

The Police Department of Kansas City, Missouri
A Component Unit of the City of Kansas City, Missouri

Financial Statements
Together with Independent Auditor's Report

For the Year Ended April 30, 2023

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

April 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Police Commissioners
The Police Department of Kansas City, Missouri

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Police Department of Kansas City, Missouri (the Department), a component unit of the City of Kansas City, Missouri as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of April 30, 2023, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the Department adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 87 Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's financial statements. The combining nonmajor and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and fiduciary fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2023 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Hood and Associates CPAs PC

Kansas City, Missouri
June 23, 2023

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2023

The Board of Police Commissioners (the Board), a state agency pursuant to the revised statutes of the State of Missouri, operates the Police Department of Kansas City, Missouri (the Department). Statutes provide the Board with exclusive management and control of the metropolitan police force for the City of Kansas City, Missouri (the City). The City is required to provide annual budgetary appropriations for this purpose. The Governor of the State of Missouri appoints, and the Missouri Senate approves, four Commissioners from the local community who, along with the Mayor of Kansas City, comprise the Board.

This discussion and analysis of the Department's financial performance provides an overview of the Department's financial activities for the fiscal year ended April 30, 2023. Please read it in conjunction with the Department's financial statements, which follow this section.

Financial Highlights

The Department operations are primarily funded by the City. The Department is statutorily required to issue financial statements. The accompanying financial statements are reflective of the fact that future operations and payments of Department liabilities depend on the City for funding through the annual budget appropriations process.

- The net position of the Department (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) at April 30, 2023, is a deficit of \$100,355,770. Liabilities associated with compensated absences, other post-employment benefits, and claims payable totaling \$118,380,144 are the major reasons for the deficit.
- The Department's net position decreased by \$19,895,590 in the current year primarily due to increases in claims payable.
- Current year revenues of \$231,881,084 reflect an increase of \$11,407,978, or 5.2% from the prior year. The increase is primarily due to revenues from the City increasing with \$5,630,132 of the increase due to change in the current and prior year amount of the reporting of the police and civilian pension plans special funding situation with the City.
- Current year revenues consist of City revenues totaling \$215,939,068, or 93.1% of total revenues, and grants, the Jackson County anti-drug sales tax, charges for services, and other revenues providing \$15,942,016 or 6.9% of total revenues.

Overview of the Financial Statements

Management's discussion and analysis presents the Department's basic financial statements. The Department's basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to basic financial statements. This report has additional required supplementary information (pension, other post-employment benefits, and budgetary schedules) and other supplementary information (combining statements for non-major governmental and fiduciary funds) in addition to the basic financial statements.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2023

Basic Financial Statements

The Department is a single governmental program (public safety) and presents the aforementioned government-wide financial statements and fund financial statements in combined form. The combined statements are: (1) *Governmental Funds Balance Sheet / Statement of Net Position*, (2) *Governmental Funds Revenues, Expenditures and Changes in Fund Balances and Statement of Activities*, and (3) *Statement of Net Position – Custodial Funds and Statement of Changes in Net Position – Custodial Funds*. These financial statements include *Notes to Basic Financial Statements* that provide additional information that is helpful in understanding the financial statements.

Government-wide Financial Statements

The two government-wide financial statements report information about the Department as a whole using accounting methods similar to those used by private-sector companies. Government-wide financial statements provide both long-term and short-term information about the Department's overall financial status.

1. The statement of net position includes all of the Department's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the Department's net position may serve as a useful indicator of whether financial position is improving or deteriorating.
2. The statement of activities reports how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as compensated absences).

The government-wide financial statements reflect the Department's only program, public safety. The Department's activities are supported primarily by City general revenues and intergovernmental revenues (grants). Complete financial statements of the City may be obtained from the City of Kansas City, Missouri, 414 East 12th Street, Kansas City, Missouri 64106.

Fund Financial Statements

The Department, like other state and local governments, uses funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The fund financial statements provide more detailed information about the Department's most significant individual funds – not the Department as a whole. Major funds are separately reported while all other funds are combined into a single, aggregated presentation. Individual fund data for non-major funds is presented in the form of combining statements in a later section of this report.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2023

The Department has two kinds of funds:

1. Governmental funds focus on (1) how cash and other financial assets that can readily be converted to cash flow are available to meet current obligations and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided on the subsequent page of the governmental fund financial statements that explains, and better identifies the relationship between them.

The Department's general fund, federal seizure and forfeiture fund, and federal and state grants fund are considered major funds and the activities of all other governmental funds are combined in a separate column in each of the basic fund financial statements.

2. Fiduciary funds are used to report assets held in a trustee or custodial capacity for others. The Department's fiduciary activities are reported in separate fiduciary fund statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Department, these funds are not incorporated into the government-wide statements.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes schedules and notes related to the Department's pension plans, schedule of changes in other post-employment benefit (OPEB) liability and budgetary comparison schedules, which include reconciliations for the general fund, federal seizure and forfeiture fund, and federal and state grants fund for budgetary purposes and fund balances as presented in the governmental funds financial statements.

Other Supplementary Information

The combining financial statements for non-major funds and fiduciary funds follow the required supplementary information. The total columns of these combining financial statements carry to the applicable fund financial statements.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2023

Government-Wide Financial Analysis

As noted earlier, increases or decreases in the Department's net position may serve as a useful indicator of whether financial position is improving or deteriorating. The Department's net position is a deficit of \$100,355,770 at April 30, 2023 compared to a net position deficit of \$80,460,180 at the end of the previous year. This increase in the deficit totals \$19,895,590 which is primarily due to increase in risk management claims payable of \$15,503,048.

The following table provides a breakdown of the Department's net position:

The Police Department of Kansas City, Missouri's Net Position (expressed in thousands)

	2023	2022
Current and other assets	\$ 20,674	\$ 27,070
Capital assets	25,139	21,990
Total assets	45,813	49,060
Deferred outflows of resources	6,846	7,510
Other liabilities	20,243	22,605
Long-term liabilities	111,023	106,072
Total liabilities	131,266	128,677
Deferred inflows of resources	21,750	8,352
Net position:		
Net investment in capital assets	22,459	21,990
Restricted	4,651	4,887
Unrestricted (deficit)	(127,466)	(107,337)
Total net position (deficit)	\$ (100,356)	\$ (80,460)

Liabilities such as compensated absences, other-post employment benefits, and claims payable totaling \$118,380,144 cause the deficit in unrestricted net position and will be liquidated as they come due using appropriations provided annually by the City. These items totaled \$116,180,102 last year. Deferred inflows of resources related to OPEB increased \$13,397,344 from the prior year.

Net investment in capital assets of \$22,459,450 reflects the Department's capital assets (vehicles, helicopters, and equipment) net of accumulated depreciation. Capital assets are used to provide support for public safety activities; these assets are not available for future spending. The increase in the net investment in capital assets of \$3,149,956 is due to capital asset additions exceeding depreciation expense in the current year.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2023

The following table provides a summary of the Department's changes in net position:

The Police Department of Kansas City, Missouri's Changes in Net Position (expressed in thousands)

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues	\$ 231,881	\$ 220,473
Expenses		
Public safety - police	<u>251,826</u>	<u>220,140</u>
Change in net position before sale of capital assets	(19,945)	333
Proceeds from sale of capital assets	<u>49</u>	<u>15</u>
Change in net position	(19,896)	348
Net position (deficit), beginning of year	<u>(80,460)</u>	<u>(80,808)</u>
Net position (deficit), end of year	<u><u>\$ (100,356)</u></u>	<u><u>\$ (80,460)</u></u>

Revenues from the City increased \$11,857,275 from the prior year with \$5,630,132 of the increase due to the reporting of the police and civilian pension plans special funding situation with the City.

Personal services increased 3.7% primarily due to changes in pension expense. Salaries and benefits represent 79.0% of the Department's governmental activity expenses, compared to 87.1% last year. Included in personal services are amounts paid into the pension systems on behalf of sworn and civilian employees.

Non-personal services increased 86.2% mostly as a result of an increase in estimated risk management claims payable.

The Department was established by State statute to police the City of Kansas City, Missouri. The City's general revenues support most of this governmental activity. Other revenue sources include a ¼ cent sales tax for drug enforcement assessed by Jackson County; federal, state, and local grants; and charges for services such as police report reproduction. The State of Missouri provides reimbursements for settlements of certain risk management claims of up to \$1,000,000 annually.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2023

Financial Analysis of the Department's Funds

The Department, like other state and local governments, uses fund accounting to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental Funds

The focus of the Department's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unassigned fund balance at year-end may serve as a useful measure of a government's net resources available for spending.

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$9,620,102; a decrease of \$3,859,123.

- Fund balance in the amount of \$4,651,054 is restricted for grants and workers' compensation escrow.
- Board-authorized purchase commitments are \$465,174.

The general fund had an ending fund balance of \$7,353,426; a decrease of \$3,615,998 in comparison with the prior year resulting primarily from decreases in changes in risk management activity.

The Department has two other major funds. The federal seizure and forfeiture fund had an ending fund balance of \$2,264,143; a decrease of \$94,651 or 0.04% in comparison with the prior year. The decrease is due to a decrease in revenue, the receipt of which is dependent upon federal direction. The decrease is also due to an increase in expenditures. The federal and state grants fund has no fund balance due to the fact revenues equal expenditures on an annual basis.

Other governmental funds are supported by Department generated revenues. These funds supplement appropriations provided by the City and were established to comply with federal, state, and local requirements for revenues generated by policing activities such as licensing of private security officers, open records requests, and City ordinances for alarm licensing and parade/escort requests.

General Fund Budgetary Highlights

The Department is required to prepare its budget in form and detail similar to City departments. However, the Department's governing body, the Board, has sole authority to manage the Department's budget.

The schedule in the required supplementary information provides information about the Department's general fund budget, including original and final budget, actual amounts on the budgetary basis and reconciliation to amounts reported in the statement of governmental fund revenues, expenditures, and changes in fund balance. Personal services are under budget by \$1,020,633 as a result of savings due to open positions. Contractual services are under budget by \$1,931,085 primarily due to appropriations for risk management claims being more than claims, offset by accounts payable being reappropriated in the subsequent year. Commodities are over budget by \$222,324 primarily due to appropriations for

The Police Department of Kansas City, Missouri

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Management's Discussion and Analysis

April 30, 2023

anticipated donations, offset by accounts payable being reappropriated in the subsequent year. Capital outlays are under budget by \$77,233 due to prior year accounts payable.

Over the course of the year, the Department's General Fund budget was revised, which, excluding the impact of reappropriated encumbrances, can be briefly summarized as follows:

- Decreases to revenues and appropriations for funding to be provided to General Services Department for contracting security at 18th and Vine are \$522,305.
- Increases to revenues and appropriations for costs related to Liability Self-Retention are \$6,550,000.
- Increase to appropriations for School Resource Officer vehicles are \$87,451.
- Increase to appropriations for minor equipment, insurance plan education & flexible spending escrow account are \$565,035.
- Increase to appropriations for an online reporting system annual license are \$67,560.

Capital Assets

Capital Assets

The Department invests in capital assets necessary for policing efforts, including automotive, communication, computer, and helicopter equipment. Improvements to City-owned facilities, if any, are donated annually to the City. At April 30, 2023, the Department's capital assets are \$115,776,820 and accumulated depreciation is \$90,637,362. More detailed information about the Department's capital assets is presented in Notes 1 and 3 to the basic financial statements.

