

Members of the Authority
Johnson County Education Research Triangle Authority

We are pleased to present this report related to our audit of the basic financial statements of Johnson County Education Research Triangle Authority (Authority) for the year ended June 30, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Auditors' Responsibility under Professional Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated February 4, 2011.

Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority's significant accounting policies are discussed in Note 1 to the financial statements.

The Authority adopted the following Governmental Accounting Standards Board (GASB) Statements for the first time in 2011:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. GASB 54 establishes a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used. Specifically, GASB 54 distinguishes fund balance between amounts that are considered nonspendable and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit year.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management may wish to monitor throughout the year the process used to compute and record these accounting estimates.

Audit Adjustments

Cash transaction summaries provided by management were reformatted into the basic financial statements. During this process, an adjustment was made to record sales tax receivable owed to the Authority at June 30, 2011.

Uncorrected Misstatements

There were no uncorrected misstatements accumulated during the audit.

Management Representations

In connection with our audit procedures, we have obtained a written management representation letter. This representation letter constitutes written acknowledgments by management that it has the primary responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles. The representation letter also includes the more significant oral representations made by officers and employees during the course of the audit and includes specific representations, is intended to reduce the possibility of misunderstandings between us and the Authority and reminds the signing officers to consider seriously whether all material liabilities, commitments and contingencies or other important financial information have been brought to our attention.

Other Disclosures

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements; we are not aware of any consultations management had with other accountants about accounting or auditing matters; no significant issues arising from the audit were discussed or were the subject of correspondence with management; and we did not encounter any difficulties in dealing with management relating to the performance of the audit.

Closing

This communication is intended solely for the information and use of the Members of the Authority and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions. We appreciate the opportunity to be of service to Johnson County Education Research Triangle Authority.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 25, 2011
Wichita, KS



Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

Members of the Authority
Johnson County Education Research Triangle Authority

We have performed the procedures enumerated below, which were agreed to by the Johnson County Education Research Triangle Authority (Authority), solely to assist you in determining whether the use of monies from the Authority for the period ending June 30, 2011 is in accordance with the budgets approved by the Authority and the Board of Regents, and in accordance with the provisions of K.S.A. 19-5001 through 19-5005. The Authority is responsible for the use of monies in accordance with the statutes cited. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are as follows:

Procedure 1: In accordance with K.S.A. 19-5005(c), we tested that no more than 2% of funds collected in any fiscal year were used for administrative expenses of the Authority or its board of directors. We calculated the ratio of total administrative expenses to total collections for the period ending June 30, 2011.

Findings: No exceptions were noted.

Procedure 2: In accordance with K.S.A. 19-5005(a), we tested that funds appropriated by Johnson County to the Authority were remitted by the Authority in equal shares for the University of Kansas Edwards Campus in Overland Park, Kansas Sate University Innovation Campus in Olathe, and the University of Kansas Medical Center's Johnson County campus (the Universities). We confirmed with the Johnson County treasurer all amounts remitted by them to the Authority, and then calculated the amounts transferred out of the Authority's bank account to the Universities.

Findings: No exceptions were noted.

Procedure 3: In accordance with K.S.A. 19-5005(b), we tested expenditures to determine that expenditures are in compliance with the purposes of the Johnson County Education Research Triangle Authority Act (JCERTA).

- We obtained an understanding from each of the Universities regarding how their allocation of funds has been budgeted or otherwise approved to be spent for the current fiscal year.
- We obtained an understanding from each of the Universities regarding their internal controls for monitoring and approving expenditures incurred from their JCERTA funds.

- We obtained detail transaction listings from each University of their receipts from the Authority, and expenditures incurred during the period ending June 30, 2011.
- We selected a sample of transactions from the Universities' expenditure transaction listings. We tested all individual transactions over \$100,000 that related to construction / bond project expenditures. For all other transactions, we used a sample size of 50, and judgmentally selected items from across all the expenditure type categories (for example, payroll, supplies, travel, advertising, construction costs less than \$100,000, etc.)
- For each item in the selected sample, we:
 - obtained supporting documentation and determined if the expenditure appeared to be for allowable purposes under the Act.
 - tested whether the expenditure was properly supported and approved in accordance with each University's internal control policies.

