

**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, 2020**

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

April 30, 2020

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COCHRAN HEAD VICK & CO., P.C.

& Co

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

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, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

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, 2020, 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.

Other offices in  
Missouri and Kansas

## **Other Matters**

### *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.

### *Other 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.

The combining nonmajor and fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 29, 2020, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Department's internal control over financial reporting and compliance.

*Cochran Head VICK + Co., P.C.*

Kansas City, Missouri  
June 29, 2020

# **The Police Department of Kansas City, Missouri**

## **A Component Unit of the City of Kansas City, Missouri**

### **Management's Discussion and Analysis**

**April 30, 2020**

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, 2020. 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 minus liabilities) at April 30, 2020 was a deficit of \$79,016,943. Liabilities associated with compensated absences and other post-employment benefits totaling \$96,761,411 are the major reasons for the deficit.
- The Department's net position decreased by \$2,459,710 in the current year primarily due to increases in other post-employment obligations and a decrease in risk management claims payable.
- Current year revenues of \$260,533,219 reflect an increase of \$11,892,600 or 4.8% from the prior year. The increase was primarily due to revenues from the City to fund the current year increase in pension expense.

Current year revenues consist of City revenues totaling \$243,101,294 or 93.3% of total revenues, and grants, the Jackson County anti-drug sales tax, charges for services, and other revenues providing \$17,431,925 or 6.7% 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, 2020

### 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 Assets and Liabilities – Fiduciary 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 and liabilities, 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 12<sup>th</sup> 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, 2020

### ***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 & 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 account for resources held for the benefit of parties outside the Department. The Department is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Department's fiduciary activities are reported in a separate *Statement of Assets and Liabilities*. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Department's own activity.

### 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 & 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, 2020

### 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 was a deficit of \$79,016,943 at April 30, 2020 compared to a net position deficit of \$76,557,233 at the end of the previous year. This change totals \$2,459,710 and was caused primarily by increases in estimates for other post-employment benefits for health insurance in the amount of \$3,724,719 and decrease in risk management claims payable in the amount of \$475,462. Another contributing factor was depreciation, net of capital asset additions of \$961,628.

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)

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 18,969	\$ 16,000
Capital assets	23,499	24,340
Deferred outflows	3,202	1,033
Total assets and deferred outflows	<u>45,670</u>	<u>41,373</u>
Other liabilities	17,863	15,758
Long-term liabilities	106,824	102,172
Total liabilities	<u>124,687</u>	<u>117,930</u>
Net position:		
Net investment in capital assets	23,499	24,340
Restricted	4,027	3,730
Unrestricted (deficit)	<u>(106,542)</u>	<u>(104,627)</u>
Total net position (deficit)	<u>\$ (79,017)</u>	<u>\$ (76,557)</u>

Liabilities such as compensated absences and other-post employment benefits totaling \$96,761,411 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 \$90,915,878 last 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, 2020

Net investment in capital assets of \$23,498,981 reflects the Department's capital assets (vehicles, helicopters, and equipment) net of accumulated depreciation. Capital assets are used to provide public safety; these assets are not available for future spending. The decrease in the net investment in capital assets of \$841,300 from the prior year is due to depreciation exceeding new purchases of equipment.

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>2020</u>	<u>2019</u>
Revenues		
Program revenues	\$ 260,533	\$ 248,640
Expenses		
Public safety - police	<u>263,007</u>	<u>254,611</u>
Change in net position before asset disposals	(2,474)	(5,971)
Asset disposals	<u>14</u>	<u>(4)</u>
Change in net position	(2,460)	(5,975)
Net position (deficit), beginning of year	<u>(76,557)</u>	<u>(70,582)</u>
Net position (deficit), end of year	<u><u>\$ (79,017)</u></u>	<u><u>\$ (76,557)</u></u>

The Department's net position before capital asset disposals decreased \$2,473,777. The majority of this decrease is due to increases in estimates for liabilities related to other post-employment benefits. Revenue from the City increased \$10,110,450 due to the reporting of the police and civilian pension plans special funding situation with the City.

Personal services increased 5.8% primarily due to changes in pension expense. Salaries and benefits represent 88.8% of the Department's governmental activity expenses, compared to 86.7% last year. Included in personal services are amounts paid into the pension systems on behalf of sworn and civilian employees.

Non-personal services decreased 12.9% mostly as a result of a decrease in estimated risk management claims payable.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

## Management's Discussion and Analysis

April 30, 2020

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.

### ***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 \$10,176,088; an increase of \$2,939,243 in comparison with the prior year.

- Fund balance in the amount of \$4,026,659 is restricted for grants and state-required workers' compensation escrow.
- Board-authorized purchase commitments are \$294,801.

The general fund had an ending fund balance of \$7,966,613; an increase of \$2,694,952 in comparison with the prior year resulting primarily from increases in changes in risk management activity. The department expended \$1,031,378 from a federal grant that is reported in the general fund.

The Department has two other major funds. The federal seizure & forfeiture fund had an ending fund balance of \$2,056,940; an increase of \$186,334 or 10% in comparison with the prior year. The increase is due to additional revenue, the receipt of which is dependent upon federal direction. 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.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

## Management's Discussion and Analysis

April 30, 2020

### 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 were under budget by \$271,221 as a result of savings due to open positions and expending less for positions funded by police-generated revenues. Contractual services were under budget by \$1,003,262 primarily due to risk management claims. Commodities were over budget by \$38,478 due to increased personal protective equipment and capital outlays were under budget by \$193,263 due to anticipated purchases not being funded through donations.

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:

- Increases to revenues and appropriations for costs related to staffing, overtime, personal protective equipment and TIPS Hotline were \$1,116,331.
- Increases to revenues and appropriations for costs related to computer network fees were \$80,000.
- Increases to revenues and appropriations for costs related to donations were \$80,000.
- Increases to revenues and appropriations for costs related to Liability Self-Retention were \$500,000.

### ***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, 2020, the Department's capital assets were \$105,038,249 and accumulated depreciation was \$81,539,268. More detailed information about the Department's capital assets is presented in Notes 1 and 3 to the basic financial statements. The Department has no debt related to the acquisition of capital assets. The City issued general obligation (G.O.) and special obligation (S.O.) debt to provide appropriations to the Department for equipping new/remodeled facilities.

