



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

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

April 30, 2016

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

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Port Authority of Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Port Authority of Kansas City, Missouri (Port KC) - a component unit of the City of Kansas City, Missouri, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise Port KC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Port KC of Kansas City Missouri, as of April 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2016, on our consideration of Port KC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Port KC's internal control over financial reporting and compliance.

Noval B. B. B. P.C.

Kansas City, Missouri
August 10, 2016



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended April 30, 2016

This discussion and analysis provides an overview of the financial performance of the Port Authority of Kansas City, Missouri (Port KC) for the year ended April 30, 2016. 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.

Beginning May 1, 2015, Port Authority of Kansas City, Missouri changed its name to **Port KC**. The legal structure, contracts, agreements, and other obligations remain unchanged.

Financial Highlights

- The Port of Kansas City - Woodswether Terminal, which opened in September 2014, received its first waterborne cargo in August 2015. Bulk commodity shipment continued throughout the fiscal year. Port KC and its terminal operating partner, Kaw Valley, continued to make substantial terminal infrastructure and material handling improvements to enhance inbound and outbound market opportunities.
- Port KC conducted a \$1M land and property acquisition to continue port terminal expansion for additional bulk cargo handling and storage. Such acquisition and planning has progressed into preparation to install rail infrastructure across the expanded port site connecting it to the Union Pacific rail line.
- Port KC made a substantial strategic capital investment of more than \$850,000 at Berkley Riverfront - for improvements to make specific parcels pad-ready and to support announced and planned mixed-use development.
- Port KC increased lease revenue from Richards-Gebaur Commerce Park by 52.5% from fiscal year 2016 compared to fiscal year 2015. Richards-Gebaur Commerce Park lease revenue compared to total lease revenue has increased from 15.0% to 16.6% to 22.9% in fiscal years 2014, 2015, and 2016, respectively.
- Port KC conducted five conduit debt bond transactions of \$117.5M for economic development. Port KC collected closing fees, exemption fees, and cost recovery fees. Port KC is tracking the economic progress resulting from these projects.

Port KC's Change in Net Position, which is a comparable measure to Net Income, was \$1,827,283 for the fiscal year ending April 30, 2016. This is largely attributed to capital grants used for the Port of Kansas City - Woodswether Terminal, lease revenue, and developer fees from the issuance of conduit debt. Also, the growth in revenues out-paced the growth in expenses from 2015 to 2016.

During fiscal year 2016, Port KC was awarded two new capital grants for \$579,672 and \$2,910,000 for the Port of Kansas City – Woodswether Terminal. See Note F for more details concerning the progress of each grant award.

Lease revenue continues to be Port KC's primary source of program revenues. Total lease revenue increased to \$3,781,013 compared to \$3,428,571 and \$3,421,537 in 2015 and 2014, respectively. The 10.3% increase is largely from increased lease revenues at Richards-Gebaur Commerce Park.

Developer fees from the issuance of conduit debt, a strategy of economic development beginning in 2015, increase from one conduit debt bond transaction in 2015 to five conduit debt bond transactions in 2016.

Total expenses have increased from \$2,799,730 to \$2,831,969 to \$2,849,259 in fiscal years 2014, 2015, and 2016, respectively. On the other hand, the ratio of total expense to total net revenues has decreased from 114.2% to 69.4% to 60.9% in the same periods.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended April 30, 2016

Using these Financial Statements

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

Reporting Port KC as a Whole

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

"Port KC's mission is to foster the economic vitality of Kansas City, Missouri through transportation, trade, commerce, and development," so the activities are presented as "Governmental activities: Economic development."

Reporting on Port KC Funds

The *Balance Sheet – Governmental Funds* (page 11) and *Statement of Revenues, Expenditures, and Changes in Fund Balance* (page 13) present the short term perspective of Port KC's two funds: the General Fund and the Special Revenue Fund.

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

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

The Special Revenue Fund is often referred to as the Economic Advancement Fund, not be confused with the terms "Governmental activities: Economic development" found on the *Statement of Activities* (page 10) which reports Port KC as a whole.

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

Reconciling Port KC as a whole with Port KC Funds

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



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended April 30, 2016

Statement of Net Position versus Balance Sheet – Governmental Funds

Total Net Position (page 9)	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 5,341,751	\$ 4,989,269	\$ 3,619,248
Capital assets	<u>24,198,399</u>	<u>22,110,829</u>	<u>22,020,886</u>
Total Assets	29,540,150	27,100,098	25,640,134
Current Liabilities	1,041,859	436,165	194,808
Long Term Debt	516,246	404,469	419,308
Other Long Term Liabilities	<u>659,968</u>	<u>764,670</u>	<u>781,921</u>
Total Liabilities	2,218,073	1,605,304	1,396,037
Net Position			
Invested in capital assets	23,643,928	21,690,243	22,020,886
Restricted	2,120,760	2,253,030	991,131
Unrestricted	<u>1,557,389</u>	<u>1,551,521</u>	<u>1,232,080</u>
Total Net Position	<u>\$ 27,322,077</u>	<u>\$ 25,494,794</u>	<u>\$ 24,224,097</u>
Total Fund Balance (page 11)			
Current Assets	\$ 5,332,671	\$ 4,980,189	\$ 3,610,168
Total Assets	5,332,671	4,980,189	3,610,168
Current Liabilities	1,041,859	436,165	179,401
Funds held for the benefit of others	<u>659,968</u>	<u>764,670</u>	<u>781,921</u>
Total Liabilities	1,701,827	1,200,835	961,322
Fund Balance			
Non Spendable	38,894	161,186	129,261
Restricted	2,120,760	2,452,909	764,011
Unassigned	<u>1,471,190</u>	<u>1,165,259</u>	<u>1,755,574</u>
Total Fund Balance	<u>\$ 3,630,844</u>	<u>\$ 3,779,354</u>	<u>\$ 2,648,846</u>

