

# ADDENDUM B



# **PALOMAR POMERADO HEALTH**

*A California Health Care District*

## **BOARD FINANCIAL REPORT**

### **JULY 2006**

(UNAUDITED)

***PREPARED BY THE FINANCE DEPARTMENT  
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# PALOMAR POMERADO HEALTH

*A California Health Care District*

## BOARD FINANCIAL REPORT

<b>TABLE OF CONTENTS</b>	
	<u>PAGE</u>
Financial Report Narrative	1-2
Balanced Scorecard Comparisons	3
Consolidated Balance Sheet	4
Consolidated – July 2006 Actual vs. Budget Analysis	5
Consolidated – Cash Flow Statement	6
Bond Covenant Ratios	7

**PALOMAR POMERADO HEALTH  
JULY 2006 FINANCIAL RESULTS  
EXECUTIVE SUMMARY and HIGHLIGHTS**

**Statistics:**

Consolidated acute patient days increased 478 days (5.49%) to 9,180 in July compared to June's 8,702 days. Actual patient days for July were 742 days lower than budget of 9,922. The acute Average Daily Census (ADC) was 296 in July, higher than June's 290, and lower than 320 ADC on a budgeted basis. Acute admissions for July were 2,402 compared to budget of 2,524 (-4.83% lower than budget). July SNF patient days were 6,635 compared to budget of 6,591 (.67% variance).

Palomar's acute patient days of 6,919 are below budget of 7,396 (-6.45% lower) resulting in an actual ADC of 223 compared to budget of 239. PMC is experiencing 15% less trauma cases than budget.

Pomerado's acute patient days are 265 days (-10.49%) lower than budget (actual = 2,261, budget = 2,526). Actual ADC was 73 compared to budget of 81. Acute admissions of 570 were lower (-14.16%) than budget of 664.

July surgery cases of 953 were down 8.54% from budget (cardiovascular surgery cases are down by 45.45% from budget). July deliveries were 479 compared to a budget of 499 and previous year of 488.

**Balance Sheet:**

**Current Cash & Cash Equivalents** decreased \$23 million from \$120 million in June to \$97 million in July. The decrease is mainly due to the \$22.5 million reclass of funds from Current Cash and Equivalents to Board Designated Funded Depreciation. Total Cash and Investments are \$117 million, compared to \$129 million at June 30, 2006. Days cash on hand are 137 compared to 148 in June.

**Net Accounts Receivable** increased to \$78.6 million in July as compared to \$71.0 million in June. Gross A/R days increased from 49.6 days in June to 58.4 days in July. This increase is due to \$31 million increase in Accounts Receivable in July.

Total patient account collections including capitation are \$22.8 million compared to budget of \$30.3 million. July collections being below budget; is consistent with previous years' trends. Budget is based on an even spread throughout the year and summer collections are typically low.

**Construction in Progress** reflected minimal activity in the month of July.

**Other Current Liabilities** increased \$13.2 million primarily due to Deferred Property Tax Revenue being set up for the new fiscal year.

**Income Statement:**

**Gross Patient Revenue** for July reflects an unfavorable budget variance of \$7.2 million. This unfavorable variance is composed of a \$6.49 million unfavorable volume variance and \$0.70 million unfavorable rate variance. The rate variance is the result of lower trauma and surgical cases.

Routine revenue (inpatient room and board) reflects an unfavorable \$1.6 million budget variance. PPH North reflects an unfavorable variance of \$1.4 million, and PPH South reflected a favorable variance of \$0.2 million.

Inpatient Ancillary gross revenue represents a \$4.9 million unfavorable budget variance. PPH North reflects an unfavorable variance of \$2.8 million and PPH South reflected \$2.1 million unfavorable variance. The main contributors to Palomar's unfavorable variance are reflected in Surgery, Cat Scanner, and supply departments totaling \$2.0 million lower than budget. The main

contributors to Pomerado's unfavorable variance are reflected in Surgery and Surgery Patient Supply totaling \$1.6 million lower than budget.

Outpatient revenue reflects an unfavorable budget variance of \$0.7 million. The majority of this unfavorable variance is reflected at PPH North at \$0.2 and Outreach at \$0.5 million.

**Deductions from Revenue** reflects a favorable variance of \$6.2 million. This is due to lower than budgeted volume and gross revenue and \$2.2 million favorable charity and undocumented write-offs. Total Deductions from Revenue is 68.2% of gross revenue compared to a budget of 69.6%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), was 65.3% of Gross Revenue for July compared to budget of 64.8%.

The net capitation reflects an unfavorable budget variance of \$276 thousand due to higher budgeted premium.

**Other Operating Revenue** reflects an unfavorable budget variance of \$135 thousand. The most significant contribution to this variance is from the Foundation, where actual revenue is \$52 thousand below budget.

**Salaries, Wages & Contract labor** reflects a favorable variance of \$432 thousand. This favorable variance is composed of: 1) Favorable Salaries and Wages – \$494 thousand (actual \$14.8 million), 2) Unfavorable Contract Labor – \$62.2 thousand (actual \$741.1 thousand). These variances are composed of: PPH North unfavorable \$150 thousand, PPH South favorable \$57.5 thousand, Central Office favorable \$485.7 thousand and Outreach \$38.8 thousand favorable.

**Benefits Expense** has an unfavorable budget variance of \$76 thousand. The major contributor to this variance is Workers Compensation with expenses of \$462 thousand in July, which exceeded projections by \$44 thousand.

**Supplies Expense** is reflecting a favorable budget variance of \$450 thousand. The volume variance is \$336 thousand. The majority of this favorable variance is pharmacy at \$150 thousand and general surgery supplies at \$177 thousand.

**Prof Fees & Purchased Services** reflected a favorable budget variance of \$17.8 thousand. The unfavorable variance of \$61.5 thousand in professional fees is due to Union Negotiation legal fees in excess of original estimate. Purchased services show a favorable variance of \$79.3 thousand to offset.

**Non-Operating Income** reflects a favorable variance of \$355 thousand in July, including a \$421 thousand favorable investment income variance. Investment income reflects a 9.2% investment rate of return in July compared to budget of 4.25%.

### **Ratios & Margins:**

All required bond covenant ratios were achieved in July 2006.

