



Port Authority of Kansas City, Missouri  
(A Component Unit of the City of Kansas City, Missouri)

FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT

April 30, 2020

**PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)**

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## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Port Authority of Kansas City, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Port Authority of Kansas City, Missouri (Port KC) - a component unit of the City of Kansas City, Missouri, as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise Port KC'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 Port KC'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 respective financial position of the governmental activities and each major fund of Port KC, as of April 30, 2020, 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*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 3-8 and page 29, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2020, on our consideration of Port KC'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 Port KC's internal control over financial reporting and compliance.

*Noah Burkholder*  
Kansas City, Missouri  
August 25, 2020



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2020

This discussion and analysis provides an overview of the financial performance of the Port Authority of Kansas City, Missouri (Port KC) for the year ended April 30, 2020. The intent of this discussion and analysis is to look at Port KC's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of Port KC's financial performance.

### Financial Highlights

- The City of Kansas City, Missouri appointed a new, 7-member Board of Commissioners to Port KC. The Commissioners were installed in January 2020.
- Due to regional flooding, the Port of Kansas City – Woodswether Terminal closed for 12 weeks. Despite this, the terminal moved a record 115,000 tons during the fiscal year.
- Port KC and the City completed a land swap in the West Bottoms. Port KC sold its 515 Liberty warehouse and acquired the Woodswether Terminal, previously leased from the City. Port KC replaced failing dolphins, also called moorings, with land swap and general funds. With state grants, Port KC made progress towards a new storage dome, doubling capacity for fertilizer storage en route to local farmers. These combined efforts will encourage future record growth.
- Port KC partnered with AltCap for the KC COVID-19 Small Business Relief Loan Fund to fill a funding gap in Kansas City. The primary response from recipients was the loan allowed businesses to keep staff employed through pandemic shutdown.
- Port KC partnered with developers to issue new bonds totaling \$146,520,555 in Conduit Debt (see Note L). New developer fees totaling \$476,770 were collected for these services. Additionally, Port KC administered Tax Compliance Payments of \$1,740,353 collected from its development partners and distributed to the local taxing jurisdictions.

Port KC's Change in Net Position, which is a comparable measure to Net Income, was \$323,428 for the fiscal year ending April 30, 2020.

Lease revenue continues to be Port KC's primary source of program revenues. Total lease revenue has been consistent in the last three years with \$4,329,877 in 2020 compared to \$4,265,894 in 2019 and \$4,324,507 in 2018. The majority of lease revenue is from the Isle of Capri Casino, which is in its 4<sup>th</sup> year of the current renewal period (see Note D). The majority of non-casino lease revenue is largely from Richards-Gebaur Commerce Park, which operated at near full capacity during fiscal year 2020. Higher lease revenue from Berkley Riverfront and the Port of Kansas City – Woodswether Terminal drove a 5.3% increase for all non-casino lease revenue.

During fiscal year 2020, Port KC invested new capital grant funds awarded for the Port of Kansas City – Woodswether Terminal (see Note F). The capital grants were used for an additional storage dome for bulk commodities at the Woodswether Terminal, a project which began in 2019 and is scheduled for completion in August 2020.

Total expenses were slightly down compared to 2019 but still show a growth pattern over a three-year span from \$3,632,733 to \$4,700,649 to \$4,652,078 from 2018, 2019, and 2020, respectively. Categories where expenses increased include consulting for the Missouri River Terminal project and interest expense (see Note H). Categories where expenses decreased include professional services and marketing. Professional services decreased largely because the Streetcar extension to Berkley Riverfront reached the 30% Design benchmark in 2019 and was not able to proceed further during 2020. Marketing decreased because there was a large one-time sponsorship given in 2019 that was not repeated in 2020.

Port KC and the City terminated a Cooperative Agreement from 2006 and split the fund balance of \$1,322,520 evenly (see Notes I). These funds were previously reported as restricted cash and with 50% reported as funds held for the benefit of others.



PORT KC  
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MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2020

## Using these Financial Statements

These financial statements are presented from two different perspectives: Port KC as a whole and Port KC funds. Port KC as a whole is reported using accrual accounting, which is similar to accounting used by most private-sector companies. Port KC funds are reported on a modified accrual basis, which has more commonalities with cash accounting than accrual accounting. The funds are reported in this manner in order to focus on the short-term funds available for future spending (see Note A).

### Reporting Port KC as a Whole

The *Statement of Net Position* (page 9) and *Statement of Activities* (page 10) present Port KC as a whole. The presentation of these statements include assets, liabilities, net position, income, and expense using accrual accounting, which is similar to accounting used by most private-sector companies. Total revenues minus total expenses are reported as Changes in Net Position, which is similar to Net Income as used by private-sector companies.

The activities are presented as "Government Activities: Economic Development," because "Port KC's mission is to grow the economy of Kansas City's port district through transportation, global commerce, and development."

### Reporting on Port KC Funds

The *Balance Sheet – Governmental Funds* (page 11) and *Statement of Revenues, Expenditures, and Changes in Fund Balance* (page ) present the short-term perspective of Port KC's funds: the General Fund, the Special Revenue Fund, and non-major governmental funds.

General Fund – The general fund reports all of Port KC's basic services and operations.

Special Revenue Fund – The special revenue fund is the Economic Advance Fund for the specific purpose of providing economic development assistance to MBE/WBE enterprises.

Non-major Governmental Funds – The non-major government funds include four blended component units, Port Improvement Districts (PIDs) 1-4. PIDs are each special revenue funds, but none are major funds, individually or collectively. Also included in non-major governmental funds is the Berkley Park Condominium Association, a Missouri nonprofit, which Port KC manages through the Declarant Control Period (see Note A).

The fund statements are reported using modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. All long-term assets and long-term liabilities are excluded to provide a detailed short-term view of Port KC's *Balance Sheet – Governmental Funds*. On the *Statement of Revenues, Expenditures, and Changes in Fund Balance*, depreciation on capital assets is not reported. In its place, because of the short-term perspective, all investments in capital assets are reported as Capital Outlay. Proceeds from new long-term debt are reported as other financing sources; principal and interest payments toward debt are fund expenditures.



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MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2020

**Reconciling Port KC as a whole with Port KC Funds**

The differences in accounting methods used for each presentation add extra layers of detail for understanding Port KC's position and activities, both in the short-term and the long-term. The key differences, as described above, are also detailed out in Note A. Page 12 reconciles the differences between the *Statement of Net Position* and the *Balance Sheet – Governmental Funds*. Page 14 reconciles the differences between the *Statement of Activities* and the *Statement of Changes in Fund Balance*. Below is a more detailed reconciliation to highlight the differences between the accrual method and modified accrual method.

