



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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, 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, 2022, 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 opinions.

Emphasis of Matter

As discussed in Note 12 to the financial statement, the Hospital adopted the provisions of Governmental Accounting Standards Board Statement Number 87, Leases. As a result, net position has been restated as of July 1, 2020. Our opinion is not modified with respect to this matter.

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.

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 auditing standards generally accepted in the United States of America, 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 for the year ended June 30, 2022 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, statement of net assets and activities, schedules of revenue and expenses - budget to actual, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 auditing standards generally accepted in the United States of America. In our opinion, the schedules of patient services revenue, schedules of operating expenses - by function, statement of net assets and activities, schedules of revenue and expense - budget to actual, Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2022.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2023 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, LLP

Anchorage, Alaska
January 23, 2023

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 - 2022

- The Hospital's 2022 Net Position increased over 2021 by \$22.2 million or 11.7%.
- The Hospital's cash and cash equivalents increased by approximately \$1.4 million while noncurrent cash and investments increased by \$22.7 million.
- Net patient receivables decreased by \$768 thousand.
- Operating income increased by approximately \$20.6 million in 2022 compared to 2021.

Financial Highlights - 2021

- The Hospital's 2021 Net Position increased over 2020 by \$8.0 million or 4.4%.
- The Hospital's cash and cash equivalents decreased by approximately \$30.2 million while noncurrent cash and investments increased by \$11.2 million.
- Net patient receivables increased by \$8.6 million.
- Operating income increased by approximately \$1.5 million in 2021 compared to 2020.

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Management's Discussion and Analysis

Financial Highlights - 2020

- The Hospital's 2020 Net Position increased over 2019 by \$12.1 million or 7.1%.
- The Hospital's cash and cash equivalents increased by approximately \$38.3 million while noncurrent cash and investments decreased by \$3.8 million.
- Net patient receivables decreased by \$5.3 million.
- Operating income decreased by approximately \$7.9 million in 2020 compared to 2019.

The Hospital's Net Position

Summarized financial information of the Hospital's Statements of Net Position as of June 30, 2022, 2021, and 2020 are as follows:

	In Thousands		
	2022	(as restated) 2021	(not restated)* 2020
Assets and Deferred Outflows			
Cash, cash equivalents and equity in central treasury of the Borough	\$ 50,062	\$ 48,659	\$ 78,870
Patient accounts receivable, net	29,426	30,194	21,586
Other current assets	15,409	15,184	11,012
Noncurrent cash and investments	77,061	54,787	43,388
Bond reserves	8,425	8,046	8,027
Unspent bond proceeds	943	942	1,144
Deferred outflows	421	565	728
Capital assets, net	107,913	115,168	124,700
Total Assets and Deferred Outflows	\$ 289,660	\$ 273,545	\$ 289,455
Liabilities and Deferred Inflows			
Other liabilities, net of stimulus funds	\$ 28,069	\$ 27,389	\$ 25,364
Deferred revenue, stimulus funds	258	-	21,236
Long-term debt, net of current portion	46,491	53,618	60,592
Deferred inflows	2,325	2,255	-
Total Liabilities and Deferred Inflows	77,143	83,262	107,192
Net Position			
Net investment in capital assets	52,815	56,744	58,921
Restricted	11,150	11,493	11,349
Unrestricted	148,552	122,046	111,993
Total Net Position	212,517	190,283	182,263
Total Liabilities, Deferred Inflows, and Net Position	\$ 289,660	\$ 273,545	\$ 289,455

*Not restated for effects of GASB 87.

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Management's Discussion and Analysis

The most noteworthy changes in the Hospital's net position during 2022 were the increases in noncurrent cash and investments, cash and cash equivalents, and inventory, and decreases in capital assets, long term debt, and prepaid expenses.

Cash and cash equivalents increased by approximately \$1.4 million during 2022. This was primarily due to strong cash collections throughout the fiscal year resulting in transfers of excess cash to the Plant Replacement Expansion Fund (PREF) during the year, totaling \$24.7 million. Equity in the Central Treasury of the Borough also increased from prior year by approximately \$167 thousand.

Regarding Assets Whose Use is Limited, noncurrent cash and investments increased by \$22.7 million during 2022, primarily due to capital contributions of \$24.7 million to the Plant Replacement and Expansion Fund (PREF) as noted above. The Hospital also recorded \$2.7 million in leases during the fiscal year related to the implementation of Accounting Standard GASB 87 which requires all operating leases to be recorded as intangible assets.

Inventory increased by approximately \$1.3 million during 2022 due to an increase of supplies kept on-hand in the pharmacy and surgical areas. This corresponds with an increase in oncology and surgical cases throughout the year.

Net capital assets decreased by \$7.3 million during 2022. A \$5.9 million increase in non-depreciable and depreciable assets was offset by an increase in accumulated depreciation and amortization of \$13.2 million. This increase in accumulated depreciation was due to higher depreciation costs with the addition of assets in 2021 related to the Chiller Plant and Pathology department construction projects.

Long-term debt decreased by \$7.1 million during 2022 due to normally scheduled principal and interest payments on bonds and the amortization of premiums on those bonds.

Prepaid expenses decreased by \$1.2 million due to the return of vendor deposits held by Cardinal Health. This vendor had required deposits based on a percentage of sales but due to our new purchasing agreement with Premier this deposit was refunded entirely in 2022.

The net position of the Hospital increased from \$190.3 million as of June 30, 2021 to \$212.5 million as of June 30, 2022, reflecting the overall performance for fiscal year 2022 of a \$22.2 million increase in net position.

The most noteworthy changes in the Hospital's net position during 2021 were the increases in noncurrent cash and investments and patient receivables, and the decreases in cash and cash equivalents, capital assets, deferred revenue, and long-term debt.

Cash and cash equivalents decreased by approximately \$30.2 million during 2021. This was primarily due to transfers of excess cash to the Plant Replacement Expansion Fund (PREF) during the year, which totaled \$28.4 million. Equity in the Central Treasury of the Borough also decreased from prior year, by approximately \$2.5 million.

Regarding Assets Whose Use is Limited, noncurrent cash and investments increased by \$11.2 million during 2021, primarily due to capital contributions of \$28.4 million to the Plant Replacement and Expansion Fund (PREF) as noted above. Also during 2021, the Hospital repaid \$18.0 million in advance Medicare payments received in 2020. These funds were reimbursed to the Hospital by the

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Management's Discussion and Analysis

Borough, reducing the PREF, and restoring the Hospital's days operating cash on hand balance to 90 days.

Deferred revenue of \$21.2 million recorded on the balance sheet at the end of 2020 was reduced to \$0 for 2021, primarily due to the \$18.0 million repayment of the advance Medicare payments received in 2020. The remaining stimulus funds in deferred revenue were recorded as non-operating revenue to offset losses sustained during the fiscal year as a result of the pandemic.

Patient accounts receivable increased by \$8.6 million during 2021, with much of the increase due to higher charges posted during the year. Total patient service revenues were up 13.3% or \$21.9 million over prior year.

Net capital assets decreased by \$9.5 million during 2021. A \$5.4 million increase in non-depreciable and depreciable assets was offset by an increase in accumulated depreciation and amortization of \$14.9 million. This increase in accumulated depreciation was due to higher depreciation costs with the addition of assets in 2020 related to the Obstetrics and Catheterization Lab construction project.

Long-term debt decreased by \$6.9 million during 2021 due to normally scheduled principal and interest payments on bonds and the amortization of premiums on those bonds.

The net position of the Hospital increased from \$182.3 million as of June 30, 2020 to \$190.3 million as of June 30, 2021, reflecting the overall performance for fiscal year 2021 of a \$8.0 million increase in net position.

