

**NORTHWEST KANSAS PLANNING  
AND DEVELOPMENT COMMISSION**

Hill City, Kansas

Financial Statement with Independent Auditor's Report  
January 1, 2012 to December 31, 2012

**MAPES & MILLER LLP**

Certified Public Accountants

Norton, Kansas

**NORTHWEST KANSAS PLANNING AND  
DEVELOPMENT COMMISSION**

Hill City, Kansas

Financial Statement with Independent Auditor's Report  
January 1, 2012 to December 31, 2012

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	1
<u>Financial Section</u>	
STATEMENT 1	
Summary Statement of Receipts, Expenditures and Unencumbered Cash	3
Notes to the Financial Statement	4
<u>Regulatory-Required Supplementary Information</u>	
SCHEDULE 1	
Schedule of Receipts and Expenditures - Actual and Budget	
General	9
Schedule of Receipts and Expenditures - Actual	
Economic Development Grant	11
Revolving Loan	11
SCHEDULE 2	
Summary of Receipts and Expenditures - Fiduciary Funds	12

# MAPES & MILLER LLP

CERTIFIED PUBLIC ACCOUNTANTS

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

Members of American Institute of Certified Public Accountants  
and the Kansas Society of Certified Public Accountants

JOHN D. MAPES, CPA, CHTD  
DENIS W. MILLER, CPA, PA  
THOMAS B. CARPENTER, CPA, PA

DON E. TILTON, CPA, PA  
BRIAN S. THOMPSON, CPA, PA  
REBECCA A. LIX, CPA, PA

## INDEPENDENT AUDITOR'S REPORT

418 E. Holme  
Norton, KS 67654-1412  
(785) 877-5833  
FAX - (785) 877-5442  
email - mmcpas@ruraltel.net

711 3<sup>rd</sup> Street  
P.O. Box 266  
Phillipsburg, KS 67661-0266  
(785) 543-6561  
FAX - (785) 543-6563  
email - mmpburg@ruraltel.net

503 Main St.  
P.O. Box 508  
Stockton, KS 67669-0508  
(785) 425-6764  
FAX - (785) 425-6765  
email - mmstkn@ruraltel.net

230 Main St.  
P.O. Box 412  
Quinter, KS 67752-0412  
(785) 754-2111  
FAX - (785) 754-2112  
email - mapes@ruraltel.net

117 N. Main St.  
P.O. Box 73  
WaKeeney, KS 67672-0073  
(785) 743-5512  
FAX - (785) 743-5513  
email - mapeswak@ruraltel.net

306 N. Pomeroy  
Hill City, KS 67642-1720  
(785) 421-2163  
FAX - (785) 421-2164  
email - mapeshc@ruraltel.net

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

We have audited the accompanying summary statement of regulatory basis 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, 2012, and the related notes to the financial statement.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by Northwest Kansas Planning and Development Commission to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" 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, 2012, or changes in financial position and cash flows thereof for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Northwest Kansas Planning and Development Commission, as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedules of regulatory basis cash receipts and expenditures-actual and budget and regulatory basis summary of cash receipts and cash disbursements-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 basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. 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 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic 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 basic financial statement as a whole, on the basis of accounting described in Note 1.

# Mapes & Miller, LLP

Certified Public Accountants

Hill City, Kansas  
July 31, 2013

NORTHWEST KANSAS PLANNING AND DEVELOPMENT COMMISSION

STATEMENT 1

Hill City, Kansas  
 Summary Statement of Receipts, Expenditures and Unencumbered Cash  
 Regulatory Basis  
For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 173,661	0	486,427	605,100	54,988	0	54,988
Special Purpose Funds:							
Economic Development Grant	0	0	124,000	124,000	0	0	0
Trust Funds:							
Revolving Loan	<u>27,205</u>	<u>0</u>	<u>92,035</u>	<u>46,626</u>	<u>72,614</u>	<u>0</u>	<u>72,614</u>
 Total Financial Reporting Entity (Excluding Fiduciary Funds)	 <u>\$ 200,866</u>	 <u>0</u>	 <u>702,462</u>	 <u>775,726</u>	 <u>127,602</u>	 <u>0</u>	 <u>127,602</u>

Composition of Cash

Cash on Hand	\$ 30
First State Bank, Hill City, Kansas	
Checking Accounts	470
NOW Accounts	83,439
Money Market Accounts	<u>46,851</u>
 Total Cash	 130,790
 Fiduciary Funds per Schedule 2	 <u>(3,188)</u>
 Total Financial Reporting Entity (Excluding Fiduciary Funds)	 <u>\$ 127,602</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 Statement

December 31, 2012

## 1. Summary of Significant Accounting Policies

### Financial 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.

This regulatory financial statement presents Northwest Kansas Planning and Development Commission (the municipality).

### Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the Commission for the year 2012.

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

Trust fund – funds used to report assets held in trust for benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.)

Agency fund—funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.)

### Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund

resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regularly basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality 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 municipality to use the regulatory basis of accounting.

#### 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.

### 2. Deposits and 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, 2012.

At December 31, 2012, the Commission's carrying amount of deposits was \$130,760 and the bank balance was \$150,144. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$150,144 was covered by federal depository insurance.