In January 2023, the Department and City entered into a Memo of Understanding (MOU) in connection with the replacement and upgrade of the Department's two-way radios and computer-aided dispatch system (the communication equipment) in an amount not to exceed \$19.1 million. Under the MOU, the City shall allocate funding to the Department for the acquisitions of the communication equipment. The City intends on financing the acquisition funding with the issuance of special obligation bonds, with the payment of scheduled debt service payments on the bonds to be made by annual appropriation of funds to the Department by the City, over a successive ten (10) year period beginning in Fiscal Year 2024, with such funds included in the budget of the Department, and which shall be the source of repayment.

The Department has issued a purchase order with Motorola Solutions for \$17.9 million. It is anticipated the the acquisition of the communication equipment will be completed during fiscal year 2024.

Lease Liabilities

Lease Liabilities

The Department is recognizing certain assets and liabilities based on the standard established by Government Accounting Standards Board (GASB). With the implementation of Statement No. 87 current lease liability is \$458,602 and noncurrent liability is \$2,221,406.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2023

Economic Factors and Next Year's Budgets and Rates

The statutes establishing the Board require submission of an annual budget to the City estimating the sum of money necessary to operate the Department. The City considers the Board's submission as part of its budget process. In addition, the Missouri State Legal Expense Fund provides supplemental funding to cover some risk management costs for settlements and judgments resulting from lawsuits against members of the Board or law enforcement officers, and the Board receives other self-generated revenues to support appropriations.

As stated earlier, the Department is dependent on the City for primarily all of its funding and any discussion of next year's activity needs to focus on the Department's and the City's operations. In comparison of adopted budgets, for the fiscal year beginning May 1, 2023, City general revenues were budgeted to fund \$238,489,688 from the General Fund and no funding from the Community Policing and Prevention Fund. An increase of \$13,965,441 or 6.22% from the FY 2023 budgeted amounts. Although the FY 2024 budget is not sufficient to bring the Department back to full staffing, it will allow the Department to continue hiring. In the FY 2024 budget, non-City funding sources support costs of \$39,355,605, an increase of \$3,359,902 attributable primarily to increasing the Liability Self-Retention subsidiary account and more grant funding, including reimbursing the City for funds advanced to support the Jackson County Drug Tax Unit Fund. The Department's operating budget increased 5.2% over the prior year and represents 19.9% of the City's governmental funds budgets, compared to 19.4% last year. There are differences between the Department and the City on the calculation of the statutory funding percentage. Missouri legislators passed a bill to increase the State mandated 20% to 25% of the City's general revenues that fund the Police Department. In addition, a state-wide vote amended the Missouri Constitution, increasing minimum funding for a police force established by a State Board of Police Commissioners. These funds primarily pay personnel costs which represent 86.6% of the Department's total budget and 94.1% of City funds. Based on current financial support provided by the City, the ability to pay risk management is becoming a concern.

Appropriated funding of 25% of City general revenue, as projected by City staff, will not be sufficient to allow the Department to operate at full strength, to provide adequate public safety to the citizens of the City. Insufficient funding has resulted in the Department operating with less staff due to budgetary constraints.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors of the City of Kansas City, Missouri with a general overview of the Department's finances and to demonstrate the Department's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact the Kansas City Police Department, Fiscal Division, 1125 Locust, Kansas City, MO 64106.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Governmental Funds Balance Sheet and Statement of Net Position
 April 30, 2023

	General Fund	Federal Seizure and Forfeiture	Federal and State Grants	Other Funds	Total	Adjustments	Statement of Net Position
Assets							
Cash and short-term investments	\$ 5,698,979	\$ 2,260,156	\$ 910,339	\$ 41,010	\$ 8,910,484	\$ -	\$ 8,910,484
Receivables:							
Accounts	616,343	-	-	-	616,343	-	616,343
Interest	35,200	3,987	-	-	39,187	-	39,187
Due from City of Kansas City, Missouri	3,327,403	-	-	5,668	3,333,071	-	3,333,071
Due from other governments	-	-	1,106,083	944,591	2,050,674	-	2,050,674
Due from other funds	4,000	-	-	-	4,000	-	4,000
Inventories	3,519,857	-	-	-	3,519,857	-	3,519,857
Restricted deposits	2,199,867	-	-	-	2,199,867	-	2,199,867
Capital assets, net	-	-	-	-	-	25,139,458	25,139,458
Total assets	<u>15,401,649</u>	<u>2,264,143</u>	<u>2,016,422</u>	<u>991,269</u>	<u>20,673,483</u>	<u>25,139,458</u>	<u>45,812,941</u>
Deferred Outflows of Resources							
OPEB related amounts	-	-	-	-	-	6,846,425	6,846,425
Total assets and deferred outflows of resources	<u>\$ 15,401,649</u>	<u>\$ 2,264,143</u>	<u>\$ 2,016,422</u>	<u>\$ 991,269</u>	<u>\$ 20,673,483</u>	<u>\$ 31,985,883</u>	<u>\$ 52,659,366</u>
Liabilities							
Accounts payable	\$ 900,007	\$ -	\$ 58,099	\$ 6,189	\$ 964,295	\$ -	\$ 964,295
Accrued payroll	5,739,416	-	64,559	93,119	5,897,094	-	5,897,094
Unearned revenue	351,244	-	-	-	351,244	-	351,244
Due to City of Kansas City, Missouri	209,522	-	1,893,764	850,952	2,954,238	-	2,954,238
Due to other governments	-	-	-	38,476	38,476	-	38,476
Compensated absences - current	398,034	-	-	-	398,034	9,639,469	10,037,503
Compensated absences - noncurrent	-	-	-	-	-	26,648,530	26,648,530
Lease liability - current	-	-	-	-	-	458,602	458,602
Lease liability - noncurrent	-	-	-	-	-	2,221,406	2,221,406
Net OPEB obligation	-	-	-	-	-	42,594,011	42,594,011
Claims payable	450,000	-	-	-	450,000	38,650,100	39,100,100
Total liabilities	<u>8,048,223</u>	<u>-</u>	<u>2,016,422</u>	<u>988,736</u>	<u>11,053,381</u>	<u>120,212,118</u>	<u>131,265,499</u>
Deferred Inflows of Resources							
OPEB related amounts	-	-	-	-	-	21,749,637	21,749,637
Fund Balances/Net Position							
Fund balances:							
Restricted for workers' compensation	2,184,833	-	-	-	2,184,833	(2,184,833)	-
Restricted for programs	199,544	2,264,143	-	2,533	2,466,220	(2,466,220)	-
Committed to capital outlay	465,174	-	-	-	465,174	(465,174)	-
Assigned to subsequent year's budget	671,482	-	-	-	671,482	(671,482)	-
Unassigned	3,832,393	-	-	-	3,832,393	(3,832,393)	-
Total fund balances	<u>7,353,426</u>	<u>2,264,143</u>	<u>-</u>	<u>2,533</u>	<u>9,620,102</u>	<u>(9,620,102)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 15,401,649</u>	<u>\$ 2,264,143</u>	<u>\$ 2,016,422</u>	<u>\$ 991,269</u>	<u>\$ 20,673,483</u>		
Net position:							
Net, investment in capital assets						22,459,450	22,459,450
Restricted for special programs						4,651,054	4,651,054
Unrestricted (deficit)						(127,466,274)	(127,466,274)
Total net position (deficit)						<u>(100,355,770)</u>	<u>(100,355,770)</u>
Total liabilities, deferred inflows of resources, and net position (deficit)						<u>\$ 31,985,883</u>	<u>\$ 52,659,366</u>

See Notes to Basic Financial Statements

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
Reconciliation of the Statement of Net Position with
Governmental Funds Balance Sheet
April 30, 2023

Total fund balances - governmental funds	\$	9,620,102
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund statements.		25,139,458
Deferred outflows and inflows of resources related to OPEB activity are not required to be reported in the governmental funds but are required to be reported in the Statement of Net Position		
Deferred outflows of resources - OPEB		6,846,425
Deferred inflows of resources - OPEB		(21,749,637)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Compensated absences		(36,287,999)
OPEB liability		(42,594,011)
Claims payable		(38,650,100)
Lease liabilities		(2,680,008)
Total net position (deficit)	\$	<u>(100,355,770)</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Governmental Funds Revenues, Expenditures, and
 Changes in Fund Balances and Statement of Activities
 For the year ended April 30, 2023

	General Fund	Federal Seizure and Forfeiture	Federal and State Grants	Other Funds	Total	Adjustments	Statement of Activities
Revenues:							
Revenues received from City of Kansas City, Missouri	\$ 227,090,287	\$ -	\$ -	\$ 4,899,930	\$ 231,990,217	\$ (16,051,149)	\$ 215,939,068
Operating grants	-	-	5,277,645	-	5,277,645	-	5,277,645
Capital grants	1,057,424	-	851,862	-	1,909,286	64,661	1,973,947
Other intergovernmental	1,165,907	-	148,467	3,394,716	4,709,090	-	4,709,090
Charges for services	2,461,303	634,806	-	-	3,096,109	-	3,096,109
Interest	428,362	55,471	-	-	483,833	-	483,833
Other	401,392	-	-	-	401,392	-	401,392
Total revenues	<u>232,604,675</u>	<u>690,277</u>	<u>6,277,974</u>	<u>8,294,646</u>	<u>247,867,572</u>	<u>(15,986,488)</u>	<u>231,881,084</u>
Expenditures/expenses:							
Public safety - police:							
Current:							
Personal services	207,295,835	-	3,973,042	2,858,763	214,127,640	(15,214,782)	198,912,858
Contractual services	20,546,816	2,507	977,825	977,554	22,504,702	15,382,195	37,886,897
Commodities	6,549,152	-	675,295	299,416	7,523,863	(821,011)	6,702,852
Depreciation	-	-	-	-	-	7,552,895	7,552,895
Capital outlay	1,155,032	782,421	837,775	4,307,387	7,082,615	(6,407,270)	675,345
Debt service:							
Principal	442,048	-	-	-	442,048	(442,048)	-
Interest	94,927	-	-	-	94,927	-	94,927
Total expenditures/expenses	<u>236,083,810</u>	<u>784,928</u>	<u>6,463,937</u>	<u>8,443,120</u>	<u>251,775,795</u>	<u>49,979</u>	<u>251,825,774</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>(3,479,135)</u>	<u>(94,651)</u>	<u>(185,963)</u>	<u>(148,474)</u>	<u>(3,908,223)</u>	<u>(16,036,467)</u>	<u>(19,944,690)</u>
Other financing sources (uses):							
Proceeds from sale of capital assets	49,100	-	-	-	49,100	-	49,100
Transfers - internal activities	(185,963)	-	185,963	-	-	-	-
Total other financing sources and (uses)	<u>(136,863)</u>	<u>-</u>	<u>185,963</u>	<u>-</u>	<u>49,100</u>	<u>-</u>	<u>49,100</u>
Change in fund balances/ net position	<u>(3,615,998)</u>	<u>(94,651)</u>	<u>-</u>	<u>(148,474)</u>	<u>(3,859,123)</u>	<u>(16,036,467)</u>	<u>(19,895,590)</u>
Fund balances/net position:							
Beginning of year	<u>10,969,424</u>	<u>2,358,794</u>	<u>-</u>	<u>151,007</u>	<u>13,479,225</u>	<u>(93,939,405)</u>	<u>(80,460,180)</u>
End of year	<u>\$ 7,353,426</u>	<u>\$ 2,264,143</u>	<u>\$ -</u>	<u>\$ 2,533</u>	<u>\$ 9,620,102</u>	<u>\$ (109,975,872)</u>	<u>\$ (100,355,770)</u>