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, 2022, 2021, and 2020 are as follows:

	In Thousands		
	2022	(as restated) 2021	(not restated)* 2020
Operating Revenues			
Net patient revenue (net of bad debt)	\$ 217,321	\$ 186,088	\$ 164,221
Other revenue	13,162	5,177	5,079
Total Operating Revenue	230,483	191,265	169,300
Operating Expenses			
Salaries, wages, and benefits	116,417	110,893	96,923
Supplies and drugs	38,492	36,409	32,666
Purchased services and professional fees	36,391	22,746	22,192
Depreciation and amortization	13,213	15,297	13,669
Other	2,458	3,040	2,484
Total Operating Expenses	206,971	188,385	167,934
Operating Income	23,512	2,880	1,366

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Management's Discussion and Analysis

Nonoperating Revenues (Expenses)			
Property taxes	58	59	59
Investment income	74	156	383
Other nonoperating revenue, stimulus funds	-	3,266	10,791
Other nonoperating revenue, net of stimulus Funds	(1,410)	1,659	(551)
Total Nonoperating Revenue (Expenses)	(1,278)	5,140	10,682
Capital Grants	-	-	95
Increase in Net Position	\$ 22,234	\$ 8,020	\$ 12,143

*Not restated for effect of GASB 87.

The Hospital's net patient revenue for fiscal year 2022 showed an increase of \$31.2 million while 2021 showed an increase of \$21.9 million from the previous year's revenue.

The 16.8% increase in 2022 net patient revenue from the previous year was primarily the result of volumes that have continued a steady rise after the COVID-19 pandemic. The Hospital also began providing interventional pain procedures with the addition of a new Pain Management physician.

Operating expenses increased by 9.9% or \$18.6 million from fiscal year 2021 to 2022, and 12.2% or \$20.5 million from fiscal year 2020 to 2021. The 2022 increase in operating expenses was largely due to increases in contract labor, other professional fees, and medical supplies.

Salaries expense for 2022 increased by 7.7% or \$6.4 million over the previous year. A wage increase of 2.5% of salaries for nonunion employees and several new physician employment contracts were largely responsible for this change. Overall staffing levels are down from prior year, as evidenced by an \$12.9 million or 154.9% increase in contract labor expenses over the prior year, particularly in the RN and skilled technician/specialist categories. Employee benefits also decreased in 2022, by 3.4% or \$913 thousand. While much of this decrease can be attributed to the cost of decreased staffing, health insurance claims are trending lower than the prior year. Medical supplies increased by 6.0% over prior year due to higher patient volumes.

The increase in operating revenues for 2022 consists of recognition of FEMA SnapNurse contributed services and COVID supplies totaling that were donated throughout the fiscal year.

Budget Comparison

The following schedule presents a comparison of actual results to budget for the year ended June 30, 2022:

	In Thousands		
	Actual	Budget	Variance
Operating Revenues			
Net patient revenue	\$ 217,321	\$ 202,382	\$ 14,939
Other revenue	13,162	5,320	7,842

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Management's Discussion and Analysis

Total Operating Revenue	230,483	207,702	22,781
Operating Expenses	206,971	197,230	(9,741)
Operating Income	23,512	10,472	13,040
Nonoperating Expenses	(1,278)	2,101	(3,379)
Increase in Net Position	\$ 22,234	\$ 12,573	\$ 9,661

Net patient revenue for the year was higher than budgeted, by \$14.9 million or 7.4%.

Operating expenses during the year were \$9.7 million and 4.9% above budget in 2022. The largest variances from budget were in contract labor and other professional fees.

Capital Assets Discussion

2022

Capital asset additions of \$7.3 million were placed in service during fiscal year 2022, while construction in progress increased by \$773 thousand. Significant additions to property, plant, and equipment included the addition of \$2.7 million in leases related to the implementation of GASB 87 which requires all operating leases to be recorded as intangible assets. Other notable additions included the Stryker S8 Surgical system with tools totaling \$1.1 million, the Avance anesthesia machine totaling \$327 thousand, and the Xhibit telemetry system totaling \$250 thousand.. The additions to construction in progress for 2022 were primarily related to the Parking Lot and Hot Lab construction projects as well as the Workday HCM and Payroll conversion project. There were no retirements in 2022.

2021

Capital asset additions of \$5.5 million were placed in service during fiscal year 2021, while construction in progress decreased by \$955 thousand. Significant additions to property, plant, and equipment included completion of the Pathology Lab and Chiller Plant totaling \$3.1 million. Other notable additions include \$229 thousand related to the Obstetrics and Catheterization Lab, \$207 thousand for defibrillators, and \$179 thousand for ultraviolet room sanitizers. The additions to construction in progress for 2021 were primarily related to the Pathology Lab construction and various IT related projects. Retirements of \$388 thousand included an X-ray machine, Hematology analyzer, and mobile aisle shelving system.

2020

Capital asset additions of \$44.0 million were placed in service during fiscal year 2020, while construction in progress decreased by \$28.7 million. Significant additions to property, plant, and equipment included completion of the Obstetrics and Catheterization Lab totaling \$42.2 million. Other notable additions included \$251 thousand related to the completion of renovation of the Women's Clinic, \$235 thousand related to completion of the Kenai Urgent Care Clinic, and \$152 thousand for equipment acquired from Peninsula Internal Medicine. The additions to construction

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Management's Discussion and Analysis

in progress for 2020 were primarily related to the Chiller Plant construction and various IT related projects. There were no Retirements during 2020. Other notable additions include a Data Domain

Storage Expansion project, the acquisition of Laboratory equipment, and a Passenger Van for long-term care residents.

Debt

As of June 30, 2022 the Hospital had \$43.2 million in revenue bonds and \$6.3 million in refunding bonds outstanding as detailed in *Note 6* to the basic financial statements. Principal payments totaling \$7.1 million and interest payments of \$1.6 million were made on long-term debt during 2022. The 2011-Series Hospital refunding bonds were refinanced during the year, as noted in *Note 6*. The current debt ratings are S&P at 'A+' and Moody's at 'A1' with a stable outlook.

As of June 30, 2021 the Hospital had \$47.2 million in revenue bonds and \$9.4 million in refunding bonds outstanding as detailed in *Note 6* to the basic financial statements. Principal payments totaling \$6.8 million and interest payments of \$2.7 million were made on long-term debt during 2021. The 2011-Series Hospital refunding bonds were refinanced during the year, as noted in *Note 6*. The current debt ratings are S&P at 'A+' and Moody's at 'A1' with a stable outlook.

As of June 30, 2020 the Hospital had \$51.0 million in revenue bonds and \$12.8 million in refunding bonds outstanding as detailed in *Note 6* to the basic financial statements. Principal payments totaling \$6.5 million and interest payments of \$2.9 million were made on long-term debt during 2020. No additional debt was issued during 2020. There have been no changes in the Hospital's debt ratings during the year.

Other Economic Factors

Central Peninsula General Hospital is uncertain as to the full magnitude that the pandemic will have on Central Peninsula General Hospital's financial condition, liquidity, and future results of operations. Central Peninsula General Hospital is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Central Peninsula General Hospital is also evaluating additional funding sources. HHS issued a Post-Payment Notice of Reporting Requirements for the Provider Relief Funds (PRF) that were disbursed under the CARES Act. This notice changed guidance that had been previously communicated through June 30, 2020. Management cannot estimate the impact resulting from this change in guidance.

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.

Basic Financial Statements

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

Statements of Net Position

<i>June 30,</i>	2022	(restated) 2021
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 45,883,020	\$ 44,647,379
Equity in Central Treasury of Borough	4,179,194	4,011,943
Total cash and cash equivalents and equity in Central Treasury of Borough	50,062,214	48,659,322
Patient receivables (net of contractual allowance of \$29,799,345 in 2022 and \$30,236,256 in 2021)	36,962,652	36,834,570
Less estimated uncollectibles	(7,536,653)	(6,640,073)
Net patient receivables	29,425,999	30,194,497
Property taxes receivable	1,664	1,792
Less estimated uncollectible taxes	-	(37)
Net property taxes receivable	1,664	1,755
Leases receivable	2,349,930	2,262,590
Other receivables	1,343,576	1,332,911
Prepaid expenses	2,630,874	3,788,735
Inventory	9,082,783	7,798,125
Total Current Assets	94,897,040	94,037,935
Assets Whose Use is Limited		
Plant replacement funds	75,303,336	53,895,633
Other reserved funds	500,000	554,477
Bond reserves held by BNY	6,368,962	6,344,149
Bond reserves held by escrow agent	2,056,203	1,701,519
Investments	1,257,773	336,869
Unspent bond proceeds	942,501	941,658
Total Assets Whose Use is Limited	86,428,775	63,774,305
Capital Assets		
Buildings	114,883,170	114,559,654
Equipment	96,430,684	93,038,962
Land and land improvements	5,420,257	5,420,257
Construction in progress	2,563,066	1,789,826
Leasehold improvements	459,923	400,894
Right-to-use leased buildings	2,727,243	1,316,690
Less accumulated depreciation and amortization	(114,571,766)	(101,358,416)
Capital Assets, Net	107,912,577	115,167,867
Total Noncurrent Assets	194,341,352	178,942,172
Deferred Outflows of Resources		
Deferred loss on bond refunding	421,473	565,137
Total Assets and Deferred Outflows of Resources	\$ 289,659,865	\$ 273,545,244

