

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, 2021

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

April 30, 2021

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Certified Public Accountants

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, 2021, 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, 2021, 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**

Change in Accounting Principle

As described in Note 1 to the financial statements, the Department adopted new accounting guidance, Governmental Accounting Standard Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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 25, 2021, 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 Vicko & Co., P.C.

Kansas City, Missouri
June 25, 2021

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2021

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, 2021. 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 Department implemented Government Accounting Standards Board (GASB) Statement No. 84 this year. It establishes criteria to identify and report fiduciary activities, providing consistency and comparability with other state and local governments.
- The net position of the Department (assets minus liabilities) at April 30, 2021, is a deficit of \$80,807,955. Liabilities associated with compensated absences and other post-employment benefits totaling \$87,055,120 are the major reasons for the deficit.
- The Department's net position decreased by \$1,791,012 in the current year primarily due to net increase in other post-employment liability and related deferred outflows and inflows of resources and an increase in risk management claims payable.
- Current year revenues of \$273,093,665 reflect an increase of \$12,560,446, or 4.8% from the prior year. The increase is primarily due to revenues from the City to fund the current year's increase in pension expense and in-car video replacement. The department also received donated funding for body-worn cameras.
- Current year revenues consist of City revenues totaling \$256,173,743, or 93.8% of total revenues, and grants, the Jackson County anti-drug sales tax, charges for services, and other revenues providing \$16,919,922 or 6.2% 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, 2021

Basic Financial Statements

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

Government-wide Financial Statements

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

1. The statement of net position includes all of the Department's assets 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 12th Street, Kansas City, Missouri 64106.

Fund Financial Statements

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

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2021

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

Notes to Basic Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes schedules and notes related to the Department's pension plans, schedule of changes in other post-employment benefit (OPEB) liability and budgetary comparison schedules, which include reconciliations for the general fund, federal seizure & 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, 2021

Government-Wide Financial Analysis

As noted earlier, increases or decreases in the Department's net position may serve as a useful indicator of whether financial position is improving or deteriorating. The Department's net position is a deficit of \$80,807,955 at April 30, 2021 compared to a net position deficit of \$79,016,943 at the end of the previous year. This increase in the deficit totals \$1,791,012 and is caused primarily by net increase in OPEB liability and related deferred outflows and inflows of resources in the net amount of \$2,778,080 and increase in risk management claims payable in the amount of \$6,442,849. Changes in compensated absences of \$2,791,544 and capital assets additions exceeding depreciation by \$2,858,339 helped offset the increases noted above.

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)

	2021	2020
Current and other assets	\$ 20,945	\$ 18,969
Capital assets	26,329	23,499
Total assets	<u>47,274</u>	<u>42,468</u>
Deferred outflows of resources	<u>2,843</u>	<u>3,202</u>
Other liabilities	17,199	17,863
Long-term liabilities	104,196	106,824
Total liabilities	<u>121,395</u>	<u>124,687</u>
Deferred inflows of resources	<u>9,530</u>	<u>-</u>
Net position:		
Net investment in capital assets	26,329	23,499
Restricted	4,103	4,027
Unrestricted (deficit)	(111,240)	(106,542)
Total net position (deficit)	<u>\$ (80,808)</u>	<u>\$ (79,017)</u>

Liabilities such as compensated absences and other-post employment benefits totaling \$87,055,120 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 \$96,761,411 last year. Deferred inflows of resources related to OPEB increased \$9,530,165 from the prior year.

Net investment in capital assets of \$26,329,195 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 increase in the net investment in capital assets of \$2,830,214 from the prior year is due to net capital asset additions exceeding depreciation.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2021

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>2021</u>	<u>2020</u>
Revenues		
Program revenues	\$ 273,094	\$ 260,533
Expenses		
Public safety - police	<u>274,885</u>	<u>263,007</u>
Change in net position before asset disposals	(1,791)	(2,474)
Asset disposals	<u>-</u>	<u>14</u>
Change in net position	(1,791)	(2,460)
Net position (deficit), beginning of year	<u>(79,017)</u>	<u>(76,557)</u>
Net position (deficit), end of year	<u><u>\$ (80,808)</u></u>	<u><u>\$ (79,017)</u></u>

The Department's net position before capital asset disposals decreased \$1,791,012. The majority of this decrease is due to net increase in other post-employment liability and related deferred outflows and inflows of resources and an increase in risk management claims payable. Revenues from the City increased \$13,072,449 due to the reporting of the police and civilian pension plans special funding situation with the City.

Personal services increased 2.2% primarily due to changes in pension expense. Salaries and benefits represent 86.8% of the Department's governmental activity expenses, compared to 88.8% last year. Included in personal services are amounts paid into the pension systems on behalf of sworn and civilian employees.

Non-personal services increased 22.5% mostly as a result of an increase in estimated risk management claims payable.

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

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2021

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 \$11,820,747; an increase of \$1,644,659 in comparison with the prior year.

- Fund balance in the amount of \$4,102,758 is restricted for grants and state-required workers' compensation escrow.
- Board-authorized purchase commitments are \$422,349.

The general fund had an ending fund balance of \$9,607,051; an increase of \$1,640,438 in comparison with the prior year resulting primarily from increases in changes in risk management activity. The department expended \$655,408 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 \$2,062,689; an increase of \$5,749 or less than 1% 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.

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 Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2021

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 is under budget by \$1,169,619 as a result of savings due to open positions and expending less for positions funded by police-generated revenues. Contractual services is under budget by \$1,440,909 primarily due to risk management claims. Commodities are under budget by \$126,009 due to decrease in personal protective equipment associated with open law enforcement positions and capital outlays are under budget by \$197,460 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 body worn cameras are \$1,800,000.
- Decreases to revenues and appropriations due to the COVID-19 pandemic are \$5,446,191.
- Increases to revenues and appropriations for costs related to Liability Self-Retention are \$2,000,000.
- Increase to revenues and appropriations for cost related to a COPS Hiring 2020 Grant are \$433,480.

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, 2021, the Department's capital assets are \$110,234,220 and accumulated depreciation is \$83,905,025. 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 debt to provide appropriations to the Department for a computer-aided dispatch and records management system, and in-car video replacement.

