

March 31, 2025

To the Management and the Board of Directors
Topeka Development Corporation
Topeka, Kansas

We have audited the financial statements of the of **Topeka Development Corporation** for the year ended December 31, 2024, and have issued our report thereon dated March 31, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 December 11, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **Topeka Development Corporation** are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization 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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant 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 clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes material misstatements detected as a result of audit procedures and corrected by management.

Topeka Development Corporation

Page 2

March 31, 2025

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 auditors' 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 March 31, 2025.

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 Organization's financial statements or a determination of the type of auditors' 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 the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We identified the following significant risk of material misstatement as part of our audit. This is in addition to the risks of material misstatements to the financial statements communicated to you in our letter dated December 11, 2024.

- *Depreciation:* During the audit, we identified depreciation expense as a risk of material misstatement. We designed and performed procedures to address this risk.

Audit Recommendations

We wish to communicate to the governing body recommendations that we discussed with management to improve operational or administrative efficiencies and for improving internal control.

- Currently, journal entry review is not documented. We recommend that journal entry review be documented monthly and signed off on by the Director of Finance. Journal entries made by the Director of Finance should be reviewed by the City Manager or other designated person.

We will review the status of these items during our next audit engagement. We have already discussed many of these items and suggestions with the appropriate personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

INTERNAL CONTROLS

In planning and performing our audit of the financial statements of **Topeka Development Corporation** as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's system of 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

- During the audit, we determined that the hotel property was depreciated with a useful life of 12 years instead of 20 years, which resulted in a material adjustment to the financial statements. We recommend that management review useful lives of all depreciable assets and ensure that they are depreciated based on those lives.

We would like to express our appreciation for the opportunity to perform the December 31, 2024 audit for **Topeka Development Corporation** and to the employees for the cooperation and assistance given to us during the audit.

Restriction on Use

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.



ADAMSBROWN, LLC

Certified Public Accountants

Wichita, Kansas

Client: 95-08485.0 - Topeka Development Corporation
Engagement: 2024 Audit - Topeka Development Corporation
Period Ending: 12/31/2024
Trial Balance: TB-01 - Trial Balance
Workpaper: TB-03 - Combined Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1001				
To adjust depreciation expense to actual.				
16700	Accumulated Depreciation	H-02	242,932.59	
58102	Depreciation			242,932.59
Total			242,932.59	242,932.59
Adjusting Journal Entries JE # 1002				
To adjust real estate taxes for July-Oct 2023 which were not accrued for at prior year end but ultimately were paid by TDC.				
Originally recorded as an adjustment to net position.				
906765000	Real Estate Taxes	M-01	37,526.37	
2900000	Equity - Partner			37,526.37
Total			37,526.37	37,526.37
Total Adjusting Journal Entries			280,458.96	280,458.96
Total All Journal Entries			280,458.96	280,458.96

TOPEKA DEVELOPMENT CORPORATION

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2024

TOPEKA DEVELOPMENT CORPORATION
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2024

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Net Position	3
Statement of Revenues, Expenses and Change in Net Position.....	4
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Topeka Development Corporation
Topeka, Kansas

Opinion

We have audited the accompanying financial statements of **Topeka Development Corporation**, a component unit of City of Topeka, Kansas, which comprise the statement of net position as of December 31, 2024, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, 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 net position of **Topeka Development Corporation**, as of December 31, 2024, and the changes in its net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 **Topeka Development Corporation**, 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 opinion.

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 the 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 **Topeka Development Corporation'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.

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 opinion. 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 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, 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 **Topeka Development Corporation'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 **Topeka Development Corporation'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 the management, 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.



ADAMSBROWN, LLC

Certified Public Accountants

Wichita, Kansas

March 31, 2025

TOPEKA DEVELOPMENT CORPORATION

Statement of Net Position

December 31, 2024

<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 384,203
Accounts Receivable, Net	62,649
Inventory	24,816
Prepaid Expenses and Other Assets	<u>120,575</u>
Total Current Assets	<u>592,243</u>
Capital Assets	
Building	7,287,977
Accumulated Depreciation	<u>(425,132)</u>
Net Capital Assets	<u>6,862,845</u>
Total Assets	\$ <u><u>7,455,088</u></u>
<u>LIABILITIES</u>	
Current Liabilities	
Trade Accounts Payable	\$ 165,535
Other Payables	6,954
Accrued Payroll	38,150
Deposits Received	<u>24,905</u>
Total Current Liabilities	<u>235,544</u>
<u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	6,862,845
Unrestricted	<u>356,699</u>
Total Net Position	<u>7,219,544</u>
Total Liabilities and Net Assets	\$ <u><u>7,455,088</u></u>

The accompanying notes are an integral part of the financial statements.

