

**NORTHWEST KANSAS PLANNING  
AND DEVELOPMENT COMMISSION**  
Hill City, Kansas  
Independent Audit Report  
January 1, 2011 to December 31, 2011

**MAPES & MILLER**  
Certified Public Accountants  
Norton, Kansas

**NORTHWEST KANSAS PLANNING AND  
DEVELOPMENT COMMISSION**  
Hill City, Kansas  
Financial Statement  
January 1, 2011 to December 31, 2011

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## INDEPENDENT AUDITOR'S REPORT

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We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of Northwest Kansas Planning and Development Commission, Hill City, Kansas as of and for the year ended December 31, 2011, as listed in the table of contents. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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As described more fully in Note 1, the Commission has prepared this financial statement in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Northwest Kansas Planning and Development Commission as of December 31, 2011, or the respective changes in financial position and changes in cash flows, were applicable, for the year then ended.

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In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash and unencumbered cash balances of Northwest Kansas Planning and Development Commission, as of December 31, 2011, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The individual fund schedules of cash receipts and expenditures-actual and budget and schedule of cash receipts and expenditures-agency funds (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

# Mapes & Miller, LLP

Certified Public Accountants

Hill City, Kansas  
May 30, 2012

NORTHWEST KANSAS PLANNING AND DEVELOPMENT COMMISSION

STATEMENT 1

Hill City, Kansas

Summary of Cash Receipts, Expenditures and Unencumbered Cash  
For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General	\$ 36,648	0	673,574	536,561	173,661	1,828	175,489
Special Revenue Funds:							
Economic Development Grant	0	0	124,000	124,000	0	0	0
Private Purpose Trust Fund Types:							
Revolving Loan	<u>16,299</u>	<u>0</u>	<u>79,856</u>	<u>68,950</u>	<u>27,205</u>	<u>0</u>	<u>27,205</u>
 Total Reporting Entity (Excluding Agency Funds)	 \$ <u>52,947</u>	 <u>0</u>	 <u>877,430</u>	 <u>729,511</u>	 <u>200,866</u>	 <u>1,828</u>	 <u>202,694</u>

Composition of Cash

Cash on Hand	\$ 30
First State Bank, Hill City, Kansas	
Checking Accounts	1,896
NOW Accounts	27,852
Money Market Accounts	<u>175,636</u>
 Total Cash	 205,414
 Agency Funds per Schedule 2	 <u>(2,720)</u>
 Total Reporting Entity (Excluding Agency Funds)	 \$ <u><u>202,694</u></u>

The notes to the financial statement are an integral part of this statement.

# NORTHWEST KANSAS PLANNING AND DEVELOPMENT COMMISSION

Hill City, Kansas

Notes to the Financial Statements

December 31, 2011

## 1. Summary of Significant Accounting Policies

### Reporting Entity

The Northwest Kansas Planning and Development Commission was created under provisions of K.S.A. 12-744 and was organized in an eighteen county area of Northwest Kansas. The purposes of the Commission are: (1) to encourage and permit local units of government to join and cooperate with one another to improve the health, safety and general welfare of their citizens; (2) to plan for the future development of the region to the end that transportation Commissions may be more carefully planned; that the communities, areas and regions grow with adequate streets, utilities and health, educational, recreational and other essential facilities; that needs of agriculture, business and industry be recognized; that historical and cultural value be preserved; and that the growth of the communities, areas and regions is commensurate with and promotive of the efficient and economical use of public funds; and (3) to eliminate duplication and promote economy and efficiency in the coordinated development of the area.

The Commission was officially recognized as the Regional Planning Commission for the area in November 1972. Membership consists of county and/or city governmental units that may join upon passage of a resolution or ordinance. The General Board is composed of one representative of each county commission or municipality that has agreed to pay the support levy. In addition, serving on the General Board are a number of directors of Pioneer Country Development, Inc. who were appointed by said corporation, not to exceed one-third of the total Commission Board membership. One member of the office of the Kansas Department of Human Resources is also included in the Commission's General Board.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a government entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing board and it imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Commission has no component units. Accordingly these financial statements present all of the activities of the Commission in accordance with generally accepted accounting principles.

### Fund Accounting

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Commission for the year 2011.

Governmental Funds:

General Fund--To account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Fiduciary Funds:

Private Purpose Trust and Agency Funds--To account for assets held by the Commission in a trustee capacity or as an agent for individuals, private organizations, and/or other funds.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the commission to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balances are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, building, and equipment owned by the Commission are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

2. **Budgetary Information**

The Commission has prepared an operating budget, which is shown on Schedule 1. The Commission is not required to have a statutory budget under K.S.A. 79-2925, as they are not a taxing municipality.

