



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

FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT

April 30, 2022



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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise the Port Authority of Kansas City, Missouri's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port Authority of Kansas City, Missouri and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port Authority of Kansas City, Missouri's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority of Kansas City, Missouri's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port Authority of Kansas City, Missouri's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and General Fund budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port Authority of Kansas City, Missouri's basic financial statements. The combining balance sheet – nonmajor governmental funds and combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 GAAS. 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 22, 2022, 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 22, 2022



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2022

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, 2022. 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

- In October 2021, KC Current announced its plans for a new 11,500 seat soccer stadium at Berkley Riverfront. This will be the first dedicated sports stadium for a women's sports team of any sport in the globe. The team announced its name "KC Current" within days after the stadium announcement alluding to the river site and forward momentum. The stadium will be under a land lease with Port KC, where lease payments will commence at delivery of the stadium. It is expected to break ground in October 2022 and open in spring 2024 for the 2024 season.
- Progress continued with NorthPoint Development's CORE Apartments project with the first phases opening for leasing in March 2022 and the last phase of the 350-unit multi-family mixed-use project scheduled to be completed in October 2022. Fifteen percent of units are designated as affordable which is 70% of Median Family Income (MFI).
- Two land sale transactions at Berkley Riverfront were signed in September 2021. One project is planned to be a boutique hotel and the other project will be additional apartments. Both buyers have been in due diligence phases and are expected to close in the fall of 2022.
- USDA relocated one of its departments to Kansas City in 2021, and one of the reasons it selected Kansas City was for its unique Advanced Industrial Manufacturing (AIM) Zone program according to Revised Statutes of Missouri (RSMO) 68.075. In April 2022, the first AIM Zone proceeds began to flow making this project the first producing AIM Zone by any Port Authority to date and a success for the attraction of the USDA department.
- Port KC continued to invest in its Port of Kansas City – Woodswether Terminal with the backing of Missouri Department of Transportation (MODOT) grants. This year's improvements were to replace all remaining moorings/dolphins in April and May 2022.
- Bally's Casino continued its land lease with Port KC by auto-renewing for another 5-year term. The annual minimum rents went up according to the change in CPI compared to the last renewal period, or 14.42%. The casino site also commenced a \$40 million remodel.
- Planning on the extension of the Streetcar to Berkley Riverfront continued with a completion date of spring 2025.
- Port KC partnered with developers to issue new bonds totaling \$283,853,900 in Conduit Debt (see Note L). New developer fees totaling \$1,032,221 were collected for these services. Of these fees, \$581,170 were designated towards Port KC's capital projects and infrastructure. Additionally, Port KC administered Tax Compliance Payments of \$2,930,473 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 a decrease of \$20,540 for the fiscal year ending April 30, 2022. Lease income was the largest source of program revenues with \$4,312,307 in 2022, up from \$4,050,296 in 2021 and \$4,065,538 in 2020.



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The majority of lease revenue is from the Bally's Casino, which began its 4<sup>th</sup> 5-year renewal (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 2022.

Lease accounting changed during 2021 due to GASB Statement 87 (Leases) and continues to have a large impact to the balance sheet and income statements. The largest GASB 87 (Leases) impact was the addition of the new 5-year renewal of the Bally's Casino lease and the connected land lease between Port KC and the City of Kansas City, MO. At the onset of the 5-year renewal, the net present value (NPV) of the Bally's Casino lease was \$16,156,995 (lease receivable and deferred inflow of resources), and the NPV of the land lease to the City was \$8,078,498 (lease asset and lease liability).

Total expenses in 2022 were \$6,197,222 compared to \$4,907,290 in 2021. It is estimated that total expenses would have been \$4,065,538 in 2020 after adjusting for impacts of GASB Statement 87 (Leases). These amounts continue an overall trend in growing expenses alongside growing revenues.

Expense increased in all categories. The largest category where expenses increased was property management led by streetcar planning. Another driver in this category was the disbursement of AIM Zone 4 funds to the USDA project – both the AIM Zone income and disbursement had an uncertain timing and amount until the first disbursement was received in April 2022. The second largest driver of increased expense was professional services for continued planning for the Missouri River Terminal (MRT) project. Travel expense increased as many travel plans resumed as COVID-19 decreased. Travel as a whole was still under-budget. Interest expense increased primarily due to GASB 87 (Leases) impact from the land leased from the City.

## 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 13) and *Statement of Activities* (page 14) 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 15) and *Statement of Revenues, Expenditures, and Changes in Fund Balance* (page 17) present the short-term perspective of Port KC's funds: the General 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 five blended component units, Port Improvement Districts (PIDs) 1-5. PIDs are each special revenue funds, but none of them are major funds, individually or collectively. Also included in non-major



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governmental funds is the Berkley Park Condominium Association, a Missouri nonprofit included as a blended component unit, 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 16 reconciles the differences between the *Statement of Net Position* and the *Balance Sheet – Governmental Funds*. Page 18 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

<b>Total Net Position (page 13)</b>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 32,437,265	\$ 18,792,217	\$ 18,248,389
Capital assets	<u>29,913,447</u>	<u>23,291,232</u>	<u>24,835,779</u>
<b>Total Assets</b>	<b>62,350,712</b>	<b>42,083,449</b>	<b>43,084,168</b>
Current liabilities	3,085,546	1,147,553	672,792
Long-term lease liabilities	5,600,012	794,546	2,380,426
Long-term debt	<u>1,300,000</u>	<u>1,521,623</u>	<u>2,000,000</u>
<b>Total Liabilities</b>	<b>9,985,558</b>	<b>3,463,722</b>	<b>5,053,218</b>
Deferred Inflows of Resources	17,331,383	3,565,416	5,940,647
Net Position			
Net investment in capital assets	21,401,826	20,729,091	20,611,665
Restricted	1,197,878	1,146,537	1,154,595
Unrestricted	<u>12,434,067</u>	<u>13,178,683</u>	<u>10,324,043</u>
<b>Total Net Position</b>	<b><u>\$ 35,033,771</u></b>	<b><u>\$ 35,054,311</u></b>	<b><u>\$ 32,090,303</u></b>





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**Total Governmental Funds Balance**

Sheet (page 15)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 32,448,559	\$ 18,850,325	\$ 18,373,323
Total Assets	32,448,559	18,850,325	18,373,323
Current liabilities	<u>1,485,231</u>	<u>959,689</u>	<u>797,725</u>
Total Liabilities	1,485,231	959,689	797,725
Deferred Inflows of Resources	17,331,383	3,565,416	5,940,647
Fund Balance			
Non-spendable	7,823,274	8,403,554	9,412,639
Restricted	879,852	931,860	984,687
Assigned	371,445	377,584	256,409
Unassigned	<u>4,557,374</u>	<u>4,612,222</u>	<u>981,216</u>
<b>Total Fund Balance</b>	<b><u>\$ 13,631,945</u></b>	<b><u>\$ 14,325,220</u></b>	<b><u>\$ 11,634,951</u></b>

