



AGENDA

Board of Directors Meeting

5:30 PM - Wednesday, January 29, 2025

[Click link to join Zoom meeting](#)

SPH Conference Rooms 1&2

Meeting ID: 878 0782 1015 Pwd: 931197

Phone Line: 669-900-9128 or 301-715-8592

Aaron Weisser, President		Matthew Bullard		Edson Knapp, MD	
Preston Simmons Vice President		Matthew Hambrick		Christopher Landess, MD	
Beth Wythe, Secretary		Michael Dye		Bernadette Wilson	
Walter Partridge, Treasurer		Kim Frost			

[Board Master Reports List](#)

Mission: South Peninsula Hospital promotes community health and wellness by providing personalized, high quality, locally coordinated healthcare.

Vision: South Peninsula Hospital is the provider of choice with a dynamic team committed to service excellence.

Values: Compassion, Respect, Trust, Teamwork and Commitment

Page

1. CALL TO ORDER

2. ROLL CALL

3. REFLECT ON LIVING OUR VALUES

4. WELCOME GUESTS & PUBLIC / INTRODUCTIONS / ANNOUNCEMENTS

- 5 4.1. Rules for Participating in a Public Meeting
[Rules for Participating in a Public Meeting](#)

5. COMMENTS FROM THE AUDIENCE ON ITEMS OF ANY MATTER

6. APPROVAL OF THE AGENDA

7. APPROVAL OF THE CONSENT CALENDAR

- 6 - 11 7.1. Consideration to Approve the South Peninsula Hospital (SPH) Board of Directors meeting minutes for December 18, 2024
[Board of Directors - Dec 18 2024 - Minutes - DRAFT](#)
- 12 - 19 7.2. Consideration to Approve November and December FY25 Financials
[Balance Sheet Nov FY25](#)
[Balance Sheet Dec FY25](#)
[Income Statement Nov FY25](#)
[Income Statement Dec FY25](#)
[Cash Flow Statement Nov FY 25](#)
[Cash Flow Statement Dec FY25](#)
- 20 7.3. Consideration to Approve Board Committee Assignments for 2025
[2025 BOD Committee Roster](#)
- 21 - 24 7.4. Consideration to Approve the 2025 Board Agenda Calendar
[Board Agenda Calendar 2025](#)

8. PRESENTATIONS

- 25 - 43 8.1. FY2024 Financial Audit Presentation
Presenter: Joy Merriner, BDO
[SPH Audit Presentation - FY24](#)
- 8.2. Community Outreach & Social Media
Presenter: Derotha Ferraro

9. UNFINISHED BUSINESS

10. NEW BUSINESS

- 44 - 112 10.1. Consideration to Accept the Financial Audit for FY2024
[South Peninsula Hospital Financial Audit for FY24](#)
- 113 - 116 10.2. Consideration to Approve SPH Resolution 2025-01, A Resolution of the South Peninsula Hospital Board of Directors Approving the Capital Budget for FY2026
[SPH Resolution 25-01](#)
- 117 - 118 10.3. Consideration to Approve SPH Resolution 2025-02, A Resolution De-obligating Funds from Capital Projects and Re-obligating to New Projects
[SPH Resolution 25-02](#)

- 119 10.4. Consideration to Approve SPH Resolution 2025-03, A Resolution of the South Peninsula Hospital Board of Directors Approving the 2024 Discretionary Contribution for the Non-union 403(b) Plan
[SPH Resolution 25-03](#)
- 120 - 121 10.5. Consideration to Approve SPH Resolution 2025-04, A Resolution of the South Peninsula Hospital Board of Directors Approving the Purchase of Property Located at 3714 Greatland Street, Homer AK 99603
[SPH Resolution 25-04](#)
- 122 - 134 10.6. Consideration to Approve a Bylaws Amendment to Update Article III, Section 5 to Change the Affirmative Votes Required to Censure or Remove a Board Member from 75% to 2/3, and to Update Article VIII to Remove References to the Retired Medical Staff Development Plan
[Memo](#)
[SPH BOD Bylaws, proposed changes](#)

11. REPORTS

- 135 - 140 11.1. Chief Executive Officer
[CEO Succession Planning](#)
[Balanced Scorecard 2024Q4](#)
- 11.2. BOD Committee: Finance
- 141 11.3. BOD Committee: Governance & Education
[Annual Policy and Bylaw Review](#)
- 11.4. Chief of Staff
- 11.5. Service Area Board Representative

12. DISCUSSION

13. COMMENTS FROM THE AUDIENCE ON ITEMS OF ANY MATTER

14. COMMENTS FROM THE BOARD

(Announcements/Congratulations)

- 14.1. Chief Executive Officer
- 14.2. Board Members

15. INFORMATIONAL ITEMS

16. ADJOURN TO EXECUTIVE SESSION (IF NEEDED)

17. ANNOUNCEMENTS AS A RESULT OF EXECUTIVE SESSION

- 17.1. Consideration to Approve SPH Resolution 2025-05, A Resolution of the South Peninsula Hospital Board of Directors Approving Medical Staff Credentialing for January 2025

18. ADJOURNMENT

To: Public Participants
From: Operating Board of Directors – South Peninsula Hospital
Re: Rules for Participating in a Public Meeting

The following has been adapted from the “Rules for Participating in a Public Meeting” used by Kenai Peninsula SAB of SPHI and reflects language from the Operating Agreement with the Kenai Peninsula Borough.

Each member of the public desiring to comment upon policies or proposed actions of the SPH Operating Board of Directors at tonight’s meeting will be given an opportunity to speak within the following guidelines:

- *Comments are restricted to policies or proposed actions of the SPH Operating Board of Directors.*
- *Those who wish to speak will need to sign in on the sign in sheet being circulated. When the chair recognizes you to speak, you need to clearly give your name and the policy or proposed action you wish to address.*
- *Please be concise and courteous. There is a limit of 3 minutes per speaker; total time allotted for public comment is at the discretion of the chair.*
- *Please observe normal rules of decorum and avoid disparaging by name the reputation or character of any member of the Operating Board of directors, the administration or personnel of SPHI, or the public. You cannot mention or use names of individuals.*
- *The Operating Board Directors may ask you to respond to their questions following your comments. You could be asked to give further testimony in “Executive Session” if your comments are directly related to a member of personnel, or management of SPHI, or dealing with specific financial matters, either of which could be damaging to the character of an individual or the financial health of SPHI, however, you are under no obligation to answer any question put to you by the Operating Board Directors.*
- *If you have questions, you may direct them to the chair. Questions will not be addressed by the board during the public comment period, but may be addressed at a later time.*

These rules for participating in a public meeting were discussed and approved at the Board of Directors meeting on September 25, 2024.

MINUTES

Board of Directors Meeting

5:30 PM - Wednesday, December 18, 2024

Conference Rooms 1&2 and Zoom

The meeting of the Board of Directors of South Peninsula Hospital was called to order on Wednesday, December 18, 2024, at 5:30 PM, in the Conference Rooms 1&2 and Zoom.

1. CALL TO ORDER

President Aaron Weisser called the regular meeting to order at 5:30pm.

2. ROLL CALL

BOARD PRESENT: Aaron Weisser, Matthew Hambrick, Edson Knapp, Walter Partridge, Michael Dye, Bernadette Wilson, Beth Wythe, Preston Simmons, Matthew Bullard, and Christopher Landess

BOARD EXCUSED:

ALSO PRESENT: Ryan Smith, CEO; Rachael Kincaid, CNO; Maura Jones, Executive Assistant; Lori Murray

**Only meeting participants who comment, give report or give presentations are noted in the minutes. Others may be present on the virtual meeting or in the room.*

2.1. A quorum was present.

3. REFLECT ON LIVING OUR VALUES

Rachael Kincaid, CNO, shared a story. After feedback from the public about the difficulty in finding nail care for seniors in Homer, two of our nurses are embarking on getting the necessary training and certifications to be able to offer this service to the community. The hospital has been working with many community partners this month, including the Senior Center, Share the Spirit and the Food Pantry on various programs.

4. WELCOME GUESTS & PUBLIC / INTRODUCTIONS / ANNOUNCEMENTS

Mr. Weisser welcomed all members of the public in attendance.

4.1. Rules for Participating in a Public Meeting

The rules for participating in a public meeting were included in the packet and provided in the meeting room.

5. COMMENTS FROM THE AUDIENCE ON ITEMS OF ANY MATTER

Lori Murray gave comment. She reiterated the need for nail care for seniors in Homer. Her mother lives at the Terrace and it is a struggle to get her to Soldotna for ingrown toenail care, and there is nowhere in town to get this service. It is a big need in the community, and she was happy to hear the hospital is taking up this mantle.

6. APPROVAL OF THE AGENDA

Beth Wythe made a motion to approve the agenda as presented. Chief of Staff Christopher Landess seconded the motion. Motion Carried.

7. APPROVAL OF THE CONSENT CALENDAR

Ms. Wythe read the consent calendar into the record.

7.1. Consideration to Approve the South Peninsula Hospital (SPH) Board of Directors meeting minutes for October 23, 2024

7.2. Consideration to Approve October FY2025 Financials

7.3. Consideration to Approve the Revised South Peninsula Hospital and Long Term Care Facility Corporate Compliance & Ethics Program and Corporate Compliance and Ethics Policy, HW-101

7.4. Consideration to Approve the South Peninsula Board of Directors Calendar for 2025

7.5. Consideration to Approve the South Peninsula Hospital and Long Term Care Infection Prevention Plan and Risk Assessment

Beth Wythe made a motion to approve the consent calendar as read. Matthew Hambrick seconded the motion. Motion Carried.

8. PRESENTATIONS

There were no scheduled presentations.

9. UNFINISHED BUSINESS

There was no unfinished business to discuss.

10. NEW BUSINESS

10.1. Consideration to Approve SPH Board Resolution 2024-26, A Resolution of the South Peninsula Hospital Board of Directors Supporting the Hospital's Request to List the Pharmacy Relocation, Infusion Relocation and Expansion, and Nuclear Medicine Addition as Legislative Priorities for the Kenai Peninsula Borough to Request Congressionally Designated Spending Funds

Ryan Smith, CEO, gave a staff report. We are working with John Hedges and the Mayor at the Kenai Peninsula Borough. They recommended we take our Certificate of Need Project and put it forward to the City of Homer and State of Alaska priorities and also for the congressional delegation to look for funding through those avenues. It would be a couple years down the road before we would see any returns for these requests, but it is important to make them.

Mr. Partridge added this was reviewed and discussed at the November Finance Committee meeting, and the committee agreed it made sense to move forward. While it's not guaranteed by any means and the timeline is long, it is good to continue moving forward and do what is possible towards our long-term goals.

Beth Wythe made a motion to approve SPH Board Resolution 2024-26, A Resolution of the South Peninsula Hospital Board of Directors Supporting the Hospital's Request to List the Pharmacy Relocation, Infusion Relocation and Expansion, and Nuclear Medicine Addition as Legislative Priorities for the Kenai Peninsula Borough to Request Congressionally Designated Spending Funds Edson Knapp seconded the motion. Motion Carried.

10.2. Consideration to Confirm Sarah Roberts, MD as Chief of Staff for 2025 and 2026 as elected by the South Peninsula Hospital Medical Staff.

Mr. Smith reported. The medical staff bylaws require the Board of Directors to approve the Chief of Staff as elected by the Medical Staff. The medical staff met in November and elected Dr. Roberts as the Chief of Staff for the coming term. Dr. Roberts expressed her excitement to serve in this role for a full term.

**10.3. First Reading (No Action Required)
Consideration to Approve a Bylaws Amendment to Update Article III, Section 5 to Change the Affirmative Votes Required to Censure or Remove a Board Member from 75% to 2/3, and to Update Article VIII to Remove References to the Retired Medical Staff Development Plan.**

Ms. Wythe reported on behalf of the Governance Committee. Mr. Bullard and Ms. Wilson did a review of the bylaws throughout the year and reported their findings to the committee. There were only two suggested changes to the document, and those are presented here for a first reading tonight. There is no action to be taken tonight.

11. REPORTS

11.1. Chief Executive Officer

Ryan Smith, CEO reported. The hospital experienced a power outage on Friday, December 13th and the emergency generators did not engage. We were without power for approximately an hour and 25 minutes. We set up Incident Command at Homer Medical Center, which did have power. We're working on our After Action Report. This was unacceptable, and we're working to make sure it doesn't happen again. We're working with NC Machinery and the borough, and we'll perform a complete test in the next month. Fortunately, there was no patient harm caused as a result of the power outage. The board directed Mr. Smith to verify if there are any reporting requirements related to this incident.

11.2. BOD Committee: Pension

Walter Partridge, committee chair, reported. The Pension Committee met on November 21. Newport/Acensus gave a detailed report. They reported on upcoming changes for pension laws, and it appears the catchup rules are the

only ones that might affect the hospital plans. There are no required changes to our plan and they're ready to go for 2026. The committee did not have all the reports on gains and losses on the plan due to the recent conversion from Newport to Acensus, but those reports will be provided to the Finance Committee as the conversion is finished. There was an 8% gain for the quarter which is healthy. There were no recommended changes to our funds. Mr. Weisser added that the Newport presentations are very educational.

11.3. BOD Committee: Finance

The Finance Committee met on November 21 to review the October financials. It was a good month. Revenue was on target, expenses were below and so were deductions so there was a net 3% gain instead of an 8% loss as budgeted, so it was a good month.

11.4. BOD Committee: Governance/Education

Beth Wythe, committee chair, reported. The Governance/Education Committee met in November and reviewed the board self evaluation. Barb Lorsbach from Governwell presented the findings to the group and all board members were invited to attend. The meeting was also recorded and made available online. The committee requested you send your top 3 topics you'd like to address in 2025, so we'll be discussing that at our meeting tomorrow. If you haven't had a chance to send those priorities in, please do so.

11.5. Chief of Staff

Dr. Roberts thanked the board for confirming her election as Chief of Staff for 2025-26. Also elected to the MEC were Dr. Hans Amen (Credentials Committee), Dr. Lucy Fisher (at-large member) and Brian McCorison (APP at-large member). We also celebrated the service of four outgoing MEC members - Dr. Landess, Dr. Inglis, Dr. Christy Martinez and Julie McCarron, CNM. The MEC approved the bylaws as written for the next calendar year, and a deeper dive into reviewing the bylaws is planned. Daniel Skousen, RT Director, gave a presentation on the possible addition of cardiopulmonary rehab, which the medical staff supported adding as a service line. Ms. Wilson expressed her strong support of adding this service at SPH.

11.6. Service Area Board Representative

Francie Roberts reported on behalf of the Service Area Board (SAB). The SAB met on November 14th, but the December meeting was cancelled. At the November meeting the resolution supporting the capital funding requests was passed. We also welcomed new member Lynda Reed to the board.

12. DISCUSSION

There were no additional items for discussion.

13. COMMENTS FROM THE AUDIENCE ON ITEMS OF ANY MATTER

There were no additional comments from the audience.

14. COMMENTS FROM THE BOARD

(Announcements/Congratulations)

14.1. Chief Executive Officer

Mr. Smith had no additional comments.

14.2. Board Members

Dr. Knapp shared the power outage had a lot of impact in the Imaging Department, and uncovered several areas for improvement. Mr. Simmons expressed gratitude that no patient harm came from the power outage and wished everyone a happy holiday. Ms. Wilson congratulated Dr. Roberts on her election as Chief of Staff and Katie Martin, LTC Director, on earning her Administrator's License. Dr. Landess also congratulated Dr. Roberts. Mr. Weisser shared he was most of the way through NRHA's Governance Course for Board members of rural hospitals. He has found it extremely valuable and would strongly recommend other board members enroll in the course. It takes about 2.5 hours of time, every 2 weeks. There is a new cohort starting in March 2025.

15. INFORMATIONAL ITEMS

15.1. Service Area Board Schedule - Volunteers Needed

The schedule of Service Area Board meetings was circulated for sign-up.

16. ADJOURN TO EXECUTIVE SESSION (IF NEEDED)

The board adjourned to executive session at 6:12pm.

17. ANNOUNCEMENTS AS A RESULT OF EXECUTIVE SESSION

The board re-entered open session at 7:34pm.

17.1. Consideration to Approve SPH Resolution 2024-28, A Resolution of the South Peninsula Hospital Board of Directors Approving Medical Staff Credentialing for December 2024

Beth Wythe made a motion to approve SPH Resolution 2024-28, A Resolution of the South Peninsula Hospital Board of Directors Approving Medical Staff Credentialing for December 2024, to include the initial appointment of:

*Christopher Dale, MD
Joshua Jones, MD*

*TeleICU-Prov
TelePsych-Prov*

*Telemedicine
Telemedicine*

*Matthew MacKinnon, MC
Michael Doherty, MD
Paula Gerber-Gore, MD
Kitti Kaiboriboon, MD
Madhavi Lekkala, MD
Eric Prince, MD
Ednea Simon, MD
Steven Smith, MD*

*TelePsych-Prov
TeleEEG-Prov
TeleEEG-Prov
TeleEEG-Prov
TeleEEG-Prov
TeleEEG-Prov
TeleEEG-Prov
TeleEEG-Prov*

*Telemedicine
Telemedicine
Telemedicine
Telemedicine
Telemedicine
Telemedicine
Telemedicine
Telemedicine*

Natasha Sparrow, DO
Derek Yu, MD
Christopher Varani, MD
Bionod Wagel, MD

TeleEEG-Prov
TeleEEG-Prov
TeleICU-Prov
TeleStroke-Prov

Telemedicine
Telemedicine
Telemedicine
Telemedicine

and the reappointment of:

James Andrews, MD
Christine Pratt, PA-C
William Oley, MD
Renaë Blanton, ANP, FNPBC
Claire Waite, MD
Sonja Martin-Young, CNM
Jessie Wray, MD
Carrie Warren, FNP

Otolaryngology
Family Medicine
Emergency Medicine
Family Medicine
Radiology-vRad
Midwifery
Emergency Medicine
Family Medicine

Courtesy
Active
Courtesy
Community
Courtesy
Community
Courtesy
Active

and the modification of the following:

Melissa Heiry, MD
Maureen Filipek, MD

Skin Biopsy Privilege
Courtesy to Active Category

Walter Partridge seconded the motion. Motion Carried.

17.2. Board Member Election for 2025

A secret-ballot election of board members for 2025 was held during executive session. The following board members were appointed/reappointed with an affirmative vote of the majority of the Board: Kim Frost, Matthew Hambrick, Aaron Weisser and Christopher Landess, MD.

18. ADJOURNMENT

The meeting was adjourned at 7:38pm.

