



City of Kansas City, Missouri
Popular Annual Financial Report
For the fiscal year ended April 30, 2011



Purpose of Report



The Popular Annual Financial Report (PAFR) is an unaudited summary report of the financial activities of the City and is prepared primarily from detailed information contained in the City's 2011 Comprehensive Annual Financial Report (CAFR), with selected information from CAFR's prepared for earlier years.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and includes audited financial statements. As such, it provides much more detail as well as full disclosure of all material events, both financial and non-financial. The GAAP presentation also includes the City's component units (related organizations) and information on individual funds.

The information in the CAFR by its nature can be technical and complex and as such not as useful to citizens wishing to gain an overview of the City's finances. The PAFR has been prepared to simplify the information in the CAFR and better inform the public about the overall financial condition of the City, without the heavy use of technical accounting terms or excessive detail. The PAFR is not intended to provide a complete financial picture of the City in accordance with GAAP.

Questions or feedback concerning any of the information provided in this report or requests for additional financial information may be directed to the City Controller's Office via mail to 414 East 12th Street, Suite 302, Kansas City, Missouri 64106, via email to finance@kcmo.org or via telephone at 816-513-1187.



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Copies of both the CAFR and PAFR are available online at:
<http://www.kcmo.org/CKCMO/Depts/Finance/index.htm>
under the City Finances, Financial Reports Section.



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City Council Districts and Representatives

As of April 30, 2011

City Councilmembers by District

Mayor

1st
District



Deb Hermann
At Large



Bill Skaggs



Mark Funkhouser

FOCUS Vision for the Future

"We, as Kansas Citians, envision our city as a people-centered community. From economic development to the readability of street signs, we consider people first. Kansas City shapes and guarantees its future by examining first and foremost the impact of every decision on future generations.

We, as Kansas Citians, are full of hope. We demonstrate this hope through our investment in our families, our homes, our neighborhoods, our schools, our businesses and our city."

2nd
District



Ed Ford
At Large



Russ Johnson

Interim City Manager



Troy Schulte

3rd
District



Melba Curls
At Large



Sharon Sanders Brooks

4th
District



Beth Gottstein
At Large



Jan Marcason

5th
District



Cindy Circo
At Large



Terry Riley

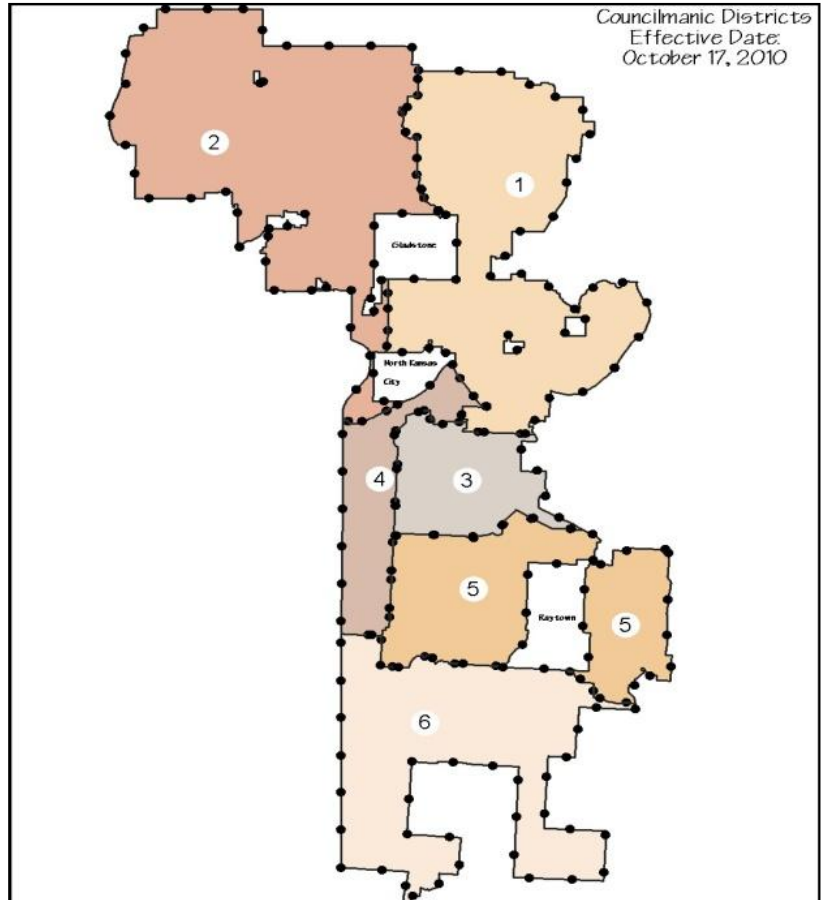
6th
District



Cathy Jolly
At Large



John Sharp





Community Profile and Demographics

Kansas City started as a trading post in 1821 and was incorporated in June 1850. The original charter establishing the Council/Manager ("home-rule") form of government was adopted in 1925 and revised in 2006. Under this charter, a mayor and twelve council members represent six council districts. The Mayor recommends and the City Council approves the selection of the City Manager who acts as the City's chief administrative officer.