**Statement of Net Position vs. Balance Sheet – Governmental Funds**

	2020	2019	2018
Total Net Position (page 5)			
Current and other assets	\$ 3,822,230	\$ 5,397,807	\$ 7,332,275
Capital assets	31,401,977	30,416,084	26,330,780
Total Assets	35,224,207	35,813,891	33,663,055
Current Liabilities	672,792	906,663	293,573
Long-Term Debt	2,000,000	2,000,000	222,852
Other Long-Term Liabilities	156,312	835,553	660,882
Total Liabilities	2,829,104	3,742,216	1,177,307
Net Position			
Invested in capital assets	29,401,977	28,416,084	26,042,892
Restricted	1,154,595	1,806,106	2,122,664
Unrestricted	1,838,531	1,849,485	4,320,192
Total Net Position	\$ 32,395,103	\$ 32,071,675	\$ 32,485,748
Total Fund Balance (page 11)			
Current Assets	\$ 3,947,163	\$ 5,566,539	\$ 7,514,587
Total Assets	3,947,163	5,566,539	7,514,587
Current Liabilities	797,725	1,075,395	419,929
Funds held for the benefit of others	-	661,205	660,882
Total Liabilities	797,725	1,736,599	1,080,811
Fund Balance			
Non Spendable	137,606	107,397	340,463
Restricted	984,688	1,681,503	2,033,045
Assigned	256,409	160,134	89,352
Unassigned	1,770,735	1,880,906	3,970,916
Total Fund Balance	\$ 3,149,438	\$ 3,829,940	\$ 6,433,776

An important difference between the funds perspective and the government-wide perspective is that all long-term assets and long-term liabilities are removed from the balance sheet. Page 12 reconciles the difference between Total Net Position and Total Fund Balance. Unrestricted Net Position and Unassigned Fund Balance are the best measures of Port KC's available resources in the short-run. Below is a reconciliation of the differences in perspective.

Unrestricted Net Position	\$ 1,838,531
Non spendable General Fund Balance <sup>1</sup>	(137,339)
Deferred rent <sup>2</sup>	156,312
Remove certain Assigned Fund Balance <sup>3</sup>	(86,768)
Unassigned Fund Balance	\$ 1,770,735



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1. The Statement of Net Position does not specify non spendable amounts whereas the Balance Sheet separates prepaid items as "non spendable" within the fund balance.
2. Under the accrual method of accounting for the Government-wide Net Position, proceeds received for tenant improvements are recorded as a long-term liability. The liability is recognized as a reduction to rent expense throughout the life of the lease. Under the modified accrual approach, proceeds are recorded as other funding sources when received, and deferred rent does not exist on the balance sheet.
3. The Berkley Park Condominium Association is blended within the Government-wide Unrestricted Net Position, but it is separated out into the Assigned Balance section of non-major governmental funds within the Fund Balances.

**Statement of Activities vs. Statement of Revenues, Expenditures, and Changes in Fund Balance**

Statement of Activities (page 10)	<u>2020</u>	<u>2019</u>	<u>2018</u>
Program Revenues:			
Lease Income	\$ 4,329,877	\$ 4,265,894	\$ 4,324,507
Taxes & Assessments	227,668	199,829	105,501
Miscellaneous	70,327	59,645	14,906
Developer Fees	1,136,784	963,892	2,470,074
Lease income due to the City	<u>(1,527,031)</u>	<u>(1,527,031)</u>	<u>(1,527,031)</u>
Total Charges for Services	4,237,625	3,962,229	5,387,957
Operating grants and contributions	23,472	25,231	24,816
Capital grants and contributions	673,655	254,366	171,690
General Revenues:			
Interest Earnings	<u>40,754</u>	<u>44,750</u>	<u>30,919</u>
Total Net Revenues	<u>\$ 4,975,506</u>	<u>\$ 4,286,576</u>	<u>\$ 5,615,382</u>
Programs Expenses for Economic Development:			
Administrative	1,833,963	1,682,931	1,785,338
Professional Services	385,754	821,940	319,948
Maintenance	784,444	618,942	392,132
Insurance	272,588	247,870	236,138
Consulting	231,775	171,768	97,167
Travel	143,638	134,059	128,490
Marketing	105,183	278,903	137,783
Interest	127,083	35,301	17,793
Depreciation	767,650	676,645	517,945
Loss (gain) from fixed assets	<u>-</u>	<u>32,290</u>	<u>-</u>
Total Expenses	<u>4,652,078</u>	<u>4,700,649</u>	<u>3,632,734</u>
<b>Changes in Net Position, Net Income</b>	<b><u>\$ 323,428</u></b>	<b><u>\$ (414,073)</u></b>	<b><u>\$ 1,982,648</u></b>
Net position – Beginning of year	32,071,675	32,485,748	30,503,100
Net position – End of year	<u>\$ 32,395,103</u>	<u>\$ 32,071,675</u>	<u>\$ 32,485,748</u>





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**MANAGEMENT DISCUSSION AND ANALYSIS**  
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**Statement of Revenues, Expenditures, and Changes in Fund Balance (page 13)**

Total Net Revenues from above	\$ 4,975,506	\$ 4,286,576	\$ 5,615,382
Add Intragovernmental Revenue	<u>129,744</u>	<u>67,926</u>	<u>-</u>
Total Net Revenues for Governmental Funds	5,105,250	4,354,502	5,615,382
Expense under Modified Accrual Accounting			
Total Expenses from above	4,652,078	4,700,649	3,632,733
Add Intragovernmental Expense	129,744	67,926	-
Additional Administrative Expense	18,036	6,012	-
Add Debt Service – Principal	-	287,888	579,325
Add Capital Outlay	1,753,543	4,794,238	1,429,375
Remove Loss (gain) from fixed assets	-	(32,290)	-
Remove Depreciation	<u>(767,650)</u>	<u>(676,645)</u>	<u>(517,945)</u>
Total Fund Expenditures	<u>5,785,751</u>	<u>9,147,778</u>	<u>5,123,488</u>
Revenues over expenditures	(680,501)	(4,739,276)	491,894
Other Financing Sources:			
Debt Issuance	-	2,000,000	-
Return of Security Deposit	-	9,080	-
Tenant Improvement Allowance	<u>-</u>	<u>180,360</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (680,501)</u>	<u>\$ (2,603,836)</u>	<u>\$ 491,894</u>
Total Funds Balance – Beginning of year	3,829,940	6,433,776	5,941,882
Total Funds Balance – End of year	<u>\$ 3,149,439</u>	<u>\$ 3,829,940</u>	<u>\$ 6,433,776</u>

**Statement of Cash Flows**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities			
Change in Net Position, Net Income	\$ 323,428	\$ (414,073)	\$ 1,982,649
Accounts Receivable	(80,921)	(181,230)	(74,737)
Prepaid Expenses	(30,209)	9,431	(32,693)
Accounts Payable	(407,440)	453,236	(222,157)
Unearned Revenue	174,424	218,052	(658,962)
Security Deposits	(855)	15,919	3,618
Funds Held for the Benefit of Others	(661,205)	323	323
Accumulated Depreciation	<u>712,814</u>	<u>676,645</u>	<u>517,419</u>
	30,036	778,303	1,515,460
Cash Flows from Investing Activities			
Deferred outflow of resources	-	223,635	985,003
Net Capital Outlays	<u>(1,698,707)</u>	<u>(4,761,949)</u>	<u>(1,428,849)</u>
	(1,698,707)	(4,538,314)	(443,846)
Cash Flows from Financing Activities			
Deferred Rent	(18,036)	174,348	-
Principal Payments	-	(287,888)	(579,325)
Debt Issuance Proceeds	<u>-</u>	<u>2,000,000</u>	<u>-</u>
	(18,036)	1,886,460	(579,325)
Total Increase (Decrease) to Total Cash	<u>\$ (1,686,707)</u>	<u>\$ (1,873,551)</u>	<u>\$ 492,289</u>
Total Cash – Beginning of year	4,685,626	6,559,177	6,066,888
Total Cash – End of year	<u>\$ 2,998,919</u>	<u>\$ 4,685,626</u>	<u>\$ 6,559,177</u>



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**MANAGEMENT DISCUSSION AND ANALYSIS**  
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**Capital Asset Administration**

At the end of fiscal year 2020, Port KC had \$31,401,977 invested in capital assets. This includes land at Berkley Riverfront, Richards-Gebaur Commerce Park, Port of Kansas City – Woodswether Terminal, and Missouri River Terminal. Port KC’s infrastructure includes Berkley Riverfront, the Town of Kansas pedestrian bridge, the ASB Bridge underpass, a rail spur at the Port of Kansas City – Woodswether Terminal, and building improvements at Richards-Gebaur Commerce Park. Port KC’s Real Estate Inventory Available for Sale is 33.60 acres at Berkley Riverfront. In total, Port KC’s capital assets increased by \$985,893, net of depreciation, over fiscal year 2019. See Note C for more on capital assets.

