



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

FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT

April 30, 2021



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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Port Authority of Kansas City, Missouri – a component unit of the City of Kansas City, Missouri, as of and for the year ended April 30, 2021 and the related notes to the financial statements, which collectively comprise the entity'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.

### ***Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Port Authority of Kansas City, Missouri as of April 30, 2021, 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.

***Emphasis of Matter***

During the year ended April 30, 2021, the Port Authority of Kansas City, Missouri adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 87, *Leases* and GASB No. 84, *Fiduciary Activities*. The implementation of GASB No. 84 required presentation of a custodial fund in the fiduciary financial statements, but had no change to net position. As a result of the implementation of GASB No. 87, the Port Authority of Kansas City, Missouri reported a restatement for a change in accounting principle (see Note M). Our auditors' opinion was not modified with respect to the restatement.

For the year ended April 30, 2021, the Port Authority of Kansas City, Missouri restated beginning fund balance in the General Fund to correct an error in the previously issued financial statements (see Note M). Our auditors' opinion was not modified with respect to the restatement.

***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 information on page 32 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 Information*

The combining balance sheet – nonmajor governmental funds and combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet – nonmajor governmental funds and combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2021, on our consideration of the Port Authority of Kansas City, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Port Authority of Kansas City, Missouri's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Port Authority of Kansas City, Missouri's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Overland Park, Kansas  
August 25, 2021



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2021

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, 2021. 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

- Port KC and NorthPoint Development executed a Purchase & Sale Agreement and began construction on CORE Apartments, an 8-acre, 350-unit multi-family mixed-income development located east of Bar K on Parcel 12A. This is the second residential development Berkley Riverfront.
- Port KC completed a land sale for speculative construction with Platform Ventures for 15 acres of land at Richards-Gebaur Commerce Park, more broadly known as the 49 Crossing area. This acreage is adjacent to Platform Venture's existing property and its anticipated use is a warehousing or manufacturing center.
- In November 2020, Port KC completed construction and began service on a dome storage project at the Port of Kansas City – Woodswether Terminal. Port KC had identified the need to increase indoor storage capacity and initiated the project with site clearing in 2017. Now with a second storage dome, the Woodswether Terminal has tripled its storage capacity for fertilizer shipments.
- Port KC sponsored AltCap's Next Stage KC program, a development training program focused on assisting minority and women entrepreneurs expand their existing business and achieve new levels of growth. The program supports and promotes a more inclusive local economy.
- In October 2020, the U.S. Department of Transportation awarded \$9.88 million Port Infrastructure Development Grant to support project planning and redevelopment activities for the Missouri River Terminal (MRT) project. MRT is an infrastructure project that will capture future freight demand and broaden Kansas City's market reach.
- In September 2020, The Federal Transit Administration (FTA) allocated \$14.2 million in federal funds to the KC Streetcar Riverfront Extension project. The funding accounted for 70% of total project cost and allowed the team to advance design and construction activities. The riverfront extension complements Port KC's citizen-centered development plans at Berkley Riverfront with focus on connectivity, mobility and affordability.
- Port KC partnered with developers to issue new bonds totaling \$249,600,000 in Conduit Debt (see Note L). New developer fees totaling \$1,275,873 were collected for these services. Of these fees, \$767,000 were designated towards Port KC's capital projects and infrastructure. Additionally, Port KC administered Tax Compliance Payments of \$2,164,788 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 \$2,964,008 for the fiscal year ending April 30, 2021. Developer fees were the largest source of program revenues with \$4,766,955 in 2021, up from \$1,111,810 in 2020.

Lease accounting changed during 2021 due to GASB Statement 87 (Leases). This statement had a large impact on both the balance sheet and the income statement. One way the changes impacted lease revenue was that it moved some lease revenue amounts to interest income. Gross lease



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revenues in 2021 were \$4,050,296 and with GASB 87 Statement applied, are estimated to have been \$4,065,538 in 2020.

The majority of lease revenue is from the Bally's Casino, formerly known as Casino KC and before that known as Isle of Capri Casino, which is in its 5<sup>th</sup> year of the current renewal period (see Note D). The remaining lease revenue is comprised largely from Richards-Gebaur Commerce Park at 49 Crossing, which operated at nearly full capacity during fiscal year 2021.

GASB Statement 87 also impacted total expense where the largest impact was an increase to interest expense. Total expenses in 2021 were \$4,907,290 and were \$4,652,078 in 2020 (prior to GASB Statement 87 implementation) estimated to have been \$4,756,946 in 2020 with GASB Statement 87 implemented, continuing an overall trend in growing expenses alongside growing revenues.

The largest category where expenses increased was professional services for continued planning for the MRT project. Other categories where expense increased to a lesser degree include property management, depreciation, and marketing. While overall expenses increased in 2021, the travel expense was noticeably lower. Due to COVID-19, there was no out of town travel and less local travel during 2021.

Interest expense was also higher in 2021 compared to 2020, and this is due to how GASB Statement 87 impacted interest expense: total interest expense went up, but the annual trend will ebb and flow more dramatically going forward as interest expense will be influenced by the changing portfolio of leases. A portfolio of relatively new leases with long life-spans will generally result in higher interest expense whereas in a portfolio of leases that are near expiration or shorter-term leases will result in a lower interest expense.

### 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 12) and *Statement of Activities* (page 13) present Port KC as a whole. The presentation of these statements includes assets, liabilities, deferred inflows, net position, revenues, 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 in by private-sector companies.

The activities are presented as "Governmental 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 14) and *Statement of Revenues, Expenditures, and Changes in Fund Balance* (page 16) 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.

Non-major Governmental Funds – The non-major governmental funds include four blended



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component units, Port Improvement Districts (PIDs) 1-4. PIDs are each special revenue funds, but none of them 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 Economic Advancement Fund is for the specific purpose of providing economic development assistance to MBE/WBE enterprises and is also a non-major governmental fund.

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: debt issuance, and principal payments on debt are fund expenditures.

