SCOTT COUNTY REST HOME, INC.
d.b.a. Park Lane Nursing Home
(A component unit of Scott County, Kansas)

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2025 and 2024

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LEWIS, HOOPER & DICK LLC
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Scott County Rest Home, Inc.
Scott City, KS 67871

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of Scott County Rest Home, Inc., d.b.a. Park Lane Nursing Home, (the Home), a component unit of Scott County, Kansas, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Home as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Home, as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide (KMAAG)*, issued by the State of Kansas. 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 Home, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Home's ability to continue as a going concern for twelve months beyond the financial statement issuance 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 opinion. 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 the *KMAAG* 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 the *KMAAG*, 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 Home'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 Home'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 discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS and the *KMAAG*, 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.

Lewis, Hooper & Dick, LLC

LEWIS, HOOPER & DICK, LLC

October 6, 2026

Scott County Rest Home, Inc.

Management Discussion and Analysis

For the years ended December 31, 2025 and 2024

The following information provides an overview of Scott County Rest Home, Inc.'s (the Home) financial performance for fiscal years ending December 31, 2025 and 2024. The information contained here is intended to provide the users of these financial statements with a well-rounded picture of the Home's financial condition. A more detailed presentation is given in the Home's basic financial statements and notes (pages 2-19). Responsibility for this discussion and the completeness and fairness of the information presented resides with the Home.

Financial Highlights

The assets and deferred outflows of resources of the Home exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $2,437,519 (*net position*). Of this amount, $1,060,191 represents unrestricted net position, which may be used to meet the Home's ongoing obligations to citizens and creditors.

The Home's assets and deferred outflows decreased from 2024 to 2025 by $446,633. At December 31, 2025, total assets and deferred outflows were $2,931,972 as compared to $3,378,605 at December 31, 2024.

The Home's long-term debt decreased from 2024 to 2025 by $6,186. At December 31, 2025, total long-term debt was $7,672 as compared to $13,858 at December 31, 2024.

The Home reported resident service revenues (net of contractual allowances and provision for bad debts) of $4,697,217 for fiscal year 2025, and $5,084,821 for fiscal year 2024; a decrease of $387,604 or 7.62%.

The Home reported revenues under expenses before capital grants and contributions of $448,786 for fiscal year 2025, as compared to revenues over expenses before capital grants and contributions of $238,544 for fiscal year 2024. This was a decrease of $687,330.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Home's basic financial statements. The Home's basic financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Home, including resources held by the Home for restricted purposes by contributors, grantors, or enabling legislation.

The *statements of net position* present financial information on all of the Home's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Home is improving or deteriorating.

The *notes to the financial statements* provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 6-19 of this report.

The discussion following is provided to allow for a more simplified understanding of the Home's level of financial stability in relation to that of the previous year (fiscal year 2024).

Net Position

The Home's net position is the difference between its assets and deferred outflows, and its liabilities and deferred inflows reported in the statements of net position on page 2. The Home's net position decreased in the past year by $400,395, or 14.11%, compared to an increase of $292,881, or 11.51%, in the previous year, as shown in the following table.

	2025	2024	2023
Assets:			
Current assets	$ 1,617,924	$ 1,936,954	$ 1,672,494
Noncurrent assets	1,314,048	1,441,651	1,507,876
Total assets	$ 2,931,972	$ 3,378,605	$ 3,180,370
Liabilities:			
Current liabilities	$ 452,540	$ 496,434	$ 600,233
Long-term debt	7,672	13,858	10,292
Total liabilities	$ 460,212	$ 510,292	$ 610,525
Deferred inflows of resources	$ 34,241	$ 30,399	$ 24,812
Net position:			
Invested in capital assets net of related debt	$ 1,300,190	$ 1,421,708	$ 1,493,600
Restricted expendable net assets	77,138	76,631	92,959
Unrestricted	1,060,191	1,339,575	958,474
Total net position	$ 2,437,519	$ 2,837,914	$ 2,545,033

There was a decrease in the amount of current assets of $319,030 from 2024; while total assets also decreased by $446,633, going from $3,378,605 at December 31, 2024, to $2,931,972 at December 31, 2025. This overall decrease was primarily due to the Home experiencing a net loss during the year. There were less resident days in 2025 compared to 2024; however, costs to operate continue to rise. This resulted in the Home spending down some of its cash in 2025.