	Capital Assets at Year End Net of Depreciation		
	2020	2019	2018
Land, non-depreciable assets and construction on progress	\$ 8,763,806	\$ 7,649,858	\$ 6,820,868
Real Estate Inventory Available for Sale	9,275,033	9,278,167	8,212,887
Infrastructure and Equipment	13,363,138	13,488,059	11,297,025
	<b>\$ 31,401,977</b>	<b>\$ 30,416,084</b>	<b>\$ 26,330,780</b>

**Debt Administration**

During fiscal year 2019, Port KC issued long-term debt from a local bank to cancel land options at Richards-Gebaur Commerce Park (see Note E). At April 30, 2020, the outstanding balance was \$2,000,000; there are no principal balances due in the next twelve months. Port KC paid interest only, as accrued, on a monthly basis.

**General Fund Budgetary Highlights**

The annual budget is developed by the Budget & Accounting Manager in coordination with all staff. It is approved by the Board of Commissioners. Port KC’s General Fund budget and variances are found in the supplementary information on page 28. The complete government-wide operating budget can be found at [www.portkc.com](http://www.portkc.com).

Developer revenue under-performed in fiscal year 2020. Bond issuances for conduit debt (see Note L) were expected to be completed for two additional projects during the fiscal year. Of those, bonds were issued in May 2020 for Northland Park Building VI, LLC (see Note N), just missing the fiscal year and budget by a few days. The status and timeline of the other project is uncertain.

Total expenses were on-budget, as a whole, with some under-budget spending for travel and marketing and over-budget spending for consulting. The under-spent categories can be partially attributed to plans that were held back because of the underperformance in developer revenue and partially attributed to plans that were held back because of COVID-19. The over-spent consulting budget was related to making more progress towards planning the Missouri River Terminal project during the fiscal year than was originally planned.

**Contacting Port KC Financial Management**

This management discussion and analysis report is designed to provide Kansas City citizens, taxpayers, customers and interested parties with a general overview of Port KC’s finances and provide reliable financial information for the year ended April 30, 2020. If you have further questions about this report or need additional information, contact Jon Stephens, President/CEO of Port KC, 110 Berkley Plaza, Kansas City, Missouri 64120. Visit [www.portkc.com](http://www.portkc.com) for additional information.

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
STATEMENT OF NET POSITION  
April 30, 2020

ASSETS

	<u>Governmental Activities</u>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 1,891,981
Accounts receivable (net)	685,706
Prepays	137,606
Restricted cash and cash equivalents	<u>1,106,937</u>
<b>Total Current Assets</b>	<b>3,822,230</b>
<b>Non-current assets:</b>	
<b>Capital assets not being depreciated:</b>	
Real estate inventory available for sale	9,275,033
Land, improvements, and construction in progress	8,763,806
<b>Capital assets, net of accumulated depreciation:</b>	
Infrastructure	12,955,230
Equipment	<u>407,908</u>
<b>Total Non-Current Assets</b>	<b><u>31,401,977</u></b>
<b>Total Assets</b>	<b><u>\$ 35,224,207</u></b>

LIABILITIES AND NET POSITION

<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable and other current liabilities	\$ 191,236
Unearned revenue	410,993
Security deposits	70,563
<b>Long-term liabilities:</b>	
Deferred rent	156,312
Long-term debt	<u>2,000,000</u>
<b>Total Liabilities</b>	<b><u>2,829,104</u></b>
<b>Net Position:</b>	
Investments in capital assets	29,401,977
Restricted for Economic Development	1,154,595
Unrestricted	<u>1,838,531</u>
<b>Total Net Position</b>	<b><u>\$ 32,395,103</u></b>

The accompanying notes are an integral  
part of this financial statement.

B E P O S I  I V E .

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
**STATEMENT OF ACTIVITIES**  
For The Year Ended April 30, 2020

		Program Revenues			Net Revenues (Expenses) and changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activites
Government Activites:					
Economic Development	\$ 4,652,078	\$ 4,237,625	\$ 23,472	\$ 673,655	\$ 282,674
General Revenues:					
Interest earnings					40,754
Change in Net Position					323,428
Net Position - Beginning of year					32,071,675
Net Position - End of year					\$ 32,395,103

The accompanying notes are an integral part of this financial statement.

B E P O S I  I V E .

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
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**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
April 30, 2020

	<u>ASSETS</u>		Non-major	Total
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,793,579	\$ -	\$ 98,402	\$ 1,891,981
Accounts receivable (net)	480,877	200,000	4,829	685,706
Prepays	137,339	267	-	137,606
Restricted cash and cash equivalents	257,131	680,165	169,641	1,106,937
Due from other funds	22,002	-	-	22,002
Due from General Fund	-	102,931	-	102,931
Total Assets	<u>\$ 2,690,928</u>	<u>\$ 983,363</u>	<u>\$ 272,872</u>	<u>\$ 3,947,163</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accounts payable and other accrued liabilities	\$ 191,236	\$ -	\$ -	\$ 191,236
Unearned revenue	410,993	-	-	410,993
Due to other funds	-	5,539	16,463	22,002
Security deposits	70,563	-	-	70,563
Due to Special Revenue Fund	102,931	-	-	102,931
Total Liabilities	<u>775,723</u>	<u>5,539</u>	<u>16,463</u>	<u>797,725</u>
Fund Balance:				
Non spendable	137,339	267	-	137,606
Restricted	7,131	977,557	-	984,688
Assigned	-	-	256,409	256,409
Unassigned	1,770,735	-	-	1,770,735
Total Fund Balance	<u>1,915,205</u>	<u>977,824</u>	<u>256,409</u>	<u>3,149,438</u>
Total Liabilities and Fund Balance	<u>\$ 2,690,928</u>	<u>\$ 983,363</u>	<u>\$ 272,872</u>	<u>\$ 3,947,163</u>

The accompanying notes are an integral  
part of this financial statement.

B E P O S I T I V E .



PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
April 30, 2020

Amounts reported in the government activities in the Statement of Net Position are different because of the following key principles:

Total governmental funds - total fund balance \$ 3,149,438

Governmental funds report capital outlays as current expenditures and the long-term assets do not show up on the Government Funds Balance Sheet. However, in the Statement of Net Position, the costs of those assets are capitalized and shown at cost, net any accumulation depreciation. Long-term capital assets must be added to the Fund Balance when comparing to the Net Position.

