

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, 2016

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

April 30, 2016

TABLE OF CONTENTS

Independent Auditor's Report on Financial Statements and Supplementary Information	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Governmental Funds Balance Sheet / Statement of Net Position	11
Reconciliation of the Statement of Net Position with Governmental Funds Balance Sheet.....	12
Governmental Funds Revenues, Expenditures and Changes in Fund Balances / Statement of Activities.....	13
Reconciliation of the Governmental Funds Revenues, Expenditures and Changes in Fund Balances with the Statement of Activities	14
Statement of Assets and Liabilities – Fiduciary Funds	15
Notes to Basic Financial Statements	16-39
Required Supplementary Information	
Schedule of Share of Collective Net Pension Liability	40
Schedule of Employer Contributions	41
Notes to Required Supplementary Information.....	42-45
Schedule of Funding Progress	46
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual — General Fund	47-48
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual — Federal Seizure and Forfeiture Fund	49
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual — Federal and State Grants Fund	50
Supplementary Information	
Combining Balance Sheet — Nonmajor Funds.....	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances — Nonmajor Funds.....	52
Combining Statement of Assets and Liabilities — Fiduciary Funds - Agency Funds	53



COCHRAN HEAD VICK & CO., P.C.

& Co

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

1251 NW Briarcliff Pkwy
Suite 125
Kansas City, MO 64116
(816) 584-9955
Fax (816) 584-9958

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, 2016, 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 of 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.

Other Offices

1333 Meadowlark Lane
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

5700 Broadmoor Street, Suite
202
Mission, Kansas 66202
(913) 378-1100
(913) 378-1177 FAX

400 Jules Street
Suite 415
St. Joseph, MO 64501
(816) 364-1118
(816) 364-6144 FAX

Change in Accounting Principle

As described in Notes 8 and 9 to the financial statements, the Department implemented Government Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

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, 2016, 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 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, share of collective net pension liability, schedule of employer contributions and schedule of funding progress 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 fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor and agency 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 agency fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2016, 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.

Kansas City, Missouri
June 29, 2016



The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2016

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 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, 2016. Please read it in conjunction with the Department's financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

The majority of Department operations are funded by the City, but the Department is statutorily required to issue financial statements. The accompanying financial statements are reflective of the fact 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. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 this year. Due to a special pension funding situation with the City, beginning net position was restated by approximately \$105 million. The City will begin reporting the net pension liability and other related information.
- The net position of the Department (assets minus liabilities) at the close of the most recent fiscal year was a deficit \$47,116. Liabilities associated with compensated absences and other post-employment benefits totaling \$73,524 are the major reasons for the deficit.
- The Department's net position decreased by \$13,084 in the current year.
- Current year revenues of \$238,454 represented an increase of \$11,309 or 5% from the prior year. City revenues provided \$224,775 or 94.3% of this amount. Grants, the Jackson County anti-drug sales tax, charges for services, and other revenues provided \$13,678 or 5.7%.

Overview of the Financial Statements

Management's discussion and analysis introduces 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 also contains additional required supplementary information (pension, other post-employment benefits, and budgetary schedules) and other supplementary information (combining statements for nonmajor governmental and agency 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, 2016

Basic Financial Statements

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

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 sick leave).

The government-wide financial statements reflect the Department's only program, public safety, which is a governmental activity. Governmental activities are supported mostly 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 nonmajor 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, 2016

The Department has two kinds of funds:

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

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

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

Notes to Basic Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes schedules and notes related to the Department's pension plans, schedule of funding progress for other post-employment benefits 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 nonmajor funds and agency 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, 2016

Government-Wide Financial Analysis

As noted earlier, increases or decreases in the Department's net position may serve as a useful indicator of whether financial position is improving or deteriorating. The Department's net position was a deficit of \$47,116 at April 30, 2016 compared to a net position deficit of \$34,032 at the end of the previous year. This change totals \$13,084 and was caused primarily by increases in estimates for other post-employment benefits for health insurance in the amount of \$4,038 and compensated absences of \$3,237. Another contributing factor was depreciation.

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

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

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015**</u>
Current and other assets	\$ 12,644	\$ 17,210
Capital assets	31,706	35,468
Total assets	<u>44,350</u>	<u>52,678</u>
Other liabilities	14,101	18,584
Long-term debt	77,365	68,126
Total liabilities	<u>91,466</u>	<u>86,710</u>
Net position:		
Net investment in capital assets	31,706	35,468
Restricted	3,213	2,514
Unrestricted (deficit)	(82,035)	(72,013)
Total net position (deficit)	<u>\$ (47,116)</u>	<u>\$ (34,032)</u>

** As restated for implementation of GASB 68

Liabilities such as compensated absences and other-post employment benefits totaling \$73,524 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 \$66,249 last year.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2016

Net investment in capital assets of \$31,706 reflects the Department's capital assets (vehicles, helicopters, and equipment) net of accumulated depreciation. Capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. The decrease of \$3,762 is due to depreciation on equipment exceeding new purchases.