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

Unrestricted Net Position	\$1,557,389
Less Non spendable fund balance ¹	38,894
Less other assets ²	9,080
Less current portion of long-term debt ³	<u>38,225</u>
Unassigned Fund Balance	<u>\$1,471,190</u>

1. The Statement of Net Position does not specify non spendable amounts whereas the Balance Sheet separates prepaid items as "non spendable" within the fund balance.

2. Other assets are included in the Unrestricted Net Position, but since it is a non-current asset, it is not reported in the Funds.

3. The current portion long-term debt is not included in the Unrestricted Net Position because it is included in the Investments in Capital Assets Net Position. It is included in current liabilities within the General Fund and reduces the Unassigned Fund Balance.



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended April 30, 2016

Statement of Activities versus Statement of Revenues, Expenditures, and Changes in Fund Balance

Statement of Activities (page 10)	<u>2016</u>	<u>2015</u>	<u>2014</u>
Program Revenues:			
Lease Income	\$ 3,781,013	\$ 3,428,571	\$ 3,421,537
Sales Tax Receipts	5,751	0	0
Miscellaneous	21,485	29,577	50,708
Developer Fees	594,230	130,767	9,938
Lease income due to the City	<u>(1,430,330)</u>	<u>(1,430,328)</u>	<u>(1,430,329)</u>
Total Charges for Services	2,972,150	2,158,587	2,051,854
Operating grants and contributions	88,721	427,994	394,611
Capital grants and contributions	1,608,804	1,492,067	0
General Revenues:			
Interest Earnings	<u>6,867</u>	<u>4,018</u>	<u>4,025</u>
Total Net Revenues	\$ 4,676,542	4,082,666	2,450,490
Programs Expenses for Economic Development:			
Administrative	1,438,474	1,355,278	1,530,105
Professional Services	272,947	307,291	218,650
Maintenance	220,506	312,852	301,930
Insurance	220,426	189,920	176,592
Consulting	83,184	115,451	78,550
Travel	81,599	86,932	95,457
Marketing	83,113	104,076	53,869
Interest	19,958	18,320	23,111
Miscellaneous	0	0	34,755
Depreciation	426,691	384,158	272,028
Loss (gain) from fixed assets	<u>2,361</u>	<u>(42,309)</u>	<u>0</u>
Total Expenses	<u>2,849,259</u>	<u>2,831,969</u>	<u>2,799,730</u>
Changes in Net Position, Net Income	<u>\$ 1,827,283</u>	<u>\$ 1,250,697</u>	<u>\$ (349,240)</u>
Net position – Beginning of year	25,494,794	24,244,097	24,593,337
Net position – End of year	<u>\$ 27,322,077</u>	<u>\$ 25,494,794</u>	<u>\$ 24,244,097</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance (page 13)			
Total Net Revenues from above	\$ 4,676,542	\$ 4,082,666	\$ 2,450,490
Expense under Modified Accrual Accounting			
Total Expenses from above	2,849,259	2,831,969	2,799,730
Debt Service – Principal	16,115	14,130	15,967
Capital Outlay	2,514,263	447,908	783,663
Miscellaneous	24,467	0	(14,682)
Loss (gain) from fixed assets	(2,361)	42,309	0
Depreciation	<u>(426,691)</u>	<u>(384,158)</u>	<u>(272,028)</u>
Total Fund Expenditures	<u>4,975,052</u>	<u>2,952,158</u>	<u>3,312,650</u>
Expenditures over revenues	(207,510)	1,130,508	(862,160)
Other Financing Sources:			
Debt Issuance	<u>150,000</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (148,510)</u>	<u>\$ 1,130,508</u>	<u>\$ (862,160)</u>
Total Funds Balance – Beginning of year	3,779,354	2,648,846	3,511,005
Total Funds Balance – End of year	<u>\$ 3,630,844</u>	<u>\$ 3,779,354</u>	<u>\$ 2,648,846</u>



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended April 30, 2016

Statement of Cash Flows	2016
Changes in Net Position, Net Income	\$ 1,827,283
Cash Flows from Operating Activities	
Accounts Receivable	(71,672)
Prepaid Expenses	122,292
Accounts Payable	84,346
Unearned Revenue	426,510
Security Deposits	72,730
Due to the City of Kansas City, Missouri	(105,364)
Funds Held for the Benefit of Others	662
Depreciation	426,691
	2,783,478
 Cash Flows from Investing Activities	
Capital Outlays	(2,514,262)
 Cash Flows from Financing Activities	
Principal Payments	(16,115)
Debt Issuance Proceeds	150,000
	133,885
 Total Increase (Decrease) to Cash and Restricted Cash	\$ 403,101
 Total Cash and Restricted Cash– Beginning of year	4,548,623
Total Cash and Restricted Cash– End of year	\$ 4,951,725