See Notes to Basic Financial Statements

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Reconciliation of the Governmental Funds Revenues,
 Expenditures, and Changes in Fund Balances
 with the Statement of Activities
 For the year ended April 30, 2023

Net change in fund balances - total governmental funds	\$ (3,859,123)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital grant revenues consisted of capital assets donated by grantors	64,661
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$7,552,895) exceeded capital expenditures (\$7,528,853), and aircraft parts that were installed (\$12,720) in the current period.	(36,761)
Governmental funds report the actual pension contributions. In the statement of activities, under a special funding situation, the total pension expense and related on behalf pension contributions from the City are reported.	
Pension contribution from City	(16,051,149)
Pension expense	16,051,149
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount by which liabilities changed in the current period.	
Compensated absences	(232,038)
Change in OPEB liability and related deferred outflows and inflows of resources	(604,329)
Claims payable	(15,670,048)
The issuance of long-term leases provides current financial resources to governmental funds while the repayment of the principal and interest of long-term leases consumes current financial resources of governmental funds. Neither transaction has an effect on net position.	
Lease principal expenditures	442,048
Change in net position in governmental activities	<u>\$ (19,895,590)</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
Statement of Fiduciary Net Position - Custodial Funds
April 30, 2023

	Custodial Funds
Assets	
Cash and short-term investments	\$ 3,830,373
Receivables:	
Accounts	1,697
Interest	5,774
Due from other governments	304,500
Total assets	<u>4,142,344</u>
Liabilities	
Due to other funds	4,000
Deposits held for others	3,253,673
Total liabilities	<u>3,257,673</u>
Net Position	
Restricted	884,671
	<u>\$ 884,671</u>

See Notes to Basic Financial Statements

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
Statement of Changes in Fiduciary Net Position - Custodial Funds
For the Year Ended April 30, 2023

	Custodial Funds
Additions:	
Intergovernmental	\$ 1,401,140
Interest	72,627
Deposits	1,406,605
Employee contributions	1,223,414
	<u>4,103,786</u>
Deductions:	
Contractual services	946,481
Distributions	2,703,757
	<u>3,650,238</u>
Change in Fiduciary Net Position	453,548
Net Position - Beginning	<u>431,123</u>
Net Position - Ending	<u>\$ 884,671</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2023

Note 1: Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

The Police Department of Kansas City, Missouri (the Department) is regulated under the Missouri Revised Statutes. The Department operates under the direction of the Board of Police Commissioners of the City of Kansas City, Missouri (the Board). Members are appointed by the Governor of the State of Missouri. The Mayor of the City of Kansas City, Missouri (the City) is an ex-officio member of the Board. The Department is responsible for protecting and serving the citizens of the City. The Department receives the majority of its revenues from the City. The Department is considered to be and reported as a component unit of the City.

Reporting Entity

In evaluating how to define the Department for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Department's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Department and (3) the entity's fiscal dependency on the Department. Based on these criteria, there are no component units.

Accounting Method, Management Focus, Basis of Accounting and Accounting and Financial Statement Presentation

Fund Accounting

The accounts of the Department are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures or expenses.

Government-wide and Fund Financial Statements

The Department's basic financial statements consist of government-wide financial statements and governmental and fiduciary fund financial statements and notes. The government-wide financial statements report information on all the non-fiduciary activities of the Department.

The government-wide financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Department's assets and liabilities, including capital assets as well as long-term liabilities, are included in the statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and receivables are recognized when measurable and available for payment of current liabilities. The Department considers revenues to be available if they are anticipated to be collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2023

The Department records transactions during the year on the basis of cash receipts and disbursements. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for Governmental Funds. Certain revenues are recorded when cash is received because they are generally not measurable until actually received. Interest is recorded when earned since it is measurable and available. Certain grant revenues are recorded to the extent eligible expenditures have been incurred.

Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. The types of funds maintained by the Department are as follows:

Governmental Funds

The major governmental funds of the Department are described below:

- *General Fund* – Used to account for all financial transactions that are a part of the Department’s annual operating budget and are primarily funded through receipts received from the City.
- *Federal Seizure and Forfeiture* - This fund accounts for monetary instruments and other property submitted through the U.S. Department of Justice or U.S. Department of Treasury for forfeiture, either administratively or by means of criminal indictment.
- *Federal and State Grants* – Used to account for various grant revenues received from the federal government and the State of Missouri.
- *Special Revenue Funds* – Used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. The primary sources of revenues are from the City, Jackson County, grants and charges for services.

Fiduciary Fund Types

- Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and therefore are not available to support the Department’s programs. Custodial funds apply the accrual basis of accounting, however they do not have a measurement focus.
- The Department’s fiduciary funds are presented in the fiduciary fund financial statement by type. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Inventory

At year-end, physical counts are made of significant inventory. Inventory valuation methods vary by element. Fleet Operations and Communication Support use weighted average, Supply uses first-in first-out (FIFO).

Short-Term Investments

Investments consisting of U.S. treasury bills that have original maturities of three months or less and are stated at cost including accrued interest which approximates fair value.

Investment income consists of interest income. Investment income is assigned to the funds with which the related investment asset is associated.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2023

Capital Assets

The City provides real property, including land and buildings, to the Department at no cost. As a result, the Department's capital assets consist of policing equipment such as vehicles, furniture, fixtures, communication equipment, computers and software, and aircraft. Capital assets are capitalized at historical cost. Donated capital assets are valued at estimated fair value as of the date received. Major outlays for building improvements to City owned buildings, made with Department internally generated funds, are donated to the City. The Department's capitalization threshold is five thousand dollars. All capital assets over the capitalization levels are depreciated on a straight-line basis over the following useful lives.

	<u>Useful Life/Range</u>
Furniture and equipment	5-10 years
Automotive and light trucks	3 years
Large trucks, RVs, specialized vehicles	10 years
Communications equipment	8 years
Computer hardware	3- 5 years
Computer software	2 years
Lab equipment	10 years
Helicopters	20 years

Interfund Activity

Interfund transfers are reported as other financing sources/uses in governmental funds. On the fund financial statements, the only interfund loans are between the special services fund and various agency funds. Transfers between governmental funds have been eliminated in the government-wide statement of activities.

Leases

During the year ended April 30, 2023, the Department implemented Government Accounting Standards Board No. 87, Leases (GASB 87). This standard requires the recognition of certain assets and liabilities for leases that were previously reported as operating leases and as inflows of resources or outflows of resources recognized based upon the receipt or payment provisions of the contract. The standard established a single model for lease accounting based on the foundational principle that leases are financings of the right of use an underlying asset. Under this standard, a lessee is required to report an intangible right of use asset and a lease liability, and a lessor is to recognize a lease receivable and a deferred inflow of resources. The Department applied the provisions of this standard to the beginning of the period of adoption and the effect on net position was zero.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2023

Compensated Absences

Employees earn sick leave in accordance with Department policy based upon the options described below. Option 2 covers employees hired on or after November 1, 1987. Employees hired prior to November 1, 1987, may choose Option 1 or 2. The policy also provides employees working for at least one year prior to retirement or termination, payment of a portion of their accumulated sick leave.

	Option 1		Option 2	
	Law Enforcement	Civilian	Law Enforcement	Civilian
Days earned per year	30	15	18	12
Percent payable upon retirement	25.0%	50.0%	50.0%	50.0%
Percent payable upon termination	25.0%	25.0%	25.0%	25.0%

Employees earn vacation leave in accordance with the Department's policy. Upon termination or retirement the amount of currently earned and unused vacation time becomes payable to the employee.

The accrued compensated absence liability represents only the vested portion of the earned compensation days. It is calculated using the above percentages and assumptions made by the Department as to whether employees would resign or retire. This assumption is based upon years of service. The current portion of the liability of \$10,037,503 is calculated based upon management's estimate of the amount to be paid during the year ending April 30, 2024.

The following is a summary of changes in the compensated absence liabilities of the Department for the year ended April 30, 2023:

Balance April 30, 2022	Current Year Earned and Changes in Estimates	Payments	Balance, April 30, 2023	Due Within One Year
\$ 36,532,028	\$ 13,611,606	\$ 13,457,601	\$ 36,686,033	\$ 10,037,503

Risk Management

The Department retains some risk of loss for workers' compensation, general professional, and automobile liability losses. The Missouri State Legal Expense Fund covers some of the costs of judgments resulting from lawsuits against members of the Board or law enforcement officers. These activities are accounted for in the general fund, except for long-term liabilities for obligations for claims and claims incurred but not reported.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2023

Fund Balances/Net Position

The governmental funds report the following fund balance classifications:

Non-Spendable – Legally or contractually required to be maintained. Not in spendable form, including but not limited to prepaid supplies, inventory, and long-term receivables. Such constraint is binding until legal or contractual requirements are repealed or amounts become spendable.

Restricted – Externally imposed constraints, including but not limited to grantors, contributors, and constraints by law and regulations. Such constraints are binding unless modified or rescinded by external body, laws, or regulations.

Committed – Specific purpose imposed by a formal vote approval by the Board of Police Commissioners. Such constraint is binding unless modified or rescinded by the Board of Police Commissioners.

Assigned – Constrained by the express intent of the Board of Police Commissioners, Chief of Police, Deputy Chief of Executive Services Bureau, and/or the Major of the Fiscal Division. Includes all remaining amounts not classified in governmental funds, except the general fund.

Unassigned – All amounts not included in other fund balance classifications. The general fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

The Department has a fund balance policy that provides guidance for programs with multiple revenue sources. The policy is to use restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Net Position Classifications

In the government-wide statements, equity is shown as net position and classified into three components:

Net, investment in capital assets – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Department first utilizes restricted resources to finance qualifying activities.

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

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2023

Deferred Outflow and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The Department has two items that qualify for reporting in this category. The first item results from actuarial assumption changes used to calculate the OPEB liability. The second item is the OPEB contributions made subsequent to the OPEB measurement date. The contribution amount will be applied during the next fiscal year.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Under the modified accrual basis of accounting, revenues and other fund financial resources are recognized in the period in which they become both measurable and available. The Department has two items that qualify for reporting in this category. The first item results from actuarial assumption changes used to calculate the OPEB liability. The second item is the difference between expected and actual experience used to calculate the OPEB liability.

Budgetary Accounting

The Department plans disbursements and controls operations through the use of an annual operating budget, which is prepared by Department personnel and approved by the Board and the City Council prior to the beginning of each fiscal year.

The Department is required to legally adopt a budget at the appropriation unit level. However, for management control purposes, the Department follows the practice of budgeting disbursements by account code. Certain disbursements applicable to more than one bureau or division are not allocated among the various groups receiving benefits from these disbursements because they are charged to the group with responsibility for budget control.

