



Certified Public Accountants

JOINT ECONOMIC DEVELOPMENT ORGANIZATION

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
FINANCIAL STATEMENTS
Year Ended December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Joint Economic Development Organization

Opinions

We have audited the financial statements of the governmental activities and the major fund of Joint Economic Development Organization (JEDO), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise JEDO's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of JEDO, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of JEDO, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JEDO's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 JEDO's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JEDO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 opinions on the basic financial statements are not affected by this missing information.

BT&C, P.A.

August 1, 2024
Topeka, Kansas

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
December 31, 2023

	General Fund	Adjustments	Statement of Net Position
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,723,405	\$ -	\$ 1,723,405
Receivables:			
City of Topeka	2,071,916	-	2,071,916
Shawnee County	1,855,774	-	1,855,774
Total assets	\$ 5,651,095	-	5,651,095
<u>LIABILITIES</u>			
Accounts payable:			
City of Topeka	\$ 2,111,185	-	2,111,185
Shawnee County	2,287,116	-	2,287,116
Total liabilities	4,398,301	-	4,398,301
<u>FUND BALANCES/NET POSITION</u>			
Fund balances:			
Restricted for economic development and infrastructure improvements	1,252,794	(1,252,794)	-
Total liabilities and fund balances	\$ 5,651,095		
Net position:			
Restricted for economic development and infrastructure improvements		1,252,794	1,252,794
Total net position		\$ 1,252,794	\$ 1,252,794

See accompanying notes to financial statements.

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Sales taxes:			
City of Topeka	\$ 11,608,064	\$ -	\$ 11,608,064
Shawnee County	10,330,808	-	10,330,808
Interest income	45,917	-	45,917
	<u>21,984,789</u>	<u>-</u>	<u>21,984,789</u>
Total revenues			
Expenditures/expenses:			
Economic development:			
GO Topeka	5,000,000	-	5,000,000
City of Topeka	8,123,459	-	8,123,459
Shawnee County	8,800,413	-	8,800,413
Professional services and other	60,891	-	60,891
	<u>21,984,763</u>	<u>-</u>	<u>21,984,763</u>
Total expenditures/expenses			
Net change in fund balances	26	(26)	-
Change in net position	-	26	26
Fund balances/net position, beginning of year	<u>1,252,768</u>	<u>-</u>	<u>1,252,768</u>
Fund balances/net position, end of year	<u>\$ 1,252,794</u>	<u>\$ -</u>	<u>\$ 1,252,794</u>

See accompanying notes to financial statements.

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

1 - Summary of Significant Accounting Policies

Reporting Entity

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's Board of Directors consists of 13 members. Voting members include the three County Commissioners, the City Mayor, the City Deputy Mayor, and two City Council members. Nonvoting members include the remaining six 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, which 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.

Beginning 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 JEDO's Board of Directors. 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.

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

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.

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, grants, or contributions. Sales taxes and unrestricted investment earnings are reported as general revenues.

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

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.

Governmental fund financial statements are reported using the current financial resources measurement focus 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in demand accounts at financial institutions and short term, highly liquid investments that are readily convertible to cash. Interest bearing deposit accounts are reported at cost plus accrued interest.

Accounts Receivable

Accounts receivable consist of retail sales tax collected by the City and County to be remitted to JEDO that have been received within 90 days after year-end.

Equity Classifications

Net Position: In the government-wide financial statements, equity is classified as restricted net position that consists of assets restricted for the purpose specified in accordance with the November 4, 2014 ballot language.

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2023, 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, 2023:

Demand deposits	\$ 1,000
Repurchase agreements	1,722,405
	1,722,405
 Total cash and cash equivalents	 \$ 1,723,405

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, 2023.

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’s 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 amended to extend the terms through December 31, 2020. The agreement was again amended on December 19, 2019, which extended the term of the agreement for three years, to renew automatically for a new three-year term each year, unless terminated by a 180-day notice.

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - New Markets Tax Credits

In June 2018, JEDO participated in a New Markets Tax Credits (NMTC) financing for the benefit of East Topeka Learning Center (ETLC). JEDO conveyed the Menninger Army Reserve property to ETLC, which is 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 (QLICIs). 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. 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 returned 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 of \$ 4.5 million with interest at 1% annually and scheduled to mature in 2053. The leverage loan was classified as an expense for economic development on the financial statements and the loan proceeds were collected and accounted for by the Partnerships of Hope XXI, LLC, as noted below.

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 the 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 450 of the Code. Proceeds of the QLICI Loans will be used to fund ETLC and the payment to Washburn.

After the seven-year period is complete and all tax credits have been claimed, control over ETLC will default to JEDO.

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Subsequent Events

JEDO has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements are available to be issued.