

ADDENDUM F

Pre-Audit Close

PALOMAR POMERADO HEALTH

A California Health Care District

BOARD FINANCIAL REPORT

JUNE 2006

(UNAUDITED)

***PREPARED BY THE FINANCE DEPARTMENT
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PALOMAR POMERADO HEALTH
A California Health Care District

Pre-Audit Close

BOARD FINANCIAL REPORT

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PALOMAR POMERADO HEALTH JUNE 2006 and YTD FY 2006 FINANCIAL RESULTS EXECUTIVE SUMMARY and HIGHLIGHTS

Statistics:

Consolidated acute patient days decreased 638 days (-6.8%) to 8,702 in June compared to May's 9,340 days. Actual patient days for June were 245 days lower than budget of 8,947. YTD acute patient days of 112,445 are higher (3.3%) than budget of 108,903. The acute Average Daily Census (ADC) was 290 in June, lower than May's 301, and lower than 308 ADC on a YTD basis. Acute admissions for June YTD were 28,364 compared to budget of 27,686 (2.4% higher than budget). YTD June SNF patient days were 75,846 compared to budget of 75,599 (.3% variance).

Palomar's YTD acute patient days of 84,231 are above budget of 82,657 (1.9% higher) resulting in a YTD actual ADC of 231 compared to budget of 226. YTD PMC is experiencing 18% less trauma cases than budget.

Pomerado's YTD acute patient days are 1,968 days (7.5%) greater than budget (actual = 28,214, budget = 26,246). YTD actual ADC was 77 compared to budget of 72 and the last 4 months averaged ADC was 82. Admissions of 6,843 were lower (-.7%) than budget of 6,889.

Total YTD surgery cases of 11,738 were down 5.4% from budget (cardiovascular surgery cases are down by 16.2% from budget) but approximated FY 05 cases of 11,789. Total YTD deliveries were 5,363, compared to a budget of 5,761 and previous year of 5,612.

Balance Sheet:

Current Cash & Cash Equivalents decreased \$13.4 million to \$ 119 million in June from \$132 million in May. The decrease is mainly due to the transfer of \$13.1 million to Restricted Assets for the public benefit payment related to the ERTC land purchase. Also, the purchase of the warehouse on Enterprise Street for \$3 million closed escrow and was paid for with working capital. These two items were partially offset by the decrease in Board Designated Funds of \$5.7 million. Total Cash and Investments are \$128 million, compared to \$131 million at June 30, 2005. Days cash on hand are 136 compared to 158 in May.

Net Accounts Receivable increased to \$70.8 million in June as compared to \$66.3 million in May. Gross A/R days is 49.6 in June, down slightly from May's 50.2 days. FY06 A/R days reflect a significant improvement from June 2005 and 2004 gross A/R days of 70 and 40, respectively. June patient account collections (excluding Capitation) were \$25.2 million compared to budget of \$26.1 million. YTD patient account collections (excluding capitation) are \$11.4 million below budget at \$302.3 million (budget was \$313.7 million). YTD total patient account collections including capitation are \$350.8 million compared to budget of \$349.5 million.

Construction in Progress increased by \$9 million mainly due to the acquisition of a new warehouse for \$3 million and \$6 million for architectural services on the Building Expansion projects.

Other Current Liabilities decreased \$1.0 million primarily due to Deferred Property Tax Revenue.

Income Statement:

Gross Patient Revenue for YTD June reflects a favorable budget variance of \$46.8 million. This favorable variance is composed of a \$38.8 million favorable volume variance and \$7.9 million favorable rate variance.

Routine revenue (inpatient room and board) reflects a favorable \$2.5 million budget variance. PPH North reflects an unfavorable variance of \$2.4 million, and PPH South reflected a favorable variance of \$4.9 million (\$1.9 million of this variance is reflected at Villa Pomerado & SubAcute).