Central Peninsula General Hospital
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Statements of Net Position, continued

		(restated)
<i>June 30,</i>	2022	2021
Liabilities and Net Position		
Current Liabilities		
Accounts and contracts payable	\$ 3,733,424	\$ 2,748,847
Accrued liabilities	8,245,607	11,048,458
Claims payable	3,801,137	3,951,715
Due to third-party payors	3,707,924	1,710,503
Bond interest payable	388,714	466,553
Current portion of bonds payable	7,230,000	7,089,000
Current portion of leases payable	429,634	273,108
Deferred revenue - stimulus funds	258,376	-
Other current liabilities	531,400	100,439
Total Current Liabilities	28,326,216	27,388,623
Long-term Liabilities		
Bonds payable, net of current portion	42,320,000	49,550,000
Premium on bonds payable	2,509,309	3,291,990
Leases payable, net of current portion	1,662,113	775,877
Total Long-term Liabilities	46,491,422	53,617,867
Total Liabilities	74,817,638	81,006,490
Deferred Inflows of Resources		
Lease related	2,310,180	2,241,008
Deferred tax revenue - KPB	14,944	14,282
Total Deferred Inflows of Resources	2,325,124	2,255,290
Total Liabilities & Deferred Inflows of Resources	77,142,762	83,261,780
Net Position		
Net investment in capital assets	52,815,315	56,743,672
Restricted	11,149,566	11,493,412
Unrestricted	148,552,222	122,046,380
Total Net Position	212,517,103	190,283,464
Total Liabilities and Net Position	\$ 289,659,865	\$ 273,545,244

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

		(restated)
<i>Years Ended June 30,</i>	2022	2021
Operating Revenues		
Patient service revenue (net of contractual allowances and charity)	\$ 224,173,984	\$ 195,751,954
Provision for bad debts	(6,853,461)	(9,663,832)
Net patient service revenue less provision for bad debts	217,320,523	186,088,122
Leases revenue	197,238	191,805
Other operating revenues and grants	12,964,603	4,985,547
Total Operating Revenues	230,482,364	191,265,474
Operating Expenses		
Salaries	90,626,406	84,189,283
Employee benefits	25,790,285	26,703,718
Medical supplies	14,101,571	12,412,917
Depreciation and amortization	13,213,350	15,297,104
Other supplies	7,836,869	6,692,664
Other professional fees	21,202,328	8,317,648
Drugs and IV solutions	16,553,333	17,303,338
Repairs and maintenance	7,965,739	7,490,454
Utilities	4,500,075	4,512,721
Physician fees	1,462,968	1,311,809
Insurance	664,731	518,126
Leases and rentals	594,678	595,105
Other	2,458,380	3,040,275
Total Operating Expenses	206,970,713	188,385,162
Income from operations	23,511,651	2,880,312
Nonoperating (Expenses) Revenues		
General property taxes	57,920	58,564
Investment income	73,643	155,664
Lease interest revenue	43,676	47,090
Stimulus funds	-	3,266,642
Interest expense	(1,707,501)	(175,585)
Other revenue (expenses)	254,250	1,787,429
Total Nonoperating Revenues	(1,278,012)	5,139,804
Change in net position	22,233,639	8,020,116
Net Position, beginning of year, as restated	190,283,464	182,263,348
Net Position, end of year	\$ 212,517,103	\$ 190,283,464

See notes to accompanying basic financial statements.

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

Statements of Cash Flows

		(restated)
<i>Years Ended June 30,</i>	2022	2021
Cash Flows from Operating Activities		
Receipts from patients and users	\$ 220,086,442	\$ 178,025,347
Payments to suppliers	(67,912,371)	(66,887,521)
Payments to employees	(119,219,542)	(107,185,798)
Other miscellaneous receipts	1,417,156	1,632,792
Payments from leases	222,746	190,724
Net cash flows from operating activities	34,594,431	5,775,544
Cash Flows from Non-Capital Financing Activities		
Receipts from property taxes	58,673	59,771
Grants and other nonoperating sources	3,759,270	5,612,241
Medicare advances returned related to COVID-19	-	(17,969,774)
Net cash flows from (for) non-capital financing activities	3,817,943	(12,297,762)
Cash Flows for Capital and Related Financing Activities		
Purchase of capital assets	(4,547,507)	(4,448,232)
Principal paid on capital debt	(7,089,000)	(6,806,000)
Payments on leases	(367,791)	(293,637)
Proceeds from bond refinancing	-	(380,000)
Interest paid on capital debt	(2,424,357)	(701,292)
Net cash flows for capital and related financing activities	(14,428,655)	(12,629,161)
Cash Flows from Investing Activities		
Change in assets whose use is limited	(22,654,470)	(11,214,986)
Investment income received	73,643	155,664
Net cash flows from (for) investing activities	(22,580,827)	(11,059,322)
Net increase (decrease) in cash and cash equivalents	1,402,892	(30,210,701)
Cash and Cash Equivalents and Equity in Central Treasury of Borough		
beginning of year	48,659,322	78,870,023
Cash and Cash Equivalents and Equity in Central Treasury of Borough		
end of year	\$ 50,062,214	\$ 48,659,322

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

Statements of Cash Flows, continued

		(restated)
<i>Years Ended June 30,</i>	2022	2021
Reconciliation of Income from Operations to Net		
Cash Flows from Operating Activities		
Income from operations	\$ 23,511,651	\$ 2,880,312
Adjustments to reconcile income from operations to net cash from operating activities:		
Depreciation and amortization expense	13,213,350	15,297,104
Provision for bad debts	6,853,461	9,663,832
Grants included in operating revenue	(3,246,644)	(3,570,068)
Lease interest revenue	43,676	47,090
Changes in assets and liabilities:		
Patient receivables	(6,084,963)	(18,271,912)
Leases receivable	(87,340)	169,142
Other receivables	(10,665)	(679,201)
Prepaid expenses	1,157,861	(987,806)
Inventory	(1,284,658)	(243,496)
Accounts and contracts payable	984,577	(2,695,977)
Accrued liabilities	(2,802,851)	344,212
Claims payable	(150,578)	990,079
Due to third-party payors	1,997,421	5,413
Other current liabilities	430,961	3,017,544
Deferred inflow of resources - lease related	69,172	(190,724)
Total adjustments	11,082,780	2,895,232
Net cash flows from operating activities	\$ 34,594,431	\$ 5,775,544
Supplemental Disclosure of Cash-Flow Information		
Contributed services received	\$ 7,956,864	\$ -
Contributed supplies received	\$ 333,274	\$ -

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, 2022 and 2021

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.

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.

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 \$2,500 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 \$2,500 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 on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. 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

Deferred Loss on Bond Refunding

The Hospital reissued bonds in September 2011 (See Note 6 regarding Long-Term Debt) resulting in a deferred loss on bond refunding. The unamortized balance as of June 30, 2022 and 2021 was \$421,473 and \$565,137, respectively.

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 proprietary fund financial statements.

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 financial statements 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 receivable. 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

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 related debt.

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.

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.

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, 2022 and 2021:

(Unaudited)	2022	2021
Charges Forgone, Based on Established Rates	\$ 7,853,209	\$ 4,252,162
Net Cost of Charity Care Services Provided	\$ 2,994,429	\$ 1,613,270

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>	<u>2022</u>		<u>2021</u>	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposits				
Bank accounts	\$ 45,878,340	\$ 47,230,218	\$ 44,642,699	\$ 44,978,115
Petty cash	4,680	-	4,680	-
Total Deposits	45,883,020	47,230,218	44,647,379	44,978,115
Investments				
Certificates of deposit	500,000	500,000	500,000	500,000
Government bonds	15,446	15,446	35,237	35,237
Mutual funds	1,242,327	1,242,327	356,109	356,109
Total Deposits and Investments	\$ 47,640,793	\$ 48,987,991	\$ 45,538,725	\$ 45,869,461

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

<i>June 30,</i>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 45,883,020	\$ 44,647,379
Assets whose use is limited:		
Investments	1,257,773	336,869
Other reserved funds	500,000	554,477
	\$ 47,640,793	\$ 45,538,725

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 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.