Real estate inventory available for sale	9,275,033
Capital assets, non-depreciable	8,763,806
Capital assets, net of depreciation	<u>13,363,138</u>
	31,401,977

Long-term debt is not included in the Government Funds Balance Sheet because government funds report issuance of long-term debt as an increase to current resources and repayment of long-term debt as a decrease to current resources. Alternatively, the balance of long-term debt is included on the Statement of Net Position, and its balance is never included as income or expense. Long-term debt must be removed from the Fund Balance when comparing to the Net Position.

Long-term debt (net) (2,000,000)

Governmental funds report tenant improvement allowances when received as an increase to current resources, and it reports the lease expense on a cash basis during the term of the lease. The Statement of Net Position reports tenant improvements allowances as a deferred rent liability and amortizes the deferred rent against the lease expense over the life of the lease. Deferred Rent must be removed from the Fund Balance when comparing to the Net Position.

Deferred rent (156,312)

Total Net Position of Governmental Activities \$ 32,395,103

The accompanying notes are an integral part of this financial statement.

B E P O S I  I V E .

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For The Year Ended April 30, 2020

	General Fund	Special Revenue Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Revenue:</b>				
Lease income	\$ 4,329,877	\$ -	\$ -	\$ 4,329,877
Developer fees	1,136,784	-	-	1,136,784
Grants and contributions	697,127	-	-	697,127
Taxes and assessments	-	-	329,996	329,996
Miscellaneous	96,150	443	1,150	97,743
Interest income	33,091	6,666	997	40,754
Total Revenues	<u>6,293,029</u>	<u>7,109</u>	<u>332,143</u>	<u>6,632,281</u>
<b>Less:</b>				
Lease income due to the city of Kansas City, Missouri	1,527,031	-	-	1,527,031
Net Revenues	<u>4,765,998</u>	<u>7,109</u>	<u>332,143</u>	<u>5,105,250</u>
<b>Expenditures:</b>				
Current -				
Administrative	1,910,501	35,135	8,691	1,954,327
Professional services	385,754	-	27,416	413,170
Maintenance	644,230	-	140,214	784,444
Insurance	269,035	3,553	-	272,588
Consulting	231,775	-	-	231,775
Travel	142,744	687	208	143,639
Marketing	94,933	250	10,000	105,183
Capital Outlay (net)	1,753,543	-	-	1,753,543
Debt Service - Interest	127,083	-	-	127,083
Total Expenses	<u>5,559,598</u>	<u>39,625</u>	<u>186,529</u>	<u>5,785,752</u>
<b>Other financing sources:</b>				
Transfers	57,058	(7,719)	(49,339)	-
Total Other Financing	<u>57,058</u>	<u>(7,719)</u>	<u>(49,339)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(736,542)	(40,235)	96,276	(680,502)
Fund Balance, Beginning of year	2,651,747	1,018,059	160,133	3,829,940
Fund Balance, End of year	<u>\$ 1,915,205</u>	<u>\$ 977,824</u>	<u>\$ 256,409</u>	<u>\$ 3,149,438</u>

The accompanying notes are an integral  
part of this financial statement.

B E P O S I T I V E .



PORT AUTHORITY OF KANSAS CITY, MISSOURI  
 (A Component Unit of the City of Kansas City, Missouri)  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN THE FUND BALANCE OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 April 30, 2020

Amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance are different from the Statement of Activities because of the following key principles:

Excess (deficiency) of revenues over (under) expenditures from Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds	\$ (680,502)
---	--------------

Governmental funds report capital outlays as expenditures, whereas government-wide statements accrue capital onto the balance sheet and accrue those costs over the life of the assets through depreciation expense. When comparing Excess (deficiency) from Governmental Funds to the Change in Net Position from the Statement of Activities, adjustments must be made for both capital outlay and depreciation.

Reverse Capital Outlays expense (Governmental Funds)	1,753,543
Add Depreciation expense (Government-Wide)	<u>(767,650)</u>
	985,893

Governmental funds report tenant improvement allowances when received as an increase to current resources, and it reports the lease expense on a cash basis during the term of the lease. The government-wide perspective reports tenant improvements allowances as a deferred rent liability and amortizes the deferred rent against the lease expense over the life of the lease. This creates a difference in administrative expense between perceptive equal to the amortization of the deferred rent (see Note M).

Reverse difference administrative expense related to deferred rent	18,036
Change in Net Position from Statement of Activities	<u>\$ 323,428</u>

The accompanying notes are an integral part of this financial statement.



PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2020

**NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Pursuant to state legislation, RSMO Chapter 68, the Port Authority of Kansas City, Missouri (a component unit of the City of Kansas City, Missouri) (Port KC) is a political subdivision of the State of Missouri as established in 1977 by the City of Kansas City, Missouri. Port KC is governed by a seven-member Board of Commissioners appointed by the Mayor of the City of Kansas City, Missouri (the City).

Port KC's mission is to grow the economy of Kansas City's port district through transportation, global commerce, and development.

During the fiscal year, seven new Commissioners were appointed by the City and began their appointments in January 2020.

**Reporting Entity**

Port KC is a component unit of the City of Kansas City, Missouri (The City) as defined by Statements No.14, 39, and 61, of the Governmental Accounting Standards Board, as determined by the City of Kansas City, Missouri.

The Accounting Policies of Port KC conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of more significant policies:

**Blended Component Units**

Port KC reports five blended component units:

- Port Improvement District 1
- Port Improvement District 2
- Port Improvement District 3
- Port Improvement District 4
- Berkley Park Condominium Association

Port Improvement Districts (PIDs) are improvement districts established by RSMO 68.200, which have the capacity to levy a property tax and/or sales and use tax within the district for the purpose of the district. Each PID has its own district boundaries and district purpose.

Berkley Park Condominium Association is a Missouri nonprofit corporation (Association) established by Port KC through the Declaration of Covenants, Restrictions, and Condominium for Berkley Park Condominium Association (Declaration), recorded in Jackson County in November 2016. Port KC has Declarant control over the Association during the Declarant Control Period (as defined by the Declaration). It began to collect regular assessments from its members in November 2018, so the fiscal year ending April 30, 2020 was its first full fiscal year. Port KC paid 62.6% of assessments collected by the Association. Similarly, Port KC collected management fees for operating the Association. Eliminations were made within the Government-wide financial statements.

**Basis of Presentation**

Port KC's basic financial statements include both government-wide (reporting Port KC as a whole) and fund financial statements (reporting Port KC's major funds).

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
– (Continued)

Government-wide Financial Statements

The government-wide statement of net position and the statement of activities report the overall financial activity of Port KC. All activities of Port KC are government activities. Government activities generally are financed through lease income, developer fees, and non-exchange transactions.

The government-wide statement of activities presents a comparison between direct expenses and revenues for each program of the government activities. Expenses are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of Port KC.

Fund Financial Statements

The Fund financial statements report provides information about Port KC's funds. Port KC accounts for all financial transactions through governmental funds. The general operating expenditures, fixed charges and capital improvements are financed through revenue received by the general fund.

Port KC reports the following governmental funds:

*General Fund* – The General Fund is the general operating fund of Port KC. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are lease income, grants, development fees and various other items. The primary expenditures are for economic development.

*Special Revenue Fund* – The economic advancement fund is reported as a special revenue fund. This fund was established for the specific purpose of providing economic development to MBE/WBE community. Revenues to this fund are primarily associated with interest received on loans issued from these funds.

