



City of Topeka, KS

Popular Annual

Financial Report

Fiscal Year Ending December 31, 2018





About the Popular Annual Financial Report

As part of an ongoing commitment to transparency and helping to ensure community access to information about its local government, we are pleased to present this Popular Annual Financial Report (PAFR), for the City of Topeka's fiscal year ended December 31, 2018. The PAFR is focused on providing useful information on the city's operations, services, and financial condition. Our goal is to provide this information in a helpful and understandable format.

Financial information referenced herein is sourced from the City's audited financial statements as published in the Comprehensive Annual Financial Report (CAFR) for fiscal year ended December 31, 2018. The 2018 CAFR was audited by Mize Houser & Company PA and has received an unmodified or "clean" audit opinion.

While the CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and audited, the PAFR is not audited, provides information only on primary government funds, and is presented on a non-GAAP basis. For a more detailed and complete record of the City's financial information, please refer to the CAFR.

Both documents are available through the City's website at

<https://www.topeka.org/finance/financial-reports/annual-reports/>



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Topeka
Kansas**

For its Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill
Executive Director/CEO

The City Of Topeka was the recipient of the Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) by the Government Finance Officers Association of the United States and Canada for its PAFR for the fiscal year ending December 31, 2017. The award is a prestigious honor recognizing conformance with the highest standards for preparation of state and local government popular annual financial reports.

The City of Topeka

Topeka is the capital city of Kansas and is the seat of Shawnee County. Begun as a site to ferry wagons across the Kansas River for the Oregon Trail, the City of Topeka was incorporated on February 14, 1857. Topeka was the center of abolitionist and pro-slavery conflict that gave the territory the name Bleeding Kansas. Constitution Hall, located in Topeka, is where the Free State Capitol Constitution was drafted, and in 1861 Kansas was admitted to the Union as the 34th state and Topeka was designated the capital.

Quick Facts about Topeka

Population	128,188
Unemployment rate	3.1%
City Operating Budget	\$298.3 million
City Employees	1,198
GO Bond Rating	AA (S&P)
Revenue Bond Rating	Aa3 (Moody's)

Top 10 Employers

<i>Employer</i>	<i>No. of Employees</i>
State of Kansas	8,320
Stormont-Vail Health Care	4,628
Unified School District # 501	2,459
Westar Energy	2,400
SCL Health Systems	1,700
Department of Veteran Affairs	1,620
Goodyear Tire and Rubber Company	1,600
Reser's Fine Foods	1,550
Walmart Associates Inc	1,450
Blue Cross Blue Shield of Kansas	1,347



City Leadership

Since its founding, Topeka has operated under four forms of government. From 1857 until 1910, Topeka was governed by a Mayor/Council. The Commission form of government was adopted in 1910 and remained in effect until 1985, when the Strong Mayor-City Council-Chief Administrative Officer plan was adopted. In November of 2004, the citizens of Topeka approved the City to operate under the council-manager form of government.

The City is governed by a ten-member Governing Body, including a directly elected Mayor and a nine-member City Council, elected by district. A City Manager, appointed by the governing body, is responsible for the implementation of the Governing Body's policy and the day-to-day operations of the City.



Michelle De La Isla

Mayor

(785) 368-3895



Karen Hiller

Councilmember

District 1

(785) 232-2917



Sandra Clear

Deputy Mayor

District 2

(785) 861-0666



Sylvia Ortiz

Councilmember

District 3

(785) 357-0717



Tony Emerson

Councilmember

District 4

(785) 422-7888



Mike Padilla

Councilmember

District 5

(785) 304-4952



Brendan Jensen

Councilmember

District 6

(785) 422-0018



Aaron Mays

Councilmember

District 7

(785) 845-2911



Jeffery Coen

Councilmember

District 8

(785) 230-9362



Michael Lesser

Councilmember

District 9

(785) 249-1475



Brent Trout

City Manger

(785) 368-3725

Balance Sheet

The Balance Sheet, known as the Statement of Net Position in governmental financial statements, presents information on what the city owns (assets and deferred outflows) and owes (liabilities and deferred inflows), including governmental and business-type activities. The difference, known as net position, is an indicator of the financial condition of the city.

The below chart summarizes the financial condition of the city's primary government funds as of December 31, 2018. For the year ending December 31, 2018 total assets and deferred outflows (what we own) exceeded total liabilities and deferred inflows (what we owe), resulting in an overall increase in total net position over 2017.

