

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where issuer is located):

\$17,860,000

Gaylord Hospital Finance Authority

Hospital Revenue and Refunding Bonds, Series 2004

Otsego Memorial Hospital Association Obligated Group

Provide nine-digit CUSIP* numbers if available, to which the information relates:

368177AB7

368177AC5

368177AD3

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: _____

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) 31 Paper (number of pages attached) _____

If information is also available on the Internet, give URL: www.firstriver.com

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: January – December 2006 (FY2006)

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: January – December 2006 (FY2006)

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. <input type="checkbox"/> Non-payment related defaults | 7. <input type="checkbox"/> Modifications to the rights of security holders |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties | 9. <input type="checkbox"/> Defeasances |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
| | 11. <input type="checkbox"/> Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Quarterly or Monthly Financial Information and Operating Data
(Financial information and operating data should not be filed with the MSRB.)

Period Covered: _____

F. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

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Name _____ Title _____
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OTSEGO MEMORIAL HOSPITAL ASSOCIATION

AUDITED FINANCIAL STATEMENTS

FY2006

The following Audited Financial Statements are delivered pursuant to Section 4(a) of the Continuing Disclosure Agreement (the CDA) relating to the Securities.

Otsego Memorial Hospital and Subsidiary

**Consolidated Financial Report
with Additional Information
December 31, 2006**

Otsego Memorial Hospital and Subsidiary

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Independent Auditor's Report

To the Board of Directors
Otsego Memorial Hospital
and Subsidiary

We have audited the accompanying consolidated balance sheet of Otsego Memorial Hospital and Subsidiary as of December 31, 2006 and 2005 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Otsego Memorial Hospital and Subsidiary at December 31, 2006 and 2005 and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 10, 2007

Otsego Memorial Hospital and Subsidiary

Consolidated Balance Sheet

	December 31, 2006	December 31, 2005
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,955,938	\$ 3,151,257
Short-term investments	1,208,542	372,202
Accounts receivable (Note 2)	6,683,624	7,340,643
Estimated third-party payor settlements (Note 3)	1,590,001	1,085,499
Other current assets	1,573,880	1,504,136
Total current assets	13,011,985	13,453,737
Assets Limited as to Use (Note 4)	6,767,126	9,390,835
Property and Equipment (Note 5)	32,450,596	27,763,667
Other Assets		
Investment in joint venture	561,382	552,674
Cash surrender value of life insurance	491,502	476,939
Bond issue costs	421,644	421,850
Long-term investments	415,940	308,946
Total assets	\$ 54,120,175	\$ 52,368,648
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt (Note 7)	\$ 1,076,239	\$ 767,478
Notes payable (Note 6)	1,000,000	-
Accounts payable	4,927,140	4,105,069
Estimated third-party payor settlements	-	1,241,767
Accrued liabilities and other:		
Accrued compensation	903,199	838,569
Accrued compensated absences	740,313	709,821
Accrued professional and other liability claims	300,000	300,000
Accrued interest	605,078	605,078
Other accrued liabilities	-	167,242
Total current liabilities	9,551,969	8,735,024
Long-term Debt (Note 7)	25,293,303	25,047,392
Other Liabilities - Deferred compensation	415,940	308,946
Total liabilities	35,261,212	34,091,362
Net Assets		
Unrestricted	18,661,418	17,879,948
Temporarily restricted	197,545	397,338
Total net assets	18,858,963	18,277,286
Total liabilities and net assets	\$ 54,120,175	\$ 52,368,648

Otsego Memorial Hospital and Subsidiary

Consolidated Statement of Operations

	Year Ended	
	December 31, 2006	December 31, 2005
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue	\$ 52,974,919	\$ 50,841,270
Other	723,298	863,999
Total unrestricted revenue, gains, and other support	53,698,217	51,705,269
Expenses		
Salaries and wages	22,677,913	21,711,284
Employee benefits and payroll taxes	6,655,821	5,823,684
Operating supplies and expenses	7,330,579	7,341,843
Medical supplies and drugs	2,513,629	2,586,111
Professional services and consultant fees	2,235,236	3,282,029
Purchased services	1,380,295	1,149,382
Insurance	748,788	735,295
Utilities	900,629	847,979
Depreciation and amortization	2,176,935	1,744,641
Provision for bad debts	2,566,899	2,003,283
Interest expense	1,231,130	911,159
Other	3,853,453	3,241,572
Total expenses (Note 10)	54,271,307	51,378,262
Operating (Loss) Income	(573,090)	327,007
Other Income	826,820	542,336
Excess of Revenue Over Expenses	253,730	869,343
Change in Unrealized Gains and Losses on Investments (Note 4)	202,705	30,666
Net Assets Released from Restriction	325,035	1,174,626
Increase in Unrestricted Net Assets	\$ 781,470	\$ 2,074,635