Kansas City, commonly referred to as the "Heart of the Nation", is located within 250 miles of the geographic center of the nation. The City covers parts of four counties, 319 square miles and is the 14th largest land area in the country. Kansas City ranks as the 37th largest city in the United States by population. In 2006, Kansas City was named one of ten All American Cities. Kansas City boasts more fountains than any city except Rome and more boulevards than any city except Paris giving way to the "City of Fountains" and "Paris of the Plains" nicknames. Also, the 1,769 acre Swope Park is one of the largest urban parks in America.



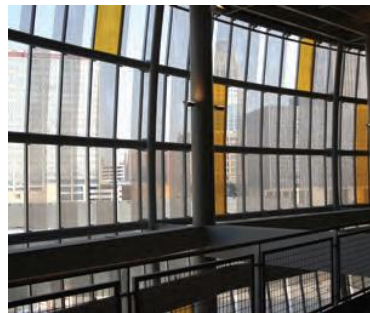
Kansas City is a full service city providing a wide range of municipal services including administration of zoning and subdivision regulations; community development and neighborhood services; convention and entertainment facilities; fire and police protection; emergency medical services; public health services; refuse collection; housing; management of international and municipal airports; planning and maintenance of the City's parks, golf courses community centers, and swimming pools; construction and maintenance of streets, roads, bridges, street lighting, and traffic systems; tree planting; water and sewage treatment; and a zoo.



Kansas City has a diversified economy including transportation, telecommunications, manufacturing, health care, trade, financial services and governmental services and provides access to over one million jobs in over seven hundred occupations. The City ranks as one of the 10 best supporters of small business, and it is considered one of the 50 best cities in the world for global business. According to the Kansas City Area Development Council, the City is the corporate or regional headquarters for 68 companies, including three Fortune 500 companies, ten Fortune 1000 companies and five Forbes largest private companies.

Kansas City is also one of ten regional office cities for the United States government, and the federal government is the City's largest principal employer. The unemployment rate for the City, as reported by the Bureau of Labor Statistics, at April 30, 2011 was 9.3 percent, not seasonally adjusted, which was 8.8 percent lower than the rate one year ago. The state and national average unemployment rates for this same time period were 8.4 percent and 8.7 percent, respectively.

The City serves as a major transportation hub with over twelve million passengers utilizing Kansas City International Airport, making it the 37th busiest airport, by passenger movements, in North America. Kansas City is also one of the nation's top five trucking centers and top 12 intermodal freight transportation hubs.



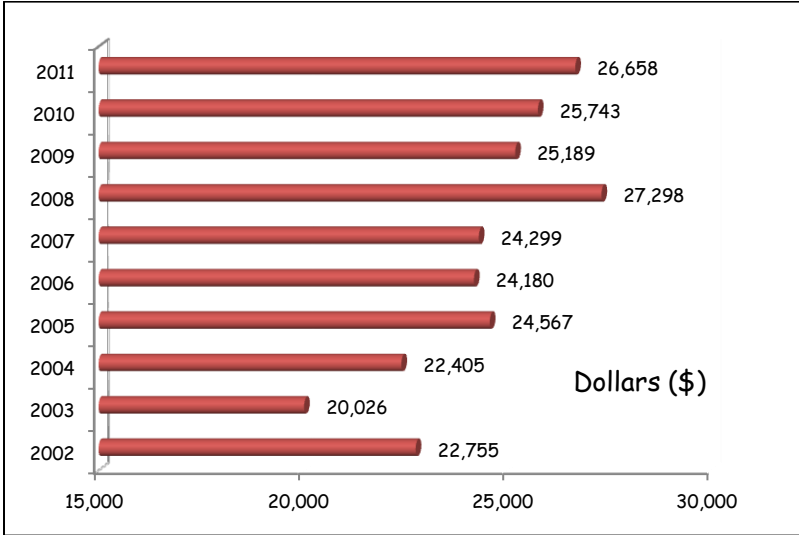
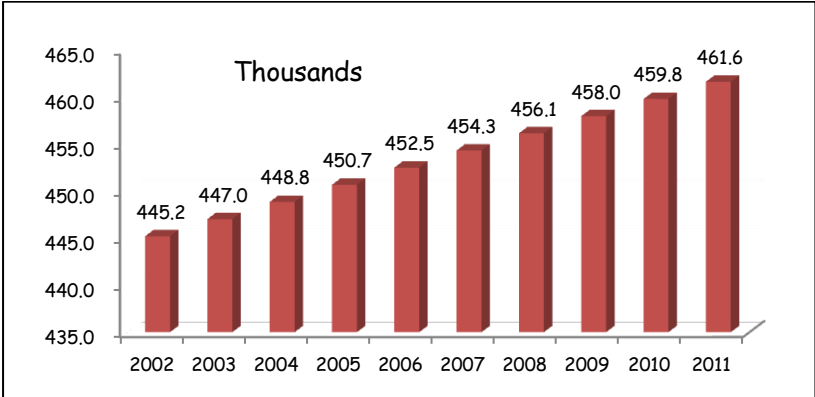
For sports fans, Kansas City offers four professional teams: the Kansas City Chiefs (football), the Kansas City Royals (baseball), Sporting KC (outdoor soccer) and the Kansas City Explorers (tennis).