Long-term debt has decreased from $13,858 at December 31, 2024, to $7,672 at December 31, 2025. There was an overall decrease in the total liabilities and deferred inflows at December 31, 2025; total liabilities and deferred inflows at December 31, 2025, were $494,453 as compared to $540,691 at December 31, 2024. This was the result of less vendor accounts payable in 2025 compared to 2024.

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Operating Results and Changes in Net Position

In 2025, the Home's net position decreased by $400,395, or 14.11%, as shown in the following table. This decrease is made up of different components.

	2025	2024	2023
Operating revenues			
Total net resident service revenues	$ 4,697,217	$ 5,084,821	$ 4,717,485
Other operating revenues	685,138	744,017	248,925
Total operating revenues	5,382,355	5,828,838	4,966,410
Operating expenses			
Salaries and benefits	3,396,344	3,383,526	3,565,472
Supplies and other expenses	1,167,097	1,147,293	827,294
Professional services	1,204,416	1,225,387	1,275,787
Depreciation and amortization	182,461	187,746	181,631
Total operating expenses	5,950,318	5,943,952	5,850,184
Operating loss	(567,963)	(115,114)	(883,774)
Nonoperating revenues (expenses)			
County appropriations	40,000	71,984	450,000
Employer retention credit	-	-	938,887
KDADS grant	-	-	49,962
Miscellaneous grants	34,156	55,000	2,387
Interest income	45,429	227,132	2,335
Other nonoperating revenues (expenses), net	(408)	(458)	-
Total nonoperating revenues (expenses)	119,177	353,658	1,443,571
Excess (deficit) of revenues over (under) expenses before capital grants and contributions	(448,786)	238,544	559,797
Capital grants and contributions	48,391	54,337	8,447
Increase (decrease) in net position	(400,395)	292,881	568,244
Net position, beginning of year	2,837,914	2,545,033	1,976,789
Net position, end of year	$ 2,437,519	$ 2,837,914	$ 2,545,033

The increase in the operating loss from fiscal year 2024 to fiscal year 2025 of $452,849 can be primarily attributed to a large decrease in total net resident service revenues compared to a slight increase in total operating expenses. Total net resident service revenues decreased from the prior year by $387,604, whereas total operating expenses increased from the prior year by $6,366. The decrease in total net resident service revenues was the result of a decrease in resident days during the year. The increase in total operating expenses was the result of an increase in operating costs as a result of inflation and an increase in employee benefits during the year. The decrease in other operating revenue was the result of assisted living vacancies compared to the prior year.

The decrease in nonoperating revenues (expenses) from fiscal year 2024 to fiscal year 2025 of $234,481 can be primarily attributed to a decrease in interest income of $224,243 earned on the Employee Retention Tax Credit refund. This interest income was recognized in revenues and accounts receivable in 2024. Further discussion of these claims can be found in Note 3D to the financial statements.

Capital Asset and Debt Administration

At the end of 2025, the Home had $1,314,048 invested in capital assets, net of accumulated depreciation/amortization, as detailed in Note 3G to the financial statements. In 2025, the Home purchased new furnishings and equipment costing $72,882. Major fixed asset purchases in 2025 include the following:

Nurse call system	$ 36,048

At December 31, 2025, the Home had $6,308 in finance lease obligations and $7,550 in right-to-use lease obligations. There was no new debt issued in 2025 or 2024. The Home's formal debt issuances cannot be issued without approval of the citizens of Scott County. The amount of debt issued is subject to limitations that apply to the Home.

Other Economic Factors

Although the Home, as any other healthcare entity does, will have to deal with continued reimbursement challenges and rising costs of providing healthcare, we feel positive that we are working to counter those issues with increased service offerings and better efficiency.

Contact Information

If you have any questions about this report or need additional financial information, please contact the Administrator at Scott County Rest Home, Inc., 210 E. Park Lane, Scott City, KS 67871 or at (620) 872-5871.