Otsego Memorial Hospital and Subsidiary

Consolidated Statement of Changes in Net Assets

	Year Ended December 31	
	2006	2005
Unrestricted Net Assets		
Excess of revenue over expenses	\$ 253,730	\$ 869,343
Change in unrealized gains and losses on investments (Note 4)	202,705	30,666
Net assets released from restriction	325,035	1,174,626
Increase in Unrestricted Net Assets	781,470	2,074,635
Temporarily Restricted Net Assets		
Restricted contributions	125,242	172,752
Net assets released from restriction	(325,035)	(1,174,626)
Decrease in Temporarily Restricted Net Assets	(199,793)	(1,001,874)
Increase in Net Assets	581,677	1,072,761
Net Assets - Beginning of year	18,277,286	17,204,525
Net Assets - End of year	\$ 18,858,963	\$ 18,277,286

Otsego Memorial Hospital and Subsidiary

Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2006	December 31, 2005
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 49,318,770	\$ 46,613,754
Cash paid to suppliers and employees	(46,509,142)	(44,424,696)
Investment income received	351,831	239,727
Interest paid	(1,191,969)	(389,273)
Payments of professional and other liability claims	1,168,897	1,151,177
Net cash provided by operating activities	3,138,387	3,190,689
Cash Flows from Investing Activities		
Purchase of property and equipment	(5,415,044)	(10,996,424)
Purchase of investments	(2,881,812)	(11,644,751)
Proceeds from sales and maturities of investments	4,771,011	10,884,642
Net cash used in investing activities	(3,525,845)	(11,756,533)
Cash Flows from Financing Activities		
Proceeds from issuance of debt obligations	-	9,000,000
Principal payments on debt obligations	(904,366)	(593,204)
Proceeds from restricted contributions	125,242	448,046
Increase in deferred charges	(28,737)	(119,205)
Net cash (used in) provided by financing activities	(807,861)	8,735,637
Net (Decrease) Increase in Cash and Cash Equivalents	(1,195,319)	169,793
Cash and Cash Equivalents - Beginning of year	3,151,257	2,981,464
Cash and Cash Equivalents - End of year	\$ 1,955,938	\$ 3,151,257
Supplemental Cash Flow Information - Equipment obtained via capital lease	\$ 1,448,820	\$ -

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note I - Nature of Business and Significant Accounting Policies

Reporting Entity and Corporate Structure - Otsego Memorial Hospital (the "Hospital") and Subsidiary, located in Gaylord, Michigan, is a not-for-profit hospital. The Hospital provides acute and long-term health care services to residents of Otsego County, Michigan and surrounding communities.

Basis of Consolidation - The accompanying consolidated financial statements include the accounts of Otsego Memorial Hospital and its subsidiary, Otsego Memorial Hospital Foundation (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

Otsego Memorial Hospital Foundation (the "Foundation") is a 501(c)(3) nonprofit organization whose sole member is Otsego Memorial Hospital. The Foundation's purpose is to provide, sponsor, and carry out activities and endeavors to obtain funds to be directed toward supporting the operating and capital needs of the Hospital.

The 2005 consolidated statement of operations included another subsidiary, Shared Care, LLC (Shared Care) a Michigan limited liability company whose sole member was Otsego Memorial Hospital. Shared Care provided durable medical equipment to residents of Otsego County, Michigan and the surrounding area. This entity was sold in 2005.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include cash and investments in highly liquid investments purchased with an original maturity of three months or less, excluding those amounts included in assets limited as to use.

The Hospital maintains cash and investment balances with a local bank. Accounts are insured by the Federal Depository Insurance Corporation up to \$100,000 for demand deposits and \$100,000 for time deposits. As of December 31, 2006, the uninsured cash balance approximated \$2,520,000.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note I - Nature of Business and Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Organization's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

Assets Limited as to Use - Assets limited as to use include primarily assets held by trustees under bond indenture agreements and assets designated by the board of directors for future capital improvement. The board retains control, and may, at its discretion, subsequently use these assets for other purposes.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in income from operations unless the income or loss is restricted by donor or law. Unrealized gains or losses on investments are excluded from excess of revenue over expenses.

Investments - Equity Method - Investments in companies in which the Organization has a 20 percent to 50 percent interest are carried at cost, adjusted for the Organization's proportionate share of their undistributed earnings or losses.

Property and Equipment - Property and equipment purchases are recorded at cost. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Contributions - The Hospital reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of changes in net assets as net assets released from restrictions.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports the expiration of donor restrictions when the assets are placed in service.

Bond Issue Costs - Bond issue costs represent financing costs that are being amortized over the period the related debt is outstanding.

Net Patient Service Revenue - The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Excess of Revenue Over Expenses - The consolidated statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include net assets released from restrictions for the acquisition of long-lived assets, permanent transfers of assets to and from affiliates for other than goods and services, changes in unrealized gains and losses on investments, and loss on advance refunding.

Classification of Net Assets - Net assets of the Hospital are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Hospital's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Tax Status - The Hospital and the Foundation are nonprofit, tax-exempt organizations; accordingly, no tax provision is reflected in the consolidated financial statements.