Respectfully Submitted,

Accepted:

Maura Jones, Executive Assistant

Aaron Weisser, President

Minutes Approved:

Mary E. Wythe, Secretary



DRAFT-UNAUDITED

BALANCE SHEET
As of November 30, 2024

	As of November 30, 2024	As of November 30, 2023	As of October 31, 2024	CHANGE FROM November, 2023
ASSETS				
CURRENT ASSETS:				
1 CASH AND CASH EQUIVALENTS	27,032,025	28,244,392	28,020,353	(1,212,367)
2 EQUITY IN CENTRAL TREASURY	9,122,139	10,414,749	8,685,913	(1,292,610)
3 TOTAL CASH	36,154,164	38,659,141	36,706,266	(2,504,977)
4 PATIENT ACCOUNTS RECEIVABLE	42,958,830	33,690,431	41,987,775	9,268,399
5 LESS: ALLOWANCES & ADJ	(20,044,481)	(17,065,908)	(20,257,408)	(2,978,573)
6 NET PATIENT ACCT RECEIVABLE	22,914,349	16,624,523	21,730,367	6,289,826
7 PROPERTY TAXES REC'V - KPB	361,094	404,251	998,600	(43,157)
8 LESS: ALLOW PROP TAX - KPB	(4,165)	(4,165)	(4,165)	0
9 NET PROPERTY TAX REC'V - KPB	356,929	400,086	994,435	(43,157)
10 OTHER RECEIVABLES - SPH	287,680	360,621	201,717	(72,941)
11 INVENTORIES	2,884,925	2,059,252	2,769,136	825,673
12 NET PENSION ASSET- GASB	3,225,068	3,559,619	3,225,068	(334,551)
13 PREPAID EXPENSES	1,481,534	1,229,920	1,188,347	251,614
14 TOTAL CURRENT ASSETS	67,304,649	62,893,162	66,815,336	4,411,487
ASSETS WHOSE USE IS LIMITED				
15 PREF UNOBLIGATED	7,107,810	6,776,213	7,001,156	331,597
16 PREF OBLIGATED	1,162,592	2,172,324	1,163,509	(1,009,732)
17 OTHER RESTRICTED FUNDS	1,081,553	1,368,315	1,078,912	(286,762)
	9,351,955	10,316,852	9,243,577	(964,897)
PROPERTY AND EQUIPMENT:				
18 LAND AND LAND IMPROVEMENTS	4,387,863	4,124,558	4,124,558	263,305
19 BUILDINGS	67,223,556	64,583,573	67,085,718	2,639,983
20 EQUIPMENT	31,231,550	28,910,619	30,187,936	2,320,931
21 BUILDINGS INTANGIBLE ASSETS	4,006,921	2,871,299	4,028,135	1,135,622
22 EQUIPMENT INTANGIBLE ASSETS	1,119,409	851,479	1,207,638	267,930
23 SOFTWARE INTANGIBLE ASSETS	1,046,832	1,986,711	2,135,559	(939,879)
24 IMPROVEMENTS OTHER THAN BUILDINGS	1,456,896	433,557	926,889	1,023,339
25 CONSTRUCTION IN PROGRESS	3,033,312	1,854,806	4,607,913	1,178,506
26 LESS: ACCUMULATED DEPRECIATION FOR FIXED ASSETS	(63,655,396)	(59,090,867)	(63,260,510)	(4,564,529)
27 LESS: ACCUMULATED AMORTIZATION FOR LEASED ASSETS	(2,371,297)	(2,283,724)	(3,500,552)	(87,573)
28 NET CAPITAL ASSETS	47,479,646	44,242,011	47,543,284	3,237,635
29 GOODWILL	0	0	0	0
30 TOTAL ASSETS	124,136,250	117,452,025	123,602,197	6,684,225
DEFERRED OUTFLOWS OF RESOURCES				
31 PENSION RELATED (GASB 68)	4,539,329	5,789,464	4,692,297	(1,250,135)
32 UNAMORTIZED DEFERRED CHARGE ON REFUNDING	198,399	266,024	203,487	(67,625)
33 TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,737,728	6,055,488	4,895,784	(1,317,760)
34 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	128,873,978	123,507,513	128,497,981	5,366,465

	As of November 30, 2024	As of November 30, 2023	As of October 31, 2024	CHANGE FROM November, 2023
LIABILITIES & FUND BALANCE				
CURRENT LIABILITIES:				
35	1,744,363	1,830,455	2,864,796	(86,092)
36	11,206,421	9,426,423	10,819,164	1,779,998
37	1,106,073	1,339,367	1,067,485	(233,294)
38	849,427	652,417	186,702	197,010
39	248,440	423,792	252,782	(175,352)
40	0	0	43,503	0
41	1,195,000	1,145,000	1,195,000	50,000
42	49,740	22,389	26,389	27,351
43	876,864	940,709	876,864	(63,845)
44	<u>17,276,328</u>	<u>15,780,552</u>	<u>17,332,685</u>	<u>1,495,776</u>
LONG-TERM LIABILITIES				
45	0	0	0	0
46	5,420,000	6,615,000	5,420,000	(1,195,000)
47	234,013	350,195	241,581	(116,182)
48	3,607,044	2,239,365	3,640,550	1,367,679
49	149,189	303,873	167,195	(154,684)
50	<u>9,410,246</u>	<u>9,508,433</u>	<u>9,469,326</u>	<u>(98,187)</u>
51	26,686,574	25,288,985	26,802,011	1,397,589
52	0	0	0	0
53	5	0	0	5
NET POSITION				
54	5,731,963	5,731,963	5,731,963	0
55	0	0	0	0
56	25,286	25,286	25,286	0
57	96,430,150	92,461,279	95,938,721	3,968,871
58	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
59	<u><u>128,873,978</u></u>	<u><u>123,507,513</u></u>	<u><u>128,497,981</u></u>	<u><u>5,366,465</u></u>



DRAFT-UNAUDITED

BALANCE SHEET
As of December, 2024

	As of December, 2024	As of Dember 31, 2023	As of December 31, 2024	CHANGE FROM December, 2023
ASSETS				
CURRENT ASSETS:				
1 CASH AND CASH EQUIVALENTS	25,647,146	28,519,670	27,032,025	(2,872,524)
2 EQUITY IN CENTRAL TREASURY	10,116,939	10,008,498	9,122,139	108,441
3 TOTAL CASH	<u>35,764,085</u>	<u>38,528,168</u>	<u>36,154,164</u>	<u>(2,764,083)</u>
4 PATIENT ACCOUNTS RECEIVABLE	42,582,557	32,671,557	42,958,830	9,911,000
5 LESS: ALLOWANCES & ADJ	(19,712,464)	(16,311,195)	(20,044,481)	(3,401,269)
6 NET PATIENT ACCT RECEIVABLE	<u>22,870,093</u>	<u>16,360,362</u>	<u>22,914,349</u>	<u>6,509,731</u>
7 PROPERTY TAXES RECV - KPB	250,968	286,350	361,094	(35,382)
8 LESS: ALLOW PROP TAX - KPB	(4,165)	(4,165)	(4,165)	0
9 NET PROPERTY TAX RECV - KPB	<u>246,803</u>	<u>282,185</u>	<u>356,929</u>	<u>(35,382)</u>
10 OTHER RECEIVABLES - SPH	450,424	224,661	287,680	225,763
11 INVENTORIES	3,269,187	2,080,979	2,884,925	1,188,208
12 NET PENSION ASSET- GASB	3,225,068	3,559,619	3,225,068	(334,551)
13 PREPAID EXPENSES	<u>1,584,018</u>	<u>1,179,457</u>	<u>1,481,534</u>	<u>404,561</u>
14 TOTAL CURRENT ASSETS	<u>67,409,678</u>	<u>62,215,433</u>	<u>67,304,649</u>	<u>5,194,245</u>
ASSETS WHOSE USE IS LIMITED				
15 PREF UNOBLIGATED	7,078,284	6,794,981	7,107,810	283,303
16 PREF OBLIGATED	1,162,592	2,172,324	1,162,592	(1,009,732)
17 OTHER RESTRICTED FUNDS	<u>1,079,825</u>	<u>26,601</u>	<u>1,081,553</u>	<u>1,053,224</u>
	9,320,701	8,993,906	9,351,955	326,795
PROPERTY AND EQUIPMENT:				
18 LAND AND LAND IMPROVEMENTS	4,387,863	4,124,558	4,387,863	263,305
19 BUILDINGS	67,223,556	64,663,171	67,223,556	2,560,385
20 EQUIPMENT	31,231,550	29,912,575	31,231,550	1,318,975
21 BUILDINGS INTANGIBLE ASSETS	4,006,921	2,871,299	4,006,921	1,135,622
22 EQUIPMENT INTANGIBLE ASSETS	1,119,409	851,479	1,119,409	267,930
23 SOFTWARE INTANGIBLE ASSETS	1,046,832	2,002,647	1,046,832	(955,815)
24 IMPROVEMENTS OTHER THAN BUILDINGS	1,456,896	512,155	1,456,896	944,741
25 CONSTRUCTION IN PROGRESS	3,725,993	2,085,211	3,033,312	1,640,782
26 LESS: ACCUMULATED DEPRECIATION FOR FIXED ASSETS	(64,048,729)	(59,449,708)	(63,655,396)	(4,599,021)
27 LESS: ACCUMULATED AMORTIZATION FOR LEASED ASSETS	(2,464,090)	(2,393,778)	(2,371,297)	(70,312)
28 NET CAPITAL ASSETS	<u>47,686,201</u>	<u>45,179,609</u>	<u>47,479,646</u>	<u>2,506,592</u>
29 GOODWILL	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
30 TOTAL ASSETS	<u>124,416,580</u>	<u>116,388,948</u>	<u>124,136,250</u>	<u>8,027,632</u>
DEFERRED OUTFLOWS OF RESOURCES				
31 PENSION RELATED (GASB 68)	4,386,361	5,789,464	4,539,329	(1,403,103)
32 UNAMORTIZED DEFERRED CHARGE ON REFUNDING	<u>193,312</u>	<u>260,751</u>	<u>198,399</u>	<u>(67,439)</u>
33 TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,579,673	6,050,215	4,737,728	(1,470,542)
34 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>128,996,253</u>	<u>122,439,163</u>	<u>128,873,978</u>	<u>6,557,090</u>

	As of December, 2024	As of Dember 31, 2023	As of December 31, 2024	CHANGE FROM December, 2023
LIABILITIES & FUND BALANCE				
CURRENT LIABILITIES:				
35	2,129,504	1,750,787	2,407,088	378,717
36	11,498,550	7,605,626	11,206,421	3,892,924
37	1,099,543	1,338,892	1,106,073	(239,349)
38	876,117	767,405	186,702	108,712
39	254,787	402,462	248,440	(147,675)
40	10,586	0	0	10,586
41	1,195,000	1,145,000	1,195,000	50,000
42	73,091	50,797	49,740	22,294
43	876,864	940,709	876,864	(63,845)
44	<u>18,014,042</u>	<u>14,001,678</u>	<u>17,276,328</u>	<u>4,012,364</u>
LONG-TERM LIABILITIES				
45	921,145	0	0	921,145
46	5,420,000	6,615,000	5,420,000	(1,195,000)
47	226,446	340,402	234,013	(113,956)
48	3,520,448	3,005,799	3,607,044	514,649
49	120,345	294,239	149,189	(173,894)
50	<u>10,208,384</u>	<u>10,255,440</u>	<u>9,410,246</u>	<u>(47,056)</u>
51	28,222,426	24,257,118	26,686,574	3,965,308
52	0	0	0	0
53	5	0	5	5
NET POSITION				
54	5,731,963	5,731,963	5,731,963	0
55	0	0	0	0
56	25,286	25,286	25,286	0
57	95,016,573	92,424,796	96,430,150	2,591,777
58	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
59	<u><u>128,996,253</u></u>	<u><u>122,439,163</u></u>	<u><u>128,873,978</u></u>	<u><u>6,557,090</u></u>

INCOME STATEMENT
As of November 30, 2024
DRAFT-UNAUDITED

	MONTH			YEAR TO DATE					
	11/30/24		10/31/23	11/30/24		10/31/23			
	Actual	Budget	Var B/(W)	Actual	Actual	Budget	Var B/(W)	Actual	
Patient Service Revenue									
1	Inpatient	2,048,087	3,394,664	-39.67%	2,855,326	15,187,620	17,610,066	-13.76%	15,114,903
2	Outpatient	16,349,741	17,188,436	-4.88%	14,574,930	91,174,796	89,090,554	2.34%	74,852,379
3	Long Term Care	1,303,220	1,234,794	5.54%	1,031,964	6,310,291	6,173,969	2.21%	5,333,029
4	Total Patient Services	19,701,048	21,817,894	-9.70%	18,462,220	112,672,707	112,874,589	-0.18%	95,300,311
Deductions from Revenue									
5	Medicare	4,273,837	4,431,474	3.56%	3,471,722	27,393,634	23,320,632	-17.47%	21,442,349
6	Medicaid	2,276,633	3,212,277	29.13%	2,514,447	11,802,571	16,904,606	30.18%	11,114,730
7	Charity Care	461,617	211,980	-117.76%	243,059	1,331,103	1,115,542	-19.32%	938,067
8	Commercial and Admin	1,719,282	2,015,564	14.70%	1,928,092	11,121,630	10,606,904	-4.85%	8,676,680
9	Bad Debt	(151,898)	318,379	147.71%	355,071	1,612,091	1,675,471	3.78%	1,611,709
10	Total Deductions	8,579,471	10,189,674	15.80%	8,512,391	53,261,029	53,623,155	0.68%	43,783,535
11	Net Patient Services	11,121,577	11,628,220	-4.36%	9,949,829	59,411,678	59,251,434	0.27%	51,516,776
12	USAC and Other Revenue	114,346	137,718	-16.97%	82,689	495,663	688,590	-28.02%	424,075
13	Total Operating Revenues	11,235,923	11,765,938	-4.50%	10,032,518	59,907,341	59,940,024	-0.05%	51,940,851
Operating Expenses									
14	Salaries and Wages	5,938,464	5,740,785	-3.44%	4,760,244	27,396,444	28,131,965	2.61%	23,900,434
15	Employee Benefits	2,210,631	2,458,856	10.10%	2,110,930	11,155,933	11,331,740	1.55%	9,010,802
16	Supplies, Drugs and Food	1,298,030	1,395,721	7.00%	1,216,132	7,213,484	7,153,912	-0.83%	6,099,785
17	Contract Staffing	186,785	97,696	-91.19%	203,493	992,744	493,557	-101.14%	1,032,986
18	Professional Fees	435,555	594,247	26.70%	702,814	2,699,979	2,706,079	0.23%	2,881,574
19	Utilities and Telephone	175,979	208,243	15.49%	186,698	898,154	994,499	9.69%	838,694
20	Insurance (gen'l, prof liab, property)	96,179	76,122	-26.35%	67,823	457,088	449,406	-1.71%	352,985
21	Dues, Books, and Subscriptions	31,126	29,848	-4.28%	17,447	116,839	144,390	19.08%	78,262
22	Software Maint/Support	51,823	194,885	73.41%	97,089	796,976	949,004	16.02%	592,054
23	Travel, Meetings, Education	161,073	61,423	-162.24%	35,295	272,324	401,789	32.22%	277,872
24	Repairs and Maintenance	289,829	233,523	-24.11%	189,625	1,002,307	985,760	-1.68%	968,966
25	Leases and Rentals	(168,771)	90,431	286.63%	69,852	220,204	513,846	57.15%	330,620
26	Other (Recruiting, Advertising, etc.)	209,241	210,986	0.83%	233,149	927,637	1,054,912	12.06%	1,073,317
27	Depreciation & Amortization	687,456	392,696	-75.06%	419,981	2,397,515	1,963,482	-22.11%	2,051,959
28	Total Operating Expenses	11,603,400	11,785,462	1.54%	10,310,572	56,547,628	57,274,341	1.27%	49,490,310
29	Gain (Loss) from Operations	(367,477)	(19,524)	-1782.18%	(278,054)	3,359,713	2,665,683	-26.04%	2,450,541
Non-Operating Revenues									
30	General Property Taxes	639,339	601,705	6.25%	751,022	3,667,465	3,790,337	-3.24%	4,805,472
31	Investment Income	328,815	82,040	300.80%	136,821	814,513	410,200	98.56%	400,221
32	Governmental Subsidies	0	0	0.00%	0	0	0	0.00%	0
33	Other Non Operating Revenue	7,288	1,085	100.00%	782	19,067	5,424	100.00%	2,252
34	Gifts & Contributions	0	0	0.00%	0	0	0	0.00%	0
35	Gain <Loss> on Disposal	0	0	0.00%	470	100	0	0.00%	0
36	SPH Auxiliary	578	583	-0.86%	0	4,076	2,917	39.73%	2,068
37	Total Non-Operating Revenues	976,020	685,413	42.40%	889,095	4,505,221	4,208,878	7.04%	5,210,013
Non-Operating Expenses									
38	Insurance	0	0	0.00%	0	0	0	0.00%	0
39	Service Area Board	0	2,435	100.00%	(181)	6,652	10,610	0.00%	2,902
40	Other Direct Expense	10,991	3,339	-229.17%	2,956	71,956	16,696	-330.98%	7,211
41	Administrative Non-Recurring	0	0	0.00%	0	0	0	0.00%	0
42	Interest Expense	67,611	39,621	-70.64%	38,748	253,205	198,103	-27.81%	173,709
43	Total Non-Operating Expenses	78,602	45,395	-73.15%	41,523	331,813	225,409	-47.20%	183,822
Grants									
44	Grant Revenue	750	95,833	0.00%	10,704	297,922	479,167	0.00%	73,494
45	Grant Expense	31,925	2,500	-1177.00%	0	95,915	12,500	-667.32%	0
46	Total Non-Operating Gains, net	(31,175)	93,333	-133.40%	10,704	202,007	466,667	56.71%	73,494
47	Income <Loss> Before Transfers	498,766	713,827	30.13%	580,222	7,735,128	7,115,819	8.70%	7,550,226
48	Operating Transfers	0	0	0.00%	0	0	0	0.00%	0
49	Net Income	498,766	713,827	-30.13%	580,222	7,735,128	7,115,819	8.70%	7,550,226

	MONTH			YEAR TO DATE					
	12/31/24		12/31/23	12/31/24		12/31/23			
	Actual	Budget	Var B/(W)	Actual	Actual	Budget	Var B/(W)	Actual	
Patient Service Revenue									
1	Inpatient	2,532,413	2,861,387	-11.50%	2,280,546	17,720,033	20,471,453	-13.44%	17,395,448
2	Outpatient	18,543,637	15,061,154	23.12%	14,007,123	109,718,433	104,151,708	5.34%	88,859,502
3	Long Term Care	1,380,633	1,234,794	11.81%	1,095,043	7,690,925	7,408,763	3.81%	6,428,072
4	Total Patient Services	22,456,683	19,157,335	17.22%	17,382,712	135,129,391	132,031,924	2.35%	112,683,022
Deductions from Revenue									
5	Medicare	5,508,730	4,431,474	-24.31%	3,047,997	32,902,364	27,752,106	-18.56%	24,490,346
6	Medicaid	2,111,909	3,212,277	34.26%	1,872,473	13,914,480	20,116,883	30.83%	12,987,203
7	Charity Care	98,774	211,980	53.40%	257,143	1,429,877	1,327,522	-7.71%	1,195,210
8	Commercial and Admin	2,774,010	2,015,564	-37.63%	1,880,580	13,895,641	12,622,467	-10.09%	10,557,260
9	Bad Debt	409,246	318,379	-28.54%	406,416	2,021,337	1,993,850	-1.38%	2,018,125
10	Total Deductions	10,902,669	10,189,674	-7.00%	7,464,609	64,163,699	63,812,828	-0.55%	51,248,144
11	Net Patient Services	11,554,014	8,967,661	28.84%	9,918,103	70,965,692	68,219,096	4.03%	61,434,878
12	USAC and Other Revenue	73,272	137,718	-46.80%	92,341	568,935	826,308	-31.15%	516,416
13	Total Operating Revenues	11,627,286	9,105,379	27.70%	10,010,444	71,534,627	69,045,404	3.61%	61,951,294
Operating Expenses									
14	Salaries and Wages	6,009,299	6,319,806	4.91%	5,117,631	33,405,743	34,451,772	3.04%	29,018,065
15	Employee Benefits	3,632,022	2,972,212	-22.20%	2,389,599	14,787,955	14,303,952	-3.38%	11,400,401
16	Supplies, Drugs and Food	1,452,300	1,380,550	-5.20%	1,159,409	8,665,784	8,534,462	-1.54%	7,259,195
17	Contract Staffing	219,014	98,965	-121.30%	204,219	1,211,758	592,523	-104.51%	1,237,205
18	Professional Fees	479,224	543,773	11.87%	501,833	3,179,203	3,249,852	2.17%	3,383,406
19	Utilities and Telephone	199,207	220,917	9.83%	189,674	1,097,362	1,215,415	9.71%	1,028,368
20	Insurance (gen'l, prof liab, property)	106,407	79,625	-33.64%	74,544	563,495	529,032	-6.51%	427,528
21	Dues, Books, and Subscriptions	28,615	38,155	25.00%	20,347	145,454	182,545	20.32%	98,610
22	Software Maint/Support	134,065	169,923	21.10%	130,624	931,040	1,118,927	16.79%	722,678
23	Travel, Meetings, Education	71,518	73,601	2.83%	48,092	343,843	475,390	27.67%	325,964
24	Repairs and Maintenance	174,646	223,139	21.73%	188,024	1,176,953	1,208,899	2.64%	1,156,989
25	Leases and Rentals	44,178	117,684	62.46%	67,045	264,382	631,530	58.14%	397,665
26	Other (Recruiting, Advertising, etc.)	115,888	210,995	45.08%	236,300	1,043,525	1,265,907	17.57%	1,309,616
27	Depreciation & Amortization	484,993	392,696	-23.50%	417,447	2,882,508	2,356,179	-22.34%	2,469,406
28	Total Operating Expenses	13,151,376	12,842,041	-2.41%	10,744,788	69,699,005	70,116,385	0.60%	60,235,096
29	Gain (Loss) from Operations	(1,524,090)	(3,736,662)	59.21%	(734,344)	1,835,622	(1,070,981)	271.40%	1,716,198
Non-Operating Revenues									
30	General Property Taxes	115,494	97,980	17.88%	121,321	3,782,958	3,888,317	-2.71%	4,926,793
31	Investment Income	40,882	82,040	-50.17%	132,287	855,395	492,240	73.78%	532,508
32	Governmental Subsidies	0	0	0.00%	0	0	0	0.00%	0
33	Other Non Operating Revenue	1,256	1,084	100.00%	2,045	20,323	6,509	100.00%	4,296
34	Gifts & Contributions	0	0	0.00%	0	0	0	0.00%	0
35	Gain <Loss> on Disposal	0	0	0.00%	591	100	0	0.00%	0
36	SPH Auxiliary	687	583	17.84%	0	4,764	3,500	36.11%	2,660
37	Total Non-Operating Revenues	158,319	181,687	-12.86%	256,244	4,663,540	4,390,566	6.22%	5,466,257
Non-Operating Expenses									
38	Insurance	0	0	0.00%	0	0	0	0.00%	0
39	Service Area Board	0	45	100.00%	0	6,652	10,655	0.00%	2,902
40	Other Direct Expense	(8,077)	3,339	341.90%	70	63,879	20,036	-218.82%	7,282
41	Administrative Non-Recurring	0	0	0.00%	0	0	0	0.00%	0
42	Interest Expense	48,478	39,621	-22.35%	42,195	301,683	237,724	-26.90%	215,904
43	Total Non-Operating Expenses	40,401	43,005	6.06%	42,265	372,214	268,415	-38.67%	226,088
Grants									
44	Grant Revenue	0	95,833	0.00%	483,882	297,922	575,000	0.00%	557,378
45	Grant Expense	0	2,500	100.00%	0	95,915	15,000	-539.43%	0
46	Total Non-Operating Gains, net	0	93,333	-100.00%	483,882	202,007	560,000	63.93%	557,378
47	Income <Loss> Before Transfers	(1,406,172)	(3,504,647)	59.88%	(36,483)	6,328,955	3,611,170	75.26%	7,513,745
48	Operating Transfers	0	0	0.00%	0	0	0	0.00%	0
49	Net Income	(1,406,172)	(3,504,647)	-59.88%	(36,483)	6,328,955	3,611,170	75.26%	7,513,745



