



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

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

April 30, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise Port KC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Port KC, as of April 30, 2019, 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 26, 2019, 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.

Norah Burke P.C.

Kansas City, Missouri
August 26, 2019



PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2019

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, 2019. The intent of this discussion and analysis is to look at Port KC's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of Port KC's financial performance.

Financial Highlights

- Port KC hired Jon Stephens as the President & CEO in the fall of 2018. Shortly after, Port KC completed construction on its new offices and moved to 110 Berkley Plaza.
- Port KC and its partners were very active throughout Berkley Riverfront. The Union | Berkley Riverfront apartments opened early in the summer of 2018, and Bar K Dog Bar opened later in the summer. Also, Port KC added the Berkley Fitness Courts on the eastern end of Berkley Park. Plans to extend the Streetcar to Berkley Riverfront reached the 30% design benchmark; it is ready to proceed as funding is identified.
- At Richards-Gebaur Commerce Park, Port KC cancelled CenterPoint's options for future phases in the winter of 2019. Previously, CenterPoint held options that were paid for in 2007 to purchase additional land from Port KC at no additional cost pending the accomplishment of development benchmarks. Port KC is now taking lead in the development of the site. Additionally, Port KC sold neighboring land to Calvary University in the spring of 2019.
- Port KC partnered with developers to issue new bonds totaling \$128,000,000 in Conduit Debt (see Note L). New developer fees totaling \$630,783 were collected for these services. Additionally, Port KC administered Tax Compliance Payments of \$658,753 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 (\$414,073) for the fiscal year ending April 30, 2019. This is largely attributed higher total expense, explained in more detail below, and fewer developer fees compared to the previous two years.

Lease revenue continues to be Port KC's primary source of program revenues. Total lease revenue decreased to \$4,265,894 compared to \$4,324,507 in 2018 but increased compared to \$4,062,257 in 2017. The majority of lease revenue is from the Isle of Capri Casino, which is in its 3rd year of the current renewal period (see Note D). The remaining lease revenue, which declined by 4.6%, demonstrates the stable occupancy rate at Richards-Gebaur Commerce Park throughout the year, which is nearly at full capacity.

During fiscal year 2019, Port KC invested new capital grant funds awarded for the Port of Kansas City – Woodswether Terminal (see Note F). The capital grants were used for engineering and site readiness to build an additional storage dome for bulk commodities at the Woodswether Terminal.

Total expenses have increased from \$3,289,568 to \$3,632,733 to \$4,700,649 in fiscal years 2017, 2018, and 2019, respectively. Expenses increased primarily for long-term planning purposes: increased professional services were for Streetcar designs to extend service to Berkley Riverfront; increased maintenance costs were to improve Richards-Gebaur Commerce Park and other Port KC assets; increased consulting was related to the master planning of Missouri River Terminal. Additionally, Port Improvement District (PID) 3 and PID 4 completed its first full year of operations, which added to increased property management expense, included in maintenance.



PORT KC
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MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2019

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 funds available for future spending. See Note A.

Reporting Port KC as a Whole

The *Statement of Net Position* (page 10) and *Statement of Activities* (page 11) 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.

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

Reporting on Port KC Funds

The *Balance Sheet – Governmental Funds* (page 12) and *Statement of Revenues, Expenditures, and Changes in Fund Balance* (page 14) present the short-term perspective of Port KC's funds: the General Fund, the Special Revenue Fund, and non-major governmental funds.

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

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

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

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



PORT KC
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MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2019

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 13 reconciles the differences between the *Statement of Net Position* and the *Balance Sheet – Governmental Funds*. Page 15 reconciles the differences between the *Statement of Activities* and the *Statement of Changes in Fund Balance*. Below is a more detailed reconciliation to highlight the differences between the accrual method and modified accrual method.

Statement of Net Position vs. Balance Sheet – Governmental Funds

	2019	2018	2017
Total Net Position (page 10)			
Current and other assets	\$ 5,397,807	\$ 7,332,275	\$ 7,717,559
Capital assets	<u>30,416,084</u>	<u>26,330,780</u>	<u>25,419,351</u>
Total Assets	35,813,891	33,663,055	33,136,910
Current Liabilities	906,663	293,573	1,576,692
Long-Term Debt	2,000,000	222,852	396,559
Other Long-Term Liabilities	<u>835,553</u>	<u>660,882</u>	<u>660,559</u>
Total Liabilities	3,742,216	1,177,307	2,633,810
Net Position			
Invested in capital assets	28,416,084	26,042,892	24,552,138
Restricted	1,806,106	2,122,664	2,094,571
Unrestricted	<u>1,849,485</u>	<u>4,320,192</u>	<u>3,856,391</u>
Total Net Position	<u>\$ 32,071,675</u>	<u>\$ 32,485,748</u>	<u>\$ 30,503,100</u>
Total Fund Balance (page 12)			
Current Assets	\$ 5,566,539	\$ 7,514,587	\$ 7,935,277
Total Assets	5,566,539	7,514,587	7,935,277
Current Liabilities	1,075,395	419,929	1,332,836
Funds held for the benefit of others	<u>661,205</u>	<u>660,882</u>	<u>660,559</u>
Total Liabilities	1,736,599	1,080,811	1,993,395
Fund Balance			
Non Spendable	107,397	340,463	1,292,772
Restricted	1,681,503	2,033,045	2,093,677
Assigned	160,134	89,352	-
Unassigned	<u>1,880,906</u>	<u>3,970,916</u>	<u>2,555,432</u>
Total Fund Balance	<u>\$ 3,829,940</u>	<u>\$ 6,433,776</u>	<u>\$ 5,941,882</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 13 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.