Inpatient Ancillary gross revenue represents a YTD of \$31.3 million favorable budget variance. PPH North reflects a favorable variance of \$31.4 million and PPH South reflected \$186 thousand unfavorable variance. The main contributors to Palomar's favorable variance are reflected in Cat Scanner, Emergency Room, Pharmacy, and supply departments totaling \$35.9 million higher than budget.

Outpatient revenue reflects a YTD favorable budget variance of \$12.9 million. The majority of this favorable variance is reflected at PPH North at \$12.0 million with Emergency at \$6.6 million and pharmacy at \$1.9 million above budget.

Deductions from Revenue reflects an YTD unfavorable variance of \$38.9 million. This variance is due to 1) disproportional IP Ancillary revenue compared to routine nursing revenue (which results in additional contractual adjustments of approximately \$29 million - this is the result of most payer payments being based upon case rate or per diem reimbursement for inpatient services) at Palomar and 2) an increase in uninsured patients resulting in charity, undocumented and bad debt write-offs. Total Deductions from Revenue is 68.7% of gross revenue compared to a budget of 67.5%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), was 64.0% of Gross Revenue for June YTD compared to budget of 62.8%.

The Capitation monies retained by PPH are reflecting a \$3.5 million favorable variance as of June. The capitation pools are reflecting a significant reduction in Net Income for the year as compared to budget; however, PPH is retaining significantly more of the capitation dollars as patients are being treated at PPH facilities.

Bad debt, charity & undocumented care write-offs reflected an YTD an unfavorable \$1.7 million budget variance. PPH North is experiencing a higher proportion of uncompensated patients than we have experienced in previous years. However, as a percentage of gross revenues, uncompensated care (bad debt, charity and undocumented write-offs) is 4.66% compared to budget of 4.70%. The .04% approximates a \$400 thousand favorable variance.

Other Operating Revenue reflects an unfavorable budget variance of \$1.7 million. A large portion of this variance, \$1.1 million, is related to laboratory services that were budgeted in Other Operating Revenue but are being recognized in OP revenue. Included in other operating revenue is the Welcome Home Baby Program's recognized YTD revenue of \$688 thousand, which is lower than budget by \$646 thousand. In addition, YTD Foundation revenues were approximately \$600,000 lower than budget.

Salaries, Wages & Contract labor reflects a YTD unfavorable variance of \$8.4 million. This YTD unfavorable variance is composed of: 1) Salaries and Wages - (\$4,814,000 (actual \$160.6 million), 2) Contract Labor - (\$3,561,000) (actual \$12.6 million). These YTD variances are composed of: PPH North unfavorable \$5.1 million, PPH South unfavorable \$2.7 million and Central Office \$820 thousand unfavorable. The month of June reflected an unfavorable variance of \$1 million.

Benefits Expense is reflecting a YTD favorable budget variance of \$2.4 million. The month of June reflected an unfavorable variance of \$425 thousand mainly due to salaries and wages exceeding budget by \$916,000 in June.

Supplies Expense is reflecting a YTD unfavorable budget variance of \$3.3 million. June reflected an unfavorable \$267 thousand budget variance, mainly from Palomar. The majority of this unfavorable variance is prosthesis at \$208 thousand and general surgery supplies at \$56 thousand. PPH North reflected a YTD unfavorable \$3.3 million variance from budget. The majority of PPH North's variance is in prosthesis at \$1.2 million, pharmacy-Factor Seven at \$788 thousand, general surgery supplies at \$790 thousand and non-medical supplies at \$600 thousand.

Prof Fees & Purchased Services reflected a YTD unfavorable budget variance of \$1.7 million. The unfavorable variance to budget is due to increased expenses in legal fees, Information Technology expenses and physician emergency on-call and trauma coverage fees.

Non-Operating Income reflects a YTD favorable variance of \$1.9 million in June, including a \$1.2 million favorable investment income variance. YTD investment income reflects a 3.3% investment rate of return compared to budget of 2.5%.