# **The Police Department of Kansas City, Missouri**

**A Component Unit of the City of Kansas City, Missouri**

**Management's Discussion and Analysis**

**April 30, 2020**

## ***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, 2020, City general revenues will fund \$234,473,300 for the Department, an increase of \$5,469,387 or 2.4%. This increase covers pay, health, and pension increases. In next year's budget, non-City funding sources support costs of \$31,903,893, an increase of \$5,890,922 attributable primarily to more grant funding and funding for ETAC. The Department's operating budget increased 3.5% over the prior year and represents 21.1% of City's governmental funds budgets, compared to 21.3% last year. Personnel costs represent 86.5% of the Department budget.

The Department anticipates completing a \$6,609,005 in-car video replacement and securing funding for body-worn cameras that will integrate with this system. Due to the COVID-19 Pandemic and reduction in various City revenue sources, next year's appropriated budget may be negatively impacted, requiring the Department to operate with less staff than previous budgets. Additionally, as a public safety entity, the Department's role in protecting life and property will have a significant effect on the budget as high profile events occur within our jurisdiction.

## ***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, 2020

	General Fund	Federal Seizure & Forfeiture	Federal and State Grants	Other Funds	Total	Adjustments	Statement of Net Position
<b>Assets</b>							
Cash and short-term investments	\$ 7,119,445	\$ 2,113,425	\$ 141,456	\$ 185,203	\$ 9,559,529	\$ -	\$ 9,559,529
Receivables:							
Accounts	396,255	-	-	-	396,255	-	396,255
Interest	6,070	1,000	-	-	7,070	-	7,070
Due from City of Kansas City, Missouri	3,237,582	-	-	186,257	3,423,839	-	3,423,839
Due from other governments	143	-	1,836,694	99,120	1,935,957	-	1,935,957
Due from other funds	4,000	-	-	-	4,000	-	4,000
Inventories	1,968,556	-	-	-	1,968,556	-	1,968,556
Restricted deposits	1,673,711	-	-	-	1,673,711	-	1,673,711
Capital assets, net of accumulated depreciation	-	-	-	-	-	23,498,981	23,498,981
Total assets	<u>14,405,762</u>	<u>2,114,425</u>	<u>1,978,150</u>	<u>470,580</u>	<u>18,968,917</u>	<u>23,498,981</u>	<u>42,467,898</u>
<b>Deferred Outflows of Resources</b>							
OPEB related amounts	-	-	-	-	-	3,202,393	3,202,393
Total assets and deferred outflows of resources	<u>\$ 14,405,762</u>	<u>\$ 2,114,425</u>	<u>\$ 1,978,150</u>	<u>\$ 470,580</u>	<u>\$ 18,968,917</u>	<u>\$ 26,701,374</u>	<u>\$ 45,670,291</u>
<b>Liabilities</b>							
Accounts payable	\$ 369,581	\$ 57,485	\$ 47,557	\$ 186,257	\$ 660,880	\$ -	\$ 660,880
Accrued payroll	4,875,123	-	82,937	53,753	5,011,813	-	5,011,813
Unearned revenue	311,306	-	11,032	-	322,338	-	322,338
Due to City of Kansas City, Missouri	298,256	-	1,836,624	45,367	2,180,247	-	2,180,247
Due to other governments	-	-	-	32,668	32,668	-	32,668
Compensated absences - current	128,383	-	-	-	128,383	9,526,316	9,654,699
Compensated absences - noncurrent	-	-	-	-	-	32,253,374	32,253,374
Net OPEB obligation	-	-	-	-	-	54,853,338	54,853,338
Claims payable	456,500	-	-	-	456,500	19,261,377	19,717,877
Total liabilities	<u>6,439,149</u>	<u>57,485.00</u>	<u>1,978,150</u>	<u>318,045</u>	<u>8,792,829</u>	<u>115,894,405</u>	<u>124,687,234</u>
<b>Fund Balances/Net Position</b>							
Fund balances:							
Restricted for workers compensation escrow	1,673,711	-	-	-	1,673,711	(1,673,711)	-
Restricted for programs	143,473	2,056,940	-	152,535	2,352,948	(2,352,948)	-
Committed to capital outlay	294,801	-	-	-	294,801	(294,801)	-
Assigned to subsequent year's budget	557,077	-	-	-	557,077	(557,077)	-
Unassigned	5,297,551	-	-	-	5,297,551	(5,297,551)	-
Total fund balances	<u>7,966,613</u>	<u>2,056,940</u>	<u>-</u>	<u>152,535</u>	<u>10,176,088</u>	<u>(10,176,088)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 14,405,762</u>	<u>\$ 2,114,425</u>	<u>\$ 1,978,150</u>	<u>\$ 470,580</u>	<u>\$ 18,968,917</u>		
Net position:							
Net investment in capital assets						23,498,981	23,498,981
Restricted for special programs						4,026,659	4,026,659
Unrestricted (deficit)						(106,542,583)	(106,542,583)
Total net position (deficit)						<u>(79,016,943)</u>	<u>(79,016,943)</u>
Total liabilities and net position (deficit)						<u>\$ 26,701,374</u>	<u>\$ 45,670,291</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, 2020

Total fund balances - governmental funds	\$	10,176,088
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 as assets in governmental funds. The cost of the assets is \$105,038,249, and the accumulated depreciation is \$81,539,268		23,498,981
Deferred outflows 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		3,202,393
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Compensated absences		(41,779,690)
Net OPEB obligation		(54,853,338)
Claims payable		(19,261,377)
Total net position (deficit)	\$	<u>(79,016,943)</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, 2020

