

# ADDENDUM C



**PALOMAR POMERADO HEALTH**

*A California Health Care District*

**BOARD FINANCIAL REPORT**

**AUGUST 2006**

(UNAUDITED)

***PREPARED BY THE FINANCE DEPARTMENT  
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**PALOMAR POMERADO HEALTH  
AUGUST 2006 FINANCIAL RESULTS  
EXECUTIVE SUMMARY and HIGHLIGHTS**

**Statistics:**

Consolidated acute patient days increased 355 days (3.87%) to 9,535 in August compared to July's 9,180 days. Actual acute patient days for August were 387 days lower than budget of 9,922. The acute Average Daily Census (ADC) was 308 in August, higher than July's 296, and lower than 320 ADC on a budgeted basis. Acute admissions for August were 2,464 compared to budget of 2,524 (-2.38% lower than budget). August SNF patient days were 6,517 compared to budget of 6,591 (-1.12% variance).

Palomar's acute patient days of 7,102 are below budget of 7,396 (-3.98% lower) resulting in a actual ADC of 229 compared to budget of 239. PMC had 2 trauma cases higher than budget but 18 cases more than July.

Pomerado's acute patient days are 93 days (-3.68%) lower than budget (actual = 2,433 budget = 2,526). Actual ADC was 78 compared to budget of 81. Acute admissions of 569 were lower (-14.31%) than budget of 664.

August consolidated surgery cases of 1,009 were down 3.07% from budget (cardiovascular surgery cases are 2 cases more than budget but 7 cases higher than July). August deliveries were 493 compared to a budget of 499 and previous year of 483.

**Balance Sheet:**

**Current Cash & Cash Equivalents** increased \$4 million from \$96 million in July to \$100 million in August. Total Cash and Investments are \$116 million, compared to \$129 million at June 30, 2006. Days cash on hand are 121. Working capital not yet reimbursed from G.O. Bond proceeds is approximately 20 days of cash.

**Net Accounts Receivable** increased to \$81.9 million in August as compared to \$78.6 million in July. Gross A/R days decreased from 58.4 days in July to 55.5 days in August.

Total patient account collections including capitation are \$29.1 million compared to budget of \$30.3 million. August collections are below budget, which is consistent with the previous years' trend. Budget is based on an even spread throughout the year and summer collections are typically low, with mid-year cumulative collections approaching budgeted targets.

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

**Other Current Liabilities** decreased \$768,000 primarily due to the realization of Deferred Property Tax Revenue in August.

**Income Statement:**

**Gross Patient Revenue** for YTD August reflects an unfavorable budget variance of \$9.2 million. This unfavorable variance is composed of a \$7.9 million unfavorable volume variance and \$1.3 million unfavorable rate variance. The YTD rate variance is the result of lower than budgeted acuity mix, including trauma and surgical cases.

Routine revenue (inpatient room and board) reflects an unfavorable \$1.7 million budget variance. All of the variance occurred in the North zone.

Inpatient Ancillary gross revenue represents an \$8.1 million unfavorable budget variance. The North zone reflects an unfavorable variance of \$4.4 million, and the South zone reflects a \$3.6 million unfavorable variance. The main contributors to the North zone's unfavorable

variance are in the Surgery and Supply Departments, totaling \$3.0 million lower than budget. The main contributors to the South zone's unfavorable variance are Surgery and Surgery Patient Supplies Revenue, totaling \$3.2 million lower than budget.

Outpatient revenue reflects a favorable budget variance of \$0.7 million. The North zone has a \$0.9 million favorable variance and The South zone has a \$0.4 million favorable variance. These two amounts are decreased by Outreach's \$0.6 unfavorable variance.

**Deductions from Revenue** reflects a YTD favorable variance of \$7.6 million. This is due to lower than budgeted volume and budgeted gross revenue. Total Deductions from Revenue is 68.8% of gross revenue compared to a budget of 69.4%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), was 61.9% of Gross Revenue for July compared to budget of 64.8%.

The net capitation reflects a favorable budget variance of \$366 thousand. Cap Premium and Out of Network Claim Expense both show an unfavorable budget variance of \$555 thousand and \$1.35 million respectively. Cap Valuation shows a favorable variance of \$2.27 million to offset.

**Other Operating Revenue** reflects a YTD unfavorable budget variance of \$118 thousand. The most significant contribution to this variance is from the Foundation, where actual revenue is \$120 thousand below budget.

**Salaries, Wages & Contract labor** reflects a YTD favorable variance of \$1.6 million. This favorable variance is composed of: 1) Favorable Salaries and Wages – \$1.7 million (actual \$28.8 million), 2) Unfavorable Contract Labor – \$70 thousand (actual \$1.4 million). These variances are composed of: PPH North, a favorable \$502 thousand; PPH South, a favorable \$399 thousand; Central Office, a favorable \$641 thousand; and, Outreach, a favorable \$70 thousand.

**Benefits Expense** has a YTD unfavorable budget variance of \$21 thousand. The major contributor to this variance is Workers' Compensation.

**Supplies Expense** reflects YTD favorable budget variance of \$700 thousand. This favorable variance is composed of a \$410 thousand favorable volume variance and \$290 thousand favorable rate variance. The favorable variance is pharmacy at \$383 thousand, other medical \$127 thousand and general surgery supplies at \$190 thousand.

**Prof Fees & Purchased Services** reflects a YTD unfavorable budget variance of \$25.9 thousand. The unfavorable variance of \$57.4 thousand in professional fees is due to Union Negotiation legal fees in excess of original estimate. Purchased services show a favorable variance of \$31.5 thousand to offset.

**Non-Operating Income** reflects a favorable YTD variance of \$787 thousand in August, including an \$813 thousand favorable investment income variance. Investment income reflects a 9.0% investment rate of return through August compared to budget of 4.25%.

### **Ratios & Margins:**

All required bond covenant ratios were achieved in August 2006.

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

							YTD 2007					Prior Year
May	June	July	August		Variance	% Actual to Budget				% Actual to Budget	Actual	
Actual	Actual	Actual	Actual	Budget			Actual	Budget	Variance			
<b>PPH Indicators:</b>												
5.9%	8.4%	9.4%	13.2%	9.9%	3.3%	133.3%	OEBITDA Margin w/Prop Tax	11.4%	9.9%	1.5%	115.2%	8.5%
\$ 2,350.58	\$ 2,846.46	\$ 2,564.97	\$ 2,396.55	\$ 2,483.14	\$ 86.59	96.5%	Expenses/Wtd Day	2,478.58	\$ 2,483.04	\$ 4.46	99.8%	2,361.68
\$ 1,295.58	\$ 1,541.05	\$ 1,546.23	\$ 1,404.87	\$ 1,478.51	\$ 73.64	95.0%	SWB/Wtd Day	1,473.75	\$ 1,478.45	\$ 4.70	99.7%	1,403.93
6.20	5.65	6.32	6.01	6.12	\$ 0.11	98.2%	Prod FTE's/Adj Occupied Bed	6.05	6.12	0.07	98.9%	6.01
12,634	13,354	12,517	13,150	13,331	\$ (181.00)	98.6%	Weighted Patient Days	25,668	26,663	(995)	96.3%	24,939
<b>PPH North Indicators:</b>												
4.2%	6.5%	10.9%	12.9%	9.8%	3.1%	131.6%	OEBITDA Margin w/Prop Tax	11.9%	9.8%	2.1%	121.4%	7.3%
\$ 2,267.87	\$ 2,693.05	\$ 2,437.37	\$ 2,284.89	\$ 2,362.48	\$ 77.59	96.7%	Expenses/Wtd Day	2,359.57	\$ 2,362.61	\$ 3.04	99.9%	2,248.28
\$ 1,080.30	\$ 1,264.22	\$ 1,315.11	\$ 1,164.54	\$ 1,224.57	\$ 60.03	95.1%	SWB/Wtd Day	1,238.35	\$ 1,224.64	\$ (13.71)	101.1%	1,180.20
5.28	5.39	5.32	5.09	5.08	\$ (0.01)	100.2%	Prod FTE's/Adj Occupied Bed	5.13	5.08	(0.05)	101.0%	5.02
8,701	8,157	8,712	9,045	9,203	\$ (158.00)	98.3%	Weighted Patient Days	17,758	18,405	(647)	96.5%	17,693
<b>PPH South Indicators:</b>												
5.0%	9.3%	4.3%	10.3%	6.9%	3.4%	149.3%	OEBITDA Margin w/Prop Tax	7.6%	6.9%	0.7%	110.1%	7.6%
\$ 2,231.51	\$ 2,459.21	\$ 2,477.73	\$ 2,277.51	\$ 2,400.47	\$ 122.96	94.9%	Expenses/Wtd Day	2,373.85	\$ 2,398.42	\$ 24.57	99.0%	2,336.59
\$ 1,072.17	\$ 1,196.04	\$ 1,333.77	\$ 1,153.48	\$ 1,270.24	\$ 116.76	90.8%	SWB/Wtd Day	1,240.23	\$ 1,270.07	\$ 29.84	97.7%	1,227.88
5.54	5.33	5.77	5.35	5.58	\$ 0.23	95.9%	Prod FTE's/Adj Occupied Bed	5.45	5.58	0.13	97.7%	5.61
3,788	3,712	3,554	3,832	3,817	\$ 15.00	100.4%	Weighted Patient Days	7,385	7,634	(249)	96.7%	6,908

