

New Issue  
Book-Entry Only

Ratings: Fitch: A+  
Moody's: A1  
Standard & Poor's: A+  
See "RATINGS" herein

*In the opinion of Bryan Cave LLP LLC, Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excludable from gross income for purposes of federal income tax purpose. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Interest on the Bonds is exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, except as otherwise described herein. See "Tax Exemption" herein.*

**CITY OF KANSAS CITY, MISSOURI**  
**\$28,580,000**  
**General Improvement Airport Refunding Revenue Bonds,**  
**Series 2008A**

**Dated: Date of Issuance**

**Due: September 1, as shown below**

The General Improvement Airport Refunding Revenue Bonds, Series 2008A (the "Bonds") will be issued in book-entry form with a single global bond certificate for each series and maturity of the Bonds. The Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Bonds.

Principal of and semiannual interest on the Bonds will be paid from moneys available therefore as described under "Bondowner Payments" herein, by the City to UMB Bank, N.A., Kansas City, Missouri, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the bondowner, such payments will be made directly to such bondowner. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners. Principal of the Bonds will be payable on each September 1 in the years shown below. Interest on the Bonds will be payable on each March 1 and September 1, beginning on March 1, 2009.

**The Bonds are not subject to redemption.**

**The Bonds are revenue obligations of the City of Kansas City, Missouri (the "City"), payable solely from revenues derived and to be derived by the City from the operations of the City's airports, including Kansas City International Airport, Charles B. Wheeler Downtown Airport and any other airport hereafter owned and operated by the City. Upon the issuance of the Bonds and the payment and redemption of the Series 1997A Bonds, the Bonds will be on a parity with five other series of outstanding general improvement airport revenue bonds for a total aggregate principal amount of Parity Bonds of \$198,465,000. The Bonds will not constitute general obligations of the City and will not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.**

**The Bonds are subject to certain risks. See the caption "BONDHOLDERS' RISKS" herein.**

**MATURITY SCHEDULE**

<u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2010	\$235,000	4.000%	2.650%	484890JY5	2013	\$12,000,000	5.000%	3.630%	484890KB3
2011	250,000	4.000%	3.150%	484890JZ2	2014	3,620,000	4.000%	3.810%	484890KE7
2012	1,470,000	4.000%	3.400%	484890KA5	2014	10,000,000	5.000%	3.810%	484890KC1
2013	1,005,000	4.000%	3.630%	484890KD9					

The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Bryan Cave LLP, Kansas City, Missouri, Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney and certain disclosure matters will be passed on by Gilmore & Bell, P.C. and The Martinez Law Firm, LLC, Co-Disclosure Counsel to the City. It is expected that the Bonds will be available for delivery at the Depository Trust Company in New York, New York on or about September 3, 2008.

**PiperJaffray®**

**Edward Jones**

**Loop Capital Markets, LLC**

**Backstrom, McCarley, Berry & Co., LLC**

**Valdés & Moreno, Inc.**

The date of this Official Statement is August 13, 2008.

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

**No dealer, broker, salesman or other person has been authorized by the City or the Underwriters to give any information or to make any representations with respect to the Bonds offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.**

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**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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**THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION.**

This Official Statement will be posted on internet web site of i-Deal Prospectus, a service mark of i-Deal LLC, located at <http://www.i-dealprospectus.com>. Information in the Official Statement can be relied upon only if downloaded in its entirety from such website or if obtained in original, bound format.

### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

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Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "project," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE CITY NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**CITY OF KANSAS CITY, MISSOURI**  
**City Hall**  
**414 East 12<sup>th</sup> Street**  
**Kansas City, Missouri 64106**

**ELECTED OFFICIALS**

**MAYOR**

Mark Funkhouser

**CITY COUNCIL MEMBERS**

**Council Members-at-Large**

District 1 Deb Hermann  
District 2 Ed Ford  
District 3 Melba Curls  
District 4 Beth Gottstein  
District 5 Cindy Circo  
District 6 Cathy Jolly

**District Council Members**

District 1 Bill Skaggs  
District 2 Russ Johnson  
District 3 Sharon Sanders Brooks  
District 4 Jan Marcason  
District 5 Terry Riley  
District 6 John A. Sharp

**CITY ADMINISTRATIVE OFFICIALS**

**CITY MANAGER**

Wayne A. Cauthen

**CITY ATTORNEY**

Galen Beaufort, Esq.

**DIRECTOR OF FINANCE (Acting)**

Wanda Gunter

**CITY CLERK**

Vickie Thompson

**DIRECTOR OF AVIATION**

Mark VanLoh

**CO-FINANCIAL ADVISORS**

First Southwest Company  
Dallas, Texas

Moody Reid  
Kansas City, Missouri

**BOND COUNSEL**

Bryan Cave LLP  
Kansas City, Missouri

**CO-DISCLOSURE COUNSEL TO THE CITY**

Gilmore & Bell, P.C.  
Kansas City, Missouri

The Martinez Law Firm, LLC  
Liberty, Missouri

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## OFFICIAL STATEMENT

### CITY OF KANSAS CITY, MISSOURI

**\$28,580,000**

### **General Improvement Airport Refunding Revenue Bonds, Series 2008A**

#### INTRODUCTION

*This introduction, is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.*

#### **Purpose of the Official Statement**

The purpose of this Official Statement is to furnish information relating to (1) the City of Kansas City, Missouri (the "City") and (2) the City's General Improvement Airport Refunding Revenue Bonds, Series 2008A (the "Bonds"), to be issued in the principal amount of \$28,580,000.

#### **The City**

The City is a constitutional charter city and political subdivision of the State of Missouri. The City owns and operates a revenue producing airport system serving the City and its inhabitants. See the caption "**THE CITY**" herein.

#### **The Bonds**

The Bonds are being issued pursuant to the provisions of Section 27 of Article VI of the Constitution of the State of Missouri and the Charter of the City. The Bonds are being issued to refund the outstanding General Improvement Airport Revenue Bonds, Series 1997A maturing in the years 2009 through 2014 (the "Refunded Bonds") and to pay the costs of issuing the Bonds. The Bonds are being issued pursuant to an Ordinance adopted by the City Council of the City on July 24, 2008 (the "Ordinance").

#### **Authority for Issuance**

On August 8, 2000, the City held an election, at which election the qualified voters of the City approved the City's issuance of up to \$395,000,000 principal amount of airport revenue bonds to be payable solely from the revenues derived by the City from the operation of its airports, including all future improvements and extensions thereto, for the purpose of paying the cost of extending and improving the airports owned and operated by the City, including runways, terminal buildings and related facilities. The City has issued \$154,584,000 of general airport revenue bonds of the 2000 authorization leaving \$240,416,000 of 2000 voted authorization, and intends to issue the balance of the authorization in future financings. **Since the Bonds are refunding bonds, no voted authorization will be used for the issuance of the Bonds.**

#### **Security and Source of Payment**

The Bonds will be special limited obligations of the City payable solely from the net income and revenues derived by the City from the operation of the City's airports after payment of costs of operation and maintenance, and from amounts in the respective bond reserve account for each series of Bonds. The City had outstanding six series of general improvement airport revenue bonds in the aggregate outstanding principal amount as of July 1, 2008, of \$199,380,000 payable on a senior lien basis from the revenues of the City's airports as described in this Official Statement. Upon the issuance of the Bonds and the redemption of the Series 1997A Bonds, the Bonds will

be on a parity with five other series of outstanding general improvement airport revenue bonds for a total aggregate outstanding principal amount of \$198,465,000. One series of the outstanding general improvement airport revenue bonds, in the aggregate principal amount of \$54,005,000 is payable from the revenues of the City's airports on a subordinated basis to the Bonds. The City has the right under the Ordinance to issue additional bonds on a parity with the Bonds payable from the same sources and secured by the same revenues as the Bonds, but only in accordance with and subject to the terms and conditions set forth in the Ordinance. The taxing power of the City is not pledged to the payment of the Bonds or the interest thereon. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**" herein.

### **Financial Statements**

Audited financial statements of the City's Airports Fund, as of and for the fiscal years ended April 30, 2006, and 2007, are included in *Appendix A* to this Official Statement. These financial statements have been audited by KPMG LLP, Kansas City, Missouri, certified public accountants, to the extent and for the periods indicated in their report which is also included in *Appendix A* hereto. KPMG LLP is currently working on the audit of the City's Airports Fund for the fiscal year that ended April 30, 2008.

### **Bondholders' Risks**

Payment of the principal of and interest on the Bonds is dependent on revenues to be derived by the City from the operation of the City's airports. Certain risks inherent in the production of such revenues are discussed herein. See the caption "**BONDHOLDERS' RISKS**" herein.

### **Summary of the Ordinance**

A summary of the Ordinance, including definitions of certain words and terms used herein and in the Ordinance, is included in *Appendix B* to this Official Statement. Such summary and definitions do not purport to be comprehensive or definitive. All references herein to the Ordinance are qualified in their entirety by reference to the Ordinance.

### **Continuing Disclosure**

The City will undertake pursuant to a Continuing Disclosure Undertaking, to provide certain annual financial information and notices of the occurrence of certain material events. The form of the Continuing Disclosure Undertaking is set forth in *Appendix D* to this Official Statement. To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertaking by the City to provide certain annual financial information and notices of occurrence of certain material events to Bondholders pursuant to its continuing disclosure agreements.

## **THE CITY**

The City was incorporated on June 3, 1850. The City is the central city of a 15-county Metropolitan Statistical Area (MSA), which includes Bates, Caldwell, Cass, Clay, Jackson, Platte, Clinton, Lafayette and Ray counties in the State of Missouri and Johnson, Franklin, Linn, Wyandotte, Leavenworth and Miami counties in the State of Kansas. The City is situated at the confluence of the Kansas and Missouri rivers on Interstate Highways I-29, I-35 and I-70. According to the City Planning and Development Department, the 2007 population estimates of the City and the Kansas City MSA are 450,375 and 1,985,429, respectively.

### **Available Information**

The City has entered into continuing disclosure agreements under SEC Rule 15c2-12, under which the City annually files its audited financial statements and certain other information with each nationally recognized

municipal securities information repository. Such financial statements and other information are available from the nationally recognized municipal securities information repositories. The SEC maintains a site on the World Wide Web at <http://www.sec.gov/info/municipal/nrmsir.htm>, which contains a listing of the nationally recognized municipal securities repositories. The City intends, but is not obligated, to file its continuing disclosure filings through Municipal Advisory Council of Texas's central post office system located on the World Wide Web at <http://www.disclosureusa.org>, where interested parties may obtain an index of filings made by the City through such service.

For information relating to the City's continuing disclosure undertakings in connection with the issuance of the Bonds, see the caption "**CONTINUING DISCLOSURE**" in this Official Statement.

### **Accounting Change for Other Postemployment Benefits**

In June 2004, the Governmental Accounting Standards Board ("**GASB**") issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. Specifically, the City is required to measure and disclose an amount for annual OPEB cost on the accrual basis for health benefits that will be provided to retired employees in future years. The disclosure requirement for the City begins with the fiscal year ending April 30, 2008.

The City's aggregate actuarial accrued liability (including Police uniformed and civilian) is \$181,732,457 and the corresponding annual required contribution (ARC) is \$18,172,240. For financial reporting purposes, the aggregate actuarial accrued OPEB liability and ARC (excluding Police uniformed and civilian) will be apportioned to both governmental and business-type activities (i.e., aviation, water, sewer, storm water and wastewater). The aviation department's actuarial accrued OPEB liability and ARC are \$10,167,048 and \$1,082,905, respectively.

### **Incorporation of Certain Documents by Reference**

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement therein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

## **THE CITY'S AIRPORTS**

### **General**

Kansas City presently owns and operates Kansas City International Airport (MCI) and the Charles B. Wheeler Downtown Airport (MKC) both of which are located within the city limits of Kansas City, Missouri. MCI is the principal airport serving the Kansas City air service area. MKC is a designated reliever airport for MCI and functions as one of the area's principal general aviation airports. MCI is located 18 miles north of the downtown Kansas City area and occupies approximately 10,573 acres. It is located adjacent to Interstate 29 and 435, providing convenient access to the metropolitan area. The land surrounding it in Platte County is zoned to maintain a compatible relationship between the airport and surrounding communities.

The general facilities at MCI consist of two north/south runways, one 10,801 feet long and the other 9,500 feet long, and an east/west runway 9,500 feet long. It has three terminal buildings providing over 1,000,000 square feet of space, a large aircraft maintenance facility formerly operated by TWA, which has now been assigned and

assumed by American Airlines, numerous support buildings such as equipment storage, cargo, post office, rental cars, hotel and a general aviation terminal, and 23,305 automobile parking spaces.

MKC opened in 1927 and served as the City's air carrier airport until 1972 when MCI opened. It is located adjacent to the downtown area on approximately 602 acres. The Missouri River forms three of its boundaries with the other being U.S. Highway 169.

MKC Airport is a primary reliever airport for MCI, serving the general aviation community with its two runways, one 7,000 feet long and oriented in a north/south direction and the other 5,052 feet long and oriented in a northeast/southwest direction. There is one fixed base operator at the airport providing hangar, tie-down, maintenance, training and fueling services. A college aircraft maintenance school and an historic aircraft restoration project also operate at MKC.

Mark VanLoh has been the Director of Aviation for the Kansas City Aviation Department for over four years. Mr. VanLoh oversees all aspects of the management, development, operation and maintenance of Kansas City International Airport and the Charles B. Wheeler Downtown Airport. He has 23 years experience in the aviation industry including serving as president and chief executive officer of the Chattanooga Metropolitan Airport Authority and commissioner of airports for Cleveland, Ohio. He also is an accredited member of the American Association of Airport Executives (AAAE) and serves on the Board of Directors for Airports Council International (ACI).

### **Capital Improvement Program**

The City, through its Aviation Department, has an ongoing major maintenance and capital improvement program for its two airports. The program is designed to ensure the continued availability of existing facilities and to develop improvements necessary to meet the increasing air travel demands of the region. Identification of maintenance projects comes from periodic reviews of facilities, field reports and a deferred maintenance schedule. Funding for these projects primarily comes from accumulated airport revenues and federal grants. MCI maintenance projects also are funded through the airport master planning process for each airport which typically examines a 20-year planning cycle. Capital projects also are identified through a review of the ability of specific areas to meet public demand levels for these facilities. Funding for capital improvement projects generally comes from accumulated airport revenues, federal grants and the issuance of bonds. The estimated costs of the capital improvement program anticipated to be funded for the City's fiscal years 2009 through 2013 for the City's two airports and Richards-Gebaur is approximately \$183 million and is anticipated to be funded by grants, PFCs, Aviation Department funds, the Bonds and other funds, which include Transportation Security Administration funds for security-related terminal projects, special facility bonds for improvements to the aircraft overhaul facility, and funds to be applied from the Deferred Maintenance Reserve Fund. It is anticipated that approximately \$97 million of these improvements will be funded from local sources.

The current major maintenance program for MCI consists of several airfield, building and roadway projects. Typical projects include airfield pavement repair and rehabilitation, terminal structural repairs and bridge deck replacement.

### **Outstanding General Improvement Airport Revenue Bonds**

Upon the issuance of the Bonds and the payment and defeasance of the Series 1997A Bonds, the City will have six series of Parity Bonds in the aggregate outstanding principal amount of \$198,465,000 that are secured on a parity with the Bonds and payable out of the Revenues derived from the operation of the Airports and deposited in the Kansas City Airports Fund.

The City also has \$54,005,000 of outstanding Subordinated Taxable Airport Revenue Bonds (Consolidated Airport Rental Car Facility), Series 2005C that were issued for the purpose of paying a portion of the costs of acquisition, construction and equipping of a consolidated rental car facility and related maintenance

and parking facilities and other facilities or equipment necessary to transport customers from the Kansas City International Airport Terminal to and from the consolidated rental car facility. Generally, the Junior Lien Bonds are payable solely from the Revenues derived from the operation of the Airports *after* payment of costs of operation and maintenance and *after* payment of debt service on the Bonds and the Parity Bonds. The Junior Lien Bonds are *junior and subordinate* with respect to the payment of principal, premium, if any, and interest from the Revenues derived by the City from the operation of the Airports and in all other respects to the Bonds and the Parity Bonds. See “**Application of Moneys in Fund and Accounts**” in *Appendix B* herein.

### **Airline Use and Lease Agreement**

A four-year Airline Use Agreement (“Agreement”) was executed between the Signatory Airlines and the City becoming effective May 1, 2005 and expiring April 30, 2009. Pursuant to the Agreement, the Signatory Airlines agree to pay to the City certain rentals, fees and charges, as described below:

1. Terminal Building Rent. The Agreement sets forth a “compensatory methodology” for the calculation of the terminal rental rate, whereby total terminal expenses attributed to the airlines for occupying the terminal is divided by the total usable terminal space. That amount is then multiplied by the leased space occupied by the Signatory Airlines. Included in the calculation of total terminal expenses charged to the airlines are direct operation and maintenance (O&M) expenses, debt service, debt service coverage requirements (if any), amortization and depreciation charges, expensed equipment and capital outlays, expensed capital maintenance projects and fund deposit requirements.

2. Terminal Apron Rent. The Agreement sets forth a “compensatory methodology” for the calculation of the terminal apron rate, whereby total apron expenses attributed to the airlines for occupying the apron is divided by the total apron space based on a linear foot basis. That amount is then multiplied by the linear apron space occupied by the Signatory Airlines. Included in the calculation of total apron expenses charged to the airlines are direct operation and maintenance (O&M) expenses, debt service, debt service coverage requirements (if any), amortization and depreciation charges, expensed equipment and capital outlays, expensed capital maintenance projects and fund deposit requirements.

3. Airfield Area Use Fee. The Agreement sets forth a “residual methodology” for the calculation of the airfield area use fee, whereby total airfield area use expenses attributed to the airlines for the using the airfield is divided by the estimated annual aircraft landed weight of signatory airlines. That amount is then multiplied by the total aircraft landed weight for each Signatory Airline. Included in the calculation of total apron expenses charged to the airlines are direct operation and maintenance (O&M) expenses, debt service, debt service coverage requirements (if any), amortization and depreciation charges, expensed equipment and capital outlays, expensed capital maintenance projects, fund deposit requirements, a maximum expense for the Charles B. Wheeler Downtown Airport.

4. Loading Bridge Fee. The Agreement sets forth a “residual methodology” for the calculation of the loading bridge fee, whereby total loading bridge expenses attributed to the airlines for using the loading bridges is divided by the total rented loading bridges. That amount is then multiplied by the loading bridges used by each Signatory Airline. Included in the calculation of total apron expenses charged to the airlines are direct operation and maintenance (O&M) expenses, expensed equipment and capital outlays, expensed capital maintenance projects and fund deposit requirements.

### **Federal Grants-in-Aid**

The Airport and Airway Improvement Act of 1982 created the Airport Improvement Program (“AIP”), which is administered by the FAA and funded by the Airport and Airway Trust Fund. This fund is financed by federal aviation user taxes, including passenger ticket taxes, fuel taxes and other fees. Grants are available to airport operators in the form of “entitlement” funds and “discretionary” funds. Entitlement funds are apportioned

annually based upon enplaned passengers and landed weight of all-cargo aircraft. Discretionary funds are available at the discretion of the FAA based upon a national priority system.

The City has relied heavily on AIP grants to fund many of its capital improvement projects, including the cost of rehabilitating runways and taxiways, aircraft rescue and firefighting equipment, and costs associated with passenger security. Normally, AIP grants will fund between 75% to 90% of such capital improvement projects. At Fiscal Year End 2007, the City had nine AIP grants open.

On February 29, 2008, H.R. 5270, the Airport and Airway Extension Act, was signed into law extending the FAA's AIP contract authority through September 30, 2008. However, this legislation also instructed the FAA to treat its AIP funding formulas, including carryover funding, as being only 75% whole. On June 30, 2008, H.R. 6327, the FAA Extension Act of 2008, was signed into law granting an extension of FAA programs and taxes through September 30, 2008. H.R. 6327 removed the above-referenced AIP funding formula limitation, making 100% of AIP funds available to airport operations. No assurance can be given that AIP grants will actually be received in amounts or at times contemplated by the City.

### **Passenger Facility Charges (PFCs)**

In 1990, the United States Congress enacted the Aviation Safety and Capacity Expansion Act ("ASCEA") of 1990, which allows public agencies controlling commercial service airports to charge eligible enplaning passengers at the airport a \$1, \$2, or \$3 passenger facility charge, or PFC. In 2000, the U.S. Congress passed the Aviation Investment and Reform Act for the 21<sup>st</sup> Century ("AIR-21"), which allowed airports to levy a PFC of \$4.00 or \$4.50 per eligible enplaned passenger.

The proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. The annual amount of PFC Revenue payable to the City thus depends upon the number of passenger enplanements at MCI and the level of the PFC charged. The PFC Act requires air carriers and their agents to collect the PFCs and to remit to the City once each month the proceeds of such collections, less a handling fee.

Since the ASCEA authorization, the City has submitted a total of five applications, two of which were submitted in FY05. In June 2004, the City submitted a PFC application to amend seven (7) previously approved PFC projects by \$34,198,367 and to request authority to collect \$4,066,500 in PFCs for a new project (Reconstruct Runway 1/19-MKC). The application extended the estimated PFC collection end date to December 1, 2017. Approval for this PFC application was received from the Federal Aviation Administration (FAA) on October 8, 2004.

In August 8, 2006, the City received approval on a PFC application to decrease collection authority for one (1) previously approved project (Land Acquisition) by \$5,015,007 and to request authority to collect \$52,897,342 in PFCs for thirteen (13) new projects. This application also requested increasing the PFC collection rate from \$3.00 to \$4.50 per eligible enplaning passenger and revised the PFC collection end date to February 1, 2017.

The authority to impose and use PFCs is subject to the terms and conditions of federal statutes and regulations. Failure to comply with the requirements of applicable law, such as the failure to use PFCs strictly for approved PFC-eligible projects, may cause the FAA to terminate or reduce the City's authority to impose and collect PFCs.

The act authorizing PFCs provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFCs separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. The airlines,

however, are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFCs until such PFCs are remitted. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the City cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by airlines operating at the Airports. It is possible that the City could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the City cannot predict whether the airline that files for bankruptcy protection would have properly accounted for the PFCs owed to the City or whether the bankruptcy estate would have sufficient funds to pay the City in full for the PFCs owed by such airline.

### **Passenger Facility Charge Revenue Bonds**

In 2001, the City issued \$140,000,000 Passenger Facility Charge Revenue Bonds, Series 2001 for the purpose of paying a portion of the costs of the design and construction of terminal improvements at MCI (the "Series 2001 Bonds"). The Series 2001 Bonds are not payable out of the Revenues derived from the operation of the Airports, but are secured by and payable solely out of PFC Revenue and deposited in the PFC Revenue Fund created by the Series 2001 Ordinance.

### **SUMMARY AIRPORT SYSTEM REVENUE AND EXPENSES**

The following table presents a summary of historical statements of revenue and expenses of the Airports for the City's last five fiscal years, which information was derived from the City's Comprehensive Annual Financial Report, and one year of unaudited figures. The table also shows the Net Revenues available for Debt Service, Debt Service and the Debt Service Coverage Ratio for the Parity Bonds.

**Aviation Department  
Kansas City, Missouri**

**HISTORICAL GARB DEBT SERVICE COVERAGE  
For Fiscal Years Ending April 30**

	2003	2004	2005	2006	2007	2008 (unaudited)
<b>Revenues:</b>						
Airfield	\$10,204,660	\$10,228,110	\$10,038,968	11,662,094	13,017,561	14,233,443
Terminal	11,237,347	10,969,892	12,273,098	14,707,359	14,460,030	16,156,133
Parking	31,654,833	33,089,817	34,450,836	35,606,188	40,032,941	43,828,860
Rental Cars	7,290,691	7,864,913	7,829,509	8,372,860	8,817,410	10,695,864
Aviation Services Area	3,782,221	3,559,507	2,679,955	4,594,393	10,576,261	9,728,175
Other Property Rentals/Other Revenue	3,216,692	2,299,644	2,396,089	2,440,441	2,961,357	4,608,426
Customer Facility Charges	5,792,046	5,886,939	5,976,731	6,147,691	6,456,360	6,809,736
Transportation Facility Charges	-	-	-	1,760,366	4,296,620	4,540,222
Interest Earnings	3,900,572	4,137,949	3,127,290	6,645,437	10,710,543	10,898,192
<b>Total Revenues</b>	<b>\$77,079,062</b>	<b>\$78,036,771</b>	<b>\$78,772,476</b>	<b>\$91,936,829</b>	<b>\$111,329,083</b>	<b>\$121,499,052</b>
Cash Provided by Capitalized Interest	-	3,455,944	-	-	-	-
<b>Total Cash Available for Debt Service</b>	<b>\$77,079,062</b>	<b>\$81,492,715</b>	<b>\$78,772,476</b>	<b>\$91,936,829</b>	<b>\$111,329,083</b>	<b>\$121,499,052</b>
<b>O&amp;M Expenses:</b>						
Salaries, Wages & Benefits	\$22,365,738	\$21,120,771	\$22,168,647	\$24,007,384	\$25,022,038	\$25,599,308
Contractual Services	26,280,324	25,474,042	25,680,324	33,071,060	42,447,274	47,675,940
Utilities	-	-	-	-	-	-
Commodities & Supplies	2,485,170	2,616,891	2,621,999	2,977,198	4,012,999	4,325,309
Property & Liability Insurance	-	-	-	-	-	-
<b>Total O&amp;M Expenses</b>	<b>\$51,131,232</b>	<b>\$49,211,704</b>	<b>\$50,470,970</b>	<b>\$60,055,642</b>	<b>\$71,482,311</b>	<b>\$77,600,557</b>
<b>Net Revenues Available for Debt Service</b>	<b>\$25,947,830</b>	<b>\$32,281,011</b>	<b>\$28,301,506</b>	<b>\$31,881,187</b>	<b>\$39,846,772</b>	<b>\$43,898,495</b>
<b>Senior GARB Debt Service:</b>						
Series 1994A Bonds	\$3,085,095	\$3,093,020	\$-	\$-	\$-	\$-
Series 1995 Bonds	4,172,590	4,163,245	4,151,388	3,501,763	-	-
Series 1997A Bonds	1,619,395	1,619,395	1,619,395	1,619,395	1,619,395	1,619,395
Series 1999A Bonds	5,242,113	5,248,006	5,267,244	5,283,619	5,267,394	5,253,700
Series 2003A Bonds	-	3,660,381	3,504,620	3,504,620	3,504,620	3,504,620
Series 2003B Bonds	-	2,832,546	2,712,013	2,712,013	2,712,013	2,712,013
Series 2004E Bonds	-	-	976,453	1,861,963	1,872,988	1,884,538
Series 2005H Bonds	-	-	-	506,034	3,497,050	3,284,450
<b>Currently Outstanding GARBs</b>	<b>\$14,119,193</b>	<b>\$20,616,593</b>	<b>\$18,231,113</b>	<b>\$18,989,405</b>	<b>\$18,473,460</b>	<b>\$18,258,715</b>
<b>Senior GARB Coverage</b>	<b>1.84</b>	<b>1.57</b>	<b>1.55</b>	<b>1.68</b>	<b>2.16</b>	<b>2.40</b>
<b>Total GARB Debt Service:</b>						
Series 2000 Subordinate GARBs	\$740,000	\$740,000	\$740,000	\$-	\$-	\$-
Series 2005C Subordinate GARBs	-	-	-	2,647,595	2,888,285	5,827,910
Subtotal	\$740,000	\$740,000	\$740,000	\$2,647,595	\$2,888,285	\$5,827,910
<b>Total GARB Debt Service</b>	<b>\$14,859,193</b>	<b>\$21,356,593</b>	<b>\$18,971,113</b>	<b>\$21,637,000</b>	<b>\$21,361,745</b>	<b>\$24,086,625</b>
<b>Total GARB Coverage</b>	<b>1.75</b>	<b>1.51</b>	<b>1.49</b>	<b>1.47</b>	<b>1.87</b>	<b>1.82</b>

## PLAN OF REFUNDING

### General

The proceeds of the Bonds will be used to provide funds (a) to refund on a current basis the City's outstanding General Improvement Airport Revenue Bonds, Series 1997A, and (b) to pay the costs of issuing the Bonds as described herein.

Simultaneously with the issuance of the Bonds, the City will deposit with the Refunded Bonds Paying Agent, moneys sufficient to provide for the payment of the principal of and interest on the Refunded Bonds on September 4, 2008.

Set forth below is a schedule of the maturities of the Refunded Bonds:

### General Improvement Airport Revenue Bonds, Series 1997A (Dated November 15, 1994)

CUSIP Number	Interest Rate	Stated Maturity	Principal Amount
484890 GE2	5.30%	September 1, 2009	\$ 95,000
484890 GF9	5.30%	September 1, 2010	340,000
484890 GG7	5.40%	September 1, 2011	360,000
484890 GH5	5.40%	September 1, 2012	1,600,000
484890 GJ1	5.50%	September 1, 2013	13,190,000
484890 GK8	5.50%	September 1, 2014	13,910,000

### Sources and Uses of Funds

The following is a summary of the estimated sources of funds and the uses of such funds in connection with the plan of financing for the Bonds.

#### Sources of Funds:

Principal amount of the Bonds	\$28,580,000.00
Original Issue Premium	1,475,214.45
Amount transferred from the Series 1997A Reserve Fund	<u>2,900,000.00</u>
Total sources of funds	\$32,955,214.45

#### Use of Funds:

Transfer to 1997 Paying Agent for Refunding of Refunded Bonds	\$29,803,444.96
Deposit to Reserve Fund	2,858,000.00
Cost of Issuance	<u>293,769.49</u>
Total uses of funds:	\$32,955,214.45

## THE BONDS

### General Description

The Bonds will be dated as of the date of issuance and will be issued in book-entry form with a single global bond certificate for each series and maturity. Interest on the Bonds will be payable March 1, 2009, and semiannually thereafter each March 1 and September 1, to the owners of record on the close of business on the fifteenth calendar day (whether or not a business day) of the calendar month next preceding the applicable interest payment date ("Record Date"). Principal of and interest on the Bonds will be paid as described under the caption "Bondowner Payments." Bonds will mature in the amounts and on the dates shown on the cover page of this Official Statement. UMB Bank, N.A., Kansas City, Missouri, has been appointed to act as paying agent and

Paying Agent for the Bonds (the “Paying Agent”). See “**APPENDIX E: BOOK-ENTRY ONLY SYSTEM**” for a discussion of The Depository Trust Company and the book-entry system.

### **CUSIP Numbers**

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds, nor any error in the printing of such numbers, shall constitute cause for a failure or refusal by the purchaser of the Bonds to accept delivery of and pay for any Bonds.

**NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.**

**DURING THE PERIOD THAT DTC IS THE REGISTERED OWNER OF THE BONDS, ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE PAYING AGENT WILL BE GIVEN ONLY TO DTC. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE BENEFICIAL OWNERS. THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE PARTICIPANTS OR BY ANY PARTICIPANT TO THE BENEFICIAL OWNER. ANY FAILURE BY DTC TO ADVISE ANY PARTICIPANT OR BY ANY PARTICIPANT TO NOTIFY THE BENEFICIAL OWNER, OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.**

### **Bondowner Payments**

Principal and interest on the Bonds are to be paid by the Office of the Director of Finance of the City to UMB Bank, N.A. as the Paying Agent (the “Paying Agent”). The Paying Agent will transfer any such payments to the Depository for its nominee as registered owner of the Bonds on behalf of the Bondholders. Transfer of such payments to the Participants is the responsibility of the Depository. Transfer of such payments to Bondholders is the responsibility of the Participants.

### **Replacement Bonds**

The Depository will designate the Bonds as eligible securities under its by-laws and rules. Accordingly, the Ordinance provides for the issuance of Bond certificates (“Replacement Bonds”) directly to Bondholders, but only in the event the Depository shall resign or discontinue its services for the Bonds and, only if the City is unable to locate a qualified successor within two months following the resignation or determination of non-eligibility or the City determines that the interest of the Bondholders might be adversely affected if the book entry system of transfer is continued. In the event that a successor depository is unavailable, and upon the failure of a suitable replacement qualified to so act, the Paying Agent will issue and authenticate Replacement Bonds in certificated form. In such event, interest on the Replacement Bonds will be payable by check or draft mailed to each Bondowner by the Paying Agent, and the payment of principal of the Replacement Bonds will be paid upon presentment thereof to the Paying Agent.

### **Redemption**

The Bonds are not subject to redemption prior to their Stated Maturity.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are payable solely from revenues derived and to be derived by the City from the operation of the City's airports including Kansas City International Airport, Charles B. Wheeler Downtown Airport and any other airport now or hereafter owned and operated by the City (collectively, the "Airports"). The City has issued and, as of July 1, 2008, had outstanding seven series of revenue bonds payable out of the revenues derived from the operation of the Airports and deposited in the Kansas City Airports Fund:

	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding as of July 1, 2008</u>
Series 1997A <sup>(1)</sup>	\$ 29,495,000	\$ 29,495,000
Series 1999A	35,260,000	1,355,000
Series 2003A	76,955,000	76,955,000
Series 2003B	53,055,000	53,055,000
Series 2004E	25,835,000	24,035,000
Series 2005C (Subordinate)	57,020,000	54,005,000
Series 2005H	19,615,000	<u>14,485,000</u>
 Total		 \$253,385,000

<sup>(1)</sup> Series 1997A will be refunded from the proceeds of the Bonds.

Upon the redemption of the Series 1997A Bonds from the proceeds of the Bonds, the Series 1999A, 2003A, 2003B, 2004E and 2005H Bonds will be secured on a parity with the Bonds and payable out of the Revenues derived from the operation of the Airports and deposited in the Kansas City Airports Fund (the "Parity Bonds"). The Series 2005C Bonds are *junior and subordinate* with respect to the payment of principal, premium, if any, and interest from the Revenues derived by the City from the operation of the Airports and in all other respects to the Bonds and the Parity Bonds (the "Junior Lien Bonds"). See **"THE CITY'S AIRPORTS – Outstanding General Improvement Airport Revenue Bonds."**

THE BONDS WILL NOT BE OR CONSTITUTE A GENERAL OBLIGATION OF THE CITY, NOR WILL THEY CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION, LIMITATION OR RESTRICTION.

### Rate Covenant

The City has covenanted in the Ordinance that it will fix, establish, maintain and collect such reasonable rentals, rates, fees and charges for the use and occupancy of the Airports and of the services and facilities thereof as will produce revenues sufficient to pay the reasonable cost of operation and maintenance of the Airports, and to pay the principal of and interest on the Bonds as and when the same become due and to provide funds to meet all of the requirements of the Ordinance.

### Additional Bonds

The City has the right under the Ordinance to issue additional bonds on a parity with the Bonds payable from the same sources and secured by the same revenues as the Bonds, but only in accordance with and subject to the terms and conditions set forth in the Ordinance. The City is required to meet an earnings test before issuing the Bonds or any additional bonds on a parity with the Bonds. This earnings test requires that net revenues as hereinafter defined, for a period of 12 consecutive months out of the last 15 months immediately preceding the date on which the City Council finds and declares it advisable to issue additional revenue bonds, for so long as any of the Series 1999A Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2004E Bonds, the Series 2005H Bonds and the Bonds remain outstanding, (A) shall have been not less than one and twenty-five hundredths

(1.25) times the average annual fiscal year requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, and (B) the net revenues for such period when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue bonds proposed to be issued, for the first full year of operation of the facilities, shall equal not less than one and twenty-five hundredths (1.25) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding and also on the additional parity bonds proposed to be issued, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, said estimate to be made by the Airport Consultant and a copy sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the Bonds.

The average annual debt service requirements for principal and interest on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued shall, be calculated by dividing the aggregate debt service requirements on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued by the number of years remaining until the last of such bonds matures. The term "net revenues" for the purposes described in this paragraph is to be construed as gross revenues less only the reasonable expenses of operation, maintenance and repair of the City's Airports, but before any other payments or charges. For the purpose of calculating the average annual fiscal year debt service requirements on all of the City's outstanding general improvement airport revenue bonds as required by the tests described above, payments of principal and interest on all of the City's outstanding general improvement airport revenue bonds that will be junior and subordinate to the Bonds, if any, shall be excluded. If the City issues additional general improvement airport revenue bonds, the rentals, fees and charges derived by the City from the general facilities constructed or acquired with the proceeds of such additional revenue bonds shall accrue and be paid and credited to the "Kansas City Airports Fund". For the purposes of this paragraph, the term Airport Consultant means an independent airport consultant or firm of consultants or airport consulting engineer or firm of consulting engineers having a national reputation for skill and experience in the development, operation and management of airports.

### **Bond Reserve Accounts**

The City has established a reserve account for the payment of the principal of and interest on its bonds. A reserve account was established for payment of the Series 1997A Bonds, which fund secures only payment of the Series 1997A Bonds (and not the Bonds). The Series 1997 reserve account is currently funded in the maximum amount therefor of \$2,949,500. A reserve account was also established for payment of the Series 1999A Bonds, which fund secures only payment of the Series 1999A Bonds (and not the Bonds). The balance in the Series 1999A reserve account is funded in the maximum amount therefor of \$3,526,000. The debt service reserve requirement for the Series 2003A Bonds, the Series 2003B Bonds and the Series 2004E Bonds was satisfied by the deposit of a municipal bond debt service reserve fund policy issued by the Financial Guaranty Insurance Company. The reserve account for the Series 2005H Bonds was cash funded. The Reserve Account for the Bonds will be funded by a transfer of a portion of the funds on deposit in the Series 1997A Reserve Account.

The reserve account for each series of the bonds will be used to prevent any default in the payment of interest and principal on such series of the bonds as they become due if amounts in the Principal and Interest Account for such series of the bonds are inadequate to meet debt service requirements of such series of the bonds. The reserve account for a series of bonds is not available for the payment of interest or principal on any other series of bonds. The debt service reserve requirement may be satisfied by deposits in cash, Permitted Investments, or an insurance policy, letter of credit or surety bond issued by a qualified financial institution guaranteeing payments into each respective reserve account in the amount of the Maximum Bond Reserve Amount in accordance with the requirements of the Ordinance.

### **Future Financings**

The City does not currently anticipate issuing any additional general improvement airport revenue bonds during the next five years.

## DEBT SERVICE REQUIREMENTS

The following table shows the debt service requirements for the Bonds, the Parity Bonds and the Junior Lien Bonds.

Fiscal Year	GARB Debt <sup>(1)</sup>		Series 1997A Refunding		Series 2008A*		Outstanding Long-Term Debt PFC and Airport Revenue Bonds		Series 2001 (PFC)		% of Principal Retired
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2009	14,095,000	12,254,194		(809,698)		674,027	26,213,522	4,300,000	5,863,250	36,376,772	
2010	14,555,000	11,524,114	(95,000)	(1,616,878)		1,363,200	25,730,436	4,480,000	5,648,250	35,858,686	
2011	14,080,000	10,784,364	(340,000)	(1,605,350)	235,000	1,358,500	24,512,514	4,670,000	5,424,250	34,606,764	
2012	14,790,000	10,054,210	(360,000)	(1,586,620)	250,000	1,348,800	24,496,390	4,875,000	5,190,750	34,562,140	
2013	15,285,000	9,317,164	(1,600,000)	(1,533,700)	1,470,000	1,314,400	24,252,864	5,090,000	4,947,000	34,289,864	25.91%
2014	20,135,000	8,419,733	(13,190,000)	(1,127,775)	13,005,000	964,900	28,206,858	5,320,000	4,692,500	38,219,358	
2015	21,170,000	7,349,060	(13,910,000)	(382,525)	13,620,000	322,400	28,168,935	5,575,000	4,426,500	38,170,435	
2016	21,570,000	6,248,081					27,818,081	5,840,000	4,147,750	37,805,831	
2017	22,585,000	5,127,705					27,712,705	6,125,000	3,855,750	37,693,455	
2018	23,670,000	3,957,455					27,627,455	6,425,000	3,549,500	37,601,955	63.21%
2019	17,800,000	2,953,903					20,753,903	6,745,000	3,228,250	30,727,153	
2020	9,135,000	2,328,858					11,463,858	7,080,000	2,891,000	21,434,858	
2021	9,585,000	1,870,041					11,455,041	7,440,000	2,537,000	21,432,041	
2022	4,320,000	1,535,643					5,855,643	7,815,000	2,165,000	15,835,643	
2023	4,525,000	1,333,288					5,858,288	8,215,000	1,774,250	15,847,538	85.57%
2024	4,740,000	1,119,008					5,859,008	8,640,000	1,363,500	15,862,508	
2025	4,965,000	892,125					5,857,125	9,080,000	931,500	15,868,625	
2026	5,205,000	653,130					5,858,130	9,550,000	477,500	15,885,630	
2027	5,455,000	401,256					5,856,256			5,856,256	100.00%
2028	5,720,000	135,850					5,855,850			5,855,850	
	\$253,385,000	\$98,259,179	\$(29,495,000)	\$(8,662,546)	\$28,580,000	\$7,346,227	\$349,412,860	\$117,265,000	\$63,113,500	\$529,791,360	

(1) Includes debt service from Series 2005H, 2005C, 2004E, 2003B, 2003A, 1999A and 1997A.

(2) Debt service represents amount due for the whole Fiscal Year.

## **BONDHOLDERS' RISKS**

*The following is a discussion of certain risks that could affect payments to be made by the City with respect to the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the Ordinance summarized herein and in Appendix B, copies of which are available as described herein.*

### **General**

The Bonds are limited obligations of the City payable by the City solely from revenues derived and to be derived by the City for the operation of the Airports. No representation or assurance can be given that the City will realize revenues in amounts sufficient to make such payments under the Ordinance. The realization of future revenues is dependent upon, among other things, government regulations, the capabilities of the management of the City and future changes in economic and other conditions that are unpredictable and cannot be determined at this time.

### **Bankruptcy Risks**

The rights of the owners of the Bonds and the enforceability of the City's obligation to make payments on the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel and the City Attorney as to the enforceability of the City's obligations will be qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting, or limiting the enforcement of rights or remedies against governmental entities such as the City.

The enforceability of the rights and remedies of the Bondholders and of the obligations of the City under the Ordinance is subject to the United States Bankruptcy Code (the "Bankruptcy Code") and to other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, to equitable principles that may limit the enforcement under Missouri law of certain remedies and to exercise by the United States of America of powers delegated to it by the United States Constitution.

In the unlikely case of severe fiscal distress the City may file for bankruptcy protection under Chapter 9 of the Bankruptcy Code. Should the City become the debtor in a bankruptcy case, the Bondholders may not have a lien on the Revenues derived from the operation of the Airports and received by the City after the commencement of the bankruptcy case unless either (a) the pledge of Revenues by the City constitutes a "statutory lien" within the meaning of the Bankruptcy Code or (b) the Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. If Revenues derived from the operation of the Airports are not special revenues or if the Bondholders do not have a statutory lien on post-bankruptcy Revenues, delays or reductions in payments to the Bondholders may result. There may also be delays in payments to the Bondholders while a court considers these issues.

## **Aviation Industry Considerations**

### ***The Airlines***

Certain airlines that are signatories to the Airline Use and Lease Agreement with the City (the “Signatory Airlines”), including Northwest, Delta and United (or their respective parent corporations), are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended. In accordance therewith, certain information, including financial information, concerning such domestic airlines or their respective parent corporations, is disclosed in certain reports and statements filed with the Securities and Exchange Commission (the “SEC”). Such reports and statements can be inspected at the public reference facilities maintained by the SEC at 100 F St., N.E., Washington, D.C., 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 100 F St., N.E., Washington, D.C., 20549, at prescribed rates. In addition, each Signatory Airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports can be obtained from the Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, Office of Airline Information, at prescribed rates. The world wide web site for the Bureau of Transportation Statistics is located at <http://www.bts.gov>.