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.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2021

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, 2021, City general revenues will fund \$225,967,000 for the Department, a decrease of \$8,506,300 or 3.6%. The decrease may not allow for any police academy classes and may require the Department to continue with the hiring freeze for civilians. Attrition and separation costs continue to be monitored to determine if enough salary savings can be gained in order to have a police academy and replace civilian staff. In next year's budget, non-City funding sources support costs of \$30,806,275, a decrease of \$1,097,618 attributable primarily to more grant funding and funding for ETAC (emerging threat analysis capability). The Department's operating budget decreased 3.5% over the prior year and represents 21.1% of City's governmental funds budgets, compared to 21.1% last year. Personnel costs represent 86.9% of the Department budget.

The Department anticipates completing the in-car video replacement, and remaining issuance of body-worn cameras to Investigations Bureau personnel. The Department's appropriated budget has been negatively impacted by the COVID-19 pandemic. The City made its desire known through an ordinance to limit the Department's funding to the State mandated 20% of the City's general revenues. Funding reductions come with a cost to the community by the Department operating with less staff than previous budgets allow.

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, 2021

	General Fund	Federal Seizure and Forfeiture	Federal and State Grants	Other Funds	Total	Adjustments	Statement of Net Position
Assets							
Cash and short-term investments	\$ 8,536,114	\$ 2,062,667	\$ 115,651	\$ 208,342	\$ 10,922,774	\$ -	\$ 10,922,774
Receivables:							
Accounts	796,395	-	-	-	796,395	-	796,395
Interest	115	22	-	-	137	-	137
Due from City of Kansas City, Missouri	3,225,915	-	-	33,061	3,258,976	-	3,258,976
Due from other governments	143	-	818,358	823,462	1,641,963	-	1,641,963
Due from other funds	4,000	-	-	-	4,000	-	4,000
Inventories	2,647,120	-	-	-	2,647,120	-	2,647,120
Restricted deposits	1,673,879	-	-	-	1,673,879	-	1,673,879
Capital assets, net	-	-	-	-	-	26,329,195	26,329,195
Total assets	<u>16,883,681</u>	<u>2,062,689</u>	<u>934,009</u>	<u>1,064,865</u>	<u>20,945,244</u>	<u>26,329,195</u>	<u>47,274,439</u>
Deferred Outflows of Resources							
OPEB related amounts	-	-	-	-	-	2,842,617	2,842,617
Total assets and deferred outflows of resources	<u>\$ 16,883,681</u>	<u>\$ 2,062,689</u>	<u>\$ 934,009</u>	<u>\$ 1,064,865</u>	<u>\$ 20,945,244</u>	<u>\$ 29,171,812</u>	<u>\$ 50,117,056</u>
Liabilities							
Accounts payable	\$ 377,226	\$ -	\$ 17,367	\$ 33,061	\$ 427,654	\$ -	\$ 427,654
Accrued payroll	5,302,385	-	73,108	74,610	5,450,103	-	5,450,103
Unearned revenue	322,725	-	-	1,528	324,253	-	324,253
Due to City of Kansas City, Missouri	328,797	-	843,534	750,379	1,922,710	-	1,922,710
Due to other governments	-	-	-	54,280	54,280	-	54,280
Compensated absences - current	325,497	-	-	-	325,497	8,694,325	9,019,822
Compensated absences - noncurrent	-	-	-	-	-	30,293,821	30,293,821
Net OPEB obligation	-	-	-	-	-	47,741,477	47,741,477
Claims payable	620,000	-	-	-	620,000	25,540,726	26,160,726
Total liabilities	<u>7,276,630</u>	<u>-</u>	<u>934,009</u>	<u>913,858</u>	<u>9,124,497</u>	<u>112,270,349</u>	<u>121,394,846</u>
Deferred Inflows of Resources							
OPEB related amounts	-	-	-	-	-	9,530,165	9,530,165
Fund Balances/Net Position							
Fund balances:							
Restricted for workers compensation	1,673,879	-	-	-	1,673,879	(1,673,879)	-
Restricted for programs	215,183	2,062,689	-	151,007	2,428,879	(2,428,879)	-
Committed to capital outlay	422,349	-	-	-	422,349	(422,349)	-
Assigned to subsequent year's budget	502,634	-	-	-	502,634	(502,634)	-
Unassigned	6,793,006	-	-	-	6,793,006	(6,793,006)	-
Total fund balances	<u>9,607,051</u>	<u>2,062,689</u>	<u>-</u>	<u>151,007</u>	<u>11,820,747</u>	<u>(11,820,747)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 16,883,681</u>	<u>\$ 2,062,689</u>	<u>\$ 934,009</u>	<u>\$ 1,064,865</u>	<u>\$ 20,945,244</u>		
Net position:							
Net investment in capital assets						26,329,195	26,329,195
Restricted for special programs						4,102,758	4,102,758
Unrestricted (deficit)						(111,239,908)	(111,239,908)
Total net position (deficit)						<u>(80,807,955)</u>	<u>(80,807,955)</u>
Total liabilities, deferred inflows of resources, and net position (deficit)						<u>\$ 29,171,812</u>	<u>\$ 50,117,056</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, 2021

Total fund balances - governmental funds	\$	11,820,747
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 \$110,234,220, and the accumulated depreciation is \$83,905,025		26,329,195
Deferred outflows and inflows of resources related to OPEB activity are not required to be reported in the governmental funds but are required to be reported in the Statement of Net Position		(6,687,548)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Compensated absences		(38,988,146)
OPEB liability		(47,741,477)
Claims payable		(25,540,726)
Total net position (deficit)	\$	<u>(80,807,955)</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, 2021

