

# Central Peninsula General Hospital

## Presentation of Financial Information June 30, 2016

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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 Financial Statements**

We have audited the accompanying financial statements of Central Peninsula General Hospital (the "Hospital"), a component unit of the Kenai Peninsula Borough, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Peninsula General Hospital, as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-13 be presented to supplement the basic financial statements. Such information, 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 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Peninsula General Hospital's basic financial statements. The supplemental schedules of patient service revenues, schedules of operating expenses - by function, schedules of revenue and expenses - budget and actual, and the schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of state financial assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

The supplementary 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

# Central Peninsula General Hospital

## Summarized Changes in Statement of Net Position

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June 30,	2016	2015	Change
<b>Current Assets</b>			
Cash and cash equivalents	37,048,762	37,638,411	(589,649)
Net patient receivables	29,632,663	28,180,281	1,452,382
Other current assets	8,650,047	7,386,362	1,263,685
<b>Total Current Assets</b>	<b>75,331,472</b>	<b>73,205,054</b>	<b>2,126,418</b>
<b>Total Assets Whose Use is Limited</b>	<b>42,959,673</b>	<b>42,376,472</b>	<b>583,201</b>
<b>Total Property, Plant and Equipment, Net</b>	<b>109,253,168</b>	<b>93,151,047</b>	<b>16,102,121</b>
<b>Total Deferred Outflows of Resources</b>	<b>2,832,747</b>	<b>3,376,248</b>	<b>(543,501)</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 230,377,060</b>	<b>\$ 212,108,821</b>	<b>\$ 18,268,239</b>
<b>Total Current Liabilities</b>	<b>19,952,038</b>	<b>23,153,401</b>	<b>(3,201,363)</b>
Bonds payable, net of current portion	53,012,000	54,985,000	(1,973,000)
Capital leases, net of current portion	-	33,180	(33,180)
Premium on bonds payable	4,965,998	5,525,954	(559,956)
<b>Total Long-term Liabilities</b>	<b>57,977,998</b>	<b>60,544,134</b>	<b>(2,566,136)</b>
<b>Total Liabilities</b>	<b>77,930,036</b>	<b>83,697,535</b>	<b>(5,767,499)</b>
<b>Total Net Position</b>	<b>152,447,024</b>	<b>128,411,286</b>	<b>24,035,738</b>

# Central Peninsula General Hospital

## Summarized Revenues, Expenses and Changes in Net Position

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For the Years Ended June 30,	2016	2015	Change
Total Operating Revenues	159,917,130	144,009,565	15,907,565
Total Operating Expenses	135,304,629	125,539,399	9,765,230
Income from operations	24,612,501	18,470,166	6,142,335
Total Non-Operating Revenues (Expenses)	(1,185,927)	(1,300,456)	114,529
Income before contributions	23,426,574	17,169,710	6,256,864
Capital contributions	609,164	7,260	601,904
Change in net position	24,035,738	17,176,970	6,858,768
Net Position, beginning of year	128,411,286	111,234,316	
Net Position, end of year	\$ 152,447,024	\$ 128,411,286	

Interest expense up  
\$225K and Investment  
income is up \$305K



# Central Peninsula General Hospital

## Cash flows from Operating Activities

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For the Years Ended June 30,

2016

2015

### Reconciliation of Income from Operations to Net

#### Cash Flows from Operating Activities

Income from operations	\$ 24,612,501	\$ 18,470,166
Adjustments to reconcile income from operations to net cash from operating activities:		
Depreciation expense	10,152,657	8,471,959
Provision for bad debts	9,937,048	12,811,570
Changes in assets and liabilities:		
Patient receivables	(11,389,430)	(17,470,558)
Other receivables	(39,195)	430,202
Inventory	(667,282)	(681,205)
Prepaid expenses	(558,043)	145,793
Accounts and contracts payable	(4,243,140)	3,589,013
Accrued liabilities	447,765	763,754
Claims payable	897,756	63,529
Due to third party payors	(702,751)	61,380
Other current liabilities	3,738	6,519
Total adjustments	3,839,123	8,191,956
Net cash flows from operating activities	\$ 28,451,624	\$ 26,662,122

# Central Peninsula General Hospital

## Cash Flows, continued

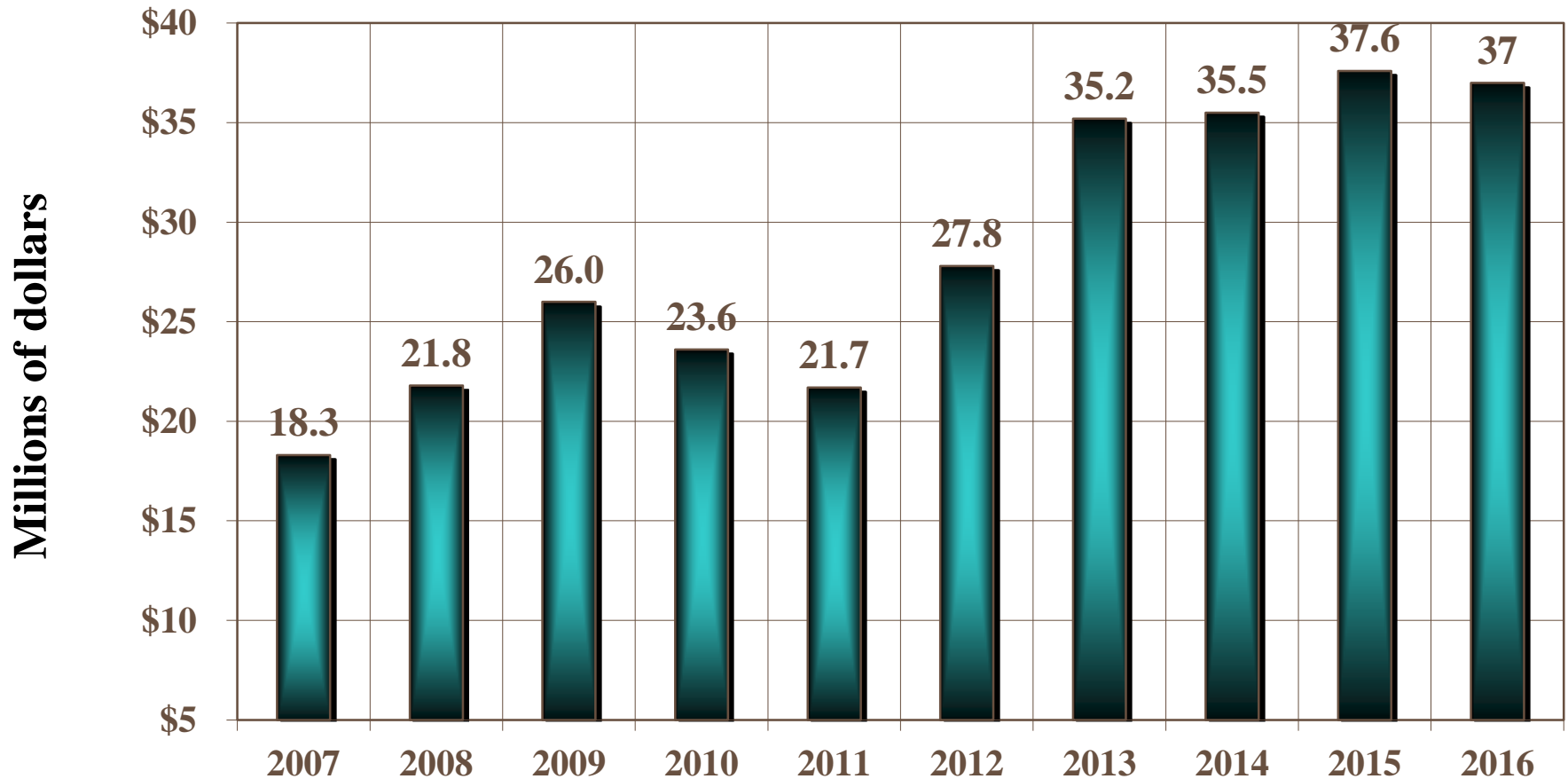
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For the Years Ended June 30,

	2016	2015
<b>Cash Flows from Non-Capital Financing Activities</b>		
Receipts from property taxes	54,014	50,023
Grants and other non-operating sources	(37,120)	(90,132)
<b>Net cash flows (for) from non-capital financing activities</b>	<b>16,894</b>	<b>(40,109)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(26,416,840)	(30,257,276)
Proceeds from issuance of bonds	3,050,000	3,177,132
Principal paid on capital debt	(4,636,269)	(4,099,542)
Capital contributions from grants	609,164	7,260
Interest paid on capital debt	(1,634,277)	(1,443,136)
<b>Net cash flows for capital and related financing activities</b>	<b>(29,028,222)</b>	<b>(32,615,562)</b>
<b>Cash Flows from Investing Activities</b>		
Change in assets whose use is limited	(583,201)	10,040,267
Investment income received	553,256	248,205
Acquisition of a business	-	(2,164,955)
<b>Net cash flows from (for) investing activities</b>	<b>(29,945)</b>	<b>8,123,517</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(589,649)</b>	<b>2,129,968</b>
<b>Cash and Cash Equivalents and Equity in Central Treasury, beginning of year</b>	<b>37,638,411</b>	<b>35,508,443</b>
<b>Cash and Cash Equivalents and Equity in Central Treasury, end of year</b>	<b>\$ 37,048,762</b>	<b>\$ 37,638,411</b>

