

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula
Borough)

Basic Financial Statements, Supplementary
Information, Single Audit Reports and Other
Information
Years Ended June 30, 2025 and 2024

The report accompanying these financial statements was issued by
BDO USA, P.C., a Virginia professional corporation, and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Basic Financial Statements, Supplementary Information, Single Audit
Reports and Other Information
Years Ended June 30, 2025 and 2024

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

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Independent Auditor's Report

To the Honorable Mayor and Members
of the Kenai Peninsula Borough Assembly,
and Central Peninsula General
Hospital, Inc. Operating Board
Soldotna, Alaska

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Central Peninsula General Hospital (the Hospital), a component unit of Kenai Peninsula Borough, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital, as of June 30, 2025 and 2024, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Emphasis of Matters

As discussed in Note 15 to the financial statements, the Hospital adopted the provisions of Governmental Accounting Standards Board Statement 101, *Compensated Absences*, as of July 1, 2023. As a result, although there was no material impact on beginning net position as of July 1, 2023, management elected to restate opening net position. Beginning net position was restated as of July 1, 2023. Our opinion is not modified with respect to this matter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The accompanying schedules of patient services revenue, schedules of operating expenses - by function, Foundation statement of net assets and activities, grant schedules of revenue and expenses - budget to actual, and the Schedule of State Financial Assistance, as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion the schedules of patient services revenue, schedules of operating expenses - by function, Foundation statement of net assets and activities, grant schedules of revenue and expense - budget to actual, and Schedule of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital's internal control over financial reporting and compliance.

BDO USA, P.C.

November 10, 2025
Anchorage, Alaska

Management's Discussion and Analysis

Central Peninsula General Hospital (A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

Introduction

The following discussion and analysis presents the highlights of Central Peninsula General Hospital ("the Hospital") financial activities and financial position. The analysis focuses on significant financial issues and major financial activities and the resulting changes in financial position, as well as comparisons to the operating budget approved by the Hospital's Board of Directors.

Financial Statements

The Hospital is a discretely presented component unit of the Kenai Peninsula Borough (the Borough). As an enterprise activity, the Hospital's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net position, financial position and cash flows in a manner similar to a private-sector business. The financial statements are prepared on an accrual basis of accounting which recognizes revenue when earned and expenses when incurred. The basic financial statements include *statements of net position*, *statements of revenues, expenses and changes in net position*, and *statements of cash flows*, followed by notes to the basic financial statements.

The *statements of net position* present information on the Hospital's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Hospital is improving or deteriorating.

The *statements of revenues, expenses and changes in net position* present both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the Hospital's operations over the past year.

The *statements of cash flows* present the change in cash and cash equivalents for the year resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The primary purpose of this statement is to provide information about the Hospital's cash receipts and cash payments during the year.

Financial Highlights - 2025

- The Hospital's 2025 Net Position increased over 2024 by \$5.9 million or 2.4%.
- The Hospital's cash and cash equivalents increased by approximately \$5.8 million while noncurrent cash and investments increased by \$1.9 million.
- Net patient receivables increased by \$579 thousand.
- Operating income decreased by approximately \$14.4 million in 2025 compared to 2024.

Financial Highlights - 2024

- The Hospital's 2024 Net Position increased over 2023 by \$17.7 million or 6.6%.
- The Hospital's cash and cash equivalents decreased by approximately \$8.2 million while noncurrent cash and investments increased by \$10.9 million.
- Net patient receivables increased by \$9.4 million.
- Operating income decreased by approximately \$8.0 million in 2024 compared to 2023.

Central Peninsula General Hospital
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Management's Discussion and Analysis

The Hospital's Net Position

During fiscal year 2024, the Hospital determined that certain assets related to bond reserves, unspent bond proceeds, Central Peninsula Health Foundation funds, and Kenai Public Health Center funds would be more appropriate to present as restricted assets instead of assets whose use is limited or unrestricted assets. Certain balances for 2023 have been reclassified below to further clarify the nature of restrictions.

Summarized financial information of the Hospital's Statements of Net Position as of June 30, 2025, 2024, and 2023 are as follows:

	2025	In Thousands (Restated) **2024	(Revised) *2023
Assets and Deferred Outflows			
Cash, cash equivalents and equity in central treasury of the Borough	\$ 60,343	\$ 54,492	\$ 62,741
Patient accounts receivable, net	41,679	41,100	31,675
Other current assets	20,435	19,948	19,079
Cash and investments whose use is limited	80,819	76,974	66,293
Restricted assets	10,155	12,047	11,815
Capital assets, net	113,123	113,555	114,512
Total Assets	326,554	318,116	306,115
Total Deferred Outflows	2,894	3,808	4,829
Total Assets and Deferred Outflows	\$ 329,448	\$ 321,924	\$ 310,944
Liabilities and Deferred Inflows			
Current liabilities	32,191	25,712	28,235
Long-term liabilities, net of current portion	34,484	39,644	42,300
Total Liabilities	66,675	65,356	70,535
Total Deferred Inflows	5,612	5,344	4,797
Net Position			
Net investment in capital assets	78,154	74,642	68,833
Restricted	10,155	12,047	11,814
Unrestricted	168,852	164,535	154,965
Total Net Position	257,161	251,224	235,612
Total Liabilities, Deferred Inflows, and Net Position	\$ 329,448	\$ 321,924	\$ 310,944

*Revised in 2024 for the implementation of GASB 100

** Restated in 2025 for the implementation of GASB 101

Central Peninsula General Hospital
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Management's Discussion and Analysis

The most noteworthy changes in the Hospital's net position during 2025 were the increases in cash and cash equivalents, plant replacement funds, accounts and contracts payable, and a decrease in bonds payable and bond reserves held by BNY.

The most noteworthy changes in the Hospital's net position during 2024 were the increases in patient receivables, plant replacement funds, and bond reserves held by escrow agent, decrease in cash and cash equivalents, bond reserves held by BNY, and equity in Central Treasury of Borough.

The Cash and Cash Equivalents increased by \$5.8 million or 10.7% in 2025 over 2024 due to strong Patient Volumes and collections from patient accounts receivable. While in 2024, an \$6 million dollar or 10.5% decrease occurred due to the transfer of cash in excess of 90 days to the Plant Replacement and Expansion Fund held by the Kenai Peninsula Borough.

Patient accounts receivable, net was relatively flat during 2025 but increased by \$10.1 million or 24.0% during 2024. The majority of the 2024 increase occurred in the Commercial and Medicare insurance categories. This is reflective of higher patient volumes resulting from a mix of new services lines for Gastroenterology, Mental Wellness, and Diabetes as well as the addition of new providers in multiple existing services lines such as orthopedics, neurology, family practice, oncology, and Kenai Spine.

Cash & Investments whose use is limited increased by \$3.6 million in 2025 and \$9.4 million in 2024 due to transfers of cash in excess of 90 days of operating expense into the Plant Replacement and Expansion Fund. These transfers resulted in a decrease in cash and cash equivalents during 2024 as noted above.

Current Liabilities increased by \$6.5 million or 25.2% during 2025 due to four drivers. Accounts and contracts payable comprised \$3.7 million of the variance after a significant increase in contract labor nursing staff were added to care for high volumes of patients. Accrued salaries for employed staff comprised \$1.2 million of the 2025 variance after the implementation of GASB 101 for compensated absences as well as an increase in salaries payable at year end. Current Liabilities decreased by \$2.5 million during 2024. A \$1.5 million reserve for payables to third party payers such as Medicare added to the increase in current liabilities, as well as the accrual of over \$812 thousand in liabilities for Hospital Information Systems brought online during the 2025 fiscal year.

Long-term debt, net of current portion decreased by \$6.1 million during 2025 or 13.0% due to the payment of regularly scheduled annual debt service and the refinancing of the 2014A Series One Revenue Bonds, allowing for the current bond reserves to be utilized for the early payment of bond indebtedness. During 2024, Long-term debt decreased by \$6.6 million due to regularly scheduled annual debt service payments.

The net position of the Hospital increased from \$235.6 million as of June 30, 2023 to \$251.2 million as of June 30, 2024, and again to \$257.2 million as of June 30, 2025 reflecting the overall performance for fiscal year 2024 of a \$17.7 million and \$5.9 million for fiscal year 2025.

Bond reserves held by BNY and in Escrow decreased by \$2.0 million or 25.1% as a result of the refinancing of the 2014A series one bonds with \$7.9 million in 2025 refunding bonds in April 2025. Bond reserves held by BNY and in Escrow decreased by \$523 thousand in 2024. Annual debt service payments were also made out of the reserve accounts which were offset by monthly cash payments to the accounts by the Hospital.

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Management's Discussion and Analysis

The Equity in Central Treasury of the Borough was relatively flat during 2025 but decreased by \$2.3 million in 2024 or 35.6% which included payments for the 2017 bond issuance in the amount of \$2.2 million.

Operating Results and Changes in the Hospital's Net Position

Summarized financial information of the Hospital's Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2025, 2024, and 2023 are as follows:

	In Thousands		
	2025	(Restated) **2024	(Revised) *2023
Operating Revenues			
Net patient revenue	\$ 267,825	\$ 250,708	\$ 237,269
Other revenue	6,799	7,076	7,305
Total Operating Revenue	274,624	257,784	244,574
Operating Expenses			
Salaries, wages, and benefits	163,981	137,059	123,864
Supplies and drugs	49,675	46,303	45,583
Purchased services and professional fees	33,272	39,988	34,905
Depreciation and amortization	18,188	16,619	15,469
Other	9,408	3,320	2,208
Total Operating Expenses	274,524	243,289	222,029
Income from Operations	100	14,495	22,545
Nonoperating Revenues (Expenses)			
General property taxes	70	52	89
Investment income	7,368	4,714	1,856
Lease interest revenue	152	178	119
Interest Expense	(1,632)	(1,633)	-
Other revenue (expense)	(194)	(116)	(1,547)
Total Nonoperating Revenues (Expenses)	5,764	3,195	517
Income before Capital Contributions	5,864	17,690	23,062
Capital contributions	73	24	48
Increase in Net Position	5,937	17,714	23,110
Net Position, beginning of year, before adjustment	251,224	235,612	212,502
Change in Accounting Principle - Implementation of GASB 101 (See Note 17)	-	(2,102)	-
Net Position, beginning of year, after adjustment	-	233,510	-

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

Net Position, end of year	\$ 257,161	\$ 251,224	\$ 235,612
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*Revised in 2024 for the implementation of GASB 100

** Restated in 2025 for the implementation of GASB 101

The Hospital's net patient revenue for fiscal year 2025 showed an increase of \$17.1 million while 2024 showed an increase of \$13.4 million from the previous year's revenue.