**Palomar Pomerado Health  
Balanced Scorecard  
Financial Indicators  
July 31, 2006**

April						May		June		July		YTD 2007		Prior Year
Actual	Actual	Actual	Actual	Budget	Variance	% Actual to Budget		Actual	Budget	Variance	% Actual to Budget	Actual	Actual	
<b>PPH Indicators:</b>														
6.5%	5.9%	8.4%	9.4%	9.9%	-0.5%	94.9%	OEBITDA Margin w/Prop Tax	9.4%	9.9%	-0.5%	94.9%	9.0%		
\$ 2,526.80	\$ 2,350.58	\$ 2,846.46	\$ 2,564.97	\$ 2,483.14	\$ (81.83)	103.3%	Expenses/Wtd Day	2,564.97	\$ 2,483.14	\$ (81.83)	103.3%	2,270.91		
\$ 1,468.82	\$ 1,295.58	\$ 1,541.05	\$ 1,546.23	\$ 1,478.51	\$ (67.72)	104.6%	SWB/Wtd Day	1,546.23	\$ 1,478.51	\$ (67.72)	104.6%	1,353.93		
6.27	6.20	5.65	6.32	6.12	\$ (0.20)	103.3%	Prod FTE's/Adj Occupied Ber	6.32	6.12	(0.20)	103.3%	5.93		
12,095	12,634	13,354	12,517	13,331	\$ (814.00)	93.9%	Weighted Patient Days	12,517	13,331	(814)	93.9%	12,568		
<b>PPH North Indicators:</b>														
8.7%	4.2%	6.5%	10.9%	9.8%	1.1%	111.2%	OEBITDA Margin w/Prop Tax	10.9%	9.8%	1.1%	111.2%	7.1%		
\$ 2,453.41	\$ 2,267.87	\$ 2,693.05	\$ 2,437.37	\$ 2,362.48	\$ (74.89)	103.2%	Expenses/Wtd Day	2,437.37	\$ 2,362.48	\$ (74.89)	103.2%	2,158.90		
\$ 1,245.04	\$ 1,080.30	\$ 1,264.22	\$ 1,315.11	\$ 1,224.57	\$ (90.54)	107.4%	SWB/Wtd Day	1,315.11	\$ 1,224.57	\$ (90.54)	107.4%	1,139.16		
5.33	5.28	5.39	5.32	5.08	\$ (0.24)	104.7%	Prod FTE's/Adj Occupied Ber	5.32	5.08	(0.24)	104.7%	4.97		
8,276	8,701	8,157	8,712	9,203	\$ (491.00)	94.7%	Weighted Patient Days	8,712	9,203	(491)	94.7%	8,901		
<b>PPH South Indicators:</b>														
-0.1%	5.0%	9.3%	4.3%	6.9%	-2.6%	62.3%	OEBITDA Margin w/Prop Tax	4.3%	6.9%	-2.6%	62.3%	10.1%		
\$ 2,373.34	\$ 2,231.51	\$ 2,459.21	\$ 2,477.73	\$ 2,396.37	\$ (81.36)	103.4%	Expenses/Wtd Day	2,477.73	\$ 2,396.37	\$ (81.36)	103.4%	2,255.63		
\$ 1,194.03	\$ 1,072.17	\$ 1,196.04	\$ 1,333.77	\$ 1,269.90	\$ (63.87)	105.0%	SWB/Wtd Day	1,333.77	\$ 1,269.90	\$ (63.87)	105.0%	1,182.09		
5.32	5.54	5.33	5.77	5.58	\$ (0.19)	103.4%	Prod FTE's/Adj Occupied Ber	5.77	5.58	(0.19)	103.4%	5.52		
3,706	3,788	3,712	3,554	3,817	\$ (263.00)	93.1%	Weighted Patient Days	3,554	3,817	(263)	93.1%	3,513		

**Palomar Pomerado Health  
Consolidated Balance Sheet  
As of July 31, 2006**

	Current Month	Prior Month	Prior Fiscal Year End
<b>Assets</b>			
<b>Current Assets</b>			
Cash on Hand	\$6,542,707	\$9,710,258	\$9,710,258
Cash Marketable Securities	89,740,290	110,035,151	110,035,151
<b>Total Cash &amp; Cash Equivalents</b>	<u>96,282,997</u>	<u>119,745,409</u>	<u>119,745,409</u>
<b>Patient Accounts Receivable</b>	180,278,722	149,103,360	149,103,360
Allowance on Accounts	-101,659,531	-78,078,378	-78,078,378
<b>Net Accounts Receivable</b>	<u>78,619,191</u>	<u>71,024,982</u>	<u>71,024,982</u>
Inventories	6,954,043	6,937,645	6,937,645
Prepaid Expenses	3,768,719	2,293,992	2,293,992
Other	19,768,289	6,871,058	6,871,058
<b>Total Current Assets</b>	<u>205,393,239</u>	<u>206,873,086</u>	<u>206,873,086</u>
<b>Non-Current Assets</b>			
Restricted Assets	68,009,646	66,734,609	66,734,609
Restricted by Donor	288,265	288,265	288,265
Board Designated	20,913,462	9,267,526	9,267,526
<b>Total Restricted Assets</b>	<u>89,211,373</u>	<u>76,290,400</u>	<u>76,290,400</u>
Property Plant & Equipment	342,003,448	343,335,572	343,335,572
Accumulated Depreciation	-220,266,498	-220,455,460	-220,455,460
Construction in Process	86,164,756	85,077,130	85,077,130
<b>Net Property Plant &amp; Equipment</b>	<u>207,901,706</u>	<u>207,957,242</u>	<u>207,957,242</u>
Investment in Related Companies	1,249,093	268,203	268,203
Deferred Financing Costs	3,361,612	3,354,469	3,354,469
Other Non-Current Assets	2,752,838	2,765,937	2,765,937
<b>Total Non-Current Assets</b>	<u>304,476,622</u>	<u>290,636,251</u>	<u>290,636,251</u>
<b>Total Assets</b>	<u>\$509,869,861</u>	<u>\$497,509,337</u>	<u>\$497,509,337</u>

	Current Month	Prior Month	Prior Fiscal Year End
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$26,735,756	\$30,624,648	\$30,624,648
Accrued Payroll	15,876,257	15,593,714	15,593,714
Accrued PTO	11,013,243	11,133,368	11,133,368
Accrued Interest Payable	2,856,249	2,265,274	2,265,274
Current Portion of Bonds	12,745,000	12,745,000	12,745,000
Est Third Party Settlements	-1,109,494	-1,065,097	-1,065,097
Other Current Liabilities	19,891,245	6,930,518	6,930,518
<b>Total Current Liabilities</b>	<u>88,008,256</u>	<u>78,227,425</u>	<u>78,227,425</u>
<b>Long Term Liabilities</b>			
Bonds & Contracts Payable	151,363,750	151,347,395	151,347,395
<b>Fund Balance</b>			
Unrestricted	249,296,127	258,378,722	258,378,722
Restricted for Other Purpose	288,265	288,265	288,265
Board Designated	20,913,462	9,267,526	9,267,526
<b>Total Long Term Liabilities</b>	<u>270,497,854</u>	<u>267,934,513</u>	<u>267,934,513</u>
<b>Total Liabilities / Fund Balance</b>	<u>\$509,869,861</u>	<u>\$497,509,337</u>	<u>\$497,509,337</u>



**PALOMAR POMERADO HEALTH  
CONSOLIDATED  
MTD 2007  
July 2006**

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	2,402	2,524	(122)					
Admissions - SNF	104	119	(15)					
Patient Days - Acute	9,180	9,922	(742)					
Patient Days - SNF	6,635	6,591	44					
ALOS - Acute	3.86	4.00	(0.14)					
ALOS - SNF	72.12	54.93	17.20					
Weighted Pt Days	12,517	13,331	(814)					
<b>Revenue:</b>								
Gross Revenue	\$ 99,141,914	\$ 106,335,415	\$ (7,193,501) U	\$ (6,492,913)	\$ (700,588)	\$ 7,920.58	\$ 7,976.55	\$ (55.97)
Deductions from Rev	(67,846,129)	(73,748,374)	5,902,245 F	4,503,126	1,399,119	(5,420.32)	(5,532.10)	111.78
Net Patient Revenue	31,295,785	32,587,041	(1,291,256) U	(1,989,787)	698,531	2,500.26	2,444.46	55.81
Other Oper Revenue	872,741	1,007,597	(134,856) U	(61,525)	(73,331)	69.72	75.58	(5.86)
<b>Total Net Revenue</b>	<b>32,168,526</b>	<b>33,594,638</b>	<b>(1,426,112) U</b>	<b>(2,051,312)</b>	<b>625,200</b>	<b>2,569.99</b>	<b>2,520.04</b>	<b>49.95</b>
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	15,503,445	15,935,478	432,033 F	973,031	(540,998)	1,238.59	1,195.37	(43.22)
Benefits	3,850,733	3,774,533	(76,200) U	230,476	(306,676)	307.64	283.14	(24.50)
Supplies	5,053,135	5,503,090	449,955 F	336,022	113,933	403.70	412.80	9.10
Prof Fees & Purch Svc	3,962,369	3,980,176	17,807 F	243,032	(225,225)	316.56	298.57	(17.99)
Depreciation	1,647,190	1,568,084	(79,106) U	95,748	(174,854)	131.60	117.63	(13.97)
Other	1,689,103	1,949,209	260,106 F	119,020	141,086	134.94	146.22	11.27
PPH Allocation	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>31,705,975</b>	<b>32,710,570</b>	<b>1,004,595 F</b>	<b>1,997,330</b>	<b>(992,735)</b>	<b>2,533.03</b>	<b>2,453.72</b>	<b>(79.31)</b>
<b>Net Inc Before Non-Oper Income</b>	<b>462,551</b>	<b>884,068</b>	<b>(421,517) U</b>	<b>(53,982)</b>	<b>(367,535)</b>	<b>36.95</b>	<b>66.32</b>	<b>(29.36)</b>
Property Tax Revenue	1,054,164	1,054,166	(2) U	(64,368)	64,366	84.22	79.08	5.14
Non-Operating Income	427,875	73,058	354,817 F	(4,461)	359,278	34.18	5.48	28.70
<b>Net Income (Loss)</b>	<b>\$ 1,944,592</b>	<b>\$ 2,011,292</b>	<b>\$ (66,702) U</b>	<b>\$ (122,811)</b>	<b>\$ 56,109</b>	<b>\$ 155.36</b>	<b>\$ 150.87</b>	<b>\$ 4.48</b>
Net Income Margin	5.8%	5.7%	0.1%					
OEBITDA Margin w/o Prop Tax	6.2%	6.9%	-0.7%					
OEBITDA Margin with Prop Tax	9.4%	9.9%	-0.5%					