As permitted by Missouri law, it is the Department's practice to transfer the budgeted amounts within the general fund and special revenue funds when disbursements within a particular appropriation unit exceed the amount originally budgeted. These transfers are approved by the Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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. The most sensitive estimates affecting the Department's financial statements are the automotive and general liability claims payable, estimated useful lives of capital assets, and the actuarial determined valuation of the workers' compensation claims liability and other post-employment benefit obligations. Actual results may differ from those estimates.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2023

Note 2: Deposits, Investments, and Investment Income

At April 30, 2023, the carrying values of cash and investment are summarized as follows:

Carrying value:	
Deposits	\$ 4,748,370
Restricted deposits - Work Comp Escrow	1,709,833
Restricted deposits - Work Comp TPA	475,000
Investments	7,854,041
Cash on hand	198,441
	<u>\$ 14,985,685</u>

The carrying values are reflected
on the financial statements as follows:

Cash and short-term investments – Governmental Funds	\$ 8,910,484
Restricted deposits – Governmental Funds	2,199,867
Interest receivable – Governmental Funds	39,187
Cash and short-term investments – Custodial Funds	3,830,373
Interest receivable – Custodial Funds	5,774
	<u>\$ 14,985,685</u>

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be recoverable. The Department's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral having an aggregate value at least equal to the amount of the deposits.

At April 30, 2023, none of the Department's bank balances were exposed to custodial credit risk.

Investments

The Department is authorized to invest in legally permissible investments, as provided by Missouri Statute, which include securities and obligations issued by the United States government, repurchase agreements, collateralized time deposit accounts and certificates of deposits.

At April 30, 2023, the Department had the following investments and maturities:

	<u>Fair Value</u>
U.S. government securities with maturities of 90 days or less	<u>\$ 7,854,041</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Department's investment policy limits its investment portfolio to maturities of 90 days.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2023, the Department's investments were all in U.S. government obligations which are not subject to such risks.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2023

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Department's investments at April 30, 2023 are held by the third-party custodians in the Department's name.

Concentration of Credit Risk. The Department places no limit on the amount that may be invested in any one issuer. At April 30, 2023, the Department's investments were all in U.S. government obligations.

Fair Value Measurements. The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs such as third party pricing services for identical assets; Level 3 inputs are significant unobservable inputs. The Department has the following recurring fair value measurements as of April 30, 2023:

Investments	Total	Level 1	Level 2	Level 3
U.S. government securities	\$ 7,854,041	\$ 7,854,041	\$ -	\$ -

U.S. government securities are classified as Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

Restricted Deposit. Included in deposits are money market funds in the amount of \$2,199,867. These funds are intended to provide additional assurance that the Department will provide funding for excess workers' compensation, if required. Also included in restricted deposits are escrow funds in the amount of \$475,000. These funds are held by the Department's workers' compensation claims third party administrator (TPA) to pay claims.

Note 3: Changes in Capital Assets

A summary of changes in the Capital Assets for the year ended April 30, 2023 follows:

	Balance April 30, 2022	Increases	Decreases	Balance, April 30, 2023
Police equipment	\$ 111,752,329	\$ 8,493,630	\$ (7,591,195)	\$ 112,654,764
Leases - right of use assets	3,122,056	-	-	3,122,056
Accumulated depreciation and amortization	(89,762,827)	(7,552,895)	6,678,360	(90,637,362)
Net capital assets	\$ 25,111,558	\$ 940,735	\$ (912,835)	\$ 25,139,458

Note 4: Risk Management

The Department and certain officers of the Department, the Chief of Police, and/or the members of the Board, in official and individual capacity, have been named as defendants in various legal proceedings as of April 30, 2023. The Department and its legal counsel are vigorously defending these matters. It is the Department's policy to budget for estimated litigation costs. Large litigation disbursements are funded by the General Fund or through supplemental appropriations approved by the City and the Board.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2023

The Department purchases commercial insurance for non-realty property, employee life and health coverage, and civilian employee disability. There have been no significant reductions in insurance coverage. Settlements have not exceeded insurance coverage for these items in any of the past three years.

Automobile, General Professional, and Workers' Compensation Liabilities

The Department self-retains the risk of loss for liability and comprehensive damage claims arising from its motor vehicle fleet and general professional liability. The claims are administered by the Department's Office of General Counsel. The Department budgets amounts in the General Fund. Claims paid in excess of the budgeted amounts are paid by the General Fund if sufficient resources exist; otherwise, amounts are paid by the City. Estimates for outstanding liabilities are based upon advice of the Department's Office of General Counsel.

The Department also retains the risk of loss for workers' compensation claims. The Department has purchased a specific excess insurance policy that covers workers' compensation claims for each accident in excess of \$1,000,000 up to \$500,000 per individual claim. The claims are administered by a third party administrator. The Department has recorded an estimated liability for claims based upon an actuarial study.

The Department expects to pay certain claims within the next year using expendable available resources. Accordingly, the Department recorded a liability for these claims of \$450,000 in the General Fund as of April 30, 2023. Remaining estimated claims of \$38,650,100 have been reported as a long-term obligation of the Department.

The following is a summary of changes in risk management liabilities of the Department:

	<u>Automobile Liability</u>	<u>General Professional</u>	<u>Workers' Compensation</u>	<u>Total</u>
Balance, April 30, 2021	\$ 2,576,726	\$ 13,525,000	\$ 10,059,000	\$ 26,160,726
Claims payments	(321,603)	(2,250,360)	(2,155,845)	(4,727,808)
Claims and changes in estimates	<u>(1,148,499)</u>	<u>2,188,788</u>	<u>1,123,845</u>	<u>2,164,134</u>
Balance, April 30, 2022	<u>1,106,624</u>	<u>13,463,428</u>	<u>9,027,000</u>	<u>23,597,052</u>
Claims payments	(239,280)	(8,098,950)	(3,140,918)	(11,479,148)
Claims and changes in estimates	<u>(99,244)</u>	<u>23,467,522</u>	<u>3,613,918</u>	<u>26,982,196</u>
Balance, April 30, 2023	<u>\$ 768,100</u>	<u>\$ 28,832,000</u>	<u>\$ 9,500,000</u>	<u>\$ 39,100,100</u>

Note 5: Federal and State Grant Funds

Various special grant projects utilize the specialized talents of certain Department personnel. In these instances, time records are maintained and the Department is reimbursed by the federal and state grant funds for the cost of these employees' time. The amount of annual salary reimbursements received by the Department is contingent upon the numbers and types of special grants awarded to the Department each year.

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The Department has received financial assistance from various federal and state agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements, if any, will have a materially adverse effect upon the financial condition of the Department.

Note 6: Commitments and Contingencies

Contractual and Purchase Orders

The Department has contractual and purchase orders relating to various commodities, contractual services, and capital outlay totaling \$21,651,448 as of April 30, 2023. These contractual and purchase orders will be liquidated during the year ending April 30, 2024.

In January 2023, the Department and City entered into a Memo of Understanding (MOU) in connection with the replacement and upgrade of the Department's two-way radios and computer-aided dispatch system (the communication equipment) in an amount not to exceed \$19.1 million. Under the MOU, the City shall allocate funding to the Department for the acquisitions of the communication equipment. The City intends on financing the acquisition funding with the issuance of special obligation bonds, with the payment of scheduled debt service payments on the bonds to be made by annual appropriation of funds to the Department by the City, over a successive ten (10) year period beginning in Fiscal Year 2024, with such funds included in the budget of the Department, and which shall be the source of repayment.

The Department has issued a purchase order with Motorola Solutions for \$17.9 million. It is anticipated the the acquisition of the communication equipment will be completed during fiscal year 2024.

Note 7: Lease Liabilities

A summary of changes in lease liabilities is as follows:

	For the Year Ended April 30, 2023				
	Beginning of Year	Additions	Adjustments/ Retirements	End of Year	Due Within One Year
Office equipment	\$ 509,885	\$ -	\$ (121,334)	\$ 388,551	\$ 125,337
Facility	2,612,171	-	(320,714)	2,291,457	333,265
Total	<u>\$ 3,122,056</u>	<u>\$ -</u>	<u>\$ (442,048)</u>	<u>\$ 2,680,008</u>	<u>\$ 458,602</u>

As a result of implementation of GASB 87, \$3,122,056 in lease liabilities for leases of office equipment and a facility has been added to the beginning balance presented in the table above. These leases are offset by an equal amount of right of use assets, therefore the Department does not report a restatement of beginning net position for the implementation of GASB 87.

Lease liabilities represent the Department's obligation to make lease payments arising from the leases. Lease liabilities are recognized at the commencement date based on the present value of the expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The length of the leases ranges from 48 to 87 months, at an interest rate of 3.25%, with monthly payments ranging from \$11,342 to \$33,899. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Department will exercise that option.

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The future minimum lease obligation and the net present value of these minimum lease payments as of April 30, 2023 were as follows:

For the years ending April 30	Principal	Interest	Total
2024	\$ 458,602	\$ 80,315	\$ 538,917
2025	475,408	65,160	540,568
2026	492,962	49,451	542,413
2027	371,570	35,221	406,791
2029	383,827	22,964	406,791
2030-2031	497,639	10,850	508,489
	<u>\$ 2,680,008</u>	<u>\$ 263,961</u>	<u>\$ 2,943,969</u>

The Department has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred. These leases are not included as lease liabilities or right of use assets on the statement of net position.

Note 8: Interfund Activity

Due to/from Other Funds

A summary of interfund obligations at April 30, 2023 is shown below:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	\$ 4,000	\$ -
Custodial Funds		
Misdemeanor Bond	-	3,000
Dental Program	-	1,000
Total	<u>\$ 4,000</u>	<u>\$ 4,000</u>

Interfund Transfers

Transfers are substantially for the purposes of subsidizing operating functions such as grant matches.

The Department had the following types of transfers among funds for the year ended April 30, 2023:

Transfers from	Transfers to	Purpose	Amount
General Fund	Federal and State Grants Fund	Grant Match	<u>\$ 185,963</u>

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Note 9: Employee Benefit Commitments

Payments Made on Behalf of the Department

During the year ended April 30, 2023, the City's contribution for the Department's FICA for law enforcement and civilian personnel was \$4,104,337 and is included as an expenditure/expense in the accompanying financial statements.

Defined Benefit Pension Plans

The employer contributions for the Department, as established by Missouri Statute, are funded by the City. Therefore, the Department is considered to be in a special funding situation as defined by Governmental Accounting Standards Board (GASB) Statement No. 68.

The City is treated as a non-employer contributing entity to the Police Retirement System and the Civilian Employees' Retirement System and is required to recognize its proportionate share of the net pension liability, deferred outflows of resources, deferred inflow of resources, and expense for the pension plans related to the Department. At April 30, 2023, the proportionate share (100%) of the net pension liability recognized by the City totaled \$443,219,477 (Police Retirement System \$392,275,034 and Civilian Employees' Retirement System \$50,944,443, respectively).

Since the Department does not contribute directly to the pension plans there is no net pension liability or deferred inflows or outflows to report in the Department's Governmental Funds Balance Sheet and Statement of Net Position or the Department's Governmental Funds Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities.

Total pension expense for the year ended April 30, 2023 was \$33,984,572 (Police Retirement System \$29,205,301 and Civilian Employees' Retirement System \$4,779,271, respectively). Since the City is required to make 100% of the contributions, the Department has recorded the pension expense as both revenues and expenses/expenditures. Accordingly, a net reconciling adjustment of \$16,051,149 was necessary to reconcile the Governmental Fund Revenues, Expenditures, and Changes in Fund Balances with the Statement of Activities and the total pension expense of \$29,205,301.