	<u>General Fund</u>	<u>Federal Seizure & 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	\$ 228,466,847	\$ -	\$ -	\$ 7,532,874	\$ 235,999,721	\$ 20,174,022	\$ 256,173,743
Operating grants	1,152,769	-	5,878,407	-	7,031,176	-	7,031,176
Capital grants	1,851,893	-	-	-	1,851,893	-	1,851,893
Other intergovernmental	1,082,345	-	1,401,291	2,842,588	5,326,224	-	5,326,224
Charges for services	1,958,958	54,193	-	-	2,013,151	-	2,013,151
Interest	43,384	8,988	-	-	52,372	-	52,372
Other	645,106	-	-	-	645,106	-	645,106
Total revenues	<u>235,201,302</u>	<u>63,181</u>	<u>7,279,698</u>	<u>10,375,462</u>	<u>252,919,643</u>	<u>20,174,022</u>	<u>273,093,665</u>
Expenditures/expenses:							
Public safety - police:							
Current:							
Personal services	211,401,759	-	4,477,569	2,640,075	218,519,403	20,160,558	238,679,961
Contractual services	14,717,256	2,197	2,477,548	746,012	17,943,013	6,161,714	24,104,727
Commodities	5,127,645	-	355,505	66,472	5,549,622	(571,811)	4,977,811
Depreciation	-	-	-	-	-	6,998,873	6,998,873
Capital outlay	2,078,966	55,235	232,439	6,924,431	9,291,071	(9,167,766)	123,305
Total expenditures/expenses	<u>233,325,626</u>	<u>57,432</u>	<u>7,543,061</u>	<u>10,376,990</u>	<u>251,303,109</u>	<u>23,581,568</u>	<u>274,884,677</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>1,875,676</u>	<u>5,749</u>	<u>(263,363)</u>	<u>(1,528)</u>	<u>1,616,534</u>	<u>(3,407,546)</u>	<u>(1,791,012)</u>
Other financing sources (uses):							
Disposal of capital assets	28,125	-	-	-	28,125	(28,125)	-
Transfers - internal activities	(263,363)	-	263,363	-	-	-	-
Total other financing sources and (uses)	<u>(235,238)</u>	<u>-</u>	<u>263,363</u>	<u>-</u>	<u>28,125</u>	<u>(28,125)</u>	<u>-</u>
Change in fund balances/ net position	<u>1,640,438</u>	<u>5,749</u>	<u>-</u>	<u>(1,528)</u>	<u>1,644,659</u>	<u>(3,435,671)</u>	<u>(1,791,012)</u>
Fund balances/net position:							
Beginning 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>
End of year	<u>\$ 9,607,051</u>	<u>\$ 2,062,689</u>	<u>\$ -</u>	<u>\$ 151,007</u>	<u>\$ 11,820,747</u>	<u>\$ (92,628,702)</u>	<u>\$ (80,807,955)</u>

See Notes to Basic Financial Statements

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
Reconciliation of the Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
with the Statement of Activities
For the year ended April 30, 2021

Net change in fund balances - total governmental funds \$ 1,644,659

Amounts reported for governmental activities in the statement of activities are different because:

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 capital expenditures (\$9,763,379) exceeded depreciation (\$6,998,873), and aircraft parts that were installed (\$37,583) in the current period. 2,858,339

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	20,174,022
Pension expense	(20,174,022)

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	2,791,544
Change in OPEB liability and related deferred outflows and inflows of resources	(2,778,080)
Claims payable	(6,279,349)

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. (28,125)

Change in net position in governmental activities \$ (1,791,012)

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
Statement of Fiduciary Net Position - Custodial Funds
April 30, 2021

	Custodial Funds
Assets	
Cash and short-term investments	\$ 2,834,417
Receivables:	
Accounts	2,083
Interest	26
Due from other governments	301,250
Total assets	<u>3,137,776</u>
Liabilities	
Due to other funds	4,000
Deposits held for others	2,455,842
Total liabilities	<u>2,459,842</u>
Net Position	
Restricted	677,934
	<u>\$ 677,934</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
Statement of Changes in Fiduciary Net Position - Custodial Funds
For the Year Ended April 30, 2021

	Custodial Funds
Additions:	
Intergovernmental	\$ 607,089
Interest	7,562
Deposits	1,426,848
Employee Contributions	1,396,806
	<u>3,438,305</u>
Deductions:	
Contractual services	2,235,117
Distributions	1,434,410
	<u>3,669,527</u>
Change in Fiduciary Net Position	(231,222)
Net Position - Beginning	<u>909,156</u>
Net Position - Ending	<u><u>\$ 677,934</u></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, 2021

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, 2021

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

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

Governmental Funds

The major governmental funds of the Department are described below:

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

Fiduciary Fund Types

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

Inventory

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

Short-Term Investments

Investments consisting of U.S. treasury bills that have original maturities of three months or less 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, 2021

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.

	Useful Life/Range
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.

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

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

The accrued compensated absence liability represents only the vested portion of the earned compensation days. It is calculated using the above percentages and assumptions made by the Department as to whether employees would resign or retire. This assumption is based upon years of service. The current portion of the liability of \$9,019,822 is calculated based upon management's estimate of the amount to be paid during the year ending April 30, 2022.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2021

The following is a summary of changes in the compensated absence liabilities of the Department for the year ended April 30, 2021:

Balance April 30, 2020	Current Year Earned and Changes in Estimates	Payments	Balance, April 30, 2021	Due Within One Year
\$ 41,908,073	\$ 12,729,609	\$ 15,324,039	\$ 39,313,643	\$ 9,019,822

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, 2021

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 used to calculate the OPEB liability. The second item is the OPEB contributions made subsequent to the OPEB measurement date. The contribution amount will be applied during the next fiscal year.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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. The Department has two items that qualify for reporting in this category. The first item results from actuarial assumption changes used to calculate the OPEB liability. The second item is the difference between expected and actual experience use to calculate the OPEB liability.

Budgetary Accounting

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

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

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

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2021

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.

New Accounting Standard

For the year ended April 30, 2021, the Department implemented GASB Statement No. 84, Fiduciary Activities. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. As a result of the implementation the Department's fiduciary funds are reported as fiduciary custodial funds.