Accounting for Conditional Asset Retirement Obligation - Financial Accounting Standards Board Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligation*, clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered FIN 47, specifically as it relates to the legal obligation to report asset retirement activities, such as asbestos removal, on existing properties. Over the past 20 years, management has systematically renovated, replaced, or constructed the majority of the physical plant facilities, resulting in a relatively small portion of the facility with any remaining hazardous material. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Hospital may settle the obligation is unknown, and does not believe that the estimate of the liability related to these asset retirement activities is a material amount at December 31, 2006.

Reclassification - Certain 2005 amounts have been reclassified to conform to the 2006 presentation.

Note 2 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	<u>2006</u>	<u>2005</u>
Patient accounts receivable	\$ 9,994,382	\$ 11,143,356
Less:		
Allowance for uncollectible accounts	(411,080)	(590,000)
Allowance for contractual adjustments	<u>(3,469,693)</u>	<u>(3,584,138)</u>
Net patient accounts receivable	6,113,609	6,969,218
Other	<u>570,015</u>	<u>371,425</u>
Net accounts receivable	<u>\$ 6,683,624</u>	<u>\$ 7,340,643</u>

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note 2 - Patient Accounts Receivable (Continued)

The Hospital grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	Percentage	
	2006	2005
Medicare	30	33
Blue Cross/Blue Shield of Michigan	21	21
Medicaid	13	10
Commercial insurance and HMOs	18	18
Self-pay	18	18
Total	100	100

Note 3 - Cost Report Settlements

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Approximately 82 percent of the Hospital's net patient service revenue is received from the Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan programs. A summary of the basis of reimbursement with these third-party payors for Otsego Memorial Hospital is as follows:

- **Medicare** - Inpatient acute-care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services are subject to hold-harmless provisions. Long-term care services are reimburse on a prospectively determined rate per day.
- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology. Long-term care services are reimbursed at established per diem rates plus cost for allowable ancillary services.
- **Blue Cross/Blue Shield of Michigan** - Services to Blue Cross/Blue Shield of Michigan subscribers are reimbursed on the basis of controlled charges. Annual allowable increases are determined prospectively.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note 3 - Cost Report Settlements (Continued)

Cost report settlements result from the adjustment of interim payments to final reimbursements under these programs and are subject to audit by the fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements. Effects of redetermination of prior year settlements increased net patient service revenue by approximately \$350,000 for the year ended December 31, 2006.

Note 4 - Assets Limited as to Use

The composition of assets limited as to use at December 31, 2006 and 2005 is summarized in the following schedule.

	<u>2006</u>	<u>2005</u>
Designated by the board of directors for replacement, improvement, and expansion of property and equipment:		
Certificate of deposits	\$ 101,136	\$ 281,579
Cash and cash equivalents	143,833	220,464
Common stock	2,666,395	2,093,255
Mutual funds	627,154	550,921
Corporate bonds	278,398	381,068
U.S. government obligations	1,377,966	893,167
Accrued interest income	<u>25,164</u>	<u>18,423</u>
Total assets limited to use - Designated by board of directors	5,220,046	4,438,877
Bond indenture assets held by bank trust department - U.S. Treasury obligations (Note 7)	<u>1,547,080</u>	<u>4,951,958</u>
Total assets limited as to use	<u>\$ 6,767,126</u>	<u>\$ 9,390,835</u>

Bond indentures at December 31, 2006, along with approximately \$1,550,000 of bond indenture assets at December 31, 2005, represent debt service reserve funds. The remaining balance at December 31, 2005 represents funds utilized for construction projects.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note 4 - Assets Limited as to Use (Continued)

Investment income and gains for assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ended December 31, 2006 and 2005:

	2006	2005
Income:		
Interest and dividend income	\$ 284,600	\$ 239,425
Realized gains (losses) on sales of securities	16,375	(61,727)
Change in net unrealized gains on investments	202,705	30,666
Total	<u>\$ 503,680</u>	<u>\$ 208,364</u>

Note 5 - Property and Equipment

Cost of property, plant, and equipment and depreciable lives are summarized as follows:

	2006	2005	Depreciable Life - Years
Land	\$ 784,666	\$ 784,666	-
Buildings	32,225,946	25,181,965	10-50
Equipment	18,604,875	14,036,626	5-20
Construction in progress	34,760	4,783,127	-
Total cost	51,650,247	44,786,384	
Accumulated depreciation	<u>(19,199,651)</u>	<u>(17,022,717)</u>	
Net property and equipment	<u>\$ 32,450,596</u>	<u>\$ 27,763,667</u>	

Capitalized interest for the years ended December 31, 2006 and 2005 was approximately \$561,000 and \$510,000, respectively.