Overall, Kansas City is a city full of adventure, but the greatest asset of this wonderful city is the people!



Kansas City Population

Since 2002, population has risen 3.7 percent. As of the fiscal year ended April 30, 2011, the City has an estimated population of 461,611 people.



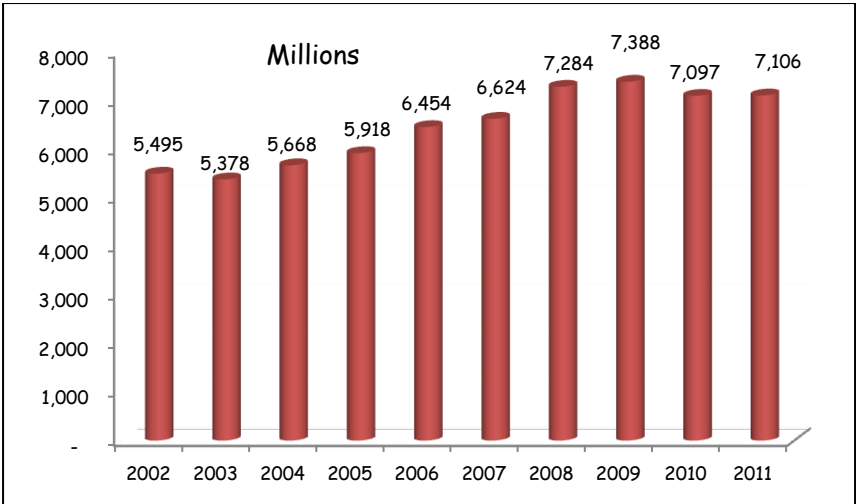
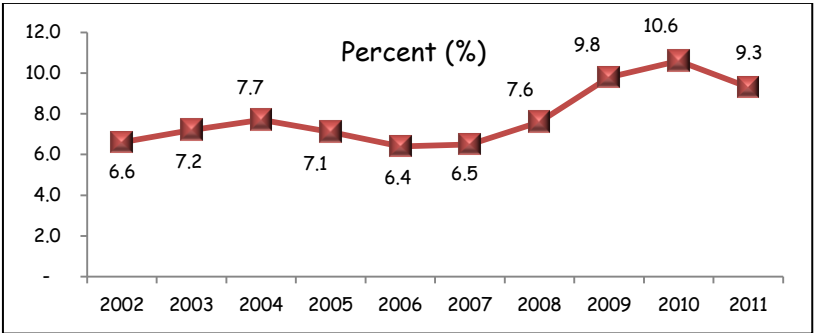
Per Capita Personal Income

Per capita personal income in Kansas City has risen 17.2 percent in the last ten years.



Unemployment Rate

Although the City's unemployment rate had risen over the last few years, as of the fiscal year ended April 30, 2011, the rate had dropped to 9.3 percent.
 Note: Rate is not seasonally adjusted.