BASIC FINANCIAL STATEMENTS

SCOTT COUNTY REST HOME, INC.
(A component unit of Scott County, Kansas)
Statements of Net Position
As of December 31, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,010,551	$ 325,553
Donor restricted cash	177,403	164,375
Accounts receivable, net of allowance for doubtful accounts for 2025 and 2024 of $24,095 and $147,867, respectively	376,003	229,976
Prepaid expenses	53,967	53,920
Interest income receivable - employer retention credit	-	224,243
Employer retention credit receivable	-	938,887
TOTAL CURRENT ASSETS	1,617,924	1,936,954
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation/amortization	1,314,048	1,441,651
TOTAL ASSETS	$ 2,931,972	$ 3,378,605
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 246,016	$ 355,019
Accrued payroll	92,945	80,645
Accrued compensated absences	95,989	43,306
Other accrued expenses	11,404	11,379
Current portion of long-term debt	6,186	6,085
TOTAL CURRENT LIABILITIES	452,540	496,434
LONG-TERM DEBT, net of current maturities	7,672	13,858
TOTAL LIABILITIES	460,212	510,292
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - security deposits	34,241	30,399
NET POSITION		
Invested in capital assets net of related debt	1,300,190	1,421,708
Restricted:		
Expendable for capital acquisitions	54,612	24,835
Expendable for employee and resident activities	20,101	49,371
Expendable for the chapel	2,425	2,425
Unrestricted	1,060,191	1,339,575
TOTAL NET POSITION	2,437,519	2,837,914
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,931,972	$ 3,378,605

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTT COUNTY REST HOME, INC.
(A component unit of Scott County, Kansas)
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2025 and 2024

	2025	2024
OPERATING REVENUES		
RESIDENT SERVICE REVENUES		
Net resident service revenue (net of provision for uncollectible accounts; $24,095 in 2025 and $147,867 in 2024)	$ 4,677,935	$ 5,062,749
Ancillary services - other	19,282	22,072
TOTAL NET RESIDENT SERVICE REVENUES	4,697,217	5,084,821
OTHER OPERATING REVENUES		
Other	685,138	744,017
TOTAL OPERATING REVENUES	5,382,355	5,828,838
OPERATING EXPENSES		
Salaries	2,740,342	2,791,104
Employee benefits	656,002	592,422
Supplies and other expenses	1,167,097	1,147,293
Professional services	1,204,416	1,225,387
Depreciation and amortization	182,461	187,746
TOTAL OPERATING EXPENSES	5,950,318	5,943,952
OPERATING LOSS	(567,963)	(115,114)
NONOPERATING REVENUES (EXPENSES)		
County appropriations	40,000	71,984
Miscellaneous grants	34,156	55,000
Interest income	45,429	227,132
Other nonoperating revenues (expenses), net	(408)	(458)
TOTAL NONOPERATING REVENUES (EXPENSES)	119,177	353,658
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(448,786)	238,544
CAPITAL GRANTS AND CONTRIBUTIONS	48,391	54,337
INCREASE (DECREASE) IN NET POSITION	(400,395)	292,881
NET POSITION, BEGINNING OF YEAR	2,837,914	2,545,033
NET POSITION, END OF YEAR	$ 2,437,519	$ 2,837,914

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTT COUNTY REST HOME, INC.
(A component unit of Scott County, Kansas)
Statements of Cash Flows
For the years ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of residents	$ 4,555,032	$ 5,126,466
Payments to suppliers and contractors	(2,480,538)	(2,526,127)
Payments to employees	(3,331,361)	(3,369,069)
Other receipts and payments, net	1,848,268	744,017
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	591,401	(24,713)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County appropriations	40,000	71,984
Noncapital grants and contributions	34,156	55,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	74,156	126,984
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment	(54,858)	(121,522)
Capital grants and contributions	48,391	54,337
Proceeds from issuance of long-term debt	-	11,702
Principal paid on long-term debt	(6,085)	(6,035)
Interest paid on long-term debt	(408)	(457)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(12,960)	(61,975)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	45,429	2,889
NET INCREASE IN CASH AND CASH EQUIVALENTS	698,026	43,185
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	489,928	446,743
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,187,954	$ 489,928
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and cash equivalents in current assets	$ 1,010,551	$ 325,553
Donor restricted cash	177,403	164,375
TOTAL CASH AND CASH EQUIVALENTS	$ 1,187,954	$ 489,928
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (567,963)	$ (115,114)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Provision for uncollectible accounts	24,095	147,867
Depreciation and amortization	182,461	187,746
Changes in:		
Accounts receivable	(170,122)	(111,809)
Prepaid expenses	(47)	(33,090)
Interest income receivable - employer retention credit	224,243	-
Employer retention credit receivable	938,887	-
Accounts payable	(109,003)	(118,222)
Accrued payroll	12,300	12,740
Accrued compensated absences	52,683	1,717
Other accrued expenses	25	(2,135)
Unearned revenue - security deposits	3,842	5,587
NET CASH USED BY OPERATING ACTIVITIES	$ 591,401	$ (24,713)