Ratios & Margins:

All required bond covenant ratios were achieved in June 2006.

Palomar Pomerado Health
Balanced Scorecard
Financial Indicators
June 30, 2006

Pre-Audit Close

March	April	May	June			% Actual		YTD 2006			% Actual
Actual	Actual	Actual	Actual	Bud/PY	Variance	to Bud/PY		Actual	Bud/PY	Variance	to Bud/PY
PPH Indicators:											
9.4%	6.5%	5.9%	7.4%	9.8%	-2.4%	75.5%	OEBITDA Margin w/Prop Tax	7.8%	9.8%	-2.0%	79.6%
\$ 2,333.17	\$ 2,526.80	\$ 2,350.58	\$ 2,737.25	\$ 2,446.34	\$ (290.91)	111.9%	Expenses/Wtd Day	2,433.41	\$ 2,439.72	\$ 6.31	99.7%
\$ 1,331.13	\$ 1,468.82	\$ 1,295.58	\$ 1,484.94	\$ 1,417.92	\$ (67.02)	104.7%	SWB/Wtd Day	1,403.78	\$ 1,417.35	\$ 13.57	99.0%
5.95	6.27	6.20	6.27	6.17	\$ (0.10)	101.6%	Prod FTE's/Adj Occupied Bed	6.11	6.17	0.06	99.0%
13,539	12,095	12,634	12,020	12,487	\$ (467.00)	96.3%	Weighted Patient Days	150,316	144,985	5,331	103.7%
PPH North Indicators:											
10.1%	8.7%	4.2%	6.8%	11.8%	-5.0%	57.6%	OEBITDA Margin w/Prop Tax	8.1%	11.8%	-3.7%	68.6%
\$ 2,258.43	\$ 2,453.41	\$ 2,267.87	\$ 2,704.86	\$ 2,318.87	\$ (385.99)	116.6%	Expenses/Wtd Day	2,338.91	\$ 2,312.58	\$ (26.33)	101.1%
\$ 1,118.84	\$ 1,245.04	\$ 1,080.30	\$ 1,259.25	\$ 1,182.08	\$ (77.17)	106.5%	SWB/Wtd Day	1,181.57	\$ 1,181.33	\$ (0.24)	100.0%
5.06	5.33	5.28	5.39	5.10	\$ (0.29)	105.7%	Prod FTE's/Adj Occupied Bed	5.18	5.10	(0.08)	101.6%
9,354	8,276	8,701	8,157	8,810	\$ (653.00)	92.6%	Weighted Patient Days	104,995	102,400	2,595	102.5%
PPH South Indicators:											
3.8%	-0.1%	5.0%	6.7%	1.3%	5.4%	515.4%	OEBITDA Margin w/Prop Tax	4.8%	1.3%	3.5%	369.2%
\$ 2,235.87	\$ 2,373.34	\$ 2,231.51	\$ 2,472.37	\$ 2,455.59	\$ (16.78)	100.7%	Expenses/Wtd Day	2,350.12	\$ 2,449.90	\$ 99.78	95.9%
\$ 1,143.02	\$ 1,194.03	\$ 1,072.17	\$ 1,192.09	\$ 1,262.08	\$ 69.99	94.5%	SWB/Wtd Day	1,204.67	\$ 1,262.24	\$ 57.57	95.4%
5.36	5.32	5.54	5.33	5.87	\$ 0.54	90.8%	Prod FTE's/Adj Occupied Bed	5.59	5.88	0.29	95.1%
4,003	3,706	3,788	3,712	3,428	\$ 284.00	108.3%	Weighted Patient Days	43,291	39,733	3,558	109.0%