Findings: See Appendix A for a summary of testing performed on expenditures for the Universities. For the items tested in our sample, we did not identify any that were not properly supported and approved, or that did not appear to be for an allowable purpose under the Act. However, we had the following observations and recommendations pertaining to internal controls:

At KUMC we found that non-construction and non-payroll expenses were being reviewed by the purchasing department to make sure the purchases complied with the University's purchasing policy and were being applied to the correct account code. However, the expenses were not being reviewed by someone familiar with JCERTA activity to verify the expenses were related to JCERTA. As of June 30, 2011, there were minimal other expenses because construction is still in progress. We recommend that someone familiar with JCERTA review other expenses to verify the expenses are related to JCERTA activities.

At the K-State Olathe Innovation Campus we found there was no process in place for employees to identify actual time spent on JCERTA activities. As of June 30, 2011, this University has only employees that spend 100% of their time on JCERTA activities. We recommend that employees complete activity reports that coincide with the payroll periods, or prepare periodic certifications noting time spent on JCERTA activities.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance with K.S.A 19-5001 through 19-5005. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Members of the Authority of the Johnson County Education Research Triangle Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 25, 2011
Wichita, KS

Johnson County Education Research Triangle Authority
Transaction Testing: Summary
Year ending June 30, 2011

Construction / Bond Expenditures Funded from Bond Proceeds

KU Edwards Campus: Bond construction costs	\$ 9,035,052.63
KU Edwards Campus: Interest Payment	84,877.19
KUMC: Bond construction costs	4,976,489.00
KUMC: Costs of issuance	122,845.00
K-State Olathe Innovation Campus: Interest payment	384,898.75
K-State Olathe Innovation Campus: Facility project costs	16,585,905.25
	<u>\$ 31,190,067.82</u>

Expenditures Funded from JCERTA Tax Collections

	<u>KU Edwards</u>	<u>KUMC</u>	<u>K-State</u>	<u>Total</u>
Payroll	\$ 16,538.56	\$ 106,122.42	\$ 58,433.49	\$ 181,094.47
Other:				
Clinical research facility project costs	-	708,969.64	-	708,969.64
Programs	614,985.00	-	-	614,985.00
Scholarships	14,000.00	-	-	14,000.00
Equipment	-	204,377.08	-	204,377.08
Property taxes and special assessments	-	-	97,318.86	97,318.86
Administrative	-	23,625.58	-	23,625.58
Consultants	-	-	27,994.79	27,994.79
Legal	-	-	6,300.00	6,300.00
Rent	-	-	4,158.21	4,158.21
Utilities	-	3,249.63	-	3,249.63
Advertising	-	-	4,800.00	4,800.00
Public relations / marketing	28,568.54	-	-	28,568.54
Supplies and printing	-	16,772.82	-	16,772.82
Meals and entertainment	-	-	7,675.00	7,675.00
Landscape, custodial, security	-	-	9,786.00	9,786.00
Other	655.52	-	5,379.46	6,034.98
	<u>\$ 674,747.62</u>	<u>\$ 1,063,117.17</u>	<u>\$ 221,845.81</u>	<u>\$ 1,959,710.60</u>

Grand Total Tested	\$ 33,149,778.42
Total Expenditures for the Period	\$ 39,562,778.00
Percentage Tested	84%



Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

AND

INDEPENDENT AUDITORS' REPORT

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

AND
INDEPENDENT AUDITORS' REPORT

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

FINANCIAL STATEMENTS

Year ended June 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis	2 - 4
Basic Financial Statements	
Governmental Fund Balance Sheet and Statement of Net Assets	5
Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities	6
Notes to the Financial Statements	7 - 8



Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Johnson County Education Research Triangle Authority
Olathe, Kansas

We have audited the accompanying financial statements of the governmental activities and major fund of the Johnson County Education Research Triangle Authority (Authority), as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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. Those standards 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Johnson County Education Research Triangle Authority as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, on July 1, 2010, the Authority changed its method of accounting to adopt Government Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions.