Note 2: Deposits, Investments, and Investment Income

At April 30, 2021, the carrying values of cash and investment are summarized as follows:

Carrying value:	
Deposits	\$ 5,777,485
Restricted deposits	1,673,879
Investments	7,799,884
Cash on hand	179,985
	<hr/>
	\$ 15,431,233
	<hr/>

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

Cash and short-term investments – Governmental Funds	\$ 10,922,774
Restricted deposits – Governmental Funds	1,673,879
Interest receivable – Governmental Funds	137
Cash and short-term investments – Custodial Funds	2,834,417
Interest receivable – Custodial Funds	26
	<hr/>
	\$ 15,431,233
	<hr/>

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, 2021, 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, 2021

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, 2021, the Department had the following investments and maturities:

	<u>Fair Value</u>
U.S. government securities with maturities of 90 days or less	<u>\$ 7,799,884</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, 2021, 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, 2021 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, 2021, 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, 2021:

Investments	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. government securities	<u>\$ 7,799,884</u>	<u>\$ 7,799,884</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 \$1,673,879. 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, 2021

Note 3: Changes in Capital Assets

A summary of changes in the Capital Assets for the year ended April 30, 2021 follows:

	<u>Balance</u> <u>April 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>April 30, 2021</u>
Police equipment	\$ 105,038,249	\$ 10,100,725	\$ (4,904,754)	\$ 110,234,220
Accumulated depreciation	(81,539,268)	(6,998,873)	4,633,116	(83,905,025)
Net depreciable assets	<u>\$ 23,498,981</u>	<u>\$ 3,101,852</u>	<u>\$ (271,638)</u>	<u>\$ 26,329,195</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, 2021. 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 \$620,000 in the General Fund as of April 30, 2021. Remaining estimated claims of \$25,540,726 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, 2021

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

	<u>Automobile Liability</u>	<u>General Professional</u>	<u>Workers' Compensation</u>	<u>Total</u>
Balance, April 30, 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	<u>854,798</u>	<u>685,730</u>	<u>2,078,451</u>	<u>3,618,979</u>
Balance, April 30, 2020	<u>2,684,877</u>	<u>7,600,000</u>	<u>9,433,000</u>	<u>19,717,877</u>
Claims payments	(878,395)	(2,161,022)	(5,709,769)	(8,749,186)
Claims and changes in estimates	<u>770,244</u>	<u>8,086,022</u>	<u>6,335,769</u>	<u>15,192,035</u>
Balance, April 30, 2021	<u><u>\$ 2,576,726</u></u>	<u><u>\$ 13,525,000</u></u>	<u><u>\$ 10,059,000</u></u>	<u><u>\$ 26,160,726</u></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, 2021 was \$1,173,100. As of April 30, 2021, minimum future rental payments required under these leases for subsequent fiscal years were:

2022	\$ 596,222
2023	536,974
	<u><u>\$ 1,133,196</u></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, 2021

Contractual and Purchase Orders

The Department has contractual and purchase orders relating to various commodities, contractual services, and capital outlay totaling \$3,581,249 as of April 30, 2021. These contractual and purchase orders will be liquidated during 2022.

Note 7: Interfund Activity

Due to/from Other Funds

A summary of interfund obligations at April 30, 2021 is shown below:

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

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, 2021:

Transfers from	Transfers to	Purpose	Amount
General Fund	Federal and State Grants Fund	Grant Match	\$ 263,363

Note 8: Employee Benefit Commitments

Payments Made on Behalf of the Department

During the year ended April 30, 2021, the City's contribution for the Department's FICA for law enforcement and civilian personnel was \$3,936,337 and is included as an expenditure/expense in the accompanying financial statements.

Defined Benefit Pension Plans

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

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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, 2021, the proportionate share (100%) of the net pension liability recognized by the City totaled \$472,488,339 (Police Retirement System \$419,100,852 and Civilian Employees' Retirement System \$53,387,487, 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, 2021 was \$61,590,965 (Police Retirement System \$53,807,024 and Civilian Employees' Retirement System \$7,783,941, 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 \$20,174,022 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 \$61,590,965.

Information about the plans are as follows:

Police Retirement System of Kansas City, Missouri

Plan Description

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

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.

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Under state statute, the Retirement Board has the authority to provide post-retirement benefit adjustments, referred to as ad hoc cost of living adjustments (ad hoc COLAs). Based on the 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, 2020, 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
	<u>2,686</u>

Contributions

Contribution provisions are established by the Revised Statutes of Missouri. Employee contribution rates are determined by the Retirement Board. The employee contribution rates during the year ended April 30, 2021 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, 2020 (measurement date) the pension plan received \$33,432,570 in contributions from the City.

Net Pension Liability

The net pension liability was measured as of April 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2019, which was rolled forward to April 30, 2020.

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Actuarial Assumptions

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

Price inflation	2.5%
Wage inflation	3.00%
Salary increases, including wage inflation	3.00 to 19.00%
Long-term rate of return, net of investment expense, including price inflation	7.40%
Municipal bond index rate	2.50%
Year Fiduciary Net Position is projected to be depleted	N/A
Single Equivalent Interest Rate, net of investment expense, including price inflation	7.40%
Post-retirement benefit increases	Simple COLA of 2.5% per year

Mortality:

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability as of the measurement date was 7.40%. 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 7.40% is the SEIR for the Measurement Date. The discount rate as of April 30, 2019 was 7.45%.

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

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

Projected future benefit payments for all current plan members were projected through 2118.

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 7.40%, as well as what the City's Net Pension Liability would be using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate.

	1% Decrease 6.40%	Current Single Discount Rate Assumption 7.40%	1% Increase 8.40%
Net Pension Liability	\$ 589,252,263	\$ 419,100,852	\$ 279,272,029

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Change in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at beginning of year	\$ 1,255,429,605	\$ 891,225,734	\$ 364,203,871
Changes for the year:			
Service cost	24,380,475	-	24,380,475
Interest	90,956,233	-	90,956,233
Differences between expected and actual experience	(14,630,427)	-	(14,630,427)
Assumption/SEIR changes	7,647,937	-	7,647,937
Contributions - non-employer	-	33,432,570	(33,432,570)
Contributions - employee	-	11,386,606	(11,386,606)
Net investment income	-	9,535,314	(9,535,314)
Benefit payments, including refunds	(70,344,663)	(70,344,663)	-
Administrative expense	-	(897,253)	897,253
Net changes	38,009,555	(16,887,426)	54,896,981
Balances at end of year	\$ 1,293,439,160	\$ 874,338,308	\$ 419,100,852

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

Plan Description

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

Benefits Provided

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

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:

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- 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, 2020, 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, 2020 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, 2020 (measurement date) the pension plan received \$4,849,708 in contributions from the City.