Palomar Pomerado Health
Consolidated Balance Sheet
As of June 30, 2006

Pre-Audit Close

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$8,563,683	\$6,296,042	\$12,663,073
Cash Marketable Securities	110,035,151	125,751,346	96,380,135
Total Cash & Cash Equivalents	118,598,834	132,047,388	109,043,208
Patient Accounts Receivable	148,681,910	151,154,522	190,388,774
Allowance on Accounts	-77,866,966	-84,812,256	-120,586,401
Net Accounts Receivable	70,814,944	66,342,266	69,802,373
Inventories	6,739,569	6,341,000	6,320,951
Prepaid Expenses	2,275,780	2,498,381	2,383,903
Other	2,298,062	1,718,793	828,210
Total Current Assets	200,727,189	208,947,828	188,378,645
Non-Current Assets			
Restricted Assets	66,734,609	54,167,041	12,026,055
Restricted by Donor	288,265	287,477	281,473
Board Designated	9,267,526	14,993,732	22,388,648
Total Restricted Assets	76,290,400	69,448,250	34,696,176
Property Plant & Equipment	335,347,385	330,539,806	337,484,770
Accumulated Depreciation	-215,737,688	-215,757,987	-218,491,576
Construction in Process	85,034,881	75,948,421	28,023,698
Net Property Plant & Equipment	204,644,578	190,730,240	147,016,892
Investment in Related Companies	6,393,497	6,540,311	6,175,837
Deferred Financing Costs	3,354,469	3,307,203	2,311,702
Other Non-Current Assets	1,130,720	1,143,376	1,274,318
Total Non-Current Assets	291,813,664	271,169,380	191,474,925
Total Assets	\$492,540,853	\$480,117,208	\$379,853,570

	Current Month	Prior Month	Prior Fiscal Year End
Liabilities			
Current Liabilities			
Accounts Payable	\$29,671,113	\$17,158,469	\$18,090,054
Accrued Payroll	15,383,608	18,883,267	19,511,491
Accrued PTO	11,133,368	11,130,800	10,212,195
Accrued Interest Payable	2,265,274	1,654,693	708,785
Current Portion of Bonds	12,745,000	12,745,000	6,125,000
Est Third Party Settlements	-1,065,102	-2,118,947	-4,522,051
Other Current Liabilities	7,524,339	7,440,280	6,642,463
Total Current Liabilities	77,657,600	66,893,562	56,767,937
Long Term Liabilities			
Bonds & Contracts Payable	151,347,395	151,322,314	79,819,688
General Fund Balance			
Unrestricted	253,980,063	246,620,124	220,595,825
Restricted for Other Purpose	288,265	287,477	281,473
Board Designated	9,267,526	14,993,732	22,388,648
Total Fund Balance	263,535,854	261,901,333	243,265,946
Total Liabilities / Fund Balance	\$492,540,853	\$480,117,208	\$379,853,570