The management's discussion and analysis as listed on the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Allen, Gibbs & Houlik, L.C.

October 25, 2011

REQUIRED SUPPLEMENTARY INFORMATION

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

Management's Discussion and Analysis

This annual financial report of the Johnson County Education Research Triangle Authority (Authority) consists of two sections: management's discussion and analysis and basic financial statements. This section of the report presents management's discussion and analysis of the financial position and changes in financial position for the year ended June 30, 2011. This analysis should be read in conjunction with the independent auditors' report, audited financial statements, and accompanying notes.

The Johnson County Education Research Triangle Authority ("JCERTA") was created by affirmative vote of the voters of Johnson County, Kansas on November 4, 2008 at the election held on such date pursuant to the provisions of the JCERTA Act. The Board of Directors of JCERTA consists of seven voting members who are elected officials of Johnson County and who are appointed as follows: (a) one member appointed by the Governor of Kansas, (b) one member appointed by the Kansas Board of Regents, (c) one member appointed by majority vote of the Board of Commissioners of Johnson County, (d) one member appointed by the Board of Trustees of Johnson County Community College, (e) two members appointed by the Chancellor of the University of Kansas, and (f) one member appointed by the President of Kansas State University. The chancellor of the University of Kansas or the Chancellor's designee, the President of Kansas State University or the President's designee, the President of Johnson County Community College or the President's designee and the Executive Vice Chancellor of the University of Kansas Medical Center or the Vice Chancellor's designee serve as ex officio, non-voting members of the Board of Directors.

FINANCIAL HIGHLIGHTS

- The Authority's total assets increased from 2010 by \$272,231 due to the excess of sales tax revenues over expenditures incurred. These funds have been invested in cash; which makes up \$297,478 of the total assets. Sales taxes receivable of \$2.5 million is the other significant amount of the total assets.
- The Authority has initiated the programs called for under its enabling statutes as well as other initiatives aimed at supporting undergraduate and graduate programs at the Edwards campus of the University of Kansas, the research and education programs in animal health and food safety and security at the Johnson County location of Kansas State University, and the medical education and life sciences and cancer research programs at the University of Kansas medical center's Johnson County locations. The Authority has received the financial resources over the past fiscal years to fund the programs.
- The Revenues are derived from a one-eighth percent (0.125%) countywide retailers sales tax levied by the Board of Commissioners of Johnson County, effective from and after April 1, 2009, pursuant to the voter referendum passed on November 4, 2008 and the JCERTA Act, and the related countywide compensating use tax imposed by K.S.A. 12-198. Revenues from the transfers were \$13.7 million for the period. Investment income is also included in general revenues for \$288.
- The Authority expended \$13.4 million to the three university programs approved by the Board of Directors.
- The Authority's operating expenses for the period other than grants and awards were \$33,011.
- K.S.A. 19-5005 limits the use of JCERTA funds for administrative expenses of the Authority or its Board of Directors to 2%. The Authority Board of Directors approved a change in the administrative fee percentage from 2% to 1%, effective September 1, 2010.

