



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

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

April 30, 2024



TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Statement of Net Position – Proprietary Funds	13
Statement Of Revenues, Expenses, And Changes in Fund Balance – Proprietary Funds.....	14
Statement of Cash Flows – Proprietary Funds.....	15
Balance Sheet – Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	18
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	19
Notes to the Basic Financial Statements	20
Supplementary Information	
Combining Balance Sheet – Special Projects.....	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Special Projects.....	42
Schedule of Expenditures of Federal Awards	43
Notes to Schedule of Expenditures of Federal Awards	44
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.....	45
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	47
Schedule of Findings and Questioned Costs.....	50



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, the business-type activities, each major fund, and the aggregate discretely presented component unit and 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, 2024, 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, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Port Authority of Kansas City, Missouri as of April 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 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 – special projects, combining statement of revenues, expenditures, and changes in fund balances – special projects, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 supplementary information 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 21, 2024, 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

Kansas City, Missouri
August 21, 2024



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2024

This Management 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, 2024. 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.

Highlights from the Fiscal Year

- Grant programs awarded to Port KC grew in 2024 beyond what has occurred in any prior fiscal year. There were nine active grant programs, with additional grant programs in the pipeline at various stages. The largest active grant was an infrastructure project of \$40,000,000 awarded from the Missouri Department of Economic Development for the KCI-29 Logistics Park by Hunt Midwest, with the grant administration passing through Port KC. During the fiscal year, \$18,664,333 of the project funding was completed with the project ongoing in fiscal year 2025. Additionally, the combined amount of funding from the State of Missouri was an unprecedented \$38,098,390 for five different projects in addition to the completion of programs which began in the prior year. Of the \$38 million in funding, \$2.8 million was completed in the fiscal year and the remaining \$27.2 million is anticipated to be completed in 2025 as construction projects begin.
- The construction of the KC Streetcar extension to Berkley Riverfront began in March 2024. The project is scheduled to be completed in the first quarter of 2026. Port KC is committed to \$10,741,684 in match funding.
- CPKC Stadium was completed at Berkley Riverfront, and the KC Current played its inaugural match in the new stadium on March 16, 2024. The 11,500-seat soccer stadium is the first sports stadium dedicated for a women's sports team of any sport in the world.
- Port KC supported the LaunchKC entrepreneurial training program, co-managed by the Downton Council of Kansas City (DTC) and the Economic Development Corporation of Kansas City (EDC). Port KC's support was in the form of being the named recipient of a grant from the Missouri Department of Higher Education and Workforce Development (DHEWD) for the LaunchKC program. All grant funds and responsibilities were passed along to DTC and EDC. This was the third year for the grant program, and the state investment was \$339,500. Port KC did not keep any administrative fees; all funds went directly to the benefit of the LaunchKC program.
- Port KC partnered with developers to issue new bonds totaling \$467,000,000 in Conduit Debt (see Note M). New developer fees totaling \$1,970,991 were collected for these services. Of these fees, \$846,250 was designated towards Port KC's capital projects and infrastructure, and \$215,181 was sent to the Full Employment Council for the Logistics Hiring & Workforce Advancement Program. Additionally, Port KC administered Tax Compliance Payments of \$4,517,218 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 \$3,963,899 for the fiscal year ending April 30, 2024. Grants were the largest source of income as there were many different grant programs active during the fiscal year (See Note G). Total grant revenue was \$22,680,104, compared to \$836,229 in 2023 and \$186,015 in 2022. Lease income, traditionally the largest source of revenue, was the second-largest source of program revenues in 2024 with \$4,786,057, up from \$4,476,267 in 2023 and \$4,312,307 in 2022. The majority of lease revenue is from Bally's Casino (See Notes E). The remaining lease revenue is largely from 49 Crossing, which operated at nearly full capacity during fiscal year 2024.

Taxes and assessments decreased from \$1,015,792 to \$505,464. This category includes sales and use taxes for Port Improvement Districts (PIDs) and membership assessments for the Berkley Park Condominium Association. It also includes Advanced Industrial Manufacturing (AIM) Zone revenues, but there were no AIM Zone revenues in 2024. The absence of AIM Zone revenues was the driving reason taxes and assessments decreased in 2024; all other taxes and assessments increased in 2024.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2024

Total expenses in 2024 were \$27,317,057, compared to \$7,626,239 in 2023 and \$6,197,222 in 2022. The spending of grant programs was the primary driver of expense growth, particularly the grant for KCI29 Logistics Park. Expenses increased in all categories. The largest category where expenses increased was property management for the KCI29 Logistics Park.

Using these Financial Statements

These financial statements are presented from two different perspectives: Government-wide financial statements (Port KC as a whole) and the fund financial statements (Port KC's funds). Fundamentally, each perspective reports the same information, but the information is presented in different formats. See more in Note A.

Reporting Port KC as a Whole

The *Statement of Net Position* (page 11) and *Statement of Activities* (page 12) present Port KC as a whole. The presentation of these statements includes assets, liabilities, deferred inflows, net position, revenues, and expenses 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.

Each of these government-wide statements are organized into governmental activities versus business-type activities. The "Governmental Activities: Economic Development" include activities that are predominantly non-exchange kinds of activities and business functions, and these include Economic Advancement, Port Improvement Districts (PIDs) #1-5, #7, and the Berkley Park Condominium Association. The "business-type activities" include the majority of Port KC's activities which are mostly generated by charges for services of which the largest category is from leasing activities. Both functions are described as Economic Development because "Port KC's mission is to grow the economy of Kansas City's port district through transportation, global commerce, and development."

KC CORE is a nonprofit created during the fiscal year of 2024, for the purpose and benefit of Connecting Our River for Everyone. KC CORE applied for and was approved as a 501(c)(3) for tax exempt status. It is included as a discretely presented component unit because of the nature and significance of its relationship with Port KC as KC CORE board representation is one hundred percent represented by Port KC individuals (see Note A).

Reporting on Port KC Funds

The fund financial statements use a mixed set of rules known as fund accounting and report each of Port KC's funds in a way that best aligns with the funds' activities. Funds are reported under different frameworks, depending upon the types of activities of the funds. Three different types of funds are used: Proprietary Funds, Governmental Funds, and Fiduciary Funds. These are reported on pages 13 to 19.

Proprietary Funds – Port KC has one fund classified as a propriety fund, and it is the Operating Fund. Proprietary funds are reported on a basis of full accrual accounting, just like government-wide reporting and therefore the Operating Fund is identical to the "business-type activities" from the government-wide reports. The proprietary fund structure also introduces a statement of cash flows whereas a similar style of report is absent in other styles of fund reporting. The proprietary fund uses the basis of accrual accounting.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2024

Governmental Funds – Port KC reports one governmental fund to account for all other economic development and special project activities. Governmental funds are reported using a modified accrual basis of accounting. Due to the nature of fund, there are no modified accrual adjustments necessary, and the activities are identical to the accrual basis of accounting. Collectively, this fund is identical to the “governmental activities” as presented for Port KC as a whole. The Projects making up the fund are as follows:

The Economic Advancement Fund is for the specific purpose of providing economic development assistance to MBE/WBE enterprises.

Port Improvement Districts (PIDs) 1-5 and 7 are each a blended component unit of Port KC.

The Berkley Park Condominium Association (BPCA), a Missouri nonprofit is an association for the benefit of Berkley Riverfront owners and residents. It is included as a blended component unit. Port KC manages the BPCA through the Declarant Control Period and then it will relinquish control thereafter (see Note A).

Fiduciary Funds – Port KC reports two categories of custodial funds using the structure provided as Fiduciary Funds. These are funds that Port KC administers on a short-term basis for the benefit of others. These funds report no assets, no liabilities, and no net position. In the government-wide activities, these funds only pass through cash, accounts receivable, and accounts payable. All funds are held for a short amount of time before being disbursed.