# Central Peninsula General Hospital

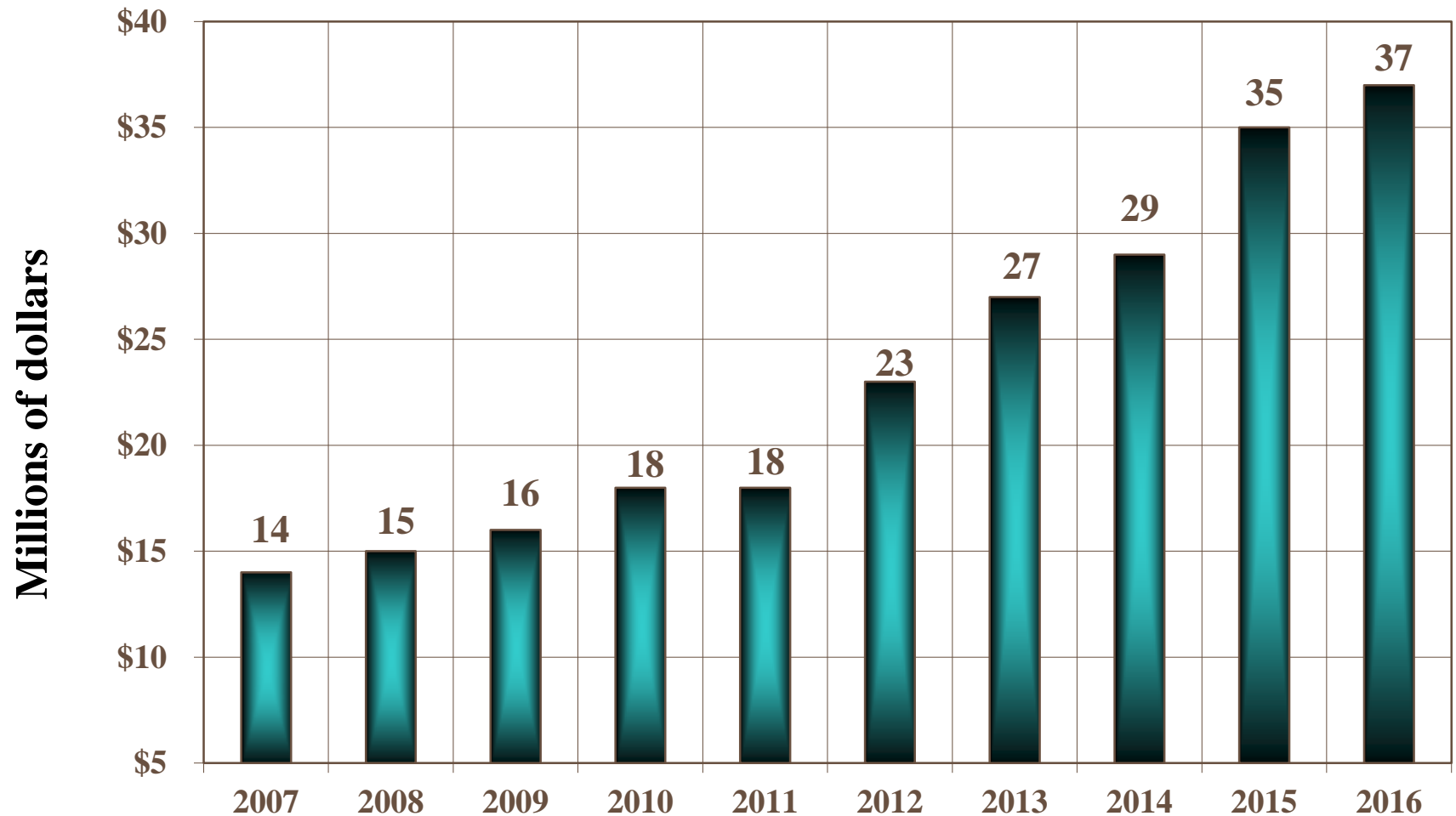
## *Operating Cash and Investments*





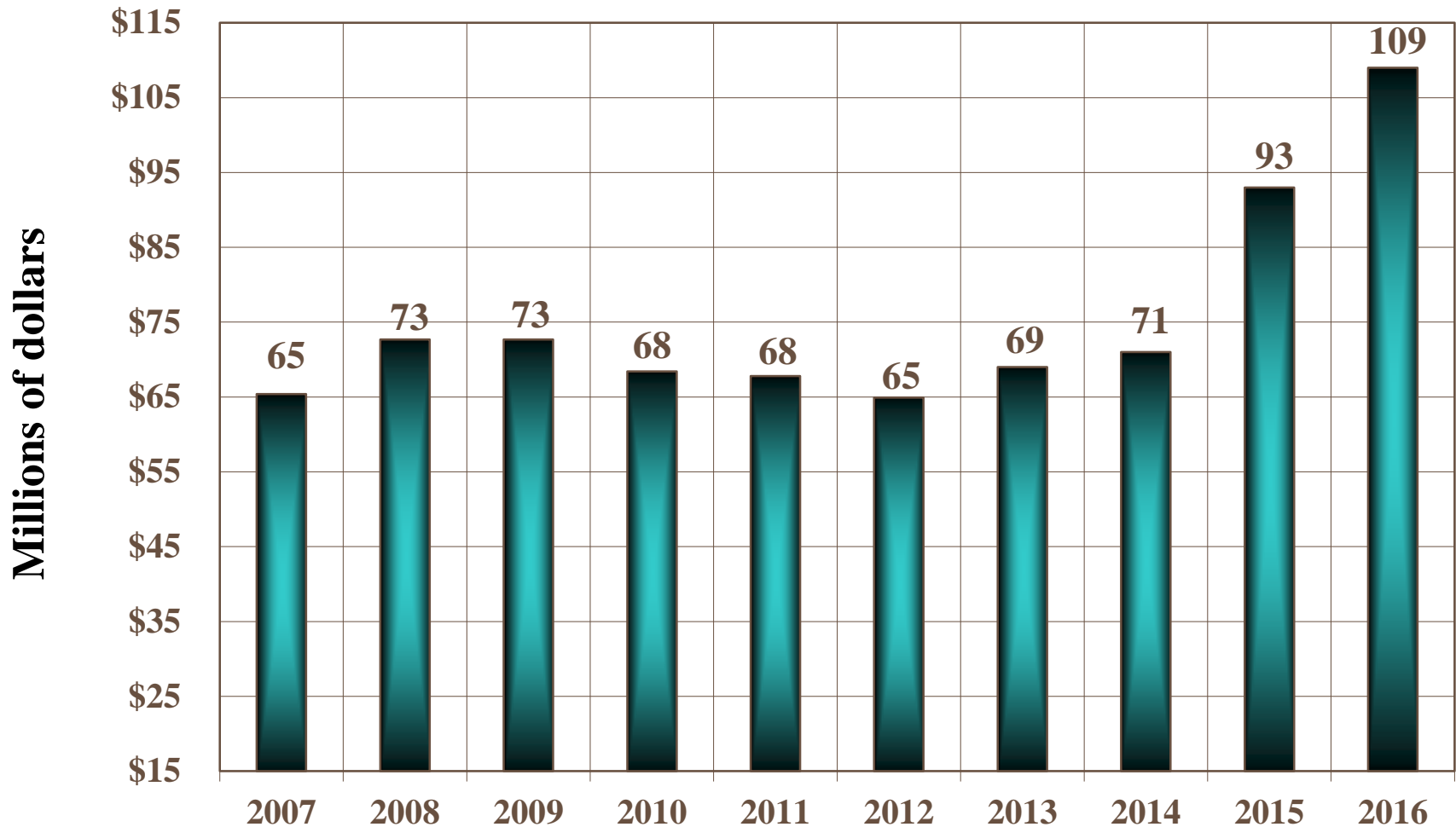
# Central Peninsula General Hospital

## *Patient Receivables*



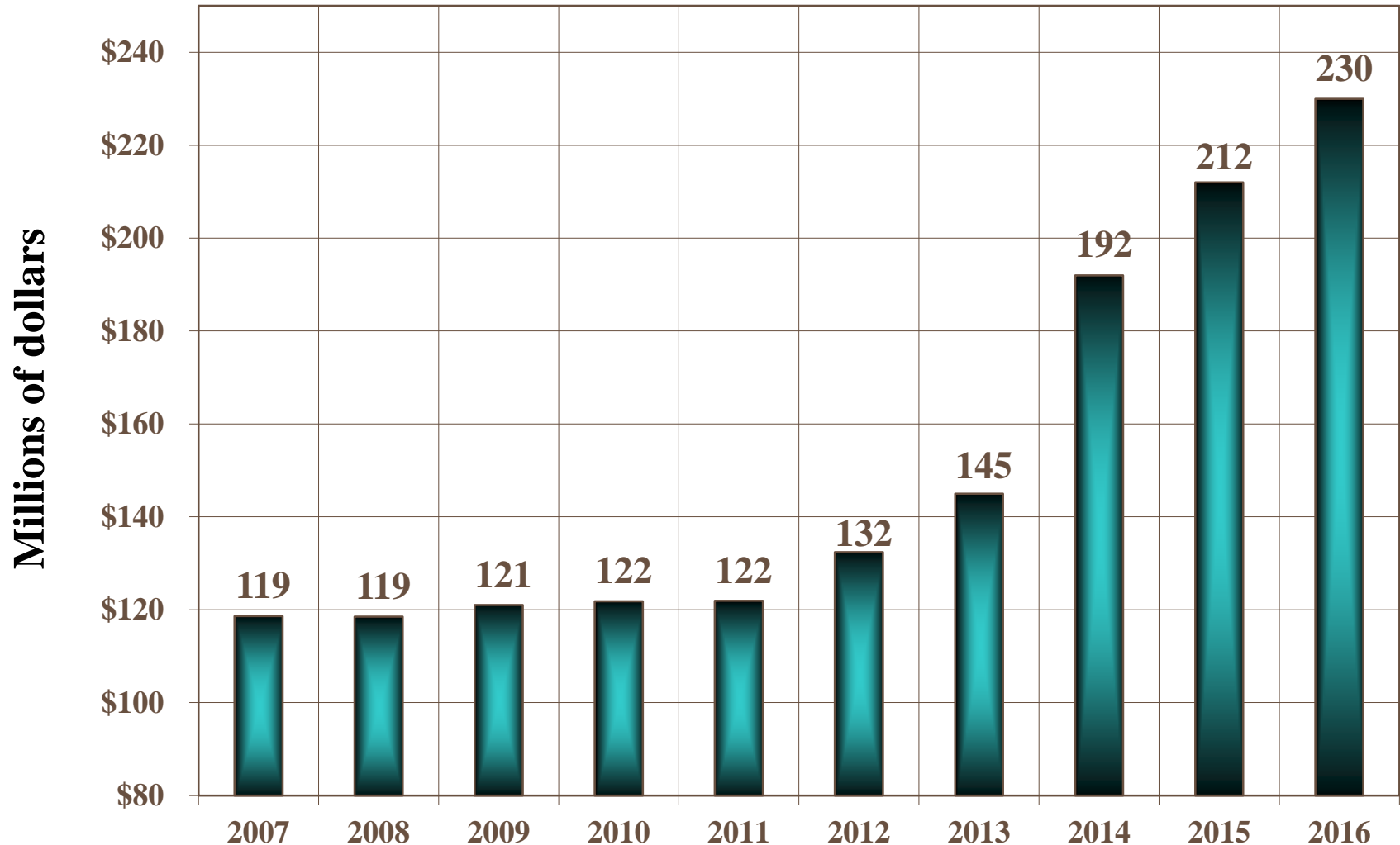