Information about the plans are as follows:

Police Retirement System of Kansas City, Missouri

Plan Description

The Department's law enforcement personnel participate in a single employer defined benefit retirement plan that was created by Missouri Statute. The retirement plan is managed by the Retirement Board, a separate independent board from that of the Department. Employer contributions are made directly by the City, as Missouri Statute requires the City to transfer the contribution directly to the retirement plan, but are included in the Department's budget. Thus, the Department does not exercise control over the retirement plan, nor is the plan dependent on the Department for funding. The pension plan issues a stand-alone financial report that may be obtained at www.kcpers.org.

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Benefits Provided

The benefits are established in Missouri Revised Statutes 86.900 to 86.1280 and can only be amended by the Missouri General Assembly. The benefits include retirement, disability, and death benefits for all Department law enforcement personnel. Retirement is at age 60 with 10 years of service or 25 years of service regardless of age for Tier 1 members and age 60 with 15 years of service or 27 years of service regardless of age for Tier 2 members (became members on/after August 28, 2013). Benefits for Tier 1 members are calculated using their average annual compensation for the two highest years of service during their career, multiplied by the total years of service and a formula factor of 2.50 percent subject to a maximum benefit of 80% of Final Compensation and are payable as a joint and 80% survivor annuity. Benefits for Tier 2 members are the same as Tier 1 members except the average annual compensation is based on their average annual compensation for the three highest years of service during their career and benefits are paid as a joint and 50% survivor annuity. Benefits vest after 15 years of service.

Under state statute, the Retirement Board has the authority to provide post-retirement benefit adjustments, referred to as ad hoc cost of living adjustments (ad hoc COLAs). Based on the Retirement Board's policy, an ad hoc cost of living adjustment may be granted if the definition of "actuarially sound," which requires the following condition, is met based on the results of the annual actuarial funding valuation:

- The retirement plan's funded ratio (actuarial value of assets/actuarial accrued liability), is at least 75% and such ratio will not fall below that level as the results of any specific COLA amount granted.

In an effort to maintain the actuarial soundness of the retirement plan, the Retirement Board's policy also requires the following items to be considered when determining the retirement plan's ability to grant an ad hoc cost of living adjustment:

- The actuarial impact on the retirement plan's liabilities, if any specific COLA amount is granted.
- The current COLA matrix, prepared by the retirement plan's actuary, when determining the amount of COLA that can be supported given the return on the actuarial value of assets and the current funding ratio.

Employees Covered by Benefit Terms

As of the measurement date of April 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,449
Inactive employees entitled to but no yet receiving benefits	39
Active employees	1,239
Total	<u>2,727</u>

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Contributions

Contribution provisions are established by the Revised Statutes of Missouri. Employee contribution rates are determined by the Retirement Board. The employee contribution rates during the year ended April 30, 2023 was 11.55% of each participant's annual base earnings without consideration for overtime or other incentive pay amounts. A Missouri Statute requires the City to contribute such amounts as necessary to meet the actuarially determined annual required contribution plus two hundred dollars per month for every member entitled to receive a supplemental benefit. For the fiscal year ending April 30, 2022 (measurement date) the pension plan received \$38,815,206 in contributions from the City.

Net Pension Liability

The net pension liability was measured as of April 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2021, which was rolled forward to April 30, 2022.

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.5%
Wage inflation	3.00%
Salary increases, including wage inflation	3.00 to 19.00%
Long-term rate of return, net of investment expense, including price inflation	7.25%
Municipal bond index rate	3.07%
Year Fiduciary Net Position is projected to be depleted	N/A
Single Equivalent Interest Rate, net of investment expense, including price inflation	7.25%
Post-retirement benefit increases	Simple COLA of 2.5% per year

Mortality:

Pre-retirement mortality rates were based on the RP-2000 Employee Table, projected to 2017 using Scale AA. Future mortality improvement is projected generationally using the ultimate projection scale of MP-2017.

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Table, projected to 2017 using Scale AA. Future mortality improvement is projected generationally using the ultimate projection scale of MP-2017.

Disability mortality rates were based on the RP-2000 Healthy Annuitant Table, with a 5-year age set-forward, projected to 2017 using Scale AA, also set forward 5 years. Future mortality improvement is projected generationally using the ultimate projection scale of MP-2017 and reflects the 5-year age set forward.

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the five year period ending April 30, 2017. The experience study report is dated December 11, 2018.

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Notes to Basic Financial Statements

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Discount Rate

The discount rate used to measure the total pension liability as of the measurement date was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the employer actuarially determined contribution rate. On that basis, the pension plans fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR). Therefore, the long-term expected rate of return of 7.25% is the SEIR for the Measurement Date. The discount rate as of April 30, 2022 was 7.25%.

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the pension plan about every five years. The results of the most recent experience study were presented in a report dated December 11, 2018. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the pension plan's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	37.00%	5.15%
Fixed Income	30.00%	1.00%
Direct Lending	5.00%	4.50%
Real Estate	11.00%	3.75%
Private Equity	2.00%	8.25%
Absolute Return	15.00%	3.33%
Total	100.00%	

Future benefit payments for all current plan members were projected through 2120.

Sensitivity of the Net Pension Liability to Changes in Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.25%, as well as what the City's Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 574,927,975	\$ 392,275,034	\$ 242,334,451

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Change in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at beginning of year	\$ 1,341,742,993	\$ 1,033,642,868	\$ 308,100,125
Changes for the year:			
Service cost	24,391,779	-	24,391,779
Interest	95,710,901	-	95,710,901
Differences between expected and actual experience	(14,842,802)	-	(14,842,802)
Assumption/SEIR changes	16,329,454	-	16,329,454
Contributions - non-employer	-	38,233,480	(38,233,480)
Contributions - employee	-	11,631,884	(11,631,884)
Net investment income	-	(11,327,062)	11,327,062
Benefit payments, including refunds	(80,535,549)	(80,535,549)	-
Administrative expenses & other	-	(1,123,879)	1,123,879
Net changes	41,053,783	(43,121,126)	84,174,909
Balances at end of year	\$ 1,382,796,776	\$ 990,521,742	\$ 392,275,034

Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri

Plan Description

The Department's civilian employees personnel participate in a single employer defined benefit retirement plan that was created by Missouri Statute. The retirement plan is managed by the Retirement Board, a separate independent board from that of the Department. Employer contributions are made directly by the City, as Missouri Statute requires the City to transfer the contribution directly to the retirement plan, but are included in the Department's budget. Thus, the Department does not exercise control over the retirement plan, nor is the plan dependent on the Department for funding. The pension plan issues a stand-alone financial report that may be obtained at www.kcpers.org.

Benefits Provided

The benefits are established in Missouri Revised Statutes 86.1310 to 86.1640 and can only be amended by the Missouri General Assembly. The benefits include retirement, disability, and death benefits for all Department civilian personnel. Retirement is at age 65 with 10 years of service for Tier 1 members and age 67 with 20 years of service for Tier 2 members (became members on/after August 28, 2013). Benefits for Tier 1 members are calculated using their average annual compensation for the two highest years of service during their career, multiplied by the total years of service and a formula factor of 2.00 percent. Benefits for Tier 2 members are the same as Tier 1 members except the average annual compensation is based on their average annual compensation for the three highest years of service during their career. The calculated amount is reduced for early retirement. Benefits vest after 5 years of service.

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Under state statute, the Retirement Board has the authority to provide post-retirement benefit adjustments, referred to as ad hoc cost of living adjustments (ad hoc COLAs). Based on the Retirement Board's policy, an ad hoc cost of living adjustment may be granted if the definition of "actuarially sound," which requires the following condition, is met based on the results of the annual actuarial funding valuation:

- The retirement plan's funded ratio (actuarial value of assets/actuarial accrued liability), is at least 75% and such ratio will not fall below that level as the results of any specific COLA amount granted.

In an effort to maintain the actuarial soundness of the retirement plan, the Retirement Board's policy also requires the following items to be considered when determining the retirement plan's ability to grant an ad hoc cost of living adjustment:

- The actuarial impact on the retirement plan's liabilities, if any specific COLA amount is granted.
- The current COLA matrix, prepared by the retirement plan's actuary, when determining the amount of COLA that can be supported given the return on the actuarial value of assets and the current funding ratio.

Employees Covered by Benefit Terms

As of the measurement date of April 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	303
Inactive employees entitled to but no yet receiving benefits	45
Active employees	<u>522</u>
Total	<u><u>870</u></u>

Contributions

Contribution provisions are established by the Revised Statutes of Missouri. Employee contribution rates are determined by the Retirement Board. The employee contribution rates during the year ended April 30, 2022 was 5.0% of each participant's annual base earnings without consideration for overtime or other incentive pay amounts. A Missouri Statute requires the City to contribute such amounts as necessary to meet the actuarially determined annual required contribution. For the fiscal year ending April 30, 2022 (measurement date) the pension plan received \$6,441,244 in contributions from the City.

Net Pension Liability

The net pension liability was measured as of April 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2021, which was rolled forward to April 30, 2022.

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Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.5%
Wage inflation	3.00%
Salary increases, including wage inflation	3.60 to 6.5%
Long-term rate of return, net of investment expense, including price inflation	7.10%
Municipal bond index rate	3.07%
Year Fiduciary Net Position is projected to be depleted	N/A
Single Equivalent Interest Rate, net of investment expense, including price inflation	7.10%
Post-retirement benefit increases	Simple COLA of 2.5% per year

Mortality:

Pre-retirement mortality rates were based on the RP-2000 Employee Table, with a 1-year age set-forward, projected to 2017 using Scale AA. Future mortality improvement is projected generationally using the ultimate projection scale of MP-2017 and reflects the 1-year set forward.

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Table, with a 1-year age set-forward, projected to 2017 using Scale AA. Future mortality improvement is projected generationally using the ultimate projection scale of MP-2017 and reflects the 1-year set forward.

Disability mortality rates were based on the RP-2000 Healthy Annuitant Table, with a 5-year age set-forward, projected to 2017 using Scale AA, also set forward 5 years. Future mortality improvement is projected generationally using the ultimate projection scale of MP-2017 and reflects the 5-year age set forward.

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the five year period ending April 30, 2017. The experience study report is dated December 11, 2018.

Discount Rate

The discount rate used to measure the total pension liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the employer actuarially determined contribution rate. On that basis, the pension plans fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR). Therefore, the long-term expected rate of return of 7.10% is the SEIR for the Measurement Date. The discount rate as of April 30, 2021 was 7.35%.

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The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the pension plan about every five years. The results of the most recent experience study were presented in a report dated December 11, 2018. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the pension plan's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	37.00%	5.15%
Fixed Income	30.00%	1.00%
Direct Lending	5.00%	4.50%
Real Estate	11.00%	3.75%
Private Equity	2.00%	8.25%
Absolute Return	15.00%	3.33%
Total	100.00%	

Future benefit payments for all current plan members were projected through 2120.

Sensitivity of the Net Pension Liability to Changes in Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.10%, as well as what the City's Net Pension Liability would be using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate.