### ***General Factors Affecting the Airline Industry***

The City’s ability to derive its Revenues primarily from the operation of MCI, the City’s principal airport serving the Kansas City air service area, depends in part upon the financial health of the airline industry. No assurance can be given as to the levels of aviation activity which will be achieved at MCI in future fiscal years. Some factors that may materially affect MCI and the airlines include, but are not limited to, growth of population and the economic health of the region and nation, airline service and route networks, national and international economic and political conditions, changes in demand for air travel, service and cost competition, mergers, the availability and cost of aviation fuel and other necessary supplies, levels of air fares, fixed costs and capital requirements, the cost and availability of financing, the capacity of the national air traffic control system, national and international disasters and hostilities, the cost and availability of employees, labor relations within the airline industry, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, the financial health and viability of the airline industry, bankruptcy and insolvency laws, acts of war or terrorism and other risks.

The level of aviation activity at the Airports has a material impact on the amount of Revenues available for deposit to the Kansas City Airports Fund. The amount of moneys to be deposited into the Kansas City Airports Fund in any given month is also dependent upon (1) payment of amounts due from air carriers under the Airline Lease and Use Agreement and (2) the level of concession and non-air carrier revenues, which is dependent upon activity at the Airports. Amounts available for deposit in the Kansas City Airports Fund could be adversely affected by delays or defaults in the payments of rates and charges by the air carriers at MCI.

*National and International Economic and Political Conditions.* Historically, air carrier passenger traffic nationwide has correlated closely with the state of the United States economy and levels of real disposable income. Sustained future growth in domestic air carrier passenger traffic will depend largely on the ability of the nation to sustain economic growth.

As international trade and air travel has increased, international economics, currency exchange rates, trade balances, political relationships, and conflicts within and between foreign countries have become important influences on passenger traffic at major United States airports. Aviation security precautions and safety concerns arising from international political conflicts can also affect air carrier travel demand.

*Air Carrier Service and Routes.* While passenger demand at an airport depends on the population and the economy of the region served, air carrier service and the number of passengers enplaned also depend on the route networks of the air carriers serving that airport. Domestic air carriers are free to enter or leave individual air traffic markets, and to increase or decrease services at will. Most major air carriers have developed “hub-and-spoke” route networks as a means of increasing their service frequencies, passenger volumes and profitability.

*Air Carrier Economics, Competition and Airfares.* The price of aviation fuel is an important and uncertain determinate of an air carrier's operating economics. Fluctuating fuel prices have caused corresponding fluctuations in airfares and air carrier operating results. Fluctuating fuel prices in the future could affect air service and passenger numbers at MCI. Air carrier fares have an important effect on passenger demand, particularly for short trips where automobiles or other travel modes are alternatives, and for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by air carrier operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition.

*Capacity of National Air Traffic Control and Airport Systems.* Demands on the nation's air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect air carrier schedules and passenger traffic nationwide. In addition, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

### ***Aviation Security Concerns***

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand.

Since September 11, 2001, intensified security precautions have been instituted by government agencies, airlines and airports. These measures have included strengthening aircraft cockpit doors, changing prescribed flight crew responses to attempted hijackings, federalization of airport security functions through the Transportation Security Administration (the "TSA") and increased passenger, baggage and cargo screening for explosives and weapons. No assurance can be given that these measures will be successful in preventing future incidents.

Historically, air travel demand has recovered after temporary drops from security-related concerns or events such as terrorist attacks or hijackings. Provided that the intensified security measures that have been and are being implemented in the United States and other countries can effectively restore confidence in the safety of commercial aviation, while not imposing unacceptable inconveniences and delays for passengers, it is expected that future demand for airline travel at MCI will depend principally on economic rather than security factors.

### ***Effect of Bankruptcy of Air Carriers***

Many airlines, as a result of these and other factors, have operated at a loss in the past and many have filed for bankruptcy, ceased operations and/or merged with other airlines. Most of the major U.S. carriers have implemented a variety of cost-cutting measures, including massive layoffs. Growing competition from low-cost, low fare carriers has forced many of the legacy carriers to implement route rationalization, including route transfers to their regional/commuter partners, reduction in service to certain markets, and the elimination of service to markets that are deemed unprofitable. There have also been payroll cuts and deferral in the acquisition of new aircraft equipment. In addition, the legacy carriers have shown increasing flexibility in fare adjustments in the face of discount fares offered by low fare carriers.

Despite these measures, a number of airlines, including several Signatory Airlines, have been forced to petition for bankruptcy court protection because of unsustainable financial losses. MCI's current Signatory Airlines that have previously sought protection under Chapter 11 of the Bankruptcy Code have included Delta, which emerged from bankruptcy reorganization on April 30, 2007, and Northwest, which emerged from bankruptcy reorganization on May 31, 2007. There is no assurance that further bankruptcy filings and major restructurings by airlines will not occur.

In the event a bankruptcy case is filed with respect to any of the Signatory Airlines, a bankruptcy court could determine that the Airline Lease and Use Agreement of such Signatory Airline was an executory contract or unexpired lease pursuant to Section 365 of the Bankruptcy Code. In such an event, a bankruptcy trustee or a debtor-in-possession might reject the Airline Lease and Use Agreement.

On April 10, 2008, Frontier Airlines Holdings, Inc., the parent corporation of Frontier Airlines, a Signatory Airline, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. Frontier Airlines has stated that it sought bankruptcy relief as a result of an unexpected attempt by its principal credit card processor to substantially increase a “hold-back” of customer receipts, which threatened to severely impact Frontier Airlines’ liquidity. Frontier Airlines has stated that it intends to continue normal business operations throughout its reorganization process.

On May 14, 2008, Mesa Air Group, Inc., the parent corporation of Signatory Airline Air Midwest, announced that it would discontinue all of Air Midwest’s operations, including those at MCI, effective June 30, 2008, as a result of high fuel prices, insufficient demand and a difficult operating environment.

Although MCI is primarily an origin and destination (“O&D”) airport and is less dependent upon hubbing activity than some other major airports, the financial strength and stability of airlines serving MCI are among the determinants of future airline traffic, and individual airline decisions regarding levels of service, including hubbing activity and air cargo operations, at MCI may affect total enplanements. No assurance can be given as to the levels of aviation activity that will be achieved at MCI.

This Official Statement does not contain financial information about any airline or about any entity other than the City. As a result, in making an investment decision with respect to the Bonds, a potential purchaser can have no assurance, based upon the information contained herein, that any entity will be capable of meeting its responsibilities or will perform as expected.

There is no assurance that MCI, despite a demonstrated level of airline service and operations, will continue to maintain such levels in the future. The continued presence of the airlines serving MCI, and the levels at which that service will be provided, are a function of a variety of factors. Future airline traffic at MCI will be affected by, among other things, the growth in the population and the economy of the primary air service area served by MCI and by national and international economic and political conditions, federal and state regulatory actions, airline service, competition and routes, air fare levels, availability and price of aviation fuel, the capacity of facilities at MCI and the operation and capacity of the air traffic control system.

### ***Environmental Regulations***

The Federal Aviation Administration (“FAA”) has jurisdiction over flight operations generally, including personnel, aircraft, ground facilities, and other technical matters, as well as certain environmental matters. Environmental regulations of general applicability (such as hazardous waste handling and disposition requirements, underground storage tank rules and stormwater permitting requirements, among others) which are enforced by the Federal Environmental Protection Agency (“EPA”) and the Missouri Department of Natural Resources, apply to the Airports. Compliance with those requirements may impose costs upon the Airports from time-to-time.

## **FINANCIAL STATEMENTS**

The financial statements of the City’s Airports Fund for the fiscal years ended April 30, 2006, and 2007, are included in *Appendix A* to this Official Statement. Such financial statements have been audited by KPMG LLP, Kansas City, Missouri, certified public accountants, to the extent and for the periods indicated in their report which also appears in *Appendix A*. Such financial statements have been included herein in reliance upon the report of such firm. KPMG LLP is currently working on the audit of the City’s Airports Fund for the fiscal year that ended April 30, 2008.

## **RATINGS**

Fitch, Inc., Moody's Investors Service, Inc. and Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., have assigned their respective municipal bond ratings to the Bonds as shown on the Cover Page hereof. Such ratings reflect only the views of such organizations at the time such ratings are given, and the Underwriters and the City make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from such rating agencies. The City furnished such rating agencies with certain information and materials relating to the Bonds, the City that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing such rating, circumstances so warrant. Neither the City nor the Underwriters has undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of a rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of such a rating could have an adverse effect on the market price and marketability of the Bonds.

## **CONTINUING DISCLOSURE UNDERTAKING**

The City will execute a Continuing Disclosure Undertaking with respect to ongoing disclosure which will constitute the written understanding for the benefit of the holders of the Bonds required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. A copy of the Continuing Disclosure Undertaking is attached to this Official Statement as *Appendix D*. The City is currently in compliance with all of its continuing disclosure requirements.

## **LITIGATION**

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued. There is no litigation pending which in any manner questions the rights of the City to construct or finance the improvements of its Airports.

## **FINANCIAL ADVISORS**

First Southwest Company, Dallas, Texas, and Moody Reid, Kansas City, Missouri, have been retained by the City to act as Co-Financial Advisors in connection with this financing and have assisted in the preparation of certain information in this Official Statement. First Southwest Company and Moody Reid, will receive compensation for their services as Co-Financial Advisors. The Co-Financial Advisors will not participate in the underwriting of the Bonds and will be paid from the proceeds of the Bonds.

## **LEGAL MATTERS**

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Bryan Cave LLP, Kansas City, Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or for the future performance of parties to such transaction,

nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **TAX EXEMPTION**

In the opinion of Bond Counsel, assuming continued compliance by the City with the terms of the Ordinance, under existing law, the interest on the Bonds (a) is excludable from gross income for purposes of federal income taxation, (b) is excluded from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, and (c) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Bond Counsel expresses no opinion regarding any other federal or state tax consequences arising with respect to the Bonds. The opinions set forth above are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds.

### **OTHER TAX CONSEQUENCES**

Prospective purchasers of the Bonds should be aware that (1) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution (within the meaning of Section 265(b) (5) of the Code), that portion of such institution's interest expense allocable to interest on the Bonds; (2) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832 (b) (5) (B) (i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds; (3) for taxable years beginning before January 1, 1996, interest on the Bonds earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code; (4) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (5) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year, if greater than 25% of the gross receipts of such a Subchapter S corporation is passive investment income; and (6) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds. These categories of purchasers should consult their own tax advisers as to the applicability of these consequences.

### **UNDERWRITING**

The Bonds are being purchased for reoffering by Piper Jaffray & Co. as Senior Manager and Edward Jones, Loop Capital Markets, LLC, Backstrom, McCarley & Berry and Valdés & Moreno, Inc., Co-Managers (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Bonds at an aggregate purchase price of \$29,962,329.45 (representing the aggregate principal amount of \$28,580,000.00, plus net reoffering premium of \$1,475,214.45 and less the Underwriters' discount of \$92,885.00) pursuant to a Bond Purchase Agreement among the City and the Underwriters. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The City has agreed under the Bond Purchase Agreement to indemnify the Underwriters against certain liabilities.

The information regarding proceeds or yields has been furnished to the City for inclusion in this Official Statement by the underwriters of the Bonds, such prices or yields are shown on the cover page of this Official



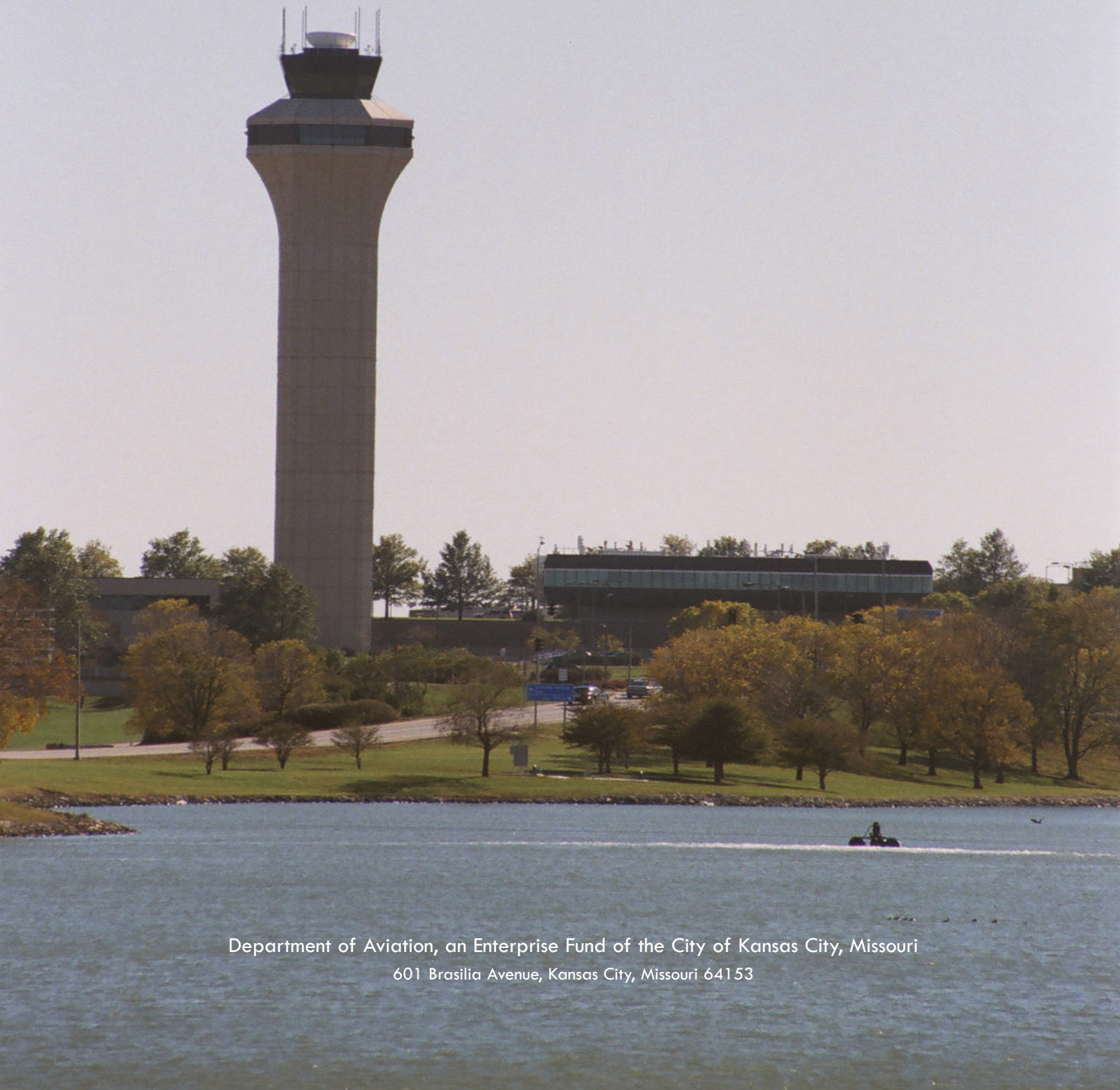
**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE AIRPORTS FUND**

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# Comprehensive Annual Financial Report

For the years ended April 30, 2007 and 2006



Department of Aviation, an Enterprise Fund of the City of Kansas City, Missouri  
601 Brasilia Avenue, Kansas City, Missouri 64153



# Comprehensive Annual Financial Report

For the  
Department of Aviation  
an Enterprise Fund of the  
City of Kansas City, Missouri

For the years ended April 30, 2007 and 2006

Prepared by:

Finance and Accounting Division

Eric B. Clevenger, CPA  
Deputy Director, Finance and Accounting

Danelle J. Harrison  
General Ledger Supervisor

Sam L. Carter, CPA, CGFM  
Aviation Treasurer



Kansas City (the City) is a constitutionally chartered city and political subdivision of the State of Missouri, incorporated on June 3, 1850. The City is the central city of a fifteen-county Metropolitan Statistical Area (MSA) situated at the confluence of the Kansas and Missouri rivers.

The City is governed by a city council comprising a mayor and twelve other elected members. The city council is elected to four-year terms of which only two terms may be consecutive. The Mayor and six of the council members are elected at large and six council members are elected by the residents of their districts. The City Council is responsible for establishing the City's policy and overseeing the City's affairs.

The Mayor appoints four members of the City Council to serve on the City's Aviation Committee. This committee performs in-depth reviews of proposed Aviation Department legislation and objectives.

Subsequent to the review of department legislation, the committee will forward a recommendation to the full City Council for approval.

The City Council is also responsible for appointing the City Manager who is responsible for implementing the City policies approved by the City Council. The City Manager appoints and has oversight responsibility for the Director of Aviation.

The Director of Aviation (the Director) is responsible for the operation and maintenance of the Department's three facilities: the Kansas City International Airport, the Charles B. Wheeler Downtown Airport, and the Richards-Gebaur Intermodal Transportation Facility (formerly Richards-Gebaur Memorial Airport). The Director is also responsible for department staffing requirements and operates the department via nineteen divisions. Each division manager is responsible for budgeting and overseeing the daily operations of his/her respective division.

PICTURES:

Cover: *Control Tower at Kansas City International Airport (MCI).*

Page 3: *New consolidated rental car facility at Kansas City International Airport (MCI).*

## CITY OF KANSAS CITY, MISSOURI

Kay Barnes, Mayor

### City Council Members

#### Council Members-at-Large

District 1 ....Deb Hermann  
District 2 ....Bonnie Sue Cooper  
District 3 ....Troy Nash  
District 4 .....Jim Glover  
District 5 ....Rebecca "Becky" Nace ↑  
District 6 ....Alvin L. Brooks ↑

↑ Denotes member of Aviation Committee  
↑↑ Denotes chairman of Aviation Committee

#### District Council Members

District 1 ....Bill Skaggs ↑↑  
District 2 ....John Fairfield  
District 3 ....Saundra McFadden-Weaver ↑  
District 4 ....George Blackwood ↑  
District 5 ....Terry Riley  
District 6 ....Charles A. Eddy

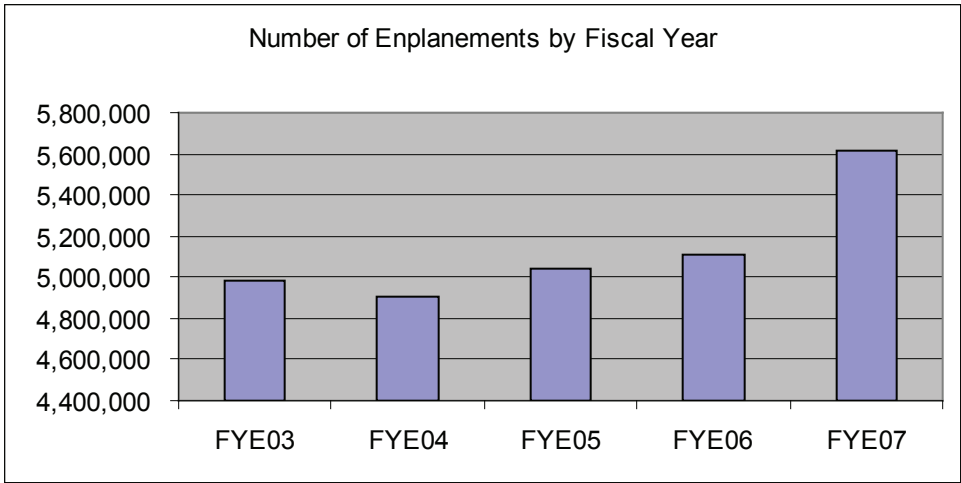
Wayne Cauthen, City Manager

## DEPARTMENT OF AVIATION

Mark D. VanLoh, A.A.E.  
Director of Aviation

Ian Redhead, C.M.  
Deputy Director, Operations and Maintenance

Eric B. Clevenger, CPA  
Deputy Director, Finance and Accounting



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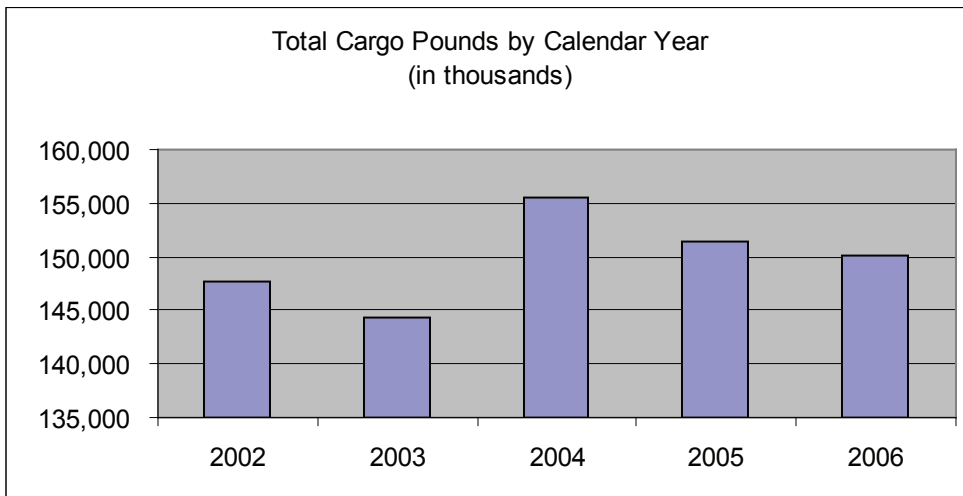
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# INTRODUCTORY SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

## TRANSMITTAL LETTER

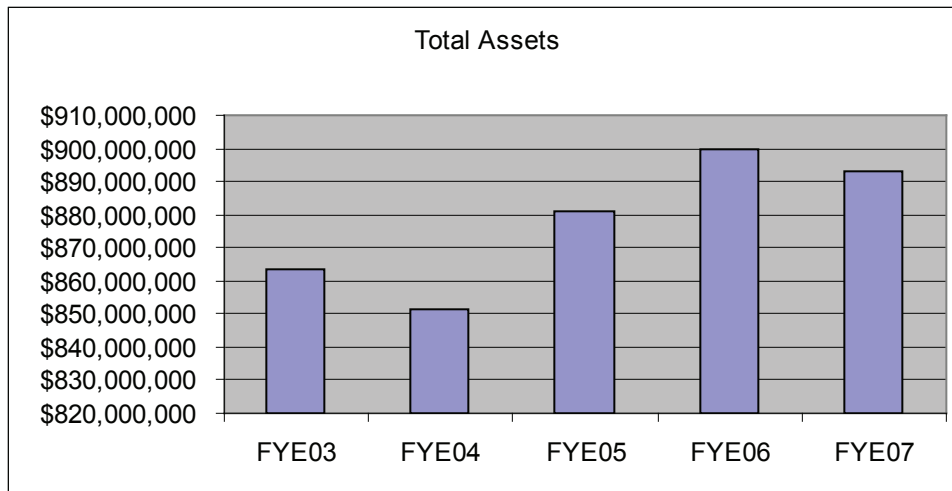
PRESENTATION OF COMPREHENSIVE ANNUAL FINANCIAL REPORT BY THE DIRECTOR OF AVIATION

## ORGANIZATION CHART

ORGANIZATION OF THE DEPARTMENT OF AVIATION MANAGEMENT

## CERTIFICATE OF ACHIEVEMENT

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PRESENTED BY THE  
GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA)





**KANSAS CITY  
AVIATION DEPARTMENT**  
Kansas City International Airport  
601 Brasilia Avenue  
Kansas City, Missouri 64153

October 10, 2007

Honorable Mayor and City Council Members,  
City of Kansas City, Missouri;  
Mr. Wayne Cauthen, City Manager, City of Kansas City, Missouri;  
Citizens of Kansas City; and  
Fellow Employees:

**I hereby present** this Comprehensive Annual Financial Report (CAFR) of the Department of Aviation (the Department) for the City of Kansas City, Missouri (the City).

State law requires that all political subdivisions publish an annual report of financial transactions. This report is published to fulfill that requirement for the fiscal year ended April 30, 2007. The independent accounting firm, KPMG LLP, whose report is included, has issued an unqualified (clean) opinion on the Department's financial statements for the year ended April 30, 2007. The independent auditors' report is located at the front of the financial section of this report. The independent accounting firm also conducted an audit of compliance as required by Section 14 of the Code of Federal Regulations (CFR) Part 158, Passenger Facility Charges.

This report was prepared by the Finance and Accounting Division of the Department, which is committed to the accurate disclosure of reporting to the City Council and citizens of the City.

The financial statements and statistical information contained herein are representations of the Department's management, which bears the responsibility for the accuracy, completeness, and fairness of this report. To the best of my knowledge, these representations are accurate in all material respects.

This report is prepared in accordance with the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awards a Certificate of Achievement to all public entities whose CAFR has attained the high standards of public financial reporting, including U.S. generally accepted accounting principles (GAAP) promulgated by the Government Accounting Standards Board (GASB). Subsequent to publication of this report, it will be submitted for consideration by GFOA in meeting the high standards of disclosure and reporting.

The reader is encouraged and reminded that the Management's Discussion and Analysis (MD&A) beginning on page 23 is a narrative representation of the past year's financial results and should also be read with this letter.

#### **Profile of The Department of Aviation**

The Department of Aviation (the Department) is a department of the City and commenced operations concurrent with the dedication of the Kansas City Municipal Airport, now the Charles B. Wheeler Downtown Airport, on August 17, 1927 by aviation legend, Charles Lindbergh. The Department now oversees operations at three transportation facilities: the Kansas City International Airport, the Charles B. Wheeler Downtown Airport, and the Richards-Gebaur Intermodal Transportation Facility (formerly Richards-Gebaur Memorial Airport).

#### *Kansas City International Airport*

The Kansas City International Airport (MCI) is located 18 miles north of downtown Kansas City, Missouri, and is comprised of 10,725 acres. MCI officially opened on November 11, 1972 and serves as the primary passenger air carrier airport. MCI has three fully instrumented runways and a full complement of parallel taxiways that are capable of handling any aircraft in service today. To accommodate all passengers, the airport has three passenger terminals that have a total of over one million square feet with 66 boarding gates and 50 passenger boarding bridges. Each of the three terminals includes a full complement of offices, food and beverage concession areas, restrooms, news and gift shops, departure lounges, and baggage handling facilities. The airport has 23,213 parking spaces to accommodate vehicles for airport visitors.

#### *Charles B. Wheeler Downtown Airport*

The Charles B. Wheeler Downtown Airport formerly served as the City's air carrier airport prior to MCI's opening in 1972. The airport is conveniently located across the river from the downtown area and is comprised of 697 acres, approximately the same size as when it was dedicated in 1927. The airport currently services the general aviation community as a reliever airport with one fixed base operation, hangar, tie-down, maintenance aircraft rental, and charter and training services. The airport is also home to a college-level aircraft maintenance school and aircraft museum.

#### *Richards-Gebaur Intermodal Transportation Facility*

The Richards-Gebaur Intermodal Transportation Facility (RG), located on the south side of the City, encompasses 1500 acres and is a former United States Air Force Base. Although the Air Force ceased using this facility many years ago, the City accepted the responsibility of operating the facility until August 3, 1999, when a public referendum was passed to approve the closing of the airport's runway to establish an intermodal freight transportation facility. RG was used for general aviation purposes until it was officially closed by the Federal Aviation Administration on January 10, 2000. On April 19, 2001, the City Council accepted the master plan and approved the recommendation that RG remain closed for aviation purposes. A majority of RG was sold for \$10.6 million on June 27, 2007. The proceeds from the sale will be utilized to enhance the general aviation operations of the Charles B. Wheeler Downtown Airport.

#### **Long-Term Financial Planning**

The Department has two long-term financial goals:

1. To diversify more revenue away from aviation related industries. Currently, the Department's revenue is concentrated on the airline industry. To hedge against any future downturns in the airline industry, the Department will diversify its revenue into other industries. The Department is currently working with Trammel Crowe to develop land for use in the warehousing industry.
2. To increase the percentage of fixed revenue. The Department currently has a far greater percentage of variable revenue than fixed revenue, which is favorable in a positive economic environment and unfavorable in a declining economic environment. To weather any future declining economic environments, and when it is financially prudent, the Department will pursue fixed versus variable revenue streams to protect itself.

#### **Local Economy**

Kansas City, Missouri, is the most centrally located principal city in the United States of America. Such a logistically favorable location has allowed the City to flourish as a mecca for transportation-related industries and companies, as evidenced by the decision of 12 major passenger air carriers, 5 major cargo air carriers, 5 first-class railroads and well over 100 trucklines. Within a three-hour flight, one can be in any one of the 50 major cities in the "lower 48." Not only is the City served in the air, but it is served on the ground as well. The City is the second largest railroad hub in the country and is also the headquarters for Kansas City Southern Railroad. Located in the heart of America, the City is well suited for truck transportation and is the headquarters for YRC Worldwide (formerly known as Yellow Roadway Corporation) as well as five *Fortune 500* companies.

The City has historically pursued a policy of annexation, and is today the 13th largest city in land area in the United States of America with a total area of approximately 317 square miles.

The City has a Metropolitan Statistical Area (MSA) that includes a total of fifteen counties; nine and six of these counties are located in the states of Missouri and Kansas, respectively. Those counties located in Missouri include Bates, Caldwell, Cass, Clay, Clinton, Jackson, Lafayette, Platte, and Ray and those located in Kansas

include Franklin, Johnson, Leavenworth, Linn, Miami, and Wyandotte. In total, this fifteen-county MSA encompasses an area of 7,856 square miles. Within this MSA are three principal cities; Kansas City, Missouri, Overland Park, Kansas, and Kansas City, Kansas.

The primary Air Service Area (ASA) serves the population within and beyond the MSA and includes the Buchanan, Missouri and Douglas, Kansas counties. In total, an estimated 2,164,483 residents live within the ASA and no other hub airport overlaps the primary ASA. The nearest large hub airport, St. Louis, is located 250 miles away. Small hub airports, Des Moines and Wichita, are each located 190 miles away. The population of the MSA comprises 90.9 percent of the ASA's population and, therefore, all discussion of economic trends will focus on the MSA.

The unemployment for the MSA, as compared to that of the states of Missouri and Kansas, and the national average, is as follows:

	FYE05	FYE06	FYE07
Kansas City MSA	5.4%	4.5%	4.5%
State, Missouri	5.3	4.4	4.3
State, Kansas	4.8	4.2	4.0
National	5.1	4.7	4.5

Source: [www.bls.gov](http://www.bls.gov), not seasonally adjusted

There has been a general overall improvement in unemployment and more importantly this improvement appears to be a trend that will continue into the foreseeable future. In contrast to the improvement in unemployment rate, there is a moderate increase in the Kansas City MSA's inflation rate as shown below. This past calendar year inflation increased 2.6 percent as compared to a 2.5 percent increase in the previous calendar year.

	CPI-U	Annual Increases
C2001	172.2	3.4%
C2002	174.0	1.0%
C2003	177.0	1.7%
C2004	180.7	2.1%
C2005	185.3	2.5%
C2006	190.1	2.6%

### Highlights

#### *August 2006: New routes added at MCI*

Air service was expanded at MCI as airlines added new routes in response to ongoing growth in business and leisure traffic to the City and the surrounding region.

#### *September 2006: Office building purchased*

In an effort to diversify its reliance on aviation industry revenue, MCI purchased a 282,034 square foot office building on 23.7 acres of land located at 12200 Ambassador Drive.

#### *January 2007: New airline service added at MCI*

ExpressJet Airlines began selling tickets at MCI offering new non-stop options and making it more convenient for business and leisure travelers. With ExpressJet's commencement in April 2007, MCI now offers service to 64 non-stop destinations, including 44 of the top 50 destinations.

#### *January 2007: MCI passenger traffic increased 5.1 percent*

MCI recorded 767,784 passengers arriving and departing through its gates in January, which represents an increase of 5.1 percent from January 2006. Passenger boardings for January at MCI were up 5.5 percent, with a total of 391,160 during January.

#### *April 2007: MCI rental car facility dedicated*

The Department celebrated the dedication of the new \$90 million consolidated rental car facility, which opened to the public on Wednesday, May 2, simplifying the travel experience at Kansas City International Airport. The completion of this facility and our recent terminal renovations firmly solidify our role as the region's leading airport.

#### *April 2007: MCI airport enplanements increased 9.7 percent*

Annual enplanements totaled 5.6 million in FYE07 compared to the 5.1 million enplanements in FYE06 representing a 9.7 percent increase in enplanements from FYE06.

### Grant Management

The Department has relied heavily on Airport Improvement Program (AIP) grants, sponsored by the Department of Transportation Federal Aviation Administration, to fund many of its capital improvement projects, including the cost of rehabilitating runways and taxiways, aircraft rescue and firefighting equipment, and costs associated with passenger security. Normally, these grants will fund between 75 and 90 percent of the entire project. The remaining portion is funded by Department funds.

At FYE07, the Department had nine AIP grants open, five of which were opened in the current fiscal year. Please see Schedule of Grants on page 61 for more details.

The Department also has an operating grant from the Federal Aviation Administration that funds the costs to provide canine bomb detection services. The annual proceeds provided by this grant in the past fiscal year totaled was \$168,117.

### Cash Management

The City administers the cash management of the Department's funds and invests them in accordance with the City's charter Section 2-1611, *Investment of idle cash*. This section allows for the investment of idle cash in financial instruments that are safe, liquid, and offer a high yield, in that order of priority. The City maintains pooled and restricted investments in accordance with the city charter investment policy.

### Art Fund

The Department is a part of the City's One Percent for Art program. This is a legislated program passed in December 1986, which requires that one percent of the cost of the construction, reconstruction, or remodeling of any municipal building be set aside for public art.

This past year the artwork, *Strange Attractor for Kansas City*, by internationally-known artist Alice Aycock, was installed in the MCI Economy Parking Lot. The sculpture consists of a large horn and lit neon antennas inspired by a blend of various images including wormholes, space travel, and aerodynamics.

### The Budget

Department management has long recognized the importance of proper and accurate budgeting. To this end, the Department annually creates a budget and submits it to the City Council for approval. Department control of the budget is maintained using encumbrances. A report of year-to-date actuals vs. budget is prepared monthly and distributed to all division managers.

### Internal Control

The Department's internal control structure is an important and integral part of its entire accounting system. The current structure in place is designed to provide reasonable, but not absolute, assurance that:

1. Assets are safeguarded against loss from unauthorized use or disposition;
2. Transactions are executed in accordance with management's authorization;
3. Financial records are reliable for preparing financial statements and maintaining accountability for assets; and
4. There is compliance with applicable laws and regulations.

The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefits that are likely to be derived from them, and that the evaluation of costs and benefits requires estimates and judgment by management.

I believe that the Department's internal control framework adequately safeguards assets and provides reasonable assurance and proper recording of financial transactions. Management also believes that the data in this CAFR, as presented, is accurate in all material respects, that it presents fairly the financial position, results of operations, and cash flows of the Department, and that all disclosures necessary to enable the reader to gain maximum understanding of the Department's financial affairs have been included herein.

The Department has an internal audit division that consists of one full-time employee. An audit committee comprised of the Director of Aviation and two Deputy Directors directs the duties and audits of this division.

### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City's Department of Aviation for its comprehensive annual financial report for the fiscal year ended April 30, 2006. This was the third consecutive year that the Department of Aviation has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and I am submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgements

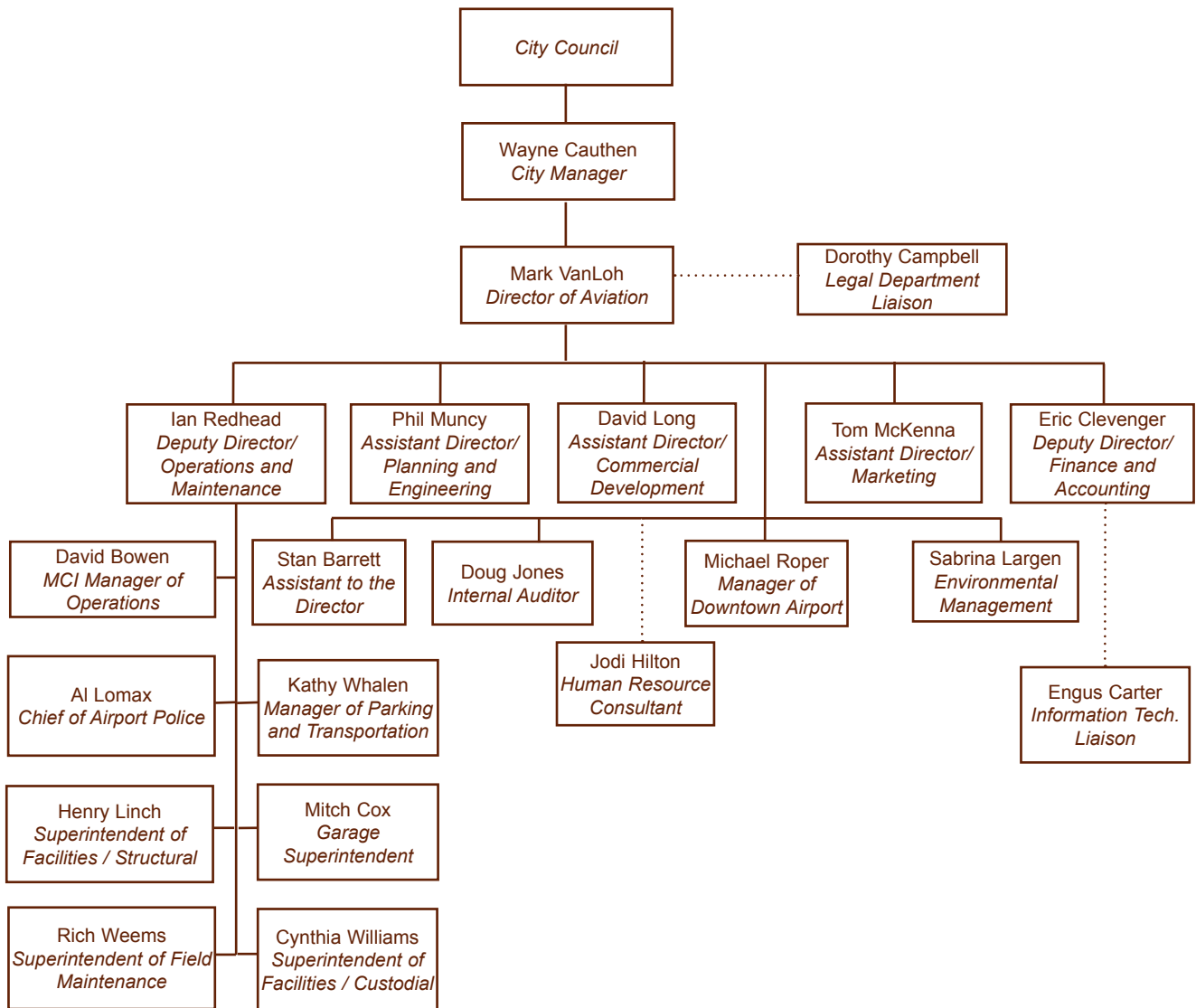
The production of this report is a cooperative effort of all the divisions within the Aviation Department and, to this end, I extend my appreciation to all divisions and their respective employees. I particularly recognize the efforts of the Finance and Accounting Division employees for the preparation of this report and their endeavor to accurately portray the financial operations of this Department.

Lastly, I would like to acknowledge the support of the City of Kansas City, Missouri, its City Council, the members of the Aviation Committee, and Mr. Wayne Cauthen, City Manager.



Mark VanLoh, AAE  
Director of Aviation





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Department of Aviation,  
City of Kansas City, Missouri

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
April 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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# FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

## INDEPENDENT AUDITORS' REPORT

OPINION LETTER FROM INDEPENDENT AUDITORS REGARDING THE FINANCIAL STATEMENTS CONTAINED  
IN THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

NARRATIVE ANALYSIS FROM MANAGEMENT DISCUSSING THE CURRENT FISCAL YEAR ACTIVITIES AND  
THE FINANCIAL STATEMENTS INCLUDED IN THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

## FINANCIAL STATEMENTS

COMPARATIVE FINANCIAL REPORTS FOR THE CURRENT AND PRIOR FISCAL YEARS, INCLUDING THE  
STATEMENTS OF NET ASSETS; STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS;  
AND STATEMENTS OF CASH FLOWS.

## NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADDITIONAL INFORMATION CONCERNING THE  
DATA REFLECTED IN THE FINANCIAL STATEMENTS.



**KPMG LLP**  
Suite 1000  
1000 Walnut Street  
Kansas City, MO 64106-2162

### Independent Auditors' Report

Honorable Mayor and Members of the City Council  
Kansas City, Missouri:

We have audited the accompanying financial statements of the City of Kansas City Airports Fund (the Fund) as of and for the years ended April 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements present only the Fund and are not intended to present fairly the financial position of the City of Kansas City, Missouri, and the changes in its financial position and cash flows where applicable for the years ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of April 30, 2007 and 2006, and the changes in its financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have issued a report dated September 25, 2007 on our consideration of the Fund'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

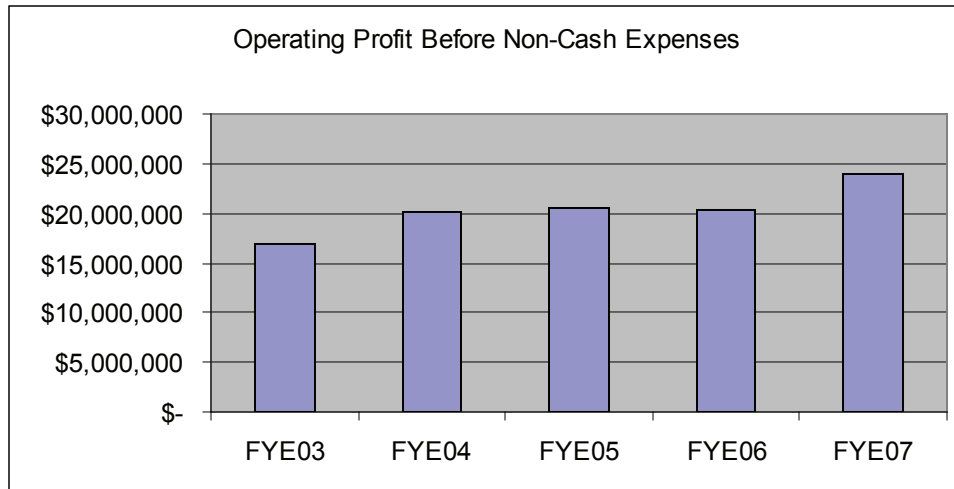


Management's discussion and analysis on pages 23 through 27 is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the management discussion and analysis. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the Fund's financial statements. The introductory section and statistical section are presented for the purpose of additional analysis and are not a required part of the financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audits of the financial statements and, accordingly, we express no opinion on them.

KPMG LLP

Kansas City, Missouri  
September 25, 2007



**THIS MANAGEMENT'S DISCUSSION AND ANALYSIS** (MD&A) of the City of Kansas City, Missouri Aviation Department (the Department) provides an introduction and overview of the Department's financial statements and activities for the fiscal years ended April 30, 2007 and 2006. The Kansas City Airports Fund is an enterprise fund of the City of Kansas City, Missouri, (the City) and is supported wholly by airport user charges. No general tax fund revenues are used for the administration, promotion, operation, or maintenance of the airports in the system. The Department is charged with the responsibility to operate and maintain the City's two airports: the Kansas City International Airport (MCI) and the Charles B. Wheeler Downtown Airport (MKC), as well as the Richards-Gebaur Intermodal Transportation Facility (RG).

The information contained herein should be considered in conjunction with the financial statements and notes in order to provide a complete understanding of the financial performance and activities this past year. The City combines the financial operations of the City's two airports and RG into one set of financial statements for the entire Department. Approximations are used throughout this MD&A in describing fluctuations between fiscal years and may not equal actual differences.

**Overview of the Financial Statements**

The accompanying financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles, as set forth by the Governmental Accounting Standards Board (GASB). Revenues and expenses are recognized when earned and incurred, not when received or paid. Capital assets, except land and construction in process, are depreciated over their useful lives. (See the notes to the financial statements for significant accounting policies).

The statements of net assets compare the Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Department's financial position.

The statements of revenues, expenses, and changes in net assets present information showing how the Department's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

In the statements of cash flows, only transactions that affect the Department's cash accounts through operating activities, financing activities, and investing activities are listed.