The Hospital holds a \$500,000 certificate of deposit to back a letter-of-credit whose beneficiary is Steadfast Insurance Company. This letter of credit could be exercised by Steadfast Insurance should any unpaid claims for Professional and General Liability occur. The balance of the certificate of deposit was \$500,000 as of June 30, 2022 and 2021.

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>	<i>2022</i>	<i>2021</i>
Current Assets		
Equity in Central Treasury of Borough	\$ 4,179,194	\$ 4,011,943
Assets Whose Use is Limited		
Plant replacement funds	75,303,336	53,895,633
Bond reserves and unspent bond proceeds	9,367,666	8,987,326
	\$ 88,850,196	\$ 66,894,902

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, 2022:

Government bonds of \$15,446 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 \$1,242,327 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 deposits of \$500,000 are not held at fair value, but instead recorded at amortized cost, as of June 30, 2022. Management believes this value approximates fair value.

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

Notes to Basic Financial Statements

5. Capital Assets

A summary of the changes in capital assets during fiscal year 2022 follows:

	Balance July 1, 2021 (restated)	Additions	Deletions	Transfers	Balance June 30, 2022
Land and land improvements	\$ 5,420,257	\$ -	\$ -	\$ -	\$ 5,420,257
Construction in progress	1,789,826	2,530,694	-	(1,757,454)	2,563,066
Total nondepreciable assets	7,210,083	2,530,694	-	(1,757,454)	7,983,323
Buildings	114,559,654	323,516	-	-	114,883,170
Equipment	93,038,962	3,391,722	-	-	96,430,684
Leasehold improvements	400,894	59,029	-	-	459,923
Right-to-use leased buildings	1,316,690	1,410,553	-	-	2,727,243
Total depreciable assets	209,316,200	5,184,820	-	-	214,501,020
Total capital assets	216,526,283	7,715,514	-	(1,757,454)	222,484,343
Less accumulated depreciation and amortization for:					
Land and land improvements	(1,752,444)	(208,253)	-	-	(1,960,697)
Buildings	(47,913,446)	(5,650,833)	-	-	(53,564,279)
Equipment	(51,128,065)	(6,932,147)	-	-	(58,060,212)
Leasehold improvements	(286,523)	(42,964)	-	-	(329,487)
Right-to-use leased buildings	(277,938)	(379,153)	-	-	(657,091)
Total accumulated depreciation and amortization	(101,358,416)	(13,213,350)	-	-	(114,571,766)
Net Capital Assets	\$ 115,167,867	\$ (5,497,836)	\$ -	\$ (1,757,454)	\$ 107,912,577

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

Notes to Basic Financial Statements

A summary of the changes in capital assets during fiscal year 2021 follows:

	Balance July 1, 2020 (restated)	Additions	Deletions	Transfers	Balance June 30, 2021 (restated)
Land and land improvements	\$ 5,371,485	\$ 48,772	\$ -	\$ -	\$ 5,420,257
Construction in progress	2,744,421	2,633,297	-	(3,587,892)	1,789,826
Total nondepreciable assets	8,115,906	2,682,069	-	(3,587,892)	7,210,083
Buildings	112,584,287	1,975,367	-	-	114,559,654
Equipment	90,145,188	3,281,899	(388,125)	-	93,038,962
Leasehold improvements	304,105	96,789	-	-	400,894
Right-to-use leased buildings	1,260,645	56,045	-	-	1,316,690
Total depreciable assets	204,294,225	5,410,100	(388,125)	-	209,316,200
Total capital assets	212,410,131	8,092,169	(388,125)	(3,587,892)	216,526,283
Less accumulated depreciation and accumulated amortization for:					
Land and land improvements	(1,507,512)	(244,932)	-	-	(1,752,444)
Buildings	(42,106,710)	(5,806,736)	-	-	(47,913,446)
Equipment	(42,589,792)	(8,926,398)	388,125	-	(51,128,065)
Leasehold improvements	(245,423)	(41,100)	-	-	(286,523)
Right-to-use leased buildings	-	(277,938)	-	-	(277,938)
Total accumulated depreciation and amortization	(86,449,437)	(15,297,104)	388,125	-	(101,358,416)
Net Capital Assets	\$ 125,960,694	\$ (7,204,935)	\$ -	\$ (3,587,892)	\$ 115,167,867

The following is a summary of the amount of lease assets by major classes of underlying assets for as a result of the implementation of GASB 87.

<i>June 30,</i>	<i>2022</i>	<i>2021</i>
Buildings	\$ 2,727,243	\$ 1,316,690
Less accumulated amortization	(657,091)	(277,938)
Total Lease Assets	\$ 2,070,152	\$ 1,038,752

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

Notes to Basic Financial Statements

6. Long-term Debt

Issuance of New Debt

The Assembly of the Kenai Peninsula Borough authorized the issuance of \$43,000,000 of Central Peninsula General Hospital Service Area Revenue bonds on October 22, 2013. The bond proceeds were used to fund the construction costs of a specialty medical office building. In February 2014, the Borough issued \$32,490,000 of 15-year bonds in two different series with a premium of \$2,509,563. Series one, 2014A Serial bonds are tax-exempt with an average coupon rate of 4.78% and mature in 2029. Series two, the 2014B Serial bonds are taxable with an average coupon rate of 2.22% which matured in 2022.

In June 2015, the Borough issued an additional \$3,200,000 of 8-year 2015A Series A taxable bonds with an average coupon rate of 1.69% which mature in March 2023.

In June 2016, the Borough issued an additional \$3,050,000 of 7-year 2017 Series A taxable bonds with an average coupon rate of 2.43% which mature in April 2023. After this third issuance of bonds, \$4,260,000 remains authorized and unissued. The construction phase of the specialty medical office building was complete prior to issuance of the 2016 bonds. As such, no interest was capitalized from this bond issuance.

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.

2014, 2015, 2016, 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 \$323,553, plus an additional monthly escrow payment of \$173,857 that was added in December 2017 for the 2017 revenue bonds, bringing the total monthly escrow payment to \$497,410. 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 \$2,056,203 in escrow as of June 30, 2022. 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 \$6,368,962 is being held by Bank of New York and will be distributed as the final debt service payment on each issuance. The remaining \$1,223,264 of the debt service reserve account is being held by the Kenai Peninsula Borough out of the Hospital's Plant Replacement and Expansion Fund. The bond reserve and debt service reserve accounts meet the required amounts as of June 30, 2022.

2011-Series Hospital Refunding Bonds

The voters of the Central Peninsula General Hospital Service Area authorized the sale of \$49,900,000 in general obligation (G.O.) bonds on October 7, 2003. The bond proceeds were used to fund the construction costs of the hospital expansion project. The 20-year bonds were issued at a premium on December 18, 2003 with an average coupon rate of 4.86% with payments due semi-annually.

In September 2011, the Borough issued Central Peninsula Hospital Refunding Bonds of \$27,905,000. These bonds were used to retire \$29,615,000 in outstanding debt from the 2003 G.O. bond issuance. The refunding bonds were issued at a premium of \$4,711,814 and after paying issuance costs of

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

Notes to Basic Financial Statements

\$199,549, the present value of the savings on the debt service was \$2,397,813. A deferred loss on the refunding of \$1,754,982 was recognized and is being amortized over the remaining life of the bonds using the straight-line method.

These bonds were refinanced again in June 2021. The Borough issued refunding bonds of \$6,335,000, which were used to retire \$6,715,000 in outstanding debt. The 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.