3. **Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase.

4. **Deposits and Investments**

As of December 31, 2011, the Commission had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission 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 the funds. In addition, K.S.A 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission'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 Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Commission 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 - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission'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 Commission has not designated any "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011, the Commission's carrying amount of deposits was \$205,414 and the bank balance was \$215,708. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$215,708 was covered by federal depository insurance.

5. **Long-term Debt**

Changes in long-term liabilities for Northwest Kansas Planning and Development Commission for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Rate of Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Compensated Absences:										
Vacation Pay	N/A	N/A	N/A	N/A	\$ 14,740	0	0	631	15,371	N/A

6. **Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries property and casualty, general liability, and worker's compensation insurance coverage from commercial insurance carriers. Settled claims resulting from these risks of loss have not exceeded commercial insurance coverage in any of the past three fiscal years.

**7. Compensated Absences****Vacation Pay**

Full time permanent employees are allowed to earn one to one and one-half days of vacation for each month worked depending on length of service. An employee is not allowed to accumulate more than twelve days or an amount equal to his/her annual accrual rate, whichever is larger. The cost of accumulated vacation pay as of December 31, 2011 was \$15,371.

**Sick Pay**

Sick leave is granted to the employees at the rate of one day per calendar month, starting with the first month of service and may be accumulated up to sixty days. Temporary or part-time employees scheduled to work eighty hours per month or less do not receive sick leave. The cost of accumulated sick leave is not payable upon termination and therefore is not recorded or estimated as of December 31, 2011.

**8. Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the Commission allows retirees to participate in the group health insurance plan. Each retiree would pay the full amount of the applicable premium, conceptually; the Commission would be subsidizing the retirees because each participant would be charged a level premium regardless of age. At December 31, 2011, the Commission had no retirees participating in the group health insurance plan.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Commission 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. There is no cost to the Commission under this program.

**9. Pioneer Country Development Inc. Reimbursements**

Northwest Kansas Planning and Development Commission, Hill City, Kansas, shares personnel, office space, and other general and administrative expenditures with Pioneer Country Development, Inc., a private non-profit corporation operating as a Certified Development Company. All shared expenditures between the Commission and Pioneer Country Development, Inc. are paid by the Commission with Pioneer Country Development, Inc. reimbursing the Commission for their portion of expenditures based on an amount agreed upon by both the Commission and the Pioneer Country Development Inc. Board.

**10. Revolving Loan Fund**

The U.S. Department of Commerce awarded, in 1992, a \$500,000 Revolving Loan Fund grant to Northwest Kansas Planning and Development Commission. In addition, matching funds of \$168,261 were obtained during 1992 from various counties either through the local municipalities or through local economic development groups. The purpose of the grant is to enhance job creation and job preservation in the region through a public loan program. The balance of loans receivable under this program as of December 31, 2011 was \$385,761.

11. Related Party Transactions

The Executive Director of Northwest Kansas Planning and Development Commission held a position on the board of directors with Northwest Kansas Housing, Inc. during the year ended December 31, 2011.

The commission advances Northwest Kansas Housing, Inc. funds for operating capital. Payments totaling \$12,500 were made during 2011.

12. Operating LeasesCopier

On January 12, 2009, the Commission entered into an agreement with IKON Financial Services for the lease of a copier. The agreement calls for sixty monthly payments of \$209 through December 31, 2013. Payments totaling \$2,508 were made during the year ended December 31, 2011. The amounts due under this agreement in future periods are as follows:

<u>Year</u>	<u>Payment</u>
2012	2,508
2013	<u>2,508</u>
Total	<u>\$ 5,016</u>

Integrated Mailing System

On October 7, 2009, the Commission entered into an agreement with Pitney Bowes for the lease of an integrated mailing system. The agreement calls for twenty quarterly payments of \$221 through December 31, 2014. Payments totaling \$884 were made during the year ended December 31, 2011. The amounts due under this agreement in future periods are as follows:

<u>Year</u>	<u>Payment</u>
2012	884
2013	884
2014	<u>442</u>
Total	<u>\$ 2,210</u>