The first activity reported is the collection and disbursement of Tax Compliance Payments as a result of all third-party projects. Each third-party project for tax incentive purposes includes Conduit Debt and a Tax Incentive Agreement which obligates each development finance partner to the agreed rate of taxes that will be paid. These taxes are a payment-in-lieu-of-taxes (PILOT) which Port KC collects and proportionally disburses to all of the benefitting taxing jurisdictions. See Note M for a full list of all of all of the projects with who pay PILOTs to Port KC.

The second activity reported was a grant awarded and received from DHEWD and disbursed to the DTC and EDC for the LaunchKC program. The DHEWD funding was for providing education curriculum, training, access to capital, and mentor services. These are services that the DTC and EDC provide through the LaunchKC program. All responsibilities and funding were simultaneously received from DHEWD and assigned to DTC and EDC. Port KC was only a facilitator to satisfy certain state provisions.

As noted in the prior paragraphs, the business-type activities reported on the government-wide statements are in complete agreement with the proprietary fund statements. Additionally, the governmental activities reported on the government-wide statements are in complete agreement with the total of non-major funds reported within the governmental funds statements.

While it is customary to present the fund financial statements with the governmental funds first, followed by the proprietary funds, and then the fiduciary funds, Port KC has chosen to present the proprietary funds first due to the importance and significance of that fund.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2024

If the Balance Sheets for the Government Funds (proprietary and governmental) were combined, the total government funds would be the same as the Government-Wide Statement of Net Position with very few modifications. The Business-type activities and the Operating Fund, a Proprietary Fund, are in complete agreement. The Governmental Activities include the assets described *Internal balances*, a negative current asset whereas the Governmental Funds, a report of all non-major funds, has the same item listed as a current liability named *Due to other funds*.

The Net Position of the Governmental-wide activities and the Governmental Funds are presented differently. Whereas the Government-wide presentation includes Restricted for economic development and Unrestricted, the Governmental Funds includes Nonspendable, Restricted, Assigned, and Unassigned. The total Net Positions are the same.

	Proprietary Funds	Governmental Funds	Total Funds
Net position/ fund balance			
Net investments in capital assets	28,736,370	n/a	28,376,370
Nonspendable	n/a	5,536	5,536
Restricted	-	763,006	763,006
Assigned	n/a	545,546	545,546
Unassigned	n/a	-	-
Unrestricted	9,817,125	n/a	9,817,125
Total Net Position/Fund Balance	\$ 38,193,495	\$ 1,314,088	\$ 39,507,583

Year over Year Comparison of the Government-wide Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current assets	\$1,324,032	\$ 1,281,320	\$15,554,733	\$14,588,202	\$16,878,765	\$15,869,522
Capital assets	-	-	32,296,492	28,676,908	32,296,492	28,676,908
Other non-current assets	-	-	14,461,289	18,397,098	14,461,289	18,397,098
Total Assets	1,324,032	1,281,320	62,312,514	61,662,208	63,686,546	62,943,528
Current liabilities	9,944	-	9,443,969	7,351,247	9,453,913	7,351,247
Long-term lease liabilities	-	-	2,162,190	3,920,123	2,162,190	3,920,123
Long-term debt	-	-	699,898	820,549	699,898	820,549
Total Liabilities	9,944	-	12,306,057	12,091,919	12,316,001	12,091,919
Deferred Inflows of Resources	-	-	11,812,962	15,307,925	11,812,962	15,307,925
Net Position:						
Net investment in capital assets	-	-	28,376,370	22,073,537	28,376,370	22,073,537
Restricted	1,309,527	1,253,530	-	-	1,309,527	1,252,530
Unrestricted	4,561	27,790	9,817,125	12,188,827	9,821,686	12,216,617
Total Net Position	\$1,314,088	\$1,281,320	\$38,193,495	\$34,262,364	\$39,507,583	\$35,543,684

The most significant changes impacting current assets, include changes to cash (discussed more fully in the Changes to Cash section of the management's discussion and analysis). Changes in capital assets are discussed in the Capital Asset Administration section below. Other non-current assets are primarily impacted by leasing activity. Current liabilities were mostly impacted by balances due to the City's. Changes to long-term liabilities are discussed in the Debt Administration section below.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2024

Year over Year Comparison of the Government-wide Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Program Revenues:						
Lease income	\$ -	\$ -	\$ 4,786,057	\$ 4,476,267	\$ 4,786,057	\$ 4,476,267
Developer fees	-	-	2,760,114	2,605,527	2,760,114	2,605,527
Miscellaneous	-	-	578,837	117,788	578,837	117,788
Lease income due to the City	-	-	(1,712,370)	(1,615,700)	(1,712,370)	(1,615,700)
Total Charges for Services	-	-	6,412,638	5,583,882	6,412,638	5,583,882
Operating grants and contributions	-	-	19,323,670	40,414	19,323,670	40,414
Capital grants and contributions	-	-	3,356,434	795,815	3,356,434	795,815
General Revenues:						
Taxes and assessments	505,464	456,579	-	559,213	505,464	1,015,792
Other	965	1,333	669,913	-	670,878	1,333
Interest earnings	30,197	5,586	981,675	693,330	1,011,872	698,916
Total Net Revenues	\$ 536,626	\$ 463,498	\$30,744,330	\$ 7,672,654	\$31,280,956	\$ 8,136,152
Program Expenses for Economic Development:						
Administrative	11,643	10,911	2,394,555	2,025,091	2,406,198	2,036,002
Professional services	9,156	15,795	1,428,673	1,364,730	1,437,829	1,380,525
Property management	277,126	231,384	1,596,157	2,076,619	1,873,283	2,308,003
Marketing	49,500	35,700	335,576	117,226	385,076	152,926
Travel	185	218	195,488	173,811	195,673	174,029
Insurance	19,247	20,608	354,521	322,665	373,768	343,273
Interest	-	-	322,548	368,884	322,548	368,884
Depreciation	-	-	1,077,502	862,597	1,077,502	862,597
Grant related	-	-	19,083,759	-	19,083,759	-
Other	-	-	161,421	-	161,421	-
Total Expenses	366,857	314,616	26,950,200	7,311,626	27,317,057	7,626,239
Transfers	(137,001)	(121,424)	137,001	121,424	-	-
Change in Net Position	\$ 32,768	\$ 27,458	\$ 3,931,131	\$ 482,455	\$ 3,963,899	\$ 509,913
Net position – Beginning of year	1,281,320	1,253,862	34,262,364	33,779,909	35,543,684	35,033,771
Net position – End of year	\$1,314,088	\$1,281,320	\$38,193,495	\$34,262,364	\$39,507,583	\$35,543,684

Analysis of Port KC Funds

What the Operating Fund statement offers, which the business-type activities do not offer, is a perspective on Operating Income (Loss). The Operating Fund had an operating loss of \$969,834. When adding in the nonoperating revenues and expenses, the Operating Fund reported a gain of \$437,696 before capital contributions and transfers. Lastly, when adding in capital contributions, grants, and transfers, there is a positive change in net position of \$3,931,131.

The Special Projects Fund had total revenues of \$536,626, and expenditures of \$366,857. After net transfers out of \$137,001, the change in fund balance was an increase of \$32,768.

Discretely Presented Component Unit

KC CORE received funding (donation revenue) for some investments in projects already expended by Port KC, so KC CORE disbursed those funds to Port KC to sponsor those projects.



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 MANAGEMENT DISCUSSION AND ANALYSIS
 April 30, 2024

Capital Asset Administration

At the end of fiscal year 2024, Port KC had \$32,296,492 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. Port KC’s largest category of capital assets is infrastructure and equipment, net of depreciation, and it includes improvements Berkley Riverfront Park, the Town of Kansas pedestrian bridge, the ASB Bridge underpass, a rail spur at the Parson Port Terminal, other facilities and upgrades of the Parson Port Terminal, and building improvements at 49 Crossing. Land includes Berkley Riverfront, 49 Crossing, Parson Port Terminal, and Missouri River Terminal. Leases include the land lease from the City, the Port KC office lease, and an equipment lease. The largest additions in fiscal year 2024 were the purchase of additional land at the Missouri River Terminal site, the nearly completed construction of new volleyball courts at Berkley Riverfront, and upgrades of the Parson Port Terminal facilities and equipment. In total, Port KC’s capital assets increased by \$3,619,584, net of depreciation, over fiscal year 2023. See Note C for more on capital assets.