	<u>General Fund</u>	<u>Federal Seizure &amp; Forfeiture</u>	<u>Federal and State Grants</u>	<u>Other Funds</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:							
Revenues received from City of Kansas City, Missouri	\$ 226,171,962	\$ -	\$ -	\$ 5,293,453	\$ 231,465,415	\$ 11,635,879	\$ 243,101,294
Operating grants	1,031,378	-	6,333,012	-	7,364,390	-	7,364,390
Capital grants	-	-	132,565	-	132,565	171,485	304,050
Other intergovernmental	2,223,513	-	1,383,709	2,647,192	6,254,414	(1,121,951)	5,132,463
Charges for services	2,592,765	789,206	-	-	3,381,971	-	3,381,971
Interest	194,017	36,071	-	-	230,088	-	230,088
Other	1,018,963	-	-	-	1,018,963	-	1,018,963
Total revenues	<u>233,232,598</u>	<u>825,277</u>	<u>7,849,286</u>	<u>7,940,645</u>	<u>249,847,806</u>	<u>10,685,413</u>	<u>260,533,219</u>
Expenditures/expenses:							
Public safety - police:							
Current:							
Personal services	210,908,637	-	4,576,117	2,539,337	218,024,091	15,430,543	233,454,634
Contractual services	13,228,604	2,414	2,600,916	996,605	16,828,539	(744,467)	16,084,072
Commodities	5,513,380	-	267,227	22,647	5,803,254	(320,155)	5,483,099
Depreciation	-	-	-	-	-	6,686,773	6,686,773
Capital outlay	689,284	627,363	677,156	4,324,099	6,317,902	(5,019,484)	1,298,418
Total expenditures/expenses	<u>230,339,905</u>	<u>629,777</u>	<u>8,121,416</u>	<u>7,882,688</u>	<u>246,973,786</u>	<u>16,033,210</u>	<u>263,006,996</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>2,892,693</u>	<u>195,500</u>	<u>(272,130)</u>	<u>57,957</u>	<u>2,874,020</u>	<u>(5,347,797)</u>	<u>(2,473,777)</u>
Other financing sources (uses):							
Disposal of capital assets	65,223	-	-	-	65,223	(51,156)	14,067
Transfers - internal activities	(262,964)	(9,166)	272,130	-	-	-	-
Total other financing sources and uses	<u>(197,741)</u>	<u>(9,166)</u>	<u>272,130</u>	<u>-</u>	<u>65,223</u>	<u>(51,156)</u>	<u>14,067</u>
Change in fund balances/ net position	2,694,952	186,334	-	57,957	2,939,243	(5,398,953)	(2,459,710)
Fund balances/net position:							
Beginning of year	<u>5,271,661</u>	<u>1,870,606</u>	<u>-</u>	<u>94,578</u>	<u>7,236,845</u>	<u>(83,794,078)</u>	<u>(76,557,233)</u>
End of year	<u>\$ 7,966,613</u>	<u>\$ 2,056,940</u>	<u>\$ -</u>	<u>\$ 152,535</u>	<u>\$ 10,176,088</u>	<u>\$ (89,193,031)</u>	<u>\$ (79,016,943)</u>

**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, 2020

Net change in fund balances - total governmental funds	\$	2,939,243
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Capital grant revenue consisted of capital assets donated by grantors		171,485
Revenues that are unavailable in the governmental funds due to not receiving cash within 60 days are recognized as revenue in the statement of activities.		(1,121,951)
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 (\$6,686,773) exceeded capital expenditures (\$5,751,880), and aircraft parts that were installed (\$26,736) in the current period.		(961,629)
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		11,635,879
Pension expense		(11,635,879)
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		(69,945)
Change in OPEB liability and related deferred outflows		(3,724,719)
Claims payable		358,962
In the statement of activities, only the gain from disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of assets sold.		(51,156)
Change in net position in governmental activities	<u>\$</u>	<u>(2,459,710)</u>



**The Police Department of Kansas City, Missouri**

A Component Unit of the City of Kansas City, Missouri  
Statement of Assets and Liabilities - Fiduciary Funds  
April 30, 2020

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and short-term investments	\$ 3,200,951
Receivables:	
Accounts	2,031
Interest	1,216
Due from other governments	189,125
Total assets	<u>\$ 3,393,323</u>
<b>Liabilities</b>	
Due to general fund	\$ 4,000
Other accrued liabilities	3,389,323
Total liabilities	<u>\$ 3,393,323</u>

See Notes to Basic Financial Statements

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

## 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, 2020

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 Fund Types**

- *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 revenue are the City, Jackson County, grants and charges for services.

## **Fiduciary Fund Types**

- *Agency Funds* – Used to account for assets held by the Department as trustee or agent for others. Agency Funds are custodial in nature and do not involve the measurement of results of operations.

## **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 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, 2020

## **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. All capital assets over the capitalization levels are depreciated on a straight-line basis over the following useful lives. The Department's capitalization threshold is five thousand dollars.

	<b>Useful Life/Range</b>
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.

## **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.

	<b>Option 1</b>		<b>Option 2</b>	
	<b>Law Enforcement</b>	<b>Civilian</b>	<b>Law Enforcement</b>	<b>Civilian</b>
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 \$9,526,316 is calculated based upon management's estimate of the amount to be paid during the year ending April 30, 2021.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

The following is a summary of changes in the compensated absence liabilities of the Department for the year ended April 30, 2020:

Balance April 30, 2019	Current Year Earned and Changes in Estimates	Payments	Balance, April 30, 2020	Due Within One Year
\$ 41,956,837	\$ 14,445,067	\$ 14,493,831	\$ 41,908,073	\$ 9,654,699

### ***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.

### ***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.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

## 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.”

## ***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 position 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 in the discount rate used to calculate the OPEB liability that will be amortized over 9 years. 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 position/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.

## ***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.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

## 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.

## Note 2: Deposits, Investments, and Investment Income

At April 30, 2020, the carrying values of cash and investment are summarized as follows:

Carrying value:	
Deposits	\$ 4,828,096
Restricted Deposits	1,673,711
Investments	7,796,939
Cash on hand	143,731
	<u>143,731</u>
	<u>\$ 14,442,477</u>

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

Cash and short-term investments – Governmental Funds	\$ 9,559,529
Restricted deposits – Governmental Funds	1,673,711
Interest receivable – Governmental Funds	7,070
Cash and short-term investments – Agency Funds	3,200,951
Interest receivable – Agency Funds	1,216
	<u>1,216</u>
	<u>\$ 14,442,477</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, 2020, none of the Department's bank balances were exposed to custodial credit risk.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

## 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, 2020, the Department had the following investments and maturities:

	<u>Fair Value</u>
U.S. government securities with maturities of 90 days or less	<u>\$ 7,796,939</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, 2020, the Department's investments were all in U.S. government obligations which are not subject to such risks.

**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, 2020 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, 2020, 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, 2020:

Investments	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. government securities	<u>\$ 7,796,939</u>	<u>\$ 7,796,939</u>	<u>\$ -</u>	<u>\$ -</u>

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 \$1,673,711. These funds are intended to provide additional assurance that the Department will provide funding for excess workers' compensation, if required.



# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

## Note 3: Changes in Capital Assets

A summary of changes in the Capital Assets for the year ended April 30, 2020 follows:

	<u>Balance April 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, April 30, 2020</u>
Police equipment	\$ 100,971,524	\$ 6,395,464	\$ (2,328,739)	\$ 105,038,249
Accumulated depreciation	<u>(76,631,243)</u>	<u>(6,686,773)</u>	<u>1,778,748</u>	<u>(81,539,268)</u>
Net depreciable assets	<u>\$ 24,340,281</u>	<u>\$ (291,309)</u>	<u>\$ (549,991)</u>	<u>\$ 23,498,981</u>

## 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, 2020. 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. According to Missouri State Statute, the Department is entitled to reimbursements from the State of Missouri for settlements of certain claims up to \$1,000,000 annually.

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 \$456,500 in the General Fund as of April 30, 2020. Remaining estimated claims of \$19,261,377 have been reported as a long-term obligation of the Department.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

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

	<b>Automobile Liability</b>	<b>General Professional</b>	<b>Workers' Compensation</b>	<b>Total</b>
Balance, April 30, 2018	\$ 658,814	\$ 8,591,896	\$ 10,409,000	\$ 19,659,710
Claims payments	(219,373)	(3,343,315)	(2,444,298)	(6,006,986)
Claims and changes in estimates	1,849,898	2,876,419	1,814,298	6,540,615
Balance, April 30, 2019	2,289,339	8,125,000	9,779,000	20,193,339
Claims payments	(459,260)	(1,210,730)	(2,424,451)	(4,094,441)
Claims and changes in estimates	854,798	685,730	2,078,451	3,618,979
Balance, April 30, 2020	<u>\$ 2,684,877</u>	<u>\$ 7,600,000</u>	<u>\$ 9,433,000</u>	<u>\$ 19,717,877</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.

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

### Leases

The Department rents various vehicles, copiers, and office facilities under cancelable operating leases. Rent expenditures for the year ended April 30, 2020 was \$1,040,010. As of April 30, 2020, minimum future rental payments required under these leases for subsequent fiscal years were:

2021	\$ 712,019
2022	99,367
	<u>\$ 811,386</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, 2020

Contractual and Purchase Orders

The Department has contractual and purchase orders relating to various commodities, contractual services, and capital outlay totaling \$6,811,446 as of April 30, 2020. These contractual and purchase orders will be liquidated during 2021.

**Note 7: Interfund Activity**

***Due to/from Other Funds***

A summary of interfund obligations at April 30, 2020 is shown below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Governmental Funds</b>		
General Fund	\$ 4,000	\$ -
<b>Fiduciary Funds</b>		
Misdemeanor Bond	-	3,000
Dental/Vision Program	-	1,000
	<u>          </u>	<u>          </u>
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 and self-insurance.

The Department had the following types of transfers among funds for the year ended April 30, 2020:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Federal and State Grants Fund	Grant Match	<u>\$ 272,130</u>

**Note 8: Employee Benefit Commitments**

***Payments Made on Behalf of the Department***

During the year ended April 30, 2020, the City's contribution for the Department's FICA for law enforcement and civilian personnel was \$4,096,157 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 Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

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, 2020, the proportionate share (100%) of the net pension liability recognized by the City totaled \$407,536,785 (Police Retirement System \$364,203,871 and Civilian Employees' Retirement System \$43,332,914, 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, 2020 was \$49,911,271 (Police Retirement System \$44,017,251 and Civilian Employees' Retirement System \$5,894,020, 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 \$11,635,879 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 \$49,911,271.

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.kcpcers.org](http://www.kcpcers.org).

### 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.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

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 Board's policy, an ad hoc cost of living adjustment may be granted if the definition of "actuarially sound," which requires at least one of the three following conditions, is met based on the results of the annual actuarial funding valuation:

- The plan's funded ratio (actuarial value of assets/actuarial accrued liability), rounded to the nearest whole percentage, is 75% or greater.
- For each of the three most recently completed plan years, the plan has received a combination of City and employee contributions that in total are, rounded to the nearest whole percentage, 90% or greater of the plan's total actuarial required contributions.
- For at least three out of the last five completed plan years, the plan has received City contributions that equal or exceed the plan's actuarially required contribution amount.

## Employees Covered by Benefit Terms

As of the measurement date of April 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,369
Inactive employees entitled to but no yet receiving benefits	38
Active employees	1,279
	<hr/>
	2,686
	<hr/>

## 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, 2020 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, 2019 (measurement date) the pension plan received \$32,280,943 in contributions from the City.

## Net Pension Liability

The net pension liability was measured as of April 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2018, which was rolled forward to April 30, 2019.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

## 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	7.45%
Municipal bond index rate	3.85%
Year Fiduciary Net Position is projected to be depleted	N/A
Single Equivalent Interest Rate, net of investment expense, including price inflation	7.45%
Post-retirement benefit increases	Simple COLA of 2.5% per year

Pre-retirement mortality rates were based on the RP-2000 Employee Table using Scale AA generational projections to model future mortality improvement.

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Table using Scale AA generational projections to model future mortality improvement.

Disability mortality rates were based on the RP-2000 Healthy Annuitant Table with a 5-year age set-forward using Scale AA generational projections to model future mortality improvement.

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 7.45%. 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 7.45% is the SEIR for the Measurement Date. The discount rate as of April 30, 2018 was 7.50%.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

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%	

Projected future benefit payments for all current plan members were projected through 2117.

### 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 7.45%, as well as what the City's Net Pension Liability would be using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current rate.

	1% Decrease 6.45%	Current Single Discount Rate Assumption 7.45%	1% Increase 8.45%
Net Pension Liability	\$ 529,208,694	\$ 364,203,871	\$ 228,524,830

**The Police Department of Kansas City, Missouri**

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

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	\$ 1,204,038,915	\$ 879,496,868	\$ 324,542,047
Changes for the year:			
Service cost	25,427,633	-	25,427,633
Interest	87,869,790	-	87,869,790
Differences between expected and actual experience	(1,263,810)	-	(1,263,810)
Assumption/SEIR changes	5,435,086	-	5,435,086
Contributions - non-employer	-	32,280,943	(32,280,943)
Contributions - employee	-	11,412,617	(11,412,617)
Net investment income	-	34,916,020	(34,916,020)
Benefit payments, including refunds	(66,078,009)	(66,078,009)	-
Administrative expense	-	(802,705)	802,705
Net changes	51,390,690	11,728,866	39,661,824
Balances at end of year	\$ 1,255,429,605	\$ 891,225,734	\$ 364,203,871

***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](http://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.

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 Board's policy, an ad hoc cost of living adjustment may be granted if the definition of "actuarially sound," which requires at least one of the three following conditions, is met based on the results of the annual actuarial funding valuation:



# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

- The plan's funded ratio (actuarial value of assets/actuarial accrued liability), rounded to the nearest whole percentage, is 75% or greater.
- For each of the three most recently completed plan years, the plan has received a combination of City and employee contributions that in total are, rounded to the nearest whole percentage, 90% or greater of the plan's total actuarial required contributions.
- For at least three out of the last five completed plan years, the plan has received City contributions that equal or exceed the plan's actuarially required contribution amount.