PALOMAR POMERADO HEALTH
CONSOLIDATED
FYTD 2006
JUNE 06

Pre-Audit Close

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	28,364	27,686	678					
Admissions - SNF	1,226	1,358	(132)					
Patient Days - Acute	112,445	108,903	3,542					
Patient Days - SNF	75,846	75,599	247					
LOS - Acute	3.97	4.00	(0.03)					
LOS - SNF	40.23	37.92	2.31					
Weighted Pt Days	150,316	144,985	5,331					
Revenue:								
Gross Revenue	\$ 1,103,578,586	\$ 1,056,787,431	\$ 46,791,155 F	\$ 38,857,356	\$ 7,933,799	\$ 7,341.72	\$ 7,288.94	\$ 52.78
Deductions from Rev	(751,296,265)	(708,886,173)	(42,410,092) U	(26,065,263)	(16,344,829)	(4,998.11)	(4,889.38)	(108.74)
Net Patient Revenue	352,282,321	347,901,258	4,381,063 F	12,792,093	(8,411,030)	2,343.61	2,399.57	(55.96)
Other Oper Revenue	8,475,668	10,181,748	(1,706,080) U	374,376	(2,080,456)	56.39	70.23	(13.84)
Total Net Revenue	360,757,989	358,083,006	2,674,983 F	13,166,469	(10,491,486)	2,400.00	2,469.79	(69.80)
Expenses:								
Salaries, Wages & Contr Labor	173,182,589	164,806,821	(8,375,768) U	(6,059,835)	(2,315,933)	1,152.12	1,136.72	(15.41)
Benefits	37,827,886	40,687,200	2,859,314 F	(1,496,041)	4,355,355	251.66	280.63	28.97
Supplies	62,428,602	59,073,841	(3,354,761) U	(2,172,105)	(1,182,656)	415.32	407.45	(7.87)
Prof Fees & Purch Svc	48,590,987	46,858,531	(1,732,456) U	(1,722,956)	(9,500)	323.26	323.20	(0.06)
Depreciation	18,338,323	17,189,004	(1,149,319) U	(632,028)	(517,291)	122.00	118.56	(3.44)
Other	20,386,500	20,132,441	(254,059) U	(740,256)	486,197	135.62	138.86	3.23
PPH Allocation	-	2	2 F	(0)	2	-	0.00	0.00
Total Expenses	360,754,887	348,747,840	(12,007,047) U	(12,823,221)	816,174	2,399.98	2,405.41	5.43
Net Inc Before Non-Oper Income	3,102	9,335,166	(9,332,064) U	343,248	(9,675,312)	0.02	64.39	(64.37)
Property Tax Revenue	11,494,884	10,899,996	594,888 F	400,785	194,103	76.47	75.18	1.29
Non-Operating Income	(534,031)	(2,019,684)	1,485,653 F	(74,262)	1,559,915	(3.55)	(13.93)	10.38
Net Income (Loss)	\$ 10,963,955	\$ 18,215,478	\$ (7,251,523) U	\$ 669,771	\$ (7,921,294)	\$ 72.94	\$ 125.64	\$ (52.70)
Net Income Margin	2.9%	4.8%	-1.9%					
OEBITDA Margin w/o Prop Tax	4.8%	7.0%	-2.2%					
OEBITDA Margin with Prop Tax	7.8%	9.8%	-2.0%					

F= Favorable variance
U= Unfavorable variance

PALOMAR POMERADO HEALTH
CONSOLIDATED
MTD 2006
June 2006

Pre-Audit Close

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	2,301	2,270	31					
Admissions - SNF	97	112	(15)					
Patient Days - Acute	8,702	8,947	(245)					
Patient Days - SNF	6,248	6,210	38					
LOS - Acute	3.97	4.01	(0.04)					
LOS - SNF	41.65	37.50	4.15					
Weighted Pt Days	12,020	11,912	108					
Revenue:								
Gross Revenue	\$ 91,226,432	\$ 86,935,007	\$ 4,291,425 F	\$ 788,195	\$ 3,503,230	\$ 7,589.55	\$ 7,298.10	\$ 291.45
Deductions from Rev	(59,616,696)	(58,314,678)	(1,302,018) U	(528,709)	(773,309)	(4,959.79)	(4,895.46)	(64.34)
Net Patient Revenue	31,609,736	28,620,329	2,989,407 F	259,486	2,729,921	2,629.76	2,402.65	227.11
Other Oper Revenue	599,367	848,479	(249,112) U	7,693	(256,805)	49.86	71.23	(21.36)
Total Net Revenue	32,209,103	29,468,808	2,740,295 F	267,179	2,473,116	2,679.63	2,473.88	205.75
Expenses:								
Salaries, Wages & Contr Labor	14,585,611	13,545,812	(1,039,799) U	(122,813)	(916,986)	1,213.45	1,137.16	(76.29)
Benefits	3,263,427	3,344,426	80,999 F	(30,322)	111,321	271.50	280.76	9.26
Supplies	5,137,041	4,861,569	(275,472) U	(44,077)	(231,395)	427.37	408.12	(19.25)
Prof Fees & Purch Svc	5,640,864	3,872,627	(1,768,237) U	(35,111)	(1,733,126)	469.29	325.10	(144.19)
Depreciation	1,968,574	1,435,958	(532,616) U	(13,019)	(519,597)	163.77	120.55	(43.23)
Other	1,885,492	1,665,852	(219,640) U	(15,103)	(204,537)	156.86	139.85	(17.02)
PPH Allocation	-	(1)	(1) U	0	(1)	-	(0.00)	(0.00)
Total Expenses	32,481,009	28,726,243	(3,754,766) U	(260,446)	(3,494,320)	2,702.25	2,411.54	(290.71)
Net Inc Before Non-Oper Income	(271,906)	742,565	(1,014,471) U	6,732	(1,021,203)	(22.62)	62.34	(84.96)
Property Tax Revenue	810,220	908,333	(98,113) U	8,235	(106,348)	67.41	76.25	(8.85)
Non-Operating Income	182,857	(168,307)	351,164 F	(1,526)	352,690	15.21	(14.13)	29.34
Net Income (Loss)	\$ 721,171	\$ 1,482,591	\$ (761,420) U	\$ 13,442	\$ (774,862)	\$ 60.00	\$ 124.46	\$ (64.46)
Net Income Margin	2.1%	4.7%	-2.6%					
OEBITDA Margin w/o Prop Tax	5.0%	6.9%	-1.9%					
OEBITDA Margin with Prop Tax	7.4%	9.8%	-2.4%					