	Capital Assets at Year End		
	Net of Depreciation		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Land, non-depreciable assets			
and construction on progress	\$ 11,280,899	\$ 8,692,168	\$ 8,264,922
Infrastructure and Equipment, net	16,711,241	13,976,657	13,941,698
Lease assets, net	<u>4,304,352</u>	<u>6,008,083</u>	<u>7,706,827</u>
	<u>\$ 32,296,492</u>	<u>\$ 28,676,908</u>	<u>\$ 29,913,447</u>

Debt Administration

During fiscal year 2019, Port KC borrowed \$2,000,000 from a local bank, collateralized by land at 49 Crossing. 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 \$1,000,000 at the beginning of the fiscal year, and it was paid in full during the fiscal year.

In April 2022, Port KC executed a note for an amount of up to \$2,500,000 with a local bank. The note was collateralized by certain agreements representing future revenue streams. The note is paid with interest only, as accrued, on a monthly basis, for two years. Beginning in fiscal 2025, quarterly principal payments plus monthly interest payments will be due based on a 15-year amortization schedule. Draws totaling \$132,934 were taken, and later, voluntary payments totaling \$217,500 were paid during the fiscal year. As of April 30, 2024, the balance on the note was \$749,890.

See Note I for more on notes payable.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2024

Changes in Cash

Total cash grew during the fiscal year by \$1,908,088 on the government-wide Statement of Net Position, including KC Core. Port KC held an accounts payable balance due to Kansas City, Missouri. For comparative purposes, the balance due to the City grew by \$1,843,917 (see Note E), so all other cash increased by \$64,171. Near the end of fiscal year 2024, Port KC was given a letter of instruction, called the City Manager's Certificate, directing Port KC how to use the funds on the City's behalf during fiscal year 2025.

There were new investments in capital assets in fiscal year 2024 totaling \$6,339,300, net of some disposals (see Note C). Many of these investments in capital assets were funded by grants (see Note G). Leases performed strongly, which is seen both in operating cash flows and cash flows from interest income. Leases provided cash flow to pay one loan in full. While there were cash draws on the second loan, the total loan balance decreased after voluntary payments were made in the year. Therefore, cash grew while still reducing total debt by \$1,084,567.

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, 2024. These reports are also used in the City of Kansas City's Annual Comprehensive Financial Report. If you have further questions about this report or need additional information, contact Port KC by email at info@portkc.com, by phone at 816-559-3750, or by visiting at 110 Berkley Plaza, Kansas City, Missouri 64120. Visit www.portkc.com for additional information.



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 BASIC FINANCIAL STATEMENTS
 April 30, 2024

STATEMENT OF NET POSITION

	<u>ASSETS</u>			
	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit (KC Core)
Assets:				
Currents assets:				
Cash and cash equivalents	\$ 10,847	\$ 9,433,180	\$ 9,444,027	\$ 2,227
Accounts receivable, net	42,491	1,190,782	1,233,273	-
Leases receivable, current portion	-	4,233,363	4,233,363	-
Prepays	5,536	593,243	598,779	-
Internal balances	(21,165)	21,165	-	-
Restricted cash and cash equivalents	1,286,323	83,000	1,369,323	-
Non-current assets:				
Loan receivable	-	1,374,411	1,374,411	-
Leases receivable, long-term portion	-	6,663,242	6,663,242	-
Real estate inventory available for sale	-	6,423,636	6,423,636	-
Capital assets not being depreciated:				
Land, improvements, and construction in progress	-	11,280,899	11,280,899	-
Capital assets, net of accumulated depreciation:				
Infrastructure, net	-	16,449,224	16,449,224	-
Equipment, net	-	262,017	262,017	-
Lease assets, net	-	4,304,352	4,304,352	-
Total assets	\$ 1,324,032	\$ 62,362,514	\$ 63,636,546	\$ 2,227

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Liabilities:				
Current liabilities:				
Accounts payable and other current liabilities	\$ 7,362	\$ 3,471,284	\$ 3,478,646	\$ -
Due to the City of Kansas City, Missouri	-	3,591,163	3,591,163	-
Unearned revenue	2,582	506,215	508,797	-
Current portion of long-term debt	-	49,993	49,993	-
Current portion of lease liabilities	-	1,757,932	1,757,932	-
Security deposits	-	67,382	67,382	-
Long-term liabilities:				
Long-term debt	-	699,898	699,898	-
Lease liabilities	-	2,162,190	2,162,190	-
Total liabilities	9,944	12,306,057	12,316,001	-
Deferred inflows of resources - leases	-	11,812,962	11,812,962	-
Net position:				
Investment in capital assets	-	28,376,370	28,376,370	-
Restricted for economic development	1,309,527	-	1,309,527	-
Unrestricted	4,561	9,817,125	9,821,686	2,227
Total net position	\$ 1,314,088	\$ 38,193,495	\$ 39,507,583	\$ 2,227



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 BASIC FINANCIAL STATEMENTS
 April 30, 2024

STATEMENT OF ACTIVITIES

Functions/Programs	PROGRAM REVENUES				NET REVENUES (EXPENSES) AND CHANGES IN NET POSITION			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total Primary Government	Component Unit (KC Core)
Government activities:								
Economic development	\$ 366,857	\$ -	\$ -	\$ -	\$ (366,857)	\$ -	\$ (366,857)	
Business-type activities:								
Economic development	26,950,200	6,412,638	19,323,670	3,356,434	-	2,142,542	2,142,542	
Total primary government	<u>\$ 27,317,057</u>	<u>\$ 6,412,638</u>	<u>\$ 19,323,670</u>	<u>\$ 3,356,434</u>	(366,857)	2,142,542	1,775,685	
Component unit:								
KC Core	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ 177,223</u>	<u>\$ -</u>				\$ 2,223
General revenues								
Taxes and assessments					505,464	-	505,464	-
Interest earnings					30,197	981,675	1,011,872	4
Other					965	669,913	670,878	-
Total general revenues					<u>536,626</u>	<u>1,651,588</u>	<u>2,188,214</u>	<u>4</u>
Transfers					(137,001)	137,001	-	-
Change in net position					32,768	3,931,131	3,963,899	2,227
Net position, beginning of year					1,281,320	34,262,364	35,543,684	-
Net position, end of year					<u>\$ 1,314,088</u>	<u>\$ 38,193,495</u>	<u>\$ 39,507,583</u>	<u>\$ 2,227</u>



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
BASIC FINANCIAL STATEMENTS
April 30, 2024

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

ASSETS

	<u>Operating Fund</u>
Current assets:	
Cash and cash equivalents	\$ 9,433,180
Accounts receivable, net	1,190,782
Leases receivable, current portion	4,233,363
Prepays	593,243
Due from other funds	21,165
Restricted cash and cash equivalents	83,000
	<u>15,554,733</u>
Non-current assets:	
Loan receivable	1,374,411
Leases receivable, long-term portion	6,663,242
Real estate inventory available for sale	6,423,636
Capital assets not being depreciated:	
Land, improvements, and construction in progress	11,280,899
Capital assets, net of accumulated depreciation:	
Infrastructure, net	16,449,224
Equipment, net	262,017
Lease assets, net	4,304,352
Total assets	<u>\$ 62,312,514</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current liabilities:	
Accounts payable and other current liabilities	\$ 3,471,284
Due to the City of Kansas City, Missouri	3,591,163
Unearned revenue	506,215
Current portion of long-term debt	49,993
Current portion of lease liabilities	1,757,932
Security deposits	67,382
	<u>9,443,969</u>
Long-term liabilities:	
Long-term debt	699,898
Lease liabilities	2,162,190
Total liabilities	<u>12,306,057</u>
Deferred inflows of resources - leases	11,812,962
Net position:	
Net investment in capital assets	28,376,370
Unrestricted	9,817,125
Total net position	<u>\$ 38,193,495</u>