## Employees Covered by Benefit Terms

As of the measurement date of April 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	282
Inactive employees entitled to but no yet receiving benefits	46
Active employees	543
	<hr/>
	871
	<hr/>

## 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, 2019 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, 2019 (measurement date) the pension plan received \$4,778,854 in contributions from the City.

## Net Pension Liability

The net pension liability was measured as of April 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2018, which was rolled forward to April 30, 2019.

## 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	3.6 to 6.5%
Long-term rate of return, net of investment expense, including price inflation	7.45%
Municipal bond index rate	3.85%
Year Fiduciary Net Position is projected to be depleted	N/A
Single Equivalent Interest Rate, net of investment expense, including price inflation	7.45%
Post-retirement benefit increases	Simple COLA of 2.5% per year

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2020

Pre-retirement mortality rates were based on the RP-2000 Employee Table with a 1-year age set-forward using Scale AA generational projections to model future mortality improvement.

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Table with a 1-year age set-forward using Scale AA generational projections to model future mortality improvement.

Disability mortality rates were based on the RP-2000 Healthy Annuitant Table with a 5-year age set-forward using Scale AA generational projections to model future mortality improvement.

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 7.45%. 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 7.45% is the SEIR for the Measurement Date. The discount rate as of April 30, 2018 was 7.50%.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00%</u>	

Projected future benefit payments for all current plan members were projected through 2117.

# The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

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## 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 7.45%, as well as what the City's Net Pension Liability would be using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current rate.

	1% Decrease 6.45%	Current Single Discount Rate Assumption 7.45%	1% Increase 8.45%
Net Pension Liability	\$ 68,788,777	\$ 43,332,914	\$ 22,171,268

## Change in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	Balances at beginning of year	\$ 179,393,466	\$ 142,605,109
Changes for the year:			
Service cost	4,091,838	-	4,091,838
Interest	13,152,701	-	13,152,701
Differences between expected and actual experience	(2,871,806)	-	(2,871,806)
Assumption/SEIR changes	3,950,960	-	3,950,960
Contributions - non-employer	-	4,778,854	(4,778,854)
Contributions - employee	-	1,415,677	(1,415,677)
Net investment income	-	5,721,238	(5,721,238)
Benefit payments, including refunds	(8,196,411)	(8,196,411)	-
Administrative expense	-	(136,633)	136,633
Net changes	10,127,282	3,582,725	6,544,557
Balances at end of year	\$ 189,520,748	\$ 146,187,834	\$ 43,332,914

## ***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 Police Department of Kansas City, Missouri

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Notes to Basic Financial Statements

April 30, 2020

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.

## Employees Covered by Benefit Terms

As of the April 30, 2018 actuarial valuation, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefit payments	434
Active employees	1,806
	<u>2,240</u>

## Total OPEB Liability

The Department's total OPEB liability of \$54,853,338 was measured as of April 30, 2019 and was determined by an actuarial valuation as of April 30, 2018.

## Actuarial Assumptions

The total OPEB liability in the April 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Salary increase	Civilians: based rate from 7.75% to 3.75% Police: service based rates from 8.75% to 3.75% with additional longevity increases of 10% at 8 years
Discount rate	3.35% as of the measurement date; 3.71% for the prior year
Healthcare cost trend rates (includes inflation)	Initial rate of 7.10% declining to an ultimate rate of 4.25% after 14 years
Excise Tax and Healthcare Reform	Flate rate of 7.10% applied to the total OPEB liability to reflect the anticipated impact of the excise tax on high-cost employer health plans effective January 1, 2020

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

Mortality rates were based on the Society of Actuaries RP-2000 tables for active members and is set forward one year for Civilian employees. The RP-2000 healthy annuitant mortality table is used for healthy retirees and is set forward one year for Civilian employees. The RP-200 healthy annuitant table is set forward 5 years is applied to disabled retirees. Future mortality improvements were modeled using projection scale AA.

## The Police Department of Kansas City, Missouri

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Notes to Basic Financial Statements

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The actuarial assumptions used in the April 30, 2018 valuation were based on an experience analysis of the plan's past experience, the actuary's experience with plans of similar size, plan design, and retiree contribution level.

### Change in the Total OPEB Liability

	Total OPEB Liability
Beginning of year	\$ 48,959,041
Changes for the year:	
Service cost	2,630,255
Interest	1,846,739
Change in benefit terms	-
Changes in assumptions and other inputs	2,410,967
Benefit payments, net of contributions	(993,664)
Net changes	5,894,297
End of year	\$ 54,853,338

### 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 3.35%, as well as what the Department's Total OPEB Liability would be using a discount rate that is 1 percentage point lower (2.35%) or one percentage point higher (4.35%) than the current rate.

	1% Decrease 2.35%	Discount Rate 3.35%	1% Increase 4.35%
Total OPEB Liability	\$ 62,467,846	\$ 54,853,338	\$ 48,518,047

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

The following presents the Total OPEB Liability of the Department, calculated using the healthcare cost trend rate of 7.10%, as well as what the Department's Total OPEB Liability would be using a discount rate that is 1 percentage point lower (6.10% decreasing to 3.25%) or one percentage point higher (8.10% decreasing to 5.25%) than the current rate.

