

Joint Economic Development Organization

Basic Financial Statements
Together with
Independent Auditor's Report

December 31, 2016

JOINT ECONOMIC DEVELOPMENT CORPORATION

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COCHRAN HEAD VICK & CO., P.A.

Certified Public Accountants

7255 West 98th Terrace
Suite 100
Overland Park, KS 66212
(913) 378-1100
(913) 378-1177 FAX

Other Offices in
Kansas and Missouri

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Joint Economic Development Organization
Topeka, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Joint Economic Development Organization (JEDO) as of and for the year ended December 31, 2016, and the related notes to the basic financial statements, which collectively comprise JEDO's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 opinions 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of JEDO, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2017 on our consideration of JEDO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JEDO's internal control over financial reporting and compliance.



Overland Park, Kansas
April 7, 2017

**Joint Economic Development Organization
Statement of Net Position
December 31, 2016**

	Governmental Activities
Assets:	
Cash and investments	\$ 15,973,337
Receivables:	
City of Topeka	2,445,226
Shawnee County	1,471,673
Total assets	\$ 19,890,236
Liabilities and net position:	
Liabilities:	
Accounts payable	\$ -
Total liabilities	-
Net position:	
Restricted	19,890,236
Total net position	19,890,236
Total liabilities and net position	\$ 19,890,236

See Accompanying Notes to the Basic Financial Statements

**Joint Economic Development Organization
Statement of Activities
For the Year Ended December 31, 2016**

Function/Programs	<u>Expenses</u>	<u>Program Revenues, Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities:			
Economic development	\$ 11,668,087	\$ -	\$ (11,668,087)
Total governmental activities	<u>\$ 11,668,087</u>	<u>\$ -</u>	<u>(11,668,087)</u>
	General revenues:		
	Sales tax contributed:		
	City of Topeka		9,082,251
	Shawnee County		7,754,036
	Interest income		<u>4,217</u>
	Total general revenues		<u>16,840,504</u>
Change in net position			5,172,417
Net Position - beginning of year			<u>14,717,819</u>
Net Position - end of year			<u>\$ 19,890,236</u>

See Accompanying Notes to the Basic Financial Statements

Joint Economic Development Organization
Balance Sheet-General Fund
December 31, 2016

Assets

Cash and investments	\$ 15,973,337
Receivables:	
City of Topeka	2,445,226
Shawnee County	1,471,673
Total assets	<u>\$ 19,890,236</u>

Liabilities and fund balance

Liabilities:

Accounts payable	\$ -
Total liabilities	<u>-</u>

Fund balance

Restricted	19,890,236
	<u>19,890,236</u>

Total liabilities and fund balance	<u>\$ 19,890,236</u>
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Joint Economic Development Organization
Statement of Revenues, Expenditures, and Changes in Fund Balance-
General Fund
For the Year Ended December 31, 2016

Revenues:

Sales tax contributed:		
City of Topeka	\$	9,082,251
Shawnee County		7,754,036
Interest income		4,217
Total revenues		<u>16,840,504</u>

Expenditures:

Current:		
Economic development:		
Go Topeka		5,000,000
County bridges		1,500,000
Topeka Boulevard Bridge		1,575,558
Project reimbursements:		
City of Topeka		3,587,718
Professional services and other		4,811
Total expenditures		<u>11,668,087</u>

Net change in fund balance		<u>5,172,417</u>
Fund balance - beginning of year		<u>14,717,819</u>
Fund balance - end of year	\$	<u><u>19,890,236</u></u>

Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2016

1. Reporting Entity and Summary of Significant Accounting Policies

A. Reporting Entity

The Joint Economic Development Organization (JEDO) is a separate legal entity created by an interlocal agreement, as amended and revised (the agreement) between the City of Topeka, Kansas (the City) and Shawnee County, Kansas (the County). JEDO board consists of thirteen (13) members. Voting members include the three (3) County Commissioners, the City Mayor, Deputy Mayor and two City Council members. Nonvoting members shall include the remaining six (6) City Council members.

On August 3, 2004, County voters passed a countywide one-half percent sales tax to finance economic development and countywide infrastructure development. The State of Kansas collects the sales tax and remits the respective taxes to the City and County who in turn remit the sales tax to JEDO.

On November 4, 2014, County voters renewed the countywide one-half percent sales tax for an additional 15 years commencing January 1, 2017 and expiring December 31, 2031.

On April 19, 2016, the City and County entered into a new interlocal agreement that rescinds the previous agreements and amendments upon the full distribution of the sales tax receipts and commitments from the sales tax expiring December 31, 2016.