*Non-major Governmental Funds* – The non-major governmental funds include PIDs 1-4 and the Berkley Park Condominium Association.

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2020

**NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
– (Continued)

**Measurement Focus and Basis of Accounting**

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which Port KC gives (or receives) value without directly receiving (or giving) equal value in exchange, can include certain grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long term debt, which are recognized as expenditures to the extent they have matured. However, general capital asset acquisitions are reported as expenditures in the general fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**Cash, Cash Equivalents, and Investments**

Port KC considers demand deposits and certificates of deposits purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents. Port KC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted cash, cash equivalents, and investments consist of receipts which are restricted for use in specified development projects and the Economic Advancement Fund (special revenue fund).

**Accounts Receivable and Allowance for Doubtful Accounts**

Port KC records each lease with a corresponding billing on a periodic basis as described in the applicable Lease Agreement and according to GASB 13 paragraph 5. In addition, certain balances due from notes issued and associated with the Economic Advancement Fund are recorded within the accounts receivable balances. All receivables that historically experience uncollectable balances are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the balances and percentages of payments received historically, subject to current terms and conditions.

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
 (A Component Unit of the City of Kansas City, Missouri)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 April 30, 2020

**NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
 – (Continued)

**Capital Assets**

Capital assets, which include land, building, equipment, property and infrastructure, are reported in the government wide financial statements. In the governmental funds statements, capital assets are charged to expenditures as purchased. Donated assets are recorded at estimated fair value as of the date of the donation. Capital assets contributed by the City of Kansas City, Missouri, are recorded at the City's valuation at the date of acquisition.

Capital assets are defined by Port KC as assets with an initial cost of \$5,000 or more, individually or as a related group within the same asset class, and an estimated useful life of greater than one year. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Major outlays for capital improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is generally recorded as economic development expenses in the government-wide statement of activities with accumulated depreciation reflected in the government-wide statement of net position and is provided on the straight-line basis over the estimated useful life of the asset.

Property, buildings, equipment and infrastructure are depreciated using the straight-line method over the following estimated lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	20 to 50 years
Buildings & Grounds	20 to 50 years
Vehicles & Equipment	5 to 20 years
Furniture & Fixtures	5 to 10 years
Computer Hardware & Software	3 to 5 years

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (collectible within the current year or within two months of year-end and available to pay obligations of the current period). The sources of revenue for Port KC considered susceptible to accrual include grants, rent and other miscellaneous income. Reimbursements due for federally funded projects if applicable are accrued as revenue at the time the expenditures are made, or when received in advance, they are deferred until expenditures are made.

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
– (Continued)

**Net Position and Fund Balance Classifications**

Government Wide – in the government-wide financial statements, equity is classified as net position and displayed in three components:

Invested in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets.”

Governmental Funds – Fund balances in the governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which Port KC is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The order of spending regarding the unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts. When expenditures are incurred for which both restricted and unrestricted fund balances are available, the order of spending is to reduce restricted fund balances first, and then unrestricted fund balance.

In the governmental fund financial statements, fund balance is composed in the five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Non-spendable fund balance – This portion of fund balance cannot be spent either because it is in non-spendable form or is required to be maintained intact. Port KC’s non-spendable fund balance includes prepaid expenditures, which is the amount paid in advance for the following year’s goods and services, and are not considered spendable resources.

Restricted fund balance – This portion of fund balance is restricted to specific purposes by state or federal laws, or externally imposed conditions by grantor’s creditors.

Committed fund balance – The limitations of this portion of fund balance are imposed by majority vote by quorum of Port KC’s Board of Commissioners. Such limitations remain binding unless modified or rescinded by the commission. As of April 30, 2020, Port KC did not have committed fund balance.

Assigned fund balance – The intended use of this portion of fund balance is established by Port KC Board of Commissioners, or the President/Chief Executive Officer. It may be appropriated to eliminate a projected deficit in the subsequent year’s operating budget.

Unassigned fund balance – This is the residual net resources after non-spendable, restricted, committed, and assigned.

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
 (A Component Unit of the City of Kansas City, Missouri)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 April 30, 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 – (Continued)

Budgetary Accounting – Port KC is required to adopt a budget by statute. Internal controls over spending in specific funds, not subject to legal budgets, are maintained by the use of internal spending limits set by management.

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 certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – CASH, CASH EQUIVALENTS, AND INVESTMENTS-UNRESTRICTED AND RESTRICTED

A summary of Port KC's significant accounting policies regarding cash, cash equivalents and investments may be found in Note A of the Basic Financial Statements. Port KC's investment policy allows for purchases of U.S. Treasury Notes, Bills, Strips or Bonds and Certificates of Deposits, as required by statute.

At April 30, 2020, actual cash, cash equivalents, and investments on deposit were \$2,998,919, consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>
Deposits	\$ 1,891,981	\$ 1,106,937

Restricted balances consist of amounts related to the Economic Advancement Fund, a deposit held in escrow, and Port Improvement Districts #1, #2, #3, and #4.

Port KC's policies regarding its management of various specific risks to its deposits and investments are below:

Interest Rate Risk - Port KC's investment policy does not contain limits regarding investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At April 30, 2020, Port KC only held cash.

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, Port KC will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Port KC will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Port KC does not have a policy with respect to the management of custodial credit risk on cash deposits or certificate of deposits. Port KC's balances were secured by FDIC coverage and pledged collateral as required by statute. Securities are to be held in Port KC's name by a third party custodian.

Concentration of Credit Risk - Port KC places no limit on the amount it may invest in any one issuer. At April 30, 2020, Port KC's investments were limited to Certificates of Deposit which were fully insured and not subject to this risk.

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2020

NOTE B – CASH, CASH EQUIVALENTS, AND INVESTMENTS-UNRESTRICTED AND RESTRICTED  
– (Continued)

Credit risk - The credit risk for deposits and investments is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. It is Port KC's policy to limit its investments to Certificates of Deposits or United States government securities. At April 30, 2020, there were no deposits subject to this credit risk.

NOTE C - CAPITAL ASSETS

Changes in Port KC's capital assets were as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated -				
Land & Improvements	\$ 6,940,107	\$ 587,890	413,056	\$ 7,114,941
Real estate inventory	9,278,167	6,033	9,167	9,275,033
Construction in progress	<u>709,751</u>	<u>1,656,119</u>	<u>717,005</u>	<u>1,648,865</u>
Total capital assets not being depreciated	<u>16,928,025</u>	<u>2,250,042</u>	<u>1,139,228</u>	<u>18,038,839</u>
Capital Assets Being Depreciated -				
Infrastructure	18,111,182	808,914	226,205	18,693,891
Equipment	<u>841,345</u>	<u>6,633</u>	<u>1,450</u>	<u>846,528</u>
Total capital assets being depreciated	<u>18,952,527</u>	<u>815,547</u>	<u>227,655</u>	<u>19,540,419</u>
Less Accumulated Depreciation For -				
Infrastructure	5,124,254	667,793	53,386	5,738,661
Equipment	<u>340,214</u>	<u>99,856</u>	<u>1,450</u>	<u>438,620</u>
Total accumulated depreciation	<u>5,464,468</u>	<u>\$ 767,649</u>	<u>\$ 54,836</u>	<u>6,177,281</u>
Total Capital Assets Being Depreciated, net	<u>13,488,059</u>			<u>13,363,138</u>
Total capital assets for governmental Activities; net	<u>\$ 30,416,084</u>			<u>\$ 31,401,977</u>

Real estate available for sale is tested for impairment on an annual basis. There was no impairment as of April 30, 2020.