The 6.8% increase in 2025 net patient revenue from the previous year was primarily the result of above average volumes in Hospital Inpatient days. 2025 Acute Care and Swing Bed days totaled 18,312, nearly 17% higher than 2024 with 15,640 Acute Care and Swing Bed days. The 5.7% increase in 2024 net patient revenue from the previous year was primarily the result of above average volumes resulting from new service lines including the Gastroenterology and Mental Wellness clinics, as well as expanded services in the Diabetes clinic.

Operating expenses increased by 12.8% or \$31.2 million from fiscal year 2024 to 2025, and 9.6% or \$21.2 million from fiscal year 2023 to 2024. The 2025 increase in operating expenses was largely due to increases in salaries, employee benefits and medical supplies. The 2024 increase in operating expense was largely due to increase in salaries, other professional fees, and employee benefits.

Salaries and benefits expense for 2025 increased by 19.6% or \$26.9 million over the previous year. Salaries and benefits include both employees and contract laborers. A wage increase of 2.5% of salaries for union and non-union employees as well as new physicians were largely responsible for this change. Employee benefit expenses increased over the prior year by \$5.7 million or 19.4% directly related to increased health insurance and payroll taxes. Medical supplies expense increased modestly at \$1.4 million or 10.3% as a direct result of higher than budgeted volumes during the fiscal year. Salaries expense for 2024 increased by 9.5% or \$9.3 million over the previous year. A wage increase of 3% of salaries for union and nonunion employees and several new physician employment contracts were largely responsible for this change. Other professional fees increased over the prior year by \$3.8 million or an 20.3% increase in contract labor expenses as employed staffing levels continued their downward trend, particularly in the RN, nonphysician medical professionals, and skilled technician/specialist categories. Related to the increase in salaries expense were increased employee benefit expenses over the prior year by \$3.6 million or 14.0% directly related to increased health insurance and payroll taxes.

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Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

Budget Comparison

The following schedule presents a comparison of actual results to budget for the year ended June 30, 2025:

	In Thousands		
	Actual	Budget	Variance
Operating Revenues			
Net patient revenue	\$ 267,825	\$ 273,448	\$ (5,623)
Other revenue	6,799	6,403	191
Total Operating Revenue	274,624	279,851	(5,432)
Operating Expenses	274,524	268,509	6,015
Income (loss) from Operations	100	11,342	11,237
Nonoperating Revenues	5,764	1,661	4,520
Capital Contributions	73	-	73
Change in Net Position	\$ 5,937	\$ 13,003	\$ (15,830)

Net patient revenue for the year was lower than budgeted, by \$5.6 million or negative 2.1% due to lower-than-expected occupancy in our skilled nursing facility, as well as lower than expected patient visits in our outpatient clinics.

Operating expenses during the year were \$6.1 million and 2.2% above budget in 2025. The largest variances from budget were in contract labor salaries, provider salaries, and medical supplies.

Capital Assets Discussion

2025

Capital asset additions of \$12.3 million were placed in service during fiscal year 2025, while construction in progress increased by \$2.8 million. Significant additions to property, plant, and equipment included Workday's Enterprise Resource Planning (ERP) system for \$2.8 million, a Neurology suite remodel for \$923 thousand, Windows 11 VDI Environment for \$753 thousand, the Spacelabs Vital Sign Monitors for \$646 thousand, Eighteen patient beds for \$290 thousand, and the GE Healthcare OEC C-Arm imaging system for \$268 thousand. Other additions were for multiple departments, most notably Obstetrics with \$253 thousand in additions, Mental Wellness with \$202 thousand, and Endoscopy with \$144 thousand in additions.

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Central Peninsula General Hospital
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Management's Discussion and Analysis

2024

Capital asset additions of \$9.1 million were placed in service during fiscal year 2024, while construction in progress increased by \$5.6 million. Significant additions to property, plant, and equipment include the Olympus OR camera integration for \$638 thousand, the hospital-wide wireless upgrade for \$269 thousand, (4) Sonosite ultrasound machines for a collective \$243 thousand, and (2) washer/disinfectors totaling \$230 thousand. Other additions were scattered across multiple departments, most notably Surgery with \$632 thousand in additions, Information Services with \$523 thousand, and Emergency with \$325 thousand.

Debt

As of June 30, 2025 the Hospital had \$30.8 million in total bonds and \$7.9 million in refunding bonds outstanding. Regularly scheduled principal payments totaling \$14.1 million and interest payments of \$1.4 million were made on long-term debt during 2025. 2014A Series One revenue bonds were refinanced in 2025 as outlined in Note 7 to the basic financial statements. There have been no changes in the Hospital's debt ratings during the year.

As of June 30, 2024 the Hospital had \$37.2 million in revenue bonds and \$0 in refunding bonds outstanding as detailed in Note 7 to the basic financial statements. Principal payments totaling \$6.6 million and interest payments of \$1.7 million were made on long-term debt during 2024. No additional debt was issued during 2024. There have been no changes in the Hospital's debt ratings during the year.

Other Economic Factors

As of June 30, 2025 the Centers for Medicare & Medicaid Services (CMS) Demonstration Project in which Central Peninsula General Hospital (the Hospital) had participated was sunset. The Hospital participated in the Demonstration Project for nearly twenty years and benefited from an enhanced reimbursement structure similar to that of a Critical Access Hospital. Management expects this change will result in a reduction in Medicare inpatient reimbursement for future years. The impact cannot yet be determined, but management is monitoring and evaluating the impact.

Statement on Risks Related to the One Big Beautiful Bill (OBBB) Act

The Hospital's future financial trajectory and operating results are subject to certain risks and uncertainties due to the recently enacted One Big Beautiful Bill (OBBB) Act. This new legislation is expected to significantly impact our primary revenue sources, particularly with changes to Medicare and Medicaid reimbursement rates and expanded patient cost-sharing requirements.

As described in the accompanying combined financial statements, these regulatory changes create significant risks, including an increase in uncompensated care and a potential decrease in patient volumes. This could put pressure on our operating margins and increase the administrative burden associated with verifying coverage and addressing patient financial inquiries. The full financial impact is uncertain and will depend on multiple factors, including patient utilization trends and the Hospital's successful implementation of cost-containment and operational efficiency strategies. Management is conducting financial modeling to assess these risks and develop appropriate strategies, but there can be no assurance that the Hospital will be able to fully mitigate the adverse financial effects of the OBBB Act.

Central Peninsula General Hospital
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Management's Discussion and Analysis

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, investors and creditors with a general overview of the Hospital's finances. If you have questions about this report or need additional information, contact the Hospital's Finance Office at 250 Hospital Place, Soldotna, Alaska 99669.

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Basic Financial Statements

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Net Position

<i>June 30,</i>	2025	Restated 2024
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 57,078,175	\$ 51,353,921
Equity in Central Treasury of Borough	3,265,191	3,137,739
Total cash and cash equivalents and equity in Central Treasury of Borough	60,343,366	54,491,660
Patient receivables (net of contractual allowance of \$43,446,079 in 2025 and \$43,059,013 in 2024)	53,763,461	51,989,086
Less estimated uncollectibles	(12,084,726)	(10,889,473)
Net patient receivables	41,678,735	41,099,613
Property taxes receivable	1,904	1,883
Leases receivable	5,646,790	5,526,589
Other receivables	2,147,368	1,931,875
Due from third-party payors	-	232,865
Prepaid expenses	1,772,147	2,107,661
Inventory	10,867,255	10,148,167
Total Current Assets	122,457,565	115,540,313
Restricted Assets		
Bond reserves held by BNY	1,605,473	2,755,954
Bond reserves held by escrow agent	4,264,457	5,095,328
Investments	2,244,078	2,258,086
Kenai Public Health Center funds - equity in Central Treasury of Borough	1,145,247	1,041,661
Unspent bond proceeds	895,644	895,644
Total Restricted Assets	10,154,899	12,046,673
Assets Whose Use is Limited		
Plant replacement funds	79,182,239	75,618,801
Other reserved funds	42,362	42,362
Investments	1,594,204	1,312,979
Total Assets Whose Use is Limited	80,818,805	76,974,142
Capital Assets		
Buildings	114,961,114	113,721,334
Equipment	114,151,511	110,201,615
Land	2,452,117	2,452,117
Land improvements	4,383,796	4,377,797
Construction in progress	9,923,030	7,117,606
Leasehold improvements	3,008,536	2,968,693
Intangible assets	1,177,000	1,177,000
Right-to-use leased buildings	4,356,324	4,639,198
Right-to-use equipment	1,241,395	1,241,395
Subscription IT assets	15,567,172	9,430,565
Less accumulated depreciation and amortization	(158,099,591)	(143,772,787)
Capital Assets, Net	113,122,404	113,554,533
Total Noncurrent Assets	204,096,108	202,575,348
Deferred Outflows of Resources		
Goodwill	2,894,348	3,808,352
Total Assets and Deferred Outflows of Resources	\$ 329,448,021	\$ 321,924,013

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Net Position, continued

<i>June 30,</i>	2025	Restated 2024
Liabilities and Net Position		
Current Liabilities		
Accounts and contracts payable	\$ 7,392,520	\$ 3,707,764
Accrued liabilities	5,231,049	4,004,840
Claims payable	4,943,095	4,853,642
Due to third-party payors	1,542,416	-
Bond interest payable	168,913	270,149
Current portion of compensated absences	6,272,068	5,915,714
Current portion of bonds payable	3,070,000	3,570,000
Current portion of leases payable	1,158,922	1,076,319
Current portion of subscription IT liabilities	2,048,984	1,236,828
Other current liabilities	363,289	1,076,187
Total Current Liabilities	32,191,256	25,711,443
Long-term Liabilities		
Bonds payable, net of current portion	26,490,000	32,115,000
Premium on bonds payable	1,252,682	1,513,526
Leases payable, net of current portion	2,417,474	2,655,864
Compensated absences, net of current portion	2,269,582	1,911,054
Subscription IT liabilities, net of current portion	2,054,156	1,448,923
Total Long-term Liabilities	34,483,894	39,644,367
Total Liabilities	66,675,150	65,355,810
Deferred Inflows of Resources		
Deferred gain on bond refunding	265,917	-
Deferred lease revenue	5,328,203	5,326,208
Deferred tax revenue - KPB	18,210	18,234
Total Deferred Inflows of Resources	5,612,330	5,344,442
Total Liabilities & Deferred Inflows of Resources	72,287,480	70,700,252
Net Position		
Net investment in capital assets	78,154,261	74,642,069
Restricted for:		
Debt service	6,765,574	8,746,926
Kenai Public Health Center funds	1,145,247	1,041,661
Foundation funds	2,244,078	2,258,086
Unrestricted	168,851,381	164,535,019
Total Net Position	257,160,541	251,223,761
Total Liabilities and Net Position	\$ 329,448,021	\$ 321,924,013