	1% Decrease 6.10%	Current Single Discount Rate Assumption 7.10%	1% Increase 8.10%
Net Pension Liability	\$ 80,589,840	\$ 50,944,443	\$ 26,303,042

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Change in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at beginning of year	\$ 207,284,241	\$ 174,187,753	\$ 33,096,488
Changes for the year:			
Service cost	4,247,669	-	4,247,669
Interest	14,865,769	-	14,865,769
Differences between expected and actual experience	(3,113,432)	-	(3,113,432)
Assumption/SEIR changes	6,682,650	-	6,682,650
Contributions - non-employer	-	5,800,468	(5,800,468)
Contributions - employee	-	1,510,871	(1,510,871)
Net investment income	-	(2,332,986)	2,332,986
Benefit payments, including refunds	(10,239,284)	(10,239,284)	-
Administrative expenses	-	(143,652)	143,652
Net changes	12,443,372	(5,404,583)	17,847,955
Balances at end of year	\$ 219,727,613	\$ 168,783,170	\$ 50,944,443

Post-Employment Benefits Other than Pensions (OPEB)

Plan Description

The Department's defined benefit OPEB plan, the Kansas City Police and Civilian Retiree Health Care Plan provides for a continuation of medical, prescription drug, and dental insurance benefits to employees (and their dependents) that retire from Department employment and who participate in the Police Retirement System of Kansas City, Missouri or the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri. The benefits are provided through fully insured arrangements that collectively operate as a single-employer defined benefit plan, administered by the Department. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75 (GASB Statement 75).

The Department requires the retirees to pay 100% of the blended health care premium. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. (The retiree insurance is guaranteed issue; no medical questionnaire is required.) The difference between these amounts is the implicit rate subsidy, which is considered other post-employment benefits (OPEB) under GASB Statement 75. The Department's OPEB plan does not issue a separate report.

Retirees and their dependents have the same benefits as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan, when the retiree elects to participate in Medicare, or dies. Retirees have the option of utilizing the Department's healthcare plan as secondary coverage to Medicare benefits. Additionally, retirees have a one-time option, before the age of 65, to rejoin the plan should they ever terminate coverage.

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Employees Covered by Benefit Terms

As of the April 30, 2022 actuarial valuation, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefit payments	347
Inactive members entitled to but not receiving benefits	86
Active employees	1,634
	<u>2,067</u>

Total OPEB Liability

The Department's total OPEB liability of \$42,594,011 was measured as of April 30, 2022 and was determined by an actuarial valuation as of April 30, 2022.

Actuarial Assumptions

The total OPEB liability in the April 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Salary increase	Civilians: service-based rates from 6.50% to 3.60% Police: service-based rates from 8.00% to 3.00% with additional longevity increases of 10% at 8 years
Discount rate	3.42% as of the measurement date; 2.12% for the prior year
Healthcare cost trend rates (includes inflation)	Initial rate of 6.60% declining to an ultimate rate of 4.25% after 12 years

The discount rate was based on the Fidelity "20 Year Municipal G) AA Index".

Mortality rates based on the RP-2000 Employee Mortality Table projected to 2017 using Scale AA is used for active members and is set forward one year for Civilian employees. The RP-2000 Healthy Annuitant Mortality Table projected to 2017 using Scale AA is used for healthy retirees and is set forward one year for Civilian employees. The RP-2000 Healthy Annuitant Mortality Table projected to 2017 using Scale AA set forward 5 years is applied to disabled retirees. Future mortality improvements were modeled using the ultimate projection scale of MP-2017 also with any applicable set forwards.

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Change in the Total OPEB Liability

	Total OPEB Liability
Beginning of year	\$ 56,051,022
Changes for the year:	
Service cost	3,050,169
Interest	1,207,055
Difference between expected and actual experience	(9,087,460)
Changes in assumptions and other inputs	(7,347,647)
Benefit payments, net of contributions	(1,279,128)
Net changes	(13,457,011)
End of year	\$ 42,594,011

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Total OPEB Liability of the Department, calculated using the discount rate of 3.42%, as well as what the Total OPEB Liability would be using a discount rate that is 1 percentage point lower (2.42%) or one percentage point higher (4.42%) than the current rate.

	1% Decrease 2.42%	Discount Rate 3.42%	1% Increase 4.42%
Total OPEB Liability	\$ 48,083,372	\$ 42,594,011	\$ 38,009,733

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Healthcare Rate	1% Increase
Total OPEB liability	\$ 37,207,828	\$ 42,594,011	\$ 49,250,968

The Police Department of Kansas City, Missouri

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April 30, 2023

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended April 30, 2023, the Department recognized OPEB expense of \$2,109,058. The Department reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 5,726,360	\$ 10,467,038
Differences in expected and actual experience	-	11,282,599
Contributions (benefit payments) subsequent to the measurement date	1,120,065	-
Total	\$ 6,846,425	\$ 21,749,637

Except for contributions (benefit payments) subsequent to measurement date, amounts reported as deferred outflows and inflows of resources related to OPEB as of the measurement date will be recognized as of OPEB expense as follows:

Fiscal Year Ending	Net deferred outflows/(inflows)
2024	\$ (2,148,166)
2025	(2,148,166)
2026	(2,148,166)
2027	(2,148,177)
2028	(2,155,400)
Thereafter	(5,275,202)
Total	\$ (16,023,277)

Note 10: Pending Governmental Accounting Standards Board (GASB) Statements

GASB Statement No 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Department is required to implement GASB Statement No. 94 in the fiscal year beginning May 1, 2023.

GASB Statement No 96, *Subscription-Based Information Technology Arrangements*. The primary objectives of this Statement are to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Department is required to implement GASB Statement No. 96 in the fiscal year beginning May 1, 2023.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2023

The practice issues addressed by this Statement are as follows: Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives; Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset; and clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. The Department is required to implement this portion of GASB Statement No. 99 in the fiscal year beginning May 1, 2023.

Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument. The Department is required to implement this portion of GASB Statement No. 99 in the fiscal year beginning May 1, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Department is required to implement GASB Statement No. 100 in the fiscal year beginning May 1, 2024.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Department is required to implement GASB Statement No. 101 in the fiscal year beginning May 1, 2024.

The Department has not completed its assessment of the impact of the adoption of these statements.

Note 11: Subsequent Events

The Department has evaluated subsequent events through June 23, 2023, the date the financial statements were available to be issued. No events were identified that required adjustment to or disclosure in the financial statements.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Schedule of Share of Collective Net Pension Liability
 April 30, 2023

	<u>2023*</u>	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
Police Retirement System									
Total pension liability	\$ 1,382,796,776	\$ 1,341,742,993	\$ 1,293,439,160	\$ 1,255,429,605	\$ 1,204,038,915	\$ 1,163,351,475	\$ 1,202,620,288	\$ 1,125,373,861	\$ 1,062,680,857
Plan fiduciary net position	<u>990,521,742</u>	<u>1,033,642,868</u>	<u>874,338,308</u>	<u>891,225,734</u>	<u>879,496,868</u>	<u>827,347,041</u>	<u>772,791,036</u>	<u>793,880,318</u>	<u>763,076,453</u>
Collective net pension liability	<u>\$ 392,275,034</u>	<u>\$ 308,100,125</u>	<u>\$ 419,100,852</u>	<u>\$ 364,203,871</u>	<u>\$ 324,542,047</u>	<u>\$ 336,004,434</u>	<u>\$ 429,829,252</u>	<u>\$ 331,493,543</u>	<u>\$ 299,604,404</u>
City's total proportionate share of the collective net pension liability	<u>\$ 392,275,034</u>	<u>\$ 308,100,125</u>	<u>\$ 419,100,852</u>	<u>\$ 364,203,871</u>	<u>\$ 324,542,047</u>	<u>\$ 336,004,434</u>	<u>\$ 429,829,252</u>	<u>\$ 331,493,543</u>	<u>\$ 299,604,404</u>
Department's proportionate share of the collective net pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 89,969,030	\$ 92,230,363	\$ 94,266,165	\$ 95,096,463	\$ 91,597,650	\$ 90,570,590	\$ 91,951,939	\$ 91,749,770	\$ 89,320,031
Department's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	71.63%	77.04%	67.60%	70.99%	73.05%	71.12%	64.26%	70.54%	71.81%
Civilian Employees' Retirement System									
Total pension liability	\$ 219,727,613	\$ 207,284,241	\$ 198,752,230	\$ 189,520,748	\$ 179,393,466	\$ 173,715,867	\$ 180,214,070	\$ 169,732,772	\$ 157,964,859
Plan fiduciary net position	<u>168,783,170</u>	<u>174,187,753</u>	<u>145,364,743</u>	<u>146,187,834</u>	<u>142,605,109</u>	<u>132,565,840</u>	<u>122,134,689</u>	<u>123,941,108</u>	<u>117,341,038</u>
Collective net pension liability	<u>\$ 50,944,443</u>	<u>\$ 33,096,488</u>	<u>\$ 53,387,487</u>	<u>\$ 43,332,914</u>	<u>\$ 36,788,357</u>	<u>\$ 41,150,027</u>	<u>\$ 58,079,381</u>	<u>\$ 45,791,664</u>	<u>\$ 40,623,821</u>
City's total proportionate share of the collective net pension liability	<u>\$ 50,944,443</u>	<u>\$ 33,096,488</u>	<u>\$ 53,387,487</u>	<u>\$ 43,332,914</u>	<u>\$ 36,788,357</u>	<u>\$ 41,150,027</u>	<u>\$ 58,079,381</u>	<u>\$ 45,791,664</u>	<u>\$ 40,623,821</u>
Department's proportionate share of the collective net pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 30,521,671	\$ 29,308,096	\$ 28,859,162	\$ 28,265,993	\$ 25,433,657	\$ 25,060,993	\$ 25,747,787	\$ 26,461,305	\$ 25,616,923
Department's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	76.81%	84.03%	73.14%	77.14%	79.49%	76.31%	67.77%	73.02%	74.28%

* Amounts presented above are measured as of the measurement date ending April 30 of the prior year.

This schedule is intended to present 10 years of information. Additional years will be added as information becomes available.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Schedule of Non-employer Contributions
 April 30, 2023

Police Retirement System	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 38,815,206	\$ 38,224,280	\$ 36,166,888	\$ 33,432,570	\$ 32,280,943	\$ 32,103,207	\$ 30,979,978	\$ 30,272,063	\$ 28,933,261	\$ 35,062,322
Contributions in relation to the actuarially determined contribution - non-employer	38,815,206	38,224,280	36,166,888	33,432,570	32,280,943	32,103,207	30,979,978	30,272,063	28,933,261	22,241,769
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,820,553
Department's covered-employee payroll*	\$ 89,069,730	\$ 94,332,747	\$ 94,266,575	\$ 95,096,348	\$ 94,573,506	\$ 91,597,650	\$ 90,570,590	\$ 91,951,939	\$ 91,749,770	\$ 89,320,031
Contributions as a percentage of covered-employee payroll	43.58%	40.52%	38.37%	35.16%	34.13%	35.05%	34.21%	32.92%	31.53%	24.90%
Civilian Employees' Retirement System	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 6,447,244	\$ 5,800,468	\$ 5,358,552	\$ 4,849,708	\$ 4,778,854	\$ 4,994,191	\$ 5,063,240	\$ 5,048,167	\$ 4,930,686	\$ 5,657,924
Contributions in relation to the actuarially determined contribution - non-employer	6,447,244	5,800,468	5,358,552	4,849,708	4,778,854	4,994,191	5,063,240	5,048,167	4,930,686	4,122,375
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,535,549
Department's covered-employee payroll*	\$ 30,521,671	\$ 29,470,477	\$ 28,859,148	\$ 28,265,916	\$ 27,108,524	\$ 25,433,860	\$ 25,060,993	\$ 25,747,787	\$ 26,461,305	\$ 25,616,923
Contributions as a percentage of covered-employee payroll	21.12%	19.68%	18.57%	17.16%	17.63%	19.64%	20.20%	19.61%	18.63%	16.09%

*Covered payroll is measured as of the fiscal year end April 30.

