenue | 3,598 | 376 |
| Loss on sale of equipment | (2,377) | (15,520) |
| Total Non-Operating Revenues and Expenses | 2,711,681 | 5,002,577 |
| Change in Net Assets | 408,095 | 2,869,854 |
| CHANGES IN RETAINED EARNINGS | | |
| Net Assets at Beginning of Year | 5,140,428 | 2,270,574 |
| Prior period adjustment (Note 8) | (2,663,015) | |
| Net Assets at Beginning of Year - Restated | 2,477,413 | 2,270,574 |
| Net Assets at End of Year | \$ 2,885,508 | \$ 5,140,428 |

Camarillo Health Care District
Statement of Cash Flows
For Year Ended June 30, 2007
With Comparative Totals for 2006

| | 2007 | 2006 |
|--|----------------|----------------|
| Cash Flows From Operating Activities | | |
| Cash receipts from customers | \$ 806,271 | \$ 858,150 |
| Other operating receipts | 14,545 | 16,747 |
| Cash payments to other suppliers of goods or services and other operating expenses | (1,152,616) | (1,040,430) |
| Cash payments to employees for services | (1,792,339) | (1,784,059) |
| Net Cash Provided/(Used) By Operating Activities | (2,124,139) | (1,949,592) |
| Cash Flows From Investing Activities | | |
| Purchase of building and equipment | (478,908) | (691,010) |
| Proceeds from the sale of equipment | | 6,410 |
| Interest income | 32,766 | 42,078 |
| Purchase of investments | (144,270) | (2,479,039) |
| Other income | 3,598 | 376 |
| Net Realized and Unrealized Gain/(Loss) on Investments | 641 | (104,434) |
| Net Cash Provided/(Used) By Investing Activities | (586,173) | (3,225,619) |
| Cash Flows From Non-capital Financing Activities | | |
| Property taxes collected | 1,974,968 | 1,769,464 |
| Grant revenue received | 628,724 | 551,881 |
| Contributions received | 35,393 | 2,764,440 |
| Net Cash Provided/(Used) By Non-capital Financing Activities | 2,639,085 | 5,085,785 |
| Net Increase/(Decrease) In Cash And Cash Equivalents | (71,227) | (89,426) |
| Cash And Cash Equivalents At Beginning Of Year | 189,434 | 278,860 |
| Cash And Cash Equivalents At End Of Year | \$ 118,207 | \$ 189,434 |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities | | |
| Operating loss | \$ (2,303,586) | \$ (2,132,723) |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities | | |
| Bad debts | 4,554 | |
| Depreciation | 181,787 | 169,207 |
| (Increase)/Decrease in Assets: | | |
| Accounts receivable | (5,335) | 1,986 |
| Other receivables | (602) | (4,097) |
| Prepaid expenses | (11,762) | (137) |
| Inventory | | 680 |
| Increase/(Decrease) in Liabilities: | | |
| Accounts payable | (3,936) | (10,616) |
| Accrued expenses | 22,204 | 11,877 |
| Deferred revenue | (7,463) | 14,231 |
| Net Cash Provided/(Used) By Operating Activities | \$ (2,124,139) | \$ (1,949,592) |

Camarillo Health Care District
Notes to Financial Statements
June 30, 2007

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Entity:

Camarillo Health Care District is a political subdivision of the State of California, classified as a public not-for-profit local government special district. The District encompasses the Greater Camarillo area which includes Somis, the Las Posas Valley, and a portion of the Santa Rosa Valley. The District's overall goal is to provide quality health and wellness related services to meet the needs of all District residents.

In fiscal year 2004, the District implemented GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB Statement No. 34), GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement 38, Certain Financial Statement Disclosures which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis.

Basis of Accounting:

The Camarillo Health Care District is accounted for as an enterprise fund in accordance with generally accepted accounting principles as applied to governmental units. Enterprise funds are used to account for operations that are either (a) financed and operated in a manner similar to private business enterprises where the expenses of providing goods or services to the general public, including depreciation, are recovered through user charges, or (b) governed by the decision that periodic determination of revenues earned, expenses incurred, and net income are appropriate for capital maintenance, public policy, management control, or other purposes. Because the Camarillo Health Care District is accounted for as an enterprise fund, the District uses the economic resources measurement focus and the accrual basis of accounting is used for financial statement reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The net assets are segregated into invested in capital, restricted net assets and unrestricted net assets. Unrestricted resources are used first to fund a restricted purpose only after the restricted resources are depleted.

Reporting Entity:

The District's reporting entity includes all significant operation and revenue sources which the District Board of Directors exercises oversight responsibility and determined under the criteria established by the National Council on Governmental Accounting Statement No. 3, as adopted by FASB. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. There are no component units included within the reporting entity.

Camarillo Health Care District
Notes to Financial Statements
June 30, 2007

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the District considers any purchase of highly liquid investments with a remaining maturity of three months or less to be cash equivalents.

Investments:

Investments are recorded at fair market value as of June 30, 2007, which approximates cost.