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April 30, 2019

Unrestricted Net Position	\$ 1,849,485
Non spendable General Fund Balance	(107,130)
Deferred rent	174,348
Remove certain Assigned Fund Balance	<u>(35,797)</u>
Unassigned Fund Balance	\$ 1,880,906

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

Statement of Activities (page 11)	<u>2019</u>	<u>2018</u>	<u>2017</u>
Program Revenues:			
Lease Income	\$ 4,265,894	\$ 4,324,507	\$ 4,062,257
Taxes & Assessments	199,829	105,501	48,251
Miscellaneous	59,645	14,906	58,421
Developer Fees	963,892	2,470,074	1,311,026
Lease income due to the City	<u>(1,527,031)</u>	<u>(1,527,031)</u>	<u>(1,527,031)</u>
Total Charges for Services	3,962,229	5,387,957	3,952,924
Operating grants and contributions	25,231	24,816	25,250
Capital grants and contributions	254,366	171,690	2,482,009
General Revenues:			
Interest Earnings	<u>44,750</u>	<u>30,919</u>	<u>10,408</u>
Total Net Revenues	<u>\$ 4,286,576</u>	<u>\$ 5,615,382</u>	<u>\$ 6,470,591</u>
Programs Expenses for Economic Development:			
Administrative	1,682,931	1,785,338	1,831,392
Professional Services	821,940	319,948	206,921
Maintenance	618,942	392,132	257,675
Insurance	247,870	236,138	230,214
Consulting	171,768	97,167	52,388
Travel	134,059	128,490	99,991
Marketing	278,903	137,783	134,845
Interest	35,301	17,793	22,247
Depreciation	676,645	517,945	453,895
Loss (gain) from fixed assets	<u>32,290</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>4,700,649</u>	<u>3,632,734</u>	<u>3,289,568</u>
Changes in Net Position, Net Income	<u>\$ (414,073)</u>	<u>\$ 1,982,648</u>	<u>\$ 3,181,023</u>
Net position – Beginning of year	32,485,748	30,503,100	27,322,077
Net position – End of year	<u>\$ 32,071,675</u>	<u>\$ 32,485,748</u>	<u>\$ 30,503,100</u>



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Statement of Revenues, Expenditures, and Changes in Fund Balance (page 14)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Net Revenues from above	\$ 4,286,576	\$ 5,615,382	\$ 6,470,591
Add Intragovernmental Revenue	67,926	-	-
Add Miscellaneous Revenue	-	-	38,225
Total Net Revenues for Governmental Funds	<u>4,354,502</u>	<u>5,615,382</u>	<u>6,508,816</u>
Expense under Modified Accrual Accounting			
Total Expenses from above	4,700,649	3,632,733	3,289,568
Add Intragovernmental Expense	67,926	-	-
Add Additional Administration Expense	6,012	-	-
Add Debt Service – Principal	287,888	579,325	49,459
Add Capital Outlay (net)	4,794,238	1,429,375	1,674,846
Remove Loss (gain) from fixed assets	(32,290)	-	-
Remove Depreciation	<u>(676,645)</u>	<u>(517,945)</u>	<u>(453,895)</u>
Total Fund Expenditures	<u>9,147,778</u>	<u>5,123,488</u>	<u>4,559,978</u>
Revenues over expenditures	<u>(4,739,276)</u>	<u>491,894</u>	<u>1,948,838</u>
Other Financing Sources:			
Debt Issuance	2,000,000	-	362,200
Return of Security Deposit	9,080	-	-
Tenant Improvement Allowance	<u>180,360</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,603,836)</u>	<u>\$ 491,894</u>	<u>\$ 2,311,038</u>
Total Funds Balance – Beginning of year	6,433,776	5,941,882	3,630,844
Total Funds Balance – End of year	<u>\$ 3,829,940</u>	<u>\$ 6,433,776</u>	<u>\$ 5,941,882</u>

Statement of Cash Flows

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities			
Change in Net Position, Net Income	\$ (414,073)	\$ 1,982,649	\$ 3,181,023
Accounts Receivable	(181,230)	(74,737)	(6,766)
Prepaid Expenses	9,431	(32,693)	(45,239)
Accounts Payable	453,236	(222,157)	212,286
Unearned Revenue	218,052	(658,962)	89,426
Security Deposits	15,919	3,618	(199,308)
Funds Held for the Benefit of Others	323	323	591
Accumulated Depreciation	<u>676,645</u>	<u>517,419</u>	<u>394,089</u>
	778,303	1,515,460	3,626,102
Cash Flows from Investing Activities			
Deferred outflow of resources	223,635	985,003	(1,208,639)
Net Capital Outlays	<u>(4,761,949)</u>	<u>(1,428,849)</u>	<u>(1,615,041)</u>
	(4,538,314)	(443,846)	(2,823,680)
Cash Flows from Financing Activities			
Deferred Rent	174,348	-	-
Principal Payments	(287,888)	(579,325)	(49,459)
Debt Issuance Proceeds	<u>2,000,000</u>	<u>-</u>	<u>362,200</u>
	1,886,460	(579,325)	312,741
Total Increase (Decrease) to Total Cash	<u>\$ (1,873,551)</u>	<u>\$ 492,289</u>	<u>\$ 1,115,163</u>
Total Cash – Beginning of year	6,559,177	6,066,888	4,951,725
Total Cash – End of year	<u>\$ 4,685,626</u>	<u>\$ 6,559,177</u>	<u>\$ 6,066,888</u>