Balance Sheet - Primary Government			
(In thousands)			
	2018	2017	2016
Assets			
Current & Other Assets	\$ 348,395	\$ 301,345	\$ 274,867
Capital Assets	\$ 702,540	\$ 698,865	\$ 698,542
Total Assets	\$ 1,050,934	\$ 1,000,210	\$ 973,409
Deferred Outflows	\$ 28,237	\$ 28,256	\$ 9,452
Liabilities			
Long-Term Liabilities Outstanding	\$ 522,680	\$ 492,001	\$ 492,452
Other Liabilities	\$ 77,492	\$ 73,660	\$ 59,125
Total Liabilities	\$ 600,172	\$ 565,661	\$ 551,577
Deferred Inflows	\$ 54,021	\$ 52,650	\$ 49,820
Net Position			
Investment in Capital Assets	\$ 311,104	\$ 337,192	\$ 346,969
Restricted	\$ 55,193	\$ 57,463	\$ 51,314
Unrestricted	\$ 58,680	\$ 15,500	\$ 7,070
Total Net Position	\$ 424,977	\$ 410,155	\$ 405,353

Income Statement

The Income Statement, known as the Statement of Activities in governmental financial statements, presents information on how the city's net assets changed during the year as a result of the year's financial activity, including governmental and business-type activities.

The chart below summarizes the financial activity for the city's primary government funds for the fiscal year ending December 31, 2018. In 2018, revenues exceeded expenditures by \$13.2 million, resulting in an increase in the total net position.

Income Statement - Primary Government				
(In thousands)				
	2018	2017	2016	
Revenues				
<i>Program Revenues:</i>				
Charges for Services	\$ 86,387	\$ 79,856	\$ 76,338	
Operating Grants and Contributions	\$ 10,308	\$ 8,190	\$ 5,489	
Capital Grants and Contributions	\$ 11,122	\$ 10,460	\$ 20,079	
<i>General Revenues:</i>				
Property taxes	\$ 42,036	\$ 41,784	\$ 44,186	
Sales taxes	\$ 55,648	\$ 64,678	\$ 55,013	
Franchise fees	\$ 14,400	\$ 13,973	\$ 14,079	
Motor fuel taxes	\$ 4,622	\$ 3,721	\$ 3,399	
Payment in lieu of taxes	\$ 7,471	\$ 7,265	\$ 7,255	
Other taxes	\$ 4,546	\$ 4,782	\$ 4,681	
Interest Earnings & Miscellaneous	\$ 8,456	\$ 4,965	\$ 4,644	
Total Revenues	\$ 244,995	\$ 239,672	\$ 235,161	
Expenses				
Governmental Activities	\$ 163,278	\$ 169,532	\$ 159,887	
Water, Water Pollution Control, Stormwater Utilities	\$ 65,503	\$ 62,835	\$ 64,388	
Public Parking	\$ 2,959	\$ 2,993	\$ 3,190	
Total Expenses	\$ 231,740	\$ 235,360	\$ 227,465	
Change in net position	\$ 13,255	\$ 4,312	\$ 7,696	
Net Position - January 1	\$ 411,722	\$ 405,842	\$ 397,657	
Net Position - December 31	\$ 424,977	\$ 410,155	\$ 405,353	

Revenues - Where the Money Comes From

Funding for the City of Topeka's governmental activities (i.e. services provided to residents) and business-type activities comes from a variety of sources. In 2018 the city's primary government revenues totaled \$244,995,198. The majority of the city's primary government revenues are derived from taxes. Sales and use tax of \$55.6 million and property tax of \$42.0 million collectively made up 40% of city's primary government revenues for 2018. The next largest revenue source is charges for services of \$86.4 million, or 35%, of the city's 2018 primary government revenues. The city also receives revenue from grants, franchise fees, investment income and various other revenue streams. In total, 2018 primary government revenue increased by \$5.3 million compared to 2017. The increase was driven by charges for services, grants, and investment income, which offset a decline in sales tax revenue.

The following provides a brief description of the city's key primary government revenue sources.

Charges for services - Represents charges to the public for services the city provides. Examples include water, sewer, license, permit, parking and inspection fees.

Sales and Use Tax - City's 1 cent citywide, 1/2 cent citywide and a portion of the 1/2 cent countywide sales tax.

