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, 2023 and 2022

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(A component unit of Scott County, Kansas)

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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, 2023 and 2022, 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, 2023 and 2022, 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

October 15, 2024

Scott County Rest Home, Inc.

Management Discussion and Analysis

For the years ended December 31, 2023 and 2022

The following information provides an overview of Scott County Rest Home, Inc.'s (the Home) financial performance for fiscal years ending December 31, 2023 and 2022. 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 $2,545,033 (*net position*). Of this amount, $958,474 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 increased from 2022 to 2023 by $693,488. At December 31, 2023, total assets and deferred outflows were $3,180,370 as compared to $2,486,882 at December 31, 2022.

The Home's long-term debt decreased from 2022 to 2023 by $4,269. At December 31, 2023, total long-term debt was $10,292 as compared to $14,561 at December 31, 2022.

The Home's reported resident service revenues (net of contractual allowances and provision for bad debts) was $4,717,485 for fiscal year 2023, and was $3,930,196 for fiscal year 2022; an increase of $787,289 or 20.03%.

The Home reported revenues over expenses before capital grants and contributions of $559,797 for fiscal year 2023, as compared to revenues under expenses before capital grants and contributions of $474,292 for fiscal year 2022. This was an increase of $1,034,089.

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 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 2022).

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 increased in the past year by $568,244 or 28.75%, compared to a decrease in net position of $463,564, or 19.00%, in the previous year, as shown in the following table.

	2023	2022	2021
Assets:			
Current assets	$ 1,672,494	$ 810,894	$ 954,678
Noncurrent assets	1,507,876	1,675,988	1,798,014
Total assets	$ 3,180,370	$ 2,486,882	$ 2,752,692
Liabilities:			
Current liabilities	$ 600,233	$ 470,720	$ 197,887
Long-term debt	10,292	14,561	-
Total liabilities	$ 610,525	$ 485,281	$ 197,887
Total deferred inflows of resources	$ 24,812	$ 24,812	$ 114,452
Net position:			
Invested in capital assets net of related debt	$ 1,493,600	$ 1,656,087	$ 1,794,414
Restricted expendable net assets	92,959	74,019	84,056
Unrestricted	958,474	246,683	561,883
Total net position	$ 2,545,033	$ 1,976,789	$ 2,440,353

There was an increase in the amount of current assets of $861,600 from 2022; while total assets also increased from $2,486,882 at December 31, 2022, to $3,180,370 at December 31, 2023.

Long-term debt has decreased from $14,561 at December 31, 2022, to $10,292 at December 31, 2023. There was an overall increase in the total liabilities and deferred inflows at December 31, 2023; total liabilities and deferred inflows at December 31, 2023, were $635,337 as compared to $510,093 at December 31, 2022.

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Operating Results and Changes in Net Position

In 2023, the Home's net position increased by $568,244 or 28.75%, as shown in the following table. This increase is made up of different components.

	2023	2022	2021
Operating revenues			
Total net resident service revenues	$ 4,717,485	$ 3,930,196	$ 4,051,976
Other operating revenues	248,925	309,728	290,433
Total operating revenues	4,966,410	4,239,924	4,342,409
Operating expenses			
Salaries and benefits	3,565,472	3,418,282	3,784,960
Supplies and other expenses	827,294	796,147	744,470
Professional services	1,275,787	584,504	697,252
Depreciation	181,631	205,008	216,850
Total operating expenses	5,850,184	5,003,941	5,443,532
Operating loss	(883,774)	(764,017)	(1,101,123)
Nonoperating revenues (expenses)			
County appropriations	450,000	194,330	10,000
Employer retention credit	938,887	-	-
American Rescue Plan (ARP)	-	83,595	-
CARES Act funding - HHS	-	9,904	495,902
CARES Act funding - SPARK	-	-	66,084
KDADS grant	49,962	-	-
Miscellaneous grants	2,387	-	-
Interest income	2,335	2,470	1,810
Other nonoperating revenues (expenses), net	-	(574)	-
Total nonoperating revenues (expenses)	1,443,571	289,725	573,796
Excess (deficit) of revenues over (under) expenses before capital grants and contributions	559,797	(474,292)	(527,327)
Capital grants and contributions	8,447	10,728	9,885
Increase (decrease) in net position	568,244	(463,564)	(517,442)
Net position, beginning of year	1,976,789	2,440,353	2,957,795
Net position, end of year	$ 2,545,033	$ 1,976,789	$ 2,440,353

