

JOINT ECONOMIC DEVELOPMENT ORGANIZATION

Required Communications and Compliance Report
For the Year Ended December 31, 2017

Joint Economic Development Organization
Required Communications and Compliance Report
For the Year Ended December 31, 2017

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Other offices in Kansas
and Missouri

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, 2017. 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 September 12, 2017. 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 the JEDO are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit 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.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

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. We assisted with the adjustments necessary in converting from the modified accrual basis of accounting used in the fund financial statements to the accrual basis of accounting used in the government-wide financial statements.

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 July 20, 2018.

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.

Other Matters

In planning and performing our audit of the financial statements of the governmental activities and major fund of JEDO as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered JEDO's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JEDO's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

As part of our audit, we try to identify opportunities for improving the management of financial resources and for improving the internal controls over financial reporting. We are submitting, for your consideration, our observations and recommendations with regard to these matters.

Current Year Comment

Subsequent to year end, JEDO agreed to participate in a New Markets Tax Credits (NMTC) financing for the benefit of the East Topeka Learning Center project. JEDO agreed convey its ownership in the Menninger Army Reserve property to an affiliate of GO Topeka and made a leverage loan into the NMTC structure. These transactions will be reflected on JEDO's December 31, 2018 financial statements. We recommend that JEDO's management evaluate the financial reporting requirements of these agreements and related transactions.

Management's Response

Management is in the process of reviewing the NTMC agreements and transactions and evaluating the related financial reporting requirements.

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.

Cochran Herd Viet & Co., P.A.

Overland Park, Kansas
July 20, 2018



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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

Other offices in Kansas and
Missouri

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, 2017 and the related notes to the financial statements, which collectively comprise JEDO's basic financial statements, and have issued our report thereon dated July 20, 2018.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JEDO's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

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.

Cochran Head Vick & Co., P.A.

Overland Park, Kansas
July 20, 2018

Joint Economic Development Organization

Basic Financial Statements
Together with
Independent Auditor's Report

December 31, 2017

JOINT ECONOMIC DEVELOPMENT CORPORATION

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COCHRAN HEAD VICK & CO., P.A.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Other Offices in
Kansas and Missouri

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, 2017, 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, 2017, 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 July 20, 2018 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.

Cochran Head V&D & Co., P.A.

Overland Park, Kansas
July 20, 2018

Joint Economic Development Organization
Governmental Fund Balance Sheet / Statement of Net Position
December 31, 2017

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 1,354,878	\$ -	\$ 1,354,878
Receivables:			
City of Topeka	1,642,799	-	1,642,799
Shawnee County	1,399,140	-	1,399,140
Property held for development:			
East Topeka Learning Center Project		423,509	423,509
Total Assets	\$ 4,396,817	\$ 423,509	\$ 4,820,326
Liabilities and Fund Balance/Net Position			
Liabilities:			
Accounts payable - City of Topeka	\$ 1,510,136	\$ -	\$ 1,510,136
Accounts payable - Shawnee County	1,635,980	-	1,635,980
Total Liabilities	3,146,116	-	3,146,116
Fund Balances:			
Restricted	1,250,701	(1,250,701)	-
Total Fund balances	1,250,701	(1,250,701)	-
Total Liabilities and and Fund Balance	\$ 4,396,817		
Net Position			
Restricted		1,674,210	1,674,210
Total net position		\$ 1,674,210	1,674,210
Total Liabilities and and Net Position			\$ 4,820,326
Reconciliation of the governmental fund balance sheet to the statement of net position:			
Fund Balance - Governmental Fund			\$ 1,250,701
Assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements.			
Property held for development:			423,509
=			
Total Net Position			\$ 1,674,210

See accompanying notes to the basic financial statements.

**Joint Economic Development Organization
Governmental Fund Revenues, Expenditures and
Changes in Fund Balance / Statement of Activities
For the Year Ended December 31, 2017**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Sales tax contributed:			
City of Topeka	\$ 9,004,532	\$ -	\$ 9,004,532
Shawnee County	7,661,645	-	7,661,645
Interest income	27,695	-	27,695
Donated property held for development	-	423,509	423,509
Total revenues	<u>16,693,872</u>	<u>423,509</u>	<u>17,117,381</u>
Expenditures/Expenses			
Economic Development:			
Go Topeka	5,000,000	-	5,000,000
City of Topeka	15,443,324	-	15,443,324
Shawnee County	14,438,061	-	14,438,061
Project reimbursements:			
City of Topeka	446,769	-	446,769
Professional services and other	5,253	-	5,253
Total expenditures/expenses	<u>35,333,407</u>	<u>-</u>	<u>35,333,407</u>
Change in fund balance / net position	(18,639,535)	423,509	(18,216,026)
Fund balance/net position - beginning of year	<u>19,890,236</u>	<u>-</u>	<u>19,890,236</u>
Fund balance/net position - end of year	<u>\$ 1,250,701</u>	<u>\$ 423,509</u>	<u>\$ 1,674,210</u>

Reconciliation of the Governmental Fund Revenues,
Expenditures and Changes in Fund Balance
to the Statement of Activities:

Change in Fund Balance - Governmental Fund	\$ (18,639,535)
Revenues that do not provide current financial resources are not reported in the governmental funds:	
Donated property held for development	423,509
Change in Net Position - Statement of Activities	<u>\$ (18,216,026)</u>

See accompanying notes to the basic financial statements.

**Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2017**

1. Reporting Entity and Summary of Significant Accounting Policies

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 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. The remaining sales tax receipts and project costs related to the sales tax expiring December 31, 2016 were distributed in 2017. The distribution amounts were \$9,844,171 to the City and \$8,372,168 to the County.

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.

Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2017

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.

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.

**Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2017**

Assets, Liabilities and Net Position or Fund Balance

Cash and Cash 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 November 4, 2014 ballot language.

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, 2017, the fund balance of the general fund is restricted.

2. Deposits and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2017:

Demand deposits	\$	1,000
Repurchase agreements		<u>1,353,878</u>
Total cash and cash equivalents	\$	<u>1,354,878</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, 2017.

**Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2017**

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.

3. Economic Development Program

JEDO has entered into an 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 May 10, 2017, the agreement was again amended to extend the terms through December 31, 2020.

4. Property Held for Development - East Topeka Learning Center Project

In February 2017, JEDO acquired the Menninger Army Reserve property through assignment from GO Topeka. The acquisition of the property is part of an initiative to expand the educational services and programs within the Topeka area by establishing the East Topeka Learning Center (ETLC). In July 2017, JEDO entered into a Joint Education Agreement with GO Topeka and the Washburn Institute of Technology through Washburn University (Washburn) to provide education services and other programs at the ETLC. The ETLC proposed budget also includes environmental remediation, demolition costs, rehabilitation costs, and partnership funds for a total of \$6.5 million. At December 31, 2017, the total amount costs incurred in connection with the ETLC project was \$423,509.

5. Subsequent Events

JEDO has evaluated subsequent events through July 20, 2018, the date the financial statements were available to be issued.

Subsequent to year-end, JEDO participated in a New Markets Tax Credits (NMTC) financing for the benefit of ETLC. JEDO conveyed the Menninger Army Reserve property to a non-profit affiliate of GO Topeka specifically created to own and cause the operation of the facility in support of GO Topeka's mission for the property. JEDO also agreed to serve as leverage lender for the NMTC financing. The NMTC program permits investors in qualified projects in certain low-income communities to claim federal tax credits for making Qualified Equity Investments (QEI) in a designated Community Development Entity (CDE). The CDE must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICs). The tax credits are claimed over a seven-year period and equate to 39% of the QEI.

GO Topeka created the GO Topeka ETLC Support Corporation, a Kansas nonprofit corporation, (the Corporation), as a supporting organization to own and operate ETLC. JEDO, along with GO Topeka and Washburn, terminated the Joint Educational Agreement discussed in Note 4. The Corporation then entered into a ten-year contract for services with Washburn to provide educational programming at ETLC in exchange for \$1.5 million in operating subsidy payments to be paid over the first two years of ETLC's operations.

As described in Note 3, JEDO has contracted with GO Topeka to provide services in support of JEDO's economic development program. GO Topeka agreed to return approximately \$4.5 million to JEDO to provide financing of the ETLC project. Using these funds, JEDO made the leverage loan to ETLC Investment Fund, a Delaware limited liability company, (the Fund) in the approximate amount \$4.5 million with interest at 1% annually and scheduled to mature in 2053.

Joint Economic Development Organization
Notes To The Basic Financial Statements
December 31, 2017

PNC New Markets Investment Partners, LLC, a Delaware limited liability company (PNC), made a capital contribution in the Fund in exchange for one hundred percent (100%) of Fund's membership equity interests.

Using PNC's capital contribution and JEDO's leverage loan, the Fund made the QEI, in accordance with the Internal Revenue Code of 1986 (the Code), in an amount equal to \$6.5 million to Partnerships of Hope XXI, LLC, a Missouri limited liability company (Partnerships) an affiliated Community Development Entity (CDE) of Raza Development Fund, Inc., a District of Columbia nonprofit corporation, which is eligible for NMTC in accordance with the Code.

Partnerships made certain loans to the Corporation in the aggregate original principal amount of \$6.5 million (collectively, the "QLICI Loans"), each of which is intended to constitute a Qualified Low Income Community Investment, as such term is used in Section 45D of the Code. Proceeds of the QLICI Loans will be used to fund ETLC and the payment to Washburn.

Other than the agreements described above, no other subsequent events were identified that required adjustment to or disclosure in the financial statements.