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>2016</u>	<u>2015 **</u>
Revenues		
Program revenues	\$ 238,454	\$ 227,144
Expenses		
Public safety - police	<u>251,569</u>	<u>237,747</u>
Change in net position before asset disposals	(13,115)	(10,603)
Asset disposals	<u>31</u>	<u>69</u>
Change in net position	(13,084)	(10,534)
Net position (deficit), beginning of year	<u>(34,032)</u>	<u>(23,498)</u>
Net position (deficit), end of year	<u>\$ (47,116)</u>	<u>\$ (34,032)</u>

** As restated for implementation of GASB 68

The Department's 2016's net position before capital asset disposals decreased \$13,115. The majority of this decrease is due to the aforementioned \$7,276 increase in estimates for liabilities related to compensated absences and other post-employment benefits. Revenue from the City increased \$10,669 and all other revenues increased \$640. Revenue from the City increased due to changes in reporting of certain pension contributions from the City under a special funding situation in accordance with GASB 68.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2016

Personnel costs increased 8.2% primarily due to changes in pension contributions. Salaries and benefits represent 86.4% of the Department's governmental activity expenses, compared to 87.1% last year. Included in this are amounts paid into the pension systems on behalf of sworn and civilian employees. The two pension systems are separate State entities funded by the City and issue their own financial statements.

Non-personnel costs decreased 5.3% mostly as a result of fewer new 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 assistance with risk management.

Financial Analysis of the Department's Funds

As noted earlier, 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.

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 \$4,077; a decrease of \$752 in comparison with the prior year.

- Fund balance in the amount of \$3,213 is restricted for grants and state-required workers' compensation escrow.
- Board-authorized purchase commitments are \$243.

The general fund had an ending fund balance of \$2,573; a decrease of \$1,412 or 35% in comparison with the prior year. The decrease resulted from continued costs related to transitioning off the mainframe computer system, ammunition for training, and risk management activity.

The Department has two other major funds. The federal seizure & forfeiture fund had an ending fund balance of \$1,366; an increase of \$696 or 104% in comparison with the prior year. The increase is due to additional revenue, the receipt of which is dependent upon federal processes. 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

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2016

of private security officers, open records requests, and City ordinances for alarm licensing and parade/escort requests. Ending fund balance decreased \$36 in the police drug enforcement fund.

General Fund Budgetary Highlights

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

The schedule in the required supplementary information provides information about the Department's general fund budget, including original and final budget, actual amounts on the budgetary basis and reconciliation to amounts reported in the statement of governmental fund revenues, expenditures, and changes in fund balance. Year-end commitments totaling \$243 are not reflected in the actual amounts reported under budgetary basis or the generally accepted accounting principles (GAAP) basis since they will be re-appropriated in the subsequent year. Personal services were under budget by \$185 as a result of savings due to holding open positions while waiting for additional funding from the City which did not occur until the last month of the fiscal year. Contractual services were under budget by \$553 due mostly from appropriations exceeding costs for private officer licensing, outside training, building rents, and wellness program. Capital outlays were under budget by \$310 as a result of forgoing the purchase of law enforcement equipment.

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

- Increases to revenues and appropriations for costs related to staffing and overtime were \$3,201.
- Increases to revenues and appropriations from support by the Police Foundation were \$268.
- Increases to other revenues and appropriations for facilities and wellness program were \$62.
- Increases to revenues and appropriations for self-funded activities such as equipment were \$40.
- Increases to revenues were \$60 and appropriations for technology were \$342.
- Increases to appropriations for costs for risk management were \$275.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Management's Discussion and Analysis

April 30, 2016

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, 2016, the Department's capital assets were \$91,884 and accumulated depreciation was \$60,178. More detailed information about the Department's capital assets is presented in Notes 1 and 3 to the basic financial statements. The Department has no debt related to the acquisition of capital assets. The City issued general obligation (G.O.) and special obligation (S.O.) debt to provide appropriations to the Department for the purchase of helicopters as well as equipping new/remodeled facilities.

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 in the ensuing year. The City considers the Board's submission as part of its budget process and oftentimes provides a different, generally lesser amount. In addition, the Missouri State Legal Expense Fund provides supplemental funding to cover some risk management costs for judgments resulting from lawsuits against members of the Board or law enforcement officers, and the Board receives other self-generated revenues to support appropriations.

As stated earlier, the Department is dependent on the City for most of its funding and any discussion of next year activity needs to focus on City operations. For the fiscal year beginning May 1, 2016, City general revenues will fund \$209,711 for the Department, an increase of \$5,189 or 2.5%. Part of the increase restores amounts previously provided by budget amendments, and the balance covers pay, health, and pension increases. However, even this amount will require the Department to operate with less staff than previous budgets. In next year's budget, non-City funding sources support costs of \$23,113, a decrease of \$1,150 attributable mostly to less grant funding. The Department's operating budget is increasing 2.2% and represents 21.8% of City governmental funds, compared to 22.6% last year. Personnel costs represent almost 87% of the Department budget.