PORT KC
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MANAGEMENT DISCUSSION AND ANALYSIS
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Capital Asset Administration

At the end of fiscal year 2019, Port KC had \$30,416,084 invested in capital assets. This includes land at Berkley Riverfront, Richards-Gebaur Commerce Park, Port of Kansas City – Woodswether Terminal, and Missouri River Terminal. Port KC's infrastructure includes the Berkley Riverfront, the Town of Kansas pedestrian bridge, the ASB Bridge underpass, leasehold improvements and a rail spur at the Port of Kansas City – Woodswether Terminal, and building improvements at Richards-Gebaur Commerce Park. Port KC's Real Estate Inventory Available for Sale is 33.60 acres of Berkley Riverfront. In total, Port KC's capital assets increased by \$4,085,304, net of depreciation, over fiscal year 2018. See Note C for more on Capital Assets.

	Capital Assets at Year End Net of Depreciation		
	2019	2018	2017
Land, non-depreciable assets			
and construction on progress	\$ 7,649,858	\$ 6,820,868	\$ 8,146,885
Real Estate Inventory Available for Sale	9,278,167	8,212,887	8,421,126
Infrastructure and Equipment	13,488,059	11,297,025	8,851,340
	<u>\$ 30,416,084</u>	<u>\$ 26,330,780</u>	<u>\$ 25,419,351</u>

Debt Administration

During fiscal year 2017, Port KC purchased land from the Aviation Department of Kansas City with a long-term note for \$362,200. In April 2019, the balance was paid in full, so at April 30, 2019, there was no outstanding balance.

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

General Fund Budgetary Highlights

The annual budget is developed by the Budget & Accounting Manager in coordination with all staff. It is approved by the Board of Commissioners. Port KC's General Fund budget and variances are found in the supplemental information on page 29. The complete government wide operating budget can be found at www.portkc.com.

Lease income over-performed in fiscal year 2019 as key tenants at Richards-Gebaur Commerce Park were scheduled to leave and replacements were found sooner than expected.

Port KC had some active negotiations with the City that were expected to be completed during fiscal year 2019. The negotiations were not complete until fiscal year 2020 (see Note N). These delays caused the budget variance for developer fees for fiscal year 2019.

Port KC was actively administering two grants from MODOT during fiscal year 2019, but excessive rains and high river levels caused project delays. There was a smaller percent-progress-completed at April 30, 2019, than originally expected. The project has continued into fiscal year 2020. These delays caused the budget variance for grants and contributions and for capital outlay for fiscal year 2019.



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Administrative expense and travel was under-budget as key staffing positions at Port KC were filled throughout the fiscal year. Professional services and maintenance, both, were over-budget due to additional planning and maintenance at Richards-Gebaur in preparation and following the opportunity to cancel the CenterPoint options, which was an unplanned opportunity for fiscal year 2019

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, 2019. If you have further questions about this report or need additional information, contact Jon Stephens, President/CEO of Port KC, 110 Berkley Plaza, Kansas City, Missouri 64120. Visit www.portkc.com for additional information.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
STATEMENT OF NET POSITION
April 30, 2019

ASSETS

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,292,005
Accounts receivable (net)	604,784
Prepays	107,397
Restricted cash and cash equivalents	2,393,621
Non-current assets:	
Capital assets not being depreciated:	
Real estate inventory available for sale	9,278,167
Land, improvements (non-dep) and construction in progress	7,649,858
Capital assets, net of accumulated depreciation:	
Infrastructure, leasehold improvements, machinery and equipment (net)	13,488,059
Total Assets	<u>\$ 35,813,891</u>

LIABILITIES AND NET POSITION

Liabilities:	
Current liabilities:	
Accounts payable and other current liabilities	\$ 598,676
Unearned revenue	238,724
Security deposits	69,263
Long-term liabilities:	
Deferred rent	174,348
Long-term debt	2,000,000
Funds held for the benefit of others	661,205
Total Liabilities	<u>3,742,216</u>
Net Position:	
Investments in capital assets	28,416,084
Restricted for	
Economic Development	1,806,106
Unrestricted	1,849,485
Total Net Position	<u>\$ 32,071,675</u>

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

B E P O S I T I V E .



PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
STATEMENT OF ACTIVITIES
For The Year Ended April 30, 2019

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Government Activities:					
Economic Development	\$ 4,700,649	\$ 3,962,229	\$ 25,231	\$ 254,366	\$ (458,823)
General Revenues:					
Interest earnings					44,750
Change in Net Position					(414,073)
Net Position - Beginning of year					32,485,748
Net Position - End of year					<u>\$ 32,071,675</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)
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2019

	<u>ASSETS</u>		Non-major	Total
	General Fund	Special Revenue Fund	Governmental Funds	Governmental Funds
Assets:				
Cash and cash equivalents	\$ 2,256,267	\$ -	\$ 35,738	\$ 2,292,005
Accounts receivable (net)	554,398	31,989	18,397	604,784
Prepays	107,130	267	-	107,397
Restricted cash and cash equivalents	1,424,916	844,369	124,336	2,393,621
Due from other funds	22,801	-	-	22,801
Interfund loan	-	145,931	-	145,931
Total Assets	<u>\$ 4,365,512</u>	<u>\$ 1,022,556</u>	<u>\$ 178,471</u>	<u>\$ 5,566,539</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accounts payable and other accrued liabilities	\$ 598,642	\$ 33	\$ -	\$ 598,676
Unearned revenue	238,724	-	-	238,724
Due to other funds	-	4,463	18,338	22,801
Security deposits	69,263	-	-	69,263
Funds held for the benefit of others	661,205	-	-	661,205
Interfund loan	145,931	-	-	145,931
Total Liabilities	<u>1,713,765</u>	<u>4,496</u>	<u>18,338</u>	<u>1,736,599</u>
Fund Balance:				
Non spendable	107,130	267	-	107,397
Restricted	663,711	1,017,792	-	1,681,504
Assigned	-	-	160,133	160,133
Unassigned	1,880,905	-	-	1,880,905
Total Fund Balance	<u>2,651,747</u>	<u>1,018,059</u>	<u>160,133</u>	<u>3,829,940</u>
Total Liabilities and Fund Balance	<u>\$ 4,365,512</u>	<u>\$ 1,022,556</u>	<u>\$ 178,471</u>	<u>\$ 5,566,540</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 POSITION
April 30, 2019

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

Ending fund balances - total governmental fund	\$ 3,829,940
--	--------------

Governmental funds report capital outlays as expenditures. However in the Statement of Net Position, the cost of those assets are capitalized and shown at cost, net of any accumulated depreciation. This is the amount of real estate and net capital assets reported in the Statement of Net Position:

Real estate inventory available for sale	9,278,167
Capital assets, non-depreciable	7,649,858
Capital assets, depreciable	13,488,059

Long-term debt provides current resources and repayment consumes current resources, and it is not included on the government funds balance sheet. Alternatively, long-term debt is a long-term liability on the Statement of Net Position.

Long-term debt (net)	(2,000,000)
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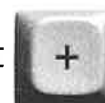
Deferred rent provides current financial resources to governemntal funds, while the tenant improvement allowance is long-term liability that is amortized over the life of the lease for the Statement of Net Position.

Deferred rent	(174,348)
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Total Net Position of Governmental Activities	\$ 32,071,675
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The accompanying notes are an integral part of this financial statement.

B E P O S I T I V E .



PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended April 30, 2019

	General Fund	Special Revenue Fund	Non-major Governmental Funds	Total Governmental Funds
Revenue:				
Lease income	\$ 4,265,894	\$ -	\$ -	\$ 4,265,894
Developer fees	963,892	-	-	963,892
Grants and contributions	279,597	-	-	279,597
Taxes and assessments	-	-	250,993	250,993
Miscellaneous	76,086	320	-	76,406
Interest income	37,462	7,018	270	44,750
Total Revenues	<u>5,622,931</u>	<u>7,338</u>	<u>251,263</u>	<u>5,881,532</u>
Less:				
Lease income due to the city of Kansas City, Missouri	<u>1,527,031</u>	<u>-</u>	<u>-</u>	<u>1,527,031</u>
Net Revenues	<u>4,095,900</u>	<u>7,338</u>	<u>251,263</u>	<u>4,354,501</u>
Expenditures:				
Current -				
Administrative	1,680,826	58,436	15,533	1,754,795
Professional services	811,193	312	12,509	824,014
Maintenance	480,466	-	138,476	618,942
Insurance	243,878	3,992	-	247,870
Consulting	171,724	-	44	171,768
Travel	133,245	814	-	134,059
Marketing	123,903	155,000	-	278,903
Capital Outlay (net)	4,794,238	-	-	4,794,238
Debt Service				
Principal	287,888	-	-	287,888
Interest	35,301	-	-	35,301
Total Expenses	<u>8,762,662</u>	<u>218,554</u>	<u>166,562</u>	<u>9,147,778</u>
Other financing sources:				
Debt issuance	2,000,000	-	-	2,000,000
Tenant improvement allowance (deferred rent)	180,360	-	-	180,360
Return of security deposit	9,080	-	-	9,080
Transfers	47,065	(33,144)	(13,921)	-
Total Other Financing	<u>2,236,505</u>	<u>(33,144)</u>	<u>(13,921)</u>	<u>2,189,440</u>
Excess (deficiency) of revenues over (under) expenditures	(2,430,257)	(244,360)	70,780	(2,603,836)
Fund Balance, Beginning of year	<u>5,082,004</u>	<u>1,262,420</u>	<u>89,352</u>	<u>6,433,776</u>
Fund Balance, End of year	<u>\$ 2,651,747</u>	<u>\$ 1,018,059</u>	<u>\$ 160,133</u>	<u>\$ 3,829,940</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 GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended April 30, 2019

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

Net changes in fund balances - total governmental funds	\$ (2,603,836)
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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)	4,794,238
Depreciation (Government Wide)	(676,645)
Loss on disposal of fixed assets	<u>(32,290)</u>
	<u>4,085,303</u>

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 position.

