Scott County Rest Home, Inc.
D.B.A. Park Lane Nursing Home

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2019 and 2018

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LEWIS, HOOPER & DICK LLC
certified public accountants

INDEPENDENT AUDITORS' REPORT

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

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), a component unit of Scott County, Kansas, as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of Scott County Rest Home, Inc. (d.b.a. Park Lane Nursing Home) as listed in the table of contents.

Management's Responsibility for the Financial Statements
Scott County Rest Home, Inc.'s management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of Scott County Rest Home, Inc. (d.b.a. Park Lane Nursing Home), as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*, 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 8, 2020

Scott County Rest Home, Inc.

Management Discussion and Analysis

For the years ended December 31, 2019 and 2018

The following information provides an overview of Scott County Rest Home, Inc.'s financial performance for fiscal years ending December 31, 2019 and 2018. 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 2-18). 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 Scott County Rest Home, Inc. exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $2,289,799 (*net position*). Of this amount, $452,080 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 2018 to 2019 by $689,379. At December 31, 2019, total assets and deferred outflows were $2,664,137 as compared to $3,353,516 at December 31, 2018.

The Home had $7,201 of long-term debt at December 31, 2019, and $10,802 of long-term debt at December 31, 2018, which is a decrease of $3,601.

The Home's reported resident service revenues (net of contractual allowances and provision for bad debts) was $4,381,994 for fiscal year 2019, and was $5,042,338 for fiscal year 2018; a decrease of $660,344 or 13.10%.

The Home reported a deficit of revenues under expenses before capital grants and contributions of $650,263 for fiscal year 2019, as compared to an excess of revenues over expenses before capital grants and contributions of $94,929 for fiscal year 2018. This was a decrease of $745,192.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to Scott County Rest Home, Inc.'s basic financial statements. The Home's 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 *statement of net position* presents financial information on all of Scott County Rest Home, Inc.'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 6-18 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 2018).

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 $635,926, or 21.74%, compared to an increase in net position of $124,062, or 4.43%, in the previous year, as you can see in the following table.

	2019	2018	2017
Assets:			
Current assets	$ 845,882	$ 1,362,602	$ 1,169,672
Noncurrent assets	1,818,255	1,990,914	2,023,895
Total assets	$ 2,664,137	$ 3,353,516	$ 3,193,567
Liabilities:			
Current liabilities	$ 349,759	$ 399,505	$ 376,424
Long-term debt	7,201	10,802	-
Total liabilities	$ 356,960	$ 410,307	$ 376,424
Total deferred inflows of resources	$ 17,378	$ 17,484	$ 15,480
Net position:			
Invested in capital assets net of related debt	$ 1,807,453	$ 1,976,511	$ 1,956,689
Restricted expendable net assets	30,266	28,464	34,284
Unrestricted	452,080	920,750	810,690
Total net position	$ 2,289,799	$ 2,925,725	$ 2,801,663

There was a decrease in the amount of current assets of $516,720 from 2018; while total assets also decreased from $3,353,516 at December 31, 2018, to $2,664,137 at December 31, 2019.

Long-term debt has decreased from $10,802 at December 31, 2018, to $7,201 at December 31, 2019. There was an overall decrease in the total liabilities and deferred inflows at December 31, 2019; total liabilities and deferred inflows at December 31, 2019, were $374,338 as compared to $427,791 at December 31, 2018.

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Operating Results and Changes in Net Position

In 2019, the Home's net position decreased by $635,926 or 21.74%, as shown in the following table. This decrease is made up of different components.

	2019	2018	2017
Operating revenues			
Total net patient service revenues	$ 4,381,994	$ 5,042,338	$ 5,076,994
Other operating revenues	299,833	244,098	279,509
Total operating revenues	4,681,827	5,286,436	5,356,503
Operating expenses			
Salaries and benefits	3,697,289	3,784,401	3,796,987
Supplies and other expenses	726,606	827,101	954,260
Other operating expenses	733,515	744,726	907,529
Depreciation	180,493	195,256	196,389
Total operating expenses	5,337,903	5,551,484	5,855,165
Operating loss	(656,076)	(265,048)	(498,662)
Nonoperating revenues (expenses)			
County appropriations	5,340	361,487	465,970
Interest income	473	257	360
Other nonoperating revenues (expenses), net	-	(1,767)	(6,203)
Total nonoperating revenues (expenses)	5,813	359,977	460,127
Excess (deficit) of revenues over expenses before capital grants and contributions	(650,263)	94,929	(38,535)
Capital grants and contributions	14,337	29,133	11,593
Increase (decrease) in net position	(635,926)	124,062	(26,942)
Net position, beginning of year	2,925,725	2,801,663	2,828,605
Net position, end of year	$ 2,289,799	$ 2,925,725	$ 2,801,663