**General Fund Balance Sheet**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 31,182,503	\$ 17,542,801	\$ 17,117,087
Total Assets	31,182,503	17,542,801	17,117,087
Current liabilities	<u>1,473,037</u>	<u>951,581</u>	<u>775,723</u>
Total Liabilities	1,473,037	951,581	775,723
Deferred Inflows of Resources	17,331,383	3,565,416	5,940,647
Fund Balance			
Non-spendable	7,816,370	8,403,554	9,412,372
Restricted	-	10,028	7,130
Unassigned	<u>4,561,713</u>	<u>4,612,222</u>	<u>981,216</u>
<b>Total Fund Balance</b>	<b><u>\$ 12,378,083</u></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 16 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	\$ 12,434,067
Non spendable General Fund Balance <sup>1</sup>	(7,816,370)
Remove certain Assigned Fund Balance <sup>2</sup>	<u>(55,984)</u>
Unassigned General Fund Balance	<u>\$ 4,561,713</u>

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**

<b>Statement of Activities</b> (page 14)	<u>2022</u>	<u>2021</u>	<u>2020</u>
Program Revenues:			
Lease income	\$ 4,312,307	\$ 4,050,296	\$ 4,065,538
Developer fees	2,241,049	4,766,955	1,111,810
Miscellaneous	57,196	45,692	97,450
Lease income due to the City	<u>(1,530,852)</u>	<u>(1,412,064)</u>	<u>(1,412,064)</u>
Total Charges for Services	5,079,700	7,450,879	3,862,734
Operating grants and contributions	24,632	23,179	23,472
Capital grants and contributions	161,383	-	673,655
General Revenues:			
Taxes and assessments	541,202	231,871	227,668
Gain on disposal of capital assets	-	4,012	-
Interest earnings	<u>369,765</u>	<u>161,357</u>	<u>307,619</u>
<b>Total Net Revenues</b>	<b>\$ 6,176,682</b>	<b>\$ 7,871,298</b>	<b>\$ 5,095,148</b>
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Programs Expenses for Economic Development:			
Administrative	1,911,757	1,780,387	1,826,971
Professional services	1,080,308	660,756	445,728
Property management	1,497,697	996,040	939,551
Marketing	132,591	111,729	107,852
Travel	150,909	101,430	143,638
Insurance	291,510	254,294	272,588
Interest	263,722	195,568	252,968
Depreciation	839,356	807,086	767,650
Loss on disposal of capital assets	<u>5,372</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>6,197,222</u>	<u>4,907,290</u>	<u>4,756,946</u>
<b>Change in Net Position</b>	<b>\$ (20,540)</b>	<b>\$ 2,964,008</b>	<b>\$ 338,202</b>
Net position – Beginning of year	<u>35,054,311</u>	<u>32,090,303</u>	<u>31,752,101</u>
Net position – End of year	<u>\$ 35,033,771</u>	<u>\$ 35,054,311</u>	<u>\$ 32,090,303</u>



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**Statement of Revenues, Expenditures, and Changes in Fund Balance** (page 17)

	2022	2021	2020
<b>Total Governmental Funds</b>			
Total Net Revenues from Statement of Activities	\$ 6,176,682	\$ 7,871,299	\$ 5,095,148
Adjust for Differences from GASB 87 (Leases)	(216,394)	(114,967)	(114,967)
Add Intragovernmental Revenue	134,830	138,278	129,744
Total Net Revenues for Governmental Funds	6,095,118	7,894,610	5,109,925
Expense under Modified Accrual Accounting			
Total Expenses from Statement of Activities	6,197,222	4,907,290	4,756,946
Adjust for Differences from GASB 87 (Leases)	(139,745)	(24,818)	(86,832)
Loss on Disposal of Capital Assets	(5,372)	-	-
Add Intragovernmental Expense	134,830	138,278	129,654
Add Debt Service – Principal	467,595	595,475	-
Add Capital Outlay	1,183,219	905,715	1,756,767
Add Capital Outlay – Lease Financing	8,123,117	-	-
Remove Depreciation	(839,356)	(807,086)	(767,650)
Total Fund Expenditures	15,121,510	5,714,854	5,788,885
Revenues Over (Under) Expenditures	(9,026,392)	2,179,756	(678,960)
Other Financing Sources			
Debt Issuance	-	363,070	-
Lease Financing	8,123,117	-	-
Proceeds from Long-Term Assets Disposed	210,000	147,443	-
Total Other Financing Sources	8,333,117	510,513	-
Change in Fund Balances	(693,275)	2,690,269	(678,960)
Total Funds Balance – Beginning of year	14,325,220	11,634,951	12,313,911
Total Funds Balance – End of year	\$ 13,631,945	\$ 14,325,220	\$ 11,634,951
	2022	2021	2020
<b>General Fund</b>			
Total Net Revenues for General Fund	\$ 5,657,363	\$ 7,565,816	\$ 4,770,673
Expenditures:			
Current	4,958,790	3,885,001	3,678,971
Capital outlay (net)	1,183,219	905,715	1,756,677
Capital outlay – Lease financing	8,123,117	-	-
Debt service (interest and principal)	599,437	727,133	127,083
Total Fund Expenditures	14,864,563	5,517,849	5,562,731
Revenues Over (Under) Expenditures	(9,207,200)	2,047,967	(792,058)
Total Other Financing Sources	8,559,479	577,119	57,058
Change in Fund Balance	(647,721)	2,625,086	(735,000)
Total Funds Balance – Beginning of year	13,025,804	10,400,718	11,135,718
Total Funds Balance – End of year	\$ 12,378,083	\$ 13,025,804	\$ 10,400,718

**Capital Asset Administration**

At the end of fiscal year 2022, Port KC had \$29,913,447 capital assets. Not included in capital assets is Port KC’s Real Estate Inventory Available for Sale which is 16.8 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 increased by \$6,622,215, net of depreciation, over fiscal year 2021. See Note C for more on capital assets.



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

	2022	2021	2020
Land, non-depreciable assets and construction on progress	\$ 8,264,922	\$ 7,448,702	\$ 8,763,806
Infrastructure and Equipment, net	13,941,698	14,629,427	13,363,137
Lease assets, net	<u>7,706,827</u>	<u>1,213,103</u>	<u>2,708,836</u>
	<u>\$ 29,913,447</u>	<u>\$ 23,291,232</u>	<u>\$ 24,835,779</u>

**Capital Outlay in the Governmental Funds Statements**

Capital asset investments are expensed as paid and reported as Capital Outlay in the Statement of Revenues, Expenditures, and Changes in the Fund Balance Governmental Funds (page 16). These outflows are not added to the Balance Sheet Governmental Funds (page 14) as Capital Assets. During the fiscal year, there were some Capital Outlay investments. Assets that are classified as Real estate inventory available for sale are included as assets on the Balance Sheet Governmental Funds. During the fiscal year, there was some inventory that was leased instead of sold and therefore reclassified as capital assets. The leased assets were reported as Capital Outlay; this was a non-cash outflow.