F= Favorable variance  
U= Unfavorable variance

**Palomar Pomerado Health**  
**STATEMENTS OF CASH FLOWS**  
**Fiscal Year 2007**

	<u>July</u>	<u>YTD</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income (Loss from operations)	462,051	462,051
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,647,189	1,647,189
Provision for bad debts	2,488,587	2,488,587
Changes in operating assets and liabilities:		
Patient accounts receivable	(10,082,797)	(10,082,797)
Property Tax and other receivables	238,877	238,877
Inventories	(16,398)	(16,398)
Prepaid expenses and Other Non-Current assets	(2,455,617)	(2,455,617)
Accounts payable	(3,888,892)	(3,888,892)
Accrued comp	(74,810)	(74,810)
Estimated settlement amounts due third-party payors	(44,397)	(44,397)
Other current liabilities	697,533	697,533
Net cash provided by operating activities	<u>(11,028,674)</u>	<u>(11,028,674)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (purchases) sales on investments	7,373,889	7,373,889
Interest (Loss) received on investments	886,540	886,540
Investment in affiliates	129,542	129,542
Net cash used in investing activities	<u>8,389,971</u>	<u>8,389,971</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Receipt of G.O. Bond Taxes	118,544	118,544
Receipt of District Taxes	268,114	268,114
Net cash used in activities	<u>386,658</u>	<u>386,658</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of property plant and equipment	(915,506)	(915,506)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	0	0
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	0	0
Net cash used in activities	<u>(915,506)</u>	<u>(915,506)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,167,551)</b>	<b>(3,167,551)</b>
CASH AND CASH EQUIVALENTS - Beginning of period	<u>9,710,258</u>	<u>9,710,258</u>
CASH AND CASH EQUIVALENTS - End of period	<u><u>6,542,707</u></u>	<u><u>6,542,707</u></u>

# PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

<b>CUSHION RATIO</b>	<b>Jun-05</b>	<b>Jun-06</b>	<b>Jul-06</b>
Cash and Cash Equivalents	109,043,208	119,745,409	96,282,997
Board Designated Reserves	22,388,648	9,267,526	20,913,462
Trustee-held Funds	12,026,055	12,170,183	13,120,736
<b>Total</b>	<b>143,457,911</b>	<b>141,183,118</b>	<b>130,317,195</b>
Divided by:			
Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594
<b>CUSHION RATIO</b>	<b>13.4</b>	<b>13.2</b>	<b>12.2</b>
<b>REQUIREMENT</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>

<b>DAYS CASH ON HAND</b>	<b>Jun-05</b>	<b>Jun-06</b>	<b>Jul-06</b>
Cash and Cash Equivalents	109,043,208	119,745,409	96,282,997
Board Designated Reserves	22,388,648	9,267,526	20,913,462
<b>Total</b>	<b>131,431,856</b>	<b>129,012,935</b>	<b>117,196,459</b>
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	340,338,156	365,759,559	31,705,975
Less: Depreciation	16,394,985	18,737,467	1,647,189
<b>Adjusted Expenses</b>	<b>323,943,171</b>	<b>347,022,092</b>	<b>30,058,786</b>
Number of days in period	365	365	31
<b>Average Adjusted Expenses per Day</b>	<b>887,516</b>	<b>950,745</b>	<b>969,638</b>
<b>DAYS CASH ON HAND</b>	<b>148</b>	<b>136</b>	<b>121</b>
<b>REQUIREMENT</b>	<b>90</b>	<b>90</b>	<b>90</b>
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>

<b>Net Income Available for Debt Service</b>	<b>Jun-05</b>	<b>Jun-06</b>	<b>Jul-06</b>
Excess of revenue over expenses Cur Mo.	1,490,930	905,884	1,944,592
Excess of revenues over expenses YTD (General Funds)	17,052,649	11,148,667	1,944,592
ADD:			
Depreciation and Amortization	16,394,985	18,737,467	1,647,189
Interest Expense	5,272,031	5,130,603	399,261
<b>Net Income Available for Debt Service</b>	<b>38,719,665</b>	<b>35,016,737</b>	<b>3,991,042</b>

<b>Aggregate Debt Service</b>	<b>Jun-05</b>	<b>Jun-06</b>	<b>Jul-06</b>
1993 Insured Refunding Revenue Bonds	6,020,301	3,639,772	204,049
1999 Insured Refunding Revenue Bonds	4,356,844	6,950,508	687,332
<b>Aggregate Debt Service</b>	<b>10,377,145</b>	<b>10,590,280</b>	<b>891,381</b>

<b>Net Income Available for Debt Service</b>	<b>3.73</b>	<b>3.31</b>	<b>4.48</b>
<b>Required Coverage</b>	<b>1.15</b>	<b>1.15</b>	<b>1.15</b>
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>

# Financial Statements

*July 2006*

Tim Nguyen

Corporate Controller

August 21, 2006

PALOMAR POMERADO HEALTH

PALOMAR  
POMERADO  
HEALTH

SPECIALIZING IN YOU

**B-10**

**PALOMAR POMERADO HEALTH**  
**SUMMARY OF KEY INDICATORS AND RESULTS**  
July-06

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<b><u>ADMISSIONS - Acute:</u></b>				
Palomar Medical Center	1,832	1,860	(28)	1,888
Pomerado Hospital	570	664	(94)	567
<b>Total:</b>	<u>2,402</u>	<u>2,524</u>	<u>(122)</u>	<u>2,455</u>
<b><u>ADMISSIONS - SNF:</u></b>				
Palomar Medical Center	59	66	(7)	46
Pomerado Hospital	45	53	(8)	49
<b>Total:</b>	<u>104</u>	<u>119</u>	<u>(15)</u>	<u>95</u>
<b><u>PATIENT DAYS - Acute:</u></b>				
Palomar Medical Center	6,919	7,396	(477)	7,114
Pomerado Hospital	2,261	2,526	(265)	2,258
<b>Total:</b>	<u>9,180</u>	<u>9,922</u>	<u>(742)</u>	<u>9,372</u>
<b><u>PATIENT DAYS- SNF:</u></b>				
Palomar Medical Center	2,737	2,747	(10)	2,656
Pomerado Hospital	3,898	3,844	54	3,858
<b>Total:</b>	<u>6,635</u>	<u>6,591</u>	<u>44</u>	<u>6,514</u>