**Airport Activities and Highlights**

One of the Department's leading activity indicators, passenger enplanements, increased in FYE07 by 9.7 percent. This increase led to increased revenues in parking, concessions, and passenger facility charges. In the prior year, FYE06, enplanements increased 1.7 percent.

The Department's other leading activity indicator, aircraft landed weight, also increased in FYE07. The 2.6 percent increase was in sharp contrast to the decrease experienced in FYE06. A new Airline Use and Lease Agreement (the agreement) with the signatory airlines became effective May 1, 2005.

To a lesser extent, enplaned cargo is also used as an indicator of the Department's activity. In FYE07, cargo marginally decreased by less than one percent.

	FYE05	FYE06	FYE07
Enplanements	5,036,886	5,112,330	5,610,488
Cargo Enplaned (000 lbs.)	153,071	150,227	149,239
Landed Weight (000 lbs.)	8,283	8,077	8,283

**Financial Position and Assessment  
 Summary of Operating Revenues**

In order to understand the revenues presented in this CAFR, an overview of the Airline Use and Lease Agreement (the agreement) is required to enhance the readers' knowledge of the information presented.

This is the second year of the agreement which established the following four airline specific cost centers: 1. Airfield; 2. Passenger Boarding Bridges; 3. Terminal Aprons; and 4. Terminal Building. Airlines which have executed an agreement with the airport are referred to as signatory airlines. Airlines using the airport without an executed agreement are referred to as non-signatory airlines.

The agreement cost centers are used to identify and reallocate airline specific expenses related to the leased premises, operations, facilities, or functions conducted at the airport by signatory airlines. These cost center expenses are the basis for determining the rate charged to each signatory airline. All non-signatory airlines pay 125 percent of the signatory airline rate.

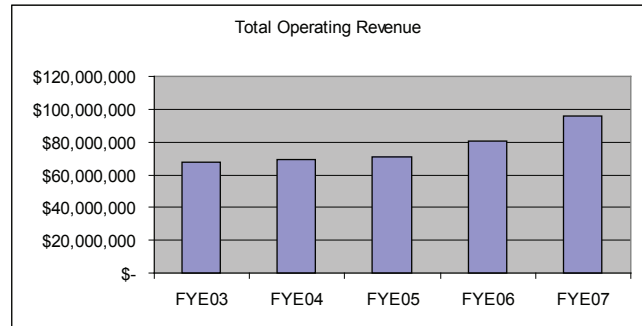
There are a maximum of three calculations performed under the terms and conditions of the agreement: 1. Budgetary Calculation; 2. Mid-Year Budgetary Adjustment; and 3. Settlement. Before the start of every fiscal year, a budget is adopted for the operations of the airport. Based on this adopted budget, rates are calculated for each agreement cost center and used for billing the airlines for their

airport operations. As the year progresses, the actual results are monitored and compared to the adopted budget. If there is a significant change in circumstances from the adopted budget, a mid-year budgetary adjustment is performed and the cost center rates are adjusted to reflect the change in circumstances. Once the year is completed, a settlement is performed to "true-up" the signatory airline rates to reflect the actual operating costs of each agreement cost center. There is no settlement calculation performed for the non-signatory airlines.

As a result of the Department's favorable activities in FYE07, the Department's operating revenues have continued to grow, increasing approximately \$15.1 million, or 18.8 percent, from the previous year. This is the Department's fifth consecutive year of an increase in operating revenues and its second year that revenues have more than marginally surpassed pre-911 levels.

FYE05, FYE06, and FYE07 operating revenues are itemized as follows (in thousands):

	FYE05	FYE06	FYE07
Terminal fees:			
Terminal floor space	\$6,789	\$8,196	\$8,798
Apron	1,834	1,728	1,487
Passenger boarding bridges	734	1,029	617
Total	9,357	10,953	10,902
Airfield fees:			
Landing fees	9,359	11,003	12,379
Fuel flowage fees	680	659	638
Total	10,039	11,662	13,017
Parking:			
Parking	34,314	35,473	39,932
Livery trip fees	295	297	101
Total	34,609	35,770	40,033
Property rental:			
Aviation	2,327	4,389	10,495
Non-aviation	3,487	3,540	3,887
Total	5,814	7,929	14,382
Auto rental fees:			
Property rental	2,261	1,304	405
Concession	5,568	7,069	8,412
Total	7,829	8,373	8,817
Transportation Facility Charge	-	1,760	4,297
Concessions:			
Food and beverage	1,095	1,573	1,744
News, gifts, and merchandise	1,398	1,636	1,149
Other	265	382	665
In-flight food service	353	206	82
Total	3,111	3,797	3,640
Other	160	136	367
<b>Total operating revenues</b>	<b>\$70,919</b>	<b>\$80,380</b>	<b>\$95,455</b>



Terminal fees remained stable during FYE07. Revenues generated from the Terminal Building agreement cost center increased by \$600 thousand, or 7.3 percent. This increase was mainly due to a budgetary signatory rate increase of \$2.09 per square foot, or 8.6 percent from \$24.39 to \$26.48 per square foot. Fees from the Terminal Apron agreement cost center declined \$240 thousand, or 13.9 percent due to a budgetary signatory rate decrease of \$17.49 per lineal foot, or 8.6 percent, from \$202.33 to \$184.84 per lineal foot with the balance due to a reduction in the number of overnight aircraft parking. While more passenger boarding bridges were rented during FYE07, revenue from the Passenger Boarding Bridges agreement cost center still decreased \$412 thousand, or 40.0 percent, due mainly to a budgetary signatory rate decrease of \$1,399 per bridge per month, or 54.0 percent from \$2,592 to \$1,192 per bridge per month. In FYE06, the increase in terminal fees, and primarily that of terminal floor space revenue, was also partially offset by a decrease in apron fees. Passenger boarding bridge fees increased somewhat from the prior year. Fees associated with the Airfield agreement cost center increased \$1.4 million, or 12.5 percent in FYE07. This increase was due to a budgetary signatory rate increase of \$0.05 per thousand pounds of landing weight, or 3.5 percent, from \$1.41 to \$1.46 per thousand pounds with the balance due to an increase in total landed weights of 746 million pounds. In FYE06, landing fees increased \$1.6 million, or 17.6 percent, due to changes to the new Airline Use and Lease Agreement.

Parking revenue increased approximately \$4.4 million, or 12.6 percent, in FYE07 as a result of a 2 percent increase in usage of airport parking facilities plus an increase of \$1.19 in the average parking revenue per transaction, which represents a percentage increase of 10.7 percent. In FYE06, parking revenue increased approximately \$1.16 million as a result of the increase in enplanements.

The Department's property rental revenue in FYE07 increased \$6.5 million from FYE06. This increase associated with aviation property was \$6.1 million of which \$4.9 million was due to the full year reimbursement of utilities associated with the overhaul base. The balance of \$1.6 million was due to the normal rental rate increase

for the various aviation property tenants. The increase associated with the non-aviation property was approximately \$400 thousand of which \$270 thousand was associated with new rental operations of the newly acquired Ambassador building with the remaining \$130 thousand associated with the normal rental rate increase for the various non-aviation property tenants. In FYE06, the Department's property rental revenue increased a total of \$2.1 million, \$1.6 million of which was for the reimbursement of utility expenses incurred at the overhaul base.

Rental car fees in FYE07 increased approximately \$400 thousand which can be attributed to the 9.7 percent increase in enplanements for FYE07.

In FYE06, the Department recognized a new source of operating revenue, Transportation Facility Charges. These charges are assessed at \$2 per transaction day on rental car contracts to pay for the new bus facility to house buses that will be used for transporting passengers between the new consolidated rental car facility and the terminals. The fee will also pay for maintenance of the new rental car facility. The increase in Transportation Facility Charges was \$2.5 million in FYE07, which was the first full year of collections. The increase in the Transportation Facility Charges can also be attributed to the 9.7 percent increase in enplanements for FYE07.

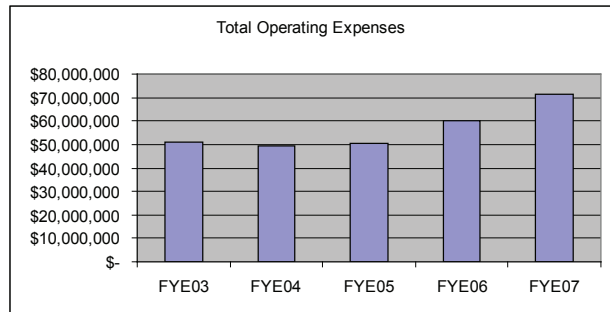
Concession fee results for FYE07 were mixed even though enplanements increased by 9.7 percent. Overall, concession fees declined by \$200 thousand from FYE06. The food and beverage revenue increased by approximately \$150 thousand while the news, gifts, and merchandise revenue decreased by \$500 thousand. Other concession revenue, mainly advertising revenue, increased by \$300 thousand while the in-flight food service decreased by approximately \$120 thousand. All concession rates remained the same from FYE06 to FYE07. In FYE06, concession commission fees collected, specifically for food and beverage and for news, gifts and merchandise, increased by 22 percent. Not only was the increase attributed to additional enplanements, but also the recognition of higher commissions on sales over a twelve-month period.

**Summary of Operating Expenses**

Operating expenses increased approximately \$11.4 million or 19.0 percent from the previous year, with the majority of the increase attributable to contractual services. Operating expenses for the past three years are itemized as follows (in thousands):

	FYE05	FYE06	FYE07
Salaries, wages, and benefits	\$22,169	\$24,007	\$25,022
Contractual services	25,680	33,071	42,447
Commodities	2,622	2,977	4,013
<b>Total</b>	<b>\$50,471</b>	<b>\$60,055</b>	<b>\$71,482</b>

Besides the annual salary and wage increase necessary for retaining quality employees, the increase in salaries, wages, and benefits was also due to additional contributions to the employee pension plan. This past year the Department contributed \$2.4 million to the pension plan, which represents 14.8 percent of our annual FYE07 base salaries.



The \$9.4 million, or 28.4 percent, increase in contractual services is attributed to increases in utilities for the Overhaul Base of \$4.9 million, \$2.1 million in fees for the rental car bus service agreement, \$1.3 million in specialized contract work with the remaining \$1.1 million attributed to numerous contractual service activities. In FYE06, the \$7.4 million increase in contractual services is attributed to increases of \$1.8 million in fees for the new bus service agreement with the rental car companies, \$1.6 million in utility fees for the central utilities plant which is a part of the American Airlines Overhaul Base, \$1.7 million in electrical expenses, \$800 thousand in a parking service agreement, and \$600 thousand in natural gas expenses.

Commodities increased \$1 million, or 34.8 percent, due to a \$700 thousand increase in deicing materials and a \$300 thousand increase in building maintenance supplies and materials.

**Summary of Statements of Revenues, Expenses, and Changes in Net Assets**

FYE07 net assets increased by \$6.6 million. The FYE07 operating loss was comparable to that of FYE06 while the FYE07 non-operating revenues increased by \$9.0 million due to an increase in interest earnings of \$4.5 million and an increase in passenger facility charges of \$3.8 million, which can be attributed to the 9.7 percent increase in enplaned passengers. FYE07 non-operating expenses decreased by \$3.6 million comprised of a decrease in other non-operating expenses of \$2.6 million and a decrease in interest expense of \$1.0 million. Capital contributions associated with capital grants also decreased in FYE07 by \$30.0 million. FYE06 net assets increased a favorable \$23.7 million. This increase is reflective of both an increase in operating revenues, as previously discussed, and an increase in capital contributions.

A summary of revenues and expenses for the past three years is as follows (in thousands):

	FYE05	FYE06	FYE07
Operating revenues	\$ 70,919	\$ 80,380	\$ 95,455
Operating expenses	<u>50,471</u>	<u>60,056</u>	<u>71,482</u>
Operating income before non-cash operating expenses	20,448	20,324	23,973
Non-cash operating expenses:			
Depreciation	30,562	41,575	46,008
Depreciation-grant proceeds	8,088	7,692	7,579
Amortization	<u>288</u>	<u>354</u>	<u>358</u>
Total	<u>38,938</u>	<u>49,621</u>	<u>53,945</u>
Operating loss	(18,490)	(29,297)	(29,972)
Non-operating revenue:			
Interest	3,189	7,396	11,906
Passenger facility charge	13,655	20,253	24,098
Customer facility charge	5,977	6,148	6,456
Operating grant revenue	136	130	168
Other	<u>615</u>	<u>211</u>	<u>378</u>
Total non-operating revenue	23,572	34,138	43,006
Non-operating expense:			
Interest	14,676	19,187	18,105
Other	<u>328</u>	<u>2,886</u>	<u>274</u>
Total non-operating expense	<u>15,004</u>	<u>22,073</u>	<u>18,379</u>
Non-operating income	8,568	12,065	24,627
Loss before capital contribution	(9,922)	(17,232)	(5,345)
Capital contributions	<u>5,817</u>	<u>40,898</u>	<u>11,915</u>
Increase (decr.) in net assets	( 4,105)	23,666	6,570
Net assets—beginning of year	454,983	450,878	474,544
Net assets—end of year	<u>\$450,878</u>	<u>\$474,544</u>	<u>\$481,114</u>

#### Debt Administration

Total debt outstanding at FYE07 was approximately \$386 million, a \$12.0 million decrease from the previous year. This decrease is due to the normal payment of debt service obligations during the year. Total debt outstanding at FYE06 was approximately \$398 million, a \$14.7 million decrease from the previous year. The decrease was due to a payment of \$11.78 million for principal on bonds, and the issuance on August 15, 2005, of General Improvement Airport Refunding Revenue bonds, Series 2005H bonds, in the amount of \$19,615,000, which were sold to refund \$22,490,000 outstanding on Series 1995A bonds.

For this past year, the Department had the following additions and deductions from the interest paid on its outstanding bonds:

	FYE05	FYE06	FYE07
Interest paid	\$19,138,877	\$20,158,000	\$19,605,743
Interest capitalized	(4,453,501)	(1,153,481)	(1,460,336)
Accrued interest	(160,950)	100,655	(79,093)
Amortized loss on refunding	654,067	630,627	615,163
Amortized bond discount	71,223	76,342	76,342
Amortized premium	(486,723)	(604,645)	(655,328)
Interest exp. on refund.	90,444	-	-
Interest rev. on bond sale	(180,245)	(23,236)	-
Fiscal agent fees paid	<u>2,577</u>	<u>2,631</u>	<u>2,816</u>
Interest expense	<u>\$14,675,769</u>	<u>\$19,186,893</u>	<u>\$18,105,307</u>

Please refer to notes 8 and 9 for more details.

#### Capital Contributions

Capital contributions, capital grant revenues, decreased approximately \$30.0 million in FYE07. Receipts from capital grants during the last three years are as follows:

	FYE05	FYE06	FYE07
AIP-3-29-0040-34	\$ 1,775,141	\$ 1,389,800	\$ -
AIP 3-29-0040-37	2,593,983	5,178,810	-
AIP 3-29-0040-38	537,587	48,811	-
AIP 3-29-0040-41	1,436	532,843	705,554
AIP 3-29-0040-42	32,817	394,507	39,924
AIP 3-29-0040-43	716,057	925,341	787,383
AIP 3-29-0040-44	-	3,803,506	2,063,413
AIP 3-29-0040-45	-	6,748,979	236,021
AIP 3-29-0040-46	-	4,634,255	-
AIP 3-29-0040-47	-	837,989	373,223
AIP 3-29-0040-48	-	2,778,347	-
AIP 3-29-0040-49	-	-	306,488
AIP 3-29-0040-50	-	-	139,058
AIP 3-29-0040-51	-	-	2,789,628
AIP 3-29-0040-52	-	-	3,340,187
AIP 3-29-0040-55	-	-	424,987
AIP 3-29-0041-13	159,627	77,025	19,197
AIP 3-29-0041-14	-	7,650,000	-
AIP 3-29-0041-15	-	5,415,000	-
AIP 3-29-0041-16	-	409,776	690,224
MODOT	-	72,896	-
Total contributions	<u>\$ 5,816,648</u>	<u>\$40,897,885</u>	<u>\$11,915,287</u>

#### Summary of Statements of Net Assets (in thousands)

	FYE05	FYE06	FYE07
Assets:			
Current assets	\$262,341	\$247,051	\$212,261
Non-current:			
Capital, net	613,887	648,697	676,913
Bond issue costs, net	<u>4,564</u>	<u>4,243</u>	<u>3,885</u>
Total assets	<u>\$880,792</u>	<u>\$899,991</u>	<u>\$893,059</u>

	FYE05	FYE06	FYE07
Liabilities:			
Current liabilities	\$ 29,357	\$ 39,148	\$ 40,948
Long-term	<u>400,557</u>	<u>386,299</u>	<u>370,996</u>
Total liabilities	429,914	425,447	411,944
Net Assets:			
Invested in capital, net of debt	283,935	295,181	301,894
Restricted	42,686	61,684	68,460
Unrestricted	<u>124,257</u>	<u>117,679</u>	<u>110,761</u>
Total net assets	<u>450,878</u>	<u>474,544</u>	<u>481,115</u>
<b>Total liabilities and net assets</b>	<b><u>\$880,792</u></b>	<b><u>\$899,991</u></b>	<b><u>\$893,059</u></b>

In FYE07, total assets decreased by \$7.0 million to approximately \$893 million. During the same period the previous year, assets increased \$19.2 million, which was a result of numerous capital contributions received in FYE06.

#### Airline Rates and Charges

Airline rates and charges (R&Cs) represent the fees received by the Department from the airlines for their use of the airport's facilities and for the privilege of operating at MCI. The calculation of the R&Cs is based on the provisions of the Airline Use and Lease Agreement (the agreement). It is important to maintain low airline rates and charges in order to remain cost-competitive.

The agreement negotiated between the City and the airlines became effective May 1, 2005 and will expire April 30, 2009. R&Cs are determined for a year using budgeted amounts. After six months, the R&Cs may be amended to conform with year-to-date actuals. At the end of the year, settlement R&Cs are calculated based on actual amounts and additional payments may be paid to or received from the signatory airlines.

The rates and charges settlement rates billed (or to be billed) to the airlines are as follows:

	FYE05 <sup>(1)</sup>	FYE06 <sup>(1)</sup>	FYE07 <sup>(4)</sup>
Signatory landing fee <sup>(2)</sup>	\$ 1.10	\$ 1.35	\$ 1.43
Terminal rental rate	\$ 24.41/sf	\$ 24.39/sf	\$ 26.67/sf
Terminal apron rental	\$258.11/lf	\$202.33/lf	\$196.72/lf
Passenger boarding bridge <sup>(3)</sup>	\$1,807/mo	\$2,592/mo	\$1,408/mo

- (1) actual settlement rates
- (2) per 1,000 lbs. of aircraft landed weight
- (3) per boarding bridge
- (4) projected settlement rates

Landing fees and terminal rental rates for non-signatory airlines are assessed at 125 percent of the established rates.

#### Capital Assets

Capital assets increased in FYE07 by \$28.2 million as compared to \$34.8 million in FYE06. The capital asset growth in FYE07 can be attributed mainly to the completion of the consolidated rental car facility and the initial construction of the cargo glycol collection system. Please refer to Footnote 5 for more details.

#### Passenger Facility Charges

Passenger facility charge (PFC) revenue grew in FYE07 as a result of the 9.7 percent increase in enplaned passengers. Historical PFC revenue on an accrual basis is as follows:

FYE05	\$13,655,542
FYE06	20,252,999
FYE07	24,097,730

#### Customer Facility Charges

A Customer Facility Charge (CFC) of \$3.00 per transaction day on rental cars was implemented on January 1, 2001 to fund the debt service associated with the design, engineering, and construction of the new consolidated rental car facility. CFC revenues earned on an accrual basis for the current and previous two fiscal years are as follows:

FYE05	\$5,976,731
FYE06	6,147,691
FYE07	6,456,360

#### Request for Information

This financial report is designed to provide the Department's management, investors, creditors, and customers with a general overview of the Kansas City Airports Fund's finances and to demonstrate the Department's accountability for the funds it receives and expends. For additional information about this report, please contact the undersigned at, Kansas City International Airport, P. O. Box 20047, Kansas City, Missouri 64195-0047.

This report is respectfully submitted by,



Eric B. Clevenger, CPA  
Deputy Director/Finance and Accounting

## STATEMENTS OF NET ASSETS

April 30, 2007 and 2006

ASSETS	FYE07	FYE06
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$124,643,863	\$124,978,593
Accounts receivable	6,547,011	5,158,414
Allowance for doubtful accounts	(508,455)	(485,749)
Grants receivable	1,381,921	8,034,496
Interest receivable	1,035,156	825,215
Prepaid insurance and other	727,934	625,103
Inventories	730,181	725,033
<b>Total current assets—unrestricted</b>	<u>134,557,611</u>	<u>139,861,105</u>
Restricted assets:		
Cash and cash equivalents	73,130,830	101,451,304
Accounts receivable	4,155,378	5,278,726
Allowance for doubtful accounts	(191,147)	(242,821)
Interest receivable	607,949	703,119
<b>Total current assets—restricted</b>	<u>77,703,010</u>	<u>107,190,328</u>
<b>Total current assets</b>	<u>212,260,621</u>	<u>247,051,433</u>
Non-current assets:		
Capital assets:		
Land (nondepreciable)	39,048,329	37,270,829
Construction in progress (nondepreciable)	21,619,021	82,488,938
Buildings, infrastructure, and equipment	1,079,430,085	940,005,436
	<u>1,140,097,435</u>	<u>1,059,765,203</u>
Accumulated depreciation	(463,184,462)	(411,068,019)
<b>Total capital assets</b>	<u>676,912,973</u>	<u>648,697,184</u>
Bond issue costs, net of accumulated amortization of \$1,747,692 and \$1,390,143 at April 30, 2007 and 2006, respectively	3,885,351	4,242,900
<b>Total non-current assets</b>	<u>680,798,324</u>	<u>652,940,084</u>
<b>Total assets</b>	<u><u>\$893,058,945</u></u>	<u><u>\$899,991,517</u></u>

The notes are an integral part of these financial statements.

LIABILITIES and NET ASSETS	FYE07	FYE06
Current liabilities:		
Payable from unrestricted assets:		
Accounts and retainages payable, unrestricted	\$ 9,336,043	\$ 11,176,233
Accrued payroll, vacation, and sick leave	3,822,011	3,236,820
Security deposits	147,882	122,307
Prepaid lease revenue	4,287,121	3,955,448
Workers' compensation liability	1,132,960	843,600
Total current liabilities payable from unrestricted assets	<u>18,726,017</u>	<u>19,334,408</u>
Payable from restricted assets:		
Accounts and retainages payable, restricted	3,885,740	4,732,529
Matured bonds and coupons	299,373	299,373
Accrued interest and fiscal agent fees	2,697,369	2,776,462
Bonds payable, current portion	15,340,000	12,005,000
Total current liabilities payable from restricted assets	<u>22,222,482</u>	<u>19,813,364</u>
Total current liabilities	<u>40,948,499</u>	<u>39,147,772</u>
Non-current liabilities:		
Bonds payable, net of current portion	370,650,000	385,990,000
Unamortized bond discount, premium and deferred refunding charge	345,698	309,521
Total non-current liabilities	<u>370,995,698</u>	<u>386,299,521</u>
Total liabilities	<u>411,944,197</u>	<u>425,447,293</u>
Net assets:		
Invested in capital assets, net of related debt	301,893,932	295,181,540
Restricted:		
Principal and interest	11,011,952	8,958,129
Bond reserves	8,437,000	8,437,000
Deferred maintenance and replacement	750,000	750,000
Airline operations and maintenance reserve	11,913,719	10,009,000
DEA forfeited property	193,832	190,316
Passenger facility charges	19,419,271	19,895,495
Customer facility charges	16,734,497	13,443,851
Total restricted net assets	<u>68,460,271</u>	<u>61,683,791</u>
Unrestricted	110,760,545	117,678,893
Total net assets	<u>481,114,748</u>	<u>474,544,224</u>
Total liabilities and net assets	<u>\$893,058,945</u>	<u>\$899,991,517</u>

The notes are an integral part of these financial statements.

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the years ended April 30, 2007 and 2006

	FYE07	FYE06
Operating revenues:		
Terminal and aprons	\$ 10,901,852	\$ 10,952,845
Airfield	13,017,560	11,662,094
Parking	40,032,941	35,769,941
Rental car	8,817,410	8,372,860
Transportation facility charges	4,296,620	1,760,366
Concessions	3,639,827	3,796,773
Property rental	14,381,823	7,928,682
Other	<u>367,018</u>	<u>136,258</u>
Total operating revenues	95,455,051	80,379,819
Operating expenses:		
Salaries, wages, and employee benefits	25,022,038	24,007,384
Contractual services	42,447,274	33,071,060
Commodities	<u>4,012,999</u>	<u>2,977,198</u>
Total operating expenses before depreciation and amortization	71,482,311	60,055,642
Operating income before non-cash operating expenses	23,972,740	20,324,177
Non-cash operating expenses:		
Depreciation	46,008,100	41,575,458
Depreciation—grant proceeds	7,578,991	7,691,944
Amortization	<u>357,548</u>	<u>353,723</u>
Total non-cash operating expenses	53,944,639	49,621,125
Total operating loss	(29,971,899)	(29,296,948)
Non-operating revenues:		
Interest	11,906,515	7,396,189
Passenger facility charge	24,097,730	20,252,999
Customer facility charge	6,456,360	6,147,691
Operating grant revenue	168,117	130,359
Other	<u>377,681</u>	<u>210,810</u>
Total non-operating revenues	43,006,403	34,138,048
Non-operating expenses:		
Interest	18,105,307	19,186,893
Other	<u>273,960</u>	<u>2,885,999</u>
Total non-operating expenses	18,379,267	22,072,892
Total non-operating revenues, net	24,627,136	12,065,156
Loss before capital contributions	( 5,344,763)	(17,231,792)
Capital contributions	<u>11,915,287</u>	<u>40,897,885</u>
Change in net assets	6,570,524	23,666,093
Total net assets—beginning of the year	<u>474,544,224</u>	<u>450,878,131</u>
Total net assets—end of the year	<u><u>\$481,114,748</u></u>	<u><u>\$474,544,224</u></u>

The notes are an integral part of these financial statements.

## STATEMENTS OF CASH FLOWS

For the years ended April 30, 2007 and 2006

	FYE07	FYE06
Cash flows from operating activities:		
Cash received from providing services	\$ 95,566,308	\$ 73,518,703
Cash paid to employees, including benefits	(24,436,847)	(23,009,718)
Cash paid to suppliers	<u>(50,435,322)</u>	<u>(26,723,628)</u>
Cash provided by operating activities	20,694,139	23,785,357
Cash flows from noncapital financing activities:		
Proceeds from operating grants	168,117	130,359
Proceeds due other governments	-	(136,491)
Cash provided by (used in) noncapital financing activities	<u>168,117</u>	<u>(6,132)</u>
Cash flows from capital and related financing activities:		
Paid debt issue costs	-	(113,707)
Purchase of capital assets	(21,374,766)	(5,472,265)
Construction of capital assets	(60,492,147)	(79,876,950)
Construction contract retainage	1,533,484	(911,404)
Proceeds from capital debt issuance	-	20,211,081
Capital debt refunded	-	(22,490,000)
Principal paid on capital debt	(12,005,000)	(11,780,000)
Interest paid on capital debt	(18,145,407)	(20,158,000)
Fiscal agent fees paid	(2,816)	(2,631)
Passenger facility charges	24,154,914	20,252,999
Customer facility charges	6,405,410	6,147,691
Proceeds from sales of capital assets	49,261	331,929
Capital contributions	<u>18,567,862</u>	<u>33,094,115</u>
Cash used in capital and related financing activities	<u>(61,309,205)</u>	<u>(60,767,142)</u>
Cash flows from investing activities:		
Interest received	<u>11,791,745</u>	<u>7,007,378</u>
Cash provided by investing activities	11,791,745	7,007,378
Net decrease in cash and cash equivalents	(28,655,204)	(29,980,539)
Cash and cash equivalents at beginning of year	<u>226,429,897</u>	<u>256,410,436</u>
Cash and cash equivalents at end of year	<u>\$197,774,693</u>	<u>\$226,429,897</u>
Reconciliation to Statements of Net Assets:		
Cash and cash equivalents:		
Unrestricted	\$124,643,863	\$124,978,593
Restricted	73,130,830	101,451,304
Cash and cash equivalents at end of year	<u>\$197,774,693</u>	<u>\$226,429,897</u>

The notes are an integral part of these financial statements.

## STATEMENTS OF CASH FLOWS, CONTINUED

	FYE07	FYE06
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$(29,971,899)	\$(29,296,948)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	\$ 53,944,639	\$ 49,621,125
Accounts receivable	(271,483)	(6,312,155)
Prepaid insurance and other	(102,831)	(11,531)
Inventories	(5,148)	(174,831)
Accounts payable	(4,156,430)	9,371,223
Accrued payroll, vacation, and sick leave	585,191	997,666
Security deposits	25,575	(357,642)
Prepaid lease revenue	331,673	391,132
Workers compensation liability	289,360	139,769
Other	25,492	(582,451)
Cash provided by operating activities	<u>\$ 20,694,139</u>	<u>\$ 23,785,357</u>

The Notes are an integral part of these financial statements.

## **Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

The Kansas City Airports Fund (the Fund) is owned by and is a fund of the City of Kansas City, Missouri (the City). The Fund is utilized to account for the operations of the City's two airports, the Kansas City International Airport (MCI) and the Charles B. Wheeler Downtown Airport (Downtown) as well as the Richards-Gebaur Intermodal Transportation Facility (RG). The financial statements present only the Fund and are not intended to present the financial position of the City and the changes in its financial position and cash flows, where applicable, for the years ended, in conformity with U.S. generally accepted accounting principles.

### *Basis of Accounting*

The City accounts for the Fund as a proprietary enterprise fund. The accompanying financial statements are prepared on the accrual basis of accounting, wherein revenues are recorded when earned and expenses are recorded when incurred.

### *Proprietary Accounting and Financial Reporting*

In accordance with Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Fund follows all GASB pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principal Board Opinions, and Accounting Research Bulletins issued before November 30, 1989, unless they contradict GASB guidance.

### *Operating versus Non-operating*

The Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from the rental of property or utilization of airport facilities and infrastructure. Operating revenues also include the transportation facility charges which are used to operate the consolidated rental car facility transportation system.

### *Revenue Recognition*

**Airfield fees** – Based on the aircraft's landed weight, airfield fees are principally landing fees generated from scheduled airlines and nonscheduled airlines, including charters. The fee structure is determined annually based on an agreement between the City and signatory airlines, which takes into account the Fund's operating expenses and the total annual landed weight of aircraft. Fuel flowage fees, which are included in airfield fees, comprised 4.9 percent and 5.6 percent of the total airfield fees for FYE07 and FYE06, respectively. Airfield fees are recognized as part of operating revenues when the airline-related facilities are utilized.

**Rents** – Terminal and other space rent, parking, car rental rents, and concessions are generated from airlines, parking structures and lots, food, rental cars, fixed base operators, and other commercial tenants. Leases for the airlines are based on a cost recovery basis. Rental revenue is recognized over the life of the respective leases and concession revenue is recognized partially based on reported concession revenue and partially based on minimum rental guarantee.

### *Cash and Cash Equivalents*

The Fund investments maintained in the City's pooled investments are readily convertible to known amounts of cash and so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. Accordingly, for purposes of the statements of cash flows, these investments are considered cash equivalents.

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

*Accounts Receivable*

Accounts receivable balances are reflected as unrestricted and restricted and are recorded at the invoiced amount. The allowance for doubtful accounts is the Fund's best estimate of the probable losses in the existing accounts receivable balance. Restricted accounts receivable consists of Passenger Facility Charges and Customer Facility Charges that are either outstanding or have been accrued as of April 30, 2007 and 2006.

*Inventories*

Inventories, consisting of machine parts, fuel, and supplies, is valued at the lower of cost or market.

*Capital Assets and Depreciation*

Capital assets are stated at cost and include assets funded by proceeds of revenue and general obligation bonds, grants, and contributions. Normal maintenance and repairs are charged to expense as incurred. Renewals and betterments are capitalized when placed into service and are depreciated over the remaining estimated useful lives of the related properties.

At the time of retirement or other disposition of properties, the assets and related depreciation accounts are relieved of the amounts included therein and the resulting gain or loss is recognized.

The provision for capitalization and depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Useful Life (yrs.)</u>	<u>Capitalization Threshold</u>
Building and building improvements	25	\$100,000
Runway, aprons, and roads	15	\$25,000
Equipment	3–10	\$5,000

*Capitalization of Interest*

Interest costs incurred that relate to the acquisition or construction of capital assets acquired with debt are capitalized. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested idle debt proceeds over the same period. Capitalized interest in FYE07 and FYE06 was \$1,460,336 and \$1,153,481, respectively.

*Prepaid Revenue*

The Fund reports prepaid lease revenue on its statements of net assets when revenues have been received but not been earned. In subsequent periods, when revenue recognition criteria are met, the liability for prepaid lease revenue is removed from the statements of net assets and the revenue is recognized.

*Original Bond Issue Discount, Premium, and Deferred Refunding Charge*

Original bond issue discount, premium, and deferred refunding charge on long-term indebtedness are amortized using the straight-line basis over the life of the debt to which it relates.

*Contributed Capital*

Contributions of capital assets received from other entities, including those from other City funds, grants, and assistance received from other governmental units for the acquisition of capital assets, are recorded as capital contributions.

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

*Accounts and Retainages Payable*

Accounts payable and retainage balances are reflected as unrestricted and restricted. Restricted accounts and retainages payable consist of invoices and retainage withheld from construction payments that are to be paid from bond proceeds or other restricted assets that were either outstanding or have been accrued as of April 30, 2007 and 2006.

*Vacation and Sick Leave Benefits*

Under the terms of the City's personnel policy, city employees are granted vacation and sick leave in varying amounts. Vacation is accumulated at an annual rate of 10 to 20 days, depending on the employee's length of service. Sick leave is accumulated at the rate of 3.7 hours per two-week pay period. The maximum amount of vacation that may be carried forward, which is accrued in the Fund, is two times the amount earned in a year. Sick leave with pay may be accumulated up to a limit of 3,000 hours. Upon separation from service, employees may convert accrued sick leave at the ratio of four hours of sick leave to one hour of vacation leave credit. Retiring employees 55 years or older with at least 25 years of creditable service; employees who are to receive a line-of-duty disability pension; employees who qualify for a City pension and retire with a normal retirement, take early retirement at age 60 or thereafter, or die are entitled to sick leave credit at the rate of two hours of sick leave to one hour of vacation leave credit.

*Interfund Payments*

Interfund payments consist primarily of payments to the City's general fund for administrative, data processing, and accounting services, as well as payments for fire operation services. These charges are recorded in the contractual services section of the statements of revenues, expenses, and changes in fund net assets.

A summary of the administrative service charge, fire protection service charge, and Metropolitan Ambulance Services Trust (MAST) charge for the previous two fiscal years are as follows:

	<u>Administrative Service Charge</u>	<u>Fire Protection Service Charge</u>	<u>MAST</u>
FYE07	\$4,047,305	\$2,465,849	\$411,749
FYE06	4,166,368	2,379,759	480,000

*Non-operating Revenue*

**Passenger Facility Charges** – In 1990, Congress approved the Aviation Safety and Capacity Expansion Act, which authorized domestic airports to impose a passenger facility charge (PFC) on enplaning passengers. PFCs may be used for airport projects that meet at least one of the following criteria: preserve or enhance safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or provide opportunities for enhanced competition between and/or among carriers.

**Customer Facility Charges** – In January 2001, a customer facility charge user fee of \$3.00 per rental day was imposed on each rental of a passenger vehicle by a customer from a rental car agency. These fees are for the purpose of paying a portion of the cost of constructing, equipping, and financing a consolidated rental car facility and for the payment of debt service on revenue bonds issued for this project.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2. DEPOSITS AND INVESTMENTS***Deposits*

The City maintains a cash and investment pool that is available for use by all funds. The pool is comprised of demand and time deposits, repurchase agreements, and other investments with maturities of less than five years. At April 30, 2007, the carrying amount (book value) of the City's deposits, including certificates of deposit and the collateralized money market account was \$54,503,163, which was covered by federal depository insurance or by collateral held by the City's agents under joint custody agreements in accordance with the City's administrative code. A difference exists between book and bank balances of \$507,383 due to deposits in transit and other reconciling items.

*Investments—Pooled and Restricted*

The City of Kansas City, Missouri is empowered by City Charter to invest in the following types of securities:

1. U.S. Treasury Securities (Bills, Notes, Bonds, and Strips). The City may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. U.S. Agency/GSE Securities. The City may invest in obligations issued or guaranteed by any agency of the United States Government and in obligations issued by any government sponsored enterprise (GSE) which have a liquid market and a readily determinable market value that are described as follows:
  - a. U.S. Govt. Agency Coupon and Zero Coupon Securities.
  - b. U.S. Govt. Agency Callable Securities. Restricted to securities callable at par only with maximum final maturities of five years.
  - c. U.S. Govt. Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate. Restricted to securities with maximum final maturities of three years.
  - d. U.S. Govt. Agency Floating Rate Securities. The coupon rate floats off of only one index. Restricted to coupons with no interim caps that reset at least quarterly.
  - e. U.S. Govt. Agency Mortgage Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of three years or have the final projected payment no greater than three years when analyzed in a +300 basis point interest rate environment. Restricted to obligations of FNMA, FHLMC and GNMA only.
3. Repurchase Agreements. The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The Bond Market Association's guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreement transactions will be either physical delivery or tri-party.
4. Bankers' Acceptances. The City may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.
5. Commercial Paper. The City may invest in commercial paper issued by domestic corporations, which have received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized rating agency at the time of purchase. In addition, the City's portfolio may not contain commercial paper of any one corporation, the total value of which exceeds 2% of the City's aggregate investment portfolio.
6. Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard and Poor's or Moody's.
7. Any full faith and credit obligations of any county in which the City is located rated at least AA or Aa2 by Standard and Poor's or Moody's.
8. Any full faith and credit obligations of any school district in the City rated at least AA or Aa2 by Standard and Poor's or Moody's.
9. Any full faith and credit obligations or revenue bonds of the City rated at least AA or Aa2 by Standard and Poor's or Moody's.
10. Any municipal obligation as defined in (6), (7), (8), or (9) that is not rated but either pre-refunded or escrowed to maturity with U.S. Treasury Securities as to both principal and interest.

**Note 2. DEPOSITS AND INVESTMENTS, continued**

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of a change in interest rates. As a means of limiting 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. In addition, the City compares the weighted average maturity of its portfolio to the weighted average maturity of the Merrill Lynch 1-3 year Government/Agency index, and relative to the index, may decrease the weighted average maturity of the portfolio during periods of rising interest rates or increase it during periods of declining rates. As of April 30, 2007, the City had the following investments and maturities (amounts are in thousands):

Investment Type	Fair Value	Less Than 1	Investment Maturities (In Years)			Weighted Average
			1-2	2-3	3-5	
<b>Pooled Investments:</b>						
Money Market Account	\$ 25,082	\$ 25,082	\$ -	\$ -	\$ -	0.01
Certificates of Deposit	5,709	5,709	-	-	-	0.38
U.S. Treasury Bills	23,642	23,642	-	-	-	0.31
U.S. Treasury Notes/Bonds	110,645	110,645	-	-	-	0.63
U.S. Agencies—Noncallable	328,146	195,127	86,691	40,954	5,374	1.02
U.S. Agencies—Callable	172,610	35,145	38,907	29,570	68,988	2.73
Mortgage-Backed Agency	19,961	9,217	6,562	4,182	-	1.21
<b>Total Pooled</b>	<b>\$685,795</b>	<b>\$404,567</b>	<b>\$ 132,160</b>	<b>\$ 74,706</b>	<b>\$74,362</b>	<b>1.33</b>
<b>Restricted Investments:</b>						
U.S. Treasury Bills	\$ 7,748	\$ 7,748	\$ -	\$ -	\$ -	0.14
U.S. Agencies—Noncallable	112,941	104,025	6,371	-	2,545	0.50
U.S. Agencies—Callable	21,499	2,565	16,426	-	2,508	1.49
<b>Total Restricted</b>	<b>\$142,188</b>	<b>\$114,338</b>	<b>\$ 22,797</b>	<b>\$ -</b>	<b>\$ 5,053</b>	<b>0.63</b>
<b>GRAND TOTAL</b>	<b>\$827,983</b>	<b>\$518,905</b>	<b>\$154,957</b>	<b>\$74,706</b>	<b>\$79,415</b>	<b>1.21</b>

The Fund's allocation of pooled and restricted investments as of April 30, 2007, was \$188,199,164 and \$2,295,304, respectively. Deposits totaled \$7,280,225.

*Callable Agency Securities.* The City actively monitors its callable bond portfolio with respect to probability of call relative to market rates of interest. As of April 30, 2007, the total fair value of the City's callable bond portfolio (pooled and restricted) is \$194,109,444. Unless interest rates markedly decline in the near future, none of these securities should be called prior to maturity.

*Mortgage-Backed Securities.* The City invested \$20 million in a collateralized mortgage obligation security issued by the Federal Home Loan Mortgage Corporation (FHLMC). Details of those securities are as follows:

**FHR 2984 A, \$10,000,000 par value.** The security was purchased on June 30, 2005, and has a stated final maturity of July 15, 2010. The security has a fixed coupon rate of 5.50% and pays interest monthly. The security is the first tranche of the issue to receive principal payments, and the City's principal amount should be retired on a monthly basis beginning in June, 2007 and ending in September, 2008. At April 30, 2007, the security had a fair market value of \$10,007,030.

**FHR 3149 QD, \$10,000,000 par value.** The security has a fixed coupon rate of 5.00% and pays interest monthly. The security was purchased on January 5, 2007, and although has a stated final maturity of September 15, 2025, the security is one of the first five tranches to begin receiving principal payments and the City's principal amount should be retired on a monthly basis beginning in June, 2007 and ending in December, 2009. At April 30, 2007, the security had a fair market value of \$9,953,910.

*Credit Risk*

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligation. In order to prevent over concentration by investment type and thereby mitigate credit risk, the City's Investment Policy provides for diversification of the portfolio by investment type as follows:

U.S. Treasury Securities and Government Guaranteed Securities	100%
Collateralized Time and Demand Deposits	100
U.S. Government Agency and GSE Securities	80
Collateralized Repurchase Agreements	50
U.S. Agency Callable Securities	30
Commercial Paper	30
Bankers Acceptances	30
Qualified Municipal Obligations	10

**Note 2. DEPOSITS AND INVESTMENTS, continued**

As of April 30, 2007, the City had the following pooled and restricted investment balances, which are rated by both Moody's and Standard and Poor's (amounts are in thousands).

<u>Account/Investment Type</u>	<u>Fair Value</u>	<u>Risk Rating</u>	<u>Notes</u>	<u>Moody's/S&amp;P Ratings</u>
U.S. Treasury Bills	\$ 31,390	1	U.S. Gov	Aaa/AAA
U.S. Treasury Notes/Bonds	110,645	1	U.S. Gov	Aaa/AAA
U.S. Agency Discount Notes	77,153	1	U.S. Agency	Aaa/AAA
U.S. Agency Securities	<u>578,006</u>	1	U.S. Agency	Aaa/AAA
Total	<u>\$ 797,194</u>			

**Custodial Credit Risk**

Custodial credit risk is 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).

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 110 percent of the deposit less any amount insured by the Federal Deposit Insurance Corporation (FDIC), or any other governmental agency performing a similar function. As of April 30, 2007, all deposits were adequately and fully collateralized.

The City's investment policy requires that all investment securities be held in the City's name in the City's safekeeping account at its safekeeping institution, thereby mitigating custodial credit risk. As of April 30, 2007, all investment securities were in the City's name in the City's safekeeping accounts at its safekeeping institutions. In addition, all collateral securities were in the City's joint custody account(s) at the Federal Reserve Bank and were either U.S. Treasury (U.S. Government guaranteed) or U.S. Agency (Aaa/AAA rated) obligations.