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTT COUNTY REST HOME, INC.
(A component unit of Scott County, Kansas)
Statements of Fiduciary Net Position
Custodial Funds
As of December 31, 2025 and 2024

	Custodial Funds	
	2025	2024
ASSETS		
Cash	$ 16,225	$ 15,778
TOTAL ASSETS	$ 16,225	$ 15,778
NET POSITION		
Net position restricted for others	$ 16,225	$ 15,778
TOTAL NET POSITION	$ 16,225	$ 15,778

Statements of Changes in Fiduciary Net Position
Custodial Funds
As of December 31, 2025 and 2024

	Custodial Funds	
	2025	2024
Additions:		
Resident activities	$ 7,682	$ 13,537
Employee activities	1,689	-
TOTAL ADDITIONS	9,371	13,537
Deductions:		
Resident activities	8,641	19,968
Employee activities	283	427
TOTAL DEDUCTIONS	8,924	20,395
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	447	(6,858)
NET POSITION, BEGINNING OF YEAR	15,778	22,636
NET POSITION, END OF YEAR	$ 16,225	$ 15,778

The accompanying Notes to the Financial Statements are an integral part of these statements.

SCOTT COUNTY REST HOME, INC.
(A component unit of Scott County, Kansas)
Notes to the Financial Statements
December 31, 2025 and 2024

1. Summary of significant accounting policies

Scott County Rest Home, Inc. (the Home) is a quasi-governmental entity which operates as Park Lane Nursing Home located in Scott City, Kansas. The Home is a health care facility that includes the operation of a nursing home care unit, independent living apartments, and assisted living apartments. They are operated from facilities owned and leased by the Home

The financial statements of the Home have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Home's significant accounting policies are described below.

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Business-type activities, which rely to a significant extent on fees and charges to external customers for support, are reported separately. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Financial reporting entity

The Home is a component unit of Scott County, Kansas, and is governed by an appointed five-member board. These financial statements present the Home (a component unit of Scott County, Kansas) and its component units. Component units are included in the reporting entity because of the significance of their operational or financial relationship with the primary government; however, the Home has no component units.

C. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The custodial funds utilize the economic resources measurement focus and the accrual basis of accounting.

D. Use of estimates

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

E. Assets, liabilities, deferred outflows/inflows of resources and net position

Cash and cash equivalents

The Home's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition. For purposes of the statements of cash flows, the Home's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents.

1. Summary of significant accounting policies (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and net position (continued)

Deposits and investments
State statutes authorize the Home to invest idle funds in U.S. government securities, temporary notes, no-fund warrants, repurchase agreements and the Kansas Municipal Investment Pool. The Kansas Municipal Investment Pool operates in accordance with appropriate State laws and regulations. The report value of the investment in the Kansas Municipal Investment Pool is the same as the fair value of its pool shares.

Allowance for doubtful accounts
For the years ended December 31, 2025 and 2024, twenty-five percent of the accounts receivable outstanding between 120 days and 180 days, fifty percent of the accounts receivable outstanding between 180 days and 270 days, seventy-five percent of the accounts receivable outstanding between 270 days and 360 days, and one-hundred percent of the accounts receivable outstanding over 360 days, are charged to the allowance for doubtful accounts.

Prepaid items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Capital assets
Capital assets are defined by the Home as assets acquired or produced for a cost of more than $5,000, including acquisition and installation costs, and with an estimated useful life that extends beyond one year.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. None of the Home's interest costs were capitalized in 2025 or 2024.