The increase in the operating loss from fiscal year 2022 to fiscal year 2023 of $119,757 can be primarily attributed to a smaller increase in total net resident service revenues compared to the increase in total operating expenses. Total net resident service revenues increased from the prior year by $787,289, whereas total operating expenses increased from the prior year by $846,243. The increase in total net resident service revenues and total operating expenses was the result of an increase in the census, an increase in rates, and more Medicare and Medicaid services provided during the year. The increase in total operating expenses was the result of an increase in the census and an increase in fees payable at year end for ERC claims filed.

The increase in nonoperating revenues (expenses) from fiscal year 2022 to fiscal year 2023 of $1,153,846 can be primarily attributed to an increase in appropriations from Scott County during the year and employer retention credit refund claims that were filed in 2023 totaling $1,416,016, of which $938,887 is pending processing by the Internal Revenue Service. Further discussion of these claims can be found in Note 3C to the financial statements.

Capital Asset and Debt Administration

At the end of 2023, the Home had $1,507,876 invested in capital assets, net of accumulated depreciation/amortization, as detailed in Note 3F to the financial statements. In 2023, the Home purchased new furnishings and equipment costing $15,466.

At December 31, 2023, the Home had $14,276 in finance lease obligations and no outstanding right-to-use lease obligations. There was no new debt in 2023; however, the Home issued a finance lease for a new telephone system totaling $19,920 in 2022. 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, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 306,170	$ 254,984
Donor restricted cash	140,573	117,469
Accounts receivable, net of allowance for doubtful accounts for 2023 and 2022 of $54,903 and $19,534, respectively	266,034	411,472
Prepaid expenses	20,830	26,969
Employer retention credit receivable	938,887	-
TOTAL CURRENT ASSETS	1,672,494	810,894
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation/amortization	1,507,876	1,675,988
TOTAL ASSETS	$ 3,180,370	$ 2,486,882
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 473,241	$ 331,668
Accrued payroll	67,905	52,186
Accrued compensated absences	41,589	50,534
Other accrued expenses	13,514	30,992
Current portion of long-term debt	3,984	5,340
TOTAL CURRENT LIABILITIES	600,233	470,720
LONG-TERM DEBT, net of current maturities	10,292	14,561
TOTAL LIABILITIES	610,525	485,281
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - security deposits	24,812	24,812
NET POSITION		
Invested in capital assets net of related debt	1,493,600	1,656,087
Restricted:		
Expendable for capital acquisitions	69,439	63,864
Expendable for employee and resident activities	21,095	7,730
Expendable for the chapel	2,425	2,425
Unrestricted	958,474	246,683
TOTAL NET POSITION	2,545,033	1,976,789
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 3,180,370	$ 2,486,882

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, 2023 and 2022

	2023	2022
OPERATING REVENUES		
RESIDENT SERVICE REVENUES		
Net resident service revenue (net of provision for uncollectible accounts; $54,903 in 2023 and $19,534 in 2022)	$ 4,647,815	$ 3,873,255
Ancillary services - other	69,670	56,941
TOTAL NET RESIDENT SERVICE REVENUES	4,717,485	3,930,196
OTHER OPERATING REVENUES		
Other	248,925	309,728
TOTAL OPERATING REVENUES	4,966,410	4,239,924
OPERATING EXPENSES		
Salaries	2,942,976	2,771,526
Employee benefits	622,496	646,756
Supplies and other expenses	827,294	796,147
Professional services	1,275,787	584,504
Depreciation and amortization	181,631	205,008
TOTAL OPERATING EXPENSES	5,850,184	5,003,941
OPERATING LOSS	(883,774)	(764,017)
NONOPERATING REVENUES (EXPENSES)		
County appropriations	450,000	194,330
Employer retention credit	938,887	-
American Rescue Plan (ARP)	-	83,595
CARES Act funding - HHS	-	9,904
KDADS grant	49,962	-
Miscellaneous grants	2,387	-
Interest income	2,335	2,470
Other nonoperating revenues (expenses), net	-	(574)
TOTAL NONOPERATING REVENUES (EXPENSES)	1,443,571	289,725
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	559,797	(474,292)
CAPITAL GRANTS AND CONTRIBUTIONS	8,447	10,728
INCREASE (DECREASE) IN NET POSITION	568,244	(463,564)
NET POSITION, BEGINNING OF YEAR	1,976,789	2,440,353
NET POSITION, END OF YEAR	$ 2,545,033	$ 1,976,789