The increase in the operating loss from fiscal year 2018 to fiscal year 2019 of $391,028 can be primarily attributed to a decrease in total net patient service revenues, decreasing from the prior year by $660,344. This was a result of increased write-offs during the year totaling approximately $662,000, which helped contribute to the 147.53% increase in the total operating loss for fiscal year 2019.

Capital Asset and Debt Administration

At the end of 2019, the Home had $1,818,255 invested in capital assets, net of accumulated depreciation, as detailed in Note 3E to the financial statements. In 2019, the Home purchased new equipment and building improvements costing $7,834.

At December 31, 2019, the Home had $10,802 in capital lease obligations outstanding. The Home issued no new debt in 2019 compared to $18,004 of new debt issued in 2018. The Home's formal debt issuances – revenue bonds – 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.
Statements of Net Position
As of December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 358,525	$ 160,019
Donor restricted cash	59,753	55,300
Patient accounts receivable, net of allowance for doubtful accounts of $23,768 and $149,128, respectively	407,645	1,122,234
Prepaid expenses	19,959	25,049
TOTAL CURRENT ASSETS	845,882	1,362,602
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	1,818,255	1,990,914
TOTAL ASSETS	$ 2,664,137	$ 3,353,516
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 122,125	$ 172,264
Accrued payroll	122,670	114,471
Accrued compensated absences	46,172	59,753
Other accrued expenses	55,191	49,416
Current portion of long-term debt	3,601	3,601
TOTAL CURRENT LIABILITIES	349,759	399,505
LONG-TERM DEBT, net of current maturities	7,201	10,802
TOTAL LIABILITIES	356,960	410,307
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - security deposits	17,378	17,484
NET POSITION		
Invested in capital assets net of related debt	1,807,453	1,976,511
Restricted:		
Expendable for capital acquisitions	26,757	25,913
Expendable for employee and resident activities	1,304	1,001
Expendable for the chapel	2,205	1,550
Unrestricted	452,080	920,750
TOTAL NET POSITION	2,289,799	2,925,725
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,664,137	$ 3,353,516

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

SCOTT COUNTY REST HOME, INC.
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
RESIDENT SERVICE REVENUES		
Net patient service revenue (net of provision for bad debts of $23,768 in 2019 and $35,159 in 2018)	$ 4,315,497	$ 4,973,527
Ancillary services - other	66,497	68,811
TOTAL NET RESIDENT SERVICE REVENUES	4,381,994	5,042,338
OTHER OPERATING REVENUES		
Other	299,833	244,098
TOTAL OPERATING REVENUES	4,681,827	5,286,436
OPERATING EXPENSES		
Salaries	2,972,323	3,034,503
Employee benefits	724,966	749,898
Supplies and other expenses	726,606	827,101
Professional services	733,515	744,726
Depreciation	180,493	195,256
TOTAL OPERATING EXPENSES	5,337,903	5,551,484
OPERATING LOSS	(656,076)	(265,048)
NONOPERATING REVENUES (EXPENSES)		
County appropriations	5,340	361,487
Interest income	473	257
Loss on disposal of assets	-	(1,463)
Interest expense and fees	-	(304)
TOTAL NONOPERATING REVENUES (EXPENSES)	5,813	359,977
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(650,263)	94,929
CAPITAL GRANTS AND CONTRIBUTIONS	14,337	29,133
INCREASE (DECREASE) IN NET POSITION	(635,926)	124,062
NET POSITION, BEGINNING OF YEAR	2,925,725	2,801,663
NET POSITION, END OF YEAR	$ 2,289,799	$ 2,925,725