Capital Asset Administration

At the end of fiscal year 2016, Port KC had \$24,198,399 invested in capital assets. This includes land at Berkley Riverfront Park, Berkley Riverfront Development, Riverfront West, Richards-Gebaur Commerce Park, and Port of Kansas City – Woodswether Terminal; infrastructure including the Town of Kansas pedestrian bridge, the ASB Bridge underpass, leasehold improvements at the Port of Kansas City – Woodswether Terminal, and utility and infrastructure work at Berkley Riverfront Development; and equipment. This represents an increase of \$2,087,570, net of depreciation, over fiscal year 2015. See Note C for more on Capital Assets.

	Capital Assets at Year End		
	Net of Depreciation		
	2016	2015	2014
Land, non-depreciable assets and construction on progress	\$ 15,239,869	\$ 13,311,333	\$ 14,754,669
Infrastructure and Equipment	8,958,530	8,799,496	7,226,217
	\$ 24,198,399	\$ 22,110,829	\$ 22,020,886



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended April 30, 2016

Debt Administration

During fiscal year 2013, Port KC issued long term debt from a local bank to purchase land at Richards-Gebaur Commerce Park. At April 30, 2016 the outstanding balance was \$404,471; principal amounts due within the next twelve months total \$16,959.

During fiscal year 2016, Port KC issued long term debt from the Missouri Transportation Finance Commission (MTFC) in order to activate a grant from MODOT. At April 30, 2016 the outstanding balance was \$150,000; principal amounts due within the next twelve months total \$21,266.

General Fund Budgetary Highlights

The annual budget is developed by the President of Port KC and approved by the Board of Commissioners.

Developer fees exceeded expectations due to the anticipation of four conduit bond transactions whereas five transactions were completed. Lease income was lower than expected due to a slow start of barge traffic at the Port of Kansas City – Woodswether Terminal, largely related to economic factors in steel and scrap supply.

Maintenance expenditures were lower than expected due to maintenance projects that became infrastructure improvements within capital outlay. In the same manner, capital outlays were higher than expected due to the shift in from projects budgeted as maintenance. Administrative expenditures were larger than expected primarily due to bad debt expense from defaulted leases at Richards-Gebaur Commerce Park.

Current Financial Related Activities

Security deposits include \$200,262 in an escrow agreement with Flaherty & Collins for Berkley Riverfront Development. The escrow agreement is contingent on the continuation and completion of the mixed-use project at Berkley Riverfront Development.

In June 2016, Port KC contracted for the construction of volleyball courts and other sports amenities at Berkley Riverfront Park. Also in June 2016, Port KC engaged in an operating agreement with KC Crew for the use of the volleyball courts and other sports amenities for sports events for league members.

Port KC has contracted work for mass grading at Berkley Riverfront Development, and the remaining contracted outlay of \$387,903 was completed in July 2017.

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, 2016. If you have further questions about this report or need additional information, contact Michael Collins, President/CEO of Port KC, 300 Wyandotte Street, Suite 100, Kansas City, Missouri 64105. For additional information about our organization the website address is: www.portkc.com.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
STATEMENT OF NET POSITION
April 30, 2016

ASSETS

Governmental
Activities

Assets:

Current assets:

Cash and cash equivalents	\$	2,258,832
Accounts receivable (net)		342,052
Prepays		38,894
Restricted cash and cash equivalents		2,692,893

Non-current assets:

Capital assets not being depreciated:

Land, improvements and construction in progress		15,239,869
Capital assets, net of accumulated depreciation (Note C)		
Infrastructure		8,498,371
Machinery and equipment		460,159
Other assets		9,080
Total Assets	\$	<u>29,540,150</u>

LIABILITIES AND NET POSITION

Liabilities:

Current liabilities:

Accounts payable and other current liabilities	\$	155,311
Unearned revenue		590,208
Security deposits		258,115
Current portion of long-term liabilities		38,225

Long-term liabilities:

Long term debt		516,246
Funds held for the benefit of others		659,968
Total Liabilities		<u>2,218,073</u>

Net Position:

Investments in capital assets		23,643,928
Restricted for		
Economic Development		2,120,760
Unrestricted		1,557,389
Total Net Position	\$	<u>27,322,077</u>

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

B E P O S I  I V E .

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
STATEMENT OF ACTIVITIES
For The Year Ended April 30, 2016

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grant and Contributions	Governmental Activities
Government Activities:					
Economic development	\$ 2,849,259	\$ 2,972,150	\$ 88,721	\$ 1,608,804	\$ 1,820,416
General Revenues:					
Interest earnings					6,867
Changes in Net Position					1,827,283
Net position - Beginning of year					25,494,794
Net position - End of year					\$ 27,322,077

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

B E P O S I  I V E .