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, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of residents	$ 4,862,923	$ 3,864,768
Payments to suppliers and contractors	(1,972,847)	(1,106,365)
Payments to employees	(3,558,698)	(3,419,745)
Other receipts and payments, net	248,925	309,728
NET CASH USED BY OPERATING ACTIVITIES	(419,697)	(351,614)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County appropriations	450,000	194,330
Noncapital grants and contributions	52,349	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	502,349	194,330
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment	(13,519)	(84,482)
Proceeds from sale of property and equipment	-	1,000
Capital grants and contributions	8,447	10,728
Proceeds from issuance of long-term debt	-	23,537
Principal paid on long-term debt	(5,625)	(7,236)
Interest paid on long-term debt	-	(74)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(10,697)	(56,527)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	2,335	2,470
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	74,290	(211,341)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	372,453	583,794
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 446,743	$ 372,453
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and cash equivalents in current assets	$ 306,170	$ 254,984
Donor restricted cash	140,573	117,469
TOTAL CASH AND CASH EQUIVALENTS	$ 446,743	$ 372,453
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (883,774)	$ (764,017)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Provision for uncollectible accounts	54,903	19,534
Depreciation and amortization	181,631	205,008
Changes in:		
Accounts receivable	90,535	(88,821)
Prepaid expenses	6,139	1,730
Accounts payable	141,573	268,263
Accrued payroll	15,719	11,966
Accrued compensated absences	(8,945)	(13,429)
Other accrued expenses	(17,478)	4,293
Unearned revenue - security deposits	-	3,859
NET CASH USED BY OPERATING ACTIVITIES	$ (419,697)	$ (351,614)

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, 2023 and 2022

	Custodial Funds	
	2023	2022
ASSETS		
Cash	$ 22,636	$ 20,464
TOTAL ASSETS	$ 22,636	$ 20,464
NET POSITION		
Net position restricted for others	$ 22,636	$ 20,464
TOTAL NET POSITION	$ 22,636	$ 20,464

Statements of Changes in Fiduciary Net Position
Custodial Funds
As of December 31, 2023 and 2022

	Custodial Funds	
	2023	2022
Additions:		
Resident activities	$ 28,423	$ 10,841
Employee activities	1,759	452
TOTAL ADDITIONS	30,182	11,293
Deductions:		
Resident activities	27,758	1,739
Employee activities	252	838
TOTAL DEDUCTIONS	28,010	2,577
NET INCREASE IN FIDUCIARY NET POSITION	2,172	8,716
NET POSITION, BEGINNING OF YEAR	20,464	11,748
NET POSITION, END OF YEAR	$ 22,636	$ 20,464

The accompanying Notes to the 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, 2023 and 2022, 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 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 2023 or 2022.

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.

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. Subscription-based information technology arrangements

Effective January 1, 2023, the Home implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* (GASB 96). GASB 96 establishes standards for financial reporting of *SBITAs* by users and defines a *SBITA* as a contract that conveys the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in a contract for a period of time in an exchange or exchange-like transaction. The implementation of GASB 96 requires the Home to record the addition of right-to-use subscription intangible assets and right-to-use subscription liabilities for *SBITAs* entered into during the year ended December 31, 2023, and prior. The Home assessed its *SBITAs* and determined there were no agreements meeting the definition of a *SBITA* in the current year and, therefore, no right-to-use subscription intangible asset, right-to-use subscription liability, or restatement to overall beginning net position was recorded as a result of implementing GASB 96.