Land and construction in progress are not depreciated. Capital assets contributed to the Home are reported at their estimated acquisition value at the time of their donation. The other capital assets and right-to-use leased equipment are depreciated/amortized using the straight-line method, with one-half year's depreciation/amortization in the year of acquisition, over the following estimated useful lives:

Land improvements	10 to 25 years
Buildings and building improvements	10 to 25 years
Equipment	5 to 10 years

Deferred outflows/inflows of resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

1. Summary of significant accounting policies (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and net position (continued)

Deferred outflows/inflows of resources (continued)
In addition to liabilities, the statements of net position will sometimes include a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Home has two types of items that qualify for reporting in this category. (1) The Home reports unearned revenues from security deposits as a deferred inflow of resources. (2) The Home reports unearned revenues for grant funding as a deferred inflow of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

Net position
For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Home will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Home's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

F. Leases

Lessee
The Home is a lessee for a noncancellable lease of office equipment. The Home recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Home has elected to recognize payments for short-term leases with a lease term of twelve months or less as expenses as they are incurred. These leases are not included as lease liabilities or right-to-use lease assets on the statement of net position.

1. Summary of significant accounting policies (continued)

F. Leases (continued)

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

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

- The Home uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Home 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 Home is reasonably certain to exercise.

The Home monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statements of net position.

G. Revenues and expenses

Net resident service revenue
Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and allowance for doubtful accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Concentration of credit risk
The Home's business activity is primarily with residents located within Scott County, Kansas. The Home grants credit without collateral to its residents, most of whom are from the local area. Receivables from residents and third-party payors were as follows:

	2025	2024
Medicare and Medicaid	62%	81%
Residents	38%	19%
	100%	100%

1. Summary of significant accounting policies (continued)

G. Revenues and expenses (continued)

Grants and contributions

From time to time, the Home receives grants from the State of Kansas as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Operating and nonoperating revenues and expenses

The Home's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Home's principal activity. Nonexchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisitions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Compensated absences

Vacation

The Home's policy regarding vacation leave pay permits full-time and part-time employees to accumulate leave days based on year of service as follows: less than one year of service accumulates at 0.021 hours per hour paid, maximum of 50 hours per year; more than one year and less than ten years accumulates at 0.042 hours per hour paid, maximum of 100 hours per year; more than ten years accumulates at 0.063 hours per hour paid, maximum of 150 hours per year. Vacation leave pay is accrued when incurred in the financial statements. Vacation leave not used within twelve months after an employee's anniversary date is paid to the employee in the last payroll prior to the anniversary date.

Sick leave

The Home's policy regarding sick leave pay permits full-time and part-time employees to accumulate leave days at a maximum rate of 0.024 hours per hour worked, up to 96 hours per year.

The Home has determined, as of December 31, 2025, that both leave types are more likely than not (greater than 50%) to be paid out due to a new paid time off policy that becomes effective January 1, 2026. The Home has calculated the value of accrued compensated absences at December 31, 2025 and 2024, to be $95,989 and $43,306, respectively.

1. Summary of significant accounting policies (continued)

H. New Pronouncements

The GASB has issued the following statements which may have an impact on the Home's future financial reporting, although they are not yet required to be implemented by the Home:

- GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024, will be effective for the Home beginning with its year ending December 31, 2026. 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*, issued September 2024, will be effective for the Home beginning with its year ending December 31, 2026. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

- GASB Statement No. 105, *Subsequent Events,* issued December 2025, will be effective for the Home beginning with its year ending December 31, 2027. The primary objective of this Statement is to clarify the subsequent events that constitute recognized and nonrecognized events and establish specific note disclosure requirements for nonrecognized events.

The Home's management has not yet determined the effect these Statements will have on the Home's financial statements.

2. Stewardship, compliance and accountability

A. Non-compliance with finance-related legal and contractual provisions

References made herein to the statutes are not intended as interpretations of the law, but are offered for consideration of the Kansas Department of Administration's Chief Financial Officer and interpretation by the County Attorney and the legal representation of the Home.

There are no known material violations of finance-related legal and contractual provisions including Kansas statutes, regulations, contracts, debt covenants, or other agreements for the years ended December 31, 2025 and 2024.