Property Tax - Taxes collected from property owners on real estate and other equipment.

Franchise Fees - Percent of revenue from utility companies for the use of the City's right of way in order to deliver utility services.

Interest Earnings - Investment income derived from the investment of monies in securities authorized by state statute. Investment earnings are dependent on the market and cash available for investment.

Capital Grants - Financial support received from other entities and organizations for the purpose of financing the purchase of capital asset for a specific program.

Operating Grants - Funding received from other entities and organizations for the purpose of financing the day-to-day costs of a specific program.

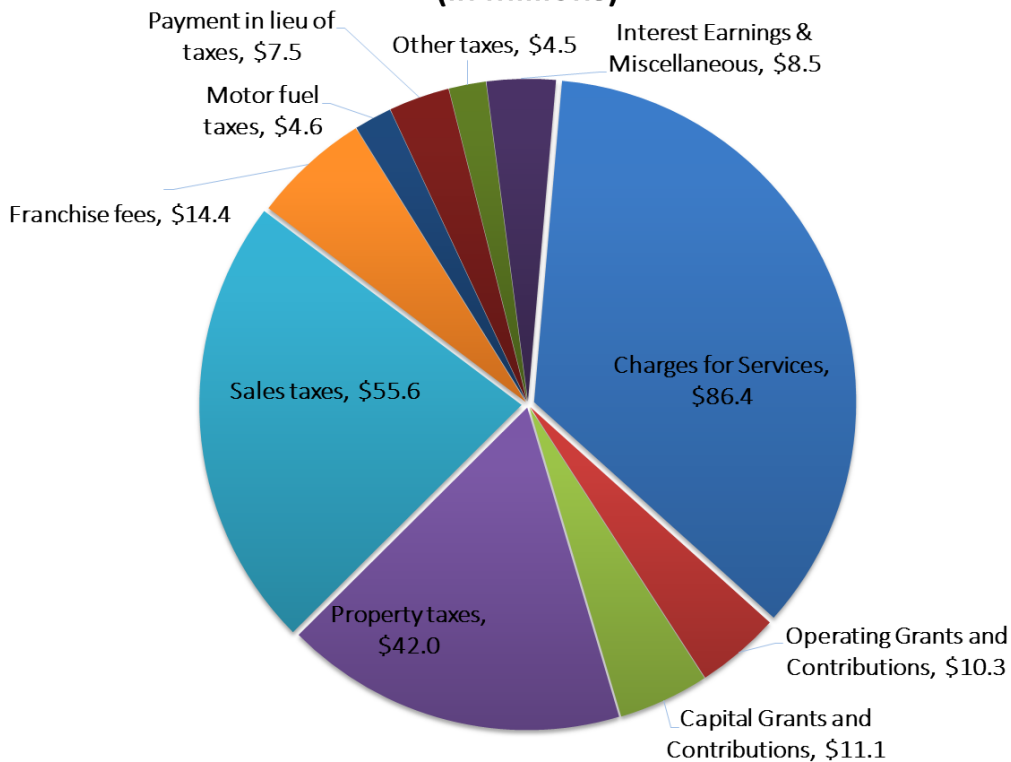
Payment in Lieu of Taxes - Compensation primarily for tax exempt properties in lieu taxes.

Revenues - Where the Money Comes From

Revenues - Primary Government

	2018	2017	2016
Program Revenues			
Charges for Services	\$ 86,387,481	\$ 79,855,530	\$ 76,337,718
Operating Grants and Contributions	\$ 10,308,145	\$ 8,189,835	\$ 5,488,767
Capital Grants and Contributions	\$ 11,121,576	\$ 10,459,624	\$ 20,078,676
General Revenues			
Property taxes	\$ 42,035,684	\$ 41,783,520	\$ 44,185,848
Sales taxes	\$ 55,648,002	\$ 64,677,625	\$ 55,012,686
Franchise fees	\$ 14,400,099	\$ 13,973,191	\$ 14,078,919
Motor fuel taxes	\$ 4,621,676	\$ 3,721,221	\$ 3,398,833
Payment in lieu of taxes	\$ 7,471,168	\$ 7,264,903	\$ 7,254,737
Other taxes	\$ 4,545,677	\$ 4,782,288	\$ 4,681,159
Interest Earnings & Miscellaneous	\$ 8,455,690	\$ 4,964,740	\$ 4,643,790
Total Revenues	\$ 244,995,198	\$ 239,672,477	\$ 235,161,133

2018 Revenues by Source - Primary Government (in millions)



Expenses - Where the Money Goes

The city provides a full range of services, including public works, public safety (police , fire protection, and municipal court), water and sewer services, public parking, economic development, and a variety of other services. Public works, which is responsible for the construction and maintenance of streets and bridges, and public safety account for the majority of the city's governmental activity expenses. In 2018 these accounted for \$121.3 million, or 75%, of the city's governmental expenses. The city also operates water, water pollution control, and storm water utilities, which account for the large majority of business-type activity expenses. Both governmental activities and business-type activities make up the city's primary government expenses.