See notes to accompanying basic financial statements.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2025	Restated 2024
Operating Revenues		
Patient service revenue (net of contractual allowances and charity of \$450,540,240 in 2025 and \$386,233,211 in 2024)	\$ 278,884,239	\$ 261,487,325
Provision for bad debts	(11,059,540)	(10,779,762)
Net patient service revenue	267,824,699	250,707,563
Lease revenue	364,549	470,738
Other operating revenues and grants	6,434,525	6,605,495
Total Operating Revenues	274,623,773	257,783,796
Operating Expenses		
Salaries	128,645,068	107,472,822
Employee benefits	35,336,785	29,585,854
Medical supplies	15,509,137	14,057,261
Depreciation and amortization	18,188,178	16,618,613
Other supplies	11,564,484	10,685,774
Other professional fees	21,663,311	22,534,246
Drugs and IV solutions	22,600,803	21,559,797
Repairs and maintenance	8,669,491	7,617,089
Utilities	5,237,692	4,991,597
Physician fees	2,939,262	2,261,086
Insurance	1,343,301	1,909,069
Leases and rentals	524,443	674,997
Other	2,302,084	3,320,513
Total Operating Expenses	274,524,039	243,288,718
Income from operations	99,734	14,495,078
Nonoperating (Expenses) Revenues		
General property taxes	70,476	51,507
Investment income	7,367,809	4,713,535
Lease interest revenue	151,735	177,667
Interest expense	(1,632,561)	(1,632,860)
Other revenue (expenses)	(193,833)	(115,697)
Total Nonoperating Revenues, net	5,763,626	3,194,152
Income before Capital Contributions	5,863,360	17,689,230
Capital contributions	73,420	24,389
Change in net position	5,936,780	17,713,619
Net Position, beginning of year, before adjustment	251,223,761	235,612,343
Change in Accounting Principle - Implementation of GASB 101	-	(2,102,201)
Net Position, beginning of year, after adjustment	251,223,761	233,510,142
Net Position, end of year	\$ 257,160,541	\$ 251,223,761

See notes to accompanying basic financial statements.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Cash Flows

<i>Years Ended June 30,</i>	2025	Restated 2024
Cash Flows from Operating Activities		
Receipts from patients and users	\$ 269,020,858	\$ 239,758,784
Payments to suppliers	(89,681,260)	(89,668,590)
Payments to employees	(162,040,762)	(135,611,872)
Other miscellaneous receipts	2,411,358	3,571,607
Payments from leases	398,078	487,769
Net cash flows from operating activities	20,108,272	18,537,698
Cash Flows from Noncapital Financing Activities		
Receipts from property taxes	70,431	53,845
Grants and other nonoperating sources	3,692,250	3,486,873
Net cash flows from noncapital financing activities	3,762,681	3,540,718
Cash Flows for Capital and Related Financing Activities		
Purchase of capital assets	(10,988,312)	(11,217,307)
Principal paid on capital debt	(6,125,000)	(6,635,000)
Payments on leases and subscriptions	(4,592,131)	(4,345,581)
Interest paid on capital debt	(1,728,724)	(1,929,861)
Net cash flows for capital and related financing activities	(23,434,167)	(24,127,749)
Cash Flows from (for) Investing Activities		
Change in assets whose use is limited and restricted assets	(1,952,889)	(10,913,186)
Investment income received	7,367,809	4,713,535
Net cash flows from (for) investing activities	5,414,920	(6,199,651)
Net increase (decrease) in cash and cash equivalents	5,851,706	(8,248,984)
Cash and Cash Equivalents and Equity in Central Treasury of Borough, beginning of year	54,491,660	62,740,644
Cash and Cash Equivalents and Equity in Central Treasury of Borough, end of year	\$ 60,343,366	\$ 54,491,660

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Cash Flows, continued

<i>Years Ended June 30,</i>	2025	Restated 2024
Reconciliation of Income from Operations to Net		
Cash Flows from Operating Activities		
Income from operations	\$ 99,734	\$ 14,495,078
Adjustments to reconcile income from operations to net cash from operating activities:		
Depreciation and amortization	18,188,178	16,618,613
Provision for bad debts	11,059,540	10,779,762
Grants included in operating revenue	(3,989,713)	(3,709,742)
Lease interest revenue	151,735	177,667
Changes in assets and liabilities:		
Patient and medicare receivables	(11,405,797)	(20,437,008)
Leases receivable	(120,201)	(705,443)
Other receivables	(38,443)	675,854
Prepaid expenses	335,514	778,917
Inventory	(719,088)	(1,254,347)
Accounts and contracts payable	3,684,756	(965,290)
Accrued liabilities	1,226,209	1,220,053
Claims payable	89,453	1,402,959
Due to third-party payors	1,542,416	(1,291,533)
Other current liabilities	(712,898)	(19,400)
Compensated absences	714,882	226,751
Deferred inflows of resources - lease related	1,995	544,807
Total adjustments	20,008,538	4,042,620
Net cash flows from operating activities	\$ 20,108,272	\$ 18,537,698
Supplemental Disclosure of Cash-Flow Information		
Capital assets acquired with leases	\$ -	\$ (1,199,783)
Capital assets acquired with subscription IT assets	\$ (6,136,607)	\$ (2,329,708)

See notes to accompanying basic financial statements.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements
Years Ended June 30, 2024 and 2023

1. The Reporting Entity

The Central Peninsula General Hospital (the Hospital) is a component unit of the Kenai Peninsula Borough (the Borough), which was incorporated as a second-class borough on January 1, 1964, under provisions of the State of Alaska Borough Act of 1961. Effective December 14, 1992, the Borough entered into an operating agreement with Central Peninsula General Hospital, Inc., an Alaskan nonprofit corporation under Internal Revenue Code (IRC) section 501(c)3, to operate the facility. The agreement, which was renewed January 1, 2018 and is effective through December 31, 2027, requires the Kenai Peninsula Borough to provide funds to the Hospital for operating purposes, payment of general obligation bonds, and for additions and replacements of property, plant and equipment as needed.

On May 6, 2005, Central Peninsula Health Foundation (the Foundation), a 501(c)3 nonprofit corporation, was created to provide philanthropic support for the Hospital and other nonprofit entities in support of healthcare initiatives on the Kenai Peninsula. During 2017, the Foundation filed a certificate of amendment with the State of Alaska changing its nonprofit status to that of a supporting organization of Central Peninsula Hospital. The Hospital has paid various expenses on behalf of the Foundation, and leased employees to the Foundation to sustain its operations. The Foundation is reported as a blended component unit of the Hospital because it provides services and benefits almost exclusively for the Hospital.

2. Summary of Significant Accounting Policies

Enterprise Accounting

Enterprise activities accounting is used to account for government operations that are financed and operated in a manner similar to private business enterprises where the intent of the Hospital is that the costs (expenses, including depreciation and amortization) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The acquisition, maintenance, and improvement of the physical plant facilities required to provide these services are financed from existing cash resources of the Hospital and the Kenai Peninsula Borough, the issuance of general obligation bonds by the Kenai Peninsula Borough on behalf of the Hospital, and State grants.

The accrual basis of accounting is followed by the Hospital. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred.

Deferred Inflows and Deferred Outflows

Certain items previously reported as assets and liabilities are now categorized as deferred inflows or deferred outflows. A deferred outflow represents the consumption of the Hospital's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Cash Equivalents

For purposes of the statement of cash flows, the Hospital considers all highly liquid investments with a maturity of less than three months when purchased and deposits in the Kenai Peninsula Borough Central Treasury to be cash equivalents, except those included in assets whose use is limited and restricted assets.

Equity in Central Treasury

The Kenai Peninsula Borough has combined monies available for investment from all of the Borough's separate reporting funds and component units into a "Central Treasury". The Central Treasury concept permits more efficient investment of the combined assets. Each fund or entity whose monies are deposited in the Central Treasury, therefore, has equity therein.

Restricted Assets

Restricted cash and investments are held in capital project funds and are restricted because their use is limited by bond covenant.

Assets Whose Use is Limited

Assets whose use is limited are assets set aside by the Board for future capital improvements or other uses over which the Board retains control and may at its discretion use for other purposes, except for Bond Funds which must be used for hospital expansion. These investments are recorded at fair value and are included in unrestricted net assets.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital asset acquisitions with a useful life greater than one year and a cost greater than \$5,000 are capitalized and stated at cost less accumulated depreciation. Depreciation is charged to operations by use of the straight-line method over the useful lives of the assets, estimated to be thirty (30) years for buildings and improvements and generally five (5) to fifteen (15) years for equipment in accordance with the standards used by the American Hospital Association. Land is not depreciated. Expenditures for renewals and betterments greater than \$5,000 which increase the value or useful life of existing assets are capitalized. Maintenance and repairs are expensed when incurred. Gains and losses upon asset disposal are reflected in other nonoperating income. Interest costs incurred after the period of construction are reported as other nonoperating expenses. Equipment under a capital lease obligation is amortized on the straight-line method over the lease term or the estimated useful life of the equipment, whichever period is shorter. Such amortization is included with depreciation in the accompanying statements of revenues, expenses and changes in net position.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Goodwill

Where consideration provided exceeds, the net position acquired in an acquisition, Central Peninsula Hospital reports the difference as goodwill, a deferred outflow of resources. Goodwill is amortized to future periods based on the life of the assumed right-to-use building lease.