### 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 on the short-term and the long-term. The key differences, as described above, are also detailed out in Note A. Page 15 reconciles the differences between the *Statement of Net Position* and the *Balance Sheet – Governmental Funds*. Page 17 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

Total Net Position (page 12)	2021	2020
Current and other assets	\$ 18,792,217	\$ 18,248,389
Capital assets	23,291,232	24,835,779
Total Assets	42,083,449	43,084,168
Current liabilities	1,147,553	672,792
Lease liabilities	794,546	2,380,426
Long-term debt	1,521,623	2,000,000
Funds held for the benefit of others	-	-
Total Liabilities	3,463,722	5,053,218
Deferred Inflows of Resources	3,565,416	5,940,647
Net Position		
Net investment in capital assets	20,729,091	20,611,665
Restricted	1,146,537	1,154,595
Unrestricted	13,178,683	10,324,043
<b>Total Net Position</b>	<b>\$ 35,054,311</b>	<b>\$ 32,090,303</b>





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Total Governmental Funds Balance Sheet(page 14)	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 18,850,325	\$ 18,373,323
Total Assets	18,850,325	18,373,323
Current liabilities	<u>959,689</u>	<u>797,725</u>
Total Liabilities	959,689	797,725
Deferred Inflows of Resources	3,565,416	5,940,647
Fund Balance		
Non-spendable	8,403,554	9,412,639
Restricted	931,860	984,687
Assigned	377,584	256,409
Unassigned	<u>4,612,222</u>	<u>981,216</u>
<b>Total Fund Balance</b>	<b><u>\$ 14,325,220</u></b>	<b><u>\$ 11,634,951</u></b>
<b>General Fund Balance Sheet</b>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 17,542,801	\$ 17,117,087
Total Assets	17,542,801	17,117,087
Current liabilities	<u>951,581</u>	<u>775,723</u>
Total Liabilities	951,581	775,723
Deferred Inflows of Resources	3,565,416	5,940,647
Fund Balance		
Non-spendable	8,403,554	9,412,372
Restricted	10,028	7,130
Unassigned	<u>4,612,222</u>	<u>981,216</u>
<b>Total Fund Balance</b>	<b><u>\$ 13,025,804</u></b>	<b><u>\$ 10,400,718</u></b>

An important difference between the funds perspective and the governmental wide perspective is that all long-term assets and long-term liabilities are removed from the balance sheet. Page 15 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	\$ 13,178,683
Non spendable General Fund Balance <sup>1</sup>	(8,403,554)
Remove certain Assigned Fund Balance <sup>2</sup>	<u>(162,907)</u>
Unassigned Fund Balance	<b><u>\$ 4,612,222</u></b>

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. The Berkley Park Condominium Association is blended within the Government-wide Unrestricted Net Position, but it is separated as a non-major governmental fund within the Fund Balances.



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

**Statement of Activities (page 13)**

	2021	2020
<b>Statement of Activities (page 13)</b>		
<b>Program Revenues:</b>		
Lease income	\$ 4,050,296	\$ 4,065,538
Developer fees	4,766,955	1,111,810
Miscellaneous	45,692	97,450
Lease income due to the City	(1,412,064)	(1,412,064)
Total Charges for Services	7,450,879	3,862,734
Operating grants and contributions	23,179	23,472
Capital grants and contributions	-	673,655
<b>General Revenues:</b>		
Taxes and assessments	231,871	227,668
Gain on disposal of capital assets	4,012	-
Interest earnings	161,357	307,619
<b>Total Net Revenues</b>	<b>\$ 7,871,298</b>	<b>\$ 5,095,148</b>
	2021	2020
<b>Programs Expenses for Economic Development:</b>		
Administrative	1,780,387	1,826,971
Professional services	660,756	445,728
Property management	996,040	939,551
Marketing	111,729	107,852
Travel	101,430	143,638
Insurance	254,294	272,588
Interest	195,568	252,968
Depreciation	807,086	767,650
Loss on disposal of capital assets	-	-
<b>Total Expenses</b>	<b>4,907,290</b>	<b>4,756,946</b>
<b>Change in Net Position</b>	<b>\$ 2,964,008</b>	<b>\$ 338,202</b>
Net position – Beginning of year, as restated	32,090,303	31,752,101
Net position – End of year, as restated	<b>\$ 35,054,311</b>	<b>\$ 32,090,303</b>



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**Statement of Revenues, Expenditures, and Changes in Fund Balance (page 16)**

	2021	2020
<b>Total Governmental Funds</b>		
Total Net Revenues from Statement of Activities	\$ 7,871,299	\$ 5,095,148
Adjust for Differences from GASB 87 (Leases)	(114,967)	(114,967)
Add Intragovernmental Revenue	138,278	129,744
Total Net Revenues for Governmental Funds	7,894,610	5,109,925
Expense under Modified Accrual Accounting		
Total Expenses from Statement of Activities	4,907,290	4,756,946
Adjust for Differences from GASB 87 (Leases)	(24,818)	(86,832)
Add Intragovernmental Expense	138,278	129,654
Add Debt Service – Principal	595,475	-
Add Capital Outlay	905,715	1,756,767
Remove Depreciation	(807,086)	(767,650)
Total Fund Expenditures	5,714,854	5,788,885
Revenues Over (Under) Expenditures	2,179,756	(678,960)
Other Financing Sources		
Debt Issuance	363,070	-
Proceeds from Long-Term Assets Disposed	147,443	-
Total Other Financing Sources	510,513	-
Change in Fund Balances	2,690,269	(678,960)
Total Funds Balance – Beginning of year, as restated	11,634,951	12,313,911
Total Funds Balance – End of year, as restated	\$ 14,325,220	\$ 11,634,951
<b>General Fund</b>		
Total Net Revenues for General Fund	\$ 7,565,816	\$ 4,770,673
Expenditures:		
Current	3,885,001	3,678,971
Capital outlay (net)	905,715	1,756,677
Debt service	727,133	127,083
Total Fund Expenditures	5,517,849	5,562,731
Revenues Over (Under) Expenditures	2,047,967	(792,058)
Total Other Financing Sources	577,119	57,058
Change in Fund Balance	2,625,086	(735,000)
Total Funds Balance – Beginning of year, as restated	10,400,718	11,135,718
Total Funds Balance – End of year, as restated	\$ 13,025,804	\$ 10,400,718