Net Pension Liability

The net pension liability was measured as of April 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2019, which was rolled forward to 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	3.6 to 6.5%
Long-term rate of return, net of investment expense, including price inflation	7.40%
Municipal bond index rate	2.5%
Year Fiduciary Net Position is projected to be depleted	N/A
Single Equivalent Interest Rate, net of investment expense, including price inflation	7.40%
Post-retirement benefit increases	Simple COLA of 2.5% per year

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Mortality:

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability as of the measurement date was 7.40%. 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 7.40% is the SEIR for the Measurement Date. The discount rate as of April 30, 2019 was 7.45%.

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:

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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 2118.

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 7.40%, as well as what the City's Net Pension Liability would be using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate.

	1% Decrease 6.40%	Current Single Discount Rate Assumption 7.40%	1% Increase 8.40%
Net Pension Liability	\$ 79,927,106	\$ 53,387,487	\$ 31,320,654

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	\$ 189,520,748	\$ 146,187,834	\$ 43,332,914
Changes for the year:			
Service cost	4,071,855	-	4,071,855
Interest	13,812,626	-	13,812,626
Differences between expected and actual experience	(1,484,462)	-	(1,484,462)
Assumption/SEIR changes	1,214,799	-	1,214,799
Contributions - non-employer	-	4,849,708	(4,849,708)
Contributions - employee	-	1,416,742	(1,416,742)
Net investment income	-	1,442,539	(1,442,539)
Benefit payments, including refunds	(8,383,336)	(8,383,336)	-
Administrative expense	-	(148,744)	148,744
Net changes	9,231,482	(823,091)	10,054,573
Balances at end of year	\$ 198,752,230	\$ 145,364,743	\$ 53,387,487

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Post-Employment Benefits Other than Pensions (OPEB)

Plan Description

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

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

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

Employees Covered by Benefit Terms

As of the April 30, 2020 actuarial valuation, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefit payments	362
Inactive members entitled to but not receiving benefits	71
Active employees	<u>1,838</u>
	<u>2,271</u>

Total OPEB Liability

The Department's total OPEB liability of \$47,741,477 was measured as of April 30, 2020 and was determined by an actuarial valuation as of April 30, 2020.

Actuarial Assumptions

The total OPEB liability in the April 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Salary increase	Civilians: based rates from 6.50% to 3.60% Police: service based rates from 8.00% to 3.00% with additional longevity increases of 10% at 8 years
Discount rate	2.92% as of the measurement date; 3.35% for the prior year
Healthcare cost trend rates (includes inflation)	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 11 years

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

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

Change in the Total OPEB Liability

	Total OPEB Liability
Beginning of year	\$ 54,853,338
Changes for the year:	
Service cost	2,897,036
Interest	1,866,558
Difference between expected and actual experience	(4,811,212)
Changes in assumptions and other inputs	(5,896,825)
Benefit payments, net of contributions	(1,167,418)
Net changes	(7,111,861)
End of year	\$ 47,741,477

Changes of assumptions reflect a change in the discount rate from 3.35% as of April 30, 2019 to 2.92% as of April 30, 2020, removal of the 7.10% liability load to reflect the repeal of the excise tax on high-cost employer health plans, updated healthcare trend rates to reflect the most recent expectations, and the participation rate for eligible retirees and female member one vs. two person coverage assumptions were updated to better reflect plan experience. Demographic assumptions were updated since the prior valuation to match the Actuarial Valuation Report as of April 30, 2020 for the defined benefit plan in which the Police and Civilian members participate.

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 2.92%, as well as what the Department’s Total OPEB Liability would be using a discount rate that is 1 percentage point lower (1.92%) or one percentage point higher (3.92%) than the current rate.

	1% Decrease 1.92%	Discount Rate 2.92%	1% Increase 3.92%
Total OPEB Liability	\$ 54,554,269	\$ 47,741,477	\$ 42,140,025

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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 7.00% decreasing to 4.25%, as well as what the Department's Total OPEB Liability would be using a discount rate that is 1 percentage point lower (6.00% decreasing to 3.25%) or one percentage point higher (8.00% decreasing to 5.25%) than the current rate.

	1% Decrease (6.0% decreasing to 3.25%)	Healthcare Rate (7.0% decreasing to 4.25%)	1% Increase (8.0% decreasing to 5.25%)
Total OPEB liability	<u>\$ 41,055,239</u>	<u>\$ 47,741,477</u>	<u>\$ 56,150,021</u>

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended April 30, 2020, the Department recognized OPEB expense of \$3,860,483. The Department reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 1,916,082	\$ (5,248,181)
Differences in expected and actual experience	-	(4,281,984)
Contributions (benefit payments) subsequent to the measurement date	926,535	-
Total	<u>\$ 2,842,617</u>	<u>\$ (9,530,165)</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB as of the measurement date will be recognized as of OPEB expense as follows:

<u>Fiscal Year Ending</u>	<u>Net deferred outflows/(inflows)</u>
2022	\$ (903,111)
2023	(903,111)
2024	(903,111)
2025	(903,111)
2026	(903,111)
Thereafter	<u>(3,098,528)</u>
Total	<u>\$ (7,614,083)</u>

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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.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 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 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
- 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

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- 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.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Department is required to implement GASB Statement No. 97 in the fiscal year beginning May 1, 2022.

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 25, 2021, the date the financial statements were available to be issued.

On May 28, 2021, the Board of Police Commissioners pursued litigation against the City of Kansas City in the Circuit Court of Jackson County, Missouri, to invalidate two May 20, 2021, City ordinances. One ordinance removed \$42.3 million from the Board approved Fiscal Year 2022 budget and placed it in a Community Services and Prevention account. The second ordinance provided an additional \$3 million in the Community Services and Prevention account with an intended use of funding an academy class if certain stipulations are met. The petition was brought in mandamus and seeks a declaratory judgment, as well as a temporary restraining order against the City ordinances. The City agreed to maintain funding at budgeted levels for at least thirty (30) days until the temporary restraining order can be decided. As of the report date, no legal decision has been made.