**Concentration of Credit Risk.**

More than 5 percent of the City's investments are in the following U.S. Agency discount note/securities: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 5%, 29%, 28% and 18%, respectively, of the City's total investments.

**Note 3. ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Changes in allowance for doubtful accounts for FYE07 and FYE06 are as follows:

	<u>Beginning Balance</u>	<u>Bad Debt Expensed</u>	<u>Write-Offs</u>	<u>Ending Balance</u>
FYE07	\$(728,570)	\$( 19,255)	\$ 48,223	\$(699,602)
FYE06	\$(163,768)	\$(705,090)	\$140,288	\$(728,570)

The balance in the allowance account reflects 4.6 percent of the respective accounts receivable balances less any bankruptcies, plus 100% of the bankruptcy amounts. Unrestricted and restricted allowance balances for FYE07 were \$(508,455) and \$(191,147), respectively; unrestricted and restricted allowance balances for FYE06 were \$(485,749) and \$(242,821) respectively.

**Note 4. PREPAID EXPENSE**

Changes in prepaid expense in FYE07 and FYE06 are as follows:

	<u>Beginning Balance</u>	<u>Amounts Pre-Paid</u>	<u>Amounts Expensed</u>	<u>Ending Balance</u>
FYE07	\$625,103	\$1,354,926	\$(1,252,095)	\$727,934
FYE06	\$613,572	\$1,235,821	\$(1,224,290)	\$625,103

Prepaid expense balances include prepaid insurance premiums less any monthly amortized expense for airport and law enforcement liability insurance, property insurance, and prepaid deposits for fingerprinting services.

**Note 5. CAPITAL ASSETS**

Capital asset activity for the years ended April 30, 2007 and 2006 is as follows:

	<u>FYE06</u>	<u>Additions</u>	<u>Reclass</u>	<u>Retirement/ Expensed</u>	<u>FYE07</u>
Capital assets not being depreciated:					
Land	\$ 37,270,829	\$ 1,777,500	\$ -	\$ -	\$ 39,048,329
Construction in progress	<u>82,488,938</u>	<u>60,834,229</u>	<u>(121,362,064)</u>	<u>(342,082)</u>	<u>21,619,021</u>
Total	119,759,767	62,611,729	(121,362,064)	(342,082)	60,667,350
Other capital assets:					
Buildings	444,856,313	16,605,000	88,441,393	-	549,902,706
Infrastructure	409,218,970	-	32,761,080	-	441,980,050
Equipment	<u>85,930,153</u>	<u>2,928,233</u>	<u>159,591</u>	<u>(1,470,648)</u>	<u>87,547,329</u>
Total	940,005,436	19,533,233	121,362,064	(1,470,648)	1,079,430,085
Less accumulated depreciation:					
Buildings	144,613,834	17,534,599	-	-	162,148,433
Infrastructure	225,648,586	22,403,903	-	-	248,052,489
Equipment	<u>40,805,599</u>	<u>13,648,589</u>	-	<u>(1,470,648)</u>	<u>52,983,540</u>
Total	411,068,019	53,587,091	-	(1,470,648)	463,184,462
Other capital assets, net	<u>528,937,417</u>	<u>(34,053,858)</u>	<u>121,362,064</u>	<u>-</u>	<u>616,245,623</u>
<b>Total capital assets</b>	<b><u>\$648,697,184</u></b>	<b><u>\$ 28,557,871</u></b>	<b><u>\$ -</u></b>	<b><u>\$( 342,082)</u></b>	<b><u>\$676,912,973</u></b>

	<u>FYE05</u>	<u>Additions</u>	<u>Reclass</u>	<u>Retirement/ Expensed</u>	<u>FYE06</u>
Capital assets not being depreciated:					
Land	\$ 37,896,398	\$ 1,129,360	\$ 266,323	\$(2,021,252)	\$ 37,270,829
Construction in progress	<u>34,141,629</u>	<u>81,464,491</u>	<u>(31,529,641)</u>	<u>(1,587,541)</u>	<u>82,488,938</u>
Total	72,038,027	82,593,851	(31,263,318)	(3,608,793)	119,759,767
Other capital assets:					
Buildings	437,500,779	171,174	12,233,836	(5,049,476)	444,856,313
Infrastructure	400,968,396	222,874	10,924,475	(2,896,775)	409,218,970
Equipment	<u>81,054,086</u>	<u>5,102,337</u>	<u>8,105,007</u>	<u>(8,331,277)</u>	<u>85,930,153</u>
Total	919,523,261	5,496,385	31,263,318	(16,277,528)	940,005,436
Less accumulated depreciation:					
Buildings	134,267,297	15,189,087	-	(4,842,550)	144,613,834
Infrastructure	207,492,412	21,052,949	-	(2,896,775)	225,648,586
Equipment	<u>35,915,022</u>	<u>13,025,366</u>	-	<u>(8,134,789)</u>	<u>40,805,599</u>
Total	377,674,731	49,267,402	-	(15,874,114)	411,068,019
Other capital assets, net	<u>541,848,530</u>	<u>(43,771,017)</u>	<u>31,263,318</u>	<u>(403,414)</u>	<u>528,937,417</u>
<b>Total capital assets</b>	<b><u>\$613,886,557</u></b>	<b><u>\$38,822,834</u></b>	<b><u>\$ -</u></b>	<b><u>\$(4,012,207)</u></b>	<b><u>\$648,697,184</u></b>

**Note 5. CAPITAL ASSETS, continued**

FYE07 activity included additions to construction in progress of \$60,834,299, of which \$37,583,132 was for ongoing construction costs for the new airport consolidated rental car facility, \$12,099,567 was spent on runway and taxiway rehabilitation, and \$11,151,600 was for various improvements to airport facilities, equipment purchases, and upgrades. The purchase of 10 light vehicles, 8 snow plows, 20 mowers, 2 de-icer trucks, 1 aircraft rescue fire fighting (ARFF) vehicle, 1 sweeper, and 1 runway rubber removal unit accounted for a vast majority of the \$3,087,824 additions in equipment.

Also in FYE07, \$121,362,064 was reclassified from construction in progress to other fixed assets. Amounts transferred to buildings and building improvements include \$78,534,094 for the new consolidated rental car facility and \$9,907,299 for terminal and facility improvements. The amount transferred to infrastructure was \$32,761,080, which included \$22,776,158 for runway and taxiway rehabilitation, \$1,350,208 for bridge rehabilitation, and \$7,878,692 for the new automated access control system. The amount transferred to equipment was \$159,591 which related to boarding bridges and ticket counter equipment.

A total of \$1,470,648 in equipment was retired in FYE07. Equipment retired consisted mostly of computers, mowers, and vehicles.

FYE06 activity included additions to construction in progress of \$81,464,492, of which \$31,126,220 was for ongoing construction costs for the new airport consolidated rental car facility, \$22,551,979 was spent on runway and taxiway rehabilitation, and \$27,786,293 was for various improvements to airport facilities, equipment purchases, and upgrades. The purchase of 6 light vehicles, 8 snow plows, 10 heavy construction equipment, 3 sand spreaders, and 8 buses accounted for a vast majority of the \$5,102,337 additions in equipment.

Also in FYE06, \$31,529,641 was reclassified from construction in progress to other fixed assets. Of this total, \$266,323 represents the Simulator Building demolition cost and transfer to land. Amounts transferred to buildings and building improvements include \$6,039,412 for the aircraft rescue fire fighting (ARFF) facility, \$3,707,589 for the 533 Mexico Building upgrade, and \$1,108,777 for terminal improvements. \$11,147,350 was transferred to infrastructure and \$8,403,517 of this amount was for the extension of Taxiways B and D. \$8,105,007 was transferred to equipment and \$3,383,347 was for the parking lot revenue control system.

A total of \$18,298,781 in assets was retired in FYE06. Retirement of computers, vehicles, and snow removal equipment comprised \$8,331,277 of this amount and the retirement of land, buildings, and infrastructure comprised \$2,021,252, \$5,049,476, and \$2,896,775 respectively.

**Note 6. BOND ISSUE COSTS**

	<u>FYE06</u>	<u>Additions/ Amortization</u>	<u>Refunded</u>	<u>Reclass Expensed</u>	<u>FYE07</u>
Bond issue costs	\$ 5,633,043	\$ -	\$ -	\$ -	\$ 5,633,043
Accumulated amortization	(1,390,143)	(357,549)	-	-	(1,747,692)
<b>Total</b>	<b>\$ 4,242,900</b>	<b>\$( 357,549)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,885,351</b>

	<u>FYE05</u>	<u>Additions/ Amortization</u>	<u>Refunded</u>	<u>Reclass Expensed</u>	<u>FYE06</u>
Bond issue costs	\$ 5,547,954	\$ 113,707	\$ -	\$( 28,618)	\$ 5,633,043
Accumulated amortization	(983,604)	(353,723)	( 52,816)	-	(1,390,143)
<b>Total</b>	<b>\$ 4,564,350</b>	<b>\$( 240,016)</b>	<b>\$ ( 52,816)</b>	<b>\$( 28,618)</b>	<b>\$ 4,242,900</b>

**Note 7. WORKER'S COMPENSATION LIABILITY**

The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is entitled to the defense of sovereign immunity against tort action that provides immunity except in two areas, motor vehicles and condition of City property; however, plaintiffs are limited to a maximum of \$300,000 per person and \$2,000,000 per occurrence in these two areas. The City has retained the risk for these amounts and the deductibles on commercial insurance for other risks of loss. Settled claims have not exceeded commercial insurance coverage for the past three years.

The City has established a Cumulative Insurance Reserve Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. All funds of the City participate in the program and make payments to the Cumulative Insurance Reserve Fund based on actual amounts needed to pay prior and current year claims. The claims liability for the Fund, which includes an estimate of claims incurred but not reported (IBNR), totaled \$1,132,960 and \$843,600 as of April 30, 2007 and 2006, respectively. The IBNR was determined based upon historical claims experience.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
FYE07	\$843,600	\$965,596	\$(676,236)	\$1,132,960
FYE06	\$703,831	\$523,438	\$(383,669)	\$ 843,600

**Note 8. UNAMORTIZED BOND DISCOUNT, PREMIUM, AND DEFERRED REFUNDING CHARGE**

Unamortized bond discount, premium, and deferred refunding charges at April 30, 2007 and 2006 are as follows:

	<u>FYE06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amortization</u>	<u>FYE07</u>
Unamortized bond discount	\$1,309,129	\$ -	\$ -	\$( 76,342)	\$1,232,787
Unamortized bond premium	(4,681,267)	-	-	655,328	(4,025,939)
Deferred charge on refunding	<u>3,062,617</u>	<u>-</u>	<u>-</u>	<u>(615,163)</u>	<u>2,447,454</u>
<b>Total</b>	<b><u>\$ ( 309,521)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$( 36,177)</u></b>	<b><u>\$( 345,698)</u></b>

	<u>FYE05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amortization</u>	<u>FYE06</u>
Unamortized bond discount	\$1,385,471	\$ -	\$ -	\$( 76,342)	\$1,309,129
Unamortized bond premium	(4,677,711)	(797,745)	189,544	604,645	(4,681,267)
Deferred charge on refunding	<u>3,605,072</u>	<u>1,053,197</u>	<u>(965,025)</u>	<u>(630,627)</u>	<u>3,062,617</u>
<b>Total</b>	<b><u>\$ 312,832</u></b>	<b><u>\$ 255,452</u></b>	<b><u>\$(775,481)</u></b>	<b><u>\$(102,324)</u></b>	<b><u>\$( 309,521)</u></b>

**Note 9. BONDS OUTSTANDING AND RESTRICTED ASSETS**

Bonds outstanding in the Fund at April 30, 2007 and 2006 are as follows:

Series	Type	Coupon Range (%)	Original Issuance	Bond Rating <sup>1</sup>	Yield Range (%)	Final Maturity	FYE07 Balance	FYE06 Balance
1997A	GARB	5.30 - 5.50	\$ 29,495,000	Aaa, AAA	5.30 - 5.55	Sep 2014	\$ 29,495,000	\$ 29,495,000
1999	GARB	5.00 - 5.25	35,260,000	Aaa	3.80 - 5.15	Sep 2008	6,405,000	11,210,000
2001	PFC	5.00 - 5.00	140,000,000	Aaa, AAA	3.23 - 5.32	Apr 2026	121,400,000	125,380,000
2003A	GARB	5.75 - 4.75	76,955,000	Aaa, AAA	2.75 - 4.75	Sep 2027	76,955,000	76,955,000
2003B	GARB	5.375 - 4.25	53,055,000	Aaa, AAA	4.12 - 4.39	Sep 2018	53,055,000	53,055,000
2004E	GARB	3.50 - 5.25	25,835,000	Aaa, AAA	2.00 - 4.27	Sep 2012	24,665,000	25,265,000
2005C <sup>2</sup>	CFC	5.00 - 5.25	57,020,000	Aaa,AAA,AAA	4.25 - 5.40	Sep 2020	57,020,000	57,020,000
2005H <sup>3</sup>	GARB	4.00 - 5.00	19,615,000	A1, A+, A+	3.55 - 4.00	Sep 2010	16,995,000	19,615,000
							<u>385,990,000</u>	<u>397,995,000</u>
							15,340,000	12,005,000
							<u>\$370,650,000</u>	<u>\$385,990,000</u>

Less current portion

\$370,650,000      \$385,990,000

<sup>1</sup> Moody's, Standard & Poor's, Fitch respectively. Insured except for Series 2005H which was uninsured.

<sup>2</sup> The 2005C Series bonds was a subordinated taxable issue.

<sup>3</sup> The 2005H Series bonds refunded the 1995A series bonds.

Changes in bonds payable in FYE07 and FYE06 are as follows:

	FYE07	FYE06
Beginning balance	\$397,995,000	\$412,650,000
Bonds issued		
Series 2005H, Refunding Series 1995A	-	19,615,000
Bonds refunded		
Series 1995A	-	25,285,000
Principal payments	<u>12,005,000</u>	<u>8,985,000</u>
	385,990,000	397,995,000
Less current payable	<u>15,340,000</u>	<u>12,005,000</u>
<b>Total long term</b>	<u><b>\$370,650,000</b></u>	<u><b>\$385,990,000</b></u>

**Note 9. BONDS OUTSTANDING AND RESTRICTED ASSETS, continued**

The annual requirements to retire the bonds outstanding as of April 30, 2007 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FYE08	\$ 15,340,000	\$ 18,951,625	\$ 34,291,625
FYE09	18,395,000	18,117,444	36,512,444
FYE10	19,035,000	17,172,364	36,207,364
FYE11	18,750,000	16,208,614	34,958,614
FYE12	19,665,000	15,244,960	34,909,960
FYE13-17	128,695,000	58,531,243	174,226,243
FYE18-22	100,015,000	27,016,649	127,031,649
FYE23-27	60,375,000	8,945,556	69,320,556
FYE28-31	5,720,000	135,850	5,855,850
<b>Total</b>	<b><u>\$385,990,000</u></b>	<b><u>\$180,324,305</u></b>	<b><u>\$553,314,305</u></b>

Restricted accounts and special reserves as required by bond ordinances are reported on the accompanying statements of net assets as restricted assets and are as follows at April 30, 2007 and 2006:

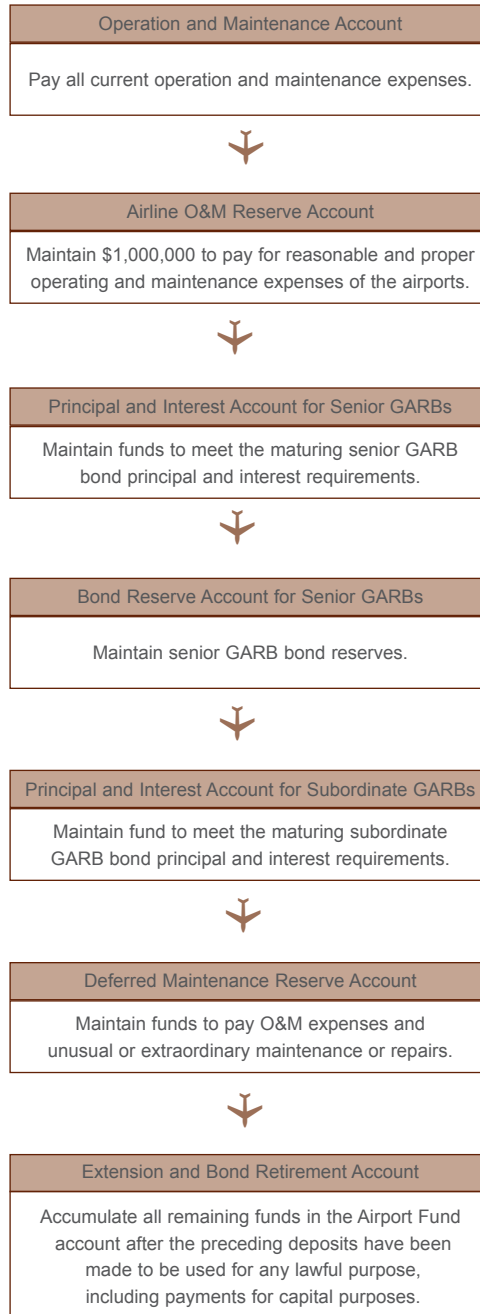
<u>Account</u>	<u>Restricted Assets</u>	<u>Net Assets Restricted</u>
Bond reserve for senior and subordinate GARBs	\$ 8,437,000	\$ 8,437,000
Airline operations and maintenance reserve	6,154,472	11,913,719
Deferred maintenance reserve	750,000	750,000
Principal and interest for senior and subordinate GARBs	11,011,952	11,011,952
Construction	7,431,306	-
Drug Enforcement Agency	193,832	193,832
Richards-Gebaur proceeds	2,998,500	-
Passenger facility charge	19,419,271	19,419,271
Customer facility charge	16,734,497	16,734,497
Other restricted	3,964,231	-
Interest receivable	607,949	-
<b>Total at April 30, 2007</b>	<b><u>\$ 77,703,010</u></b>	<b><u>\$ 68,460,271</u></b>
Total at April 30, 2006	\$107,190,328	\$ 61,683,791

Under the terms of various ordinances enacted at issuance of revenue bonds, the Fund must maintain adequate insurance coverage, rates, and fees sufficient to pay reasonable and proper operating and maintenance expenses and scheduled debt service requirements. The ordinances also establish priorities for the allocation of revenues. After meeting normal operating and maintenance expenses, all remaining monies are to be allocated to the following accounts in the order listed on the next page.

At April 30, 2007, the Fund was in compliance with the provisions of the ordinances relating to the maintenance of restricted accounts and special reserves and coverage requirements. Resources received with purpose restrictions are shown as restricted until the resources are used for the specified purpose.

**Note 9. BONDS OUTSTANDING AND RESTRICTED ASSETS, continued**

Ordinances establish the priorities for the allocation of revenues and said allocation is to the following accounts in the order listed below:



#### **Note 10. LEGAL DEBT MARGIN**

The Fund computes its legal debt margin for general obligation bonds ordinary indebtedness and additional indebtedness based on Sections 26(b) to (c) and 26(d) to (e), respectively, of the State Constitution of Missouri. The bonds issued for aviation purposes and subject to these financial statements are not subject to the legal debt margin of those State Constitution sections. Therefore, no legal debt margin computation is made for the bonds issued for aviation purposes.

##### *Voted Authority for Issuance*

On August 2, 1988, the City held an election at which election the qualified voters of the City approved the City's issuance of up to \$330,000,000 principal amount of airport revenue bonds to be payable solely from the revenues derived by the City from the operation of its airports, including all future improvements and extensions thereto, for the purpose of paying the cost of extending and improving the airports owned and operated by the City, including runways, terminal buildings, and related facilities. On August 8, 2000, the voters approved an additional \$395,000,000 of airport revenue bonds for improvements at the airports. As of April 30, 2007, the City has issued \$330,000,000 of general airport revenue bonds payable from the 1988 authorization and \$143,159,105 of the 2000 authorization. This exhausts the 1988 authorization and leaves \$251,840,895 available from the 2000 authorization. The City intends to issue the balance of the authorization in future financing.

#### **Note 11. PASSENGER FACILITY CHARGES**

In 1990, the United States Congress enacted the Aviation Safety and Capacity Expansion Act ("ASCEA") of 1990, which allows public agencies controlling commercial service airports to charge eligible enplaning passengers at the airport a \$1, \$2, or \$3 passenger facility charge, or PFC. In 2000, the U.S. Congress passed the Aviation Investment and Reform Act for the 21st Century ("AIR-21"), which allowed airports to levy a PFC of \$4.00 or \$4.50 per eligible enplaned passenger. In 2003, the Century of Flight Authorization Act of 2003, Public Law 108-176 ("Vision 100") was signed into law. Vision 100 extends the Airport Improvement Program ("AIP") through September 30, 2007.

The proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers.

Since the ASCEA authorization, the Fund has submitted a total of five applications. As of June 2005, approval was granted to increase the PFC collection rate from \$3.00 to \$4.50 per eligible enplaning passenger. As of July 2006, the Fund received approval from the Federal Aviation Administration (FAA) for new projects increasing collection authority to \$425,018,863.

**Note 12. USE and LEASE AGREEMENTS**

The Fund has a four year Use and Lease Agreement (Agreement) with certain air carriers serving MCI (signatory carriers) effective through April 30, 2009. Pursuant to the Agreement, signatory air carriers have agreed to a guaranteed minimum amount of rentals and fees based on expected levels of use of airport facilities. Further, the Agreement provides the determination for the landing fees and apron, terminal and passenger boarding rents at MCI along with granting certain rights and privileges to air carriers, both passenger and cargo. The Agreement provides for an annual settlement, post fiscal year end close, whereby the rates and charges are recalculated using audited financial statements to determine any airline over/under payment. For the years ended April 30, 2007 and 2006, \$101,556 and \$(567,526), respectively, was due from (to) the airlines.

Minimum future rentals scheduled to be received on operating leases that have initial or remaining noncancelable terms in excess of one year for each of the next five years and thereafter at April 30, 2007 are as follows:

<u>FYE07</u>	<u>Amount</u>
FYE08	\$ 6,977,413
FYE09	7,360,609
FYE10	7,229,371
FYE11	6,367,776
FYE12	5,379,493
FYE13-17	22,479,798
FYE18-22	17,058,511
FYE23-27	16,304,578
FYE28-32	11,802,423
FYE33-37	8,278,471
FYE38-42	5,395,388
FYE43-47	5,355,006
FYE48-51	3,927,004
<b>Total</b>	<b><u>\$123,915,841</u></b>

**Note 13. RICHARDS-GEBAUR FACILITY**

During the FYE2000, the FAA approved the City's request to close RG. This approval waived the City's obligation to maintain certain RG parcels for aeronautical use and from the City's federal grant agreement assurance allowing for the public aeronautical use of RG.

The City subsequently closed RG and leased certain parcels as non-aeronautical, revenue producing airport property. This property will be used as both an intermodal freight center (Phase I Property) and an ancillary railroad facility (Phase II Property). These two properties are leased from the City to the Port Authority of Kansas City, Missouri (the Authority) and then subleased from the Authority to Kansas City Southern Railroad (KCSR).

The City and FAA completed a Memorandum of Agreement (MOA) on March 20, 2000 in which the City agreed to diligently pursue the relocation and construction of a replacement general aviation airport, subject to applicable FAA approval, within five years. The City completed the master planning process for the relocated airport and decided against the construction of a relocated airport. RG was placed into permanent

**Note 13. RICHARDS-GEBAUR FACILITY, continued**

closure status with concurrence from the FAA. Certain stipulations as documented in the MOA require the City to set up escrow accounts for the repayment of federal obligations and revenue received from airport property.

In accordance with the MOA, the City paid \$5,000,000 plus interest in FYE03 as partial settlement for grant funds received for the development of RG. The settlement was accrued as a non-operating expense during the year ended April 30, 2002 and was paid in fiscal year 2003.

In addition, all proceeds from the sale, lease, or other disposition of RG, up to a maximum of \$18 million as outlined in the table below, are restricted for general aviation projects. Once the percentage has been reached, the remainder of RG lease revenue may be used for AIP (Airport Improvement Program) or CIP (Capital Improvement Program) projects at Downtown or MCI.

Through June 17, 2003	100%
June 18, 2003 – June 17, 2006	50
June 18, 2006 – June 17, 2021	25
June 18, 2021 through lease term	0

In FYE07, \$4.9 million was utilized from RG proceeds to partially fund construction costs relating to the Runway 1/19 overlay at the Downtown Airport per the MOA.

*Lease Agreement with Related Party*

On December 30, 1999, the City entered into a Lease Agreement (the Lease) with the Authority to lease certain RG property referred to as Phase I and Phase II Property for the purpose of subleasing said properties to KCSR. KCSR has leased Phase I and Phase II Property from the Authority for the purpose of constructing an intermodal freight center and an ancillary railroad facility, respectively.

The term of the Lease between the Authority and the City is 50 years beginning January 9, 2000. On the 10th day of each January throughout the term of the Lease, the Authority is to pay rent as follows:

Years 1 – 6	7% of the appraised value of the Phase I Property and, if applicable, 7% of the Phase II Property if construction begins prior to June 1, 2002.
Years 7 – 50	10% of the appraised value of the Phase I Property and, if applicable, 10% of the Phase II Property.

The appraised value for the Phase I and Phase II Property is \$6,100,000 and \$3,400,000, respectively. Rental income related to the Lease is approximately \$665,000 per year for the first five years. For the years 1 through 20 of the Lease term, the rent payable will be adjusted every five years based upon the consumer price index and the specific terms of the Lease. For years 21 through 50, the rent will be increased every year by 1.5 percent based upon year 20's rent due.

At any time after the twenty-third anniversary of the inception of the Lease, the Authority will have the option to purchase Phase I and Phase II Property for a purchase price that is equal to the fair market value of both properties at that time.

The Fund has accounted for the Lease as an operating lease and recognized lease revenue of \$1,071,000 and \$880,600 for the fiscal years ended April 30, 2007 and 2006, respectively. This lease was terminated subsequent to April 30, 2007. See Note 17 on page 49 for additional information.

**Note 14. BANKRUPTCY**

Voluntary petition activities for U.S. Bankruptcy Chapter 11 proceedings are as follows:

<u>Airline</u>	<u>File Date</u>	<u>Emergence Date</u>	<u>Prepetition Amount Owed</u>
Northwest Airlines	September 14, 2005	May 31, 2007	\$157,910
Delta/Comair Airlines	September 14, 2005	April 30, 2007	\$ 59,377

Throughout the above periods while the airlines were in Chapter 11 of the U.S. Bankruptcy Code they all continued to operate at MCI.

**Note 15. EMPLOYEE RETIREMENT PLAN**

The board of trustees of the Employees' Retirement System of the City of Kansas City, Missouri (the Board) administers the Employees' Retirement System of the City (the Employees' Plan), a contributory, single-employer, defined benefit public employee retirement plan. The Board is responsible for establishing and amending plan provisions. The Board issues publicly available financial reports that include financial statements and required supplementary information for the Employees' Plan. The financial reports may be obtained by writing to The Retirement Division of the City of Kansas City, Missouri, 12th Floor, City Hall, 414 East 12th Street, Kansas City, Missouri 64106, or by calling (816) 513-1928.

The Employees' Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The employer contributions are established by the Board. Level percentages of payroll employer contribution rates are determined using the individual entry age normal method.

As a condition of participation in the Employees' Plan, members are required to contribute four percent of their salary to the Employees' Plan. The Fund contributes the balance required to pay pensions and maintain the system on an actuarially sound basis. For the year ended April 30, 2007, the Fund contributed at a rate of 12.03 percent of members' salaries.

The pension summary is as follows:

	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funded (Unfunded) Actuarial Liability</u>	<u>Pension Plan Contribution</u>
FYE07	\$ 823,014,181	\$ 847,393,167	\$( 24,378,986)	\$1,913,790
FYE06	745,720,993	800,839,808	( 55,118,815)	1,795,845
FYE05	645,609,869	781,899,987	(136,290,118)	1,546,351

**Note 16. NET ASSETS**

Invested in capital assets, net of related debt at April 30 2007 and 2006 are as follows:

	FYE07	FYE06
Capital assets:		
Land	\$ 39,048,329	\$ 37,270,829
Construction in progress	21,619,021	82,488,938
Buildings	549,902,706	444,856,313
Infrastructure	441,980,050	409,218,970
Equipment	87,547,329	85,930,153
	<u>1,140,097,435</u>	<u>1,059,765,203</u>
Less accumulated depreciation	(463,184,462)	(411,068,019)
Capital assets, net	676,912,973	648,697,184
Bond issuance costs, net	3,885,351	4,242,900
Total capital assets	<u>680,798,324</u>	<u>652,940,084</u>
Less: related liabilities		
Current portion, bonds payable	15,340,000	12,005,000
Bonds payable, net of premium, discount, and unspent proceeds	363,564,392	345,753,544
Total liabilities	<u>378,904,392</u>	<u>357,758,544</u>
Invested in capital assets, net of related debt	<u>\$ 301,893,932</u>	<u>\$ 295,181,540</u>

Restricted net assets at April 30, 2007 and 2006 are as follows:

	FYE07	FYE06
Restricted assets:		
Cash and cash equivalents, restricted	\$ 36,977,062	\$ 68,111,958
Passenger facility charges	19,419,271	19,895,495
Customer facility charges	16,734,497	13,443,851
Accounts and interest receivable, restricted	4,572,180	5,739,024
	<u>77,703,010</u>	<u>107,190,328</u>
Less liabilities from restricted assets		
Accounts and retainages payable	3,885,740	4,732,529
Debt related to unspent bond proceeds	2,659,630	37,997,546
Accrued interest payable	2,697,369	2,776,462
	<u>9,242,739</u>	<u>45,506,537</u>
Restricted net assets	<u>\$ 68,460,271</u>	<u>\$ 61,683,791</u>

**Note 17. SUBSEQUENT EVENTS**

On June 27, 2007, the City sold the former Richards-Gebaur Air Force Base to the Authority for \$10.6 million resulting in a gain on sale of \$1.1 million. Proceeds from the sale are restricted and will be utilized for capital improvements at the Downtown Airport or at MCI. The sale terminates the City's obligations of the MOA with the FAA and the operating lease with the Authority.

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# STATISTICAL SECTION

## FINANCIAL TREND INFORMATION

THESE SCHEDULES CONTAIN TREND INFORMATION TO SHOW HOW THE DEPARTMENT'S FINANCIAL PERFORMANCE HAS CHANGED OVER TIME.

- Schedule of Historical Net Assets and Cash Flows Information
- Schedule of Historical Revenues and Expenses
- Schedule of Statements of Cash Flows
- Schedule of Unrestricted and Restricted Cash and Cash Equivalents

## REVENUE CAPACITY INFORMATION

THESE SCHEDULES CONTAIN INFORMATION TO ASSESS THE DEPARTMENT'S MOST SIGNIFICANT REVENUE SOURCES.

- Schedule of Revenues, Expenses, and Changes in Fund Net Assets by Facility
- Schedule of Grants
- Schedule of Highest Paying Customers
- Schedule of Most Popular Destinations
- Map of Non-Stop Flights
- Schedule of Passenger and Cargo Airlines
- Schedule of Airline Service

## DEBT CAPACITY INFORMATION

THESE SCHEDULES PRESENT INFORMATION REGARDING THE DEPARTMENT'S CURRENT LEVELS OF OUTSTANDING DEBT AND ITS ABILITY TO ISSUE ADDITIONAL DEBT IN THE FUTURE. THE TABLES REPRESENT CONTINUING DISCLOSURE SCHEDULES REQUIRED BY BOND ORDINANCES.

- Schedule of Ratios of Outstanding Debt, Debt Service, and Debt Limits
- Table VI-11—Schedule of Historical GARB Debt Service Coverage
- Table IV-1—Schedule of Annual Passenger Enplanements
- Table IV-3—Schedule of Monthly Enplanements
- Table IV-3B—Schedule of Changes in Monthly Enplanements Vs. U.S. Domestic Monthly Enplanements
- Table IV-5—Schedule of Airlines Market Share
- Table IV-7—Schedule of MCI Aircraft Operations
- Table IV-9—Schedule of Enplaned Cargo
- Table IV-8a—Schedule of Commercial Aircraft Landed Weight by Airline
- Table IV-8b—Schedule of Commercial Aircraft Landings
- Table V-6—Schedule of Annual Parking Revenue by Facility
- Table VI-10—Schedule of Historical Airline Cost Per Enplaned Passenger
- Table VI-2—Schedule of Total Airport System Revenue and Expenses
- Table VI-3—Schedule of Historical Operating and Maintenance Expenses
- Table VI-5—Schedule of Historical Revenues
- Table VI-13—Schedule of PFC Revenues
- Table VI-14—Schedule of PFC Bond Sufficiency Covenant

## DEMOGRAPHIC AND ECONOMIC INFORMATION

THESE SCHEDULES OFFER DEMOGRAPHIC AND ECONOMIC INDICATORS TO HELP UNDERSTAND THE ENVIRONMENT WITHIN WHICH THE DEPARTMENT'S FINANCIAL ACTIVITIES TAKE PLACE.

- Schedule of Population
- Schedule of Principal Employers

## OPERATING INFORMATION

THESE SCHEDULES CONTAIN SERVICE AND INFRASTRUCTURE INFORMATION TO HELP UNDERSTAND HOW THE INFORMATION IN THE DEPARTMENT'S FINANCIAL REPORT RELATES TO THE SERVICES THE DEPARTMENT PROVIDES AND THE ACTIVITIES IT PERFORMS.

- Schedule of Rates and Charges
- Schedule of Facility Information
- Schedule of Department of Aviation Operating Expenditures by Division
- Schedule of Department Full-Time and Equivalent Employees by Division
- Schedule of Assets Capitalized
- Schedule of Construction in Progress

SCHEDULE OF HISTORICAL NET ASSETS AND CASH FLOW INFORMATION  
FOR THE LAST TEN FISCAL YEARS

	FYE98	FYE99	FYE00
Statement of net assets:			
Current assets—unrestricted	\$ 49,867,254	\$ 30,319,143	\$143,965,136
Current assets—restricted	128,305,718	143,061,612	35,108,721
Non current—capital	479,189,636	489,013,372	494,881,394
Non current—construction in progress	31,208,283	60,828,209	80,468,160
Non current—accumulated depreciation	(211,412,950)	(226,889,575)	(245,330,844)
Non current—bond issue costs	889,586	783,577	831,634
Due from other funds	1,333,469	1,383,789	3,984,106
<b>Total assets</b>	<b><u>\$479,380,996</u></b>	<b><u>\$498,500,127</u></b>	<b><u>\$513,908,307</u></b>
Current liabilities	\$ 13,133,553	\$ 9,031,037	\$ 8,497,440
Current liabilities from restricted assets	11,175,632	9,142,506	8,535,982
Long-term liabilities	<u>139,458,133</u>	<u>135,253,145</u>	<u>130,725,091</u>
<b>Total liabilities</b>	<b>163,767,318</b>	<b>153,426,688</b>	<b>147,758,513</b>
Contributed capital	132,532,504	136,059,350	132,159,930
Retained earnings	183,081,174	209,014,089	233,989,864
Invested in capital assets, net of related debt	-	-	-
Restricted net assets	-	-	-
Unrestricted net assets	-	-	-
<b>Total retained earnings/net assets</b>	<b><u>315,613,678</u></b>	<b><u>345,073,439</u></b>	<b><u>366,149,794</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$479,380,996</u></b>	<b><u>\$498,500,127</u></b>	<b><u>\$513,908,307</u></b>
Cash flow information:			
Operating profit before depreciation and amortization	\$ 23,929,686	\$ 22,961,708	\$ 26,576,275
Depreciation and amortization	<u>20,382,937</u>	<u>17,840,736</u>	<u>21,105,183</u>
<b>Total operating profit</b>	<b><u>\$ 3,546,749</u></b>	<b><u>\$ 5,120,972</u></b>	<b><u>\$ 5,471,092</u></b>
Capital contributions	\$ 11,649,282	\$ 13,455,399	\$ 2,729,040
Capital acquisitions	59,494,192	42,504,755	30,397,438

FYE01	FYE02	FYE03	FYE04	FYE05	FYE06	FYE07
\$161,646,608	\$165,960,388	\$181,503,411	\$130,027,638	\$127,418,350	\$139,861,105	\$134,557,611
37,285,843	121,391,304	156,966,757	116,800,168	134,922,524	107,190,328	77,703,010
535,827,948	621,741,794	628,519,098	688,689,883	957,419,659	977,276,265	1,118,478,414
97,242,089	101,091,962	203,993,645	251,419,111	34,141,629	82,488,938	21,619,021
(263,913,086)	(284,365,891)	(310,824,361)	(339,044,701)	(377,674,731)	(411,068,019)	(463,184,462)
699,061	1,919,483	3,545,377	3,369,302	4,564,350	4,242,900	3,885,351
-	-	-	-	-	-	-
<u>\$568,788,463</u>	<u>\$727,739,040</u>	<u>\$863,703,927</u>	<u>\$851,261,401</u>	<u>\$880,791,781</u>	<u>\$899,991,517</u>	<u>\$893,058,945</u>
\$ 14,527,635	\$ 24,040,441	\$ 24,959,258	\$ 12,846,116	\$ 11,704,215	\$ 19,334,408	\$18,726,017
9,815,711	14,807,598	19,719,614	19,152,546	17,652,267	19,813,364	22,222,482
<u>127,932,228</u>	<u>257,940,000</u>	<u>375,206,326</u>	<u>364,279,437</u>	<u>400,557,168</u>	<u>386,299,521</u>	<u>370,995,698</u>
<u>152,275,574</u>	<u>296,788,039</u>	<u>419,885,198</u>	<u>396,278,099</u>	<u>429,913,650</u>	<u>425,447,293</u>	<u>411,944,197</u>
141,085,580	134,462,070	-	-	-	-	-
275,427,309	296,488,931	-	-	-	-	-
-	-	235,285,763	271,378,585	283,935,071	295,181,540	301,893,932
-	-	56,830,152	59,359,396	42,686,420	61,683,791	68,460,271
-	-	<u>151,702,814</u>	<u>124,245,321</u>	<u>124,256,640</u>	<u>117,678,893</u>	<u>110,760,545</u>
<u>416,512,889</u>	<u>430,951,001</u>	<u>443,818,729</u>	<u>454,983,302</u>	<u>450,878,131</u>	<u>474,544,224</u>	<u>481,114,748</u>
<u>\$568,788,463</u>	<u>\$727,739,040</u>	<u>\$863,703,927</u>	<u>\$851,261,401</u>	<u>\$880,791,781</u>	<u>\$899,991,517</u>	<u>\$893,058,945</u>
\$ 25,805,967	\$ 14,169,532	\$ 16,920,214	\$ 20,162,013	\$ 20,447,992	\$ 20,324,177	\$ 23,972,740
21,682,523	22,735,719	27,292,927	28,610,026	38,937,910	49,621,125	53,944,639
<u>\$ 4,123,444</u>	<u>\$( 8,566,187)</u>	<u>\$(10,372,713)</u>	<u>\$( 8,448,013)</u>	<u>\$(18,489,918)</u>	<u>\$(29,296,948)</u>	<u>\$(29,971,899)</u>
\$ 15,518,707	\$ 13,307,685	\$ 9,557,005	\$ 3,279,074	\$ 5,700,284	\$ 33,094,115	\$ 18,567,862
57,073,651	92,012,560	110,379,572	96,872,489	47,018,293	85,349,215	81,866,913

SCHEDULE OF HISTORICAL REVENUES AND EXPENSES  
FOR THE LAST TEN FISCAL YEARS

	FYE98	FYE99	FYE00
Operating revenues:			
Terminal and aprons	\$11,937,618	\$ 9,179,225	\$ 9,401,496
Airfield	9,887,450	10,912,386	9,750,600
Parking <sup>(1)</sup>	-	-	-
Rental car <sup>(1)</sup>	-	-	-
Transportation facility charge	-	-	-
Concessions <sup>(1)</sup>	-	-	-
Parking and concessions <sup>(1)</sup>	27,549,491	42,150,141	43,873,844
Property rentals	12,316,187	4,478,829	4,576,828
Other	140,874	93,908	32,009
<b>Total operating revenues</b>	<b>61,831,620</b>	<b>66,814,489</b>	<b>67,634,777</b>
Non-operating revenues:			
Interest income	10,178,657	9,134,514	7,486,337
Passenger facility charge	15,682,026	15,752,125	16,409,710
Customer facility charge	-	-	-
Operating/Federal grant	-	108,292	46,883
Other income	103,436	79,291	-
<b>Total non-operating revenues</b>	<b>25,964,119</b>	<b>25,074,222</b>	<b>23,942,930</b>
Capital contributions	-	-	-
<b>Total revenue</b>	<b>87,795,739</b>	<b>91,888,711</b>	<b>91,577,707</b>
Operating expenses:			
Salaries, wages and employee benefits	16,362,601	17,105,678	18,108,645
Contractual services	13,898,934	13,945,951	18,855,000
Commodities	7,232,021	12,583,113	4,005,745
Other	408,378	218,039	89,112
<b>Total operating expense</b>	<b>37,901,934</b>	<b>43,852,781</b>	<b>41,058,502</b>
Non-cash expenses:			
Depreciation	20,303,667	17,779,943	21,075,416
Amortization	79,270	60,793	29,767
<b>Total non-cash expenses</b>	<b>20,382,937</b>	<b>17,840,736</b>	<b>21,105,183</b>
Non-operating expenses:			
Interest expense	9,709,310	9,522,835	8,919,383
Other expense	-	-	2,147,324
<b>Total non-operating expenses</b>	<b>9,709,310</b>	<b>9,522,835</b>	<b>11,066,707</b>
<b>Total expense</b>	<b>67,994,181</b>	<b>71,216,352</b>	<b>73,230,392</b>
<b>Change in net assets</b>	<b>\$19,801,558</b>	<b>\$20,672,359</b>	<b>\$18,347,315</b>

<sup>(1)</sup>During the years FYE95 through FYE00 parking, rental car, and concession revenues were all included in parking and concessions revenues.