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, 2016

	General Fund	Federal Seizure & Forfeiture	Federal and State Grants	Other Funds	Total	Adjustments	Statement of Net Position
Assets							
Cash and short-term investments	\$ 2,109,141	\$ 1,365,692.00	\$ 472,345	\$ 241,703	\$ 4,188,881	\$ -	\$ 4,188,881
Receivables:							
Accounts	292,635	-	-	-	292,635	-	292,635
Interest	879	176	-	-	1,055	-	1,055
Due from City of Kansas City, Missouri	1,267,025	-	-	31,218	1,298,243	-	1,298,243
Due from other governments	1,533,450	-	1,640,041	28,876	3,202,367	-	3,202,367
Advance to other funds	4,000	-	-	-	4,000	-	4,000
Inventories	2,035,683	-	-	-	2,035,683	-	2,035,683
Restricted deposits	1,620,787	-	-	-	1,620,787	-	1,620,787
Capital assets, net of accumulated depreciation	-	-	-	-	-	31,705,904	31,705,904
Total assets	\$ 8,863,600	\$ 1,365,668.00	\$ 2,112,386	\$ 301,797	\$ 12,643,651	\$ 31,705,904	\$ 44,349,555
Liabilities							
Accounts payable	\$ 139,431	\$ -	-	\$ 31,218	\$ 170,649	-	\$ 170,649
Accrued payroll	2,757,391	-	42,507	28,876	2,828,774	-	2,828,774
Unearned revenue	72,448	-	-	-	72,448	-	72,448
Due to City of Kansas City, Missouri	163,405	-	1,896,522	37,283	2,097,210	-	2,097,210
Due to other governments	-	-	173,357	66,443	239,800	-	239,800
Compensated absences - current	483,082	-	-	-	483,082	8,209,260	8,692,342
Compensated absences - noncurrent	-	-	-	-	-	35,338,682	35,338,682
Net OPEB obligation	-	-	-	-	-	29,493,341	29,493,341
Claims payable	1,141,613	-	-	-	1,141,613	11,391,000	12,532,613
Total liabilities	4,757,370	-	2,112,386	163,820	7,033,576	84,432,263	91,465,859
Deferred Inflows of Resources							
Deferred revenue	1,533,450	-	-	-	1,533,450	(1,533,450)	-
Fund Balances/Net Position							
Fund balances:							
Restricted for workers compensation escrow	1,620,787	-	-	-	1,620,787	(1,620,787)	-
Restricted for programs	88,000	1,365,668.00	-	137,977	1,591,845	(1,591,845)	-
Committed to capital outlay	242,516	-	-	-	242,516	(242,516)	-
Unassigned	621,477	-	-	-	621,477	(621,477)	-
Total fund balances	2,572,780	1,365,668.00	-	137,977	4,076,625	(4,076,625)	-
Total liabilities, deferred inflows, and fund balances	\$ 8,863,600	\$ 1,365,668.00	\$ 2,112,386	\$ 301,797	\$ 12,643,651		
Net position:							
Net investment in capital assets						31,705,904	31,705,904
Restricted for special programs						3,212,632	3,212,632
Unrestricted (deficit)						(82,034,840)	(82,034,840)
Total net position						(47,116,304)	(47,116,304)
Total liabilities and net position						\$ 31,705,904	\$ 44,349,555

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, 2016

Total fund balances - governmental funds	\$	4,076,625
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 \$91,883,692, and the accumulated depreciation is \$60,177,788		31,705,904
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Compensated absences		(43,547,942)
Net OPEB obligation		(29,493,341)
Claims payable		(11,391,000)
Revenues that are deferred in the governmental funds due to not receiving cash within 60 days are recognized in the statement of net position.		1,533,450
Total net position (deficit)	\$	<u>(47,116,304)</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, 2016

	General Fund	Federal Seizure & Forfeiture	Federal and State Grants	Other Funds	Total	Adjustments	Statement of Activities
Revenues:							
Revenues received from City of Kansas City, Missouri	\$ 206,204,287	\$ -	-	\$ 7,027,731	\$ 213,232,018	\$ 11,543,353	\$ 224,775,371
Operating grants	399,215	-	5,220,280	-	5,619,495	-	5,619,495
Capital grants	-	-	170,838	-	170,838	244,018	414,856
Other intergovernmental	177,067	-	42,507	2,225,739	2,445,313	1,000,000	3,445,313
Charges for services	2,826,250	810,083	-	-	3,636,333	-	3,636,333
Interest	5,279	883	-	-	6,162	-	6,162
Other	556,198	-	-	-	556,198	-	556,198
Total revenues	<u>210,168,296</u>	<u>810,966</u>	<u>5,433,625</u>	<u>9,253,470</u>	<u>225,666,357</u>	<u>12,787,371</u>	<u>238,453,728</u>
Expenditures/expenses:							
Public safety - police:							
Current:							
Personal services	191,807,951	-	4,039,627	1,847,034	197,694,612	19,668,924	217,363,536
Contractual services	15,370,236	13,168	1,246,187	665,687	17,295,278	685,136	17,980,414
Commodities	3,591,594	-	76,933	-	4,597,237	(158,225)	4,439,012
Depreciation	-	-	-	-	-	8,837,238	8,837,238
Capital outlay	630,187	116,191	301,218	5,847,579	6,895,175	(3,946,427)	2,948,748
Total expenditures/expenses	<u>211,399,968</u>	<u>129,359</u>	<u>5,663,965</u>	<u>9,289,010</u>	<u>226,482,302</u>	<u>25,086,646</u>	<u>251,568,948</u>
Excess (deficiency) of revenues over expenditures	<u>(1,231,672)</u>	<u>681,607</u>	<u>(230,340)</u>	<u>(35,540)</u>	<u>(815,945)</u>	<u>(12,299,275)</u>	<u>(13,115,220)</u>
Other financing sources (uses):							
Disposal of capital assets	49,632	14,275	-	-	63,907	(32,895)	31,012
Transfers - internal activities	(230,340)	-	230,340	-	-	-	-
Total other financing sources and uses	<u>(180,708)</u>	<u>14,275</u>	<u>230,340</u>	<u>-</u>	<u>63,907</u>	<u>(32,895)</u>	<u>31,012</u>
Change in fund balances/ net position	<u>(1,412,380)</u>	<u>695,882</u>	<u>-</u>	<u>(35,540)</u>	<u>(752,038)</u>	<u>(12,332,170)</u>	<u>(13,084,208)</u>
Fund balances/net position:							
Beginning of year, as restated	<u>3,965,160</u>	<u>669,966</u>	<u>-</u>	<u>173,517</u>	<u>4,828,663</u>	<u>(38,860,759)</u>	<u>(34,032,096)</u>
End of year	<u>\$ 2,572,780</u>	<u>\$ 1,365,868</u>	<u>\$ -</u>	<u>\$ 137,977</u>	<u>\$ 4,076,625</u>	<u>\$ (51,192,929)</u>	<u>\$ (47,116,304)</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Reconciliation of the Governmental Funds Revenues,
 Expenditures, and Changes in Fund Balances
 with the Statement of Activities
 For the year ended April 30, 2016