Port KC has cleanup responsibilities and future remediation outlays planned for the Missouri River Terminal (MRT) project. Port KC has not recorded a cleanup liability according to GASB 49 paragraph 22, and it will capitalize all outlays as they occur. Estimated outlays do not exceed the estimated property value.

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2020

NOTE D - KANSAS CITY RIVERFRONT AND ISLE OF CAPRI CASINO LEASE AGREEMENTS

Port KC leases certain real property, fronting the Missouri River, from Kansas City under an original lease agreement from May 1993. The original lease was superseded and replaced by the "First Amended and Restated Lease Agreement" (Riverfront Lease) in August 2006. The Riverfront Lease was superseded and replaced by the "First Amended and Restated Lease Agreement Kansas City Riverfront" (Restated Lease) in September 2011, concurrent with the City's conveyance and transfer of title to portions of the City parcels to Port KC (Transfer), together with certain improvements. Under the Restated Lease, the parcels not part of the Transfer continue to be leased for development purposes with the expiration date of August 20, 2056. As rent, Port KC is required to set aside for use by the City fifty percent of the total gross revenue received by Port KC attributable to operations of the leased property. The City is to use the amounts set aside for capital public improvements or development or redevelopment projects within specified boundaries, primarily within the Riverfront area.

In March of 1993, Port KC entered into a development agreement (Development Agreement) with Hilton Hotels Corporation (Hilton), whereby Hilton agreed to develop certain portions of the above described property for riverboat gambling (the Casino Property). In addition Port KC, as the landlord, and Hilton, as the tenant, entered into a long-term lease agreement for the Casino Property. Port KC and Hilton entered into an amended and restated lease for the Casino Property (Casino Lease) in August 1995 (as subsequently amended in October 1995 and June 1996).

Hilton's rights and obligations under the Development Agreement and the Casino Lease were assigned to and assumed by the Isle of Capri Casino (IOC) in 2001. Port KC and IOC entered into an Amended and Restated Development Agreement in August 2005. Eldorado Resorts purchased IOC in May 2017 and assumed responsibility for the Casino Lease. Eldorado Resorts continued to operate the casino as "Isle of Capri Casino."

The Casino Lease provided for an initial 10-year term beginning October 18, 1995, (Opening Date) plus eight 5-year renewal options for a maximum lease of 50 years. The tenant is deemed to have elected to renew the Casino Lease for a subsequent 5-year renewal term unless the tenant notifies Port KC at least 12 months in advance of the beginning of a new renewal term. Port KC and IOC are in the fourth year of the third 5-year renewal term.

During the initial 10-year term, the tenant was to pay a minimum net annual rent of \$2,000,000 per year, in advance, on the annual anniversary of the Opening Date. For each renewal term, the agreement provides for an increase in the minimum net annual rent by the percentage change in the Consumer Price Index (CPI). Effective October 2016 the minimum net annual rent for the third renewal term was increased to \$3,054,062. In addition to the minimum net annual rent, the tenant is required to pay percentage rent. Percentage rent is calculated by 3.25% of adjusted gross receipts less the minimum net annual rent paid in advance. During the year ended April 30, 2020 there was no percentage rent, and the total net annual rent was \$3,054,062.



PORT AUTHORITY OF KANSAS CITY, MISSOURI  
 (A Component Unit of the City of Kansas City, Missouri)  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 April 30, 2020

**NOTE E - RICHARDS-GEBAUR COMMERCE PARK**

Richards-Gebaur Commerce Park is the former Richards-Gebaur Air Force base in south Kansas City, MO, in Jackson and Cass Counties, next to Belton, MO. The commerce park includes property formerly subject to CenterPoint options (beginning in 2007 and cancelled in 2019), additional property purchased in 2012 next to the cancelled options, and additional property purchased in 2017 next to Calvary University. The contiguous property is approximately 662 acres containing approximately 544,000 square feet of leasable building space. The leasable buildings include uses such as hangars, warehouses, and office space.

For the year ended April 30, 2020, leasing occupancy was at 88%, and total lease revenues were \$1,024,973. Leases have remaining lengths that range from month-to-month to five years with no provisions for guaranteed renewal period extending beyond February 2024. Future minimum rental amounts associated with the Richards-Gebaur Commerce Park are as follows:

<u>Year Ended April 30,</u>	
2021	662,262
2022	392,010
2023	175,572
2024	33,291
	<u>\$1,263,135</u>

**NOTE F – GRANTS**

Port KC was awarded a grant for the Freight Enhancement program from the Missouri Highways and Transportation Commission in fiscal year 2019 for \$300,000, as amended, where the Commission’s financial share for the project was 80%. The Port Aid grant project was to the benefit of the Port of Kansas City – Woodswether Terminal storage facility project. During fiscal year 2019, \$160,136 was reported under the grant and recorded as Grant Revenue. During fiscal year 2020, \$139,864 was reported under the grant and recorded as Grant Revenue. All \$300,000 proceeds of the grant were received during the fiscal year ended April 30, 2020.

Port KC was awarded a grant for Port Aid for Capital Improvement projects from the Missouri Highways and Transportation Commission in fiscal year 2019 for \$533,791, as amended, where the Commission’s financial share for the project was 80%. The Port Aid grant project was to the benefit of the Port of Kansas City – Woodswether Terminal storage facility project. All \$533,791 was reported under the grant, recorded as Grant Revenue, and received during the fiscal year ended April 30, 2020.

Port KC was awarded a Port Aid grant for administrative expenses from the Missouri Highways and Transportation Commission for \$23,472. During fiscal year 2020, all \$23,472 was reported under the grant, recorded as Grant Revenue, and received.

**NOTE G – RETIREMENT PLAN**

Port KC sponsors a defined contribution 401(k) plan for all employees. Annually Port KC makes matching contributions of up to 4%, maximum, of eligible gross salary contributions made by employees. Expenses related to this plan for the year ended April 30, 2020, totaled \$49,037.

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2020

NOTE H – NOTES PAYABLE

Long-term obligations consist of the following balances at April 30, 2019, and April 30, 2020:

<u>Long-term obligations</u>	<u>April 30,</u> <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30,</u> <u>2020</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
Promissory note	\$2,000,000	\$ -	\$ -	\$2,000,000	\$ -

Notes payable as of April 30, 2020, consist of the following:

Line of credit promissory note was recorded June 18, 2018, obtained from a local bank, for a maximum draw of \$850,000. This note is collateralized by the Richards-Gebaur BRAC properties. No draws have been taken.

Promissory note issued February 11, 2019, obtained a local bank in the amount of \$2,000,000, with an interest rate of 6.25% per annum through March 2024. Interest is paid monthly; the principal balance is due in full upon maturity. This loan was collateralized by the Richards-Gebaur Commerce Park land previously optioned to CenterPoint.

NOTE I - RELATED PARTY TRANSACTIONS

Port KC holds a land lease with the Kansas City (see Note D).