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2016

ASSETS

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 2,258,832	\$ -	\$ 2,258,832
Accounts receivable (net)	324,037	18,015	342,052
Prepaid items	38,894	-	38,894
Restricted cash and cash equivalents	1,260,223	1,432,670	2,692,893
Total Assets	<u>\$ 3,881,986</u>	<u>\$ 1,450,685</u>	<u>\$ 5,332,671</u>

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts payable	\$ 155,311	\$ -	\$ 155,311
Unearned revenue	590,208	-	590,208
Current portion of long term debt	38,225	-	38,225
Security deposits	258,115	-	258,115
Funds held for the benefit of others	659,968	-	659,968
Total Liabilities	<u>1,701,827</u>	<u>-</u>	<u>1,701,827</u>
Fund Balance:			
Non spendable	38,894	-	38,894
Restricted	670,075	1,450,685	2,120,760
Unassigned	1,471,190	-	1,471,190
Total Fund Balance	<u>2,180,159</u>	<u>1,450,685</u>	<u>3,630,844</u>
Total Liabilities and Fund Balance	<u>\$ 3,881,986</u>	<u>\$ 1,450,685</u>	<u>\$ 5,332,671</u>

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

B E P O S I  I V E .

PORT AUTHORITY OF KANSAS CITY, MISSOURI
 (A Component Unit of the City of Kansas City, Missouri)
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 April 30, 2016

Amounts reported in the government activities in the Statement of Net Assets are different because:

Ending fund balances - total governmental fund	\$ 3,630,844
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Governmental funds report capital outlays as expenditures. However in the Statement of Net Assets the cost of those assets is capitalized and shown at cost, net of accumulated depreciation. This is the amount of real estate and net capital assets reported in the Statement of Net Assets:

Capital assets, depreciable	8,958,530
Capital Assets, non-depreciable	15,239,869
Other	9,080

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also,

Long Term Debt (net)	(516,246)
Total Net Assets of Governmental Activities	\$ 27,322,077

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

B E P O S I  I V E .

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended April 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenue:			
Lease income	\$ 3,781,013	\$ -	\$ 3,781,013
Grants and contributions	1,665,565	-	1,665,565
Economic advancement fund	-	31,960	31,960
Sales Tax Receipts	5,751	-	5,751
Miscellaneous	21,485	-	21,485
Interest income	979	5,888	6,867
Developer fees	593,525	705	594,230
Total Revenues	<u>6,068,318</u>	<u>38,553</u>	<u>6,106,871</u>
Less:			
Lease income due to the city of Kansas City, Missouri	1,430,330	-	1,430,330
Net Revenues	<u>4,637,988</u>	<u>38,553</u>	<u>4,676,541</u>
Expenditures:			
Current -			
Administrative	1,415,762	22,712	1,438,474
Professional services	270,822	2,125	272,947
Maintenance	220,506	-	220,506
Insurance	220,426	-	220,426
Consulting	83,184	-	83,184
Travel	79,685	1,914	81,599
Marketing	75,613	7,500	83,113
Capital Outlay	2,514,263	-	2,514,263
Misc	24,467	-	24,467
Debt Service -			
Principal	16,115	-	16,115
Interest	19,958	-	19,958
Total Expenses	<u>4,940,801</u>	<u>34,251</u>	<u>4,975,052</u>
Other financing sources:			
Debt issuance	150,000	-	150,000
Transfers	35,500	(35,500)	-
Total Other Financing	<u>185,500</u>	<u>(35,500)</u>	<u>150,000</u>
Excess (deficiency) of revenues over (under) expenditures	(117,312)	(31,198)	(148,510)
Fund Balance, beginning of year	2,297,471	1,481,883	3,779,354
Fund Balance, end of year	<u>\$ 2,180,159</u>	<u>\$ 1,450,685</u>	<u>\$ 3,630,844</u>

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

B E P O S I  I V E .

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GENERAL FUND
TO THE STATEMENT OF ACTIVITIES
For The Year Ended April 30,2016

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds \$ (148,510)

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital Outlays (Governmental Fund)	2,514,263
Depreciation (Government Wide)	(426,691)
Adjustment due to reclassification of fixed assets	-
	2,087,572

The Issuance of Long Term Debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.

Long term debt issued	(150,000)
Principal payments on long-term debt	38,221
	(111,779)

Change in Total Net Assets of Governmental Activities \$ 1,827,283

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

B E P O S I  I V E .

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

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

Pursuant to state legislation, 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. At April 30, 2016, 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 promote economic development and job creation within the City of Kansas City, Missouri.

Reporting Entity

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

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

Basis of Presentation

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

Government-wide Financial Statements

The government-wide statement of net assets and the statement of activities report the overall financial activity of Port KC. All activities of Port KC are governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements

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

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

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

Port KC reports the following major governmental funds:

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

Special Revenue Fund – The economic advancement fund is reported as a special revenue fund. This fund was established for the specific purpose of providing economic development to MBE/WBE community. Funds initially deposited into this fund were received from a program previously managed by others, and revenues to this fund will primarily be associated with interest received on loans and fees collected on certain specific projects.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

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

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, for riverfront development in general, 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. 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.

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 as estimated fair value as of the date of the donation. Capital assets contributed by the City of Kansas City Missouri are recorded at the City's valuation at the date of acquisition.