**PALOMAR POMERADO HEALTH**  
**SUMMARY OF KEY INDICATORS AND RESULTS**  
July-06

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<b><u>WEIGHTED PATIENT DAYS:</u></b>				
Palomar Medical Center	8,712	9,203	(491)	8,901
Pomerado Hospital	3,554	3,817	(263)	3,513
Other Activities	251	311	(60)	154
<b>Total:</b>	<u>12,517</u>	<u>13,331</u>	<u>(814)</u>	<u>12,568</u>
<b><u>AVERAGE LENGTH OF STAY- Acute:</u></b>				
Palomar Medical Center	3.81	4.02	(0.21)	3.99
Pomerado Hospital	4.01	3.96	0.05	3.83
<b>Total:</b>	<u>3.86</u>	<u>4.00</u>	<u>(0.14)</u>	<u>3.95</u>
<b><u>AVERAGE LENGTH OF STAY - SNF:</u></b>				
Palomar Medical Center	52.63	40.40	12.23	45.79
Pomerado Hospital	97.45	73.92	23.53	77.16
<b>Total:</b>	<u>72.12</u>	<u>54.93</u>	<u>17.19</u>	<u>60.31</u>

**PALOMAR POMERADO HEALTH**  
**SUMMARY OF KEY INDICATORS AND RESULTS**  
**JULY 2006**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<b><u>EMERGENCY ROOM VISITS &amp; TRAUMA CASES:</u></b>				
Palomar Medical Center	3,685	3,825	(140)	3,547
Pomerado Hospital	1,930	1,982	(52)	1,927
<b>Total:</b>	<u>5,615</u>	<u>5,807</u>	<u>(192)</u>	<u>5,474</u>
<b><u>EMERGENCY &amp; TRAUMA ADMISSIONS:</u></b>				
Palomar Medical Center	905	964	(59)	906
Pomerado Hospital	311	347	(36)	333
<b>Total:</b>	<u>1,216</u>	<u>1,311</u>	<u>(95)</u>	<u>1,239</u>
<b><u>SURGERIES:</u></b>				
Palomar Medical Center	621	678	(57)	653
Pomerado Hospital	332	363	(31)	316
<b>Total:</b>	<u>953</u>	<u>1,041</u>	<u>(88)</u>	<u>969</u>
<b><u>BIRTHS:</u></b>				
Palomar Medical Center	379	380	(1)	387
Pomerado Hospital	100	119	(19)	101
<b>Total:</b>	<u>479</u>	<u>499</u>	<u>(20)</u>	<u>488</u>

**PALOMAR POMERADO HEALTH**  
**CONSOLIDATED**  
**MTD 2007**  
**July 2006**

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	2,402	2,524	(122)					
Admissions - SNF	104	119	(15)					
Patient Days - Acute	9,180	9,922	(742)					
Patient Days - SNF	6,635	6,591	44					
ALOS - Acute	3.86	4.00	(0.14)					
ALOS - SNF	72.12	54.93	17.20					
Weighted Pt Days	12,517	13,331	(814)					
<b>Revenue:</b>								
Gross Revenue	\$ 99,141,914	\$ 106,335,415	\$ (7,193,501) U	\$ (6,492,913)	\$ (700,588)	\$ 7,920.58	\$ 7,976.55	\$ (55.97)
Deductions from Rev	(67,846,129)	(73,748,374)	5,902,245 F	4,503,126	1,399,119	(5,420.32)	(5,532.10)	111.78
Net Patient Revenue	31,295,785	32,587,041	(1,291,256) U	(1,989,787)	698,531	2,500.26	2,444.46	55.81
Other Oper Revenue	872,741	1,007,597	(134,856) U	(61,525)	(73,331)	69.72	75.58	(5.86)
<b>Total Net Revenue</b>	<b>32,168,526</b>	<b>33,594,638</b>	<b>(1,426,112) U</b>	<b>(2,051,312)</b>	<b>625,200</b>	<b>2,569.99</b>	<b>2,520.04</b>	<b>49.95</b>
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	15,503,445	15,935,478	432,033 F	973,031	(540,998)	1,238.59	1,195.37	(43.22)
Benefits	3,850,733	3,774,533	(76,200) U	230,476	(306,676)	307.64	283.14	(24.50)
Supplies	5,053,135	5,503,090	449,955 F	336,022	113,933	403.70	412.80	9.10
Prof Fees & Purch Svc	3,962,369	3,980,176	17,807 F	243,032	(225,225)	316.56	298.57	(17.99)
Depreciation	1,647,190	1,568,084	(79,106) U	95,748	(174,854)	131.60	117.63	(13.97)
Other	1,689,103	1,949,209	260,106 F	119,020	141,086	134.94	146.22	11.27
PPH Allocation	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>31,705,975</b>	<b>32,710,570</b>	<b>1,004,595 F</b>	<b>1,997,330</b>	<b>(992,735)</b>	<b>2,533.03</b>	<b>2,453.72</b>	<b>(79.31)</b>
<b>Net Inc Before Non-Oper Income</b>	<b>462,551</b>	<b>884,068</b>	<b>(421,517) U</b>	<b>(53,982)</b>	<b>(367,535)</b>	<b>36.95</b>	<b>66.32</b>	<b>(29.36)</b>
Property Tax Revenue	1,054,164	1,054,166	(2) U	(64,368)	64,366	84.22	79.08	5.14
Non-Operating Income	427,875	73,058	354,817 F	(4,461)	359,278	34.18	5.48	28.70
<b>Net Income (Loss)</b>	<b>\$ 1,944,592</b>	<b>\$ 2,011,292</b>	<b>\$ (66,702) U</b>	<b>\$ (122,811)</b>	<b>\$ 56,109</b>	<b>\$ 155.36</b>	<b>\$ 150.87</b>	<b>\$ 4.48</b>
Net Income Margin	5.8%	5.7%	0.1%					
OEBITDA Margin w/o Prop Tax	6.2%	6.9%	-0.7%					
OEBITDA Margin with Prop Tax	9.4%	9.9%	-0.5%					

F= Favorable variance  
U= Unfavorable variance



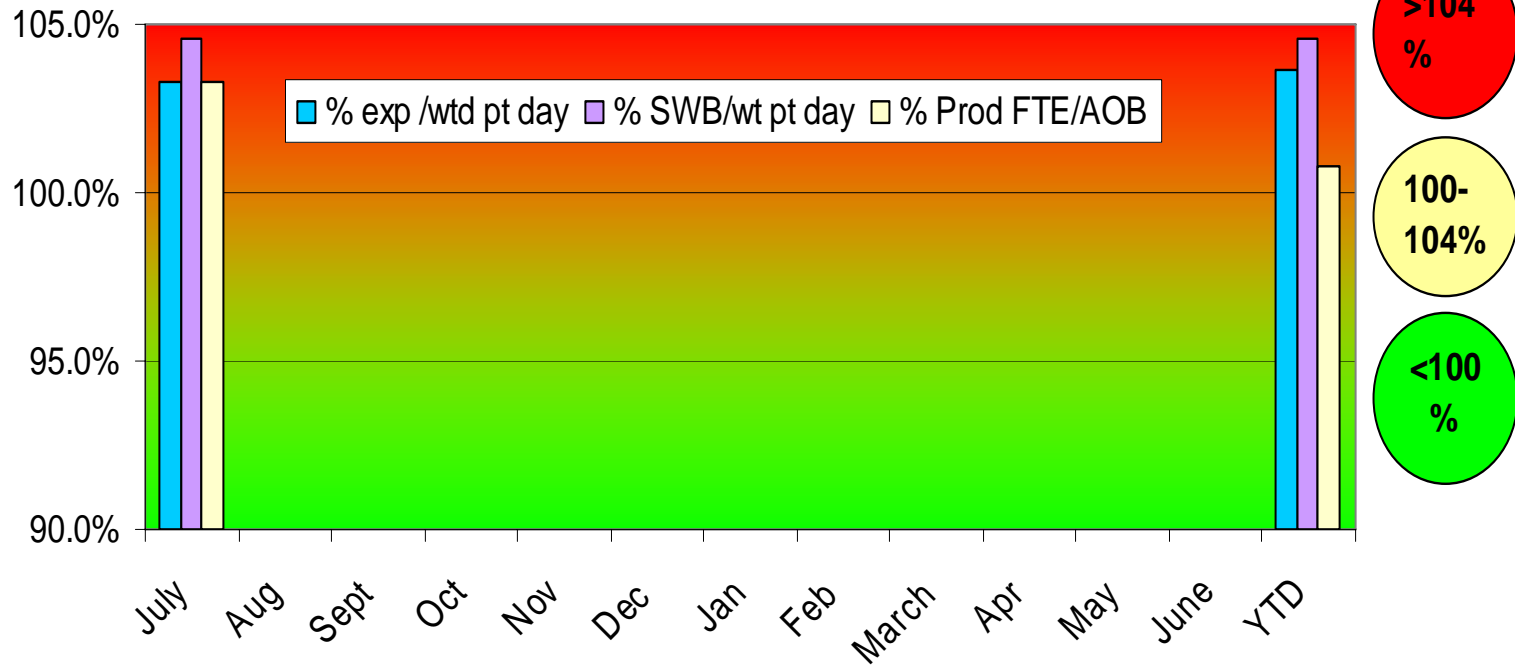
**Palomar Pomerado Health  
Consolidated Balance Sheet  
As of July 31, 2006**