TOPEKA DEVELOPMENT CORPORATION
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2024

<u>REVENUES</u>	
Operating Revenues	
Charges for Services	
Room	\$ 2,051,921
Restaurant	99,307
Banquet	938,084
Other	49,599
	<hr/>
Total Operating Revenue	3,138,911
	<hr/>
<u>EXPENSES</u>	
Operating Expenses	
Payroll and Compensation Expense	
Room	716,172
Food and Beverage	168,162
Restaurant	109,517
Banquet	189,850
Administrative and General	219,358
Sales and Marketing	134,953
Repairs and Maintenance	260,107
	<hr/>
Total Payroll and Compensation Expense	1,798,119
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Professional Services	
Room	119,574
Food and Beverage	74,540
Administrative and General	151,285
IT	130,037
Sales and Marketing	114,105
Repairs and Maintenance	27,826
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Total Professional Services	617,367
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Supplies	
Room	85,508
Food and Beverage	362,124
Other	19,666
Administrative and General	19,575
IT	7,946
Sales and Marketing	2,333
Repairs and Maintenance	237,689
Utilities	413,957
Fixed	1,030,211
	<hr/>
Total Supplies	2,179,009
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Depreciation	364,399
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Total Operating Expenses	4,958,894
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Net Operating Loss (carried forward)	\$ (1,819,983)

The accompanying notes are an integral part of the financial statements.

TOPEKA DEVELOPMENT CORPORATION
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2024

Net Operating Loss (carried forward)	\$ (1,819,983)
<u>NON OPERATING REVENUES (EXPENSES)</u>	
Interest Income	138
Interest Expense and Finance Charges	<u>(112,002)</u>
Net Nonoperating Revenues (Expenses)	<u>(111,864)</u>
Loss Before Contributions	(1,931,847)
Capital Contributions	
Other Capital Contribution	<u>1,615,187</u>
Change in Net Position	(316,660)
Net Position Beginning of Period	<u>7,536,204</u>
Net Position End of Period	\$ <u><u>7,219,544</u></u>

The accompanying notes are an integral part of the financial statements.

TOPEKA DEVELOPMENT CORPORATIONStatement of Cash Flows
For the Year Ended December 31, 2024

Cash Flows From Operating Activities	
Hotel Services	\$ 3,080,706
Payments to Suppliers	<u>(4,695,392)</u>
Net Cash Used by Operating Activities	<u>(1,614,686)</u>
Cash Flows From Capital and Capital Related Financing Activities	
Capital Contributions Received	1,615,187
Interest Expense and Finance Charges	<u>(112,002)</u>
Net Cash Provided by Capital and Capital Related Financing Activities	<u>1,503,185</u>
Cash Flows from Investing Activities	
Interest Income	<u>138</u>
Net Decrease in Cash and Cash Equivalents	(111,363)
Cash and Cash Equivalents - Beginning of Year	<u>495,566</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 384,203</u></u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities	
Net Operating Loss	\$ (1,819,983)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	364,399
(Increase) Decrease in	
Accounts Receivable	(48,484)
Inventory	(630)
Prepaid Expenses	(19,596)
Increase (Decrease) in	
Accounts Payable	(88,248)
Other Payables	(6,520)
Accrued Payroll and Benefits	14,097
Deposits Received	<u>(9,721)</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,614,686)</u></u>

The accompanying notes are an integral part of the financial statements.

TOPEKA DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Topeka Development Corporation (the Organization) was incorporated on October 18, 2023, as a nonprofit organization for the exclusive benefit of City of Topeka, Kansas, in particular to aid, assist and foster the planning, designing, development, supervision, acquisition, construction, furnishing, equipping, management, operation and improvement of a convention center hotel in City of Topeka, Kansas. The Organization is a blended component unit of City of Topeka, Kansas and shares the same governing body as City of Topeka, Kansas. The Organization has no component units of its own.

