

ADDENDUM C

Financial Statements

September 2006

Tim Nguyen

Corporate Controller

October 30, 2006

PALOMAR POMERADO HEALTH

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PALOMAR POMERADO HEALTH
SEPTEMBER 2006 FINANCIAL RESULTS
EXECUTIVE SUMMARY and HIGHLIGHTS

Statistics:

CONSOLIDATED	Aug-06	Sep-06	Aug vs Sep % Variance	Sep-06 Budget	Act vs Bud % Variance
Patient Days Acute	9,535	9,151	(4.03)	9,602	(4.70)
Patient Days SNF	6,517	6,308	(3.21)	6,378	(1.10)
ADC Acute	307	305	(0.65)	320	(4.69)
ADC SNF	210	210	—	213	(1.41)
Surgeries CVS Cases	13	16	23.08	10	60.00
Surgeries Total	1,009	944	(6.44)	1,007	(6.26)
Number of Births	493	477	(3.25)	483	(1.24)
NORTH					
Patient Days Acute	7,102	6,822	(3.94)	7,157	(4.68)
Patient Days SNF	2,704	2,624	(2.96)	2,658	(1.28)
ADC Acute	229	227	(0.87)	239	(5.02)
ADC SNF	87	87	—	89	(2.25)
SOUTH					
Patient Days Acute	2,433	2,329	(4.27)	2,445	(4.74)
Patient Days SNF	3,813	3,684	(3.38)	3,720	(0.97)
ADC Acute	78	78	—	82	(4.88)
ADC SNF	123	123	—	124	(0.81)

Balance Sheet:

Current Cash & Cash Equivalents decreased \$1.7 million from \$100.2 million in August to \$98.5 million in September. The decrease is mainly due to the purchase of capital equipment in September. Total Cash and Investments are \$111 million, compared to \$129 million at June 30, 2006. Days cash on hand went from 120 days in August to 115 days in September compared to 136 in June.

Net Accounts Receivable increased to \$86.7 million in September as compared to \$81.9 million in August. Gross A/R days increased from 55.5 days in August to 56.1 days in September.

Total patient account collections including capitation are \$24.8 million compared to budget of \$30.3 million. September 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 September.

Other Current Liabilities decreased \$329,000 primarily due to the realization of Deferred Property Tax Revenue in September.

Income Statement:

Gross Patient Revenue for YTD September reflects an unfavorable budget variance of \$15.4 million. This unfavorable variance is composed of a \$10.6 million unfavorable volume variance and \$4.8 million unfavorable rate variance. The YTD rate variance is the result of lower than budgeted trauma and surgical cases.

Routine revenue (inpatient room and board) reflects an unfavorable \$3.7 million budget variance. North is responsible for \$3.5 million of this variance.

Inpatient Ancillary revenue represents a \$12.5 million unfavorable budget variance. North reflects an unfavorable variance of \$6.8 million and South reflects \$5.7 million unfavorable variance. The main contributors to North's unfavorable variance are Surgery and supply departments totaling \$4.1 million lower than budget. The main contributors to South's unfavorable variance is Surgery and Surgery Patient Supply totaling \$4.9 million lower than budget.

Outpatient revenue reflects a favorable budget variance of \$0.8 million. North has a \$0.9 million favorable variance and South has a \$0.3 million favorable variance. These two amounts are decreased by Outreach's \$0.4 unfavorable variance.

Deductions from Revenue reflects a YTD favorable variance of \$13 million. This is due to lower-than-budgeted volume and budgeted gross revenue. Total Deductions from Revenue is 68.6% of gross revenue compared to a budget of 69.4%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), is 64.0% of YTD Gross Revenue compared to budget of 64.8%.

The net capitation reflects a favorable budget variance of \$880 thousand. Cap Premium and Out of Network Claim Expense both show an unfavorable budget variance of \$648 thousand and \$1.63 million, respectively. Cap Valuation shows a favorable variance of \$3.16 million to offset.

Other Operating Revenue reflects a YTD unfavorable budget variance of \$208 thousand. This is due to Foundation, where actual revenue is \$114 thousand below budget.

Salaries, Wages & Contract labor reflects a YTD favorable variance of \$2.3 million. This favorable variance is composed of: 1) Favorable Salaries and Wages – \$2.5 million (actual \$42.8 million), 2) Unfavorable Contract Labor – \$206 thousand (actual \$2.2 million). These variances are composed of: PPH North favorable \$716 thousand, PPH South favorable \$617 thousand, Central Office favorable \$947 thousand and Outreach \$42 thousand favorable.

Benefits Expense has a YTD favorable budget variance of \$46 thousand. This variance is due to lower than budgeted salaries.

Supplies Expense reflects YTD favorable budget variance of \$1.4 million. This favorable variance is composed of a \$550 thousand favorable volume variance and \$839 thousand favorable rate variance. The favorable variance is pharmacy at \$650 thousand, prosthesis at \$160 thousand, other medical and non-medical at \$357 thousand and general surgery supplies at \$233 thousand.

Prof Fees & Purchased Services reflects a YTD unfavorable budget variance of \$658 thousand. The unfavorable variance of \$262 thousand in professional fees is due to higher legal fees. The unfavorable variance of \$396 thousand in purchased services is due to Cerner upgrade and repairs and maintenance.

Non-Operating Income reflects a favorable YTD variance of \$1 million in September. This is due to a favorable investment income variance. Investment income reflects a 6.8% investment rate of return through September compared to budget of 4.25%.

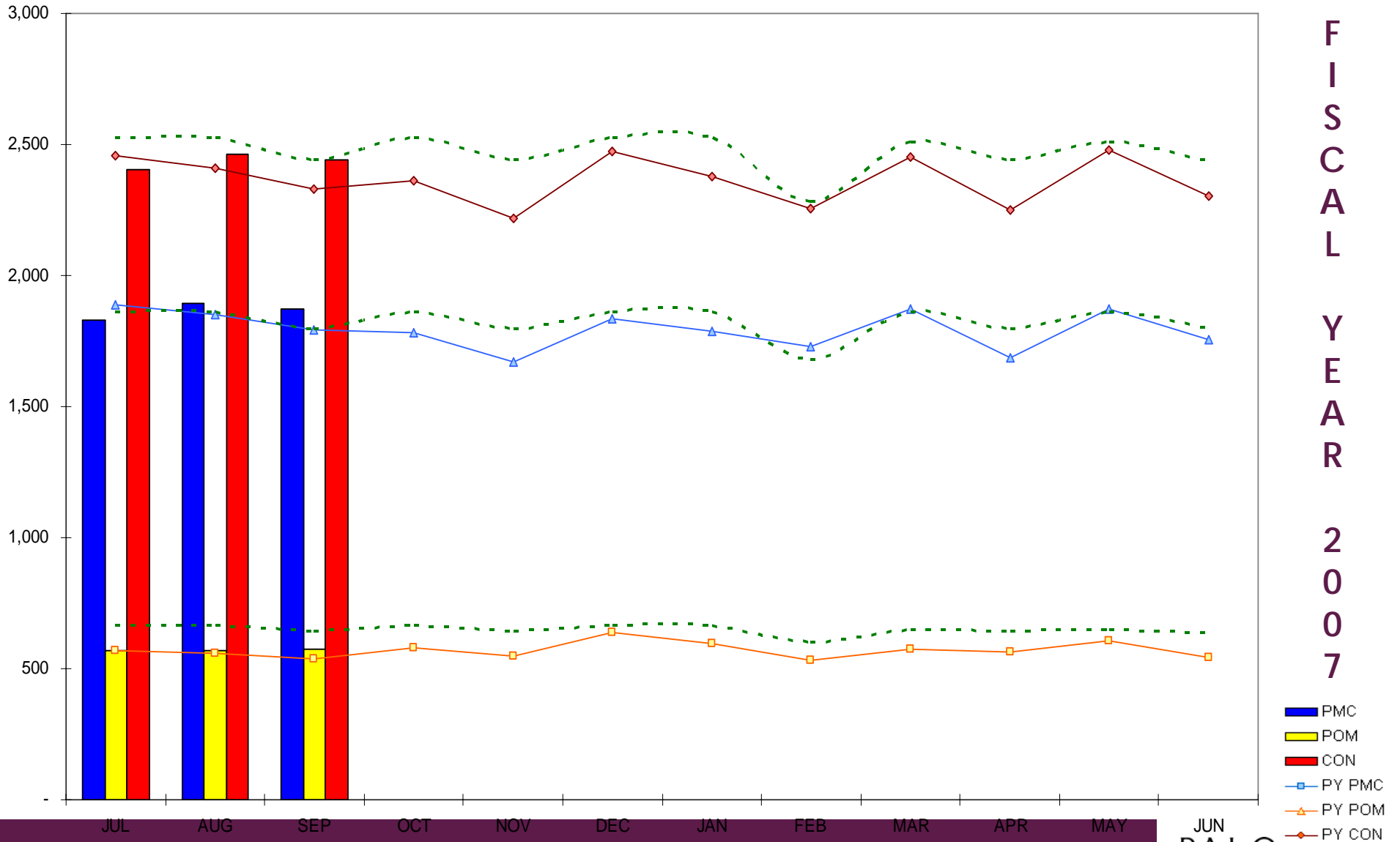
Ratios & Margins:

All required bond covenant ratios were achieved in September 2006.

Palomar Pomerado Health
Balanced Scorecard
Financial Indicators
September 30, 2006

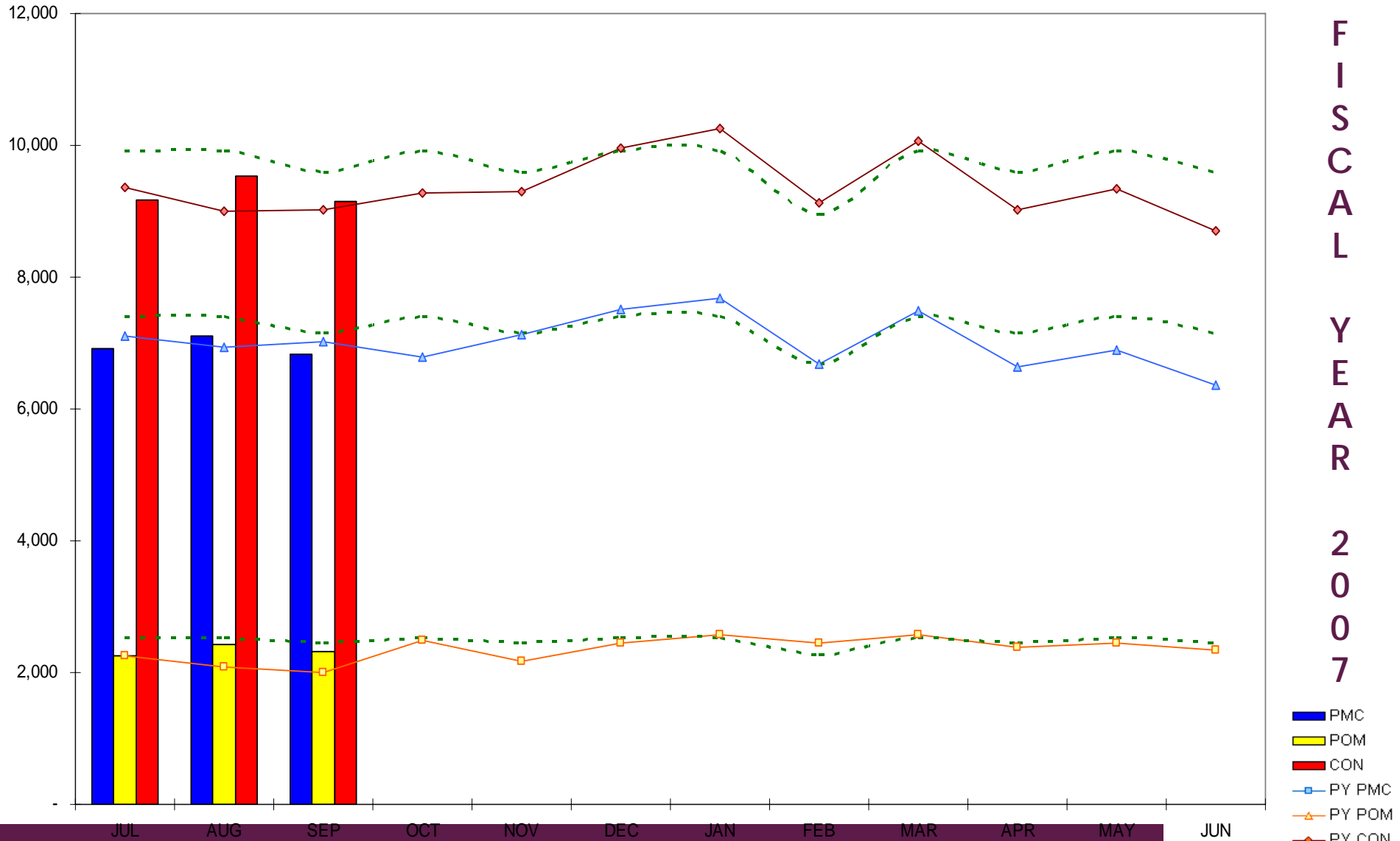
							YTD 2007					
June	July	August	September		% Actual							
Actual	Actual	Actual	Actual	Budget	Variance	to Budget	Actual	Budget	Variance	% Actual	Prior Year	
PPH Indicators:												
8.4%	9.4%	13.2%	10.2%	9.6%	0.6%	106.3%	OEBITDA Margin w/Prop Tax	11.0%	9.8%	1.2%	112.2%	7.9%
\$ 2,846.46	\$ 2,564.97	\$ 2,396.55	\$ 2,504.83	\$2,499.91	\$ (4.92)	100.2%	Expenses/Wtd Day	2,487.28	\$2,488.55	\$ 1.27	99.9%	2,393.91
\$ 1,541.05	\$ 1,546.23	\$ 1,404.87	\$ 1,461.41	\$1,483.45	\$ 22.04	98.5%	SWB/Wtd Day	1,469.73	\$1,480.08	\$ 10.35	99.3%	1,416.39
5.65	6.32	6.01	6.06	6.13	\$ 0.07	98.9%	Prod FTE's/Adj Occupied Bed	6.06	6.12	0.06	99.0%	6.07
13,354	12,517	13,150	12,568	12,099	\$ 469.00	103.9%	Weighted Patient Days	38,235	39,567	(1,332)	103.2%	37,038
PPH North Indicators:												
6.5%	10.9%	12.9%	11.3%	9.4%	1.9%	120.2%	OEBITDA Margin w/Prop Tax	11.7%	9.6%	2.1%	121.9%	8.6%
\$ 2,693.05	\$ 2,437.37	\$ 2,284.89	\$ 2,387.14	\$2,378.15	\$ (8.99)	100.4%	Expenses/Wtd Day	2,368.58	\$2,367.68	\$ (0.90)	100.0%	2,271.55
\$ 1,264.22	\$ 1,315.11	\$ 1,164.54	\$ 1,239.14	\$1,227.99	\$ (11.15)	100.9%	SWB/Wtd Day	1,238.61	\$1,225.73	\$ (12.88)	101.1%	1,191.14
5.39	5.32	5.09	5.16	5.08	\$ (0.08)	101.6%	Prod FTE's/Adj Occupied Bed	5.14	5.08	(0.06)	101.2%	5.07
8,157	8,712	9,045	8,622	8,719	\$ (97.00)	98.9%	Weighted Patient Days	26,380	27,313	(933)	99.9%	26,414
PPH South Indicators:												
9.3%	4.3%	10.3%	4.9%	6.7%	-1.8%	73.1%	OEBITDA Margin w/Prop Tax	6.8%	6.8%	0.0%	100.0%	3.2%
\$ 2,459.21	\$ 2,477.73	\$ 2,277.51	\$ 2,392.00	\$2,412.91	\$ 20.91	99.1%	Expenses/Wtd Day	2,379.61	\$2,403.14	\$ 23.53	99.0%	2,392.82
\$ 1,196.04	\$ 1,333.77	\$ 1,153.48	\$ 1,213.22	\$1,274.13	\$ 60.91	95.2%	SWB/Wtd Day	1,231.22	\$1,271.39	\$ 40.17	96.8%	1,247.93
5.33	5.77	5.35	5.43	5.59	\$ 0.16	97.1%	Prod FTE's/Adj Occupied Bed	5.45	5.58	0.13	97.7%	5.71
3,712	3,554	3,832	3,626	3,222	\$ 404.00	112.5%	Weighted Patient Days	11,012	11,328	(316)	108.7%	10,129