# Central Peninsula General Hospital

## *Property, Plant & Equipment, net*



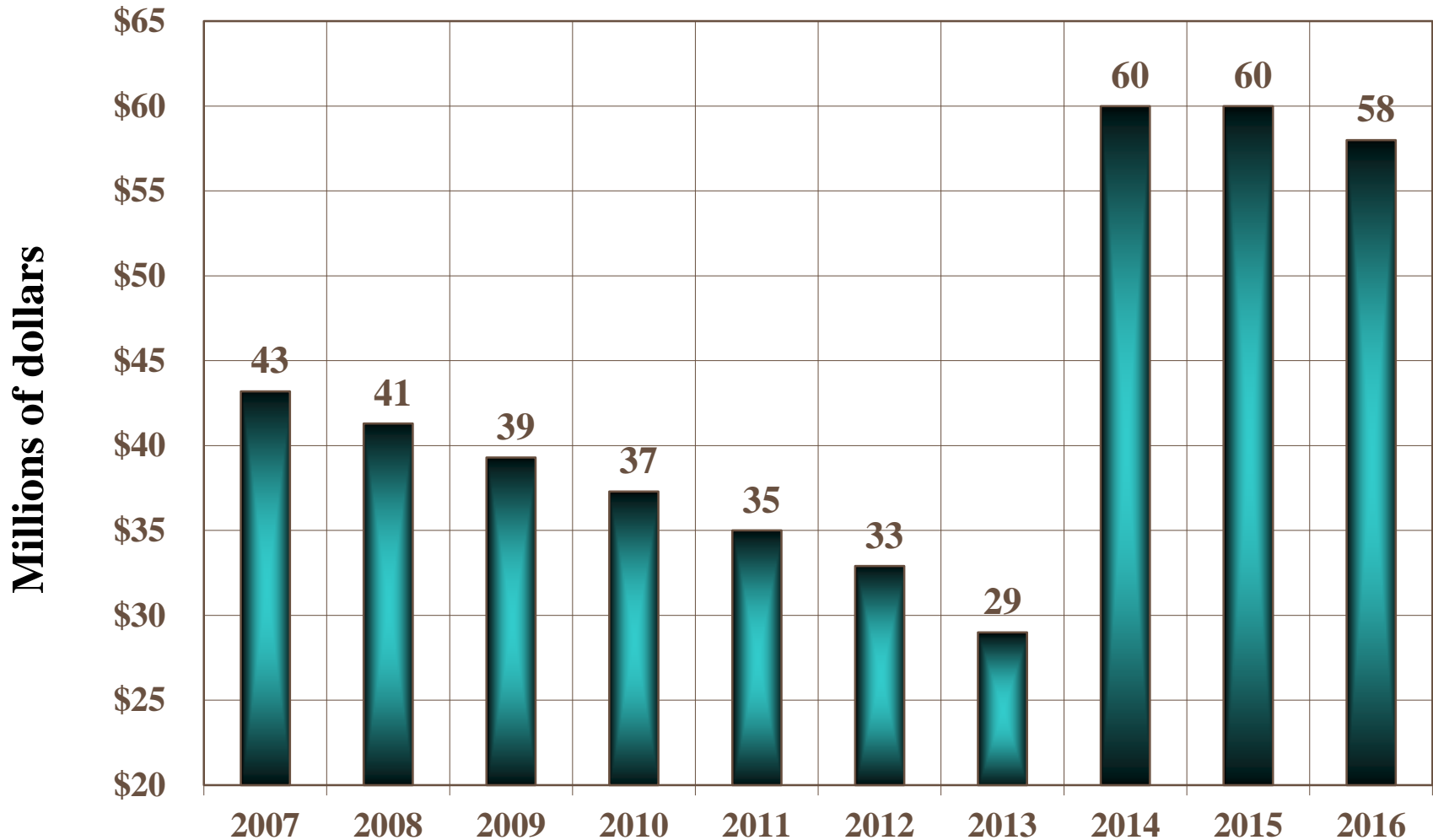
# Central Peninsula General Hospital

## *Total Assets (and deferred outflows)*



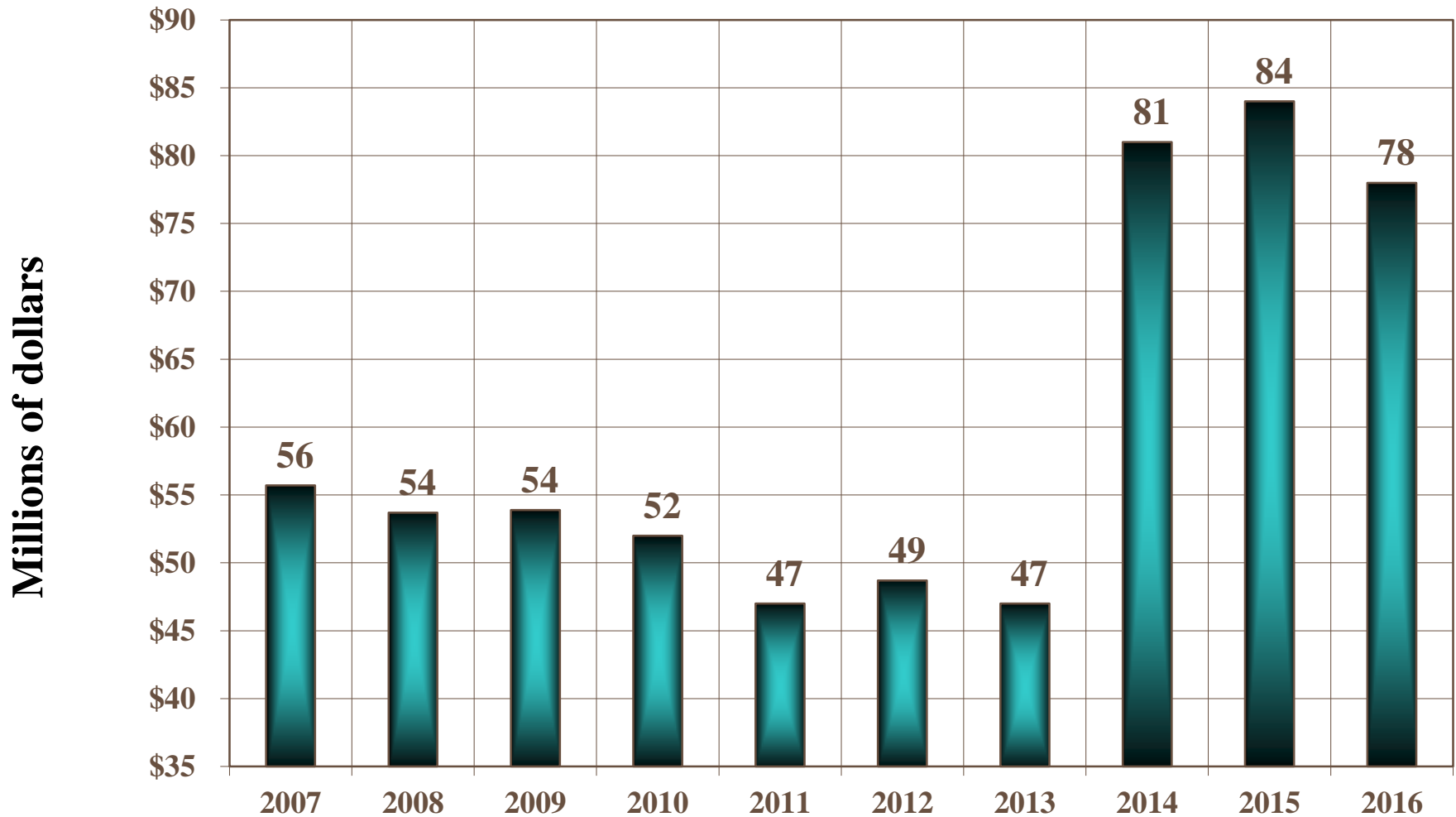
