NORTHWEST KANSAS PLANNING AND DEVELOPMENT COMMISSION

Hill City, Kansas

Independent Audit Report

January 1, 2010 to December 31, 2010

MAPES & MILLER

Certified Public Accountants

Norton, Kansas

NORTHWEST KANSAS PLANNING AND DEVELOPMENT COMMISSION
Hill City, Kansas
Financial Statements
January 1, 2010 to December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

General Board
Northwest Kansas Planning and Development Commission
319 N. Pomeroy
Hill City, Kansas 67642

We have audited the accompanying financial statements of Northwest Kansas Planning and Development Commission, Hill City, Kansas as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

As described more fully in Note 1, the Commission has prepared these financial statements 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 regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do 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, 2010, or the changes in its financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Northwest Kansas Planning and Development Commission, as of December 31, 2010, and its cash receipts, expenditures and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the General Board and management of Northwest Kansas Planning and Development Commission, and for filing with the Kansas Department of Administration, Division of Accounts and Reports and other Federal and State agencies to whose jurisdiction the Commission is subject and should not be used for any other purpose. This restriction is not intended to limit distribution of this report, which, upon acceptance by the General Board, is a matter of public record.

Mapes & Miller
Certified Public Accountants

Hill City, Kansas
July 27, 2011

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, 2010

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	$ 19,289	0	541,755	524,396	36,648	46,460	83,108
Special Revenue Funds:							
Economic Development Grant	0	0	124,000	124,000	0	0	0
Private Purpose Trust Fund Types:							
Revolving Loan	87,387	0	71,724	142,812	16,299	0	16,299
Total Reporting Entity (Excluding Agency Funds)	$ **106,676**	**0**	**737,479**	**791,208**	**52,947**	**46,460**	**99,407**

Composition of Cash	
Cash on Hand	$ 30
First State Bank, Hill City, Kansas	
Checking Accounts	1,272
NOW Accounts	17,992
Money Market Accounts	80,915
Total Cash	100,209
Agency Funds per Statement 3	(802)
Total Reporting Entity (Excluding Agency Funds)	$ **99,407**

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

NORTHWEST KANSAS PLANNING AND DEVELOPMENT COMMISSION

Hill City, Kansas

General Fund

Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

		Actual	*Budget	Variance Over (Under)
Cash Receipts:				
Assessments and Fees				
Local Governmental Assessments	$	153,424	114,452	38,972
Grant Administration Assistance Fees		128,867	183,797	(54,930)
Revolving Loan Fees		8,566	13,000	(4,434)
Interest on Idle Funds		522	1,000	(478)
Miscellaneous		2,928	2,000	928
Pioneer Country Development Reimbursed Expenses (Note 10)		160,000	164,000	(4,000)
Northwest Kansas Housing, Inc. Reimbursed Expenses		83,334	25,000	58,334
Other Reimbursed Expenses		4,114	1,000	3,114
Total Cash Receipts		541,755	**504,249**	**37,506**
Expenditures:				
Administration and General				
Salaries and Benefits		353,434	411,595	(58,161)
Annual Banquet		2,219	3,000	(781)
Audit		8,045	7,900	145
Building Repairs		781	1,500	(719)
Car Repair		3,505	3,500	5
Consultants		350	250	100
Contract Labor		2,145	2,300	(155)
Copier Lease		6,455	5,000	1,455
Gas		6,782	6,500	282
Insurance		9,190	10,000	(810)
Legal		60	2,000	(1,940)
Memberships		2,855	3,500	(645)
Miscellaneous		1,353	2,500	(1,147)
Office Equipment Repair		2,758	1,500	1,258
Postage		8,060	7,800	260
Printing		634	750	(116)
Property Taxes		961	900	61
Publications		146	400	(254)
Rent		3,700	0	3,700

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

NORTHWEST KANSAS PLANNING AND DEVELOPMENT COMMISSION
Hill City, Kansas
General Fund
Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