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The *governmental fund balance sheet and statement of net assets* answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities of the Authority. The General Fund balance sheet uses the modified accrual basis of accounting and current resources measurement focus, and the statement of net assets uses the accrual basis of accounting and economic resources measurement focus. For the current period, there are no differences between these two bases of accounting. The resulting net assets presented in the statement are displayed as restricted or unrestricted. Assets are restricted when their use is subject to external limits such as legal agreements or statutes. Assets falling outside this category are characterized as unrestricted. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

All of the current year's revenues and expenditures of the Authority are accounted for in the *governmental fund revenues, expenditures, and changes fund balance and statement of activities*. This statement measures the activities of the Authority's operations for the year ended June 30, 2011, and presents the excess of revenues over expenditures/expenses and change in fund balance/net assets. The General Fund and statement of activities are presenting using the two bases of accounting noted in the first paragraph above. It can be used to determine whether the Authority has successfully recovered all of its costs through externally funded programs and other revenue sources. This statement helps answer the question, "Is the Authority as a whole better off or worse off as a result of the year's activities?"

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements follow the basic financial statements.

CONDENSED FINANCIAL INFORMATION

Statement of Net Assets

The following table presents condensed balances at June 30:

	2011	2010
Assets		
Cash	\$ 297,478	\$ 264,301
Sales tax receivable	2,460,588	2,221,534
Total assets	<u>\$ 2,758,066</u>	<u>\$ 2,485,835</u>
Liabilities		
Current liabilities	\$ --	\$ --
Total liabilities	<u>--</u>	<u>--</u>
Net assets		
Restricted for appropriation	2,411,376	2,177,103
Unrestricted	346,690	308,732
Total net assets	<u>2,758,066</u>	<u>2,485,835</u>
Total liabilities and net assets	<u>\$ 2,758,066</u>	<u>\$ 2,485,835</u>

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

Management's Discussion and Analysis

Statement of Activities

The following table presents condensed balances for the year ended June 30. Information for 2010 is for the period from inception (April 1, 2009) through June 30, 2010.

	2011	2010
Revenues		
Sales tax revenue	\$ 13,689,079	\$ 16,647,717
Contributions	--	10,059
Interest income	288	177
Total revenues	<u>13,689,367</u>	<u>16,657,953</u>
Expenses		
University program support	13,384,125	14,151,908
Authority administration	33,011	20,210
Total expenses	<u>13,417,136</u>	<u>14,172,118</u>
Change in net assets	272,231	2,485,835
Total net assets, beginning of period	<u>2,485,835</u>	--
Total net assets, end of period	<u>\$ 2,758,066</u>	<u>\$ 2,485,835</u>

Assets, liabilities and changes in net assets:

The Authority's net assets grew to \$2,758,066 for the year ended June 30, 2011. The growth in net assets resulted primarily from sales tax revenues received from Johnson County via the Johnson County Education Research Triangle Act. The net assets also were reduced by operating expenses. See the financial highlights on page 2 for additional information.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide stakeholders in the Authority with a general overview of the Authority's finances and to show the Authority's accountability for the resources it receives, invests, and expends. If you have questions about this report, or need additional financial information, please contact Mr. Jim Hubbard, Hubbard, Ruzicka, Kreamer & Kincaid, L.C., 130 North Cherry Street, Olathe, KS 66051.

BASIC FINANCIAL STATEMENTS

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

Governmental Fund Balance Sheet and
Statement of Net Assets

June 30, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 297,478	\$ --	\$ 297,478
Sales tax receivable	2,460,588	--	2,460,588
 Total assets	 <u>\$ 2,758,066</u>	 <u>\$ --</u>	 <u>\$ 2,758,066</u>
 LIABILITIES			
	\$ --	\$ --	\$ --
 Total liabilities	 --	 --	 --
 FUND BALANCE/NET ASSETS			
Fund balances:			
Restricted	2,411,376	--	--
Unassigned	346,690	--	--
 Total fund balances	 2,758,066	 --	 --
 Total liabilities and fund balances	 <u>\$ 2,758,066</u>	 <u>\$ --</u>	
 Net assets:			
Restricted for appropriation			2,411,376
Unrestricted			346,690
 Total net assets			 <u>\$ 2,758,066</u>

The accompanying footnotes are an integral
part of these financial statements.