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
BASIC FINANCIAL STATEMENTS
April 30, 2024

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE
PROPRIETARY FUNDS

	<u>Operating Fund</u>
Operating revenues:	
Lease income	\$ 4,786,057
Developer fees	2,760,114
Miscellaneous	578,837
Total operating revenues	<u>8,125,008</u>
Less: Lease income due to the City of Kansas City, Missouri	<u>(1,712,370)</u>
Total net operating revenues	<u>6,412,638</u>
Operating expenses:	
Administration	2,394,555
Professional services	1,428,673
Property management	1,596,157
Marketing	335,576
Travel	195,488
Insurance	354,521
Depreciation	1,077,502
Total operating expenses	<u>7,382,472</u>
Operating loss	<u>(969,834)</u>
Nonoperating revenues (expenses):	
Grants and contributions	19,323,670
Net proceeds from insurance	669,913
Grant related expenditures	(19,083,759)
Loss from disposal of assets	(161,421)
Interest income	981,675
Interest expense	(322,548)
Total nonoperating revenues (expenses), net	<u>1,407,530</u>
Income before capital contributions and transfers	437,696
Capital contributions and grants	3,356,434
Transfers in	137,001
Change in net position	<u>3,931,131</u>
Net position, beginning of year	34,262,364
Net position, end of year	<u>\$ 38,193,495</u>



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
BASIC FINANCIAL STATEMENTS
April 30, 2024

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

	<u>Operating Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 9,621,192
Cash paid to supplies for goods and services	(5,510,204)
Cash paid to employees and related expenses	(2,055,750)
	<u>2,055,238</u>
Cash flows from noncapital financing activities	
Transfers from other funds	131,594
Grants and contributions	18,782,652
Grant related outflows	(18,542,741)
	<u>371,505</u>
Cash flows from capital and related financing activities	
Long-term debt proceeds	132,934
Payments of principal on long-term debt	(1,217,500)
Payments of principal on leases	(5,342)
Payments of interest	(156,538)
Capital grants received	3,382,460
Insurance proceeds	686,000
Purchase of capital assets and construction in progress	(4,422,845)
	<u>(1,600,831)</u>
Cash flows from investing activities	
Interest income	919,874
Cash paid for additions to real estate inventory	(300)
Outflows for loans receivable	(76,577)
	<u>842,997</u>
Net increase in cash and cash equivalents	1,668,909
Cash and investments – beginning of year	7,847,271
Cash and investments – end of year	<u>\$ 9,516,180</u>
Components of cash and cash equivalents	
Cash and cash equivalents	\$ 9,433,180
Restricted cash and cash equivalents	83,000
	<u>\$ 9,516,180</u>



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
BASIC FINANCIAL STATEMENTS
April 30, 2024

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)

Reconciliation of operating loss to net cash used by operating activities

	<u>Operating Fund</u>
Operating loss	\$ (969,834)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Cash used by operating activities:	
Depreciation	1,077,502
Amortization of lease assets	1,703,731
Deferred inflows of resources	(3,494,963)
Change in assets and liabilities:	
Accounts receivable, net	1,458,941
Leases receivable	3,349,721
Prepays	(42,033)
Accounts payable and other current liabilities	(1,210,312)
Unearned revenue	185,008
Security deposits	(2,523)
Net cash used by operating activities	<u>\$ 2,055,238</u>
Noncash investing, capital, and financing activities:	
Capital asset purchase with accounts payable	\$ 2,034,912



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
BASIC FINANCIAL STATEMENTS
April 30, 2024

BALANCE SHEET
GOVERNMENTAL FUNDS

ASSETS

	<u>Special Projects Fund</u>
Assets:	
Cash and cash equivalents	\$ 10,847
Accounts receivable (net)	42,491
Prepays	5,536
Restricted cash and cash equivalents	1,286,323
Total assets	<u>\$ 1,345,197</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts payable	\$ 7,362
Unearned revenue	2,582
Due to other funds	21,165
Total liabilities	<u>31,109</u>
Fund balance:	
Nonspendable	5,536
Restricted	763,006
Assigned	545,546
Total fund balance	<u>1,314,088</u>
Total liabilities and fund balances	<u>\$ 1,345,197</u>



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
BASIC FINANCIAL STATEMENTS
April 30, 2024

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

	<u>Special Projects Funds</u>
Revenue:	
Taxes and assessments	\$ 505,464
Miscellaneous	965
Interest income	30,197
Total revenue	<u>536,626</u>
Expenditures:	
Current expenditures	
Administration	11,643
Professional services	9,156
Property management	277,126
Marketing	49,500
Travel	185
Insurance	19,247
Total expenditures	<u>366,857</u>
Excess of revenues over expenditures	<u>169,769</u>
Other financing sources (uses):	
Transfers out	<u>(137,001)</u>
Total other financing (uses)	<u>(137,001)</u>
Net change in fund balance	32,768
Fund balance, beginning of year	<u>1,281,320</u>
Fund balance, end of year	<u>\$ 1,314,088</u>



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
BASIC FINANCIAL STATEMENTS
April 30, 2024

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	\$ 4,517,218
Department of Higher Education & Workforce Development (DHEWD) grants	339,500
Total Additions	<u>4,856,718</u>
Incentive Compliance Payments paid to taxing jurisdictions	4,517,218
Grants from DHEWD extended to LaunchKC program	339,500
Total Deductions	<u>4,856,718</u>
Change in Fiduciary Net Position	-
Fiduciary Net Position – Beginning of Year	-
Fiduciary Net Position – End of Year	<u>\$ -</u>



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

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 issued by the Governmental Accounting Standards Board, and 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:

Component Units

Port KC reports seven blended component units:

- Port Improvement District 1
- Port Improvement District 2
- Port Improvement District 3
- Port Improvement District 4
- Port Improvement District 5
- Port Improvement District 7
- Berkley Park Condominium Association

Port KC reports one discretely presented component unit:

KC CORE

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. PIDs are sometimes used in combination with issuing bonds (see Note M) for the purposes of attracting businesses to choose Kansas City.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

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.

During the fiscal year, Port KC paid 44.1% of assessments collected by the Association. Similarly, Port KC collected management fees for operating the Association.

KC CORE (nonprofit) was created in July 2023 and applied for status as a 501(c)(3). KC CORE received a Letter of Determination in May 2024 authorizing KC CORE as exempt under 501(c)(3). Its name and mission are based upon Connecting Our River for Everyone. It has three board members who are currently all representatives from Port KC. If not for board representation, KC CORE is completely separate from Port KC. If KC CORE's board representation were to no longer to have a majority representation by Port KC, then KC CORE would no longer be considered a component unit of Port KC. During the fiscal year, KC CORE received some donations in honor of the late Mayor Berkley, donations for murals along Berkley Riverfront, and donations for light repairs on the Kit Bond Bridge. The donations in honor of Mayor Berkley were held for a future project, and the other donations were disbursed to Port KC for both the murals and bridge lighting projects.

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 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 and business-type activities. Governmental activities generally are financed through taxes and assessments. Business-type 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. 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 to the extent that the funds are reported in the same type of activities.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

Fund Financial Statements

Port KC accounts for all financial transactions through proprietary, governmental, and fiduciary funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, fund balances, and revenues and expenditures or expenses, as appropriate.

Port KC reports the following governmental fund:

Special Projects Fund – This fund includes PIDs 1-5, PID 7, 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 reports the following proprietary fund:

Operating Fund – The Operating Fund is the general operating fund of Port KC. The Operating 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.