Leases as the lessee are treated as capital assets (see Note C) and lease liabilities (see Note E). These categories are not included on the Balance Sheet Governmental Funds. At the onset of the lease, the Lease Asset is treated as Capital Outlay and the Lease Liability is treated as Other Financing Sources on the Statement of Revenues, Expenditures, and Changes in the Fund Balance Governmental Funds. Both are non-cash measures, valued at the Net Present Value (NPV) of the future cash flows from the lease and have a net-zero impact on the Net Changes in Fund Balance.

**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. The balance on this note was \$1,500,000 at the beginning of the fiscal year. Port KC repaid \$200,000 of the principal balance leaving an outstanding balance of \$1,300,000 at April 30, 2022. 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. Port KC paid the balance in August 2021 leaving no balance at April 30, 2022.

In April 2022, Port KC executed a note for an amount of up to \$2,500,000 with a local bank. No draws were taken by April 30, 2022.

See Note H for more on notes payable.



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2022

## Changes in Cash

Cash grew during the fiscal year by \$839,628. Much of this cash growth is matched by growth in restricted cash and accounts payable. That aside, cash grew during the fiscal year due to a few driving reasons including the sale of the land underlying Bar K to an investor in partnership with Bar K, a strong leasing portfolio at 49 Crossing, the renewal of the Bally's Casino lease with an increased annual minimum rent, and bond issuance fees. These cash growth drivers had even more capacity for cash growth yet were strategically offset by the continued investments towards the streetcar extension to Berkley Riverfront, planning for the Missouri River Terminal project, and the repayment of long-term debt in excess of what was due in fiscal year 2022.

## 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 2021 and amended once in February 2022. 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 37. The complete government-wide operating budget can be found at [www.portkc.com](http://www.portkc.com).

The fiscal budget 2022 began more planned investments pair with some planned development revenues. By February 2022, the budget was amended to shift many of those planned investments into fiscal year 2023. Some projects missed the summer season creating delays. Additionally, Berkley Riverfront planning focused towards finalizing the KC Current Stadium project, which was successful and announced in October 2021. These dynamics created a fiscal year with a relative drop in developer budget and developer revenues, but they also position Port KC very strongly in the years to come.

When the budget was amended in February, additional development finance projects were scheduled and planned during the fiscal year, but due to reasons outside of Port KC's control, several of those planned projects were delayed into fiscal 2023 – one of which closed only days after the end of fiscal year 2022. These delays were likely influenced by labor and supply chain inflation.

Grants and contributions were a missed budget category. Some of those projects backed by grants were completed in May 2022, so the budget shortfall was a small difference in timing. Other grant shortfalls were from the Port Infrastructure Development Program (PIDP) Grant with the Department of Transportation's Maritime Administration (MARAD), announced in October 2020. At the onset of the fiscal year, Port KC anticipated the grant to move forward with a grant agreement and begin project spending under the grant. None of this was completed during fiscal year 2022.

Total expense was lower than the original budget but higher than the amended budget. The two largest reasons for this were from the AIM Zone 4 proceeds that arrived and were disbursed in the final month of the fiscal year. Up to that point, the amount and timing of the AIM Zone 4 proceeds was uncertain. Secondly, in the final months of the fiscal year, a strong push was made towards issuing the Request for Qualifications (RFQ) for the Missouri River Terminal (MRT) project, steps and costs that were originally expected to occur in fiscal year 2023. Yet with the backing of a loan approved in March 2022 for this project and the strong market ready for the MRT project to proceed, the investments towards the RFQ stages moved forward few months ahead of the budget schedule.



PORT KC  
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MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2022

As a whole, the fiscal year 2022 financial performance was a little slower with lower revenues and higher costs as the team focused on strategically negotiating strong projects into the development pipeline, through non-revenue activities and investing in other activities. When compared to the budget, there appear to be missed targets, yet project planning, deal flow and cash basis all grew signifying strong resiliency and future opportunities. The Port KC teams works to be financially resilient and strongly positioned for continued growth in the years to come to accomplish its mission to grow the economy of Kansas City, Missouri.

**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, 2022. 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 KC  
(A Component Unit of the City of Kansas City, Missouri)  
BASIC FINANCIAL STATEMENTS  
April 30, 2022

STATEMENT OF NET POSITION

ASSETS

	<u>Governmental Activities</u>
Assets:	
Currents assets:	
Cash and cash equivalents	\$ 6,948,501
Accounts receivable (net)	471,970
Leases receivable, current portion	3,579,561
Prepays	468,082
Restricted cash and cash equivalents	1,141,084
Non-current assets:	
Leases receivable, long-term portion	12,472,875
Real estate inventory available for sale	7,355,192
Capital assets not being depreciated:	
Land, improvements, and construction in progress	8,264,922
Capital assets, net of accumulated depreciation:	
Infrastructure, net	13,602,486
Equipment, net	339,212
Lease assets, net	7,706,827
Total Assets	<u>\$ 62,350,712</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Liabilities:	
Current liabilities:	
Accounts payable and other current liabilities	\$ 995,790
Unearned revenue	403,842
Current portion of long-term debt	-
Current portion of lease liabilities	1,611,609
Security deposits	74,305
Long-term liabilities:	
Long-term debt	1,300,000
Lease liabilities	5,600,012
Total Liabilities	<u>9,985,558</u>
Deferred Inflows of Resources - Leases	<u>17,331,383</u>
Net Position:	
Investment in capital assets	21,401,826
Restricted for economic development	1,197,878
Unrestricted	12,434,067
Total Net Position	<u>\$ 35,033,771</u>

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



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
BASIC FINANCIAL STATEMENTS  
April 30, 2022

STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Government Activities:					
Economic Development	\$6,197,222	\$5,079,700	\$24,632	\$161,383	(\$931,507)
General Revenues					
Taxes and assessments					541,202
Interest earnings					369,765
Total General Revenues					<u>910,967</u>
Change in Net Position					(20,540)
Net Position, Beginning of Year					<u>35,054,311</u>
Net Position, End of Year					<u>\$ 35,033,771</u>

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





PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
BASIC FINANCIAL STATEMENTS  
April 30, 2022

BALANCE SHEET  
GOVERNMENTAL FUNDS

ASSETS

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 6,899,986	\$ 48,515	\$ 6,948,501
Accounts receivable (net)	246,417	225,553	471,970
Prepays	461,178	6,904	468,082
Restricted cash and cash equivalents	156,000	985,084	1,141,084
Due from other funds	11,294	-	11,294
Real estate inventory available for sale	7,355,192	-	7,355,192
Leases receivable (lessor)	16,052,436	-	16,052,436
Total Assets	<u>\$ 31,182,503</u>	<u>\$ 1,266,056</u>	<u>\$ 32,448,559</u>