	<b>Current Month</b>	<b>Prior Month</b>	<b>Prior Fiscal Year End</b>		<b>Current Month</b>	<b>Prior Month</b>	<b>Prior Fiscal Year End</b>
<b>Assets</b>				<b>Liabilities</b>			
<b>Current Assets</b>				<b>Current Liabilities</b>			
Cash on Hand	\$6,542,707	\$9,710,258	\$9,710,258	Accounts Payable	\$26,735,756	\$30,624,648	\$30,624,648
Cash Marketable Securities	89,740,290	110,035,151	110,035,151	Accrued Payroll	15,876,257	15,593,714	15,593,714
<b>Total Cash &amp; Cash Equivalen</b>	<b>96,282,997</b>	<b>119,745,409</b>	<b>119,745,409</b>	Accrued PTO	11,013,243	11,133,368	11,133,368
<b>Patient Accounts Receivable</b>	<b>180,278,722</b>	<b>149,103,360</b>	<b>149,103,360</b>	Accrued Interest Payable	2,856,249	2,265,274	2,265,274
Allow ance on Accounts	-101,659,531	-78,078,378	-78,078,378	Current Portion of Bonds	12,745,000	12,745,000	12,745,000
<b>Net Accounts Receivable</b>	<b>78,619,191</b>	<b>71,024,982</b>	<b>71,024,982</b>	Est Third Party Settlements	-1,109,494	-1,065,097	-1,065,097
Inventories	6,954,043	6,937,645	6,937,645	Other Current Liabilities	19,891,245	6,930,518	6,930,518
Prepaid Expenses	3,768,719	2,293,992	2,293,992	<b>Total Current Liabilities</b>	<b>88,008,256</b>	<b>78,227,425</b>	<b>78,227,425</b>
<b>Total Current Assets</b>	<b>205,393,239</b>	<b>206,873,086</b>	<b>206,873,086</b>	<b>Long Term Liabilities</b>			
<b>Non-Current Assets</b>				Bonds & Contracts Payable	151,363,750	151,347,395	151,347,395
Restricted Assets	68,009,646	66,734,609	66,734,609	<b>Fund Balance</b>			
Restricted by Donor	288,265	288,265	288,265	Unrestricted	249,296,127	258,378,722	258,378,722
Board Designated	20,913,462	9,267,526	9,267,526	Restricted for Other Purpose	288,265	288,265	288,265
<b>Total Restricted Assets</b>	<b>89,211,373</b>	<b>76,290,400</b>	<b>76,290,400</b>	Board Designated	20,913,462	9,267,526	9,267,526
Property Plant & Equipment	342,003,448	343,335,572	343,335,572	<b>Total Long Term Liabilities</b>	<b>270,497,854</b>	<b>267,934,513</b>	<b>267,934,513</b>
Accumulated Depreciation	-220,266,498	-220,455,460	-220,455,460	<b>Total Liabilities / Fund Balance</b>	<b>\$509,869,861</b>	<b>\$497,509,337</b>	<b>\$497,509,337</b>
Construction in Process	86,164,756	85,077,130	85,077,130				
<b>Net Property Plant &amp; Equipm</b>	<b>207,901,706</b>	<b>207,957,242</b>	<b>207,957,242</b>				
Investment in Related Compan	1,249,093	268,203	268,203				
Deferred Financing Costs	3,361,612	3,354,469	3,354,469				
Other Non-Current Assets	2,752,838	2,765,937	2,765,937				
<b>Total Non-Current Assets</b>	<b>304,476,622</b>	<b>290,636,251</b>	<b>290,636,251</b>				
<b>Total Assets</b>	<b>\$509,869,861</b>	<b>\$497,509,337</b>	<b>\$497,509,337</b>				

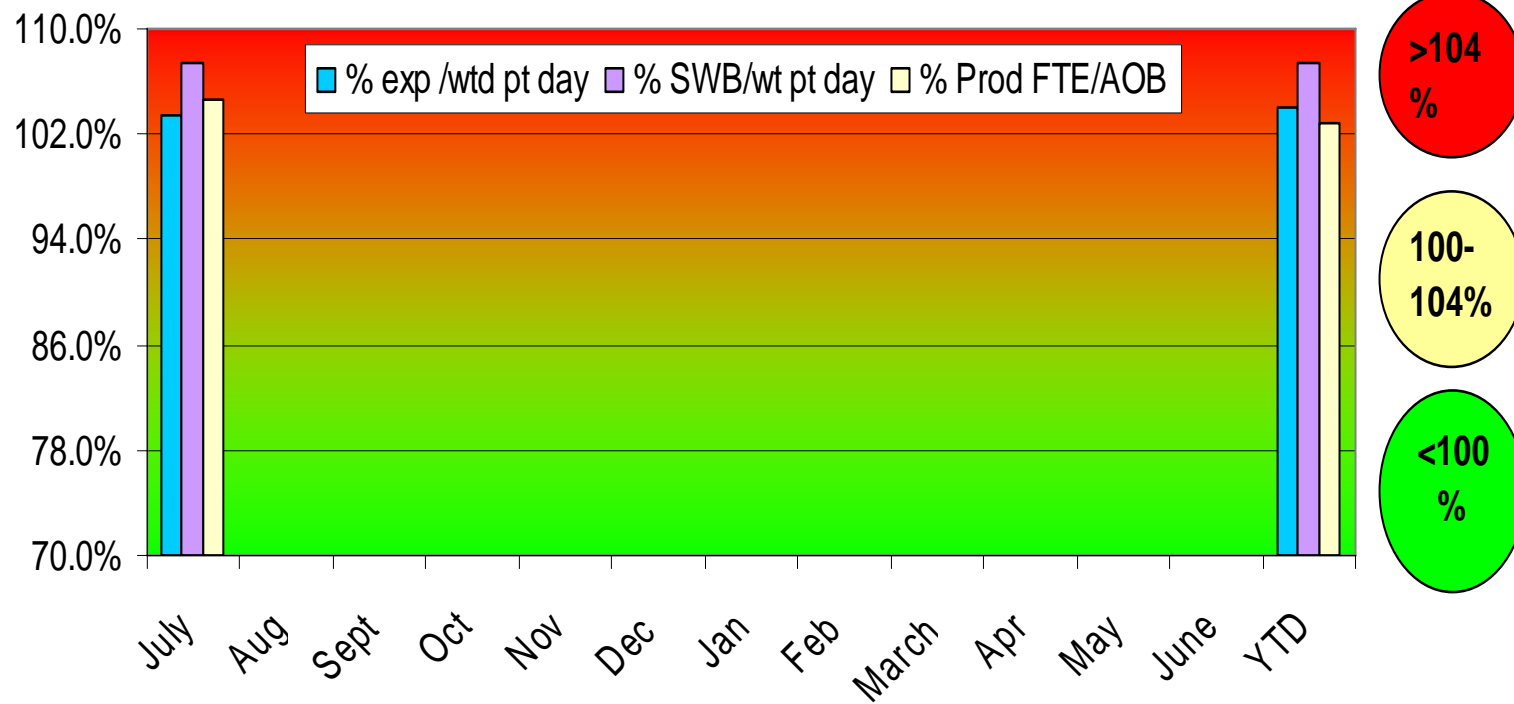
**Palomar Pomerado Health  
Balanced Scorecard  
Financial Indicators  
July 31, 2006**