Admissions - Acute



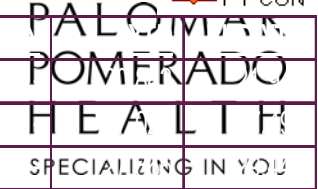
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
PMC	1,832	1,895	1,871	-	-	-	-	-	-	-	-	-
POM	570	569	572	-	-	-	-	-	-	-	-	-
CON	2,402	2,464	2,443	-	-	-	-	-	-	-	-	-

Patient Days - Acute

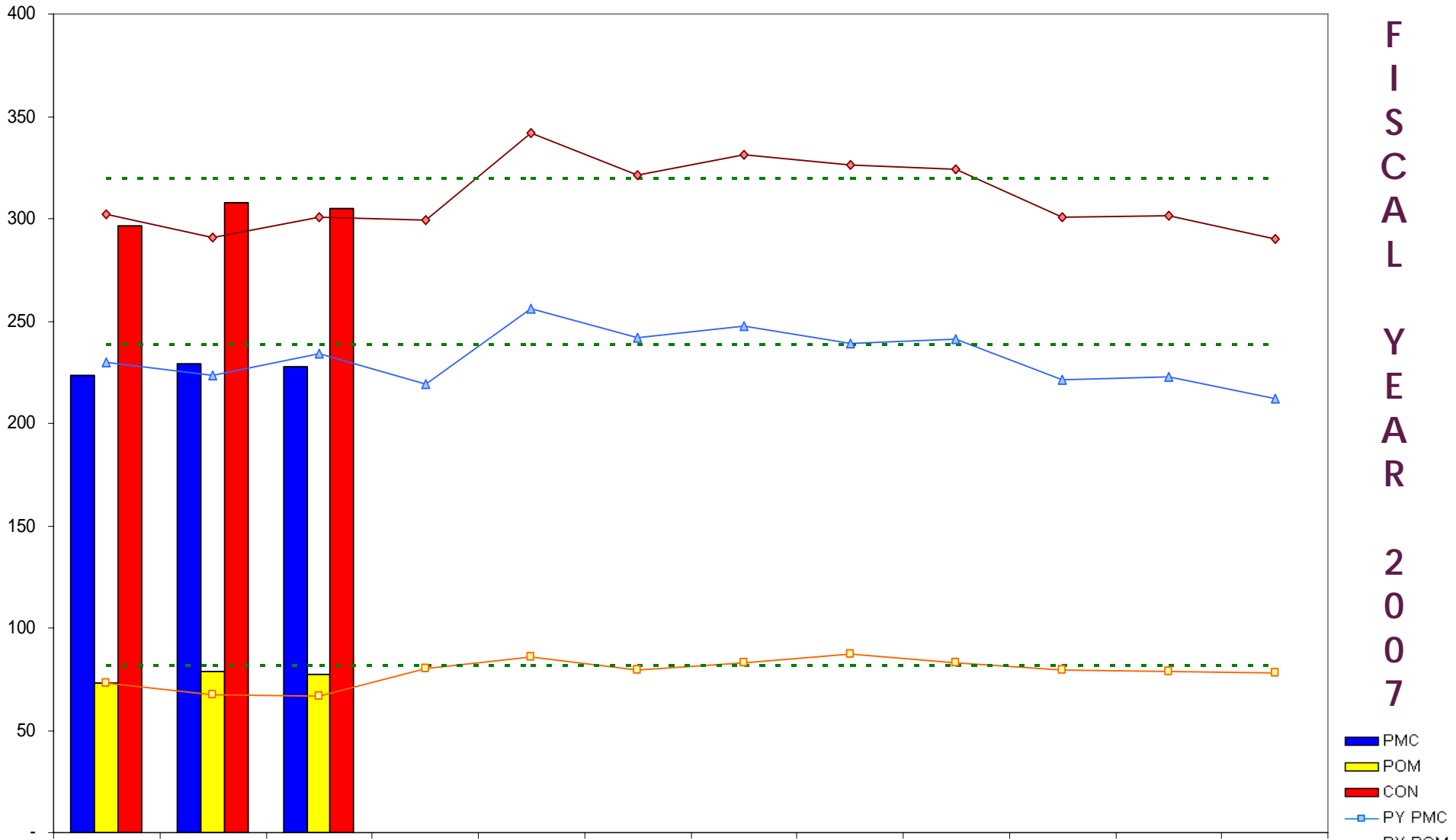


FISCAL YEAR 2007

	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	JUN
PMC	6,919	7,102	6,822	-	-	-	-	-	-	-	-	-
POM	2,261	2,433	2,329	-	-	-	-	-	-	-	-	-
CON	9,180	9,535	9,151	-	-	-	-	-	-	-	-	-



Average Daily Census - Acute

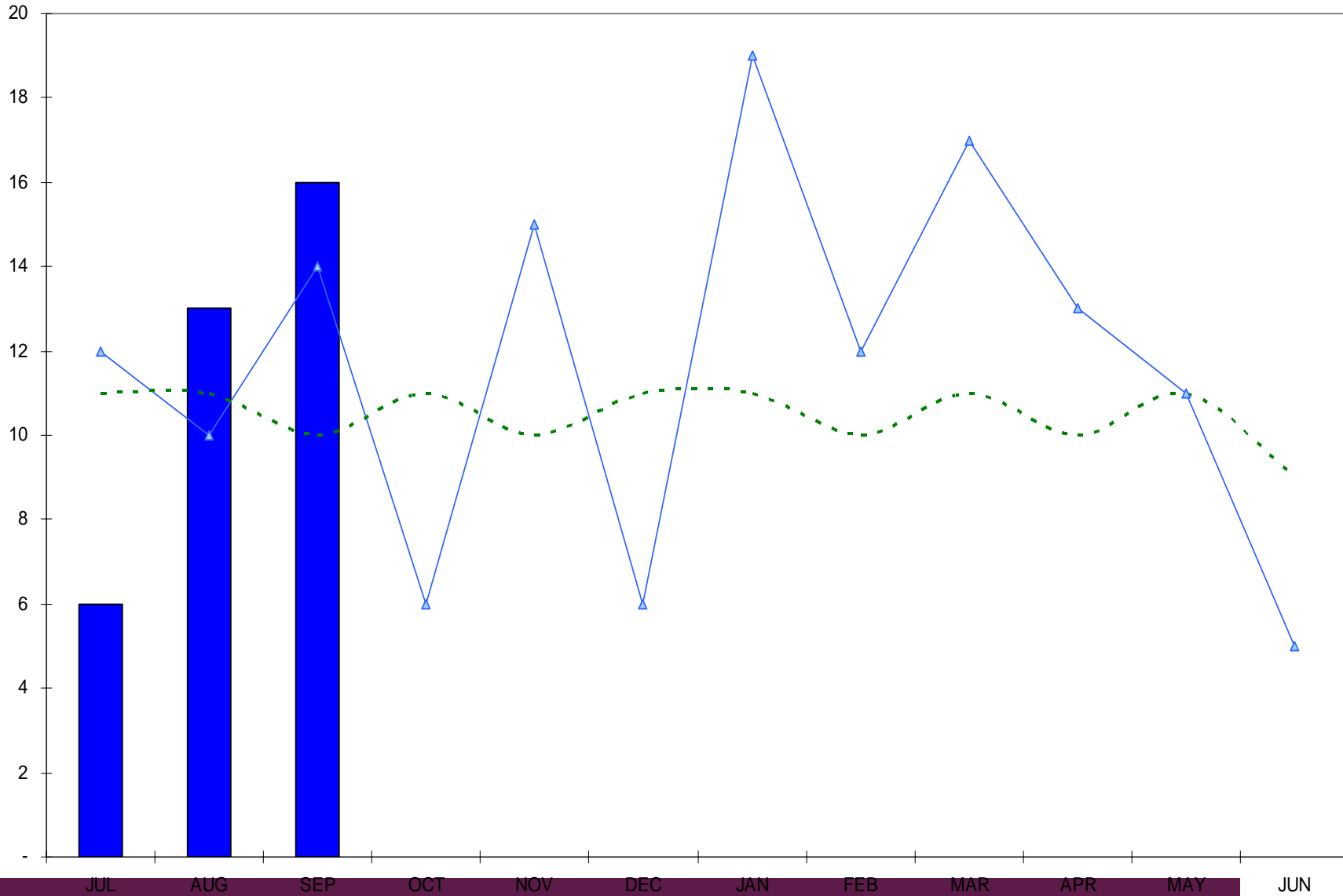


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
PMC	223	229	227	-	-	-	-	-	-	-	-	-
POM	73	78	78	-	-	-	-	-	-	-	-	-
CON	296	308	305	-	-	-	-	-	-	-	-	-