H. 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:

	2023	2022
Medicare and Medicaid	82%	53%
Other third-party payors (none over 10%)	2%	4%
Residents	16%	43%
	100%	100%

1. Summary of significant accounting policies (continued)

H. 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 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, 2023 and 2022, to be $41,589 and $50,534, 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.

I. 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. 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.

1. Summary of significant accounting policies (continued)

   I. New Pronouncements (continued)

   - 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.

   - GASB Statement No. 102, *Certain Risk Disclosures*, issued December 2023, will be effective for the Home beginning with its year ending December 31, 2025. The primary objective of this Statement is to provide users with essential information about risks related to a government's vulnerability due to certain concentrations or constraints.

   - 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.

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

   J. Change in accounting principle

   GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, became effective for the Home for the year ended December 31, 2023. This Statement (1) defines a *SBITA*; (2) establishes that a *SBITA* results in a right-to-use subscription asset – an intangible asset – and a corresponding right-to-use subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a *SBITA*; and (4) requires note disclosures regarding a *SBITA*. There were no changes to net position as a result of applying this Statement.

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, 2023 and 2022.

3. Detailed notes

   A. Restricted net position

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

	2023	2022
Capital acquisitions	$ 69,439	$ 63,864
Employee/resident activities	21,095	7,730
Chapel	2,425	2,425
Total restricted, expendible net position	$ 92,959	$ 74,019

3. Detailed notes (continued)

B. Deposits and investments

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

	2023	2022
Cash	$ 187,931	$ 137,796
Operating savings	118,239	117,188
Total cash and cash equivalents	306,170	254,984
Donor restricted cash	140,573	117,469
Total	$ 446,743	$ 372,453

	2023	2022
Cash	$ 50	$ 50
Carrying amount of deposits	469,329	392,867
Less custodial funds	(22,636)	(20,464)
Total cash and investments	$ 446,743	$ 372,453

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, 2023, the Home's carrying amount of deposits was $469,329 and the bank balance was $469,717. One hundred percent of the bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $370,531 was covered by federal depository insurance and $99,186 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	$ 118,627	$ 251,904
Pledged securities at market value	665,613	240,892
Total coverage	$ 784,240	$ 492,796
Funds on deposit	$ 118,627	$ 351,090
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, 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.

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.

C. Accounts receivable
Accounts receivable reported as current assets by the Home at December 31, 2023 and 2022, consists of the following amounts:

	2023	2022
Receivable from residents	$ 51,322	$ 183,207
Receivable from Medicare	129,095	144,195
Receivable from Medicaid	133,308	84,830
Receivable from Zella Carpenter Trust	7,212	18,774
Total receivable	320,937	431,006
Less allowance for doubtful accounts	(54,903)	(19,534)
Accounts receivable, net	$ 266,034	$ 411,472

3. Detailed notes (continued)

C. Accounts receivable (continued)

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 (ERCs) subject to certain criteria. As of December 31, 2023, the Home has filed for refunds totaling $1,419,016 but cannot reasonably estimate when it will receive any or all of these refunds. An ERC for the third quarter of 2021 totaling $480,129 was subsequently denied by the Internal Revenue Service on July 25, 2024. As a result, this ERC refund is not included on the Home's statements of net position and statements of revenues, expenses and changes in net position as of December 31, 2023. The Home has two years from the date of disallowance to file an appeal of the denied ERC. The remaining ERC refunds for the first and second quarters of 2021 totaling $938,887 are reported as current assets on the statements of net position and capital grants and contributions on the statements of revenues, expenses and changes in net position.

D. 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 8% and 46%, respectively, of the Home's resident service revenue (net of contractual allowances) for the year ended December 31, 2023. 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. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation.

E. Contracts

During the year 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. Fees totaling $262,438 were paid under this contract for the year ended December 31, 2023.