Deferred Gain on Bond Refunding

The Hospital reissued bonds in April 2025 (See Note 7 regarding Long-Term Debt) resulting in a deferred gain on bond refunding. The unamortized balance as of June 30, 2025 was \$0. The deferred gain will be amortized over the term of the bonds starting in 2026.

Bad Debts

Bad debt provisions are made for the amount of revenue that will not be collected from patients to whom services were billed but not paid. The Hospital has determined these patients are neither medically nor financially indigent and do not qualify for the Hospital's charity care program. Bad debt provisions are determined by management's assessment with consideration of business and economic conditions, changes and trends in healthcare coverage, and other collection indicators. The adequacy of this provision is periodically reviewed and further modified based upon the accounts receivable payor composition and aging, and historical write-off experience by payor category.

Operating Income and Expense

Operating income includes any revenue generated by the Hospital's core business purpose of providing healthcare services to the public. Other operating income includes grants and subsidies that also support operations. Operating expenses represent all expenses incurred to generate operating income such as labor, supplies, and facility expense.

Nonoperating Income/Expense

Income and expenses not attributed to the Hospital's core business purpose of providing healthcare services are assigned to nonoperating income. The most commonly found items in this account are property tax revenue, investment income, interest expense, and nonoperating grants.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and other services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, charity care adjustments, and the provision for bad debt. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Kenai Peninsula Borough on July 1 and are due in either two installments on September 15 and November 15, or one installment due October 15. The Borough bills and collects property taxes of the Borough service areas including the Central Peninsula General Hospital Service Area.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Leases

Lessee:

The Hospital is party to multiple leases of nonfinancial assets as a lessee. The Hospital recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position.

At the commencement of a lease, the Hospital initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Hospital determines (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Hospital uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Hospital generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Hospital is reasonably certain to exercise.

The Hospital monitors changes in circumstances that would require a remeasurement of its leases and will remeasure lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of any lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:

The Hospital has leased nonfinancial assets to third-parties. The Hospital recognizes leases receivable and deferred inflows of resources in the statement of net position for these leases.

At the commencement of the lease, the Hospital initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Hospital determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Hospital uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The Hospital monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Subscription-Based Information Technology Arrangements

The Hospital is party to multiple types of Information Based Technology Arrangements (SBITA). These subscriptions include cloud computing, platform services, infrastructure as a service, and various other components of information technology arrangements that are nonfinancial assets. The Hospital recognizes these assets as an SBITA liability and an intangible right-to-use asset (SBITA asset) in the statement of net position.

At the commencement of an SBITA arrangement, the Hospital initially measures the liability at the present value of payments expected to be made during the SBITA contract term. Subsequently, the liability is reduced by the principal portion of subscription payments made over the course of the contract. The SBITA asset is initially measured as the initial amount of the lease liability, including any initial payments made for the subscription such as development costs associated with the creation of the nonfinancial asset related to the subscription adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the Hospital determines (1) the discount rate used to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments. The Hospital uses the interest rate charged by the subscription provider as the discount rate. When the interest rate charged by the subscription provider is not provided, the Hospital generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The SBITA term includes the noncancellable period of the SBITA plus noncancelable options to renew that we reasonably expect to be exercised. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the Hospital is reasonably certain to exercise.

The Hospital monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure SBITA assets and liabilities if certain changes occur that are expected to significantly affect the amount of any SBITA liability. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Net Position

In the financial statements, net position is reported under three classifications.

The net investment in capital assets classification represents the net position related to the Hospital's investment in capital assets net of any capital-related obligations.

The restricted classification reflects constraints imposed on resources either by (a) externally by creditors, grantors, contributors, or laws or regulations; or (b) imposed by law through constitutional provisions or enabling legislation.

The unrestricted classification reflects the residual amount of net position.

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first followed by unrestricted.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Compensated absences are leave benefits for which employees will be paid, such as paid time off (PTO), sick leave, and Income Assurance Program (IAP) pay. The Hospital's PTO policy allows employees to accumulate earned but unused PTO up to tiered caps (caps vary between 264 hours and 584 hours based on job tiers and years of service). The PTO amounts accrued are eligible for payment upon separation from service. The Hospital also permits employees to accumulate earned but unused IAP, up to a maximum of 480 hours, which are not paid out upon separation from service. The liability for such leave is reported as incurred in the financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

3. Charity Care

The Hospital provides care to patients regardless of their ability to pay. Patients must meet certain criteria to receive care without charge or at amounts less than its established rates through the charity care program. The charity care policy classifies a charity patient as a patient who is unable to pay based on income level, financial analysis, and/or further healthcare needs based on diagnosis. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not included in net revenue. The following information provides the graduated scale in which no payment or reduced payment is determined based upon the Federal Poverty Income Guidelines, published by the Department of Health and Human Services:

Federal Poverty Level	% of Financial Assistance
<= 200%	100%
201 - 250%	70%
251 - 300%	60%

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies and equivalent service statistics. The following unaudited information measures the level of charity care provided and the estimated net cost of charity care services provided, calculated using a cost to charge ratio methodology during the years ended June 30, 2025 and 2024:

(Unaudited)	2025	2024
Charges Forgone, Based on Established Rates	\$ 12,519,145	\$ 9,514,847
Net Cost of Charity Care Services Provided	\$ 4,288,571	\$ 3,124,676

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

4. Deposits and Investments

Deposits and investments consisted of the following:

<i>June 30,</i>	2025		2024	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposits				
Bank accounts	\$ 57,073,001	\$ 58,273,068	\$ 51,348,733	\$ 53,115,840
Petty cash	5,174	-	5,188	-
Total Deposits	57,078,175	58,273,068	51,353,921	53,115,840
Investments				
Certificates of deposit	2,184,971	2,184,971	2,087,061	2,087,061
Government bonds	5,014	5,014	5,014	5,014
Mutual funds	1,648,297	1,648,297	1,478,990	1,478,990
Total Deposits and Investments	\$ 60,916,457	\$ 62,111,350	\$ 54,924,986	\$ 56,686,905

The Hospital's deposits and investments are recorded on the statement of net position as follows:

<i>June 30,</i>	2025	2024
Cash and cash equivalents	\$ 57,078,175	\$ 51,353,921
Restricted assets:		
Investments	2,244,078	2,258,086
Assets whose use is limited:		
Investments	1,594,204	1,312,979
	\$ 60,916,457	\$ 54,924,986

Use of a portion of these investments is limited under restrictions placed by the Board of Directors, the Kenai Peninsula Borough, and the Alaska Municipal Bond Bank. U.S. Government Securities and government agency securities are held by the Hospital's agent in the Hospital's name. All funds held by the Hospital's and the Kenai Peninsula Borough's financial institutions are public fund accounts and are fully collateralized in accordance with the Borough's investment policy.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

The Kenai Peninsula Borough has combined monies available for investment from all of the Borough's separate funds and several component units into a "Central Treasury". The Hospital's investment in the Central Treasury is recorded on the statement of net position as follows:

<i>June 30,</i>	2025	2024
Current Assets		
Equity in Central Treasury of Borough	\$ 3,265,191	\$ 3,137,739
Restricted Assets		
Bond reserves and unspent bond proceeds	6,765,574	8,746,926
Equity in Central Treasury of Borough	1,145,247	1,041,661
Assets Whose Use is Limited		
Plant replacement funds	79,182,239	75,618,801
	\$ 90,358,251	\$ 88,545,127

Fair Value Measurement

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Hospital has the following recurring fair value measurements as of June 30, 2025:

Government bonds of \$5,014 are valued using models with various inputs such as but not limited to daily cash flow, snapshots of market indices and spread scales (Level 2 inputs).

Mutual funds of \$1,648,927 are valued using prices quoted in active markets for those securities. U.S. Agencies and corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

Certificates of deposit of \$2,184,971 are classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

The Hospital has the following recurring fair value measurements as of June 30, 2024:

Government bonds of \$5,014 are valued using models with various inputs such as but not limited to daily cash flow, snapshots of market indices and spread scales (Level 2 inputs).

Mutual funds of \$1,478,990 are valued using prices quoted in active markets for those securities. U.S. Agencies and corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

Certificates of deposit of \$2,087,061 are classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

5. Central Peninsula Health Foundation

As discussed in Note 1, the Hospital includes the activity of the Central Peninsula Health Foundation as a blended component unit. The net assets and the associated investment accounts have been included in the Statements of Net Position for the Hospital. The Hospital can access these funds upon approval of the Foundation Board of Directors and for the purposes expressly approved by the Foundation Board.

The financial data of the Foundation is summarized as follows:

Condensed Statements of Net Position

<i>June 30,</i>	<i>2025</i>	<i>2024</i>
Assets:		
Current assets	\$ 240,416	\$ 128,034
Restricted assets	2,244,078	2,258,086
Collections - art - held for sale	42,362	42,362
Noncurrent assets	1,589,190	1,307,965
Total Assets	4,116,046	3,736,447
Liabilities:		
Current liabilities	87,844	26,438
Total Liabilities	87,844	26,438
Net Position:		
Restricted	2,244,078	2,258,086
Unrestricted	1,784,124	1,451,923
Total Net Position	4,028,202	3,710,009
Total Liabilities and Net Position	\$ 4,116,046	\$ 3,736,447

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Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Condensed Statements of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	<i>2025</i>	<i>2024</i>
Statements of Activities:		
Operating Revenues		
Other operating revenues and grants	\$ 493,889	\$ 1,444,840
Operating Expenses	(442,913)	(395,692)
Income from Operations	50,976	1,049,148
Nonoperating Revenues		
Investment income	267,217	203,259
Change in Net Position	318,193	1,252,407
Net Position, beginning of year	3,710,009	2,457,602
Net Position, end of year	\$ 4,028,202	\$ 3,710,009

Condensed Statements of Cash Flows

<i>Year Ended June 30,</i>	<i>2025</i>	<i>2024</i>
Net cash provided by (used in):		
Operating activities	\$ 112,382	\$ (1,002,925)
Noncapital financing activities	(267,217)	(203,258)
Investing activities	267,217	203,258
Net increase (decrease) in cash and cash equivalents	112,382	(1,002,925)
Cash and Cash Equivalents		
Beginning of year	128,034	1,130,959
End of year	\$ 240,416	\$ 128,034

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Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

6. Capital Assets

A summary of the changes in capital assets during fiscal year 2025 follows:

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Land	\$ 2,452,117	\$ -	\$ -	\$ -	\$ 2,452,117
Construction in progress	7,117,606	13,194,336	-	(10,388,912)	9,923,030
Total nondepreciable assets	9,569,723	13,194,336	-	(10,388,912)	12,375,147
Land improvements	4,377,797	5,999	-	-	4,383,796
Buildings	113,721,334	1,239,780	-	-	114,961,114
Equipment	110,201,615	4,927,070	(977,174)	-	114,151,511
Leasehold improvements	2,968,693	39,843	-	-	3,008,536
Intangible	1,177,000	-	-	-	1,177,000
Right-to-use leased buildings	4,639,198	-	(282,874)	-	4,356,324
Subscription IT assets	9,430,565	6,136,607	-	-	15,567,172
Right-to-use leased equipment	1,241,395	-	-	-	1,241,395
Total depreciable assets	247,757,597	12,349,299	(1,260,048)	-	258,846,848
Total capital assets	257,327,320	25,543,635	(1,260,048)	(10,388,912)	271,221,995
Less accumulated depreciation and amortization for:					
Land improvements	(2,340,329)	(174,942)	-	-	(2,515,271)
Buildings	(63,823,858)	(4,578,836)	-	-	(68,402,694)
Equipment	(70,429,409)	(7,062,299)	970,364	-	(76,521,344)
Leasehold improvements	(783,520)	(382,120)	-	-	(1,165,640)
Right-to-use leased buildings	(2,022,955)	(979,686)	1,357,182	-	(1,645,459)
Subscription IT assets	(3,769,764)	(3,894,707)	619,823	-	(7,044,648)
Right-to-use leased equipment	(602,952)	(201,583)	-	-	(804,535)
Total accumulated depreciation and amortization	(143,772,787)	(17,274,173)	2,947,369	-	(158,099,591)
Net Capital Assets	\$ 113,554,533	\$ 8,269,462	\$ 1,687,321	\$ (10,388,912)	\$ 113,122,404

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A summary of the changes in capital assets during fiscal year 2024 follows:

	Balance July 1, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
Land	\$ 2,452,117	\$ -	\$ -		\$ 2,452,117
Construction in progress	1,476,636	14,208,640	-	(8,567,670)	7,117,606
Total nondepreciable assets	3,928,753	14,208,640	-	(8,567,670)	9,569,723
Land improvements	4,539,943	49,282	-	(211,428)	4,377,797
Buildings	115,534,945	598,843	(9,217)	(2,403,237)	113,721,334
Equipment	104,936,542	4,792,568	(2,142,160)	2,614,665	110,201,615
Leasehold improvements	2,828,054	143,368	(2,729)	-	2,968,693
Intangible	1,177,000	-	-	-	1,177,000
Right-to-use leased buildings	3,439,415	1,199,783	-	-	4,639,198
Subscription IT assets	7,965,580	2,329,708	(864,723)	-	9,430,565
Right-to-use leased equipment	1,264,560	-	(23,165)	-	1,241,395
Total depreciable assets	241,686,039	9,113,552	(3,041,994)	-	247,757,597
Total capital assets	245,614,792	23,322,192	(3,041,994)	(8,567,670)	257,327,320
Less accumulated depreciation and amortization for:					
Land improvements	(2,171,583)	(168,746)	-	-	(2,340,329)
Buildings	(58,966,817)	(4,864,861)	7,820	-	(63,823,858)
Equipment	(64,975,247)	(7,589,995)	2,135,833	-	(70,429,409)
Leasehold improvements	(671,383)	(114,866)	2,729	-	(783,520)
Right-to-use leased buildings	(960,617)	(1,062,338)	-	-	(2,022,955)
Subscription IT assets	(2,966,347)	(1,668,140)	864,723	-	(3,769,764)
Right-to-use leased equipment	(390,455)	(235,662)	23,165	-	(602,952)
Total accumulated depreciation and amortization	(131,102,449)	(15,704,608)	3,034,270	-	(143,772,787)
Net Capital Assets	\$ 114,512,343	\$ 7,617,584	\$ (7,724)	\$ (8,567,670)	\$ 113,554,533

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7. Long-term Liabilities

2025-Series Hospital Refunding Bonds

In February 2014, the Borough issued two series of revenue bonds totaling \$43,000,000 to finance the construction of a medical office building. Series One of those bonds, originally issued in the amount of \$32,490,000 was refinanced on April 8, 2025. The Municipal Bond Bank of Alaska issued \$7,935,000 in refunding bonds to retire \$8,055,000 in outstanding debt. The bond premium will be amortized over the term of the bonds starting in 2026. This new bond issuance had an issuance cost of \$64,372 and a refinancing gain of \$265,916 which will be amortized over the remaining term of the bonds. These 2025 refunding bonds are non-taxable with an average coupon rate of 5.0% and mature in 2029. The net present value of savings on the debt service was \$2,731,322 and the economic gain is \$3,016,965.

2021-Series Hospital Refunding Bonds

In June 2021, the Borough issued refunding bonds of \$6,335,000, which were used to retire \$6,715,000 in outstanding debt from the 2011 refunding of 2003 G.O. Bonds. The 2021 refunding bonds were issued at a premium of \$592,370 after paying issuance costs of \$44,494, and the net present value of the savings on the debt service was \$455,451.

2017 Revenue Bonds

In December 2017, the Borough issued revenue bonds in the amount of \$28,955,000 to finance a portion of the costs of capital improvements to the Hospital and adjacent facilities, specifically the Obstetrics and Catheterization Lab construction projects.

2025 and 2017 Revenue Bond Covenants

The revenue bond covenants require the Hospital to establish a bond reserve account, and a debt service reserve account. The bond reserve account is held in escrow and is comprised of monthly payments in the amount of \$420,607. In April 2025, after the refunding of the 2014A, Series One Bonds, the bond reserve payments dropped to \$112,411 on the existing 2017 Revenue Bonds until December 2025 when they increase to \$174,565. In November 2025, reserve payments for the 2025 Refunding bonds will be added in the amount of \$184,270 leading to a monthly total of \$296,681 for November and \$358,835 monthly as of December and thereafter. The monthly payments are calculated to equal the maximum annual debt service requirement for the bond issuances, and from this escrow account all future debt service payments on these issuances will be paid. The bond reserve account has \$4,264,457 in escrow as of June 30, 2025. Additionally, a debt service reserve account is required in an amount equal to 125% of the maximum annual debt service payments. The debt service reserve amount of \$1,605,473 is being held by Bank of New York and will be distributed as the final debt service payment on each issuance. The bond reserve and debt service reserve accounts meet the required amounts as of June 30, 2025.

Defeasance is authorized by the Kenai Peninsula Borough Assembly and Central Peninsula Hospital Service Area Board contingent upon meeting certain savings thresholds.

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Long-term liabilities consisted of the following as of June 30:

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Due Within One Year
2025-Series Hospital Refunding Bonds	\$ -	\$ 7,935,000	\$ -	\$ 7,935,000	\$ 1,795,000
2014 Revenue Bonds	12,850,000	-	12,850,000	-	-
2017 Revenue Bonds	22,835,000	-	1,210,000	21,625,000	1,275,000
	35,685,000	7,935,000	14,060,000	29,560,000	3,070,000
Plus unamortized bond premium	1,513,526	-	260,844	1,252,682	-
Total Bonds Payable	37,198,526	7,935,000	14,320,844	30,812,682	3,070,000
Leases payable (Note 12)	3,732,183	-	155,787	3,576,396	1,158,922
Subscription IT liabilities (Note 13)	2,685,751	1,750,842	333,453	4,103,140	2,048,984
Compensated absences*	7,826,768	714,882	-	8,541,650	6,272,068
Total Debt and Long-Term Liabilities	\$ 51,443,228	\$10,400,724	\$ 14,810,084	\$ 47,033,868	\$ 12,549,974

*The change in compensated absences liability is presented as a net change as allowed under the provision of GASB Statement 101.

Long-term liabilities consisted of the following as of June 30:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
2011-Series Hospital Refunding Bonds	\$ 3,240,000	\$ -	\$ 3,240,000	\$ -	\$ -
2014 Revenue Bonds	15,095,000	-	2,245,000	12,850,000	2,360,000
2017 Revenue Bonds	23,985,000	-	1,150,000	22,835,000	1,210,000
	42,320,000	-	6,635,000	35,685,000	3,570,000
Plus unamortized bond premium	1,918,581	-	405,055	1,513,526	-
Total Bonds Payable	44,238,581	-	7,040,055	37,198,526	3,570,000
Leases payable (Note 12)	3,418,841	1,348,335	1,034,993	3,732,183	1,076,319
Subscription IT liabilities (Note 13)	3,815,183	244,178	1,373,610	2,685,751	1,236,828
Compensated absences*	-	7,826,768	-	7,826,768	5,915,714
Total Debt and Long-Term Liabilities	\$ 51,472,605	\$ 9,419,281	\$ 9,448,658	\$ 51,443,228	\$11,798,861

*The change in compensated absences liability is presented as a net change as allowed under the provision of GASB Statement 101.

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The remaining annual requirements to amortize bond debt outstanding as of June 30, 2025, are as follows:

Year Ending June 30:	Principal	Interest	Total
2026	\$ 3,070,000	\$ 1,196,949	\$ 4,266,949
2027	3,285,000	979,663	4,264,663
2028	3,455,000	811,163	4,266,163
2029	3,630,000	634,038	4,264,038
2030	1,555,000	504,413	2,059,413
2031-2035	8,680,000	1,619,915	10,299,915
2036-2038	5,885,000	289,770	6,174,770
Total	\$ 29,560,000	\$ 6,035,911	\$ 35,595,911

8. Functional Expenses

Operating expenses grouped according to function are as follows:

	2025	2024
Operating Expenses		
Nursing expenses	\$ 68,325,269	\$ 60,982,494
Other professional services	101,746,827	89,751,955
General services	15,364,668	14,280,975
Administrative and fiscal services	70,899,097	61,654,681
Provision for depreciation and amortization	18,188,178	16,618,613
Total Operating Expenses	\$ 274,524,039	\$ 243,288,718

9. Third-Party Payor Programs

The Hospital has agreements with third-party payors that provide reimbursement at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, outpatient services, and certain defined capital and medical education costs related to Medicare beneficiaries are paid based upon a cost reimbursement method. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits by the Medicare fiscal intermediary. Final cost report audit settlements have been issued for fiscal years ending June 30, 2022, June 30, 2023, and prior. As of June 30, 2024, the Hospital

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owed the Medicare program an estimated \$500,000. As of June 30, 2025, the Hospital has a due to Medicare program estimated amount of \$1,542,416 which is being reserved until final settlements of prior year cost reports are complete.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospective payment rates. Inpatient stays are paid on a per day rate with limits based on diagnosis. Outpatient services are reimbursed as a percentage of charges.

