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, 2022 and 2021

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TABLE OF CONTENTS

	Page
Independent Auditor's Report	i-ii
Management Discussion and Analysis	iii-vi
Basic Financial Statements:	
Government-wide Financial Statements:	
Statements of Net Position	2
Statements of Revenues, Expenses and Changes in Net Position	3
Statements of Cash Flows	4
Fund Financial Statements:	
Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position - Fiduciary Funds	5
Notes to Financial Statements	6-19

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, 2022 and 2021, and the related notes to 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, 2022 and 2021, 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 one year after the date the financial statements are issued.

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 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 evidence sufficient to express an opinion or provide any assurance.

Lewis, Hooper + Dick, LLC

LEWIS, HOOPER & DICK, LLC

July 26, 2023, except for Note 4E as to which the date is October 10, 2023

Scott County Rest Home, Inc.

Management Discussion and Analysis

For the years ended December 31, 2022 and 2021

The following information provides an overview of Scott County Rest Home, Inc.'s (the Home) financial performance for fiscal years ending December 31, 2022 and 2021. 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 $1,976,789 (*net position*). Of this amount, $239,318 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 2021 to 2022 by $265,810. At December 31, 2022, total assets and deferred outflows were $2,486,882 as compared to $2,752,692 at December 31, 2021.

The Home had long-term debt of $14,561 at December 31, 2022, and no long-term debt at December 31, 2021, which is an increase of $14,561.

The Home's reported resident service revenues (net of contractual allowances and provision for bad debts) was $3,930,196 for fiscal year 2022, and was $4,051,976 for fiscal year 2021; a decrease of $121,780 or 3.01%.

The Home reported revenues under expenses before capital grants and contributions of $474,292 for fiscal year 2022, as compared to revenues under expenses before capital grants and contributions of $527,327 for fiscal year 2021. This was an increase of $53,035.

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* presents 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 financial statements* provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The notes to 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 2021).

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 $463,564 or 19.00%, compared to a decrease in net position of $517,442, or 17.49%, in the previous year, as shown in the following table.

	2022	2021	2020
Assets:			
Current assets	$ 810,894	$ 954,678	$ 1,896,301
Noncurrent assets	1,675,988	1,798,014	1,955,999
Total assets	$ 2,486,882	$ 2,752,692	$ 3,852,300
Liabilities:			
Current liabilities	$ 470,720	$ 197,887	$ 311,779
Long-term debt	14,561	-	3,600
Total liabilities	$ 485,281	$ 197,887	$ 315,379
Total deferred inflows of resources	$ 24,812	$ 114,452	$ 579,126
Net position:			
Invested in capital assets net of related debt	$ 1,656,087	$ 1,794,414	$ 1,948,798
Restricted expendable net assets	81,384	84,056	89,395
Unrestricted	239,318	561,883	919,602
Total net position	$ 1,976,789	$ 2,440,353	$ 2,957,795

There was a decrease in the amount of current assets of $143,784 from 2021; while total assets also decreased from $2,752,692 at December 31, 2021, to $2,486,882 at December 31, 2022.

Long-term debt has increased from $0 at December 31, 2021, to $14,561 at December 31, 2022. There was an overall increase in the total liabilities and deferred inflows at December 31, 2022; total liabilities and deferred inflows at December 31, 2022, were $510,093 as compared to $312,339 at December 31, 2021.

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Operating Results and Changes in Net Position

In 2022, the Home's net position decreased by $463,564 or 19.00%, as shown in the following table. This decrease is made up of different components.

	2022	2021	2020
Operating revenues			
Total net resident service revenues	$ 3,930,196	$ 4,051,976	$ 5,336,045
Other operating revenues	309,728	290,433	301,591
Total operating revenues	4,239,924	4,342,409	5,637,636
Operating expenses			
Salaries and benefits	3,418,282	3,784,960	3,996,843
Supplies and other expenses	796,147	744,470	816,814
Professional services	584,504	697,252	913,152
Depreciation	205,008	216,850	180,149
Total operating expenses	5,003,941	5,443,532	5,906,958
Operating loss	(764,017)	(1,101,123)	(269,322)
Nonoperating revenues (expenses)			
County appropriations	194,330	10,000	43,828
CARES Act funding - HHS	93,499	495,902	102,477
CARES Act funding - SPARK	-	66,084	73,946
SBA Paycheck Protection Plan	-	-	609,900
Interest income	2,470	1,810	2,300
Other nonoperating revenues (expenses), net	(574)	-	(17,752)
Total nonoperating revenues (expenses)	289,725	573,796	814,699
Excess (deficit) of revenues over expenses before capital grants and contributions	(474,292)	(527,327)	545,377
Capital grants and contributions	10,728	9,885	122,619
Increase (decrease) in net position	(463,564)	(517,442)	667,996
Net position, beginning of year	2,440,353	2,957,795	2,289,799
Net position, end of year	$ 1,976,789	$ 2,440,353	$ 2,957,795