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Surgeries - CVS

C-10



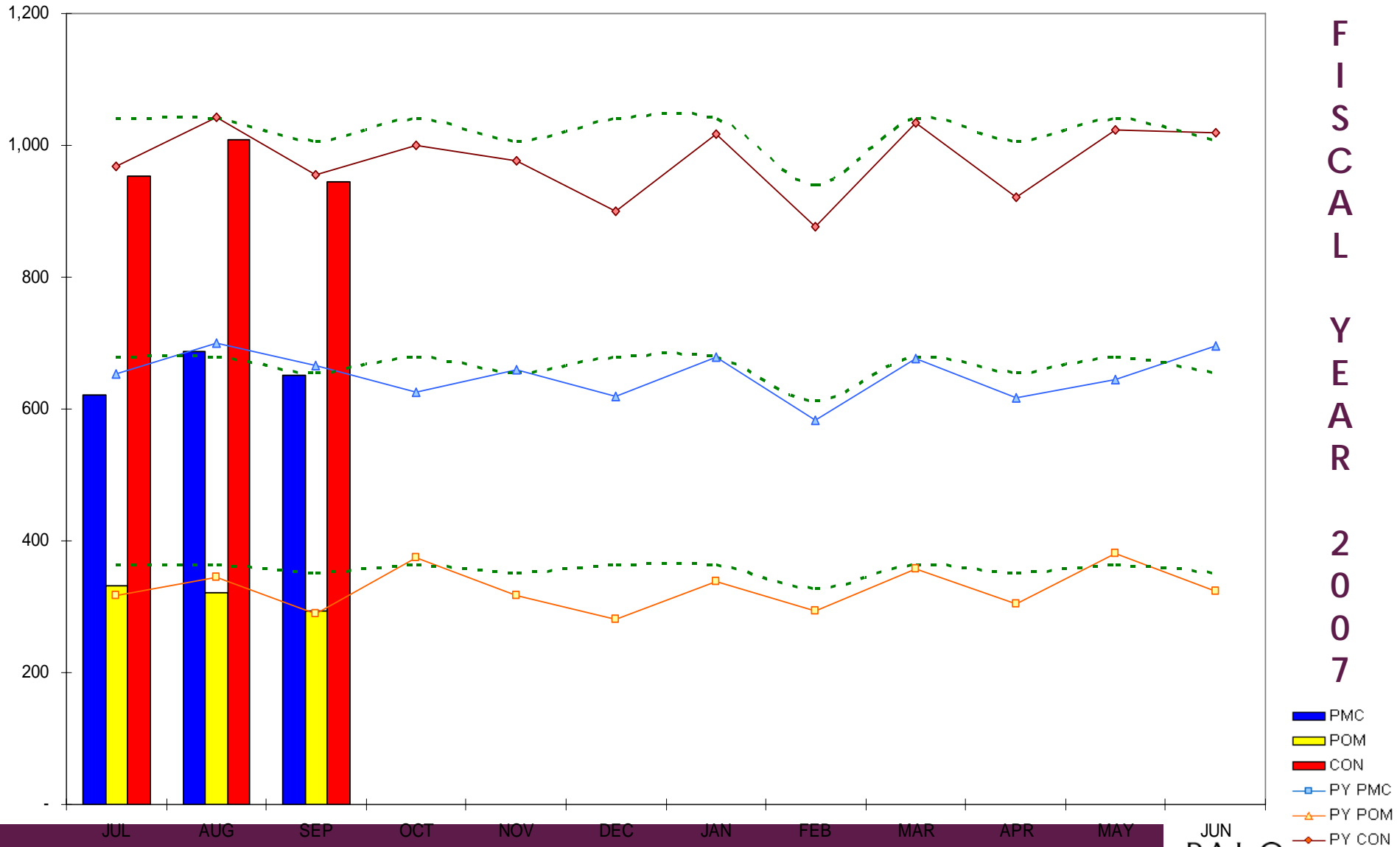
FISCAL YEAR 2007

- PMC
- POM
- CON
- ▲— PY POM
- ◆— PY CON

PMC	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
	6	13	16	-	-	-	-	-	-	-	-	-

Total Surgeries

C-11

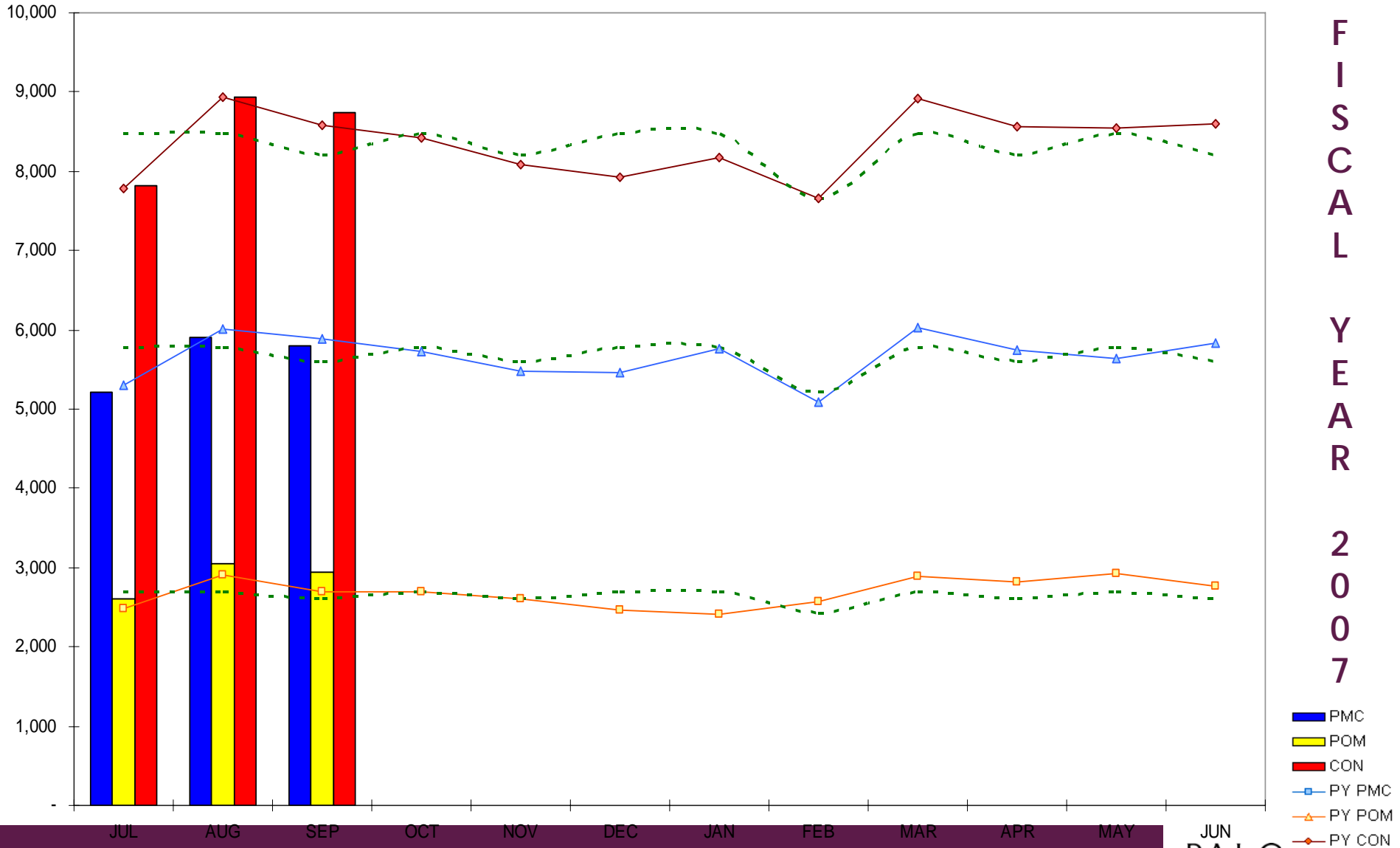


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
PMC	621	688	651	-	-	-	-	-	-	-	-	-
POM	332	321	293	-	-	-	-	-	-	-	-	-
CON	953	1,009	944	-	-	-	-	-	-	-	-	-

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Outpatient Registration

C-12

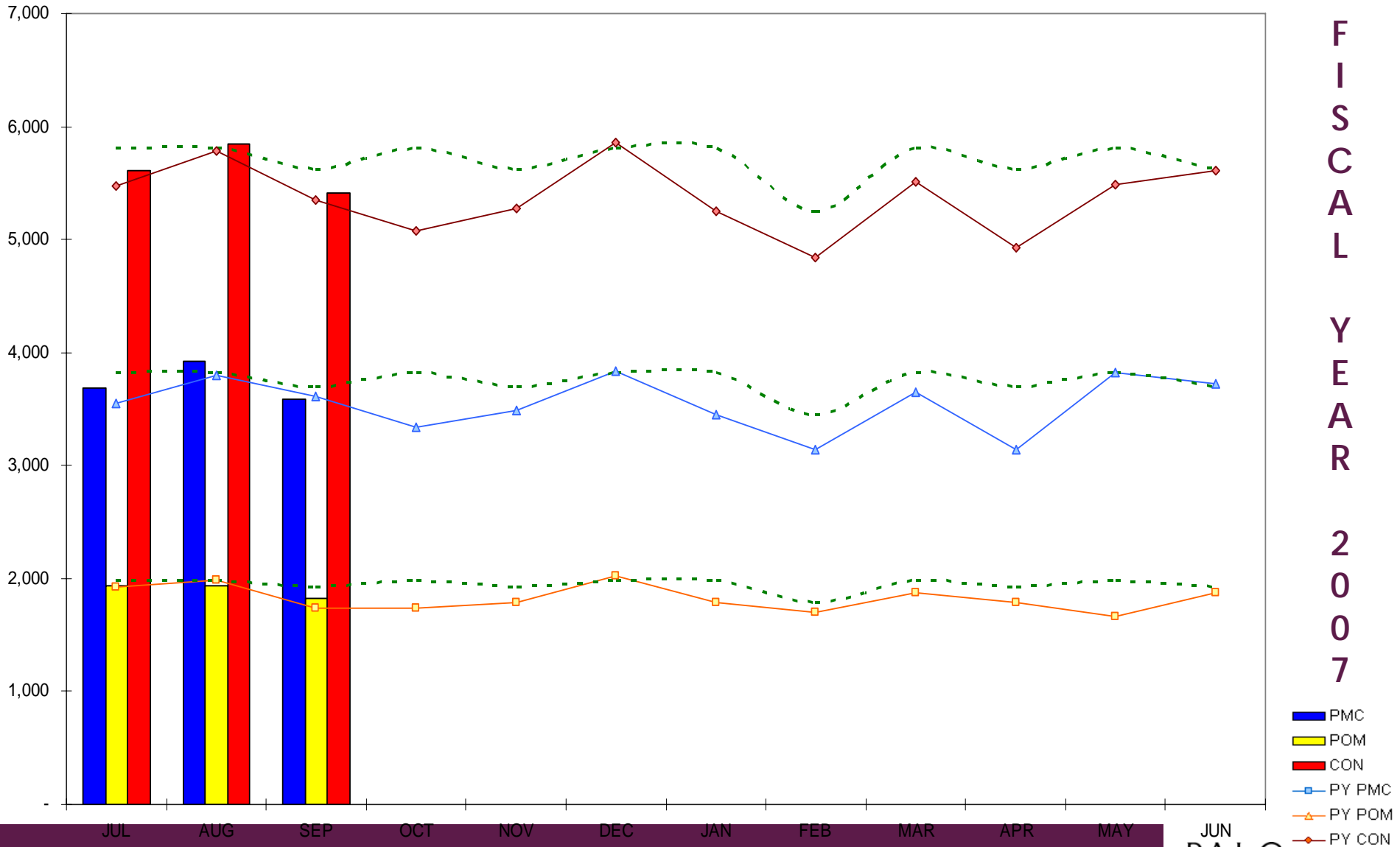


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
PMC	5,204	5,900	5,800	-	-	-	-	-	-	-	-	-
POM	2,615	3,044	2,944	-	-	-	-	-	-	-	-	-
CON	7,819	8,944	8,744	-	-	-	-	-	-	-	-	-