Basis of Accounting

The accounting and reporting policies of the Organization, relating to the programs included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments (GASB 34 Edition).

The Organization's 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 timing of related cash flows. For financial statement reporting purposes, the Organization is considered a special-purpose government engaged only in business-type activities and consists of one proprietary fund.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include checking accounts.

Accounts Receivable, Net

Accounts receivables are recorded when services are rendered and are primarily related to credit card payments. There was no allowance for uncollectable accounts at year end.

Prepaid Expenses and Inventory

Payments made to vendors for goods or services that will benefit periods beyond the current year are recorded as inventory or prepaid expenses.

Capital Assets

Capital assets are defined by the Organization as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of two years or greater. These assets are valued at historical cost, estimated historical cost if actual cost is not available, and estimated acquisition value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

TOPEKA DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2024

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful life for the building is 20 years.

Net Position

The Organization's net position is classified as follows:

Invested in capital assets, net of related debt: This represents the Organization's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Unrestricted net position: The Organization receives various funds from organizations and hotel guests which are available for use at the discretion of the Organization.

Hotel Service Revenue

The Organization operates a full service hotel. Hotel revenues are recognized when services or goods have been rendered and it has a legal and enforceable right to receive payment. Hotel service revenues primarily consist of room rentals and restaurant and banquet charges.

Income Taxes

The Organization is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC), as an Organization described in IRC Section 501(c)(3). Further, the Organization has been classified as an Organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Organization qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization did not have any material unrelated business income tax liability for the year ended December 31, 2024.

Management Agreement

The Organization has contracted with TOKS Associates LLC to manage the operations of Hotel Topeka at City Center. The management agreement commenced on October 31, 2023, and was renewed for an additional six months on December 31, 2023. The agreement will automatically renew for an additional six months indefinitely until either party provides notice of termination of the agreement.

The Organization will pay a management fee equal to the greater of 3% of total revenues, or \$7,500 per month, provided that the total fee for any full fiscal year is not less than \$120,000. If, at the end of any full fiscal year, the total of the monthly installments is less than \$120,000, the Organization shall pay TOKS Associates LLC an amount equal to the difference. The Organization will also pay TOKS Associates LLC an accounting fee of \$1,500 per month.

All hotel employees are employees of TOKS Associates LLC and, as such, the Organization has no direct employees and no pension obligations.

For the year ended December 31, 2024, the Organization paid total management fees of \$105,928 and total accounting fees of \$18,000.

Budgetary Information

The Organization is not subject to legal annual operating budget requirements and, therefore, has not included any budgetary information in these financial statements.

NOTE 2 – CASH

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by **Topeka Development Corporation**. The

TOPEKA DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2024

statute requires banks eligible to hold the Organization's funds have a main or branch bank in the county in which the Organization is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Organization has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Organization's investments 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. The Organization has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Organization may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be returned to it. State statutes require the Organization'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, except during designated "peak periods" when required coverage is 50%. The Organization does not use "peak periods". All deposits were legally secured at December 31, 2024. At December 31, 2024, the Organization's carrying amount of deposits and cash on hand was \$384,203 and the bank balance was \$373,906. The entire bank balance at December 31, 2024 was covered by federal depository insurance.

Cash balances at December 31, 2024 were as follows:

Demand Deposit – U.S. Bank	\$	150,159
Demand Deposit – Bank of America		229,044
Petty Cash on Hand		<u>5,000</u>
Total Cash	\$	<u>384,203</u>

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital asset for the year ended December 31, 2024.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable Capital Assets				
Building	\$ 7,287,977	-	-	7,287,977
Less Accumulated Depreciation	<u>(60,733)</u>	<u>(364,399)</u>	<u>-</u>	<u>(425,132)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,227,244</u>	<u>(364,399)</u>	<u>-</u>	<u>6,862,845</u>

TOPEKA DEVELOPMENT CORPORATION

Notes to Financial Statements
December 31, 2024

The Organization incurred total depreciation expense for the year ended December 31, 2024, of \$364,399.

NOTE 4 – CAPITAL CONTRIBUTION

The Organization is a blended component unit of City of Topeka, Kansas and received capital contributions from the City of \$1,615,187 in cash, which is included in the statement of revenues, expenses and changes in net position for the year ended December 31, 2024.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2025, which is the date the financial statements were available to be issued.