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES

Liabilities:			
Accounts payable and other current liabilities	\$ 995,790	\$ -	\$ 995,790
Unearned revenue	402,942	900	403,842
Due to other funds	-	11,294	11,294
Security deposits	74,305	-	74,305
Total Liabilities	<u>1,473,037</u>	<u>12,194</u>	<u>1,485,231</u>
Deferred Inflows of Resources - Leases	<u>17,331,383</u>	<u>-</u>	<u>17,331,383</u>
Fund Balance:			
Non spendable	7,816,370	6,904	7,823,274
Restricted	-	879,852	879,852
Assigned	-	371,445	371,445
Unassigned	4,561,713	(4,339)	4,557,374
Total Fund Balance	<u>12,378,083</u>	<u>1,253,862</u>	<u>13,631,945</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 31,182,503</u>	<u>\$ 1,266,056</u>	<u>\$ 32,448,559</u>

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



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
BASIC FINANCIAL STATEMENTS  
April 30, 2022

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 \$ 13,631,945

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	8,264,922
Capital assets, net of depreciation	13,941,698
Lease assets, net of amortization	<u>7,706,827</u>
	29,913,447

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	(1,300,000)
Lease liabilities	<u>(7,211,621)</u>
	<u>(8,511,621)</u>

Total Net Position of Government Activities \$ 35,033,771

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



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
BASIC FINANCIAL STATEMENTS  
April 30, 2022

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

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Revenue:			
Lease income	\$ 4,312,307	\$ -	\$ 4,312,307
Developer fees	2,241,049	-	2,241,049
Taxes and assessments	196,275	431,756	628,031
Grants and contributions	186,014	-	186,014
Miscellaneous	101,304	3,894	105,198
Interest income	367,660	2,105	369,765
Total Revenue	7,404,609	437,755	7,842,364
Less:			
Lease income due to the City of Kansas City, Missouri	(1,747,246)	-	(1,747,246)
Total Net Revenue	5,657,363	437,755	6,095,118
Expenditures:			
Current expenditures			
Administration	1,916,116	8,934	1,925,050
Professional services	1,094,428	9,880	1,104,308
Property management	1,425,750	185,619	1,611,369
Marketing	96,440	36,151	132,591
Travel	150,877	32	150,909
Insurance	275,179	16,331	291,510
Capital outlay (net)	1,183,219	-	1,183,219
Capital outlay - lease financing	8,123,117	-	8,123,117
Debt service - interest	131,842	-	131,842
Debt service - principal	467,595	-	467,595
Total Expenditures	14,864,563	256,947	15,121,510
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,207,200)	180,808	(9,026,392)
Other Financing Sources (Uses):			
Lease financing	8,123,117	-	8,123,117
Disposal of long-term assets	210,000	-	210,000
Transfers	226,362	(226,362)	-
Total Other Financing (Uses)	8,559,479	(226,362)	8,333,117
Net Change in Fund Balance	(647,721)	(45,554)	(693,275)
Fund Balance, Beginning of Year	13,025,804	1,299,416	14,325,220
Fund Balance, End of Year	\$ 12,378,083	\$ 1,253,862	\$ 13,631,945

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



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
BASIC FINANCIAL STATEMENTS  
April 30, 2022

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 (\$ 693,275)

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)	1,183,219
Remove Capital Outlays – Lease Financing (Governmental Funds)	8,123,117
Remove Disposal of Long-Term Assets (Governmental Funds)	(215,372)
Add Amortization expense of leased assets (Government-Wide)	(1,629,393)
Add Depreciation expense (Government-Wide)	<u>(839,356)</u>
	6,622,215

Governmental funds report issuance of long-term debt as another 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)	1,706,042
Remove Lease Financing	(8,123,117)
Remove Debt Service – Principal (Governmental Funds)	<u>467,595</u>
	<u>5,949,480</u>

Change in Net Position of from Statement of Activities (\$ 20,540)

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



PORT KC  
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BASIC FINANCIAL STATEMENTS  
April 30, 2022

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	\$ 2,930,473
Total Additions	<u>2,930,473</u>
Incentive Compliance Payments paid to taxing jurisdictions	<u>2,930,473</u>
Total Deductions	<u>2,930,473</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.



PORT KC  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
April 30, 2022

**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 six blended component units:

- Port Improvement District 1
- Port Improvement District 2
- Port Improvement District 3
- Port Improvement District 4
- Port Improvement District 5
- 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, and manage the business of the Association. 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.



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
April 30, 2022

During the fiscal year, Port KC paid 53.2% 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 governmental 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, excluding fiduciary activities. The activities of Port KC are reported in the government-wide financial statements as governmental 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. The effect of interfund activity has been eliminated from the government-wide financial statements.

#### Fund Financial Statements

Port KC accounts for all financial transactions through governmental and fiduciary funds. The Fund financial statements report provides information about Port KC's 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.

*Nonmajor Governmental Funds* – The nonmajor governmental funds include PIDs 1-5, the Berkley Park Condominium Association, and the Economic Advancement Fund (EAF). The EAF was established for the specific purpose of providing economic development to minority business enterprise/women business enterprise (MBE/WBE) community. Revenues to this fund is interest income from bank balances; no new loans from any program have been issued in the last year.



PORT KC  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
April 30, 2022

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.

During the course of operations, Port KC has activity or transfers of resources between funds for various purposes. In fund financial statements these amounts are reported at gross amounts as transfers in/out. Any residual balances outstanding at year end are reported as due from/to other funds. While these transfers and balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

## **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 (collectible within the current year or within two months of year-end and available to pay obligations of the current period). 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.

### Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Port KC's fiduciary funds only include Custodial Funds, which are used to report fiduciary activities where Port KC controls assets that are collected through tax compliance payments from developers and remitted to other governmental units. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Data from the fiduciary funds is not incorporated in the government-wide financial statements.





PORT KC  
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April 30, 2022

### **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 included in both the government wide statement of net position and the governmental funds balance sheet. The assets are carried at the lower of cost or market and identified by specific parcels. 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.



PORT KC  
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 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 April 30, 2022

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. 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.

Incentive compliance payments are billed annually to developers and subsequently remitted to other taxing jurisdictions whose property tax revenue are affected by project property tax exemptions. The payments vary based on a project-by-project basis and most are scheduled at the onset of the agreement, as defined in the agreements. Billings, collections and disbursement of the annual incentive compliance payments all occur within Port KC’s fiscal year.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Port KC has only one type of item that qualifies for reporting in this category.

As a lessor, Port KC recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. Port KC recognizes interest revenue on the lease receivable and an inflow of resources (revenue) from the deferred inflows over the term of the lease.



