SSC CPAs, P.A.

JOINT ECONOMIC DEVELOPMENT ORGANIZATION

TOPEKA, KANSAS

BASIC FINANCIAL STATEMENTS TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021

Table of Contents

	Page Number
Independent Auditor's Report	1 – 3
Basic Financial Statements:	
Governmental Fund Balance Sheet and Statement of Net Position	4
Governmental Fund Revenues, Expenditures and Changes in Fund Balance and Statement of Activities	5
Notes to the Basic Financial Statements	6 – 10
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*	11—12
Schedule of Findings	13

SSC CPAs, P.A.

Independent Auditor's Report

To the Board of Directors
Joint Economic Development Organization
Shawnee County, Kansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the Joint Economic Development Organization as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

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 Joint Economic Development Organization, as of December 31, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Joint Economic Development Organization, 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 the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 the Organization'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 the Organization'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022 on our consideration of the Joint Economic Development Organization'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 solely 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 the effectiveness of the Joint Economic Development Organization's 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 the Joint Economic Development Organization's internal control over financial reporting and compliance.



SSC CPAs, P.A.
Topeka, Kansas

October 25, 2022

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION

DECEMBER 31, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash and cash equivalents	$ 2,034,817	$ -	$ 2,034,817
Receivables			
City of Topeka	1,957,305	-	1,957,305
Shawnee County	1,707,898	-	1,707,898
TOTAL ASSETS	$ 5,700,020	-	5,700,020
LIABILITIES AND FUND BALANCE/NET POSITION			
Liabilities			
Accounts payable			
City of Topeka	$ 2,118,629	-	2,118,629
Shawnee County	2,295,181	-	2,295,181
Total liabilities	4,413,810	-	4,413,810
Fund balance			
Restricted	1,286,210	-	-
Total fund balance	1,286,210	-	-
TOTAL LIABILITIES AND FUND BALANCE	$ 5,700,020		
Net position			
Restricted		-	1,286,210
TOTAL NET POSITION		$ -	$ 1,286,210

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Adjustments	Statement of Activities
Revenue			
Sales tax			
City of Topeka	$ 11,010,881	$ -	$ 11,010,881
Shawnee County	9,501,983	-	9,501,983
Interest income	46,535	-	46,535
Total revenue	20,559,399	-	20,559,399
Expenses			
Economic development			
Go Topeka	5,000,000	-	5,000,000
City of Topeka	7,443,199	-	7,443,199
Shawnee County	8,063,466	-	8,063,466
Professional services and other	17,763	-	17,763
Total expenses	20,524,428	-	20,524,428
Change in fund balance/net position	34,971	-	34,971
Fund balance/net position, beginning of year	1,251,239	-	1,251,239
Fund balance/net position, end of year	$ 1,286,210	$ -	$ 1,286,210

DECEMBER 31, 2021

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 of Directors 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.

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 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.

2. 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, grants, or contributions. Sales taxes contributed and unrestricted investment earnings are reported 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.

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.

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, 2021, the fund balance of the general fund is restricted.

3. DEPOSITS AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31, 2021:

Demand deposits	$	1,000
Repurchase agreements		2,033,817
Total cash and cash equivalents	$	2,034,817

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, 2021 by a repo sweep account.

4. ECONOMIC DEVELOPMENT PROGRAM

JEDO has entered into an agreement with the Growth Organization of Topeka/Shawnee County, lnc., (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 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 180 day notice.

5. 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 4, 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 is classified as an expense for economic development on the financial statements and the loan proceeds will be 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 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.

6. RISKS AND UNCERTAINTIES

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID-19 coronavirus in 2020, uncertainties have arisen which are likely to negatively impact future operating results. The duration and extent to which COVID-19 may impact financial performance is unknown at this time.

7. SUBSEQUENT EVENTS

JEDO has evaluated subsequent events through October 25, 2022, the date the financial statements were available to be issued. None were identified that required adjustment to or disclosure in the financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Joint Economic Development Organization
Shawnee County, Kansas

We have audited, in accordance with the 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, 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, 2021, and the related notes to the financial statements, which collectively comprise JEDO's basic financial statements, and have issued our report thereon dated October 25, 2022.

Report on 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) 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 the JEDO's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether JEDO's financial statements are free from 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

financial statements. 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*.

JEDO's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on JEDO's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. JEDO's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

SSC CPAs, P.A.

SSC CPAs, P.A.

Topeka, Kansas
October 25, 2022

JOINT ECONOMIC DEVELOPMENT ORGANIZATION
SCHEDULE OF FINDINGS

FINDINGS – FINANCIAL STATEMENT

2021-001 Internal Controls over Monthly and Year-End Financial Information – Material Weakness

Criteria: JEDO maintains its financial information within Excel spreadsheets for month-end and year-end on a cash basis, with year-end entries made to adjust to accounting principles generally accepted in the United States of America.

Condition: It was noted during the audit that the financial spreadsheets were not maintained monthly, and that the final spreadsheet presented for the audit contained a significant misstatement requiring an adjustment to revenue and accounts receivable of $1,998,605.

Cause: The financial spreadsheets are not being prepared timely and the subsequent management review of the financial spreadsheets is not occurring after preparation.

Effect or Potential Effect: JEDO's financial spreadsheets and financial statements used throughout the year may not be accurate or complete.

Recommendation: To strengthen internal controls over the preparation of the financial information, we recommend that the Organization prepare financials monthly and that management of JEDO develop procedures to ensure that the monthly preparation is occurring, and that the information is reviewed by someone other than the preparer. We would further recommend that the review be documented.

Views of Responsible Officials: Staff acknowledges the delay in monthly statement preparation during the 2021 fiscal year. The delay was due to staff vacancies and turnover during that time frame. Transactions have been recorded and reconciled monthly during 2022. To further ensure future compliance, additional support staff will be trained to assist with document preparation and document review for the future. This review will be documented in either email correspondence between the agencies or as part of the formal committee meetings.