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

Depreciation on exhaustible assets is generally recorded as economic development expenses in the government-wide, statement of activities with accumulated depreciation reflected in the government-wide statement of net position and is provided on the straight-line basis over the estimated useful life of the asset. Port KC follows the Government Finance Officers Association's recommendations for estimating the useful life of depreciable assets.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
 (A Component Unit of the City of Kansas City, Missouri)
 NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2016

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

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

Asset Class	Estimated Useful Life
Buildings	50
Infrastructure	30
Furniture	20
Other improvements	20
Equipment	10
Vehicles	6
Computers and software	3

Revenue Recognition

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

Net Assets and Fund Balance Classifications

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

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

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

Governmental Funds – In the fiscal year 2012, Port KC established a Fund Balance Policy (Policy), on the reporting and classifying of fund balance in the governmental funds. Fund balances in the governmental funds, which are limited to the general fund for the year ending April 30, 2016, are reported in classifications that comprise a hierarchy based primarily on the extent to which Port KC is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The order of spending regarding the unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts. When expenditures are incurred for which both restricted and unrestricted fund balances are available, the order of spending is to reduce restricted fund balances first, and then unrestricted fund balance.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

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

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. Total restricted fund balance at April 30, 2016 was \$2,120,760 of which \$1,450,685 was restricted for use within the Economic Advancement Fund.

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, 2016, Port KC did not have committed fund balance.

Assigned fund balance – The intended use of this portion of fund balance is established by Port KC Board, or the President/Chief Executive Officer. It may be appropriated to eliminate a projected deficit in the subsequent year's operating budget. As of April 30, 2016, Port KC did not have assigned fund balance.

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

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

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

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

PORT AUTHORITY OF KANSAS CITY, MISSOURI
 (A Component Unit of the City of Kansas City, Missouri)
 NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2016

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

At April 30, 2016, cash, cash equivalents, and investments on deposit were \$5,435,695, consisting of the following:

	<u>Unrestricted</u>	<u>Restricted</u>
Deposits	\$ 2,400,278	\$3,035,417

Restricted balances consist of amounts related to the City's Water Service Department, riverfront development, MODOT grant funding received in advance for Woodswether Port Terminal, the Economic Advancement Fund, and Port Improvement District #1.

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, 2016, Port KC held one Certificate of Deposit, with a revolving 3-month maturing, included with cash and cash equivalents.

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

Port KC does not have a policy with respect to the management of custodial credit risk on cash deposits, or certificate of deposits. Port KC's balances of \$3,193,370 were secured by FDIC coverage and pledged collateral as required by statute. Securities are to be held in Port KC's name by a third party custodian. Port KC's balances of \$2,242,325 were in excess for FDIC coverage and pledged collateral.

Concentration of Credit Risk - Port KC places no limit on the amount it may invest in any one issuer. At April 30, 2016, Port KC's investments were limited to Certificates of Deposit which were fully insured and not subject to this risk.

Credit risk - The credit risk for deposits and investments is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. It is Port KC's policy to limit its investments to Certificates of Deposits or United States government securities. At April 30, 2016, Port KC's investments were limited to Certificate of Deposits which were fully insured and not subject to such risk.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

NOTE C - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated -				
Land	\$ 11,188,590	\$2,416,362	\$ -	\$ 13,604,951
Real estate held for redevelopment	1,442,730	-	1,442,730	-
Construction in progress	<u>680,013</u>	<u>1,061,655</u>	<u>106,750</u>	<u>1,634,918</u>
Total Capital Assets Not Being Depreciated	<u>13,311,333</u>	<u>3,478,016</u>	<u>1,549,480</u>	<u>15,239,689</u>
Capital Assets Being Depreciated -				
Infrastructure	11,978,471	313,301	-	12,291,772
Equipment	<u>403,169</u>	<u>276,284</u>	<u>9,644</u>	<u>669,809</u>
Total Capital Assets Being Depreciated	<u>12,381,640</u>	<u>589,585</u>	<u>9,644</u>	<u>12,961,581</u>
Less Accumulated Depreciation For -				
Infrastructure	3,415,636	377,765	-	3,793,401
Equipment	<u>166,508</u>	<u>48,926</u>	<u>5,784</u>	<u>209,651</u>
Total Accumulated Depreciation	<u>3,582,144</u>	<u>\$ 426,691</u>	<u>\$ 5,784</u>	<u>4,003,051</u>
Total Capital Assets Being Depreciated, net	<u>8,799,496</u>			<u>8,958,530</u>
Governmental Activity Capital Assets, net	<u>\$ 22,110,828</u>			<u>\$ 24,198,399</u>

Depreciation charged to the Economic Development function totaled \$426,691 for the year ended April 30, 2016. Real estate held for redevelopment, consisting of land related to the Richards Gebaur Commerce Park was reclassified as land for the year ended April 30, 2016.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

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

Port KC leases certain real property, fronting along the Missouri River, from the City under an original lease agreement dated May 14, 1993. Effective August 21, 2006, the original lease was superseded and replaced by the "First Amended and Restated Lease Agreement" (Riverfront Lease). Effective September 21, 2011 the Riverfront Lease was superseded and replaced by the "First Amended and Restated Lease Agreement Kansas City Riverfront (Restated Lease) 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 remaining at midnight August 20, 2056 as stated in the Riverfront Lease.