**Capital Asset Administration**

At the end of fiscal year 2021, Port KC had \$23,291,232 in capital assets. Not include in capital assets is Port KC’s Real Estate Inventory Available for Sale which is 23.9 acres of Berkley Riverfront. The land includes Berkley Riverfront, Richards-Gebaur Commerce Park, Port of Kansas City – Woodswether Terminal, and Missouri River Terminal. Port KC’s infrastructure includes improvements Berkley Riverfront Park, 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. Leases include the land lease from the City, the Port KC office lease, and an equipment lease. In total, Port KC’s capital assets decreased by \$1,544,547, net of depreciation, over fiscal year 2020. Amounts in the following table have been restated for the impacts of implementing GASB 87 in the current year, to assist with year-to-year comparisons. See Note C for more on capital assets.



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**Capital Assets at Year End  
 Net of Depreciation**

	2021	2020
Land, non-depreciable assets and construction on progress	\$ 7,448,702	\$ 8,763,806
Infrastructure and Equipment, net	14,629,427	13,363,137
Lease assets, net	1,213,103	2,708,836
	\$ 23,291,232	\$ 24,835,779

**Debt Administration**

During fiscal year 2019, Port KC borrowed \$2,000,000 from a local bank, collateralized by land at Richards-Gebaur Commerce Park. The note is paid with interest only, as accrued, on a monthly basis with a balloon payment for the principal balance in March 2024. During fiscal year 2021, Port KC repaid \$500,000 of the principal balance leaving an outstanding balance of \$1,500,000 at April 30, 2021. There are no principal balances due in the next twelve months.

During fiscal year 2021, Port KC borrowed \$363,070 unsecured debt to complete the Port Terminal dome project from the dome contractor. The note repayment was scheduled in 18 installments for \$21,805 each, beginning in December 2020 with the final installment scheduled in May 2022.

See Note H for more on notes payable.

**General Fund Budgetary Highlights**

The annual budget was developed by the Director of Finance in coordination with all staff. It was approved by the Board of Commissioners in April 2020, amended once in October 2020, and amended a second time in February 2021. The annual budget is developed within the context of Port KC’s mission, the Board of Commissioners’ strategic plan, and the 10-year capital plan which is reviewed annually. Port KC’s General Fund budget and variances are found in the supplementary information on page 33. The complete government-wide operating budget can be found at [www.portkc.com](http://www.portkc.com).

The fiscal year ending in 2021 was aggressively budgeted and even more aggressively performed to complete a year with an increase in fund balance representing the best year Port KC has ever had and still overachieved budget expectations by 11%. This occurred through both higher revenues and lower expense.

The primary driver of revenue performance was developer revenue which largely comes from land sales and bond issuance fees. While land sale prices did not change much compared to the budget, the budget conservatively anticipated Port KC would have more responsibilities to prepare the land before and after each transaction occurred. With fewer site delivery costs, Port KC was able to retain more funds to invest into the next projects. Port KC issued conduit bonds four times in 2019 and 2020, each, budgeted for eight conduit bond issuances in 2021, and issued nine rounds of conduit bonds, adding to the list of conduit debt (see Note L). This higher number of projects resulted from a combination of projects that were expected to be completed in the previous fiscal that were delayed into 2021 plus increased development activity occurring in Kansas City.

Total expenses were under-spent in almost all categories. The largest proportional savings were from travel, marketing, and property management. The budget process attempted to factor in COVID-19 impacts, but so much of how COVID-19 impacted Port KC’s financial planning and performance – and



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all of the global economy – was impossible to predict. Port KC was fortunate that COVID-19 created momentum in areas that drove revenue much more so than it drove expense. That is not to overlook the sober fact that it was a difficult year for all of humanity including those at Port KC. Expense savings are not expected to be permanent savings. Most savings represent plans and projects that were simply delayed and will continue throughout fiscal year 2022 and beyond.

#### 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, 2021. 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.



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BASIC FINANCIAL STATEMENTS  
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STATEMENT OF NET POSITION

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Assets:	
Currents assets:	
Cash and cash equivalents	\$ 6,349,562
Accounts receivable (net)	545,622
Leases receivable, current portion	949,054
Prepays	405,215
Restricted cash and cash equivalents	900,396
Non-current assets:	
Leases receivable, long-term portion	1,644,029
Real estate inventory available for sale	7,998,339
Capital assets not being depreciated:	
Land, improvements, and construction in progress	7,448,702
Capital assets, net of accumulated depreciation:	
Infrastructure, net	14,309,259
Equipment, net	320,168
Lease assets, net	1,213,103
Total Assets	<u>\$ 42,083,449</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>	
Liabilities:	
Current liabilities:	
Accounts payable and other current liabilities	\$ 645,804
Unearned revenue	182,880
Current portion of long-term debt	245,972
Current portion of lease liabilities	92,665
Security deposits	72,897
Long-term liabilities:	
Long-term debt	1,521,623
Lease liabilities	701,881
Total Liabilities	<u>3,463,722</u>
Deferred Inflows of Resources - Leases	<u>3,565,416</u>
Net Position:	
Investment in capital assets	20,729,091
Restricted for economic development	9,144,876
Unrestricted	5,180,344
Total Net Position	<u>\$ 35,054,311</u>

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



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**STATEMENT OF ACTIVITIES**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net Revenues (Expenses) and changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Government Activities:</b>						
Economic Development	\$4,907,290	7,450,879	23,179	-		\$2,566,768
<b>General Revenues</b>						
Taxes and assessments						231,871
Gain on disposal of capital assets						4,012
Interest earnings						161,357
<b>Total General Revenues</b>						<u>397,240</u>
<b>Change in Net Position</b>						2,964,008
<b>Net Position, Beginning of Year, as Restated</b>						<u>32,090,303</u>
<b>Net Position, End of Year</b>						<u>\$ 35,054,311</u>

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



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BALANCE SHEET  
GOVERNMENTAL FUNDS