Note 6 - Notes Payable

The Hospital has a secured revolving line of credit with a local bank in the amount of \$1,000,000 with interest at the bank's prime rate, which was 8.25 percent at December 31, 2006. This line is the joint and several obligation of the Otsego Memorial Obligated Group (the "Obligated Group"), comprised of Otsego Memorial Hospital and Otsego Memorial Hospital Foundation. This line is collateralized by a mortgage on the Obligated Group's real estate and a security interest in the Obligated Group's gross revenues and property. The line of credit expires on October 31, 2007 and requires monthly payments of interest.

At December 31, 2006 and 2005, the Hospital had borrowings of \$1,000,000 and \$0, respectively, under this line.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note 7 - Long-term Debt

Long-term debt at December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Series 2004 Revenue and Refunding Bonds	\$ 17,860,000	\$ 17,860,000
Series 2005 Revenue and Refunding Bonds	7,639,058	8,406,796
Capital lease payable	<u>1,312,192</u>	<u>-</u>
Total	26,811,250	26,266,796
Less unamortized bond discount - Series 2004	<u>(441,708)</u>	<u>(451,926)</u>
Net	26,369,542	25,814,870
Less current portion	<u>1,076,239</u>	<u>767,478</u>
Long-term portion	<u>\$ 25,293,303</u>	<u>\$ 25,047,392</u>

The Series 2004 Revenue and Refunding Bonds represent a note payable to the Gaylord Hospital Finance Authority, issued in connection with the Revenue and Refunding Bonds, Series 2004. This note is the joint and several obligation of the Otsego Memorial Obligated Group, comprised of Otsego Memorial Hospital and Otsego Memorial Hospital Foundation. This note is collateralized by a mortgage on the Obligated Group's real estate and a security interest in the Obligated Group's gross revenues and property. The notes bears interest at rates ranging from 6.2 percent to 6.5 percent and requires interest-only payments until January 2016. Thereafter, annual principal payments range from \$395,000 to \$1,450,000.

The Series 2005 Revenue and Refunding Bonds represent a note payable to Fifth Third Bank, issued in connection with the Revenue and Refunding Bonds, Series 2005. This note is the joint and several obligation of the Otsego Memorial Obligated Group, comprised of Otsego Memorial Hospital and Otsego Memorial Hospital Foundation. This note is collateralized by a mortgage on the Obligated Group's real estate and a monthly security interest in the Obligated Group's gross revenues and property. Monthly payments include principal payments that range from \$59,644 to \$93,464, plus interest at a variable rate equaling the lesser of 67 percent of the bank's prime rate or 67 percent of LIBOR plus 275 basis points. On December 31, 2006, the interest rate was 5.4 percent. The Series 2005 issue fully matures on January 1, 2015.

The capital lease payable related to the lease of magnetic resonance imaging (MRI) equipment. The present value of the lease was capitalized at an original cost of \$1,448,821, with an imputed interest rate of 3.98 percent. The lease agreement calls for 60 monthly payment of \$26,281, which includes imputed interest.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note 7 - Long-term Debt (Continued)

In connection with the revenue bonds, the Organization has agreed to various covenants. These covenants include various business and property requirements and maintenance of certain financial ratios.

At December 31, 2006, the Hospital was in violation of a requirement that the Hospital maintain a debt service coverage ratio of at least 1.5 to 1. Under terms of the loan agreements, this does not constitute a default, but the Hospital is required to engage a hospital consultant acceptable to the lenders to review operations of the Hospital and make recommendations to increase the debt service coverage ratio to at least 1.5 to 1. In the event the Hospital fails to achieve a debt service coverage ratio in the future, this would qualify as an event of default under the Series 2005 Revenue and Refunding Bonds.

The following table represents future minimum payments, by year and in the aggregate, as of December 31, 2006.

	<u>Series 2004</u>	<u>Series 2005</u>	<u>Capital Lease</u>	<u>Total</u>
2007	\$ -	\$ 804,572	\$ 318,972	\$ 1,123,544
2008	-	839,843	318,972	1,158,815
2009	-	878,535	318,972	1,197,507
2010	-	918,173	318,972	1,237,145
2011	-	959,468	159,486	1,118,954
Thereafter	<u>17,860,000</u>	<u>3,238,467</u>	<u>-</u>	<u>21,098,467</u>
Total minimum payments	17,860,000	7,639,058	1,435,374	26,934,432
Less amount representing interest	<u>-</u>	<u>-</u>	<u>(123,182)</u>	<u>(123,182)</u>
Net minimum payments	<u>\$ 17,860,000</u>	<u>\$ 7,639,058</u>	<u>\$ 1,312,192</u>	<u>\$ 26,811,250</u>

Note 8 - Medical Malpractice Claims

Based on the nature of its operations, the Organization is at times subject to pending or threatened legal actions, which arise in the normal course of its activities.

The Organization is insured against medical malpractice claims under a claims-based policy, whereby only the claims reported to the insurance carrier during the policy period are insured, regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Organization bears the risk of the ultimate costs of any individual claims exceeding \$1,000,000, or aggregate claims exceeding \$3,000,000, for claims asserted in the policy year.