	1% Decrease (6.1% decreasing to 3.25%)	Healthcare Rate (7.1% decreasing to 4.25%)	1% Increase (8.1% decreasing to 5.25%)
Total OPEB liability	\$ 46,805,046	\$ 54,853,338	\$ 64,927,390

# The Police Department of Kansas City, Missouri

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Notes to Basic Financial Statements

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## OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended April 30, 2019, the Department recognized OPEB expense of \$4,751,755. The Department reported deferred outflows related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes in assumptions	\$ 2,143,037
Contributions (benefit payments) subsequent to the measurement date	<u>1,059,356</u>
Total	<u>\$ 3,202,393</u>

Amounts reported as deferred outflows of resources related to OPEB changes in assumptions as of the measurement date will be recognized as a reduction of OPEB expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2021	\$ 274,761
2022	274,761
2023	274,761
2024	274,761
2025	274,761
Thereafter	<u>817,038</u>
Total	<u>\$ 2,190,843</u>

### **Note 9: Pending Governmental Accounting Standards Board (GASB) Statements**

In May 2020, the GASB issued Statement No 95 Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations. The Department is required to implement GASB Statement No. 83 in the fiscal year beginning May 1, 2020.

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Department is required to implement GASB Statement No.84 in the fiscal year beginning May 1, 2020.

# The Police Department of Kansas City, Missouri

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Notes to Basic Financial Statements

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GASB Statement No.87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Department is required to implement GASB Statement No. 87 in the fiscal year beginning May 1, 2022.

GASB Statement No.88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Related Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Department is required to implement GASB Statement No. 88 in the fiscal year beginning May 1, 2020.

GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Department is required to implement GASB Statement No. 89 in the fiscal year beginning May 1, 2021.

GASB Statement No 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Department is required to implement GASB Statement No. 90 in the fiscal year beginning May 1, 2020.

GASB Statement No 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Department is required to implement GASB Statement No. 91 in the fiscal year beginning May 1, 2022.

GASB Statement No 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements

# The Police Department of Kansas City, Missouri

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Notes to Basic Financial Statements

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- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

While certain topics are effective upon issuance, generally, the Department is required to implement GASB Statement No. 92 in the fiscal year beginning May 1, 2021.

GASB Statement No 93, Replacement of Interbank Offered Rates. The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. The Department is required to implement GASB Statement No. 93 in the fiscal year beginning May 1, 2021.

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.

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

## **Note 10: Subsequent Events**

The Department has evaluated subsequent events through June 29, 2020, the date the financial statements were available to be issued. No events were identified that required adjustment to or disclosure in the financial statements.

## **Note 11: COVID -19**

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak a pandemic. The ultimate effect on the Department's financial statements cannot be determined at this time.



**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, 2020

<b>Police Retirement System</b>	<b>2020*</b>	<b>2019*</b>	<b>2018*</b>	<b>2017*</b>	<b>2016*</b>	<b>2015*</b>
Total pension liability	\$ 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	891,225,734	879,496,868	827,347,041	772,791,036	793,880,318	763,076,453
Collective net pension liability	<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>\$ 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>
Department's covered payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	70.99%	73.05%	71.12%	64.26%	70.54%	71.81%
 <b>Civilian Employees' Retirement System</b>	 <b>2020*</b>	 <b>2019*</b>	 <b>2018*</b>	 <b>2017*</b>	 <b>2016*</b>	 <b>2015*</b>
Total pension liability	\$ 189,520,748	\$ 179,393,466	\$ 173,715,867	\$ 180,214,070	\$ 169,732,772	\$ 157,964,859
Plan fiduciary net position	146,187,834	142,605,109	132,565,840	122,134,689	123,941,108	117,341,038
Collective net pension liability	<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>\$ 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>
Department's covered payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	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, 2020

<b>Police Retirement System</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Actuarially determined contribution	\$ 32,797,288	\$ 32,280,943	\$ 32,103,207	\$ 30,979,978	\$ 30,272,063	\$ 28,933,261	\$ 35,062,322	\$ 31,652,713	\$ 28,277,060	\$ 32,019,847
Contributions in relation to the actuarially determined contribution - non-employer	32,797,288	32,280,943	32,103,207	30,979,978	30,272,063	28,933,261	22,241,769	16,933,694	16,476,608	16,532,015
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,820,553</u>	<u>\$ 14,719,019</u>	<u>\$ 11,800,452</u>	<u>\$ 15,487,832</u>
Department's covered-employee payroll*	\$ 97,674,929	\$ 94,573,506	\$ 91,597,650	\$ 90,570,590	\$ 91,951,939	\$ 91,749,770	\$ 89,320,031	\$ 86,036,186	\$ 83,783,881	\$ 87,105,133
Contributions as a percentage of covered-employee payroll	33.58%	34.13%	35.05%	34.21%	32.92%	31.53%	24.90%	19.68%	19.67%	18.98%
<b>Civilian Employees' Retirement System</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Actuarially determined contribution	\$ 5,358,552	\$ 4,778,854	\$ 4,994,191	\$ 5,063,240	\$ 5,048,167	\$ 4,930,686	\$ 5,657,924	\$ 4,956,189	\$ 4,361,223	\$ 4,748,151
Contributions in relation to the actuarially determined contribution - non-employer	5,358,552	4,778,854	4,994,191	5,063,240	5,048,167	4,930,686	4,122,375	3,283,458	3,146,124	3,185,041
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,549</u>	<u>\$ 1,672,731</u>	<u>\$ 1,215,099</u>	<u>\$ 1,563,110</u>
Department's covered-employee payroll*	\$ 28,822,590	\$ 27,108,524	\$ 25,433,860	\$ 25,060,993	\$ 25,747,787	\$ 26,461,305	\$ 25,616,923	\$ 25,005,998	\$ 23,975,937	\$ 25,162,434
Contributions as a percentage of covered-employee payroll	18.59%	17.63%	19.64%	20.20%	19.61%	18.63%	16.09%	13.13%	13.12%	12.66%

\*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 30, 2020

### **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%.

2011 – A new employer policy allowed police officers to continue working until they reach 32 years of service, although benefit accruals and member contributions ended at 30 years.

#### Changes in Actuarial Assumptions

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 30, 2020

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.

4/30/2011 valuation:

- The Board of Trustees adopted a change in the asset smoothing method and implemented it by resetting the actuarial value of assets equal to the market value of assets as of April 30, 2011. The new smoothing method recognizes the difference between the actual and expected return on the market value of assets evenly over a five-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 30, 2020

### 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 City Contribution reported in the most recent fiscal year (April 30, 2020), which was based on the results of the April 30, 2018 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Layered bases with periods ranging from 20 to 29 years (29 years remaining period for legacy base)
Asset valuation method value	5-year smoothing of actual vs expected return on fair (market) value
Price Inflation	3.00 percent
Wage Inflation	3.75 percent
Salary increase, including inflation	3.75 to 8.75 percent
Investment rate of return, net of Investment expense, and including Inflation	7.50 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 30, 2020

### **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

4/30/2019 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.