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, 2021

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

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

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

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Schedule of Non-employer Contributions
 April 30, 2021

Police Retirement System	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 34,741,680	\$ 33,432,570	\$ 32,280,943	\$ 32,103,207	\$ 30,979,978	\$ 30,272,063	\$ 28,933,261	\$ 35,062,322	\$ 31,652,713	\$ 28,277,060
Contributions in relation to the actuarially determined contribution - non-employer	34,741,680	33,432,570	32,280,943	32,103,207	30,979,978	30,272,063	28,933,261	22,241,769	16,933,694	16,476,608
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,820,553	\$ 14,719,019	\$ 11,800,452
Department's covered-employee payroll*	\$ 97,937,822	\$ 95,096,348	\$ 94,573,506	\$ 91,597,650	\$ 90,570,590	\$ 91,951,939	\$ 91,749,770	\$ 89,320,031	\$ 86,036,186	\$ 83,783,881
Contributions as a percentage of covered-employee payroll	35.47%	35.16%	34.13%	35.05%	34.21%	32.92%	31.53%	24.90%	19.68%	19.67%
Civilian Employees' Retirement System	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 5,800,468	\$ 4,849,708	\$ 4,778,854	\$ 4,994,191	\$ 5,063,240	\$ 5,048,167	\$ 4,930,686	\$ 5,657,924	\$ 4,956,189	\$ 4,361,223
Contributions in relation to the actuarially determined contribution - non-employer	5,800,468	4,849,708	4,778,854	4,994,191	5,063,240	5,048,167	4,930,686	4,122,375	3,283,458	3,146,124
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,535,549	\$ 1,672,731	\$ 1,215,099
Department's covered-employee payroll*	\$ 29,224,300	\$ 28,265,916	\$ 27,108,524	\$ 25,433,860	\$ 25,060,993	\$ 25,747,787	\$ 26,461,305	\$ 25,616,923	\$ 25,005,998	\$ 23,975,937
Contributions as a percentage of covered-employee payroll	19.85%	17.16%	17.63%	19.64%	20.20%	19.61%	18.63%	16.09%	13.13%	13.12%

*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, 2021

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

4/30/2020 valuation:

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

4/30/2019 valuation:

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

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Required Supplementary Information

April 30, 2021

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, 2021

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, 2021), which was based on the results of the April 30, 2019 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years closed for Legacy UAAL (28 years remaining as of April 30, 2019)
	20 years closed for experience bases (1 base with 19 Years and 2 bases with 20 years at April 30, 2019)
Asset valuation method value	5-year smoothing of actual vs expected return on fair (market) value
Price Inflation	2.50 percent
Wage Inflation	3.00 percent
Salary increase, including inflation	3.00 to 19.00 percent
Long-term rate of return, net of Investment expense, and including Inflation	7.45 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, 2021

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

4/30/2020 valuation:

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

4/30/2019 valuation:

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

4/30/2017 valuation:

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

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, 2021

- 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, 2021), which was based on the results of the April 30, 2019 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 year closed for Legacy UAAL (28 years remaining as of (April 30, 2019)
	20 years closed for experience bases (1base with 19 years and 2 bases with 20 years at April 30, 2019)
Asset valuation method value	5-year smoothing of actual vs expected return on fair (market) value
Price Inflation	2.50 percent
Wage Inflation	3.00 percent
Salary increase, including inflation	3.60 to 6.5 percent
Investment rate of return, net of Investment expense, and including inflation	7.45 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, 2021

Total OPEB liability	2021*	2020*	2019*
Service cost	\$ 2,897,036	\$ 2,630,255	\$ 2,529,442
Interest on the total OPEB liability	1,866,558	1,846,739	1,725,564
Difference between expected and actual experience	(4,811,212)	-	-
Changes of assumptions	(5,896,825)	2,410,967	61,468
Benefit payments	<u>(1,167,418)</u>	<u>(993,664)</u>	<u>(957,672)</u>
Net change in total OPEB liability	(7,111,861)	5,894,297	3,358,802
 Total OPEB liability, beginning of year	 54,853,338	 48,959,041	 45,600,239
 Total OPEB liability, end of year	 <u>\$ 47,741,477</u>	 <u>\$ 54,853,338</u>	 <u>\$ 48,959,041</u>
 Department's covered payroll	 \$ 124,107,336	 \$ 125,037,566	 \$ 120,518,136
 Total OPEB liability as percentage of covered employee payroll	 38.47%	 43.87%	 40.62%

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

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

Notes to Schedule:

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:

2020 - 2.92%, 2019 - 3.35%, 2018 - 3.71%, 2017 - 3.72%

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

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 General Fund
 For the year ended April 30, 2021

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
Revenues:					
Revenues received from City of Kansas City, Missouri	\$ 233,273,300	\$ 227,827,108	\$ 227,319,102	\$ 1,147,745	\$ 228,466,847
Operating grants	1,153,694	1,587,174	1,152,769	-	1,152,769
Capital grants		1,800,000	1,851,893		1,851,893
Other intergovernmental	1,092,000	1,092,000	4,439,973	(3,357,628)	1,082,345
Charges for services	2,738,029	2,698,029	1,958,958	-	1,958,958
Interest	107,200	107,200	43,384	-	43,384
Other	957,667	997,667	645,106	-	645,106
Total revenues	<u>239,321,890</u>	<u>236,109,178</u>	<u>237,411,185</u>	<u>(2,209,883)</u>	<u>235,201,302</u>
Expenditures:					
Public safety - police:					
Current:					
Personal services	217,477,113	212,355,669	211,186,050	(215,709)	211,401,759
Contractual services	16,531,129	19,381,147	17,940,238	3,222,982	14,717,256
Commodities	4,921,644	4,557,982	4,431,973	(695,672)	5,127,645
Capital outlay	770,000	2,274,295	2,076,835	(2,131)	2,078,966
Total expenditures	<u>239,699,886</u>	<u>238,569,093</u>	<u>235,635,096</u>	<u>2,309,470</u>	<u>233,325,626</u>
Excess (deficiency) of revenues over expenditures	(377,996)	(2,459,915)	1,776,089	99,587	1,875,676
Other financing sources (uses):					
Disposal of capital assets	48,000	48,000	28,125	-	28,125
Transfers out	-	-	-	(263,363)	(263,363)
Total other financing sources and uses	<u>48,000</u>	<u>48,000</u>	<u>28,125</u>	<u>(263,363)</u>	<u>(235,238)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(329,996)	(2,411,915)	1,804,214	(163,776)	1,640,438
Fund balance, beginning of year	5,905,036	7,966,613	7,966,613	-	7,966,613
Available prior year encumbrances	1,477,409	1,477,409	-	-	-
Fund balance, end of year	<u>\$ 7,052,449</u>	<u>\$ 7,032,107</u>	<u>\$ 9,770,827</u>	<u>\$ (163,776)</u>	<u>\$ 9,607,051</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, 2021