FYE01	FYE02	FYE03	FYE04	FYE05	FYE06	FYE07
\$ 9,630,210	\$10,894,533	\$ 9,573,569	\$ 9,302,622	\$ 9,356,744	\$ 10,952,845	\$ 10,901,852
9,919,277	9,533,402	10,204,660	10,228,110	10,038,968	11,662,094	13,017,560
32,773,679	29,791,619	31,869,141	33,293,350	34,609,225	35,769,941	40,032,941
7,773,929	7,238,643	7,290,691	7,864,913	7,829,509	8,372,860	8,817,410
-	-	-	-	-	1,760,366	4,296,620
3,740,279	2,855,587	2,248,520	2,044,290	3,110,624	3,796,773	3,639,827
-	-	-	-	-	-	-
5,630,947	6,095,620	6,201,322	6,353,902	5,813,881	7,928,682	14,381,823
143,254	810,837	663,543	286,530	160,011	136,258	367,018
<u>69,611,575</u>	<u>67,220,241</u>	<u>68,051,446</u>	<u>69,373,717</u>	<u>70,918,962</u>	<u>80,379,819</u>	<u>95,455,051</u>
14,711,152	9,725,987	9,171,250	4,879,174	3,188,810	7,396,189	11,906,515
17,207,518	16,134,494	13,686,560	13,879,589	13,655,542	20,252,999	24,097,730
1,776,234	6,186,432	5,792,046	5,886,939	5,976,731	6,147,691	6,456,360
123,049	1,223,993	3,022,340	936,958	136,058	130,359	168,117
1,463,226	-	163,840	187,230	614,809	210,810	377,681
<u>35,281,179</u>	<u>33,270,906</u>	<u>31,836,036</u>	<u>25,769,890</u>	<u>23,571,950</u>	<u>34,138,048</u>	<u>43,006,403</u>
-	9,118,124	7,450,857	3,258,011	5,816,648	40,897,885	11,915,287
<u>104,892,754</u>	<u>109,609,271</u>	<u>107,338,339</u>	<u>98,401,618</u>	<u>100,307,560</u>	<u>155,415,752</u>	<u>150,376,741</u>
18,292,675	20,509,676	22,365,738	21,120,771	22,168,647	24,007,384	25,022,038
20,486,708	27,350,108	23,004,062	25,474,042	25,680,324	33,071,060	42,447,274
4,940,937	5,082,986	5,663,077	2,616,891	2,621,999	2,977,198	4,012,999
85,288	107,939	98,355	-	-	-	-
<u>43,805,608</u>	<u>53,050,709</u>	<u>51,131,232</u>	<u>49,211,704</u>	<u>50,470,970</u>	<u>60,055,642</u>	<u>71,482,311</u>
21,632,145	22,630,206	27,159,055	28,400,493	38,649,530	49,267,402	53,587,091
50,378	105,513	133,872	209,533	288,380	353,723	357,548
<u>21,682,523</u>	<u>22,735,719</u>	<u>27,292,927</u>	<u>28,610,026</u>	<u>38,937,910</u>	<u>49,621,125</u>	<u>53,944,639</u>
8,428,713	12,280,379	15,698,287	9,324,298	14,675,769	19,186,893	18,105,307
-	7,104,353	348,165	91,017	328,082	2,885,999	273,960
<u>8,428,713</u>	<u>19,384,732</u>	<u>16,046,452</u>	<u>9,415,315</u>	<u>15,003,851</u>	<u>22,072,892</u>	<u>18,379,267</u>
<u>73,916,844</u>	<u>95,171,160</u>	<u>94,470,611</u>	<u>87,237,045</u>	<u>104,412,731</u>	<u>131,749,659</u>	<u>143,806,217</u>
<u>\$30,975,910</u>	<u>\$14,438,111</u>	<u>\$12,867,728</u>	<u>\$11,164,573</u>	<u>\$( 4,105,171)</u>	<u>\$ 23,666,093</u>	<u>\$ 6,570,524</u>

SCHEDULE OF STATEMENTS OF CASH FLOWS  
FOR THE LAST FOUR FISCAL YEARS

	FYE04	FYE05	FYE06	FYE07
<b>Cash flows from operating activities:</b>				
Cash received from providing services	\$ 69,653,034	\$ 70,896,008	\$ 73,518,703	\$ 95,566,308
Cash paid to employees, including benefits	(20,930,841)	(21,967,293)	(23,009,718)	(24,436,847)
Cash paid to suppliers	<u>(41,303,178)</u>	<u>(31,026,186)</u>	<u>(26,723,628)</u>	<u>(50,435,322)</u>
<b>Cash provided by operating activities</b>	<b>7,419,015</b>	<b>17,902,529</b>	<b>23,785,357</b>	<b>20,694,139</b>
<b>Cash flows from non-capital financing activities:</b>				
Proceeds from grants	936,958	136,058	130,359	168,117
Due other government	-	-	(136,491)	-
<b>Cash provided by non-capital financing activities</b>	<b>936,958</b>	<b>136,058</b>	<b>(6,132)</b>	<b>168,117</b>
<b>Cash flows from capital and related financing activities:</b>				
Paid debt issue costs	(33,458)	(1,598,183)	(113,707)	-
Purchase of capital assets	(784,394)	(2,585,524)	(5,472,265)	(21,374,766)
Construction of capital assets	(96,088,095)	(44,432,769)	(79,876,950)	(60,492,147)
Construction contract retainage	214,828	(267,614)	(911,404)	1,533,484
Matured coupons	37,573	-	-	-
Proceeds from capital debt	-	84,261,051	20,211,081	-
Capital debt refunded	-	(36,080,000)	(22,490,000)	-
Principal paid on capital debt	(10,790,000)	(11,285,000)	(11,780,000)	(12,005,000)
Interest paid on capital debt	(20,242,594)	(19,138,877)	(20,160,631)	(18,148,223)
Passenger facility charges	13,879,589	13,655,542	20,252,999	24,154,914
Customer facility charges	5,886,939	5,976,731	6,147,691	6,405,410
Proceeds from sales of capital assets	96,213	384,465	331,929	49,261
Capital contributed by federal government	<u>3,279,074</u>	<u>5,700,284</u>	<u>33,094,115</u>	<u>18,567,862</u>
<b>Cash used in capital and related financing activities</b>	<b>(104,544,325)</b>	<b>(5,409,894)</b>	<b>(60,767,142)</b>	<b>(61,309,205)</b>
<b>Cash flows from investing activities:</b>				
Interest received	<u>5,299,647</u>	<u>5,334,602</u>	<u>7,007,378</u>	<u>11,791,745</u>
<b>Cash provided by investing activities</b>	<b>5,299,647</b>	<b>5,334,602</b>	<b>7,007,378</b>	<b>11,791,745</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(90,888,705)</b>	<b>17,963,295</b>	<b>(29,980,539)</b>	<b>(28,655,204)</b>
Cash and cash equivalents at beginning of year	<u>329,335,846</u>	<u>238,447,141</u>	<u>256,410,436</u>	<u>226,429,897</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$238,447,141</u></b>	<b><u>\$256,410,436</u></b>	<b><u>\$226,429,897</u></b>	<b><u>\$197,774,693</u></b>
<b>Reconciliation to Statements of Net Assets:</b>				
<b>Cash and cash equivalents:</b>				
Unrestricted	\$125,868,377	\$124,182,308	\$124,978,593	\$124,643,863
Restricted	<u>112,578,764</u>	<u>132,228,128</u>	<u>101,451,304</u>	<u>73,130,830</u>
<b>Cash and Cash Equivalents at end of year</b>	<b><u>\$238,447,141</u></b>	<b><u>\$256,410,436</u></b>	<b><u>\$226,429,897</u></b>	<b><u>\$197,774,693</u></b>

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SCHEDULE OF UNRESTRICTED AND RESTRICTED CASH AND CASH EQUIVALENTS  
FOR THE LAST SEVEN FISCAL YEARS

	Cash and Cash Equivalents and <u>Investments</u>	Passenger Facility <u>Charge</u>	Customer Facility <u>Charge</u>	DEA Forfeited <u>Property</u>	Richards- Gebaur
FYE01	\$147,248,851	-	\$ 1,279,740	\$115,335	\$6,639,703
FYE02	155,209,796	8,809,380	6,659,616	104,373	5,034,134
FYE03	173,626,211	13,503,621	12,339,400	123,724	2,504,857
FYE04	125,868,377	13,528,927	17,928,526	55,054	3,764,239
FYE05	124,182,309	11,635,032	9,398,371	84,563	4,906,580
FYE06	124,978,593	19,895,495	13,443,851	190,316	5,232,465
FYE07	124,643,863	19,419,271	16,734,497	193,832	2,998,500

<u>Airlines Operations and Maintenance</u>	<u>Deferred Maintenance and Replacement</u>	<u>Principal and Interest</u>	<u>Bond Reserve</u>	<u>Construction Proceeds</u>	<u>Other</u>	<u>Total</u>
\$1,725,534	\$4,158,593	\$5,639,649	\$14,776,000	\$2,274,074	\$302,343	\$184,159,822
1,000,000	750,000	8,176,953	15,275,500	73,506,105	311,962	274,837,819
1,000,000	750,000	13,837,907	15,275,500	96,048,330	326,297	329,335,847
1,951,189	6,410,983	10,821,389	15,275,500	42,509,427	333,530	238,447,141
1,996,607	6,560,207	8,789,141	10,875,500	77,640,831	341,295	256,410,436
3,998,071	750,000	8,958,129	8,437,000	40,545,977	-	226,429,897
6,154,472	750,000	11,011,952	8,437,000	7,431,306	-	197,774,693

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS BY FACILITY  
FOR THE YEAR ENDED APRIL 30, 2007

	Kansas City International	Charles B. Wheeler Downtown	Richards- Gebaur	Total
Operating revenues:				
Terminal	\$ 10,901,852	\$ -	\$ -	\$ 10,901,852
Airfield fees	12,758,246	259,314	-	13,017,560
Parking	40,032,941	-	-	40,032,941
Auto rental	8,813,531	3,879	-	8,817,410
Transportation facility charges	4,296,620	-	-	4,296,620
Concessions	3,639,827	-	-	3,639,827
Property rental	10,835,768	2,253,261	1,292,794	14,381,823
Other	366,816	125	77	367,018
<b>Total operating revenues</b>	<b>91,645,601</b>	<b>2,516,579</b>	<b>1,292,871</b>	<b>95,455,051</b>
Operating expenses:				
Salaries, wages, and employee benefits	24,303,444	718,594	-	25,022,038
Contractual services	41,749,433	673,436	24,405	42,447,274
Commodities	3,848,603	164,396	-	4,012,999
<b>Total operating expenses</b>	<b>69,901,480</b>	<b>1,556,426</b>	<b>24,405</b>	<b>71,482,311</b>
<b>Total operating income before depreciation and amortization</b>	<b>21,744,121</b>	<b>960,153</b>	<b>1,268,466</b>	<b>23,972,740</b>
Non cash operating expenses:				
Depreciation	51,344,115	1,618,808	624,168	53,587,091
Amortization	357,548	-	-	357,548
<b>Total non cash operating expenses</b>	<b>51,701,663</b>	<b>1,618,808</b>	<b>624,168</b>	<b>53,944,639</b>
<b>Total operating income (loss)</b>	<b>(29,957,542)</b>	<b>(658,655)</b>	<b>644,298</b>	<b>(29,971,899)</b>
Non-operating revenues:				
Interest	11,649,512	-	257,003	11,906,515
Passenger facility charge	24,097,730	-	-	24,097,730
Customer facility charge	6,456,360	-	-	6,456,360
Operating grant revenue	168,117	-	-	168,117
Other	377,673	8	-	377,681
<b>Total non-operating revenues</b>	<b>42,749,392</b>	<b>8</b>	<b>257,003</b>	<b>43,006,403</b>
Non-operating expense:				
Interest	18,105,307	-	-	18,105,307
Other	325,848	-	(51,888)	273,960
<b>Total non-operating expense</b>	<b>18,431,155</b>	<b>-</b>	<b>(51,888)</b>	<b>18,379,267</b>
<b>Total non-operating income</b>	<b>24,318,237</b>	<b>8</b>	<b>308,891</b>	<b>24,627,136</b>
<b>Net income (loss) before capital contributions</b>	<b>(5,639,305)</b>	<b>(658,647)</b>	<b>953,189</b>	<b>(5,344,763)</b>
Capital contributions	7,643,979	4,271,308	-	11,915,287
<b>Changes in net assets</b>	<b>\$ 2,004,674</b>	<b>\$ 3,612,661</b>	<b>\$ 953,189</b>	<b>\$ 6,570,524</b>

SCHEDULE OF GRANTS

Grant Number	Location	Description	Maximum Balance	FYE07 Revenue	Executed	Status
Capital Grant Revenue:						
AIP 3-29-0041-13	MKC	Rwy 1/19 safety area extension	\$ 522,896	\$ 19,197	FYE04	Open
AIP 3-29-0041-14	MKC	Rehabilitate runway 1/19 (Phase I)	7,650,000	-	FYE05	Closed FYE07
AIP 3-29-0041-15	MKC	Rehabilitate runway and airfield lighting	5,415,000	-	FYE05	Closed FYE07
AIP 3-29-0041-16	MKC	Rehabilitate runway and airfield lighting	1,100,000	690,224	FYE06	Closed FYE07
AIP 3-29-0040-37	MCI	Security enhancements	8,864,132	-	FYE03	Closed FYE07
AIP 3-29-0040-38	MCI	Emergency airfield generator	1,419,276	-	FYE04	Closed FYE07
AIP 3-29-0040-41	MCI	Acquire two ARFF vehicles	1,346,426	705,554	FYE04	Closed FYE07
AIP 3-29-0040-42	MCI	Security enhancements - holdroom	517,194	39,924	FYE04	Closed FYE07
AIP 3-29-0040-43	MCI	Security enhancements - terminal	15,000,000	787,383	FYE04	Open
AIP 3-29-0040-44	MCI	Rehabilitate apron (Ph IX), security enh.	6,419,446	2,063,413	FYE05	Open
AIP 3-29-0040-45	MCI	Extend taxiway B, D, and M	6,985,000	236,021	FYE05	Open
AIP 3-29-0040-47	MCI	Airfield lighting and glycol recovery	7,464,005	373,223	FYE05	Open
AIP 3-29-0040-49	MCI	Snow removal equipment	2,250,000	306,488	FYE07	Open
AIP 3-29-0040-50	MCI	Noise compatibility	141,047	139,058	FYE07	Closed FYE07
AIP 3-29-0040-51	MCI	Rehabilitate taxiways L and M	3,240,745	2,789,628	FYE07	Open
AIP 3-29-0040-52	MCI	Cargo glycol collection system	4,463,462	3,340,187	FYE07	Open
AIP 3-29-0040-55	MCI	Rehabilitate taxiways D, J, and K	7,590,000	424,987	FYE07	Open
<b>Total Capital Grant Revenue</b>				<b><u>\$11,915,287</u></b>		
Operating Grant Revenue:						
	MCI	TSA - Explosives Detection K-9 Team Prgm	150,000 <sup>(1)</sup>	\$ 168,117		
<b>Total Operating Grant Revenue</b>				<b><u>\$ 168,117</u></b>		

<sup>(1)</sup> Maximum per Federal Fiscal Year October 1 through September 30

## SCHEDULE OF HIGHEST PAYING CUSTOMERS

	FYE04 <sup>(1)</sup>		FYE05 <sup>(2)</sup>		FYE06 <sup>(3)</sup>		FYE07 <sup>(3)</sup>	
	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount
Southwest Airlines	1	\$4,657,049	1	\$5,751,808	1	\$5,826,355	1	\$6,674,658
American Airlines	3	2,116,212	2	3,573,652	2	3,863,103	2	3,307,889
Hertz Car Rental	2	2,193,635	3	2,715,287	3	2,303,147	4	2,439,401
Midwest Express Airlines	-	-	6	2,043,120	4	2,296,561	3	2,853,057
Avis Rent-A-Car	4	2,013,541	4	2,575,275	5	2,169,480	5	2,001,068
Delta Airlines	5	1,865,965	5	2,312,019	6	1,834,106	7	1,748,786
Vanguard Car Rental	6	1,642,180	7	1,967,296	7	1,821,328	8	1,627,084
Host International, Inc.	-	-	-	-	8	1,768,374	6	1,921,881
Paradies-Kansas City, LLC	-	-	10	1,400,545	9	1,676,215	13	1,382,819
Executive Beechcraft	-	-	-	-	10	1,584,246	11	1,469,770
Northwest Airlines	8	1,334,688	8	1,905,249	11	1,381,179	9	1,588,898
United Airlines	7	1,390,867	9	1,718,621	12	1,374,774	10	1,517,989
Continental Airlines	10	1,154,382	12	1,302,199	13	1,346,992	12	1,463,371
US Airways	9	1,273,485	11	1,323,884	14	1,283,125	14	1,223,891
Port Authority of Kansas City, Missouri	-	-	-	-	15	1,071,001	15	1,071,001

<sup>(1)</sup> FYE04, rankings were provided for the 10 highest paying customers only.

<sup>(2)</sup> FYE05 rankings were provided for the 12 highest paying customers only.

<sup>(3)</sup> FYE06 and FYE07 rankings were provided for the 15 highest paying customers only.

**SCHEDULE OF MOST POPULAR DESTINATIONS**  
 Number of passengers by calendar year

Rank	City	C2003	C2004	C2005	C2006
1	Chicago, Midway	387,890	Chicago, Midway 401,700	Chicago, Midway 411,590	Chicago, Midway 411,623
2	Las Vegas	348,460	Chicago, O'Hare 339,570	Las Vegas 353,380	Denver 396,193
3	Chicago, O'Hare	327,660	Las Vegas 333,180	Chicago, O'Hare 339,250	Las Vegas 386,906
4	Atlanta	312,820	Phoenix 313,890	Los Angeles 313,480	Chicago-O'Hare 346,615
5	Phoenix	282,030	Los Angeles 306,640	Phoenix 309,890	Los Angeles 344,220
6	Orlando	281,410	Atlanta 299,380	Atlanta 304,890	Atlanta 330,988
7	Dallas/Ft. Worth	265,820	Orlando 292,630	Orlando 281,580	Dallas-Love 327,273
8	Los Angeles	258,680	Dallas/Ft. Worth 277,210	Denver 277,190	Phoenix 320,630
9	Denver	253,330	Denver 276,180	Dallas/Ft. Worth 264,840	Orlando 318,813
10	New York, LGA	220,990	New York, LGA 239,590	New York 252,110	New York-LGA 264,460
11	St. Louis	201,910	Washington, DCA 198,920	Washington, DCA 235,630	Washington-DCA 235,037
12	Baltimore	197,370	St. Louis 183,200	St. Louis 178,580	Dallas/Fort Worth 211,085
13	Tampa	157,590	Baltimore 171,920	Baltimore 169,320	St. Louis 194,399
14	Detroit	154,850	Tampa 165,400	Tampa 155,740	San Diego 180,891
15	Washington, DCA	150,170	Seattle 149,180	San Diego 152,940	Tampa 174,780
16	Seattle	143,040	San Diego 148,640	Nashville 149,560	Baltimore 170,685
17	San Diego	141,180	Detroit 145,690	Seattle 145,040	Nashville 161,721
18	Philadelphia	136,490	Nashville 142,990	Detroit 143,360	Seattle/Tacoma 156,264
19	Nashville	135,530	Philadelphia 138,410	Minneapolis 143,210	Fort Lauderdale 148,578
20	Minneapolis	127,800	Minneapolis 131,440	Philadelphia 140,410	Boston 148,310
<b>Total – All Destinations</b>		<b><u>8,358,670</u></b>	<b><u>8,721,510</u></b>	<b><u>8,875,340</u></b>	<b><u>10,143,936</u></b>

One passenger flying roundtrip is counted twice.  
 Source: OandD Survey of Airline Passenger Traffic, U.S. DOT, via Data Bas Product

MAP OF NON-STOP FLIGHTS



FLY NON-STOP TO THE FOLLOWING CITIES:

Albuquerque, 2 flights/day  
 Atlanta, 10  
 Baltimore, 3  
 Boston, 1  
 Charlotte, 4  
 Chicago, 23  
 Cleveland, 4  
 Columbia, 2  
 Covington, 4  
 Dallas, 19  
 Denver, 18  
 Detroit, 5  
 Dodge City, 2  
 Ft. Lauderdale, 2  
 Ft. Myers, 1  
 Grand Island, 1  
 Great Bend, 1  
 Harrison, 1

Hays, 1  
 Houston, 10  
 Indianapolis, 4  
 Joplin, 3  
 Kirksville, 4  
 Las Vegas, 6  
 Little Rock, 2  
 Los Angeles, 6  
 Manhattan, 3  
 Memphis, 3  
 Milwaukee, 8  
 Minneapolis, 7  
 Nashville, 4  
 New York, 5  
 Newark, 5  
 Oakland, 2  
 Oklahoma City, 4  
 Omaha, 2

Orlando, 5  
 Philadelphia, 3  
 Phoenix, 7  
 Pittsburgh, 1  
 Portland, 1  
 Sacramento, 1  
 Salt Lake City, 4  
 San Antonio, 2  
 San Diego, 3  
 San Francisco, 1  
 Seattle, 2  
 St. Louis, 6  
 Tampa, 3  
 Tucson, 1  
 Tulsa, 3  
 Washington, DC, 9

International  
 Cancun, 3/week  
 Ontario, 2  
 Puerto Vallarta, seasonal  
 San Jose Cabo, seasonal  
 Toronto, 1

237 peak day departures to  
 60 non-stop destinations

## SCHEDULE OF PASSENGER AND CARGO AIRLINES

### *MAJOR / NATIONALS*

AirTran Airways ‡  
American Airlines ‡  
Continental Airlines ‡  
Delta Air Lines ‡  
Expressjet Airlines ‡  
Frontier Airlines ‡  
Mesa Airlines ‡  
Midwest Airlines ‡  
Northwest Airlines ‡  
Southwest Airlines ‡  
United Airlines ‡  
US Airways ‡

### *MAJOR / INTERNATIONAL*

Air Canada Jazz

### *REGIONAL / COMMUTERS*

American/American Eagle ‡  
Continental/Chautauqua Airlines ‡  
Delta/Atlanta Southeast Airlines ‡  
Delta/Comair ‡  
Delta/SkyWest Airlines ‡  
Mesa/Air Midwest  
Northwest/Northwest Airlin ‡  
United/Mesa Airlines ‡  
United/Shuttle America ‡  
US Airways/Air Midwest ‡  
US Airways/Air Wisconsin ‡  
US Airways/Mesa ‡  
US Airways/PSA ‡

### *ALL-CARGO CARRIERS*

Airborne Express ‡  
BAX Global ‡  
Federal Express ‡  
Kitty Hawk  
United Parcel Service ‡

‡ denotes signatory airline

## SCHEDULE OF AIRLINE SERVICE

<u>CARRIER</u>	<u>NON-STOP DESTINATION</u>	<u>PEAK DAY DEPARTURES</u>
Air Canada, 1	Toronto, ON, CA (YYZ)	1
AirTran Airways, 3	Atlanta, GA (PHX)	3
American Airlines, 18	Dallas-Love, TX (DAL)	4
	Dallas-Fort Worth, TX (DFW)	9
	Chicago-O'Hare, IL (ORD)	5
Continental Airlines, 19	Cleveland, OH (CLE)	4
	Newark, NJ (EWR)	5
	Houston-Intercontinental, TX (IAH)	10
Delta Air Lines, 15	Atlanta, GA (ATL)	7
	Covington, KY (CVG)	4
	Salt Lake City, UT (SLC)	4
Expressjet Airlines, 3	Ontario, CA (ONT)	2
	Tucson, AZ (TUS)	1
Frontier Airlines, 8	Cancun, MX (CUN)	3/week
	Denver, CO (DEN)	7
Mesa Airlines, 1	Harrison, AR (HRO)	1
Midwest Airlines, 31	Boston, MA (BOS)	1
	Washington-National, DC (DCA)	3
	Fort Lauderdale, FL (FLL)	2
	Los Angeles, CA (LAX)	2
	New York-La Guardia, NY (LGA)	5
	Orlando, FL (MCO)	2
	Milwaukee, WI (MKE)	8
	Pittsburgh, PA (PIT)	1
	Fort Myers, FL (RSW)	1
	San Diego, CA (SAN)	1
	San Antonio, TX (SAT)	2
	Seattle/Tacoma, WA (SEA)	1
	San Francisco, CA (SFO)	1
	Tampa, FL (TPA)	1

SCHEDULE OF AIRLINE SERVICE, CONTINUED

<u>CARRIER</u>	<u>NONSTOP DESTINATION</u>	<u>PEAK DAY DEPARTURES</u>
Northwest Airlines, 17	Detroit, MI (DTW)	5
	Indianapolis, IN (IND)	2
	Memphis, TN (MEM)	3
	Minneapolis/St. Paul, MN (MSP)	7
Southwest Airlines, 71	Albuquerque, NM (ABQ)	2
	Nashville, TN (BNA)	4
	Baltimore, MD (BWI)	3
	Dallas-Love, TX (DAL)	6
	Denver, CO (DEN)	4
	Indianapolis, IN (IND)	2
	Las Vegas, NV (LAS)	6
	Los Angeles, CA (LAX)	4
	Orlando, FL (MCO)	3
	Chicago-Midway, IL (MDW)	11
	Oakland, CA (OAK)	2
	Oklahoma City, OK (OKC)	4
	Portland, OR (PDX)	1
	Phoenix, AZ (PHX)	4
	San Diego, CA (SAN)	2
	Seattle/Tacoma, WA (SEA)	1
	Sacramento, CA (SMF)	1
	St. Louis, MO (STL)	6
	Tampa, FL (TPA)	2
	Tulsa, OK (TUL)	3
United Airlines, 17	Denver, CO (DEN)	7
	Washington-Dulles, DC (IAD)	3
	Chicago-O'Hare, IL (ORD)	7
US Airways, 32	Charlotte-Douglas, NC (CLT)	4
	Columbia, MO (COU)	2
	Washington-National, DC (DCA)	3
	Dodge City, KS (DDC)	2
	Great Bend, KS (GBD)	1
	Grand Island, NE (GRI)	1
	Hays, KS (HYS)	1
	Kirksville, MO (IRK)	2
	Joplin, MO (JLN)	3
	Little Rock, AR (LIT)	2
	Manhattan, KS (MHK)	3
	Omaha, NE (OMA)	2
	Philadelphia, PA (PHL)	3
Phoenix, AZ (PHX)	3	

SCHEDULE OF RATIOS OF OUTSTANDING DEBT, DEBT SERVICE, AND DEBT LIMITS  
FOR THE LAST SEVEN FISCAL YEARS

	FYE01	FYE02	FYE03	FYE04
Outstanding debt by type:				
General Airport Revenue Bonds (GARBs)	\$134,785,000	\$128,265,000	\$251,430,000	\$244,230,000
Subordinate Bonds	-	-	-	-
Passenger Facility Charge Bonds	-	140,000,000	136,520,000	132,930,000
<b>Outstanding debt</b>	<b>\$134,785,000</b>	<b>\$268,265,000</b>	<b>\$387,950,000</b>	<b>\$377,160,000</b>
Enplaned passengers	6,145,608	5,593,527	4,987,421	4,905,086
Outstanding debt per enplaned passenger	\$21.93	\$47.96	\$77.79	\$76.89
Debt service: (in thousands)				
Principal	\$ 6,100	\$ 6,520	\$10,325	\$10,790
Interest	7,905	12,111	14,274	20,243
<b>Total debt service</b>	<b>\$14,005</b>	<b>\$18,631</b>	<b>\$24,599</b>	<b>\$31,033</b>
Ratio of debt to total expenses	10.39%	6.94%	6.34%	8.23%

FYE05	FYE06	FYE07
\$226,410,000	\$215,595,000	\$207,570,000
57,020,000	57,020,000	57,020,000
<u>129,220,000</u>	<u>125,380,000</u>	<u>121,400,000</u>
<b>\$412,650,000</b>	<b>\$397,995,000</b>	<b>\$385,990,000</b>
5,036,889	5,112,330	5,610,488
\$81.93	\$77.85	\$68.80
\$10,710	\$11,780	\$12,005
17,878	20,889	19,606
<u>\$28,588</u>	<u>\$32,669</u>	<u>\$31,611</u>
6.93%	8.21%	8.19%

Table VI-11

## SCHEDULE OF HISTORICAL GARB DEBT SERVICE COVERAGE

FOR FISCAL YEARS ENDED APRIL30, 2003 - 2007

ACTUAL

	FYE03	FYE04	FYE05	FYE06	FYE07	FYE06-FYE07 Annual Increase
Revenues: <sup>(1)</sup>						
Airfield	\$10,204,660	\$10,228,110	\$10,038,968	\$11,662,094	\$13,017,560	11.6%
Terminal	12,040,212	10,969,892	12,273,098	14,707,359	14,460,030	(1.7)
Parking	31,654,833	33,089,817	34,450,836	35,606,188	40,032,941	12.4
Rental cars	7,290,691	7,864,913	7,829,509	8,372,860	8,817,410	5.3
Aviation services area	3,786,651	3,559,507	2,679,955	4,594,393	10,576,261	130.2
Other property rentals	3,287,914	2,299,644	2,396,089	2,440,441	2,961,357	21.3
Customer facility charges	5,792,046	5,886,939	5,976,731	6,147,691	6,456,360	5.0
Transportation facility charges	-	-	-	1,760,366	4,296,620	144.1
Interest revenue	3,022,055	4,137,949	3,127,290	6,645,437	10,710,544	61.2
<b>Total revenues</b>	<b>77,079,062</b>	<b>78,036,771</b>	<b>78,772,476</b>	<b>91,936,829</b>	<b>111,329,083</b>	<b>21.1</b>
Cash provided by capitalized interest	-	3,455,944	-	-	-	n.a.
<b>Total cash available for debt service</b>	<b>77,079,062</b>	<b>81,492,715</b>	<b>78,772,476</b>	<b>91,936,829</b>	<b>111,329,083</b>	<b>21.1</b>
Operating and maintenance expenses:						
Salaries, wages and benefits	22,365,738	21,120,771	22,168,647	24,007,384	25,022,038	4.2
Contractual services	26,280,324	25,474,042	25,680,324	33,071,060	42,447,274	28.4
Commodities and supplies	2,485,170	2,616,891	2,621,999	2,977,198	4,012,999	34.8
<b>Total operating and maintenance expenses</b>	<b>51,131,232</b>	<b>49,211,704</b>	<b>50,470,970</b>	<b>60,055,642</b>	<b>71,482,311</b>	<b>19.0</b>
<b>Net revenues available for debt service</b>	<b>25,947,830</b>	<b>32,281,011</b>	<b>28,301,506</b>	<b>31,881,187</b>	<b>39,846,772</b>	<b>25.0</b>
Senior GARB debt service:						
Series 1994A Bonds	3,085,095	3,093,020	-	-	-	
Series 1995 Bonds	4,172,590	4,163,245	4,151,388	3,501,763	-	
Series 1997A Bonds	1,619,395	1,619,395	1,619,395	1,619,395	1,619,395	
Series 1999A Bonds	5,242,113	5,248,006	5,267,244	5,283,619	5,267,394	
Series 2003A Bonds	-	3,660,381	3,504,620	3,504,620	3,504,620	
Series 2003B Bonds	-	2,832,546	2,712,013	2,712,013	2,712,013	
Series 2004E Bonds	-	-	976,453	1,861,963	1,872,988	
Series 2005H Bonds	-	-	-	506,034	3,497,050	
<b>Current senior GARB debt service</b>	<b>14,119,193</b>	<b>20,616,593</b>	<b>18,231,113</b>	<b>18,989,407</b>	<b>18,473,460</b>	
Senior GARB coverage	1.84	1.57	1.55	1.68	2.16	
Total GARB debt service:						
Series 2000 subordinate GARBS <sup>(2)</sup>	740,000	740,000	740,000	-	-	
Series 2005C subordinate GARBS	-	-	-	2,647,595	2,888,285	
<b>Subtotal</b>	<b>740,000</b>	<b>740,000</b>	<b>740,000</b>	<b>2,647,595</b>	<b>2,888,285</b>	
<b>Total GARB debt service</b>	<b>\$14,859,193</b>	<b>\$21,356,593</b>	<b>\$18,971,113</b>	<b>\$21,637,002</b>	<b>\$21,361,745</b>	
<b>Total GARB coverage</b>	<b>1.75</b>	<b>1.51</b>	<b>1.49</b>	<b>1.47</b>	<b>1.87</b>	

<sup>(1)</sup>Revenues presented in accordance with the methodology set forth in the GARB bond ordinances.<sup>(2)</sup>Series 2000 subordinate GARBS were issued in December 2000 and refunded in April 2005.

Table IV-1  
 SCHEDULE OF ANNUAL PASSENGER ENPLANEMENTS  
 CALENDAR YEAR 1991-2006

Year	<u>Domestic</u>		<u>International<sup>(1)</sup></u>		<u>Total Enplanements</u>	
	Actual	% of Total	Actual	% of Total	Actual	% Change
1991	3,473,333	100.0%	-	0.0%	3,473,333	-
1992	3,668,288	98.9	42,557	1.1	3,710,845	6.8%
1993	3,936,402	99.1	33,952	0.9	3,970,354	7.0
1994	4,419,734	99.0	46,241	1.0	4,465,975	12.5
1995	4,702,667	99.1	41,226	0.9	4,743,893	6.2
1996	5,002,074	99.2	42,240	0.8	5,044,314	6.3
1997	5,478,912	98.9	62,658	1.1	5,541,570	9.9
1998	5,531,409	99.0	55,228	1.0	5,586,637	0.8
1999	5,861,565	99.0	58,014	1.0	5,919,579	6.0
2000	6,013,923	98.9	66,372	1.1	6,080,295	2.7
2001	5,802,901	99.0	56,255	1.0	5,859,156	(3.6)
2002	5,148,924	99.2	42,892	0.8	5,191,816	(11.4)
2003	4,828,048	99.5	22,223	0.5	4,850,271	(6.6)
2004	4,997,932	99.4	29,678	0.6	5,027,610	3.7
2005	4,958,313	99.4	27,892	0.6	4,986,205	(0.8)
2006	5,501,038	99.2	43,460	0.8	5,544,498	11.2

<sup>(1)</sup>International enplanements by Air Canada, Air Canada Jazz, Frontier, and charter airlines.

Table IV-3

SCHEDULE OF MONTHLY ENPLANEMENTS  
CALENDAR YEAR 2001-2006

Kansas City International Airport Enplanements<sup>(1)</sup>

	2001	2002	2003	2004	2005	2006	2007
January	429,001	380,992	338,163	337,474	347,572	373,440	393,796
February	430,547	362,465	331,667	326,816	335,021	367,127	384,469
March	553,679	477,432	412,804	441,391	437,344	471,396	480,905
April	501,130	427,839	361,699	395,116	390,139	424,238	443,021
May	560,096	495,070	434,235	453,755	457,508	490,206	
June	577,152	510,659	457,406	488,199	468,876	553,316	
July	581,617	523,136	488,213	501,417	484,473	503,287	
August	562,629	447,074	434,728	438,691	428,940	466,655	
September	337,565	361,990	376,967	399,339	393,746	429,614	
October	459,472	416,715	426,811	430,486	427,892	484,372	
November	433,503	368,549	376,603	408,206	407,708	527,283	
December	432,765	419,895	410,975	406,720	406,986	453,564	
<b>Total</b>	<b><u>5,859,156</u></b>	<b><u>5,191,816</u></b>	<b><u>4,850,271</u></b>	<b><u>5,027,610</u></b>	<b><u>4,986,205</u></b>	<b><u>5,544,498</u></b>	

<sup>(1)</sup>International enplanements by Air Canada, Air Canada Jazz, Frontier, and charter airlines.

Source: Kansas City Aviation Department records.

Source: Air Transport Association (ATA). ATA data includes only scheduled service by ATA-member passenger airlines. As of July 2007, ATA Airline members included ABX Air, Alaska, Aloha, American, ASTAR Air Cargo, Atlas Air, Continental, Delta, Evergreen International, Federal Express, Hawaiian, JetBlue, Midwest, Northwest, Southwest, United, UPS, and US Airways.

Table IV-3B

**SCHEDULE OF CHANGES IN MONTHLY ENPLANEMENTS VS. U.S. DOMESTIC MONTHLY ENPLANEMENTS**  
**CALENDAR YEAR 2001-2006**

	2001-2002		2002-2003		2003-2004		2004-2005		2005-2006		2006-2007	
	MCI	U.S.	MCI	U.S.	MCI	U.S.	MCI	U.S.	MCI	U.S.	MCI	U.S. <sup>(1)</sup>
January	(11.2)	(13.9)%	(11.2)	2.7%	(0.2)	(2.0)%	3.0	6.7%	7.4	0.1%	5.5	n.a.
February	(15.8)	(11.7)	(8.5)	(1.8)	(1.5)	5.5	2.5	1.0	9.6	(1.1)	4.7	n.a.
March	(13.8)	(10.0)	(13.5)	(5.5)	6.9	4.5	(0.9)	5.7	7.8	(3.0)	2.0	n.a.
April	(14.6)	(12.8)	(15.5)	(5.8)	9.2	10.2	(1.3)	(0.3)	8.7	0.1	4.4	n.a.
May	(11.6)	(10.4)	(12.3)	5.3	4.5	4.9	0.8	4.7	7.1	(2.3)		
June	(11.5)	(10.5)	(10.4)	(3.9)	6.7	6.3	(4.0)	1.5	18.0	(2.9)		
July	(10.1)	(10.6)	(6.7)	(0.9)	2.7	3.7	(3.4)	2.4	3.9	(5.1)		
August	(20.5)	(10.7)	(2.8)	(5.2)	0.9	3.3	(2.2)	0.7	8.8	(3.5)		
September	7.2	28.9	4.1	(1.7)	5.9	5.1	(1.4)	3.6	9.1	(1.9)		
October	(9.3)	10.1	2.4	(1.0)	0.9	5.7	(0.6)	(3.4)	13.2	2.1		
November	(15.0)	0.7	2.2	0.8	8.4	7.5	(0.1)	(0.3)	29.3	1.5		
December	(3.0)	11.0	(2.1)	(4.0)	(1.0)	3.5	0.1	(2.2)	11.4	1.7		

<sup>(1)</sup>U.S. Domestic monthly enplanements data is no longer available to non-ATA members effective December 31, 2006.

Table IV-5

SCHEDULE OF AIRLINES MARKET SHARE  
CALENDAR YEAR 2001-2006

Domestic Air Carrier:	2001	2002	2003	2004	2005	2006	Jan-Apr 2007
AirTran	-	11,657	79,641	88,923	89,982	114,950	30,972
America West <sup>(1)</sup>	147,114	132,673	124,553	146,694	140,895	96,157	31,189
American	510,931	745,935	743,973	658,969	684,307	608,079	178,666
Continental <sup>(2)</sup>	235,322	221,043	223,499	233,137	247,764	280,091	92,711
Delta <sup>(3)</sup>	570,432	554,496	662,308	656,419	598,650	553,725	123,438
Express Jet <sup>(4)</sup>	-	-	-	-	-	-	860
Frontier	79,115	87,769	121,151	183,425	180,069	203,759	58,922
Midwest Express <sup>(5)</sup>	234,287	260,693	213,787	229,586	390,746	580,296	198,652
Northwest <sup>(6)</sup>	430,065	394,437	414,465	404,162	401,755	482,351	132,405
Southwest	1,767,242	1,575,617	1,566,408	1,686,016	1,624,134	1,916,802	623,173
TWA <sup>(7)</sup>	271,950	-	-	-	-	-	-
United <sup>(8)</sup>	443,882	380,854	370,314	414,336	308,689	446,147	142,888
US Airways <sup>(9)</sup>	431,515	327,658	302,313	299,664	292,579	243,590	83,334
Vanguard <sup>(10)</sup>	681,046	456,092	-	-	-	-	-
<b>Subtotal domestic air carrier</b>	<b>5,802,901</b>	<b>5,148,924</b>	<b>4,822,412</b>	<b>5,001,331</b>	<b>4,959,570</b>	<b>5,525,947</b>	<b>1,697,210</b>
<b>Foreign Air Carrier<sup>(11)</sup></b>	<b>20,660</b>	<b>15,353</b>	<b>10,105</b>	<b>8,885</b>	<b>12,092</b>	<b>10,484</b>	<b>3,197</b>
<b>Charter<sup>(12)</sup></b>	<b>35,595</b>	<b>27,539</b>	<b>17,754</b>	<b>17,394</b>	<b>14,543</b>	<b>8,067</b>	<b>1,784</b>
<b>Total all airlines</b>	<b>5,859,156</b>	<b>5,191,816</b>	<b>4,850,271</b>	<b>5,027,610</b>	<b>4,986,205</b>	<b>5,544,498</b>	<b>1,702,191</b>

<sup>(1)</sup>Includes enplanements by Mesa/America West.

<sup>(2)</sup>Includes enplanements by Continental Express and Redwing.

<sup>(3)</sup>Includes enplanements by Atlantic Southeast Airlines, Chautauqua, Comair, Shuttle America, and Skywest.

<sup>(4)</sup>ExpressJet began operations at Kansas City International Airport effective April 2007.

<sup>(5)</sup>Includes enplanements by Skyway, the designated commuter airline for Midwest Express at the airport.

<sup>(6)</sup>Includes enplanements for Mesabesa and Pinnacle Airlines d/b/a Northwest Airlink.

<sup>(7)</sup>Effective December 2001, TWA's enplanements are reported together with American's enplanements.

<sup>(8)</sup>Includes enplanements by Mesa/United.

<sup>(9)</sup>Includes enplanements by Air Midwest, Air Wisconsin, Mesa Airlines, PSA Airlines, and Republic Airlines.

<sup>(10)</sup>On July 30, 2002, Vanguard filed for Chapter 11 bankruptcy protection and ceased all operations.

<sup>(11)</sup>Foreign Air Carrier includes Air Canada and Air Canada Jazz.

<sup>(12)</sup>Charter includes Sunworld in 2002.

Source: Kansas City Aviation Department records.



Table IV-7  
 SCHEDULE OF MCI AIRCRAFT OPERATIONS  
 CALENDAR YEAR 1991-2006

Year	Domestic Air Carrier <sup>(1)</sup>	Commuter/ Air Taxi	All-Cargo <sup>(2)</sup>	General Aviation <sup>(3)</sup>	Military	Total
1991	111,295	40,068	6,730	17,088	1,647	176,828
1992	103,060	50,313	6,738	15,600	1,805	177,516
1993	110,119	49,327	10,086	17,319	1,964	188,815
1994	114,629	54,989	14,642	17,490	1,320	203,070
1995	118,433	58,602	10,854	15,420	1,044	204,353
1996	113,992	55,612	12,386	14,234	960	197,184
1997	123,889	61,518	12,092	13,386	679	211,564
1998	125,385	61,009	13,548	12,029	534	212,505
1999	145,912	48,210	12,232	12,499	963	219,816
2000	151,298	43,487	11,560	11,253	714	218,312
2001	148,178	36,818	14,834	8,793	1,074	209,697
2002	137,500	35,837	9,146	8,008	834	191,325
2003	116,367	35,826	9,526	8,302	737	170,758
2004	117,575	31,988	10,584	8,473	715	169,335
2005	101,007	32,439	9,580	12,025	934	155,985
2006	119,695	36,553	6,858	14,544	816	178,466

<sup>(1)</sup>Includes aircraft operations by domestic air carriers, Air Canada, and charter operations.

<sup>(2)</sup>Cargo operations for 2004 based on Table IV-8b, Commercial Aircraft Landings - Cargo.

<sup>(3)</sup>General aviation includes civil itinerant and local aircraft operations.

Source: Kansas City Aviation Department based on FAA Airport Operations Monthly Summary.

Table IV-9  
**SCHEDULE OF ENPLANED CARGO**  
 CALENDAR YEAR 1991-2006 AND JAN-APR 2003-2007

Year	Mail Weight (000 lbs)	% of Total	Air Freight Weight (000 lbs)	Total Total	Total Cargo (000 lbs)
1991	36,079	38.1%	58,557	61.9%	94,636
1992	43,848	39.9	65,952	60.1	109,800
1993	49,446	37.5	82,313	62.5	131,759
1994	54,921	35.3	100,577	64.7	155,498
1995	57,934	38.3	93,182	61.7	151,116
1996	58,627	36.1	103,635	63.9	162,262
1997	54,244	33.3	108,818	66.7	163,062
1998	51,036	28.2	129,840	71.8	180,876
1999	49,380	27.3	131,349	72.7	180,729
2000	54,598	31.1	120,696	68.9	175,294
2001	44,566	26.4	124,057	73.6	168,623
2002	35,227	23.9	112,454	76.1	147,681
2003	35,293	24.4	109,117	75.6	144,410
2004	34,836	22.4	120,761	77.6	155,597
2005	33,371	22.0	118,124	78.0	151,495
2006	33,499	22.3	116,619	77.7	150,118
Jan - Apr 2003	11,014	22.8	37,355	77.2	48,369
Jan - Apr 2004	11,795	23.1	39,226	76.9	51,021
Jan - Apr 2005	11,341	23.4	37,154	76.6	48,495
Jan - Apr 2006	11,135	23.6	36,093	76.4	47,228
Jan - Apr 2007 <sup>(1)</sup>	4,290	9.3	42,059	90.7	46,349

<sup>(1)</sup>2007 data incorporates a change in reporting methodology between Mail and Air Freight weights.

Source: Kansas City Aviation Department records.