	<u>ASSETS</u>		
	General Fund	Non-major Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 6,182,406	\$ 167,156	\$ 6,349,562
Accounts receivable (net)	345,622	200,000	545,622
Prepays	405,215	-	405,215
Restricted cash and cash equivalents	10,028	890,368	900,396
Due from other funds	8,108	-	8,108
Interfund loan	-	50,000	50,000
Real estate inventory available for sale	7,998,339	-	7,998,339
Leases receivable (lessor)	2,593,083	-	2,593,083
Total Assets	<u>\$ 17,542,801</u>	<u>\$ 1,307,524</u>	<u>\$ 18,850,325</u>
	<u>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</u>		
Liabilities:			
Accounts payable and other current liabilities	\$ 645,804	\$ -	\$ 645,804
Unearned revenue	182,880	-	182,880
Due to other funds	-	8,108	8,108
Security deposits	72,897	-	72,897
Interfund loan	50,000	-	50,000
Total Liabilities	<u>951,581</u>	<u>8,108</u>	<u>959,689</u>
Deferred Inflows of Resources - Leases	<u>3,565,416</u>	<u>-</u>	<u>3,565,416</u>
Fund Balance:			
Non spendable	8,403,554	-	8,403,554
Restricted	10,028	921,832	931,860
Assigned	-	377,584	377,584
Unassigned	4,612,222	-	4,612,222
Total Fund Balance	<u>13,025,804</u>	<u>1,299,416</u>	<u>14,325,220</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,542,801</u>	<u>\$ 1,307,524</u>	<u>\$ 18,850,325</u>

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





PORT KC  
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BASIC FINANCIAL STATEMENTS  
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RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION

Amounts reported in the Balance Sheet, Fund Balance are different from the Statement of Net Position because of the following key principles:

Total governmental funds – total fund balance \$ 14,325,220

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 of any accumulated depreciation. Long-term capital assets must be added to the Fund Balance when comparing to the Net Position.

Capital assets, non-depreciable	7,448,702
Capital assets, net of depreciation	14,629,427
Lease assets, net of amortization	<u>1,213,103</u>
	23,291,232

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	(1,767,595)
Lease liabilities	<u>(794,546)</u>
	<u>(2,562,141)</u>

Total Net Position of Government Activities \$35,054,311

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



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**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

	General Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Revenue:</b>			
Lease income	\$ 4,050,296	\$ -	\$ 4,050,296
Developer fees	4,790,955	-	4,790,955
Taxes and assessments	-	322,150	322,150
Grants and contributions	23,179	-	23,179
Miscellaneous	70,636	3,068	73,704
Interest income	157,781	3,576	161,357
<b>Total Revenue</b>	<b>9,092,847</b>	<b>328,794</b>	<b>9,421,641</b>
<b>Less:</b>			
Lease income due to the City of Kansas City, Missouri	(1,527,031)	-	(1,527,031)
<b>Total Net Revenue</b>	<b>7,565,816</b>	<b>328,794</b>	<b>7,894,610</b>
<b>Expenditures:</b>			
<b>Current expenditures</b>			
Administration	1,807,843	11,635	1,819,478
Professional services	677,369	7,388	684,757
Property management	970,686	139,632	1,110,318
Marketing	76,729	35,000	111,729
Travel	101,163	267	101,430
Insurance	251,211	3,083	254,294
Capital outlay (net)	905,715	-	905,715
Debt service - interest	131,658	-	131,658
Debt service - principal	595,475	-	595,475
<b>Total Expenditures</b>	<b>5,517,849</b>	<b>197,005</b>	<b>5,714,854</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,047,967</b>	<b>131,789</b>	<b>2,179,756</b>
<b>Other Financing Sources (Uses):</b>			
Issuance of long-term debt	363,070	-	363,070
Disposal of long-term assets	147,443	-	147,443
Transfers	66,606	(66,606)	-
<b>Total Other Financing (Uses)</b>	<b>577,119</b>	<b>(66,606)</b>	<b>510,513</b>
<b>Net Change in Fund Balance</b>	<b>2,625,086</b>	<b>65,183</b>	<b>2,690,269</b>
<b>Fund Balance, Beginning of Year, as Restated</b>	<b>10,400,718</b>	<b>1,234,233</b>	<b>11,634,951</b>
<b>Fund Balance, End of Year</b>	<b>\$ 13,025,804</b>	<b>\$ 1,299,416</b>	<b>\$ 14,325,220</b>

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



PORT KC  
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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN THE FUND BALANCE OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES**

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	\$ 2,690,269
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Governmental funds report capital outlays as current expenditures, whereas government-wide statements accrue capital costs 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. In the governmental funds, since there are no assets to be disposed, the sale or disposal of long-term assets are considered other financing sources.

Remove Capital Outlays expense (Governmental Funds)	905,715
Remove Disposal of Long-Term Assets (Governmental Funds)	(147,443)
Add Amortization expense of leased assets (Government-Wide)	(1,495,733)
Add Depreciation expense (Government-Wide)	(807,086)
	(1,544,547)

Governmental funds report issuance of long-term debt as an other financing source – it is not added to the governmental funds Balance Sheet – whereas within government-wide statements, long-term debt is added to the Statement of Net Position and has no impact on the Statement of Activities. Similar difference occur when the long-term debt is paid. In the governmental funds, principal payments on debt are expensed as paid whereas within government-wide statements principal payments reduce the long-term balance on the Statement of Net Position.

Remove Payments of Lease Liabilities (Governmental Funds)	1,585,881
Remove Debt Service – Principal (Governmental Funds)	595,475
Remove Issuance of Long-Term Debt (Governmental Funds)	(363,070)
	1,818,286

Change in Net Position of from Statement of Activities	<u>\$ 2,964,008</u>
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The accompanying notes are an integral part of this financial statement.