Port KC reports the following fiduciary fund:

Custodial Fund – In connection with properties bonded by Conduit Debt (See Note M), 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.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

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 reconciliations, if necessary, with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements. There are currently no transactions that require modifications to full accrual, and therefore, no reconciliations presented.

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.

Proprietary Fund Financial Statements

An enterprise fund is used to account for the operations of Port KC's ongoing activities which are accounted for in a similar manner to the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Operating Fund are charges to customers in leasing activities and developer fees. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

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.

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. As of April 30, 2024, there was no allowance for doubtful accounts recorded.

Real estate inventory available for sale

Real estate inventory available for sale includes parcels of land associated with Berkley Riverfront Development area. The assets are carried at the lower of cost or market and identified by specific parcels.

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, Missouri are recorded at the City's valuation at the date of acquisition.



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 April 30, 2024

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

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

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

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

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available. The sources of revenue for Port KC considered susceptible to accrual include grants, taxes and assessments, developer fees, 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.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

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.

Net Position and Fund Balance Classifications

Government Wide, Proprietary and Fiduciary Funds – In the statements of net position, 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, 2024, Port KC did not have committed fund balance.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

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.

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. Due to the operating fund of Port KC being considered a proprietary fund, no budget comparisons have been presented in the 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.



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 April 30, 2024

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, 2024, cash, cash equivalents, and investments on deposit for the primary government were \$10,813,350, and consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>
Deposits	\$ 9,444,027	\$ 1,369,323

At April 30, 2024, cash, cash equivalents, and investments on deposit for KC Core were \$2,227.

Restricted balances consist of amounts related to the Economic Advancement Fund, Port Improvement Districts (PID) #1, #2, #3, #4, #5, and #7, 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, 2024, Port KC only held cash.

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

Port KC does not have a policy with respect to the management of custodial credit risk on cash deposits or certificate of deposits. 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, 2024, the carrying balance of total deposits were \$10,813,350, and the bank balance was \$11,562,767. Of the bank balance, \$2,223,359 was insured by federal depository insurance and \$9,339,408 was collateralized.

At April 30, 2024, the carrying balance of total deposits for KC Core were \$2,227, and the bank balance was \$2,227. The entire bank balance was insured by federal depository insurance.

Concentration of Credit Risk - Port KC places no limit on the amount it may invest in any one issuer. At April 30, 2024, 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, 2024, there were no deposits subject to this credit risk.



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 April 30, 2024

NOTE C – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balances
Government Activities:				
Capital assets not being depreciated				
Land & Improvements	\$ 7,645,592	\$ 1,052,547	\$ -	\$ 8,698,139
Construction in progress	1,046,576	2,728,204	1,192,020	2,582,760
Total capital assets not being depreciated	8,692,168	3,780,751	1,192,020	11,280,899
Capital assets being depreciated				
Infrastructure	21,647,419	3,921,175	239,023	25,329,571
Equipment	980,464	68,417	-	1,048,881
Leased Assets	8,946,280	-	-	8,946,280
Total capital assets being depreciated	31,574,163	3,989,592	239,023	35,324,732
Less accumulated depreciation and amortization for				
Infrastructure	7,940,305	1,001,559	61,517	8,880,347
Equipment	710,921	75,943	-	786,864
Leased Assets	2,938,197	1,703,731	-	4,641,928
Total accumulated depreciation	11,589,423	2,781,233	61,517	14,309,139
Total capital assets being depreciated, net	19,984,740	1,208,359	177,506	21,015,593
Total capital assets for government activities, net	<u>\$ 28,676,908</u>	<u>\$4,989,110</u>	<u>\$ 1,369,526</u>	<u>\$32,296,492</u>

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



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

NOTE D – LOAN RECEIVABLE

Port KC sold land in the fiscal year ending April 30, 2023, using a seller-financing mechanism. The buyer paid a portion of the purchase price upfront, and the remainder of the purchase price will be paid in twelve equal annual installment payments beginning on the third anniversary. The agreement expressed the gross payments due and a schedule of those due dates. It did not use the term “seller-finance” nor any similar term and did not express an interest rate. Management estimated an interest rate to apply to the life of the loan schedule. The financial statements report a discounted amount of the seller-financed balance which will accrue with an interest revenue during the life of the loan receivable until it is resolved and paid in full.

Port KC constructed new volleyball courts in Berkley Riverfront, which were not entirely completed as of April 30, 2024, and leased those volleyball courts to an events operator. The event operator wanted to add additional tenant improvements to the courts at its own discretion. The event operator asked for Port KC to finance its tenant improvements. The lease was modified to accommodate, and the amounts were treated as a loan receivable. The repayment plan is based on a percentage of business performance. The interest rate was expressed as 0%. In exchange for the 0% interest rate, Port KC may collect loan repayments for the whole calendar year when there is still a balance due on January 1 of the calendar year. In all, the timing of collections and the total amount that will be collected are both variables depending upon business performance. The financial statements report the gross balance of the landlord financed, tenant improvements.

NOTE E – 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).

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 third year of the fourth 5-year renewal term.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

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, 2024, the percentage rent calculation resulted in \$3,687,833 total rent, so additional rents of \$193,341 were paid for the lease year ending September 30, 2023. Interest revenue recognized on the lease was \$332,019 during the year ended April 30, 2024. Deferred inflows of resources related to the lease at April 30, 2024 was \$7,809,214.

Also refer to Note E and Note J regarding the land lease with the City of Kansas City, Missouri.

49 Crossing Leases

49 Crossing was previously known as “Richards-Gebaur Commerce Park” and is the former Richards-Gebaur Air Force base. It is located in south Kansas City, MO, in Jackson and Cass Counties, next to Belton, Missouri. The commerce park includes approximately 662 acres which holds approximately 544,000 square feet of leasable building space and including approximately 600 acres of developable land. The leasable buildings include uses such as hangars, warehouses, and office space.

For the year ended April 30, 2024, total lease revenues were \$1,146,594. Leases have remaining lengths that range from month-to-month to twenty-three years with no provisions for guaranteed renewal period extending beyond October 2046. Future minimum rental amounts associated with the 49 Crossing are below. Interest revenue recognized on the leases were \$252,237 during the year ended April 30, 2024. Deferred inflows of resources related to the leases at April 30, 2024 was \$3,736,456.

Other Lease Receivables

Other leases include a lease with KC Crew for the volleyball courts at Berkley Riverfront. The previous KC Crew lease was cancelled during the fiscal year, and a new lease was created. Revenue from the previous lease was all included as current year lease revenue. Even though the term of the new lease began in December 2023, an amendment accommodated construction delays. The commencement of the lease was treated as May 1, 2024 based on the incomplete status of the construction. Also, see Note D regarding loan receivables. None of the new lease was included in the reports as of April 30, 2024.

Another lease is with Transport 360, LLC as the port operator at the Parson Port 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 Parson Port Terminal through the fiscal year ending 2037. For the year ended April 30, 2024, total lease revenues were \$33,135. Interest revenue recognized on the leases were \$13,447 during the year ended April 30, 2024. Deferred inflows of resources related to the leases at April 30, 2024 was \$267,292.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

Total Lease Receivable Schedule

Year Ended April 30,	Amount	Interest	Total
2025	\$ 4,233,363	\$ 446,591	\$ 4,679,954
2026	4,067,590	268,043	4,335,633
2027	429,806	169,016	598,822
2028	280,337	147,152	427,489
2029	101,592	135,542	237,134
2030 to 2034	421,887	599,025	1,020,912
2035 to 2039	350,693	481,222	831,915
2040 to 2044	588,181	298,883	887,064
2045 to 2047	423,156	45,407	468,563
	\$ 10,896,605	\$ 2,590,881	\$ 13,487,486

NOTE F – 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. As of April 30, 2024, Port KC held the set aside balance in cash and as a liability on the statement of net position. 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 2025.

