

JOINT ECONOMIC DEVELOPMENT ORGANIZATION

Required Communications and Compliance Report
For the Year Ended December 31, 2015

Joint Economic Development Organization
Required Communications and Compliance Report
For the Year Ended December 31, 2015

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COCHRAN HEAD VICK & CO., P.A.

& Co

Certified Public Accountants

1333 Meadowlark Lane
Suite 112
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

To the Board of Directors
Joint Economic Development Organization

We have audited the financial statements of governmental activities and major fund of the Joint Economic Development Organization (JEDO) for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 16, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by JEDO are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by JEDO during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting JEDO's financial statements.

Other Offices

The financial statement disclosures are neutral, consistent and clear.

1251 NW Briarcliff Pkwy
Suite 125
Kansas City, MO 64116
(816) 453-7014
(816) 453-7016 FAX

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

400 Jules Street
Suite 415
St. Joseph, MO 64501
(816) 364-1118
(816) 364-6144 FAX

5700 Broadmoor St.
Suite 202
Mission, Kansas 66202
(913) 378-1100
(913) 378-1177 FAX

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such misstatements were noted during the course of our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 6, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as JEDO's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of JEDO and is not intended to be, and should not be, used by anyone other than these specified parties.

Kansas City, Kansas
May 6, 2016

Cochran Hand Vickerly, P.A.



COCHRAN HEAD VICK & CO., P.A.

& Co

Certified Public Accountants

1333 Meadowlark Lane
Suite 112
Kansas City, KS 66102
(913) 287-4433
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2015 and the related notes to the financial statements, which collectively comprise JEDO's basic financial statements, and have issued our report thereon dated May 6, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered JEDO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the JEDO's internal control. Accordingly, we do not express an opinion on the effectiveness of the JEDO's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether JEDO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kansas City, Kansas
May 6, 2016

Cochran Head R., P.C.

Joint Economic Development Organization

Basic Financial Statements
Together with
Independent Auditor's Report

December 31, 2015

JOINT ECONOMIC DEVELOPMENT CORPORATION

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COCHRAN HEAD VICK & CO., P.A.

& Co

Certified Public Accountants

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Kansas City, KS 66102
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(913) 287-0010 FAX

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, 2015, 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 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 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.

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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, 2015, 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 requires 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 May 6, 2016 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.

Kansas City, Kansas
May 6, 2016

Cochran And Vickel, PA

**Joint Economic Development Organization
Statement of Net Position
December 31, 2015**

	Governmental Activities
Assets:	
Cash	\$ 11,793,256
Receivables:	
City of Topeka	1,566,990
Shawnee County	1,335,532
GO Topeka	22,041
Total assets	\$ 14,717,819
 Liabilities and net position:	
Liabilities:	
Accounts payable	\$ -
Total liabilities	-
 Net position:	
Restricted	14,717,819
Total net position	14,717,819
Total liabilities and net position	\$ 14,717,819

See Accompanying Notes to the Basic Financial Statements

**Joint Economic Development Organization
Statement of Activities
For the Year Ended December 31, 2015**

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	<u>\$ 10,795,332</u>	<u>\$ 89,286</u>	<u>\$ (10,706,046)</u>
Total governmental activities	<u>\$ 10,795,332</u>	<u>\$ 89,286</u>	<u>(10,706,046)</u>
		General revenues:	
		Sales tax contributed:	
		City of Topeka	8,599,553
		Shawnee County	7,316,125
		Interest income	<u>674</u>
		Total general revenues	<u>15,916,352</u>
Change in net position			5,210,306
Net Position - beginning of year			<u>9,507,513</u>
Net Position - end of year			<u>\$ 14,717,819</u>

See Accompanying Notes to the Basic Financial Statements

**Joint Economic Development Organization
Balance Sheet-General Fund
December 31, 2015**

Assets

Cash	\$	11,793,256
Receivables:		
City of Topeka		1,566,990
Shawnee County		1,335,532
GO Topeka		22,041
Total assets	\$	<u><u>14,717,819</u></u>

Liabilities and fund balance

Liabilities:

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

Fund balance

Restricted		14,717,819
		<u>14,717,819</u>
Total liabilities and fund balance	\$	<u><u>14,717,819</u></u>