Port KC received settlement funds in 2003 from the then-known Southern Union/MGE regarding environmental responsibility and remediation for land previously owned by Southern Union/MGE at Berkley Riverfront. After the cleanup was completed, Port KC and the Water Services Department of Kansas City entered into a Cooperative Agreement in 2006 to jointly hold the remaining \$1,200,000 in an interest earning account until additional cleanup to the site was identified and needed. This has been included Port KC's reports as restricted cash with 50% represented as funds held for the benefit of others. In June 2019, both parties agreed to terminate the agreement and split the funds evenly. The balance was \$1,322,520 when terminated.

Beginning in November 2012, Port KC and the Public Works Department of Kansas City made an agreement for Port KC to operate and maintain some LED street lights in the public right-of-way of Berkley Parkway. Port KC is responsible for all utilities and maintenance, and the City reimburses Port KC a set rate per pole regardless of the real cost. For the year ended April 30, 2020, the City reimbursed Port KC \$8,566.

Beginning in March 2012, Port KC leased the municipal wharf, call the Port of Kansas City – Woodswether Terminal, from the Water Services Department of Kansas City for a term of 15 years for a minimal annual base rent plus percentage rent equaling 8% of gross revenues. In June 2019, the lease was nullified, so for the year ending April 30, 2020, Port KC's total rent to the City was \$1,390.

In June 2019, Port KC transferred to the City its land and improvements located at 515 Liberty Street for \$300,000, to be used to expand the water treatment plant facilities, and simultaneously the City transferred to Port KC its land and improvements at 1724 Market St to continue to be used as the Port of Kansas City – Woodswether Terminal. Having sold the underlying asset to the leased municipal wharf, the lease with Water Services Department was nullified.

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2020

NOTE J - RISK MANAGEMENT

Port KC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Port KC carries commercial insurance for the risk of loss, including workers compensation. There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that have exceeded insurance coverage during the past three fiscal years.

NOTE K - COMMITMENTS AND CONTINGENCIES

Port KC participates in a number of Federal and State-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Management does not expect the amount of expenditures, if any, that may be disallowed by the granting agencies to have a materially adverse impact on the financial statements of Port KC.

Port KC submitted a letter of financial assurance to the Missouri Department of Natural Resources, guided by 10 CSR 25-7.264 and 265, Alternate I, regarding the Missouri River Terminal project.

NOTE L – CONDUIT DEBT

Port KC has issued certain conduit debt obligations for the express purpose of providing capital financing, in the form of sales and property tax exemption, for a specified third-party developer. Pursuant to a sale-leaseback arrangement, the third-party developer transfers title to Port KC of the property to be developed, and Port KC leases the property back to the developer for the term of the bond. Each lease is triple net and, in the event of any default by the developer/lessee, provides that Port KC may transfer title of the property back to the developer, and terminate the bond transaction. Each lease is without recourse or pecuniary liability to Port KC.

In all instances, the third-party developer/lessee is also the purchaser of the bond issued by Port KC, and is solely responsible for the payment of the debt service. Each conduit debt obligation is a “draw-down” bond, meaning that the lessee reduces the principal amount of the total bond available, as proceeds are needed to develop the project. All requisition certificates detailing the amount of principal to draw down from the bond are submitted to Port KC and then processed by the applicable trustee. Port KC is not in the flow of the funds, does not process any payments, and has no obligation for debt service. All payments of rent and debt service flow directly from the developer/lessee to a qualified third-party trustee.

Port KC receives only its cost of issuance and administrative costs at the closing, and an annual administrative fee received during the term of the bond. As a result, these taxable revenue bond issuances are not included in the financial reporting of Port KC.

As of April 30, 2020, the aggregate amount of all conduit debt obligations issued by Port KC was \$667,794,015.

For the 2019 calendar year, Port KC collected \$1,740,353 in tax compliance payments which were disbursed to the local taxing jurisdictions. Additionally, Port KC collected \$295,357 in annual administrative fees.

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2020

**NOTE L – CONDUIT DEBT – (Continued)**

Conduit Debt Obligor	Date of Bond Issue	Name of Bond Issue	Bond Issuance Amount
MREM BOT Property, LLC	April 23, 2015	Taxable Revenue Bond (4800 Main Project) Series 2015A	\$33,000,000
Sioux Chief QALICB, LLC	September 24, 2015	Taxable Revenue Bond (Sioux Chief Project) Series 2015	\$24,000,000
NPIF2 Three Trails Building I, LLC	September 30, 2015	Taxable Revenue Bond (Three Trails Project – Building I) Series 2016	\$11,110,200
Corrigan Station, LLC	January 5, 2016	Taxable Revenue Bond (Corrigan Station Project) Series 2016	\$50,000,000
NPIF2 Three Trails Building II, LLC	January 27, 2016	Taxable Revenue Bond (Three Trails Project – Building II) Series 2016	\$9,900,000
2001 Main Lodging Partners, LLC	April 28, 2016	Taxable Revenue Bond (2001 Main Project)	\$22,500,000
NPIF2 Three Trails Building III, LLC	August 23, 2016	Taxable Revenue Bond (Three Trails Project – Building III) Series 2016	\$22,763,260
NP Northland Park Building I, LLC	October 20, 2016	Taxable Revenue Bond (Northland Park Building I Project) Series 2016	\$17,500,000
Andrews Rd, LLC	November 18, 2016	Taxable Revenue Bond (Andrews Rd Building Project) Series 2016	\$30,000,000
CVS Pharmacy, Inc.	December 13, 2016	Facility Bond – Taxable Revenue Bond (CVS Project) Series 2016A	\$62,325,000
CVS Pharmacy, Inc.	December 13, 2016	Equipment Bond – Taxable Revenue Bond (CVS Project) Series 2016B	\$60,675,000
NP Northland Park Building II, LLC	July 25, 2017	Taxable Revenue Bond (Northland Park Building II Project) Series 2017	\$19,500,000
NP Northland Park Building III, LLC	January 18, 2018	Taxable Revenue Bond (Northland Park Building III Project) Series 2018	\$24,000,000
Corrigan Station, LLC	January 31, 2018	Taxable Revenue Bond (Corrigan Station II Project) Series 2018	\$12,000,000
NP Northland Park Building IV, LLC	July 25, 2018	Taxable Revenue Bond (Northland Park Building IV Project) Series 2018A	\$17,000,000
18 <sup>th</sup> and Walnut Partners	January 9, 2019	Taxable Revenue Bond (18 <sup>th</sup> and Walnut Project) Series 2018	\$45,000,000
NP Northland Park Building V, LLC	April 4, 2019	Taxable Revenue Bond (Northland Park Building V Project) Series 2019A	\$31,000,000
Ross Custom Properties, LLC	April 19, 2019	Taxable Industrial Revenue Bond (Ross Custom Properties Project) Series 2019	\$35,000,000
Somera Road – 1100 Main Street, LLC	August 8, 2019	Taxable Industrial Revenue Bond (Lightwell Project) Series 2019	\$85,000,000
Shaleroch LLC	August 27, 2019	Taxable Revenue Bond (Shaleroch Project) Series 2019	\$11,520,555
JH Investors, LLC	November 7, 2019	Taxable Revenue Bond (Jack Henry Project) Series 2019	\$44,000,000

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2020

NOTE M – OPERATING LEASE

Port KC entered into a long-term operating lease for office space beginning in January 2019. The term of the lease is for 10 years ending in December 2028 and requires annual payments of \$120,000. Future obligations under this lease are as follows for the years ending April 30:

2021	120,000
2022	120,000
2023	120,000
2024	120,000
2025	120,000
Thereafter	<u>440,000</u>
	<u>\$1,040,000</u>

Port KC received and utilized tenant improvements allowance of \$180,360. This became a deferred rent liability to be amortized over the 10-year lease for \$18,036 per year. The amortization offsets a portion of lease expense. The deferred rent balance at April 30, 2020 was \$156,312 (net of amortization). Deferred rent does not exist in the governmental funds statement, so there is also no amortization or offset to the lease expense.