## Debt Capacity Information

Table IV-8a

## SCHEDULE OF COMMERCIAL AIRCRAFT LANDED WEIGHT BY AIRLINE (pounds in thousands)

CALENDAR YEAR 2001 - 2006 AND JAN - APR 2006 AND 2007

	2001	2002	% Change	2003	% Change
<b>Domestic Air Carrier:</b>					
AirTran	-	25,782	n.a.%	113,132	338.8%
America West <sup>(1)</sup>	185,116	175,548	(5.2)	129,851	(26.0)
American	782,619	1,209,367	54.5	1,198,838	(0.9)
Continental <sup>(2)</sup>	343,209	311,412	(9.3)	289,793	(6.9)
Delta <sup>(3)</sup>	839,850	792,817	(5.6)	825,915	4.2
Express Jet <sup>(4)</sup>	-	-	n.a.	-	n.a.
Frontier <sup>(5)</sup>	108,774	144,565	32.9	156,705	8.4
Midwest Express <sup>(6)</sup>	606,992	695,167	14.5	542,387	(22.0)
Northwest <sup>(7)</sup>	604,563	587,897	(2.8)	590,625	0.5
Southwest	3,118,127	3,025,830	(3.0)	2,924,833	(3.3)
TWA	425,760	-	(100.0)	-	n.a.
United <sup>(8)</sup>	639,073	538,592	(15.7)	478,661	(11.1)
US Airways <sup>(9)</sup>	567,580	454,183	(20.0)	392,981	(13.5)
Vanguard	968,336	754,930	(22.0)	-	(100.0)
<b>Subtotal domestic air carrier</b>	<b>9,189,999</b>	<b>8,716,090</b>	<b>(5.2)</b>	<b>7,643,721</b>	<b>(12.3)</b>
<b>Commuter:</b>					
Air Midwest	217,228	151,049	(30.5)	66,604	(55.9)
Air Wisconsin	-	-	n.a.	32,801	n.a.
<b>Subtotal commuter</b>	<b>217,228</b>	<b>151,049</b>	<b>(30.5)</b>	<b>99,405</b>	<b>(34.2)</b>
<b>Foreign Air Carrier:</b>					
Air Canada	39,459	30,562	(22.5)	6,940	(77.3)
Air Canada Jazz	-	-	n.a.	16,544	n.a.
<b>Subtotal foreign carrier</b>	<b>39,459</b>	<b>30,562</b>	<b>(22.5)</b>	<b>23,484</b>	<b>(23.2)</b>
<b>Charter Passenger<sup>(10)</sup></b>	<b>67,493</b>	<b>65,694</b>	<b>(2.7)</b>	<b>28,717</b>	<b>(56.3)</b>
<b>All Cargo Carrier:</b>					
Air Cargo Carriers, Inc.	5,175	7,548	45.9	11,491	52.2
Airborne Express	81,363	87,242	7.2	92,295	5.8
BAX Global	73,466	74,342	1.2	79,121	6.4
DHL Airways	68,170	76,092	11.6	82,015	7.8
Emery Worldwide	141,039	84,846	(39.8)	98,800	16.4
Federal Express	259,861	310,350	19.4	291,237	(6.2)
Kitty Hawk International Inc.	60,422	75,773	25.4	66,788	(11.9)
UPS	114,429	129,519	13.2	127,804	(1.3)
Other <sup>(11)</sup>	12,768	-	(100.0)	294	n.a.
<b>Subtotal cargo</b>	<b>816,693</b>	<b>845,712</b>	<b>3.6</b>	<b>849,845</b>	<b>0.5</b>
<b>Total all airlines</b>	<b>10,330,872</b>	<b>9,809,107</b>	<b>(5.1)</b>	<b>8,645,172</b>	<b>(11.9)</b>

Source: Kansas City Aviation Department records. "n.a." stands for not applicable due to the recent entry into or exit from the MCI market by the respective airlines.

<sup>(1)</sup>Includes operations by Mesa Airlines.<sup>(2)</sup>Includes operations by Continental Express and Redwing.<sup>(3)</sup>Includes operations by Atlantic Southeast Airlines (ASA), Chautauqua Airlines, Comair, Shuttle America, and Skywest Airlines.<sup>(4)</sup>ExpressJet began operations at Kansas City International Airport effective April 2007.<sup>(5)</sup>Frontier began service at MCI in June 2000.<sup>(6)</sup>Includes operations by Skyway, the designated commuter airline for Midwest Express at MCI.<sup>(7)</sup>Includes operations by Mesaba Aviation and Pinnacle Airlines.<sup>(8)</sup>Includes operations by GoJet Airlines, Mesa Airlines, Shuttle America, SkyWest Airlines, and Trans States Airlines.<sup>(9)</sup>Includes operations by Air Wisconsin, Mesa Airlines, Inc. PSA Airlines and Republic Airlines.<sup>(10)</sup>Charter Passenger category includes Allegiant Air, American Trans Air, Miami Air International, Planet Airways, Platinum Air Charters, and Ryan International Airlines.<sup>(11)</sup>Cargo Others include ASTAR Air Cargo, Ameriflight, Inc., Cargo Jet, Kalitta Air, Skyway Enterprise, UPS Supply Chain, and Zantop International.

2004	% Change	2005	% Change	2006	% Change	Jan-Apr 2006	Jan-Apr 2007	% Change
132,080	16.7%	111,800	(15.4)%	137,928	23.4%	37,336	37,440	0.3%
134,495	3.6	133,264	(0.9)	104,050	(21.9)	34,614	42,260	22.1
929,788	(22.4)	930,726	0.1	748,395	(19.6)	262,482	238,953	(9.0)
288,378	(0.5)	273,113	(5.3)	287,355	5.2	86,990	101,711	16.9
820,749	(0.6)	744,378	(9.3)	560,371	(24.7)	187,454	153,964	(17.9)
-	n.a.	-	n.a.	-	n.a.	-	4,554	n.a.
260,631	66.3	290,139	11.3	300,042	3.4	95,651	108,200	13.1
526,860	(2.9)	679,256	28.9	940,668	38.5	288,344	348,984	21.0
600,622	1.7	604,984	0.7	553,221	(8.6)	186,544	171,829	(7.9)
2,785,553	(4.8)	2,504,612	(10.1)	2,774,700	10.8	883,482	957,454	8.4
-	n.a.	-	n.a.	-	n.a.	-	-	n.a.
533,996	11.6	454,497	(14.9)	628,764	38.3	170,937	216,001	26.4
341,635	(13.1)	291,047	(14.8)	211,458	(27.3)	79,351	68,131	(14.1)
-	n.a.	-	n.a.	-	n.a.	-	-	n.a.
<u>7,354,787</u>	<u>(3.8)</u>	<u>7,017,816</u>	<u>(4.6)</u>	<u>7,246,952</u>	<u>3.3</u>	<u>2,313,185</u>	<u>2,449,481</u>	<u>5.9</u>
48,147	(27.7)	50,647	5.2	65,006	28.4	17,629	34,146	93.7
<u>58,828</u>	<u>79.3</u>	<u>59,126</u>	<u>0.5</u>	<u>62,933</u>	<u>6.4</u>	<u>20,727</u>	<u>11,280</u>	<u>(45.6)</u>
<u>106,975</u>	<u>7.6</u>	<u>109,773</u>	<u>2.6</u>	<u>127,939</u>	<u>16.5</u>	<u>38,356</u>	<u>45,426</u>	<u>18.4</u>
2,861	(58.8)	16,887	490.2	1,280	(92.4)	1,280	-	(100.0)
<u>15,309</u>	<u>(7.5)</u>	<u>1,692</u>	<u>(88.9)</u>	<u>18,424</u>	<u>988.9</u>	<u>7,097</u>	<u>5,358</u>	<u>(24.5)</u>
<u>18,170</u>	<u>(22.6)</u>	<u>18,579</u>	<u>2.3</u>	<u>19,704</u>	<u>6.1</u>	<u>8,377</u>	<u>5,358</u>	<u>(36.0)</u>
18,579	(35.3)	48,892	163.2	10,209	(79.1)	8,217	3,302	(59.8)
11,551	0.5	7,910	(31.5)	-	(100.0)	-	-	n.a.
96,806	4.9	98,453	1.7	125,294	27.3	44,122	33,508	(24.1)
81,293	2.7	73,976	(9.0)	77,424	4.7	24,355	22,989	(5.6)
81,760	(0.3)	73,440	(10.2)	34,971	(52.4)	4,275	7,295	70.6
112,388	13.8	34,558	(69.3)	-	(100.0)	-	-	n.a.
323,636	11.1	306,157	(5.4)	311,108	1.6	99,905	100,352	0.4
66,759	0.0	66,062	(1.0)	61,004	(7.7)	20,753	19,974	(3.8)
134,479	5.2	132,613	(1.4)	124,862	(5.8)	40,087	41,157	(2.7)
1,068	263.3	64,178	5909.2	45,194	(29.6)	29,946	1,117	(96.3)
<u>909,740</u>	<u>7.0</u>	<u>857,347</u>	<u>(5.8)</u>	<u>779,857</u>	<u>(9.0)</u>	<u>263,443</u>	<u>226,392</u>	<u>(14.1)</u>
<u>8,408,251</u>	<u>(2.7)</u>	<u>8,052,407</u>	<u>(4.2)</u>	<u>8,184,661</u>	<u>1.6</u>	<u>2,631,578</u>	<u>2,729,959</u>	<u>3.7</u>

Table IV-8b

## SCHEDULE OF COMMERCIAL AIRCRAFT LANDINGS

CALENDAR YEAR 2000 - 2006 AND JAN - APR 2006 AND 2007

	2001	2002	2003	2004	2005	2006	Jan-Apr 2006	Jan-Apr 2007
<b>Domestic Air Carrier:</b>								
AirTran	-	248	1,088	1,270	1,075	1,326	359	360
America West	1,617	1,516	1,140	1,171	1,047	1,012	307	311
American	5,759	8,753	8,876	7,283	7,300	5,885	2,079	2,095
Continental <sup>(1)</sup>	3,948	3,905	4,174	4,735	5,329	5,776	1,809	2,134
Delta	6,577	6,831	8,553	8,794	7,875	6,473	2,331	1,658
Express Jet <sup>(2)</sup>	-	-	-	-	-	-	-	104
Frontier <sup>(3)</sup>	991	1,287	1,329	2,022	2,220	2,249	717	811
Midwest Express <sup>(4)</sup>	6,160	6,754	5,135	5,109	6,540	9,188	2,814	3,419
Northwest	5,498	5,464	5,593	5,739	6,631	5,931	2,022	1,895
Southwest	26,490	25,641	24,706	23,437	21,225	23,433	7,480	8,066
TWA	3,259	-	-	-	-	-	-	-
United	4,496	4,405	3,966	4,506	3,536	5,606	1,446	2,062
US Airways	4,653	3,623	3,517	3,957	3,515	2,592	965	948
Vanguard	8,947	6,233	-	-	-	-	-	-
<b>Subtotal domestic air carrier</b>	<b>78,395</b>	<b>74,660</b>	<b>68,077</b>	<b>68,023</b>	<b>66,293</b>	<b>69,471</b>	<b>22,329</b>	<b>23,863</b>
<b>Commuter:</b>								
Air Midwest	12,112	9,027	3,978	2,898	3,051	3,916	1,062	2,057
Air Wisconsin	-	-	643	1,251	1,258	1,339	441	240
<b>Subtotal commuter</b>	<b>12,112</b>	<b>9,027</b>	<b>4,621</b>	<b>4,149</b>	<b>4,309</b>	<b>5,255</b>	<b>1,503</b>	<b>2,297</b>
<b>Foreign Air Carrier:</b>								
Air Canada	834	605	140	61	356	4	4	-
Air Canada Jazz	0	0	352	325	36	392	151	114
<b>Subtotal foreign carrier</b>	<b>834</b>	<b>605</b>	<b>492</b>	<b>386</b>	<b>392</b>	<b>396</b>	<b>155</b>	<b>114</b>
<b>Charter<sup>(5)</sup></b>	<b>762</b>	<b>424</b>	<b>229</b>	<b>117</b>	<b>674</b>	<b>72</b>	<b>134</b>	<b>21</b>
<b>All Cargo Carrier:</b>								
Air Cargo Carriers, Inc.	248	334	508	510	350	-	-	-
Airborne Express	593	575	834	946	794	523	211	152
BAX Global	484	395	468	477	432	438	142	133
DHL Airways	505	509	514	511	456	199	26	43
Emery Worldwide <sup>(6)</sup>	474	521	607	693	214	-	-	-
Federal Express <sup>(6)</sup>	1,000	1,202	1,106	1,226	1,113	1,086	346	350
Kitty Hawk International Inc.	430	542	423	439	437	432	140	134
UPS	526	495	470	483	474	472	155	153
Others <sup>(7)</sup>	264	-	3	7	399	280	185	20
<b>Subtotal cargo</b>	<b>4,524</b>	<b>4,573</b>	<b>4,933</b>	<b>5,292</b>	<b>4,669</b>	<b>3,430</b>	<b>1,205</b>	<b>985</b>
<b>Total all airlines</b>	<b>96,627</b>	<b>89,289</b>	<b>78,352</b>	<b>77,967</b>	<b>76,337</b>	<b>78,624</b>	<b>25,326</b>	<b>27,280</b>

Source: Kansas City Aviation Department records. "n.a." stands for not applicable due to the recent entry into or exit from the MCI market by the respective airlines.

<sup>(1)</sup>Includes operations by Continental Express.<sup>(2)</sup>ExpressJet began operations at Kansas City International Airport effective April 2007.<sup>(3)</sup>Frontier began service at MCI in June 2000.<sup>(4)</sup>Includes operations by Skyway, the designated commuter airline for Midwest Express at MCI.<sup>(5)</sup>Charter category includes passenger and cargo operations; Sunworld operations in 2002.<sup>(6)</sup>Emery Worldwide includes Emery Mail (United States Postal Service contract); Federal Express includes international operations.<sup>(7)</sup>Cargo Others include ASTAR Air Cargo, Ameriflight, Inc., Cargo Jet, Kalitta Air, Skyway Enterprise, UPS Supply Chain Solutions and Zantop International.

% Change 2001–2002	% Change 2002–2003	% Change 2003–2004	% Change 2004–2005	% Change 2005–2006	% Change Jan-Apr 2006–Jan-Apr 2007
n.a.%	338.7%	16.7%	(15.4)%	23.3%	0.3%
(6.2)	(24.8)	2.7	(10.6)	(3.3)	1.3
52.0	1.4	(17.9)	0.2	(19.4)	0.8
(1.1)	6.9	13.4	12.5	8.4	18.0
3.9	25.2	2.8	(10.5)	(17.8)	(28.9)
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29.9	3.3	52.1	9.8	1.3	13.1
9.6	(24.0)	(0.5)	28.0	40.5	21.5
(0.6)	2.4	2.6	15.5	(10.6)	(6.3)
(3.2)	(3.6)	(5.1)	(9.4)	10.4	7.8
(100.0)	n.a.	n.a.	n.a.	n.a.	n.a.
(2.0)	(10.0)	13.6	(21.5)	58.5	42.6
(22.1)	(2.9)	12.5	(11.2)	(26.3)	(1.8)
<u>(30.3)</u>	<u>(100.0)</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>
(4.8)	(8.8)	(0.1)	(2.5)	4.8	6.9
(25.5)	(55.9)	(27.1)	5.3	28.4	93.7
<u>n.a.</u>	<u>n.a.</u>	<u>94.6</u>	<u>0.6</u>	<u>6.4</u>	<u>(45.6)</u>
(25.5)	(48.8)	(10.2)	3.9	22.0	52.8
(27.5)	(76.9)	(56.4)	483.6	(98.9)	(100.0)
<u>n.a.</u>	<u>n.a.</u>	<u>(7.7)</u>	<u>(88.9)</u>	<u>988.9</u>	<u>(24.5)</u>
(27.5)	(18.7)	(21.5)	1.6	1.0	(26.5)
(44.4)	(46.0)	(48.9)	476.1	(89.3)	(84.3)
34.7	52.1	0.4	(31.4)	(100.0)	n.a.
(3.0)	45.0	13.4	(16.1)	(34.1)	(28.0)
(18.4)	18.5	1.9	(9.4)	(1.4)	(6.3)
0.8	1.0	(0.6)	(10.8)	(56.4)	65.4
9.9	16.5	14.2	(69.1)	(100.0)	n.a.
20.2	(8.0)	10.8	(9.2)	(2.4)	1.2
26.0	(22.0)	3.8	(0.5)	(1.1)	(4.3)
(5.9)	(5.1)	2.8	(1.9)	(0.4)	(1.3)
(100.0)	<u>n.a.</u>	<u>133.3</u>	<u>5600.0</u>	<u>(29.8)</u>	<u>(89.2)</u>
<u>1.1</u>	<u>7.9</u>	<u>7.3</u>	<u>(11.8)</u>	<u>(26.5)</u>	<u>(18.3)</u>
(7.6)	(12.2)	(0.5)	(2.1)	3.0	7.7

Table V-6

## SCHEDULE OF ANNUAL PARKING REVENUE BY FACILITY

CALENDAR YEAR 1991-2003, FISCAL YEARS ENDED APRIL 30, 2003 - 2007

	Terminal Garages		Circle E		Satellite Lot		Economy Lot		Total	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% Change
1991	\$5,984,052	46.5%	\$2,708,800	21.1%	\$4,165,627	32.4%	-	-	\$12,858,479	-
1992	8,620,926	57.4	2,197,230	14.6	4,207,537	28.0	-	-	15,025,693	16.9%
1993	10,531,815	61.4	2,317,090	13.5	4,311,017	25.1	-	-	17,159,922	14.2
1994	12,244,426	60.7	3,117,728	15.5	4,797,534	23.8	-	-	20,159,688	17.5
1995	13,111,668	59.8	3,522,873	16.1	5,276,817	24.1	-	-	21,911,358	8.7
1996	13,599,495	55.5	4,157,381	17.0	6,746,168	27.5	-	-	24,503,044	11.8
1997	14,230,445	54.4	4,189,832	16.0	7,741,402	29.6	-	-	26,161,679	6.8
1998	17,562,618	58.5	4,036,496	13.4	8,432,502	28.1	-	-	30,031,616	14.8
1999	18,125,006	58.8	3,573,169	11.6	9,122,890	29.6	-	-	30,821,065	2.6
2000	18,306,789	58.1	3,764,175	11.9	9,441,256	30.0	-	-	31,512,220	2.2
2001	16,432,640	56.4	3,533,783	12.1	9,192,771	31.5	-	-	29,159,194	(7.5)
2002	15,986,278	52.9	3,970,522	13.1	10,261,788	34.0	-	-	30,218,588	3.6
2003	16,024,067	51.8	4,042,477	13.1	10,880,497	35.1	-	-	30,947,041	2.4

	Terminal Garages		Circle E		Economy <sup>(1)</sup>		Other		Total	
FYE03	\$15,746,191	49.4%	\$4,021,795	12.6%	\$10,776,766	33.8%	\$1,324,389	4.2%	\$31,869,141	-
FYE04	16,497,560	49.6	4,110,987	12.3	11,072,774	33.3	1,612,029	4.8	33,293,350	4.5%
FYE05	16,906,542	48.9	4,239,169	12.2	11,821,526	34.2	1,639,988	4.7	34,607,225	3.9
FYE06	18,511,844	51.8	4,341,514	12.1	11,698,517	32.7	1,218,066	3.4	35,769,941	3.4
FYE07 <sup>(2)</sup>	20,876,486	52.2	4,847,065	12.1	13,098,510	32.7	1,210,880	3.0	40,032,941	11.9

<sup>(1)</sup>The Economy Lot replaced the Satellite Lot in January 2004.<sup>(2)</sup>FYE07, Terminal Garages: A, \$6,013,307; B, \$9,351,963; C, \$5,511,216.

Table VI-10  
**SCHEDULE OF HISTORICAL AIRLINE COST PER ENPLANED PASSENGER**  
 FOR FISCAL YEARS ENDED APRIL 30, 2001 - 2007

	Airfield Fees <sup>(1)</sup>	Terminal Building	Terminal Apron	Passenger Boarding Bridges	Total	Enplaned Passengers <sup>(2)</sup>	Cost per Enplaned Passenger
FYE01	\$8,155,158	\$7,115,268	\$2,591,819	\$ -	\$17,862,245	6,145,608	\$2.91
FYE02	8,027,629	8,099,347	2,559,897	-	18,686,873	5,593,527	3.34
FYE03	8,628,009	6,699,753	2,638,202	-	17,965,964	4,987,421	3.60
FYE04	8,534,887	6,637,060	1,694,001	750,258	17,616,206	4,905,086	3.59
FYE05	8,518,469	6,767,040	1,609,869	727,236	17,622,614	5,036,889	3.50
FYE06	9,787,460	8,265,270	1,159,624	1,122,862	20,335,216	5,112,330	3.98
FYE07 <sup>(3)</sup>	11,518,934	8,798,380	1,486,668	616,804	22,420,786	5,610,488	4.00

<sup>(1)</sup>Excludes airfield fees paid by cargo carriers.

<sup>(2)</sup>Enplanements on a fiscal year basis, annual enplanements shown on Table IV-1, which are presented on a calendar year basis.

<sup>(3)</sup>Reflects Use and Lease Agreement. Amounts provided are preliminary settlement amounts and are subject to change.

Table VI-2

SCHEDULE OF TOTAL AIRPORT SYSTEM REVENUE AND EXPENSES<sup>(1)</sup>

FOR FISCAL YEARS ENDED APRIL 30, 1997 - 2007

	FYE97	FYE98	FYE99	FYE00
Net revenues available for GARB debt service:				
Total revenues	\$63,653,749	\$71,695,807	\$76,123,316	\$76,530,240
Total expenses	<u>(32,694,419)</u>	<u>(33,243,878)</u>	<u>(34,094,820)</u>	<u>(36,785,722)</u>
<b>Net revenues</b>	<b><u>\$30,959,330</u></b>	<b><u>\$38,451,929</u></b>	<b><u>\$42,028,496</u></b>	<b><u>\$39,744,518</u></b>
Revenues and expenses per GAAP:				
Operating revenues	\$57,995,531	\$61,831,620	\$66,922,781	\$67,634,777
Operating expenses	<u>(62,355,502)</u>	<u>(58,205,601)</u>	<u>(61,632,724)</u>	<u>(62,133,918)</u>
Operating income(loss)	<u>\$( 4,359,971)</u>	<u>\$ 3,626,019</u>	<u>\$ 5,290,057</u>	<u>\$ 5,500,859</u>
Other income, net	<u>27,058,537</u>	<u>16,175,539</u>	<u>15,382,302</u>	<u>12,846,456</u>
<b>Net income per GAAP</b>	<b><u>\$22,698,566</u></b>	<b><u>\$19,801,558</u></b>	<b><u>\$20,672,359</u></b>	<b><u>\$18,347,315</u></b>
Add back: <sup>(2)</sup>				
Depreciation expense	\$17,990,519	\$20,303,667	\$17,779,943	\$21,075,416
Repairs and maintenance expense paid from deferred maintenance account	11,670,564	4,658,057	9,757,961	1,444,067
Interest expense on bonds	5,953,636	9,709,310	9,522,835	8,919,383
Repayment of FAA grants for Richards-Gebaur <sup>(3)</sup>				
Amortization of bond costs	312,379	79,270	60,793	29,767
Non-operating expense	-	-	-	-
Deduct: <sup>(4)</sup>				
PFC revenue	(14,729,258)	(15,682,026)	(15,752,125)	(16,409,710)
Operating grant revenue			-	-
Capital grant revenue			-	-
Interest income on PFCs and bond accounts <sup>(5)</sup>		Information	-	-
Other adjustments		Not	(13,270)	(459,485)
Non-operating revenue <sup>(6) (7)</sup>		Available	-	-
Richards-Gebaur operating revenues			-	-
<b>Net revenues available for debt service</b>	<b><u>\$30,959,330</u></b>	<b><u>\$38,451,929</u></b>	<b><u>\$42,028,496</u></b>	<b><u>\$39,744,518</u></b>

<sup>(1)</sup> Summarizes the operating results in accordance with GAAP and the methodology set forth in the GARB bond ordinances, and a reconciliation between the two methodologies.

<sup>(2)</sup> Included in expenses presented pursuant to GAAP, but not included in expenses for operating and maintaining the airports pursuant to the bond ordinances.

<sup>(3)</sup> Due to the closing of Richards-Gebaur, the Department repaid the FAA for grant funds (plus interest) received for Richards-Gebaur in prior years.

<sup>(4)</sup> Included in revenues presented pursuant to GAAP, but not included in revenues available to pay debt service on GARBs pursuant to the bond ordinances.

<sup>(5)</sup> Interest income on unspent PFC funds; unspent Series 2001 PFC Bond proceeds; and the balances in the accounts established pursuant to the bond ordinances.

<sup>(6)</sup> The FYE02 adjustments in the bottom of the table have been restated since the continuing disclosure information was prepared in 2003.

<sup>(7)</sup> The FYE03 adjustments in the bottom of the table have been restated since the continuing disclosure information was prepared in 2004.

FYE01	FYE02	FYE03	FYE04	FYE05	FYE06	FYE07
\$85,661,307	\$78,092,196	\$77,079,062	78,036,771	\$78,772,476	\$91,936,829	\$111,329,083
<u>(41,870,632)</u>	<u>(52,876,746)</u>	<u>(51,131,232)</u>	<u>(49,211,704)</u>	<u>(50,470,970)</u>	<u>(60,055,642)</u>	<u>(71,482,311)</u>
<b>\$43,790,675</b>	<b>\$25,215,450</b>	<b>\$25,947,830</b>	<b>\$28,825,067</b>	<b>\$28,301,506</b>	<b>\$31,881,187</b>	<b>\$39,846,772</b>
\$69,611,575	\$67,220,241	\$68,051,446	\$69,373,717	\$70,918,962	\$80,379,819	\$95,455,051
<u>(65,437,753)</u>	<u>(75,680,915)</u>	<u>(78,424,159)</u>	<u>(77,821,730)</u>	<u>(89,408,880)</u>	<u>(109,676,767)</u>	<u>(125,426,950)</u>
<b>\$ 4,173,822</b>	<b>\$( 8,460,674)</b>	<b>\$(10,372,713)</b>	<b>\$( 8,448,013)</b>	<b>\$(18,489,918)</b>	<b>\$(29,296,948)</b>	<b>\$(29,971,899)</b>
<u>26,802,088</u>	<u>22,898,785</u>	<u>23,240,441</u>	<u>19,612,586</u>	<u>14,384,747</u>	<u>52,963,041</u>	<u>36,542,423</u>
<b>\$30,975,910</b>	<b>\$14,438,111</b>	<b>\$12,867,728</b>	<b>\$11,164,573</b>	<b>\$( 4,105,171)</b>	<b>\$23,666,093</b>	<b>\$ 6,570,524</b>
\$21,632,145	\$22,630,206	\$27,159,055	\$28,400,493	\$38,649,530	\$49,267,402	\$53,587,091
-	-	-	-	-	-	-
8,428,713	12,280,379	15,698,287	9,324,298	14,675,769	19,186,893	18,105,307
-	5,517,238	-	-	-	-	-
50,378	105,513	133,872	209,533	288,380	353,723	357,548
-	-	348,165	91,017	328,082	2,885,999	273,960
(17,207,518)	(16,134,494)	(13,686,560)	(13,879,589)	(13,655,542)	(20,252,999)	(24,097,730)
<u>(123,049)</u>	<u>(1,223,993)</u>	<u>(3,022,340)</u>	<u>(936,958)</u>	<u>(136,058)</u>	<u>(130,359)</u>	<u>(168,117)</u>
-	(9,118,124)	(7,450,857)	(3,258,011)	(5,816,648)	(40,897,885)	(11,915,287)
<u>(1,324,020)</u>	<u>(5,029,598)</u>	<u>(5,270,678)</u>	<u>(741,224)</u>	<u>(61,522)</u>	<u>(750,752)</u>	<u>(1,195,972)</u>
1,358,116	1,750,212	-	-	-	-	-
-	-	(163,840)	(187,230)	(614,809)	(210,810)	(377,681)
-	-	<u>(665,002)</u>	<u>(1,361,835)</u>	<u>(1,250,505)</u>	<u>(1,236,118)</u>	<u>(1,292,871)</u>
<b>\$43,790,675</b>	<b>\$25,215,450</b>	<b>\$25,947,830</b>	<b>\$28,825,067</b>	<b>\$28,301,506</b>	<b>\$31,881,187</b>	<b>\$39,846,772</b>

Table VI-3

## SCHEDULE OF HISTORICAL OPERATING AND MAINTENANCE EXPENSES

FOR FISCAL YEARS ENDED APRIL 30, 1998 - 2007

	FYE98	FYE99	FYE00	FYE01	FYE02	FYE03
<b>By expense category:</b>						
Salaries, wages, and employee benefits	\$16,362,602	\$16,959,299	\$18,108,645	\$18,292,675	\$20,509,675	\$22,365,738
Contractual services	10,518,905	10,742,513	11,994,359	15,925,308	25,528,489	26,280,324
Utilities	3,380,027	3,128,787	3,146,221	3,871,593	3,340,415	-
Commodities and supplies	2,573,965	2,825,152	2,561,678	3,091,249	2,515,840	2,485,170
Property and liability insurance	408,379	439,069	974,819	689,807	982,327	-
<b>Total operating and maintenance expenses</b>	<b><u>\$33,243,878</u></b>	<b><u>\$34,094,820</u></b>	<b><u>\$36,785,722</u></b>	<b><u>\$41,870,632</u></b>	<b><u>\$52,876,746</u></b>	<b><u>\$51,131,232</u></b>
<b>By cost center:</b>						
<b>Airline cost centers:</b>						
<b>Direct:</b>						
Airfield	\$ 1,536,064	\$ 1,602,301	\$ 2,561,608	\$ 1,804,996	\$ 1,874,311	\$ 2,082,982
Terminal buildings <sup>(1)</sup>	3,031,364	3,128,184	2,724,334	2,890,832	5,651,782	6,433,716
Terminal aprons	545,737	566,939	870,544	705,117	780,214	850,807
Passenger boarding bridges <sup>(2)</sup>	-	-	-	-	583,101	669,095
<b>Indirect:</b>						
General administrative	9,462,711	9,739,955	10,702,588	10,662,670	11,257,435	12,892,215
Airport police	2,595,977	2,684,917	3,153,734	3,436,643	4,256,731	5,243,102
Heating, cooling, and ventilation	2,130,823	2,069,262	2,589,673	3,141,574	-	-
ARFF	1,457,649	1,489,710	1,714,034	2,320,543	2,513,127	2,474,258
Terminal building structural	1,159,124	1,202,302	1,726,945	1,557,511	-	-
Field maintenance administration	889,437	909,367	901,968	819,091	821,583	862,717
Other <sup>(3)</sup>	1,588,724	1,646,316	1,161,999	1,154,257	1,149,925	1,303,520
<b>Total - Airline cost centers</b>	<b>24,397,610</b>	<b>25,039,253</b>	<b>28,107,427</b>	<b>28,493,234</b>	<b>28,888,209</b>	<b>32,812,412</b>
<b>Nonairline cost centers<sup>(4)</sup></b>	<b>8,846,268</b>	<b>9,055,567</b>	<b>8,678,295</b>	<b>13,377,398</b>	<b>23,988,537</b>	<b>18,318,820</b>
<b>Total operating and maintenance expenses</b>	<b><u>\$33,243,878</u></b>	<b><u>\$34,094,820</u></b>	<b><u>\$36,785,722</u></b>	<b><u>\$41,870,632</u></b>	<b><u>\$52,876,746</u></b>	<b><u>\$51,131,232</u></b>

<sup>(1)</sup>In order to simplify the cost center listing, the heating, cooling, and ventilation cost center and the terminal building structural cost center are combined into the terminal building cost center for FYE02 - FYE04. Both of those cost centers are allocated 100% to the terminal building cost center.

<sup>(2)</sup>The passenger boarding bridges cost center was added as a separate cost center effective FYE2002.

<sup>(3)</sup>"Other" represents the following indirect cost centers: ambulance service, apron security posts, support area roads, inter-terminal bus, mobile response, law enforcement officers (LEOs) and baggage handling maintenance.

<sup>(4)</sup>Operating and maintenance expenses for the following facilities are not charged to the airlines: public parking lots, public parking garage, employee parking facilities, general aviation area, taxicab shelters, and other miscellaneous non-airline facilities.

<sup>(5)</sup>A new Use and Lease Agreement became effective on May 1, 2005 maintaining four direct cost centers and eliminating 7 indirect cost centers.

FYE04	FYE05	FYE06 <sup>(5)</sup>	FYE07 <sup>(5)</sup>
\$21,120,771	\$22,168,647	\$24,007,384	\$25,022,038
25,474,042	25,680,324	33,071,060	42,447,274
-	-	-	-
2,616,891	2,621,999	2,977,198	4,012,999
-	-	-	-
<u>\$49,211,704</u>	<u>\$50,470,970</u>	<u>\$60,055,642</u>	<u>\$71,482,311</u>

\$ 2,228,110	\$ 3,770,627	\$ 9,652,301	\$12,575,269
4,845,484	5,275,536	18,938,426	22,419,935
862,742	947,392	1,132,334	1,825,048
735,256	823,947	1,486,639	16,889
11,671,654	12,993,082	-	-
4,733,097	4,614,541	-	-
-	-	-	-
2,544,812	2,585,979	-	-
-	-	-	-
929,613	1,034,322	-	-
<u>2,730,044</u>	<u>2,021,550</u>	-	-
31,280,812	34,066,976	31,209,700	36,837,141
17,930,892	16,403,994	28,845,942	34,645,170
<u>\$49,211,704</u>	<u>\$50,470,970</u>	<u>\$60,055,642</u>	<u>\$71,482,311</u>

Table VI-5  
**SCHEDULE OF HISTORICAL REVENUES<sup>(1)</sup>**  
 FOR FISCAL YEARS ENDED APRIL 30, 1998 - 2007

	FYE98	FYE99	FYE00	FYE01	FYE02	FYE03
<b>Airfield:</b>						
Landing fees	\$ 9,308,980	\$10,215,812	\$ 8,295,142	\$ 9,043,841	\$ 9,018,013	\$ 9,635,966
Fuel flowage fees	558,373	696,332	762,666	571,403	515,391	568,694
<b>Total airfield</b>	<b>9,867,353</b>	<b>10,912,144</b>	<b>9,057,808</b>	<b>9,615,244</b>	<b>9,533,404</b>	<b>10,204,660</b>
<b>Terminal:</b>						
Terminal building:						
Airline terminal	5,413,234	7,074,324	6,974,131	7,115,268	8,099,347	6,699,753
Other terminal	841,269	436,987	238,213	205,986	649,305	791,127
Concessions:						
Food and beverage	853,615	955,015	1,069,010	1,142,622	593,852	630,950
News and gifts	1,065,418	1,143,546	1,212,563	1,296,798	1,297,957	765,728
Other concessions.	816,823	803,688	829,216	750,401	614,791	498,285
Terminal apron area	1,945,541	2,036,086	1,813,613	2,591,819	2,559,897	1,851,504
<b>Total terminal</b>	<b>10,935,900</b>	<b>12,449,646</b>	<b>12,136,746</b>	<b>13,102,894</b>	<b>13,815,149</b>	<b>11,237,347</b>
Parking revenue	28,812,740	30,997,010	32,094,178	31,993,244	29,557,225	31,654,833
Rental car revenue	6,258,517	6,645,197	7,594,848	7,773,928	7,238,643	7,290,691
Transportation facility charge <sup>(2)</sup>	-	-	-	-	-	-
Aviation service area	2,703,671	3,400,697	3,966,792	3,506,368	4,036,332	3,782,221
Other prop/revenue	3,240,492	2,584,109	3,200,324	3,620,506	3,119,611	3,216,692
Customer facility charges <sup>(3)</sup>	-	-	-	1,776,234	6,186,432	5,792,046
Interest revenue	9,877,134	9,134,513	8,479,544	14,272,889	4,605,400	3,900,572
<b>Total revenue</b>	<b>\$71,695,807</b>	<b>\$76,123,316</b>	<b>\$76,530,240</b>	<b>\$85,661,307</b>	<b>\$78,092,196</b>	<b>\$77,079,062</b>

<sup>(1)</sup>Revenues presented in accordance with the methodology set forth in the GARB bond ordinances.

<sup>(2)</sup>The Department began collecting rental car Transportation Facility Charge ("TFC") Revenues on November 1, 2005.

<sup>(3)</sup>The Department began collecting rental car Customer Facility Charge ("CFC") Revenues on January 1, 2001.

FYE04	FYE05	FYE06	FYE07	% Change
\$ 9,545,944	\$ 9,358,585	\$11,003,143	\$12,379,738	12.5%
<u>682,166</u>	<u>680,383</u>	<u>658,951</u>	<u>637,822</u>	<u>(3.2)</u>
10,228,110	10,038,968	11,662,094	13,017,560	11.6
6,637,060	6,726,506	8,085,546	8,798,380	8.8
750,258	733,539	1,029,182	616,804	(40.1)
587,303	1,094,493	1,573,199	1,744,031	10.9
862,171	1,398,479	1,639,272	1,149,030	(29.9)
439,099	423,383	542,042	665,117	22.7
<u>1,694,001</u>	<u>1,896,698</u>	<u>1,838,118</u>	<u>1,486,668</u>	<u>(19.1)</u>
10,969,892	12,273,098	14,707,359	14,460,030	(1.7)
33,089,817	34,450,836	35,606,188	40,032,941	12.4
7,864,913	7,829,509	8,372,860	8,817,410	5.3
-	-	1,760,366	4,296,620	144.1
3,559,507	2,679,955	4,594,393	10,576,261	130.2
2,299,644	2,396,089	2,440,441	2,961,357	21.3
5,886,939	5,976,731	6,147,691	6,456,360	5.0
<u>4,137,949</u>	<u>3,127,290</u>	<u>6,645,437</u>	<u>10,710,544</u>	<u>61.2</u>
<u>\$78,036,771</u>	<u>\$78,772,476</u>	<u>\$91,936,829</u>	<u>\$111,329,083</u>	21.1

Table VI-13

## SCHEDULE OF PFC REVENUES

FOR FISCAL YEARS ENDED APRIL 30, 2003 - 2007

	2003	2004	2005	2006	2007
Total enplanements [A] <sup>(1)</sup>	4,987,421	4,905,086	5,036,889	5,112,330	5,610,488
% of PFC enplaned passengers [B]					
PFC enplaned passengers [C = A x B]					
PFC exempt air carriers [D]					
PFC eligible enplanements [E= C-D]					
PFC rate [F]					
PFC revenues [G = E x F] <sup>(2)</sup>	\$13,686,560	\$13,879,589	\$13,655,542	\$20,252,999	\$24,097,730

This information was presented in the Report of the Airport Consultant on a projected basis to calculate projected PFC revenues. However, this calculation is not relevant for the presentation of historical PFC Revenues.

<sup>(1)</sup>Fiscal year enplanements from Table VI-10.

<sup>(2)</sup>PFC revenues are obtained from the Department's audited financial statements. July 2005 was the initial allowable increase in the PFC rate from \$3.00 to \$4.50.

Table VI-14  
**SCHEDULE OF PFC BOND SUFFICIENCY COVENANT**  
 FOR FISCAL YEARS ENDED APRIL 30, 2003 - 2007  
 (IN \$ MILLIONS, EXCEPT SUFFICIENCY TEST COVENANT)

	FYE03	FYE04	FYE05	FYE06	FYE07
Sufficiency covenant:					
PFC authority <sup>(1)</sup>	\$338.9	\$338.9	\$377.1	\$377.1	\$425.0
Less:					
PFC Pay-As-You-Go costs paid to date <sup>(2)</sup>	(81.0)	79.6	95.1	88.2	115.5
PFC Pay-As-You-Go contractual commitments <sup>(3)</sup>	( 0.0)	0.0	0.0	0.0	0.0
Debt service paid to date on the Series 2001 Bonds	(15.0)	25.4	35.8	46.1	56.3
Projected debt service on any junior lien bonds	( 0.0)	0.0	0.0	0.0	0.0
Plus:					
Funds on deposit on any junior lien bonds	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal (A)	\$242.9	\$233.9	\$246.2	\$242.8	\$253.2
Debt service requirements (B)	\$231.0	\$220.1	\$209.8	\$199.5	\$189.2
Sufficiency test covenant (must be at least 1.05) (A/B)	1.05	1.06	1.17	1.22	1.34

<sup>(1)</sup>PFC Authority approved by the FAA.

<sup>(2)</sup>Includes PFC Pay-As-You-Go costs related to approved PFC applications.

<sup>(3)</sup>PFC Pay-As-You-Go contractual commitments that have not yet been paid. For purposes of this analysis, it is assumed that all contractual commitments are paid as incurred.

## SCHEDULE OF POPULATION

## Metropolitan Statistical Area and Air Service Area

	Square Miles	1980	1990	2000	2006 <sup>(1)</sup>
<b>Metropolitan Statistical Area (MSA):</b>					
Missouri:					
Bates	848	15,873	15,025	16,653	17,116
Caldwell	429	8,660	8,380	8,969	9,313
Cass	699	51,029	63,808	82,092	95,781
Clay	396	136,488	153,411	184,006	206,957
Clinton	419	15,916	16,595	18,979	20,671
Jackson	605	629,266	633,232	654,880	664,078
Lafayette	629	29,931	31,107	32,960	33,186
Platte	420	46,341	57,867	73,781	83,061
Ray	570	21,378	21,971	23,354	23,999
Kansas:					
Franklin	574	22,062	21,994	24,784	26,513
Johnson	477	270,269	355,054	451,086	516,731
Leavenworth	463	54,809	64,371	68,691	73,628
Linn	599	8,234	8,254	9,570	9,962
Miami	577	21,618	23,466	28,351	30,900
Wyandotte	151	172,335	161,993	157,882	155,509
<b>Total MSA</b>	<b>7,856</b>	<b>1,504,209</b>	<b>1,636,528</b>	<b>1,836,038</b>	<b>1,967,405</b>
<b>Air Service Area (ASA):</b>					
Missouri:					
Buchanan	410	87,888	83,083	85,998	84,955
Kansas:					
Douglas	465	67,640	81,798	99,962	112,123
<b>Total ASA</b>	<b>875</b>	<b>155,528</b>	<b>164,881</b>	<b>185,960</b>	<b>197,078</b>
<b>Total area</b>	<b>8,731</b>	<b>1,659,737</b>	<b>1,801,409</b>	<b>2,021,998</b>	<b>2,164,483</b>

Source: [www.census.gov](http://www.census.gov)<sup>(1)</sup>U.S. Census Bureau, 2006 population estimate.

SCHEDULE OF PRINCIPAL EMPLOYERS<sup>(3)</sup>  
 KANSAS CITY METROPOLITAN AREA

<u>Employers</u>	<u>Type of Business</u>	<u>No. of Employees**</u>
Federal Government	Government	38,900
Public School System <sup>(1)</sup>	Education	30,960
State/County/City Government <sup>(2)</sup>	Government	25,533
Sprint Nextel Corporation	Network technology	14,500
HCA Midwest Health System	Health care provider	6,937
McDonald's USA LLC	Quick-service restaurant	5,600
St. Luke's Health Systems	Health care provider	5,348
Ford Motor Co., KC Assembly Plant	Car and truck manufacturing	4,683
DST Systems, Inc.	Information processing and computer software services	4,600
UPS	Shipping	4,500
Cerner Corporation	Health care information technology	4,482
AT&T	Telecommunication	4,480
Hallmark Cards, Inc.	Greeting cards, expression products, television programming	4,300
Children's Mercy Hospitals and Clinics	Pediatric specialty health care	3,825
Black & Veatch	Global engineering consulting and construction	3,600

<sup>(1)</sup>The number of local employees for the public school systems is made up of twelve public school systems and districts.

<sup>(2)</sup>The number of local employees for the State/County/City Government is made up of seven employers.

<sup>(3)</sup>Source: Top Public-Sector Employees, *Kansas City Business Journal*, April 13, 2007, and Top 100 Area Private Sector Employers, *Kansas City Business Journal*, April 20, 2007.

\*\*Note: The City does not undertake continuously to update this table. The information presented in this table speaks only as of the date indicated in the source. Layoffs or developments after this date is not presented, and they can render some information in the table to be inaccurate.