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

Bonds payable consisted of the following as of June 30:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
2011-Series Hospital Refunding Bonds	\$ 9,450,000	\$ -	\$ 3,115,000	\$ 6,335,000	\$ 3,095,000
2014 Revenue Bonds	19,285,000	-	2,050,000	17,235,000	2,140,000
2015 Revenue Bonds	839,000	-	414,000	425,000	425,000
2016 Revenue Bonds	940,000	-	465,000	475,000	475,000
2017 Revenue Bonds	26,125,000	-	1,045,000	25,080,000	1,095,000
	56,639,000	-	7,089,000	49,550,000	7,230,000
Plus unamortized bond premium	3,291,990	-	782,681	2,509,309	-
Total Bonds Payable	\$ 59,930,990	\$ -	\$ 7,871,681	\$ 52,059,309	\$ 7,230,000

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
2011-Series Hospital Refunding Bonds	\$ 12,790,000	\$ 6,335,000	\$ 9,675,000	\$ 9,450,000	\$ 3,115,000
2014 Revenue Bonds	21,280,000	-	1,995,000	19,285,000	2,050,000
2015 Revenue Bonds	1,245,000	-	406,000	839,000	414,000
2016 Revenue Bonds	1,395,000	-	455,000	940,000	465,000
2017 Revenue Bonds	27,115,000	-	990,000	26,125,000	1,045,000
	63,825,000	6,335,000	13,521,000	56,639,000	7,089,000
Plus unamortized bond premium	3,573,412	592,370	873,792	3,291,990	-
Total Bonds Payable	\$ 67,398,412	\$ 6,927,370	\$14,394,792	\$ 59,930,990	\$ 7,089,000

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The remaining annual requirements to amortize bond debt outstanding as of June 30, 2022, are as follows:

<i>Year Ending June 30:</i>	Principal	Interest	Total
2023	\$ 7,230,000	2,033,026	9,263,026
2024	6,635,000	1,685,788	8,320,788
2025	3,570,000	1,447,038	5,017,038
2026	3,710,000	1,311,163	5,021,163
2027	3,895,000	1,124,038	5,019,038
2028-2032	13,255,000	2,961,288	16,216,288
2033-2037	9,230,000	1,068,478	10,298,478
2038	2,025,000	32,906	2,057,906
Total	\$ 49,550,000	\$ 11,663,725	\$ 61,213,725

7. Functional Expenses

Operating expenses grouped according to function are as follows:

	2022	(restated) 2021
Operating Expenses		
Nursing expenses	\$ 58,269,844	\$ 47,104,638
Other professional services	68,878,252	63,378,056
General services	12,938,016	11,683,709
Administrative and fiscal services	53,671,251	51,213,670
Provision for depreciation and amortization	13,213,350	15,005,089
Total Operating Expenses	\$ 206,970,713	\$ 188,385,162

8. 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 payers 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 settlements have been issued through

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June 30, 2018. As of June 30, 2021, the Hospital had a due to Medicare booked in the amount of \$1,710,503. As of June 30, 2022, the Hospital has a due to Medicare booked in the amount of \$3,707,924 which is being reserved until final settlements of prior year cost reports and the Medicare Demonstration Project Program have been determined.

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, 2022:

	Revenues	Patient Receivables
Commercial	25%	27%
Medicare	41	29
Medicaid	22	16
Self-pay and other	12	28
	100%	100%

Composition of payors of gross patient receivables and revenues is approximated as follows for the years ended June 30, 2021:

	Revenues	Patient Receivables
Commercial	25%	25%
Medicare	42	31
Medicaid	22	19
Self-pay and other	11	25
	100%	100%

9. 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 nonemployer contributing entities. Plan membership for the years ended June 30, 2022 and 2021 consisted of 1,344 and 1,187, 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 years 2021, the Hospital's total contribution for each employee was not to exceed

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Notes to Basic Financial Statements

\$6,294. The Hospital increased its calendar year 2022 maximum contribution for each employee to \$6,527. 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 \$27,000 for employees over the age of fifty, and \$20,500 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, 2022 and 2021 was \$78,236,591 and \$69,814,493, respectively. Total payroll for the years ended June 30, 2022 and 2021 was \$90,151,441 and \$82,961,762, respectively.

Employee contributions to the Plan for the years ended June 30, 2022 and 2021 were \$5,056,775 and \$4,821,557, respectively. Employer contributions were \$2,335,323 and \$2,305,149 for the same periods. Total contributions to the Plan were 9.5% of covered payroll for June 30, 2022 and 10.2% for June 30, 2021.

10. 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.

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, 2022 and 2021 has been recorded based on claims lag reports from the plan administrator.

	2022	2021
Health Insurance Claims Payable , beginning of year	\$ 2,484,332	\$ 1,794,673
Current year claims incurred	17,198,636	17,991,692
Changes in estimates for claims incurred in prior years	(103,164)	(689,659)
Claims and expenses paid	(16,992,308)	(17,991,692)
Health Insurance Claims Payable , end of year	\$ 2,587,496	\$ 2,484,332

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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 March 31, 2022 to estimate its projected claims liabilities as of June 30, 2022. The liability that existed as of June 30, 2022 and 2021 is as follows:

	2022	2021
Malpractice Claims Payable , beginning of year	\$ 1,467,383	\$ 1,812,830
Current year claims incurred	133,355	119,591
Changes in estimates for claims incurred in prior years	(253,742)	(345,447)
Claims and expense paid	(133,355)	(119,591)
Malpractice Claims Payable , end of year	\$ 1,213,641	\$ 1,467,383

11. Leases

Leases payable

The Hospital, as lessee, entered into several multiple-year lease agreements to third parties for various nonfinancial assets. The leases went into effect on or after July 1, 2020. An initial lease liability was recorded in the amount of \$1,260,645 at the beginning of fiscal year 2021. As of June 30, 2022 and 2021, the outstanding balance of the leases was \$2,091,747 and \$1,048,985, respectively. The Hospital is required to make monthly principal and lease payments. The leases have an interest rate of 2%. The value of the right-to-use assets as of June 30, 2022 and 2021 was \$2,727,243 and \$1,316,690, and had accumulated amortization of \$657,091 and \$277,938, respectively.

The future principal and interest lease payments as of June 30, 2022, were as follows:

<i>Year Ending June 30,</i>	Principal	Interest	Total
2023	\$ 429,633	\$ 37,716	\$ 467,349
2024	352,872	29,992	382,864
2025	286,551	23,221	309,772
2026	197,333	18,529	215,862
2027	166,175	14,955	181,130
Thereafter	659,183	28,043	687,226
Total	\$ 2,091,747	\$ 152,456	\$ 2,244,203

Leases receivable

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Notes to Basic Financial Statements

The Hospital leases medical facilities to third parties. The lease terms vary term between three and twenty years, and the Hospital receives payments monthly. At the time of the implementation of GASB 87, there were between 3 and 13 years of the original terms remaining, and the Hospital was receiving aggregate monthly payments of \$37,714. The Hospital recognized \$197,238 and \$191,805 in lease revenue and \$43,676 and \$47,090 in interest revenue for the year ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the Hospital's receivable for lease payments was \$2,349,930 and \$2,262,590, respectively. The Hospital recognized a deferred inflow of resource associated with the lease of \$2,310,180 and \$2,241,008 at June 30, 2022 and 2021, respectively, that will be recognized as revenue over the remainder of the lease term.

The future principal and interest lease receipts as of June 30, 2022, were as follows:

<i>Year Ending June 30,</i>	Principal	Interest	Total
2023	\$ 271,275	\$ 44,823	\$ 316,098
2024	288,816	38,936	327,752
2025	238,653	33,339	271,992
2026	186,915	29,317	216,232
2027	190,688	25,544	216,232
2028-2032	1,012,751	68,407	1,081,158
2033	160,832	1,343	162,175
Total	\$ 2,349,930	\$ 241,709	\$ 2,591,639

12. Restated Net Position - Adoption New Accounting Pronouncements

The Hospital has retroactively implemented GASB Statement Number 87, *Leases* (GASB 87) effective for the Hospital's fiscal year beginning July 1, 2020. There was no impact on the Hospital's net position at July 1, 2020 as a result of adoption of the standard. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

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Notes to Basic Financial Statements

The effects of reporting GASB 87 in the Hospital's financial statements for the year ended June 30, 2021 are as follows:

	As Previously Reported	Effect of Adoption of GASB 87	As Restated
Assets			
Leases receivable	\$ -	\$ 2,262,590	\$ 2,262,590
Capital assets	114,129,115	1,038,752	115,167,867
Total Assets	114,129,115	3,301,342	117,430,457
Liabilities			
Current portion leases payable	-	273,108	273,108
Lease payable	-	775,877	775,877
Total Liabilities	-	1,048,985	1,048,985
Deferred inflows of resources related to leases	-	2,241,008	2,241,008
Net Position	\$ 190,272,115	\$ 11,349	\$ 190,283,464

The notes to the financial statements for the year ended June 30, 2021 have been restated to reflect the adoption of GASB 87.