PORT KC  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
April 30, 2022

## 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.

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

When expenses are incurred for which both restricted and unrestricted net position are available, the order of spending is to reduce restricted net position first, and then unrestricted net position.

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.

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, 2022, 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.



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When an expenditure is incurred for purposes for which both restricted and unassigned fund balance is available, Port KC considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Port KC considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**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. The budget is presented on the modified accrual basis of accounting, consistent with the governmental funds financial statements.

**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 permitted by statute.

At April 30, 2022, actual cash, cash equivalents, and investments on deposit were \$8,089,585, and consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>
Deposits	\$ 6,948,501	\$ 1,141,084

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

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, 2022, 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. As required by state statute, the depository banks are to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance to equal the amount on deposit at all times. At April 30, 2022, the carrying balance total deposits were \$8,089,585, and the bank balance was \$8,010,367. Of the bank balance, \$858,346 was insured by federal depository insurance and \$7,152,021 was collateralized.

Concentration of Credit Risk - Port KC places no limit on the amount it may invest in any one issuer. At April 30, 2022, 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 investment only in Certificates of Deposits or United States government securities. At April 30, 2022, 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:

Government Activities:	Beginning Balance	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land & Improvements	\$ 7,096,607	\$ 677,178	\$ 210,000	\$ 7,563,785
Construction in progress	352,095	354,414	5,372	701,137
Total capital assets not being depreciated	7,448,702	1,031,592	215,372	8,264,922
Capital assets being depreciated				
Infrastructure	20,741,266	34,372	-	20,775,638
Equipment	841,334	117,255	1,963	956,626
Leased Assets	7,878,770	8,123,117	7,060,320	8,941,567
Total capital assets being depreciated	29,461,370	8,274,744	7,062,283	30,673,831
Less accumulated depreciation and amortization for				
Infrastructure	6,432,007	741,145	-	7,173,152
Equipment	521,166	98,211	1,963	617,414
Leased Assets	6,665,667	1,629,393	7,060,320	1,234,740
Total accumulated depreciation	13,618,840	2,468,749	7,062,283	9,025,306
Total capital assets being depreciated, net	15,842,530	5,805,995	-	21,648,525
Total capital assets for government activities, net	\$ 23,291,232	\$ 6,837,587	\$ 215,372	\$ 29,913,447

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.

Certain capital assets have been pledged to secure a note payable as discussed in Note H.

**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 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 temporarily renamed the site "Casino KC." 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 Bally's Casino are in the first year of the fourth 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 2021 the minimum net annual rent for the third renewal term was increased to \$3,494,492. 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, 2022 there was no percentage rent as it did not exceed the minimum annual rent and the total net annual rent received was \$3,494,492. Interest revenue recognized on the lease was \$255,370 during the year ended April 30, 2022. Deferred inflows of resources related to the lease at April 30, 2022 was \$14,272,012.

### **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, 2022, total lease revenues were \$1,061,940. Leases have remaining lengths that range from month-to-month to ten years with no provisions for guaranteed renewal period extending beyond January 2032. Future minimum rental amounts associated with the Richards-Gebaur Commerce Park are below. Interest revenue recognized on the leases were \$70,465 during the year ended April 30, 2022. Deferred inflows of resources related to the leases at April 30, 2022 was \$2,234,082.

### **Other Lease Receivables**

Other leases include 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 Transport 360, LLC as the port operator at the Port of Kansas City – Woodswether Terminal through the fiscal year ending 2042 that includes base rent plus rents calculated from tonnage activity. Another lease is with Scotwood Industries, Inc for land and rail access at the Port of Kansas City – Woodswether Terminal through the fiscal year ending 2037. For the year ended April 30, 2022, total lease revenues were \$98,250. Interest revenue recognized on the leases were \$31,823 during the year ended April 30, 2022. Deferred inflows of resources related to the leases at April 30, 2022 was \$825,288.



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**Total Lease Receivable Schedule**

Year Ended April 30,	Amount	Interest	Total
2023	\$ 3,579,561	\$ 576,378	\$ 4,155,939
2024	3,861,539	422,193	4,283,732
2025	3,829,511	269,143	4,098,654
2026	3,727,219	117,106	3,844,325
2027	149,005	39,235	188,240
2028 to 2032	413,099	141,139	554,238
2033 to 2037	241,619	75,357	316,976
2038 to 2042	250,883	24,117	275,000
	\$ 16,052,436	\$ 1,664,668	\$ 17,717,104

**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. Port KC is required to set aside fifty percent of the total gross revenue it receives as rent attributable to the operations of the leased property for use by the City. 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 lieu of a set aside, Port KC paid the fifty percent rent directly to the City. There were no outflows of resources recognized during the year for variable and other payments not previously included in the measurement of the lease liability.

**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 2024.

**Total Lease Liabilities Schedule**

Year Ended April 30,	Lease Liability	Interest Expense	Total
2023	\$ 1,611,609	\$ 256,327	\$ 1,867,936
2024	1,680,575	190,671	1,871,246
2025	1,757,247	121,999	1,879,246
2026	1,828,840	50,406	1,879,246
2027	120,866	11,134	132,000
2028 to 2029	212,484	7,516	220,000
	\$ 7,211,621	\$ 638,053	\$ 7,849,674





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NOTE F – GRANTS

Port KC was awarded a Port Aid grant for administrative expenses from the Missouri Highways and Transportation Commission for \$24,632. During fiscal year 2022, all \$24,632 was reported under the grant, recorded as Grant Revenue, and received. After April 30<sup>th</sup>, the grant was amended and increased to \$34,369. All remaining balances were reported and received in June 2022.

Port KC was awarded a Port Aid grant for administrative expenses from the Missouri Highways and Transportation Commission for \$25,000 for engineering planning of a paving project at the Port of Kansas City – Woodswether Terminal. During fiscal year 2022, \$18,703 was reported under the grant, recorded as Grant Revenue, and received. After April 30<sup>th</sup>, the grant was amended and reduced \$24,750. All remaining balances were reported and received in June 2022.

Port KC was awarded a Port Aid grant for capital improvement projects from the Missouri Highways and Transportation Commission for \$582,000 for the replacement and installation of four dolphins/moorings at the Port of Kansas City – Woodswether Terminal. During fiscal year 2022, all \$142,680 was reported under the grant, recorded as Grant Revenue, and received. After April 30<sup>th</sup>, the remaining balances were reported and received.

In October 2020, it was 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, 2022.

NOTE G – RETIREMENT PLAN

Port KC contributes to the Port Authority of Kansas City, MO 401(k) Plan (the Plan), a defined contribution retirement plan, for its employees. Employees must have three months of service and be at least 21 years old. The Plan is administered by the Port KC Board of Commissioners. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board of Commissioners. Port KC will make matching contributions equal to 100% of the employee's elective deferral contributions which are not over 3% of the employee's pay, plus 50% of the employee's elective deferral contributions which are over 3% of the employee's pay, but are not over 5% of the employee's pay. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. For the year ended April 30, 2022, employee contributions totaled \$106,292, and Port KC recognized expense of \$47,945.