							YTD 2007					
April	May	June	July		% Actual					% Actual	Prior Year	
Actual	Actual	Actual	Actual	Budget	Variance	to Budget	Actual	Budget	Variance	to Budget	Actual	
<b>PPH Indicators:</b>												
6.5%	5.9%	8.4%	9.4%	9.9%	-0.5%	94.9%	OEBITDA Margin w/Prop Ta	9.4%	9.9%	-0.5%	94.9%	9.0%
\$ 2,526.80	\$ 2,350.58	\$ 2,846.46	\$ 2,564.97	\$ 2,483.14	\$ (81.83)	103.3%	Expenses/Wtd Day	2,564.97	\$ 2,483.14	\$ (81.83)	103.3%	2,270.91
\$ 1,468.82	\$ 1,295.58	\$ 1,541.05	\$ 1,546.23	\$ 1,478.51	\$ (67.72)	104.6%	SWB/Wtd Day	1,546.23	\$ 1,478.51	\$ (67.72)	104.6%	1,353.93
6.27	6.20	5.65	6.32	6.12	\$ (0.20)	103.3%	Prod FTE's/Adj Occupied B	6.32	6.12	(0.20)	103.3%	5.93
12,095	12,634	13,354	12,517	13,331	\$ (814.00)	93.9%	Weighted Patient Days	12,517	13,331	(814)	93.9%	12,568
<b>PPH North Indicators:</b>												
8.7%	4.2%	6.5%	10.9%	9.8%	1.1%	111.2%	OEBITDA Margin w/Prop Ta	10.9%	9.8%	1.1%	111.2%	7.1%
\$ 2,453.41	\$ 2,267.87	\$ 2,693.05	\$ 2,437.37	\$ 2,362.48	\$ (74.89)	103.2%	Expenses/Wtd Day	2,437.37	\$ 2,362.48	\$ (74.89)	103.2%	2,158.90
\$ 1,245.04	\$ 1,080.30	\$ 1,264.22	\$ 1,315.11	\$ 1,224.57	\$ (90.54)	107.4%	SWB/Wtd Day	1,315.11	\$ 1,224.57	\$ (90.54)	107.4%	1,139.16
5.33	5.28	5.39	5.32	5.08	\$ (0.24)	104.7%	Prod FTE's/Adj Occupied B	5.32	5.08	(0.24)	104.7%	4.97
8,276	8,701	8,157	8,712	9,203	\$ (491.00)	94.7%	Weighted Patient Days	8,712	9,203	(491)	94.7%	8,901
<b>PPH South Indicators:</b>												
-0.1%	5.0%	9.3%	4.3%	6.9%	-2.6%	62.3%	OEBITDA Margin w/Prop Ta	4.3%	6.9%	-2.6%	62.3%	10.1%
\$ 2,373.34	\$ 2,231.51	\$ 2,459.21	\$ 2,477.73	\$ 2,396.37	\$ (81.36)	103.4%	Expenses/Wtd Day	2,477.73	\$ 2,396.37	\$ (81.36)	103.4%	2,255.63
\$ 1,194.03	\$ 1,072.17	\$ 1,196.04	\$ 1,333.77	\$ 1,269.90	\$ (63.87)	105.0%	SWB/Wtd Day	1,333.77	\$ 1,269.90	\$ (63.87)	105.0%	1,182.09
5.32	5.54	5.33	5.77	5.58	\$ (0.19)	103.4%	Prod FTE's/Adj Occupied B	5.77	5.58	(0.19)	103.4%	5.52
3,706	3,788	3,712	3,554	3,817	\$ (263.00)	93.1%	Weighted Patient Days	3,554	3,817	(263)	93.1%	3,513