The following provides a brief description of the city's major primary government expense categories.

Public Works - Includes development services, forestry, engineering, administration, construction and maintenance of streets.

Public Safety - Includes fire and police protection, and municipal court.

General Government - Includes services such as Mayor, City Council, Executive, Administration and Financial Services, City Attorney, and other expenses related to general government.

Public Housing - Includes services that are funded through operating grants such as Community Development Block Grants

Parks and Recreation - Expenses related to the operation of the City Zoo.

Interest and Fiscal Charges - Expenses incurred for outstanding debt obligation.

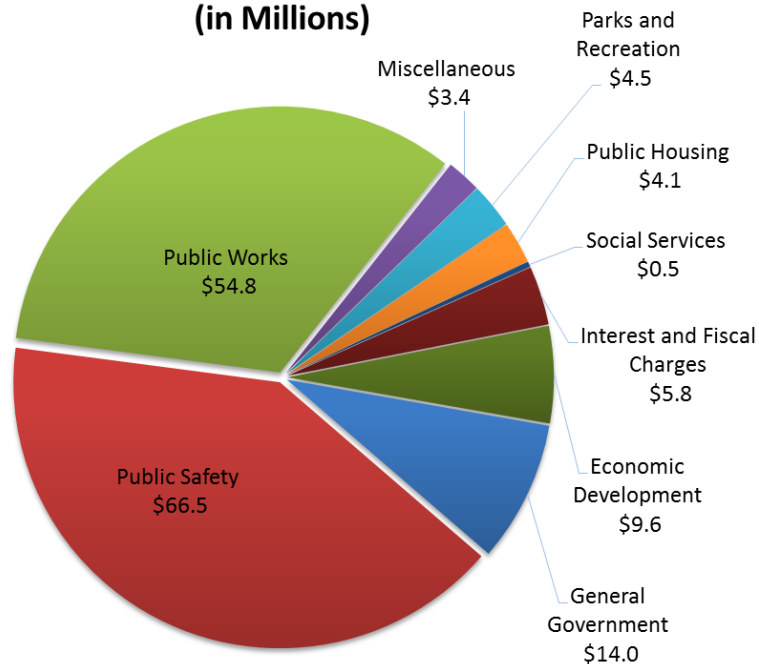
Water, Water Pollution Control, Stormwater Utilities - Expenses related to the operation and maintenance of water, water pollution control, and stormwater utilities.

Expenses - Where the Money Goes

Expenses - Primary Government

	2018	2017	2016
Governmental Activities			
General Government	\$ 13,988,771	\$ 14,386,282	\$ 13,466,865
Public Safety	\$ 66,505,207	\$ 68,081,184	\$ 66,743,087
Public Works	\$ 54,794,256	\$ 60,764,330	\$ 64,511,425
Miscellaneous	\$ 3,395,631	\$ 4,445,027	\$ 3,102,361
Parks and Recreation	\$ 4,477,801	\$ 3,217,782	\$ 3,015,394
Public Housing	\$ 4,126,533	\$ 3,940,428	\$ 4,055,154
Social Services	\$ 542,965	\$ 538,902	\$ 604,038
Interest and Fiscal Charges	\$ 5,838,559	\$ 5,153,042	\$ 4,388,345
Economic Development	\$ 9,607,852	\$ 9,004,532	\$ -
Total Governmental Activities	\$ 163,277,575	\$ 169,531,509	\$ 159,886,669
Business-type Activities			
Water, Water Pollution Control, Stormwater Utilities	\$ 65,503,021	\$ 62,835,383	\$ 64,388,157
Public Parking	\$ 2,959,169	\$ 2,993,100	\$ 3,190,334
Total Business-type Activities	\$ 68,462,190	\$ 65,828,483	\$ 67,578,491
Total Expenses	\$ 231,739,765	\$ 235,359,992	\$ 227,465,160