Additional Administrative Expense (Note M)	6,012
Principal payments on long-term debt	287,888
Other financing sources	<u>(2,189,440)</u>
	<u>(1,895,540)</u>

Change in Total Net Position of Governmental Activities	<u>\$ (414,073)</u>
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The accompanying notes are an integral
part of this financial statement.

B E P O S I T I V E .



PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

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

Reporting Entity

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

Port KC 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.

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

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.

Blended Component Units

Port KC reports five blended component units:

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

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

Berkley Park Condominium Association is a Missouri nonprofit corporation (Association) established by Port KC through the Declaration of Covenants, Restrictions, and Condominium for Berkley Park Condominium Association (Declaration), recorded in Jackson County in November 2016. Port KC has Declarant control over the Association during the Declarant Control Period (as defined by the Declaration). The Association had no financial impact in prior years. It began to collect regular assessments from its members in November 2018, and Port KC paid 53.6% of assessments collected by the Association. Similarly, Port KC collected management fees for operating the Association. Eliminations were made within the Government-wide financial statements.

Basis of Presentation

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

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

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

Government-wide Financial Statements

The government-wide statement of net position and the statement of activities report the overall financial activity of Port KC. All activities of Port KC are governmental activities which are financed primary by exchange transactions and secondarily through non-exchange transactions such as taxes and grants.

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 KC reports the following governmental funds:

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

Special Revenue Fund - The Economic Advancement Fund is reported as a special revenue fund. This fund was established for the specific purpose of providing economic development to MBE/WBE community. 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.

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

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

Cash, Cash Equivalents, and Investments

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

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

Accounts Receivable and Allowance for Doubtful Accounts

Port KC records each lease with a corresponding billing on a periodic basis as described in the applicable lease agreement. 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.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

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

Capital Assets

Capital assets, which include land, building, equipment, property and infrastructure, are reported in the government-wide financial statements. In the governmental funds statements, capital assets are charged to expenditures as purchased. Donated assets are recorded 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.

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

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

Revenue Recognition

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

Net Position and Fund Balance Classifications

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

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.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

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

Net Position and Fund Balance Classifications - continued

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

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

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

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

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

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

Committed fund balance – The limitations of this portion of fund balance are imposed by majority vote by quorum of Port KC’s board of commissioners. Such limitations remain binding unless modified or rescinded by the commission. As of April 30, 2019, 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.

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.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

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

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

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

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

At April 30, 2019, actual cash, cash equivalents, and investments on deposit were \$4,685,626, consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>
Deposits	\$ 2,292,005	\$ 2,393,621

Restricted balances consist of amounts related to the City's Water Service Department, the Economic Advancement Fund, and Port Improvement Districts #1, #2, #3, and #4.

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

Interest Rate Risk - Port KC's investment policy does not contain limits regarding investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At April 30, 2019, Port KC only held cash.

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

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

Concentration of Credit Risk - Port KC places no limit on the amount it may invest in any one issuer. At April 30, 2019, 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, 2019, there were no deposits subject to this credit risk.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

NOTE C - CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated -				
Land	\$ 4,984,049	\$2,640,729	684,671	\$ 6,940,107
Real estate inventory available for sale	8,212,887	1,065,280	-	9,278,167
Construction in progress	1,836,819	395,327	1,522,395	709,751
Total capital assets not being depreciated	15,033,755	4,101,336	2,207,066	16,928,025
Capital Assets Being Depreciated -				
Infrastructure	15,549,951	2,637,097	75,866	18,111,182
Equipment	661,633	268,341	88,629	841,345
Total capital assets being depreciated	16,211,584	2,905,438	164,495	18,952,527
Less Accumulated Depreciation For -				
Infrastructure	4,614,789	585,331	75,866	5,124,254
Equipment	299,770	91,314	50,870	340,214
Total accumulated depreciation	4,914,559	\$ 676,645	\$ 126,736	5,464,468
Total Capital Assets Being Depreciated, net	11,297,025			13,488,058
Governmental Activity Capital Assets, net	\$ 26,330,780			\$ 30,416,084

In 2012, property was purchased from the United States Navy through the Base Realignment and Closure (BRAC) program for \$644,111, and it was classified as Real Estate Held for Redevelopment. After a few years, management intent shifted away from redevelopment and narrowed the focus operating the asset through leasing activities, thus it was reclassified to Land in year ended April 30, 2016. Beginning in the year ended April 30, 2019, it was identified that this Land asset was more appropriately classified as a split between land and improvements, so \$435,216 was reclassified to Infrastructure and began to depreciate.