Payor Composition

Composition of payors of gross patient receivables and revenues is approximated as follows for the years ended June 30, 2025:

	Revenues	Patient Receivables
Commercial	25%	43%
Medicare	43	34
Medicaid	20	15
Self-pay and other	12	8
	100%	100%

Composition of payors of gross patient receivables and revenues is approximated as follows for the years ended June 30, 2024:

	Revenues	Patient Receivables
Commercial	24%	27%
Medicare	44	31
Medicaid	19	13
Self-pay and other	13	29
	100%	100%

	2025	2024
Operating Revenues		
Gross patient charges	\$ 729,424,479	\$ 647,720,536
Less charges associated with charity care	(12,519,145)	(9,514,847)
Patient service revenue	716,905,334	638,205,689
Contractual adjustments	(438,021,095)	(376,718,364)
Provision for bad debts	(11,059,540)	(10,779,762)
Net patient service revenue	\$ 267,824,699	\$ 250,707,563

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10. Pension Plan

Employees of the Hospital are eligible to participate in the Central Peninsula General Hospital Employee Pension Plan, a defined contribution single-employer pension plan under IRC 403(b), established on July 1, 1995. There are no other participating employers or non-employer contributing entities. Plan membership for the years ended June 30, 2025 and 2024 consisted of 1,676 and 1,530, active or former Hospital employees, at the end of each year, respectively. The Hospital's Board of Directors has authority to establish, amend, or terminate the Plan at any time.

After the first year of employment, and at the next open enrollment period, employees who work 1,000 hours or more are eligible to participate in the Plan. The Hospital will contribute 2% of an employee's eligible salary for all eligible employees. In addition, the Hospital will match the employee's voluntary contribution up to 3% of gross pay, should the employee elect to participate. For calendar year 2024, the Hospital's total contribution for each employee was not to exceed \$7,162. The Hospital increased its calendar year 2025 maximum contribution for each employee to \$7,320. The employee may contribute an additional amount above the 2% voluntary contribution. The additional amount shall not exceed the lesser of 18% of their eligible salary, or \$31,000 for employees over the age of fifty, and \$23,500 for all others. Participants are fully vested in their contributions and after five years, are 100% vested in the Hospital's matching contribution.

The Hospital's matching contributions vest in accordance with the following schedule based on years of service:

1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

The Hospital's covered payroll for the years ended June 30, 2025 and 2024 was \$102,804,329 and \$85,066,419, respectively. Total payroll for the years ended June 30, 2025 and 2024 was \$126,910,420 and \$106,346,459, respectively.

Employee contributions to the Plan for the years ended June 30, 2025 and 2024 were \$7,247,327 and \$5,840,232, respectively. Employer contributions were \$2,679,414 and \$2,382,650 for the same periods. Total contributions to the Plan were 9.7% of covered payroll for June 30, 2025 and 9.7% for June 30, 2024.

11. Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; medical malpractice; errors and omissions; injuries to employees; and natural disasters. The Hospital purchases commercial insurance for risks of loss except as described below.

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Self-Insured Health Plan

The Hospital is self-insured for employee health insurance claims. The health plan was administered by Moda Health. Health expense claims, administrative fees, and stop loss premiums are accrued in the period incurred. An estimate for claims incurred but not reported (IBNR) and claims incurred but not paid (IBNP) as of June 30, 2025 and 2024 has been recorded based on claims lag reports from the plan administrator.

	2025	2024
Health Insurance Claims Payable, beginning of year	\$ 2,416,607	\$ 2,092,513
Current year claims incurred	24,911,333	19,047,500
Changes in estimates for claims incurred in prior years	357,643	324,094
Claims and expenses paid	(24,326,523)	(19,047,500)
Health Insurance Claims Payable, end of year	\$ 3,359,060	\$ 2,416,607

Professional and General Liability

The Hospital maintains malpractice insurance through a claims-made commercial insurance policy. As of August 2016, the policy deductible was \$250,000 per occurrence and provided coverage up to \$1 million per occurrence and up to an aggregate of \$3 million for claims filed within the period of the policy term. The Hospital also has \$10 million of umbrella insurance coverage.

The Hospital used actuarial studies performed by Milliman, Inc. with a valuation date of June 30, 2025 to estimate its projected claims liabilities as of June 30, 2025. The liability that existed as of June 30, 2025 and 2024 is as follows:

	2025	2024
Malpractice Claims Payable, beginning of year	\$ 1,705,841	\$ 1,151,842
Current year claims incurred	215,285	178,223
Changes in estimates for claims incurred in prior years	(121,806)	553,999
Claims and expense paid	(215,285)	(178,223)
Malpractice Claims Payable, end of year	\$ 1,584,035	\$ 1,705,841

12. Leases

Leases payable

The Hospital, as lessee, entered into several multiple-year lease agreements to third parties for various nonfinancial assets. As of June 30, 2025 and 2024, the outstanding balance of the leases was \$3,576,396 and \$3,732,183, respectively. The Hospital is required to make monthly principal and lease payments. The lease interest is based on the Borough's anticipated rate on issuing debt in FY25. The leases had interest of \$238,039 and \$213,190, in FY25 and FY24, respectively.

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The future principal and interest lease payments as of June 30, 2025, were as follows:

<i>Year Ending June 30:</i>	Principal	Interest	Total
2026	\$ 1,158,922	\$ 105,288	\$ 1,264,210
2027	999,065	66,112	1,065,177
2028	605,510	37,979	643,489
2029	440,091	20,867	460,958
2030	304,051	7,056	311,107
2031-2035	68,757	739	69,496
Total	\$ 3,576,396	\$ 238,041	\$ 3,814,437

Leases receivable

The Hospital began leasing a medical facility to a third party on April 19, 2013. The lease is for an original term of twenty years, and the Hospital received monthly payments of \$15,538. There are 12 years of the original term remaining and the Hospital was receiving monthly payments of \$22,788 and \$18,019 as of June 30, 2025 and 2024, respectively. The Hospital recognized \$364,549 and \$470,738 in lease revenue and \$151,735 and \$177,667 in interest revenue for the year ended June 30, 2025 and 2024, respectively. The Hospital recognized a deferred inflow of resource associated with the lease of \$5,328,203 and \$5,326,208 at June 30, 2025 and 2024, respectively, which will be recognized as revenue over the remainder of the lease term. The Hospital recognized a lease receivable in the amount of \$5,646,790 and \$5,526,589 at June 30, 2025 and 2024, respectively.

13. Subscription-Based Information Technology Agreements

The liabilities related to the SBITA's are multiple-year SBITA agreements to third parties for various nonfinancial assets. As of fiscal years 2025 and 2024 the outstanding balance of the SBITA's was \$4,103,140 and \$2,685,751 respectively. The Hospital, over the course of these arrangements has either paid the contracts in full and is recognizing the payments over the course of the contract or is required to make the payments over the course of the subscription contract. The Hospital recognized SBITA asset of \$15,567,172 and accumulated amortization of \$7,044,648 for the year ended June 30, 2025.

The future principal and interest SBITA payments as of June 30, 2025, were as follows:

<i>Year Ending June 30:</i>	Principal	Interest	Total
2026	\$ 2,048,984	\$ 135,832	\$ 2,184,816
2027	1,412,956	66,851	1,479,807
2028	415,348	17,619	432,967
2029	209,137	5,824	214,961
2030	16,715	-	16,715
Total	\$ 4,103,140	\$ 226,126	\$ 4,329,266

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14. Goodwill

In September 2022, Central Peninsula Hospital acquired the Surgery Center of Kenai. This transaction resulted in recognition of goodwill of \$5,407,860 that is included in deferred outflows of resources.

<i>June 30, 2025</i>	Carrying Amount	Accumulated Amortization	Goodwill, net
Total	\$ 5,407,860	\$ (2,513,512)	\$ 2,894,348

<i>June 30, 2024</i>	Carrying Amount	Accumulated Amortization	Goodwill, net
Total	\$ 5,407,860	\$ (1,599,508)	\$ 3,808,352

Amortization expense was \$914,005 for both fiscal years ended June 30, 2025 and 2024, respectively. The following table represents the total future estimated amortization of goodwill:

<i>Year Ending June 30,</i>	
2026	\$ 914,004
2027	914,004
2028	914,004
2029	152,336
Total	\$ 2,894,348

15. Subsequent Events

Effective July 1, 2025, the Centers for Medicare & Medicaid Services (CMS) Demonstration Project in which Central Peninsula General Hospital (the Hospital) had participated was sunset. The Hospital had been part of this Demonstration Project for approximately twenty years and benefited from an enhanced reimbursement structure similar to that of a Critical Access Hospital.

As a result of the conclusion of the Demonstration Project, the Hospital's Medicare inpatient reimbursement will revert to payment based on its primary designation as a Prospective Payment System (PPS) hospital. The financial impact of this change is difficult to estimate at this time due to numerous variables, including patient diagnosis, payor mix, and acuity levels. However, management expects this change will result in a reduction in Medicare inpatient reimbursement.

Management has evaluated subsequent events through November 10, 2025, which is the date the financial statements were available to be issued and determined that no other events occurred that require adjustment to, or disclosure in, the financial statements.

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16. Change in Accounting Principle

For the year ended June 30, 2025, Central Peninsula Hospital had a change in accounting principle for the implementation of GASB Statement No. 101 - *Compensated Absences* (as described in Note 19.). The nature of the changes are that the Central Peninsula Hospital is presenting compensated absences in the statement of net position as both current and long-term liabilities, reducing accrued liabilities. The impact was a reduction to total net position of \$2,102,201 for the fiscal year ending June 30, 2023.