Employees are immediately vested in their own and Port KC's contributions, in addition to the earnings on those contributions.

Port KC had no liability to the Plan at April 30, 2022.



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**NOTE H – NOTES PAYABLE**

Long-term obligations consist of the following balances at April 30, 2021 and April 30, 2022:

<u>Long-term obligations</u>	<u>April 30,</u> <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30,</u> <u>2022</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
Direct borrowing and placements:					
Promissory note	\$1,500,000	\$ -	\$ 200,000	\$ 1,300,000	\$ -
Vendor financing	267,595	-	267,595	-	-
Total	<u>\$1,767,595</u>	<u>\$ -</u>	<u>\$ 467,595</u>	<u>\$ 1,300,000</u>	<u>\$ -</u>

Notes payable as of April 30, 2022, consist of the following:

Line of credit promissory note was recorded June 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. This loan has been renewed annually. No draws have been taken.

Promissory note issued February 2019, obtained a local bank in the amount of \$2,000,000, with an interest rate of 6.25% per annum through the maturity date of March 2024. The note had an outstanding balance of \$1,300,000 as of April 30, 2022. 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 \$200,000 towards the principal balance during the fiscal year.

Promissory note issued April 2022, obtained from a local bank in an amount up to \$2,500,000, available to be drawn as needed for the Missouri River Terminal (MRT) project. During the first two years, only interest payments are required, and the interest rate is the greater of the Index plus Margin or 3.50%. During years three through five, quarterly principal payments plus monthly interest payments will be required. The interest rate will be set at the greater of the three-year US Treasury Securities rate plus 2.25% or 3.50%. The quarterly principal payments will be calculated based on an amortization schedule of 15 years. The loan will mature in April 2027. No draws were taken during the fiscal year.

Vendor financing was arranged for the completion of the dome project at the Port of Kansas City – 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 obligor, for the purpose of securing the repayment of the outstanding balance and accrued interest. Port KC paid the balance in August 2021 leaving no balance at April 30, 2022.



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**Future Payment Schedule**

Year Ended April 30,	Principal	Interest	Total
2023	\$ -	\$ 81,250	\$ 81,250
2024	1,300,000	67,932	1,367,932
	\$ 1,300,000	\$ 149,182	\$ 1,449,182

**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, 2022, the City reimbursed Port KC \$8,304.

**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 \$1,355,871.

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.

In the prior fiscal year, the Kansas City Area Transportation Authority (KCATA) was awarded a \$14.2 million grant for the KC Streetcar Riverfront Extension project. As was the plan, Port KC contracted and committed \$8,499,139 towards the KC Streetcar Riverfront Extension project, which represented the majority of the local match funds. Of this commitment, \$500,000 was paid during the fiscal year ended April 30, 2022, and the remaining balance of \$7,999,139 is payable towards the project.

Port KC had a contract with Massman Construction for the replacement and installation of four dolphins/moorings at the Port of Kansas City – Woodswether Terminal for \$785,000. At April 30, 2022, \$178,350 of the work had been completed and \$606,650 of the work remained. The work was completed in May 2022.



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**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.

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 five bond issuances. As of April 30, 2022, the aggregate amount of all conduit debt obligations issued by Port KC was \$26,189,727,360.

<b>Conduit Debt Obligor</b>	<b>Date of Bond Issue</b>	<b>Name of Bond Issue</b>	<b>Bond Issuance Amount</b>	<b>Bond Balance</b>
MREM BOT Property, LLC	April 23, 2015	Taxable Revenue Bond (4800 Main Project) Series 2015A	\$33,000,000	\$19,089,025
Sioux Chief QALICB, LLC	September 24, 2015	Taxable Revenue Bond (Sioux Chief Project) Series 2015	24,000,000	23,888,432
NPIF2 Three Trails Building I, LLC	September 30, 2015	Taxable Revenue Bond (Three Trails Project – Building I) Series 2016	11,110,200	11,110,200
Corrigan Station, LLC	January 5, 2016	Taxable Revenue Bond (Corrigan Station Project) Series 2016	50,000,000	37,109,392
NPIF2 Three Trails Building II, LLC	January 27, 2016	Taxable Revenue Bond (Three Trails Project – Building II) Series 2016	9,900,000	9,900,000
2001 Main Lodging Partners, LLC	April 28, 2016	Taxable Revenue Bond (2001 Main Project)	22,500,000	20,370,782
NPIF2 Three Trails Building III, LLC	August 23, 2016	Taxable Revenue Bond (Three Trails Project – Building III) Series 2016	22,763,260	16,828,846
NP Northland Park Building I, LLC	October 20, 2016	Taxable Revenue Bond (Northland Park Building I Project) Series 2016	17,500,000	17,500,000
Andrews Rd, LLC	November 18, 2016	Taxable Revenue Bond (Andrews Rd Building Project) Series 2016	30,000,000	16,806,746
CVS Pharmacy, Inc.	December 13, 2016	Facility Bond – Taxable Revenue Bond (CVS Project) Series 2016A	62,325,000	62,177,160
CVS Pharmacy, Inc.	December 13, 2016	Equipment Bond – Taxable Revenue Bond (CVS Project) Series 2016B	60,675,000	23,925,405