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

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

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

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

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

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

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

During the initial 10-year term, the tenant was to pay a minimum net annual rent of \$2,000,000 per year, in advance, on the annual anniversary of the Opening Date. For each renewal term, the agreement provides for an increase in the minimum net annual rent by the percentage change in the Consumer Price Index (CPI). Effective October 2016 the minimum net annual rent for the third renewal term was increased to \$3,054,062. In addition to the minimum net annual rent, the tenant is required to pay percentage rent. Percentage rent is calculated by 3.25% of adjusted gross receipts less the minimum net annual rent paid in advance. During the year ended April 30, 2019 there was no percentage rent, and the total net annual rent was \$3,054,062.

NOTE E - RICHARDS-GEBAUR COMMERCE PARK

In April 2007 Port KC entered into a Cooperative and Purchase Agreement with the City of Kansas City, Missouri, where the City agreed to convey approximately 1,440 acres of land and improvements at the former Richards-Gebaur Air Force base to Port KC for \$10,600,000. In connection with this agreement, Port KC also entered into a Development and Sales Agreement (DSA) with CenterPoint Properties Trust (CenterPoint). Among other things, the DSA required Port KC to sell to CenterPoint up to approximately 1,340 acres of the surface portion of the Richards-Gebaur property for a price of \$10,600,000. CenterPoint was granted options to acquire additional phases of property after the Initial Phase for a period of up to 15 years (CenterPoint Options). 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 retained ownership of and all rights to the sub-surface of the property together with all mineral rights associated with the property and approximately 100 acres of surface property.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

NOTE E - RICHARDS-GEBAUR COMMERCE PARK – (Continued)

In June 2007 the City conveyed all of the property to Port KC. On that same date, Port KC conveyed approximately 730 acres of the surface property (the Initial Phase) to CenterPoint. Later in the same fiscal year, CenterPoint exercised its option with respect to approximately 30 additional acres. In June 2011, CenterPoint waived its option with respect to approximately 18 acres of the property.

In February 2019, Port KC bought out all of CenterPoint's remaining options under the DSA. In addition, Port KC conveyed to CenterPoint the sub-surface rights to all surface property previously conveyed to CenterPoint and then owned by CenterPoint. The DSA was terminated as part of the buyout transaction.

In March 2017 Port KC purchased approximately 62 acres of property from the Aviation Department of Kansas City located to the southeast of the CenterPoint option property and next to Calvary University. Port KC acquired a lease with Calvary University associated with the purchased property worth \$76,550 per year through August 2035. In April 2019, Port KC sold approximately 23 acres of this property to Calvary University, cancelled the lease, and retained approximately 39 acres of land

Port KC continues to operate Richards-Gebaur Commerce Park, which includes the property formerly subject to the CenterPoint options, property purchased in 2012 from the United State Navy through the Base Realignment and Closure (BRAC) program, and the property next to Calvary University. Lease revenues from this commerce park were \$1,018,657 for the year ended April 30, 2019.

Leases have remaining lengths that range from month-to-month to five years with no provisions for guaranteed renewal period extending beyond February 2024. Future minimum rental amounts associated with the Richards-Gebaur Commerce Park are as follows:

<u>Year Ended April 30,</u>	
2020	723,346
2021	334,041
2022	267,353
2023	70,320
Thereafter	<u>33,291</u>
	<u>\$1,428,351</u>

NOTE F – GRANTS

Port KC was awarded a Port Aid grant for capital improvement projects from the Missouri Highways and Transportation Commission in fiscal year 2019 for \$94,230 where the Commission's financial share for the project was 80%. The Port Aid grant project was to the benefit of the Port of Kansas City, Missouri – Woodswether Terminal storage facility project. During fiscal year 2019, \$94,230 was reported under the grant and recorded as Grant Revenue.

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

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

NOTE F – GRANTS – (Continued)

Port KC was awarded a grant for Port Aid for Capital Improvement projects from the Missouri Highways and Transportation Commission in fiscal year 2019 for \$271,387 where the Commission's financial share for the project was 80%. The Port Aid grant project was to the benefit of the Port of Kansas City – Woodswether Terminal storage facility project. Whereas there was progress on the storage facility project in 2019, none of it was reported, recognized, or collected on this grant.

Port KC was awarded a Port Aid grant for administrative expenses from the Missouri Highways and Transportation Commission for \$24,000. During fiscal year 2019, \$24,000 was reported under the grant and recorded as Grant Revenue.

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. Expenses related to this plan for the year ended April 30, 2019 totaled \$22,099.

NOTE H – NOTES PAYABLE

Long-term obligations consist of the following balances at April 30, 2018 and April 30, 2019:

<u>Long-term obligations</u>	<u>April 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30, 2019</u>	<u>Amounts due within one year</u>
Promissory note	\$287,888	\$ -	\$ 287,888	\$ -	\$ -
Promissory note	\$ -	\$2,000,000	\$ -	\$2,000,000	\$ -

Notes payable as of April 30, 2019, consist of the following:

Promissory note issued March 9, 2017, obtained from the Aviation Department of Kansas City in the amount of \$362,200, with an interest rate of 3.00% per annum through April 2020. Interest and principal are paid monthly. The loan balance was paid in full in April 2019 in advance of its original schedule.

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

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

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

NOTE I - RELATED PARTY TRANSACTIONS

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

Port KC purchased land from the Aviation Department of Kansas City with a promissory note which was paid in full in April 2019 (see Notes H).