The decrease in the operating loss from fiscal year 2021 to fiscal year 2022 of $337,106 can be primarily attributed to a smaller decrease in total net resident service revenues compared to the decrease in total operating expenses. Net resident service revenues decreased from the prior year by $121,780, whereas total operating expenses decreased from the prior year by $439,591. The decrease in total net resident service revenues and total operating expenses was the result of a decrease in the census during the year, as well as less Medicare and Medicaid services provided during the year.

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Capital Asset and Debt Administration

At the end of 2022, the Home had $1,675,988 invested in capital assets, net of accumulated depreciation, as detailed in Note 3E to the financial statements. In 2022, the Home purchased new equipment and building improvements costing $80,866, and recognized $3,616 in right-to-use leased equipment. A large part of the 2022 acquisitions were the following:

Two water heaters and storage tank	$	24,330
Grantstream telephone system		19,920

At December 31, 2022, the Home had $17,928 in finance lease obligations and $1,973 in right-to-use lease obligations outstanding. The Home issued a finance lease for a new telephone system totaling $19,920 in 2022. The Home issued no new debt in 2021. 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. Parklane, 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, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 254,984	$ 458,940
Donor restricted cash	117,469	124,854
Accounts receivable, net of allowance for doubtful accounts for 2022 and 2021 of $19,534 and $23,791, respectively	411,472	342,185
Prepaid expenses	26,969	28,699
TOTAL CURRENT ASSETS	810,894	954,678
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation/amortization	1,675,988	1,798,014
TOTAL NONCURRENT ASSETS	1,675,988	1,798,014
TOTAL ASSETS	$ 2,486,882	$ 2,752,692
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 331,668	$ 63,405
Accrued payroll	52,186	40,220
Accrued compensated absences	50,534	63,963
Other accrued expenses	30,992	26,699
Current portion of long-term debt	5,340	3,600
TOTAL CURRENT LIABILITIES	470,720	197,887
LONG-TERM DEBT, net of current maturities	14,561	-
TOTAL LIABILITIES	485,281	197,887
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - security deposits	24,812	20,953
Unearned revenue - CARES Act funding - HHS	-	9,904
Unearned revenue - American Rescue Plan (ARP)	-	83,595
TOTAL DEFERRED INFLOWS OF RESOURCES	24,812	114,452
NET POSITION		
Invested in capital assets net of related debt	1,656,087	1,794,414
Restricted:		
Expendable for capital acquisitions	71,471	73,265
Expendable for employee and resident activities	7,706	8,586
Expendable for the chapel	2,207	2,205
Unrestricted	239,318	561,883
TOTAL NET POSITION	1,976,789	2,440,353
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,486,882	$ 2,752,692

The accompanying Notes to 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, 2022 and 2021

	2022	2021
OPERATING REVENUES		
RESIDENT SERVICE REVENUES		
Net resident service revenue (net of provision for uncollectible accounts; $19,534 in 2022 and $23,791 in 2021)	$ 3,873,255	$ 3,996,597
Ancillary services - other	56,941	55,379
TOTAL NET RESIDENT SERVICE REVENUES	3,930,196	4,051,976
OTHER OPERATING REVENUES		
Other	309,728	290,433
TOTAL OPERATING REVENUES	4,239,924	4,342,409
OPERATING EXPENSES		
Salaries	2,771,526	3,012,481
Employee benefits	646,756	772,479
Supplies and other expenses	796,147	744,470
Professional services	584,504	697,252
Depreciation and amortization	205,008	216,850
TOTAL OPERATING EXPENSES	5,003,941	5,443,532
OPERATING LOSS	(764,017)	(1,101,123)
NONOPERATING REVENUES (EXPENSES)		
County appropriations	194,330	10,000
CARES Act funding - HHS	9,904	495,902
CARES Act funding - SPARK	-	66,084
American Rescue Plan (ARP)	83,595	-
Interest income	2,470	1,810
Loss on disposal of assets	(500)	-
Interest expense and fees	(74)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	289,725	573,796
DEFICIENCY OF REVENUES UNDER EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(474,292)	(527,327)
CAPITAL GRANTS AND CONTRIBUTIONS	10,728	9,885
DECREASE IN NET POSITION	(463,564)	(517,442)
NET POSITION, BEGINNING OF YEAR	2,440,353	2,957,795
NET POSITION, END OF YEAR	$ 1,976,789	$ 2,440,353