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note 8 - Medical Malpractice Claims (Continued)

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

The Organization is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past four years that have exceeded policy coverage limits. The cost of this insurance policy represents the Organization's cost for such claims for the year, and it has been charged to operations as a current expense.

Note 9 - Pension Plan

The Organization has a defined contribution plan for employees who meet certain requirements as to age and length of service. The Hospital is required to contribute a uniform percentage of eligible employee compensation. The uniform contribution percentage for both 2006 and 2005 was 2 percent. The Hospital also matches the employee contribution up to 2 percent of compensation. Pension expense included in the consolidated statement of operations was \$718,518 and \$671,168 in 2006 and 2005, respectively.

Note 10 - Functional Expenses

The Organization is a general acute care facility that provides inpatient and outpatient health care services to patients in Otsego County and the surrounding communities. Expenses related to providing these services for the years ended December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Health care services	\$ 36,851,142	\$ 35,595,443
General and administrative	16,951,616	15,301,297
Fund-raising	<u>468,549</u>	<u>481,522</u>
Total	<u>\$ 54,271,307</u>	<u>\$ 51,378,262</u>

Otsego Memorial Hospital and Subsidiary

Notes to Consolidated Financial Statements December 31, 2006 and 2005

Note 11 - Cash Flows

A reconciliation of increase in net assets to net cash from operating activities is as follows:

	<u>2006</u>	<u>2005</u>
Increase in net assets	\$ 581,677	\$ 1,072,761
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	2,216,096	1,782,320
Restricted contributions	(125,242)	(172,752)
Provision for uncollectible accounts	2,566,899	2,003,283
Realized and unrealized net (gains) losses on investments	(219,080)	31,061
Undistributed gain on equity investments	(8,708)	(77,460)
(Increase) decrease in assets:		
Accounts receivable	(1,909,880)	(4,112,084)
Cost report settlements receivable	(504,502)	(449,999)
Prepaid expenses and other current assets	(69,744)	(8,811)
Accrued interest income	(4,307)	302
Increase (decrease) in liabilities:		
Accounts payable	822,071	2,064,465
Accrued liabilities	1,034,874	723,036
Cost report settlements payable	<u>(1,241,767)</u>	<u>334,567</u>
Net cash provided by operating activities	<u>\$ 3,138,387</u>	<u>\$ 3,190,689</u>

Note 12 - Operating Leases

The Hospital is obligated under certain operating leases, primarily for medical equipment. Total rent expense under these leases was \$1,447,162 and \$802,114 for the years ended December 31, 2006 and 2005, respectively.

The following is a schedule of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

<u>Years Ending December 31</u>	<u>Amount</u>
2007	\$ 728,228
2008	654,204
2009	501,951
2010	<u>97,961</u>
Total	<u>\$ 1,982,344</u>

Additional Information



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To the Board of Directors
Otsego Memorial Hospital
and Subsidiary

We have audited the consolidated financial statements of Otsego Memorial Hospital and Subsidiary as of December 31, 2006 and 2005. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in the accompanying schedules is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities and is not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Plante & Moran, PLLC

April 10, 2007

Otsego Memorial Hospital and Subsidiary

Consolidating Balance Sheet December 31, 2006

	Otsego Memorial Hospital	Otsego Memorial Hospital Foundation	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,737,679	\$ 218,259	\$ 1,955,938
Short-term investments	1,208,542	-	1,208,542
Accounts receivable	6,683,624	-	6,683,624
Estimated third-party payor settlements	1,590,001	-	1,590,001
Other current assets	1,375,954	197,926	1,573,880
Total current assets	12,595,800	416,185	13,011,985
Assets Limited as to Use	5,674,989	1,092,137	6,767,126
Property and Equipment	32,450,596	-	32,450,596
Other Assets			
Investment in joint venture	561,382	-	561,382
Cash surrender value of life insurance	491,502	-	491,502
Bond issue costs	421,644	-	421,644
Long-term investments	415,940	-	415,940
Total assets	\$ 52,611,853	\$ 1,508,322	\$ 54,120,175
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	\$ 1,076,239	\$ -	\$ 1,076,239
Notes payable	1,000,000	-	1,000,000
Accounts payable	4,927,140	-	4,927,140
Accrued liabilities and other:			
Accrued compensation	903,199	-	903,199
Accrued compensated absences	740,313	-	740,313
Accrued professional and other liability claims	300,000	-	300,000
Accrued interest	605,078	-	605,078
Total current liabilities	9,551,969	-	9,551,969
Long-term Debt	25,293,303	-	25,293,303
Other Liabilities - Deferred compensation	415,940	-	415,940
Total liabilities	35,261,212	-	35,261,212
Net Assets			
Unrestricted	17,350,641	1,310,777	18,661,418
Temporarily restricted	-	197,545	197,545
Total liabilities and net assets	\$ 52,611,853	\$ 1,508,322	\$ 54,120,175