Note: Effective with FY 2015, the actuarially determined contribution is determined as a dollar amount rather than a percentage of actual pensionable payroll

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Required Supplementary Information

April 20, 2023

Police Retirement System of Kansas City, Missouri

Changes in Benefit and Funding Terms

The following changes were reflected in the valuation performed as of April 30 listed below:

2013 – The 2013 Missouri General Assembly passed Senate Bill 215/House Bill 418 which provided for the following changes to the pension plan:

- Increased the number of years of creditable service from 30 to 32 (which results in the maximum benefit increasing from 75% to 80% of final average pay).
- Created a new benefit tier for new hires with the same benefit structure except final compensation is based on the average of the highest three years, eligibility for service retirement is the earlier of 27 years of service or age 60 with 15 years of service, and the form of payment is a joint and 50% survivor benefit, if married.
- Required the City to contribute the full actuarial contribution plus an additional \$200 per month for every member entitled to receive a supplemental benefit.

The Retirement Board increased the employee contribution rate by 1.00%, from 10.55% to 11.55%.

Changes in Actuarial Assumptions

4/30/2022 valuation:

- Reduction of the investment return assumption from 7.35% to 7.25%.

4/30/2021 valuation:

- Reduction of the investment return assumption from 7.40% to 7.35%.

4/30/2020 valuation:

- Reduction of the investment return assumption from 7.45% to 7.40%.

4/30/2019 valuation:

- Reduction of the investment return assumption from 7.50% to 7.45%.
- Reduction of the price inflation assumption from 3.00% to 2.50%.
- Reduction of the general wage increase assumption from 3.75% to 3.00%.
- Reduction of the payroll growth assumption from 3.75% to 3.00%.
- Increased the administrative expense assumption from 0.40% to 0.60%.
- Modification of retirement rates to better reflect the actual, observed experience.
- Changed the mortality improvement scale prospectively from Scale AA to the ultimate projection scale of MP-2017.
- Modification of the disability assumption and increase of the percentage of disabilities that are assumed to be duty-related.
- Modification of termination rates to better reflect the actual, observed experience.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Required Supplementary Information

April 20, 2023

4/30/2017 valuation:

- The amortization of the unfunded actuarial accrued liability at April 30, 2017 is amortized over a closed 30-year period. Subsequent changes in the unfunded actuarial liability due to experience are amortized in a separate base with payments over a closed 20-year period.

4/30/2013 valuation:

- Reduction of the investment return assumption from 7.75% to 7.50%.
- Reduction of the assumed cost of living adjustment from 3.00% to 2.50%.
- Reduction of the general wage increase assumption from 4.00% to 3.75%.
- Modification of retirement rates to reflect the change in the benefit structure (years of creditable service increasing from 30 to 32), the change in the mandatory retirement policy of the Police Department (from 32 to 35 years of service), and to better reflect the actual, observed experience.
- Lowered termination rates.
- Adjusted the merit scale component of the salary scale to reflect the current pay scale.
- The amortization of the UAAL was changed to be a single base, recalculated each year, and amortized as a level percentage of payroll over an open 30-year period.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Required Supplementary Information

April 20, 2023

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The Actuarially Determined Contribution rates, as a percentage of pensionable payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the April 30, two years prior to the end of the year in which Actuarially Determined Contribution amounts are reported. In the 12 years prior to fiscal year 2014, the City contributed a fixed contribution rate (19.70%) of covered payroll, regardless of the actuarial determined contribution rate. Beginning September 1, 2013, the City began to contribute the full dollar amount of the Actuarial Determined Contribution.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Employer Contribution reported in the most recent fiscal year (April 30, 2023), which was based on the results of the April 30, 2021 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years closed for Legacy UAAL (26 years remaining as of April 30, 2021)
	20 years closed for experience bases
Asset valuation method value	5-year smoothing of actual vs expected return on fair (market) value
Price Inflation	2.50 percent
Wage Inflation	3.00 percent
Salary increase, including inflation	3.00 to 19.00 percent
Long-term rate of return, net of Investment expense, and including Inflation	7.25 percent
Future Cost-of-Living Adjustment	2.50 percent (simple) for eligible members

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Required Supplementary Information

April 20, 2023

Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri

Changes in Benefit and Funding Terms

The following changes were reflected in the valuation performed as of April 30 listed below:

2013 – The 2013 Missouri General Assembly passed Senate Bill 215/House Bill 418 which created a new benefit tier for members hired on or after August 28, 2013. The plan provisions changed were:

- Normal retirement changed from age 65 to age 67.
- Early retirement, without a reduction in benefit amount changed from Rule of 80 (age plus service equal or exceeds 80) or age 60 with 10 years of creditable service to Rule of 85 or age 62 with 20 years of creditable service.
- Final compensation changed from an average of the highest two years to the highest three years.

Changes in Actuarial Assumptions

4/30/2022 valuation:

- Reduction of the investment return assumption from 7.35% to 7.10%.

4/30/2021 valuation:

- Reduction of the investment return assumption from 7.40% to 7.35%.

4/30/2020 valuation:

- Reduction of the investment return assumption from 7.45% to 7.40%.

4/30/2019 valuation:

- Reduction of the investment return assumption from 7.50% to 7.45%.
- Reduction of the price inflation assumption from 3.00% to 2.50%.
- Reduction of the general wage increase assumption from 3.75% to 3.00%.
- Reduction of the payroll growth assumption from 3.75% to 3.00%.
- Increased the administrative expense assumption from 0.40% to 0.50%.
- Modification of both early and normal retirement assumptions to better reflect the actual, observed experience.
- Changed the mortality improvement scale prospectively from Scale AA to the ultimate projection scale of MP-2017 .
- Modification of termination rates to better reflect the actual, observed experience.
- The merit salary assumption was modified to reflect the current pay scales.

4/30/2017 valuation:

- The amortization of the unfunded actuarial accrued liability at April 30, 2017 is amortized over a closed 30-year period. Subsequent changes in the unfunded actuarial liability due to experience are amortized in a separate base with payments over a closed 20-year period.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Required Supplementary Information

April 20, 2023

4/30/2013 valuation:

- Reduction of the investment return assumption from 7.75% to 7.50%.
- Reduction of the assumed cost of living adjustment from 3.00% to 2.50%.
- Reduction of the general wage increase assumption from 4.00% to 3.75%.
- Modification of both early and normal retirement assumptions to better reflect actual, observed experience.
- Termination of employment assumption was changed to a pure service-based assumption with one set of rates applicable to both male and females.
- The assumption regarding vested members who terminated employment was modified to value the greater of the value of the deferred monthly benefit or the value payable as a refund.
- Adjusted the merit scale component of the salary scale to reflect the current pay scale.
- The amortization of the UAAL was changed to be a single base, recalculated each year, and amortized as a level percentage of payroll over an open 30 year period.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The Actuarially Determined Contribution rates, as a percentage of pensionable payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the April 30, two years prior to the end of the year in which Actuarially Determined Contribution amounts are reported. In the six years prior to fiscal year 2014, the City contributed a fixed contribution rate (13.14%) of covered payroll, regardless of the actuarial determined contribution rate. Beginning September 1, 2013, the City began to contribute the full dollar amount of the Actuarial Determined Contribution.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Employer Contribution reported in the most recent fiscal year (April 30, 2023), which was based on the results of the April 30, 2021 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 year closed for Legacy UAAL (26 years remaining as of (April 30, 2021)
	20 years closed for experience bases
Asset valuation method value	5-year smoothing of actual vs expected return on fair (market) value
Price Inflation	2.50 percent
Wage Inflation	3.00 percent
Salary increase, including inflation	3.60 to 6.5 percent
Investment rate of return, net of Investment expense, and including inflation	7.10 percent
Future Cost-of-Living Adjustment	2.50 percent (simple)

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Schedule of Changes in OPEB Liability
 April 30, 2003

Total OPEB liability	2023*	2022*	2021*	2020*	2019*
Service cost	\$ 3,050,169	\$ 2,509,382	\$ 2,897,036	\$ 2,630,255	\$ 2,529,442
Interest on the total OPEB liability	1,207,055	1,413,132	1,866,558	1,846,739	1,725,564
Difference between expected and actual experience	(9,087,460)	-	(4,811,212)	-	-
Changes of assumptions	(7,347,647)	5,589,472	(5,896,825)	2,410,967	61,468
Benefit payments	(1,279,128)	(1,202,441)	(1,167,418)	(993,664)	(957,672)
Net change in total OPEB liability	(13,457,011)	8,309,545	(7,111,861)	5,894,297	3,358,802
Total OPEB liability, beginning of year	56,051,022	47,741,477	54,853,338	48,959,041	45,600,239
Total OPEB liability, end of year	<u>\$ 42,594,011</u>	<u>\$ 56,051,022</u>	<u>\$ 47,741,477</u>	<u>\$ 54,853,338</u>	<u>\$ 48,959,041</u>
Department's covered payroll	\$ 119,119,033	\$ 128,761,361	\$ 124,107,336	\$ 125,037,566	\$ 120,518,136
Total OPEB liability as percentage of covered employee payroll	35.76%	43.53%	38.47%	43.87%	40.62%

* Amounts presented above are measured as of the measurement date ending April 30 of the prior year. This schedule is intended to present 10 years of information. Additional years will be added as information becomes available.

Notes to Schedule:

Discount Rate	3.42%	2.12%	2.92%	3.35%	3.71%
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No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Changes of assumptions reflect the effects of changes in the discount rate each period.