The total net position for the year ended June 30, 2023 is restated as follows:

	As Previously Reported	Change in Accounting Principle	As Restated
Net Position, beginning of year	\$ 235,612,343	\$ (2,102,201)	\$ 233,510,142

Central Peninsula General Hospital implemented *GASB Statement No. 101 - Compensated Absences*, for fiscal year ending June 30, 2025. It now estimates and recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, Central Peninsula Hospital's Paid Time Off (PTO) policy and Income Assurance Program (IAP) qualify for liability recognition for compensated absences. The liability for compensated absences is reported as incurred in the financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

The IAP permits employees to accumulate earned but unused benefits to a cap of 480 hours. All IAP balances lapse when employees leave the employ of the Hospital and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of IAP leave that is more likely than not to be used by employees as time off is included in the liability for compensated absences.

The Hospital already calculates and reports the PTO liability as a short-term liability included in the *accrued liabilities* balance. No change to the amount of the PTO liability is made with this implementation. For the periods ending 06/30/2024 and 06/30/2025 the compensated absence liability is \$8,541,650 and \$7,826,768 respectively. This liability is now reported on the account lines *current portion of compensated absences* and *compensated absences, net of current portion*, along with the IAP estimated short-term liability and is removed from the account line *Accrued liabilities* which is a change from the prior presentation.

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The implementation of *GASB Statement No. 101* resulted in the following impact on the financial statements for the year ended June 30, 2024:

	As Previously Reported	Change in Accounting Principle	As Restated
Current Liabilities			
Accrued liabilities	\$ (9,502,656)	\$ 5,497,816	\$ (4,004,840)
Current portion of compensated absences	-	(5,915,714)	(5,915,714)
Long-term Liabilities			
Compensated absences, net of current portion	-	(1,911,054)	(1,911,054)
Operating expenses - salaries	107,246,071	226,751	107,472,822
Net Position, beginning of year	\$ (235,612,343)	\$ 2,102,201	\$ (233,510,142)

17. Risks Related to Legislative and Regulatory Change (One Big Beautiful Bill Act)

On July 4, 2025, the U.S. government enacted the "One Big Beautiful Bill Act" (OBBBA), which includes significant tax code changes and modifications to federal healthcare programs, including Medicare and Medicaid. This new law introduces substantial financial and operational risks for the Hospital, and its full impact is not yet known.

- **Revenue cycle risk:** The OBBBA includes provisions that alter eligibility criteria and reduce federal funding for certain Medicaid and Affordable Care Act (ACA) marketplace coverage. These changes are expected to increase the number of uninsured individuals and decrease overall reimbursement rates. These factors could lead to a decline in net patient service revenue and a corresponding increase in uncollectible patient accounts. The Hospital is actively analyzing the potential revenue cycle impacts, which are highly dependent on the state-specific Medicaid policy interpretations and the ultimate number of patients who lose coverage.
- **Billing and compliance risk:** The OBBBA has directed significant federal investment into artificial intelligence (AI) tools designed to detect fraudulent billing and utilization patterns, especially within Medicare and Medicaid programs. While the technology is intended to identify fraudulent use, it creates a risk of billing errors or false positives that could lead to denied claims, payment delays, and potential penalties. The Hospital is evaluating and updating its billing workflows, software, and compliance protocols to mitigate this risk.
- **Operational and liquidity risk:** Changes to reimbursement rates, coupled with ongoing inflationary pressures on labor and supply costs, may reduce the Hospital's operating margins and cash flow. The bill also increases regulatory oversight of private equity investment in healthcare, which could reduce the availability of capital for operational improvements. These factors may affect the Hospital's liquidity and ability to fund strategic initiatives and capital expenditures.

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- Forward-looking statement: This disclosure is based on current interpretations of the OBBBA and is subject to change. The Hospital has modeled a range of potential financial outcomes based on various assumptions, but the actual impact could differ materially from current estimates. The Hospital will continue to monitor developments and adjust its risk mitigation strategies and financial reporting as more information becomes available.

18. Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates. The following new accounting standards were implemented by the Hospital for 2025 reporting:

GASB Statement No. 101 - Compensated Absences - Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. There was a change in accounting principle in the financial statements from implementing GASB 101, see Note 16.

GASB Statement No. 102 - Certain Risk Disclosures - Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, the adoption of GASB 102 required additional disclosure regarding the recently enacted One Big Beautiful Bill Act. See Note 17.

The GASB has issued new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined. The statements are as follows:

GASB Statement No. 103 - Financial Reporting Model Improvements - Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

GASB Statement No. 104 - Disclosure of Certain Capital Assets - Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. The disclosure requirements will improve consistency and comparability between governments.

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Supplementary Information

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Schedules of Patient Service Revenues

<i>Years Ended June 30,</i>	2025	2024
Daily Patient Services		
Adults and pediatrics	\$ 73,476,801	\$ 63,658,261
Skilled nursing	13,871,772	13,602,348
Intensive care unit	15,747,385	13,318,229
Total Daily Patient Services	103,095,958	90,578,838
Other Nursing Services		
Operating room	106,468,896	96,489,682
Emergency	89,018,166	80,855,159
Central services and supply	75,499	79,700
Oncology/infusion	8,605,552	7,375,648
Total Other Nursing Services	204,168,113	184,800,189
Other Professional Services		
Imaging	141,879,393	128,410,079
Cardiac Cath/IR Lab	12,772,909	8,143,225
Laboratory	60,126,655	53,426,595
Pathology	9,281,017	7,853,377
Clinic & other	96,598,950	79,883,729
Pharmacy	41,766,974	40,403,818
Physical therapy	19,001,733	16,720,308
Respiratory therapy	14,759,711	13,847,586
Anesthesia	16,423,088	14,702,229
Intravenous therapy	7,149	7,909
Chemical dependency	9,215,773	8,715,843
Electro cardiology	327,056	226,810
Total Other Professional Services	422,160,408	372,341,508
Total Patient Service Revenues	729,424,479	647,720,535
Contractual Adjustments		
Medicare	(238,203,619)	(210,586,273)
Medicaid	(96,059,969)	(78,660,361)
Other contractual and self-pay discounts	(103,757,507)	(87,471,729)
Total Contractual Adjustments	(438,021,095)	(376,718,363)
Uncompensated Care		
Provision for bad debts	(11,059,540)	(10,779,762)
Charity discounts	(12,519,145)	(9,514,847)
Net Patient Service Revenue	\$ 267,824,699	\$ 250,707,563

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)
Schedules of Operating Expenses - By Function

Years Ended June 30,	2025			2024		
	Salaries	Supplies and Other Expenses	Total	Salaries	Supplies and Other Expenses	Total
Nursing Services						
Emergency	\$ 10,887,382	\$ 1,296,717	\$ 12,184,099	\$ 10,002,543	\$ 1,206,370	\$ 11,208,913
Adults and pediatrics	12,319,008	5,435,002	17,754,010	10,684,237	4,568,470	15,252,707
Skilled nursing	3,941,436	183,243	4,124,679	3,481,083	336,697	3,817,780
Operating room	7,737,164	14,064,582	21,801,746	6,119,757	14,002,781	20,122,538
Intensive care unit	3,333,918	989,674	4,323,592	2,750,411	1,092,628	3,843,039
Oncology / infusion	4,039,952	586,015	4,625,967	2,811,541	1,238,982	4,050,523
Central services and supply	478,500	598,256	1,076,756	482,114	414,519	896,633
Hospitalist program	-	2,434,420	2,434,420	-	1,790,361	1,790,361
Total Nursing Services	42,737,360	25,587,909	68,325,269	36,331,686	24,650,808	60,982,494
Other Professional Services						
Clinic & other	32,354,528	3,667,696	36,022,224	24,892,934	4,372,443	29,265,377
Physical therapy	4,667,397	608,652	5,276,049	4,026,777	753,877	4,780,654
Anesthesiology	6,027,685	269,313	6,296,998	5,615,826	245,917	5,861,743
Imaging	5,253,365	3,360,123	8,613,488	4,344,224	2,998,098	7,342,322
Cardiac Cath/IR lab	1,013,808	1,701,916	2,715,724	570,047	1,037,403	1,607,450
Laboratory	2,894,449	6,274,149	9,168,598	2,428,753	6,250,957	8,679,710
Pathology	996,471	369,713	1,366,184	697,689	761,375	1,459,064
Pharmacy	2,048,423	20,974,637	23,023,060	1,818,198	20,292,849	22,111,047
Respiratory therapy	1,713,383	716,120	2,429,503	1,366,600	989,051	2,355,651
Chemical dependency	3,520,482	3,297,800	6,818,282	3,417,142	2,870,995	6,288,137
Electro cardiology	-	16,717	16,717	-	800	800
Total Other Professional Services	60,489,991	41,256,836	101,746,827	49,178,190	40,573,765	89,751,955
General Services						
Dietary	2,482,173	1,776,803	4,258,976	2,102,092	1,924,986	4,027,078
Operation of plant	1,845,868	5,283,566	7,129,434	1,914,908	4,925,371	6,840,279
Housekeeping	2,276,095	844,489	3,120,584	1,922,646	740,953	2,663,599
Laundry and linen services	586,738	268,936	855,674	512,741	237,278	750,019
Total General Services	7,190,874	8,173,794	15,364,668	6,452,387	7,828,588	14,280,975
Administrative and Fiscal Services						
Administrative and general	14,676,044	15,737,258	30,413,302	12,615,079	14,868,255	27,483,334
Medical records and library	2,495,019	1,558,225	4,053,244	2,153,819	1,624,373	3,778,192
Nursing administration	1,055,780	39,986	1,095,766	741,661	65,640	807,301
Employee benefits	-	35,336,785	35,336,785	-	29,585,854	29,585,854
Total Administrative and Fiscal Services	18,226,843	52,672,254	70,899,097	15,510,559	46,144,122	61,654,681
Depreciation and amortization	-	18,188,178	18,188,178	-	16,618,613	16,618,613
Total Operating Expenses	\$ 128,645,068	\$ 145,878,971	\$ 274,524,039	\$ 107,472,822	\$ 135,815,896	\$ 243,288,718

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Central Peninsula Health Foundation, Inc. - Statements of Net Assets

<i>June 30,</i>	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 240,416	\$ 128,034
Total Current Assets	240,416	128,034
Long-term investments	1,589,190	1,307,965
Restricted assets	2,244,078	2,258,086
Collections - art - held for sale	42,362	42,362
Total Assets	4,116,046	3,736,447
Liabilities and Net Assets		
Current Liabilities		
Accounts payable to Central Peninsula General Hospital*	87,844	26,438
Total Liabilities	87,844	26,438
Net Assets		
With donor restrictions*	2,244,078	2,258,086
Without donor restrictions*	1,784,124	1,451,923
Total Net Assets	4,028,202	3,710,009
Total Liabilities and Net Assets	\$ 4,116,046	\$ 3,736,447

* Eliminations for inter-company transfers have been made for amounts in this account group before consolidation into the entity-wide financial statements.