# PALOMAR POMERADO HEALTH

## Key Variance Explanations for August 2006

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	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Weighted Patient Days</b>	13,150	13,331	(181)
<b>Gross Patient Revenue:</b>	<b>104,303,733</b>	<b>106,338,260</b>	<b>(2,034,527)</b>
Due to lower-than-budgeted volumes			
<b>Contractuals:</b>	<b>72,752,354</b>	<b>73,812,302</b>	<b>1,059,948</b>
<b>Net Capitation:</b>	<b>706,294</b>	<b>63,927</b>	<b>642,367</b>
Due to reduction in In-House Utilization			801,000
Due to increase in Out-of-Network Claim Expense			(440,000)
Due to prior month adjustment for Physician Pool Allocation			337,500
<b>Other Operating Revenue:</b>	<b>1,024,339</b>	<b>1,007,597</b>	<b>16,742</b>
<b>Salaries &amp; Wages:</b>	<b>14,067,923</b>	<b>15,256,595</b>	<b>1,188,672</b>
Due to lower volume and flexing			
<b>Benefits:</b>	<b>3,719,161</b>	<b>3,774,533</b>	<b>55,372</b>
Partially due to lower-than-budgeted salaries			
<b>Contract Labor:</b>	<b>686,905</b>	<b>678,883</b>	<b>(8,022)</b>
<b>Professional Fees:</b>	<b>1,811,592</b>	<b>1,815,681</b>	<b>4,089</b>
<b>Supplies:</b>	<b>5,252,263</b>	<b>5,503,090</b>	<b>250,827</b>
Due to lower-than-budgeted volumes			
<b>Purchased Services:</b>	<b>2,212,296</b>	<b>2,164,495</b>	<b>(47,801)</b>
Canfield & Assoc - A/R collection fees			(50,000)
<b>Depreciation:</b>	<b>1,661,865</b>	<b>1,568,084</b>	<b>(93,781)</b>
Due to higher-than-estimated depreciation and new closed CIP's			
<b>Other Direct Expenses:</b>	<b>1,709,799</b>	<b>1,949,209</b>	<b>239,410</b>
Marketing and recruitment budget allocated on an even basis, with episodic utilization			185,000
Utilities			54,000
 <b>Net Income From Operations</b>	 <b><u>\$2,160,208</u></b>	 <b><u>\$886,912</u></b>	 <b><u>\$1,273,296</u></b>



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

	Current Month	Prior Month	Prior Fiscal Year End
<b>Assets</b>			
<b>Current Assets</b>			
Cash on Hand	4,134,672	6,542,707	9,710,258
Cash Marketable Securities	96,044,483	89,740,290	110,035,151
<b>Total Cash &amp; Cash Equivalents</b>	<b>100,179,155</b>	<b>96,282,997</b>	<b>119,745,409</b>
<b>Patient Accounts Receivable</b>	<b>177,969,115</b>	<b>180,278,722</b>	<b>149,103,358</b>
Allowance on Accounts	(96,074,624)	(101,659,531)	(78,078,378)
<b>Net Accounts Receivable</b>	<b>81,894,491</b>	<b>78,619,191</b>	<b>71,024,980</b>
Inventories	6,937,754	6,954,043	6,937,645
Prepaid Expenses	3,879,158	3,768,719	2,293,992
Other	19,483,649	19,768,289	6,871,058
<b>Total Current Assets</b>	<b>212,374,207</b>	<b>205,393,239</b>	<b>206,873,084</b>
<b>Non-Current Assets</b>			
Restricted Assets	55,499,650	68,009,646	66,734,609
Restricted by Donor	289,774	288,265	288,265
Board Designated	15,346,069	20,913,462	9,267,526
<b>Total Restricted Assets</b>	<b>71,135,493</b>	<b>89,211,373</b>	<b>76,290,400</b>
Property Plant & Equipment	341,113,540	342,003,448	343,335,572
Accumulated Depreciation	(220,598,813)	(220,266,498)	(220,455,460)
Construction in Process	92,479,088	86,164,756	85,077,130
<b>Net Property Plant &amp; Equipment</b>	<b>212,993,815</b>	<b>207,901,706</b>	<b>207,957,242</b>
Investment in Related Companies	1,252,196	1,249,093	268,203
Deferred Financing Costs	3,421,786	3,361,612	3,354,469
Other Non-Current Assets	2,739,649	2,752,838	2,765,937
<b>Total Non-Current Assets</b>	<b>291,542,939</b>	<b>304,476,622</b>	<b>290,636,251</b>
<b>Total Assets</b>	<b>503,917,146</b>	<b>509,869,861</b>	<b>497,509,335</b>

	Current Month	Prior Month	Prior Fiscal Year End
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	22,957,553	26,735,756	30,624,648
Accrued Payroll	17,212,250	15,876,257	15,593,714
Accrued PTO	11,133,510	11,013,243	11,133,368
Accrued Interest Payable	1,637,047	2,856,249	2,265,274
Current Portion of Bonds	12,015,000	12,745,000	12,745,000
Est Third Party Settlements	(1,071,112)	(1,109,494)	(1,065,097)
Other Current Liabilities	19,123,535	19,891,245	6,930,518
<b>Total Current Liabilities</b>	<b>83,007,783</b>	<b>88,008,256</b>	<b>78,227,425</b>
<b>Long Term Liabilities</b>			
Bonds & Contracts Payable	145,926,589	151,363,750	151,347,395
<b>Fund Balance</b>			
Unrestricted	259,346,931	249,296,127	258,378,722
Restricted for Other Purpose	289,774	288,265	288,265
Board Designated	15,346,069	20,913,462	9,267,526
<b>Total Long Term Liabilities</b>	<b>274,982,774</b>	<b>270,497,854</b>	<b>267,934,513</b>
<b>Total Liabilities / Fund Balance</b>	<b>503,917,146</b>	<b>509,869,861</b>	<b>497,509,335</b>

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

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	4,866	5,048	(182)					
Admissions - SNF	203	238	(35)					
Patient Days - Acute	18,715	19,844	(1,129)					
Patient Days - SNF	13,152	13,182	(30)					
ALOS - Acute	3.84	4.00	(0.16)					
ALOS - SNF	67.45	54.93	12.52					
Weighted Pt Days	25,668	26,663	(995)					
<b>Revenue:</b>								
Gross Revenue	\$ 203,445,647	\$ 212,673,675	\$ (9,228,028) U	\$ (7,936,478)	\$ (1,291,550)	\$ 7,926.04	\$ 7,976.36	\$ (50.32)
Deductions from Rev	(139,892,190)	(147,496,749)	7,604,559 F	5,504,229	2,100,330	(5,450.06)	(5,531.89)	81.83
Net Patient Revenue	63,553,457	65,176,926	(1,623,469) U	(2,432,248)	808,779	2,475.98	2,444.47	31.51
Other Oper Revenue	1,897,080	2,015,194	(118,114) U	(75,202)	(42,912)	73.91	75.58	(1.67)
<b>Total Net Revenue</b>	<b>65,450,537</b>	<b>67,192,120</b>	<b>(1,741,583) U</b>	<b>(2,507,451)</b>	<b>765,868</b>	<b>2,549.89</b>	<b>2,520.05</b>	<b>29.84</b>
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	30,258,272	31,870,956	1,612,684 F	1,189,349	423,335	1,178.83	1,195.33	16.49
Benefits	7,569,894	7,549,066	(20,828) U	281,713	(302,541)	294.92	283.13	(11.79)
Supplies	10,305,397	11,006,180	700,783 F	410,725	290,058	401.49	412.79	11.30
Prof Fees & Purch Svc	7,986,261	7,960,352	(25,909) U	297,061	(322,970)	311.14	298.55	(12.58)
Depreciation	3,309,054	3,136,168	(172,886) U	117,034	(289,920)	128.92	117.62	(11.30)
Other	3,398,902	3,898,418	499,516 F	145,480	354,036	132.42	146.21	13.79
PPH Allocation	-	-	- U	-	-	-	-	-
<b>Total Expenses</b>	<b>62,827,780</b>	<b>65,421,140</b>	<b>2,593,360 F</b>	<b>2,441,362</b>	<b>151,998</b>	<b>2,447.71</b>	<b>2,453.63</b>	<b>5.92</b>
<b>Net Inc Before Non-Oper Income</b>	<b>2,622,757</b>	<b>1,770,980</b>	<b>851,777 F</b>	<b>(66,089)</b>	<b>917,866</b>	<b>102.18</b>	<b>66.42</b>	<b>35.76</b>
Property Tax Revenue	2,108,331	2,108,332	(1) U	(78,678)	78,677	82.14	79.07	3.07
Non-Operating Income	933,377	146,116	787,261 F	(5,453)	792,714	36.36	5.48	30.88
<b>Net Income (Loss)</b>	<b>\$ 5,664,465</b>	<b>\$ 4,025,428</b>	<b>\$ 1,639,037 F</b>	<b>\$ (150,219)</b>	<b>\$ 1,789,256</b>	<b>\$ 220.68</b>	<b>\$ 150.97</b>	<b>\$ 69.71</b>
Net Income Margin	8.0%	5.7%	2.3%					
OEBITDA Margin w/o Prop Tax	8.4%	7.0%	1.4%					
OEBITDA Margin with Prop Tax	11.4%	9.9%	1.5%					