Statement of Cash Flows
As of November 30, 2024

Cash Flow from Operations:

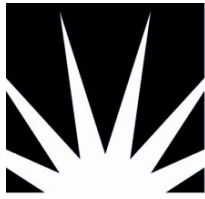
1	YTD Net Income	7,735,128
2	Add: Depreciation Expense	2,397,515
3	Adj: Inventory (increase) / decrease	(544,253)
4	Patient Receivable (increase) / decrease	(2,987,085)
5	Prepaid Expenses (increase) / decrease	(596,006)
6	Other Current assets (increase) / decrease	(131,498)
7	Accounts payable increase / (decrease)	(378,609)
8	Accrued Salaries increase / (decrease)	1,034,131
9	Net Pension Asset (increase) / decrease	-
10	Other current liability increase / (decrease)	(2,277,322)
11	Net Cash Flow from Operations	4,252,001

Cash Flow from Investing:

12	Cash paid for the purchase of property/equip	(1,931,070)
13	Cash transferred to plant replacement fund	-
14	Proceeds from disposal of equipment	100
15	Net Cash Flow from Investing	(1,930,970)

Cash Flow from Financing

16	Cash (paid) / received for Lease Payable	606,871
17	Cash paid for Debt Service	-
18	Net Cash from Financing	606,871
19	Net increase in Cash	\$ 2,927,902
20	Beginning Cash as of July 1, 2024	\$ 33,226,262
21	Ending Cash as of November 30, 2024	\$ 36,154,164



South Peninsula Hospital

Statement of Cash Flows As of December, 2024

Cash Flow from Operations:

1	YTD Net Income	6,328,955
2	Add: Depreciation Expense	2,882,508
3	Adj: Inventory (increase) / decrease	(928,515)
4	Patient Receivable (increase) / decrease	(2,942,829)
5	Prepaid Expenses (increase) / decrease	(698,490)
6	Other Current assets (increase) / decrease	(184,116)
7	Accounts payable increase / (decrease)	33,222
8	Accrued Salaries increase / (decrease)	1,326,260
9	Net Pension Asset (increase) / decrease	-
10	Other current liability increase / (decrease)	(1,235,843)
11	Net Cash Flow from Operations	4,581,152

Cash Flow from Investing:

12	Cash paid for the purchase of property/equip	(2,623,751)
13	Cash transferred to plant replacement fund	-
14	Proceeds from disposal of equipment	100
15	Net Cash Flow from Investing	(2,623,651)

Cash Flow from Financing

16	Cash (paid) / received for Lease Payable	580,322
17	Cash paid for Debt Service	-
18	Net Cash from Financing	580,322
19	Net increase in Cash	\$ 2,537,823
20	Beginning Cash as of July 1, 2024	\$ 33,226,262
21	Ending Cash as of December 31, 2024	\$ 35,764,085

Board of Directors Committees
& Board Liaisons
2025

Board Committees

Committee	Chair	Members
Finance Committee	Walter Partridge	Mike Dye, Matt Hambrick, Aaron Weisser, Edson Knapp, Christopher Landess, Kim Frost
Pension Committee	Mike Dye	Walter Partridge, Matt Hambrick, Aaron Weisser, Edson Knapp, Christopher Landess
Governance/Education Committee	Beth Wythe	Matt Bullard, Bernie Wilson, Preston Simmons

Board Representatives / Liaisons

Committee / Group	Primary Board Representative
Credentials Committee	Bernie Wilson
SPH Foundation	Matt Hambrick
Medical Executive Committee	Edson Knapp, MD & Christopher Landess, MD
Patient Centered Care Quality Committee	Beth Wythe & Bernie Wilson

ANNUAL BOARD CALENDAR - 2025

January 29, 2025

- Credentialing Report
- Balanced Scorecard (new data)
- Report on Emergency Succession Plan for the calendar year (EMP-09)
- Annual Board Forms Collected
- Financial Audit Presentation (BDO) & accept the Financial Audit
- *Board Officers Election (even years only)*
- Approve Board Roster & Committee Assignments, note in minutes
- Annual Report to the Contract Administrator
 - Corporate Compliance Report
- FC: Report out whether funds are maintained separately from the KPB funds (see F-03)
- FC: Finance Reporting (F-10) – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement (consent agenda)
- FC: Capital Budget Approval
- GC: Annual Review of Policies (Governance Chair)
- GC: Annual Bylaws Review

February – No meetings in February

- Credentialing (officers to meet via Zoom to approve)
- CEO Evaluation packet prepared and sent out by 2/20
- AHA Rural Health Care Leadership Conference

March 26, 2025

- Doctors Dinner
- Credentialing Report
- Strategic Plan Approval
- Infection Prevention Plan/LTC Inf Prev Plan Approval
- CEO Eval – Assessments reviewed by Gov or CEO Eval Cmte
- Invite Dr. Wisecarver to give a short presentation
- PC: Pension Plan Contributions Approval
- PC: Pension Committee Annual Report
- PC: Review/update PEN-001 & PEN-002
- FC: Finance Reporting (F-10) for Jan/Feb – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement for Jan/Feb (consent agenda)
- FC: Quarterly Grants Report
- GC: Policy Review – SM-02, SM-03
- Training: Generative Governance Principles

ANNUAL BOARD CALENDAR - 2025

April 30, 2025

- Credentialing Report
- Balanced Scorecard (new data)
- CEO Eval: CEO Compensation Cmte meets to review compensation
- FC: Finance Reporting (F-10) – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement (consent agenda)
- FC: Resolution authorizing CFO to file the IRS 990
- GC: Policy Review – SM-04, SM-05
- Training: Retreat – dates TBD

May 28, 2025

- Credentialing Report
- Quality Plan Review
- CEO Eval: Board approved compensation during Exec Session
- FC: Annual IT Security Report
- FC: Finance Reporting (F-10) – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement (consent agenda)
- FC: FY Operating Budget Approval
- FC: Quarterly Grants Report
- GC: Policy Review – SM-06

June 25, 2025

- Credentialing Report
- CEO Eval: Board Chair meets with CEO to review evaluation
- FC: Finance Reporting (F-10) – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement (consent agenda)
- GC: Policy Review – SM-07
- Training: Board roles, responsibilities & knowledge

July 30, 2025

- Credentialing Report
- Balanced Scorecard (new data)
- FC: Finance Reporting (F-10) – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement (consent agenda)
- FC: Financial Audit planning doc provided to Board
- CAH Program Evaluation Summary Approval
- GC: Policy Review – SM-08

ANNUAL BOARD CALENDAR - 2025

August 27, 2025

- Credentialing Report
- FC: Finance Reporting (F-10) – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement (consent agenda)
- FC: Quarterly Grants Report
- GC: Place ad for open board seats
- GC: Policy Review – SM-09, SM-10
- Training: Overview of board policies

September 24, 2025

- AHHA Annual Conference
- Credentialing Report
- FC: Finance Reporting (F-10) – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement (consent agenda)
- GC: Conduct Board Self Evaluation
- GC: Host Doctor's Dinner
- GC: Policy Review – SM-11, SM-12

October 29, 2025

- Credentialing Report
- Balanced Scorecard (new data)
- Start planning/gauging interest for AHA Conference in February
- Include SAB schedule for next year to begin signups
- President: Gauge interest in committees for next year
- FC: Finance Reporting (F-10) – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement (consent agenda)
- GC: Query board members on interest for next year (committees, officer positions)
- GC: Interview board applicants
- GC: Policy Review – SM-13
- GC: Policy Review – SM-01
- Training: Bylaw refresher/overview

November

- No BOD meeting
- FC: Finance Reporting (F-10) – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement (consent agenda)
- FC: Quarterly Grants Report

ANNUAL BOARD CALENDAR - 2025

December 17, 2025

- Credentialing Report
- Next year's Board meeting calendar approval
- Board Member Elections
- Approval of Chief of Staff as elected by the Medical Staff
- Chief of Staff Approval (every other year)
- FC: Finance Reporting (F-10) – FC & Exec Session packet
- FC: Balance Sheet, Income Statement, Cash Flow Statement (consent agenda)
- PC: Pension Committee Audit Report

Any Month, As Needed

- Updates to Medical Staff Bylaws or Rules & Regulations
- New Services – quarterly review of financial performance of new services
- Updated Medical Staff Privileges
- Proclamations for Retirees +20 years
- Resolution to transfer over 90 days cash on hand (if we hit 90 days at end of previous quarter)
- New bank account signers/limits/credit card holders
- GC: Any revised policies
- Changes to Board Bylaws
- Acceptance of Board resignations

Retirements: Cindy Bolognani – postponed to 2025

REPORT TO BOARD OF DIRECTORS

SOUTH PENINSULA HOSPITAL

AUDIT WRAP UP: YEAR ENDED JUNE 30, 2024



Contents

QUICK ACCESS TO THE
FULL REPORT

INTRODUCTION	3
EXECUTIVE SUMMARY	4
INTERNAL CONTROL OVER FINANCIAL REPORTING	9
ADDITIONAL REQUIRED COMMUNICATIONS	12
APPENDIX	18

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors and Audit Committee) and, if appropriate, management of the Entity, and is not intended and should not be used by anyone other than these specified parties.

Welcome

November 15, 2024

Board of Directors

South Peninsula Hospital

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On June 12, 2024, we presented an overview of our plan for the audit of the financial statements of South Peninsula Hospital, the Hospital as of and for the year ended June 30, 2024, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Hospital's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Hospital and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

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Executive Summary

Status of Our Audit

We have substantially completed our audit of the financial statements as of and for the year ended June 30, 2024. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- ▶ We issued an unmodified opinion on the financial statements.
- ▶ We issued our 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*.
- ▶ We issued an unmodified opinion on the Hospital's Single Audit report, including the Schedule of Expenditures of Federal Awards (SEFA).
- ▶ In planning and performing our audit of the SEFA, we considered the Hospital's internal control over compliance with requirements that could have a direct and material effect on its major federal program(s) to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with GAS and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance
- ▶ All records and information requested by BDO were freely available for our inspection.
- ▶ Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Hospital personnel throughout the course of our work.



Results of the Audit

ACCOUNTING PRACTICES, POLICIES, ESTIMATES, AND SIGNIFICANT UNUSUAL TRANSACTIONS

The following summarizes the more significant required communications related to our audit concerning the Hospital’s accounting practices, policies, estimates and significant unusual transactions:

The Hospital’s significant accounting practices and policies are those included in Note 2 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 2 to the financial statements.

- ▶ A summary of recently issued accounting pronouncements is included in Note 14 to the Hospital’s financial statements.
- ▶ There were no changes in significant accounting policies and practices during 2024.

Significant estimates are those that require management’s most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Hospital’s significant accounting estimates, including a description of management’s processes and significant assumptions used in development of the estimates, are disclosed in Note 2 of the financial statements. None of the estimates were considered significant in nature in 2024.

Accounting Estimates

Allowance for Doubtful Accounts

Malpractice Claims

Significant Estimate: Contractual Allowance

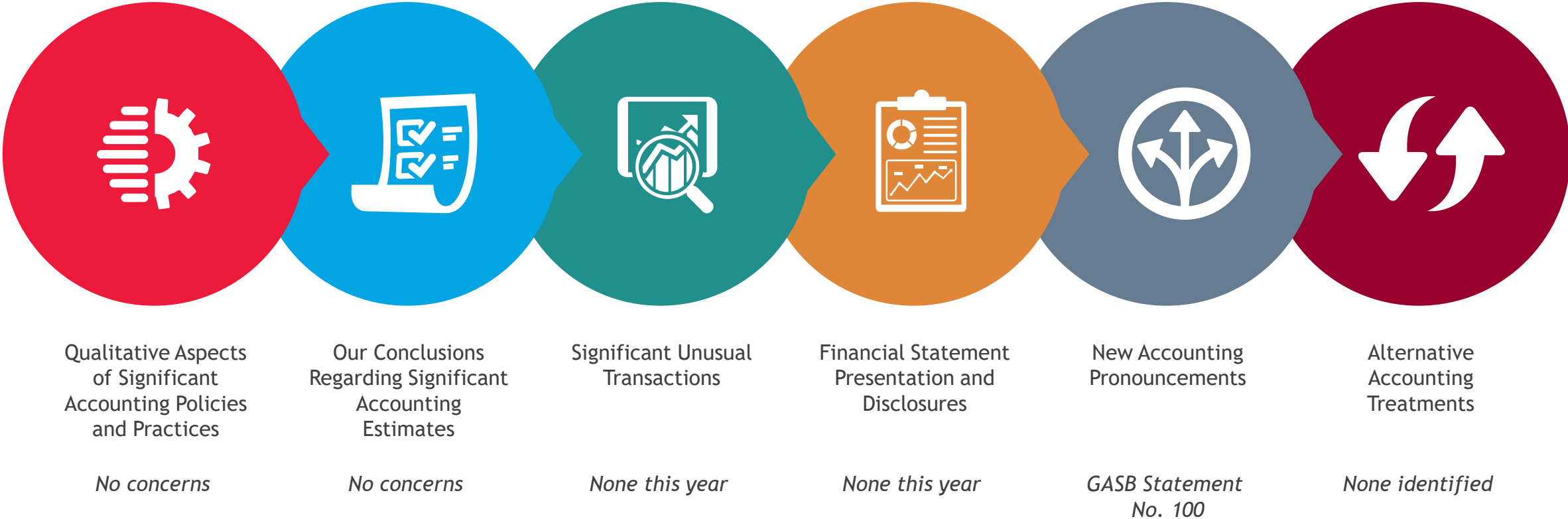
Discount Rate for Leases and Subscription-Based Information Technology Arrangements

- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2024.
- ▶ The methods used to account for significant or unusual transactions, and related disclosures, are considered appropriate.

Results of the Audit

QUALITY OF THE HOSPITAL'S FINANCIAL REPORTING

A discussion was held regarding the quality of the Hospital's financial reporting, which included :



Results of the Audit

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were no corrected or uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

There were proposed adjustments not posted to the books and records as part of the audit. A summary of audit corrections is provided as follows:

Entry	Amount	Description
SPH Foundation	\$401,738	South Peninsula Hospital Foundation has not been included in the financial statements as a consolidated entity but does meet the criteria for presentation according to accounting principles. Total assets on June 30, 2024, was \$401,738, which is immaterial to the overall presentation of SPH financial statements.





Internal Control Over Financial Reporting

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Hospital’s internal control over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Control Deficiency	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.
Significant Deficiency	A deficiency or 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.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital’s financial statements will not be prevented, or detected and corrected, on a timely basis.

Internal Control Over Financial Reporting

In conjunction with our audit of the financial statements, we noted no material weaknesses.

- ▶ We have communicated to management of the Hospital control deficiencies that were identified as a result of our audit that we did not consider to be material weaknesses or significant deficiencies.

Control Deficiency	Comments
Journal entry review and approval	Users in the finance/accounting department have the ability to enter/post their own journal entries (JE). Approvals are manual and not automated. SPH has other mitigating controls in place to prevent and detect JE errors, such as all JE's created by accounting staff are reviewed by the CFO. Additionally, the monthly financials are reviewed at various levels.

- ▶ We have communicated to management of the Hospital significant deficiencies that were identified as a result of our audit that we did not consider to be material weaknesses.

Significant Deficiency	Comments
Restricted Net Position	The Hospital had misclassified net pension assets and related accounts as unrestricted net position in prior years. This was corrected with the presentation of the 2024 financial statements, and prior year comparative information was reclassified to properly reflect these restrictions



Additional Required Communications

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the Hospital:

Requirement	Discussion Point
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risks of material misstatement, including fraud risks; or tips or complaints regarding the Hospital's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the Hospital:

Requirement	Discussion Point
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of requirements of an applicable financial reporting framework.
If applicable, significant matters identified by component auditors	During the component auditor's procedures, there were no significant matters identified that were deemed necessary to bring to group management's attention.
Significant findings and issues arising during the audit in connection with the Hospital's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.
Significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management	There were no significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management.

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the Hospital:

Requirement	Discussion Point
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Hospital's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Matters that are difficult or contentious for which the auditor consulted outside the engagement team	There were no difficult or contentious matters that we consulted with others outside the engagement team that we reasonably determined to be relevant to those charged with governance regarding their oversight of the financial reporting process.

Independence

Our engagement letter to you dated June 12, 2024, describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Hospital with respect to independence as agreed to by the Hospital. Please refer to that letter for further information.



Audit Firm System of Quality Management

An audit firm’s system of quality control (aka system of quality management) is essential to how the firm conducts audits and is in place to protect investors, shareholders and other users of financial statements.

QUALITY MANAGEMENT STANDARDS

In June 2022, the AICPA Auditing Standards Board (ASB) issued the following interrelated standards on audit quality management (collectively, the QM standards), which are designed to improve a CPA firm’s risk assessment and audit quality. The effective date of the QM standards is December 15, 2025.

Statement on Quality Management Standards (SQMS) No. 1 <i>A Firm’s System of Quality Management</i>	Statement on Quality Management Standards (SQMS) No. 2 <i>Engagement Quality Reviews</i>	Statement on Auditing Standards (SAS) No. 146 <i>Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards</i>
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BDO has assessed the requirements of the QM standards and has analyzed our firm’s current system of quality management to identify changes and improvements necessary for compliance. This includes the identification of quality objectives, quality risks and the assessment of those quality risks, and responses to address those risks. We are further working with BDO Global to appropriately integrate processes deployed at a global level into our firm’s system of quality management.

2020 BDO AUDIT QUALITY REPORT


CONTINUING
TO BUILD
TRUST



We will continue to provide you with updates on our progress. Currently, you may find discussion of BDO’s system of quality control within our annual [Audit Quality Reports](#), the most recent of which is accessible [here](#).



Appendix



At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes – for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

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Material discussed in this publication is meant to provide general information and should not be acted on without professional advice tailored to your needs.

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula
Borough)

Basic Financial Statements, Required
Supplementary Information and *Government*
Auditing Standards Report
Years Ended June 30, 2024 and 2023

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Basic Financial Statements, Required Supplementary Information
and *Government Auditing Standards* Report
Years Ended June 30, 2024 and 2023

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Contents

	Page
Independent Auditor's Report	1-3
Management's Discussion & Analysis	6-14
Basic Financial Statements	
Statements of Net Position	16-17
Statements of Revenues, Expenses and Changes in Net Position	18
Statements of Cash Flows	19-20
Statements of Fiduciary Net Position	21
Statements of Changes in Fiduciary Net Position	22
Notes to Basic Financial Statements	23-47
Required Supplementary Information	
Schedule of Changes in the Net Pension (Asset) Liability and Related Ratios	50
Schedule of Pension Contributions	51
Notes to Required Supplementary Information	51
Supplementary Information	
Schedule of Expenditures of Federal Awards	54
Notes to the Schedules of Expenditures of Federal Awards	55
Single Audit Section	
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 <i>Government Auditing Standards</i>	58-59
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	60-62
Schedule of Findings and Questioned Costs	63-64
South Peninsula Hospital Audit Responses (Unaudited)	
Corrective Action Plan	66



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Independent Auditor's Report

To the Honorable Mayor and Members
of the Kenai Peninsula Borough Assembly,
and South Peninsula Hospital, Inc.
Operating Board
Homer, Alaska

Report on the Audit of the Financial Statements

Opinions

We have audited the business-type activities of South Peninsula Hospital (the Hospital), a component unit of Kenai Peninsula Borough, as of and for the years ended June 30, 2024 and 2023, and its fiduciary activities as of December 31, 2023 and 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital as of June 30, 2024 and 2023 and its fiduciary activities as of December 31, 2023 and 2022, and the changes in financial position and, where applicable, its 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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, schedules of changes in the net pension (asset) liability and related ratios, and schedule of pension contributions 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, 2024 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The accompanying 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* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital's internal control over financial reporting and compliance.

BDO USA, P.C.

Anchorage, Alaska
November 15, 2024

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Management's Discussion and Analysis

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

Introduction

South Peninsula Hospital (the Hospital) is a rural community hospital that serves a population of approximately 15,000 and spans 8,900 square miles. The Hospital's mission is to promote and improve community health and wellness by providing high quality, cost-effective, locally coordinated, and holistic healthcare.

South Peninsula Hospital provides a variety of services including;

- Diagnostic Laboratory and Imaging
- Inpatient Hospitalization
- Outpatient Care
- General and Orthopedic Surgery
- Skilled Long-term Nursing Care
- 24-Hour Emergency Services
- Specialty Care Clinics
- Home Health Services
- Rehabilitation Therapy
- Sleep Lab Services
- Family Practice Services

The Hospital is a discretely presented component unit of the Kenai Peninsula Borough serving the Southern Kenai Peninsula. The Hospital operates as a not-for-profit hospital and healthcare organization with business-type activities. The Hospital follows accrual based accounting and records transactions in accordance with Governmental Accounting Standards for an enterprise fund.