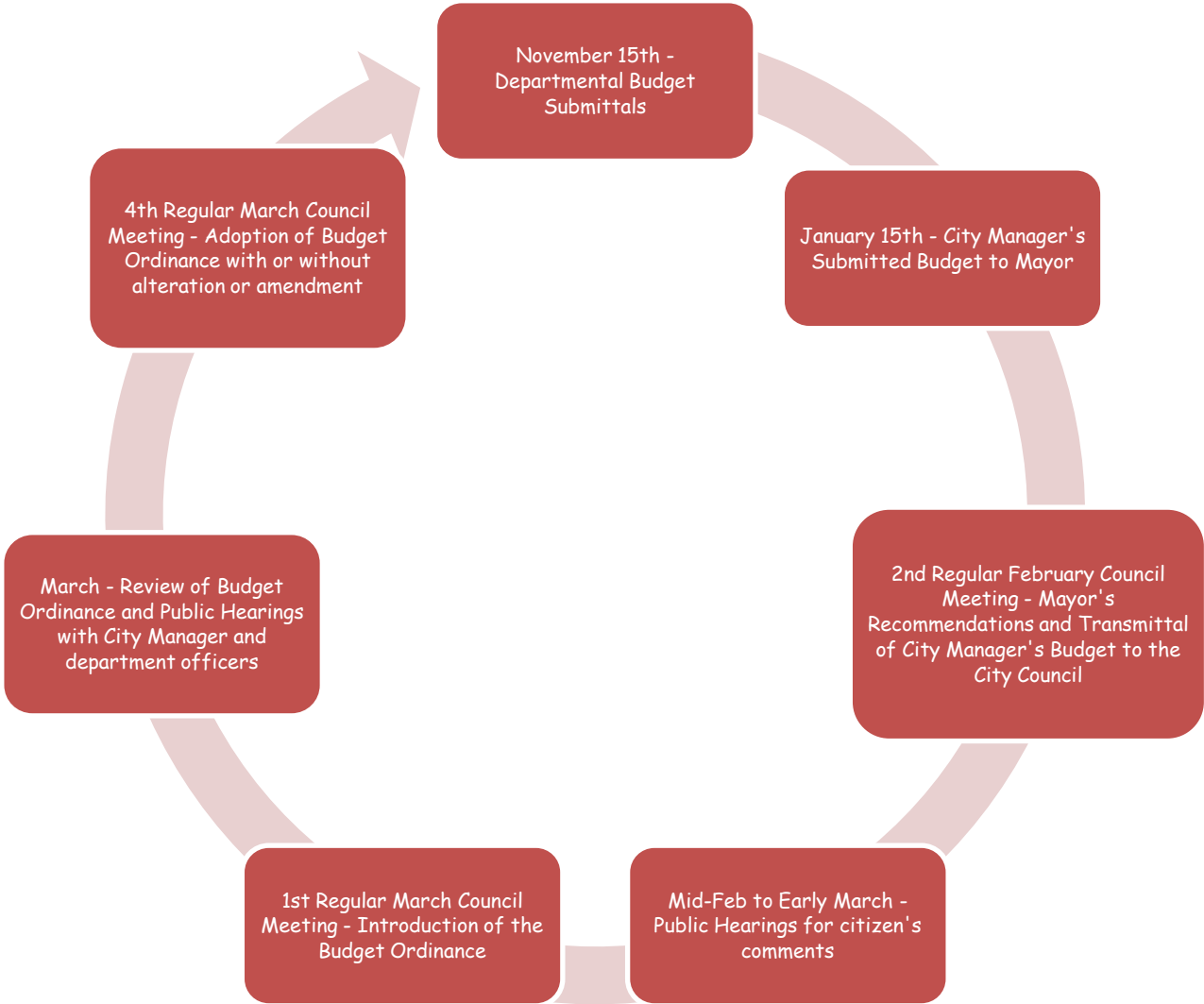


Assessed Valuation

Over the past ten years, the estimated actual value of taxable property in the City has increased 36.3%, thereby increasing the total taxable assessed value for 2011 to \$7,106,137,627.

Budget Process

The City's fiscal year is from May 1st to April 30th. The City Charter requires that the City Council adopt an annual budget at the fourth regular council meeting in March for the fiscal year commencing on May 1st. The following provides a graphical timeline of the process and the requirements for preparing, submitting and adopting the budget as mandated by the City Charter.



Financial Highlights

The information provided is summarized and represents only selected funds and therefore is not in accordance with generally accepted accounting principles (GAAP) and is not intended to represent all of the City's component units and fiduciary funds. The following table is a summary of select financial metrics for the past three fiscal years.

Financial Summary			
<i>(in thousands)</i>	2011	2010	2009
		<i>as restated</i>	
Net Assets			
Assets	\$ 7,250,367	\$ 7,146,110	\$ 7,016,191
Liabilities	2,700,407	2,754,186	2,658,769
Total Net Assets	4,549,960	4,391,924	4,357,422
Revenues			
Governmental Activities	\$ 1,023,852	\$ 947,463	\$ 958,444
Business-type Activities	397,418	367,229	361,565
Total Revenues	1,421,270	1,314,692	1,320,009
Expenses			
Governmental Activities	\$ 939,287	\$ 943,865	\$ 977,049
Business-type Activities	323,947	322,406	320,167
Total Expenses	1,263,234	1,266,271	1,297,216
Capital Assets			
Governmental Activities	\$ 4,020,877	\$ 3,864,102	\$ 3,762,636
Business-type Activities	2,080,290	2,047,433	1,991,143
Total Capital Assets	6,101,167	5,911,535	5,753,779
Long-Term Obligations			
Governmental Activities	\$ 1,651,522	\$ 1,636,879	\$ 1,531,675
Business-type Activities	822,587	889,533	898,630
Total Long-Term Obligations	2,474,109	2,526,412	2,430,305

Governmental Activities: general government, public safety (police, fire and municipal court), public works, neighborhood development, health, culture and recreation, convention facilities, and economic development

Business-type Activities: water system, sanitary sewer and stormwater system, and aviation

Net Assets

The Balance Sheet, known as the Statement of Net Assets in governmental financial statements, presents information concerning the City's assets and liabilities with the difference between the two reported as *net assets*. Increases and decreases in net assets serve as an indicator of the City's financial position and of the results of the City's operations.

The assets of the City exceeded its liabilities at the close of fiscal year 2011 by \$4.55 billion. Of this amount, \$135.4 million is considered unrestricted. At the end of the prior fiscal year, assets exceeded liabilities by \$4.39 billion (as restated) indicating that the government maintained its financial position during the year. The largest portion of the City's net assets, \$4.28 billion or 94.0%, consists of its investment in capital assets (*land, buildings, land improvements, monuments and fountains, machinery and equipment, and infrastructure*) less any related debt (*borrowings*) used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Therefore, even though the City's investment in capital assets is reported net of related debt, the resources needed to repay debt cannot come from the capital assets themselves and must be provided from other sources.