Net change in fund balances - total governmental funds	\$ (752,038)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital grant revenue consisted of capital assets donated by grantors	244,018
Revenues that are deferred in the governmental funds due to not receiving cash within 60 days are recognized as revenue in the statement of activities.	1,000,000
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 (\$4,759,189) exceeded depreciation (\$8,837,238), and and aircraft parts that were installed (\$105,327) in the current period.	(3,972,722)
Governmental funds report the actual pension contributions. In the statement of activities, under a special funding situation, the total pension expense and related on behalf pension contributions from the City are reported.	
Pension contribution from City	11,543,353
Pension expense	(11,543,353)
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	(4,087,134)
Net OPEB obligation	(4,038,437)
Claims payable	(1,445,000)
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.	(32,895)
Change in net position in governmental activities	<u>\$ (13,084,208)</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
Statement of Assets and Liabilities - Fiduciary Funds
April 30, 2016

	<u>Agency Funds</u>
Assets	
Cash and short-term investments	\$ 2,669,970
Receivables:	
Accounts	5,867
Interest	261
Total assets	<u>\$ 2,676,098</u>
Liabilities	
Advance from other funds	\$ 4,000
Other accrued liabilities	2,672,098
Total liabilities	<u>\$ 2,676,098</u>

See Notes to Basic Financial Statements

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

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, 2016

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

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

Governmental Fund Types

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

Fiduciary Fund Types

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

Inventory

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

Short-Term Investments

Investments consisting of U.S. treasury bills that have original maturities of three months or less are stated at cost, which approximates market 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, 2016

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.

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

Interfund Activity

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

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.

	<u>Option 1</u>		<u>Option 2</u>	
	<u>Law Enforcement</u>	<u>Civilian</u>	<u>Law Enforcement</u>	<u>Civilian</u>
Days earned per year	30	15	18	12
Percent payable upon retirement	25.0%	50.0%	50.0%	50.0%
Percent payable upon termination	12.5%	25.0%	25.0%	25.0%

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

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 \$8,692,342 is calculated based upon management's estimate of the amount to be paid during the year ending April 30, 2017.

The following is a summary of changes in the compensated absence liabilities of the Department for the year ending April 30, 2016:

<u>Balance April 30, 2015</u>	<u>Current Year Earned and Changes in Estimates</u>	<u>Payments</u>	<u>Balance, April 30, 2016</u>	<u>Due Within One Year</u>
\$ 40,793,607	\$ 16,242,474	\$ 13,005,057	\$ 44,031,024	\$ 8,692,342

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 Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

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

Net Position Classifications

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

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

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

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

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. As of April 30, 2016, the Department does not report any items that qualify as a deferred outflow of resources

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 governmental funds reported unavailable intergovernmental revenues.

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.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

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

Use of Estimates

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

Note 2: Deposits, Investments and Investment Income

At April 30, 2016, the carrying values of cash and investment are summarized as follows:

Carrying value:	
Deposits	\$ 1,458,027
Restricted Deposits	1,620,787
Investments	5,198,848
Cash on hand	<u>203,292</u>
	<u>\$ 8,480,954</u>

Included in the following balance sheet and and statement of net position captions:	
Cash and short-term investments – Governmental Funds	\$ 4,188,881
Restricted deposits – Governmental Funds	1,620,787
Interest receivable – Governmental Funds	1,055
Cash and short-term investments – Agency Funds	<u>2,669,970</u>
Interest receivable – Agency Funds	<u>261</u>
	<u>\$ 8,480,954</u>

Deposits

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

At April 30, 2016, 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, 2016

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, 2016, the Department had the following investments and maturities:

	Fair Value
U.S. government securities with maturities of 90 days or less	\$ 5,198,848

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, 2016, 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, 2016 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, 2016, the Department's investments were all in U.S. government obligations.

Restricted Deposit. Included in deposits are money market funds in the amount of \$1,620,787. These funds are intended to provide additional assurance that the Department will provide funding for excess workers' compensation, if required.

Note 3: Changes in Capital Assets

A summary of changes in the Capital Assets for the year ended April 30, 2016 follows:

	Balance April 30, 2015	Increases	Decreases	Balance, April 30, 2016
Police equipment	\$ 88,598,011	\$ 5,413,318	\$ (2,127,637)	\$ 91,883,692
Accumulated depreciation	(53,130,508)	(8,837,239)	1,789,959	(60,177,788)
Net depreciable assets	\$ 35,467,503	\$ (3,423,921)	\$ (337,678)	\$ 31,705,904

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

Note 4: Risk Management

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, 2016. 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 of settlements of certain claims up to \$1,000,000 annually based on the State of Missouri fiscal year.