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3. Detailed notes (continued)

F. Capital assets

Capital asset additions, retirements and balances for the year ended December 31, 2023, are as follows:

	Balance 12/31/22	Additions	Retirements	Balance 12/31/23
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	3,982,035	-	-	3,982,035
Equipment	1,263,458	15,466	4,164	1,274,760
Right-to-use leased equipment	3,616	-	3,616	-
Total capital assets being depreciated/amortized	5,249,109	15,466	7,780	5,256,795
Less accumulated depreciation/ amortization for:				
Buildings and improvements	(2,512,848)	(144,849)	-	(2,657,697)
Equipment	(1,082,604)	(36,782)	(4,164)	(1,115,222)
Right-to-use leased equipment	(1,669)	(1,947)	(3,616)	-
Total accumulated depreciation/amortization	(3,597,121)	(183,578)	(7,780)	(3,772,919)
Total capital assets being depreciated/amortized, net	1,651,988	(168,112)	-	1,483,876
Net capital assets	$ 1,675,988	$ (168,112)	$ -	$ 1,507,876

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3. Detailed notes (continued)

F. Capital assets (continued)
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

G. 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, 2023:

Nursing home office equipment - telephone	$ 19,920
Less accumulated depreciation	(5,644)
Total	$ 14,276

3. Detailed notes (continued)

G. Leases (continued)

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

	2023	2022
Finance lease obligation, at 0.0% imputed interest collateralized by leased equipment with a cost of $19,920 at June 21, 2022	$ 14,276	$ 17,928
Total finance leases payable	14,276	17,928
Less current portion	3,984	3,652
Long-term portion	$ 10,292	$ 14,276

Future lease payments under these lease agreements as of December 31, 2023, are as follows:

2024	$ 3,984
2025	3,984
2026	3,984
2027	2,324
Total minimum lease payments	14,276
Less amount representing interest	-
Present value of future minimum lease obligations	$ 14,276

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. This agreement was canceled prior to year end, therefore, no leased asset and accumulated amortization is reported as of December 31, 2023.

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

	2023	2022
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

There are no future lease payments under this lease agreement as of December 31, 2023.

3. Detailed notes (continued)

G. Leases (continued)

Right-to-use leases payable (continued)
Subsequent to year end, the Home entered into a lease agreement for the right-to-use a copy machine leased asset totaling $11,702. The future lease payments under this lease agreement are as follows:

2024	$ 2,509
2025	2,509
2026	2,509
2027	2,509
2028	2,509
2029	628
Total minimum lease payments	13,173
Less amount representing interest	(1,471)
Present value of future minimum lease obligations	$ 11,702

H. Long-term debt

Changes in long-term liabilities
Long-term liability activity for the Home for the years ended December 31, 2023 and 2022, are as follows:

	Balance 12/31/22	Additions	Reductions	Balance 12/31/23	Amounts Due Within One Year
Finance leases	$ 17,928	$ -	$ 3,652	$ 14,276	$ 3,984
Right-to-use leases	1,973	-	1,973	-	-
Total long-term debt	19,901	-	5,625	14,276	$ 3,984
Less current maturities	5,340	3,984	5,340	3,984	
Net long-term debt	$ 14,561	$ (3,984)	$ 285	$ 10,292	

	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
Less current maturities	3,600	5,340	3,600	5,340	
Net long-term debt	$ -	$ 18,197	$ 3,636	$ 14,561	

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, 2023, and no participants in the program at December 31, 2022.

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 2023 and 2022 total $78,634 and $76,909, respectively.

E. Contingencies

During the year the Home entered into a service agreement for assistance in analyzing, substantiating, and documenting the Home's eligibility to claim the 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. As of December 31, 2023, no refunds have been received. Therefore, fees totaling $234,722 for the first and second quarter of 2021 ERC are 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. 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.

F. Litigation

The Home is currently involved in a pending litigation case. The outcome of this matter in process cannot be determined at this time; however, the Home's legal counsel and insurance provider believe insurance will cover any potential claim. Consequently, it should not have a material effect on the financial statement of the Home at December 31, 2023.