As rent, Port KC is required to set aside for use by the City fifty percent of the total gross revenue received by Port KC attributable to operations of the leased property. Currently all of the operating revenues from the property are attributable to the Isle of Capri Casino (IOC) lease described below and the amount of rent set aside for use by the City during the year ended April 30, 2016 was \$1,430,329. The City is to use the amounts set aside for capital public improvements or development or redevelopment projects within specified boundaries, primarily within the Riverfront area.

In March of 1993, Port KC entered into a development agreement (Development Agreement) with Hilton Hotels Corporation (Hilton), whereby Hilton agreed to develop certain portions of the above described property for riverboat gambling (the Casino Property). In addition Port KC, as the landlord, and Hilton, as the tenant, entered into a long-term lease agreement for the Casino Property. On August 21, 1995, Port KC and Hilton entered into an amended and restated lease for the Casino Property (as subsequently amended October 31, 1995, and on June 10, 1996, the Casino lease).

The Casino Lease provided for an initial 10-year term, beginning on the "Opening Date" of the casino, which was October 18, 1995, so the initial 10-year term expired on October 18, 2005. The tenant is deemed to have elected to renew the Casino Lease for subsequent 5-year renewal terms (for a total of eight 5-year renewal terms, if all are elected) unless the tenant notifies Port KC at least 12 months before the end of the immediately preceding term negating the deemed election. No such notice was provided to Port KC, so the parties are in the second year of the second 5-year renewal term.

Hilton's rights and obligations under the Development Agreement and the Casino Lease were assigned to and assumed by the IOC during fiscal year 2001, so that the IOC is the current tenant of the Casino Property. On August 15, 2005, Port KC and IOC entered into an Amended and Restated Development Agreement in which Port KC and IOC agreed to amend and restate the Hilton Development Agreement.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

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

Beginning on the Opening Date and continuing during the remainder of 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 Opening Date and on the date of each and every annual anniversary of the Opening Date thereafter. The agreement provides for increases in the minimum net annual rent for each renewal term by the percentage of change in the Consumer Price Index (CPI) as of the Opening Date and the CPI as of the first day of any such renewal term. Effective October 18, 2011, and based on the change in the CPI, the minimum net annual rent for the second renewal term was increased to \$2,860,657. In addition, to the minimum net annual rent the tenant throughout the term of the lease (including renewal periods) is required to pay as percentage rent an amount equal to 3.25% of adjusted gross receipts (as defined in the agreement) less the minimum net annual rent paid in advance. During the year ended April 30, 2016 there was \$2,860,657 of lease revenue (net annual rent) attributable to the Isle of Capri Casino lease.

NOTE E - RICHARDS-GEBAUR COMMERCE PARK

On April 13, 2007 Port KC entered into a Cooperative and Purchase Agreement with the City of Kansas City, Missouri. Under this agreement the City agreed to convey to Port KC, in exchange for \$10,600,000, approximately 1,318 acres of land and improvements the city owned and managed at the former Richards Gebaur Air Force base. In connection with this agreement, Port KC also entered into a Development and Sales Agreement with CenterPoint Properties Trust (CenterPoint). Among other things the agreements required Port KC to sell to CenterPoint up to approximately 1,218.7 acres of the surface portion of the Richards Gebaur property for a price of \$10,600,000. CenterPoint gained options available throughout a period of up to 15 years to have portions of the surface property conveyed to them. The purchase price was fixed at \$10,600,000 regardless of the number of acres ultimately conveyed. The agreement with CenterPoint also provides that the rights and obligations under existing leases be assigned to CenterPoint as the Property is conveyed. All of the property to be conveyed to CenterPoint is exclusive of its mineral rights. Port KC will retain ownership of and all rights to the sub-surface of the property (i.e. that portion of the property lying at and below the top of the Winterset Ledge of limestone rock), together with all mineral rights associates with the property.

On June 27, 2007 the City conveyed all of the property to Port KC. On that same date, at the request of CenterPoint, Port KC conveyed approximately 730 acres of the surface property to CenterPoint. Also, during the year ended April 30, 2008 an additional approximate 32 acres was conveyed to CenterPoint who immediately transferred it to another party for development purposes.

As part of the agreement, CenterPoint must achieve a development benchmark of having acquired for development not less than 250 acres (exclusive of property leased to KCSR) by June 27, 2017 or forfeit its right to the remaining land. Based on the land conveyed to date and the development progress that has been achieved management continues to monitor the development benchmarks for this project.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
 (A Component Unit of the City of Kansas City, Missouri)
 NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2016

NOTE E - RICHARDS GEBEUR AIRPORT (Continued)

Port KC recorded rent revenues of \$763,325 for the year ended April 30, 2016 arising from leases on property not conveyed to CenterPoint. To the extent that these properties are not conveyed, management believes that many of the leases will be renewed. The leases have remaining lengths that range from month to month to seven years with no provisions for guaranteed renewal periods extending beyond December 31, 2020. Port KC has agreed to use all rents received for purposes specified in the agreement with the City. Within the boundary of the former Richards Gebaur Air Force Base, Port KC purchased 5 acres of property on May 22, 2012 from the United States Navy through the Base Realignment and Closure (BRAC) program for \$644,111. Rent revenues generated by the site for leasing of this property are included in the revenues as listed below.