**The Statement of Net Position and
Statement of Revenues, Expenses and Changes in Net Position**

One of the most important questions asked about the Hospital's finances is, "is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The Hospital's net position is the difference between its assets and liabilities reported on the Statement of Net Position.

These two statements report the Hospital's net position and changes in it. You can think of the Hospital's net position as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the hospital's patient base and measures of the quality of service it provides to the service area, as well as local economic factors to assess the overall health of the Hospital.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and both capital and noncapital financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash during the reporting period?"

Fiduciary Fund

The Statements of Fiduciary Net Position and Changes in Fiduciary Net Position are presented for the South Peninsula Hospital Employees' Pension Plan and Trust, as it is required to be presented to account for resources held for the benefit of the participants where the Hospital acts as a trustee. The fund uses the accrual basis of accounting.

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

The Hospital's Net Position

During fiscal year 2024, the Hospital determined that certain assets related to net pension assets, unspent bond proceeds, and other funds were restricted assets and not assets whose use is limited or unrestricted assets. Amounts for 2023 and 2022 have been revised below for reclassifications related to these corrections.

Summarized financial information of the Hospital's Statement of Net Position as of June 30, 2024, 2023 and 2022 (000's omitted) are as follows:

	2024	2023 **	2022 *
<i>Assets</i>			
Cash and cash equivalents	\$ 26,313	\$ 26,125	\$ 25,723
Net patient receivables	19,927	15,033	15,582
Other current assets	11,918	11,827	10,863
Capital assets, net	46,791	43,377	44,680
Other noncurrent assets	11,467	11,875	12,627
Total assets	116,416	108,237	109,475
Total deferred outflows	5,584	6,156	4,996
<i>Liabilities</i>			
Current liabilities	17,286	13,798	14,002
Noncurrent liabilities	9,913	9,357	11,874
Total liabilities	27,199	23,155	25,876
Total deferred inflows	338	570	617
<i>Net Position</i>			
Net investment in capital assets	34,722	31,467	30,632
Restricted	8,589	9,396	9,266
Unrestricted	51,152	49,805	48,080
Total net position	\$ 94,463	\$ 90,668	\$ 87,978

*Restated in 2023 for the implementation of GASB 96 and revised in 2024 for GASB 100.

**Revised in 2024 for the implementation of GASB 100.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

The Hospital's net patient receivable increased by \$4.9 million in 2024. This increase is mostly due to rate increases and the addition of new services. Current liabilities increase by \$3.5 million in 2024 due to increased payroll liabilities related to salary increases required by a collective bargaining agreement. Noncurrent liabilities decrease by \$2.5 million in 2023 due to a decrease in pension related deferred inflows of resources.

The Hospital's net position increased by \$3.8 million in 2024 and \$2.7 million in 2023. This increase is mostly due to the increase of the Hospital's investment in capital assets which resulted in an overall increase of net capital assets of \$3.4 million in 2024 and \$1.3 million in 2023.

The capital infrastructure of the Hospital is primarily funded by an established property tax mil rate which pays for both debt service on bond issuance and provides for capital equipment replacement. There have been no significant recent changes to the debt structure. Long-range capital expenditures are expected to be adequately funded by this mil rate and funded depreciation.

Operating Results and Changes in the Hospital's Net Position

Summarized financial information of the Hospital's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2024, 2023 and 2022 (000's omitted) are as follows:

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

	2024	2023	2022
	(as restated)		
Revenues:			
Operating Revenue:			
Net patient service revenue	\$ 123,979	\$ 106,939	\$ 99,823
Other operating revenue	1,072	756	675
Nonoperating Revenue:			
General property taxes	5,161	4,934	4,690
Grants and contributions	1,403	292	6,070
Investment income (loss)	1,558	556	(155)
Other nonoperating revenue	18	-	-
Gain on sale of assets	9	7	-
Total Revenues	133,200	113,484	111,103
Expenses:			
Operating Expenses:			
Salaries and wages	60,237	51,628	47,035
Employee benefits	27,143	23,168	20,388
Professional fees	7,357	6,389	5,969
Supplies, drugs and food	14,485	12,071	13,723
Depreciation and amortization	5,701	5,188	4,652
Repairs and maintenance	3,846	3,336	3,115
Utilities and telephone	2,130	1,769	1,673
Contract staffing	2,918	2,995	5,927
Lease and rentals	279	225	315
Insurance	885	727	654
Travel, meetings and education	750	608	552
Dues, books and subscriptions	289	222	232
Other operating expenses	2,740	1,833	1,207
Nonoperating Expenses:			
Interest expense	541	502	511
Other expenses	104	133	66
Total Expenses	129,405	110,794	106,019
Change in net position	3,795	2,690	5,084
Net position, beginning of year	90,668	87,978	82,894
Net position, end of year	\$ 94,463	\$ 90,668	\$ 87,978

*Restated in 2023 for the implementation of GASB 96.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

The Hospital realized a loss of \$3.7 million from operations for 2024 compared to a \$2.5 million loss in 2023. Gross patient revenue grew by 16.5% while net patient revenue increased by 15.9% due to rate increases and adding additional services. Net patient revenue for 2024 was \$17 million higher than previous year and operating expenses increased \$18.6 million. Of that increase, \$8.6 million was in salaries and wages, \$3.9 million was in employee benefits, and \$2.4 million was in supplies, drugs, and food. The majority of the increase in salaries and wages was from wage increases required by a collective bargaining agreement; other increases were due to expanding services by hiring additional staff and reducing contract staffing. Employee benefit increases were attributed to significant employee health claim expenses experienced during 2024, which aligns with industry trends where those who put off care during the pandemic are now sicker and require care that is more expensive. Supply increase were related to an increase services combined with a decreased demand in supplies necessary to protect staff and to provide vaccinations and testing for COVID-19.

The Hospital realized a loss of \$2.5 million from operations for fiscal year 2023 compared to a \$4.9 million loss in fiscal year 2022. Gross patient revenue grew by 7.8% while net patient revenue increased by 7.1% due to rate increases and adding additional services. Net patient revenue for fiscal year 2023 was \$7.1 million higher than previous year and operating expenses increased \$4.7 million. Of that increase, \$4.6 million was in salaries and wages, \$2.8 million was in employee benefits. There was a \$2.9 million decrease in contract staffing and a \$1.7 million decrease in supplies drugs and food. The majority of the increase in salaries and wages was from negotiated wage increases required by a collective bargaining agreement; other increases were due to expanding services by hiring additional staff and reducing contract staffing. Supply decreases were related to a decreased demand in supplies necessary to protect staff and to provide vaccinations and testing for COVID-19. Employee benefit increases were attributed to significant employee health claim expenses experienced during FY23, which aligns with industry trends where those who put off care during the pandemic are now sicker and require care that is more expensive.

Operational changes for 2025 include the operation of a new childcare center. The hospital anticipates that contract staffing levels will continue to decline as more permanent staff are hired. The addition of a Neurologist, additional OBGYN, Pediatrician and a Dermatologist are planned for FY25.

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

Budgetary Highlights

	Actual	Budget	Variance
Revenue:			
Gross patient charges	\$ 228,217	\$ 212,035	\$ 16,182
Deductions	(104,238)	(91,799)	(12,439)
Other revenue	1,072	920	152
Total operating revenue	125,051	121,156	3,895
Operating Expenses:			
Salaries, wages and benefits	87,380	84,132	(3,248)
Professional fees and contract staffing	10,275	8,130	(2,145)
Supplies	14,485	14,100	(385)
Depreciation and amortization	5,701	4,142	(1,559)
Other	10,919	11,026	107
Total operating expenses	128,760	121,530	(7,230)
Loss from operations	(3,709)	(374)	(3,335)
Total nonoperating revenue, net	7,504	5,234	2,270
Change in net position	\$ 3,795	\$ 4,860	\$ (1,065)

The Hospital exceeded budgeted revenue levels due to an increase in demand for treatment and the addition of new services. This variance resulted in net operating revenue, which was \$3.9 million above budget. Total expenses exceeded budget by \$7.2 million. Salaries, wages, and benefits exceeded budget by \$3.2 million due inflation increase in wages based on a new three year Collective Bargaining Agreement and increased health insurance claim expenses from employees. Professional fees and contract staffing exceeded budget by \$2 million as it took longer than expected to fill vacant nursing positions with permanent staff. Supplies were \$385 thousand over budget due to increased services. Total nonoperating gains were \$2.3 thousand above budget due to an increase in interest rates, grant revenues, and property taxes. Overall, the facility's net income in 2024 was \$1.1 million under budget.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

Capital Assets			
	2024	2023	2022 (as restated)*
Capital Assets			
Land and land improvements	\$ 4,125	\$ 4,115	\$ 4,115
Buildings and building improvements	67,086	63,999	67,422
Equipment	30,188	27,858	30,084
Right-to-use leased equipment	5,570	3,275	3,179
Subscription IT assets	2,135	1,987	1,514
Improvements other than buildings	927	311	290
Construction in progress	1,879	1,254	652
Less accumulated depreciation and amortization	(65,119)	(59,422)	(62,576)
Capital Assets, net	\$ 46,791	\$ 43,377	\$ 44,680

*Restated in 2023 for the implementation of GASB 96.

The capital infrastructure of the Hospital is primarily funded by an established property tax mil rate which pays for both debt service on bond issuance and provides for capital equipment replacement. There have been no significant recent changes to the debt structure. Long-range capital expenditures are expected to be adequately funded by this mil rate and funded depreciation.

As of year-end, the Hospital has \$46.8 million (net of accumulated depreciation and amortization) invested in capital assets. In 2024, the Hospital's capital improvement projects totaled \$9.1 million with \$2.4 million in intangible right to use buildings and software, and \$3.0 million in major moveable equipment, and \$3.7 million in buildings and fixed equipment. Among the largest capital purchases were the replacement of a portion of the Hospital air conditioning unit and the addition of SmartRobotics equipment. Total capital asset depreciation for 2024 was \$5.7 million and total asset additions less construction in progress deletions were \$9.1 million, resulting in an overall increase in net capital assets of \$3.4 million from year prior.

In 2023, the Hospital had \$43.4 million (net of accumulated depreciation and amortization) invested in capital assets. The Hospital's capital improvement projects totaled \$4.0 million with \$0.5 million in intangible right to use buildings and software, and \$1.7 million in major moveable equipment, and \$1.8 million in buildings and fixed equipment. Among the largest capital purchases were the replacement of the hospital 1975 and 1999 roof portions, the addition of CrowdStrike IT software, replacement of a chemistry analyzer, replacement of operating room monitors, and the replacement of lighting in the operating room. Total capital asset depreciation in 2023 was \$5.2 million, resulting in an overall decrease in net capital assets of \$1.3 million from year prior.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Management's Discussion and Analysis

Other Economic Factors

There are issues facing the hospital that could result in material changes in its financial position in the long term. Among those issues are:

- Risks related to changes in Medicare and Medicaid reimbursement
- Competition in the local healthcare market
- Nursing and other healthcare related labor shortages
- Affordable Care Act

The hospital is certified as a provider under both the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 year of age or disabled, and the Medicaid program, funded jointly by the federal government and the state, which provides medical assistance to certain needy individuals and families. Approximately 41% of the hospital's gross patient revenue for 2024 was derived from Medicare and 23% from Medicaid.

Contacting the Hospital's Financial Management

The 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 4300 Bartlett, Homer, Alaska, 99603.

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Basic Financial Statements

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)
Statements of Net Position

<i>June 30,</i>	2024	2023
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 26,312,886	\$ 26,124,541
Equity in central treasury of Kenai Peninsula Borough	8,178,507	8,502,601
Total cash and cash equivalents and equity in central treasury of Kenai Peninsula Borough	34,491,393	34,627,142
Patient receivables, net of contractual allowances of \$13,286,528 in 2024 and \$12,529,096 in 2023	24,415,457	19,305,824
Less estimated uncollectibles	(4,488,193)	(4,272,637)
Net patient receivables	19,927,264	15,033,187
Property taxes receivable	103,313	95,078
Less estimated uncollectible taxes	(7,817)	(5,417)
Property taxes receivable, net of allowances of \$7,817 in 2024 and \$5,417 in 2023	95,496	89,661
Other receivables	417,614	366,977
Inventory	2,340,673	2,130,033
Prepaid expenses	885,528	737,230
Total Current Assets	58,157,968	52,984,230
Restricted Assets		
Net pension asset	3,225,068	3,559,619
Unspent bond proceeds - equity in central treasury of Kenai Peninsula Borough	23,253	23,253
Other	36,311	23,322
Total Restricted Assets	3,284,632	3,606,194
Assets Whose Use is Limited		
Plant replacement and expansion fund equity in central treasury of Kenai Peninsula Borough	8,182,060	8,269,184
Capital assets, net	46,790,951	43,376,835
Total Assets	116,415,611	108,236,443
Deferred Outflows of Resources		
Pension related	5,360,446	5,864,259
Goodwill	-	5,000
Unamortized deferred charge on refunding	223,835	287,119
Total Deferred Outflows of Resources	5,584,281	6,156,378
Total Assets and Deferred Outflows of Resources	\$ 121,999,892	\$ 114,392,821

See accompanying notes to basic financial statements.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Net Position, continued

<i>June 30,</i>	2024	2023
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts and contracts payable	\$ 2,373,544	\$ 1,484,870
Accrued liabilities	7,992,456	6,687,669
Medical claims reserve	2,259,834	1,647,793
Unearned revenue	1,296,047	74,840
Current portion of bonds payable	1,195,000	1,850,000
Current portion of note payable	8,112	-
Current portion of leases payable	867,284	525,396
Current portion of subscription IT assets payable	332,153	488,650
Bond interest payable	81,820	100,216
Due to third-party payors	879,746	938,761
Total Current Liabilities	17,285,996	13,798,195
Long-term Liabilities		
Bonds payable, net of current portion	5,420,000	6,615,000
Note payable, net of current portion	37,338	-
Unamortized premium on bonds payable	271,850	389,368
Leases payable, net of current portion	3,942,930	1,891,705
Subscription IT assets payable, net of current portion	241,257	460,247
Total Long-term Liabilities	9,913,375	9,356,320
Total Liabilities	27,199,371	23,154,515
Deferred Inflows of Resources		
Pension related	56,276	74,795
Property taxes received in advance	281,220	495,208
Total Deferred Inflows of Resources	337,496	570,003
Net Position		
Net investment in capital assets	34,722,115	31,466,842
Restricted for:		
Pension benefits	8,529,238	9,349,083
Debt service	23,253	23,253
Other	36,311	23,322
Unrestricted	51,152,108	49,805,803
Total Net Position	94,463,025	90,668,303
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 121,999,892	\$ 114,392,821

See accompanying notes to basic financial statements.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2024	2023
Operating Revenues		
Gross patient charges	\$ 228,217,402	\$ 195,932,054
Less charges associated with charity care	(1,668,124)	(1,997,320)
Patient service revenue	226,549,278	193,934,734
Contractual adjustments	(98,859,181)	(83,790,955)
Provision for bad debts	(3,711,094)	(3,204,750)
Net patient service revenue	123,979,003	106,939,029
Other operating revenue	1,072,092	755,856
Total Operating Revenues	125,051,095	107,694,885
Operating Expenses		
Salaries and wages	60,236,977	51,627,763
Employee benefits	27,142,753	23,167,574
Professional fees	7,357,186	6,388,871
Supplies, drugs and food	14,484,544	12,071,414
Depreciation and amortization	5,701,331	5,187,906
Repairs and maintenance	3,845,567	3,335,759
Utilities and telephone	2,130,276	1,769,204
Contract staffing	2,917,721	2,995,404
Lease and rentals	279,408	224,610
Insurance	884,660	726,647
Travel, meetings and education	749,580	607,642
Dues, books and subscriptions	288,495	222,588
Other operating expenses	2,740,194	1,832,658
Total Operating Expenses	128,758,692	110,158,040
Loss from operations	(3,707,597)	(2,463,155)
Nonoperating Revenues (Expenses)		
General property taxes	5,160,918	4,933,781
Grants and contributions	1,402,764	292,367
Other Income	17,889	-
Investment income	1,558,025	556,445
Gain on sale of assets	9,275	6,572
Interest expense	(540,922)	(502,348)
Other expenses	(105,630)	(132,966)
Total Nonoperating Revenues, net	7,502,319	5,153,851
Change in net position	3,794,722	2,690,696
Net Position, beginning of year	90,668,303	87,977,607
Net Position, end of year	\$ 94,463,025	\$ 90,668,303

See accompanying notes to basic financial statements.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Cash Flows

<i>Years Ended June 30,</i>	2024	2023
Cash Flows from (for) Operating Activities		
Receipts from patients and users	\$ 119,025,911	\$ 107,214,604
Payments to suppliers	(34,578,136)	(30,140,621)
Payments to employees	(85,212,816)	(75,035,051)
Other receipts	958,517	1,003,306
Net cash flows from operating activities	193,476	3,042,238
Cash Flows from Non-Capital Financing Activities		
Receipts from property taxes	4,941,095	4,912,925
Grant and other non-operating revenues (expenses)	2,505,996	(7,846)
Net cash flows from non-capital financing activities	7,447,091	4,905,079
Cash Flows for Capital and Related Financing Activities		
Purchase of capital assets	(6,145,533)	(3,349,296)
Bond principal paid	(1,850,000)	(1,785,000)
Payments on leases	(329,781)	(219,378)
Payments on subscription IT assets	(524,335)	(623,995)
Interest paid on capital debt	(613,552)	(591,389)
Note proceeds	45,450	-
Proceeds from sale of capital assets	9,275	6,572
Net cash flows for capital and related financing activities	(9,408,476)	(6,562,486)
Cash Flows for Investing Activities		
Increase (decrease) in restricted assets - unspent bond proceeds and other	(12,989)	3,857
Increase (decrease) in assets whose use is limited	87,124	(368,470)
Interest and dividends received	1,558,025	556,445
Net cash flows from investing activities	1,632,160	191,832
Net increase (decrease) in cash and cash equivalents	(135,749)	1,576,663
Cash, Cash Equivalents and Equity in Central Treasury, beginning of year	34,627,142	33,050,479
Cash, Cash Equivalents and Equity in Central Treasury, end of year	\$ 34,491,393	\$ 34,627,142

See accompanying notes to basic financial statements.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Cash Flows, continued

<i>Years Ended June 30,</i>	2024	2023
Reconciliation of Loss from Operations to Net Cash Flows from Operating Activities		
Loss from operations	\$ (3,707,597)	\$ (2,463,155)
Adjustments to reconcile loss from operations to net cash from operating activities:		
Depreciation and amortization expense	5,701,331	5,187,906
Contributed services and supplies received	-	212,160
Change in assets, deferred outflows and liabilities:		
Patient receivables, net	(4,894,077)	549,418
Other receivables	(53,796)	247,450
Inventory	(210,640)	(67,529)
Prepaid expenses	(148,298)	22,989
Net pension asset	334,551	1,116,090
Deferred outflows - pension related	503,813	(1,240,028)
Accounts and contracts payable	888,674	(500,150)
Accrued liabilities	1,304,787	(97,257)
Medical claims reserve	612,041	321,793
Unearned revenue	(59,779)	44,913
Due to third-party payors	(59,015)	(273,843)
Deferred inflows - pension related	(18,519)	(18,519)
Total adjustments	3,901,073	5,505,393
Net Cash Flows from Operating Activities	\$ 193,476	\$ 3,042,238
Supplemental Disclosure of Cash-Flow Information		
Contributed capital assets from Primary Government	\$ 93,172	\$ -
Contributed supplies received	\$ -	\$ 212,160
Capital assets acquired with leases	\$ 2,722,894	\$ 95,851
Capital assets acquired with subscription IT assets	\$ 148,848	\$ 472,777

See accompanying notes to basic financial statements.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Fiduciary Net Position - Pension Trust Fund
South Peninsula Hospital Employees' Pension Plan and Trust

<i>December 31,</i>	2023	2022
Assets		
Investments, at fair value	\$ 16,810,802	\$ 23,431,703
Cash	(41,773)	114,954
Total Assets	16,769,029	23,546,657
Net Position - restricted for pensions	\$ 16,769,029	\$ 23,546,657

See notes to accompanying basic financial statements.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Statements of Changes in Fiduciary Net Position - Pension Trust Fund
South Peninsula Hospital Employees' Pension Plan and Trust

<i>Years Ended December 31,</i>	2023	2022
Additions:		
Investment income	\$ 2,335,914	\$ (3,983,559)
Employer contributions	1,417,697	1,264,500
Total Additions	3,753,611	(2,719,059)
Deductions:		
Benefits paid to participants	10,531,239	2,652,371
Total Nonoperating Revenues, net	10,531,239	2,652,371
Net Decrease in Fiduciary Net Position	(6,777,628)	(5,371,431)
Net Position, beginning of year	23,546,657	28,918,088
Net Position, end of year	\$ 16,769,029	\$ 23,546,657

See notes to accompanying basic financial statements.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements
June 30, 2024 and 2023

1. The Reporting Entity

The South Peninsula 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. The South Peninsula Hospital accounts for the provision of Hospital services for the south peninsula area within the Kenai Peninsula Borough. The South Peninsula Hospital is operated under a sublease and operating agreement (“Operating Agreement”) by South Peninsula Hospital, Inc. Under the terms of this agreement, which expires December 31, 2029, with an optional five-year extension, the South Peninsula Hospital Service Area provides funds to the Hospital, for payment of debt service, additions to, repairs and replacement of property, plant, and equipment and for operational purposes if needed.