13. Subsequent Events

There were no subsequent events known as of the date of issuance of this report.

14. COVID-19 Considerations

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally, and Governor Dunleavy issued a public health disaster emergency for the State of Alaska.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on Central Peninsula General Hospital's (CPGH) financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, CPGH estimates the effects of the COVID-19 outbreak on its results of operations, financial condition, and liquidity for fiscal year 2021 totaled \$4.6 million, which was recorded as non-operating revenue in 2021 to offset losses sustained during the fiscal year as a result of the pandemic. During fiscal year 2022, CPGH received supplies and loaned equipment valued at \$333,000 from the State of Alaska - Department of Health and Social Services, Division of Public Health - COVID-19 Emergency Operations Center (DPH-EOC) to aid in COVID-19 treatment and testing. In addition, through a Memorandum of Understanding between the Alaska DPH-EOC and

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the Alaska State Hospital and Nursing Home Association (ASHNHA) on behalf of ASHNHA member organizations, CPGH received temporary staffing assistance to support care for patients during the peak of the pandemic. From October 2021 through mid-March 2022, this agreement provided over 32,000 hours of staffing assistance, made up of contracted registered nurses, respiratory therapists, and certified nursing assistants, valued at approximately \$7.9 million. In all, CPGH recorded \$8.3 million as revenue in fiscal year 2022 to account for this assistance, which was not deemed to be federal financial assistance by the State of Alaska.

The impact of COVID-19 on financial reporting arises from the impacts on business activity, which include, among other possible impacts: lower volumes, lost revenue, increased staffing costs and higher supply expenses.

As of the end of fiscal year 2022, the COVID-19 pandemic's impact on operations is significantly reduced from the previous two years, with minimal impact on hospital volume and ongoing financial assistance primarily limited to COVID-19 testing supplies supplied by the Alaska DPH-EOC.

Although CPGH cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a continued adverse effect on the CPGH's results of future operations, financial position, and liquidity in fiscal year 2023.

15. Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates (effective dates are adjusted for the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance). The following new accounting standards were implemented by the Hospital for 2022 reporting:

GASB Statement No. 87 - Leases - Effective for year-end June 30, 2022. The Hospital implemented this Statement for the current year, with restatements presented for the prior year, as detailed in Note 12.

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period - Effective for year-end June 30, 2022. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The Hospital adjusted its policy for capitalization of interest as a result of implementation.

GASB Statement No. 92 - Omnibus 2020 - Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end June 30, 2022. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments. The Hospital implemented the relevant provisions of this Statement for the current year. There were no significant financial statement impacts of adoption.

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The GASB has issued several new accounting standards with upcoming implementation dates (effective dates adjusted for the issuance of GASB Statement No. 95). 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. 91 - Conduit Debt Obligations - Effective for year-end June 30, 2023. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements - Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements - Effective for year-end June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

GASB Statement No. 99 - Omnibus 2022 - Provisions of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, classification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance. The effective date for the provisions of this Statement related to leases, PPPs, and SBITAs are to be implemented for year-end June 30, 2023. The effective date for the provisions of this Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, are to be implemented for year-end June 30, 2024.

GASB Statement No. 100 - Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62 - Effective for year-end June 30, 2024. Earlier application is encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

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.

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Supplementary Information

Central Peninsula General Hospital
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Schedules of Patient Service Revenues

<i>Years Ended June 30,</i>	2022	2021
Daily Patient Services		
Adults and pediatrics	\$ 53,670,719	\$ 43,793,537
Skilled nursing	13,234,559	12,193,496
Intensive care unit	15,680,457	10,182,876
Total Daily Patient Services	82,585,735	66,169,909
Other Nursing Services		
Operating room	81,428,876	79,305,143
Emergency	62,379,273	49,927,206
Central services and supply	124,641	112,996
Oncology/infusion	6,040,948	5,509,515
Total Other Nursing Services	149,973,738	134,854,860
Other Professional Services		
Imaging	102,118,138	87,600,333
Cardiac Cath/IR Lab	5,273,084	4,142,216
Laboratory	46,976,089	39,067,131
Pathology	5,486,566	1,750,755
Clinic & Other	55,205,311	42,356,887
Pharmacy	34,207,687	32,746,710
Physical therapy	12,016,214	10,235,617
Respiratory therapy	13,785,010	9,590,206
Anesthesia	12,061,191	11,054,543
Intravenous therapy	1,293	109
Chemical dependency	8,027,086	6,033,321
Electro cardiology	189,619	93,232
Total Other Professional Services	295,347,288	244,671,060
Total Patient Service Revenues	527,906,761	445,695,829
Contractual Adjustments		
Medicare	(153,179,341)	(132,485,070)
Medicaid	(70,845,719)	(61,025,089)
Other contractual and self-pay discounts	(71,854,508)	(52,181,554)
Total Contractual Adjustments	(295,879,568)	(245,691,713)
Uncompensated Care		
Charity discounts	(7,853,209)	(4,252,162)
Net Patient Service Revenue	\$ 224,173,984	\$ 195,751,954

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Schedules of Operating Expenses - By Function

Years Ended June 30,	2022			(restated) 2021		
	Salaries	Supplies and Other Expenses	Total	Salaries	Supplies and Other Expenses	Total
Nursing Services						
Emergency	\$ 8,408,915	\$ 1,375,868	\$ 9,784,783	\$ 7,693,917	\$ 789,553	\$ 8,483,470
Adults and pediatrics	10,047,707	6,447,460	16,495,167	9,588,131	1,218,451	10,806,582
Skilled nursing	3,537,705	1,180,039	4,717,744	3,572,640	242,092	3,814,732
Operating room	4,766,322	11,613,941	16,380,263	4,579,446	11,357,153	15,936,599
Intensive care unit	2,634,133	3,164,811	5,798,944	2,290,689	803,113	3,093,802
Oncology / infusion	2,514,574	358,536	2,873,110	2,327,609	233,762	2,561,371
Central services and supply	402,899	734,287	1,137,186	308,748	945,890	1,254,638
Hospitalist program	-	1,082,647	1,082,647	-	1,153,444	1,153,444
Total Nursing Services	32,312,255	25,957,589	58,269,844	30,361,180	16,743,458	47,104,638
Other Professional Services						
Clinic & other	17,925,304	2,222,483	20,147,787	16,027,055	2,233,322	18,260,377
Physical therapy	3,227,794	283,428	3,511,222	3,264,290	269,007	3,533,297
Anesthesiology	4,235,203	318,172	4,553,375	3,806,857	301,687	4,108,544
Imaging	3,456,832	2,372,539	5,829,371	3,406,116	2,294,290	5,700,406
Cardiac Cath/IR Lab	779,465	793,128	1,572,593	830,844	479,973	1,310,817
Laboratory	2,374,244	5,258,549	7,632,793	2,216,210	3,678,524	5,894,734
Pathology	850,729	162,904	1,013,633	512,543	400,189	912,732
Pharmacy	1,631,989	15,745,132	17,377,121	1,471,506	16,739,189	18,210,695
Respiratory therapy	1,269,022	1,617,148	2,886,170	1,004,951	529,004	1,533,955
Chemical dependency	3,136,480	1,191,843	4,328,323	2,693,001	1,216,519	3,909,520
Electro cardiology	21,000	825	21,825	-	1,970	1,970
Intravenous therapy	-	4,039	4,039	-	1,009	1,009
Total Other Professional Services	38,908,062	29,970,190	68,878,252	35,233,373	28,144,683	63,378,056
General Services						
Dietary	1,921,050	1,341,071	3,262,121	1,814,818	1,061,951	2,876,769
Operation of plant	1,701,836	4,709,852	6,411,688	1,710,712	4,061,728	6,064,455
Housekeeping	1,807,928	724,069	2,531,997	1,548,285	602,492	2,150,777
Laundry and linen services	504,567	227,643	732,210	400,328	191,380	591,708
Total General Services	5,935,381	7,002,635	12,938,016	5,474,143	5,917,551	11,683,709
Administrative and Fiscal Services						
Administrative and general	10,734,130	13,082,817	23,816,947	10,307,417	10,266,048	20,573,465
Medical records and library	1,954,192	1,297,941	3,252,133	1,933,061	1,111,040	3,044,101
Nursing administration	782,386	29,500	811,886	880,109	12,277	892,386
Employee benefits	-	25,790,285	25,790,285	-	26,703,718	26,703,718
Total Administrative and Fiscal Services	13,470,708	40,200,543	53,671,251	13,120,587	38,093,083	51,213,670
Depreciation and amortization	-	13,213,350	13,213,350	-	15,297,104	15,005,089
Total Operating Expenses	\$ 90,626,406	\$ 116,344,307	\$ 206,970,713	\$ 84,189,283	\$ 104,195,879	\$ 188,385,162