Future minimum rental amounts associated with the properties not yet conveyed are as follows:

<u>Year Ended April 30,</u>	
2017	\$ 546,968
2018	272,110
2019	200,232
2020	114,672
Thereafter	<u>41,058</u>
	<u>\$ 1,175,040</u>

In fiscal year 2012 Port KC participated in a land swap with the Army Corps of Engineers for 18.3 acres of land the Army needs for a maintenance facility in exchange for similar size property Port KC will use in the future for limestone extraction.

NOTE F – GRANTS

Port KC was awarded a grant for the Richards-Gebaur Commerce Park Freight Study from the Economic Development Administration in fiscal year 2015 for \$75,000 where the EDA assisted with 50% of the project. In 2016, Port KC reported \$63,892 in eligible project costs, and recorded \$31,946 as Grant Revenue. Available funding of \$3,580 was forgone when the project was completed and the grant closed.

Port KC was awarded a Freight Enhancement grant from the Missouri Highways and Transportation Commission for \$250,000, and Port KC was awarded a Port Aid grant for capital improvements from the Missouri Highways and Transportation Commission for \$177,833. Both grant commitments declared that the Commission’s financial share for the project shall not exceed 80% of the total cost of the project. Both grants were awarded in fiscal year 2014 and received in advance in June 2014. Together, \$175,117 was charged to the grants for an 80% match of \$140,093 which was reported as Grant Revenue to complete both grant agreements in 2016. The grants were used for improvements at the Woodswether Port Terminal.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

NOTE F – GRANTS (Continued)

Port KC was awarded a Wharf Terminal Capital Improvements grant in fiscal year 2015 from the City of Kansas City’s Public Improvements Advisory Committee (PIAC) for \$125,000. In 2016, \$71,935 collected from the previous year’s activity, and \$53,065 was collected and recorded as Grant Revenue to complete the grant in 2016.

Port KC was awarded a Port Aid grant for capital improvement projects from the Missouri Highways and Transportation Commission in fiscal year 2015 for \$579,672 where the Commission’s financial share for the project shall not exceed 80% of the total cost of the project. The grant was received in advance in June 2015. During 2016, \$36,072 was charged and reported under the grant for an 80% match of \$28,858 which was reported as Grant Revenue. Unearned Revenue of \$550,814 remains for the completion of the Woodswether Port Terminal project.

Port KC was awarded a Port Aid grant for capital improvement projects from the Missouri Highways and Transportation Commission in fiscal year 2016 for \$579,672 where the Commission’s financial share for the project shall not exceed 80% of the total cost of the project. During 2016, \$177,128 was reported under the grant for an 80% match of \$141,702 which was reported as Grant Revenue and collected during 2016.

Port KC was awarded a Port Aid grant from the Missouri Highways and Transportation Commission in fiscal year 2016 for \$2,910,000 where the Commission’s financial share for the project was 100%. During 2016, \$1,245,086 was reported under the grant and recorded as Grant Revenue. Of the grant revenue, \$1,229,108 was collected in 2016 and \$15,978 was included in accounts receivable.

Port KC was awarded a Port Aid grant for administrative expenses from the Missouri Highways and Transportation Commission for \$24,816. The requirements for this grant were entirely satisfied in 2016. The grant was collected and recorded as Grant Revenue for \$24,816.

NOTE G – RETIREMENT PLAN

Port KC sponsors a defined contribution 401(k) plan for all employees. Annually Port KC makes matching contributions of 100% of up to 3% of eligible gross salary, and 50% of up to 5% of eligible gross salary. Pension expense for the year ended April 30, 2016 \$18,586.

NOTE H – NOTES PAYABLE

Long-term obligations consist of the following balances at April 30, 2016 and April 30, 2015:

<u>Long-term obligations</u>	<u>April 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30, 2016</u>	<u>Amounts due within one year</u>
Term promissory note	\$20,586	\$ -	\$ 16,115	\$404,471	\$ 16,959
Term debt	-	150,000	-	150,000	21,226

Notes payable as of April 30, 2016 consist of the following:

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

NOTE H – NOTES PAYABLE (continued)

Term promissory note issued May 22, 2012, obtained from a local bank in the amount of \$461,250, with an interest rate of 4.75% per annum through May 22, 2017. Interest and principal are paid monthly. Future annual payments required under the terms of the Promissory Note are as follows:

<u>Fiscal</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 16,959	\$ 19,114
2018	387,512	3,113
	<u>\$404,471</u>	<u>\$ 22,227</u>

Promissory note issued October 16, 2015, obtained from the Missouri Transportation Finance Corporation in the amount of \$150,000, with an interest rate of 2.68% per annum through July 31, 2022. Interest and principal are paid annually.

Future annual payments required under the terms of the promissory note are as follows:

<u>Fiscal</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 21,266	\$ 2,247
2018	20,063	3,450
2019	20,601	2,912
2020	21,153	2,360
Beyond	66,917	3,624
	<u>\$150,000</u>	<u>\$ 14,593</u>

NOTE I - RELATED PARTY TRANSACTIONS

The Water Services Department of the City entered into an agreement to set aside funds for potential costs associated with environmental remediation costs on water, sewer or other utility lines owned and operated by the Water Services Department. The agreement is active through May 2021. The amount due under this agreement is \$659,968 (see Note A).