F= Favorable variance

U= Unfavorable variance

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

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	2,464	2,524	(60)					
Admissions - SNF	99	119	(20)					
Patient Days - Acute	9,535	9,922	(387)					
Patient Days - SNF	6,517	6,591	(74)					
ALOS - Acute	3.82	4.00	(0.18)					
ALOS - SNF	63.27	54.93	8.35					
Weighted Pt Days	13,150	13,331	(181)					
<b>Revenue:</b>								
Gross Revenue	\$ 104,303,733	\$ 106,338,260	\$ (2,034,527) U	\$ (1,443,795)	\$ (590,732)	\$ 7,931.84	\$ 7,976.77	\$ (44.92)
Deductions from Rev	(72,046,060)	(73,748,375)	1,702,315 F	1,001,309	701,006	(5,478.79)	(5,532.10)	53.31
Net Patient Revenue	32,257,673	32,589,885	(332,212) U	(442,485)	110,273	2,453.05	2,444.67	8.39
Other Oper Revenue	1,024,339	1,007,597	16,742 F	(13,681)	30,423	77.90	75.58	2.31
<b>Total Net Revenue</b>	<b>33,282,012</b>	<b>33,597,482</b>	<b>(315,470) U</b>	<b>(456,166)</b>	<b>140,696</b>	<b>2,530.95</b>	<b>2,520.25</b>	<b>10.70</b>
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	14,754,829	15,935,478	1,180,649 F	216,362	964,287	1,122.04	1,195.37	73.33
Benefits	3,719,161	3,774,533	55,372 F	51,248	4,124	282.83	283.14	0.31
Supplies	5,252,262	5,503,090	250,828 F	74,718	176,110	399.41	412.80	13.39
Prof Fees & Purch Svc	4,023,887	3,980,176	(43,711) U	54,040	(97,751)	306.00	298.57	(7.43)
Depreciation	1,661,866	1,568,084	(93,782) U	21,290	(115,072)	126.38	117.63	(8.75)
Other	1,709,799	1,949,209	239,410 F	26,465	212,945	130.02	146.22	16.19
PPH Allocation	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>31,121,804</b>	<b>32,710,570</b>	<b>1,588,766 F</b>	<b>444,124</b>	<b>1,144,642</b>	<b>2,366.68</b>	<b>2,453.72</b>	<b>87.05</b>
<b>Net Inc Before Non-Oper Income</b>	<b>2,160,208</b>	<b>886,912</b>	<b>1,273,296 F</b>	<b>(12,042)</b>	<b>1,285,338</b>	<b>164.27</b>	<b>66.53</b>	<b>97.74</b>
Property Tax Revenue	1,054,163	1,054,166	(3) U	(14,313)	14,310	80.16	79.08	1.09
Non-Operating Income	505,503	73,058	432,445 F	(992)	433,437	38.44	5.48	32.96
<b>Net Income (Loss)</b>	<b>\$ 3,719,874</b>	<b>\$ 2,014,136</b>	<b>\$ 1,705,738 F</b>	<b>\$ (27,347)</b>	<b>\$ 1,733,085</b>	<b>\$ 282.88</b>	<b>\$ 151.09</b>	<b>\$ 131.79</b>
Net Income Margin	10.0%	5.7%	4.3%					
OEBITDA Margin w/o Prop Tax	10.3%	7.0%	3.3%					
OEBITDA Margin with Prop Tax	13.2%	9.9%	3.3%					

F= Favorable variance

U= Unfavorable variance

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

	<u>August</u>	<u>YTD</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income (Loss from operations)	2,282,383	2,744,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,661,865	3,309,054
Provision for bad debts	4,753,568	7,242,155
Changes in operating assets and liabilities:		
Patient accounts receivable	(8,150,947)	(18,233,744)
Property Tax and other receivables	(57,318)	63,015
Inventories	16,289	(109)
Prepaid expenses and Other Non-Current assets	(113,542)	(2,569,159)
Accounts payable	(3,778,203)	(7,667,095)
Accrued comp	1,693,488	1,618,678
Estimated settlement amounts due third-party payors	38,382	(6,015)
Other current liabilities	49,228	746,761
Net cash provided by operating activities	<u>(1,604,807)</u>	<u>(12,752,025)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (purchases) sales on investments	11,771,686	19,145,575
Interest (Loss) received on investments	857,094	1,743,634
Investment in affiliates	115,485	245,027
Net cash used in investing activities	<u>12,744,265</u>	<u>21,134,236</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Receipt of G.O. Bond Taxes	132,282	250,826
Receipt of District Taxes	239,662	389,232
Net cash used in activities	<u>371,944</u>	<u>640,058</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of property plant and equipment	(5,895,949)	(6,574,367)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	(1,838,488)	(1,838,488)
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	(6,185,000)	(6,185,000)
Net cash used in activities	<u>(13,919,437)</u>	<u>(14,597,855)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,408,035)</b>	<b>(5,575,586)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of period</b>	<b>6,542,707</b>	<b>9,710,258</b>
<b>CASH AND CASH EQUIVALENTS - End of period</b>	<b><u>4,134,672</u></b>	<b><u>4,134,672</u></b>

## PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

<b>CUSHION RATIO</b>	<b>Jun-05</b>	<b>Jun-06</b>	<b>Aug-06</b>
Cash and Cash Equivalents	109,043,208	119,745,409	100,179,155
Board Designated Reserves	22,388,648	9,267,526	15,346,069
Trustee-held Funds	12,026,055	12,170,183	14,064,413
Total	143,457,911	141,183,118	129,589,637
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>12.1</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>Aug-06</b>
Cash and Cash Equivalents	109,043,208	119,745,409	100,179,155
Board Designated Reserves	22,388,648	9,267,526	15,346,069
Total	131,431,856	129,012,935	115,525,224
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	340,338,156	365,759,559	62,827,780
Less: Depreciation	16,394,985	18,737,467	3,309,055
Adjusted Expenses	323,943,171	347,022,092	59,518,725
Number of days in period	365	365	62
Average Adjusted Expenses per Day	887,516	950,745	959,979
<b>DAYS CASH ON HAND</b>	<b>148</b>	<b>136</b>	<b>120</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>Aug-06</b>
Excess of revenue over expenses Cur Mo.	1,490,930	905,884	3,719,874
Excess of revenues over expenses YTD (General Funds)	17,052,649	11,148,667	5,664,465
ADD:			
Depreciation and Amortization	16,394,985	18,737,467	3,309,055
Interest Expense	5,272,031	5,130,603	792,034
Net Income Available for Debt Service	38,719,665	35,016,737	9,765,554
Aggregate Debt Service			
1993 Insured Refunding Revenue Bonds	6,020,301	3,639,772	408,098
1999 Insured Refunding Revenue Bonds	4,356,844	6,950,508	1,374,663
Aggregate Debt Service	10,377,145	10,590,280	1,782,761
<b>Net Income Available for Debt Service</b>	<b>3.73</b>	<b>3.31</b>	<b>5.48</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

C12

*August 2006*

Tim Nguyen

**Corporate Controller**

**September 26, 2006**

PALOMAR POMERADO HEALTH

PALOMAR  
POMERADO  
HEALTH  
SPECIALIZING IN YOU

**PALOMAR POMERDO HEALTH  
SUMMARY OF KEY INDICATORS AND RESULTS  
FYTD August 2006**

**C13**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<b><u>ADMISSIONS - Acute:</u></b>				
Palomar Medical Center	3,727	3,720	7	3,741
Pomerado Hospital	1,139	1,328	(189)	1,125
<b>Total:</b>	<u>4,866</u>	<u>5,048</u>	<u>(182)</u>	<u>4,866</u>
<b><u>ADMISSIONS - SNF:</u></b>				
Palomar Medical Center	115	132	(17)	103
Pomerado Hospital	88	106	(18)	105
<b>Total:</b>	<u>203</u>	<u>238</u>	<u>(35)</u>	<u>208</u>
<b><u>PATIENT DAYS - Acute:</u></b>				
Palomar Medical Center	14,021	14,792	(771)	14,041
Pomerado Hospital	4,694	5,052	(358)	4,336
<b>Total:</b>	<u>18,715</u>	<u>19,844</u>	<u>(1,129)</u>	<u>18,377</u>
<b><u>PATIENT DAYS- SNF:</u></b>				
Palomar Medical Center	5,441	5,494	(53)	5,293
Pomerado Hospital	7,711	7,688	23	7,655
<b>Total:</b>	<u>13,152</u>	<u>13,182</u>	<u>(30)</u>	<u>12,948</u>

**PALOMAR POMERDO HEALTH**  
**SUMMARY OF KEY INDICATORS AND RESULTS**  
**FYTD August 2006**

**C14**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<b><u>WEIGHTED PATIENT DAYS:</u></b>				
Palomar Medical Center	17,758	18,405	(647)	17,693
Pomerado Hospital	7,385	7,634	(249)	6,908
Other Activities	525	624	(99)	338
<b>Total:</b>	<u>25,668</u>	<u>26,663</u>	<u>(995)</u>	<u>24,939</u>
<b><u>AVERAGE LENGTH OF STAY- Acute:</u></b>				
Palomar Medical Center	3.75	4.02	(0.27)	3.93
Pomerado Hospital	4.14	3.96	0.18	3.81
<b>Total:</b>	<u>3.84</u>	<u>4.00</u>	<u>(0.16)</u>	<u>3.91</u>
<b><u>AVERAGE LENGTH OF STAY - SNF:</u></b>				
Palomar Medical Center	49.92	40.40	9.52	52.41
Pomerado Hospital	89.66	73.92	15.74	73.61
<b>Total:</b>	<u>67.45</u>	<u>54.93</u>	<u>12.52</u>	<u>63.16</u>