# Central Peninsula General Hospital

## *Bonds Payable*



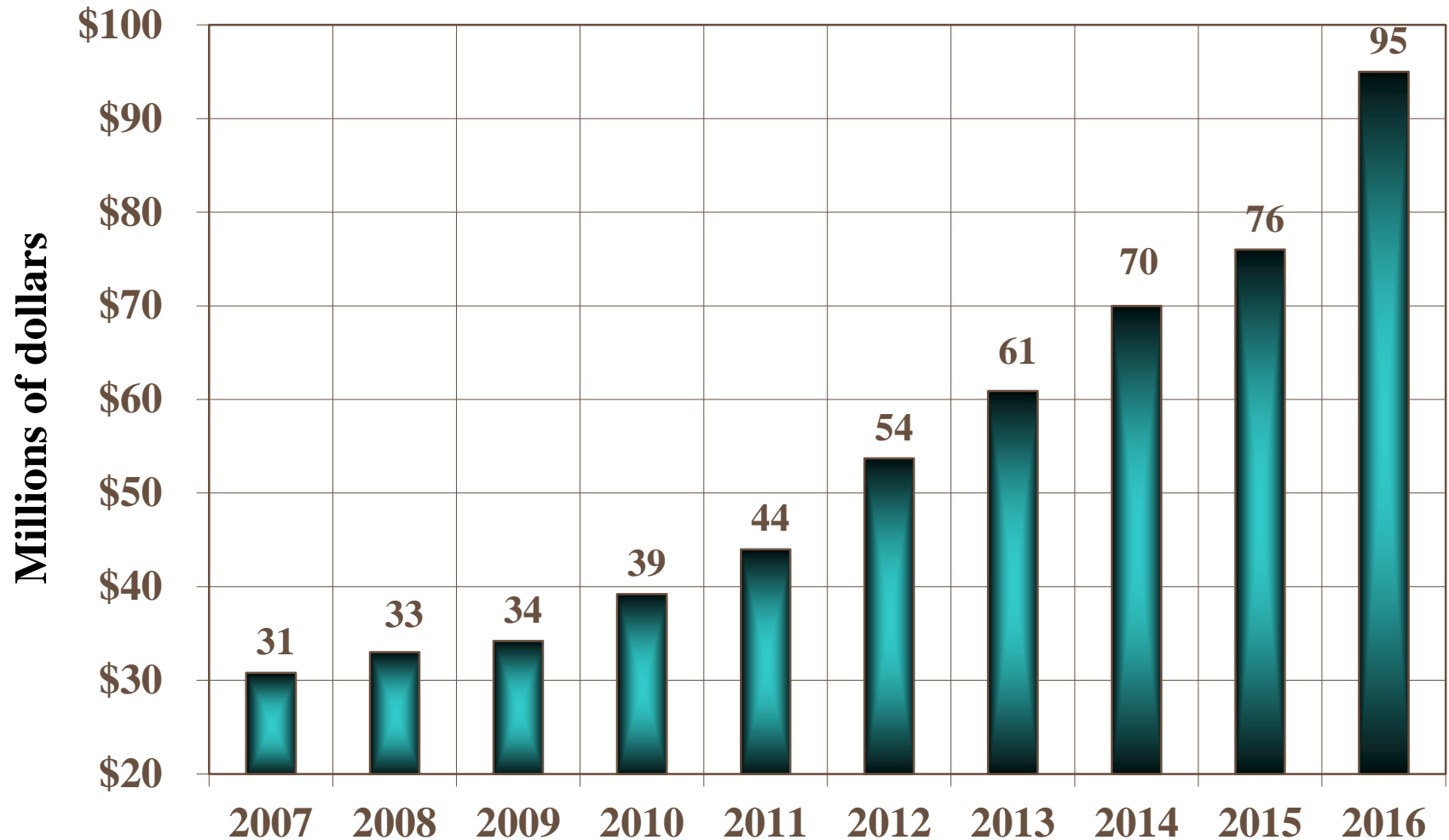
# Central Peninsula General Hospital

## *Total Liabilities*



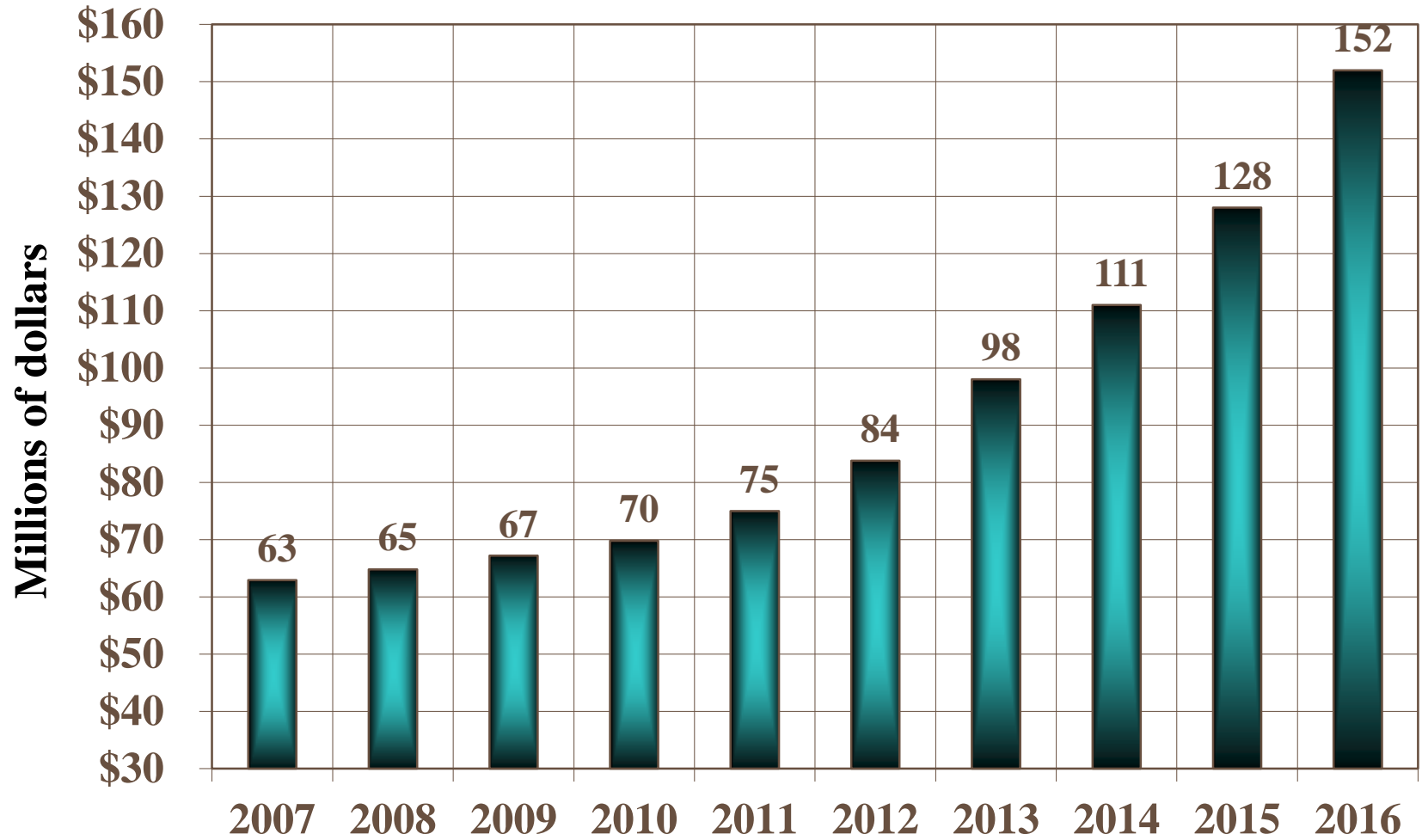
# Central Peninsula General Hospital

## *Unrestricted Net Position*



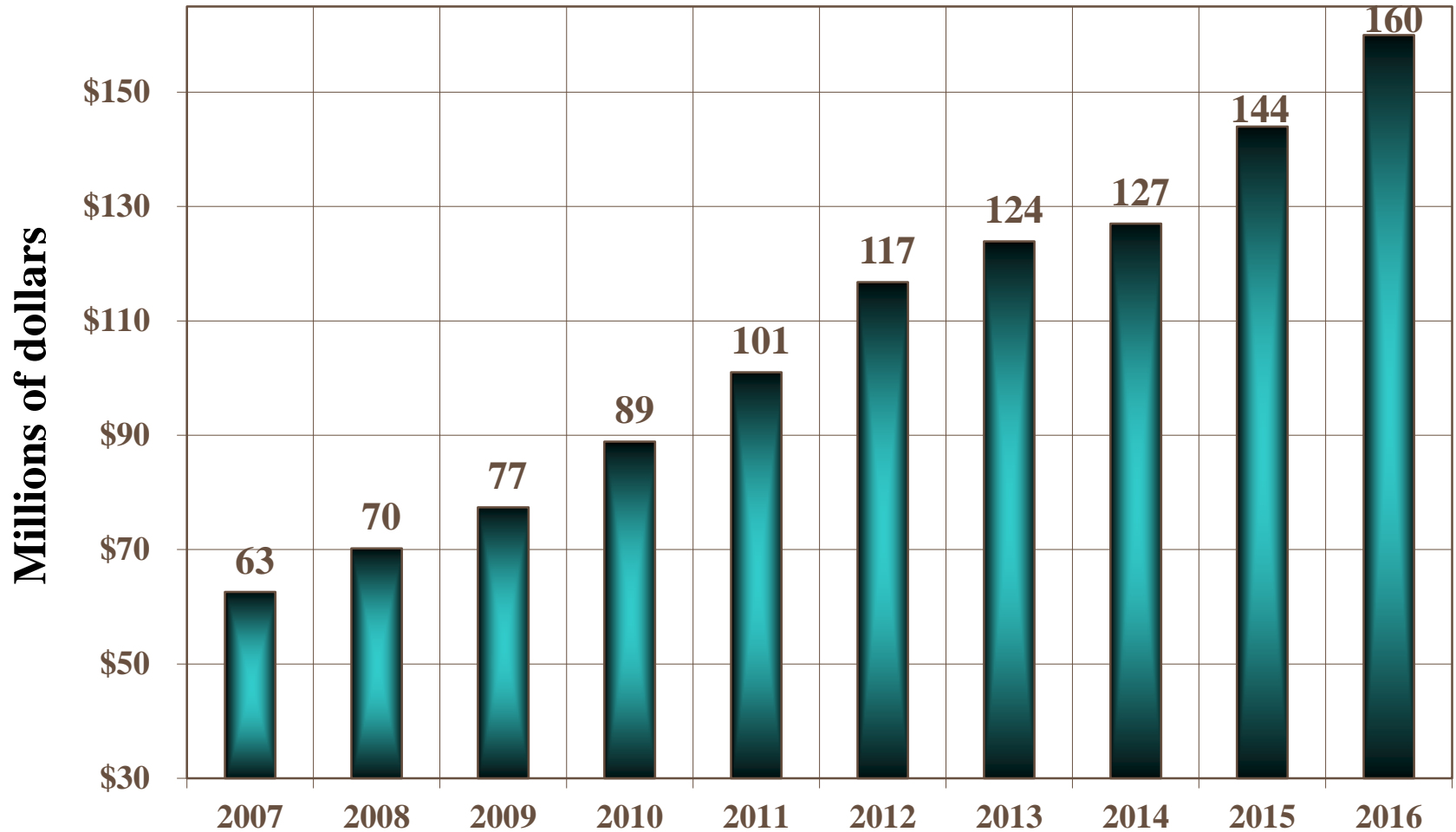
