KANSAS CITY
MISSOURI

2024 Independent Audit and Results of Financial Operations

Tuesday, December 10, 2024

Finance, Governance, and Public Safety Committee

Annual Audit

- Required by Missouri statute
- Conducted by Allen, Gibbs & Houlik, L.C. (AGH), the City's independent audit firm
- Impartial review of the financial data
- Provides a consistent format for comparison and analysis, including historical trends and measurements of financial strength
- Demonstrates and verifies compliance with budget and City policy
- The results include the Annual Comprehensive Financial Report (ACFR)

Annual Comprehensive Financial Report (ACFR)

- Includes audited financial statements of the City for FY2023-24
- Filed with State, federal grant agencies, and the Municipal Securities Rulemaking Board for required disclosure for municipal bonds
- Used by rating agencies, bondholders, citizens and other interested parties
- Popular Annual Financial Report (PAFR)
  - Plain language version of ACFR

ACFR Highlights

- Introductory Section
- Financial Section
  - Auditor's Opinion (page A-1)
  - Management Discussion and Analysis (page A-5)
  - Financial Statements (page A-23)
- Statistical Section (page C-1)

Management Discussion and Analysis (A-5)

- Assists the reader in focusing on significant financial issues
- Provides an overview of the City's financial activity
- Identifies changes in the City's financial position
  - Ability to address the next and subsequent years challenges
- Identifies any material deviations from the budget
- Identifies individual fund issues or concerns

Government Wide Financial Statements and Net Position (A-23)

Statement of Net Position is a financial report that looks at general capital assets versus general long-term liabilities.

- Net Position provides a broad look of the entire City's financial health (accrual)
- Fund Balance provides a look at the financial health of specific funds within the City (modified accrual)

City of Kansas City, Missouri
Net Position by Category – Five Year Trend

(In thousands)

	2020	2021	2022	2023	2024
Governmental activities:					
Net investment in capital assets	$2,790,472	$2,633,287	$2,491,850	$ 2,442,692	$ 2,333,542
Restricted	311,365	279,188	307,107	509,430	483,690
Unrestricted	(1,091,006)	(1,094,285)	(924,394)	(903,464)	(728,629)
Total governmental activities net position #	$2,010,831	$1,818,190	$1,874,563	$ 2,048,658	$ 2,088,603
Business-type activities:					
Net investment in capital assets	$1,941,799	$2,003,563	$2,180,481	$ 2,328,250	$ 2,420,444
Restricted	363,706	361,118	305,799	260,676	275,350
Unrestricted	564,110	599,039	680,560	735,047	803,576
Total business-type activities net position #	$2,869,615	$2,963,720	$3,166,840	$ 3,323,973	$ 3,499,370
Primary government:					
Net investment in capital assets	$4,732,271	$4,636,850	$4,672,331	$ 4,770,942	$ 4,753,986
Restricted	675,071	640,306	612,906	770,106	759,040
Unrestricted	(526,896)	(495,246)	(243,834)	(168,417)	74,947
Total primary governmental net position #	$4,880,446	$4,781,910	$5,041,403	$ 5,372,631	$ 5,587,973

Source: Annual Comprehensive Financial Report Statement of Net Position.

Fiscal Year 2024 Audit Results

Allen, Gibbs & Houlik, L.C. Auditor's Opinion (A-1)

Auditor's Communication to those Charged with Governance

- Adoption of new accounting standard – GASB 96
- No significant unusual transactions
- Accounting estimates
- Audit adjustments for water, sewer and airport
- Uncorrected misstatement related to market value of investments
- Internal control finding related to noted audit adjustments

Findings and Questioned Costs for Financial Statements

Finding 2024-001 Internal Control Related to Financial Statements

Material Weakness

Finding 2024-002 Internal Control Related to Financial Statements

Material Weakness

Finding 2024-001 – Water Department

Finding

- The audit identified several needed adjustments to various Water Department accounts

Corrective Action Plan

- Improved monthly reporting
- Monthly reconciliation of the reports to the general ledger
- Implement cross training for staff within the Water Department
- The Finance Department will monitor reconciliation of accounts

Finding 2024-002 – Aviation Department

Finding

- The audit identified misstatements related to accounts receivable and revenues
  - Reports from parking operator had double-counted certain activity, resulting in overstatement of parking revenue
  - Resulted in recalculation of rates and charges and adjustment to revenue accounts

Corrective Action Plan

- The Parking Management company has replaced a vacant Revenue Accountant position to help ensure there is no occurrence of double counting of activity
- The Parking Management company will be required to conduct quarterly internal audits as well as an annual external audit

Finding 2024-002 – Aviation Dept. Cont.

Corrective Action Plan - Continued:

- Additional training for both the Parking Management and Kansas City Aviation Department (KCAD)
- Enhanced communication, via reports, from both the Parking Management company and KCAD
- Reconcile the balance sheet account monthly in order to prevent potential misstatements in financial reports
- The Finance Department will monitor reconciliation of accounts

Audit of Federal Grants

Major programs reviewed:

- Community Development Block Grants/Entitlement Grants
- Federal Transit Cluster
- Emergency Rental Assistance Program
- Coronavirus State and Local Fiscal Recovery Funds
- HIV Emergency Relief Project Grants
- Energy Efficiency and Conservation Block Grant

Audit of Federal Grants

Summary of Auditor's Results (page 15 Uniform Guidance)

- **Qualified Opinion** for Emergency Rental Assistance Program
- **Unmodified Opinion** for remaining five programs identified as Major Programs

Welch & Associates, L.L.C.

Findings and Questioned Costs for Financial Statements

Finding 2024-003 Community Development Block Grant
Environmental Review Certification was not available
Significant Deficiency

Finding 2024-004 Emergency Rental Assistance
Subrecipient Monitoring
Material Weakness

Finding 2024-003 – Housing Dept.

Finding

- The City did not provide evidence supporting compliance with Environmental Review Certification for contracts with outside agencies as required by Uniform Guidance and the CDBG Program

Corrective Action Plan

- Housing Department will implement procedures to ensure environmental reviews are conducted for each project prior to the City signing a contract with the outside agency
  - Supporting documentation will be retained in project files

Finding 2024-004 – Housing Dept.

Finding

- Failure to conduct annual monitoring on ALL program award subrecipients as mandated by Federal regulations and City policy

Corrective Action Plan

- Housing Department will implement procedures to ensure annual monitoring is conducted
- Finance Department will update City Grant Award Manual to include subrecipient monitoring information in compliance with recent updates to Uniform Guidance (effective October 2024)

Grants Management

- Finance Department will continue working with grant departments
  - Proper compliance processes and procedures
  - Compliance areas
  - Grants 101 Training – required for all fiscal officers and grant staff in departments
  - Development of additional Grants Training (Grants 201) for City departments

Questions?