**PALOMAR POMERADO HEALTH**  
**SUMMARY OF KEY INDICATORS AND RESULTS**  
**FYTD August 2006**

**C15**

	<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	7,601	7,650	(49)	7,344
Pomerado Hospital	3,860	3,964	(104)	3,917
<b>Total:</b>	<u>11,461</u>	<u>11,614</u>	<u>(153)</u>	<u>11,261</u>
<b><u>EMERGENCY &amp; TRAUMA ADMISSIONS:</u></b>				
Palomar Medical Center	1,868	1,928	(60)	1,844
Pomerado Hospital	637	694	(57)	646
<b>Total:</b>	<u>2,505</u>	<u>2,622</u>	<u>(117)</u>	<u>2,490</u>
<b><u>SURGERIES:</u></b>				
Palomar Medical Center	1,309	1,356	(47)	1,352
Pomerado Hospital	653	726	(73)	660
<b>Total:</b>	<u>1,962</u>	<u>2,082</u>	<u>(120)</u>	<u>2,012</u>
<b><u>BIRTHS:</u></b>				
Palomar Medical Center	785	760	25	765
Pomerado Hospital	187	238	(51)	206
<b>Total:</b>	<u>972</u>	<u>998</u>	<u>(26)</u>	<u>971</u>

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

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	2,464	2,524	(60)					
Admissions - SNF	99	119	(20)					
Patient Days - Acute	9,535	9,922	(387)					
Patient Days - SNF	6,517	6,591	(74)					
ALOS - Acute	3.82	4.00	(0.18)					
ALOS - SNF	63.27	54.93	8.35					
Weighted Pt Days	13,150	13,331	(181)					
<b>Revenue:</b>								
Gross Revenue	\$ 104,303,733	\$ 106,338,260	\$ (2,034,527) U	\$ (1,443,795)	\$ (590,732)	\$ 7,931.84	\$ 7,976.77	\$ (44.92)
Deductions from Rev	(72,046,060)	(73,748,375)	1,702,315 F	1,001,309	701,006	(5,478.79)	(5,532.10)	53.31
Net Patient Revenue	32,257,673	32,589,885	(332,212) U	(442,485)	110,273	2,453.05	2,444.67	8.39
Other Oper Revenue	1,024,339	1,007,597	16,742 F	(13,681)	30,423	77.90	75.58	2.31
<b>Total Net Revenue</b>	<b>33,282,012</b>	<b>33,597,482</b>	<b>(315,470) U</b>	<b>(456,166)</b>	<b>140,696</b>	<b>2,530.95</b>	<b>2,520.25</b>	<b>10.70</b>
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	14,754,829	15,935,478	1,180,649 F	216,362	964,287	1,122.04	1,195.37	73.33
Benefits	3,719,161	3,774,533	55,372 F	51,248	4,124	282.83	283.14	0.31
Supplies	5,252,262	5,503,090	250,828 F	74,718	176,110	399.41	412.80	13.39
Prof Fees & Purch Svc	4,023,887	3,980,176	(43,711) U	54,040	(97,751)	306.00	298.57	(7.43)
Depreciation	1,661,866	1,568,084	(93,782) U	21,290	(115,072)	126.38	117.63	(8.75)
Other	1,709,799	1,949,209	239,410 F	26,465	212,945	130.02	146.22	16.19
PPH Allocation	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>31,121,804</b>	<b>32,710,570</b>	<b>1,588,766 F</b>	<b>444,124</b>	<b>1,144,642</b>	<b>2,366.68</b>	<b>2,453.72</b>	<b>87.05</b>
<b>Net Inc Before Non-Oper Income</b>	<b>2,160,208</b>	<b>886,912</b>	<b>1,273,296 F</b>	<b>(12,042)</b>	<b>1,285,338</b>	<b>164.27</b>	<b>66.53</b>	<b>97.74</b>
Property Tax Revenue	1,054,163	1,054,166	(3) U	(14,313)	14,310	80.16	79.08	1.09
Non-Operating Income	505,503	73,058	432,445 F	(992)	433,437	38.44	5.48	32.96
<b>Net Income (Loss)</b>	<b>\$ 3,719,874</b>	<b>\$ 2,014,136</b>	<b>\$ 1,705,738 F</b>	<b>\$ (27,347)</b>	<b>\$ 1,733,085</b>	<b>\$ 282.88</b>	<b>\$ 151.09</b>	<b>\$ 131.79</b>
Net Income Margin	10.0%	5.7%	4.3%					
OEBITDA Margin w/o Prop Tax	10.3%	7.0%	3.3%					
OEBITDA Margin with Prop Tax	13.2%	9.9%	3.3%					

F= Favorable variance  
U= Unfavorable variance

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

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	4,866	5,048	(182)					
Admissions - SNF	203	238	(35)					
Patient Days - Acute	18,715	19,844	(1,129)					
Patient Days - SNF	13,152	13,182	(30)					
ALOS - Acute	3.84	4.00	(0.16)					
ALOS - SNF	67.45	54.93	12.52					
Weighted Pt Days	25,668	26,663	(995)					
<b>Revenue:</b>								
Gross Revenue	\$ 203,445,647	\$ 212,673,675	\$ (9,228,028) U	\$ (7,936,478)	\$ (1,291,550)	\$ 7,926.04	\$ 7,976.36	\$ (50.32)
Deductions from Rev	(139,892,190)	(147,496,749)	7,604,559 F	5,504,229	2,100,330	(5,450.06)	(5,531.89)	81.83
Net Patient Revenue	63,553,457	65,176,926	(1,623,469) U	(2,432,248)	808,779	2,475.98	2,444.47	31.51
Other Oper Revenue	1,897,080	2,015,194	(118,114) U	(75,202)	(42,912)	73.91	75.58	(1.67)
<b>Total Net Revenue</b>	<b>65,450,537</b>	<b>67,192,120</b>	<b>(1,741,583) U</b>	<b>(2,507,451)</b>	<b>765,868</b>	<b>2,549.89</b>	<b>2,520.05</b>	<b>29.84</b>
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	30,258,272	31,870,956	1,612,684 F	1,189,349	423,335	1,178.83	1,195.33	16.49
Benefits	7,569,894	7,549,066	(20,828) U	281,713	(302,541)	294.92	283.13	(11.79)
Supplies	10,305,397	11,006,180	700,783 F	410,725	290,058	401.49	412.79	11.30
Prof Fees & Purch Svc	7,986,261	7,960,352	(25,909) U	297,061	(322,970)	311.14	298.55	(12.58)
Depreciation	3,309,054	3,136,168	(172,886) U	117,034	(289,920)	128.92	117.62	(11.30)
Other	3,398,902	3,898,418	499,516 F	145,480	354,036	132.42	146.21	13.79
PPH Allocation	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>62,827,780</b>	<b>65,421,140</b>	<b>2,593,360 F</b>	<b>2,441,362</b>	<b>151,998</b>	<b>2,447.71</b>	<b>2,453.63</b>	<b>5.92</b>
<b>Net Inc Before Non-Oper Income</b>	<b>2,622,757</b>	<b>1,770,980</b>	<b>851,777 F</b>	<b>(66,089)</b>	<b>917,866</b>	<b>102.18</b>	<b>66.42</b>	<b>35.76</b>
Property Tax Revenue	2,108,331	2,108,332	(1) U	(78,678)	78,677	82.14	79.07	3.07
Non-Operating Income	933,377	146,116	787,261 F	(5,453)	792,714	36.36	5.48	30.88
<b>Net Income (Loss)</b>	<b>\$ 5,664,465</b>	<b>\$ 4,025,428</b>	<b>\$ 1,639,037 F</b>	<b>\$ (150,219)</b>	<b>\$ 1,789,256</b>	<b>\$ 220.68</b>	<b>\$ 150.97</b>	<b>\$ 69.71</b>
Net Income Margin	8.0%	5.7%	2.3%					
OEBITDA Margin w/o Prop Tax	8.4%	7.0%	1.4%					
OEBITDA Margin with Prop Tax	11.4%	9.9%	1.5%					

F= Favorable variance  
U= Unfavorable variance

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

**C18**

	<b>Jul-06</b>	<b>Aug-06</b>	<b>Sep-06</b>	<b>10/1/200</b>	<b>Nov-06</b>	<b>Dec-06</b>	<b>FYTD</b>
<b>Statistics:</b>							
Admissions - Acute	2,402	2,464					4,866
Admissions - SNF	104	99					203
Patient Days - Acute	9,180	9,535					18,715
Patient Days - SNF	6,635	6,517					13,152
LOS - Acute	3.86	3.82					3.84
LOS - SNF	72.12	63.27					67.45
Weighted Pt Days	12,517	13,150					25,668
<b>Revenue:</b>							
Gross Revenue	\$ 99,141,914	\$ 104,303,733					\$ 203,445,647
Deductions from Rev	(67,846,129)	(72,046,060)					(139,892,190)
Net Patient Revenue	31,295,785	32,257,673					63,553,457
Other Oper Revenue	872,741	1,024,339					1,897,080
<b>Total Net Revenue</b>	<b>32,168,526</b>	<b>33,282,012</b>					<b>65,450,537</b>
<b>Expenses:</b>							
Salaries, Wages & Contr Labor	15,503,445	14,754,829					30,258,272
Benefits	3,850,733	3,719,161					7,569,894
Supplies	5,053,135	5,252,262					10,305,397
Prof Fees & Purch Svc	3,962,369	4,023,887					7,986,261
Depreciation	1,647,190	1,661,866					3,309,054
Other	1,689,103	1,709,799					3,398,902
<b>Total Expenses</b>	<b>31,705,975</b>	<b>31,121,804</b>					<b>62,827,780</b>
<b>Net Inc Before Non-Oper Income</b>	<b>462,551</b>	<b>2,160,208</b>					<b>2,622,757</b>
Property Tax Revenue	1,054,164	1,054,163					2,108,331
Non-Operating Income	427,875	505,503					933,377
<b>Net Income (Loss)</b>	<b>\$ 1,944,592</b>	<b>\$ 3,719,874</b>					<b>\$ 5,664,465</b>
Net Income Margin	5.8%	10.0%					8.0%
OEBITDA Margin w/o Prop Tax	6.2%	10.3%					8.4%
OEBITDA Margin with Prop Tax	9.4%	13.2%					11.4%