Total Lease Liabilities Schedule

Year Ended April 30,	Lease Liability	Interest Expense	Total
2025	\$ 1,757,932	\$ 122,004	\$ 1,879,936
2026	1,828,840	50,406	1,879,246
2027	120,866	11,134	132,000
2028	125,790	6,210	132,000
2029	86,694	1,305	87,999
	\$ 3,920,122	\$ 191,059	\$ 4,111,181



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

NOTE G – GRANTS

During fiscal year 2023, a grant agreement was completed with the US Department of Transportation (USDOT), the Maritime Administration (MARAD) division, under the Port Infrastructure Development Program (PIDP) for a total project of \$2,702,000 for roadway access planning, rail alignment planning, and dock assessment planning for the Missouri River Terminal (MRT) project, with \$1,000,000 of PIDP funds and a local match of \$1,702,000. In fiscal year 2024, Grant Revenue was recorded as \$186,948. The remainder of the project is ongoing during fiscal year 2025.

In August 2022, Port KC was awarded a Port Aid grant for capital improvement projects from the Missouri Highways and Transportation Commission (MHTC) for \$676,368 for the installation of a paving project at the Parson Port Terminal, phase one. In fiscal year 2024, the grant was modified to a total of \$933,816. Grant Revenue was recorded as \$613,040. The capital project and grant agreement were both completed in fiscal year 2024.

In February 2023, Port KC was awarded a grant for the Coronavirus State and Local Fiscal Recovery Funds for capital improvement projects from MHTC for \$400,000. In fiscal year 2024, the entire project was reported under the grant, recorded as Grant Revenue, and received.

In June 2023, Port KC was awarded a grant from USDOT, the Federal Railroad Administration (FRA) division, under the Railroad Crossing Elimination (RCE) program for a total project of \$2,500,000 for planning activities to eliminate the at-grade railroad crossing along Lydia Street between Berkley Parkway and Guinotte Ave. Pre-grant activities commenced, but no grant agreement was completed during fiscal year 2024. The project is ongoing during fiscal year 2025.

In August 2023, Port KC was awarded a grant from the Missouri Department of Economic Development (DED), for the Missouri ARPA Industrial Site Development Grant Program, for \$40,000,000. The project was for the KCI 29 Logistics Park Infrastructure Improvements in partnership with Hunt Midwest. The program required a 50% local match, and the majority of the local match demonstrated and satisfied during the fiscal year. Progress on the grant included \$18,664,333 which was reported and recorded as Grant Revenue. One project report was included in accounts receivable as of April 30, 2024. All project investments were expended by Hunt Midwest, report to Port KC, then reported from Port KC to DED. The flow of funds, once the report was approved, flowed from the State of Missouri to Port KC, then all funds received were disbursed to Hunt Midwest. The project is ongoing during fiscal year 2025 and has a remaining balance of \$21,335,667.

In September 2023, Port KC was awarded a Port Aid grant for administrative expenses from MHTC for \$28,837. All \$28,837 was reported under the grant, recorded as Grant Revenue, and received.

In September 2023, Port KC was awarded a Port Aid grant for capital improvement projects from MHTC for \$439,054 for facility and equipment rehabilitation work at Parson Port Terminal. The entire project was completed, reported under the grant, recorded as Grant Revenue, and received during fiscal year 2024.

In September 2023, Port KC was awarded a Port Aid grant for capital improvement projects from MHTC for \$630,500 for a Lower Missouri River Feasibility Study, an investment in an ongoing study in partnership between Port KC and the US Army Corps of Engineers. The entire grant was reported, recorded as Grant Revenue, and received during fiscal year 2024. The underlying studies of the Missouri River are ongoing during fiscal year 2025.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

In September 2023, Port KC was awarded a Port Aid grant for capital improvement projects from MHTC for \$7,000,000 for new dock infrastructure at Parson Port Terminal. During fiscal year 2024, \$175,108 of the project was reported under the grant and reported as Grant Revenue. Some of the funds were received during the fiscal year, and some of the funds were in accounts receivable as of April 30, 2024. The project focused on designs and engineering; it went out to bid for a construction contract during the fiscal year. The project is ongoing during fiscal year 2025.

In September 2023, Port KC was awarded a Port Aid grant for capital improvement projects from MHTC for \$30,000,000 to construct new roadway access, and related investments, to the Missouri River Terminal (MRT) project. Some of the funding is used in combination with the PIDP grant from MARAD to provide the local match dollars. A bid process seeking a Progressive Design Build (PDB) partner began in April 2024. During the fiscal year, \$1,542,284 was reported, recorded as Grant Revenue, and received. The project is ongoing during fiscal year 2025.

In March 2024, an announcement was made regarding \$4,116,279 in a federal award through the Consolidated Appropriations Act of 2024. The project was named Missouri River Access and Development (MORAD). The project did not begin during fiscal year 2024.

A Single Audit is required when federal funding is utilized over \$750,000. The PIDP grant, the Coronavirus State and Local Fiscal Recovery Funds, and the Missouri ARPA Industrial Site Development Grant Program were all federal funds. A Single Audit process was completed.

NOTE H – 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, 2024, employee contributions totaled \$157,572, and Port KC recognized expense of \$54,397.

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, 2024.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

NOTE I – NOTES PAYABLE

Long-term obligations consist of the following balances at April 30, 2023 and April 30, 2024:

<u>Long-term obligations</u>	<u>April 30,</u> <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30,</u> <u>2024</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
Direct borrowing and placements:					
Promissory note	\$1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -
Promissory note	<u>834,457</u>	<u>132,934</u>	<u>217,500</u>	<u>749,891</u>	<u>49,993</u>
Total	<u>\$1,834,457</u>	<u>\$ 132,934</u>	<u>\$ 1,217,500</u>	<u>\$ 749,891</u>	<u>\$ 49,993</u>

Notes payable as of April 30, 2024, 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. Interest was paid monthly. The note was paid in full in March 2024.

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. Loan draws totaling \$132,934 were taken during the fiscal year. Port KC elected to pay \$217,500 towards the principal balance during the fiscal year.

Future Payment Schedule

<u>Year Ended April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 49,993	\$ 49,067	\$ 99,060
2026	49,993	45,712	95,705
2027	649,905	42,357	692,262
	<u>\$ 749,891</u>	<u>\$ 137,136</u>	<u>\$ 887,027</u>



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

NOTE J – RELATED PARTY TRANSACTIONS

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

During fiscal year 2024, the City of Kansas City transferred land to Port KC commonly known as the City Market Park and the 5th & Main parking lot. At approximately the same time, Port KC licensed the 5th & Main parking lot back to the City so that the City would retain all parking revenues and be responsible for all parking lot costs. Utility accounts for both properties were transferred to Port KC. As of April 30, 2024, there is an accounts receivable balance for utility charges that the City owes Port KC for the 5th & Main parking lot.

NOTE K – 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 L – 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 \$2,215,329. Most of these contracts correspond to grants (see Note G).

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.

The KC Streetcar Riverfront Extension project broke ground in March 2024 with in total project budget of \$61,129,219. The project is led by the Kansas City Area Transportation Authority (KCATA), and it is financially supported by a BUILD grant, STBG Funds, Kansas City Streetcar Authority (KCSA), KCATA, and Port KC. Port KC contracted and committed \$10,741,684 towards the KC Streetcar Riverfront Extension project. The remaining balance of this commitment was \$9,488,717 as of April 30, 2024.



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 April 30, 2024

NOTE M – 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 six bond issuances, and three bond issuances from prior years were fully matured and/or paid if full ahead of schedule. As of April 30, 2024, the aggregate amount of all conduit debt obligations issued by Port KC was \$26,845,973,460.