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. \$ (163,500)

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

Liability self-retention activities are accounted for in subsidiary accounts of the general fund. Payments of \$3,357,628 made to subsidiary accounts are treated as revenue in the subsidiary account and expenditures in the general fund for budgetary purposes. Only the amount used to pay for expenditures in the subsidiary accounts is reported for GAAP purposes. -

The Department budgets for compensated absences on the cash basis, rather than on the modified accrual basis. The change of \$128,383 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 \$13,443 -

Inventory acquisitions are reported as expenditures for budgetary purposes, but only the change in inventory used of \$653,983 is reported for GAAP purposes. -

The amount of \$263,363 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 \$(614,836) for accrued payroll and inventory, of which all but \$276 is offset by revenue (276)

\$ (163,776)

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, 2021

	<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	\$ 54,193	\$ -	\$ 54,193
Interest	-	-	8,988	-	8,988
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>63,181</u>	<u>-</u>	<u>63,181</u>
Expenditures / Expenses					
Public safety – police					
Current:					
Contractual services	6,400	6,400	2,197	-	2,197
Capital outlay	<u>650,000</u>	<u>243,541</u>	<u>55,235</u>	<u>-</u>	<u>55,235</u>
Total expenditures / expenses	<u>656,400</u>	<u>249,941</u>	<u>57,432</u>	<u>-</u>	<u>57,432</u>
Excess (deficiency) of revenues over expenditures / expenses	<u>(456,400)</u>	<u>(49,941)</u>	<u>5,749</u>	<u>-</u>	<u>5,749</u>
Other Financing Sources (Uses)					
Transfers out	<u>(8,750)</u>	<u>(8,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses)	<u>(8,750)</u>	<u>(8,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund balance	(465,150)	(58,691)	5,749	-	5,749
Fund Balance, beginning of year	<u>-</u>	<u>-</u>	<u>2,056,940</u>	<u>-</u>	<u>2,056,940</u>
Encumbrances	<u>70,372</u>	<u>70,372</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, end of year	<u>\$ (394,778)</u>	<u>\$ 11,681</u>	<u>\$ 2,062,689</u>	<u>\$ -</u>	<u>\$ 2,062,689</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts, GAAP Basis</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Revenues received from City of					
Operating grants	\$ 8,489,494	\$ 11,087,831	\$ 5,878,407	\$ -	\$ 5,878,407
Other intergovernmental	-	-	1,310,816	90,475	1,401,291
Total revenues	<u>8,489,494</u>	<u>11,087,831</u>	<u>7,189,223</u>	<u>90,475</u>	<u>7,279,698</u>
Expenditures:					
Public safety - police:					
Current:					
Personal services	5,640,377	5,611,030	4,141,098	(336,471)	4,477,569
Contractual services	2,003,867	2,136,766	2,460,898	(16,650)	2,477,548
Commodities	478,000	712,469	354,788	(717)	355,505
Capital outlay	376,000	2,398,068	232,439	-	232,439
Total expenditures	<u>8,498,244</u>	<u>10,858,333</u>	<u>7,189,223</u>	<u>(353,838)</u>	<u>7,543,061</u>
Excess (deficiency) of revenues over expenditures	(8,750)	229,498	-	(263,363)	(263,363)
Other financing sources (uses):					
Transfers in	8,750	8,750	-	263,363	263,363
Total other financing sources and uses	<u>8,750</u>	<u>8,750</u>	<u>-</u>	<u>263,363</u>	<u>263,363</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	238,248	-	-	-
Fund balance, beginning of year	-	-	-	-	-
Available prior year encumbrances	171,288	171,288	-	-	-
Fund balance, end of year	<u>\$ 171,288</u>	<u>\$ 409,536</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 \$263,363 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 \$73,108 for accrued payroll.

\$ -

NON-MAJOR FUNDS

Public Safety Sales Tax Fund

This fund is used to account for the voter approved extension of the ¼ cent sales tax to fund public safety capital improvement on November 2, 2010. Police's share of the total annual amount generated from the tax is reflected in this Fund, most of which is used to supplement appropriations in the amount of \$2 million formerly provided by the General Fund.

Police Drug Enforcement Fund

This fund is used to account for the Jackson County voter approved a ¼ cent sales tax to fight illicit drug use and provide education and treatment. The Community Backed Anti-Drug Tax (COMBAT) provides prevention and treatment funding to the Department through a Drug Abuse Resistance Education (DARE) program. COMBAT funds the Jackson County Drug Tax Unit which consists of additional undercover, supervisory, and civilian support personnel assigned to the Drug Enforcement Unit and the Street Crimes Unit.

Equipment Lease Capital Acquisition Fund

This fund is used to account for patrol in-vehicle digital recording system and related software that were acquired through a capital lease.