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ER Visits includes Trauma

C-13

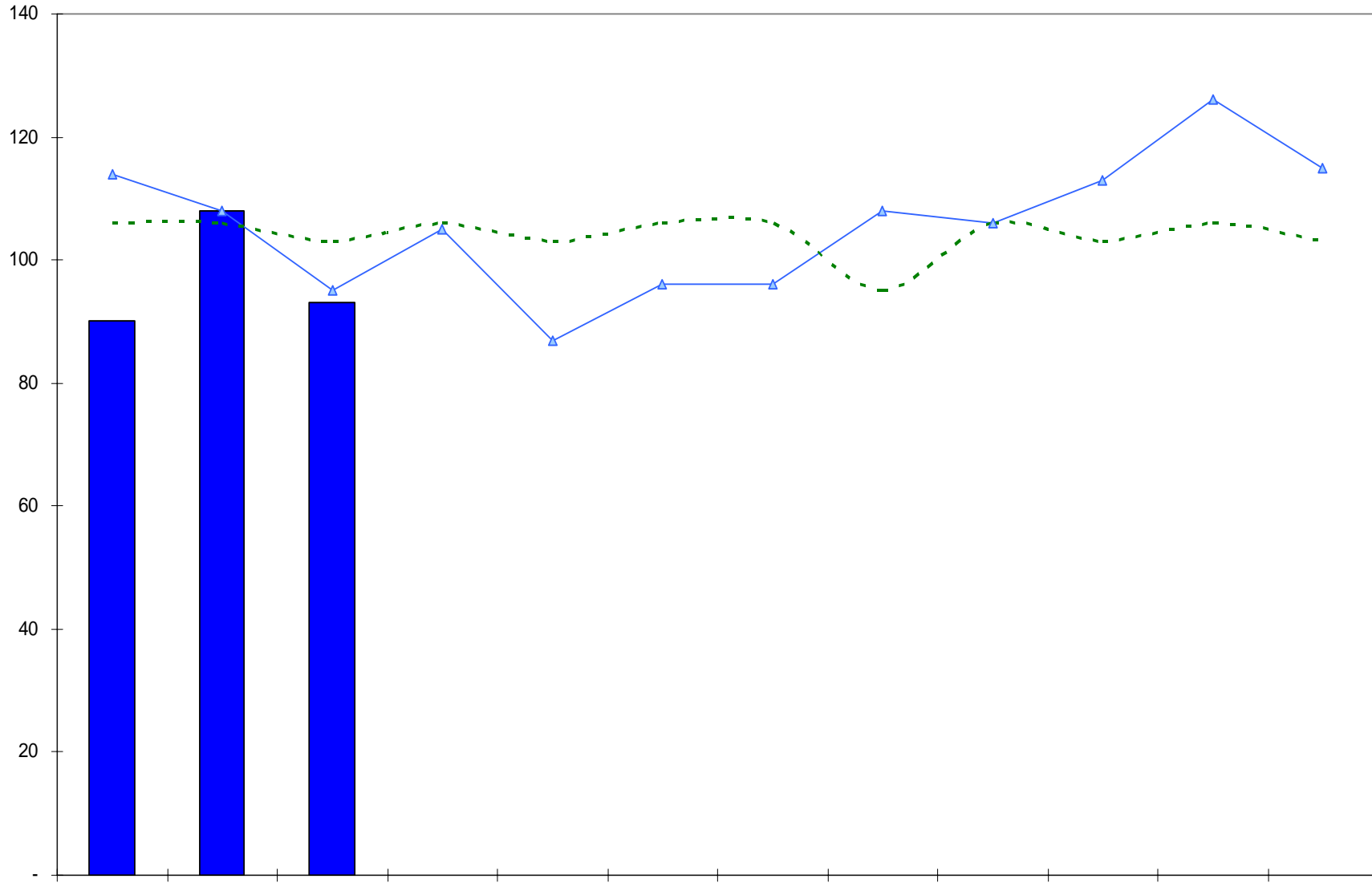


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
PMC	3,685	3,916	3,589	-	-	-	-	-	-	-	-	-
POM	1,930	1,930	1,828	-	-	-	-	-	-	-	-	-
CON	5,615	5,846	5,417	-	-	-	-	-	-	-	-	-

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Trauma Cases

C-14

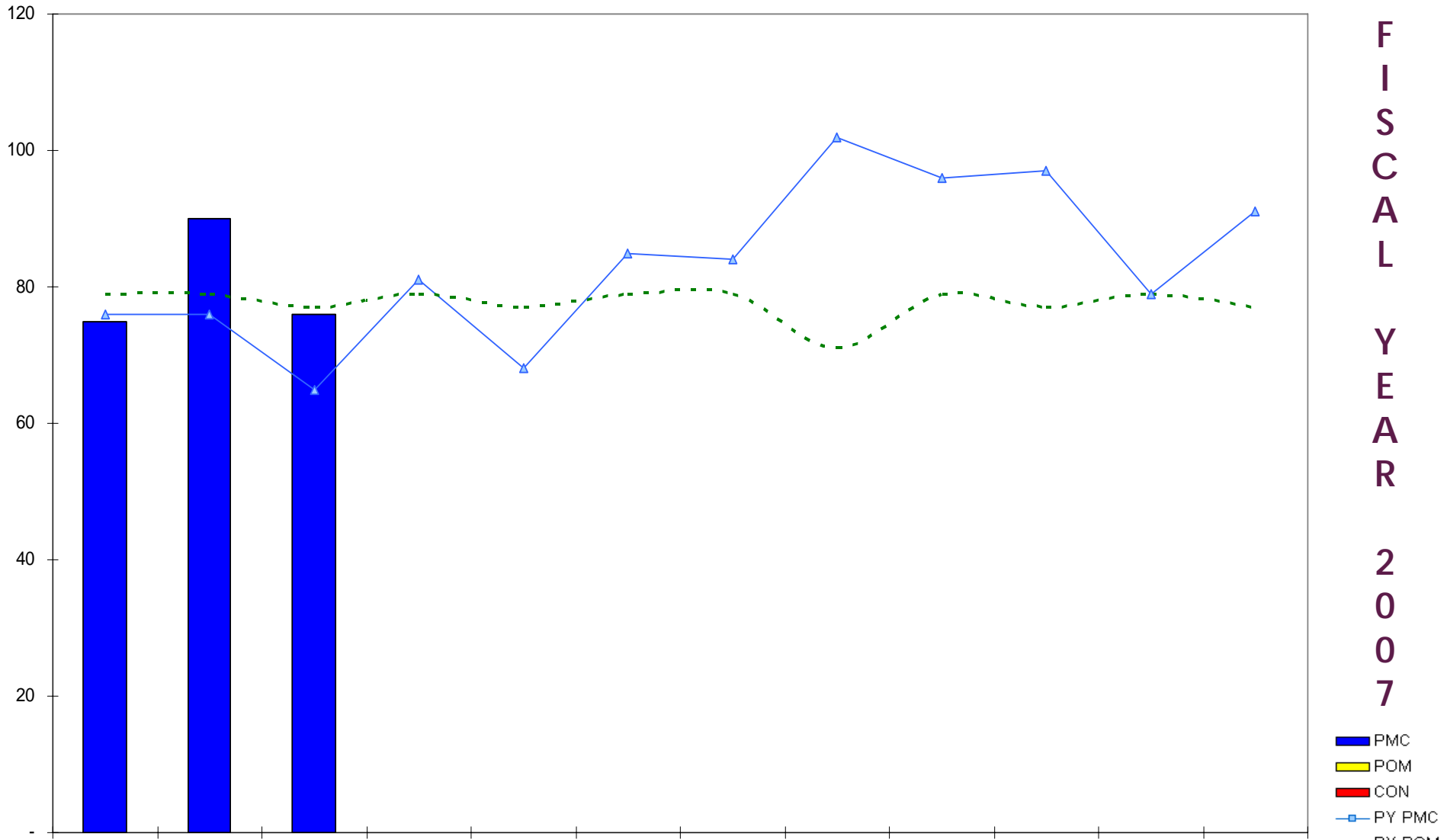


FISCAL YEAR 2007

PMc	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
	90	108	93	-	-	-	-	-	-	-	-	-

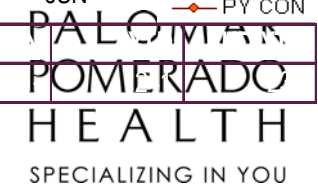
Trauma Admissions

C-15



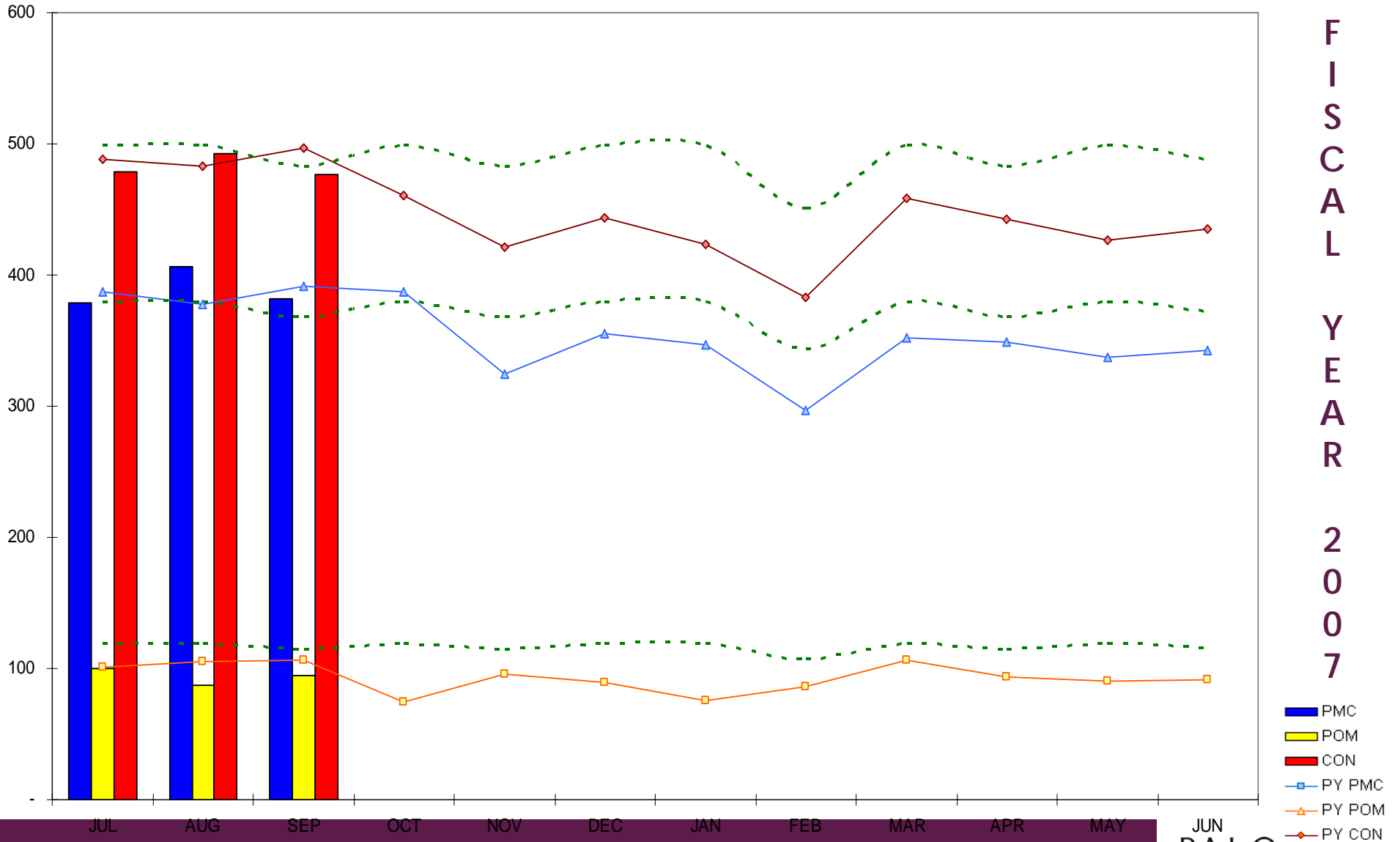
FISCAL YEAR 2007

PMc	<u>JUL</u> 75	<u>AUG</u> 90	<u>SEP</u> 76	<u>OCT</u> -	<u>NOV</u> -	<u>DEC</u> -	<u>JAN</u> -	<u>FEB</u> -	<u>MAR</u> -	<u>APR</u> -	<u>MAY</u> -
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Deliveries

C-16



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
PMC	379	406	382	-	-	-	-	-	-	-	-	-
POM	100	87	95	-	-	-	-	-	-	-	-	-
CON	479	493	477	-	-	-	-	-	-	-	-	-

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PALOMAR POMERDO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FYTD September 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>ADMISSIONS - Acute:</u>				
Palomar Medical Center	5,598	5,520	78	5,531
Pomerado Hospital	1,711	1,971	(260)	1,663
Total:	<u>7,309</u>	<u>7,491</u>	<u>(182)</u>	<u>7,194</u>
<u>ADMISSIONS - SNF:</u>				
Palomar Medical Center	160	195	(35)	159
Pomerado Hospital	133	158	(25)	150
Total:	<u>293</u>	<u>353</u>	<u>(60)</u>	<u>309</u>
<u>PATIENT DAYS - Acute:</u>				
Palomar Medical Center	20,843	21,949	(1,106)	21,058
Pomerado Hospital	7,023	7,497	(474)	6,330
Total:	<u>27,866</u>	<u>29,446</u>	<u>(1,580)</u>	<u>27,388</u>
<u>PATIENT DAYS- SNF:</u>				
Palomar Medical Center	8,065	8,152	(87)	7,864
Pomerado Hospital	11,395	11,408	(13)	11,368
Total:	<u>19,460</u>	<u>19,560</u>	<u>(100)</u>	<u>19,232</u>

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PALOMAR POMERDO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FYTD September 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>WEIGHTED PATIENT DAYS:</u>				
Palomar Medical Center	26,380	27,313	(933)	26,414
Pomerado Hospital	11,012	11,328	(316)	10,129
Other Activities	843	926	(83)	495
Total:	<u>38,235</u>	<u>39,567</u>	<u>(1,332)</u>	<u>37,038</u>
<u>AVERAGE LENGTH OF STAY- Acute:</u>				
Palomar Medical Center	3.70	4.02	(0.32)	3.94
Pomerado Hospital	4.11	3.96	0.15	3.78
Total:	<u>3.79</u>	<u>4.00</u>	<u>(0.21)</u>	<u>3.90</u>
<u>AVERAGE LENGTH OF STAY - SNF:</u>				
Palomar Medical Center	49.78	40.56	9.22	48.54
Pomerado Hospital	86.98	73.60	13.38	73.82
Total:	<u>66.42</u>	<u>54.94</u>	<u>11.48</u>	<u>60.86</u>