In 2012, the Kenai Peninsula Borough adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. In connection therewith, the Kenai Peninsula Borough reviewed its legal and contractual agreements with the South Peninsula Hospital, which was previously reported as an enterprise fund, and has determined that, for financial reporting purposes in accordance with generally accepted accounting principles, this activity is appropriately recorded as a discretely presented enterprise component unit of the Kenai Peninsula Borough.

South Peninsula Hospital Employee’s Pension Plan and Trust (the Fiduciary Fund) is noncontributory defined benefit pension plan covering certain employees of the Hospital. It is reported as a component unit because the Hospital appoints a voting majority of the Trustees of the Fiduciary Fund. The Hospital reports the South Peninsula Hospital Employee’s Pension Plan and Trust as a fiduciary fund under the provisions of GASB Statement No. 84, *Fiduciary Activities*, as it is a pension plan that is administered through a trust in which contributions are irrevocable, assets are dedicated to providing pensions to plan members, and assets are legally protected from creditors. The Fiduciary Fund’s fiscal year is December 31; therefore, the financial information presented for the Fiduciary Fund are as of and for the fiscal years ended December 31, 2023 and 2022.

2. Summary of Significant Accounting Policies

Enterprise Accounting

Enterprise activities accounting is used to account for government operations which are financed and operated in a manner similar to private business enterprises. It is the intent of the Hospital 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 including the issuance of general obligation bonds by the Kenai Peninsula Borough on behalf of the Hospital.

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

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Operating vs. Non-operating Revenues and Expenses

The Hospital has defined operating revenues to include all patient service charges and other applicable charges for services directly attributable to providing healthcare services, product sales or other related community health services. Operating expenses are defined as those expenses directly related to providing services including administrative expenses, and depreciation and amortization, and excludes expenses utilized directly for capital projects which are charged to capital assets. Non-operating revenues and expenses are not directly attributable to the services provided. This includes investment interest, property taxes, gain (loss) on disposal of capital assets, and non-operating grant revenue.

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 the more efficient investment of the combined assets. Each entity whose monies are deposited in the Central Treasury has equity therein.

Cash Equivalents

For purposes of the statements of cash flows, the Hospital considers all highly liquid investments and deposits in the Kenai Peninsula Borough central treasury to be cash equivalents except those included in assets whose use is limited and restricted assets. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund or entity.

Investments

The Hospital's policy is to invest only in obligations of the U.S. Treasury, its agencies and instrumentalities, fully collateralized certificates of deposit, commercial paper, and money market mutual funds. Investments are stated at fair value.

The fiduciary fund reports investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Investment income includes gains and losses on the investments bought and sold as well as held during the year.

Restricted Assets

Restricted assets include net pension assets, bond proceeds, and other cash and investments that are restricted due to external agreements.

Assets Whose Use is Limited

Assets whose use is limited are assets set aside by the Board for uses over which the Board retains control and may, at its discretion, use for other purposes.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Inventory

Inventory consists primarily of Hospital supplies and pharmaceuticals and is stated at the lower of cost (first-in, first-out method) or market.

Prepaid Expenses

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

Capital Assets

Capital assets are stated at cost less accumulated depreciation. To be considered for capitalization, the cost of an asset must exceed \$5,000 and the service life must exceed one year. Land and construction in progress are not depreciated. Expenditures for renewals and betterments are capitalized and maintenance and repairs are expensed when incurred. Gains and losses upon asset disposal are reflected in income. Depreciation is charged to operations by use of the straight-line method over the estimated useful lives of the assets, estimated as follows:

Buildings and building improvements	10-50 years
Improvements other than buildings	5-25 years
Equipment	3-15 years

Deferred Outflows and Deferred Inflows

A deferred outflow represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. A deferred inflow represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. Deferred outflows consist of deferred charges on debt refunding, goodwill, and outflows related to the pension plan. Deferred inflows of resources consist of inflows related to the pension plan and payments received as of June 30 for property taxes due October 15th. Such deferred property tax revenues are for support for the following fiscal year operations.

Net Position

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

The net investment in capital assets classification represents the position of 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.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/from the plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. 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 South Peninsula Hospital.

Charity Care

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

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and estimated provision for bad debts. Retroactive adjustments are accrued as estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The provision for uncollectible patient accounts receivable is based on the duration the patient's account has been outstanding, current economic conditions, and historical collection experience.

Federal and State Grants and Deferred Revenue

The Hospital recognizes revenue from grants when the expenses have been incurred for the purpose specified by the grantor or in accordance with the terms of the agreement. Payments received in advance are reported as deferred revenue. The Hospital is subject to examination by the funding sources of grants to determine compliance with grant provisions. If expenditures could be disallowed through such examination of review, repayment of such disallowances could be required.

Leases

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

At the commencement of a lease, the Hospital initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

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.

Subscription-Based Information Technology Arrangements

The Hospital is party to 19 subscription-based information technology arrangements (SBITAs). The Hospital recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the statement of net position. The Hospital recognizes subscription liabilities with an initial term greater than twelve months and an individual annual value of \$5,000 or more. Remaining subscription terms range from 1 to 4 years with fixed payments due at various time frames depending on arrangement terms. For SBITAs with a maximum possible term of 12 months or less at commencement, the Hospital recognizes expenses based on the provisions of the arrangement.

At the commencement of a SBITA, the Hospital initially measures the subscription liability at the present value of expected subscription payments to be made over the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the IT asset or subscription term.

Key estimates and judgments related to SBITAs include how the Hospital determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) subscription payments.

The Hospital uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Hospital generally uses its estimated incremental borrowing rate as the discount rate. The subscription term includes the noncancellable period during which the Hospital has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend if reasonably certain the Hospital or vendor will exercise that option or to terminate if it is reasonably certain that the Hospital or vendor will not exercise that option. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

The Hospital monitors changes in circumstances that would require a remeasurement of a SBITA and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term obligations on the statement of net position.

The Hospital capitalizes qualifying initial implementation costs of \$5,000 or more as part of the subscription asset. Preliminary project stage outlays are expensed as included. Operation and additional implementation stage activities are expensed as incurred unless they meet specific capitalization criteria.

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. Uncompensated Care

Bad debts and charity care are subtracted from patient service revenue to arrive at net patient revenue. The following information relates to uncompensated care for the years ended June 30, 2024 and 2023.

	2024	2023
Bad debt	\$ 3,711,094	\$ 3,204,750
Charges forgone, based on established rates (unaudited)	1,668,124	1,997,320
Total Uncompensated Care	\$ 5,379,218	\$ 5,202,070

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

4. Deposits and Investments

Deposits for the Hospital consisted of the following at June 30, 2024 and 2023:

	2024		2023	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Bank accounts	\$ 26,341,318	\$ 26,626,535	\$ 26,145,587	\$ 26,692,254
Cash on hand	2,876	-	2,275	-
	26,344,194	\$ 26,626,535	26,147,862	\$ 26,692,254
Less cash equivalents included in restricted assets	(31,308)		(23,321)	
Cash and Cash Equivalents	\$ 26,312,886		\$ 26,124,541	

For the cash and cash equivalents and for central treasury cash, the checking account balances are fully insured by federal deposit insurance or collateralized by securities which are held by the financial institution or third party and the Borough's agent in the Kenai Peninsula Borough's name.

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 statements of net position as follows:

	2024	2023
Equity in Central Treasury of Kenai Peninsula Borough	\$ 16,383,820	\$ 16,795,038
Less amount included in restricted assets and assets whose use is limited:		
Plant replacement and expansion fund	(8,182,060)	(8,269,184)
Unspent bond proceeds	(23,253)	(23,253)
Total Equity in Central Treasury, included in current assets	\$ 8,178,507	\$ 8,502,601

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Fiduciary Fund Investments

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the fiduciary fund has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2023 and 2022.

Common collective trusts: Valued at the net asset value (NAV) of units of a bank collective trust. NAV is readily determinable fair value and is the basis for current transactions. Transactions (purchases and sales) may occur daily.

Money market fund: Consists of investments in an institutions money market fund that permits daily redemption, the fair value of which is based upon the quoted price in active markets provided by the financial institution managing this fund.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open ended mutual funds that are registered with the Securities and Exchange Commission. The funds are required to publish their daily NAV and to transact at the price. The mutual funds held by the Plan are deemed to be actively traded.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the fiduciary fund's investments at fair value:

<i>December 31, 2023</i>	Level 1	Level 2	Level 3	Total
Common collective trusts	\$ -	\$ 1,983,535	\$ -	\$ 1,983,535
Mutual funds	-	14,344,018	-	14,344,018
Money market fund	483,249	-	-	483,249
Total Investments at Fair Value	\$ 483,249	\$ 16,327,553	\$ -	\$ 16,810,802
<i>December 31, 2022</i>	Level 1	Level 2	Level 3	Total
Common collective trusts	\$ -	\$ 20,261,720	\$ -	\$ 20,261,720
Mutual funds	-	2,346,964	-	2,346,964
Money market fund	823,019	-	-	823,019
Total Investments at Fair Value	\$ 823,019	\$ 22,608,684	\$ -	\$ 23,431,703

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South Peninsula 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 2024 follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Land and land improvements	\$ 4,114,693	\$ 9,865	\$ -	\$ 4,124,558
Construction in progress	1,254,244	6,667,736	(6,043,145)	1,878,835
Total nondepreciable assets	5,368,937	6,677,601	(6,043,145)	6,003,393
Buildings and building improvements	63,998,830	3,086,890	-	67,085,720
Equipment	27,858,480	2,329,460	-	30,187,940
Right-to-use leased equipment	3,275,027	2,295,234	-	5,570,261
Subscription IT assets	1,986,711	148,848	-	2,135,559
Improvements other than buildings	311,331	615,559	-	926,890
Total depreciable assets	97,430,379	8,475,991	-	105,906,370
Total capital assets	102,799,316	15,153,592	(6,043,145)	111,909,763
Less accumulated depreciation and amortization for:				
Land improvements	(2,932,010)	(178,593)	-	(3,110,603)
Buildings	(32,167,658)	(2,443,722)	-	(34,611,380)
Equipment	(22,108,530)	(1,686,635)	-	(23,795,165)
Right-to-use leased equipment	(1,197,523)	(643,736)	-	(1,841,259)
Subscription IT assets	(899,083)	(646,257)	-	(1,545,340)
Improvements other than buildings	(117,677)	(97,388)	-	(215,065)
Total accumulated depreciation and amortization	(59,422,481)	(5,696,331)	-	(65,118,812)
Net Capital Assets	\$ 43,376,835	\$ 9,457,261	\$ (6,043,145)	\$ 46,790,951

South Peninsula 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 2023 follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
	(as restated)			
Land and land improvements	\$ 4,114,643	\$ 50	\$ -	\$ 4,114,693
Construction in progress	651,950	602,294	-	1,254,244
Total nondepreciable assets	4,766,593	602,344	-	5,368,937
Buildings and building improvements	67,421,851	1,166,319	(4,589,340)	63,998,830
Equipment	30,084,168	1,580,857	(3,806,545)	27,858,480
Right-to-use leased equipment	3,179,176	95,851	-	3,275,027
Subscription IT assets	1,513,934	472,777	-	1,986,711
Improvements other than buildings	290,387	90,551	(69,607)	311,331
Total depreciable assets	102,489,516	3,406,355	(8,465,492)	97,430,379
Total capital assets	107,256,109	4,008,699	(8,465,492)	102,799,316
Less accumulated depreciation and amortization for:				
Land improvements	(2,754,206)	(177,804)	-	(2,932,010)
Buildings	(34,286,715)	(2,470,284)	4,589,341	(32,167,658)
Equipment	(24,367,153)	(1,445,089)	3,703,712	(22,108,530)
Right-to-use leased equipment	(750,616)	(446,907)	-	(1,197,523)
Subscription IT assets	(291,492)	(607,591)	-	(899,083)
Improvements other than buildings	(126,197)	(40,231)	48,751	(117,677)
Total accumulated depreciation and amortization	(62,576,379)	(5,187,906)	8,341,804	(59,422,481)
Net Capital Assets	\$ 44,679,730	\$ (1,179,207)	\$ (123,688)	\$ 43,376,835

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

6. Long-term Obligations

Changes in general obligations bonds for the year ended June 20, 2024 is as follows:

General Obligation Bonds:

	Balance June 30, 2023	Additions	Retired	Balance June 30, 2024	Due Within One Year
General Obligation Bonds					
General obligation bonds 2017 series in annual installments, including a coupon rate ranging between 2.5% - 5.0%, maturing in May 2032	\$ 3,040,000	\$ -	\$ 290,000	\$ 2,750,000	\$ 295,000
Refunding general obligation bonds 2016 series (2007 original issue) in annual installments, including a coupon rate ranging between 2.5% - 5.0%, maturing in December 2023	705,000	-	705,000	-	-
Refunding general obligation bonds 2015 series (2007 original issue) in annual installments, including a coupon rate ranging between 2.0% - 5.0%, maturing in March 2028	4,720,000	-	855,000	3,865,000	900,000
Total General Obligation Bonds	8,465,000	-	1,850,000	6,615,000	1,195,000
Plus Unamortized Bond Premium	389,368	-	117,518	271,850	-
Total Bonds Payable	\$ 8,854,368	\$ -	\$ 1,967,518	\$ 6,886,850	\$ 1,195,000

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Other Long-term Obligations:

Changes in other long-term obligations for the year ended June 20, 2024 is as follows:

	Balance June 30, 2023	Additions	Retired	Balance June 30, 2024	Due Within One Year
Note Payable to Kenai Peninsula Borough	\$ -	\$ 45,450	\$ -	\$ 45,450	\$ 8,112
Lease Liabilities	2,417,101	2,722,894	329,781	4,810,214	867,284
Subscription IT Liabilities	948,897	148,848	524,335	573,410	332,153
Total Other Long-term	\$ 3,365,998	\$ 2,917,192	\$ 854,116	\$ 5,429,074	\$ 1,207,549

Note Payable:

In June of 2024, the Hospital received a \$7,000,000 loan from the Kenai Peninsula Borough to finance the replacement of the Hospital's EMR software. The five year loan has a fixed interest rate of 4.81% that compounds daily. The Hospital is required to make quarterly principal and interest payments. As of June 30, 2024, the Hospital has received loan proceeds of \$45,450.

Lease Liabilities:

During the current year, the Hospital continued multiple-year lease agreements as a lessee for various nonfinancial assets. As of June 30, 2024, the outstanding balance on the leases was \$4,810,214. The Hospital is required to make monthly principal and interest payments. The Hospital uses a variety of discount rates as determined by the specifics of each lease, which range from 5.25% to 10.50%. The nonfinancial assets have various useful lives. No material direct costs payments were made. The value of the right-to-use asset as of June 30, 2024 was \$5,570,261 and had accumulated amortization of \$1,841,259.

Subscription IT Liabilities:

The Hospital recognizes a subscription based IT arrangement payable for numerous contracts in which the Hospital, acting as the subscriber, is granted the right to use a vendor's proprietary software. The contracts did not contain a stated interest rate, so the Hospital used an incremental borrowing rate, which range from 6.23% to 8.57%, as the discounted rate. As of June 30, 2024, the outstanding balance on the contracts was \$573,410. The value of the right-to-use asset as of June 30, 2024 was \$2,135,559 and had accumulated amortization of \$1,545,340.

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

The future principal and interest payments for long-term liabilities as of June 30, 2024 are as follows:

<i>Year Ending June 30,</i>	General Obligation Bonds		
	Principal	Interest	Total
2025	\$ 1,195,000	\$ 297,669	\$ 1,492,669
2026	1,250,000	237,919	1,487,919
2027	1,315,000	175,419	1,490,419
2028	1,375,000	109,669	1,484,669
2029	355,000	47,719	402,719
2030-2032	1,125,000	76,206	1,201,206
	\$ 6,615,000	\$ 944,601	\$ 7,559,601

<i>Year Ending June 30,</i>	Note Payable Kenai Peninsula Borough		
	Principal	Interest	Total
2025	\$ 8,112	\$ 2,088	\$ 10,200
2026	8,568	1,632	10,200
2027	8,990	1,210	10,200
2028	9,431	769	10,200
2029	10,349	302	10,651
	\$ 45,450	\$ 6,001	\$ 51,451

<i>Year Ending June 30,</i>	Lease Liabilities		
	Principal	Interest	Total
2025	\$ 867,284	\$ 329,056	\$ 1,196,340
2026	774,848	271,807	1,046,655
2027	785,719	213,331	999,050
2028	845,302	149,980	995,282
2029	747,266	87,970	835,236
2030-2032	789,795	56,352	846,147
	\$ 4,810,214	\$ 1,108,496	\$ 5,918,710

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

<i>Year Ending June 30,</i>	Subscription IT Liabilities		
	Principal	Interest	Total
2025	\$ 332,153	\$ 18,985	\$ 351,138
2026	193,276	6,614	199,890
2027	47,981	474	48,455
	\$ 573,410	\$ 26,073	\$ 599,483

7. Deferred Charge on Bonds

The Hospital issued bonds in 2007, which were refunded in 2015 and 2017 (see Note 6 regarding long-term obligations) resulting in a deferred charge on bonds. The unamortized balance as of June 30, 2024 and 2023 was \$223,835 and \$284,881, respectively, for the 2016 refunding. The unamortized balance as of June 30, 2024 and 2023 was \$0 and \$2,238, respectively, for the 2018 refunding. Combined amortization expense for the years ending June 30, 2024 and 2023 was \$63,284 and \$67,647, respectively.

8. Restricted Net Position

The Hospital has restricted net position of \$8,588,802 at June 30, 2024 and \$9,395,658 in 2023. The restrictions include a net pension assets, unspent bond proceeds, and restricted cash.

9. Functional Expenses

Operating expenses grouped according to function are as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Operating Expenses		
Healthcare services	\$ 100,059,513	\$ 83,469,158
Fiscal, administrative and facility services	22,997,848	21,500,976
Depreciation and amortization	5,701,331	5,187,906
Total Operating Expenses	\$ 128,758,692	\$ 110,158,040

10. Third-Party Payer Programs

The Hospital has agreements with third-party payers that provide for 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 payers. A summary of the basis of reimbursement with major third-party payers follows:

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Medicare

Critical Access Hospitals are paid based on each Hospital's reported costs. Inpatient, Outpatient, Laboratory, Therapy, and Swing-Bed services are paid at 101 percent of the Hospital's cost of providing those services. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits by the Medicare fiscal intermediary.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid for through a cost reimbursement method. Inpatient stays are paid on a per day rate. Outpatient services are reimbursed as a percentage of charges.

Commercial

The Hospital has multiple commercial payer contracts with the largest portions of revenue coming from Premera and Aetna. The Hospital is reimbursed at a percentage of charges with its commercial payers.

Balances due to third-party payers are as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Due to Medicare	\$ 879,746	\$ 938,761
Total Due to Third-Party Payers	\$ 879,746	\$ 938,761

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

	Revenues	Patient Receivables
Commercial	31%	25%
Medicare	41	18
Medicaid	25	42
Self-pay and other	3	15
	100%	100%

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Composition of payers of gross patient receivables and revenues is approximated as follows for the year ended June 30, 2023:

	Revenues	Patient Receivables
Commercial	31%	27%
Medicare	40	29
Medicaid	25	27
Self-pay and other	4	17
	100%	100%

11. Defined Benefit Pension Plan

Description of Plan

The Hospital employees participate in the South Peninsula Hospital Employees' Pension Plan, a defined-benefit single-employer plan. The Plan was established and is administered by the South Peninsula Hospital. The Plan issues separate financial statements that are available by contacting the Hospital at South Peninsula Hospital, 4300 Bartlett Street, Homer, Alaska 99603. As of January 1, 2013, the plan is "frozen for nonunion employees" and will not accept participants other than those previously designated. The Plan has been closed to all employees hired after February 28, 2016.

Benefits Provided

The Plan provides retirement, disability, and death benefits. Retirement benefits for employees are calculated as 0.69% of the employee's average annual compensation plus 0.4% of the average compensation in excess of \$10,000 times years of service to a maximum of 35 years. Average compensation is determined based on the highest five years. Employees with 3 years of continuous service are eligible to retire at age 65. Employees with 12 years of continuous service are eligible to retire at age 55. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 50% of the participant's deferred vested benefit. An employee who leaves the Hospital's service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date.

At January 1, 2024 and 2023, respectively, the following employees were covered by the benefit terms:

	2024	2023
Inactive employees or beneficiaries currently receiving benefits	1	69
Inactive employees entitled to, but not yet receiving benefits	7	73
Active employees	136	145
	144	287

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Contributions

The Plan's funding policy provides for actuarially determined periodic contributions by the Hospital at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The Plan uses the Unit Credit cost funding actuarial method. Significant actuarial assumptions used to calculate the net pension obligation are identical to those used for funding purposes. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees do not contribute to the Plan. For the year ended June 30, 2024 and 2023, respectively, the Hospital's average contribution rate was 14.04% and 17.86% percent of annual payroll.

Net Pension Asset

The Hospital's net pension asset was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2024 and 2023.