The accompanying Notes to 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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of residents	$ 3,864,768	$ 4,180,993
Payments to suppliers and contractors	(1,106,365)	(1,558,299)
Payments to employees	(3,419,745)	(3,790,408)
Other receipts and payments, net	309,728	290,433
NET CASH USED BY OPERATING ACTIVITIES	(351,614)	(877,281)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants and contributions	10,728	9,885
County appropriations	194,330	10,000
CARES Act funding - HHS	-	12,878
American Rescue Plan (ARP)	-	83,595
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	205,058	116,358
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment	(84,482)	(58,865)
Proceeds from sale of property and equipment	1,000	-
Proceeds from issuance of long-term debt	23,537	-
Principal paid on long-term debt	(7,236)	(3,601)
Interest paid on long-term debt	(74)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(67,255)	(62,466)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	2,470	1,810
NET DECREASE IN CASH AND CASH EQUIVALENTS	(211,341)	(821,579)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	583,794	1,405,373
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 372,453	$ 583,794
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and cash equivalents in current assets	$ 254,984	$ 458,940
Donor restricted cash	117,469	124,854
TOTAL CASH AND CASH EQUIVALENTS	$ 372,453	$ 583,794
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (764,017)	$ (1,101,123)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Provision for uncollectible accounts	19,534	23,791
Depreciation and amortization	205,008	216,850
Changes in:		
Accounts receivable	(88,821)	104,387
Prepaid expenses	1,730	(8,134)
Accounts payable	268,263	(107,064)
Accrued payroll	11,966	136
Accrued compensated absences	(13,429)	(5,584)
Other accrued expenses	4,293	(1,379)
Unearned revenue - security deposits	3,859	839
NET CASH USED BY OPERATING ACTIVITIES	$ (351,614)	$ (877,281)

The accompanying Notes to 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
Fiduciary Funds
As of December 31, 2022 and 2021

	Custodial Funds	
	2022	2021
ASSETS		
Cash	$ 20,464	$ 11,748
TOTAL ASSETS	$ 20,464	$ 11,748
NET POSITION		
Net position restricted for others	$ 20,464	$ 11,748
TOTAL NET POSITION	$ 20,464	$ 11,748

Statements of Changes in Fiduciary Net Position
Fiduciary Funds
As of December 31, 2022 and 2021

	Custodial Funds	
	2022	2021
Additions:		
Resident activities	$ 10,841	$ 12,537
Employee activities	452	168
TOTAL ADDITIONS	11,293	12,705
Deductions:		
Resident activities	1,739	24,034
Employee activities	838	2,334
TOTAL DEDUCTIONS	2,577	26,368
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	8,716	(13,663)
NET POSITION, BEGINNING OF YEAR	11,748	25,411
NET POSITION, END OF YEAR	$ 20,464	$ 11,748

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

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 and independent 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 statement of net position and the statement of activities) 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 statues 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, 2022 and 2021, fifteen percent of the accounts receivable in excess of four months 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 expenses when consumed rather than when purchased.

Capital assets
Capital assets are defined by the Home as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years.

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 2022 or 2021.

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 and right-to-use leased assets 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.

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.

1. Summary of significant accounting policies (continued)

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

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.

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.

1. Summary of significant accounting policies (continued)

F. Leases (continued)

Lessee (continued)

- 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 provision for uncollectible 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:

	2022	2021
Medicare and Medicaid	53%	66%
Other third-party payors (none over 10%)	4%	1%
Residents	43%	33%
	100%	100%

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.

1. Summary of significant accounting policies (continued)

G. Revenues and expenses (continued)

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 employees to accumulate leave days at a maximum rate of .096 hours per hour worked up to 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. The Home has estimated the value of accrued vacation leave pay at December 31, 2022 and 2021, to be $50,534 and $63,963, respectively.