This statement has been converted to generally accepted accounting principles as promulgated by Governmental Accounting Standards Board in Note 5.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Central Peninsula Health Foundation, Inc. - Statements of Activities
(With Summarized Comparative Amounts for 2024)

Years Ended June 30,	With Donor Restrictions	Without Donor Restrictions	Restated	
			Total	
			2025	2024
Revenues, Gains, and Other Support				
Contributions	\$ 107,988	\$ 371,235	\$ 479,223	\$ 1,429,860
Investment income	22,411	244,806	267,217	203,259
Other	-	14,666	14,666	14,980
Total Revenues, Gains, and Other Support	130,399	630,707	761,106	1,648,099
Expenses				
Program:				
Support to Central Peninsula Hospital:				
Cancer programs	9,472	-	9,472	2,909
Diabetes education	1,850	-	1,850	-
CPH EE emergency assist	1,000	-	1,000	3,141
Heritage place	7,001	-	7,001	2,863
Patient assistance programs	3,347	-	3,347	2,615
Serenity house	29,623	-	29,623	20,503
RAFT program	6,869	-	6,869	7,558
Healing touch	2,198	-	2,198	-
Internal medicine residency project	71,170	-	71,170	95,372
CPH auxiliary scholarships	11,000	-	11,000	-
Dr. Isaak scholarship program	-	-	-	2,000
Other programs	-	121,243	121,243	258,731
Total program	143,530	121,243	264,773	395,692
Fundraising	-	84,229	84,229	-
General and administrative	877	93,034	93,911	-
Total Expenses	144,407	298,506	442,913	395,692
Change in Net Assets	(14,008)	332,201	318,193	1,252,407
Net Assets, beginning of year	2,258,086	1,451,923	3,710,009	2,457,602
Net Assets, end of year	\$ 2,244,078	\$ 1,784,124	\$ 4,028,202	\$ 3,710,009

This statement has been converted to generally accepted accounting principles as promulgated by Governmental Accounting Standards Board in Note 5.

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)
COVID Health Equity Project Funding and Technical Assistance
DHSS Grant Number 161-312-25003
Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - State of Alaska	\$ 200,000	\$ 65,613	\$ (134,387)
Expenses			
Personnel services	31,348	37,332	(5,984)
Supplies	2,000	2,380	(380)
Equipment	-	-	-
Other costs	166,652	25,900	140,752
Total Expenses	\$ 200,000	\$ 65,612	\$ 134,388

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Opioid Settlement Grants

DHSS Grant Number 161-318-25014

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - State of Alaska	\$ 142,758	\$ 142,758	-
Expenses			
Personnel services	114,388	114,388	-
Travel	5,370	5,370	-
Supplies	20,000	20,758	(758)
Equipment	3,000	2,242	758
Other costs	-	-	-
Total Expenses	\$ 142,758	\$ 142,758	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Comprehensive Behavioral Health Prevention and Early Intervention Services

DHSS Grant Number 162-207-25001

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$ 150,000	\$ 150,000	\$ -
Expenses			
Personnel services	57,695	57,695	-
Travel	12,207	12,207	-
Supplies	15,098	15,098	-
Other costs	65,000	65,000	-
Total Expenses	\$ 150,000	\$ 150,000	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

State Opioid Response: Recovery Housing
DHSS Grant Number 162-249-25010

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal portion \$144,508.18 passed through the State of Alaska, and State portion \$42,139.82	\$ 144,508	\$ 144,508	\$ -
Revenue - Federal portion \$144,508.18 passed through the State of Alaska, and State portion \$42,139.82	42,140	42,140	-
	186,648	186,648	-
Expenses			
Personnel services	172,642	172,642	-
Travel	1,500	1,500	
Supplies	7,500	7,500	
Equipment	5,006	5,006	
Total Expenses	\$ 186,648	\$ 186,648	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

CBHTR Outpatient Treatment

DHSS Grant Number 162-266-25013

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$ 542,313	\$ 542,313	\$ -
Expenses			
Personnel services	442,313	442,313	-
Other costs	100,000	100,000	-
Total Expenses	\$ 542,313	\$ 542,313	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

CBHTR Residential Withdrawal Mgmt and Residential SUD Services

DHSS Grant Number 162-268-25002

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$ 334,621	\$ 334,621	\$ -
Expenses			
Personnel services	334,621	334,621	-
Total Expenses	\$ 334,621	\$ 334,621	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

CBHTR Residential Withdrawal Mgmt and Residential SUD Services

DHSS Grant Number 162-268-25003

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>		Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$	132,085	\$ 132,085	\$ -
Expenses				
Personnel services		132,085	132,085	-
Total Expenses	\$	132,085	\$ 132,085	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

CBHTR Residential Withdrawal Mgmt and Residential SUD Services

DHSS Grant Number 162-268-25004

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$ 264,164	\$ 264,164	\$ -
Expenses			
Personnel services	264,164	264,164	-
Total Expenses	\$ 264,164	\$ 264,164	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Crisis Now Collaboration

Grant Number 16934

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - State passed through the Alaska Mental Health Trust Authority	\$ 75,000	\$ 50,179	\$ (24,821)
Expenses			
Travel	21,120	20,285	835
Other costs	53,880	29,894	23,986
Total Expenses	\$ 75,000	\$ 50,179	\$ 24,821

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)
Safe Kids Kenai Peninsula- Child Passenger Safety Program
DOT Grant Number 405b M1CPH 24 04 BL(F)
Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$ 9,361	\$ 9,361	\$ -
Expenses			
Personnel services	6,610	6,610	-
Travel	69	69	-
Commodities	2,682	2,682	-
Total Expenses	\$ 9,361	\$ 9,361	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)
Safe Kids Kenai Peninsula- Child Passenger Safety Program
DOT Grant Number 405b M1CPS 25 04 BL(D)
Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$ 22,456	\$ 20,127	\$ (2,329)
Expenses			
Personnel services	11,416	10,232	1,184
Travel	1,800	1,613	187
Commodities	9,240	8,282	958
Total Expenses	\$ 22,456	\$ 20,127	\$ 2,329

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Safe Kids Kenai Peninsula - Pedestrian and Bicycle Helmet Safety Program

DOT Grant Number 402 PS-25-05-BL(B)

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2025</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$ 1,430	\$ 1,430	\$ -
Expenses			
Personnel services	230	230	-
Commodities	1,200	1,200	-
Total Expenses	\$ 1,430	\$ 1,430	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Schedule of State Financial Assistance
Year Ended June 30, 2025

State Grantor/ Program Title	Award Number	Total Award Amount	Passed Through to Subrecipients	Expenses
Department of Health & Social Services				
COVID Health Equity Project Funding and Technical Asst	161-312-25003	\$ 200,000	\$ -	\$ 65,613
Opioid Settlement Grants	161-318-25014	142,758	-	142,758
State Opioid STR Response - Recovery Housing	162-249-25010	42,140	-	42,140
Comprehensive Behavioral Health Treatment and Recovery Program	162-268-25002	334,621	-	334,621
Comprehensive Behavioral Health Treatment and Recovery Program	162-268-25003	132,085	-	132,085
Comprehensive Behavioral Health Treatment and Recovery Program	162-268-25004	264,164	-	264,164
* Total Comprehensive Behavioral Health Treatment and Recovery Program		730,870	-	730,870
Total Department of Health & Social Services			-	981,381
Alaska Mental Health Trust Authority				
Crisis Now Collaboration	16934	75,000	-	50,179
Total Alaska Mental Health Trust Authority			-	50,179
Total State Financial Assistance			\$ -	\$ 1,031,560

See accompanying notes to Schedule of State Financial Assistance.

Note 1. Major Program Notation

* Denotes state major program

Note 2. Basis of Presentation

The above schedule of state financial assistance (the "Schedule") includes the state award activity of Central Peninsula General Hospital under programs of the state government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a portion of the operations of Central Peninsula General Hospital, it is not intended to and does not present the financial position, changes in net position or cash flows of Central Peninsula General Hospital.

Note 3. Summary of Significant Accounting Policies

Expenses reported on the Schedule are reported on the accrual basis of accounting.

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State of Alaska Single Audit Section



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Honorable Mayor and Members
of the Kenai Peninsula Borough Assembly,
and Central Peninsula General Hospital
Operating Board
Soldotna, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Peninsula General Hospital (the Hospital), a component unit of the Kenai Peninsula Borough, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated November 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska
November 10, 2025



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Anchorage, AK 99503

Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

To the Honorable Mayor and Members
of the Kenai Peninsula Borough Assembly,
and Central Peninsula General Hospital
Operating Board
Soldotna, Alaska

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Central Peninsula General Hospital's (the Hospital's) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement (State of Alaska Audit Guide)* that could have a direct and material effect on each of the Hospital's major state programs for the year ended June 30, 2025. The Hospital's major state programs are identified in the accompanying Schedule of State Financial Assistance.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2025.

Basis for Opinion for Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *State of Alaska Audit Guide*. Our responsibilities under those standards and the *State of Alaska Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, state statutes, regulations, rules and provisions of contracts and grant agreements applicable to the Hospital's state programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *State of Alaska Audit Guide* requirements will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *State of Alaska Audit Guide*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide* requirements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide*. Accordingly, this report is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska
November 10, 2025

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)

Noncompliance material to financial statements noted?	___ yes	X no
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State Financial Assistance

Internal control over state major programs:

Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)

Auditee qualified as low-risk auditee?	X yes	___ no
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Type of auditor's report issued on compliance for state major programs: Unmodified

Dollar threshold used to distinguish a state major program:	\$ 750,000
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Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Findings and Questioned Costs, continued

Section II - Financial Statement Findings Required to be Reported in Accordance with <i>Government Auditing Standards</i>
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There were no findings required to be reported in accordance with *Government Auditing Standards*.

Section III - State Award Findings and Questioned Costs
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There were no findings or questioned costs for State awards (as defined in the State of Alaska Audit Guide and Compliance Supplement for State Single Audits) that are required to be reported.