3. Detailed notes

A. Restricted net position

Restricted, expendable net position is available for the following purposes:

	2025	2024
Capital acquisitions	$ 54,612	$ 24,835
Employee/resident activities	20,101	49,371
Chapel	2,425	2,425
Total restricted, expendible net position	$ 77,138	$ 76,631

3. Detailed notes (continued)

B. Deposits and investments

Cash and investments

A reconciliation of cash and investments as shown on the statements of net position is as follows:

	2025	2024
Cash	$ 139,787	$ 225,857
Operating savings	870,764	99,696
Total cash and cash equivalents	1,010,551	325,553
Donor restricted cash	177,403	164,375
Total	$ 1,187,954	$ 489,928

	2025	2024
Carrying amount of deposits	$ 1,204,179	$ 505,706
Less custodial funds	(16,225)	(15,778)
Total cash and investments	$ 1,187,954	$ 489,928

Cash deposits with financial institutions

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the Home's deposits may not be returned to it. State statutes require the Home's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Home has no designated "peak periods".

At December 31, 2025, the Home's carrying amount of deposits was $1,204,179 and the bank balance was $1,198,995. One hundred percent of the bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $353,903 was covered by federal depository insurance and $845,092 was collateralized with securities held by the pledging financial institutions' agents in the Home's name. The Home's cash deposits at year end are as follows:

	First National Bank	Security State Bank
FDIC coverage	$ 101,020	$ 252,883
Pledged securities at market value	147,033	1,337,325
Total coverage	$ 248,053	$ 1,590,208
Funds on deposit	$ 101,020	$ 1,097,975
Funds at risk	$ -	$ -

3. Detailed notes (continued)

B. Deposits and investments (continued)

Cash deposits with financial institutions (continued)

Custodial credit risk – deposits (continued)
At December 31, 2024, the Home's carrying amount of deposits was $505,706 and the bank balance was $449,778. One hundred percent of the bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $351,173 was covered by federal depository insurance and $98,605 was collateralized with securities held by the pledging financial institutions' agents in the Home's name.

Credit and interest rate risks
K.S.A. 9-1401 establishes the depositories which may be used by the Home. The statute requires banks eligible to hold the Home's funds have a main or branch bank in the county in which the Home is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Home has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Home's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Home has no investment policy that would further limit its investment choices.

Concentration of credit risk
State statutes place no limit on the amount the Home may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial credit risk - investments
Custodial credit risk for an investment is the risk that, in the event of the failure of the issuer or counterparty, the Home will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. At December 31, 2025, the Home had no such investments.

C. Capital projects
Capital project authorizations with approved change orders compared with expenditures from inception to December 31, 2025, are as follows:

Project	Authorization	Expenditures to Date
Nurse call system	$ 36,048	$ 36,048
Toilet replacement	13,674	-

3. Detailed notes (continued)

D. Accounts receivable

Accounts receivable reported as current assets by the Home at December 31, 2025 and 2024, consists of the following amounts:

	2025	2024
Receivable from residents	$ 152,753	$ 71,225
Receivable from Medicare	53,777	122,513
Receivable from Medicaid	193,568	184,105
Total receivable	400,098	377,843
Less allowance for doubtful accounts	(24,095)	(147,867)
Accounts receivable, net	$ 376,003	$ 229,976

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) signed into law on March 27, 2020, and the subsequent extension of the CARES Act, the Home was eligible for refundable Employee Retention Credits (ERC) subject to certain criteria. The Home has filed for refunds totaling $1,419,016, of which $938,887 was received by December 31, 2025. The ERC for the third quarter of 2021 totaling $480,129 was denied by the Internal Revenue Service on July 25, 2024. As a result, this ERC refund has not been included on the Home's statements of net position or the statements of revenues, expenses and changes in net position as of December 31, 2025. The Home has filed an appeal for this denied ERC, which is still currently in process.

E. Third-party reimbursement agreements

The Home has agreements with third-party payers that provide for payments to the Home at amounts different from its established rates. These payment arrangements include:

- Medicare – The Home has been reimbursed for services rendered to residents covered by the federal Medicare program on a prospective payment system. The reimbursement plan is on a prospective basis and no additional settlement will be made on the difference between the rates paid and actual costs.

- Medicaid – The Medicaid program reimburses the Home for services rendered to the Medicaid beneficiaries based on a prospective per diem rate established by the Medicaid program. The per diem rate established by Medicaid is based primarily on prior years' cost, subject to a maximum per diem rate set by the State of Kansas.