Actuarial Assumptions

The total pension liability in the June 30, 2024 and 2023 actuarial valuation was determined using the following actuarial assumptions.

	2024	2023
Inflation	2.0% to 2.5%, annually	2.0% to 2.5%, annually
Salary increases	2.50%, average, including inflation	2.50%, average, including inflation
Investment rate of return	6.25%	7.00%

Mortality rates for June 30, 2024 and 2023 were based on the Pri-2012 White Collar Mortality, projected with MP-2021 for plan funding.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2023 to December 31, 2023. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2022 to December 31, 2022.

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	36%	5.75%
International equity	14	5.85
Fixed income	47	3.50
Cash	3	2.00
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability June 30, 2024 and 2023 was 6.25% and 7%, respectively. The projection of cash flows used to determine the discount rate assumed that Hospital contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Net Pension Liability (Asset)

	Total Pension Liability	Plan Net Position	Net Pension Asset
Balances at June 30, 2022	\$19,781,944	\$24,457,653	\$ (4,675,709)
Charges for the year:			
Service cost	351,869	-	351,869
Interest	1,383,321	-	1,383,321
Difference between expected and actual experience	2,199,297	-	2,199,297
Assumption changes	-	-	-
Contributions - employer	-	1,368,250	(1,368,250)
Net investment income	-	1,450,147	(1,450,147)
Benefit payments	(12,183,739)	(12,183,739)	-
Net change for the year	(8,249,252)	(9,365,342)	1,116,090
Balances at June 30, 2023	\$11,532,692	\$15,092,311	\$ (3,559,619)
Charges for the year:			
Service cost	\$ 275,064	\$ -	\$ 275,062
Interest	820,556	-	820,556
Difference between expected and actual experience	(677,992)	-	(677,991)
Assumption changes	1,262,786	-	1,262,786
Contributions - employer	-	996,751	(996,750)
Net investment income	-	349,112	(349,112)
Benefit payments	(897,298)	(897,298)	-
Net change for the year	783,116	448,565	334,551
Balances at June 30, 2024	\$12,315,808	\$15,540,876	\$ (3,225,068)

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

Sensitivity Net Pension Asset

The following presents the pension asset of the Hospital, calculated using the discount rate of 6.25 percent, as well as what the Hospital's pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Net pension liability (asset) June 30, 2024	\$ (1,229,527)	\$ (3,225,068)	\$ (4,870,625)

The following presents the pension asset of the Hospital, calculated using the discount rate of 7.00 percent, as well as what the Hospital's pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (asset) June 30, 2023	\$ (1,823,941)	\$ (3,559,619)	\$ (4,992,430)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan's financial report. If you have questions about that report or need additional information, contact the Hospital's Finance Office at 4300 Bartlett, Homer, Alaska, 99603.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the year ended June 30, 2024 and 2023, the Hospital recognized pension expense of \$1,816,595 and \$1,225,793, respectively.

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South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

At June 30, 2024, the Hospital reported deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,087,602
Changes in assumptions	56,276	1,216,303
Net difference between projected and actual earnings on pension investments	-	2,056,541
Total Deferred Inflows and Outflows of Resources - Pension Related	\$ 56,276	\$ 5,360,446

At June 30, 2023, the Hospital reported deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,805,205
Changes in assumptions	74,795	231,077
Net difference between projected and actual earnings on pension investments	-	1,827,977
Total Deferred Inflows and Outflows of Resources - Pension Related	\$ 74,795	\$ 5,864,259

Net amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending
June 30,

2025		\$ 1,691,201
2026		2,153,057
2027		961,589
2028		279,481
2029		73,193
Thereafter		145,649
Total		\$ 5,304,170

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

12. Deferred Compensation Plans

The Hospital offers union and nonunion deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The union plan, available to all union employees hired after March 1, 2016, has a 4% defined contribution and an additional 2% match. The nonunion plan has a discretionary defined contribution and match of up to 4%. The deferred compensation is generally not available to employees until termination, retirement, death, or unforeseeable emergency although the Plan organized under Section 403(b) allows employees to borrow against their accounts subject to certain restrictions.

In accordance with the Internal Revenue Code, all assets and income of the Plans are held in trust for the exclusive benefit of participants and their beneficiaries.

13. 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 has claims outstanding at year end that management believes the chances of an adverse outcome are either remote or the loss cannot be reasonably estimated; therefore, there is no accrual at year end. The Hospital purchases commercial insurance for all risks of loss except as described below.

The Hospital is insured for medical malpractice claims by a modified claims-made policy for any occurrence since January 1, 1987 reported during the current policy period or renewal thereof. Management has no reason to believe that the Hospital will not be able to obtain such coverage in future periods. The Hospital also retains \$100,000 of medical claims expense per covered employee each year, with coverage limited to a lifetime maximum of \$1,000,000 per covered employee.

Self-Insured Health Plan

The Hospital is self-insured for employee health insurance claims. Health Plan administration and processing is contracted to an independent third-party service provider. 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 the Statement of Net Position's date has been recorded based on claims lag reports from the plan administrator. A schedule of the changes in the claims liability for the years ended June 30, 2024 and 2023 follows:

	2024	2023
Medical claims reserve liabilities, beginning of year	\$ 1,647,793	\$ 1,326,000
Current year claims incurred and changes in estimates for claims incurred in prior years	16,247,152	13,862,611
Claims and expenses paid	(15,635,111)	(13,540,818)
Medical Claims Reserve Liabilities, end of year	\$ 2,259,834	\$ 1,647,793

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

14. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates. The following new accounting standards were implemented by the Hospital for 2024 reporting:

GASB Statement No. 99 - *Omnibus 2022* - Provisions of this Statement address requirements 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, which 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. There was no impact from adoption of this standard.

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. There was a reclassification in the financial statements from an immaterial error correction, see Note 15.

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

GASB Statement No. 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.

GASB Statement No. 102 - *Certain Risk Disclosures* - Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

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

GASB Statement No. 104 - *Disclosure of Certain Capital Assets* - Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to Basic Financial Statements

in order to make informed decisions and assess accountability. The disclosure requirements will improve consistency and comparability between governments.

15. Reclassification in the Financial Statements

During fiscal year 2024, the Hospital determined that certain assets related to net pension asset, unspent bond proceeds, and other funds were restricted assets and not assets whose use is limited or unrestricted assets. This immaterial error correction had no impact on beginning net position. Reclassifications were made to the June 30, 2023 balances in the Statement of Net Position, as follows:

<i>Statement of Net Position</i>	6/30/2023 As Previously Reported	Error Correction	6/30/2023 As Revised
Restricted Assets:			
Net pension asset	\$ -	\$ 3,559,619	\$ 3,559,619
Unspent bond proceeds - equity in central treasury of Kenai Peninsula Borough	-	23,253	23,253
Other	-	23,322	23,322
Assets Whose Use is Limited:			
Unspent bond proceeds	23,254	(23,254)	-
Other	23,321	(23,321)	-
Noncurrent Assets:			
Net pension asset	3,559,619	(3,559,619)	-
Net Position:			
Restricted	55,488	9,340,170	9,395,658
Unrestricted	59,145,973	(9,340,170)	49,805,803

16. Subsequent Events

In September of 2024, the Hospital signed a contract for \$3.7 million with Tegria Services Group - US, Inc. for the implementation of a new electronic health records and revenue cycle management system and a subscription based IT arrangement of \$2.5 million for the right to use the system for a three year period beginning on January 1, 2025.

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Required Supplementary Information

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Changes in the Net Pension (Asset) Liability and Related Ratios

Years Ended June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service costs	\$ 275,064	\$ 351,869	\$ 354,338	\$ 373,822	\$ 402,959	\$ 460,975	\$ 552,945	\$ 677,790	\$ 685,421	\$ 640,873
Interest	820,556	1,383,321	1,303,668	1,176,670	1,173,850	1,186,280	1,165,248	1,095,431	1,084,781	1,058,784
Changes in assumptions	1,262,786	-	45,827	467,682	(9,010)	(157,344)	24,287	23,460	22,728	304,145
Difference between expected and actual experience	(677,992)	2,199,297	1,103,860	662,719	496,583	493,686	89,493	646,237	151,435	38,465
Benefit payments, including refunds of employee contributions	(897,298)	(12,183,739)	(1,664,386)	(1,676,959)	(2,397,916)	(1,924,438)	(1,138,595)	(1,752,472)	(1,831,964)	(893,400)
Net Change in Total Pension Liability	783,116	(8,249,252)	1,143,307	1,003,934	(333,534)	59,159	693,378	690,446	112,401	1,148,867
Total Pension Liability - beginning of year	11,532,692	19,781,944	18,638,637	17,634,703	17,968,237	17,909,078	17,215,700	16,525,254	16,412,853	15,263,986
Total Pension Liability - end of year	\$ 12,315,808	\$ 11,532,692	\$ 19,781,944	\$ 18,638,637	\$ 17,634,703	\$ 17,968,237	\$ 17,909,078	\$ 17,215,700	\$ 16,525,254	\$ 16,412,853
Plan Fiduciary Net Position										
Contributions - employer	\$ 996,751	\$ 1,368,250	\$ 1,950,000	\$ 2,925,000	\$ 2,250,000	\$ 2,475,000	\$ 2,990,000	\$ 1,174,500	\$ 681,750	\$ 454,500
Additional investment return	349,112	1,450,147	(3,067,310)	5,191,769	1,032,801	1,181,078	1,070,126	1,518,194	144,855	(603,361)
Benefit payments, including refunds of employee contributions	(897,298)	(12,183,739)	(1,664,386)	(1,676,959)	(2,397,916)	(1,924,438)	(1,138,595)	(1,752,472)	(1,831,964)	(893,400)
Net Change in Plan Fiduciary Net Position	448,565	(9,365,342)	(2,781,696)	6,439,810	884,885	1,731,640	2,921,531	940,222	(1,005,359)	(1,042,261)
Plan Fiduciary Net Position - beginning of year	15,092,311	24,457,653	27,239,349	20,799,539	19,914,654	18,183,014	15,261,483	14,321,261	15,326,620	15,298,282
Plan Fiduciary Net Position - end of year	\$ 15,540,876	\$ 15,092,311	\$ 24,457,653	\$ 27,239,349	\$ 20,799,539	\$ 19,914,654	\$ 18,183,014	\$ 15,261,483	\$ 14,321,261	\$ 14,256,021
Hospital's Net Pension (Asset) Liability	\$ (3,225,068)	\$ (3,559,619)	\$ (4,675,709)	\$ (8,600,712)	\$ (3,164,836)	\$ (1,946,417)	\$ (273,936)	\$ 1,954,217	\$ 2,203,993	\$ 2,156,832
Plan fiduciary net position as a percentage of the total pension asset (liability)	126.19%	130.87%	123.64%	146.14%	117.90%	110.80%	101.50%	88.65%	86.66%	93.38%
Covered-employee payroll	\$ 7,096,914	\$ 7,661,992	\$ 8,981,095	\$ 8,612,159	\$ 9,423,893	\$ 10,864,897	\$ 11,374,381	\$ 18,456,466	\$ 19,654,269	\$ 17,884,004
Hospital's net pension (asset) liability as a percentage of covered-employee payroll	45.44%	46.46%	52.06%	99.87%	33.60%	-17.90%	-2.40%	10.59%	11.21%	6.07%

See notes to RSI on the following page.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Pension Contributions

<i>Years Ended June 30,</i>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 724,146	\$ 771,464	\$ -	\$ -	\$ 1,414,858	\$ 1,722,750	\$ 1,231,588	\$ 1,386,433	\$ 1,354,770	\$ 816,458
Contributions in relation to the actuarially determined contribution	996,750	1,368,250	1,950,000	2,925,000	2,250,000	2,475,000	2,990,000	1,174,500	681,750	454,500
Contribution deficiency (excess)	\$ (272,604)	\$ (596,786)	\$ (1,950,000)	\$ (2,925,000)	\$ (835,142)	\$ (752,250)	\$ (1,758,412)	\$ 211,933	\$ 673,020	\$ 361,958
Covered-employee payroll	\$ 7,096,914	\$ 7,661,992	\$ 8,981,095	\$ 8,612,159	\$ 9,423,893	\$ 10,864,897	\$ 11,374,381	\$ 18,456,466	\$ 19,654,269	\$ 17,884,004
Contributions as a percentage of covered-employee payroll	14.04%	17.86%	21.71%	33.96%	23.88%	22.78%	26.29%	6.36%	3.47%	2.54%

Notes to RSI:

The Schedule of Changes in the Net Pension (Asset) Liability NS Related Ratios Plan measurement date. For June 30, 2024 the Plan measurement date is June 30, 2024.

The Schedule of Pension Contributions is based on the Hospitals contributions for each year presented.

Valuation date: Actuarially determined contributions rates are calculated as of January 1, 2024.

Methods and Assumptions Used to Determine Contribution Rates

Discount Rate	6.25%
Remaining Amortization Period	5 to 13.33 years
Asset Valuation Method	5-year smooth market
Inflation	2.0% to 2.5%, annually
Salary Increases	2.50%, average, including inflation
Investment Rate of Return	6.25%
Retirement Age	All participants are assumed to retire at age 55 or 65 depending on years of service.
Mortality	Pri-2012 White Collar Mortality, projected with MP-2021

Change in Assumptions

In 2024, the discount rate and investment rate of return were lowered from 7.00% to 6.25%

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2023 to December 31, 2023. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2022 to December 31, 2022.

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Supplementary Information

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

<i>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Provided to Subre- cipients</i>	<i>Total Federal Expenditures</i>
Department of Homeland Security				
Passed through State of Alaska Department of Military and Veterans Affairs COVID-19 Labor, Medical Supplies & Contracts 01/01/2021 - 12/31/2021 Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	VPJEE2NKCU93	\$ -	\$ 990,887
Department of The Treasury				
Passed Through Alaska Division of Public Health Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0006	-	51,444
Department of Health and Human Services				
Passed through State of Alaska's Child Care Program Office and thread Child Care and Development Block Grant	93.575	2101AKCDC6	-	161,489
Passed through Alaska Department of Health and Social Services Alaska Small Rural Hospital Improvement Grant Program (SHIP)	93.301	0621-124	-	15,867
Passed through Alaska Department of Health and Social Services Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	C0621-570-C	-	51,291
Passed through City of Homer Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	C0621-570-C	-	6,760
Total Assistance Listing 93.391			-	58,051
Passed through City of Homer Immunization Cooperative Agreements	93.268	C0621-570-C	-	6,759
Total Department of Health and Human Services			-	242,166
Total Expenditures of Federal Awards			\$ -	\$ 1,284,497

The accompanying notes are an integral part of this schedule.

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of South Peninsula Hospital under programs of the federal government for the year ended June 30, 2024. 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 South Peninsula Hospital, it is not intended to and does not present the financial position, changes in net position or cash flows of South Peninsula 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

South Peninsula Hospital has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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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 South Peninsula Hospital
Operating Board
Homer, 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 business-type activities of South Peninsula Hospital (the Hospital), a component unit of the Kenai Peninsula Borough, as of and for the year ended June 30, 2024, and its fiduciary activities as of December 31, 2023, and the related notes to the financial statements, which collectively comprise the Hospital’s basic financial statements, and have issued our report thereon dated November 15, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 2024-001 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

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

The Hospital's Response to Finding

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, P.C.

Anchorage, Alaska
November 15, 2024



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 South Peninsula Hospital
Operating Board
Homer, Alaska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Peninsula 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, 2024. 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, 2024.

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.

Report on Internal Control Over Compliance

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



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

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

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

BDO USA, P.C.

Anchorage, Alaska
November 15, 2024

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

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 no

Significant deficiency(ies) identified? Yes (none reported)

Noncompliance material to financial statements noted? Yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes no

Significant deficiency(ies) identified? 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 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<i>Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>
97.036	COVID-19 Labor, Medical Supplies & Contracts - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

Auditee qualified as low-risk auditee? yes no

South Peninsula Hospital
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Findings and Questioned Costs, continued

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

Finding 2024-001 **Restricted Net Position - Internal Control over Financial Reporting - Significant Deficiency**

Criteria: According to Governmental Accounting Standards Board Codification Section 2200.710-2 and 2200.119, restricted net position should be reported when constraints placed on net position are externally imposed by laws and regulations.

Condition: The calculation of restricted net position did not include the pension asset in 2023. As this amount is legally restricted under federal law for use to pay pension obligations, it was reported in 2024 to restricted net position. The 2023 balances of \$9,349,083 were reclassified as well.

Cause: It was not understood that the pension related items were required to be included in restricted net position.

*Effect or
Potential Effect:* Prior issued financial statements did not present the correct restricted net position.

Recommendation: We recommend management adjust financial reporting controls to evaluate any assets that may be associated with external restrictions at least annually when preparing the financial statements.

*Views of
Responsible
Official
and Planned
Corrective Action:* Management concurs with this finding and plans to evaluate any assets that may be associated with external restrictions at least annually when preparing the financial statements.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in in 2 CFR 200.516(a)) that are required to be reported.

**South Peninsula Hospital
Audit Responses (Unaudited)**



General Accounting
4300 Bartlett Street
Homer, AK 99603
907-235-0912 F.907-235-0254

Name of Contact Person: Anna Hermanson
CFO
ahermanson@sphosp.org
907-235- 0912

**Finding 2024-001 Restricted Net Position - Internal Control over Financial Reporting -
Significant Deficiency**

Corrective Action

Financial reporting controls were adjusted to evaluate all assets that are associated with external restrictions annually when preparing the financial statements.

Expected Completion Date:
Completed

Introduced by: Administration
Date: 1/29/2025
Action:
Vote: Yes - ; No - ; Exc - ;

**SOUTH PENINSULA HOSPITAL
BOARD RESOLUTION
2025-01**

**A RESOLUTION OF THE SOUTH PENINSULA HOSPITAL BOARD OF DIRECTORS APPROVING
THE CAPITAL BUDGET FOR FY 2026**

WHEREAS Administration uses a systematic, fiscally responsible process for developing the South Kenai Peninsula Hospital Service Area FY 2026 Capital Budget, which includes participation of department directors, managers, medical staff, board of directors and administration; and identification of strategic growth needs versus replacement of aging and obsolete equipment; and

WHEREAS In accordance with the Operating Agreement with the Borough section 13 and 13 b i, Capital Improvement Projects Approval and Management, the Borough may finance capital improvements for the Medical Facilities as necessary for the provision of services and functions to meet the needs of the residents of the Service Area. Projects requiring Borough Assembly approval may be approved during the annual Borough budgeting process or on an individual basis; and

WHEREAS the South Peninsula Hospital Capital Committee has identified \$3,141,861 in capital assets necessary to meet patient care needs and strategic initiatives; and

WHEREAS it is the intent of South Peninsula Hospital to submit to the Service Area Board a Capital Spending Request of \$3,141,861 to the Borough to be funded with unobligated Service Area; and

WHEREAS South Peninsula Hospital requests funding of *\$3,141,861 from Service Area funds* to purchase capital assets for FY26; and

WHEREAS the items requested are critical to the mission and vision of South Peninsula Hospital, Inc.; and

WHEREAS, the Capital Budget has been reviewed by the Finance Committee on January 23, 2025; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SOUTH PENINSULA HOSPITAL:

1. That the South Peninsula Hospital, Inc. Board of Directors recommends the proposed South Kenai Peninsula Hospital Service Area FY 2026 Capital Equipment Budget be forwarded to the Service Area Board for review and approval.
2. That the South Peninsula Hospital, Inc. Board of Directors recommends the proposed South Kenai Peninsula Hospital Service Area FY 2026 Capital Equipment Budget be forwarded to the Kenai Peninsula Borough for review and approval.

PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF SOUTH PENINSULA HOSPITAL THIS 29th DAY OF JANUARY, 2025.