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NP Northland Park Building II, LLC	July 25, 2017	Taxable Revenue Bond (Northland Park Building II Project) Series 2017	19,500,000	14,504,661
NP Northland Park Building III, LLC	January 18, 2018	Taxable Revenue Bond (Northland Park Building III Project) Series 2018	24,000,000	17,678,443
Corrigan Station, LLC	January 31, 2018	Taxable Revenue Bond (Corrigan Station II Project) Series 2018	12,000,000	10,739,760
NP Northland Park Building IV, LLC	July 25, 2018	Taxable Revenue Bond (Northland Park Building IV Project) Series 2018A	17,000,000	8,032,068
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	2,846,713
NP Northland Park Building V, LLC	April 4, 2019	Taxable Revenue Bond (Northland Park Building V Project) Series 2019A	31,000,000	22,628,527
Ross Custom Properties, LLC	April 19, 2019	Taxable Industrial Revenue Bond (Ross Custom Properties Project) Series 2019	35,000,000	229,778
Somera Road – 1100 Main Street, LLC	August 8, 2019	Taxable Industrial Revenue Bond (Lightwell Project) Series 2019	85,000,000	554,948
Shaleroock LLC	August 27, 2019	Taxable Revenue Bond (Shaleroock Project) Series 2019	25,000,000,000	20,431,317
JH Investors, LLC	November 7, 2019	Taxable Revenue Bond (Jack Henry Project) Series 2019	44,000,000	214,733
NP Northland Park Building VI, LLC	May 6, 2020	Taxable Revenue Bond (Northland Park Building VI Project) Series 2020	27,000,000	16,115,609
NP Berkley Apartments, LLC	June 20, 2020	Taxable Revenue Bond (NP Berkley Apartments Project) Series 2020	60,500,000	43,329,213
KCL Congress 88, LLC	July 31, 2020	Taxable Revenue Bond (Congress Corporate Center Project) Series 2020	35,500,000	24,289,831
NP Northland Park Building VII, LLC	September 3, 2020	Taxable Revenue Bond (Northland Park Building VIII Project) Series 2020	17,100,000	16,477,546
NP Bannister Industrial, LLC	November 10, 2020	Taxable Revenue Bond (Blue River Commerce Center Project – Phase I) Series 2020	16,000,000	11,969,490
Penn Seven, LLC	December 17, 2020	Taxable Revenue Bond (USDA Relocation Project) Series 2020	15,500,000	1,550,000
NP Northland Park Building VII, LLC	February 11, 2021	Taxable Revenue Bond (Northland Park Building VII Project) Series 2021	26,000,000	5,585,248
NP Bannister Industrial, LLC	February 12, 2021	Taxable Revenue Bond (Blue River Commerce Center Project – Phase II) Series 2021	27,000,000	181,469
Platform I QOZB Property – RG Industrial III, LLC	April 15, 2021	Taxable Revenue Bond (Platform Spec) Series 2021	25,000,000	157,499
HMBC Logistics IV LLC	June 30, 2021	Taxable Revenue Bond (Hunt Midwest Project) Series 2021	28,000,000	2,492,451
Niagara Bottling, LLC	November 3, 2021	Taxable Revenue Bond (Niagara Bottling Project) Series 2021	140,000,000	354,319
Briarcliff KC QOB, LLC	December 15, 2021	Taxable Revenue Bond (Briarcliff Multifamily Project) Series 2021	50,000,000	3,492,393
Parker Square Apartments Missouri LP	January 1, 2022	Multifamily Housing Revenue Bonds (Parker Square Apartments Project), Series 2022A	15,000,000	15,000,000



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Parker Square Apartments Missouri LP	January 28, 2022	Multifamily Housing Revenue Bonds (Parker Square Apartments Project), Series 2022B	2,853,900	1,208,129
Parker Square Apartments Missouri LP	January 28, 2022	Multifamily Housing Revenue Bonds (Parker Square Apartments Project), Series 2022C	18,000,000	50,000
Alpla, Inc	March 23, 2022	Taxable Revenue Bond (Alpla Project) Series 2022	30,000,000	156,904

**NOTE M—DEFICIT FUND BALANCES**

The PID 5 Special Revenue Fund had a deficit fund balance at April 30, 2022 of \$4,339. This deficit will be financed through future revenues of the fund.

**NOTE N – SUBSEQUENT EVENTS**

In May 2022, conduit debt in the form of a Taxable Revenue Bond (Platform Building 7 Project) Series 2022 was issued for \$80,000,000.



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended April 30, 2022

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, 2021

	2022		General Fund Actual	Variance Positive / (Negative)	2021 Actual
	Original Budget	Final Budget			
Revenue:					
Lease income	\$ 4,214,165	\$ 4,484,267	\$ 4,312,307	(\$ 171,960)	\$ 4,050,296
Developer fees	1,970,076	2,665,817	2,241,049	(424,768)	4,790,955
Taxes and Assessments	10	10	196,275	196,265	-
Grants and contributions	822,170	979,550	186,014	(793,536)	23,179
Miscellaneous	61,000	99,000	101,304	2,304	70,636
Interest income	359,865	333,950	367,660	33,710	157,781
Total Revenues	<u>7,427,286</u>	<u>8,562,594</u>	<u>7,404,609</u>	<u>(1,157,985)</u>	<u>9,092,847</u>
Less: Lease income due to the City of Kansas City, Missouri	<u>(1,650,000)</u>	<u>(1,747,246)</u>	<u>(1,747,246)</u>	<u>-</u>	<u>(1,527,031)</u>
Total Net Revenues	<u>5,777,286</u>	<u>6,815,348</u>	<u>5,657,363</u>	<u>(1,157,985)</u>	<u>7,565,816</u>
Expenditures:					
Current expenditures					
Administration	1,825,774	1,850,407	1,916,116	(65,709)	1,807,483
Professional services	752,800	954,675	1,094,428	(139,753)	677,369
Property management	1,368,000	1,231,285	1,425,750	(194,465)	970,686
Marketing	105,700	139,550	96,440	43,110	76,729
Travel	180,400	177,128	150,877	26,251	101,163
Insurance	273,470	271,470	275,179	(3,709)	251,211
Capital outlay (net)	2,935,500	1,363,250	1,183,219	180,031	905,715
Capital outlay - lease financing	7,630,000	7,662,720	8,123,117	(460,397)	-
Debt service - interest	123,095	135,877	131,842	4,035	131,658
Debt service - principal	100,000	445,972	467,595	(21,623)	595,475
Total Expenditures	<u>15,294,739</u>	<u>14,232,334</u>	<u>14,864,563</u>	<u>(632,229)</u>	<u>5,517,849</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,517,453)</u>	<u>(7,416,986)</u>	<u>(9,207,200)</u>	<u>(1,790,214)</u>	<u>2,047,967</u>
Other Financing Sources:					
Issuance of long-term debt	-	-	-	-	363,070
Lease financing	7,630,000	7,662,720	8,123,117	460,397	-
Disposal of long-term assets	1,034,615	210,000	210,000	-	147,443
Transfers in (net)	68,803	68,103	226,362	158,259	66,606
Total Other Financing Sources	<u>8,733,418</u>	<u>7,940,823</u>	<u>8,559,479</u>	<u>618,656</u>	<u>577,119</u>
Change in Fund Balance	(\$ 784,035)	\$ 523,837	(647,721)	(\$1,171,558)	2,625,086
Fund Balance, beginning of year			<u>13,025,804</u>		<u>10,400,718</u>
Fund Balance, end of year			<u>\$12,378,083</u>		<u>\$13,025,804</u>



PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended April 30, 2022

**NOTE A—BUDGETARY INFORMATION**

Port KC adopts a fiscal-year budget for all funds and are presented on the modified accrual basis of accounting. After review, analysis, and discussion with Port KC management, the proposed budget is presented to the Board of Commissioners in a public meeting for review and approval prior to the beginning of the fiscal year. Budgets may be amended during the year with proper approval.

**NOTE B—EXPENDITURES IN EXCESS OF BUDGETED AMOUNT**

For the year ended April 20, 2022, the general fund had expenditures in excess of budgeted amounts.