Sick leave

The Home's policy regarding sick leave pay permits employees to accumulate leave days at a maximum rate of .024 hours per hour worked up to 96 hours. The Home's policy is to recognize the costs of sick leave when actually paid since employees are not reimbursed for unused sick leave when they leave the Home's employ.

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. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, will be effective for the Home beginning with its year ending December 31, 2023. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, will be effective for the Home beginning with its year ending December 31, 2023. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end-users (governments).

- GASB Statement No. 99, *Omnibus 2022*, issued April 2022, will be effective for the Home beginning with its year ending December 31, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency or authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

1. Summary of significant accounting policies (continued)

H. New Pronouncements (continued)

- GASB Statement No. 100, *Accounting Changes and Error Corrections: An Amendment of GASB Statement No. 62*, issued June 2022, will be effective for the Home beginning with its year ending December 31, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

- GASB Statement No. 101, *Compensated Absences*, issued June 2022, will be effective for the Home beginning with its year ending December 31, 2024. 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.

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

I. Change in accounting principle

GASB Statement No., 87, *Leases*, became effective for the Home for the year ended December 31, 2022. This Statement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. It established a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

2. Stewardship, compliance and accountability

A. 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, 2022 and 2021.

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3. Detailed notes

A. Deposits and investments

Cash and investments
A reconciliation of cash and investments as shown on the balance sheets is as follows:

	2022	2021
Cash	$ 137,796	$ 33,061
Operating savings	117,188	425,879
Total cash and cash equivalents	254,984	458,940
Donor restricted cash	117,469	124,854
Total	$ 372,453	$ 583,794

	2022	2021
Cash	$ 50	$ 50
Carrying amount of deposits	392,867	595,492
Less custodial funds	(20,464)	(11,748)
Total cash and investments	$ 372,453	$ 583,794

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, 2022, the Home's carrying amount of deposits was $392,867 and the bank balance was $396,234. One hundred percent of the bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $367,585 was covered by federal depository insurance and $28,649 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	$ 117,188	$ 250,397
Pledged securities at market value	692,108	388,649
Total coverage	$ 809,296	$ 639,046
Funds on deposit	$ 117,188	$ 279,046
Funds at risk	$ -	$ -

3. Detailed notes (continued)

A. Deposits and investments (continued)

Cash deposits with financial institutions (continued)

Custodial credit risk – deposits (continued)
At December 31, 2021, the Home's carrying amount of deposits was $595,492 and the bank balance was $610,986. One hundred percent of the bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $435,107 was covered by federal depository insurance and $175,879 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.

B. Accounts receivable
Accounts receivable reported as current assets by the Home at December 31, 2022 and 2021, consists of the following amounts:

	2022	2021
Receivable from residents	$ 183,207	$ 120,808
Receivable from Medicare	84,830	145,210
Receivable from Medicaid	144,195	96,052
Receivable from Zella Carpenter Trust	18,774	3,906
Total receivable	431,006	365,976
Less allowance for doubtful accounts	(19,534)	(23,791)
Accounts receivable, net	$ 411,472	$ 342,185

3. Detailed notes (continued)

C. 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 10% and 39%, respectively, of the Home's resident service revenue (net of contractual allowances) for the year ended December 31, 2022. Revenue from the Medicare and Medicaid programs accounted for approximately 9% and 42%, respectively, of the Home's resident service revenue (net of contractual allowances) for the year ended December 31, 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation.

D. Capital assets

Capital asset additions, retirements and balances for the year ended December 31, 2022, are as follows:

	Balance 12/31/21	Additions	Retirements	Balance 12/31/22
Capital assets not being depreciated:				
Land	$ 24,000	$ -	$ -	$ 24,000
Total capital assets not being depreciated	24,000	-	-	24,000
Capital assets being depreciated/ amortized:				
Buildings and improvements	3,937,785	44,250	-	3,982,035
Equipment	1,268,076	36,616	41,234	1,263,458
Right-to-use leased equipment	-	3,616	-	3,616
Total capital assets being depreciated/amortized	5,205,861	84,482	41,234	5,249,109
Less accumulated depreciation/ amortization for:				
Buildings and improvements	(2,360,978)	(151,870)	-	(2,512,848)
Equipment	(1,070,869)	(51,469)	(39,734)	(1,082,604)
Right-to-use leased equipment	-	(1,669)	-	(1,669)
Total accumulated depreciation/amortization	(3,431,847)	(205,008)	(39,734)	(3,597,121)
Total capital assets being depreciated/amortized, net	1,774,014	(120,526)	1,500	1,651,988
Net capital assets	$ 1,798,014	$ (120,526)	$ 1,500	$ 1,675,988