		Actual	*Budget	Variance Over (Under)
Expenditures: (continued)				
Supplies	$	7,628	5,000	2,628
Telephone		5,832	5,500	332
Training and Conferences		1,590	2,500	(910)
Travel		11,010	5,500	5,510
Utilities		7,107	6,000	1,107
Total Administration and General		446,600	495,395	(48,795)
Advances to Northwest Kansas Housing, Inc. (Note 12)		7,783	0	7,783
Capital Outlay		8,013	8,000	13
Transfer to Economic Development Grant		62,000	62,000	0
Total Expenditures		524,396	**565,395**	**(40,999)**
Receipts Over (Under) Expenditures		17,359		
Unencumbered Cash, Beginning		19,289		
Unencumbered Cash, Ending	$	**36,648**		

* Exempt from Budget Law (Note 2)

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

NORTHWEST KANSAS PLANNING AND DEVELOPMENT COMMISSION
Hill City, Kansas
Any Nonbudgeted Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010

		Economic Development Grant	Revolving Loan
Receipts:			
Federal Grant	$	62,000	0
Note Principal		0	43,628
Note Interest		0	25,230
Loan Fees		0	2,705
Interest on Idle Funds		0	161
Transfer from General		62,000	0
Total Receipts		**124,000**	**71,724**
Expenditures:			
Salaries		124,000	0
Loan Advances		0	134,246
Administration Fees to General Fund		0	8,566
Total Expenditures		124,000	142,812
Receipts Over (Under) Expenditures		0	(71,088)
Unencumbered Cash, Beginning		0	87,387
Unencumbered Cash, Ending	$	**0**	**16,299**

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

STATEMENT 3

NORTHWEST KANSAS PLANNING
AND DEVELOPMENT COMMISSION
Hill City, Kansas
Agency Funds
Summary of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2010

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Cafeteria Plan	$ **499**	**4,053**	**3,750**	**802**

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

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 2010.

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 Statement 2. 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, 2010, 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, 2010.

At December 31, 2010, the Commission's carrying amount of deposits was $100,180 and the bank balance was $103,698. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $103,698 was covered by federal depository insurance. In addition to the FDIC coverage $110,379 in pledged securities were held by the pledging financial institution's agent in the Commission's name.

5. Long-term Debt

Changes in long-term liabilities for Northwest Kansas Planning and Development Commission for the year ended December 31, 2010, 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 Absenses:										
Vacation Pay	N/A	N/A	N/A	N/A	$ 17,010	0	(2,270)	(2,270)	14,740	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, 2010 was $14,740.

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, 2010.

8. **State of Kansas Deferred Compensation Plan**

Northwest Kansas Planning and Development Commission elected to participate as a joint contract owner in a Group Variable Annuity Contract issued by Aetna Life Insurance and Annuity Company to the State of Kansas pursuant to Section 457 of the Internal Revenue Code. For the year ended December 31, 2010, Northwest Kansas Planning and Development Commission contributed three and one half percent of the employees' salary to the plan. Employer contributions totaling $6,290 were made during the year. Employees were allowed to contribute to the plan up to the maximum allowed by law.

9. **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, 2010, 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.

10. **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.

11. **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, 2010 was $374,339.

12. 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, 2010.

The commission advances Northwest Kansas Housing, Inc. funds for operating capital. This amount is to be repaid by Northwest Kansas Housing, Inc. as funds become available. A summary of the advance activity is as follows:

Due to General Fund December 31, 2009	$ 56,831
Advances to Northwest Kansas Housing, Inc.	7,783
Expense reimbursements due from Northwest Kansas Housing	18,720
Repayments from Northwest Kansas Housing, Inc.	(83,334)
Due to General Fund December 31, 2010	**$ 0**

13. Operating Leases

Copier

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, 2010. The amounts due under this agreement in future periods are as follows:

Year	Payment
2011	2,508
2012	2,508
2013	2,508
Total	**$ 7,524**

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, 2010. The amounts due under this agreement in future periods are as follows:

Year	Payment
2011	884
2012	884
2013	884
2014	442
Total	**$ 3,094**