F= Favorable variance  
U= Unfavorable variance

Palomar Pomerado Health  
Consolidated Balance Sheet  
As of August 31, 2006

C19

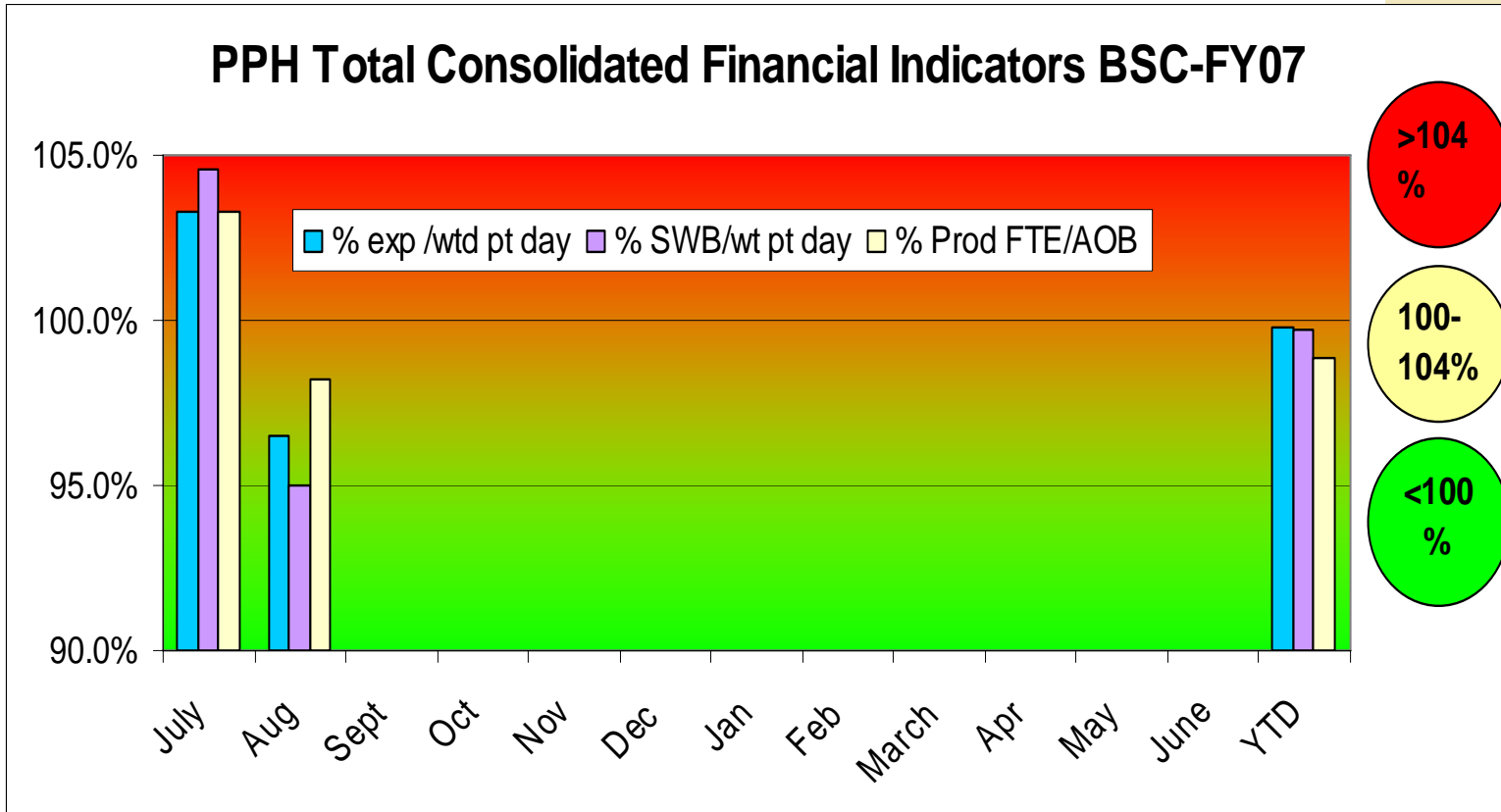
	Current Month	Prior Month	Prior Fiscal Year End
<b>Assets</b>			
<b>Current Assets</b>			
Cash on Hand	4,134,672	6,542,707	9,710,258
Cash Marketable Securities	96,044,483	89,740,290	110,035,151
<b>Total Cash &amp; Cash Equivalents</b>	<b>100,179,155</b>	<b>96,282,997</b>	<b>119,745,409</b>
<b>Patient Accounts Receivable</b>	<b>177,969,115</b>	<b>180,278,722</b>	<b>149,103,358</b>
Allowance on Accounts	(96,074,624)	(101,659,531)	(78,078,378)
<b>Net Accounts Receivable</b>	<b>81,894,491</b>	<b>78,619,191</b>	<b>71,024,980</b>
Inventories	6,937,754	6,954,043	6,937,645
Prepaid Expenses	3,879,158	3,768,719	2,293,992
Other	19,483,649	19,768,289	6,871,058
<b>Total Current Assets</b>	<b>212,374,207</b>	<b>205,393,239</b>	<b>206,873,084</b>
<b>Non-Current Assets</b>			
Restricted Assets	55,499,650	68,009,646	66,734,609
Restricted by Donor	289,774	288,265	288,265
Board Designated	15,346,069	20,913,462	9,267,526
<b>Total Restricted Assets</b>	<b>71,135,493</b>	<b>89,211,373</b>	<b>76,290,400</b>
Property Plant & Equipment	341,113,540	342,003,448	343,335,572
Accumulated Depreciation	(220,598,813)	(220,266,498)	(220,455,460)
Construction in Process	92,479,088	86,164,756	85,077,130
<b>Net Property Plant &amp; Equipment</b>	<b>212,993,815</b>	<b>207,901,706</b>	<b>207,957,242</b>
Investment in Related Companies	1,252,196	1,249,093	268,203
Deferred Financing Costs	3,421,786	3,361,612	3,354,469
Other Non-Current Assets	2,739,649	2,752,838	2,765,937
<b>Total Non-Current Assets</b>	<b>291,542,939</b>	<b>304,476,622</b>	<b>290,636,251</b>
<b>Total Assets</b>	<b>503,917,146</b>	<b>509,869,861</b>	<b>497,509,335</b>

	Current Month	Prior Month	Prior Fiscal Year End
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	22,957,553	26,735,756	30,624,648
Accrued Payroll	17,212,250	15,876,257	15,593,714
Accrued PTO	11,133,510	11,013,243	11,133,368
Accrued Interest Payable	1,637,047	2,856,249	2,265,274
Current Portion of Bonds	12,015,000	12,745,000	12,745,000
Est Third Party Settlements	(1,071,112)	(1,109,494)	(1,065,097)
Other Current Liabilities	19,123,535	19,891,245	6,930,518
<b>Total Current Liabilities</b>	<b>83,007,783</b>	<b>88,008,256</b>	<b>78,227,425</b>
<b>Long Term Liabilities</b>			
Bonds & Contracts Payable	145,926,589	151,363,750	151,347,395
<b>Fund Balance</b>			
Unrestricted	259,346,931	249,296,127	258,378,722
Restricted for Other Purpose	289,774	288,265	288,265
Board Designated	15,346,069	20,913,462	9,267,526
<b>Total Long Term Liabilities</b>	<b>274,982,774</b>	<b>270,497,854</b>	<b>267,934,513</b>
<b>Total Liabilities / Fund Balance</b>	<b>503,917,146</b>	<b>509,869,861</b>	<b>497,509,335</b>