City Tax Exempt Bond Fund

This fund is used to account for appropriations derived from Special Obligation Bonds issued to fund the Computer Aid Dispatching and Records Management System (CAD/RMS). As a continuing fund, unused appropriations are available in subsequent years until fully expended.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Combining Balance Sheet - Nonmajor Funds
 April 30, 2021

	Public Safety Sales Tax	Police Drug Enforcement	Equipment Lease Capital	City Tax-Exempt Bond	Non-Major Funds Total
Assets					
Cash and short-term investments	\$ -	\$ 208,342	\$ -	\$ -	\$ 208,342
Receivables:					
Due from City of Kansas City, Missouri	33,061	-	-	-	33,061
Due from other governments	-	823,462	-	-	823,462
Total assets	<u>\$ 33,061</u>	<u>\$ 1,031,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,064,865</u>
Liabilities					
Accounts payable	\$ 33,061	\$ -	\$ -	\$ -	\$ 33,061
Accrued payroll	-	74,610	-	-	74,610
Unearned revenue	-	1,528	-	-	1,528
Due to City of Kansas City, Missouri	-	750,379	-	-	750,379
Due to other governments	-	54,280	-	-	54,280
Total liabilities	<u>33,061</u>	<u>880,797</u>	<u>-</u>	<u>-</u>	<u>913,858</u>
Fund Balances					
Fund balances:					
Restricted	-	151,007	-	-	151,007
Total fund balance	<u>-</u>	<u>151,007</u>	<u>-</u>	<u>-</u>	<u>151,007</u>
 Total liabilities and fund balances	 <u>\$ 33,061</u>	 <u>\$ 1,031,804</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,064,865</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, 2021

	Public Safety Sales Tax	Police Drug Enforcement	Equipment Lease Capital Acquisition	City Tax-Exempt Bond	Non-Major Funds Total
Revenues:					
Revenues received from City of Kansas City, Missouri	\$ 2,276,321	\$ -	\$ 4,622,169	\$ 634,384	\$ 7,532,874
Other intergovernmental	-	2,842,588	-	-	2,842,588
Total revenues	<u>2,276,321</u>	<u>2,842,588</u>	<u>4,622,169</u>	<u>634,384</u>	<u>10,375,462</u>
Expenditures:					
Public safety - police:					
Current:					
Personal services	-	2,640,075	-	-	2,640,075
Contractual services	608,443	137,569	-	-	746,012
Commodities	-	66,472	-	-	66,472
Capital outlay	1,667,878	-	4,622,169	634,384	6,924,431
Total expenditures	<u>2,276,321</u>	<u>2,844,116</u>	<u>4,622,169</u>	<u>634,384</u>	<u>10,376,990</u>
Excess (deficiency) of revenues over expenditures	-	(1,528)	-	-	(1,528)
Fund balance, beginning of year	-	152,535	-	-	152,535
Fund balance, end of year	<u>\$ -</u>	<u>\$ 151,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,007</u>

Custodial Funds

ETAC Fund

This fund is used to account for amounts provided by various police organizations participating in a metropolitan-wide information sharing system known as ETAC (emerging threat analysis capability). Proceeds are used for computer programming, software licensing, computer hardware, training, and other operational needs.

Depository Fund

This fund is used to account for monies and/or property recovered by department personnel in the course of their duties for safekeeping purposes. Funds are returned to the owner or after a period of three years they are remitted to the State of Missouri Treasurer's Office as escheated property.

Seizure Retention Fund

This fund is used to account for monies recovered in conjunction with investigation of illegal substances by department personnel in the course of their duties. Funds are released as directed by court order, returned to the owner, or after a period of three years they are remitted to the State of Missouri Treasurer's Office as escheated property if no longer needed for investigative purposes.

Misdemeanor Bond Fund

This fund is used to account for monies received from individuals posting bond for jurisdictions other than the City of Kansas City Municipal Court. Funds are remitted to the appropriate court jurisdiction (county or municipal).

Dental/Vision Program Fund

This fund is used to account for employee contributions for the monthly premium of dental and vision insurance. Funds are remitted to the appropriate insurance company on behalf of the employee or to the employee as a refund for premiums paid in advance.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Combining Statement of Fiduciary Net Position - Custodial Funds
 April 30, 2021

	<u>ETAC</u>	<u>Depository</u>	<u>Seizure Retention</u>	<u>Misdemeanor Bond</u>	<u>Dental Program</u>	<u>Custodial Funds Total</u>
Assets						
Cash and short-term investments	\$ 276,185	\$ 551,685	\$ 1,904,131	\$ 3,000	\$ 99,416	\$ 2,834,417
Receivables:						
Accounts	-	-	-	-	2,083	2,083
Interest	-	6	20	-	-	26
Due from other governments	<u>301,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>301,250</u>
Total assets	<u>577,435</u>	<u>551,691</u>	<u>1,904,151</u>	<u>3,000</u>	<u>101,499</u>	<u>3,137,776</u>
Liabilities						
Due to other funds	-	-	-	3,000	1,000	4,000
Deposits held for others	<u>-</u>	<u>551,691</u>	<u>1,904,151</u>	<u>-</u>	<u>-</u>	<u>2,455,842</u>
Total liabilities	<u>-</u>	<u>551,691</u>	<u>1,904,151</u>	<u>3,000</u>	<u>1,000</u>	<u>2,459,842</u>
Net Position						
Restricted	<u>577,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,499</u>	<u>677,934</u>
	<u>\$ 577,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,499</u>	<u>\$ 677,934</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Combining Statement of Changes in Fiduciary Net Position - Custodial Funds
 For the Year Ended April 30, 2021

	<u>ETAC</u>	<u>Depository</u>	<u>Seizure Retention</u>	<u>Misdemeanor Bond</u>	<u>Dental Program</u>	<u>Custodial Funds Total</u>
Additions						
Intergovernmental	\$ 607,089	\$ -	\$ -	\$ -	\$ -	\$ 607,089
Interest	-	2,208	5,354	-	-	7,562
Deposits	-	156,193	1,213,682	56,973	-	1,426,848
Employee Contributions	-	-	-	-	1,396,806	1,396,806
	<u>607,089</u>	<u>158,401</u>	<u>1,219,036</u>	<u>56,973</u>	<u>1,396,806</u>	<u>3,438,305</u>
Deductions						
Contractual services	817,667	-	-	-	1,417,450	2,235,117
Distributions	-	158,401	1,219,036	56,973	-	1,434,410
	<u>817,667</u>	<u>158,401</u>	<u>1,219,036</u>	<u>56,973</u>	<u>1,417,450</u>	<u>3,669,527</u>
Change in Fiduciary Net Position	(210,578)	-	-	-	(20,644)	(231,222)
Net Position - Beginning	<u>788,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,143</u>	<u>909,156</u>
Net Position - Ending	<u>\$ 577,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,499</u>	<u>\$ 677,934</u>