Otsego Memorial Hospital and Subsidiary

Consolidating Statement of Operations Year Ended December 31, 2006

	Otsego Memorial Hospital	Otsego Memorial Hospital Foundation	Totals
Unrestricted Revenue, Gains, and Other Support			
Total patient service revenue	\$ 84,715,516	\$ -	\$ 84,715,516
Revenue deductions	(31,740,597)	-	(31,740,597)
Net patient service revenue	52,974,919	-	52,974,919
Other	641,349	81,949	723,298
Total unrestricted revenue, gains, and other support	53,616,268	81,949	53,698,217
Expenses			
Salaries and wages	22,640,788	37,125	22,677,913
Employee benefits and payroll taxes	6,643,796	12,025	6,655,821
Operating supplies and expenses	7,330,579	-	7,330,579
Medical supplies and drugs	2,513,629	-	2,513,629
Professional services and consultant fees	2,235,236	-	2,235,236
Purchased services	1,380,295	-	1,380,295
Insurance	748,788	-	748,788
Utilities	900,629	-	900,629
Depreciation and amortization	2,176,935	-	2,176,935
Provision for bad debts	2,566,899	-	2,566,899
Interest expense	1,231,130	-	1,231,130
Other	3,811,686	41,767	3,853,453
Total expenses	54,180,390	90,917	54,271,307
Operating Loss	(564,122)	(8,968)	(573,090)
Other Income			
Interest income	323,878	32,260	356,138
Contributions	126,748	-	126,748
Equity in earnings of unconsolidated investees	283,708	-	283,708
Realized gain on sale of investments	11,062	20,808	31,870
Other income	28,356	-	28,356
Total other income	773,752	53,068	826,820
Excess of Revenue Over Expenses	209,630	44,100	253,730
Transfer from (to) Affiliate	500,000	(500,000)	-
Change in Unrealized Gains and Losses on Investments	145,018	57,687	202,705
Net Assets Released from Restriction	-	325,035	325,035
Increase (Decrease) in Unrestricted Net Assets	\$ 854,648	\$ (73,178)	\$ 781,470

OTSEGO MEMORIAL HOSPITAL ASSOCIATION

UPDATE OF CERTAIN FINANCIAL INFORMATION AND OPERATING DATA (FY2006)

This Annual Report represents an update of certain financial information and operating data contained in Appendix A to the Official Statement relating to the Securities dated November 11, 2004 (the OS), as required by Section 4(b) of the Continuing Disclosure Agreement relating to the Securities. Unless otherwise noted, all data apply to the Fiscal Year Ended December 31, 2006, or are accurate as of December 31, 2006, as appropriate. "OS pages" in the table headings refer to the OS. The source of all data is the Corporation's records.

<i>Hospital Market Shares among Market Area Residents for Secondary Inpatient Admissions, Outpatient Invasive Procedures and Selected Specialties [OS Page A-24]</i>					
	Calendar Years				
	First Six Months	Full Year			
	2006	2005	2004	2003	2002
Cardiology	43.6%	49.4%	50.9%	55.9%	51.7%
Gastroenterology	45.0%	50.2%	47.3%	39.0%	46.8%
General Surgery	39.2%	36.3%	47.3%	49.6%	47.3%
Pulmonology	59.6%	55.2%	56.8%	61.7%	53.4%
Obstetrics	65.6%	62.1%	61.3%	57.8%	60.1%
Orthopedics	60.8%	67.3%	67.1%	70.5%	65.6%
All Secondary Inpatient Admissions	52.0%	52.9%	52.8%	52.7%	50.7%
Gastroenterology	53.2%	48.9%	49.4%	54.0%	52.4%
General Medicine	73.5%	69.3%	74.2%	77.3%	69.7%
General Surgery	61.4%	58.4%	64.6%	69.8%	70.3%
Neurosurgery	47.6%	48.8%	56.7%	61.6%	40.2%
Obstetrics	92.4%	93.1%	92.8%	93.1%	95.4%
Ophthalmology	55.2%	58.0%	58.1%	57.1%	56.4%
Orthopedics	73.5%	77.5%	77.2%	77.7%	73.1%
All Outpatient Invasive Procedures	56.5%	58.8%	59.6%	62.5%	58.8%
Source: MHA					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Gaylord Hospital Finance Authority / Otsego Memorial Hospital Association
Fiscal Year Ended December 31, 2006
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<i>Historical Acute Care Utilization</i> (excludes newborns) [OS Page A-26]						
	<i>Fiscal Years Ended December 31</i>					
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2003</i>	<i>2002</i>
				<i>Corrected</i>	<i>Per OS</i>	
Days in Period	365	365	366	365	365	365
Licensed Beds	53	53	53	53	53	53
Staffed Beds	39	39	39	39	39	39
Admissions	2,029	2,009	2,069	2,109	2,146	1,807
Change over Previous Period	1.0%	(2.9)%	(1.9)%	16.7%		5.7%
Patient Days	5,988	5,873	5,699	6,100	6,100	5,282
Births	309	315	291	296	296	285
Average Daily Census	16.4	16.1	15.6	16.7	16.7	14.5
Average Length of Stay	3.0	2.9	2.8	2.9	2.8	2.9
Occupancy Rate ¹ (%)	42.1	41.3	39.9	42.9	42.9	37.1
¹ Based on Staffed Beds						