Statement of Net Assets						
<i>(in thousands)</i>						
	Governmental Activities		Business-type Activities		Total	
	2010-11	2009-10 as restated	2010-11	2009-10	2010-11	2009-10 as restated
Current and Other Assets	\$ 677,438	\$ 723,301	\$ 453,913	\$ 496,221	\$ 1,131,351	\$ 1,219,522
Capital Assets	4,020,877	3,864,102	2,080,290	2,047,433	6,101,167	5,911,535
Total Assets	4,698,315	4,587,403	2,534,203	2,543,654	7,232,518	7,131,057
Deferred Outflows	17,849	15,053	-	-	17,849	15,053
Long-term Liabilities Outstanding	1,651,522	1,636,879	822,587	889,533	2,474,109	2,526,412
Other Liabilities	198,536	183,112	26,504	42,480	225,040	225,592
Total Liabilities	1,850,058	1,819,991	849,091	932,013	2,699,149	2,752,004
Deferred Inflows	1,258	2,182	-	-	1,258	2,182
Net Assets:	\$ 2,864,848	\$ 2,780,283	\$ 1,685,112	\$ 1,611,641	\$ 4,549,960	\$ 4,391,924
Investment in Capital Assets, net of Related Debt	\$ 2,866,915	\$ 2,741,689	\$ 1,410,030	\$ 1,379,917	\$ 4,276,945	\$ 4,121,606
Restricted	17,937	18,077	119,715	98,922	137,652	116,999
Unrestricted	(20,004)	20,517	155,367	132,802	135,363	153,319
Total Net Assets	\$ 2,864,848	\$ 2,780,283	\$ 1,685,112	\$ 1,611,641	\$ 4,549,960	\$ 4,391,924

An additional portion of the City's net assets, or \$137.7 million, represents resources that are subject to external restrictions as to how they may be used as noted in the table above. The remaining balance of unrestricted net assets, or \$135.4 million, may be used to meet the government's ongoing obligations to citizens and creditors. It is important to note, however, that the total unrestricted net assets of the City's business-type activities, or \$155.4 million, *may not* be used to fund governmental activities. Total net assets of the City increased by \$158.0 million or 3.6% due to the continued investment in capital assets by both the governmental and business-type activities, including in large part, the capital improvement programs of the Water Services Department for improvements and extensions to water and sewer lines. Also, a ten percent increase in water rates and a fifteen percent increase in sewer rates contributed to the \$22.6 million increase in unrestricted net assets of the business-type activities.

Revenues

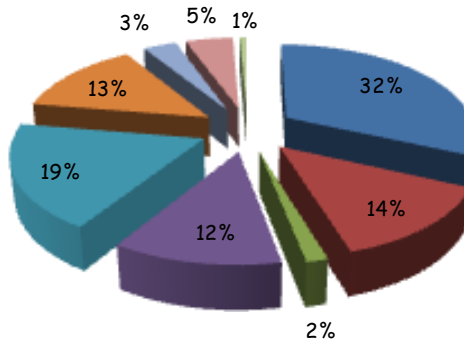
Where does the Money come from?

Total Revenues - Governmental Activities		
<i>(in thousands)</i>		
	2010-11	2009-10
Program Revenues		
Charges for Services	\$ 325,460	\$ 278,146
Operating Grants and Contributions	138,770	81,669
Capital Grants and Contributions	15,843	16,748
General Revenues		
Property Taxes	123,155	109,661
Earnings and Profits Taxes	191,425	178,950
Sales Taxes	137,820	139,076
Hotel and Restaurant Taxes	34,751	31,864
Other Taxes	49,525	103,050
Investment Earnings	7,103	8,299
Total Revenues	\$ 1,023,852	\$ 947,463

Revenues-Governmental Activities

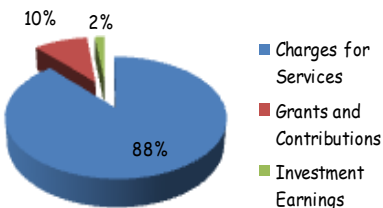
For Fiscal Year Ended April 30, 2011

- Charges for Services
- Operating Grants and Contributions
- Capital Grants and Contributions
- Property Taxes
- Earnings and Profits Taxes
- Sales Taxes
- Hotel and Restaurant Taxes
- Other Taxes
- Investment Earnings