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 \$1,141,613 in the General Fund as of April 30, 2016. Remaining estimated claims of \$11,391,000 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, 2016

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, 2014	\$ 1,959,623	\$ 6,000,000	\$ 5,769,000	\$ 13,728,623
Claims payments	(579,268)	(5,489,752)	(2,076,505)	(8,145,525)
Claims and changes in estimates	<u>(369,414)</u>	<u>1,589,752</u>	<u>4,403,505</u>	<u>5,623,843</u>
Balance, April 30, 2015	<u>1,010,941</u>	<u>2,100,000</u>	<u>8,096,000</u>	<u>11,206,941</u>
Claims payments	(627,092)	(1,558,009)	(1,976,318)	(4,161,419)
Claims and changes in estimates	<u>397,764</u>	<u>1,758,009</u>	<u>3,331,318</u>	<u>5,487,091</u>
Balance, April 30, 2016	<u>\$ 781,613</u>	<u>\$ 2,300,000</u>	<u>\$ 9,451,000</u>	<u>\$ 12,532,613</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, software, and office facilities under cancelable operating leases. Rent expenditures for the year ended April 30, 2016 was \$1,373,667. As of April 30, 2016, minimum future rental payments required under these leases for subsequent fiscal years were:

2017	\$ 796,357
2018	741,968
2019	741,968
2020	741,968
2021	397,839
	<u>\$ 3,420,100</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, 2016

Other Commitments

The Department has contractual and purchase order commitments relating to various commodities, contractual services, and capital outlay totaling \$10,249,447 as of April 30, 2016. These contractual and purchase order commitments will be liquidated during 2017.

Litigation

The State of Missouri (State) has filed a suit and the Department has filed a counter suit related to certain legal fees charged by the State to the Department. The amount in dispute was approximately \$929,000 at April 30, 2016.

On June 27, 2016, the Circuit Court of Jackson County, Missouri entered a judgement against the Department in the above suit. The judgement includes a decision that the Department owes an amount to the State for legal fees. However, the judgement did not determine the reasonableness of the amount of the legal fees claimed by the State nor did the judgement indicate an amount due to the State. The Department is in the process of evaluating various alternatives, including appealing the judgement. Management believes any amounts that might be paid to the State would not have a material effect on the Department's financial position.

Note 7: Interfund Activity

Due to/from Other Funds

A summary of interfund obligations at April 30, 2016 is shown below:

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

Interfund Transfers

Transfers are substantially for the purposes of subsidizing operating functions such as grant matches and self-insurance.

The Department had the following types of transfers among funds for the year ended April 30, 2016:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Federal and State Grants Fund	Grant Match	<u>\$ 230,340</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, 2016

Note 8: Employee Benefit Commitments

Payments Made on Behalf of the Department

During the year ended April 30, 2016, the City's contribution for the Department's FICA for law enforcement and civilian personnel was \$3,552,443 and is included as an expenditure/expense in the accompanying financial statements.

Defined Benefit Pension Plans

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

The City is treated as a non-employer contributing entity to the Police Retirement System and the Civilian Employees' Retirement System and is required to recognize its proportionate share of the net pension liability, deferred outflows of resources, deferred inflow of resources, and expense for the pension plans related to the Department. At April 30, 2016 the proportionate share (100%) of the net pension liability recognized by the City totaled \$377,285, 207 (Police Retirement System \$331,493,543 and Civilian Employees' Retirement System \$45,791,664, 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, 2016 was \$46,849,583 (Police Retirement System \$40,395,777 and Civilian Employees' Retirement System \$6,453,806, respectively). Since the City is required to make 100% of the contributions, the Department has recorded the pension expense as both revenues and expenses/expenditures. Accordingly, a net reconciling adjustment of \$11,543,722 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 \$46,849,583.

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.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

Benefits Provided

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

Under state statute, the Retirement Board has the authority to provide post-retirement benefit adjustments, referred to as ad hoc cost of living adjustments (ad hoc COLAs). Based on the 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, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,243
Inactive employees entitled to but no yet receiving benefits	18
Active employees	1,408
	<hr/>
	2,669

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, 2016 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, 2015 (measurement date) the pension plan received \$28,933,261 in contributions from the City.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

Net Pension Liability

The net pension liability was measured as of April 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2014, which was rolled forward to April 30, 2015.

Actuarial Assumptions

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

Price inflation	3.0%
Wage inflation	3.75%
Salary increases, including wage inflation	3.75 to 8.75%
Long-term rate of return, net of investment expense, including price inflation	7.50%
Municipal bond index rate	3.51%
Year Fiduciary Net Position is projected to be depleted	2072
Single Equivalent Interest Rate, net of investment expense, including price inflation	7.25%
Post-retirement benefit increases	Simple COLA of 2.5% per year

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

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

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

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the five year period ending April 30, 2012. The experience study report is dated October 3, 2013.

Discount Rate

The discount rate used to measure the total pension liability as of the measurement date was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the employer actuarially determined contribution rate. On that basis, the pension plans fiduciary net position was projected to be depleted in 2072 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). On the Prior Measurement Date (April 30, 2014), the long-term expected rate of return of 7.50% on plan investments was applied to periods before 2072 and the Municipal Bond Index Rate of 4.35% was applied to periods on and after 2072, resulting in an SEIR of 7.36%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so the Measurement Date SEIR of 7.25% was calculated by substituting Municipal Bond Index Rate as of the Measurement Date (3.51%) for the Municipal Bond Index Rate as of the Prior Measurement Date (4.35%).