NOTE N – SUBSEQUENT EVENTS

In May 2020, \$27,000,000 in bonds, Conduit Debt, were issued for NP Northland Park Building VI, LLC.

In June 2020, Port KC sold land at the Berkley Riverfront to NorthPoint Development and simultaneously issued \$60,500,000 in bonds, Conduit Debt, for NorthPoint’s apartment project at Berkley Riverfront.

Management is currently evaluating the recent introduction of the COVID-19 virus and its impact on their financial position and has concluded that while it is reasonably possible that the virus will likely have an effect on their future operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In July 2020, Twin River Worldwide Holdings purchased the Isle of Capri Casino from Eldorado Resorts and assumed responsibility for the Casino Lease. The casino’s name was changed to Casino KC in August 2020.



**SUPPLEMENTARY INFORMATION**

PORT AUTHORITY OF KANSAS CITY, MISSOURI  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GENERAL FUND  
BUDGET AND ACTUAL  
For The Year Ended April 30, 2020  
With Comparative Actual Amounts For The Year Ended April 30, 2019

	2020			2019
	Budget	General Fund Actual	Variance Positive/ (Negative)	Actual
Revenues:				
Lease income	\$ 4,357,232	\$ 4,329,877	\$ (27,355)	\$ 4,265,894
Developer fees	1,606,834	1,136,784	(470,050)	963,892
Grants and contributions	697,127	697,127	-	279,597
Tax and assessments	1,000	-	(1,000)	-
Miscellaneous	94,000	96,150	2,150	76,086
Interest	34,905	33,091	(1,814)	37,462
Total Revenues	<u>6,791,098</u>	<u>6,293,029</u>	<u>(498,069)</u>	<u>5,622,931</u>
Less:				
Lease income due to the City of Kansas City, Missouri	1,527,031	1,527,031	-	1,527,031
Net Revenues	<u>5,264,067</u>	<u>4,765,998</u>	<u>(498,069)</u>	<u>4,095,900</u>
Expenditures:				
Current -				
Administrative	1,930,603	1,910,501	20,102	1,674,814
Professional services	402,753	385,754	16,999	811,193
Maintenance	654,059	644,230	9,829	480,466
Insurance	269,150	269,035	115	243,878
Consulting	193,090	231,775	(38,685)	171,724
Travel	209,833	142,744	67,089	133,245
Marketing	127,800	94,933	32,867	123,903
Capital outlay (net)	1,698,847	1,753,543	(54,696)	4,794,238
Miscellaneous	-	-	-	6,012
Debt Service -				
Principal	-	127,083	(127,083)	287,888
Interest	129,365	-	129,365	35,301
Total Expenditures	<u>5,615,500</u>	<u>5,559,598</u>	<u>55,902</u>	<u>8,762,662</u>
Revenues less expenditures	(351,433)	(793,600)	(442,167)	(4,666,762)
Other Financing Sources (Uses):				
Proceeds from issuance of debt	-	-	-	2,000,000
Tenant improvement allowance (deferred rent)	-	-	-	180,360
Return of security deposit	-	-	-	9,080
Transfers In	63,699	57,058	6,641	47,065
Total Other Financing Sources (Uses)	<u>63,699</u>	<u>57,058</u>	<u>6,641</u>	<u>2,236,505</u>
Change In Fund Balance		(736,542)		(2,430,257)
Fund Balance - May 1, 2019		<u>2,651,747</u>		<u>5,082,004</u>
Fund Balance - April 30, 2020		<u>\$ 1,915,205</u>		<u>\$ 2,651,747</u>

**PORT AUTHORITY OF KANSAS CITY, MISSOURI**  
**SCHEDULE OF FUND BALANCES OF NON-MAJOR FUNDS**  
**For The Year Ended April 30, 2020**

	PID 1	PID 2	PID 3	PID 4	Berkley Park Condo Association	Total
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ -	-	-	-	98,402	\$ 98,402
Accounts receivable	-	-	-	-	4,829	4,829
Cash and cash equivalents - Restricted	7,326	152,442	3,201	6,673	-	169,642
	<u>7,326</u>	<u>152,442</u>	<u>3,201</u>	<u>6,673</u>	<u>103,231</u>	<u>272,873</u>
<b>Liabilities:</b>						
Due to General Fund	-	-	-	-	(16,463)	(16,463)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,463)</u>	<u>(16,463)</u>
<b>Fund Balance:</b>						
Assigned	(7,326)	(152,442)	(3,201)	(6,673)	(86,768)	(256,410)
	<u>\$ (7,326)</u>	<u>(152,442)</u>	<u>(3,201)</u>	<u>(6,673)</u>	<u>(86,768)</u>	<u>\$ (256,410)</u>



PORT AUTHORITY OF KANSAS CITY, MISSOURI  
 SCHEDULE OF FUND SOURCES AND USES FOR NON-MAJOR FUNDS  
 For The Year Ended April 30, 2020

	PID 1	PID 2	PID 3	PID 4	Berkley Park Condo Association	Total
Taxes and Assessments	\$ 34,318	\$ 47,924	\$ 56,034	\$ 28,371	\$ 163,350	\$ 329,997
Miscellaneous	-	-	-	-	1,150	1,150
Interest	59	242	158	68	470	997
<b>Total Revenues:</b>	<b>34,377</b>	<b>48,166</b>	<b>56,192</b>	<b>28,439</b>	<b>164,970</b>	<b>332,144</b>
Administrative	-	-	30	-	8,661	8,691
Professional services	-	-	-	-	27,416	27,416
Maintenance	-	-	48,500	24,000	67,714	140,214
Travel	-	-	-	-	208	208
Marketing	-	-	-	-	10,000	10,000
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>48,530</b>	<b>24,000</b>	<b>113,999</b>	<b>186,529</b>
Transfers	(31,089)	(11,000)	(4,850)	(2,400)	-	(49,339)
Excess (deficiency) of revenues over (under) expenditures	3,288	37,166	2,812	2,039	50,971	96,276
Fund Balance, beginning of year	4,038	115,275	389	4,634	35,797	160,133
<b>Fund Balance, end of year</b>	<b>\$ 7,326</b>	<b>152,441</b>	<b>3,201</b>	<b>6,673</b>	<b>86,768</b>	<b>\$ 256,409</b>



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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**

To the Board of Commissioners of the  
Port Authority of Kansas City, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* as issued by the Comptroller General of the United States, the financial statements of governmental activities and the major fund of the Port Authority of Kansas City Missouri (Port KC) - a component unit of the City of Kansas City, Missouri, as of and For The Year Ended April 30, 2020, and the related notes to the financial statements, which collectively comprise Port KC's basic financial statements and have issued our report thereon dated August 25, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Port KC'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 Port KC's internal control. Accordingly, we do not express an opinion on the effectiveness of Port KC'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 over financial reporting 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 Port KC'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 over 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.

*Norah Burkes, p.c.*  
Kansas City, Missouri  
August 25, 2020