<i>McReynolds Hall (Skilled Nursing) Utilization</i> [OS Page A-27]					
	<i>Fiscal Years Ended December 31</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Days in Period	365	365	366	365	365
Licensed and Staffed Beds	34	34	34	34	34
Patient Days	11,050	11,159	10,874	10,514	10,969
Average Daily Census	30.3	30.6	29.7	28.8	30.1
Occupancy Rate	89.0	89.9	87.4	84.7	88.4

MUNICIPAL SECONDARY MARKET DISCLOSURE
Gaylord Hospital Finance Authority / Otsego Memorial Hospital Association
Fiscal Year Ended December 31, 2006
Page 3

<i>Emergency Department and MedCare Volumes</i>					
<i>[OS Page A-27]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
ED Visits	12,369	12,666	12,155	12,635	12,869
Change over Previous Period	(2.3)%	4.2%	(3.8)%	(1.8)%	5.3%
MedCare Visits	13,042	15,074	13,468	15,204	15,589
Change over Previous Period	(13.5)%	11.9%	(11.4)%	(2.5)%	1.8%

<i>Surgical and Other Procedures</i>						
<i>[OS Page A-28]</i>						
	<i>Fiscal Years Ended December 31</i>					
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	
Inpatient Surgeries	974	922	985	527	667	
Outpatient	Surgeries	3,803	3,501	3,728	4,210	3,240
	Other Procedures ¹	4,398	4,023	4,309	4,380	3,774
	Total Outpatient	8,201	7,524	8,037	8,590	7,014
Grand Total	9,175	8,446	9,022	9,117	7,681	
Change over Previous Period	8.6%	(6.4)%	(1.0)%	18.7%	14.4%	
Percent Outpatient	89.4%	89.1%	89.1%	94.2%	91.3%	

¹ Reflects corrected data from prior FYs

MUNICIPAL SECONDARY MARKET DISCLOSURE
Gaylord Hospital Finance Authority / Otsego Memorial Hospital Association
Fiscal Year Ended December 31, 2006
Page 4

<i>Ancillary Services Provided to Inpatients</i> <i>[OS Page A-28]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Laboratory	157,663	147,102	124,075	108,585	90,629
Electrocardiology	1,929	2,079	1,962	2,132	1,686
Radiology	4,382	4,506	4,249	4,087	3,654
Cardio-Pulmonary	17,878	13,818	13,205	11,253	8,421
Physical Therapy	6,209	5,946	5,627	5,153	3,724
Occupational Therapy	2,959	2,624	2,515	N/A	N/A

<i>Ancillary Services Provided to Outpatients</i> <i>[OS Page A-29]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Laboratory	1,100,885	1,043,392	930,189	849,157	786,482
Electrocardiology	6,623	6,943	6,327	6,187	5,610
Electroencephalography	267	179	169	188	173
Radiology	40,854	38,978	38,627	36,322	33,592
Cardio-Pulmonary	7,326	6,489	7,027	6,041	5,828
Physical Therapy	13,321	13,524	12,945	10,779	10,470
Occupational Therapy	6,865	4,899	4,809	6,214	3,855
Cardiac Rehabilitation	7,354	5,622	4,437	5,358	3,853

MUNICIPAL SECONDARY MARKET DISCLOSURE
Gaylord Hospital Finance Authority / Otsego Memorial Hospital Association
Fiscal Year Ended December 31, 2006
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<i>Payor Mix by Gross Revenue (excludes physician revenue) [OS Page A-34]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Medicare	43.4%	44.3%	42.2%	41.1%	39.4%
Medicaid	12.3%	11.4%	11.8%	11.3%	11.5%
Blue Cross	25.7%	28.1%	30.1%	31.2%	30.3%
Self-Pay	6.5%	4.4%	3.9%	4.4%	5.6%
Other	12.1%	11.8%	12.0%	12.0%	13.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

<i>Percentage of Gross Patient Service Revenue [OS Page A-35]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Inpatient	27.8%	24.3%	34.7%	30.4%	25.7%
Outpatient	68.6%	71.4%	60.4%	65.2%	69.4%
Skilled Nursing	3.6%	4.3%	4.9%	4.4%	4.9%

MUNICIPAL SECONDARY MARKET DISCLOSURE
Gaylord Hospital Finance Authority / Otsego Memorial Hospital Association
Fiscal Year Ended December 31, 2006
Page 6