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

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 October 3, 2013. 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 Equity	35.00%	5.30%
Fixed Income	30.00%	1.00%
Real Return	5.00%	3.15%
Real Estate	10.00%	4.25%
Hedge Fund of Fund	9.00%	4.00%
Global Tactical Asset Allocation	6.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Projected future benefit payments for all current plan members were projected through 2113.

Sensitivity of the Net Pension Liability to Changes in Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.25%, as well as what the City's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 483,868,145	\$ 331,493,543	\$ 206,184,407

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

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	\$ 1,062,680,857	\$ 763,076,453	\$ 299,604,404
Changes for the year:			
Service cost	26,900,131	-	26,900,131
Interest	76,210,579	-	76,210,579
Assumption/SEIR changes	14,987,963	-	14,987,963
Contributions - non-employer	-	28,933,261	(28,933,261)
Contributions - employee	-	10,874,921	(10,874,921)
Net investment income	-	46,951,094	(46,951,094)
Benefit payments, including refunds	(55,405,669)	(55,405,669)	-
Administrative expense	-	(549,742)	549,742
Net changes	62,693,004	30,803,865	31,889,139
Balances at end of year	\$ 1,125,373,861	\$ 793,880,318	\$ 331,493,543

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.kcpcers.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 law enforcement 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.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

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, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	224
Inactive employees entitled to but no yet receiving benefits	20
Active employees	552
	<hr/>
	796
	<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, 2016 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, 2015 (measurement date) the pension plan received \$4,930,686 in contributions from the City.

Net Pension Liability

The net pension liability was measured as of April 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2014, which was rolled forward to April 30, 2015.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

Actuarial Assumptions

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

Price inflation	3.0%
Wage inflation	3.75%
Salary increases, including wage inflation	3.75 to 7.75%
Long-term rate of return, net of investment expense, including price inflation	7.50%
Municipal bond index rate	3.51%
Year Fiduciary Net Position is projected to be depleted	2072
Single Equivalent Interest Rate, net of investment expense, including price inflation	7.23%
Post-retirement benefit increases	Simple COLA of 2.5% per year

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

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

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

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the five year period ending April 30, 2012. The experience study report is dated October 3, 2013.

Discount Rate

The discount rate used to measure the total pension liability as of the measurement date was 7.23%. 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 projected to be depleted in 2072 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). On the Prior Measurement Date (April 30, 2014), the long-term expected rate of return of 7.50% on plan investments was applied to periods before 2072 and the Municipal Bond Index Rate of 4.35% was applied to periods on and after 2072, resulting in an SEIR of 7.34%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so the Measurement Date SEIR of 7.23% was calculated by substituting Municipal Bond Index Rate as of the Measurement Date (3.51%) for the Municipal Bond Index Rate as of the Prior Measurement Date (4.35%).

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 October 3, 2013. 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

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

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 Equity	35.00%	5.30%
Fixed Income	30.00%	1.00%
Real Return	5.00%	3.15%
Real Estate	10.00%	4.25%
Hedge Fund of Fund	9.00%	4.00%
Global Tactical Asset Allocation	6.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Projected future benefit payments for all current plan members were projected through 2113.

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 7.23%, as well as what the City's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.23%) or one percentage point higher (8.23%) than the current rate.

	1% Decrease 6.23%	Current Single Discount Rate Assumption 7.23%	1% Increase 8.23%
Net Pension Liability	\$ 69,190,263	\$ 45,791,664	\$ 26,323,501

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

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	\$ 157,964,859	\$ 117,341,038	\$ 40,623,821
Changes for the year:			
Service cost	4,403,101	-	4,403,101
Interest	11,366,771	-	11,366,771
Assumption/SEIR changes	2,318,394	-	2,318,394
Contributions - non-employer	-	4,930,686	(4,930,686)
Contributions - employee	-	1,323,061	(1,323,061)
Net investment income	-	6,779,600	(6,779,600)
Benefit payments, including refunds	(6,320,353)	(6,320,353)	-
Administrative expense	-	(112,924)	112,924
Net changes	11,767,913	6,600,070	5,167,843
Balances at end of year	\$ 169,732,772	\$ 123,941,108	\$ 45,791,664

Post-Employment Benefits Other than Pensions

Plan Description

The Board sponsors a single-employer, defined benefit healthcare plan that provides healthcare benefits to Department retirees and their dependents, including medical and pharmacy coverage. Participants include police and civilian members of the Department.

Retirees (including any elected coverage for spouses and dependents) are eligible for 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.

Under Governmental Accounting Standards Board Statement (GASB) No. 45, the difference between the premium rate charged to retirees and the estimated rate that would be applicable to those retirees if acquired for them as a separate group is an implicit rate subsidy, which is considered an other post-employment benefits (OPEB) under the standard.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

Annual OPEB Cost and Net OPEB Obligation

The Board's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation.

Normal Cost	\$ 2,835,289
Amortization of unfunded actuarial accrued liability	<u>2,780,385</u>
Annual required contribution (ARC)	5,615,674
Interest on net OPEB obligation	1,145,471
Adjustment to annual required contribution	<u>(1,528,575)</u>
Annual OPEB cost	5,232,570
Contributions made:	
Net employer contributions	<u>1,194,133</u>
Change in net OPEB obligation	4,038,437
Net OPEB obligation, April 30, 2015	<u>25,454,904</u>
Net OPEB obligation, April 30, 2016	<u><u>\$ 29,493,341</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
April 30, 2014	\$ 6,525,049	18.96%	\$ 21,387,199
April 30, 2015	5,184,740	21.54%	25,454,904
April 30, 2016	5,232,570	22.82%	29,493,341

Funded Status and Funding Progress

GASB Statement 45 does not require funding of an OPEB liability and, at this time, the liability is unfunded. Contributions are made to the plan on a pay-as-you-go basis.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

As of April 30, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$46,300,933, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$46,300,933. The covered payroll (annual payroll of active employees covered by the plan) was \$114.1 million, and the ratio of UAAL to the covered payroll was 41 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined amounts, consistent with the long-term perspective of the calculations.