Conduit Debt Obligor	Date of Bond Issue	Name of Bond Issue	Bond Issuance Amount	Bond Balance
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	20,361,782
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
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
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



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 April 30, 2024

Conduit Debt Obligator	Date of Bond Issue	Name of Bond Issue	Bond Issuance Amount	Bond Balance
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	13,724,551
18 th and Walnut Partners	January 9, 2019	Taxable Revenue Bond (18 th and Walnut Project) Series 2018	45,000,000	43,002,496
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	228,845
Somera Road – 1100 Main Street, LLC	August 8, 2019	Taxable Industrial Revenue Bond (Lightwell Project) Series 2019	85,000,000	33,624,882
Shaleroch LLC	August 27, 2019	Taxable Revenue Bond (Shaleroch 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	44,000,000
NP Northland Park Building VI, LLC	May 6, 2020	Taxable Revenue Bond (Northland Park Building VI Project) Series 2020	27,000,000	16,115,609
NP Berkley Apartments, LLC	June 20, 2020	Taxable Revenue Bond (NP Berkley Apartments Project) Series 2020	60,500,000	49,635,663
KCL Congress 88, LLC	July 31, 2020	Taxable Revenue Bond (Congress Corporate Center Project) Series 2020	35,500,000	35,500,000
NP Northland Park Building VIII, LLC	September 3, 2020	Taxable Revenue Bond (Northland Park Building VIII Project) Series 2020	17,100,000	17,100,000
NP Bannister Industrial, LLC	November 10, 2020	Taxable Revenue Bond (Blue River Commerce Center Project – Phase I) Series 2020	16,000,000	14,254,092
Penn Seven, LLC	December 17, 2020	Taxable Revenue Bond (USDA Relocation Project) Series 2020	15,500,000	15,500,000
NP Northland Park Building VII, LLC	February 11, 2021	Taxable Revenue Bond (Northland Park Building VII Project) Series 2021	26,000,000	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	24,752,853
HMBC Logistics IV LLC	June 30, 2021	Taxable Revenue Bond (Hunt Midwest Project) Series 2021	28,000,000	23,404,306
Niagara Bottling, LLC	November 3, 2021	Taxable Revenue Bond (Niagara Bottling Project) Series 2021	140,000,000	73,831,973
Briarcliff KC QOB, LLC	December 15, 2021	Taxable Revenue Bond (Briarcliff Multifamily Project) Series 2021	50,000,000	49,792,502
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	11,840,047



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 April 30, 2024

Conduit Debt Obligor	Date of Bond Issue	Name of Bond Issue	Bond Issuance Amount	Bond Balance
Platform I QOZB Property – RG Industrial IV, LLC	May 26, 2022	Taxable Revenue Bond (Platform Building 7 Project) Series 2022	80,000,000	66,265,228
KC Riverfront Hotel Group, LLC	October 14, 2022	Taxable Revenue Bond (Origin Hotel Berkley Riverfront Project) Series 2022	29,000,000	21,853,118
NP Bannister Building 3, LLC	October 26, 2022	Taxable Revenue Bond (Blue River Commerce Center Project – Phase III) Series 2022	40,000,000	25,755,000
NP Bannister Building 4, LLC	October 26, 2022	Taxable Revenue Bond (Blue River Commerce Center Project – Phase IV) Series 2022	34,000,000	29,740,003
NP Bannister Building 5, LLC	October 26, 2022	Taxable Revenue Bond (Blue River Commerce Center Project – Phase V) Series 2022	17,000,000	127,287
JCT Warehouse Property, LLC	February 10, 2023	Taxable Revenue Bond (NW 106 th Terrace & N. Congress Avenue Project) Series 2023	19,000,000	16,507,963
HMBC Logistics V, LLC	March 31, 2023	Taxable Revenue Bond (Hunt Midwest – Logistics V Project) Series 2023	18,100,000	12,997,006
JH Investors, LLC	August 22, 2023	Taxable Revenue Bond (Cocina 47 Project) Series 2023	34,000,000	2,178,136
VCS Kansas City Property I, LLC	December 21, 2023	Taxable Revenue Bond (VCS Real Property Project) Series 2023	115,000,000	24,280,468
BA Leasing BSC, LLC	December 28, 2023	Taxable Revenue Bond (Project Gateway) 2023 Series	110,000,000	314,596
Master's HQ, LLC	January 24, 2024	Taxable Revenue Bond (Master's Transportation Project) Series 2024A	52,000,000	5,187,745
Master's HQ, LLC	January 2024, 2024	Taxable Revenue Bond (Master's Transportation Project) Series 2024V	28,000,000	182,217
KCI 29 BFB Logistics I LLC	January 30, 2024	Taxable Revenue Bond (KCI-29 Project – Phase One) Series 2024	128,000,000	496,919

NOTE N —INTERFUND TRANSACTIONS

The balance of \$21,165 due to the Operating Fund from the Special Projects Fund resulted from various reasons. Balances from the Economic Advancement Fund or the Berkley Park Condominium Association are due to the Operating Fund for regular operating expenditures, and for amounts dedicated to the Berkley Streetcar extension project. The Operating Fund often pays operating costs from a day-to-day perspective where the other funds reimburse the Operating Fund on a monthly or quarterly schedule.

Transfers are used to (1) reimburse the Operating Fund for direct operating costs on a monthly or quarterly schedule, (2) PID administrative fees to the Operating Fund for administering the PIDs, and (3) Berkley Park Condominium Association transfer to the Operating Fund of excess budget funds for the purposes of supporting the Berkley Streetcar extension.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO THE BASIC FINANCIAL STATEMENTS
April 30, 2024

NOTE O —SUBSEQUENT EVENTS

In May 2024, conduit debt in the form of a Taxable Revenue Bond (HMBC – Phase One Project) Series 2024 was issued for \$40,000,000.

In June 2024, conduit debt in the form of a Taxable Revenue Bond (74 Broadway Project) Series 2024 was issued for \$92,000,000.

In June 2024, conduit debt in the form of a Taxable Revenue Bond (Meadow Lake Project) Series 2024 was issued for \$64,000,000.



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 SUPPLEMENTARY INFORMATION
 April 30, 2024

COMBINING BALANCE SHEET – SPECIAL PROJECTS

	EAF*	PID 1	PID 2	PID 3	PID 4	PID 5	PID 7	BPCA**	Total
Assets:									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,847	\$ 10,847
Accounts receivable (net)	-	9,430	7,588	6,396	2,942	5,240	566	10,329	42,491
Prepays	-	-	-	-	-	-	-	5,536	5,536
Restricted cash and cash equivalents	776,946	1,880	479,732	9,513	2,227	11,232	4,793	-	1,286,323
Total assets	\$ 776,946	\$ 11,310	\$ 487,320	\$ 15,909	\$ 5,169	\$ 16,472	\$ 5,359	\$ 26,712	\$ 1,345,197
Liabilities:									
Accounts Payable	\$ -	\$ 5,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,344	\$ 7,362
Unearned Revenue	-	-	-	-	-	-	-	2,582	2,582
Due to Operating Fund	3,940	-	-	-	-	-	-	17,225	21,165
Total Liabilities	3,940	5,018	-	-	-	-	-	22,151	31,109
Fund Balance:									
Non spendable	-	-	-	-	-	-	-	5,536	5,536
Restricted	763,006	-	-	-	-	-	-	-	763,006
Assigned	10,000	6,292	487,320	15,909	5,169	16,472	5,359	(975)	545,546
Total Fund Balance	773,006	6,292	487,320	15,909	5,169	16,472	5,359	4,561	1,314,088
Total Liabilities and Fund Balances	\$ 776,946	\$ 11,310	\$ 487,320	\$ 15,909	\$ 5,169	\$ 16,472	\$ 5,359	\$ 26,712	\$ 1,345,197



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 SUPPLEMENTARY INFORMATION
 April 30, 2024