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

SCOTT COUNTY REST HOME, INC.
Statements of Cash Flows
For the years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	$ 5,096,477	$ 4,996,895
Payments to suppliers and contractors	(1,499,395)	(1,525,326)
Payments to employees	(3,702,671)	(3,760,939)
Other receipts and payments, net	299,833	244,098
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	194,244	(45,272)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions	14,337	29,133
County appropriations	5,340	361,487
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	19,677	390,620
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment	(7,834)	(145,734)
Principal paid on long-term debt	(3,601)	(70,807)
Interest paid on long-term debt	-	(304)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(11,435)	(216,845)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	473	257
NET CASH PROVIDED BY INVESTING ACTIVITIES	473	257
NET INCREASE IN CASH AND CASH EQUIVALENTS	202,959	128,760
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	215,319	86,559
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 418,278	$ 215,319
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and cash equivalents in current assets	$ 358,525	$ 160,019
Donor restricted cash	59,753	55,300
TOTAL CASH AND CASH EQUIVALENTS	$ 418,278	$ 215,319
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	$ (656,076)	$ (265,048)
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities:		
Provision for bad debts	23,768	35,159
Depreciation	180,493	195,256
Changes in:		
Patient accounts receivable	690,821	(82,606)
Prepaid expenses	5,090	(16,723)
Accounts payable	(50,139)	56,777
Accrued payroll	8,199	15,925
Accrued compensated absences	(13,581)	7,537
Other accrued expenses	5,775	6,447
Unearned revenue - security deposits	(106)	2,004
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 194,244	$ (45,272)
Schedule of non-cash capital and related financing activities:		
Capital assets received	$ -	$ 18,004

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

SCOTT COUNTY REST HOME, INC.
Statements of Net Position
Fiduciary Funds
As of December 31, 2019 and 2018

	Agency Funds	
	2019	2018
ASSETS		
Cash	$ 12,855	$ 14,646
TOTAL ASSETS	$ 12,855	$ 14,646
LIABILITIES		
Accounts payable	$ 12,855	$ 14,646
TOTAL LIABILITIES	$ 12,855	$ 14,646

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

SCOTT COUNTY REST HOME, INC.
Notes to Financial Statements
December 31, 2019 and 2018

1. Summary of significant accounting policies

Scott County Rest Home, Inc. 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 Scott County Rest Home, Inc.

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 more significant of the Home's 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

Scott County Rest Home, Inc. is a component unit of Scott County, Kansas, and is governed by an appointed five-member board. These financial statements present Scott County Rest Home, Inc. (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, Scott County Rest Home, Inc. 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 transactions or events for recognition in the financial statements.

The proprietary funds are reported using 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 government'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.

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. Other investments of the Home are stated at fair value, which equals cost. The aggregate value of investments at December 31, 2019 and 2018, is zero and $1,047, respectively.

Allowance for doubtful accounts
For the years ended December 31, 2019 and 2018, 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 2019 or 2018.

Capital assets are recorded at historical cost. Capital assets contributed to the Home are reported at their estimated acquisition value at the time of their donation. All capital assets other than land and construction in progress are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using 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 financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position 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 statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position 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 one item that qualifies for reporting in this category. The Home reports unearned revenues from one source: security deposits. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1. Summary of significant accounting policies (continued)

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

Long-term obligations
In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Net position flow assumption
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 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.

Net position
Net position of the Home is classified in three components. *Net position invested in capital assets net of related debt* consists of property and equipment net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Home. *Unrestricted net position* is remaining net position that does not meet the definition of *invested in capital assets net of related debt* or *restricted in expendable net position.*

F. Revenues and expenses

Net patient service revenue
Net patient 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 bad debts. 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:

	2019	2018
Medicare and Medicaid	50%	76%
Other third-party payors (none over 10%)	3%	2%
Residents	47%	22%
	100%	100%

1. Summary of significant accounting policies (continued)

F. 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, 2019 and 2018, to be $46,172 and $59,753, 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.