**NORTHWEST KANSAS PLANNING  
AND DEVELOPMENT COMMISSION**

SCHEDULE 1

Page 1

Hill City, Kansas

**General Fund**

Schedule of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>*Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Assessments and Fees			
Local Governmental Assessments	\$ 120,616	120,422	194
Grant Administration Assistance Fees	301,445	200,000	101,445
Revolving Loan Fees	0	13,000	(13,000)
Consulting Fees	50,000	0	50,000
TBRA Administration Fees	2,490	2,500	(10)
Interest on Idle Funds	512	1,000	(488)
Miscellaneous	1,426	2,000	(574)
Pioneer Country Development Reimbursed Expenses (Note 9)	184,153	160,000	24,153
Northwest Kansas Housing, Inc. Reimbursed Expenses	10,278	50,000	(39,722)
Other Reimbursed Expenses	<u>2,654</u>	<u>1,000</u>	<u>1,654</u>
Total Cash Receipts	<u>673,574</u>	<u>549,922</u>	<u>123,652</u>
Expenditures:			
Administration and General			
Salaries and Benefits	364,621	506,625	(142,004)
Advertising	0	2,000	(2,000)
Annual Banquet	2,211	3,000	(789)
Audit	8,225	8,045	180
Building Repairs	4,039	3,500	539
Car Repair	6,510	3,500	3,010
Consultants	50	250	(200)
Contract Labor	2,005	2,300	(295)
Copier Lease	8,947	6,500	2,447
Gas	8,278	6,500	1,778
Grant	12,500	0	12,500
Insurance	9,672	10,000	(328)
Legal	0	100	(100)
Memberships	2,975	3,000	(25)
Miscellaneous	3,589	2,500	1,089
Office Equipment Repair	1,307	2,500	(1,193)
Postage	14,610	6,500	8,110
Printing	1,037	750	287
Property Taxes	916	900	16
Publications	168	400	(232)
Rent	450	2,500	(2,050)

See Independent Auditor's Report

**NORTHWEST KANSAS PLANNING  
AND DEVELOPMENT COMMISSION**

SCHEDULE 1

Page 2

Hill City, Kansas

**General Fund**

Schedule of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2011

	Actual	*Budget	Variance Over (Under)
Expenditures: (continued)			
Supplies	\$ 2,991	7,500	(4,509)
Telephone	5,176	7,500	(2,324)
Training and Conferences	285	2,500	(2,215)
Travel	7,720	10,000	(2,280)
Utilities	5,656	6,500	(844)
Total Administration and General	473,938	605,370	(131,432)
Capital Outlay	623	0	623
Transfer to Economic Development Grant	62,000	0	62,000
Total Expenditures	536,561	<b>605,370</b>	<b>(68,809)</b>
Receipts Over (Under) Expenditures	137,013		
Unencumbered Cash, Beginning	36,648		
Unencumbered Cash, Ending	<b>\$ 173,661</b>		

\* Exempt from Budget Law (Note 2)

**NORTHWEST KANSAS PLANNING  
AND DEVELOPMENT COMMISSION**

SCHEDULE 1

Page 3

Hill City, Kansas

**Any Nonbudgeted Fund**

Schedule of Cash Receipts and Expenditures

For the Year Ended December 31, 2011

	<u>Economic Development Grant</u>	<u>Revolving Loan</u>
Receipts:		
Federal Grant	\$ 62,000	0
Note Principal	0	57,521
Note Interest	0	21,067
Loan Fees	0	1,239
Interest on Idle Funds	0	29
Transfer from General	<u>62,000</u>	<u>0</u>
Total Receipts	<u><b>124,000</b></u>	<u><b>79,856</b></u>
Expenditures:		
Salaries	124,000	0
Loan Advances	0	68,943
Fees	<u>0</u>	<u>7</u>
Total Expenditures	<u>124,000</u>	<u>68,950</u>
Receipts Over (Under) Expenditures	0	10,906
Unencumbered Cash, Beginning	<u>0</u>	<u>16,299</u>
Unencumbered Cash, Ending	<u><b>\$ 0</b></u>	<u><b>27,205</b></u>

See Independent Auditor's Report

NORTHWEST KANSAS PLANNING  
AND DEVELOPMENT COMMISSION

SCHEDULE 2

Hill City, Kansas

**Agency Funds**

Summary of Cash Receipts and Cash Disbursements  
For the Year Ended December 31, 2011

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Cafeteria Plan	\$ 802	5,873	6,675	0
Medical Reimbursement	<u>0</u>	<u>9,856</u>	<u>7,136</u>	<u>2,720</u>
Total Agency Funds	\$ <u>802</u>	<u>15,729</u>	<u>13,811</u>	<u>2,720</u>

See Independent Auditor's Report