PORT KC  
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BASIC FINANCIAL STATEMENTS  
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STATEMENT OF FIDUCIARY  
NET POSITION

	<u>Custodial Fund</u>
Total Assets	\$ -
Total Liabilities	-
Net Position	<u>\$ -</u>

STATEMENT OF CHANGES IN  
FIDUCIARY NET POSITION

	<u>Custodial Fund</u>
Incentive Compliance Payments received from developers	\$ 2,144,587
Total Additions	<u>2,144,587</u>
Incentive Compliance Payments paid to taxing jurisdictions	2,144,587
Total Deductions	<u>2,144,587</u>
Change in Fiduciary Net Position	-
Fiduciary Net Position – Beginning of Year	-
Fiduciary Net Position – End of Year	<u>\$ -</u>

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



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

Pursuant to state legislation, Revised Statutes of Missouri (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.

**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). Declarant Control relates to the Declarant's right to control the operation of an association by means of appointing members to the Board of Directors. The Declarant Control provision permits the Declarant to establish budgets, execute contracts, retain vendors, etc. This authority allows the Declarant to maintain costs related to the operation of the community. The Declarant Control period phases out over the course of the development, with final termination occurring upon the earliest to occur of: (i) the sale of 75% of the units that may be created to owners other than the Declarant; (ii) two years after the last time the Declarant added property to the community; or (iii) two years from the date the Declarant last sold a unit.



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During the fiscal year, Port KC paid 53.6% of assessments collected by the Association. Similarly, Port KC collected management fees for operating the Association. The amounts paid between Port KC and the Association were eliminated within the Government-wide financial statements and included in the Governmental Funds 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).

#### 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 governmental 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 and fiduciary 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.

*Nonmajor Governmental Funds* – The nonmajor governmental funds include PIDs 1-4 and the Berkley Park Condominium Association. The economic advancement fund is an additional nonmajor governmental fund. This fund was established for the specific purpose of providing economic development to minority business enterprise/women business enterprise (MBE/WBE) community. Revenues to this fund are primarily associated with interest received on loans issued from these funds.



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Port KC reports the following fiduciary fund:

*Custodial Fund* – In connection with properties bonded by Conduit Debt (See Note L), Port KC and developers agree to an Incentive Compliance Agreement. These agreements contractually set forth Annual Compliance Payments to be paid as property taxes or personal property taxes which are collected by Port KC and remitted to other taxing jurisdictions. Compliance payments are collected and remitted for other jurisdictions over the life of the related bonds.

## **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 87. In addition, certain balances due from notes issued and associated with the Economic Advancement Fund are recorded within the account 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.

**Real estate inventory available for sale**

Real estate inventory available for sale includes parcels of land associated with Berkley Riverfront Development area. Assets held for sale are considered financial assets and included in both the government wide statement of net position and the governmental funds balance sheet. The value of real estate inventory available for sale at year-end is included in the non-spendable fund balance category.

**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 acquisition 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 or 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.

## 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:

Net investment 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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. 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.

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



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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, 2021, 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, or the President/Chief Executive Officer. It may be appropriated to eliminate a projected deficit in the subsequent year’s operating budget. This category includes all remaining amounts not classified in another category in all governmental funds, except the general fund.

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

**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, 2021, actual cash, cash equivalents, and investments on deposit were \$7,249,958, consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>
Deposits	\$ 6,349,562	\$ 900,396

Restricted balances consist of amounts related to the Economic Advancement Fund 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, 2021, Port KC only held cash.



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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. At April 30, 2021, the carrying balance total deposits were \$7,249,958, and the bank balance was \$7,281,497. Of the bank balance, \$500,000 was insured by federal depository insurance, \$3,874,242 was collateralized, and \$2,907,255 was not collateralized.

Concentration of Credit Risk - Port KC places no limit on the amount it may invest in any one issuer. At April 30, 2021, Port KC's had no investments.

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, 2021, there were no deposits subject to this credit risk.



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**NOTE C - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balances
<b>Government Activities:</b>				
Capital assets not being depreciated				
Land & Improvements	\$ 7,114,941	\$ 49,800	\$ 68,134	\$ 7,096,607
Construction in progress	1,648,865	805,692	2,102,462	352,095
Total capital assets not being depreciated	8,763,806	855,492	2,170,596	7,448,702
Capital assets being depreciated				
Infrastructure	18,693,891	2,143,368	95,993	20,741,266
Equipment	846,528	9,317	14,511	841,334
Leased Assets	7,878,770	-	-	7,878,770
Total capital assets being depreciated	27,419,189	2,152,685	110,504	29,461,370
Less accumulated depreciation and amortization for				
Infrastructure	5,738,662	713,045	19,700	6,432,007
Equipment	438,620	94,041	11,495	521,166
Leased Assets	5,169,934	1,495,733	-	6,665,667
Total accumulated depreciation	11,347,216	2,302,819	31,195	13,618,840
Total capital assets being depreciated, net	16,071,973	(150,134)	79,309	15,842,530
Total capital assets for government activities, net	<u>\$ 24,835,779</u>	<u>\$ 705,358</u>	<u>\$ 2,249,905</u>	<u>\$ 23,291,232</u>

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.

**NOTE D – LEASE RECEIVABLE**

**Casino Lease**

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).



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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." Twin River Worldwide Holdings purchased IOC in July 2020 and renamed the site "Casino KC." Subsequent to year end, in August 2021, the casino was renamed "Bally's 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 fifth year of the third 5-year renewal term. The next 5-year renewal term auto-renewed and will begin in October 2021.

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, 2021 there was no percentage rent, and the total net annual rent received was \$3,054,062.

#### **Richards-Gebaur Commerce Park Leases**

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, Missouri. It is part of a business area which, in coordination with many local partners and businesses, was branded as 49 Crossing in the fall of 2020. The commerce park includes approximately 662 acres which holds approximately 544,000 square feet of leasable building space plus approximately 600 acres of developable land. The leasable buildings include uses such as hangars, warehouses, and office space.