Revenues-Business-type Activities

For Fiscal Year Ended April 30, 2011



Total Revenues - Business-type Activities

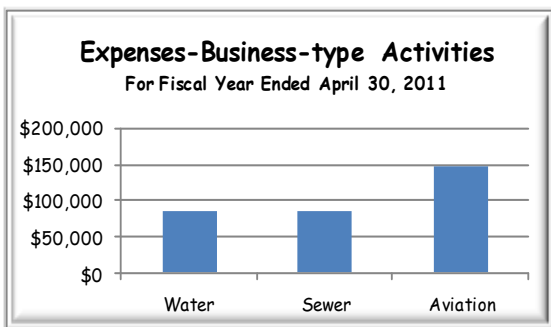
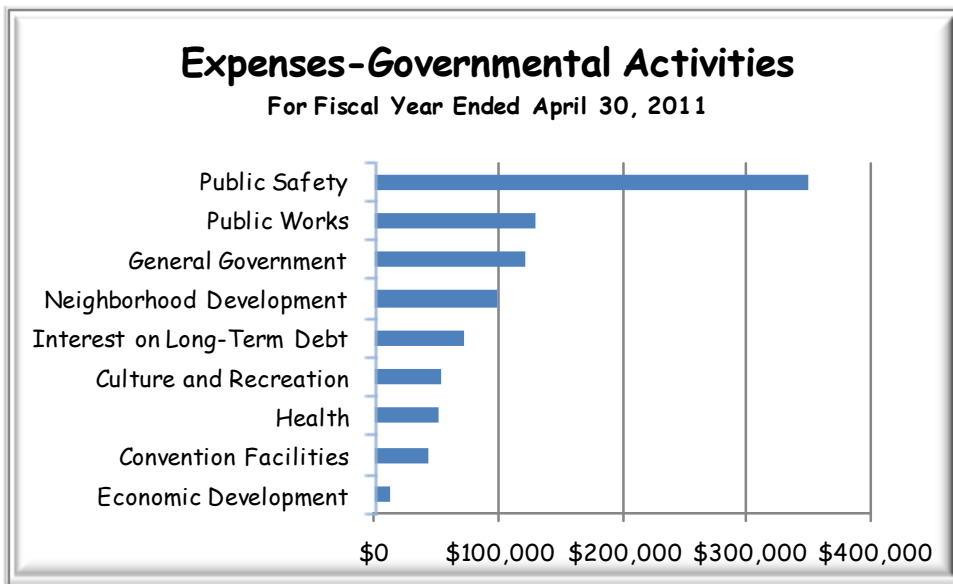
(in thousands)

	2010-11	2009-10
Program Revenues		
Charges for Services	\$ 351,593	\$ 304,392
Operating Grants and Contributions	265	316
Capital Grants and Contributions	38,482	52,723
General Revenues		
Investment Earnings	7,078	9,798
Total Revenues	\$ 397,418	\$ 367,229

Expenses

Where does the Money go?

Total Expenses - Governmental Activities		
<i>(in thousands)</i>		
	2010-11	2009-10
Expenses		
Public Safety	\$ 350,145	\$ 314,546
Public Works	129,398	152,661
General Government	121,989	107,350
Neighborhood Development	99,172	90,620
Interest on Long-Term Debt	73,400	74,349
Culture and Recreation	54,601	51,318
Health	52,844	66,924
Convention Facilities	42,942	35,543
Economic Development	13,591	49,359
Unallocated Depreciation	1,205	1,195
Total Expenses	\$ 939,287	\$ 943,865



Total Expenses - Business-type Activities		
<i>(in thousands)</i>		
	2010-11	2009-10
Expenses		
Water	\$ 84,305	\$ 80,226
Sewer	86,576	86,176
Aviation	147,155	154,376
Airport Special Facility	5,911	1,628
Total Expenses	\$ 323,947	\$ 322,406

Capital Assets

What do we Own?

The City needs more than just dollars to provide its citizens with services, and as such, many types of assets are required to keep the City performing and delivering its various services.

The City's investment in capital assets, net of related debt, for governmental and business-type activities as of April 30, 2011 amounted to \$4.3 billion, which was a total increase of 3.8%. This investment in capital assets includes land, buildings, improvements, machinery and equipment, land improvements, monuments, fountains and other works of art, street surfacing, bridges and culverts, curbs, sidewalks, street lighting, traffic signals, signage, retaining walls and guard rails.

Governmental capital asset additions equated to \$156.8 million, mainly due to the following:

- ❖ \$22.4 million - Performing Arts Center garage
- ❖ \$10.3 million - Public Safety Radio System
- ❖ \$9.3 million - Parks and trails
- ❖ \$7.4 million - MAST vehicles, machinery and equipment
- ❖ \$5.1 million - Energy efficiencies in City buildings
- ❖ \$3.3 million - Zoo projects
- ❖ \$99.0 million - General Infrastructure

Business-type capital asset additions equated to \$32.9 million, mainly due to the following:

- ❖ \$37.3 million - Water utility lines and improvements
- ❖ \$22.2 million - Sewer utility lines and improvements
- ❖ Offset by a (\$26.6) million decrease due to depreciation of Aviation assets

Capital Assets

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010-11	2009-10 as restated	2010-11	2009-10	2010-11	2009-10 as restated
Land/Permanent Right of Way	\$ 339,873	\$ 326,265	\$ 51,791	\$ 51,686	\$ 391,664	\$ 377,951
Works of Art	74	-	-	-	74	-
Buildings and Improvements	1,135,668	1,111,224	1,096,052	1,063,530	2,231,720	2,174,754
Monuments and Fountains	121,526	121,317	-	-	121,526	121,317
Temporary Right of Way	558	622	-	-	558	622
Land Improvements	201,059	188,050	-	-	201,059	188,050
Machinery and Equipment	164,933	153,450	197,131	205,040	362,064	358,490
Infrastructure-Modified	2,074,380	2,052,957	-	-	2,074,380	2,052,957
Infrastructure-Depreciated	155,937	142,370	1,717,383	1,512,918	1,873,320	1,655,288
Accumulated Depreciation	(532,138)	(481,795)	(1,130,785)	(1,067,768)	(1,662,923)	(1,549,563)
Construction in Progress	359,007	249,642	148,718	282,027	507,725	531,669
Total Capital Assets	\$ 4,020,877	\$ 3,864,102	\$ 2,080,290	\$ 2,047,433	\$ 6,101,167	\$ 5,911,535

Capital Assets: Assets with a cost greater than the threshold noted below and an estimated useful life of more than one year.