The original agreement and related amendments will remain in effect until all sales tax receipts and commitments from the sales tax expiring December 31, 2016 have been distributed. Under the original agreement and related amendments, JEDO shall dedicate \$5,000,000 annually to the economic development program; \$1,500,000 annually to County bridges; annually fund the debt service requirements of the Topeka Boulevard Bridge; and fund completion of the various infrastructure projects as specified in the August 3, 2004 ballot. The City or County administer the infrastructure projects, and, as costs are incurred, request reimbursement from JEDO. It is anticipated that all remaining sales tax receipts less any commitments related to the sales tax expiring December 31, 2016 taxes will occur in 2017.

Beginning in fiscal January 1, 2017 and continuing each year through December 31, 2031, JEDO shall dedicate \$5,000,000 annually for the purpose of supporting economic development priorities established by the JEDO Board. JEDO shall ensure that not less than 10% of the \$5,000,000 will be targeted to support economic development for socially and economically disadvantaged individuals and/or business enterprises. The remaining funds shall then be distributed to the City (48%) and to the County (52%) for purposes of completing the infrastructure improvements and quality of life projects as set forth in the November 4, 2014 ballot language. In the event the sales tax proceeds are not sufficient to fund all of the improvements and projects, JEDO may alter the distribution formula, or reduce the amount of funds allocated for any particular improvement or project.

Under the agreement, upon the later of the expiration or termination of the sales tax and the completion of and payment for the economic development priorities and the infrastructure improvements and quality of life projects, JEDO shall inform the City and County of any excess funds remaining. Any excess funds will be distributed to the City and County in the proportional rates as provided by KSA 12-192(a).

JEDO is a stand-alone government and is not legally required to adopt a budget for the General Fund. There are no component units related to JEDO that should be accounted for in JEDO's basic financial statements in accordance with Governmental Accounting Standards Board Statements.

B. Significant Accounting Policies

The accounting policies of JEDO conform to accounting principles generally accepted in the United States of America as applicable to governmental entities.

**Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2016**

Government-wide and Fund Financial Statements

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 governmental activities of JEDO.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Due to the nature of the funding sources, there are no program revenues and grants and contributions. Sales taxes contributed and unrestricted investment earnings not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

JEDO has one fund for financial statement presentation purposes, the General Fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. JEDO considers retail sales taxes available and susceptible to accrual if they are received within 90 days after year-end.

Countywide Sales Taxes

The one-half percent county-wide sales tax took effect January 1, 2005, and was set to expire on December 31, 2016. The sales tax was extended an additional 15 years commencing January 1, 2017 and is set to expire on December 31, 2031.

Assets, Liabilities and Net Position or Fund Balance

Cash and Equivalents – cash in demand accounts at financial institutions and short-term, highly liquid investments that are readily convertible in known amounts of cash. Interest bearing deposit accounts are reported at cost plus accrued interest.

Investments – JEDO reports its investments at fair value which is determined by quoted market prices. Investment income, including changes in the fair value of investments, is recognized as revenue in the financial statements.

**Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2016**

Accounts Receivable – Retail sales tax collected by the City and County to be remitted to JEDO that have been received within 90 days after year-end.

Net Position/Fund Balance Classifications

Net Position – In the government-wide financial statements, equity is classified as restricted – net position that consists of assets restricted for the sole use of JEDO in accordance with the agreement.

Fund Balance – As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which JEDO is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2016, the fund balance of the general fund is restricted in accordance with the agreement.

2. Deposits and Investments

Cash and investments consisted of the following at December 31, 2016:

Demand deposits	\$ 8,969,727
Kansas Municipal Investment Pool	<u>7,003,610</u>
Total cash and equivalents	<u>\$ 15,973,337</u>

K.S.A. 9-1401 establishes the depositories which may be used by JEDO. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. JEDO has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits JEDO'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 (KMIP). JEDO has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount JEDO 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, JEDO's deposits may not be returned to it. State statutes require JEDO'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. All deposits were legally secured at December 31, 2016.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, JEDO 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.

Fair Value Measurements

JEDO categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs such as third party pricing services for identical assets; Level 3 inputs are significant unobservable inputs. At December 31, 2016, all of JEDO's investments were in the KMIP which are exempt from the fair value hierarchy.

**Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2016**

KMIP is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The KMIP's investment portfolio were rated AA Af/S1+ by Standard and Poor's at year end.

3. Economic Development Program

JEDO has entered into an annual agreement with the Growth Organization of Topeka/Shawnee County, Inc., (GO Topeka), a non-profit Kansas Corporation to provide services in support of JEDO economic development program (the program) designed to expand employment, strengthen the tax base and diversify and strengthen the City and County economy. Under the agreement, JEDO will annually provide Go Topeka \$5,000,000 to carry out the program. Upon written notification, either party may terminate the agreement. Should the agreement be terminated, any cash or real property under the program shall revert back to JEDO.

On April 4, 2014, the agreement was amended to extend the terms through December 31, 2017.

4. Subsequent Events

JEDO has evaluated subsequent events through April 7, 2017 the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the financial statements.