## SCHEDULE OF RATES AND CHARGES

	FYE02	FYE03	FYE04	FYE05	FYE06	FYE07
Landing fee, signatory (per 1,000lbs.)	\$ 0.81	\$ 1.07	\$ 1.10	\$ 1.10	\$ 1.35	\$ 1.43 <sup>(2)</sup>
Terminal aircraft apron (lineal foot)	282.36	284.11	284.11	258.11	202.33	196.72 <sup>(2)</sup>
Terminal building (per sq.ft.)	31.23	27.90	27.90	24.41	24.39	26.67 <sup>(2)</sup>
Passenger boarding bridges (per month)	1,487.70	1,671.45	1,671.45	1,807.00	2,592.00	1,407.75 <sup>(2)</sup>
Passenger facility charges (per enplanement)	3.00	3.00	3.00	3.00	4.50	4.50
Customer facility fees (per contract day)	3.00	3.00	3.00	3.00	3.00	3.00
Transportation facility charge	-	-	-	-	2.00	2.00
Remaining over night parking fee	125.00	125.00	125.00	125.00	125.00	129.00
FIS custom facility use fee	2.50	2.50	2.50	2.50	2.50	2.50
Employee parking (changed Jan 03)	9.00	24.00	24.00	24.00	24.00	24.00
Tenant terminal parking fee (per month)			35.00	35.00	35.00	35.00
Taxicab/Limousine fee (per pickup)			1.00	1.00	1.00	1.00
Shuttle fee (per trip, min. \$30 per month)			0.50	0.50	0.50	0.50
Fuel flowage fee (per gallon) <sup>(1)</sup>				0.073	0.080	0.080

## Parking:

Facility	Time Period	FYE02	FYE03	FYE04	FYE05	FYE06	FYE07
Terminal parking lot A, B, and C	0 - 1/2hr.	Free	Free	Free	Free	Free	Free
	1/2 - 1hr.	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
	1 - 2 hrs.	2.00	2.00	2.00	2.00	2.00	2.00
	2 - 3 hrs.	4.00	4.00	4.00	4.00	4.00	4.00
	3 - 4 hrs.	6.00	6.00	6.00	6.00	6.00	6.00
	4 - 5 hrs.	8.00	8.00	8.00	8.00	8.00	8.00
	5 - 6 hrs.	10.00	10.00	10.00	10.00	10.00	10.00
	6 - 7 hrs.	12.00	12.00	12.00	12.00	12.00	12.00
	7 - 8 hrs.	14.00	14.00	14.00	14.00	14.00	14.00
	8 - 9 hrs.	16.00	16.00	16.00	16.00	16.00	16.00
9 - 24hrs. daily maximum	18.00	18.00	18.00	18.00	18.00	18.00	
Circle parking lot E	0 - 1/2 hr.	Free	Free	Free	Free	Free	Free
	1/2 - 1 hr.	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
	1 - 2 hrs.	2.00	2.00	2.00	2.00	2.00	2.00
	2 - 3 hrs.	4.00	4.00	4.00	4.00	4.00	4.00
	3 - 4 hrs.	6.00	6.00	6.00	6.00	6.00	6.00
	4 - 5 hrs.	8.00	8.00	8.00	8.00	8.00	8.00
5 - 24hrs. daily maximum	10.00	10.00	10.00	10.00	10.00	10.00	
Economy parking lot	0 - 1/2hr.	Free	Free	Free	Free	Free	Free
	1/2 - 24hrs.	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.50

<sup>(1)</sup> Fuel flowage increase implemented April 1, 2006<sup>(2)</sup> Rates and Charges per FYE07 Settlement

SCHEDULE OF FACILITY INFORMATION

*Kansas City International Airport*

Size (acres): 10,725  
 Elevation (ft): 1,026  
 Airport code: MCI

Runways: 1L/19R 10,801 x 150ft  
 1R/19L 9,500 x 150ft  
 9 /27 9,500 x 150ft

Terminal information:

	<u>Terminal A</u>	<u>Terminal B</u>	<u>Terminal C</u>	<u>Total</u>
Boarding gates	25	19	22	66
Passenger boarding bridges	17	16	17	50
Food and beverages areas	8	13	7	28
News/gifts area	6	5	4	15
Business traveler services areas	2	4	3	9

Parking (number of spaces):

Terminal A 2,000  
 Terminal B 2,000  
 Terminal C 2,200  
 Circle "E" 1,750  
 Economy A 3,734  
 Economy B 5,917  
 Economy C 5,612  
 Total all public lots 23,213

Employee parking 1,500

*Charles B. Wheeler Downtown Airport*

Size (acres): 697  
 Elevation (ft): 759  
 Airport code: MKC

Runways: 1/19 7,002 x 150ft  
 3/21 5,050 x 150ft

Operations:

<u>Year</u>	<u>Domestic Air Carrier</u>	<u>Commuter/ Air Taxi</u>	<u>All-Cargo</u>	<u>General Aviation</u>	<u>Military</u>	<u>Total</u>
2002	82	20,166	0	103,079	1,133	124,460
2003	34	19,213	0	97,434	830	117,511
2004	42	19,922	0	86,630	1,056	107,650
2005	16	15,028	0	85,871	564	101,479
2006	26	14,124	0	68,900	678	83,728

*Richards-Gebaur*

Size (acres): 1,500

## SCHEDULE OF DEPARTMENT OF AVIATION OPERATING EXPENDITURES BY DIVISION

Division	Salaries, Wages and Employee Benefits				Contractual Services			
	FYE04	FYE05	FYE06	FYE07	FYE04	FYE05	FYE06	FYE07
Administration	\$ 967,240	\$ 794,016	\$ 952,418	\$ 999,609	\$ 1,016,445	\$ 200,862	\$ 638,037	\$ 1,451,787
Accounting and Finance	1,163,849	1,495,603	1,269,353	1,325,829	417,182	964,740	544,386	476,418
Information Technology	641,965	454,327	597,325	544,910	1,915,058	2,387,423	1,046,069	891,264
Engineering	801,268	994,181	906,155	843,760	469,917	241,313	250,614	366,439
Human Resources	270,407	255,668	154,819	212,142	250,164	226,312	184,831	177,244
Marketing	493,259	517,218	546,031	609,661	744,926	919,874	1,092,109	1,076,772
Economic Development	786,530	728,537	699,568	655,193	1,680,421	1,878,810	4,550,436	7,100,311
CBW Downtown Airport	608,136	684,930	757,625	733,694	731,003	678,772	710,650	685,702
Richards-Gebaur	-	-	-	-	253,031	193,141	89,663	353,751
Operations	726,888	764,571	923,217	887,990	2,562,922	2,610,554	2,592,112	2,678,137
Airport Police	4,541,523	4,512,540	5,037,296	5,148,503	1,975,026	1,872,778	1,951,223	2,073,535
Field Maintenance	2,475,102	2,590,070	2,839,374	3,323,323	541,790	494,655	479,974	491,223
Fleet Maintenance	755,607	755,446	865,127	957,625	270,264	381,247	663,510	576,137
Facilities Custodial	3,003,633	3,235,297	3,315,372	3,196,643	820,862	893,258	809,399	811,930
Facilities Structural	1,482,091	1,465,550	1,628,172	1,754,338	5,340,259	6,087,855	9,989,406	15,012,588
Parking and Bus	2,403,273	2,826,189	3,051,577	3,328,585	3,495,477	4,016,427	5,339,132	5,187,726
Environmental Management	-	94,504	314,885	293,131	106,072	462,035	418,686	547,200
Safety	-	-	149,070	205,744	-	-	22,497	118,452
Art and Aesthetics	-	-	-	-	-	5,156	4,781	-
Maintenance projects	-	-	-	1,358	2,883,223	1,165,112	1,693,545	2,370,658
<b>Total</b>	<b>\$21,120,771</b>	<b>\$22,168,647</b>	<b>\$24,007,384</b>	<b>\$25,022,038</b>	<b>\$25,474,042</b>	<b>\$25,680,324</b>	<b>\$33,071,060</b>	<b>\$42,447,274</b>

Commodities				Total			
FYE04	FYE05	FYE06	FYE07	FYE04	FYE05	FYE06	FYE07
\$ 22,682	\$ 28,562	\$ 18,496	\$ 34,084	\$ 2,006,367	\$ 1,023,440	\$ 1,608,951	\$ 2,485,480
16,820	11,375	71,895	51,607	1,597,851	2,471,718	1,885,634	1,853,854
75,732	129,909	212,921	177,723	2,632,755	2,971,659	1,856,315	1,613,897
18,336	11,706	12,723	18,529	1,289,521	1,247,200	1,169,492	1,228,728
8,251	2,405	4,719	6,400	528,822	484,385	344,369	395,786
10,755	11,538	12,579	7,390	1,248,940	1,448,630	1,650,719	1,693,823
106,927	24,923	149,831	158,386	2,573,878	2,632,270	5,399,835	7,913,890
116,643	169,746	185,612	165,956	1,455,782	1,533,448	1,653,887	1,585,352
-	-	-	-	253,031	193,141	89,663	353,751
16,615	33,360	30,287	13,541	3,306,425	3,408,485	3,545,616	3,579,668
97,021	50,633	100,732	74,770	6,613,570	6,435,951	7,089,251	7,296,808
957,170	1,034,746	917,819	1,501,777	3,974,062	4,119,471	4,237,167	5,316,323
567,356	681,273	791,071	909,259	1,593,227	1,817,966	2,319,708	2,443,021
432,885	288,271	363,383	427,572	4,257,380	4,416,826	4,488,154	4,436,145
158,239	120,792	87,368	440,599	6,980,589	7,674,197	11,704,946	17,207,525
11,459	13,921	9,458	15,763	5,910,209	6,856,537	8,400,167	8,532,074
-	8,839	5,849	4,549	106,072	565,378	739,420	844,880
-	-	2,455	5,059	-	-	174,022	329,255
-	-	-	-	-	5,156	4,781	-
-	-	-	35	2,883,223	1,165,112	1,693,545	2,372,051
<u>\$ 2,616,891</u>	<u>\$ 2,621,999</u>	<u>\$ 2,977,198</u>	<u>\$ 4,012,999</u>	<u>\$49,211,704</u>	<u>\$50,470,970</u>	<u>\$60,055,642</u>	<u>\$71,482,311</u>

## SCHEDULE OF DEPARTMENT OF AVIATION FULL-TIME AND EQUIVALENT EMPLOYEES BY DIVISION

Division	FYE04	FYE05	FYE06	FYE07
Administration	10	11	8	9
Accounting and Finance	27	27	27	26
Information Technology	11	2	-	-
Engineering	20	19	16	14
Human Resources	5	3	4	4
Marketing	8	8	8	8
Economic Development	14	11	10	10
Downtown Airport	13	15	17	16
Operations	11	12	16	17
Airport Police	129	144	128	126
Field Maintenance	74	72	74	71
Fleet Maintenance	16	16	16	17
Facilities Custodial	92	94	94	94
Facilities Structural	36	34	34	35
Parking and Bus	66	67	104	101
Environmental Management	-	2	3	3
Safety	-	3	3	3
<b>Total</b>	<b><u>532</u></b>	<b><u>540</u></b>	<b><u>562</u></b>	<b><u>554</u></b>

Source: Department of Aviation records.

**SCHEDULE OF ASSETS CAPITALIZED**  
**FOR THE YEAR ENDED APRIL 30, 2007**

Land:		
12200 Ambassador Drive		\$ 1,777,500
<b>Total land</b>		<u>1,777,500</u>
Buildings and building improvements:		
12200 Ambassador Drive	16,605,000	
Aircraft Rescue Fire Fighting (ARFF) facility	63,682	
533 Mexico Ave. building upgrade	8,453	
Checkpoint modifications	28,788	
KC AeroTerm tenant modifications	1,450,391	
Terminal building HVAC improvements at Charles B. Wheeler Downtown Airport	555,229	
Taxicab building addition	26,902	
Upgrade CNG facility	411,418	
MCI departure lounge restrooms	5,692,430	
Re-roof terminal A, B, and C stair towers	113,884	
Consolidated rental car facility	78,534,094	
MCI terminal improvements	1,304,169	
Leasehold improvements	251,953	
<b>Total buildings and building improvements</b>		<u>105,046,393</u>
Infrastructure:		
Overlay runway 1/19 at Charles B. Wheeler Downtown Airport	21,542,533	
Rehabilitate bridges	1,350,308	
Rental car facility art	262,843	
FM south fiber extension at MCI	284,900	
Extend taxiways B and D at MCI	1,146,406	
Rehabilitate taxiways B, G, and M at MCI	87,219	
Moscow and Helsinki Road reconstruction	94,366	
K. Sonnier fountain	43,753	
Automated access control system at MCI	7,878,692	
Parking area west of Bern	70,060	
<b>Total infrastructure</b>		<u>32,761,080</u>
Machinery and equipment:		
Light-duty trucks and vehicles (10)	268,313	
18' heavy-duty runway snowplows (4)	54,015	
Steel straight blades for snowplows (4)	39,912	
Mowers (20)	558,098	
4,000-gallon de-icer trucks (2)	408,650	
Elgin sweeper	232,480	
Heavy-duty truck-mounted runway rubber removal unit	303,825	
ARFF vehicle	872,333	
Dual surface cleaner	23,998	
Water/chemical tank transfer	9,747	
Stainless steel spreader	22,693	
RS EDS for ticket counters	61,981	
Radio communication equipment	134,169	
Boarding bridges	97,610	
<b>Total machinery and equipment</b>		<u>3,087,824</u>
<b>Total assets capitalized</b>		<u>\$142,672,797</u>

SCHEDULE OF CONSTRUCTION IN PROGRESS  
FOR THE YEAR ENDED APRIL 30, 2007

		FYE06	Additions	Capitalized	Expensed	FYE07
MCI Projects:						
62960C07	Rehabilitate taxiways B, G, and M	\$ 87,219	\$ -	\$( 87,219)	\$ -	\$ -
62970C39	Automated access control	6,388,031	1,490,661	(7,878,692)	-	-
62000059	ARFF facility	-	63,682	(63,682)	-	-
62010077	533 Mexico Ave. building upgrade	-	8,453	(8,453)	-	-
62010122	Extend taxiways B and D	-	1,146,406	(1,146,406)	-	-
62020174	Upgrade glycol collection system	1,711,866	225,494	-	-	1,937,360
62020197	MCI-TM-KC Aeroterm	-	1,450,391	(1,450,391)	-	-
62020226	Upgrade CNG facility	411,418	-	(411,418)	-	-
6202174B	Cargo glycol collection system	-	4,453,583	-	-	4,453,583
62030256	MCI-AVI FAC Development	851,470	994,164	-	(224,671)	1,620,963
62030257	Checkpoint modification	-	28,788	(28,788)	-	-
62040259	Inline baggage screening	2,133,604	937,623	-	-	3,071,227
62040279	Reconstruct Moscow and Helsinki Aves.	-	94,366	(94,366)	-	-
62040281	Rehabilitate airfield lights	66,024	272,036	-	-	338,060
62040283	Departure lounge restrooms	4,083,187	1,609,242	(5,692,429)	-	-
62040284	Taxicab Building addition	-	26,902	(26,902)	-	-
62040285	Airfield sand/deicer facility	48,323	199,186	-	-	247,509
62040288	Demo facility@ 11930 Prairieview	-	29,770	-	(29,770)	-
62040289	MCI-Rehabilitate bridges	243,209	1,107,099	(1,350,308)	-	-
6201C11B	TIP-Boarding bridges	-	97,610	(97,610)	-	-
6201C52A	K.Sonnier fountain	-	43,753	(43,753)	-	-
6204C21A	Rental car facility - art	121,093	141,750	(262,843)	-	-
62050292	MCI-Terminal end service drive	-	704,992	-	-	704,992
62050294	MCI-Overhaul base plant rehab	239,327	176,543	-	-	415,870
62050298	MCI-Rehabilitate taxiways D, J	-	566,649	-	-	566,649
62050299	MCI-Rehabilitate taxiways M, L	203,262	3,480,493	-	-	3,683,755
62050301	MCI-FM south fiber extension	284,900	-	(284,900)	-	-
62050307	Rehabilitate airport roadways	-	(54,955)	-	54,955	-
62050311	Stairtower A B C re-roof	-	113,884	(113,884)	-	-
62050312	Demo 1025 and 1101 Lou Holland	-	69,346	-	(69,346)	-
62070TSA	RS EDS for ticket counters	-	61,981	(61,981)	-	-
62960C11	Terminal improvements	312,851	44,742	(357,593)	-	-
62960C21	Consolidated rental car facility	43,029,726	35,504,368	(78,534,094)	-	-
62980C86	Parking area west of Bern Ave.	70,060	-	(70,060)	-	-
62980C92	Program management	881,905	64,671	(946,576)	-	-
62990D49	MCI- Storage bldg improvements	38,247	420,041	-	-	458,288
62TENIMP	Tenant improvements	-	405,777	(251,954)	(73,250)	80,573
62000000	Capital improvement accruals	5,593,011	(2,191,225)	-	-	3,401,786
	<b>Total construction-in-progress at MCI</b>	<b>66,798,733</b>	<b>53,788,266</b>	<b>(99,264,302)</b>	<b>(342,082)</b>	<b>20,980,615</b>
CBW Projects:						
62030235	Runway 1/19 safety area extension	350,181	20,100	-	-	370,281
62040262	Terminal bldg HVAC improvements	435,385	119,844	(555,229)	-	-
62050300	Rehabilitate runway 3-21	-	268,125	-	-	268,125
62900K01	Runway 1/19 overlay	14,904,639	6,637,894	(21,542,533)	-	-
	<b>Total construction-in-progress at CBW</b>	<b>15,690,205</b>	<b>7,045,963</b>	<b>(22,097,762)</b>	<b>-</b>	<b>638,406</b>
	<b>Total construction-in-progress</b>	<b>\$82,488,938</b>	<b>\$60,834,229</b>	<b>\$(121,362,064)</b>	<b>\$(342,082)</b>	<b>\$21,619,021</b>

## COMPLIANCE SECTION

THIS SECTION CONTAINS THE FOLLOWING SCHEDULES:

### INDEPENDENT AUDITORS' REPORT

OPINION LETTER FROM INDEPENDENT AUDITORS REGARDING THE PASSENGER FACILITY CHARGE (PFC) PROGRAM REPORT CONTAINED IN THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

### SCHEDULE OF PFC FUNDS COLLECTED AND EXPENDED

SCHEDULE SHOWING PASSENGER FACILITY CHARGE (PFC) FUNDS COLLECTED AND EXPENDED FOR THE CURRENT FISCAL YEAR

### NOTES TO SCHEDULE OF PFC FUNDS COLLECTED AND EXPENDED

NARRATIVE EXPLANATION REGARDING ITEMS IN THE PASSENGER FACILITY CHARGE (PFC) REPORT



**KPMG LLP**  
Suite 1000  
1000 Walnut Street  
Kansas City, MO 64106-2162

**Independent Auditor's Report on Compliance with  
Requirements Applicable to the Passenger Facility Charge (PFC) Program and on  
Internal Control over compliance and the Schedule of  
PFC Funds Collected and Expended**

Honorable Mayor and Members of the City Council  
Kansas City, Missouri:

**Compliance**

We have audited the compliance of the City of Kansas City, Missouri Airports Fund (Aviation Department) with the types of compliance requirements described in the Passenger Facility Charge Program Audit Guide that are applicable to its passenger facility charge (PFC) program for the year ended April 30, 2007. Compliance with the requirements of laws and regulations pertaining to the passenger facility charge requirements is the responsibility of the Aviation Department's management. Our responsibility is to express an opinion on the Aviation Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Passenger Facility Charge Program Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Aviation Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Aviation Department's compliance with those requirements.

In our opinion, the Aviation Department complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the year ended April 30, 2007.

**Internal Control over Compliance**

The management of the Aviation Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the passenger facility charge program. In planning and performing our audit, we considered the Aviation Department's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance, in accordance with the Passenger Facility Charge Program Audit Guide.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A significant deficiency is a control deficiency, or combination



of control deficiencies, that adversely affects the entity's ability to administer the passenger facility charge program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the passenger facility charge program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of PFC Funds Collected and Expended**

We have audited the financial statements of the City of Kansas City, Missouri Airports Fund, as of and for the years ended April 30, 2007 and 2006, and have issued our report thereon dated September 25, 2007. Our audits were performed for the purpose of forming an opinion on the financial statements of the City of Kansas City, Missouri Airports Fund taken as a whole. The accompanying schedule of PFC funds collected and expended (the Schedule) for the year ended April 30, 2007 is presented for purposes of additional analysis, as specified in the Passenger Facility Charge Program Audit Guide, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. This report is intended for the information and use of the City Council, Aviation Department management, and the Federal Aviation Administration and is not intended to be, and should not be, used by anyone other than these specified parties.

**KPMG LLP**

Kansas City, Missouri  
September 25, 2007

## Passenger Facility Charge (PFC) Program

CITY OF KANSAS CITY MISSOURI  
PASSENGER FACILITY CHARGE (PFC) PROGRAM  
SCHEDULE OF PFC FUNDS COLLECTED AND EXPENDED  
FOR THE YEAR ENDED APRIL 30, 2007

PFC Project	Description	Approved for	Project Authorized Amount	PFC Funds Expended
PFC #1.1	Paving of runway 1/R/19L, taxiways E and F, and all connecting taxiways	Collection and use	\$8,833,000	\$8,409,781
PFC #1.2	CIP #E24, terminal remodeling design phase	Collection and use	16,197,329	5,735,681
PFC #1.3	Taxiway D rehabilitation	Collection and use	427,000	426,763
PFC #1.4	Aircraft rescue and firefighting vehicles	Collection and use	265,000	264,944
PFC #1.5	Overlay runway 1L/19R, taxiway A, A1-A9	Collection and use	6,722,000	6,721,999
PFC #1.6	Terminal apron rehabilitation	Collection and use	28,529,979	20,030,838
PFC #1.7	Land acquisition	Collection and use	11,180,610	10,629,350
PFC #1.8	Terminal apron lights	Collection and use	1,080,000	630,529
PFC #1.9	Overlay runway 9/27 and taxiway C, C1-C9	Collection and use	6,050,932	4,549,975
PFC #1.10	Expand general aviation apron	Collection and use	-	-
PFC #1.11	Construct federal inspection services facility	Collection and use	4,949,000	4,099,000
PFC #1.12	Taxiway B rehabilitation	Collection and use	5,009,511	5,020,186
PFC #1.13	Terminal remodel-construction phase	Collection and use	205,852,308	59,081,713
PFC #2.1	Airfield storm drainage-MKC	Collection and use	-	-
PFC #2.2	Construction aircraft hold apron	Collection and use	3,900,303	3,900,303
PFC #2.3	Automated access control system	Collection and use	3,894,393	1,815,766
PFC #2.4	Reconstruct taxiway D	Collection and use	667,387	-
PFC #2.5	PFC development and administration	Collection and use	1,094,103	380,695
PFC #3.1	Terminal equipment	Collection and use	61,602,166	25,493,080
PFC #3.2	Airfield lighting generator	Collection and use	600,000	512,599
PFC #3.3	Relocate airfield lighting generator	Collection and use	1,200,000	-
PFC #3.4	Overlay runway 1/19-MKC	Collection and use	-	-
PFC #4.1	Reconstruct runway 1/19-MKC	Collection and use	4,066,500	2,656,585
PFC #5.1	Two new ARFF vehicles	Collection and use	395,252	345,831
PFC #5.2	Taxiway B and D extension	Collection and use	2,315,000	2,444,399
PFC #5.3	Taxiway M and L rehabilitation	Collection and use	2,125,000	-
PFC #5.4	Airport Master Plan and Part 150 update	Collection and use	3,500,000	1,444,999
PFC #5.5	New ARFF facility construction	Collection and use	2,520,000	1,918,433
PFC #5.6	Inline baggage screening	Collection and use	28,951,284	-
PFC #5.7	Taxiway D rehabilitation	Collection and use	1,375,000	-
PFC #5.8	Airfield lighting rehabilitation	Collection and use	625,000	-
PFC #5.9	Perimeter fencing replacement-MKC	Collection and use	338,000	91,243
PFC #5.10	Terminal improvements-Holdrooms	Collection and use	4,732,806	5,226,686
PFC #5.11	Upgrade glycol collection system	Collection and use	2,750,000	-
PFC #5.12	Airfield snow removal equipment building	Collection Only	3,000,000	-
PFC #5.15	Fuel farm relocation-MKC	Collection Only	270,000	-
			<u>\$425,018,863</u>	<u>\$171,831,378</u>
	Funds expended by quarter:			
	Second quarter-2006			-
	Third quarter-2006			15,332,371
	Fourth quarter-2006			3,471,821
	First quarter-2007			7,477,749
	Less April 2006			(2,461,532)
	Plus April 2007			13,790,236
	Total PFC funds expended			<u>\$ 37,610,645</u>
	PFC collections			\$ 24,154,914
	Interest earned on PFC collections			1,166,816
	Total PFC revenue			<u>\$ 25,321,730</u>

See accompanying notes to schedule of PFC funds collected and expended.

NOTES TO SCHEDULE OF PFC FUNDS COLLECTED AND EXPENDED  
FOR THE YEAR ENDED APRIL 30, 2007

(1) **General**

The Kansas City Aviation Department applied for and the Federal Aviation Administration (FAA) approved a passenger facility charge (PFC) financing for a multi-project capital program (re: 14 CFR Part 158) at the Kansas City International Airport. Imposition of a \$3.00 PFC per enplaned passenger fee began on March 1, 1997 which increased to \$4.50 on August 8, 2006. Based on subsequent amendments, the PFCs are approved through May 1, 2013. This fee is charged to passengers at the time each ticket is sold by an airline. The airlines are reimbursed for collecting the fee by retaining eight cents (\$0.08) of each PFC. Projects have been approved for total PFC collections of \$425,018,863. Revenue earned on a cash basis for fiscal year ended 2007 was \$25,321,730 and is recorded as non-operating revenues in the financial statements of the Kansas City Airports Fund of the City of Kansas City, Missouri for the year ended April 30, 2007.

(2) **Basis of Accounting**

The schedule of PFC funds Collected and Expended (the Schedule) is prepared on the cash basis of accounting, wherein revenues are recorded when received and expenses are recorded when paid. Airlines collect PFC charges based on passenger enplanement and submit these charges to the Kansas City Aviation Department the following month.

(3) **Relationship to Quarterly Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the PFC quarterly reports of funds collected and expended.

(4) **PFC Bonds**

On August 1, 2001, the Kansas City Airports Fund issued \$140,000,000 in PFC Revenue Bonds. These bonds are for the purpose of financing the design and construction cost of terminal improvements at the Kansas City International Airport and are backed by the PFCs collected on ticketed passengers that pass through Kansas City International Airport. The bonds mature annually through 2026.



## Comprehensive Annual Financial Report

Kansas City Aviation Department  
601 Brasilia Avenue  
Kansas City, Missouri 64153

(816) 243-3124  
[www.flykci.com](http://www.flykci.com)

## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

*In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Ordinance and this Official Statement. Reference is hereby made to the Ordinance for complete definitions of all terms.*

**“Airports”** means the Charles B. Wheeler Downtown Airport located in Clay County, Missouri, Kansas City International Airport located in Platte County, Missouri, and any other airport now or hereafter owned and operated by the City.

**“Aviation Department Representative”** means the Director of the City’s Aviation Department and such other person or persons at the time designated to act on behalf of the City’s Aviation Department in matters relating to the Ordinance as evidenced by a written certificate containing the specimen signature of such person or persons and signed on behalf of the City’s Aviation Department by its Director.

**“Bond Counsel”** means Bryan Cave LLP or other firm of attorneys nationally recognized on the subject of municipal bonds.

**“Bondholder” and “Holder”** means a Person in whose name a Bond is registered in the Bond Register. When the Ordinance requires or permits consent from, or direction by, Bondholders, such reference shall mean and include those lawfully entitled to take such actions on behalf of the beneficial owners of the Bonds at the time in question.

**“Bond Register”** means the register and all accompanying records kept by the Paying Agent evidencing the registration, transfer and exchange of the Bonds.

**“Bond” or “Bonds”** means the General Improvement Airport Refunding Revenue Bonds, Series 2008A, of the City herein authorized.

**“Bond Issuance Date”** means the date of the initial issuance of the Bonds.

**“Business Day”** means any day except Saturday, Sunday, a legal holiday or a day on which banking institutions located in the States of Missouri and New York are authorized by law to close.

**“Cede & Co.”** means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

**“Certificate of Final Terms”** means the Certificate of Final Terms executed and delivered by the Mayor pursuant to the Ordinance.

**“CFC Ordinance”** means the Ordinance of the City Council which authorized the collection of a Customer Facility Charge related to use by customers of the Consolidated Airport Rental Car Facility which fee is part of the Revenues of the Airport System, and which was passed by the City Council on November 16, 2000.

**“City”** means the City of Kansas City, Missouri.

**“Consultant” or “Airport Consultant”** means an independent airport consultant or firm of airport consulting engineers having a national reputation for having skill and experience in the development, operation and management of airports.

**“Credit Facility”** means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or other financial institution which is used by the City to perform one or more of the following tasks: (i) enhancing the City’s credit by assuring owners of any of the Bonds that principal of and interest on such Bonds will be paid promptly when due; (ii) providing liquidity for the owners of Bonds through undertaking to cause Bonds to be bought from the owners thereof when submitted pursuant to an arrangement prescribed by this Ordinance; or (iii) remarketing any Bonds so submitted to the Credit Facility Provider (whether or not the same Credit Facility Provider is remarketing the Bonds).

**“Credit Facility Agreement”** means an agreement between the City and a Credit Facility Provider pursuant to which the Credit Facility Provider issues a Credit Facility and may include the promissory note or other instrument evidencing the City’s obligations to a Credit Facility Provider pursuant to a Credit Facility Agreement.

**“Credit Facility Provider”** means any issuer of a Credit Facility then in effect for all or part of the Bonds.

**“Customer Facility Charge” or “CFC”** means the Customer Facility Charge established by the CFC Ordinance, of the Council as it may be adjusted from time to time.

**“Director of Finance”** means the Director or any Acting Director of the Department of Finance of the City.

**“Fiscal year” or “operating year”** means the City’s fiscal year or operating year then in effect.

**“General Improvement Airport Revenue Bonds”** means all revenue bonds now or hereafter issued payable from the general revenues of the Airports, which Revenues are deposited in the Kansas City Airports Fund.

**“Global Bond Certificates”** means one or more bond certificates of the City, each certificate representing the entire principal amount of the Bonds due on a particular maturity, immobilized from general circulation in the Depository.

**“Governing Body” or “Council”** means the Council of the City.

**“Interest Payment Date”** means the Stated Maturity of an installment of interest on the Bonds.

**“Kansas City Airports Fund”** means the fund established by Committee Substitute for Ordinance No. 17944 of the City passed on June 16, 1954.

**“Maturity”** with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity of such Bond or by declaration of acceleration, call for redemption or otherwise.

**“Maximum Bond Reserve Amount”** means, with respect to the Bonds, an aggregate amount equal to the least of (a) the maximum amount of debt service which will become due on the Bonds in any subsequent Fiscal Year, (b) 10% of the original aggregate principal amount of the Bonds or (c) an amount equal to 125% of the average annual debt service which will become due on the Bonds (calculated as of the date of the Bond Issuance Date).

**“1967 Ordinance”** means Committee Substitute for Ordinance No. 34153 of the City, adopted on July 14, 1967.

**“1997A Ordinance”** means Committee Substitute for Ordinance No. 970206.

**“1999A Ordinance”** means Committee Substitute for Ordinance No. 990990, as amended.

**“2001 Ordinance”** means Committee Substitute for Ordinance No. 010984.

**“2003A Ordinance”** means Committee Substitute for Ordinance No. 030129.

**“2003B Ordinance”** means Committee Substitute for Ordinance No. 030130.

**“2004E Ordinance”** means Ordinance No. 040578.

**“2005C Ordinance”** means Ordinance No. 050299.

**“2005G Ordinance”** means Committee Substitute for Ordinance No. 050855.

**“2005H Ordinance”** means Ordinance No. 050871.

**“Ordinance,” “the Ordinance,” “hereof,” “herein,” “hereto”** and similar terms shall refer to the Ordinance of the City authorizing the Bonds, as originally executed or as supplemented or amended from time to time.

**“Outstanding”** when used with respect to the Bonds means, as of the date of determination, all of the Bonds theretofore executed, authenticated and delivered under the Ordinance, except:

- (i) any portion of the Bonds theretofore fully paid by the Paying Agent to the registered holders as described in the Ordinance or canceled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (ii) any portion of the Bonds that has been defeased by the deposit of funds or qualified securities with the Paying Agent or other qualified party in compliance with the Ordinance; and
- (iii) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Ordinance.

**“Outstanding Junior Lien Bonds”** means the Series 2005C Bonds Outstanding on the date of the issuance and delivery of the Bonds, and any additional junior lien bonds issued pursuant to the Ordinance.

**“Outstanding Parity Bonds”** means the Series 1997A Bonds, the Series 1999A Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2004E Bonds and the Series 2005H Bonds Outstanding on the date of the issuance and delivery of the Bonds.

**“Parity Bond Ordinances”** means the 1997A Ordinance, the 1999A Ordinance, the 2003A Ordinance, the 2003B Ordinance, the 2004E Ordinance, the 2005H Ordinance and the Ordinance.

**“Participants”** means those financial institutions for whom the Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

**“Passenger Facility Charges”** or **“PFCs”** means all passenger facility charges imposed by the City at the Airport pursuant to the PFC Act, the PFC Regulations and the Records of Decision (as defined in the 2001 Ordinance).

**“Paying Agent”** means UMB Bank, N.A., Kansas City, Missouri, and any successors and assigns serving as paying agent hereunder.

**“Permitted Investments”** means, if and to the extent the same are at the time legal for investment of moneys held in the funds and accounts established by the Ordinance:

- (a) United States Treasury Securities (Bills, Notes, Bonds and Strips).
- (b) United States Agency Securities. Obligations issued or guaranteed by any agency of the United States Government and Obligations issued by any government sponsored enterprise (GSE) of the United States Government, which have a liquid market and a readily determinable market value that are described as follows:
  - (i) U.S. Government Agency Coupon and Zero Coupon Securities.
  - (ii) U.S. Government Agency Discount Notes.
  - (iii) U.S. Government Agency Callable Securities. Restricted to securities callable at par only.
  - (iv) U.S. Government Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate.
  - (v) U.S. Government Agency Floating Rate Securities. Restricted to coupons with no interim caps that reset at least quarterly and that float off of only one index.
  - (vi) U.S. Government Agency Mortgage Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than four (4) years when analyzed in a +300 basis point interest rate environment. Restricted to obligations of FNMA, FHLMC and GNMA only.
- (c) Repurchase Agreements. Contractual agreements between the City and commercial banks or primary government securities dealers. The Bond Market Association’s guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreement transactions will be either physical delivery or tri-party.
- (d) Bankers’ Acceptances. Bankers’ acceptances issued by domestic commercial banks possessing the highest credit rating issued by Moody’s Investor Services, Inc. (“Moody’s”) or Standard and Poor’s Ratings Group (“Standard and Poor’s”).
- (e) Commercial Paper. Commercial paper issued by domestic corporations, which has received the highest short-term rating issued by Moody’s or Standard and Poor’s. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized credit rating agency at the time of purchase. In addition, the City’s recognized portfolio may not contain commercial paper of any corporation, the total value of which exceeds 2% of the City’s aggregate investment portfolio.
- (f) Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard and Poor’s or Moody’s.

- (g) Any full faith and credit obligations of any county in which the City is located rated AA or Aa2 by Standard and Poor's or Moody's.
- (h) Any full faith and credit obligations of any school district in Kansas City, Missouri rated AA or Aa2 by Standard and Poor's or Moody's.
- (i) Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri rated AA or Aa2 by Standard and Poor's or Moody's.
- (j) Any municipal obligation as defined in (f), (g), (h) or (i) that is not rated but either pre-refunded or escrowed to maturity with U.S. Treasury Securities as to both principal and interest.
- (k) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, rated in either of the two highest categories by Moody's and Standard & Poor's (in either case without regard to any modifier).
- (l) Such other investments not described above that are allowed pursuant to Missouri law.

References to particular ratings and rating categories in this definition are applicable only at the time of purchase of the Permitted Investment.

**“Person”** means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**“PFC Act”** means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U.S. § 40117, as amended or replaced from time to time.

**“PFC Regulations”** means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act.

**“PFC Revenue Fund”** means the fund by that name created by the 2001 Ordinance.

**“PFC Revenues”** means all revenue earned by the City from time to time from Passenger Facility Charges, including any investment income with respect thereto including proceeds thereof and gains and losses from sales of investments after such revenue has been remitted to the City as provided in the PFC Regulations, all of which are pledged to the Series 2001 Bonds.

**“Policy Costs”** means, with respect to the funding of the applicable maximum bond reserve amount in the applicable bond reserve account for any Parity Bonds or any additional bonds which may hereafter be issued on a parity with the Bonds, for which a bond insurance policy (a “Reserve Policy”) has been provided in lieu of a cash deposit, the City's repayment of any draws under such Reserve Policy and related reasonable expenses incurred by the applicable provider of the Reserve Policy.

**“Record Date”** for the interest payable on any Interest Payment Date means the fifteenth calendar day (whether or not a Business Day) of the month next preceding such Interest Payment Date.

**“Redemption Date”** when used with respect to any Bond to be redeemed means the date fixed for redemption pursuant to the Ordinance.

**“Redemption Price”** when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to the Ordinance.

**“Refunded Bonds”** means the Series 1997A Bonds.

**“Registration Date”** means the effective date of registration of a Bond as evidenced by the Paying Agent in the Certificate of Authentication appearing on the Bond.

**“Revenues”** means the revenues derived and to be derived by the City from the operation of the Airports and deposited in the Kansas City Airports Fund.

**“Securities Depository”** means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

**“Series 1997A Bonds”** means the Outstanding General Improvement Airport Refunding Revenue Bonds, Series 1997A authorized by the 1997A Ordinance.

**“Series 1999A Bonds”** means the Outstanding General Improvement Airport Refunding Revenue Bonds, Series 1999A, authorized by the 1999A Ordinance.

**“Series 2001A Bonds”** means the Outstanding Passenger Facility Charge Revenue Bonds, Series 2001A, authorized by the 2001 Ordinance.

**“Series 2003A Bonds”** means the Outstanding General Improvement Airport Revenue Bonds (Terminal Improvement Project), Series 2003A, authorized by the 2003A Ordinance.

**“Series 2003B Bonds”** means the Outstanding General Improvement Airport Revenue Bonds (Economy Parking Lot Project), Series 2003B, authorized by the 2003B Ordinance.

**“Series 2004E Bonds”** means the Outstanding General Improvement Airport Refunding Revenue Bonds Series 2004E, authorized by the 2004E Ordinance.

**“Series 2005C Bonds”** means the Outstanding Subordinated Taxable Airport Improvement and Refunding Revenue Bonds (Consolidated Airport Rental Car Facility Project) Series 2005C, authorized by the 2005C Ordinance.

**“Series 2005G Bonds”** means the Special Facility Revenue Bonds (MCI Overhaul Base Project) Series 2005G. authorized by the 2005G Ordinance.

**“Series 2005H Bonds”** means the Outstanding General Improvement Airport Refunding Revenue Bonds Series 2005H, authorized by the 2005H Ordinance.

**“Special Record Date”** means the date fixed by the Paying Agent pursuant to the Ordinance for the payment of Defaulted Interest.

**“Stated Maturity”** when used with respect to any Bond or any installment of interest thereon means the date specified in the Ordinance as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

\* \* \*

*The following is a summary of certain provisions contained in the Ordinance. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Ordinance for a complete recital of its terms.*

**Disposition of Bond Proceeds; Monies in the 1997 Reserve Account.** The net proceeds received from the sale of the Bonds, including premium and any interest accrued thereon, shall be deposited by the City simultaneously with the delivery of the Bonds as follows: (1) into the Cost of Issuance Account, created by the Ordinance, an amount sufficient to pay for Costs of Issuance as approved by the Director of Finance; (2) accrued interest on the Bonds, if any, shall be deposited in the Series 2008A Bond Principal and Interest Account, created by the Ordinance, and be used to pay a portion of the interest on the Bonds coming due on March 1, 2009; and (3) the balance of the proceeds of the Bonds including any premium thereon, shall be deposited with the Paying Agent for the Series 1997A Bonds for application to the payment of the principal of and interest on and the redemption premium on the Refunded Bonds on the Redemption Date.

In addition to the deposits of the net proceeds received from the sale of the Bonds, on the Redemption Date there shall be transferred from the 1997 Reserve Account and there shall be deposited to the Bond Reserve Account all monies and investments on deposits in the 1997 Reserve Account.

Amounts remaining in the Cost of Issuance Account on February 28, 2009, shall be transferred to the Bond Principal and Interest Account created by the Ordinance. Any surplus credited to the Bond Principal and Interest Account shall be paid by the City to the Paying Agent to be applied as directed by the City solely to the payment of principal of, redemption premium, if any, and interest on the Bonds through the payment or redemption thereof at the earliest date permissible under the terms of the Ordinance. The balance transferred to the Bond Principal and Interest Account may first be used to pay any principal payment on the Bonds coming due in that current bond year. If the balance transferred is greater than the current bond year principal payment, the excess shall be used to call Bonds for redemption in accordance with the Ordinance. Any Bonds purchased by the Paying Agent pursuant to this provision with moneys from the Bond Principal and Interest Account will be deemed cancelled.

**Kansas City Airports Fund.** So long as any of the Outstanding Parity Bonds, the Outstanding Junior Lien Bonds or the Bonds remain Outstanding and unpaid, the City covenants and agrees that all Revenues derived and to be derived by the City from the operation of the Airports including all Revenues derived by the City from all additions, extensions, enlargements and improvements of the Airports hereafter made or acquired including any revenues collected and received pursuant to the CFC Ordinance approved by the Council, excluding (i) any revenues attributable to Passenger Facility Charges authorized under Part 158 of the Code of Federal Regulations and (ii) any revenues under the 2005G Ordinance or any other special facilities agreement and ground lease heretofore or hereafter entered into by and between the City and any airline (or, once the Series 1997A Bonds and the Series 1999A Bonds are no longer Outstanding, any other tenants of the Airport) serving the City pledged to the payment of special facilities airport revenue bonds issued by the City to finance the cost of constructing special facilities to be leased to such airline or other tenant, subject, however, to any liens upon or claims against the revenues of any such extensions existing at the time of the acquisition thereof by the City, will be paid and deposited promptly in the Kansas City Airports Fund, and will be segregated and kept separate and apart from the other revenues and funds of the City.

**Ratification of Funds and Accounts.**

(a) The establishment by the 1967 Ordinance of the City of separate accounts in the Department of Finance of the City known respectively as the “Airlines Operation and Maintenance Account,” (formerly the “Reserve Operation and Maintenance Account”) and as the “Extension and Bond Retirement Account,” is ratified and confirmed.

(b) The Deferred Maintenance and Replacement Account established by the 1967 Ordinance is also ratified and confirmed and shall be maintained and applied as provided therein for so long as any of the Series 1997 Bonds remain Outstanding.

(c) The establishment in the Department of Finance of the City by the Parity Bond Ordinances of separate principal and interest accounts and separate reserve accounts for each series of Outstanding Parity Bonds is ratified and confirmed. The accounts referred to in this paragraph (c) shall be maintained and administered by the City in accordance with the provisions of the respective Parity Bond Ordinance establishing such separate accounts so long as any of the applicable series of Parity Bonds remain Outstanding.

(d) The establishment in the Department of Finance of the City by the 2005C Ordinance of a separate account known as the "Subordinated Bond Principal and Interest Account, Series 2005C," dated April 1, 2005, is ratified and confirmed. The account referred to in this paragraph (d) shall be maintained and administered by the City in accordance with the provisions of the 2005C Ordinance so long as any of the Series 2005C Bonds remain Outstanding.