<i>Debt Service Coverage Ratio Calculation</i> <i>(\$000s omitted, except for Debt Service Coverage Ratios)</i>	
	<i>Fiscal Year Ended December 31</i>
	2006
Net Income Available for Debt Service	3,662
Maximum Annual Debt Service ¹	2,853
Debt Service Coverage Ratio (x) ²	1.28
¹ Calculated in accordance with the Master Indenture based on data available as of the end of the FY ² As defined in 2003 U.S. Not-For-Profit Median Health Care Ratios published by Standard & Poor's on September 22, 2003	

OTSEGO MEMORIAL HOSPITAL ASSOCIATION

MANAGEMENT'S DISCUSSION

FY2006

This Management's Discussion is delivered pursuant to Section 4(c) of the Continuing Disclosure Agreement (the CDA) relating to the Securities. It contains comments on the updated financial information and operating data that are reported herewith pursuant to Section 4(b) of the CDA. All capitalized terms used herein are as defined in the Loan Agreement between Otsego Memorial Hospital Association (on behalf of Itself and as Obligated Group Agent on behalf of the Obligated Group) (the Corporation) and Gaylord Hospital Finance Authority (the Issuer), dated as of November 1, 2004, in the Indenture and Loan Agreement among the Corporation, the Issuer and Fifth Third Bank (Northern Michigan), dated as of February 1, 2005, in the Master Trust Indenture between the Issuer and Wells Fargo Bank, N.A., as Master Trustee, dated as of November 1, 2004, or in the Official Statement relating to the Series 2004 Bonds dated November 11, 2004 (the OS).

The Obligated Group has not complied with the Debt Service Coverage Ratio covenant specified in Section 501(b)(ii) of the Master Indenture, as modified by Section 804 of Supplemental Indenture Number 1 and by Paragraph (b) of Exhibit D to the Indenture and Loan Agreement relating to the Series 2005 Bonds. The Obligated Group has requested that the Beneficial Owners of the Series 2004 Bonds and the Series 2005 Bonds waive such non-compliance. Discussions are continuing.

During FY2006, the Corporation financed the acquisition and installation of a fixed MRI unit via a capitalized lease (the MRI Lease). Corporation management believes that the fixed MRI, which became operational in August 2006, is superior in many respects to the mobile unit which it replaced, and is expected to be a positive contributor, despite its cost, to the Corporation's Excess of Revenue over Expenses. Based on a volume of 1,850 MRI procedures, the annual expenses associated with the fixed MRI (the lease, staffing, supplies and depreciation) are expected to be \$190,000 less than the expenses associated with the mobile MRI (rental payments to the vendor). The lease option was selected because of its low (5.40 percent) imputed interest rate and other favorable terms. However, such lease payments added approximately \$319,000 to FY2007 Debt Service Requirements. Without these lease payments, the Obligated Group would have been able to comply with the Debt Service Coverage Ratio covenant.

In addition to the increase in Maximum Annual Debt Service Requirements caused by the MRI Lease, Obligated Group management attributes failure to achieve the required Debt Service Coverage Ratio to certain other factors:

- The departure of certain physicians, especially two general surgeons, adversely impacted patient service volumes during FY2006. Two new general surgeons joined the Active Staff in September 2005 and July 2006, respectively, but both practices remained in the "ramp up" stage for portions of FY2006.

- Disruption caused by the construction of the Improvement Project adversely affected certain patient service volumes.
- Certain unforeseen changes in reimbursement methodologies and payment rates resulted in a negative revenue impact of over \$1 million.
- An increase in average length of stay among Medicare enrollees without any corresponding increase in the Medicare case-mix index resulted in additional expense of approximately \$129,000.

Despite these issues, the Corporation's financial performance in FY2006 was reasonably consistent with those projected by Corporation management and disclosed in the OS relating to the Series 2004 Bonds. The following table sets forth a comparison of the FY2006 projections with actual, though preliminary, results for the Corporation.

<i>Summary of the Corporation's Statements of Operations for the Fiscal Year Ended December 31, 2006 (\$000s omitted)</i>		
	<i>Projected</i>	<i>Actual</i>
Net Patient Service Revenue	50,849	52,975
Other Operating Revenue	<u>701</u>	<u>641</u>
Total Operating Revenue	51,551	53,616
Depreciation Expense	2,494	2,177
Interest Expense	1,055	1,231
Provision for Bad Debts	1,496	2,567
Other Operating Expenses	<u>46,837</u>	<u>48,205</u>
Total Operating Expenses	51,882	54,180
Income from Operations	(331)	(564)
Net Nonoperating Revenue	<u>509</u>	<u>774</u>
Revenue over Expenses	177	210
Net Income Available for Debt Service	3,727	3,618
Note: some figures might not add precisely due to rounding		

The Net Income Available for Debt Service figures calculated in the above table differ from those used to compute the Debt Service Coverage Ratio for FY2006 by the impact of the Foundation, the other Member of the Obligated Group.