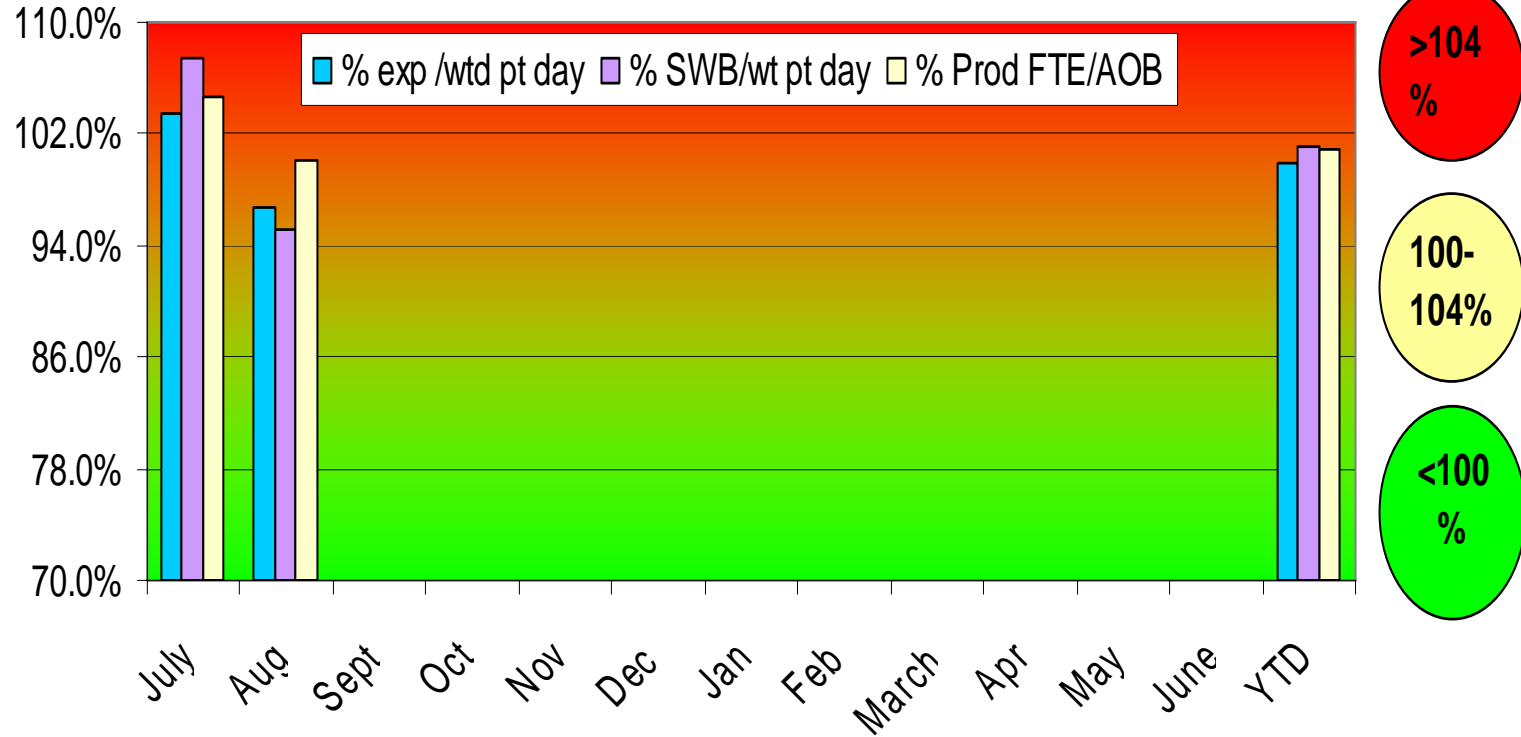
Palomar Pomerado Health  
Balanced Scorecard  
Financial Indicators  
August 31, 2006

C20

May							June							July							August							YTD 2007			% Actual	Prior Year
Actual		Actual		Actual		Actual		Budget		Variance		% Actual		Actual		Budget		Variance		% Actual		Actual										
<b>PPH Indicators:</b>																																
5.9%	8.4%	9.4%	13.2%	9.9%	3.3%	133.3%	OEBITDA Margin w/Prop Tax	11.4%	9.9%	1.5%	115.2%	8.5%	\$ 2,350.58	\$ 2,846.46	\$ 2,564.97	\$ 2,396.55	\$ 2,483.14	\$ 86.59	96.5%	Expenses/Wtd Day	2,478.58	\$ 2,483.04	\$ 4.46	99.8%	2,361.68							
\$ 1,295.58	\$ 1,541.05	\$ 1,546.23	\$ 1,404.87	\$ 1,478.51	\$ 73.64	95.0%	SWB/Wtd Day	1,473.75	\$ 1,478.45	\$ 4.70	99.7%	1,403.93	6.20	5.65	6.32	6.01	6.12	\$ 0.11	98.2%	Prod FTE's/Adj Occupied Bed	6.05	6.12	0.07	98.9%	6.01							
12,634	13,354	12,517	13,150	13,331	\$ (181.00)	98.6%	Weighted Patient Days	25,668	26,663	(995)	96.3%	24,939																				
<b>PPH North Indicators:</b>																																
4.2%	6.5%	10.9%	12.9%	9.8%	3.1%	131.6%	OEBITDA Margin w/Prop Tax	11.9%	9.8%	2.1%	121.4%	7.3%	\$ 2,267.87	\$ 2,693.05	\$ 2,437.37	\$ 2,284.89	\$ 2,362.48	\$ 77.59	96.7%	Expenses/Wtd Day	2,359.57	\$ 2,362.61	\$ 3.04	99.9%	2,248.28							
\$ 1,080.30	\$ 1,264.22	\$ 1,315.11	\$ 1,164.54	\$ 1,224.57	\$ 60.03	95.1%	SWB/Wtd Day	1,238.35	\$ 1,224.64	\$ (13.71)	101.1%	1,180.20	5.28	5.39	5.32	5.09	5.08	\$ (0.01)	100.2%	Prod FTE's/Adj Occupied Bed	5.13	5.08	(0.05)	101.0%	5.02							
8,701	8,157	8,712	9,045	9,203	\$ (158.00)	98.3%	Weighted Patient Days	17,758	18,405	(647)	96.5%	17,693																				
<b>PPH South Indicators:</b>																																
5.0%	9.3%	4.3%	10.3%	6.9%	3.4%	149.3%	OEBITDA Margin w/Prop Tax	7.6%	6.9%	0.7%	110.1%	7.6%	\$ 2,231.51	\$ 2,459.21	\$ 2,477.73	\$ 2,277.51	\$ 2,400.47	\$ 122.96	94.9%	Expenses/Wtd Day	2,373.85	\$ 2,398.42	\$ 24.57	99.0%	2,336.59							
\$ 1,072.17	\$ 1,196.04	\$ 1,333.77	\$ 1,153.48	\$ 1,270.24	\$ 116.76	90.8%	SWB/Wtd Day	1,240.23	\$ 1,270.07	\$ 29.84	97.7%	1,227.88	5.54	5.33	5.77	5.35	5.58	\$ 0.23	95.9%	Prod FTE's/Adj Occupied Bed	5.45	5.58	0.13	97.7%	5.61							
3,788	3,712	3,554	3,832	3,817	\$ 15.00	100.4%	Weighted Patient Days	7,385	7,634	(249)	96.7%	6,908																				



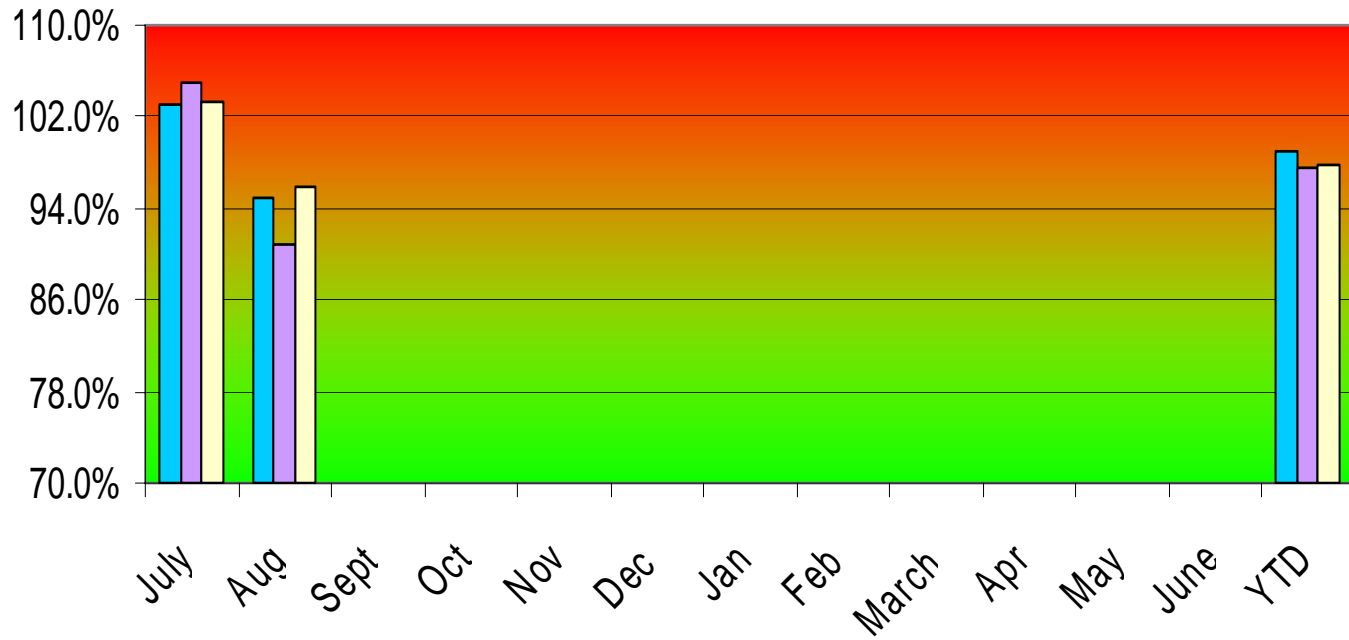
### PPH North Consolidated Financial Indicators BSC-FY07