F= Favorable variance
U= Unfavorable variance

Palomar Pomerado Health
STATEMENTS OF CASH FLOWS
Fiscal Year 2006

Pre-Audit Close

	<u>June</u>	<u>YTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss from operations)	\$ (271,906)	\$ 3,372
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,968,574	18,338,320
Provision for bad debts	2,484,271	29,292,228
Changes in operating assets and liabilities:		
Patient accounts receivable	(6,956,949)	(30,304,799)
Property Tax and other receivables	(228,095)	(12,274,652)
Inventories	(398,569)	(418,618)
Prepaid expenses and Other Non-Current assets	369,415	(191,165)
Accounts payable	12,512,644	12,402,809
Accrued comp	(3,497,091)	(3,206,710)
Estimated settlement amounts due third-party payors	1,053,845	3,456,949
Other current liabilities	992,392	11,781,872
Net cash provided by operating activities	<u>8,028,531</u>	<u>28,879,604</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales on investments	8,874,045	(55,249,240)
Interest (Loss) received on investments	517,057	4,179,350
Investment in affiliates	(78,171)	(925,636)
Net cash used in investing activities	<u>9,312,931</u>	<u>(51,995,526)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Receipt of G.O. Bond Taxes	247,980	9,304,373
Receipt of District Taxes	155,470	11,549,376
Net cash used in activities	<u>403,450</u>	<u>20,853,749</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(15,477,272)	(72,399,172)
Proceeds from sale of asset		781,634
G.O. Bond Interest paid		(2,083,619)
Revenue Bond Interest paid	0	(4,196,668)
Proceeds from issuance of debt		82,185,607
Payments of LT Debt		(6,125,000)
Net cash used in activities	<u>(15,477,272)</u>	<u>(1,837,218)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,267,640	(4,099,391)
CASH AND CASH EQUIVALENTS - Beginning of period	<u>6,296,042</u>	<u>12,663,073</u>
CASH AND CASH EQUIVALENTS - End of period	<u>\$ 8,563,683</u>	<u>\$ 8,563,683</u>

PALOMAR POMERADO HEALTH
A California Health Care District
Investment Fund Balances
Quarterly Report