3. Detailed notes (continued)

D. Capital assets (continued)
Capital asset additions, retirements and balances for the year ended December 31, 2021, are as follows:

	Balance 12/31/20	Additions	Retirements	Balance 12/31/21
Capital assets not being depreciated:				
Land	$ 24,000	$ -	$ -	$ 24,000
Total capital assets not being depreciated	24,000	-	-	24,000
Capital assets being depreciated: amortized:				
Buildings and improvements	3,888,157	49,628	-	3,937,785
Equipment	1,258,839	9,237	-	1,268,076
Total capital assets being depreciated/amortized	5,146,996	58,865	-	5,205,861
Less accumulated depreciation/ amortization for:				
Buildings and improvements	(2,211,825)	(149,153)	-	(2,360,978)
Equipment	(1,003,172)	(67,697)	-	(1,070,869)
Total accumulated depreciation/amortization	(3,214,997)	(216,850)	-	(3,431,847)
Total capital assets being depreciated/amortized, net	1,931,999	(157,985)	-	1,774,014
Net capital assets	$ 1,955,999	$ (157,985)	$ -	$ 1,798,014

E. 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, 2022:

Nursing home office equipment - telephone	$ 19,920
Less accumulated depreciation	(1,660)
Total	$ 18,260

3. Detailed notes (continued)

E. Leases (continued)

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

	2022	2021
Finance lease obligation, at 0.0% imputed interest collateralized by leased equipment with a cost of $18,004 at January 3, 2018	$ -	$ 3,600
Finance lease obligation, at 0.0% imputed interest collateralized by leased equipment with a cost of $19,920 at June 21, 2022	17,928	-
Total finance leases payable	17,928	3,600
Less current portion	3,652	3,600
Long-term portion	$ 14,276	$ -

Future lease payments under these lease agreements as of December 31, 2022, are as follows:

2023	$ 3,652
2024	3,984
2025	3,984
2026	3,984
2027	2,324
Total minimum lease payments	17,928
Less amount representing interest	-
Present value of future minimum lease obligations	$ 17,928

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, 2022:

Business Office equipment - copy machine	$ 3,616
Less accumulated amortization	(1,669)
Total	$ 1,947

3. Detailed notes (continued)

E. Leases (continued)

Right-to-use leases payable (continued)
Right-to-use leases payable consist of the following:

	2022	2021
Right-to-use lease obligation, at 2.59% imputed interest collateralized by right-to-use leased equipment with a cost of $3,616 at January 1, 2022	$ 1,973	$ -
Total right-to-use leases payable	1,973	-
Less current portion	1,688	-
Long-term portion	$ 285	$ -

Future lease payments under this lease agreement as of December 31, 2022, are as follows:

2023	$ 1,718
2024	287
Total minimum lease payments	2,005
Less amount representing interest	32
Present value of future minimum lease obligations	$ 1,973

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3. Detailed notes (continued)

F. Long-term debt

Changes in long-term liabilities
Long-term liability activity for the Home for the years ended December 31, 2022 and 2021, are as follows:

	Balance 12/31/21	Additions	Reductions	Balance 12/31/22	Amounts Due Within One Year
Finance leases	$ 3,600	$ 19,920	$ 5,592	$ 17,928	$ 3,652
Right-to-use leases	-	3,617	1,644	1,973	1,688
Total long-term debt	$ 3,600	$ 23,537	$ 7,236	$ 19,901	$ 5,340

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21	Amounts Due Within One Year
Finance leases	$ 7,201	$ -	$ 3,601	$ 3,600	$ 3,600
Total long-term debt	$ 7,201	$ -	$ 3,601	$ 3,600	$ 3,600

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, 2022, and one participant in the program at December 31, 2021.

4. Other information (continued)

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 2022 and 2021 total $76,909 and $85,638, respectively.

E. Dual dating

Subsequent to year end, an error was discovered on the Statement of Cash Flows. The overall cash balance did not change due to the correction of the error.