Port KC and the Water Services Department of Kansas City have an agreement for funds that are set aside for potential costs associated with environmental remediation on water, sewer or other utility lines owned and operated by the Water Services Department at the Riverfront site. The agreement is active through May 2021. At April 30, 2019, the funds related to the agreement were \$1,322,410 restricted cash and cash equivalents, \$661,205 funds held for the benefit of others, and \$661,205 restricted net position.

Beginning in November 2012, Port KC and the Public Works Department of Kansas City made an agreement for Port KC to operate and maintain some LED street lights in the public right-of-way of Berkley Parkway. Port KC is responsible for all utilities and maintenance, and the City reimburses Port KC a set rate per pole regardless of the real cost. For the year ended April 30, 2019, the City reimbursed Port KC \$8,425.

Beginning in March 2012, Port KC leased the municipal wharf from the Water Services Department of Kansas City, the Port of Kansas City – Woodwether Terminal, for a term of 15 years for a minimal annual base rent plus percentage rent equaling 8% of gross revenues. For the year ending April 30, 2019, Port

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.

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.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
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NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

NOTE L – CONDUIT DEBT – (Continued)

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

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

As of April 30, 2019, the aggregate amount of all conduit debt obligations issued by Port KC was \$521,273,460.

Conduit Debt Obligator	Date of Bond Issue	Name of Bond Issue	Bond Issuance Amount
MREM BOT Property, LLC	April 23, 2015	Taxable Revenue Bond (4800 Main Project) Series 2015A	\$33,000,000
Sioux Chief QALICB, LLC	September 24, 2015	Taxable Revenue Bond (Sioux Chief Project) Series 2015	\$24,000,000
NPIF2 Three Trails Building I, LLC	September 30, 2015	Taxable Revenue Bond (Three Trails Project – Building I) Series 2016	\$11,110,200
Corrigan Station, LLC	January 5, 2016	Taxable Revenue Bond (Corrigan Station Project) Series 2016	\$50,000,000
NPIF2 Three Trails Building II, LLC	January 27, 2016	Taxable Revenue Bond (Three Trails Project – Building II) Series 2016	\$9,900,000
2001 Main Lodging Partners, LLC	April 28, 2016	Taxable Revenue Bond (2001 Main Project)	\$22,500,000
NPIF2 Three Trails Building III, LLC	August 23, 2016	Taxable Revenue Bond (Three Trails Project – Building III) Series 2016	\$16,763,260
NP Northland Park Building I, LLC	October 20, 2016	Taxable Revenue Bond (Northland Park Building I Project) Series 2016	\$17,500,000
Andrews Rd, LLC	November 18, 2016	Taxable Revenue Bond (Andrews Rd Building Project) Series 2016	\$30,000,000
CVS Pharmacy Inc.	December 13, 2016	Facility Bond – Taxable Revenue Bond (CVS Project) Series 2016A	\$62,325,000
CVS Pharmacy Inc.	December 13, 2016	Equipment Bond – Taxable Revenue Bond (CVS Project) Series 2016B	\$60,675,000
NP Northland Park Building II, LLC	July 25, 2017	Taxable Revenue Bond (Northland Park Building II Project) Series 2017	\$19,500,000
NP Northland Park Building III, LLC	January 18, 2018	Taxable Revenue Bond (Northland Park Building III Project) Series 2018	\$24,000,000
Corrigan Station, LLC	January 31, 2018	Taxable Revenue Bond (Corrigan Station II Project) Series 2018	\$12,000,000
NP Northland Park Building IV, LLC	July 25, 2018	Taxable Revenue Bond (Northland Park Building IV Project) Series 2018A	\$17,000,000
18 th and Walnut, Partners	January 9, 2019	Taxable Revenue Bond (18 th and Walnut Project) Series 2018	\$45,000,000
NP Northland Park Building V, LLC	April 4, 2019	Taxable Revenue Bond (Northland Park Building V Project) Series 2019A	\$31,000,000
Ross Custom Properties, LLC	April 19, 2019	Taxable Industrial Revenue Bond (Ross Custom Properties Project) Series 2019	\$35,000,000



PORT AUTHORITY OF KANSAS CITY, MISSOURI
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NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2019

NOTE M – OPERATING LEASE

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

2020	\$ 120,000
2021	120,000
2022	120,000
2023	120,000
2024	120,000
Thereafter	<u>560,000</u>
	<u>\$1,160,000</u>

Port KC's landlord paid Port KC \$180,360 in tenant improvements. This is recorded on the Statement of net Position as deferred rent (net of amortization), and it reduces the rent expense from \$120,000 to \$101,964 per year for the government-wide. For the government funds, the tenant allowance is recognized as other financing sources for the receipt of current resources. It has no impact on the Balance Sheet – Government Funds, and thus, there is no amortization against future rent expense of \$120,000 per year.

NOTE N – SUBSEQUENT EVENTS

Port KC evaluated subsequent events through August 26, 2019, the date the financial statements were available to be issued.

A purchase and sale contract was executed in November 2018 between a developer and Port KC. As part of that contract, the developer made a \$100,000 earnest money deposit with a third party. Port KC recorded the deposit in restricted cash and cash equivalents (asset) and unearned revenue (liability) for the year ending April 30, 2019. In May 2019, the contract was cancelled, and the deposit was refunded.