During 2016, the Water Services Department approved Port KC to take draws on the fund, following the process explicit in the original agreement, not to exceed \$585,000 which must be paid back into the fund within 12 months of the draw plus interest that would have been earned by the fund if the draw had not occurred. The approval to take draws was effective from September 3, 2015 and expires September 16, 2016. In October 2015, Port KC took Draw #1 of \$69,721. In April 2016, Port KC took Draw #2 of \$408,577. Repayments from unrestricted funds are planned for October 2016 and April 2017, respectively. All repayments are planned to be sourced from Developer Fees from Berkley Riverfront Development.

Restricted Net Assets includes \$659,967 related to these transactions, which includes restricted cash of \$841,563, internal receivables of \$478,372, less funds held for the benefit of others of \$659,968.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

NOTE J - RISK MANAGEMENT

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

NOTE K – COMMITMENTS AND CONTINGENCIES

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

Port KC has contracted work for Riverfront Development for mass grading where \$387,903 in work is remaining to be completed after April 30, 2016.

NOTE L– CONDUIT DEBT

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

In all instances, the third-party developer/lessee is also the purchaser of the bond issued by Port KC, and is solely responsible for the payment of 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, but processed by the applicable trustee. Port KC is not in the flow of 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 costs 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.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
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NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2016

NOTE L- CONDUINT DEBT (Continued)

As of April 30, 2016, the aggregate amount of all conduit debt obligations issued by Port KC was \$150,510,200.

Conduit Debt Obligor	Date of Bond Issue	Name of Bond Issue	Bond Issuance Amount
MREM BOT Property LLC	April 23, 2015	Taxable Revenue Bond (4800 Main Project) Series 2015A	\$33,000,000
Sioux Chief QALICB, LLC	September 24, 2015	Taxable Revenue Bond (Sioux Chief Project) Series 2015	\$24,000,000
NPIF Three Trails Building I, LLC	September 30, 2015	Taxable Revenue Bond (Three Trails Project – Building I) Series 2016	\$11,110,200
Corrigan Station, LLC	January 5, 2016	Taxable Revenue Bond (Corrigan Station Project) Series 2016	\$50,000,000
NPIF Three Trails Building II, LLC	January 27, 2016	Taxable Revenue Bond (Three Trails Project – Building II) Series 2016	\$9,900,000
2001 Main Lodging Partners, LLC	April 28, 2016	Taxable Revenue Bond (2001 Main Project)	\$22,500,000

NOTE M – SUBSEQUENT EVENTS

Port KC evaluated subsequent events through August 10, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PORT AUTHORITY OF KANSAS CITY, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BUDGET AND ACTUAL
For The Year Ended April 30, 2016
With Comparative Actual Amounts For The Year Ended April 30, 2015

	2016		Variance Positive/ (Negative)	2015
	Budget	Actual		Actual
Revenues:				
Lease income	\$ 3,834,617	\$ 3,781,013	\$ (53,604)	\$ 3,428,571
Grants and contributions	1,659,796	1,665,565	5,769	427,994
Sales tax receipts	-	5,751	5,751	
Miscellaneous	23,500	21,485	(2,015)	29,576
Interest income	-	979	979	1,273
Developer fees	520,191	593,525	73,334	130,425
Total Revenues	6,038,104	6,068,318	30,214	4,017,839
Less:				
Lease income due to the City of Kansas City, Missouri	1,430,329	1,430,330	(1)	(1,430,329)
Net Revenues	4,607,775	4,637,988	30,213	2,587,510
Expenditures:				
Current -				
Administrative	1,308,619	1,415,762	(107,143)	1,355,090
Professional services	238,066	270,822	(32,756)	307,291
Maintenance	378,245	220,506	157,739	312,852
Insurance	220,000	220,426	(426)	189,920
Consulting	79,776	83,184	(3,408)	115,451
Travel	90,840	79,685	11,155	86,847
Marketing	56,860	75,613	(18,753)	91,076
Capital outlay	2,408,508	2,514,263	(105,755)	447,908
Miscellaneous	-	24,467	(24,467)	-
Debt Service -				
Principal	16,115	16,115	(0)	14,130
Interest	20,037	19,958	79	18,320
Total Expenditures	4,817,066	4,940,801	(123,735)	2,938,885
Expenditures over revenues	(209,291)	(302,813)	(93,522)	(351,375)
Other Financing Sources (Uses):				
Transfers In - Issuance of Notes Payable	150,000	150,000	-	-
Transfers In	-	35,500	(35,500)	-
Total Other Financing Sources (Uses)	\$ 150,000	185,500	\$ (35,500)	-
Change In Fund Balance		(117,312)		(351,375)
Fund Balance - May 1, 2015		2,297,471		2,648,846
Fund Balance - April 30, 2016		\$ 2,180,159		\$ 2,297,471

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* as issued by the Comptroller General of the United States, the financial statements of governmental activities and the major fund of the Port Authority of Kansas City Missouri (Port KC) - a component unit of the City of Kansas City, Missouri, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise Port KC's basic financial statements and have issued our report thereon dated August 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port KC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port KC's internal control. Accordingly, we do not express an opinion on the effectiveness of Port KC's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port KC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Novak Becks P.C.

Kansas City, Missouri
August 10, 2016