2018 Governmental Activities Expenses (in Millions)



Capital Assets - What We Own

Delivering services to the citizens of Topeka requires more than just dollars. Many assets (i.e. capital assets) are also needed to keep the city running. In 2018, total capital assets, including governmental and business-type capital assets, were valued at \$702.5 million, with investments in building improvements and infrastructure (streets, alley, bridges, etc.) comprising the largest amount \$543.2 million, or 77%. Construction in progress, valued at \$132.2 million in 2018, represents the second largest portion, and is reflective of the city's ongoing investment in future infrastructure needs.

Capital Assets - Primary Government

	2018	2017	2016
Capital Assets, not being depreciated:			
Land	\$ 2,543,042	\$ 2,543,042	\$ 2,553,472
Intangible easements	\$ 14,760,850	\$ 13,555,791	\$ 12,805,658
Construction in progress	\$ 132,245,338	\$ 107,872,914	\$ 72,225,992
Total not being depreciated	\$ 149,549,230	\$ 123,971,747	\$ 87,585,122
Capital Assets, being depreciated:			
Building improvements and infrastructure	\$ 543,196,833	\$ 564,280,921	\$ 601,278,039
Furniture	\$ 71,607	\$ 92,879	\$ 124,738
Vehicles	\$ 8,222,218	\$ 8,945,968	\$ 7,933,842
Software	\$ -	\$ -	\$ -
Tools and equipment	\$ 1,499,712	\$ 1,573,865	\$ 1,620,454
Total being depreciated	\$ 552,990,370	\$ 574,893,633	\$ 610,957,073
Total Capital Assets	\$ 702,539,600	\$ 698,865,380	\$ 698,542,195



Long Term Obligations - What We Owe

As of December 31, 2018, the City's long-term obligations, including governmental and business-type obligations, totaled \$522.7 million, comprised predominately of debt related to construction of infrastructure assets.

General Obligation Bonds - Municipal bonds issued to fund various public projects, and are backed by the full faith and credit of the city. As of December 31, 2018 the city's General Obligation bonds totaled \$154.0 million, with a bond rating of AA by Standard & Poor's.

Revenue bonds - Municipal bonds issues to fund income producing projects are secured by a specified revenue source, for example infrastructure projects related to water utilities. As of December 31, 2018 the city had \$199.7 million outstanding in Revenue bonds, with a bond rating of Aa3 by Moody's Investors Services.

Long-term Obligations - Primary Government

	2018	2017	2016
General obligation bonds	\$ 154,045,000	\$ 154,860,000	\$ 156,675,293
Tax increment and other bonds	\$ 9,415,000	\$ 10,690,000	\$ 11,935,000
Less deferred amounts:			
For issuance premium	\$ 7,549,010	\$ 7,795,049	\$ 7,462,127
For issuance discounts	\$ (532)	\$ (620)	\$ (2,227)
Revenue Bonds	\$ 199,720,000	\$ 159,950,000	\$ 127,425,000
Less deferred amounts:			
For issuance premium	\$ 5,273,177	\$ 4,200,237	\$ 3,978,014
For issuance discounts	\$ (107,347)	\$ (114,923)	\$ (130,067)
State revolving loan	\$ 34,176,326	\$ 40,790,177	\$ 52,701,862
Other liabilities	\$ -	\$ 44,000	\$ 132,000
Capital leases	\$ 2,741,448	\$ 3,691,113	\$ 3,526,553
OPEB liability	\$ 6,356,673	\$ 6,639,047	\$ 6,401,784
Net Pension Liability	\$ 93,970,569	\$ 93,559,574	\$ 97,506,352
Retirement incentive	\$ -	\$ -	\$ -
Compensated absences	\$ 9,540,462	\$ 9,687,776	\$ 9,424,193
Park transfer obligations	\$ -	\$ -	\$ 135,870
Claims and judgments	\$ -	\$ 209,333	\$ 947,330
Long Term Liabilities	\$ 522,679,786	\$ 492,000,763	\$ 478,119,084

The information in the City of Topeka Popular Annual Financial Report is taken from the
City of Topeka Comprehensive Annual Financial Report (CAFR).

A copy of the CAFR is available online at <https://www.topeka.org/finance/financial-reports/annual-reports/>



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TopekaKansas

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