### 3. 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.

**4. Other Long-Term Obligations from Operations**

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, 2012, 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.

Compensated Absences. The Commission's compensated absence policy permits 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, 2012 was \$16,093.

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, 2012.

**5. 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.

**6. 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, 2012 was \$360,202.

**7. 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, 2012.

The commission advances Northwest Kansas Housing, Inc. funds for operating capital. Payments totaling \$75,500 were made during 2012.

**8. 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, 2012. The amounts due under this agreement in future periods are as follows:

<u>Year</u>	<u>Payment</u>
2013	<u>2,508</u>
Total	<u>\$ 2,508</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, 2012. The amounts due under this agreement in future periods are as follows:

<u>Year</u>	<u>Payment</u>
2013	884
2014	<u>442</u>
Total	<u>\$ 1,326</u>

REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION

**NORTHWEST KANSAS PLANNING  
AND DEVELOPMENT COMMISSION**

SCHEDULE 1

Page 1

Hill City, Kansas

**General Fund**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

	Actual	*Budget	Variance Over (Under)
Cash Receipts:			
Assessments and Fees			
Local Governmental Assessments	\$ 131,731	131,383	348
Grant Administration Assistance Fees	153,559	151,000	2,559
Revolving Loan Fees	5,559	15,000	(9,441)
Consulting Fees	1,697	0	1,697
TBRA Administration Fees	2,798	2,500	298
Interest on Idle Funds	320	500	(180)
Miscellaneous	733	2,500	(1,767)
Pioneer Country Development Reimbursed Expenses (Note 9)	190,030	190,000	30
Northwest Kansas Housing, Inc. Reimbursed Expenses	0	40,000	(40,000)
Other Reimbursed Expenses	0	1,000	(1,000)
Total Cash Receipts	486,427	533,883	(47,456)
Expenditures:			
Administration and General			
Salaries and Benefits	370,949	499,500	(128,551)
Annual Banquet	455	2,500	(2,045)
Audit	9,792	8,225	1,567
Building Repairs	95	2,000	(1,905)
Car Repair	5,565	5,000	565
Contract Labor	1,870	2,200	(330)
Copier Lease	7,213	7,000	213
Gas	8,203	8,500	(297)
Grant	75,500	0	75,500
Insurance	9,960	9,800	160
Legal	1,034	200	834
Memberships	5,275	3,000	2,275
Miscellaneous	3,312	2,200	1,112
Office Equipment Repair	1,071	2,500	(1,429)
Postage	7,769	5,000	2,769
Printing	0	1,000	(1,000)
Property Taxes	1,004	900	104
Publications	759	200	559
Rent	0	833	(833)

**NORTHWEST KANSAS PLANNING  
AND DEVELOPMENT COMMISSION**

SCHEDULE 1

Page 2

Hill City, Kansas

**General Fund**

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	Actual	*Budget	Variance Over (Under)
Expenditures: (continued)			
Supplies	\$ 3,436	6,134	(2,698)
Telephone	4,476	5,833	(1,357)
Training and Conferences	2,498	3,000	(502)
Travel	15,857	10,000	5,857
Utilities	5,382	6,000	(618)
Total Administration and General	541,475	591,525	(50,050)
Capital Outlay	1,625	2,500	(875)
Transfer to Economic Development Grant	62,000	0	62,000
Total Expenditures	605,100	594,025	11,075
Receipts Over (Under) Expenditures	(118,673)		
Unencumbered Cash, Beginning	173,661		
Unencumbered Cash, Ending	\$ 54,988		

\* Exempt from Budget Law (Note 2)

**NORTHWEST KANSAS PLANNING  
AND DEVELOPMENT COMMISSION**

SCHEDULE 1  
Page 3

Hill City, Kansas

**Any Nonbudgeted Fund**

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2012

	<b>Economic Development Grant</b>	<b>Revolving Loan</b>
Receipts:		
Federal Grant	\$ 62,000	0
Note Principal	0	68,814
Note Interest	0	22,385
Loan Fees	0	820
Interest on Idle Funds	0	16
Transfer from General	<u>62,000</u>	<u>0</u>
Total Receipts	<u><b>124,000</b></u>	<u><b>92,035</b></u>
Expenditures:		
Salaries	124,000	0
Loan Advances	0	41,067
Fees	<u>0</u>	<u>5,559</u>
Total Expenditures	<u>124,000</u>	<u>46,626</u>
Receipts Over (Under) Expenditures	0	45,409
Unencumbered Cash, Beginning	<u>0</u>	<u>27,205</u>
Unencumbered Cash, Ending	<u><b>\$ 0</b></u>	<u><b>72,614</b></u>

**NORTHWEST KANSAS PLANNING  
AND DEVELOPMENT COMMISSION**

SCHEDULE 2

Hill City, Kansas

**Fiduciary Funds**

Summary of Receipts and Disbursements

For the Year Ended December 31, 2012

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Medical Reimbursement	<u>2,720</u>	<u>14,784</u>	<u>14,316</u>	<u>3,188</u>
Total Fiduciary Funds	\$ <u>2,720</u>	<u>14,784</u>	<u>14,316</u>	<u>3,188</u>