2021* - Changes of assumptions reflect removal of the 7.10% liability load to reflect the repeal of the excise tax on high-cost employer health plans, updated healthcare trend rates to reflect the most recent expectations, and the participation rate for eligible retirees and female member one vs. two person coverage assumptions were updated to better reflect plan experience. Demographic assumptions were updated since the prior valuation to match the Actuarial Valuation Report as of April 30, 2020 for the defined benefit plan in which the Police and Civilian members participate.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 General Fund
 For the year ended April 30, 2023

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
Revenues:					
Revenues received from City of Kansas City, Missouri	\$ 226,803,551	\$ 226,281,246	\$ 225,416,979	\$ 1,673,308	\$ 227,090,287
Capital grants	-	-	1,057,424	-	1,057,424
Other intergovernmental	1,072,000	1,072,000	4,750,035	(3,584,128)	1,165,907
Charges for services	2,601,741	2,601,741	2,461,303	-	2,461,303
Interest	35,800	35,800	428,362	-	428,362
Other	777,985	777,985	401,392	-	401,392
Total revenues	231,291,077	230,768,772	234,515,495	(1,910,820)	232,604,675
Expenditures:					
Public safety - police:					
Current:					
Personal services	208,504,678	207,392,547	206,371,914	(923,921)	207,295,835
Contractual services	20,780,053	26,706,536	24,775,451	3,691,660	21,083,791
Commodities	4,138,245	5,823,706	6,046,030	(503,122)	6,549,152
Capital outlay	600,000	1,232,265	1,155,032	-	1,155,032
Total expenditures	234,022,976	241,155,054	238,348,427	2,264,617	236,083,810
Excess (deficiency) of revenues over expenditures	(2,731,899)	(10,386,282)	(3,832,932)	353,797	(3,479,135)
Other financing sources (uses):					
Proceeds from sale of capital assets	24,000	24,000	49,100	-	49,100
Transfers out	-	-	-	(185,963)	(185,963)
Total other financing sources and uses	24,000	24,000	49,100	(185,963)	(136,863)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,707,899)	(10,362,282)	(3,783,832)	167,834	(3,615,998)
Fund balance, beginning of year	10,296,181	11,131,338	11,131,338	-	10,969,424
Available prior year encumbrances	3,541,575	3,541,575	-	-	-
Fund balance, end of year	\$ 11,129,857	\$ 4,310,631	\$ 7,347,506	\$ 167,834	\$ 7,353,426

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 General Fund
 For the year ended April 30, 2023

Explanation of differences:

The Department retained the risk of loss related to workers compensation claims and certain legal claims. The State of Missouri provided legal representation for some legal claims and was responsible for claims up to \$1.0 million annually. Certain estimated claims obligations are reported for GAAP purposes but not for budget purposes until paid. \$ 167,000

The following budgetary differences do not have an impact on the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses as the differences offset revenues, expenditures, or other financing sources equally.

Liability self-retention activities are accounted for in subsidiary accounts of the general fund. Payments of \$3,584,128 made to subsidiary accounts are treated as revenue in the subsidiary account and expenditures in the general fund for budgetary purposes. Only the amount used to pay for expenditures in the subsidiary accounts is reported for GAAP purposes. -

The Department budgets for compensated absences on the cash basis, rather than on the modified accrual basis. The change of \$476,067 to the amount expected to be paid related to termination benefits from current resources is reported for GAAP purposes. -

Cash to be used in investigations is reported when given to investigative elements for budgetary purposes, but reported when spent by investigative elements for GAAP purposes. The unspent amount decreased by \$24,349 -

Inventory acquisitions are reported as expenditures for budgetary purposes, but only the change in inventory used of \$513,269 is reported for GAAP purposes. -

The amount of \$185,963 for grant matches charged in from another fund is reported with personal services and capital outlays for budgetary purposes, but is reported as a transfer out for GAAP purposes. -

The Department uses estimates to accrue payroll and certain other items for budgetary purposes, but reports subsequent changes for GAAP purposes. Subsequent changes were \$(1,569,378) for accrued payroll and inventory, of which all but \$834 is offset by revenue 834

\$ 167,834

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 Federal Seizure and Forfeiture Fund
 For the Year Ended April 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Charges for services	\$ 250,000	\$ 250,000	\$ 634,806	\$ -	\$ 634,806
Interest	-	-	55,471	-	55,471
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>690,277</u>	<u>-</u>	<u>690,277</u>
Expenditures / Expenses					
Public safety – police					
Current:					
Contractual services	3,400	3,400	2,507	-	2,507
Capital outlay	<u>750,000</u>	<u>920,334</u>	<u>782,421</u>	<u>-</u>	<u>782,421</u>
Total expenditures / expenses	<u>753,400</u>	<u>923,734</u>	<u>784,928</u>	<u>-</u>	<u>784,928</u>
Change in Fund balance	(503,400)	(673,734)	(94,651)	-	(94,651)
Fund Balance, beginning of year	<u>-</u>	<u>-</u>	<u>2,358,794</u>	<u>-</u>	<u>2,358,794</u>
Fund Balance, end of year	<u><u>\$ (503,400)</u></u>	<u><u>\$ (673,734)</u></u>	<u><u>\$ 2,264,143</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,264,143</u></u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 Federal & State Grants Fund
 For the year ended April 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Revenues received from City of					
Operating grants	\$ 9,792,614	\$ 10,188,651	\$ 5,277,645	\$ -	\$ 5,277,645
Capital grants	-	-	851,862	-	851,862
Other intergovernmental	-	-	25,809	122,658	148,467
Total revenues	<u>9,792,614</u>	<u>10,188,651</u>	<u>6,155,316</u>	<u>122,658</u>	<u>6,277,974</u>
Expenditures:					
Public safety - police:					
Current:					
Personal services	6,295,194	6,050,241	3,722,520	(250,522)	3,973,042
Contractual services	1,196,727	1,393,564	950,370	(27,455)	977,825
Commodities	660,950	996,957	644,651	(30,644)	675,295
Capital outlay	<u>1,639,743</u>	<u>1,637,895</u>	<u>837,775</u>	<u>-</u>	<u>837,775</u>
Total expenditures	<u>9,792,614</u>	<u>10,078,657</u>	<u>6,155,316</u>	<u>(308,621)</u>	<u>6,463,937</u>
Excess (deficiency) of revenues over expenditures	-	109,994	-	(185,963)	(185,963)
Other financing sources (uses):					
Transfers in	-	-	-	185,963	185,963
Total other financing sources and uses	-	-	-	185,963	185,963
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	109,994	-	-	-
Fund balance, beginning of year	-	-	-	-	-
Available prior year encumbrances	<u>393,570</u>	<u>393,570</u>	-	-	-
Fund balance, end of year	<u>\$ 393,570</u>	<u>\$ 503,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Explanation of differences:

The following budgetary differences do not have an impact on the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses as the differences offset revenues, expenditures, or other financing sources equally.

The amount of \$185,963 for grant matches charged out to another fund is reported with personal services and commodities for budgetary purposes, but is reported as a transfer in for GAAP purposes.

\$ -

The department uses estimates to accrue payroll and certain other items for budgetary purposes, but reports subsequent changes for GAAP purposes. Subsequent changes were \$64,559 for accrued payroll.

\$ -

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Combining Balance Sheet - Nonmajor Funds
 April 30, 2023

	Public Safety Sales Tax	Police Drug Enforcement	Equipment Lease Capital Acquisition	City 2023B Bond	Non-Major Funds Total
Assets					
Cash and short-term investments	\$ -	\$ 41,010	\$ -	\$ -	\$ 41,010
Receivables:					
Due from City of Kansas City, Missouri	5,668	-	-	-	5,668
Due from other governments	-	944,591	-	-	944,591
Total assets	<u>\$ 5,668</u>	<u>\$ 985,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 991,269</u>
Liabilities					
Accounts payable	\$ 5,668	\$ 521	\$ -	\$ -	\$ 6,189
Accrued payroll	-	93,119	-	-	93,119
Unearned revenue	-	-	-	-	-
Due to City of Kansas City, Missouri	-	850,952	-	-	850,952
Due to other governments	-	38,476	-	-	38,476
Total liabilities	<u>5,668</u>	<u>983,068</u>	<u>-</u>	<u>-</u>	<u>988,736</u>
Fund Balances					
Fund balances:					
Restricted	-	2,533	-	-	2,533
Total fund balance	<u>-</u>	<u>2,533</u>	<u>-</u>	<u>-</u>	<u>2,533</u>
Total liabilities and fund balances	<u>\$ 5,668</u>	<u>\$ 985,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 991,269</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Funds
 For the Year Ended April 30, 2023

	Public Safety Sales Tax	Police Drug Enforcement	Equipment Lease Capital Acquisition	City 2023B Bond	Non-Major Funds Total
Revenues:					
Revenues received from City of Kansas City, Missouri	\$ 4,147,716	\$ -	\$ 44,114	\$ 708,100	\$ 4,899,930
Other intergovernmental	-	3,394,716	-	-	3,394,716
Total revenues	<u>4,147,716</u>	<u>3,394,716</u>	<u>44,114</u>	<u>708,100</u>	<u>8,294,646</u>
Expenditures:					
Public safety - police:					
Current:					
Personal services	-	2,858,763	-	-	2,858,763
Contractual services	742,544	235,010	-	-	977,554
Commodities	-	299,416	-	-	299,416
Capital outlay	<u>3,405,172</u>	<u>150,001</u>	<u>44,114</u>	<u>708,100</u>	<u>4,307,387</u>
Total expenditures	<u>4,147,716</u>	<u>3,543,190</u>	<u>44,114</u>	<u>708,100</u>	<u>8,443,120</u>
Excess (deficiency) of revenues over expenditures	-	(148,474)	-	-	(148,474)
Fund balance, beginning of year	-	151,007	-	-	151,007
Fund balance, end of year	<u>\$ -</u>	<u>\$ 2,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,533</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Combining Statement of Fiduciary Net Position - Custodial Funds
 April 30, 2023

	<u>ETAC</u>	<u>Depository</u>	<u>Seizure Retention</u>	<u>Misdemeanor Bond</u>	<u>Dental Program</u>	<u>Custodial Funds Total</u>
Assets						
Cash and short-term investments	\$ 487,063	\$ 702,083	\$ 2,545,816	\$ 3,000	\$ 92,411	\$ 3,830,373
Receivables:						
Accounts	-	-	-	-	1,697	1,697
Interest	-	1,169	4,605	-	-	5,774
Due from other governments	304,500	-	-	-	-	304,500
Total assets	<u>791,563</u>	<u>703,252</u>	<u>2,550,421</u>	<u>3,000</u>	<u>94,108</u>	<u>4,142,344</u>
Liabilities						
Due to other funds	-	-	-	3,000	1,000	4,000
Deposits held for others	-	703,252	2,550,421	-	-	3,253,673
Total liabilities	<u>-</u>	<u>703,252</u>	<u>2,550,421</u>	<u>3,000</u>	<u>1,000</u>	<u>3,257,673</u>
Net Position						
Restricted	<u>791,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,108</u>	<u>884,671</u>
	<u>\$ 791,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,108</u>	<u>\$ 884,671</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Combining Statement of Changes in Fiduciary Net Position - Custodial Funds
 For the Year Ended April 30, 2023

	<u>ETAC</u>	<u>Depository</u>	<u>Seizure Retention</u>	<u>Misdemeanor Bond</u>	<u>Dental Program</u>	<u>Custodial Funds Total</u>
Additions						
Intergovernmental	\$ 1,401,140	\$ -	\$ -	\$ -	\$ -	\$ 1,401,140
Interest	-	14,696	57,931	-	-	72,627
Deposits	-	444,236	872,982	89,387	-	1,406,605
Employee contributions	-	-	-	-	1,223,414	1,223,414
	<u>1,401,140</u>	<u>458,932</u>	<u>930,913</u>	<u>89,387</u>	<u>1,223,414</u>	<u>4,103,786</u>
Deductions						
Contractual services	946,481	-	-	-	-	946,481
Distributions	-	458,932	930,913	89,387	1,224,525	2,703,757
	<u>946,481</u>	<u>458,932</u>	<u>930,913</u>	<u>89,387</u>	<u>1,224,525</u>	<u>3,650,238</u>
Change in Fiduciary Net Position	454,659	-	-	-	(1,111)	453,548
Net Position - Beginning	<u>336,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,219</u>	<u>431,123</u>
Net Position - Ending	<u>\$ 791,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,108</u>	<u>\$ 884,671</u>