## PPH Total Consolidated Financial Indicators BSC-FY07

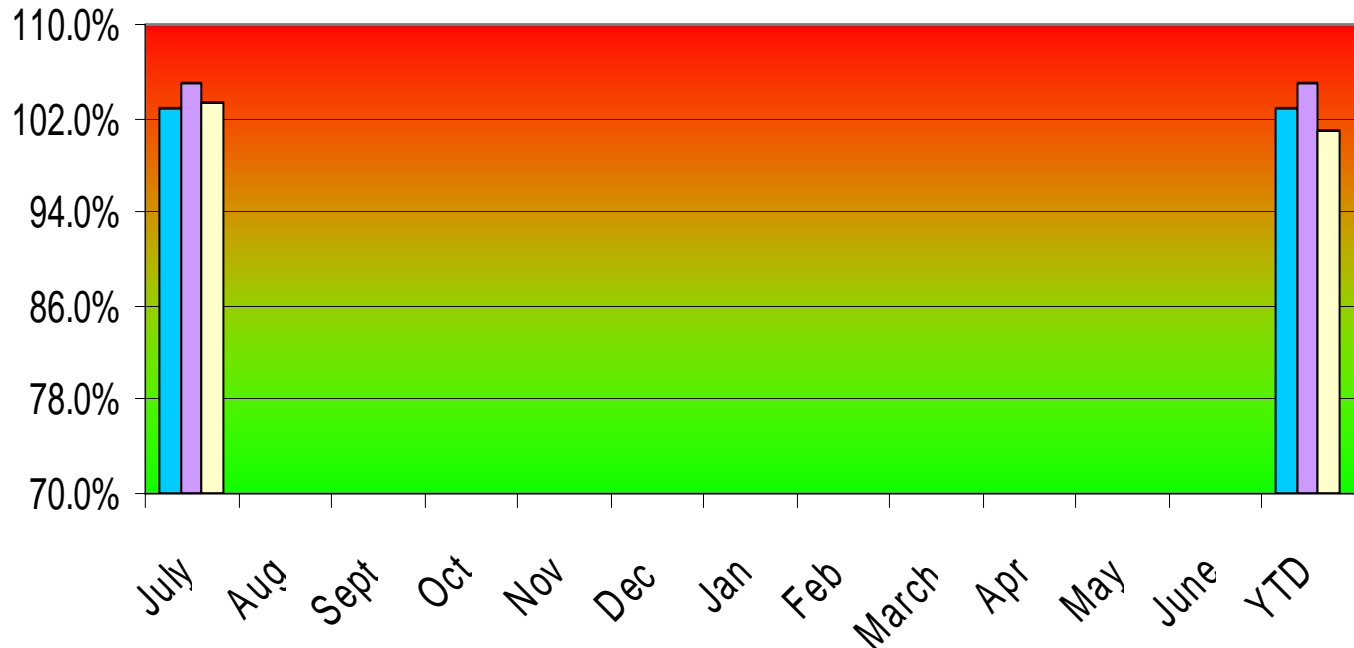


## PPH North Consolidated Financial Indicators BSC-FY07



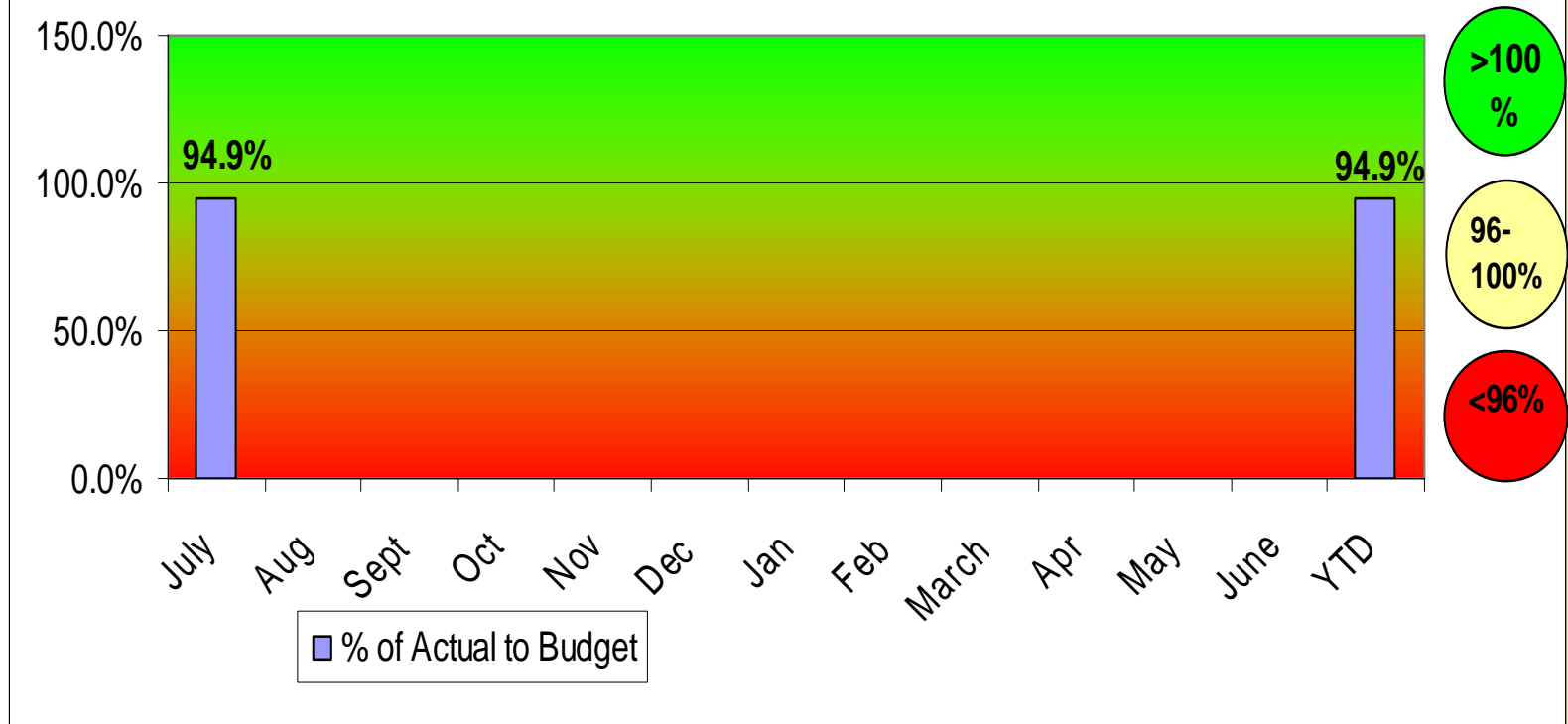
## PPH South Consolidated Financial Indicators BSC-FY07