# Central Peninsula General Hospital

## *Total Net Position*



# Central Peninsula General Hospital

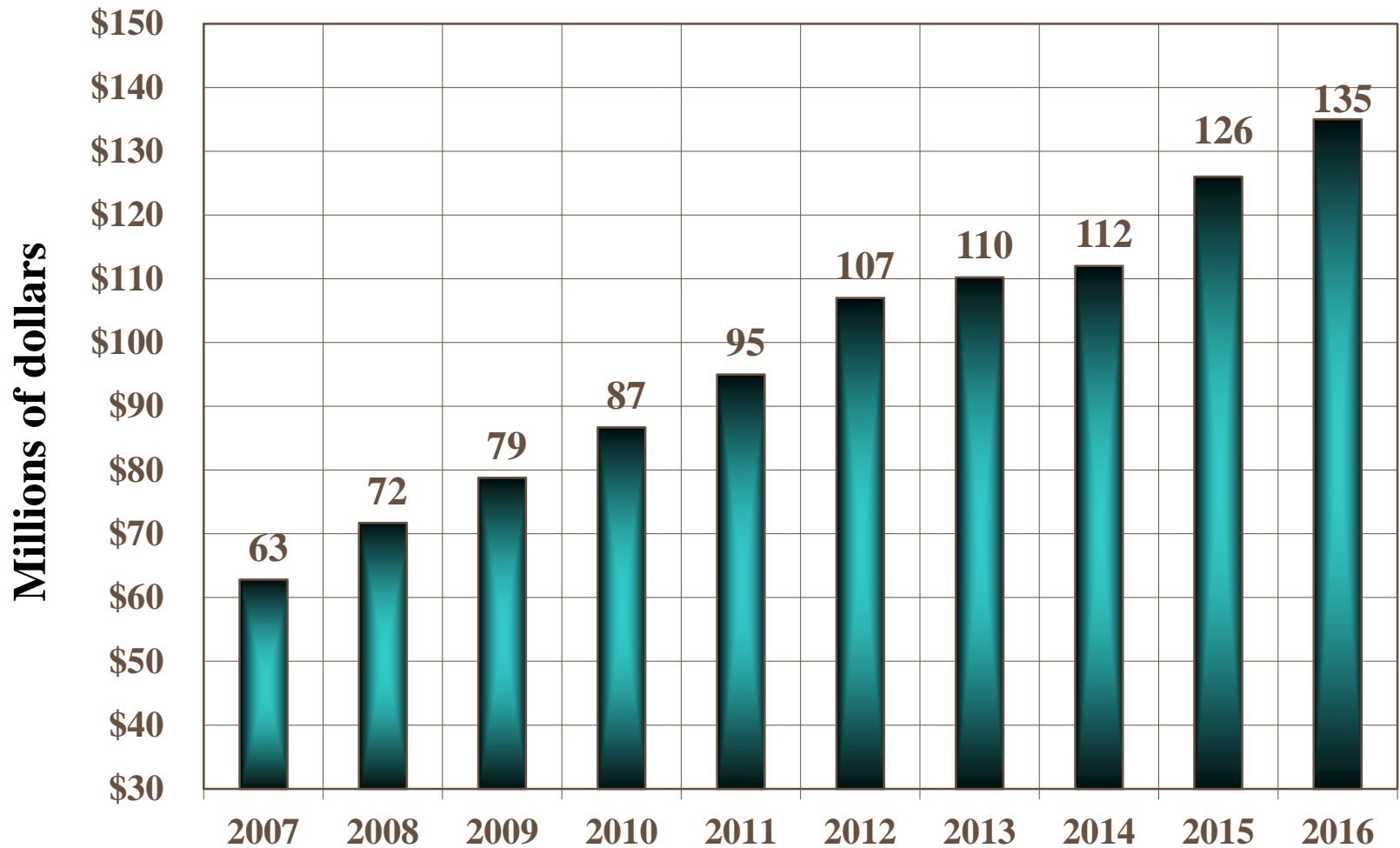
## *Total Operating Revenues*





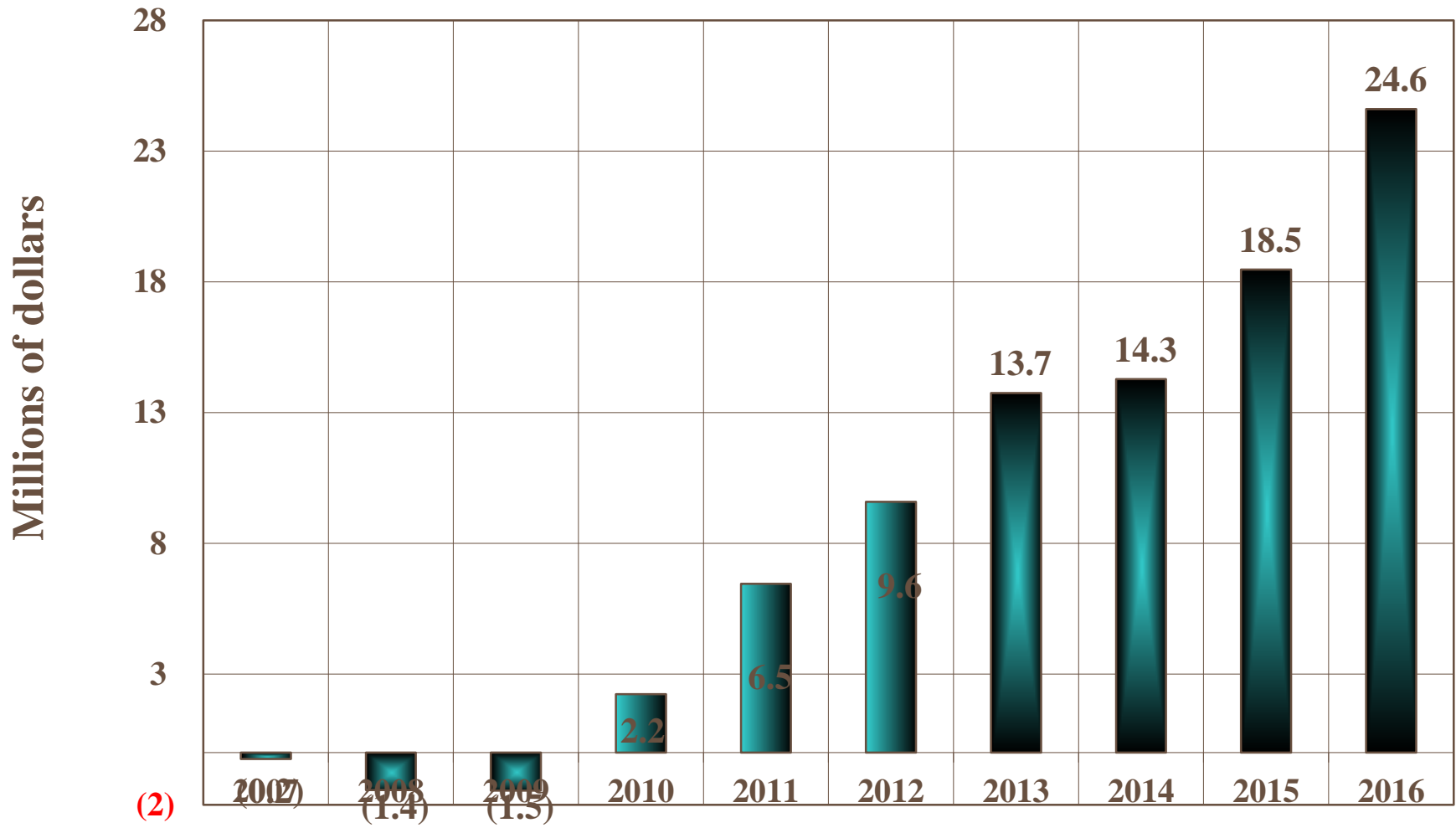