For the year ended April 30, 2021, total lease revenues were \$1,032,838. Leases have remaining lengths that range from month-to-month to five years with no provisions for guaranteed renewal period extending beyond December 2025. Future minimum rental amounts associated with the Richards-Gebaur Commerce Park are as follows:

#### **Other Lease Receivables**

Other leases include a lease with Bear Bishop for the Bar K at Berkley Riverfront which has a minimum annual rent that is adjusted annually based on business revenues for a maximum annual lease of \$120,000 per year through the fiscal year ending 2029. Another is a lease with KC Crew for the volleyball courts at Berkley Riverfront through the fiscal year ending 2022. This lease is entirely dependent on a percentage of business revenues, so it is not included in the lease receivable balance. Another lease is with Kaw Valley as the port operator at the Port of Kansas City – Woodswether Terminal through the fiscal year ending 2023 that includes base rent rents due based on the amount of tonnage which port operator handles.



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**Total Lease Receivable Schedule**

Year Ended April 30,	Amount
2022	\$ 949,054
2023	640,955
2024	382,398
2025	209,920
2026	152,960
2027 to 2029	257,796
	\$ 2,593,083

**NOTE E – LEASE LIABILITIES**

**Kansas City Riverfront Lease from the City of Kansas City, MO**

Port KC leases certain real property, fronting along 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.

**Other Leases Liabilities**

Other leases include the office lease for Port KC's office at 110 Berkley Plaza through fiscal year ending 2029 and a lease for the Xerox machine through fiscal year ending 2023.

**Total Lease Liabilities Schedule**

Year Ended April 30,	Lease Liability	Interest Expense	Total
2022	\$ 92,665	\$ 30,095	\$ 122,760
2023	94,342	26,348	120,690
2024	97,473	22,527	120,000
2025	101,444	18,556	120,000
2026	105,577	14,423	120,000
2027 to 2029	303,045	16,955	320,000
	\$ 794,546	\$ 128,904	\$ 923,450

**NOTE F – GRANTS**

Port KC was awarded a Port Aid grant for administrative expenses from the Missouri Highways and Transportation Commission for \$23,179. During fiscal year 2021, all \$23,179 was reported under the grant, recorded as Grant Revenue, and received.



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In October 2020, the State of Missouri announced Port KC was awarded a grant from the US Department of Transportation under the Port Infrastructure Development Program (PIDP) for \$9,880,000 for the Missouri River Terminal (MRT) project. The total project is estimated to be \$27,723,161 with a local match of \$16,723,161. The grant agreement was not executed at April 30, 2021.

**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, 2021 totaled \$44,789.

**NOTE H – NOTES PAYABLE**

Long-term obligations consist of the following balances at April 30, 2020 and April 30, 2021:

<u>Long-term obligations</u>	<u>April 30,</u> <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30,</u> <u>2021</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
Direct borrowing and placements:					
Promissory note	\$2,000,000	\$ -	\$ 500,000	\$ 1,500,000	\$ -
Vendor financing	-	<u>363,070</u>	<u>95,475</u>	<u>267,595</u>	<u>245,972</u>
Total	<u>\$2,000,000</u>	<u>\$ 363,070</u>	<u>\$ 595,475</u>	<u>\$ 1,767,595</u>	<u>\$ 245,972</u>

Notes payable as of April 30, 2021, 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 a portion of the 49 Crossing 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 is collateralized by a portion of the 49 Crossing properties. The note includes a default provision that would occur if payment of principal or interest is not made when the due and payable. In the event of default, the entire unpaid principal amount and all accrued interest is due immediately. Additionally, the interest rate applicable in the event of default is 5% in excess of the prime rate. Port KC elected to pay \$500,000 towards the principal balance during the fiscal year.

Vendor financing was arranged for the completion of the dome project at the Woodswether terminal. At the completion of the project, Port KC paid 50% of the balance on contract whereas the remaining 50% was agreed to be paid in 18 monthly installments of \$21,805, each, based on an interest rate of 10%. The project was completed in November 2020, and the first monthly installment was paid in December 2020. The final monthly installment will be due in May 2022. The agreement does not include default terms, termination events, or acceleration clauses. While not collateralized, Port KC secured a payment bond from a surety, naming the vendor as an obligee, for the purpose of securing the repayment of the outstanding balance and accrued interest.



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**NOTE I - RELATED PARTY TRANSACTIONS**

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

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, 2021, the City reimbursed Port KC \$8,081.

**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**

The Missouri River Terminal (MRT) project is currently being planned along the south bank of the Missouri River in east part Kansas City, Missouri. This project has several open planning and consulting contracts which have future commitments up to \$610,000.

The MRT project was awarded a grant (see Note F). When the grant is executed, the \$9,880,000 funds are in support of a \$27,723,161 project and the local match of \$16,723,161 will become committed.

The Port KC submitted a letter of financial assurance to the Missouri Department of Natural Resources (MDNR), guided by 10 CSR 25-7.264 and 265, Alternative I, regarding the MRT 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 provides that Port KC may transfer title of the property back to the developer, and terminate the bond transaction, in the event of any default by the developer/lessee. 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.





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 April 30, 2021

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.

During the fiscal year, Port KC had nine bond issuances. As of April 30, 2021, the aggregate amount of all conduit debt obligations issued by Port KC was \$917,460,558.

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
Shalerock LLC	August 27, 2019	Taxable Revenue Bond (Shalerock Project) Series 2019	\$11,520,555
JH Investors, LLC	November 7, 2019	Taxable Revenue Bond (Jack Henry Project) Series 2019	\$44,000,000
NP Northland Park Building VI, LLC	May 6, 2020	Taxable Revenue Bond (Northland Park Building VI Project) Series 2020	\$27,000,000
NP Berkley Apartments, LLC	June 20, 2020	Taxable Revenue Bond (NP Berkley Apartments Project) Series 2020	\$60,500,000
KCL Congress 88, LLC	July 31, 2020	Taxable Revenue Bond (Congress Corporate Center Project) Series 2020	\$35,500,000