PORT KC  
(A Component Unit of the City of Kansas City, Missouri)  
SUPPLEMENTARY INFORMATION  
April 30, 2022

**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**

	EAFF*	PID 1	PID 2	PID 3	PID 4	PID 5	BPCA**	Total
<b>Assets:</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,515	\$ 48,515
Accounts receivable (net)	200,000	2,034	10,928	8,013	85	81	4,412	225,553
Prepays	-	-	-	-	-	-	6,904	6,904
Restricted cash and cash equivalents	683,779	435	276,236	7,153	17,481	-	-	985,084
<b>Total assets</b>	<b>\$ 883,779</b>	<b>\$ 2,469</b>	<b>\$ 287,164</b>	<b>\$ 15,166</b>	<b>\$ 17,566</b>	<b>\$ 81</b>	<b>\$ 59,831</b>	<b>\$ 1,266,056</b>
<b>Liabilities:</b>								
Unearned Revenue Due to General Fund	-	-	-	-	-	-	900	900
	3,927	-	-	-	-	4,420	2,947	11,294
<b>Total Liabilities</b>	<b>\$ 3,927</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,420</b>	<b>\$ 3,847</b>	<b>\$ 12,194</b>
<b>Fund Balance:</b>								
Non spendable	-	-	-	-	-	-	6,904	6,904
Restricted	879,852	-	-	-	-	-	-	879,852
Assigned	-	2,469	287,164	15,166	17,566	-	49,080	371,445
Unassigned	-	-	-	-	-	(4,339)	-	(4,339)
<b>Total Fund Balance</b>	<b>879,852</b>	<b>2,469</b>	<b>287,164</b>	<b>15,166</b>	<b>17,566</b>	<b>(4,339)</b>	<b>55,984</b>	<b>1,253,862</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 883,779</b>	<b>\$ 2,469</b>	<b>\$ 287,164</b>	<b>\$ 15,166</b>	<b>\$ 17,566</b>	<b>\$ 81</b>	<b>\$ 59,831</b>	<b>\$ 1,266,056</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

	EAFF*	PID 1	PID 2	PID 3	PID 4	PID 5	BPCA**	Total
<b>Revenue:</b>								
Taxes and assessments	\$ -	\$ 40,026	\$ 99,274	\$ 86,667	\$ 42,190	\$ 249	\$ 163,350	\$ 431,756
Miscellaneous	2,843	-	-	-	-	-	1,051	3,894
Interest	2,014	-	-	-	-	-	91	2,105
<b>Total Revenue</b>	<b>4,857</b>	<b>40,026</b>	<b>99,274</b>	<b>86,667</b>	<b>42,190</b>	<b>249</b>	<b>164,492</b>	<b>437,755</b>
<b>Current Expenditures:</b>								
Administrative	8,934	-	-	-	-	-	-	8,934
Professional services	-	-	-	-	-	-	9,880	9,880
Property management	-	-	-	74,000	25,200	-	86,419	185,619
Marketing	25,000	-	-	-	-	-	11,151	36,151
Travel	32	-	-	-	-	-	-	32
Insurance	2,366	-	-	-	-	-	13,965	16,331
<b>Total Current Expenditures</b>	<b>36,332</b>	<b>-</b>	<b>-</b>	<b>74,000</b>	<b>25,200</b>	<b>-</b>	<b>121,415</b>	<b>256,947</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(31,475)</b>	<b>40,026</b>	<b>99,274</b>	<b>12,667</b>	<b>16,990</b>	<b>249</b>	<b>43,077</b>	<b>180,808</b>
<b>Other financing uses:</b>								
Transfers	(10,505)	(40,349)	(11,000)	(7,400)	(2,520)	(4,588)	(150,000)	(226,362)
<b>Net change in fund balances</b>	<b>(41,980)</b>	<b>(323)</b>	<b>88,274</b>	<b>5,267</b>	<b>14,470</b>	<b>(4,339)</b>	<b>(106,923)</b>	<b>(45,554)</b>
Fund Balance beginning of year	921,832	2,792	198,890	9,899	3,096	-	162,907	1,299,416
<b>Fund Balance end of year</b>	<b>\$879,852</b>	<b>\$2,469</b>	<b>\$287,164</b>	<b>\$15,166</b>	<b>\$17,566</b>	<b>\$(4,339)</b>	<b>\$55,984</b>	<b>\$ 1,253,862</b>

\* Economic Advancement Fund (EAF)

\*\* Berkley Park Condominium Association (BPCA)



**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, 2022, 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 22, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Port Authority of Kansas City, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 2022-001 that we consider to be a material weaknesses.

## 2022-001 – Lack of Segregation of Duties

This finding is similar to prior-year finding 2021-001.

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.

## 2022-002 – Invoicing of Reimbursable Costs

Condition: In a prior year, accounting records were entered for a deferred revenue balance that was not a true liability, and accounting records were entered for a receivable balance that was not a true receivable. Both entries netted out to zero and were removed by journal entry for the year-end statements. In the current year, those entries were reinstated for the interim account periods and later permanently removed by journal entry. In interim periods, these entries caused total assets and total liabilities to both be overstated with no impact to the net position or fund balance. In each fiscal report, all balances were properly stated.

Criteria: The inherent nature of an invoice is to represent a valid legal claim for payment, based on the delivery of products or services directly to another, or indirectly by paying for products or services on behalf of another and seeking reimbursement.

Cause: Port KC has a Funding Agreement with a development partner, and services were performed by the law firm for the development partner for a project in partnership with Port KC. The law firm invoiced the development partner, but the development partner had not paid the invoices. Port KC was attempting to assist in the collection of fees the development partner owed to the law firm.

Effect: Port KC's Internal controls did not prevent posting of accounting entries that should not have been made. The entries had the impact of overstating the assets and liabilities in the monthly financial statements. As amounts were removed through journal entries in the previous year and the current year, there was no impact on the year-end balances. However, there is an increased possibility that errors or erroneous entries may occur and not be detected on a timely basis.

Recommendation: We recommend that Management develop appropriate procedures, policies and controls to ensure that unusual transactions are accounted for consistent with an understanding of substance of the transaction and supported by an appropriate business purpose prior to being entered into the general ledger. These policies should include that Port KC is directly invoiced for costs that are going to be billed as reimbursable, or that records not be entered into the general ledger if amounts have not been incurred.

Management's Response: Management affirms that the condition of Lack of Segregation of Duties exists and was an already known condition. Management agrees that the entries were for a payable that was not a true payable and a receivable that was not a true receivable. All entries were intentionally entered. Total assets and total liabilities were misstated for management reports by immaterial amounts during the interim periods – amounts that had zero impact on the net position – and properly stated for the fiscal reports. Management disagrees that these entries are evidence of weak internal controls because the circumstances were well known by the Port KC team and had no impact on the annual accounting records.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Port Authority of Kansas City, Missouri's above response to the findings identified in our audit 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 22, 2022