See Accompanying Notes to the Basic Financial Statements

Joint Economic Development Organization
Statement of Revenues, Expenditures, and Changes in Fund Balance-
General Fund
For the Year Ended December 31, 2015

Revenues:

Sales tax contributed:		
City of Topeka	\$	8,599,553
Shawnee County		7,316,125
GO Topeka reimbursements		89,286
Interest income		674
Total revenues		<u>16,005,638</u>

Expenditures:

Current:		
Economic development:		
Go Topeka		5,000,000
County bridges		1,500,000
Topeka Boulevard Bridge		3,247,470
Project reimbursements:		
City of Topeka		627,581
Shawnee County		326,450
Professional services and other		93,831
Total expenditures		<u>10,795,332</u>

Net change in fund balance		<u>5,210,306</u>
Fund balance - beginning of year		<u>9,507,513</u>
Fund balance - end of year	\$	<u><u>14,717,819</u></u>

**Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2015**

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 (the agreement) between the City of Topeka, Kansas (the City) and Shawnee County, Kansas (the County). JEDO is governed by a seven-member board containing the three County Commissioners, the City Mayor, Deputy Mayor and two 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.

Under the agreement, 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. During 2011 the agreement was clarified by the Board of Directors to allow the City and County to be reimbursed for administrative fees and utility relocation costs associated with the countywide infrastructure improvements being funded by the sales tax.

Under the agreement, upon the later of the expiration or termination of the sales tax and the completion of and payment for the infrastructure projects listed in the ballot, JEDO shall inform the City and County of any funds remaining, if any, and unless otherwise agreed to by the City and County, these excess funds, less any economic development or county bridge commitments, shall be distributed to the City and County in the proportional rates as provided by Kansas law at the time of the excess funds determination.

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.

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.

Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2015

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 is 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.

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, 2015, the fund balance of the general fund is restricted in accordance with the agreement.

Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2015

2. Deposits and Investments

Applicable state statutes authorize the JEDO to invest in (1) money market accounts or certificates of deposit in commercial banks and trust companies, (2) time certificates of deposit with state or federally chartered savings and loan associations or federally chartered savings banks, (3) repurchase agreements with commercial banks, trust companies, state or federally chartered savings and loan associations or federally chartered savings banks, (4) United States Treasury Bills or Notes, (5) temporary notes, and (6) the municipal investment pool fund (the Pool). The Pool is operated by the State Treasurer, is not an SEC registered pool and is regulated by the Pooled Money Investment Board. The reported value is the same as the fair value of the pool shares. All banks and savings associations are required to pledge to the JEDO an aggregate market value investment in U.S. Treasury obligations, other U.S. agency obligations and Kansas municipality bonds to provide a minimum of 100% collateralization for all deposits.

Cash and Investments consisted of the following at December 31, 2015:

Demand deposits	\$ 9,793,192
Overnight municipal investment pool	<u>2,000,063</u>
Total cash and equivalents	<u><u>11,793,255</u></u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. JEDO does not have a formal policy limiting credit quality of investments. JEDO follows applicable State Statutes that restrict the types of investments JEDO may utilize. At December 31, 2015, JEDO's investments consisted of shares of the Overnight Municipal Investment Pool held in trust. The Pool's investment portfolio were rated AAA by Standard and Poor's at year end.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, JEDO will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, JEDO will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. JEDO's policy is to collateralize demand deposits with securities held by the financial institution's agent and in the JEDO's name. At December 31, 2015, JEDO's deposits were either insured by federal depository insurance or were collateralized with securities held by the pledging financial institutions' agents in JEDO's name.

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.

**Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2015**

4. Subsequent Events

JEDO has evaluated subsequent events through May 6, 2016 the date the financial statements were available to be issued. Other than discussed below, no subsequent events were identified that required adjustment to or disclosure in the financial statements.

On April 19, 2016, the City of Topeka and Shawnee County entered into a new interlocal agreement related to the renewal of the countywide one-half percent sales tax commencing January 1, 2017 and set to expire on December 31, 2031. From the proceeds of the countywide one-half percent sales taxes, the agreement calls for JEDO to dedicate \$5,000,000 annually for the purpose of supporting economic development priorities as established by the JEDO Board. After the initial \$5,000,000 has been reserved, JEDO funds will be distributed to the County and City to complete the improvements and projects as set forth on the November 4, 2014 ballot. The distributions will be at 52% and 48% to the County and City, respectively.