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.

## The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Required Supplementary Information

April 30, 2020

- 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.

4/30/2011 valuation:

- The Board of Trustees adopted a change in the asset smoothing method and implemented it by resetting the actuarial value of assets equal to the market value of assets as of April 30, 2011. The new smoothing method recognizes the difference between the actual and expected return on the market value of assets evenly over a five-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, 2020), which was based on the results of the April 30, 2018 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Layered bases with periods ranging from 20 to 29 years (29 years remaining period for legacy base)
Asset valuation method value	5-year smoothing of actual vs expected return on fair (market) value
Price Inflation	3.00 percent
Wage Inflation	3.75 percent
Salary increase, including inflation	3.75 to 7.75 percent
Investment rate of return, net of Investment expense, and including inflation	7.50 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, 2020

<b>Total OPEB liability</b>	<u><b>2020*</b></u>	<u><b>2019*</b></u>
Service cost	\$ 2,630,255	\$ 2,529,442
Interest on the total OPEB liability	1,846,739	1,725,564
Changes of benefit terms	-	-
Difference between expected and actual experience	-	-
Changes of assumptions	2,410,967	61,468
Benefit payments	<u>(993,664)</u>	<u>(957,672)</u>
Net change in total OPEB liability	5,894,297	3,358,802
Total OPEB liability, beginning of year	48,959,041	45,600,239
Total OPEB liability, end of year	<u><u>\$ 54,853,338</u></u>	<u><u>\$ 48,959,041</u></u>
Department's covered payroll	\$ 125,037,566	\$ 120,518,136
Total OPEB liability as percentage of covered employee payroll	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:

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.

The following are the discount rates used in each period:

2019 - 3.35%, 2018 - 3.71%, 2017 - 3.72%



**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, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
<b>Revenues:</b>					
Revenues received from City of Kansas City, Missouri	\$ 226,803,913	\$ 227,920,244	\$ 226,340,996	\$ (169,034)	\$ 226,171,962
Operating grants	617,310	617,310	1,031,378	-	1,031,378
Other intergovernmental	1,112,000	1,112,000	4,223,513	(2,000,000)	2,223,513
Charges for services	2,530,687	2,530,687	2,592,765	-	2,592,765
Interest	21,000	21,000	194,017	-	194,017
Other	945,667	1,025,667	1,018,963	-	1,018,963
<b>Total revenues</b>	<b>232,030,577</b>	<b>233,226,908</b>	<b>235,401,632</b>	<b>(2,169,034)</b>	<b>233,232,598</b>
<b>Expenditures:</b>					
Public safety - police:					
Current:					
Personal services	211,227,580	211,740,979	211,469,758	561,121	210,908,637
Contractual services	15,954,006	16,309,463	15,306,201	2,077,597	13,228,604
Commodities	4,652,326	5,336,385	5,374,863	(138,517)	5,513,380
Capital outlay	700,000	882,547	689,284	-	689,284
<b>Total expenditures</b>	<b>232,533,912</b>	<b>234,269,374</b>	<b>232,840,106</b>	<b>2,500,201</b>	<b>230,339,905</b>
Excess (deficiency) of revenues over expenditures	(503,335)	(1,042,466)	2,561,526	331,167	2,892,693
<b>Other financing sources (uses):</b>					
Disposal of capital assets	48,000	48,000	65,223	-	65,223
Transfers out	-	-	(7,610)	(255,354)	(262,964)
<b>Total other financing sources     and uses</b>	<b>48,000</b>	<b>48,000</b>	<b>57,613</b>	<b>(255,354)</b>	<b>(197,741)</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(455,335)	(994,466)	2,619,139	75,813	2,694,952
Fund balance, beginning of year	4,047,445	5,271,661	5,271,661	-	5,271,661
Available prior year encumbrances	1,479,573	1,479,573	-	-	-
Fund balance, end of year	<u>\$ 5,071,683</u>	<u>\$ 5,756,768</u>	<u>\$ 7,890,800</u>	<u>\$ 75,813</u>	<u>\$ 7,966,613</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  
 General Fund  
 For the year ended April 30, 2020

**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.	\$ (1,012,951)
Revenues not expected to be collected within 60 days are reported as deferred inflows for GAAP purposes.	1,121,951
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 \$5,262,000 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 expenses 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 \$247,092 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 increased by \$34,683	-
Inventory acquisitions are reported as expenditures for budgetary purposes, but only the change in inventory used of \$200,814 is reported for GAAP purposes.	-
The amount of \$255,354 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 \$227,602 for accrued payroll and inventory, of which all but \$32,150 is offset by revenue	(40,687)

\$ 68,313
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**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, 2020

	<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	\$ 200,000	\$ 200,000	\$ 789,206	\$ -	\$ 789,206
Interest	-	-	36,071	-	36,071
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>825,277</u>	<u>-</u>	<u>825,277</u>
Expenditures / Expenses					
Public safety – police					
Current:					
Contractual services	12,400	12,400	2,414	-	2,414
Capital outlay	590,000	745,708	627,363	-	627,363
Total expenditures / expenses	<u>602,400</u>	<u>758,108</u>	<u>629,777</u>	<u>-</u>	<u>629,777</u>
Excess (deficiency) of revenues over expenditures / expenses	<u>(402,400)</u>	<u>(558,108)</u>	<u>195,500</u>	<u>-</u>	<u>195,500</u>
Other Financing Sources (Uses)					
Transfers out	-	-	(9,166)	-	(9,166)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>(9,166)</u>	<u>-</u>	<u>(9,166)</u>
Change in Fund balance	(402,400)	(558,108)	186,334	-	186,334
Fund Balance, beginning of year	-	-	1,870,606	-	1,870,606
Encumbrances	226,080	226,080	-	-	-
Fund Balance, end of year	<u>\$ (176,320)</u>	<u>\$ (332,028)</u>	<u>\$ 2,056,940</u>	<u>\$ -</u>	<u>\$ 2,056,940</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, 2020