■ % exp /wtd pt day   ■ % SWB/wt pt day   ■ % Prod FTE/AOB

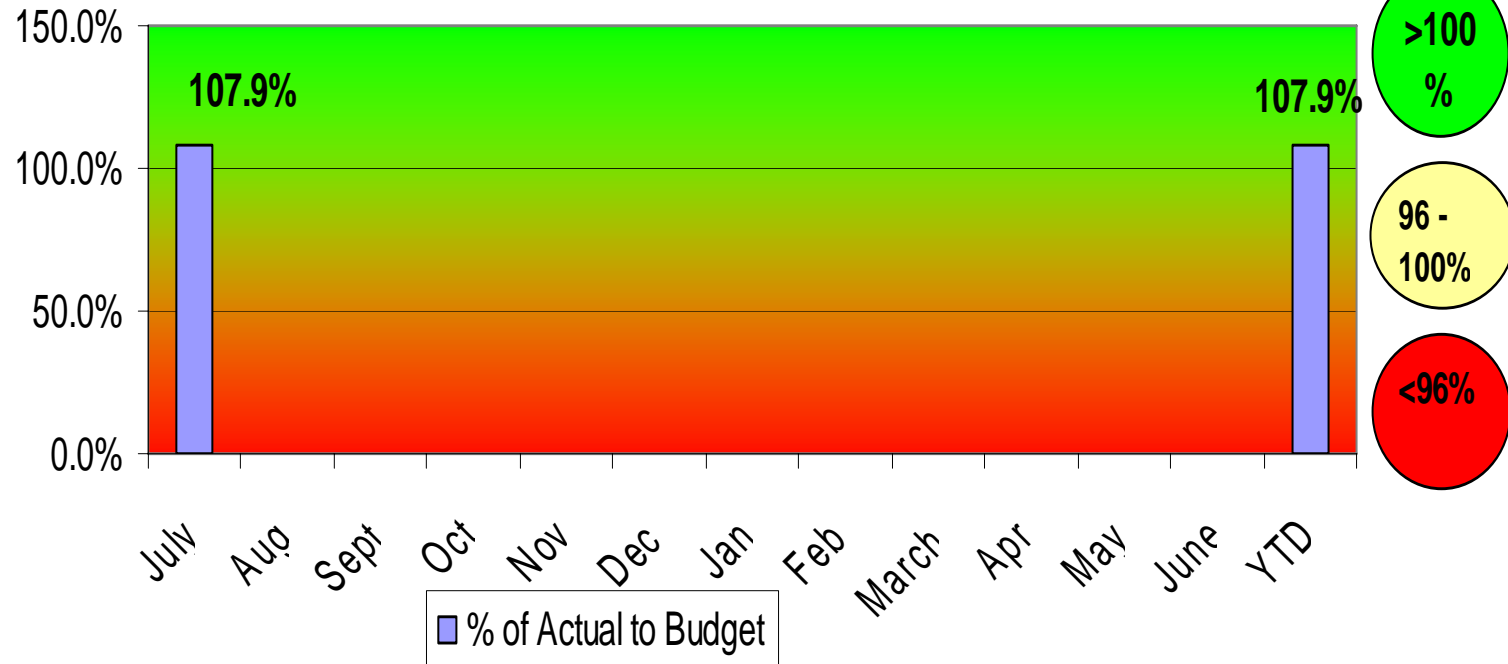


- >104%
- 100-104%
- <100%

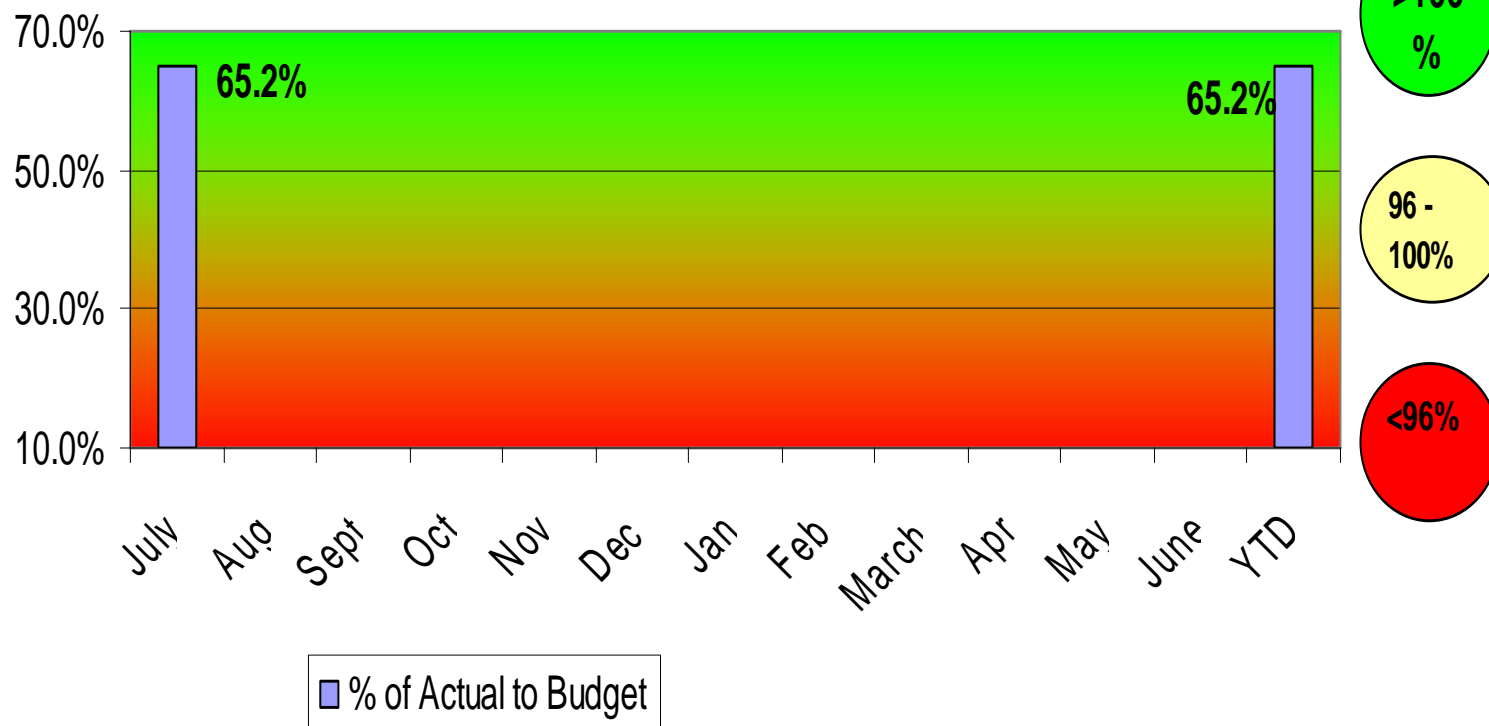
## PPH Total Consolidated OEBITDA w/ Prop Taxes - FY07



## PPH North Consolidated OEBITDA w/ Prop Taxes - FY07

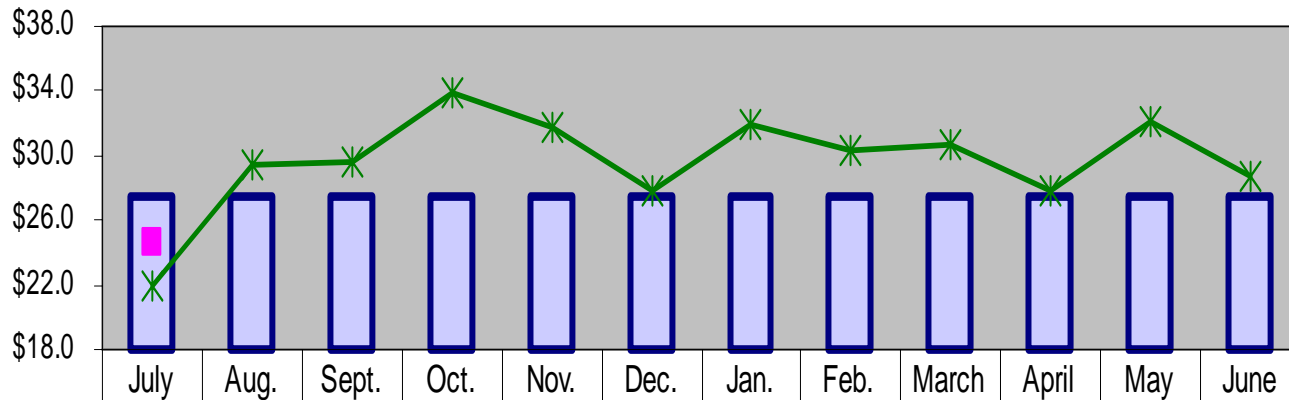





## PPH South Consolidated OEBITDA w/ Prop Taxes - FY07



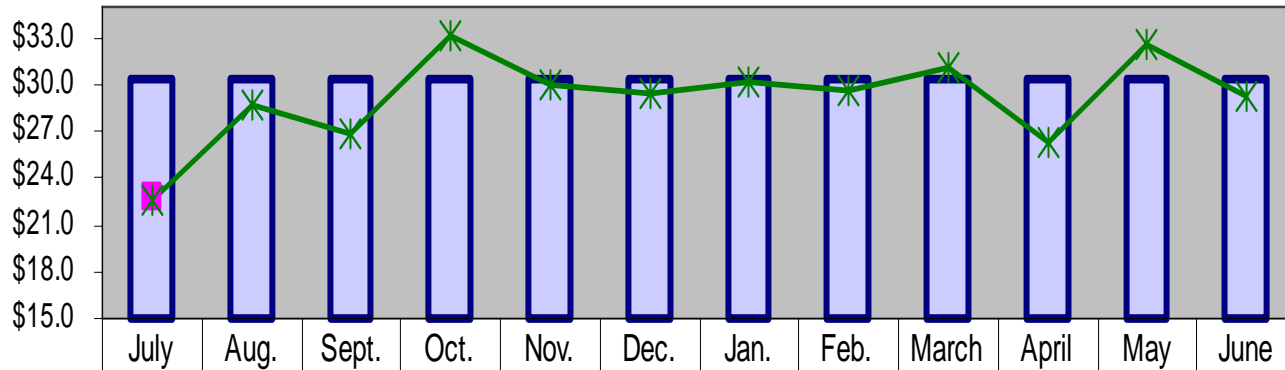





## PPH Monthly Collections in Millions



 FY07 Goal	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5
 Pr. Yr Actual	\$21.9	\$29.4	\$29.6	\$33.9	\$31.7	\$27.8	\$31.9	\$30.3	\$30.6	\$27.8	\$32.2	\$28.7
 Curr. Yr Actual	\$24.7											

## PBS Monthly Collections in Millions



 FY07 Goal	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3
 Pr. Yr Actual	\$22.6	\$28.7	\$26.8	\$33.1	\$30.1	\$29.5	\$30.2	\$29.6	\$31.2	\$26.2	\$32.6	\$29.2
 Curr. Yr Actual	\$22.8											

**Palomar Pomerado Health**  
**STATEMENTS OF CASH FLOWS**  
**Fiscal Year 2007**

	<u>July</u>	<u>YTD</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income (Loss from operations)	462,051	462,051
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,647,189	1,647,189
Provision for bad debts	2,488,587	2,488,587
Changes in operating assets and liabilities:		
Patient accounts receivable	(10,082,797)	(10,082,797)
Property Tax and other receivables	238,877	238,877
Inventories	(16,398)	(16,398)
Prepaid expenses and Other Non-Current assets	(2,455,617)	(2,455,617)
Accounts payable	(3,888,892)	(3,888,892)
Accrued comp	(74,810)	(74,810)
Estimated settlement amounts due third-party payors	(44,397)	(44,397)
Other current liabilities	697,533	697,533
Net cash provided by operating activities	<u>(11,028,674)</u>	<u>(11,028,674)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (purchases) sales on investments	7,373,889	7,373,889
Interest (Loss) received on investments	886,540	886,540
Investment in affiliates	129,542	129,542
Net cash used in investing activities	<u>8,389,971</u>	<u>8,389,971</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Receipt of G.O. Bond Taxes	118,544	118,544
Receipt of District Taxes	268,114	268,114
Net cash used in activities	<u>386,658</u>	<u>386,658</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of property plant and equipment	(915,506)	(915,506)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	0	0
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	0	0
Net cash used in activities	<u>(915,506)</u>	<u>(915,506)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,167,551)</b>	<b>(3,167,551)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of period</b>	<b><u>9,710,258</u></b>	<b><u>9,710,258</u></b>
<b>CASH AND CASH EQUIVALENTS - End of period</b>	<b><u>6,542,707</u></b>	<b><u>6,542,707</u></b>