Revenue from the Medicare and Medicaid programs accounted for approximately 13% and 54%, respectively, of the Home's resident service revenue (net of contractual allowances) for the year ended December 31, 2025. Revenue from the Medicare and Medicaid programs accounted for approximately 14% and 46%, respectively, of the Home's resident service revenue (net of contractual allowances) for the year ended December 31, 2024. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation.

F. Contracts

In 2023, the Home entered into a five-year management service agreement beginning February 1, 2023 with monthly fees calculated at 5.5% of the Home's gross revenue for the prior month. In addition, all salary, benefits, incentive compensation and bonuses attributed to the Administrator and Director of Nursing shall be reimbursed by the Home. Fees and reimbursements paid under this contract in 2025 and 2024 totaled $471,405 and $533,809, respectively.

3. Detailed notes (continued)

G. Capital assets

Capital asset additions, retirements and balances for the year ended December 31, 2025, are as follows:

	Balance 12/31/24	Additions	Retirements	Balance 12/31/25
Capital assets not being depreciated:				
Construction in progress	$ 18,024	$ 18,024	$ 36,048	$ -
Land	24,000	-	-	24,000
Total capital assets not being depreciated	42,024	18,024	36,048	24,000
Capital assets being depreciated/ amortized:				
Buildings and improvements	4,009,954	59,964	-	4,069,918
Equipment	1,321,007	12,918	-	1,333,925
Right-to-use leased equipment	11,702	-	-	11,702
Total capital assets being depreciated/amortized	5,342,663	72,882	-	5,415,545
Less accumulated depreciation/ amortization for:				
Buildings and improvements	(2,799,362)	(135,206)	-	(2,934,568)
Equipment	(1,141,445)	(45,026)	-	(1,186,471)
Right-to-use leased equipment	(2,229)	(2,229)	-	(4,458)
Total accumulated depreciation/amortization	(3,943,036)	(182,461)	-	(4,125,497)
Total capital assets being depreciated/amortized, net	1,399,627	(109,579)	-	1,290,048
Net capital assets	$ 1,441,651	$ (91,555)	$ 36,048	$ 1,314,048

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3. Detailed notes (continued)

G. Capital assets (continued)
Capital asset additions, retirements and balances for the year ended December 31, 2024, are as follows:

	Balance 12/31/23	Additions	Retirements	Balance 12/31/24
Capital assets not being depreciated:				
Construction in progress	$ -	$ 18,024	$ -	$ 18,024
Land	24,000	-	-	24,000
Total capital assets not being depreciated	24,000	18,024	-	42,024
Capital assets being depreciated/ amortized:				
Buildings and improvements	3,982,035	27,919	-	4,009,954
Equipment	1,274,760	63,877	17,630	1,321,007
Right-to-use leased equipment	-	11,702	-	11,702
Total capital assets being depreciated/amortized	5,256,795	103,498	17,630	5,342,663
Less accumulated depreciation/ amortization for:				
Buildings and improvements	(2,657,697)	(141,665)	-	(2,799,362)
Equipment	(1,115,222)	(43,853)	(17,630)	(1,141,445)
Right-to-use leased equipment	-	(2,229)	-	(2,229)
Total accumulated depreciation/amortization	(3,772,919)	(187,747)	(17,630)	(3,943,036)
Total capital assets being depreciated/amortized, net	1,483,876	(84,249)	-	1,399,627
Net capital assets	$ 1,507,876	$ (66,225)	$ -	$ 1,441,651

H. Leases

Finance leases payable
The Home, as a lessee, has entered into lease agreements to finance the acquisition of office equipment. These leases qualify as finance leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is a summary of leased assets acquired through these lease agreements by the Home at December 31, 2025:

Nursing home office equipment - telephone	$ 19,920
Less accumulated depreciation	(13,612)
Total	$ 6,308

3. Detailed notes (continued)

H. Leases (continued)

Finance leases payable (continued)
Finance leases payable consist of the following:

	2025	2024
Finance lease obligation, at 0.0% imputed interest collateralized by leased equipment with a cost of $19,920 at June 21, 2022	$ 6,308	$ 10,292
Total finance leases payable	6,308	10,292
Less current portion	3,984	3,984
Long-term portion	$ 2,324	$ 6,308

Future lease payments under these lease agreements as of December 31, 2025, are as follows:

2026	$ 3,984
2027	2,324
Total minimum lease payments	6,308
Less amount representing interest	-
Present value of future minimum lease obligations	$ 6,308

Right-to-use leases payable
The Home, as a lessee, has entered into a lease agreement for the right-to-use underlying leased asset for office equipment.