# Central Peninsula General Hospital

## *Total Operating Expenses*



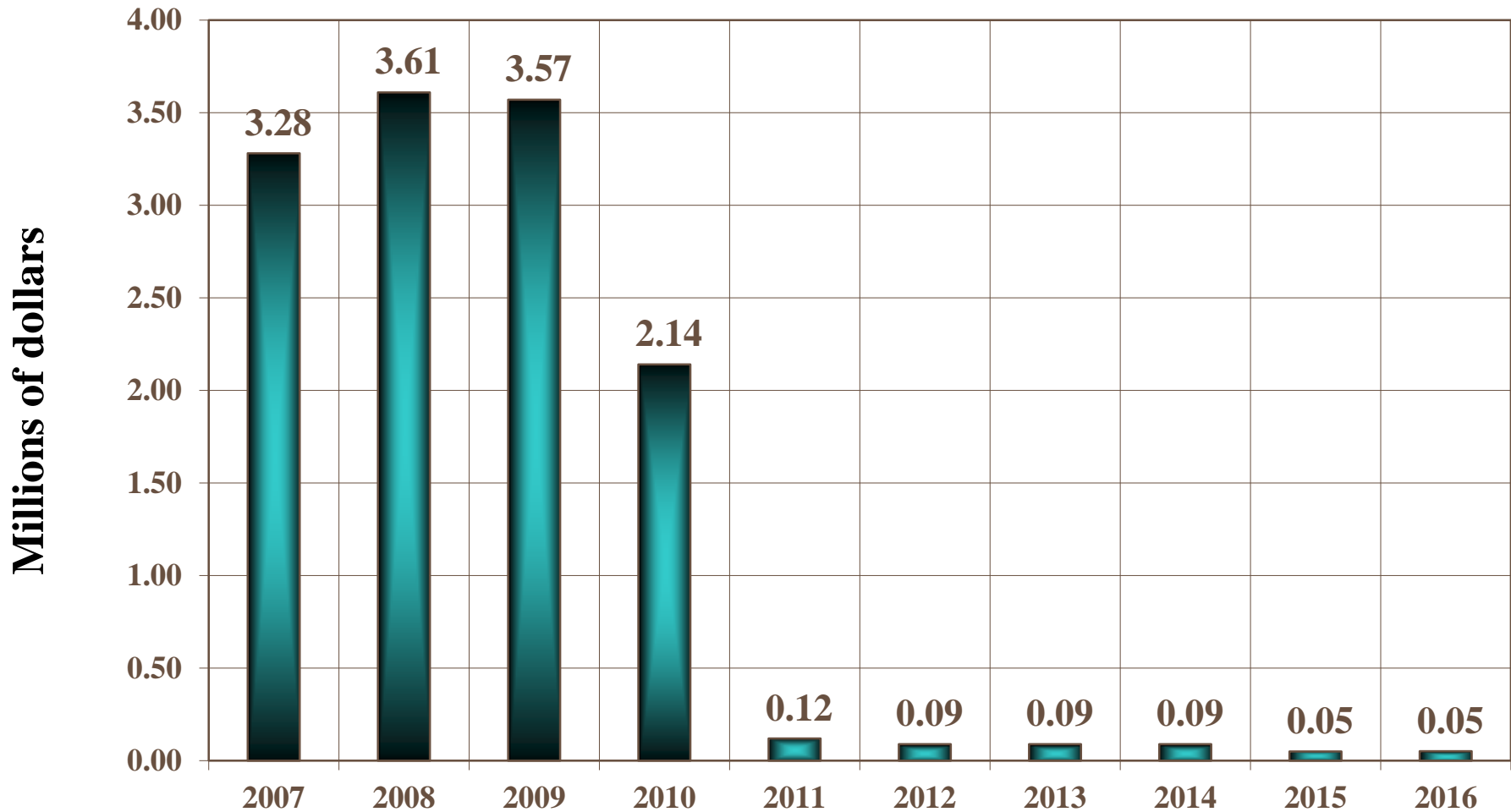
# Central Peninsula General Hospital

## *Income (loss) from Operations*



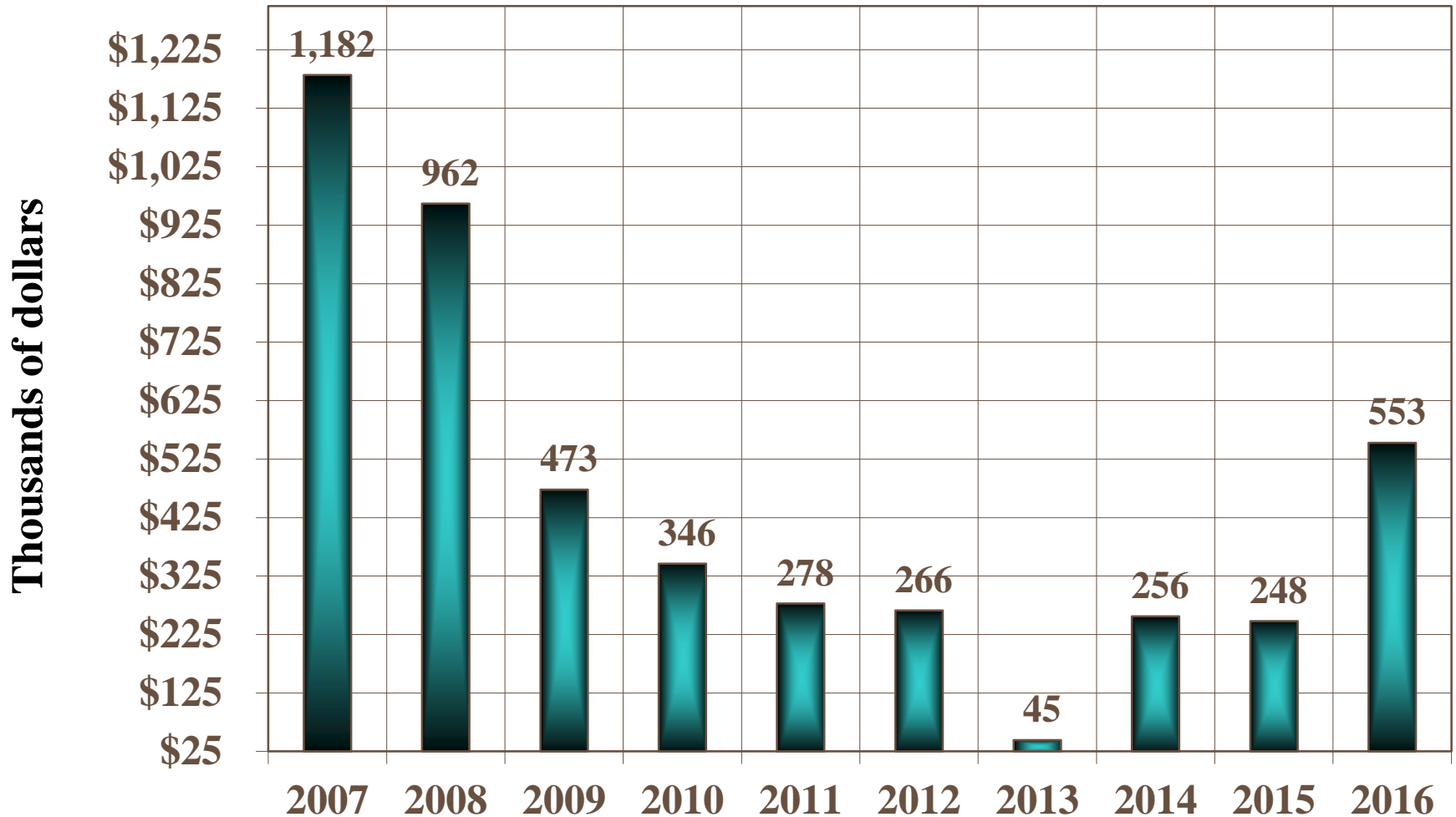
# Central Peninsula General Hospital

## *General Property Tax*