Compensated Absences:

The District has recorded an accrual for compensated absences in accordance with the District policy of paying for unused vacation time of any employee upon separation. Sick leave is not included in the accrual as the District does not pay for unused sick time upon employee termination.

Budgets:

The District annually adopts a budget prior to and for the upcoming fiscal year, which includes anticipated expenditures and their means of financing. Once adopted, the budget as approved is subject to amendment as considered necessary.

Income Taxes:

The District is exempt from income taxes.

Fixed Assets and Depreciation:

The District capitalizes assets purchased with a cost greater than \$1,000 and an estimated useful life greater than one year. Minor expenditures for renewal and betterments are charged to expense. Fixed assets are recorded at cost, and are depreciated over the estimated useful lives of the assets from the date of acquisition ranging from one to thirty years, based on straight line or accelerated methods of depreciation.

Tax Revenues:

Tax revenues are received by the District pursuant to its status as a political subdivision of the State of California.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions include, but are not limited to:

- depreciation
- compensated absences
- allowance for uncollectible receivables
- investments
- inventory

Camarillo Health Care District
Notes to Financial Statements
June 30, 2007

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents, and investments consist of the following as of June 30,

| | 2007 | 2006 |
|--|------------|-------------|
| FDIC or privately insured accounts | \$ 118,207 | \$ 189,434 |
| Local Agency Investment Fund (LAIF) | 841,731 | 563,454 |
| County Treasury Investment | 22,392 | 156,399 |
| Ventura County Community Foundation Investment | 2,663,015 | 2,663,015 |
| Total | 982,330 | 3,572,302 |
| Less Investments | (864,123) | (3,382,868) |
| Total cash and cash equivalents | 118,207 | 189,434 |
| Less restricted cash (scholarships, Guild & Wellness funds) | (54,647) | (58,327) |
| Total unrestricted cash and cash equivalents | \$ 63,560 | \$ 131,107 |

It is the District's policy to maintain all investments in insured accounts bearing the District's name. Cash in excess of estimated current requirements of the District are deposited in the State of California Local Agency Investment Fund (LAIF). LAIF deposits earn interest based on the District's pro rata share of funds on deposit. In accordance with the Governmental Accounting Standards Board Statement 3 (Deposits with Financial Institutions, GASB 3), the cash in LAIF is to be categorized to indicate the level of credit risk assumed by the Fund at year end. Substantially all LAIF investments are insured or registered and held by the Fund or its agent in the agent's nominee name, with subsidiary records listing the Fund as the legal owner. Accordingly, said cash investment would be included in "Category 1" as defined by GASB 3.

The District's investments in County Treasury Investments are classified for credit risk purposes as "Category 2" investments, which include investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

In 1998, the District established a 10 year financial strategic plan for the purpose of projected future use of cash, cash equivalents, and investments which is reviewed and revised bi-annually.

The carrying amount of cash in banks was \$116,522. The corresponding bank statement balances were \$165,238. The California Government Code requires all financial institutions to secure a local governmental agency's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits, and collateral is considered to be held in the name of the District. All cash held by financial institutions is, therefore, entirely insured or collateralized.

Camarillo Health Care District
Notes to Financial Statements
June 30, 2007

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. agencies, bankers' acceptances, repurchase and reverse repurchase agreements, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, certificates of deposit, money market checking accounts and the LAIF.

The District's allocable share of investments in LAIF at fair market value consist of the following as of June 30,

| | 2007 | 2006 |
|--------------------------------------|-------------------|-------------------|
| United States Treasury investments | \$ 43,064 | \$ 29,011 |
| Federal agency investments | 188,239 | 162,980 |
| Corporate bonds and floaters | 4,916 | 8,460 |
| CD's, banks notes, and time deposits | 327,912 | 200,718 |
| AB55 and other GF loans | 92,268 | 56,991 |
| Commercial paper | 185,332 | 105,294 |
| Total | \$ 841,731 | \$ 563,454 |

Note 3 - FIXED ASSETS

As of June 30, 2007, fixed assets were comprised of the following:

| <i>Asset Description</i> | <i>Estimated Lives</i> | <i>Cost as of 6/30/06</i> | <i>Additions</i> | <i>Deletions</i> | <i>Cost as of 6/30/07</i> |
|--------------------------------------|------------------------|---------------------------|-------------------|-------------------|---------------------------|
| Building and related improvements | 3 to 30 years | \$ 1,954,100 | \$ 376,361 | | \$ 2,330,461 |
| Lifeline units | 1 to 8 years | 669,587 | 25,927 | \$ (50,602) | 644,912 |
| IS equipment | 2 to 7 years | 162,175 | 72,234 | (8,576) | 225,833 |
| Equipment and furnishings | 2 to 20 years | 174,587 | 7,201 | (21,615) | 160,173 |
| Transportation vehicles | 5 to 10 years | 168,139 | | | 168,139 |
| Total Fixed Assets | | 3,128,588 | 481,723 | (80,793) | 3,529,518 |
| Less Accumulated Depreciation | | (1,524,749) | (181,787) | 75,601 | (1,630,935) |
| Net Fixed Assets | | \$ 1,603,839 | \$ 299,936 | \$ (5,192) | \$ 1,898,583 |

Note 4 - DEFERRED REVENUE

Deferred scholarship revenue is comprised of undisbursed donations received by the District which are designated by the donors for specific internal scholarship use. The District records restricted donations as deferred revenue until the restrictions are satisfied, at which time the donation is recorded as revenue.