ATTEST:

Aaron Weisser, President

Mary E. Wythe, Secretary



Kenai Peninsula Borough Capital Project Funds Detailed Project Descriptions

South Peninsula Hospital Service Area – Service Area Funds

Inpatient, Long-Term Care, and ER Equipment Project Cost: \$700,048.56: (\$693,117.39 Equipment, \$6,931.17 1% KPBP Project Fees)

- IV Infusion pumps are ten years old and at the end of life. They have been recalled and must be replaced. Cost \$495,743
- Replacement of ten patient room sleeper sofas. The current sofas are in poor shape, many with holes and need to be upgraded. Cost \$63,050
- Replacement of patient beds including a pediatric crib and mattress control unit. The beds are at end of life and are being replaced a few each year. The goal is to purchase 5 beds, 1 pediatric crib, and one mattress control unit. Cost: \$79,404
- Replacement of three wheelchairs. SPH supplies Long Term Care patients with wheel chairs. Specialized wheelchairs are required for residents to both accommodate their size and help assist them with sitting upright. Cost: \$19,305
- Replacement of a fluid infuser and warmer. The current device is not functional and manual pressure is used when traumas occur. The volume of traumas is increasing justifying the need for replacement. Cost: \$42,546

Surgery Equipment Project Cost: \$381,487.08 (\$377,709.98 Equipment, \$3,777.10 KPBP Project Fees)

- Operating room tables are currently at end of life and are experiencing hydraulic failures are becoming more difficult to maintain. When the tables are down it results in cancelled and delayed procedures. In addition to replacing two standard operating room tables the end-of-life orthopedic table for which parts are no longer manufactured. This replacement will allow for the SPH to become efficient performing total hip surgeries. Cost \$244,395
- A Surgery GI Scope Drying Cabinet replacement is needed to meet the updated standards for scope sterilization. A new cabinet is required to allow scopes to dry while meeting the standard of providing forced HEPA filtered air through the scopes for 10 minutes. Cost 64,614
- Surgery Instrument Replacements are needed for orthopedics, cystoscopy and ear nose and throat procedures. The current instruments are out of date and in some cases certain functionalities are no longer available to do complete procedures. Updating will also allow the OR to increase the volumes of procedures done in a day and more rapidly turn over operating rooms. Cost \$72,479

Ancillary Services Equipment Project Cost: \$1,145,283.66 (\$1,131,713.52 Equipment, \$13,570.14 1% KPBP Project Fees)

- The Pharmacy laminar flow hood is 15 years old and is requiring a significant amount of maintenance resulting in downtime. The hood needs to be replaced. Cost \$22,200
- The Imaging Fluoroscopy system was purchased in 2012 and began experiencing intermittent outages and failures in 2023. SPH was notified that it would no longer be able to receive service on this equipment beyond February 2025. Digital fluoroscopy is a type of medical imaging that shows a continuous X-ray image on a monitor. During a fluoroscopy procedure, an X-ray beam is passed through the body. The image is transmitted to a monitor so the movement of a body part or of an instrument or contrast agent through the body can be seen in detail. Digital fluoroscopy is the standard of care used in radiology, allowing radiologists to visualize and assess how body parts are functioning and moving in real time. Diagnostic information obtained is utilized by radiologists, gastroenterologists, orthopedists, gynecologists, cardiologists, urologists to diagnose and treat. Cost \$725,596
- The current Hi-flow bipap machines have been recalled and are no longer serviceable. These machines are regularly used in acute care to assist patients with breathing and need to be replaced. The cost to replace two machines is \$40,400
- The Rehab treatment table is 20 years old and is regularly having to be fixed and is due for replacement. This table is used multiple times a day for physical therapy treatment. Cost \$18,873

- MRI patients receiving procedures who are on infusion medication requires a specific MRI safe infusion pump for patients. The current pump became no longer serviceable in 2024 and needs to be replaced. Cost \$42,128
- After ultrasound procedures, it is necessary to disinfect probes using Trophons. SPH currently has two end of life trophons that need to be replaced. Cost \$22,347
- IT virtual servers host hardware is currently 6 years old, exceeding the normal 4 year replacement cycle. It is necessary to replace this equipment to avoid downtime and disruption to systems. Cost \$160,650
- IT has two core switches that need to be replaced. These are the two switches that all hospital network closets and key systems connect to. These switches will go end of life and be unsupported in 2026. They need to be replaced to prevent the loss of critical networks and hospital systems. Cost \$69,156
- A phototherapy unit is a key piece of equipment in dermatology to provide light therapy. SPH will be adding Dermatology services in the summer of 2025. This device will be used to treat skin conditions like psoriasis, eczema, mycosis fungoides, and vitiligo. It works by reducing inflammation and preventing skin cells from growing too quickly. This device will be used on a panel of 25 patients at any one time and should conservatively generate \$7,500 per month paying for itself in less than a year. Cost \$34,844
- The Laboratory microbiology fridge is over 15 years old and needs to be replaced before it fails. Cost \$9,090

Hospital Construction & Infrastructure Repairs Project Cost \$915,042 (\$897,100 Construction, \$17,942 2% Project Fees)

- The Service Elevator at the hospital is 35 years old and has multiple outages due to component failure and aging hardware. All of the elevators in the hospital are in need of updating and overhaul, but this one has the greatest need. Cost \$232,050
- Multiple electrical panels are beyond useful service and need to be upgraded to meet current NEC standards. Breaker panel replacements are estimated to cost \$63,648
- Air conditioning is needed to be added to the lab to keep the temperature at a level adequate to run instruments. Over the years equipment has been added which generates more heat making it challenging to operate the machines in the proper environment. Cost \$14,280
- A deaerator backup is needed to run hospital boiler water supply while main tank is being inspected by State of Alaska mechanical inspection which must be done in the next year to meet the every 5 year cycle. An additional deaerator is needed to do this. The second deaerator will also serve as a redundancy for any future system failures. Cost \$401,064
- Construction for the updated fluoroscopy system is needed. The construction to update to the new fluoroscopy system is estimated to cost \$204,000.

FY26 South Peninsula Hospital Capital Budget Requests

Inpatient, Long-Term Care, and ER Equipment	Total Cost	Project Cost	KPB Admin Fee
IV Infusion Pumps	\$ 495,743	\$ 490,835	\$ 4,908
Patient Room Sleeper Sofas	\$ 63,050	\$ 62,426	\$ 624
Pediatric Crib	\$ 12,835	\$ 12,708	\$ 127
Patient Beds	\$ 59,503	\$ 58,913	\$ 589
Mattress Control Unit	\$ 7,066	\$ 6,997	\$ 70
Wheelchairs	\$ 19,305	\$ 19,114	\$ 191
Rapid Infuser and Warmer	\$ 42,546	\$ 42,125	\$ 421
	\$ 700,048.56	\$ 693,117.39	\$ 6,931.17
Surgery Equipment			
Surgery Total HipTable	\$ 132,599	\$ 131,286	\$ 1,313
Surgery OR Tables	\$ 111,796	\$ 110,689	\$ 1,107
Surgery GI Scope Drying Cabinet	\$ 64,614	\$ 63,974	\$ 640
Surgery Cysto Instrument Set	\$ 43,027	\$ 42,601	\$ 426
Surgery Bone Mill	\$ 17,237	\$ 17,066	\$ 171
Surgery ENT Shaver Instrument	\$ 12,215	\$ 12,094	\$ 121
	\$ 381,487.08	\$ 377,709.98	\$ 3,777.10
Ancillary Services Equipment			
Laminar Flow Hood	\$ 22,200	\$ 21,980	\$ 220
Breathing Machines Hi-Flow Bipap	\$ 40,400	\$ 40,000	\$ 400
Fluoroscopy Imaging Equipment	\$ 725,596	\$ 718,412	\$ 7,184
Hi-Low Mat Rehab Treatment Table	\$ 18,873	\$ 18,686	\$ 187
Refrigerator for Microbiology	\$ 9,090	\$ 9,000	\$ 90
MRI Infusion Pump Replacement	\$ 42,128	\$ 41,711	\$ 417
Trophon Replacements	\$ 22,347	\$ 22,126	\$ 221
Virtual servers host hardware	\$ 160,650	\$ 157,500	\$ 3,150
Core Switches Hardware	\$ 69,156	\$ 67,800	\$ 1,356
Phototherapy Unit	\$ 34,844	\$ 34,499	\$ 345
	\$ 1,145,283.66	\$ 1,131,713.52	\$ 13,570.14
Hospital Construction & Infrastructure Repairs			
Fluoro/Xray Room Construction	\$ 204,000	\$ 200,000	\$ 4,000
Deaerator (Backup)	\$ 401,064	\$ 393,200	\$ 7,864
Service Elevator Repair	\$ 232,050	\$ 227,500	\$ 4,550
Breaker Replacements	\$ 63,648	\$ 62,400	\$ 1,248
Air conditioning for Lab	\$ 14,280	\$ 14,000	\$ 280
	\$ 915,042.00	\$ 897,100.00	\$ 17,942.00
Total	\$ 3,141,861	\$ 3,099,641	\$ 42,220

Source Fund Balance \$ 641,861
Source: FY26 Property Tax Revenue \$ 2,500,000

Introduced by: Administration
Date: January 29, 2025
Action:
Vote:

**SOUTH PENINSULA HOSPITAL
BOARD RESOLUTION 2025-02**

**A RESOLUTION OF THE SOUTH PENINSULA HOSPITAL BOARD OF DIRECTORS
DEOBLIGATING FUNDS FROM CAPITAL PROJECTS AND REOBLIGATING TO NEW
PROJECTS**

WHEREAS, the South Peninsula Hospital has allocated funds for various capital projects as part of prior year Capital Budgets; and

WHEREAS, certain capital projects have been identified as no longer requiring the allocated funds, and the funds will not be utilized in accordance with the approved budget; and

WHEREAS, the deobligation of these funds allows for the reallocation of resources to other critical and prioritized capital projects; and

WHEREAS, the following new projects have been identified for funding:

- **Anesthesia Monitors (3)**- \$74,517
Justification: The anesthesia monitors are essential to be updated prior to the implementation of the EPIC software system to ensure compatibility and continued effective operation during medical procedures.
- **Transformer Replacement 1985 Wing** - \$159,120
Justification: The transformers in the 1985 wing are at the end of their useful life and have become increasingly unreliable, requiring replacement to maintain proper electrical function and prevent potential system failures.

WHEREAS, this was reviewed at the Finance Committee on January 23, 2025:

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SOUTH PENINSULA HOSPITAL:

1. **Deobligation of Funds:** The sum of \$236,091.87 is hereby deobligated from the following capital projects:
 - **24SHG:** Code Net Software - \$8,500.00
 - **24SHL:** Contrast Enhanced Mammography Software - \$97,324.00
 - **24SHV:** Evident Electronic Case Reporting Bi-directional Interface - \$9,090.00
 - **25SHD:** Code System Monitoring Upgrades - \$14,058.35
 - **24SHZ:** HMC Exam Rooms Renovation - \$107,119.52
2. **Reobligation of Funds:** The deobligated funds totaling \$236,091.87 are hereby reobligated to the following new capital projects:
 - **Anesthesia Monitors (3)** - \$74,517
 - **Transformer Replacement 1985 Wing** - \$159,120

**PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF SOUTH PENINSULA HOSPITAL
THIS 29th DAY of JANUARY, 2025.**

ATTEST:

Aaron Weisser, Board President

Mary E. Wythe, Board Secretary

Introduced by:
Date:
Action:
Vote:

Administration
1/29/2025

**SOUTH PENINSULA HOSPITAL
BOARD RESOLUTION
2025-03**

**A RESOLUTION OF THE SOUTH PENINSULA HOSPITAL BOARD OF DIRECTORS
APPROVING THE 2024 DISCRETIONARY CONTRIBUTION FOR THE NON-UNION 403(b)
PLAN**

WHEREAS South Peninsula Hospital offers a defined contributions plan to its Non-Union employees;
and

WHEREAS Non-Union employees receive a 4% match to their 403b contributions as their payroll
deferral elections are made each pay period; and

WHEREAS South Peninsula Hospital has approved an additional 2% match of eligible compensation in
recent years at the end of the plan year; and

WHEREAS Board Policy F-17 allows for a discretionary contribution not to exceed 4% of annual
eligible compensation per IRS guidelines; and

WHEREAS it is the recommendation of management that the South Peninsula Hospital Board of
Directors approve a discretionary contribution in an amount equal to 2% of Non-Union employee's
eligible compensation with a maximum contribution not to exceed 2% of the IRC Sec. 401(a)(17) limit
for the plan year, and

WHEREAS, the discretionary contribution has been reviewed by the Finance Committee on January 23,
2025; and

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SOUTH
PENINSULA HOSPITAL TO APPROVE THE DISCRETIONARY CONTRIBUTION FOR
NON-UNION EMPLOYEES 403(b) PLAN FOR THE PLAN YEAR 2024 IN AN AMOUNT
EQUAL TO 2% OF ELIGIBLE COMPENSATION.**

**PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF SOUTH PENINSULA
HOSPITAL THIS 29th DAY OF JANUARY 2025.**

Aaron Weisser, President

ATTEST:

Mary E. Wythe, Secretary

**SOUTH PENINSULA HOSPITAL
BOARD RESOLUTION
2025-04**

**A RESOLUTION OF THE SOUTH PENINSULA HOSPITAL BOARD OF DIRECTORS
APPROVING THE PURCHASE OF PROPERTY LOCATED AT 3714 GREATLAND STREET,
HOMER AK 99603**

WHEREAS, South Peninsula Hospital (the Hospital) is currently in need of medical office space to support its existing clinical operations, and

WHEREAS, the owners of this medical office space are interested in selling the property and will not consider a lease option, and

WHEREAS, our current facilities are not able to accommodate the needs of our outpatient clinic operations due to the loss of multiple clinical spaces from severe weather events, and

WHEREAS, the property located at 3714 Greatland Street, Homer, AK 99603, KPB Parcel number: 17514409 is available for sale, and

WHEREAS, this property consists of .34 acres and a 1,650 square foot clinical medical office building in the Medical Zoning District and is currently listed for \$850,000; and

WHEREAS, an independent appraisal and an inspection of the property will be performed by the Kenai Peninsula Borough; and

WHEREAS, SPH Management will review the appraisal and inspection and work with the Kenai Peninsula Borough to create a fair and reasonable offer based on the appraised value; and

WHEREAS, South Peninsula Hospital currently has over \$7 million dollars of unobligated Plant Replacement and Expansion Funds being held at the borough; and

WHEREAS, SPH Management would like to use Plant Replacement funds to purchase the property located at 3714 Greatland Street, Homer, AK 99603 Parcel number: 17514409; and

WHEREAS, the purchase was discussed at Finance Committee on January 23rd, 2025.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SOUTH PENINSULA HOSPITAL:

1. That the South Peninsula Hospital Board of Directors approves the use of Plant Replacement and Expansion Funds to purchase the property located at 3714 Greatland Street, Homer, AK 99603 for an amount not to exceed the Appraised property value plus closing costs or the Kenai Peninsula Borough negotiated sales price plus closing costs.

2. That the South Peninsula Hospital Board of Directors requests that the Kenai Peninsula Borough execute a purchase agreement on behalf of South Peninsula Hospital in an amount equal to the Independent Appraisal or Kenai Peninsula Borough negotiated purchase price and closing costs.

PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF SOUTH PENINSULA HOSPITAL THIS 29th DAY OF JANUARY, 2025.

ATTEST:

Aaron Weisser, President

Mary E. Wythe, Secretary

To: SPH Board of Directors
From: BOD Governance Committee
Date: January 24, 2024
Re: Board Bylaws Amendment Proposal

The Governance Committee completed a review of the bylaws in 2024 and is proposing two changes. The first will change the affirmative votes required to censure or remove a board member, and the second will remove a reference to the Medical Staff Development Plan – an old document that has since been retired.

Section 1 of ARTICLE IX – AMENDMENTS asks for two readings of the change to be made prior to vote, with a required 75% of the entire membership needed to ratify the amendment. The first reading occurred at the meeting on December 18, 2024. This is the second reading of the proposed amendment.

The full copy of the proposed revised bylaws are attached for review as well.

ARTICLE III - MEMBERS

Section 5.

Censure of, or removal from the Board of any member shall require a ~~75%~~2/3 affirmative vote of the remaining Board members, excluding the board member in question.

AND

ARTICLE VII - MEDICAL STAFF

The Hospital Board will appoint a Medical Staff in accordance with these Bylaws, ~~the Medical Staff Development Plan~~ and the Bylaws of the Medical Staff approved by the Hospital Board. The Medical Staff will operate as an integral part of the hospital corporation and will be responsible and accountable to the Hospital Board for the discharge of those responsibilities delegated to it by the Hospital Board from time to time. The delegation of responsibilities to the

Medical Staff under these Bylaws or the Medical Staff Bylaws does not limit the inherent power of the Hospital Board to act directly in the interests of the Hospital.

Recommended Motion: Consideration to Approve a Bylaws Amendment to Update Article III, Section 5 to Change the Affirmative Votes Required to Censure or Remove a Board Member from 75% to 2/3, and to Update Article VIII to Remove References to the Retired Medical Staff Development Plan.

**BYLAWS
SOUTH PENINSULA HOSPITAL, INC.**

ARTICLE I - NAME AND OBJECTIVES

Section 1.

The name of this corporation shall be South Peninsula Hospital, Inc., and its mailing address shall be 4300 Bartlett Street, Homer, Alaska 99603.

Section 2.

The name of the Board shall be the South Peninsula Hospital Board of Directors, and shall be referred to in these Bylaws as the Hospital Board.

Section 3.

The objective of the Hospital Board shall be to construct, maintain, and operate a hospital and authorized services in accordance with the laws and regulations of the State of Alaska and in fulfillment of our responsibility to the taxpayers and citizens of the South Kenai Peninsula Hospital Service Area. The Hospital Board shall be responsible for the control and operation of the Hospital and authorized services including the appointment of a qualified medical staff, the conservation and use of hospital monies, and the formulation of administrative policy.

ARTICLE II - MEETINGS

Section 1. Regular Meetings.

The Hospital Board shall hold regular meetings with a minimum of ten (10) meetings a year. Meetings shall be held at South Peninsula Hospital or such other place as may be designated, or virtually through telephonic or other electronic means

Section 2. Special Meetings.

Special meetings may be called by the President, Vice-President, Secretary, or Treasurer, at the request of the Administrator, Chief of Staff, or three Board members. Members shall be notified of special meetings, the time, place, date, and purpose of said meeting. Notice will be given verbally or by email. A minimum of five days' notice shall be given to members except in the event of an emergency. Notice will be provided to borough clerk and posted on SPHI website.

Section 3. Quorum.

A quorum for the transaction of business at any regular, special, or emergency meeting shall consist of a majority of the seated members of the Hospital Board, but a majority of those present shall have the power to adjourn the meeting to a future time. Attendance may be in person through telephonic or other electronic means.

Section 4. Minutes.

All proceedings of meetings shall be permanently recorded in writing by the Secretary and distributed to the members of the Hospital Board and ex-officio members. Copies of minutes will be posted on the SPHI website.

Section 5. Reconsideration:

A member of the board of directors who voted with the prevailing side on any issue may move to reconsider the board's action at the same meeting or at the next regularly scheduled meeting. Notice of reconsideration can be made immediately or made within forty-eight hours from the time of the original action was taken by notifying the president or secretary of the board.

Section 6. Annual Meeting.

The annual meeting of the Board of South Peninsula Hospital, Inc. shall be held in January, at a time and place determined by the Board of Directors. The purpose of the annual meeting shall include election of officers and may include appointment of Board members.

ARTICLE III - MEMBERS

Section 1.

Qualifications.

1. Board members must be at least 21 years old and a resident of the South Kenai Peninsula Hospital Service Area ("Service Area") of the Kenai Peninsula Borough; except that as many as three directors may reside outside the Service Area. The Board may establish other qualifications for Directors by resolution or policy. The Board may also establish criteria for the composition of the Board as a whole by resolution or policy, provided that at least 51% of the Board must be independent directors. By resolution or policy, the Board may impose restrictions on the eligibility of and guidelines for directors, including non-independent directors such as Medical Staff Members with privileges, to serve as committee members on Board committees.
2. Medical Staff Members with privileges to practice in corporation facilities, including employees of the corporation, are eligible to serve on the Board of Directors, provided that the number of such Medical Staff Members concurrently serving on the Board

shall not exceed two (2) directors at any time, and the number of non-physician medical staff members shall not exceed one (1) director at any time. Medical Staff Board Members will be recused from influencing the following Board decisions:

- o Physician compensation including pay for performance considerations
 - o CEO compensation
 - o Approval of the annual audit
 - o Legal matters of which the Physician or a family member is the subject
- Medical Staff Board Members cannot serve on or have family relationships with members of the Physician Peer Review Committee

3. Except as provided in Section 2.B. employees of the corporation's facilities may not serve as Board members while so employed or within one year after termination of employment.

The number of Directors of this corporation shall be nine (9) to eleven (11). The Board may change the number of Directors at any time by amendment to these Bylaws, but a decrease cannot have the effect of shortening the term of an incumbent Director.

Section 2.

Appointments to the Hospital Board shall be made by the Hospital Board with an affirmative vote of the majority of the Board. Term of office shall be three (3) years with appointments staggered so that at least three members' terms will expire each year on December 31. Members may be reappointed by an affirmative vote of the majority of the Board. Election shall be by secret ballot. Elections may be held by any electronic means that provides the required anonymity of the ballot.

Section 3.

Vacancies created by a member no longer able to serve shall be filled by the procedure described in Section 2 for the unexpired term. Any member appointed to fill a vacant seat shall serve the remainder of the term for the seat the member has been appointed to fill.

Section 4.

Any Hospital Board member who is absent from two (2) consecutive regular meetings without prior notice may be replaced. In the event of sickness or circumstances beyond the control of the absent member, the absence may be excused by the President of the Board or the President's designee. Any Board member who misses over 50% of the Board meetings during a year may be replaced.

Section 5.

Censure of, or removal from the Board of any member shall require a ~~75%~~ 2/3 affirmative vote of the remaining Board members, excluding the board member in question.

Section 6.

No member shall commit the Hospital Board unless specifically appointed to do so by the Hospital Board, and the appointment recorded in the minutes of the meeting at which the appointment was made.

Section 7.

Hospital Board members will receive a stipend according to a schedule adopted by the board and outlined in Board Policy SM-12 Board Member Stipends.

ARTICLE IV - OFFICERS

Section 1.

The officers of the Hospital Board shall be a President, Vice-President, Secretary, and Treasurer.

Section 2.

At the annual meeting in the month of January each even year, the officers shall be elected, all of whom shall be from among its own membership, and shall hold office for a period of two years.

Section 3.

President. The President shall preside at all meetings of the Hospital Board. The President may be an appointed member to any committee and shall be an ex-officio member of each committee.

Section 4.