### PPH South Consolidated Financial Indicators BSC-FY07

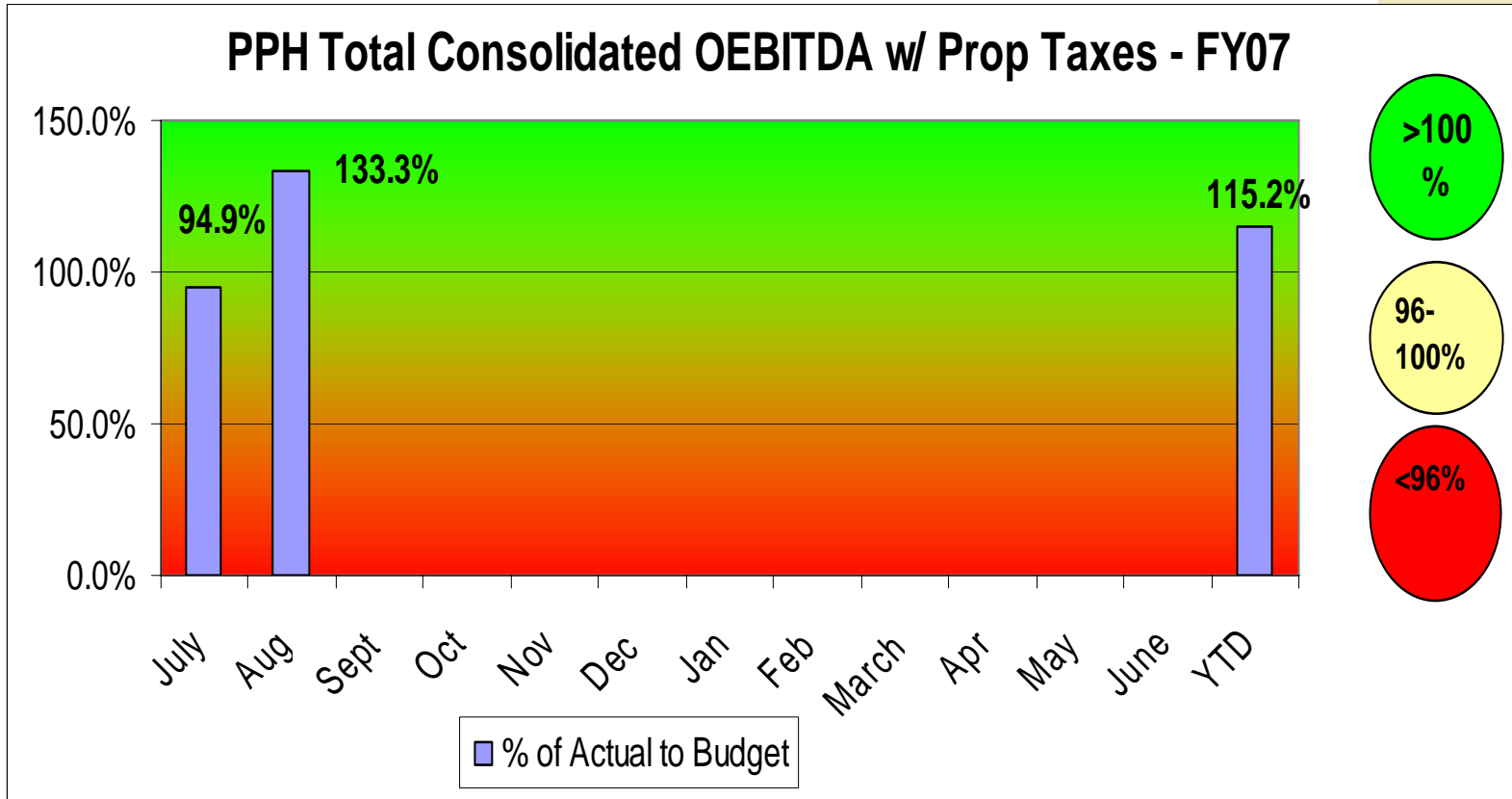
■ % exp /wtd pt day   ■ % SWB/wt pt day   ■ % Prod FTE/AOB