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

Governmental Fund Revenues, Expenditures and
Changes in Fund Balance and Statement
of Activities

Year Ended June 30, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
University program support	\$ 13,384,125	\$ --	\$ 13,384,125
Authority administration	33,011	--	33,011
Total expenditures/expenses	<u>13,417,136</u>	<u>--</u>	<u>13,417,136</u>
General revenues:			
Sales taxes	13,689,079	--	13,689,079
Interest income	288	--	288
Total general revenues	<u>13,689,367</u>	<u>--</u>	<u>13,689,367</u>
Excess of revenues over expenditures	<u>272,231</u>	<u>--</u>	<u>272,231</u>
Change in net assets	<u>272,231</u>	<u>--</u>	<u>272,231</u>
Fund balance/net assets:			
Beginning of the year	<u>2,485,835</u>	<u>--</u>	<u>2,485,835</u>
End of the year	<u>\$ 2,758,066</u>	<u>\$ --</u>	<u>\$ 2,758,066</u>

The accompanying footnotes are an integral
part of these financial statements.

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Johnson County Education Research Triangle Authority's (Authority) enabling statutes are found in K.S.A. 19-5001 et seq. as amended and supplemented. The Authority was created on July 1, 2007, with the passage of the Johnson County Education Research Triangle Authority Act (JCERTA). The Authority was created for the purpose of supporting, in equal shares, the undergraduate and graduate programs at the Edwards campus of the University of Kansas, the research and education programs in animal health and food safety and security at the Johnson County location of Kansas State University, and the medical education and life sciences and cancer research programs at the University of Kansas Medical Center's Johnson County locations.

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading.

JCERTA provided a funding mechanism through Johnson County to impose a sales tax in an amount not to exceed .2%, or levy an annual tax at the rate of not more than two mills on the dollar on all real property within such county, or a combination of both with any such combination not to exceed .2% sales tax or the two mill of property tax. A voter referendum in Johnson County, Kansas on November 4, 2008 approved a one-eighth (0.125%) countywide retailers sales tax, effective from and after April 1, 2009. Revenues that accrue belong exclusively to the Authority and are not part of the state treasury.

Basis of Accounting

For financial reporting purposes, the Authority presents combined government-wide and fund financial statements. The government-wide column is prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. Expenses are specifically associated with a service or program, and are therefore identifiable to a particular function. Program revenues include charges for services and contributions restricted to meeting the requirements of a particular program; revenues not classified as program revenues are presented as general revenues.

The general fund column is prepared on a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as they are both measurable and available to finance the Authority's current operations. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related liability is both measurable and incurred.

The reconciliation between the fund and the government-wide columns is included in the adjustments column.

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Receivables

Revenues generated under the Johnson County Education Research Triangle Authority Act from retailers' sales taxes as described under "Reporting Entity" above are considered derived tax revenues. As such, revenue is recognized by the Authority in the time period in which the sales taxes are collected by the retailers. Receivables consist of amounts owed to the Authority from Johnson County. Given the nature of the receivables, no amounts are considered uncollectible by management.

Equity Classifications

In the government-wide column, equity is shown as net assets and classified into two components:

- (1) *Restricted for appropriation* – includes amounts that the Authority must distribute to the universities.
- (2) *Unrestricted* – includes other net assets that do not meet the definition of "restricted."

During 2011, the Authority adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The new Statement changed how fund balances are classified and reported, and clarified the definitions of existing governmental fund types. The new fund balance classifications for the Authority are described below. There was no effect on the Authority's total reported fund balance or change in fund balance.

In the general fund column, equity is shown as fund balance and classified into two components:

- (1) *Restricted* – externally enforceable limitations on use
- (2) *Unassigned* – residual net resources

NOTE 2 – CASH

As of June 30, 2011, the Authority had a balance of \$297,478 included in cash.

Deposit and Investment Policies. The Authority does not have formal deposit and investment policies.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits or investments that are in the possession of an outside party. At June 30, 2011, \$0 was exposed to custodial credit risk.