Camarillo Health Care District
Notes to Financial Statements
June 30, 2007

Note 5 - CONTRIBUTED CAPITAL

The changes in reserve for restricted assets consist of the following as of June 30,

| | 2007 | 2006 |
|---|-----------|-----------|
| Beginning balance | \$ 35,942 | \$ 44,126 |
| Less depreciation expense on donated assets | (8,185) | (8,184) |
| Net Reserve for Restricted Assets | \$ 27,757 | \$ 35,942 |

The reserve for restricted assets as of June 30, 2007 consist of a total of six transportation vehicles and three two-way radios acquired under a Section 16 grant from the State of California Department of Transportation. The District records depreciation on the contributed assets against reserve for restricted assets.

Note 6 - DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the rate effective July 1, 2007 is 7.676% for all employees of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost

For fiscal year ended June 30, 2007, the District's annual pension cost of \$94,022 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, (c) 3.25% to 14.45% per year cost-of-living adjustments and (d) 3.00% inflation. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two to five year period (smoothed market value). PERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007, was two years.

Camarillo Health Care District
Notes to Financial Statements
June 30, 2007

Note 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Three year Trend Information for the Plan

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>% of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|--------------------------------------|---------------------------------|-----------------------------------|
| 06/30/2005 | \$ 70,051 | 100% | \$ 0 |
| 06/30/2006 | \$ 94,952 | 100% | \$ 0 |
| 06/30/2007 | \$ 94,022 | 100% | \$ 0 |

Funded Status of PERS

| <u>Valuation Date</u> | <u>Entry Age Normal Accrual Liability</u> | <u>Actuarial Value of Assets</u> | <u>Unfunded Liability/ (Excess Assets)</u> | <u>Funded Status</u> | <u>Annual Covered Payroll</u> | <u>UAAL As a % of Payroll</u> |
|---------------------------|---|--|--|--------------------------|---------------------------------------|---------------------------------------|
| 6/30/2003 | \$430,371,544 | \$429,814,105 | \$ 557,439 | 99.9% | \$159,238,690 | .4% |
| 6/30/2004 | \$437,494,341 | \$428,025,075 | \$ 9,469,266 | 97.8% | \$159,135,314 | 6.0% |
| 6/30/2005 | \$484,351,523 | \$459,996,995 | \$24,354,528 | 95.0% | \$174,127,476 | 14.0% |

Note 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, errors and omissions; injuries to employees; and natural disasters. The District maintains insurance coverage through an independent carrier with limits of \$899,222 personal property/blanket building; \$500,000 employee dishonesty and forgery or alteration; \$500,000 accounts receivable and valuable papers; and \$250,000 loss of utilities.

The District is a participant of the Association of California Hospital Districts, Inc., ALPHA Fund Joint Powers Agreement (the "Fund") which is comprised of 41 participants and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the Fund is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage; whereby the risk of loss is mitigated by the public entity pool. The Fund currently has \$1,000,000 of worker's compensation coverage.

The Fund provides coverage for workers' compensation insurance to its participants. Periodic deposits paid by each participant for the workers' compensation joint protection are computed based on independent actuarial computations taking into account factors such as the participants' number of employees, types of employees, annual budget, all relevant loss experience and rates established through the California Inspection Rating Bureau. The Fund may assess the participants in order to eliminate any deficiency in the fund balance of the Fund.

Camarillo Health Care District
Notes to Financial Statements
June 30, 2007

Note 7 - RISK MANAGEMENT (Continued)

Under the terms of the Joint Powers Agreement, withdrawing or terminated member districts owe their pro rate share of the fund deficiency. A withdrawing or terminated member district's pro-rata share is based on its total contributions during its membership in the Fund as a percentage of the total contributions by all member districts during the same period.

The District is a participant of the Beta Healthcare Group Joint Powers Authority Agreement (the "Group") which is comprised of local health care districts, counties, other governmental entities and qualified nonprofits which operate hospitals, clinics and other health-related facilities and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the Group is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage; whereby the risk of loss is mitigated by the public entity pool. The Group currently has \$5,000,000 of auto liability, \$5,000,000 of comprehensive liability and \$1,000,000 of directors, officers and trustees liability coverage.

The Group provides coverage for above mentioned insurance to its participants. Periodic deposits paid by each participant for the insurance joint protection are computed based on individual coverage contracts.

Note 8 - PRIOR PERIOD ADJUSTMENT

Retained earnings has been restated to reflect the correction of an error in reporting a contribution in the prior year that was not due to the District.