In the April 30, 2014, actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return. An annual healthcare cost trend rate, reduced by decrements to an ultimate rate of 4.5 percent after eleven years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2014, was thirty years.

Note 9: Change in Accounting Principle

The beginning net position of the Department's governmental activities was restated due to the implementation of the GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.

	<u>Governmental Activities</u>
Net Position, beginning of year as previously reported	\$ (139,017,845)
Changes in accounting and reporting related to the Department's pension plans	<u>104,985,749</u>
Net Position, beginning of year as restated	<u>\$ (34,032,096)</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, 2016

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

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The Department will implement GASB Statement No. 72 beginning with the year ending April 30, 2017.

GASB Statement 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*, improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Department will implement GASB Statement No. 73 beginning with the year ending April 30, 2018.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes financial reporting standards for state and local governmental OPEB plans that are administered through trusts or equivalent arrangements and for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through a trust or equivalent arrangement. The Department will implement GASB Statement No. 74 beginning with the year ending April 30, 2018.

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The Department will implement GASB Statement No. 75 beginning with the year ending April 30, 2019.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Department will implement GASB Statement No. 76 beginning with the year ending April 30, 2017.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

GASB Statement No. 77, *Tax Abatement Disclosures*, increases the disclosure requirements for tax abatements affecting the government entity and its ability to raise resources in the future. This standard applies to a reporting government's own tax abatement agreements or agreements entered into by other governments and that reduce the reporting government's tax revenues. The government that enters into the agreement must begin disclosing (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provision for recapturing abated taxes, and the types of commitments made by tax abatement recipients, (2) the gross dollar amount of taxes abated during the period and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. For governments impacted by other governments' tax abatements, the following must be disclosed: (1) the names of the governments that entered into the agreements, (2) the specific taxes being abated, and (3) the gross dollar amount of taxes abated during the period. The Department will implement GASB Statement No. 77 beginning with the year ending April 30, 2017.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, amends the scope and applicability of Statement 68 to exclude pension provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The Department will implement GASB Statement No. 78 beginning with the year ending April 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purpose. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The Department will implement GASB Statement No. 79 beginning with the year ending April 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Department will implement GASB Statement No. 80 beginning with the year ending April 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Department will implement GASB Statement No. 81 beginning with the year ending April 30, 2018.

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Basic Financial Statements

April 30, 2016

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Department will implement GASB Statement No. 82 with the year ending April 30, 2019.

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

Note 11: Subsequent Events

The Department has evaluated subsequent events through June 29, 2016, the date the financial statements were available to be issued. On June 27, 2016, the Circuit Court of Jackson County, Missouri entered a judgement against the Department as further discussed in Note 6 *Litigation* in the Notes to the Basic Financial Statements. No other subsequent events were identified that required adjustment to or disclosure in the financial statements.

The Police Department of Kansas City, Missouri

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

Police Retirement System	2016	2015
Total pension liability	\$ 1,125,373,861	\$ 1,062,680,857
Plan fiduciary net position	793,880,318	763,076,453
Collective net pension liability	\$ 331,493,543	\$ 299,604,404
City's total proportionate share of the collective net pension liability	\$ 331,493,543	\$ 299,604,404
Department's proportionate share of the collective net pension liability	\$ -	\$ -
Department's covered payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	70.54%	71.81%
Civilian Employees' Retirement System		
	2016	2015
Total pension liability	\$ 169,732,772	\$ 157,964,859
Plan fiduciary net position	123,941,108	117,341,038
Collective net pension liability	\$ 45,791,664	\$ 40,623,821
City's total proportionate share of the collective net pension liability	\$ 45,791,664	\$ 40,623,821
Department's proportionate share of the collective net pension liability	\$ -	\$ -
Department's covered payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police Retirement System										
Actuarially determined contribution	\$ 30,272,063	\$ 28,933,261	\$ 35,062,322	\$ 31,652,713	\$ 28,277,060	\$ 32,019,847	\$ 22,154,209	\$ 24,618,680	\$ 23,181,026	\$ 21,428,776
Contributions in relation to the actuarially determined contribution - non-employer	30,272,063	28,933,261	22,241,769	16,933,694	16,476,608	16,532,015	16,645,229	16,700,688	15,747,111	14,526,734
Contribution deficiency (excess)	\$ -	\$ -	\$ 12,820,553	\$ 14,719,019	\$ 11,800,452	\$ 15,487,832	\$ 5,508,980	\$ 7,917,992	\$ 7,433,915	\$ 6,902,042
Department's covered-employee payroll*	\$ 91,951,939	\$ 91,749,770	\$ 89,320,031	\$ 86,036,186	\$ 83,783,881	\$ 87,105,133	\$ 84,493,549	\$ 84,775,068	\$ 79,934,573	\$ 73,739,766
Contributions as a percentage of covered-employee payroll	32.92%	31.53%	24.90%	19.68%	19.67%	18.98%	19.70%	19.70%	19.70%	19.70%
Civilian Employees' Retirement System										
Actuarially determined contribution	\$ 5,048,167	\$ 4,930,686	\$ 5,657,924	\$ 4,956,189	\$ 4,361,223	\$ 4,748,151	\$ 3,616,073	\$ 4,289,488	\$ 4,137,262	\$ 3,820,385
Contributions in relation to the actuarially determined contribution - non-employer	5,048,167	4,930,686	4,122,375	3,283,458	3,146,124	3,185,041	3,329,727	3,470,682	3,372,411	2,681,732
Contribution deficiency (excess)	\$ -	\$ -	\$ 1,535,549	\$ 1,672,731	\$ 1,215,099	\$ 1,563,110	\$ 286,346	\$ 818,806	\$ 764,851	\$ 1,138,653
Department's covered-employee payroll*	\$ 25,747,787	\$ 26,461,305	\$ 25,616,923	\$ 25,005,998	\$ 23,975,937	\$ 25,162,434	\$ 25,340,387	\$ 26,413,102	\$ 25,665,396	\$ 24,072,998
Contributions as a percentage of covered-employee payroll	19.61%	18.63%	16.09%	13.13%	13.12%	12.66%	13.14%	13.14%	13.14%	11.14%