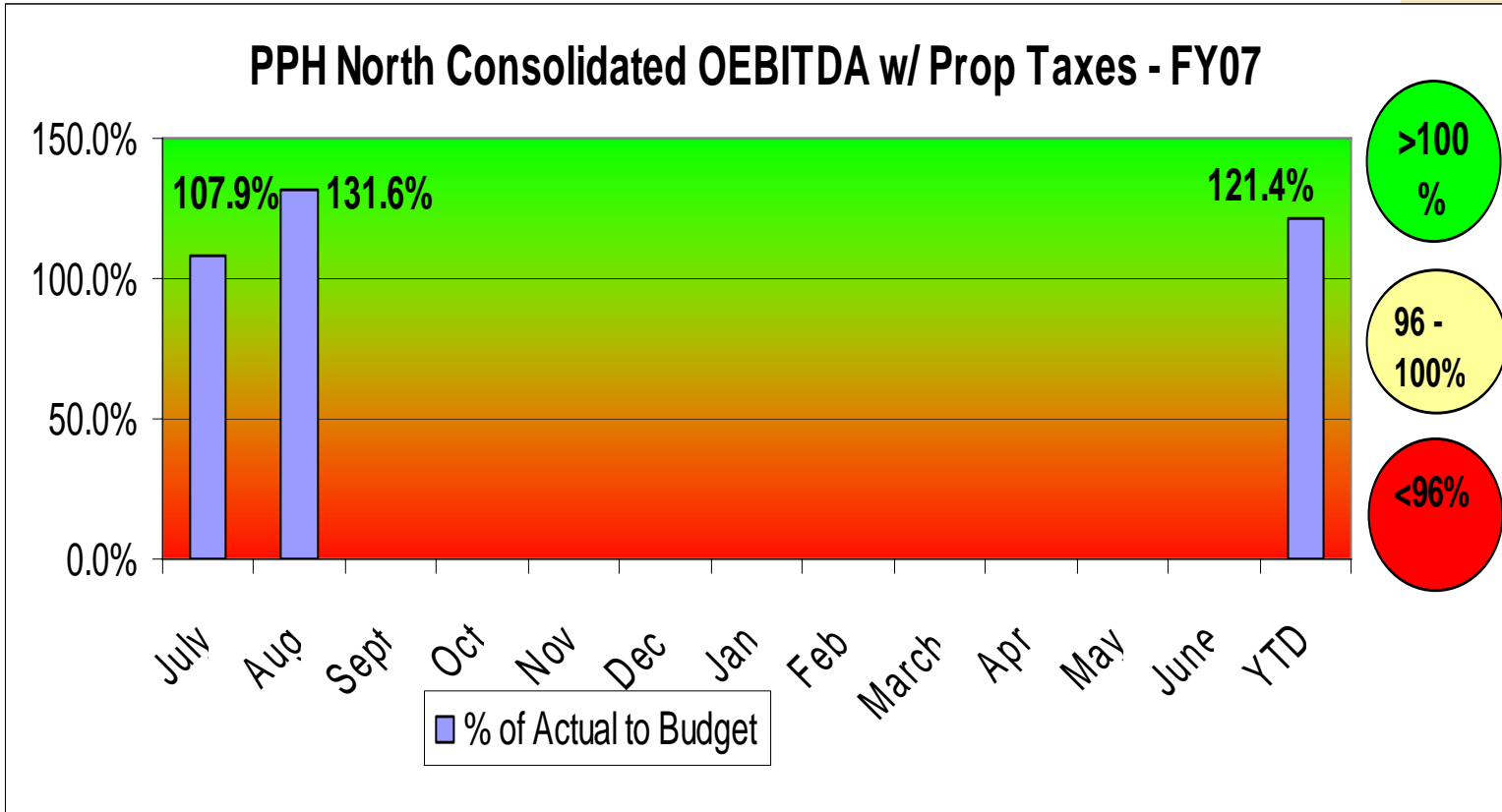


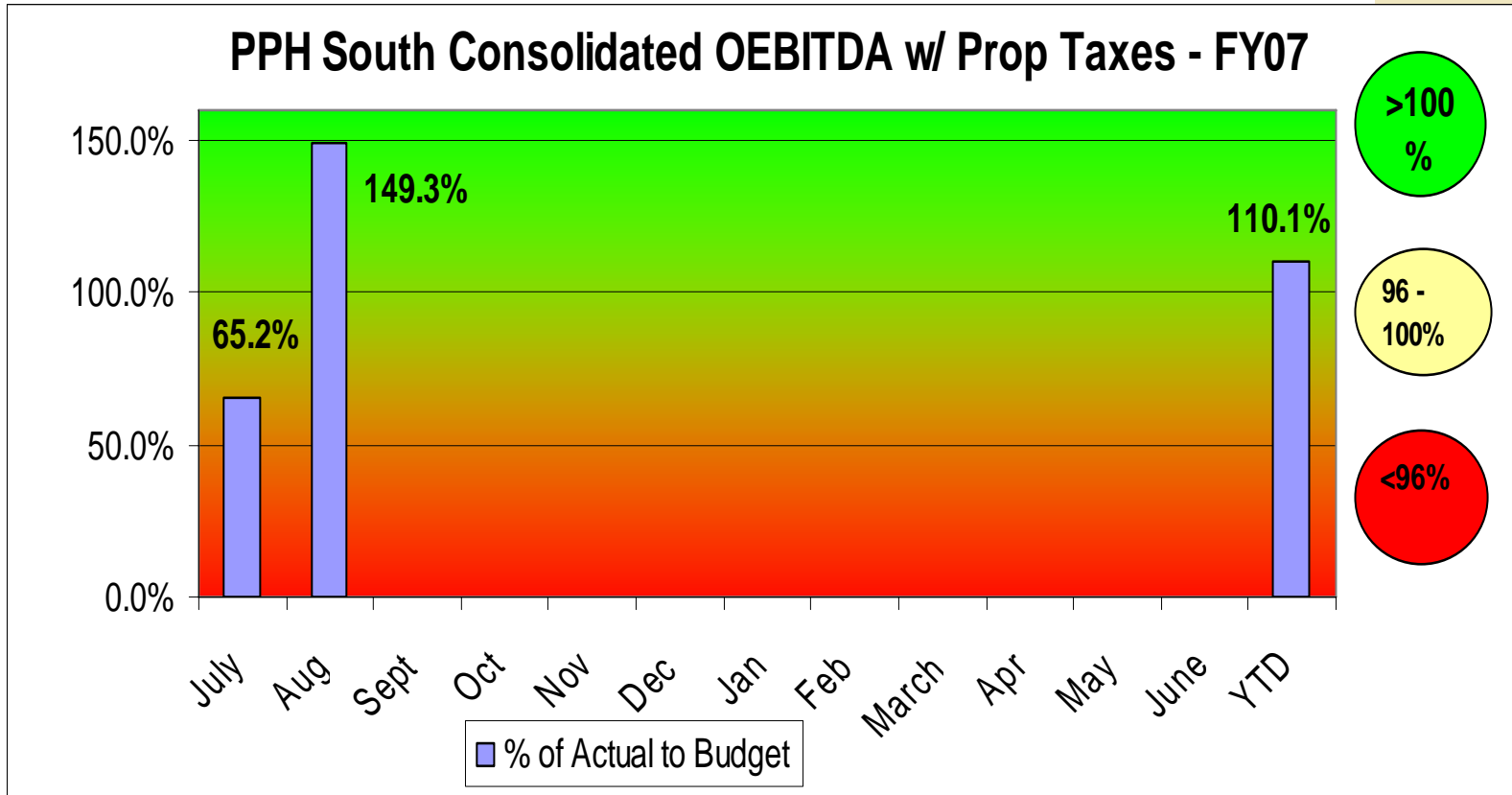
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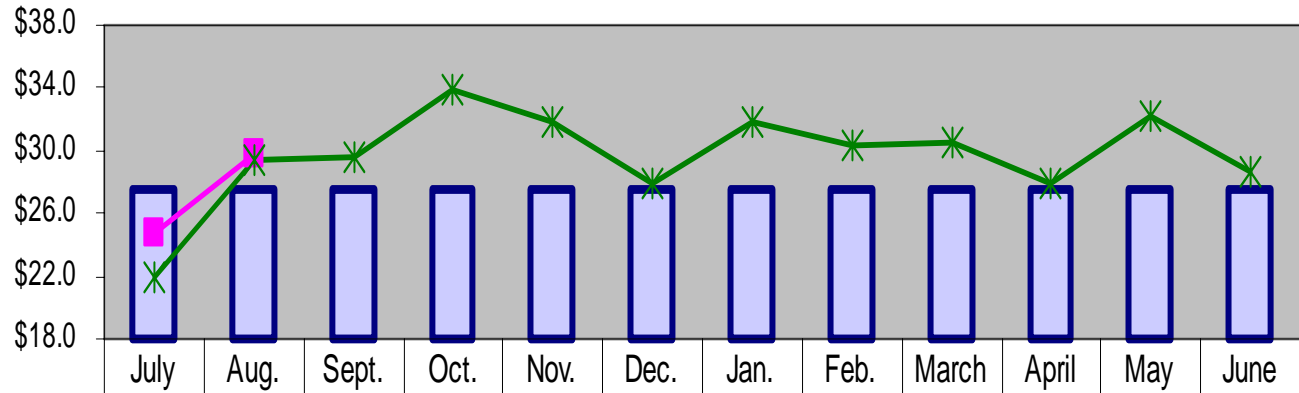
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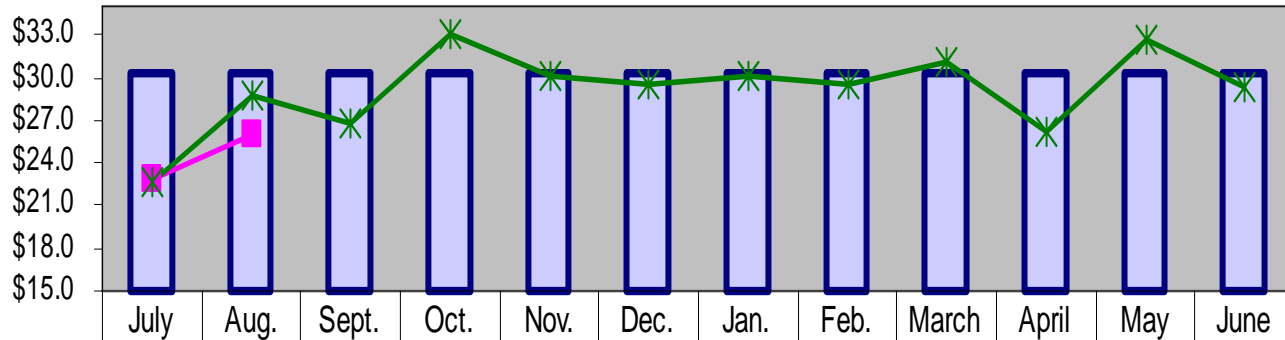


### PPH Monthly Collections in Millions



	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
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	\$29.7										

### PBS Monthly Collections in Millions



<b>FY07 Goal</b>	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3
<b>Pr. Yr Actual</b>	\$22.6	\$28.7	\$26.8	\$33.1	\$30.1	\$29.5	\$30.2	\$29.6	\$31.2	\$26.2	\$32.6	\$29.2
<b>Curr. Yr Actual</b>	\$22.8	\$26.0										

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

	<u>August</u>	<u>YTD</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income (Loss from operations)	2,282,383	2,744,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,661,865	3,309,054
Provision for bad debts	4,753,568	7,242,155
Changes in operating assets and liabilities:		
Patient accounts receivable	(8,150,947)	(18,233,744)
Property Tax and other receivables	(57,318)	63,015
Inventories	16,289	(109)
Prepaid expenses and Other Non-Current assets	(113,542)	(2,569,159)
Accounts payable	(3,778,203)	(7,667,095)
Accrued comp	1,693,488	1,618,678
Estimated settlement amounts due third-party payors	38,382	(6,015)
Other current liabilities	49,228	746,761
Net cash provided by operating activities	<u>(1,604,807)</u>	<u>(12,752,025)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (purchases) sales on investments	11,771,686	19,145,575
Interest (Loss) received on investments	857,094	1,743,634
Investment in affiliates	115,485	245,027
Net cash used in investing activities	<u>12,744,265</u>	<u>21,134,236</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Receipt of G.O. Bond Taxes	132,282	250,826
Receipt of District Taxes	239,662	389,232
Net cash used in activities	<u>371,944</u>	<u>640,058</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of property plant and equipment	(5,895,949)	(6,574,367)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	(1,838,488)	(1,838,488)
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	(6,185,000)	(6,185,000)
Net cash used in activities	<u>(13,919,437)</u>	<u>(14,597,855)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,408,035)</b>	<b>(5,575,586)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of period</b>	<b><u>6,542,707</u></b>	<b><u>9,710,258</u></b>
<b>CASH AND CASH EQUIVALENTS - End of period</b>	<b><u>4,134,672</u></b>	<b><u>4,134,672</u></b>

# PALOMAR POMERADO HEALTH

## Key Variance Explanations for August 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Weighted Patient Days</b>	13,150	13,331	(181)
<b>Gross Patient Revenue:</b>	104,303,733	106,338,260	(2,034,527)
Due to lower than budgeted volumes			
<b>Contractuals:</b>	72,752,354	73,812,302	1,059,948
<b>Net Capitation:</b>	706,294	63,927	642,367
Due to significant reduction in Cap Valuation			801,000
Due to increase in Out of Network Claim Expense			(440,000)
Due to prior month adjustment for Physician Liability			337,500
<b>Other Operating Revenue:</b>	1,024,339	1,007,597	16,742



# PALOMAR POMERADO HEALTH

## Key Variance Explanations for August 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Salaries &amp; Wages:</b>	14,067,923	15,256,595	1,188,672
Due to lower volume and flexing			
<b>Benefits:</b>	3,719,161	3,774,533	55,372
Partially due to lower than budgeted salaries			
<b>Contract Labor:</b>	686,905	678,883	(8,022)

## PALOMAR POMERADO HEALTH

### Key Variance Explanations for August 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Professional Fees:</b>	1,811,592	1,815,681	4,089
<b>Supplies:</b> Due to lower than budgeted volumes	5,252,263	5,503,090	250,827
<b>Purchased Services:</b> Canfield & Assoc - collection fees	2,212,296	2,164,495	(47,801) (50,000)
<b>Depreciation:</b> Due to higher than estimated depreciation and new closed CIP's	1,661,865	1,568,084	(93,781)
<b>Other Direct Expenses:</b> Marketing and recruitment Utilities	1,709,799	1,949,209	239,410 185,000 54,000
<b>Net Income From Operations</b>	<b>\$2,160,208</b>	<b>\$886,912</b>	<b>\$1,273,296</b>