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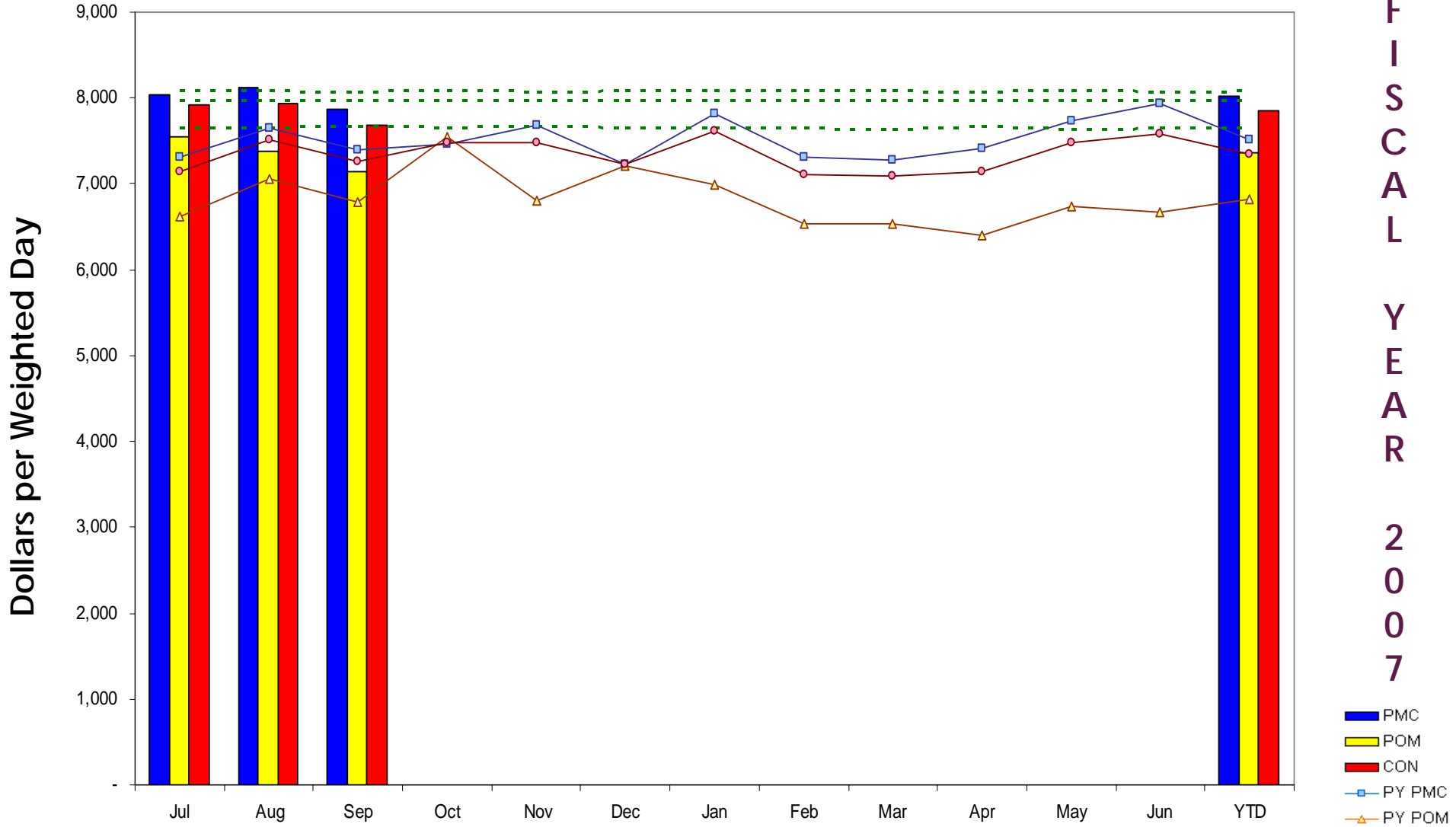
PALOMAR POMERADO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FYTD September 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>EMERGENCY ROOM VISITS & TRAUMA CASES:</u>				
Palomar Medical Center	11,190	11,352	(162)	10,960
Pomerado Hospital	5,688	5,883	(195)	5,654
Total:	<u>16,878</u>	<u>17,235</u>	<u>(357)</u>	<u>16,614</u>
<u>EMERGENCY & TRAUMA ADMISSIONS:</u>				
Palomar Medical Center	2,718	2,860	(142)	2,740
Pomerado Hospital	972	1,030	(58)	929
Total:	<u>3,690</u>	<u>3,890</u>	<u>(200)</u>	<u>3,669</u>
<u>SURGERIES:</u>				
Palomar Medical Center	1,960	2,011	(51)	2,018
Pomerado Hospital	946	1,078	(132)	949
Total:	<u>2,906</u>	<u>3,089</u>	<u>(183)</u>	<u>2,967</u>
<u>BIRTHS:</u>				
Palomar Medical Center	1,167	1,128	39	1,156
Pomerado Hospital	282	353	(71)	312
Total:	<u>1,449</u>	<u>1,481</u>	<u>(32)</u>	<u>1,468</u>

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Gross Patient Revenue per Weighted Patient Days

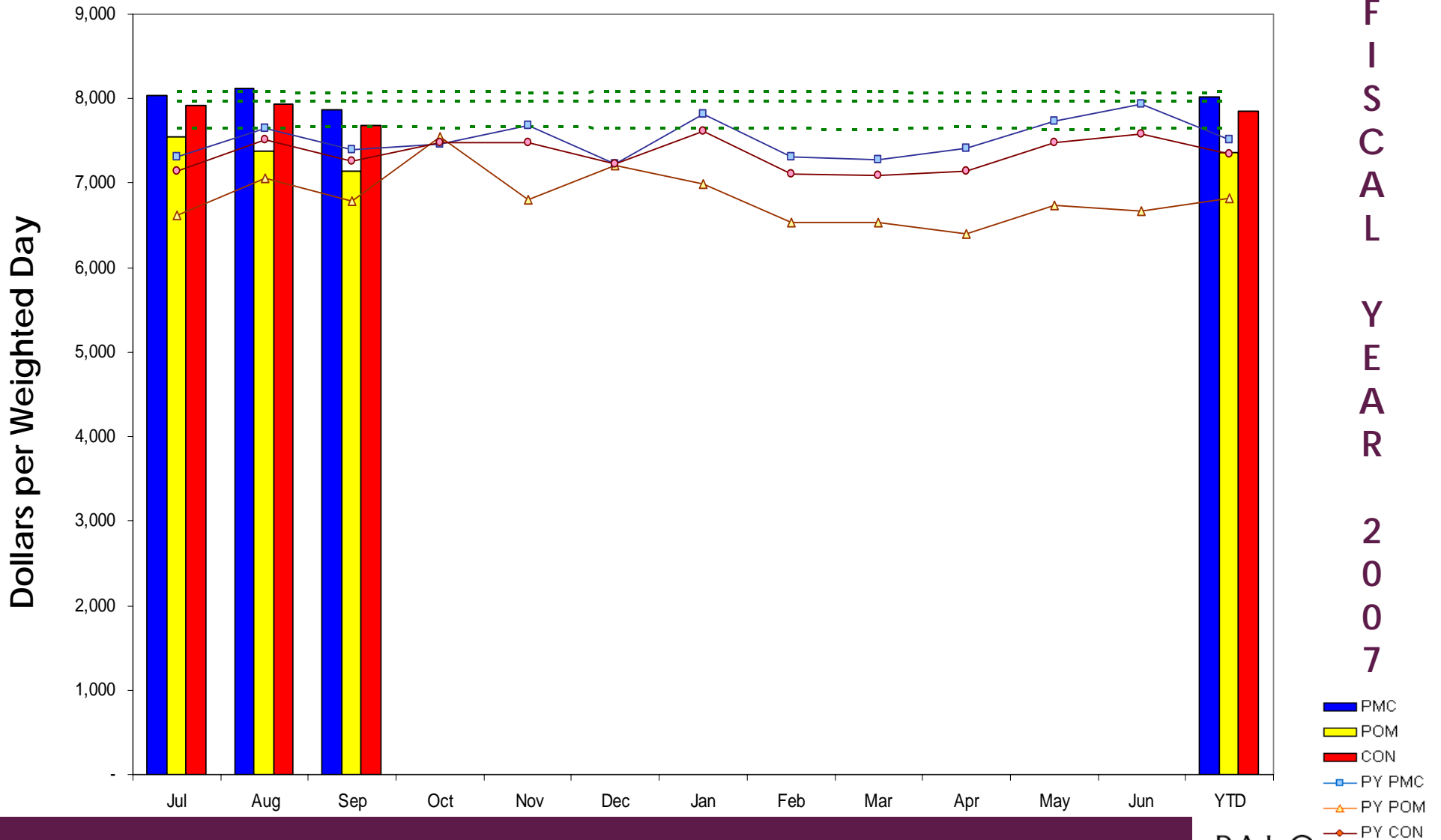


FISCAL YEAR 2007

	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>YTD</u>
PMC	8,041	8,120	7,875	-	-	-	-	-	-	-	-	-	-
POM	7,552	7,379	7,149	-	-	-	-	-	-	-	-	-	-
CON	7,921	7,932	7,690	-	-	-	-	-	-	-	-	-	-

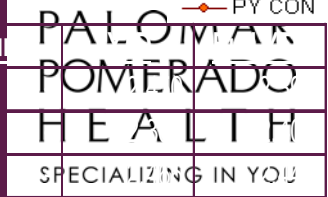
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Net Patient Revenue per Weighted Patient Days

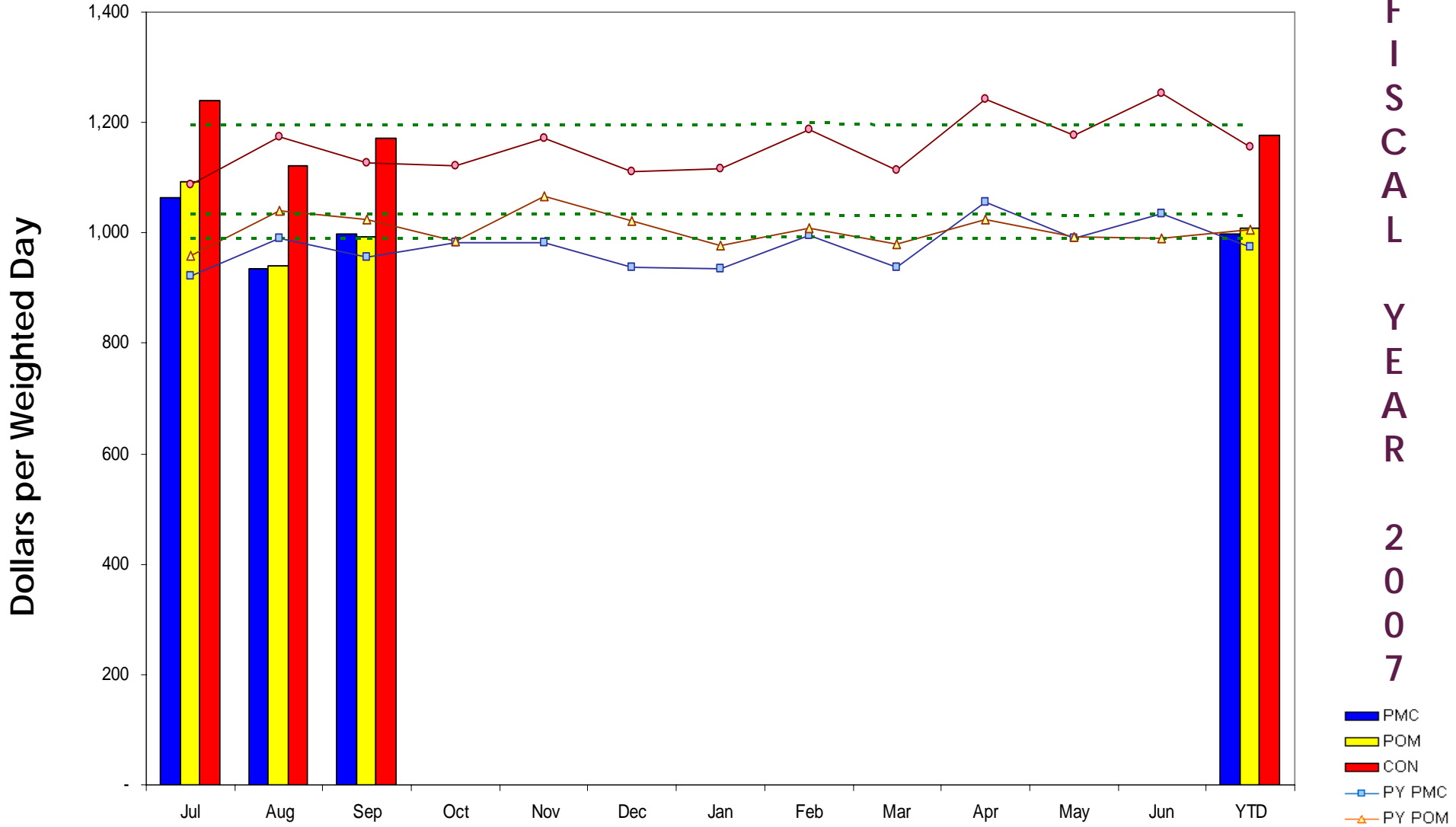


FISCAL YEAR 2007

	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>YTD</u>
PMC	2,508	2,398	2,446	-	-	-	-	-	-	-	-	-	-
POM	2,389	2,393	2,323	-	-	-	-	-	-	-	-	-	-
CON	2,500	2,453	2,445	-	-	-	-	-	-	-	-	-	-