*Land, Equipment, Vehicles, Buildings,
Infrastructure and Monuments: \$5,000
Land Improvements: \$25,000
Building Improvements: \$100,000*

Infrastructure-Modified Condition Assessment

Overall Condition Level	2011	2010	2009
Roadway System	78.13%	81.59%	83.80%
Bridges	76.32%	76.56%	76.56%
Street Lighting	92.68%	92.08%	93.10%



City's Credit

How's our Credit?

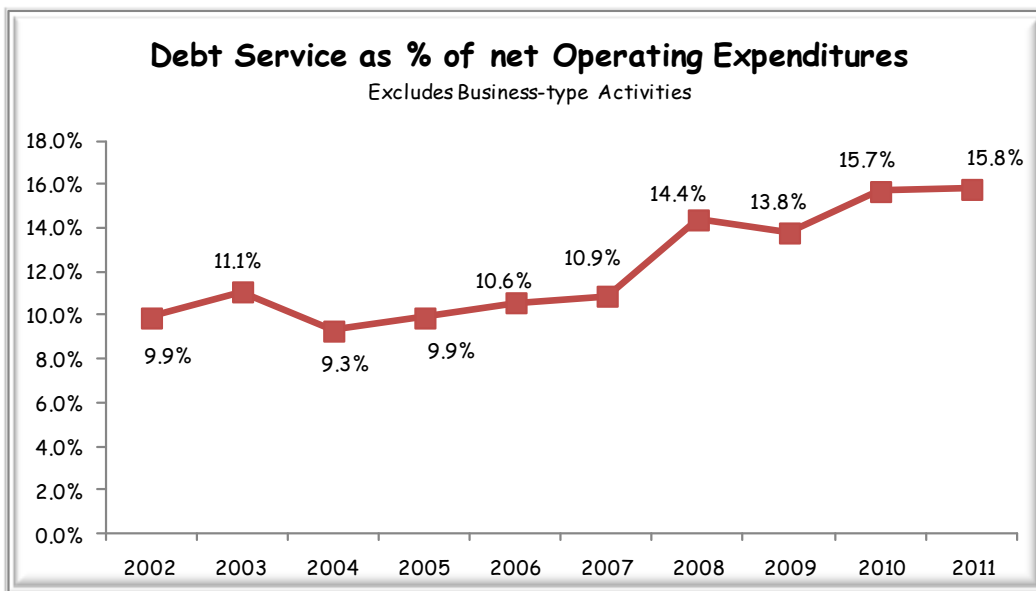
External credit ratings are very important and have a direct influence on the City's ability to do the following:

- minimize borrowing costs - a stated objective of the City's Debt Policy
- successfully borrow money to complete the acquisition and construction of long-lived capital assets.

Each of the City's bond types has a separate and distinct credit rating. Below is a table listing the most recent credit ratings, as of the fiscal year ended April 30, 2011.

City's Bond Credit Ratings			
as of April 30, 2011			
Type of Bonds Issued	Moody's Rating	Standard and Poor's Rating	Fitch's Rating
General Obligation Bonds	Aa2	AA	AA
Kansas City, Missouri Special Obligation Bonds	A1	AA-	A+
Water Revenue Bonds	AA2	AA+	Not Rated
Sewer Revenue Bonds	AA2	AA	Not Rated
Airport Revenue Bonds (Senior Lien Bonds)	A2	A+	A
Airport Revenue Bonds (Subordinate Lien Bonds)	A3	A	A-
Airport Passenger Facility Bonds	A3	A	A

During fiscal year 2011, out of every dollar spent by the City for Governmental activities, 15.8% was spent on debt expenditures for principal and interest.



Investments

How Safe is our Money?

★★★★★★★★★★
Types of Risk
 ★★★★★★★★★★

◆**Interest Rate Risk** - the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates.

◆**Credit Risk** - the risk that the City will not recover its investments due to the inability of the counterparty to fulfill its obligation.

◆**Custodial Credit Risk** - the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party (i.e. the City's safekeeping institution).

★★★★★★★★★★★★★★★★★★★★
Ways the City mitigates Risk
 ★★★★★★★★★★

◆**Interest Rate Risk** - to limit its exposure to fair value losses arising from rising interest rates, the City's Investment Policy limits the final maturity on any security owned to a maximum of five years.

◆**Credit Risk** - in order to prevent over concentration by investment type, the City's Investment Policy provides for diversification of its portfolio.

◆**Custodial Credit Risk** - the City's Investment Policy requires that all funds on deposit with any financial institution be secured with collateral securities in an amount equal to at least 102 percent of the deposit less any amount insured by the FDIC. The policy also requires that all investment securities be held in the City's name in the City's safekeeping account at its safekeeping institution.