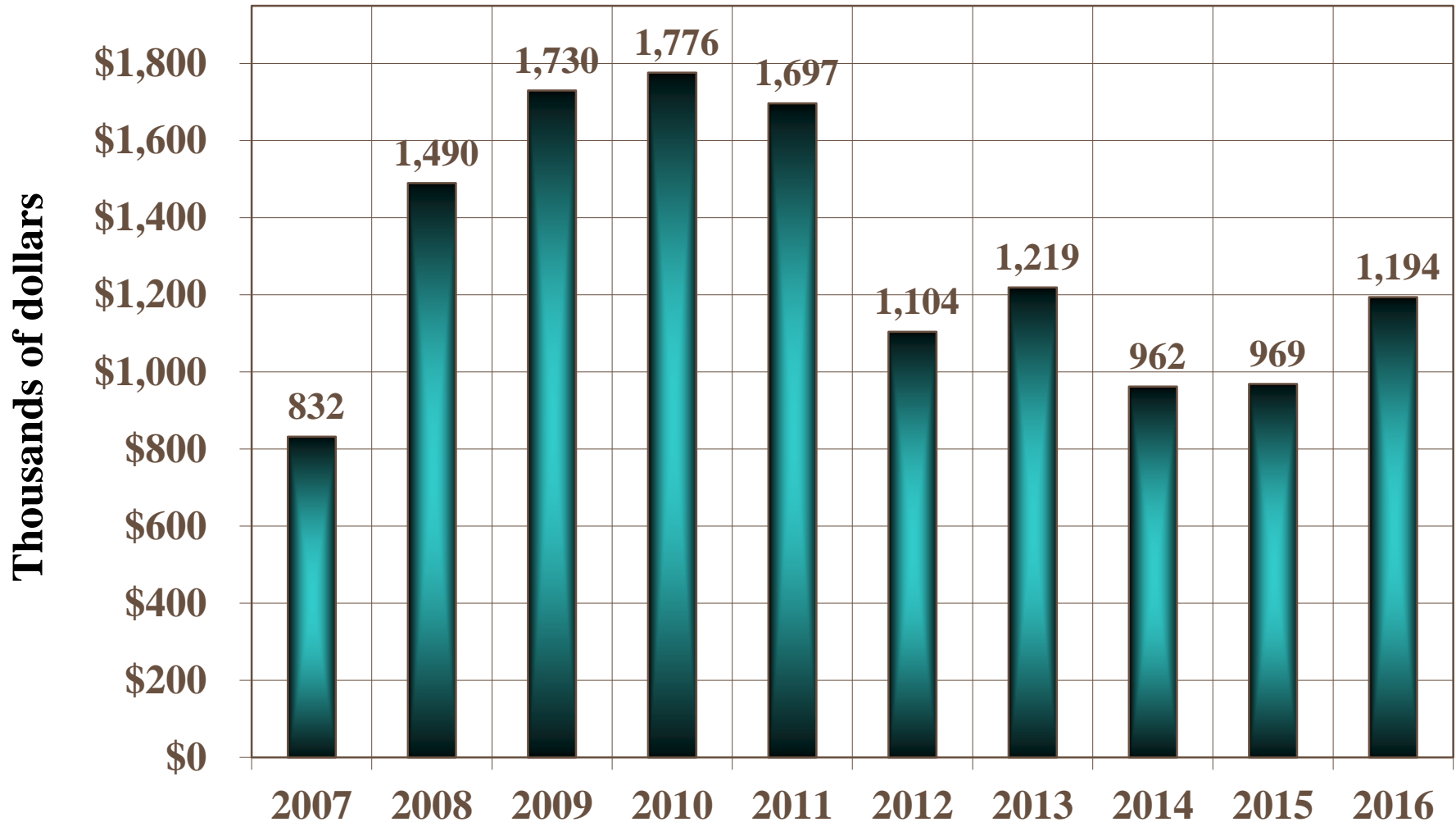
# Central Peninsula General Hospital

## *Investment Income*



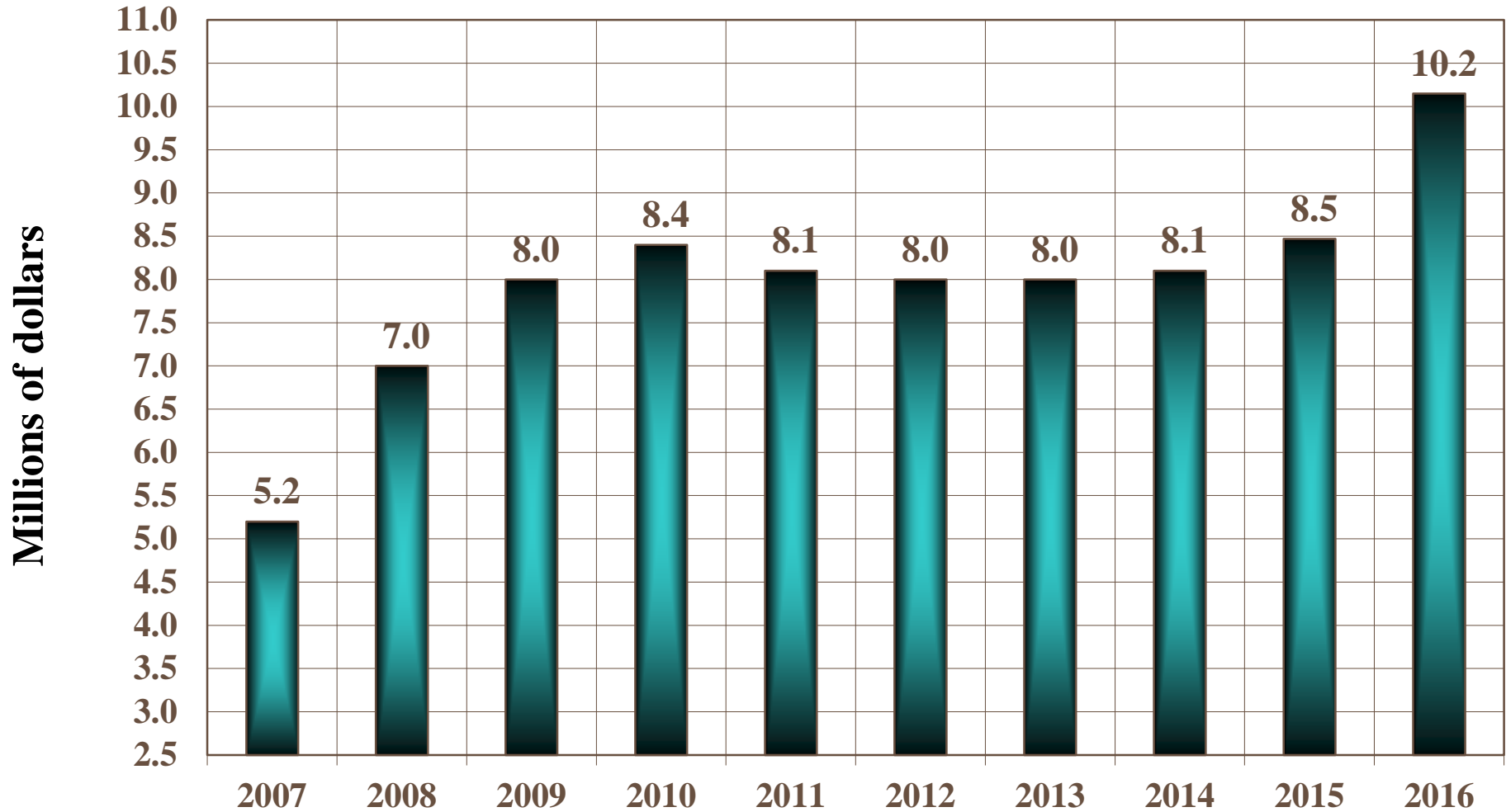
# Central Peninsula General Hospital

## *Interest Expense*



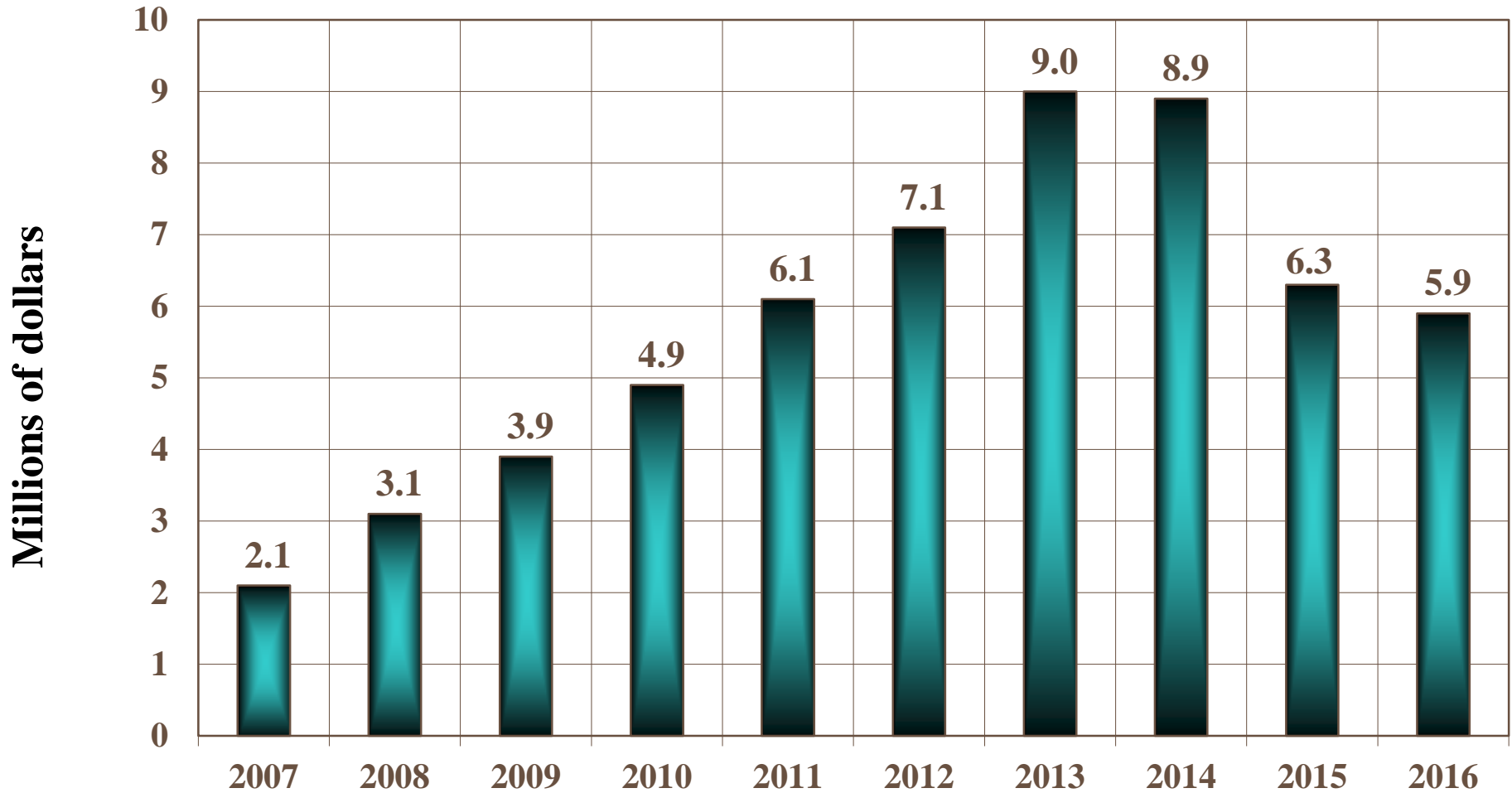