Pre-Audit Close

<u>Investment Account:</u>	<u>Interest Payable</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>June 30, 2006</u>	<u>March 31, 2006</u>	<u>IN/(DE)CREASE</u>
Fidelity-Institutional Portfolio Treasury Fund	Monthly	4.95%	Demand	\$ 918,280	\$ 907,635	\$ 10,645
State Treasurer Local Agency Investment Fund	Quarterly	4.53%	Demand	4,894,143	22,786,529	(17,892,386)
Maxicare Health Plans, Inc.	N/A	N/A	Demand	157	4	153
Salomon Brothers	Various	Various	Various	31,343,685	31,136,221	207,464
Pacific Income Advisors, Inc.	Various	Various	Various	30,329,997	30,050,949	279,048
Morgan Stanley & Co.	Various	Various	Various	51,854,202	55,201,312	(3,347,110)
TOTAL INVESTMENTS AT CURRENT FAIR MARKET VALUE				<u>\$ 119,340,464</u>	<u>\$ 140,082,650</u>	<u>\$ (20,742,186)</u>
ACCRUED INTEREST INCOME RECEIVABLE				1,168,757	1,333,542	(164,785)
Bank of America - Cash in Checking/COR Acct				6,001	10,871	(4,870)
TOTAL VALUE OF INVESTMENT PORTFOLIC				<u>\$ 120,515,222</u>	<u>\$ 141,427,063</u>	<u>\$ (20,911,841)</u>
<u>INVESTMENTS COMPARATIVE</u>				<u>SUMMARY OF INVESTMENT PORTFOLIO BY FUND</u>		
06/06	\$119,340,464	Palomar Pomerado Unrestricted Fund		\$ 120,226,957	\$ 141,141,469	\$ (20,914,512)
06/05	\$119,095,501	Palomar Pomerado Restricted Fund		288,265	285,594	2,671
06/04	\$151,029,004			<u>\$ 120,515,222</u>	<u>\$ 141,427,063</u>	<u>\$ (20,911,841)</u>
06/03	\$141,879,193					

PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

Pre-Audit Close

CUSHION RATIO	Jun-04	Jun-05	Jun-06
Cash and Cash Equivalents	140,057,417	109,043,208	118,598,834
Board Designated Reserves	27,374,261	22,388,648	9,267,526
Trustee-held Funds	11,853,970	12,026,055	12,170,183
Total	179,285,648	143,457,911	140,036,543
Divided by:			
Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594
CUSHION RATIO	16.8	13.4	13.1
REQUIREMENT	1.5	1.5	1.5
	Achieved	Achieved	Achieved

DAYS CASH ON HAND	Jun-04	Jun-05	Jun-06
Cash and Cash Equivalents	140,057,417	109,043,208	118,598,834
Board Designated Reserves	27,374,261	22,388,648	9,267,526
Total	167,431,678	131,431,856	127,866,360
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	311,614,910	340,338,156	360,754,887
Less: Depreciation	14,546,550	16,394,985	18,338,323
Adjusted Expenses	297,068,360	323,943,171	342,416,564
Number of days in period	366	365	365
Average Adjusted Expenses per Day	811,662	887,516	938,128
DAYS CASH ON HAND	206	148	136
REQUIREMENT	90	90	90
	Achieved	Achieved	Achieved

Net Income Available for Debt Service	Jun-04	Jun-05	Jun-06
Excess of revenue over expenses Cur Mo.	2,905,196	1,490,930	721,171
Excess of revenues over expenses YTD (General Funds)	16,053,177	17,052,649	10,963,955
ADD:			
Depreciation and Amortization	14,546,550	16,394,985	18,338,323
Interest Expense	5,581,454	5,272,031	5,025,388
Net Income Available for Debt Service	36,181,181	38,719,665	34,327,666
Aggregate Debt Service			
1993 Insured Refunding Revenue Bonds	6,017,132	6,020,301	3,639,772
1999 Insured Refunding Revenue Bonds	4,357,728	4,356,844	6,950,508
Aggregate Debt Service	10,374,860	10,377,145	10,590,280
Net Income Available for Debt Service	3.49	3.73	3.24
Required Coverage	1.15	1.15	1.15
	Achieved	Achieved	Achieved