(e) In addition to the accounts aforesaid, there are hereby created and ordered to be established in the Department of Finance of the City three separate accounts to be known respectively as the:

(1) "Principal and Interest Account for General Improvement Airport Refunding Revenue Bonds, Series 2008A," dated September 3, 2008," hereinafter sometimes called the "Bond Principal and Interest Account," and

(2) "Reserve Account for General Improvement Airport Refunding Revenue Bonds, Series 2008A, dated September 3, 2008," hereinafter sometimes called the "Bond Reserve Account," and

(3) "Cost of Issuance Account for General Improvement Airport Refunding Revenue Bonds, Series 2008A, dated September 3, 2008," hereinafter sometimes called the "Cost of Issuance Account."

The accounts referred to subsection (a) above and in (1) and (2) of this paragraph (e) shall be maintained and administered by the City so long as any of the Bonds remain Outstanding.

**Application of Moneys in Fund and Accounts.** The City covenants and agrees that so long as any of the Bonds remain Outstanding, money paid and deposited in the Kansas City Airports Fund established by the City will be administered and disposed of as follows:

(a) The City shall first pay or make provision for the payment each month of the reasonable and proper expenses of operating and maintaining the Airports for the current month, and keeping said Airports and the equipment and facilities thereof in good repair and operating condition including normal repairs and replacements, said expenses including, without limiting the generality of the foregoing, salaries, wages, public utility services and insurance. All of such expenditures shall be made in accordance with the provisions of the then current annual budget of the City prepared and adopted as provided in the City's Charter and ordinances duly passed relating thereto and in amounts not in excess of the amounts specified in said budget.

(b) After paying or making provisions for the payment, each month, of the reasonable and proper expenses of operating and maintaining the Airports as provided in paragraph (a) of this Section, so long as any of the Series 1997A Bonds or the Series 1999A Bonds remain Outstanding, the City shall next pay into the Airlines Operation and Maintenance Account any amounts required by the provisions of the 1967 Ordinance. Thereafter, the City shall pay into the Airlines Operation and Maintenance Account any amounts required by the provisions of the City's current Airline Use and Lease Agreements for Kansas City International Airport.

(c) After paying or making provision for the payment, each month, of the amounts required to be paid and credited from the Kansas City Airports Fund pursuant to subparagraphs (a) and (b) of this Section, the

City shall next pay and credit monthly from the Kansas City Airports Fund (i) to the “Principal and Interest Account for General Improvement Airport Revenue Refunding Bonds, Series 1997A dated March 15, 1997” created by the 1997A Ordinance so long as any of the Series 1997A Bonds remain Outstanding any amounts required by the 1997A Ordinance, (ii) to the “Principal and Interest Account for General Improvement Airport Refunding Revenue Bonds, Series 1999A dated August 15, 1999” created by the 1999A Ordinance so long as any of the Series 1999A Bonds remain Outstanding any amounts required by the 1999A Ordinance, (iii) to the “Principal and Interest Account for General Improvement Airport Revenue Bonds, Series 2003A dated February 15, 2003” created by the 2003A Ordinance so long as any of the Series 2003A Bonds remain Outstanding any amounts required by the 2003A Ordinance, (iv) to the “Principal and Interest Account for General Improvement Airport Revenue Bonds, Series 2003B dated February 15, 2003” created by the 2003B Ordinance so long as any of the Series 2003B Bonds remain Outstanding any amounts required by the 2003B Ordinance, (v) to the “Principal and Interest Account for General Improvement Airport Refunding Revenue Bonds, Series 2004E dated June 1, 2004” created by the 2004E Ordinance so long as any of the Series 2004E Bonds remain Outstanding any amounts required by the 2004E Ordinance, and (vi) to the “Principal and Interest Account for the General Improvement Airport Refunding Revenue Bonds, Series 2005H dated August 15, 2005” created by the 2005H Ordinance so long as any of the Series 2005H Bonds remain Outstanding any amounts required by the 2005H Ordinance. At the same time that said payments and credits to said interest and principal accounts are made, and on a parity therewith, the City shall pay and credit to the “Principal and Interest Account for General Improvement Airport Refunding Revenue Bonds, Series 2008A, dated September 3, 2008,” to the extent necessary to meet at the Stated Maturity thereof all interest on and principal of the Bonds, the following sums:

(i) Taking into account any funds already on deposit in the Bond Principal and Interest Account, beginning September 20, 2008, and on the 20th day of each month thereafter, and to and including February 20, 2009, an equal and pro rata portion of the amount of interest becoming due on the Bonds on March 1, 2009; and thereafter, beginning on March 20, 2009, and continuing on the twentieth day of each month thereafter so long as any of the Bonds shall remain Outstanding and unpaid, an amount not less than 1/6 of the amount of interest that will become due on the Bonds on the next succeeding Interest Payment Date;

(ii) Beginning on September 20, 2009, and continuing on the 20th day of each month thereafter so long as any of the Bonds herein authorized shall remain Outstanding and unpaid, an amount not less than one-twelfth of the principal amount of the Bonds becoming due on the next succeeding Stated Maturity of the Bonds;

(iii) On the 20th day of each month in which fees, if any, of the bond registrar and Paying Agent are scheduled to become due, such amounts as may be required to pay such fees of the bond registrar and the Paying Agent.

All amounts paid and credited to the Bond Principal and Interest Account shall be expended and used by the City for the sole purpose of paying the interest on and principal of the Bonds as and when the same become due and the fees of the bond registrar and the Paying Agent for acting as bond registrar and paying agent, if any.

If at any time the moneys in the Kansas City Airports Fund shall be insufficient to make in full the payments and credits at the time required to be made by the City to the principal and interest accounts established to pay the then outstanding general improvement airport revenue bonds of the City heretofore or hereafter issued and standing on a parity with the Bonds, the available moneys in the Kansas City Airports Fund shall be divided between such principal and interest accounts in proportion to the respective principal amounts of said series of general improvement airport revenue bonds of the City at the time outstanding which are payable from the moneys in such principal and interest accounts.

(d) After all amounts at the time required to be paid and credited from the Kansas City Airports Fund under the provisions of paragraph (c) of this Section shall have been so paid and credited, the City shall next pay

and credit monthly from the Kansas City Airports Fund (i) to the “Reserve Account for General Improvement Airport Refunding Revenue Bonds, Series 1997A, dated March 15, 1997” created by the 1997A Ordinance so long as any of the Series 1997A Bonds remain Outstanding any amounts required by the 1997A Ordinance, (ii) to the “Reserve Account for General Improvement Airport Refunding Revenue Bonds, Series 1999A, dated August 15, 1999” created by the 1999A Ordinance, so long as any of the Series 1999A Bonds remain outstanding, any amounts required by the 1999A Ordinance, (iii) to the “Reserve Account for General Improvement Airport Revenue Bonds, Series 2003A, dated February 15, 2003” created by the 2003A Ordinance, so long as any of the Series 2003A Bonds remain outstanding, any amounts required by the 2003A Ordinance, (iv) to the “Reserve Account for General Improvement Airport Revenue Bonds, Series 2003B, dated February 15, 2003,” created by the 2003B Ordinance, so long as any of the Series 2003B Bonds remain outstanding, any amounts required by the 2003B Ordinance, (v) to the “Reserve Account for General Improvement Airport Refunding Revenue Bonds, Series 2004E, dated June 1, 2004,” any amounts required by the 2004E Ordinance, (vi) to the “Reserve Account for the General Improvement Airport Refunding Revenue Bonds, Series 2005H dated August 15, 2005” created by the 2005H Ordinance so long as any of the Series 2005H Bonds remain Outstanding any amounts required by the 2005H Ordinance, and (vii) on a parity therewith, to the “Reserve Account for General Improvements Airport Refunding Revenue Bonds Series 2008A, dated September 3, 2008”, a sum equal to 1/36 of the Maximum Bond Reserve Amount each month, beginning with the first of said monthly deposits, and continuing each succeeding month until said “Bond Reserve Account” shall aggregate the Maximum Bond Reserve Amount. If, at any time, the amount in the Bond Reserve Account shall exceed the Maximum Bond Reserve Amount (measured by the amount of cash plus the value of Permitted Investments) the amount of such excess funds shall be forthwith transferred to the Kansas City Airports Fund.

All amounts credited to the Bond Reserve Account shall be expended and used by the City solely to prevent any default in the payment of the principal of or interest on the Bonds if the moneys in the Bond Principal and Interest Account are insufficient to pay the principal of or interest on the Bonds as they become due.

If and when the amounts on deposit in the Bond Reserve Account equal the Maximum Bond Reserve Amount as aforesaid (measured by the amount of cash plus the value of Permitted Investments), no further payments or credits to the Bond Reserve Account shall be required, however, if at any time or from time to time the City shall be compelled to use and expend any part of the Bond Reserve Account for the purpose of paying the interest on or principal of the Bonds and such expenditure shall reduce the amount of the Bond Reserve Account below the Maximum Bond Reserve Amount, or at any other time that the amount of the Bond Reserve Account falls below the Maximum Bond Reserve Amount, then the City after making all payments and credits to the principal and interest accounts and the reserve accounts for the Outstanding Parity Bonds and the Bonds at the time required to be made, shall pay all moneys in the Kansas City Airports Fund to the Bond Reserve Account until there shall have accumulated in the Bond Reserve Account the Maximum Bond Reserve Amount. The obligation of the City to make payments into the Bond Reserve Account shall be subordinate to the obligation of the City to pay from the Kansas City Airports Fund, when due, the principal of and interest on any general improvement revenue bonds of the City heretofore or hereafter issued by the City and standing on a parity with the Bonds.

Moneys in the Bond Reserve Account may be used to pay and retire the last Outstanding Bonds unless such Bonds and all interest thereon be otherwise paid. Upon retirement of the last Outstanding Bonds, moneys in the Bond Reserve Account shall be transferred to the Extension and Bond Retirement Account.

If at any time the moneys in the Kansas City Airports Fund shall be insufficient to make in full the payments and credits at the time required to be made by the City to the bond reserve accounts established by the City to protect the payment of the outstanding general improvement airport revenue bonds of the City, including the Outstanding Parity Bonds, the Bonds and other general improvement airport revenue bonds of the City heretofore or hereafter issued and standing on a parity with the Bonds, the available moneys in the Kansas City Airports Fund shall be divided among such bond reserve accounts in proportion to the respective principal amounts of said series of general improvement revenue bonds of the City at the time outstanding which are payable from the moneys in such bond reserve accounts.

The debt service reserve requirement may be satisfied by deposits in cash or Permitted Investments.

(e) When and after the City shall have made all payments and credits from the Kansas City Airports Fund to the Bond Reserve Account required at the time to be made under the provisions of Section (d), to the extent not required to be deposited in accordance with (a) to (d) above, Revenues attributable to the Customer Facility Charge which are available for deposit to the Deferred Maintenance Reserve Fund shall be deposited into the Subordinated Bond Principal and Interest Account

(f) When and after the City shall have made all payments and credits from the Kansas City Airports Fund to the Subordinated Bond Principal and Interest Account required at the time to be made under the provisions of Section (e), the City shall next pay into the Deferred Maintenance Reserve Fund, of which the Deferred Maintenance and Replacement Account is a part, (1) any amounts required by the provisions of the 1967 Ordinance to be deposited in the Deferred Maintenance and Replacement Account, and (2) any amounts required by the provisions of the City's current Airline Use and Lease Agreements for Kansas City International Airport to be deposited in the Deferred Maintenance Reserve Fund.

(g) When and after the City shall have made all payments and credits from the Kansas City Airports Fund required at the time to be made under the provisions of this Section, all remaining monies in the Kansas City Airports Fund shall be paid and credited monthly to the Extension and Bond Retirement Account.

Except as hereinafter provided, monies in the Extension and Bond Retirement Account shall be used solely for the following purposes or any of them as determined by the Governing Body of the City:

(i) Paying the cost of operation, maintenance and repair of the Airports to the extent that such payment shall be necessary after the application of moneys held in the Kansas City Airports Fund and available for said purpose under the provisions of paragraph (a) of this Section.

(ii) Anticipating payments into or increasing the amounts of the Airlines Operation and Maintenance Account, the Bond Principal and Interest Account, the Bond Reserve Account or the Deferred Maintenance and Replacement Account, or any of them, or establishing or increasing the amount of any interest and principal account or bond reserve account created or established by the City for the payment of any general improvement airport revenue bonds of the City hereafter issued in conformity with the provisions hereinafter contained and standing on a parity with the Bonds herein authorized.

(iii) Paying the cost of enlarging, extending or improving the general facilities of the Airports or any of them, including the acquisition of additional land, buildings, equipment and facilities, whether by construction, purchase or otherwise, including acquisition by operation of law from other governmental agencies and the assumption of the obligations thereof.

(iv) Calling for redemption and payment or purchasing prior to maturity Outstanding Parity Bonds, the Bonds or any general improvement airport revenue bonds of the City hereafter issued in conformity with the provisions hereinafter contained and standing on a parity with the Bonds, provided,

however, such bonds shall be called for redemption and payment, or purchased, only in accordance with the provisions of the Ordinance.

(v) Subject to the prior right of the City to use from time to time moneys in the Extension and Bond Retirement Account for any of the purposes set forth in subparagraphs (i), (ii), (iii) and (iv) aforesaid, the City shall have the right to use any available moneys in said Account for either or both of the following purposes as determined by the City:

(A) Paying the interest on and principal of any special facility airport revenue bonds of the City at the time outstanding if no other moneys are available to pay such interest or principal.

(B) Paying at the maturity thereof interest on or principal of any general obligation airport bonds of the City at the time outstanding, provided, however, no such interest on or principal of any general obligation airport bonds of the City shall be paid if the City is in default in paying either interest on or principal of any special facility airport revenue bonds of the City at the time outstanding.

Moneys in the Extension and Bond Retirement Account may be used to pay all costs incident to the purchase or redemption of Bonds, including any interest or premium thereon.

No moneys in the Kansas City Airports Fund shall be diverted or applied to the general governmental or municipal functions of the City so long as any of the Bonds remain Outstanding.

**Funding of the Bond Reserve Account.** Simultaneously with the issuance of the Bonds, the City shall provide for the Bond Reserve Account to contain an amount equal to the Maximum Bond Reserve Amount. The Maximum Bond Reserve Amount will be funded by a transfer from the Bond Reserve Account for the Refunding Bonds.

**Payments to Subordinated Bond Principal and Interest Account.** After all payments required by Section 5.4 (a) through (e) of the Ordinance have been made, the City shall pay and credit first from the CFC and thereafter from other Revenues in the Bond and Extension Fund to the Subordinated Bond Principal and Interest Account the sums necessary to meet at the maturity thereof all interest on and principal of the Series 2005C Bonds.

**Deficiency of Payments into Funds or Accounts.** If at any time the revenues accruing to the Kansas City Airports Fund shall be insufficient to make any payment or credit on the date or dates specified, the City shall make good the amount of such deficiency by making payments or credits out of the first available revenues thereafter accruing to the Kansas City Airports Fund from the operation of the Airports, such payments and credits being made and applied in the order specified.

If at any time the moneys in the Subordinated Bond Principal and Interest Account are not sufficient to pay the interest on and principal of the Series 2005C Bonds as and when the same become due, then the amount of such deficiency after all payments have been made in connection with the Bonds and the Outstanding Parity Bonds, shall be made up by transfer of moneys from the other existing accounts and funds in the following order: first, from the Extension and Bond Retirement Account; secondly, from the Deferred Maintenance and Replacement Account; and thirdly, from moneys held in the Kansas City Airports Fund.

**Transfer of Funds to Paying Agent and Bond Registrar.** The Director of Finance of the City is hereby authorized and directed to withdraw from the Bond Principal and Interest Account, sums sufficient to pay both principal of and interest on the Bonds as and when the same become due and to pay the charges for services rendered by the bond registrar and Paying Agent in acting as bond registrar and Paying Agent for the Bonds, if any, and to forward such sums to the Paying Agent in next day funds no later than the Business Day prior to the

date when such principal, interest and fees will become due. The amounts necessary to pay the charges of the bond registrar and Paying Agent shall be forwarded to the Paying Agent over and above the amount of the principal of and interest on the Bonds.

The amounts held by the Paying Agent for the payment of the interest or principal due on any date with respect to a particular Bond or Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

Any moneys held by the Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for four years after the date when such Bonds have become due and payable, if such moneys were held by the Paying Agent at such date, or for four years after the date of deposit of such moneys if deposited with the Paying Agent after the said date when such Bonds become due and payable, shall, without further authorization, be repaid by the Paying Agent to the City as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the City for the payment of such Bonds.

**Investment of Moneys in Funds and Accounts.** Moneys held in the Funds and Accounts ratified in the Ordinance may be invested by the Director of Finance of the City as provided in the Parity Bond Ordinances and the 2005C Ordinance. Moneys held in the Funds and Accounts created by the Ordinance may be invested in Permitted Investments authorized by the current investment policy of the City and any investment earnings thereon shall be credited to the Kansas City Airports Fund.

**Redemption of Refunded Bonds.** All of the outstanding principal amount of the Refunded Bonds are hereby called for redemption and payment prior to maturity at a redemption price equal to 101% of the principal amount thereof, plus accrued interest thereon to September 4, 2008, the Redemption Date, which has been established for the Refunded Bonds.

The Refunded Bonds shall be redeemed at the office of the paying agent for such Refunded Bonds by the payment on the Redemption Date of the principal thereof, together with the redemption premium and accrued interest thereon to the Redemption Date. In accordance with the 1997A Ordinance, the bond registrar for the Refunded Bonds is hereby directed to cause notice of the call for redemption and payment of the Refunded Bonds described above to be given in the manner provided in the 1997A Ordinance. The officers of the City and the bond registrar for the Refunded Bonds are hereby authorized and directed to take such other action as may be necessary in order to effect the redemption and payment of the Refunded Bonds as provided herein.

**Particular Covenants of the City.** The City covenants with the purchaser and owner of the Bonds that so long as the Bonds remain Outstanding and unpaid:

- (a) The City will use the proceeds of the Bonds for the purpose of refunding the Refunded Bonds.
- (b) The City will promptly pay the principal of and interest on the Bonds on the dates, at the place and in the manner herein and in the Bonds and any premium required for the redemption of the Bonds, if any, according to the true intent and meaning of the Ordinance, provided, however, the Bonds and the interest thereon are payable from the Revenues derived and to be derived by the City from the operation of the Airports and accruing to the Kansas City Airports Fund, and nothing in the Bonds or in the Ordinance shall be construed to obligate the City to pay the Bonds or the interest thereon except from said Revenues. The City will faithfully observe and keep all covenants, agreements, undertakings and provisions contained in the Bonds herein authorized and in the Ordinance.
- (c) The City will fix, establish, maintain and collect such reasonable rentals, rates, fees and charges for the use and occupancy of its Airports and of the services and facilities thereof as will produce revenue sufficient to pay the reasonable cost of operation and maintenance of the Airports, and to pay the interest on and the principal of the Bonds as and when the same become due, and to provide funds to meet all of the requirements

of the Ordinance. From time to time, as often as it shall appear necessary, the City will revise its schedules of rentals, rates, fees and charges and will increase the same if such increase shall be necessary in order to enable the City to meet its obligations aforesaid.

(d) The City will at all times maintain its Airports and airport facilities in good condition and working order, will make all necessary repairs, renewals and replacements therein, and will operate the same in an efficient and economical manner, at reasonable cost and in accordance with sound business principles. The City, in operating and maintaining its Airports, will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, executive, administrative or judicial body promulgating the same. In the operation of its Airports, the City will at all times endeavor to employ in executive, managerial and supervisory capacities, only persons qualified and competent therefor by reason of training and experience. Nothing herein contained shall limit or restrict the right of the City to execute leases covering parts of the Airports and airport facilities, and to require the tenants under said leases to maintain the premises or facilities leased to such tenants.

(e) The City will continue to own, maintain and operate Kansas City International Airport as a public air terminal for the accommodation of scheduled airlines serving the City and the adjacent area so long as any of the Bonds remain Outstanding. The City will not mortgage, pledge or otherwise encumber said Airport or the Revenues thereof.

(f) The City shall have the right to sell or otherwise dispose of any equipment or other airport property which has become worn out, unserviceable, inadequate or obsolete. The City shall also have the right, with the written approval of the City's Director of Aviation and its Airport Consultant, to sell or otherwise dispose of any airport property, real or personal, which in the opinion of said Director and Consultant, and in the judgment of the Council, is no longer needed by the City for aeronautical purposes. The net proceeds derived from the sale of any such property acquired with funds derived from the sale of the Bonds shall be used for the purpose of replacing any property so sold, or, if such replacement be unnecessary, then shall be paid into the Kansas City Airports Fund and used and applied for the purposes of said Fund in the order and in accordance with the provisions of the Ordinance. The net proceeds derived from the sale of any such property not acquired with funds derived from the sale of the Bonds shall be paid into the Extension and Bond Retirement Account and used and applied for the purposes of said Account in accordance with the provisions of the Ordinance.

(g) The City will operate its Airports on the basis of the same fiscal year on which the City operates and will maintain and keep proper books, records and accounts (separate from all other records and accounts) in which complete and correct entries will be made of all dealings and transactions relating to the Airports. Such records shall show the revenues received from the Airports, the application of such revenues, and all financial transactions in connection therewith. The City will provide that an independent certified audit of the City's books and records relating to the Airports will be made annually by certified public accountants, experienced and qualified in municipal and governmental accounting. Each such audit shall be detailed in scope and said accountants shall certify as to the correctness of the schedules contained in the audit report. The annual financial report for the Airports shall contain complete statements covering the results of the year's operations and the financial status of all funds and accounts established to handle the revenues of the Airports, including the Funds and Accounts referred to herein. Said statements shall bear the certificate of the firm of certified public accountants making the annual audit.

If such audit and report shall disclose that proper provision has not been made for all of the requirements contained in the Ordinance, the City will proceed promptly to impose such rates, fees and charges for the use of the Airports and their facilities as will adequately provide for such requirements.

A copy of each such audit report will be filed in the office of the Director of Aviation and will be open for public inspection, and a copy will be furnished those entities and in such manner as specified in the City's Continuing Disclosure Agreement as authorized by the Ordinance.

(h) The City will carry and maintain or cause to be carried and maintained in a responsible insurance company or companies fire insurance with extended coverage on the buildings and other property of an insurable nature constituting the general facilities of the Airports in an amount not less than ninety percent (90%) of the full insurable value thereof, provided, however, that if at any time the City shall be unable to obtain such insurance to the extent required, the City will maintain such insurance to the extent that the same may be reasonably obtainable. In the event of loss or damage, the City will use the proceeds of such insurance to the extent necessary in repairing, reconstructing and replacing the property damaged or destroyed, or, if such reconstruction or replacement be unnecessary, either in whole or in part, then such proceeds not required for said purpose shall be paid into the Kansas City Airports Fund, and used and applied for the purposes of said Fund in the order and in accordance with the provisions of the Ordinance. The City, in operating its Airports, will carry and maintain comprehensive liability and property damage insurance in such amounts as would normally be maintained by public bodies engaged in carrying on similar activities. The proceeds derived from any such insurance policies shall be used in paying the claims on account of which such proceeds were received. The cost of all insurance referred to in this paragraph shall be considered an operation and maintenance expense of the Airports. Notwithstanding any provision of this subsection to the contrary, the City may meet the insurance requirements set forth in the Ordinance through its retained risk management plan.

(i) The Holder or Holders of not less than ten percent (10%) in aggregate principal amount of the Bonds at the time Outstanding, or their duly authorized representative, shall have the right at all reasonable times to inspect the Airports and the records, accounts and data relating thereto and to make copies of any such records, accounts or data.

(j) The City will punctually perform all duties and obligations with respect to its Airports required by the Ordinance, by the Charter of the City and by the Constitution and laws of the State of Missouri, and the City will perform all contractual obligations undertaken by it under leases and agreements with the United States of America, its agencies, and with persons and corporations, both public and private.

**Additional Bonds.** The City covenants and agrees that so long as any of the Bonds remain Outstanding, the City will not issue any additional General Improvement Airport Revenue Bonds or other obligations, which bonds or obligations are superior as to security or otherwise to the Bonds.

The City covenants and agrees that so long as any of the Bonds remain Outstanding, it will not issue any additional General Improvement Airport Revenue Bonds or other obligations which stand on a parity or equality with the Bonds except in accordance with the following conditions and provisions:

(a) There shall be no default by the City in the payment of any sums required at the time to be paid by the City under the provisions of the Ordinance.

(b) The Airport Consultant shall give its written approval of the issuance of such additional parity bonds and a copy of such approval shall be mailed promptly by the City to the manager of the underwriting group purchasing the Bonds.

(c) The net revenues derived by the City from the operation of its Airports, as said net revenues are hereinafter in this paragraph defined, for a period of 12 consecutive months out of the last 15 months immediately preceding the date on which the Council shall find and declare it advisable to issue additional revenue bonds,

for so long as any of the Series 1997A Bonds remain Outstanding, (A) shall have been not less than one and thirty-five hundredths (1.35) times the average annual fiscal year requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, and (B) said net revenues for the period aforesaid when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue bonds proposed to be issued, for the first full year of operation of said facilities, shall equal not less than

one and thirty-five hundredths (1.35) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding and also on the additional parity bonds proposed to be issued, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, said estimate to be made by the Airport Consultant and a copy thereof to be sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the Bonds herein authorized.

for so long as any of the Series 1999A Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2004E Bonds, the Series 2005H Bonds and the Bonds remain Outstanding, (A) shall have been not less than one and twenty-five hundredths (1.25) times the average annual fiscal year requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, and (B) said net revenues for the period aforesaid when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue bonds proposed to be issued, for the first full year of operation of said facilities, shall equal not less than one and twenty-five hundredths (1.25) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding and also on the additional parity bonds proposed to be issued, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, said estimate to be made by the Airport Consultant and a copy thereof to be sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the Bonds herein authorized.

The average annual debt service requirements for principal and interest on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued shall be calculated by dividing the aggregate debt service requirements on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued, by the number of years remaining until the last of such bonds matures. The term "net revenues" for the purposes of this paragraph (c) shall be construed as gross revenues less only the reasonable expenses of operation, maintenance and repair of the Airports, but before any other payments or charges. For the purpose of calculating the average annual fiscal year debt service requirements on all of the City's outstanding general improvement airport revenue bonds as required by the tests in this subsection (c), payments of principal and interest on all of the City's outstanding general improvement airport revenue bonds that will be junior and subordinate to the Bonds, if any, shall be excluded. If the City shall issue additional General Improvement Airport Revenue Bonds for the purposes aforesaid, the rentals, fees and charges derived by the City from the general facilities constructed or acquired with the proceeds of such additional revenue bonds shall accrue and be paid and credited to the Kansas City Airports Fund.

Additional General Improvement Airport Revenue Bonds of the City issued in conformity with the conditions specified in this Article shall stand on a parity with the Bonds and shall enjoy complete equality of lien on and claim against the Revenues of the Airports with the Bonds and the City may make equal provision for paying said bonds and the interest thereon out of moneys in the Kansas City Airports Fund and may likewise provide for the creation of appropriate Interest and Principal Accounts and Bond Reserve Accounts for the payment and security of such additional bonds and the interest thereon out of moneys in the Kansas City Airports Fund.

Nothing contained in the Ordinance shall prohibit or restrict the right of the City to issue additional General Improvement Airport Revenue Bonds or other revenue obligations for the purpose of purchasing, constructing, extending or improving the general facilities of the Airports and to provide that the principal of and interest on said revenue bonds or obligations shall be payable out of the revenues of the Airports, provided at the time of the issuance of such additional revenue bonds or obligations the City shall not be in default in the performance of any covenant or agreement contained in the Ordinance, and provided further, that such additional revenue bonds or obligations shall be junior and subordinate to the Bonds. If at any time the City shall be in default in paying either interest on or principal of the Bonds or either interest on or principal of any outstanding

general improvement airport revenue bonds of the City hereafter issued in conformity with the provisions herein contained and standing on a parity with the Bonds, or if the City shall be in default in making any of the payments or credits required at the time to be made by it by the provisions of the Ordinance, the City shall make no payments of either principal or interest on said junior and subordinate bonds until said default or defaults be cured and no default shall exist on the part of the City under the covenants, agreements and provisions contained in the Ordinance. In the event of the issuance of any such junior and subordinate revenue bonds or obligations of the City in conformity with the provisions aforesaid, the City, subject to the provisions aforesaid, may make provision for paying the principal of and interest on said revenue bonds or obligations as the same become due out of any available moneys in the Kansas City Airports Fund, provided, however, that the City shall have made all payments and credits at the time required to be made and credited by it under the provisions of the Ordinance.

**Amendments.** The provisions of the Bonds and the provisions of the Ordinance may be modified or amended at any time by the City with the written consent of the holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds at the time Outstanding and the Bond Insurer; provided, however, that no such modification or amendment shall permit or be construed as permitting (a) the extension of the maturity of the principal of the Bonds, or the extension of the maturity of any interest on the Bonds, or (b) a reduction in the principal amount of the Bonds or the rate of interest thereon, or (c) a reduction in the aggregate principal amount of the Bonds the consent of the Holders of which is required for any such amendment or modification. Any provision of the Bonds or the Ordinance may, however, be modified or amended in any respect with the written consent of the Holders of all of the Bonds then Outstanding and the Bond Insurer. Every amendment or modification of a provision of the Bonds or of the Ordinance to which the written consent of the Bondholders is given as above provided shall be expressed in an ordinance of the City amending or supplementing the provisions of the Ordinance and shall be deemed to be a part of the Ordinance. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification, if any. A certified copy of every such amendatory or supplemental ordinance, if any, and a certified copy of the Ordinance shall always be kept on file in the office of the City Clerk and shall be made available for inspection by the Holder of any Bond or prospective purchaser or holder of any Bond authorized by the Ordinance, and upon payment of the reasonable cost of preparing the same, a certified copy of any such amendatory or supplemental ordinance or of the Ordinance will be sent by the City Clerk to any such Bondholder or prospective Bondholder.

**Acceleration of Maturity in Event of Default.** The City agrees that if it shall default in the payment of the principal of or interest on any of the Bonds as the same shall become due and such default shall continue for a period of thirty (30) days, or if the City or its governing body or any of the officers, agents or employees thereof shall fail or refuse to comply with any of the provisions of the Ordinance or of the statutes of the State of Missouri, then, at any time thereafter and while such default shall continue, the Bond Insurer, or the Holders of twenty-five per cent (25%) in amount of the Bonds then Outstanding may with the prior written consent of the Bond Insurer and by written notice to the City filed in the office of the City Clerk or delivered in person to said City Clerk, may declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon any such declaration given as aforesaid, all of the Bonds shall become and be immediately due and payable, anything in the Ordinance or in the Bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of said Bonds shall have been so declared to be due and payable, all arrears of interest upon all Outstanding Bonds, except interest accrued but not yet due on such Bonds, and all arrears of principal upon all of said Bonds shall have been paid in full, and all other defaults, if any, by the City under the provisions of the Ordinance and under the provisions of the statutes of the State of Missouri shall have been cured, then and in every such case, the Bond Insurer, or the Holders of a majority in principal amount of the Bonds then Outstanding, but only with the written approval of the Bond Insurer, by written notice to the City given as specified herein, may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

**Ordinance Constitutes Contract, Remedies, Delay or Omission Not Waiver.** The provisions of the Ordinance, including the covenants and agreements contained herein, shall constitute a contract between the City and the Holders of the Bonds and the Bond Insurer or the Holder or Holders of not less than ten per cent (10%) of

the Bonds at the time Outstanding shall have the right, for the equal benefit and protection of all Holders of Bonds similarly situated, with the prior written consent of the Bond Insurer, to take any of the following actions:

(a) By mandamus or other suit, action or proceeding at law or in equity to enforce his or their rights against the City and its officers, agents and employees, and to require and compel the City and its officers, agents and employees, to perform all duties and obligations required by the provisions of said ordinance or by the Constitution and laws of the State of Missouri.

(b) By suit, action or other proceeding in equity or at law to require the City, its officers, agents and employees to account as if they were the trustees of an express trust.

(c) By suit, action or other proceeding in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds.

**No Obligations to Levy Taxes.** Nothing contained in the Ordinance, however, shall be construed as imposing on the City any duty or obligation to levy any taxes either to meet any obligation incurred herein or to pay the principal of or interest on the Bonds.

**Remedies Cumulative.** No remedy conferred hereby upon any Holder of the Bonds is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred hereby. No waiver of any default or breach of duty or contract by the Holder of any Bond or the Bond Insurer shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon. No delay or omission of the Holder or the Bond Insurer to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Holders of the Bonds and the Bond Insurer may be enforced and exercised from time to time and as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and then discontinued or abandoned, or shall be determined adversely to the Holders of the Bonds or the Bond Insurer, then, and in every such case, the City and the Holders of the Bonds and the Bond Insurer shall be restored to their former positions and rights and remedies as if no such suit, action or other proceeding had been brought or taken.

**Defeasance.** When all of the Bonds shall have been paid and discharged, then the requirements contained in the Ordinance and the pledge of Revenues made hereunder and all other rights granted hereby shall terminate. The Bonds shall be deemed to have been paid and discharged within the meaning of the Ordinance if there shall have been deposited with the Paying Agent, or other bank located in the State of Missouri and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds, in trust for and irrevocably appropriated thereto, (i) moneys, (ii) United States of America Treasury bills, notes, and bonds, as traded on the open market, or (iii) state and local government series issued by the United States Treasury (“SLGS”) and/or zero coupon United States Treasury bonds (“Defeasance Securities”) which, together with the interest to be earned on any such obligations, will be sufficient for the payment of the principal of said Bonds and interest accrued to the Stated Maturity or Redemption Date, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments, provided always that if any such Bonds shall be redeemed prior to the Stated Maturity thereof, the City shall have elected to redeem such Bonds and notice of such redemption shall have been given. Any moneys and obligations which at any time shall be deposited with said Paying Agent or other bank by or on behalf of the City, for the purpose of paying and discharging any of the Bonds, shall be and are hereby assigned, transferred and set over to such Paying Agent or other bank in trust for the respective Holders of the Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All moneys deposited with said Paying Agent or other bank shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Ordinance.

**Consents and Other Instruments From Bondholders.** Any consent, request, direction, approval, objection or other instrument required by the Ordinance to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by an agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or writing appointing any such agent and of the ownership of the Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Ordinance, and shall be conclusive in favor of the City and the Paying Agent with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any Person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of the Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same shall be proved by the Bond Register for the Bonds maintained by the Paying Agent.

**Governing Law.** The Ordinance shall be governed exclusively by and construed in accordance with the applicable laws of the State of Missouri.

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**APPENDIX C**  
**FORM OF BOND COUNSEL OPINION**

[Closing Date]

City of Kansas City, Missouri  
Kansas City, Missouri

Piper Jaffray & Co.  
Kansas City, Missouri

RE: City of Kansas City, Missouri, \$28,580,000 General Improvement Airport Refunding Revenue Bonds, Series 2008A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Kansas City, Missouri (the “City”), of the above-captioned bonds (the “Bonds”), pursuant to Ordinance No. 080715 ( the “Ordinance”) adopted by the governing body of the City. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Ordinances.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the City and are valid and legally binding special obligations of the City, payable solely from the Revenues (as defined in the Ordinance), and on parity with any Parity Bonds issued or to be issued as provided in the Ordinance. The Bonds do not constitute general obligations of the City nor do they constitute an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds.

2. The Ordinance has been duly adopted by the City and constitutes the valid and legally binding obligation of the City enforceable against the City.

3. The interest on the Bonds (a) is excludable from gross income for purposes of federal income taxation, (b) is excluded from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, and (c) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. We express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

The rights of the owners of the Bonds and the enforceability of the Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

#### CITY OF KANSAS CITY, MISSOURI

\$28,580,000

#### GENERAL IMPROVEMENT AIRPORT REFUNDING REVENUE BONDS SERIES 2008A

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the City of Kansas City, Missouri (the “City”), in connection with the issuance of \$28,580,000\* principal amount of General Improvement Airport Refunding Revenue Bonds, Series 2008A (the “Bonds”). The Bonds are being issued pursuant to Ordinance No. 080715 (the “Ordinance”).

In order to permit the Underwriters to comply with the provisions of Rule 15c2-12 of the Securities Exchange Commission, as amended, in connection with the public offering of the Bonds, the City, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby covenants and agrees, for the sole and exclusive benefit of holders and Beneficial Owners of the Bonds, as follows:

**Section 1. Definitions.** Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Ordinance.

“Annual Information” shall mean the information specified in Section 3 hereof.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as owner of any Bonds for federal income tax purposes.

“Bonds” shall mean the General Improvement Airport Refunding Revenue Bonds, Series 2008A of the City.

“Central Post Office” means Disclosure USA, any successor thereto, or any other conduit entity recognized, authorized or approved by the Securities and Exchange Commission for the submission of Annual Reports and Material Events notices to the Repositories.

“City” shall mean the City of Kansas City, Missouri, a municipality of the State of Missouri constituting a political subdivision, and any successor thereto.

“GAAP” shall mean generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

“GAAS” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“Obligated Person” shall mean the person (including an issuer of separate securities) that is committed by contract or other arrangements structured to support payment of all or part of the obligations under the municipal securities.

“Official Statement” shall mean the Official Statement relating to the Bonds dated August 13, 2008.

“Ordinance” shall mean the ordinance of the City authorizing the Bonds, as originally executed or as it may be supplemented or amended from time to time.

“Repository” shall mean each nationally recognized municipal securities repository within the meaning of Rule 15c2-12.

“Rule 15c2-12” shall mean Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended and as in effect on the date of this Disclosure Undertaking, including any official interpretations thereof issued either before or after the effective date of this Disclosure Undertaking which are applicable to this Disclosure Undertaking.

“State Depository” shall mean the state information depository for the State of Missouri, if and to the extent it has been established and is in existence and operating as a state information depository within the meaning of Rule 15c2-12.

“Underwriters” shall mean Piper Jaffray Inc., as representative of the underwriters.

## **Section 2. Obligations to Provide Continuing Disclosure.**

### **(i) Obligations of the City.**

(a) The City hereby undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide, no later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ending April 30, 2008, to each Repository, to the Bond Insurer and to the State Depository, if any, the Annual Information relating to such fiscal year.

(b) The City hereby undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide, no later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ending April 30, 2008, audited financial statements to each Repository, and to the State Depository, if any, provided, however, that if audited financial statements are not then available, unaudited financial statements shall be provided no later than 270 days after the end of each of its fiscal years and the audited financial statements shall be delivered to each Repository and to the State Depository if and when they become available.

(c) The City hereby undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide to each Repository, or to the MSRB, and to the State Depository, if any, in a timely manner, notice of any of the following eleven events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to the rights of holders of the Bonds;
- (8) Bond calls;
- (9) Defeasance;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

(d) The City shall also provide to the State Depository, if any, and to each NRMSIR or to the MSRB, as promptly as practicable notice of any failure of the City to provide the NRMSIRs and the SID, if any, the Annual Information required by paragraphs (a) and (b) of this Section 2(i) on or before the date specified.

(ii) Termination or Modification of Disclosure Obligation. The obligations of the City hereunder may be terminated if the City is no longer an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12, as amended from time to time. Upon any such termination, the City shall provide written notice thereof to each Repository, the State Depository, if any, and the MSRB.

(iii) Other Information. Nothing herein shall be deemed to prevent the City from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the City should disseminate any such additional information, the City shall have no obligation hereunder to update such information or include it in any future materials disseminated hereunder.

### **Section 3. Annual Information.**

(i) Specified Information. The Annual Information shall consist of the financial data of the type included in Appendix A to the Official Statement under the heading “Audited Financial Statements of the Airports Fund.”

(ii) Incorporation by Reference. All or any portion of the Annual Information of the City may be provided in the Annual Information by specific incorporation by reference to any other documents which have been filed with the Repositories, the State Depository, if any, the Securities and Exchange Commission and the MSRB.

(iii) Informational Categories. The requirements contained in this Disclosure Undertaking under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided by the City and such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated or relates to operations that have been materially changed or discontinued, a statement to that effect shall be provided.

### **Section 4. Financial Statements.**

The annual financial statements of the City for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year). The annual financial statements may be provided by specific incorporation by reference to any other documents which have been filed with the Repositories, the State Depository, if any, the Securities and Exchange Commission and the MSRB.

### **Section 5. Remedies.**

If the City should fail to comply with any provision of this Disclosure Undertaking, then any holder or Beneficial Owner of Bonds may enforce, for the equal benefit and protection of all the holders or Beneficial Owners of the Bonds similarly situated, by mandamus or other suit or proceeding at law or in equity, against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Disclosure Undertaking; provided that the sole and exclusive remedy for breach of this Disclosure Undertaking shall be an action to compel specific performance of the obligations of such party hereunder, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided, further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with Sections 2 and 3 hereunder are conditioned upon the provisions hereof with respect to the enforcement of remedies of holders upon the occurrence of an Event of Default under Section 10.1 thereof as though such provisions applied hereunder. Failure of any party to perform its obligations hereunder shall not constitute an Event of Default under the Ordinance or any agreement executed and delivered in connection with the issuance of the Bonds.

### **Section 6. Parties in Interest.**

The provisions of this Disclosure Undertaking shall inure solely to the benefit of holders and Beneficial Owners from time to time of the Bonds, the City and the Paying Agent and shall create no rights in any other person or entity.

## **Section 7. Amendments.**

(i) Without the consent of any of the holders or Beneficial Owners of the Bonds, the City, and the Paying Agent, at any time and from time to time, may together enter into amendment or changes to this Disclosure Undertaking for any purpose, if:

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or any type of business or affairs it conducts;

(b) the undertakings set forth herein, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 on the date hereof, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(c) the amendment, in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change in the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent in a timely manner by the City to each Repository or to the MSRB, and to the State Depository, if any.

## **Section 8. Termination.**

This Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or legally defeased pursuant to the Ordinance; provided, however, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided, further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any legal defeasance, the City shall provide notice of such defeasance to each Repository or to the MSRB, and the State Depository, and such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

## **Section 9. Central Post Office.**

The City is authorized to use the Central Post Office for the submission of Annual Reports and Material Events notices for so long as there is any Central Post Office recognized, authorized or approved by the Securities and Exchange Commission. Submission of an Annual Report or a Material Events notice by the City to the Central Post Office shall be deemed to satisfy the City's obligations under the Continuing Disclosure Undertaking with respect to that Annual Report or Material Events Notice.

## **Section 10. Notices.**

Any notices or communications to the City may be given as follows:

City of Kansas City, Missouri  
414 E. 12th Street, 1st Floor  
Kansas City, Missouri 64106  
Attention: City Treasurer

Telephone: (816) 513-1019  
Fax: (816) 513-1020

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

**Section 11. Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MISSOURI DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW; PROVIDED, HOWEVER THAT TO THE EXTENT THIS AGREEMENT ADDRESSES MATTERS OF FEDERAL SECURITIES LAWS, INCLUDING RULE 15c2-12, THIS AGREEMENT SHALL BE GOVERNED BY SUCH FEDERAL SECURITIES LAWS AND OFFICIAL INTERPRETATIONS THEREOF.**

**Section 12. Counterparts.**

This Disclosure Undertaking may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the undersigned have duly authorized, executed and delivered this Disclosure Undertaking as of the date first above written.

**DATED:** September 3, 2008.

**CITY OF KANSAS CITY, MISSOURI**  
as the Issuer of the Bonds  
and Obligated Person

By: \_\_\_\_\_  
Name: Wanda Gunter  
Title: Acting Director of Finance

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## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

**General.** The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the “Book-Entry System”) maintained by The Depository Trust Company “DTC”, New York, New York.

**The following information concerning DTC and DTC’s book-entry system has been obtained from DTC. The City takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds and will be deposited with DTC.

**DTC and its Participants.** DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

**Purchases of Ownership Interests.** Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Bonds is discontinued.

**Transfers.** To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

**Notices.** Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial

Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

**Voting.** Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

**Payments.** Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

**Discontinuation of Book-Entry System.** DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriters believe to be reliable, but the City and the Underwriters take no responsibility for the accuracy of that information. The DTC Participants and the Beneficial Owners should not rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.*