# Central Peninsula General Hospital

## *Depreciation Expense*



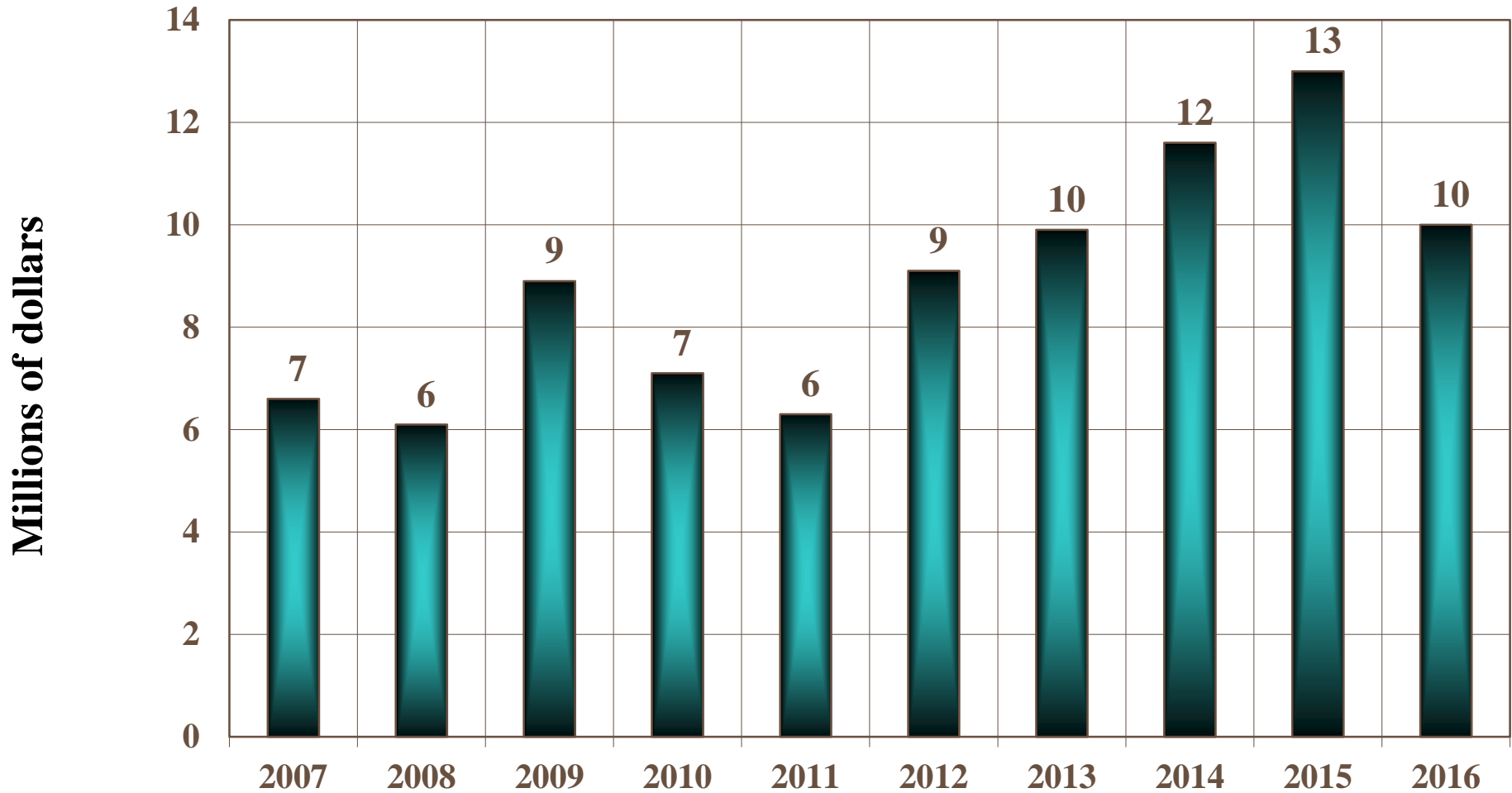
# Central Peninsula General Hospital

## *Charity Care*



# Central Peninsula General Hospital

## *Bad Debt Expense*







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