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

<i>June 30,</i>	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 28,686	\$ 1,120,718
Prepaid expenses	-	3,992
Total Current Assets	28,686	1,124,710
Long-term investments	1,257,773	348,984
Collections - art - held for sale	42,362	42,362
Total Assets	\$ 1,328,821	\$ 1,516,056
Liabilities and Net Assets		
Current Liabilities		
Accounts payable to Central Peninsula General Hospital*	\$ 5,887	\$ 10,003
Total Liabilities	5,887	10,003
Net Assets		
With donor restrictions*	576,675	723,232
Without donor restrictions*	746,259	782,821
Total Net Assets	1,322,934	1,506,053
Total Liabilities and Net Assets	\$ 1,328,821	\$ 1,516,056

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

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 2021)

<i>Years Ended June 30,</i>	With Donor Restrictions	Without Donor Restrictions	Total	
			2022	2021
Revenues, Gains, and Other Support				
Contributions	\$ 112,450	\$ 284,215	\$ 396,665	\$ 630,706
Investment income	(5,668)	(112,018)	(117,686)	79,494
Other	33	14,184	14,217	14,823
Grants			-	-
Net assets released from restrictions	(253,372)	253,372	-	-
Total Revenues, Gains, and Other Support	(146,557)	439,753	293,196	725,023
Expenses				
Program:				
Support to Central Peninsula Hospital:				
Cancer programs	-	3,857	3,857	309
Safe kids program	-	1,173	1,173	1,342
Patient assistance programs	-	4,002	4,002	3,522
RAFT program	-	4,012	4,012	2,793
Serenity house	-	40,784	40,784	37,964
Employee emergency assistance	-	5,000	5,000	2,470
Dr. Isaak scholarship program	-	8,000	8,000	6,000
Heritage place	-	3,867	3,867	3,379
Internal medicine residency project	-	230,488	230,488	119,340
Other programs	-	32,629	32,629	19,255
Total program	-	333,812	333,812	196,374
Fundraising	-	61,664	61,664	68,956
General and administrative	-	80,839	80,839	76,590
Total Expenses	-	476,315	476,315	341,920
Change in Net Assets	(146,557)	(36,562)	(183,119)	383,103
Net Assets, beginning of year	723,232	782,821	1,506,053	1,122,950
Net Assets, end of year	\$ 576,675	\$ 746,259	\$ 1,322,934	\$ 1,506,053

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

Comprehensive Behavioral Health Prevention & Early Intervention Services

DHSS Grant Number 602-207-22001

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2022</i>	Budget	Actual	Variance Positive (Negative)
Revenues			
State of Alaska	\$ 230,761	\$ 230,761	\$ -
Federal passed through the state of Alaska	-	-	-
Total Revenues	\$ 230,761	\$ 230,761	\$ -
Expenses			
Personal services	79,411	79,411	-
Travel	8,130	8,130	-
Facility	3,000	3,000	-
Supplies	18,000	18,000	-
Equipment	5,600	5,600	-
Other costs	116,619	116,619	-
Total Expenses	\$ 230,761	\$ 230,761	\$ -

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

Comprehensive Behavioral Health Prevention & Early Intervention Services

DHSS Grant Number 602-226-22005

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2022</i>	Budget	Actual	Variance Positive (Negative)
Revenue - State of Alaska	\$ 120,848	\$ 120,848	\$ -
Expenses			
Personal services	93,998	93,998	-
Travel	8,000	8,000	-
Supplies	9,800	9,800	-
Equipment	1,925	1,925	-
Other costs	7,125	7,125	-
Total Expenses	\$ 120,848	\$ 120,848	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)
Comprehensive Behavioral Health Treatment & Recovery
DHSS Grant Number 602-208-22017
Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2022</i>	Budget	Actual	Variance Positive (Negative)
Revenue - State of Alaska	\$ 353,734	\$ 353,734	\$ -
Expenses			
Personal services	353,734	353,734	-
Total Expenses	\$ 353,734	\$ 353,734	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)
Comprehensive Behavioral Health Treatment & Recovery
DHSS Grant Number 602-208-22047
Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2022</i>	Budget	Actual	Variance Positive (Negative)
Revenue - State of Alaska	\$ 404,540	\$ 404,540	\$ -
Expenses			
Personal services	404,540	404,540	-
Total Expenses	\$ 404,540	\$ 404,540	\$ -

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

Comprehensive Behavioral Health Prevention & Early Intervention Services

DHSS Grant Number 602-257-22001

Schedule of Revenue and Expenses - Budget and Actual

			Variance Positive (Negative)
<i>Year Ended June 30, 2022</i>	Budget	Actual	
Revenue - Federal passed through the State of Alaska	\$ 308,376	\$ 308,376	\$ -
Expenses			
Personal services	308,376	308,376	-
Total Expenses	\$ 308,376	\$ 308,376	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)
Comprehensive Behavioral Health Treatment & Recovery
DHSS Grant Number 602-208-22018
Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2022</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$ 176,867	\$ 176,867	\$ -
Expenses			
Personal services	176,867	176,867	-
Total Expenses	\$ 176,867	\$ 176,867	\$ -

Central Peninsula General Hospital
(A Component Unit of the Kenai Peninsula Borough)
State Opioid Response: Medication Assisted Treatment
DHSS Grant Number 602-255-22001
Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2022</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$ 222,023	\$ 222,023	\$ -
Expenses			
Personal services	216,847	216,847	-
Supplies	176	176	-
Equipment	3,000	3,000	-
Other costs	2,000	2,000	-
Total Expenses	\$ 222,023	\$ 222,023	\$ -

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

State Opioid Response: Peer Support Services

DHSS Grant Number 602-248-22001

Schedule of Revenue and Expenses - Budget and Actual

<i>Year Ended June 30, 2022</i>	Budget	Actual	Variance Positive (Negative)
Revenue - Federal passed through the State of Alaska	\$ 27,500	\$ 27,500	\$ -
Expenses			
Personal services	27,500	27,500	-
Total Expenses	\$ 27,500	\$ 27,500	\$ -

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

State Opioid Response: Recovery Housing

DHSS Grant Number 602-249-22001

Schedule of Revenue and Expenses - Budget and Actual

			Variance Positive (Negative)
<i>Year Ended June 30, 2022</i>	Budget	Actual	
Revenue - Federal passed through the State of Alaska	\$ 94,000	\$ 94,000	\$ -
Expenses			
Personal services	63,360	63,360	-
Facility	16,150	16,150	-
Supplies	14,490	14,490	-
Total Expenses	\$ 94,000	\$ 94,000	\$ -