In June 2019, Port KC and the City terminated its agreement to jointly hold funds with the Water Services Department and relieve each party from the restrictions to use the funds on potential costs associated with environmental remediation on water, sewer or other utility lines at the Riverfront site. Both parties received half of the balance of funds, which in total were \$1,322,520 at the time of termination.

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

SUPPLEMENTARY INFORMATION

PORT AUTHORITY OF KANSAS CITY, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GENERAL FUND
BUDGET AND ACTUAL
For The Year Ended April 30, 2019
With Comparative Actual Amounts For The Year Ended April 30, 2018

	2019			2018
	Budget	General Fund Actual	Variance Positive/ (Negative)	Actual
Revenues:				
Lease income	\$ 4,164,942	\$ 4,265,894	\$ 100,952	\$ 4,324,507
Developer fees	1,237,704	963,892	(273,812)	2,470,074
Grants and contributions	487,980	279,597	(208,383)	196,505
Tax and assessments	2,100	-	(2,100)	-
Miscellaneous	35,500	76,086	40,586	13,321
Interest	24,438	37,462	13,024	22,701
Total Revenues	5,952,664	5,622,931	(329,733)	7,027,108
Less:				
Lease income due to the City of Kansas City, Missouri	1,527,031	1,527,031	-	1,527,031
Net Revenues	4,425,633	4,095,900	(329,733)	5,500,077
Expenditures:				
Current -				
Administrative	1,756,937	1,674,814	82,123	1,751,701
Professional services	788,500	811,193	(22,693)	319,948
Maintenance	433,238	480,466	(47,228)	370,132
Insurance	253,950	243,878	10,072	236,138
Consulting	189,500	171,724	17,776	97,167
Travel	192,138	133,245	58,893	124,982
Marketing	136,130	123,903	12,227	135,832
Capital outlay (net)	5,215,745	4,794,238	421,507	1,429,375
Miscellaneous	35,500	6,012	29,488	
Debt Service -				
Principal	288,050	287,888	162	579,325
Interest	39,720	35,301	4,419	17,792
Total Expenditures	9,329,408	8,762,662	566,746	5,062,392
Revenues less expenditures	(4,903,775)	(4,666,762)	237,013	437,685
Other Financing Sources (Uses):				
Proceeds from issuance of debt	2,000,000	2,000,000	-	-
Tenant improvement allowance (deferred rent)	-	180,360	180,360	-
Return of security deposit	-	9,080	9,080	-
Transfers In	45,115	47,065	(1,950)	26,375
Total Other Financing Sources (Uses)	2,045,115	2,236,505	187,490	26,375
Change In Fund Balance		(2,430,257)		464,060
Fund Balance - May 1, 2017		5,082,004		4,617,944
Fund Balance - April 30, 2018		\$ 2,651,747		\$ 5,082,004

PORT AUTHORITY OF KANSAS CITY, MISSOURI
SCHEDULE OF FUND BALANCES OF NON-MAJOR FUNDS
For The Year Ended April 30, 2019

	PID 1	PID 2	PID 3	PID 4	Condo Association	Total
Assets:						
Current assets:						
Cash and cash equivalents	\$ -	-	-	-	35,738	\$ 35,738
Accounts receivable	-	-	-	-	18,397	18,397
Cash and cash equivalents - Restricted	4,038	115,275	389	4,634	-	124,336
	4,038	115,275	389	4,634	54,135	178,471
Liabilities:						
Due to General Fund	-	-	-	-	(18,338)	(18,338)
	-	-	-	-	(18,338)	(18,338)
Fund Balance:						
Assigned	(4,038)	(115,275)	(389)	(4,634)	(35,797)	(160,133)
	\$ (4,038)	(115,275)	(389)	(4,634)	(35,797)	\$ (160,133)

PORT AUTHORITY OF KANSAS CITY, MISSOURI
SCHEDULE OF FUND SOURCES AND USES FOR NON-MAJOR FUNDS
For The Year Ended April 30, 2019

	PID 1	PID 2	PID 3	PID 4	Condo Association	Total
Taxes and Assessments	\$ 7,309	\$ 54,751	\$ 70,489	\$ 22,972	\$ 95,473	\$ 250,993
Miscellaneous	-	-	-	-	-	-
Interest	-	-	-	-	270	270
Total Revenues:	7,309	54,751	70,489	22,972	95,743	251,263
Administrative	-	-	115	-	15,418	15,533
Professional services	-	-	-	-	12,509	12,509
Maintenance	-	-	79,000	27,500	31,976	138,476
Consulting	-	-	-	-	44	44
Total Expenses	-	-	79,115	27,500	59,946	166,562
Transfers	(3,271)	-	(7,900)	(2,750)	-	(13,921)
Excess (deficiency) of revenues over (under) expenditures	4,038	54,751	(16,526)	(7,278)	35,797	70,781
Fund Balance, beginning of year	-	60,525	16,916	11,912	-	89,352
Fund Balance, end of year	\$ 4,038	115,275	389	4,634	35,797	\$ 160,133

**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, 2019, 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 26, 2019.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

Norah Bishop.

Kansas City, Missouri
August 26, 2019