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 April 30, 2021

NP Northland Park Building VII, LLC	September 3, 2020	Taxable Revenue Bond (Northland Park Building VIII Project) Series 2020	\$17,100,000
NP Bannister Industrial, LLC	November 10, 2020	Taxable Revenue Bond (Blue River Commerce Center Project – Phase I) Series 2020	\$16,000,000
Penn Seven, LLC	December 17, 2020	Taxable Revenue Bond (USDA Relocation Project) Series 2020	\$15,500,000
NP Northland Park Building VII, LLC	February 11, 2021	Taxable Revenue Bond (Northland Park Building VII Project) Series 2021	\$26,000,000
NP Bannister Industrial, LLC	February 12, 2021	Taxable Revenue Bond (Blue River Commerce Center Project – Phase II) Series 2021	\$27,000,000
Platform I QOZB Property – RG Industrial III, LLC	April 15, 2021	Taxable Revenue Bond (Platform Spec) Series 2021	\$25,000,000

**NOTE M – ADOPTION OF NEW ACCOUNTING STANDARDS AND RESTATEMENT OF FUND BALANCE**

Port KC adopted Government Standards Board Statement No. 84 – Fiduciary Activities. There were no changes to beginning of year balances with the adoption of the standard, but Port KC did add financial statements related to its custodial fund for the year ended April 30, 2021.

Port KC adopted Government Standards Board Statement No. 87 – Leases. The following is a reconciliation of the prior year net assets, as previously reported as of April 30, 2020, to the adjusted net assets for the fiscal year beginning May 1, 2020.

Beginning fund balance in the General Fund was restated due to not previously including land held for sale as an asset in the governmental funds financial statements. There was no impact on previously presented net position of the governmental activities.

	Governmental Activities Net Position	General Fund Balance	Total Governmental Fund Balance
Reported as of April 30, 2020	\$ 32,395,103	\$ 1,915,205	\$ 3,149,438
GASB 87 – Leases	(304,800)	(789,520)	(789,520)
Land held for sale	-	9,275,033	9,275,033
Restated for April 30, 2020	<u>\$ 32,090,303</u>	<u>\$ 10,400,718</u>	<u>\$ 11,634,951</u>

**NOTE O – SUBSEQUENT EVENTS**

In June 2021, conduit debt in the form of a Taxable Revenue Bond (Hunt Midwest Project) Series 2021 was issued for \$28,000,000.

In August 2021, Port KC paid the vendor financing in full.

In August 2021, the casino was renamed “Bally’s Casino.”



PORT KC  
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REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended April 30, 2021

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GENERAL FUND  
BUDGET AND ACTUAL**

With comparative actual amounts for the year ended April 30, 2020

	2021				2020 Actual
	Original Budget	Final Budget	General Fund Actual	Variance Positive / (Negative)	
Revenue:					
Lease income	\$ 3,655,000	\$ 4,009,100	\$ 4,050,296	\$ 41,196	\$ 4,065,538
Developer fees	3,524,818	4,482,562	4,790,955	308,393	1,138,933
Grants and contributions	23,000	23,000	23,179	179	697,127
Miscellaneous	29,000	77,400	70,636	(6,764)	96,150
Interest income	280,200	162,700	157,781	(4,919)	299,956
Total Revenues	<u>7,512,018</u>	<u>8,754,762</u>	<u>9,092,847</u>	<u>338,085</u>	<u>6,297,704</u>
Less:					
Lease income due to the City of Kansas City, Missouri	(1,527,031)	(1,527,031)	(1,527,031)	-	(1,527,031)
Total Net Revenues	<u>5,984,987</u>	<u>7,227,731</u>	<u>7,565,816</u>	<u>338,085</u>	<u>4,770,673</u>
Expenditures:					
Current expenditures					
Administration	1,706,123	1,739,505	1,807,483	67,978	1,831,831
Professional services	645,875	743,775	677,369	(66,406)	463,731
Property management	1,063,104	1,079,220	970,686	(108,534)	874,028
Marketing	112,850	96,750	76,729	(20,021)	97,602
Travel	186,245	184,030	101,163	(82,867)	142,744
Insurance	261,335	261,335	251,211	(10,124)	269,035
Capital outlay (net)	1,060,636	1,085,940	905,715	(180,225)	1,756,677
Debt service - interest	188,690	191,470	131,658	(59,812)	127,083
Debt service - principal	-	615,050	595,475	(19,575)	-
Total Expenditures	<u>5,224,858</u>	<u>5,997,075</u>	<u>5,517,849</u>	<u>(479,586)</u>	<u>5,562,731</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>760,129</u>	<u>1,230,656</u>	<u>2,047,967</u>	<u>817,311</u>	<u>(792,058)</u>
Other Financing Sources:					
Issuance of long-term debt	-	363,070	363,070	-	-
Disposal of long-term assets	71,664	144,920	147,443	2,523	-
Transfers in (net)	68,260	53,429	66,606	13,177	57,058
Total Other Financing Sources	<u>139,924</u>	<u>561,419</u>	<u>577,119</u>	<u>15,700</u>	<u>57,058</u>
Change in Fund Balance	<u>\$ 900,053</u>	<u>\$ 1,792,075</u>	<u>2,625,086</u>	<u>\$ 833,011</u>	<u>(735,000)</u>
Fund Balance, beginning of year, as restated			<u>10,400,718</u>		<u>11,135,718</u>
Fund Balance, end of year			<u>\$13,025,804</u>		<u>\$10,400,718</u>



PORT KC  
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 SUPPLEMENTARY INFORMATION  
 April 30, 2021

**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**  
**April 30, 2021**

	Economic Advancement Fund	PID 1	PID 2	PID 3	PID 4	Berkley Park Condo Association	Total
<b>Assets:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,156	\$ 167,156
Accounts receivable (net)	200,000	-	-	-	-	-	200,000
Restricted cash and cash equivalents	675,691	2,792	198,890	9,899	3,096	-	890,368
Interfund loan	50,000	-	-	-	-	-	50,000
<b>Total assets</b>	<b>\$ 925,691</b>	<b>\$ 2,792</b>	<b>\$ 198,890</b>	<b>\$ 9,899</b>	<b>\$ 3,096</b>	<b>\$ 167,156</b>	<b>\$ 1,307,524</b>
Due to General Fund	\$ 3,859	\$ -	\$ -	\$ -	\$ -	\$ 4,249	\$ 8,108
<b>Total Liabilities</b>	<b>3,859</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,249</b>	<b>8,108</b>
<b>Fund Balance:</b>							
Restricted	921,832	-	-	-	-	-	921,832
Assigned	-	2,792	198,890	9,899	3,096	162,907	377,584
<b>Total Fund Balance</b>	<b>921,832</b>	<b>2,792</b>	<b>198,890</b>	<b>9,899</b>	<b>3,096</b>	<b>162,907</b>	<b>1,299,416</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 925,691</b>	<b>\$ 2,792</b>	<b>\$ 198,890</b>	<b>\$ 9,899</b>	<b>\$ 3,096</b>	<b>\$ 167,156</b>	<b>\$ 1,307,524</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**– NON-MAJOR GOVERNMENTAL FUNDS**  
**Year Ended April 30, 2021**