Vice-President. The Vice-President shall act as President in the absence of the President, and when so acting, shall have all of the power and authority of the President.

Section 5.

In the absence of the President and the Vice-President, the members present shall elect a presiding officer.

Section 6.

Secretary. The secretary shall be responsible for the minutes of the meeting, act as custodian of all records and reports, ensure posting of the agenda and minutes on the website, ensure that notification is provided to the Kenai Peninsula Borough for any changes to board membership or officer assignments, and other duties as set forth by the Hospital Board. These duties shall be performed in conjunction with SPH Hospital Staff assigned to assist the Board.

Section 7.

Treasurer. The Treasurer shall have charge and custody of, and be responsible to the Hospital Board for all funds, properties and securities of South Peninsula Hospital, Inc. in keeping with such directives as may be enacted by the Hospital Board.

ARTICLE V - COMMITTEES

Section 1.

The President shall appoint the number and types of committees consistent with the size and scope of activities of the hospital. The committees shall provide advice or recommendations to the Board as directed by the President. The President may appoint any person including, but not limited to, members of the Board to serve as a committee member. Only members of the Board will have voting rights on any Board committee. All appointments shall be made a part of the minutes of the meeting at which they are made.

Section 2.

Committee members shall serve without remuneration. Reimbursement for out-of-pocket expenses of committee members may be made only by hospital Board approval through the Finance Committee.

Section 3.

Committee reports, to be presented by the appropriate committee, shall be made a part of the minutes of the meeting at which they are presented. Substance of committee work will be fully disclosed to the full board.

ARTICLE VI - ADMINISTRATOR

Section 1.

The Administrator shall be selected by the Hospital Board to serve under its direction and be responsible for carrying out its policies. The Administrator shall have charge of and be responsible for the administration of the hospital.

Section 2.

The Administrator shall supervise all business affairs such as the records of financial transactions, collection of accounts and purchases, issuance of supplies, and to ensure that all funds are collected and expended to the best possible advantage. All books and records of account shall be maintained within the hospital facilities and shall be current at all times.

Section 3.

The Administrator shall prepare an annual budget showing the expected receipts and expenditures of the hospital.

Section 4.

The Administrator shall prepare and submit a written monthly report of all expenses and revenues of the hospital, preferably in advance of meetings. This report shall be included in the minutes of that meeting. Other special reports shall be prepared and submitted as required by the Hospital Board.

Section 5.

The Administrator shall appoint a Medical Director of the Long Term Care Facility. The Medical Director shall be responsible for the clinical quality of care in the Long Term Care Facility and shall report directly to the Administrator.

Section 6.

The Administrator shall serve as the liaison between the Hospital Board and the Medical Staff.

Section 7.

The Administrator shall provide a Collective Bargaining Agreement to the Hospital Board for approval.

Section 8.

The Administrator shall see that all physical properties are kept in a good state of repair and operating condition.

Section 9.

The Administrator shall perform any other duty that the Hospital Board may assign.

Section 10.

The Administrator shall be held accountable to the Hospital Board in total and not to individual Hospital Board members.

ARTICLE VII - MEDICAL STAFF

The Hospital Board will appoint a Medical Staff in accordance with these Bylaws, ~~the Medical Staff Development Plan,~~ and the Bylaws of the Medical Staff approved by the Hospital Board. The Medical Staff will operate as an integral part of the hospital corporation and will be responsible and accountable to the Hospital Board for the discharge of those responsibilities delegated to it by the Hospital Board from time to time. The delegation of responsibilities to the Medical Staff under these Bylaws or the Medical Staff Bylaws does not limit the inherent power of the Hospital Board to act directly in the interests of the Hospital.

Section 1.

The Hospital Board has authorized the creation of a Medical Staff to be known as the Medical Staff of South Peninsula Hospital. The membership of the Medical Staff will be comprised of all practitioners who are eligible under Alaska state law and otherwise satisfy requirements established by the Hospital Board. Membership in this organization shall not be limited to physicians only. Membership in this organization is a prerequisite to the exercise of clinical privileges in the Hospital, except as otherwise specifically provided in the Medical Staff Bylaws. The Medical Staff organization, and its members will be responsible to the Hospital Board for the quality of patient care practiced under their direction and the Medical Staff will be responsible for the ethical and clinical practice of its members.

The Chief of Staff will be responsible for regular communication with the Hospital Board.

Section 2.

The Hospital Board delegates to the Medical Staff its responsibility to develop Bylaws, and Rules and Regulations for the internal governance and operation of the Medical Staff. Neither will be effective until approved by the Hospital Board.

The following purposes and procedures will be incorporated into the Bylaws and Rules and Regulations of the Medical Staff:

1. The Bylaws and Rules and Regulations of the Medical Staff will state the purposes, functions and organization of the Medical Staff and will set forth the policies by which the Professional Staff exercises and accounts for its delegated authority and responsibilities.
2. The Medical Staff Bylaws will require adherence to an identified code of behavior within the Hospital. The Bylaws will state that the ability to work harmoniously and cooperatively with others is a basic requirement for initial appointment and

reappointment. Such Bylaws will state that appointment and reappointment is subject to compliance with Medical Staff Bylaws and Hospital Board Bylaws.

3. The Medical Staff Bylaws or Rules and Regulations will clearly define a regular method of quality assessment if not established by Hospital Board policy.

Section 3.

The following tenets will be applicable to Medical Staff membership and clinical privileges:

1. The Hospital Board delegates to the Medical Staff the responsibility and authority to investigate and evaluate matters relating to Medical Staff membership, clinical privileges, behavior and disciplinary action, and will require that the Medical Staff adopt, and forward to the Hospital Board, specific written recommendations with appropriate supporting documentation that will allow the Hospital Board to take informed action when necessary.
2. Final actions on all matters relating to Medical Staff membership, clinical privileges, behavior and disciplinary action will generally be taken by the Hospital Board following consideration of Medical Staff recommendations. However, the Hospital Board has the right to directly review and act upon any action or failure to act by the Medical Staff if, in the opinion of the Hospital Board, the Medical Staff does not or is unable to carry out its duties and responsibilities as provided in the Medical Staff Bylaws.
3. In acting on matters involving granting and defining Medical Staff membership and in defining and granting clinical privileges, the Hospital Board, through the Medical Staff's recommendations, the supporting information on which such recommendations are based, and such criteria as are set forth in the Medical Staff Bylaws. No aspect of membership nor specific clinical privileges will be limited or denied to a practitioner on the basis of sex, race, age, color, disability, national origin, religion, or status as a veteran.
4. The terms and conditions of membership on the Medical Staff and exercise of clinical privileges will be specifically described in the notice of individual appointment or reappointment.
5. Subject to its authority to act directly, the Hospital Board will require that any adverse recommendations or requests for disciplinary action concerning a practitioner's Medical Staff appointment, reappointment, clinical unit affiliation, Medical Staff category, admitting prerogatives or clinical privileges, will follow the requirements set forth in the Medical Staff Bylaws.
6. From time to time, the Hospital Board will establish professional liability insurance requirements that must be maintained by members of the Medical Staff as a condition of membership. Such requirements will be specific as to amount and kind of insurance and must be provided by a rated insurance company acceptable to the Hospital Board.

ARTICLE VIII - AUTHORIZATION OF INDEBTEDNESS

Section 1. Indebtedness.

It shall require seventy five percent (75%) of the entire Hospital Board to commit funds beyond current income, cash available, and appropriations of the current budget.

ARTICLE IX - AMENDMENTS

Section 1.

The Bylaws may be altered, amended, or repealed by the members at any regular or special meeting provided that notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal and that said proposed alteration, amendment, or repeal shall be read at two meetings prior to a vote.

Section 2.

An affirmative vote of seventy-five percent (75%) of the entire membership shall be required to ratify amendments, alterations or repeals to these Bylaws.

Section 3.

These Bylaws shall be reviewed at the annual meeting.

ARTICLE X - ORDER OF BUSINESS

Section 1.

The order and conduct of business at all meetings of the Hospital Board shall be governed by Roberts Rules of Order Revised, except when provided otherwise in these Bylaws.

ARTICLE XI - INDEMNIFICATION

Section 1.

The corporation shall indemnify every person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a board member, director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgment, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2.

The corporation shall indemnify every person who has or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a board member, director, officer, employee or agent of the corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which such court shall deem proper.

Section 3.

To the extent that a board member, director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections 1 and 2 hereof, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 4.

Any indemnification under subsections 1 and 2 hereof (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the board member, director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections 1 and 2 hereof. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceedings, or (b) if such quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

Section 5.

Expenses incurred in defending a civil or criminal action, suit, or proceeding may be applied by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the manner provided in subsection 4 upon receipt of any undertaking by or on behalf of the board member, director, officer, employee or agent, to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this section.

Section 6.

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any resolution adopted by the members after notice, both as to action in his official capacity and as to action in another capacity while holding office, and shall continue as to a person who has ceased to be a board member, director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

- Adopted by the South Peninsula Hospital Board of Directors, June 26, 2024.
- Aaron Weisser, President
- Mary E. Wythe, Secretary



MEMO

Administration
4300 Bartlett Street
Homer, AK 99603
907-235-0325 (f)907-235-0253

To: SPH Board of Directors
From: Ryan Smith, CEO
Date: January 24, 2025
Re: Acting CEO

In accordance with revised policy EMP-09, I recommend that for 2025, in the event of an unplanned and sudden absence of the CEO, that the Board name Angela Hinnegan, COO as the Acting Chief Executive Officer for the interim.

South Peninsula Hospital
Hospital Board of Trustees Balanced Scorecard Report
4th Quarter Calendar 2024 (Oct, Nov, Dec)

Overall Indicators	4Q 2024	Target	n	Note:
Medicare Care Compare Overall Hospital Star Rating	N/A	5		There are too few measures or measure groups reported to calculate.
Medicare Care Compare Overall Patient Survey Star Rating	N/A	5		There are too few measures or measure groups reported to calculate.
Medicare Care Compare Overall Nursing Home Star Rating	5	5		

Clinical & Service Excellence

Using evidence-based practices, South Peninsula Hospital is dedicated to achieving consistent and demonstrated excellence in clinical quality and safety.

Quality of Care / Patient Safety	4Q 2024	Target	n	Note:
Severe Sepsis & Septic Shock Care	57%	> 75%		<i>CMS Hospital Compare: 87% (Q1 - Q4, 2023)</i>
Percentage of patients who received appropriate care for sepsis and/or septic shock.				Passed 4 of 7 total cases
Stroke Care	N/A	> 95%		<i>CMS Hospital Compare: 64% (Q1 - Q4, 2023)</i>
Percentage of patients who receive CT/MRI within 45 minutes of arrival to ED w/stroke symptoms.				6 stroke cases; none met criteria
Median Emergency Room Time	181	< 180 min		<i>CMS Hospital Compare: 127 min (Q1 - Q4, 2023)</i>
Average minutes spent in department before leaving the Emergency Department.				
Readmission	3%	< 15%		<i>CMS Hospital Compare: 14.3% (Q3 2022 - Q2 2023)</i>
Percentage of unplanned readmission to an acute care hospital in 30 days after discharged from a hospitalization.				6 readmissions out of 208 total admissions to Acute Care
OB – C-Section Rate	18%	< 30%		# NTSV / total # of C-sections
Percentage of patients in the NTSV (<i>nulliparous, term, singleton, vertex</i>) category delivering by cesarean section.				2 of 11 C-sections met NTSV criteria
Provider Quality Score (Group)	78%	75%	N/A	Scoring tabulated as a running, annual score.
CMS Merit-Based Incentive Payment System (<i>MIPS</i>) for providers				Special focuses: cervical cancer screening, specialist referrals, high blood pressure, hemoglobin A1c, medication reconciliation, fall risk
Patient Fall Rate AC	0.76	< 5	1	# of patient falls / # patient days x 1000
Measures the number of patient falls per 1,000 patient days.				Total falls on Acute Care: 1

Quality of Care / Patient Safety <i>(continued)</i>	4Q 2024	Target	n	Note:
Medication Errors	0	0	N/A	
Measures the number of reported medication errors causing patient harm or death.				Reported errors classified as type E-I by the National Coordinating Council for Med Error Reporting and Prevention/CMS. <i>(Tracking through occurrence reporting system.)</i>
Never Events	0	0	N/A	
Unexpected occurrence involving death/serious physiological or psychological injury, or the risk thereof.				<i>(Tracking through occurrence reporting system.)</i>
Home Health (HH)	4Q 2024	Target	n	Note:
Independent Bathing	100%	> 75%	35	
Percentage of home health patients demonstrating improvement with ability to bathe more independently.				100% of the patients stayed the same or improved. 29 Patients improved, 6 stayed the same. <i>(Tracked through OASIS Reporting.)</i>
Nursing Home (LTC)	4Q 2024	Target	n	Note:
Depressive Symptoms	0	≤ 2	N/A	
Number of residents who develop symptoms of depression after admission.				<i>(Tracked through MDS Reporting.)</i>
<u>Patient & Resident Experience</u>				
As the patient and resident experience is a prime indicator of the organization's overall health, South Peninsula Hospital strives to tenaciously pursue patient and resident experience improvements.				
Consumer Assessment of Healthcare Providers and Services	4Q 2024	Target	n	Note: Measures as a % ranking across PG clients.
HCAHPS Percentile	49 th	75 th	28	Q3 2024 = 79 th
Percentage of patients rating the agency as 9-10/10.				Mean Score: 71.43%
Home Health HHCAHPS Percentile	25 th	75 th	43	Q3 2024 = 32 nd
Percentage of patients rating the agency as 9-10/10.				Mean Score: 86.0%

Patient Satisfaction Through Press Ganey (PG)	4Q 2024	Target	n	Note: % ranking across PG clients.
Inpatient Percentile	69th	75th	28	Q3 2024 = 89th
Measures the satisfaction of inpatient pts. respondents.				Mean Score: 87.46
Outpatient Percentile	39th	75th	331	Q3 2024 = 23rd
Measures the satisfaction of outpatient pts. respondents.				Mean Score: 94.61
Emergency Department Percentile	80th	75th	95	Q3 2024 = 91st
Measures the satisfaction of emergency pts. respondents.				Mean Score: 91.11
Medical Practice Percentile	55th	75th	516	Q3 2024 = 67th
Measures the satisfaction of pts. respondents at SPH Clinics.				Mean Score: 94.66
Ambulatory Surgery (AS) Percentile	29th	75th	87	Q3 2024 = 61st
Measures the satisfaction of AS pts. respondents.				Mean Score: 95.41
Information System Solutions	4Q 2024	Target	n	Note:
Eligible Hospital (EH) Promoting Interoperability: hospital-based measures for inpatient and observation stays.	84	≥ 60	N/A	CMS score 60 and above = pass
e-Prescribing: Electronic Prescribing (<i>Rx</i>)	8	10	369 of 447	FY24 to date = 1466 of 1786
Query PDMP	10	10	N/A	Yes, providers are using PDMP Query via EHR interface
Health Information Exchange: Support Electronic Referral Loops by receiving and incorporating health information.	15	15	3 of 3	FY24 to date = 11 of 12
HIE: Support. Electronic Referral Loops by sending health info. (<i>Sum of Care sent</i>)	4	15	43 of 158	FY24 to date = 241 of 711
Provider to patient exchange: Provide patients electronic access to their health information. (<i>timely access via the patient portal</i>)	22	25	200 of 228	FY24 to date = 760 of 834
Public Health & Clinical Data Exchange.	25	25	N/A	Public Health, electronic Case Reporting (eCR), and Clinical Data Exchange interfaces in place.
Eligible Provider (EP) - Promoting Interoperability (Group)	100%	95%	N/A	Target quarterly for annual score
Merit Based Incentive Payment System Promoting Interoperability score. (<i>MIPS tracking is in Athena</i>)				Special focuses: patient electronic access to health information, electronic referrals, electronic prescriptions
Electronic Medical Record (EMR) Adoption Stage	5	5	N/A	
Health Information Management & Systems Society (<i>HIMSS</i>) Electronic Medical Record Adoption Model (<i>EMRAM</i>) stage.				SPH has maximized EHR functionality to reach and maintain Stage 5. We re-evaluate EMRAM Staging with Epic implementation. Stages 6 and 7 site visit validation.

Information System Solutions (Continued)	4Q 2024	Target	n	Note:
IT Security Awareness Training Complete Rate	92%	97%	1765	
% of employees who have completed assigned security training.				1910 Training videos sent, 1765 were completed.
Phishing Test Pass Rate	95%	97%	2520	
% of Phishing test emails that were not failed.				2520 Test phishing emails sent out to staff. 116 of the email links were clicked, causing 116 potential security risks.
<u>Medical Staff Alignment</u>				
South Peninsula Hospital desires to be an employer and/or provider of choice for medical staff practitioners by fostering an atmosphere of continuous collaboration.				
Provider Alignment	2024	Target	n	Note:
Provider Satisfaction Percentile	85th	75th	22	
Measures the satisfaction of physician respondents as indicated by Press Ganey physician survey results from 2024. Measured as a percentile.				69% response rate; 4.45/5.0 engagement score
<u>Employee Engagement</u>				
South Peninsula Hospital desires to be an employer of choice that offers our staff an opportunity to make positive impact in our community.				
Staff Alignment	2024	Target	N/A	
Employee Satisfaction Percentile	60th	75th	404	
Measures the satisfaction of staff respondents as indicated in Press Ganey staff survey results from 2024. Measured as a percentile.				78% response rate; 4.12/5.0 engagement score
Workforce	4Q 2024	Target	N/A	Note:
Turnover: All Employees	3.5%	< 5%	629	
Percentage of all employees separated from the hospital for any reason.				22 Terminations / 629 Total Employees
Turnover: Voluntary All Employees	2.7%	< 4.75%	629	
Measures the percentage of voluntary staff separations from the hospital.				17 Voluntary Terminations / 629 Total Employees
First Year Total Turnover	3.9%	< 7%	128	
Measures the percentage of staff hired in the last 12 months and who separated from the hospital for any reason during the quarter.				5 New Staff Terminated in Q4-2024 128 Total New Hires 1/1/2024 - 12/31/2024
Travel Nursing Utilization	9	< 15	N/A	
Measure average number of travel nurses utilized in the previous quarter.				

Financial Health

SPH is financially positioned to support our dedication to the Mission, Vision and Values, and our continued investment in our employees, medical staff, physical plant and equipment.

Financial Health	4Q 2024	Target	n	Note:
Operating Margin	-4%	-15%		
Measures the surplus (deficit) of operating income over operating expenses as a percentage of net patient service revenue for the quarter.				Target is based on budgeted operating margin for the period.
Adjusted Patient Discharges	1,097	822		Total Discharges: 132 (Acute, OB, Swing, ICU)
Measures the number of patients discharged, adjusted by inpatient revenues for the quarter divided by (<i>inpatient + outpatient revenues</i>).				(LTC Revenue & discharges not included, Target is same Q Prior Year. Target Discharges: 129)
Net Revenue Growth	13%	3%		
Measures the percentage increase (<i>decrease</i>) in net patient revenue for the quarter compared to the same period in the prior year.				Target is based on budgeted net patient service revenue for the period compared to net patient service revenue for the same period in prior year.
Full Time Equivalents (FTEs) per Adjusted Occupied Bed	9.9	9.4		
Measures the average number of staff FTEs per adjusted occupied bed for the quarter.				Target is based on budgeted paid hours (FTE) divided by (<i>budget gross patient revenue/budget gross inpatient rev</i>) X budgeted average daily census for the quarter.
Net Days in Accounts Receivable	60.9	55		
Measures the rate of speed with which the hospital is paid for health care services.				
Cash on Hand	71	90		91 Total Days Cash on Hand, Operating +Unobligated PREF
Measure the actual unrestricted cash on hand (excluding PREF and Service Area) that the hospital has to meet daily operating expenses.				Cash available for operations based average daily operating expenses during the quarter less depreciation for the quarter.
Uncompensated Care as a Percentage of Gross Revenue	3%	2-3%		
Measures bad debt & charity write offs as a percentage of gross patient service revenue				Target is based on industry standards & SPH Payer Mix Budgeted total is 2.4% Expected range of 2-3%
Average Age of Plant	13.3	8 yrs.		
Average age of assets used to provide services				Target is based on hospital optimal age of plant.
Intense Market Focus to Expand Market Share	4Q 2024	Target	n	Note:
Outpatient Revenue Growth	22%	16%		
Measures percentage increase (decrease) in outpatient revenue for the quarter, compared to the same period in the prior year.				Target is based on budgeted outpatient revenue for the period compared to outpatient revenue for the same period prior year.
Surgical Case Growth	26%	26%		
Measures the increase (<i>decrease</i>) in surgical cases for the quarter compared to the same period in the prior year.				Target is based on budgeted surgeries above actual from same quarter prior year.

To: SPH Board of Directors
From: Beth Wythe, Governance Chair
Date: January 16, 2025
Re: Annual Policy and Bylaw Review

In 2024 a complete review of the Bylaws was completed and the final revised Bylaws are included in the Annual Meeting (January 2025) Agenda for approval.

The review of all finance, quality and medical staff policies was completed in 2024, along with the conflict of interest policy. No further updates of these policies is recommended at this time.

All Self-Management policies are scheduled for review in 2025, and the review of all Executive Management Performance policies was completed in January/February of 2024. A cursory review of these policies did not reveal any additional updating requirements at this time.