Cash and Investments	
<i>(in thousands)</i>	
Deposits	\$ 39,099
Investments	785,546
Trustee Accounts	106,025
Imprest Funds	49
Total	\$ 930,719

The deposits and investments of the City are reflected in the financial statements as follows:

<i>(in thousands)</i>	
Cash and Short-term Investments	\$ 608,063
Restricted Cash and ST Investments	322,656
Total	\$ 930,719

The fair value of the City's investments as of April 30, 2011 is displayed below.

Investments	
<i>(in thousands)</i>	
Investment Type	Fair Value
<i>Pooled Investments:</i>	
US Treasury Notes/Bonds	\$ 134,946
US Agency Discounts	22,995
US Agencies - Noncallable	404,039
US Agencies - Callable	127,249
Total Pooled	\$ 689,229
<i>Non-Pooled Investments:</i>	
US Agency Discounts	3,249
US Agencies - Noncallable	73,878
US Agencies - Callable	19,190
Total Non-Pooled	\$ 96,317
Grand Total	\$ 785,546



Investment Type	Fair Value	Notes	Moody's/S&P Ratings
US Treasury Securities	\$ 134,946	US Government	Aaa/AAA
US Agency Securities	650,600	US Agency	Aaa/AAA
Total	\$ 785,546		

Ratios/Trends

How are we doing?

Looking at key financial ratios and trends over several years enables the City to have a clearer picture of where it has been and where it is going.

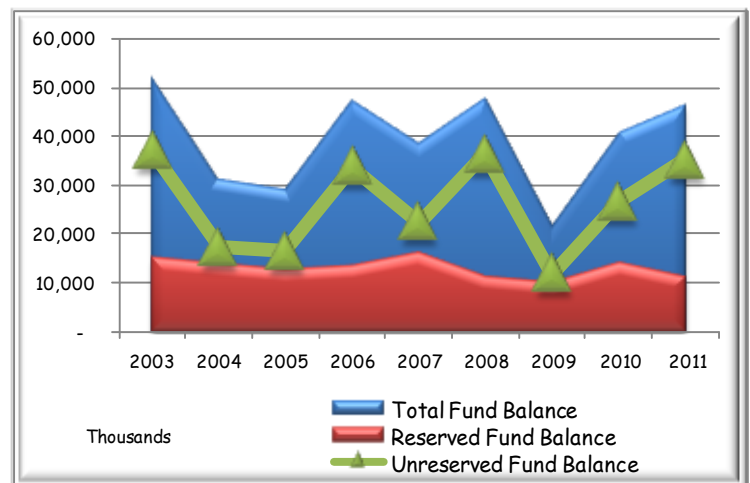
	How are we doing?	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
◆ Total Margin Ratio	☺	1.16	1.10	1.06	0.96	1.02	1.06	0.98	1.00	1.09
◆ % Change in Net Assets	☺	4.8%	3.1%	2.0%	-1.7%	0.9%	2.2%	-0.7%	0.1%	3.0%
◆ Quick Ratio	☺	3.69	3.72	5.30	4.39	4.23	3.80	1.48	1.59	2.31
◆ Net Assets Ratio	☹	0.68	0.46	0.34	0.21	0.20	0.24	0.04	0.02	(0.01)
◆ Debt to Assets Ratio	☺	0.16	0.17	0.29	0.30	0.33	0.33	0.32	0.33	0.33
◆ Capital Assets Condition Ratio	☺	0.62	0.62	0.61	0.64	0.64	0.75	0.74	0.72	0.70

- ◆ Total Margin Ratio focuses on whether the government lived within its financial means during the fiscal year. A ratio of 1.0 or higher is desired.
- ◆ % Change in Net Assets focuses on the extent to which the financial position improved or deteriorated. A positive percentage change is desired.
- ◆ Quick Ratio focuses on the ability to meet short-term obligations and is a measure of the government's liquidity. A ratio of 1.0 or higher is desired. Note: ratio includes receivables.
- ◆ Net Assets Ratio focuses on the ability to meet long-term obligations and is a measure of the government's solvency. A high ratio is desired.
- ◆ Debt to Assets Ratio focuses on the extent to which total assets are financed with long-term debt and is a measure of the government's leverage. A lower ratio is desired as a high ratio implies an over reliance on debt for financing assets.
- ◆ Capital Assets Condition Ratio focuses on the condition of capital assets in relation to the remaining useful life. A high ratio is desired as it implies the government is investing in capital assets.

Note: The data used to calculate the ratios above is taken from each fiscal year's CAFR and as such does not reflect any restatements that may have occurred in subsequent years.

Overall Summary: After the economic downturn in 2008, the local government of the City of Kansas City, Missouri has been improving its overall condition and is living within its financial means, increasing its net assets, improving its liquidity and will be able to pay its obligations when due.

General Fund			
<i>(in thousands)</i>			
	Fund Balance	Reserved	Unreserved
2003	52,014	15,112	36,902
2004	31,128	13,855	17,273
2005	29,022	12,696	16,326
2006	47,136	13,428	33,708
2007	38,376	16,077	22,299
2008	47,587	11,272	36,315
2009	21,763	10,115	11,648
2010	40,557	14,058	26,499
2011	46,270	11,164	35,106



CITY OF FOUNTAINS
HEART OF THE NATION



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