	Economic Advancement Fund	PID 1	PID 2	PID 3	PID 4	Berkley Park Condo Association	Total
<b>Revenue:</b>							
Taxes and assessments	\$ -	\$ 37,024	\$ 56,844	\$ 41,349	\$ 18,410	\$ 168,523	\$ 322,150
Miscellaneous	-	-	-	-	-	3,068	3,068
Interest	3,388	23	55	29	13	68	3,576
<b>Total Revenue</b>	<b>3,388</b>	<b>37,047</b>	<b>56,899</b>	<b>41,378</b>	<b>18,423</b>	<b>171,659</b>	<b>328,794</b>
<b>Current Expenditures:</b>							
Administrative	11,605	-	-	30	-	-	11,635
Professional services	-	-	-	-	-	7,388	7,388
Property management	-	-	-	31,500	20,000	88,132	139,632
Marketing	35,000	-	-	-	-	-	35,000
Travel	267	-	-	-	-	-	267
Insurance	3,083	-	-	-	-	-	3,083
<b>Total Current Expenditures</b>	<b>49,955</b>	<b>-</b>	<b>-</b>	<b>31,530</b>	<b>20,000</b>	<b>95,520</b>	<b>197,005</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(46,567)</b>	<b>37,047</b>	<b>56,899</b>	<b>9,848</b>	<b>(1,577)</b>	<b>76,139</b>	<b>131,789</b>
<b>Other financing uses</b>							
Transfers	(9,425)	(41,581)	(10,450)	(3,150)	(2,000)	-	(66,606)
<b>Net change in fund balances</b>	<b>(55,992)</b>	<b>(4,534)</b>	<b>46,449</b>	<b>6,698</b>	<b>(3,577)</b>	<b>76,139</b>	<b>65,183</b>
Fund Balance, beginning of year	977,824	7,326	152,441	3,201	6,673	86,768	1,234,233
<b>Fund Balance, end of year</b>	<b>\$ 921,832</b>	<b>\$ 2,792</b>	<b>\$ 198,890</b>	<b>\$ 9,899</b>	<b>\$ 3,096</b>	<b>\$ 162,907</b>	<b>\$ 1,299,416</b>



## INDEPENDENT AUDITORS' 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Port Authority of Kansas City, Missouri, as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise Port Authority of Kansas City, Missouri's basic financial statements, and have issued our report thereon dated August 25, 2021.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port Authority of Kansas City, Missouri's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port Authority of Kansas City, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Port Authority of Kansas City, Missouri's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described below as finding 2021-001 that we consider to be material weaknesses.

## 2021-001 – Lack of Segregation of Duties

Condition: An ideal system of internal control plans an adequate separation of duties so that no one individual handles a transaction from its inception to completion. We noted the following incompatible duties concentrated with the finance director position:

- The Finance Director:
  - Has administrator access over the accounting system, initiates and records journal entries, without a secondary review or approval.
  - Makes and records deposits
  - Reconciles the bank accounts
  - Invoices rental payments
  - Reconciles tenant balances back to the general ledger
  - Records bad debt expense and allowances through annual journal entry adjustment
  - Captures and records all capital asset information for recording including additions, disposals, and assignment of useful lives without a formal review

Criteria: Effective internal control will help ensure an adequate segregation of duties so that no one individual handles or has the ability to override the control of a transaction from its inception to its completion.

Cause: With a limited number of resources and individuals to share responsibilities for access to assets and accounting systems, it is generally difficult to cost effectively achieve optimum segregation.

Effect: Without proper segregation of duties, there is an increased possibility that errors or irregularities may occur and not be detected on a timely basis.

Recommendation: We recommend that Management evaluate the controls in place for Port KC as a whole, and specifically in the revenue/cash receipt cycles.

Management's Response: Port KC is aware of its limitations for designing a complete system with the separation of duties, which is a natural constraint a small team. Port KC works to have strong compensating controls by its processes, documentation, reporting, and accountability across the whole team to protect itself and protect the Director of Finance from the possibility that a material misstatement of not being prevented, detected, or corrected in a timely basis. Some examples include timely and monthly reports sent to all management from the accounting system; full access to bank statements, records, and reconciliations by the President & CEO; cross-functional peer review of invoices for rental payments; regular communication with tenants about tenant balances due which could raise issues if mistakes had occurred; and regular communication with all management regarding the nature of expenditures to evaluate if capital in nature.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority of Kansas City, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is

required to be reported under *Government Auditing Standards* and which is described below as item 2021-002.

**2021-002 – Under-Collateralization of Deposits**

Condition: Cash balances totaling \$2,907,255 were not collateralized at April 30, 2021.

Criteria: Missouri RSMO Chapter 110.010 and 110.020 require public funds held in a banking institution by a political subdivision of the State of Missouri to be fully insured or covered by pledged collateral.

Cause: Lack of review over the collateralization.

Effect: Deposits at April 30, 2021 were subject to a risk of loss.

Recommendation: We recommend that Management institute a review procedure to ensure deposit institutions are holding necessary amounts of pledged collateral.

Management’s Response: This has been resolved.

**Port Authority of Kansas City, Missouri’s Response to Findings**

Port Authority of Kansas City, Missouri’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Port Authority of Kansas City, Missouri’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Overland Park, Kansas  
August 25, 2021