G. 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. 83, *Certain Asset Retirement Obligations*, issued November 2016, will be effective for the Home beginning with its year ending December 31, 2020. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

- GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the Home beginning with its year ending December 31, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

1. Summary of significant accounting policies (continued)

G. New Pronouncements (continued)

- GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the Home beginning with its year ending December 31, 2020. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

- GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, issued April 2018, will be effective for the Home beginning with its year ending December 31, 2020. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* issued June 2018, will be effective for the Home beginning with its year ending December 31, 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

- GASB Statement No. 90, *Majority Equity Interests*, issued August 2018, will be effective for the Home beginning with its year ending December 31, 2021. The primary objectives of this Statement are to improve the consistency and comparability of reporting government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

- GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019, will be effective for the Home beginning with its year ending December 31, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures.

- GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the Home beginning with its year ending December 31, 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

- GASB Statement No. 93, *Replacement of interbank offered rates*, issued March 2020, will be effective for the Home beginning with its year ending December 31, 2022. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate.

- 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).

1. Summary of significant accounting policies (continued)

G. New Pronouncements (continued)

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, is effective for the Home beginning with its year ending December 31, 2019. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

- 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).

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

2. Stewardship, compliance and accountability

A. 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, 2019 and 2018.

3. Detailed notes

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

	2019	2018
Capital acquisitions	$ 26,757	$ 25,913
Employee / resident activities	1,304	1,001
Chapel	2,205	1,550
Total expendable, restricted net position	$ 30,266	$ 28,464

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3. Detailed notes

B. Deposits and investments

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

	2019	2018
Cash	$ 260,563	$ 117,410
Operating savings	97,962	41,562
Other investments	-	1,047
Total cash and cash equivalents	358,525	160,019
Donor restricted cash	59,753	55,300
Total	$ 418,278	$ 215,319

	2019	2018
Cash	$ 50	$ 50
Carrying amount of deposits	431,083	228,868
Other investments	-	1,047
Less agency funds	(12,855)	(14,646)
Total cash and investments	$ 418,278	$ 215,319

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, 2019, the Home's carrying amount of deposits was $431,083 and the bank balance was $441,762. One hundred percent of the bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $352,140 was covered by federal depository insurance and $89,622 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	$ 97,962	$ 254,178
Pledged securities at market value	-	154,569
Total coverage	$ 97,962	$ 408,747
Funds on deposit	$ 97,962	$ 343,800
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, 2018, the Home's carrying amount of deposits was $228,868 and the bank balance was $254,699. One hundred percent of the bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, 100% was covered by federal depository insurance.

Investments
As of December 31, 2019, the Home no investments.

As of December 31, 2018, the Home had the following investment:

	Fair	Investment Maturities in Years		
Investment Type	Value	Less than 1	10.5	Rating
Federal Home Loan Mortgage Corp secured by U.S. Treasury	$ 1,047	$ -	$ 1,047	N/A
Total fair value	$ 1,047	$ -	$ 1,047	

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. The rating of the Home's investment is noted above.

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 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.

3. Detailed notes (continued)

C. Accounts receivable

Accounts receivable reported as current assets by the Home at December 31, 2019 and 2018, consists of the following amounts:

	2019	2018
Receivable from residents	$ 203,677	$ 286,519
Receivable from Medicare	72,935	477,780
Receivable from Medicaid	140,428	499,815
Receivable from Zella Carpenter Trust	14,373	7,248
Total receivable	431,413	1,271,362
Less allowance for doubtful accounts	(23,768)	(149,128)
Accounts receivable, net	$ 407,645	$ 1,122,234

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 negative 3% and 52%, respectively, of the Home's resident service revenue (net of contractual allowances) for the year ended December 31, 2019. Revenue from the Medicare and Medicaid programs accounted for approximately 8% and 47%, respectively, of the Home's resident service revenue (net of contractual allowances) for the year ended December 31, 2018. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation.