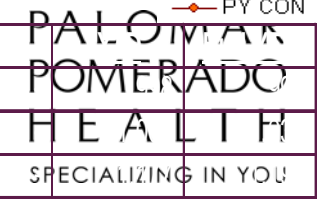
Salaries per Weighted Patient Days



FISCAL YEAR 2007

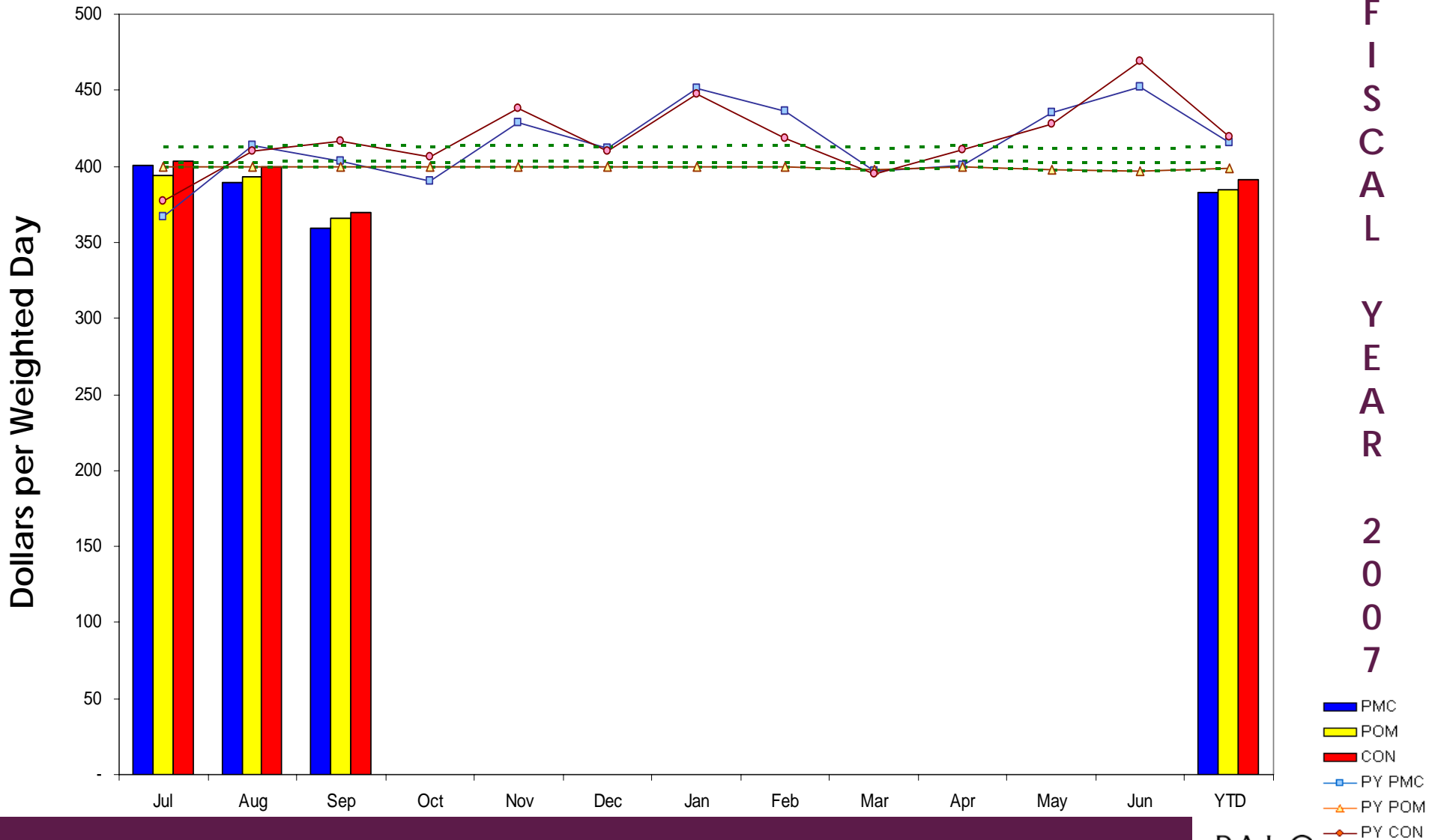
- PMC
- POM
- CON
- PY PMC
- ▲— PY POM
- PY CON

	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>YTD</u>
PMC	1,063	935	998	-	-	-	-	-	-	-	-	-	998
POM	1,094	940	993	-	-	-	-	-	-	-	-	-	993
CON	1,239	1,122	1,172	-	-	-	-	-	-	-	-	-	1,172



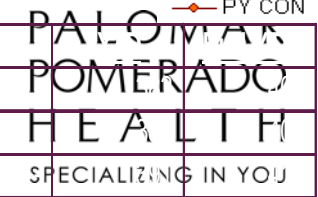
Supplies per Weighted Patient Days

C-23

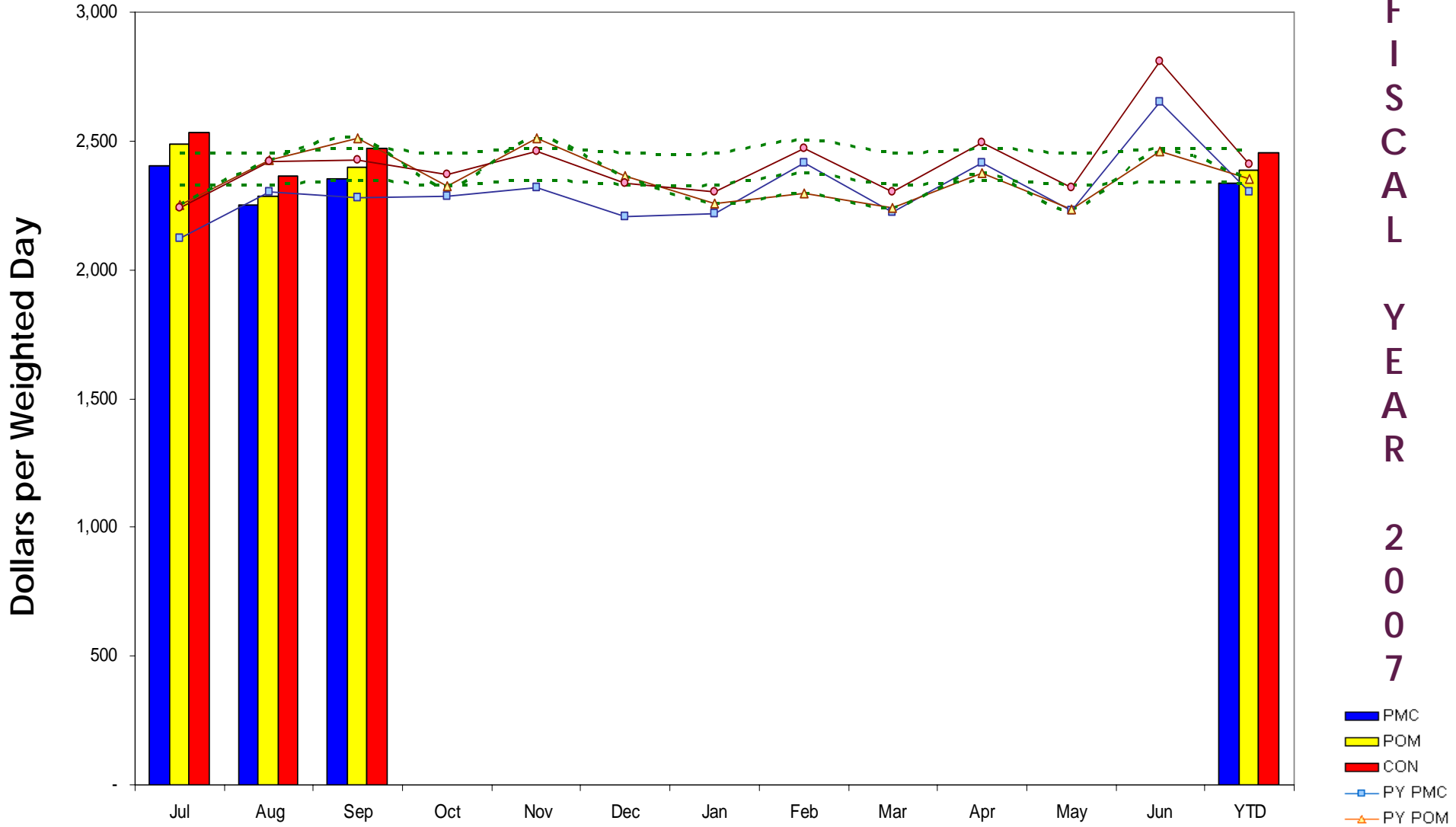


FISCAL YEAR 2007

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
PMC	400	389	359	-	-	-	-	-	-	-	-	-	383
POM	394	393	365	-	-	-	-	-	-	-	-	-	384
CON	404	399	370	-	-	-	-	-	-	-	-	-	391



Total Expenses per Weighted Patient Days

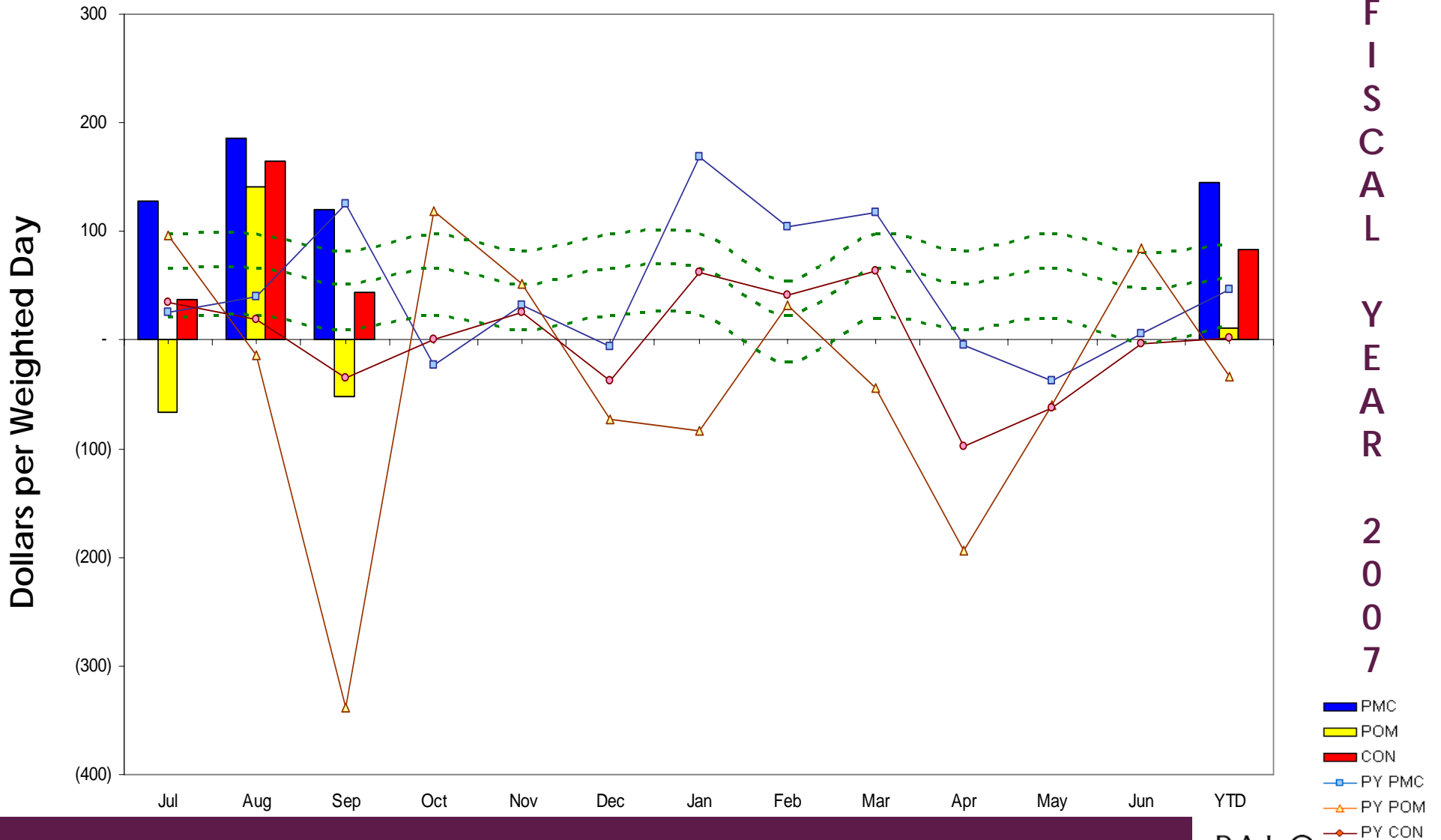


	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>YTD</u>
PMC	2,403	2,252	2,352	-	-	-	-	-	-	-	-	-	-
POM	2,487	2,287	2,400	-	-	-	-	-	-	-	-	-	-
CON	2,533	2,367	2,473	-	-	-	-	-	-	-	-	-	-