	<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>			
<b>Revenues:</b>					
Operating grants	\$ 6,379,612	\$ 7,606,412	\$ 6,333,012	\$ -	\$ 6,333,012
Capital grants			132,565		132,565
Other intergovernmental	-	-	1,253,216	130,493	1,383,709
Total revenues	<u>6,379,612</u>	<u>7,606,412</u>	<u>7,718,793</u>	<u>130,493</u>	<u>7,849,286</u>
<b>Expenditures:</b>					
Public safety - police:					
Current:					
Personal services	4,756,955	4,750,986	4,237,826	(338,291)	4,576,117
Contractual services	1,309,657	1,590,793	2,553,360	(47,556)	2,600,916
Commodities	123,000	356,210	267,227	-	267,227
Capital outlay	190,000	744,521	677,156	-	677,156
Total expenditures	<u>6,379,612</u>	<u>7,442,510</u>	<u>7,735,569</u>	<u>(385,847)</u>	<u>8,121,416</u>
Excess (deficiency) of revenues over expenditures	-	163,902	(16,776)	(255,354)	(272,130)
<b>Other financing sources (uses):</b>					
Transfers in	-	17,610	16,776	255,354	272,130
Total other financing sources and uses	<u>-</u>	<u>17,610</u>	<u>16,776</u>	<u>255,354</u>	<u>272,130</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>181,512</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	-	-	-	-	-
Available prior year encumbrances	<u>117,662</u>	<u>117,662</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 117,662</u>	<u>\$ 299,174</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 \$255,354 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 \$82,937 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, 2020

	<b>Public Safety Sales Tax</b>	<b>Police Drug Enforcement</b>	<b>City G.O. Bond</b>	<b>City S.O. Bond</b>	<b>City Tax-Exempt Bond</b>	<b>Byrne JAG Grant</b>	<b>Non-Major Funds Total</b>
<b>Assets</b>							
Cash and short-term investments	\$ -	\$ 185,203	\$ -	\$ -	\$ -	\$ -	\$ 185,203
Receivables:							
Due from City of Kansas City, Missouri	49,945	-	-	-	136,312	-	186,257
Due from other governments	-	99,120	-	-	-	-	99,120
Total assets	<u>\$ 49,945</u>	<u>\$ 284,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,312</u>	<u>\$ -</u>	<u>\$ 470,580</u>
<b>Liabilities</b>							
Accounts payable	\$ 49,945	\$ -	\$ -	\$ -	\$ 136,312	\$ -	\$ 186,257
Accrued payroll	-	53,753	-	-	-	-	53,753
Due to City of Kansas City, Missouri	-	45,367	-	-	-	-	45,367
Due to other governments	-	32,668	-	-	-	-	32,668
Total liabilities	<u>49,945</u>	<u>131,788</u>	<u>-</u>	<u>-</u>	<u>136,312</u>	<u>-</u>	<u>318,045</u>
<b>Fund Balances</b>							
Fund balances:							
Restricted	-	152,535	-	-	-	-	152,535
Total fund balance	<u>-</u>	<u>152,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,535</u>
Total liabilities and fund balances	<u>\$ 49,945</u>	<u>\$ 284,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,312</u>	<u>\$ -</u>	<u>\$ 470,580</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, 2020

	<b>Public Safety Sales Tax</b>	<b>Police Drug Enforcement</b>	<b>Equipment Lease Capital Acquisition</b>	<b>City S.O. Bond</b>	<b>City Tax-Exempt Bond</b>	<b>Byrne JAG Grant</b>	<b>Non-Major Funds Total</b>
Revenues:							
Revenues received from City of Kansas City, Missouri	\$ 3,181,374	\$ -	\$ 1,525,672	\$ 71,373	\$ 515,034	\$ -	\$ 5,293,453
Other intergovernmental	-	2,564,439	-	-	-	82,753	2,647,192
Other	-	-	-	-	-	-	-
Total revenues	<u>3,181,374</u>	<u>2,564,439</u>	<u>1,525,672</u>	<u>71,373</u>	<u>515,034</u>	<u>82,753</u>	<u>7,940,645</u>
Expenditures:							
Public safety - police:							
Current:							
Personal services	-	2,456,584	-	-	-	82,753	2,539,337
Contractual services	969,354	27,251	-	-	-	-	996,605
Commodities	-	22,647	-	-	-	-	22,647
Capital outlay	2,212,020	-	1,525,672	71,373	515,034	-	4,324,099
Total expenditures	<u>3,181,374</u>	<u>2,506,482</u>	<u>1,525,672</u>	<u>71,373</u>	<u>515,034</u>	<u>82,753</u>	<u>7,882,688</u>
Excess (deficiency) of revenues over expenditures	-	57,957	-	-	-	-	57,957
Fund balance, beginning of year	-	94,578	-	-	-	-	94,578
Fund balance, end of year	<u>\$ -</u>	<u>\$ 152,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,535</u>

**The Police Department of Kansas City, Missouri**

A Component Unit of the City of Kansas City, Missouri  
 Combining Statement of Assets and Liabilities - Fiduciary Funds  
 April 30, 2020

	<u>Major Case Squad</u>	<u>ETAC</u>	<u>Depository</u>	<u>Seizure Retention</u>	<u>Misdemeanor Bond</u>	<u>Dental Program</u>	<u>Agency Funds Total</u>
<b>Assets</b>							
Cash and short-term investments	\$ 223	\$ 598,888	\$ 517,860	\$ 1,952,205	\$ 11,663	\$ 120,112	\$ 3,200,951
Receivables:							
Accounts	-	-	-	-	-	2,031	2,031
Interest	-	-	259	957	-	-	1,216
Due from other governments	-	189,125	-	-	-	-	189,125
Total assets	<u>\$ 223</u>	<u>\$ 788,013</u>	<u>\$ 518,119</u>	<u>\$ 1,953,162</u>	<u>\$ 11,663</u>	<u>\$ 122,143</u>	<u>\$ 3,393,323</u>
<b>Liabilities</b>							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 1,000	\$ 4,000
Other accrued liabilities	223	788,013	518,119	1,953,162	8,663	121,143	3,389,323
Total liabilities	<u>\$ 223</u>	<u>\$ 788,013</u>	<u>\$ 518,119</u>	<u>\$ 1,953,162</u>	<u>\$ 11,663</u>	<u>\$ 122,143</u>	<u>\$ 3,393,323</u>