The following is a summary of the leased asset available for use through this lease agreement by the Home as of December 31, 2025:

Business office equipment - copy machine	$ 11,702
Less accumulated amortization	(4,458)
Total	$ 7,244

Right-to-use leases payable consist of the following:

	2025	2024
Right-to-use lease obligation, at 4.69% imputed interest collateralized by right-to-use leased equipment with a cost of $11,702 at January 16, 2024	$ 7,550	$ 9,651
Total right-to-use leases payable	7,550	9,651
Less current portion	2,202	2,101
Long-term portion	$ 5,348	$ 7,550

3. Detailed notes (continued)

H. Leases (continued)

Right-to-use leases payable (continued)

Future lease payments under this lease agreement as of December 31, 2025, are as follows:

2026	$ 2,509
2027	2,509
2028	2,509
2029	628
Total minimum lease payments	8,155
Less amount representing interest	605
Present value of future minimum lease obligations	$ 7,550

I. Long-term debt

Changes in long-term liabilities

Long-term liability activity for the Home for the years ended December 31, 2025 and 2024, are as follows:

	Balance 12/31/24	Additions	Reductions	Balance 12/31/25	Amounts Due Within One Year
Finance leases	$ 10,292	$ -	$ 3,984	$ 6,308	$ 3,984
Right-to-use leases	9,651	-	2,101	7,550	2,202
Total long-term debt	19,943	-	6,085	13,858	$ 6,186
Less current maturities	6,085	6,186	6,085	6,186	
Net long-term debt	$ 13,858	$ (6,186)	$ -	$ 7,672	

	Balance 12/31/23	Additions	Reductions	Balance 12/31/24	Amounts Due Within One Year
Finance leases	$ 14,276	$ -	$ 3,984	$ 10,292	$ 3,984
Right-to-use leases	-	11,702	2,051	9,651	2,101
Total long-term debt	14,276	11,702	6,035	19,943	$ 6,085
Less current maturities	3,984	6,085	3,984	6,085	
Net long-term debt	$ 10,292	$ 5,617	$ 2,051	$ 13,858	

4. Other information

A. Grant audits

The Home participates in various federal grant programs, which are subject to program compliance requirements. Accordingly, the Home's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Home anticipates such amounts, if any, will be immaterial.

B. Risk management

The Home is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

C. Post-employment health care benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Home makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. This program is offered for a maximum duration of 36 months after the employee's termination date. There is no cost to the Home under this program. There were no participants in the program at December 31, 2025, or December 31, 2024.

D. Pension plan

The Home adopted a defined contribution pension plan, covering substantially all of its employees, on January 1, 1986, with model amendment January 1, 2002, to reflect provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 and amendment January 1, 2012, to bring the Plan into compliance with the Pension Protection Act of 2006 and other legislative and regulatory changes. The Plan is administered by Scott County Rest Home, Inc. and is funded through a group annuity contract issued by American United Life Insurance Company. Both the employer and employees contribute to the Plan. The Home makes biweekly contributions to the Plan for each plan year equal to 5% of the participants' compensation up to 50% of the Social Security taxable wage base (SSTWB), plus 9.3% of their compensation, if any, in excess of the 50% of the SSTWB. The contributions made by the Home to the Plan in 2025 and 2024 total $54,474 and $62,376, respectively.

E. Contingencies

In 2023, the Home entered into a service agreement for assistance in analyzing, substantiating, and documenting the Home's eligibility to claim the Employer Retention Credit (ERC) and to file refund claims for the ERC with fees totaling 25% of the total credits refunded. The fees are to be paid once the refunds are received by the Home. Therefore, fees totaling $234,722 for the first and second quarter of 2021 ERC were paid in 2025 but were included in accounts payable on the Home's statements of net position and in professional services on the statements of revenues, expenses and changes in net position in 2024. Fees for the third quarter of 2021 ERC denied on July 25, 2024 totaling $120,032 are not included on the Home's statements of net position or statements of revenues, expenses and changes in net position. The Home is currently in process of appealing the denied ERC claim.