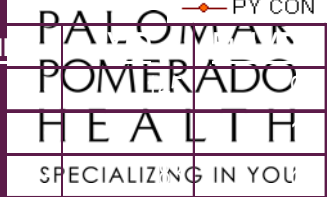
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Net Operating Income per Weighted Patient Days

C-25



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
PMC	128	186	120	-	-	-	-	-	-	-	-	-	-
POM	(66)	140	(52)	-	-	-	-	-	-	-	-	-	-
CON	37	164	45	-	-	-	-	-	-	-	-	-	-



Palomar Pomerado Health Key Variance Explanations for September 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Weighted Patient Days	12,568	12,904	(336)
Gross Patient Revenue:	96,648,451	102,882,411	(6,233,960)
Due to lower than budgeted volumes			(3,555,063)
Lower than expected revenue for various centers (attached)			(3,305,085)
Contractuals:	66,500,614	71,412,887	4,912,273
Net Capitation:	575,310	61,871	513,439
Cap Valuation (consistently under budget)			890,000
Higher Out-of-Network expenses (consistently over budget)			(300,000)
Other Operating Revenue:	917,501	1,007,597	(90,096)
Health Development (consistently under budget)			(50,766)
Salaries & Wages:	13,935,090	14,780,140	845,050
Due to lower volume and flexing			460,198
Benefits:	3,639,220	3,705,658	66,438
Partially due to lower than budgeted salaries			
Contract Labor:	792,664	656,580	(136,084)
Labor & Delivery RN's			(30,215)
Ultrasound therapists			(82,964)
Information Systems (clerical admin)			(25,488)

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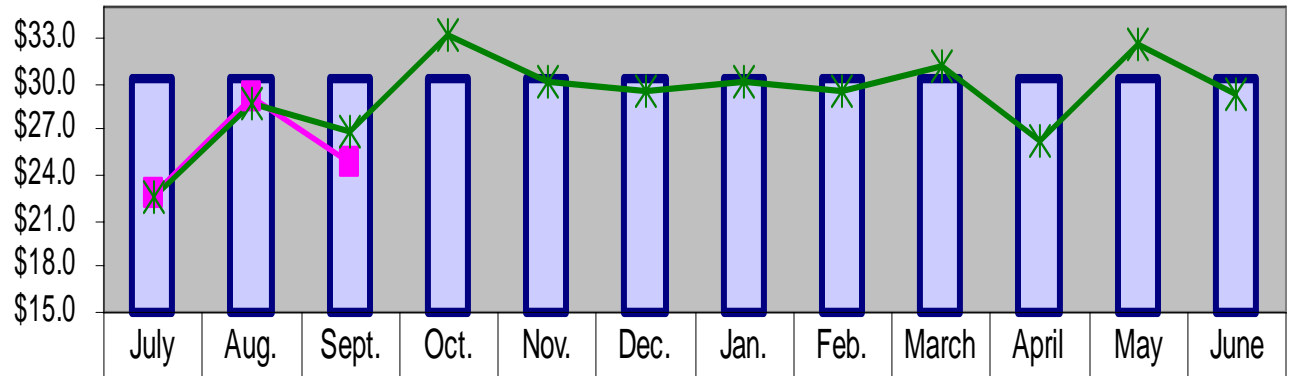
PALOMAR POMERADO HEALTH
Key Variance Explanations for September 2006 (continued)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Professional Fees:	2,012,498	1,808,001	(204,497)
Legal Fees (mostly Latham & Watkins)			(114,940)
Rehabilitation Therapy Fees			(99,204)
Supplies:	4,645,918	5,334,291	688,373
Due to lower than budgeted volumes			550,136
PHS credit for returned items			73,201
Purchased Services:	2,522,791	2,094,669	(428,122)
Cerner upgrade services (Jun - Sep)			(255,000)
Collection fees			(69,404)
Repairs and Maintenance (Biomed)			(102,799)
Depreciation:	1,661,093	1,568,084	(93,009)
Due to higher than estimated depreciation, new closed CIP's and Escondido Surgery Center			
Other Direct Expenses:	1,872,046	1,919,343	47,297
Marketing			71,981
Utilities			(26,390)
Net Income From Operations	\$559,328	\$672,226	(\$112,898)

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PBS Monthly Collections in Millions



	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
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	\$29.1	\$24.9									

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

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$172,781	\$4,134,672	\$9,710,258
Cash Marketable Securities	98,333,076	96,044,483	110,035,151
Total Cash & Cash Equivalents	98,505,857	100,179,155	119,745,409
Patient Accounts Receivable	182,435,472	177,969,115	149,103,358
Allowance on Accounts	-95,690,974	-96,074,624	-78,078,378
Net Accounts Receivable	86,744,498	81,894,491	71,024,980
Inventories	6,872,906	6,937,754	6,937,645
Prepaid Expenses	2,115,754	3,879,158	2,293,992
Other	20,560,821	19,483,649	6,871,057
Total Current Assets	214,799,836	212,374,207	206,873,083
Non-Current Assets			
Restricted Assets	54,216,818	55,499,650	66,734,609
Restricted by Donor	289,774	289,774	288,265
Board Designated	12,235,047	15,346,069	9,267,526
Total Restricted Assets	66,741,639	71,135,493	76,290,400
Property Plant & Equipment	339,933,839	341,113,540	343,335,572
Accumulated Depreciation	-220,923,479	-220,598,813	-220,455,460
Construction in Process	97,798,848	92,479,088	85,077,130
Net Property Plant & Equipment	216,809,208	212,993,815	207,957,242
Investment in Related Company	1,305,985	1,252,196	268,203
Deferred Financing Costs	3,469,576	3,421,786	3,354,469
Other Non-Current Assets	2,726,369	2,739,649	2,765,937
Total Non-Current Assets	291,052,777	291,542,939	290,636,251
Total Assets	\$505,852,613	\$503,917,146	\$497,509,334

	Current Month	Prior Month	Prior Fiscal Year End
Liabilities			
Current Liabilities			
Accounts Payable	\$20,074,089	\$22,957,553	\$30,624,648
Accrued Payroll	18,500,583	17,212,250	15,593,714
Accrued PTO	11,094,734	11,133,510	11,133,368
Accrued Interest Payable	2,256,333	1,637,047	2,265,274
Current Portion of Bonds	12,015,000	12,015,000	12,745,000
Est Third Party Settlements	-542,530	-1,071,112	-1,065,097
Other Current Liabilities	18,794,950	19,123,535	6,930,518
Total Current Liabilities	82,193,159	83,007,783	78,227,425
Long Term Liabilities			
Bonds & Contracts Payable	145,944,428	145,926,589	151,347,395
Fund Balance			
Unrestricted	265,190,208	259,346,931	258,378,722
Restricted for Other Purpose	289,774	289,774	288,265
Board Designated	12,235,047	15,346,069	9,267,526
Total Long Term Liabilities	277,715,029	274,982,774	267,934,513
Total Liabilities / Fund Balance	\$505,852,613	\$503,917,146	\$497,509,334

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**PALOMAR POMERADO HEALTH
CONSOLIDATED
FY 2007 Month-to-Date as of September**

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	2,443	2,443	-					
Admissions - SNF	90	115	(25)					
Patient Days - Acute	9,151	9,602	(451)					
Patient Days - SNF	6,308	6,378	(70)					
ALOS - Acute	3.70	4.00	(0.30)					
ALOS - SNF	64.37	54.98	9.39					
Weighted Pt Days	12,568	12,904	(336)					
Revenue:								
Gross Revenue	\$ 96,648,451	\$ 102,882,411	\$ (6,233,960) U	\$ (2,678,897)	\$ (3,555,063)	\$ 7,690.04	\$ 7,972.91	\$ (282.87)
Deductions from Rev	(65,925,304)	(71,351,016)	5,425,712 F	1,857,869	3,567,843	(5,245.49)	(5,529.37)	283.88
Net Patient Revenue	30,723,147	31,531,395	(808,248) U	(821,028)	12,780	2,444.55	2,443.54	1.02
Other Oper Revenue	917,501	1,007,597	(90,096) U	(26,236)	(63,860)	73.00	78.08	(5.08)
Total Net Revenue	31,640,648	32,538,992	(898,344) U	(847,265)	(51,079)	2,517.56	2,521.62	(4.06)
Expenses:								
Salaries, Wages & Contr Labor	14,727,754	15,436,720	708,966 F	401,948	307,018	1,171.85	1,196.27	24.43
Benefits	3,639,220	3,705,658	66,438 F	96,490	(30,052)	289.56	287.17	(2.39)
Supplies	4,645,918	5,334,291	688,373 F	138,897	549,476	369.66	413.38	43.72
Prof Fees & Purch Svc	4,535,289	3,902,670	(632,619) U	101,619	(734,238)	360.86	302.44	(58.42)
Depreciation	1,661,093	1,568,084	(93,009) U	40,830	(133,839)	132.17	121.52	(10.65)
Other	1,872,046	1,919,343	47,297 F	49,977	(2,680)	148.95	148.74	(0.21)
PPH Allocation	-	-	-	-	-	-	-	-
Total Expenses	31,081,320	31,866,766	785,446 F	829,761	(44,315)	2,473.05	2,469.53	(3.53)
Net Inc Before Non-Oper Income	559,328	672,226	(112,898) U	(17,504)	(95,394)	44.50	52.09	(7.59)
Property Tax Revenue	1,054,163	1,054,166	(3) U	(27,449)	27,446	83.88	81.69	2.18
Non-Operating Income	338,114	73,058	265,056 F	(1,902)	266,958	26.90	5.66	21.24
Net Income (Loss)	\$ 1,951,605	\$ 1,799,450	\$ 152,155 F	\$ (46,855)	\$ 199,010	\$ 155.28	\$ 139.45	\$ 15.83
Net Income Margin	6.1%	5.3%	0.8%					
OEBITDA Margin w/o Prop Tax	6.9%	6.6%	0.3%					
OEBITDA Margin with Prop Tax	10.2%	9.6%	0.6%					

F= Favorable variance
U= Unfavorable variance

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**PALOMAR POMERADO HEALTH
CONSOLIDATED
FY 2007 Year-to-Date as of September**

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	7,309	7,491	(182)					
Admissions - SNF	293	353	(60)					
Patient Days - Acute	27,866	29,446	(1,580)					
Patient Days - SNF	19,460	19,560	(100)					
ALOS - Acute	3.79	4.00	(0.21)					
ALOS - SNF	66.42	54.94	11.48					
Weighted Pt Days	38,235	39,567	(1,332)					
Revenue:								
Gross Revenue	\$ 300,094,099	\$ 315,556,086	\$ (15,461,987) U	\$ (10,623,012)	\$ (4,838,975)	\$ 7,848.68	\$ 7,975.23	\$ (126.56)
Deductions from Rev	(205,817,494)	(218,847,765)	13,030,271 F	7,367,382	5,662,889	(5,382.96)	(5,531.07)	148.11
Net Patient Revenue	94,276,605	96,708,321	(2,431,716) U	(3,255,629)	823,913	2,465.71	2,444.17	21.55
Other Oper Revenue	2,814,581	3,022,791	(208,210) U	(101,760)	(106,450)	73.61	76.40	(2.78)
Total Net Revenue	97,091,186	99,731,112	(2,639,926) U	(3,357,390)	717,464	2,539.33	2,520.56	18.76
Expenses:								
Salaries, Wages & Contr Labor	44,986,030	47,307,676	2,321,646 F	1,592,585	729,061	1,176.57	1,195.63	19.07
Benefits	11,209,115	11,254,724	45,609 F	378,884	(333,275)	293.16	284.45	(8.72)
Supplies	14,951,315	16,340,471	1,389,156 F	550,092	839,064	391.04	412.98	21.94
Prof Fees & Purch Svc	12,521,545	11,863,022	(658,523) U	399,362	(1,057,885)	327.49	299.82	(27.67)
Depreciation	4,970,148	4,704,252	(265,896) U	158,366	(424,262)	129.99	118.89	(11.10)
Other	5,270,948	5,817,761	546,813 F	195,852	350,961	137.86	147.04	9.18
PPH Allocation	-	-	- U	-	-	-	-	-
Total Expenses	93,909,101	97,287,906	3,378,805 F	3,275,141	103,664	2,456.10	2,458.81	2.71
Net Inc Before Non-Oper Income	3,182,085	2,443,206	738,879 F	(82,249)	821,128	83.22	61.75	21.48
Property Tax Revenue	3,162,498	3,162,498	- U	(106,464)	106,464	82.71	79.93	2.78
Non-Operating Income	1,271,488	219,174	1,052,314 F	(7,378)	1,059,692	33.25	5.54	27.72
Net Income (Loss)	\$ 7,616,071	\$ 5,824,878	\$ 1,791,193 F	\$ (196,091)	\$ 1,987,284	\$ 199.19	\$ 147.22	\$ 51.98
Net Income Margin	7.4%	5.6%	1.8%					
OEBITDA Margin w/o Prop Tax	7.9%	6.8%	1.1%					
OEBITDA Margin with Prop Tax	11.0%	9.8%	1.2%					