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES – SPECIAL PROJECTS**

	EAF*	PID 1	PID 2	PID 3	PID 4	PID 5	PID 7	BPCA**	Total
Revenue:									
Taxes and assessments	\$ -	\$ 66,468	\$ 90,908	\$ 84,877	\$ 41,492	\$ 34,708	\$ 7,747	\$ 179,264	\$ 505,464
Miscellaneous	-	-	-	-	-	-	-	965	965
Interest	14,947	299	13,562	463	189	226	67	444	30,197
Total Revenue	14,947	66,767	104,470	85,340	41,681	34,934	7,814	180,673	536,626
Current Expenditures:									
Administrative	11,643	-	-	-	-	-	-	-	11,643
Professional services	-	-	-	-	-	-	-	9,156	9,156
Property management	-	5,018	-	78,000	43,000	14,000	-	137,108	277,126
Marketing	49,500	-	-	-	-	-	-	-	49,500
Travel	9	-	-	-	-	-	-	176	185
Insurance	2,862	-	-	-	-	-	-	16,385	19,247
Total Current Expenditures	64,014	5,018	-	78,000	43,000	14,000	-	162,825	366,857
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,067)	61,749	104,470	7,340	(1,319)	20,934	7,814	17,848	169,769
Other financing sources (uses)									
Transfers out	(11,345)	(71,179)	-	(7,800)	(4,200)	(1,400)	-	(41,077)	(137,001)
Net change in fund balances	(60,412)	(9,430)	104,470	(460)	(5,519)	19,534	7,814	(23,229)	32,768
Fund Balance beginning of year	833,418	15,722	382,850	16,369	10,688	(3,062)	(2,455)	27,790	1,281,320
Fund Balance end of year	\$ 773,006	\$ 6,292	\$ 487,320	\$ 15,909	\$ 5,169	\$ 16,472	\$ 5,359	\$ 4,561	\$ 1,314,088

* Economic Advancement Fund (EAF)

** Berkley Park Condominium Association (BPCA)



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
SUPPLEMENTARY INFORMATION
 April 30, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass- Through Agency/Grant Program Title or Cluster Name	Federal Assistance Listing Number	Pass- Through Entity Identifying Number	Current Year Expenditures	Passed Through to Subrecipients
Department of Transportation				
Direct Program:				
Port Infrastructure Development Program (PIDP) Grants	20.823	Not Applicable	\$ 186,948	\$ -
Total U.S. Department of Transportation			<u>186,948</u>	<u>-</u>
Department of Treasury				
Passed through Missouri Department of Economic Development:				
COVID- 19 Coronavirus State and Local Fiscal Recovery Funds	21.027	DED35539009	18,664,333	-
Passed through the Missouri Department of Transportation:				
COVID- 19 Coronavirus State and Local Fiscal Recovery Funds	21.027	ARPA23PORTSGRANT011	400,000	-
Total ALN 21.027			<u>19,064,333</u>	<u>-</u>
Total U.S. Department of Treasury			<u>19,064,333</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 19,251,281</u>	<u>\$ -</u>



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
SUPPLEMENTARY INFORMATION
April 30, 2024

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 REPORTING ENTITY

Port Authority of Kansas City, Missouri (Port KC) is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the schedule of expenditures of federal awards (the Schedule). Port KC's reporting entity is defined in Note 1 to the financial statements.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Port KC under programs of the federal government for the year ended April 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) from the Office of Management and Budget (OMB). Because the Schedule presents only a selected portion of the operations of Port KC, it is not intended to and does not present the financial position, changes in net position, or cash flows of Port KC.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 LOCAL GOVERNMENT CONTRIBUTIONS

Local cost sharing, as defined by the Uniform Guidance may be required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule.

NOTE 5 ADDITIONAL AUDITS

Grantor agencies reserve the right to conduct additional audits of Port KC's grant programs for economy and efficiency and program results that may result in disallowed costs to Port KC. However, management does not believe such audits would result in any disallowed costs that would be material to Port KC's financial position at April 30, 2024.

NOTE 6 INDIRECT COSTS

Indirect costs were not charged to any of Port KC's federal programs during the year ending April 30, 2024.



**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, the business-type 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, 2024, 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 21, 2024.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

Report on 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

Government Auditing Standards require the auditor to perform limited procedures on the Port Authority of Kansas City, Missouri's response to the findings identified in our audit and described above. Port Authority of Kansas City, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CliftonLarsonAllen LLP

Kansas City, Missouri
August 21, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Port Authority of Kansas City, Missouri's (Port KC) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Port KC's major federal programs for the year ended April 30, 2024. Port KC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Port KC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Port KC and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Port KC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Port KC's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Port KC's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Port KC's compliance with each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Port KC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Port KC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Port KC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

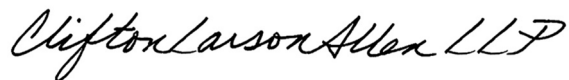
A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Port KC's Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on Port KC's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Port KC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Kansas City, Missouri
August 21, 2024



PORT KC
 (A Component Unit of the City of Kansas City, Missouri)
 SCHEDULE OF FINDINGS AND QUESTED COSTS
 April 30, 2024

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|---|----------------------|---------------------|
| 1. Type of auditors’ report issued: | Unmodified Opinion | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | _____ yes | ___ <u>x</u> ___ no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | ___ <u>x</u> ___ yes | _____ none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | ___ <u>x</u> ___ no |

Federal Awards

- | | | |
|---|----------------------|--------------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | ___ <u>x</u> ___ yes | _____ no |
| • Significant deficiency(ies) identified | _____ yes | ___ <u>x</u> ___ none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ yes | ___ <u>x</u> ___ no |

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ yes ___ <u>x</u> ___ no



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
SCHEDULE OF FINDINGS AND QUESTED COSTS (CONTINUED)
April 30, 2024

Section II – Financial Statement Findings

2024-001 Lack of Segregation of Duties

Type of Finding Significant Deficiency in Internal Control over Financial Reporting

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.
 - Reconciles the bank accounts
 - 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. Typical industry accepted standards would anticipate a minimum of four individuals would be necessary for segregation of duties.

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.

Repeat Finding: Yes, 2023-001.

Recommendation: We recommend that Management evaluate the controls in place for the Port Authority of Kansas City, Missouri (Port KC) as a whole, and put into place as many compensating controls as reasonably possible, while weighing the costs and benefits.

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 grew its accounting team during the fiscal year. Port KC works to have strong compensating controls by its processes, documentation, reporting, and accountability across the whole team. Port KC has many compensating controls built into its standard operating procedures. 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.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
SCHEDULE OF FINDINGS AND QUESTED COSTS (CONTINUED)
April 30, 2024

Section III – Findings and Questioned Costs – Major Federal Programs

2024-002 Documentation of Procurement, Suspension, and Debarment

Federal Agency: U.S. Department of Treasury

Federal Program Name: COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Number: 21.027

Pass-Through Agency: Missouri Department of Economic Development

Federal Award Identification and Pass-Through Numbers: DED35539009

Award Period: Year Ended April 30, 2024

Compliance Requirement: Suspension and Debarment

Type of Finding: Material Weakness in Internal Control over Compliance and Other Matter

Criteria or Specific Requirement: The Uniform Guidance requires that Port KC maintains supporting documentation to demonstrate the procedures performed that ensures it is not entering into agreements with vendors, paid with federal funds, that are suspended or debarred.

Condition and Context: During our testing, we were not presented with supporting documentation for 1 out of 1 transaction tested demonstrating Port KC performed the search of the suspended and debarred entities prior to paying the vendor. Based on a review of the SAM.gov website, the vendor was not suspended or debarred. The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Questioned Costs: None noted.

Cause: Oversight of the requirement by management.

Effect: Improper vendors could be used for services.

Repeat Finding: No.

Recommendation: We recommend Port KC implement procedures and retain documentation related to the applicable suspension and debarment requirements to ensure compliance.

Views of responsible officials: There is no disagreement with the audit finding. Procedures will be put in place to implement a policy of maintaining documentation related to suspension and debarment checks.