3. Detailed notes (continued)

E. Capital assets

Capital asset additions, retirements and balances for the year ended December 31, 2019, are as follows:

	Balance 12/31/18	Additions	Retirements	Balance 12/31/19
Capital assets not being depreciated:				
Land	$ 24,000	$ -	$ -	$ 24,000
Total capital assets not being depreciated	24,000	-	-	24,000
Capital assets being depreciated:				
Buildings and improvements	3,712,076	5,339	2,523	3,714,892
Equipment	1,193,393	2,495	-	1,195,888
Total capital assets being depreciated	4,905,469	7,834	2,523	4,910,780
Less accumulated depreciation for:				
Buildings and improvements	(1,975,291)	(117,809)	(2,523)	(2,090,577)
Equipment	(963,264)	(62,684)	-	(1,025,948)
Total accumulated depreciation	(2,938,555)	(180,493)	(2,523)	(3,116,525)
Total capital assets being depreciated, net of accumulated depreciation	1,966,914	(172,659)	-	1,794,255
Net capital assets	$ 1,990,914	$ (172,659)	$ -	$ 1,818,255

Capital asset additions, retirements and balances for the year ended December 31, 2018, are as follows:

	Balance 12/31/17	Additions	Retirements	Balance 12/31/18
Capital assets not being depreciated:				
Land	$ 24,000	$ -	$ -	$ 24,000
Total capital assets not being depreciated	24,000	-	-	24,000
Capital assets being depreciated:				
Buildings and improvements	3,659,397	139,417	86,738	3,712,076
Equipment	1,194,863	24,321	25,791	1,193,393
Total capital assets being depreciated	4,854,260	163,738	112,529	4,905,469
Less accumulated depreciation for:				
Buildings and improvements	(1,950,671)	(111,358)	(86,738)	(1,975,291)
Equipment	(903,694)	(83,898)	(24,328)	(963,264)
Total accumulated depreciation	(2,854,365)	(195,256)	(111,066)	(2,938,555)
Total capital assets being depreciated, net of accumulated depreciation	1,999,895	(31,518)	1,463	1,966,914
Net capital assets	$ 2,023,895	$ (31,518)	$ 1,463	$ 1,990,914

3. Detailed notes (continued)

F. Leases

Capital leases payable

The Home has entered into various lease agreements to finance the acquisition of equipment. These leases qualify as capital 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 assets acquired through these capital lease agreements by the Home at December 31, 2019:

Nursing home office equipment	$	18,004
Less accumulated depreciation		(7,202)
Total	$	10,802

Capital leases payable consist of the following:

	2019	2018
Capital lease obligation, at 0.0% imputed interest collateralized by leased equipment with cost of $18,004 at January 3, 2018.	10,802	14,403
Total capital leases payable	10,802	14,403
Less current portion	3,601	3,601
Long-term portion	$ 7,201	$ 10,802

Future minimum lease obligations and the net present value of the minimum lease payments at December 31, 2019, are as follows:

2020	$	3,601
2021		3,601
2022		3,600
Total minimum lease payments		10,802
Less amount representing interest		-
Present value of future minimum lease obligations	$	10,802

3. Detailed notes (continued)

G. Long-term debt

Changes in long-term liabilities
Long-term liability activity for the Home for the years ended December 31, 2019 and 2018, are as follows:

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19	Amounts Due Within One Year
Capital leases payable	$ 14,403	$ -	$ 3,601	$ 10,802	$ 3,601
Total long-term debt	14,403	-	3,601	10,802	$ 3,601
Less current maturities	3,601	3,601	3,601	3,601	
Net long-term debt	$ 10,802	$ (3,601)	$ -	$ 7,201	

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Amounts Due Within One Year
Revenue bonds	$ 65,159	$ -	$ 65,159	$ -	$ -
Capital leases payable	2,047	18,004	5,648	14,403	3,601
Total long-term debt	67,206	18,004	70,807	14,403	$ 3,601
Less current maturities	67,206	3,601	67,206	3,601	
Net long-term debt	$ -	$ 14,403	$ 3,601	$ 10,802	

Interest expense
The amount of interest cost incurred and charged to expense during the years ended December 31, 2019 and 2018, was $0 and $304, respectively.

4. Other information

A. 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.

B. 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 was one participant in the program at December 31, 2019 and 2018.

4. Other information (continued)

C. 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, and 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 participant's 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 2019 and 2018 total $61,418 and $78,097, respectively.

D. Subsequent event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Home is located. It is unknown how long these conditions will last and what the complete financial effect will be to the Home.

Subsequent to December 31, 2019, the Home approved to purchase a new nurse call system with INAalert estimated to cost the facility $70,000.