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U= Unfavorable variance

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**PALOMAR POMERADO HEALTH
CONSOLIDATED
MONTHLY TREND - FY 2007**

	Jul-06	Aug-06	Sep-06	FYTD
Statistics:				
Admissions - Acute	2,402	2,464	2,443	7,309
Admissions - SNF	104	99	90	293
Patient Days - Acute	9,180	9,535	9,151	27,866
Patient Days - SNF	6,635	6,517	6,308	19,460
LOS - Acute	3.86	3.82	3.70	3.79
LOS - SNF	72.12	63.27	64.37	66.42
Weighted Pt Days	12,517	13,150	12,568	38,235
Revenue:				
Gross Revenue	\$ 99,141,914	\$ 104,303,733	\$ 96,648,451	\$ 300,094,099
Deductions from Rev	(67,846,129)	(72,046,060)	(65,925,304)	(205,817,494)
Net Patient Revenue	31,295,785	32,257,673	30,723,147	94,276,605
Other Oper Revenue	872,741	1,024,339	917,501	2,814,581
Total Net Revenue	32,168,526	33,282,012	31,640,648	97,091,186
Expenses:				
Salaries, Wages & Contr Labor	15,503,445	14,754,829	14,727,754	44,986,030
Benefits	3,850,733	3,719,161	3,639,220	11,209,115
Supplies	5,053,135	5,252,262	4,645,918	14,951,315
Prof Fees & Purch Svc	3,962,369	4,023,887	4,535,289	12,521,545
Depreciation	1,647,190	1,661,866	1,661,093	4,970,148
Other	1,689,103	1,709,799	1,872,046	5,270,948
Total Expenses	31,705,975	31,121,804	31,081,320	93,909,101
Net Inc Before Non-Oper Income	462,551	2,160,208	559,328	3,182,085
Property Tax Revenue	1,054,164	1,054,163	1,054,163	3,162,498
Non-Operating Income	427,875	505,503	338,114	1,271,488
Net Income (Loss)	\$ 1,944,592	\$ 3,719,874	\$ 1,951,605	\$ 7,616,071
Net Income Margin	5.8%	10.0%	6.1%	7.4%
OEBITDA Margin w/o Prop Tax	6.2%	10.3%	6.9%	7.9%
OEBITDA Margin with Prop Tax	9.4%	13.2%	10.2%	11.0%

F= Favorable variance
U= Unfavorable variance

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Palomar Pomerado Health
STATEMENTS OF CASH FLOWS
Fiscal Year 2007

	<u>September</u>	<u>YTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss from operations)	559,328	3,181,587
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,661,093	4,970,147
Provision for bad debts	1,463,021	8,705,176
Changes in operating assets and liabilities:		
Patient accounts receivable	(6,313,028)	(24,424,694)
Property Tax and other receivables	(645,908)	65,711
Inventories	64,848	64,739
Prepaid expenses and Other Non-Current assets	1,709,615	(859,544)
Accounts payable	(2,883,464)	(10,550,559)
Accrued comp	1,249,557	2,868,235
Estimated settlement amounts due third-party payors	528,582	522,567
Other current liabilities	725,581	2,376,938
Net cash provided by operating activities	<u>(1,880,775)</u>	<u>(13,079,697)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales on investments	2,105,261	21,250,836
Interest (Loss) received on investments	726,378	2,470,012
Investment in affiliates	158,024	403,051
Net cash used in investing activities	<u>2,989,663</u>	<u>24,123,899</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Receipt of G.O. Bond Taxes	74,405	325,231
Receipt of District Taxes	120,330	509,562
Net cash used in activities	<u>194,735</u>	<u>834,793</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(5,265,514)	(13,392,983)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	0	(1,838,488)
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	0	(6,185,000)
Net cash used in activities	<u>(5,265,514)</u>	<u>(21,416,471)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,961,891)	(9,537,476)
CASH AND CASH EQUIVALENTS - Beginning of period	4,134,673	9,710,258
CASH AND CASH EQUIVALENTS - End of period	<u>172,782</u>	<u>172,782</u>

PALOMAR POMERADO HEALTH

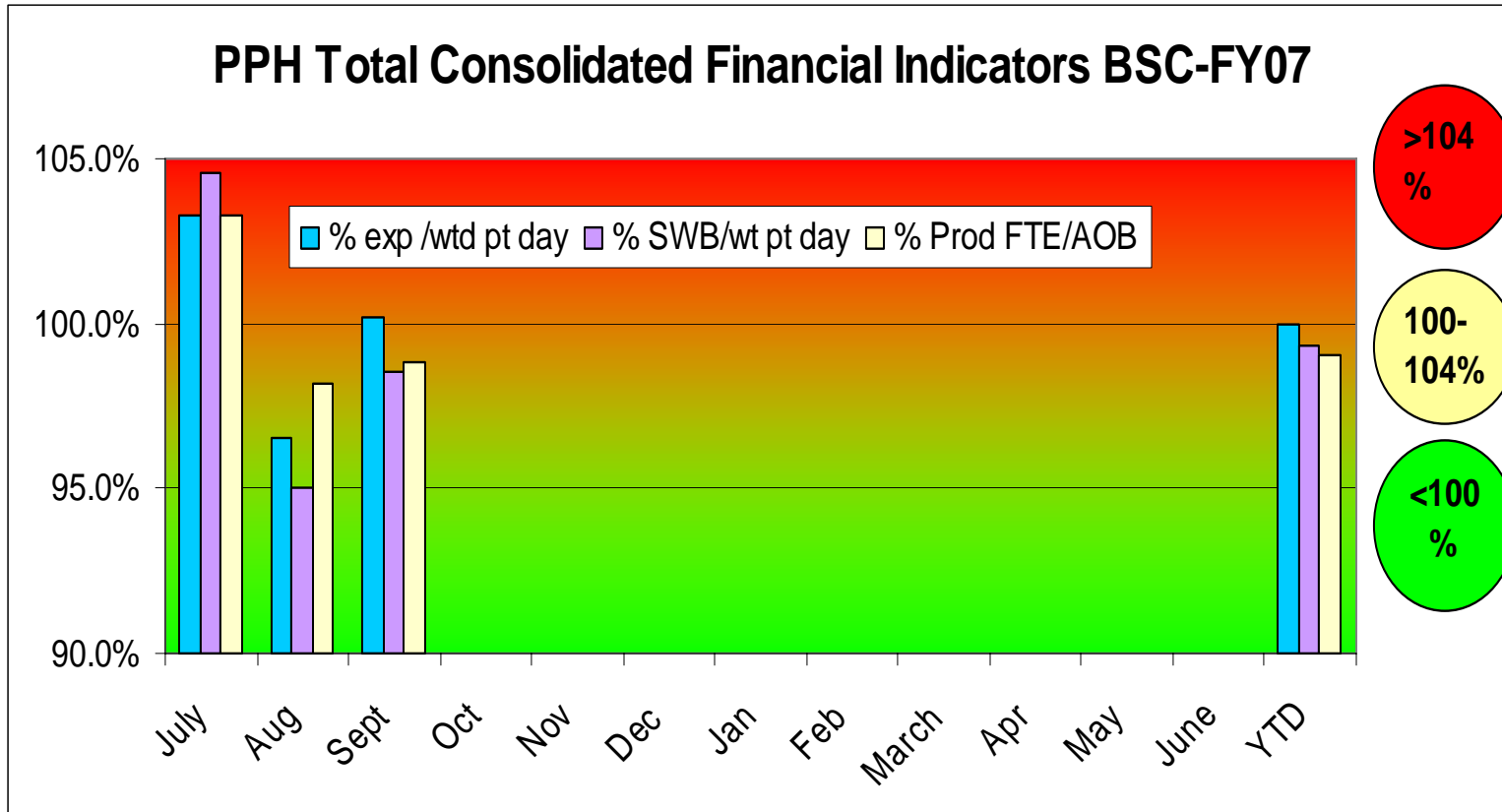
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PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

CUSHION RATIO	Jun-05	Jun-06	Sep-06
Cash and Cash Equivalents	109,043,208	119,745,409	98,505,857
Board Designated Reserves	22,388,648	9,267,526	12,235,047
Trustee-held Funds	12,026,055	12,170,183	15,902,977
Total	143,457,911	141,183,118	126,643,881
Divided by:			
Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594
CUSHION RATIO	13.4	13.2	11.8
REQUIREMENT	1.5	1.5	1.5
	Achieved	Achieved	Achieved
DAYS CASH ON HAND	Jun-05	Jun-06	Sep-06
Cash and Cash Equivalents	109,043,208	119,745,409	98,505,857
Board Designated Reserves	22,388,648	9,267,526	12,235,047
Total	131,431,856	129,012,935	110,740,904
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	340,338,156	365,759,559	93,909,101
Less: Depreciation	16,394,985	18,737,467	4,970,148
Adjusted Expenses	323,943,171	347,022,092	88,938,953
Number of days in period	365	365	92
Average Adjusted Expenses per Day	887,516	950,745	966,728
DAYS CASH ON HAND	148	136	115
REQUIREMENT	90	90	90
	Achieved	Achieved	Achieved
Net Income Available for Debt Service	Jun-05	Jun-06	Sep-06
Excess of revenue over expenses Cur Mo.	1,490,930	905,884	1,667,695
Excess of revenues over expenses YTD (General Funds)	17,052,649	11,148,667	7,332,161
ADD:			
Depreciation and Amortization	16,394,985	18,737,467	4,970,148
Interest Expense	5,272,031	5,130,603	1,191,413
Net Income Available for Debt Service	38,719,665	35,016,737	13,493,722
Aggregate Debt Service			
1993 Insured Refunding Revenue Bonds	6,020,301	3,639,772	612,147
1999 Insured Refunding Revenue Bonds	4,356,844	6,950,508	2,061,995
Aggregate Debt Service	10,377,145	10,590,280	2,674,142
Net Income Available for Debt Service	3.73	3.31	5.05
Required Coverage	1.15	1.15	1.15
	Achieved	Achieved	Achieved

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

<u>Investment Account:</u>	<u>Interest Payable</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Sept. 30, 2006</u>	<u>June 30, 2006</u>	<u>IN/(DE)CREASE</u>
Fidelity-Institutional Portfolio Treasury Fund	Monthly	5.09%	Demand	\$ 930,080	\$ 918,280	\$ 11,800
State Treasurer Local Agency Investment Fund	Quarterly	4.93%	Demand	552,158	4,894,143	(4,341,985)
Maxicare Health Plans, Inc.	N/A	N/A	Chapter 11	-	157	(157)
Salomon Brothers	Various	Various	Various	31,875,180	31,343,685	531,495
Pacific Income Advisors, Inc.	Various	Various	Various	30,744,129	30,329,997	414,132
Morgan Stanley & Co.	Various	Various	Various	46,349,897	51,854,202	(5,504,305)
TOTAL INVESTMENTS AT CURRENT FAIR MARKET VALUE				<u>\$ 110,451,444</u>	<u>\$ 119,340,464</u>	<u>\$ (8,889,020)</u>
ACCRUED INTEREST INCOME RECEIVABLE				1,336,535	1,168,757	167,778
Bank of America - Cash in Checking/COR Acct.				7,731	6,001	1,730
TOTAL VALUE OF INVESTMENT PORTFOLIO				<u>\$ 111,795,710</u>	<u>\$ 120,515,222</u>	<u>\$ (8,719,512)</u>
<u>INVESTMENTS COMPARATIVE</u>		<u>SUMMARY OF INVESTMENT PORTFOLIO BY FUND</u>				
09/06	\$110,451,444	Palomar Pomerado Unrestricted Fund	\$ 111,505,936	\$ 120,226,957	\$ (8,721,021)	
09/05	\$115,909,800	Palomar Pomerado Restricted Fund	289,774	288,265	1,509	
09/04	\$152,031,392		<u>\$ 111,795,710</u>	<u>\$ 120,515,222</u>	<u>\$ (8,719,512)</u>	
09/03	\$154,990,312					