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Grant Number	Pass-through Entity Identifying Number	Federal Assistance Listing Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services					
Passed through the State of Alaska					
Department of Health and Social Services:					
COVID-19 - Emergency Grants to Address					
Mental and Substance use Disorders	H79FG000198	602-255-2201	93.665	\$ -	\$ 222,023
Substance Abuse and Mental Health Services					
Projects of Regional and National Significance	B08TI083043-01	602-208-22018	93.959	-	176,867
Medical Assistance Programs:					
State Opioid STR Response - Peer Support Services	H79TI081688	602-248-22001	93.788	-	27,500
State Opioid STR Response - Recovery Housing	H79TI081688	602-249-22001	93.788	-	94,000
State Opioid STR Response - Medication Assisted Treatment	H79FG000198	602-257-22001	93.788	-	308,376
Total Assistance Listing 93.788				-	429,876
Direct -					
COVID-19 - Provider Relief Fund and American Rescue Plan					
Provider Relief Funds			93.498	-	154,979
Total U.S. Department of Health and Human Services				-	983,745
U.S. Department of Transportation					
Passed through the State of Alaska Department of					
Transportation and Public Facilities					
Highway Safety Cluster - National Priority Safety Program					
Alaska Highway Safety Grant 2021	H79fG000198	FY2022	20.616	\$ -	\$ 29,051
Alaska Highway Safety Grant 2020	18X92045BOAK	FY2022	20.616	-	5,886
Total U.S. Department of Transportation				-	34,937
Total Expenditures of Federal Awards				\$ -	\$ 1,018,682

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Central Peninsula General Hospital under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected 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.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Central Peninsula General Hospital has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Schedule of State Financial Assistance
Year Ended June 30, 2022

State Grantor/ Program Title	Award Number	Total Award Amount	Passed Through to Subrecipients	Expenses
Department of Health & Social Services				
Comprehensive Behavioral Health Prevention and Early Intervention Services	602-207-22001	\$ 230,761	\$ -	\$ 230,761
Comprehensive Behavioral Health Prevention and Early Intervention Services	602-226-22005	120,848	-	120,848
* Comprehensive Behavioral Health Treatment and Recovery Program	602-208-22017	353,734	-	353,734
* Comprehensive Behavioral Health Treatment and Recovery Program	602-208-22047	404,540	-	404,540
Total Department of Health & Social Services			-	1,109,883
Total State Financial Assistance			\$ -	\$ 1,109,883

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, 2021. 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.

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 the Central Peninsula General Hospital (the Hospital), a component unit of Kenai Peninsula Borough, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Central Peninsula General Hospital's basic financial statements, and have issued our report thereon dated January 23, 2022.

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) 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be significant deficiencies.

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*.

Central Peninsula General Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, LLP

Anchorage, Alaska
January 23, 2022



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3601 C Street, Suite 600
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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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 Federal Program

Opinion on Each Major Federal Program

We have audited Central Peninsula General Hospital's (the Hospital's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended June 30, 2022. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal 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, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

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 Uniform Guidance 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 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 federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 Uniform Guidance, 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Hospital is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Hospital's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-02 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Hospital is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Hospital's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
January 23, 2022



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3601 C Street, Suite 600
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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 for State Single Audits* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended June 30, 2022. The Hospital's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of 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, 2022.

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; and the audit requirements of *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Our responsibilities under those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* 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. Our audit does not provide a legal determination of the Hospital's compliance with the types of 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.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of 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 and Compliance Supplement for State Single Audits* 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 the state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 types of 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 and Compliance Supplement for State Single Audits*, 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 state 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 state 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 state 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 have not been 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 and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
January 23, 2022

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

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? X yes (none reported)

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

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

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? X yes no

Identification of major federal programs:

<i>Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>
93.665	Emergency Grants to Address Mental Health & Substance Abuse Disorders During COVID19

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

State Financial Assistance

Internal control over state major programs:

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

Type of auditor's report issued on compliance for state major programs: Unmodified

Dollar threshold used to distinguish a state major program: \$ 750,000

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards

Finding 2022-001 General Ledger Reconciliation and External Financial Reporting - Internal Control Over Financial Reporting - Significant Deficiency

Criteria *Government Accounting Standards* states management is responsible for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently; economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent or detect and correct misstatements on a timely basis.

Condition Certain accounts of the Hospital were not adjusted within the normal close process schedule followed in prior years. The Hospital staff required additional time to process adjustments to cash, leases, accruals and contributed services. During the audit, we also identified adjustments for inventory and leases.

Cause The Hospital did not receive information from the State of Alaska regarding contributed services and supplies until late in the financial reporting process. In addition, the Hospital did not have the technical resources in place to ensure the adoption of the GASB 87, *Leases*, was evaluated prior to fiscal year end. Certain transactions related to cash were not reconciled timely because of employee turnover.

Effect or Potential Effect Adjustments were made to correct year-end balances for proper reporting in accordance with GAAP. Release of the financial statements was delayed.

Recommendation The Hospital should evaluate resources to ensure there is capacity to address changes related to staff turnover or adoption of new accounting standards. Specifically, the Hospital could consider developing an end-of-the-year checklist to ensure closing adjustments are made in a timely manner.

Views of Responsible Officials Management concurs with the finding. Management will implement a more thorough review process and improvements to the year-end close and audit preparation process. Management will identify the more complex financial statement accounts and areas and will implement additional levels of internal review.

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs
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2022-002 - Allowable Costs - Noncompliance and Significant Deficiency in Internal Control over Compliance

Federal Agency: Department of Health and Human Services

Program Name: Emergency Grants to Address Mental and Substance Use Disorders During Covid-19

Award Number: 602-255-22001 *Assistance Listing Number:* 93.665

Criteria: Uniform Guidance requires nonfederal entities to establish and maintain effective internal controls over the Allowable Costs requirement for federal awards.

Condition: CPGH manually tracks the hours charged to grant program and calculates reported expenses based on approved pay rates by the accounting department. After initial communication of the rates there is no control in place verify the rate being charged to the program is accurate based on employee records. Central Peninsula General Hospital did not accurately charge the salary of an employee to the program based on that employee's approved rates.

Cause: Sufficient controls were not in place to ensure salary expenses were being charged to the program accurately.

Effect or potential effect: Unallowable costs were charged to the program.

Questioned costs: None identified.

Context: During our testwork over Allowable Expenditures we noted a difference between the approved pay rate of one employee and what was being used to calculate what to charge to the grant.

Identification as a repeat finding: Not applicable, not a repeat finding.

Recommendation: We recommend Central Peninsula General Hospital design and implement internal control procedures to ensure compliance with the allowable costs requirements are met.

Views of Responsible Officials and Corrective Action: Management concurs with the finding. Central Peninsula General Hospital has taken corrective action for the audit finding.

Section IV - State Award Findings and Questioned Costs

There were no findings and 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.

Corrective Action Plan Year Ended June 30, 2022

Finding 2022-001: General Ledger Reconciliation and External Financial Reporting –
Internal Control over Financial Reporting –
Significant Deficiency

Planned Corrective Action Plan: Existing resources have been evaluated and realigned to ensure timeliness of account reconciliation, with a greater emphasis on those accounts identified as particularly complex. A delegation plan has been implemented to review financial activity in these areas on a regular and ongoing basis.

Completion Date: Already implemented.

Finding 2022-002: Allowable Costs – Noncompliance and Significant Deficiency in
Internal Control over Compliance

Program: Emergency Grants to Address Mental and Substance Use Disorders During Covid-19, *Assistance Listing Number: 93.665*

Planned Corrective Action Plan: To eliminate human error due to manual keying, we are now running a canned report out of the payroll system which displays employee name, employee number, and current pay rate in an Excel file.
This report is emailed to the Behavioral Health supervisor who prepares the payroll portion for each grant.

Completion Date: Already implemented.

Contact: Nicki McKinney, Controller (nmckinney@cpgh.org)



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Independent Auditor's Report on Compliance with Bond Covenants Based on the Audit of the Financial Statements

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

Report on Compliance with Bond Covenants Based on the Audit of the Financial Statements

We have audited the accompanying financial statements of the Central Peninsula General Hospital (the "Hospital"), a component unit of the Kenai Peninsula Borough, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents and have issued our report thereon dated January 23, 2023.

Other Reporting Matters

In connection with our audit, nothing came to our attention that caused us to believe that the Central Peninsula General Hospital failed to comply with the terms, covenants, provisions, or conditions of the following sections of Resolution 2013-072 (amended by Resolution 2014-008) from the Kenai Peninsula Borough relating to the Central Kenai Peninsula Hospital Service Area Specialty Clinic Building Revenue Bonds, 2014 Series A and Series B, 2015 Series A and 2017 Series A and General Obligation Bonds, 2017 Series Three. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

BDO USA, LLP

Anchorage, Alaska
January 23, 2023