*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, 2016

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.

2008 – The plan provisions were changed, effective August 28, 2008, to require that a member must be in active service to be eligible for either a duty related or non-duty related disability retirement benefit.

2007 – Creditable service for military leave may be granted without payment of member contributions under certain conditions.

Changes in Actuarial Assumptions

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, 2016

4/30/2008 valuation:

- Changed the mortality table to the RP-2000 Table. Scale AA is used to project mortality improvements in future years.
- Adjusted the retirement rates to better fit observed experience.
- Increased the probability of disability for active members.
- Decreased the termination of employment rates.
- Changed from an age-based to a service-based salary increase assumption.
- Assume that all vested terminating members will elect a deferred benefit.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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

The following actuarial methods and assumptions were used to determine the Actuarially Determined Employer Contribution reported in the most recent fiscal year (April 30, 2016), which was based on the results of the April 30, 2014 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method value	5-year smoothing of actual vs expected return on market
Price Inflation	3.00 percent
Salary increase, including inflation	3.75 to 8.75 percent
Investment rate of return, net of Investment expense, and including inflation	7.50 percent
Future Cost-of-Living Adjustment	2.50 percent (simple)

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Required Supplementary Information

April 30, 2016

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.

2008 – The plan provisions were changed, effective August 28, 2008, to require that a member must be in active service to be eligible for either a duty related or non-duty related disability retirement benefit.

2007 – The plan provisions were changed as follows:

- Creditable service for military leave may be granted without payment of member contributions under certain conditions.
- The eligibility requirement for the supplemental benefit was changed from 5 to 15 years of creditable service for members retiring after August 28, 2007.

2006 – Board Policy #18 was amended March 14, 2006 to provide the following definition of actuarial soundness: A retirement plan shall be considered actuarially sound for purposes described in the statutes, provided that at least one of the three following conditions is met:

- 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.

Changes in Actuarial Assumptions

4/30/2013 valuation:

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

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Required Supplementary Information

April 30, 2016

- 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.

4/30/2008 valuation:

- Changed the mortality table to the RP-2000 Table, with a one year age set forward. Scale AA is used to project mortality improvements in future years.
- Adjusted the retirement rates to better fit observed experience.
- Adjusted the termination of employment rates based on experience from the current and prior years.
- Changed from an age-based to a service-based salary increase assumption.
- Lowered the assumption at ages 42 to 54 that vested terminating members will take a refund and forfeit their vested benefit.

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, 2016), which was based on the results of the April 30, 2014 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothing of actual vs expected return on market value
Price Inflation	3.00 percent
Salary increase, including inflation	3.75 to 7.75 percent
Investment rate of return, net of Investment expense, and including inflation	7.50 percent
Future Cost-of-Living Adjustment	2.50 percent (simple)

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Schedule of Funding Progress
 April 30, 2016

Other Post Employment Benefits (OPEB)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b) - (a)		(c) Annual Covered Payroll	(b)-(a)/(c) UAAL as a percentage of Covered Payroll
			Unfunded Actuarial Accrued Liability (UAAL)	(a)/(b) Funded Ratio		
April 30, 2010	\$ -	\$ 54,184,167	\$ 54,184,167	0%	\$ 100,921,000	54%
April 30, 2012	-	55,129,304	55,129,304	0%	108,002,676	51%
April 30, 2014	-	46,300,933	46,300,933	0%	114,197,450	41%

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, 2016

	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	\$ 202,271,899	\$ 205,471,899	\$ 205,524,038	\$ 680,249	\$ 206,204,287
Operating grants	986,718	986,718	399,215	-	399,215
Other intergovernmental	1,153,000	1,153,000	1,177,067	(1,000,000)	177,067
Charges for services	3,023,574	3,186,045	2,826,250	-	2,826,250
Interest	4,000	4,000	5,279	-	5,279
Other	20,000	288,500	556,198	-	556,198
Total revenues	207,459,191	211,090,162	210,488,047	(319,751)	210,168,296
Expenditures:					
Public safety - police:					
Current:					
Personal services	187,764,068	191,643,233	191,458,512	(349,439)	191,807,951
Contractual services	16,277,032	17,115,086	16,561,623	1,191,367	15,370,236
Commodities	5,520,960	3,472,995	3,405,648	(185,946)	3,591,594
Capital outlay	849,358	942,377	632,318	2,131	630,187
Total expenditures	210,411,418	213,173,691	212,058,101	658,133	211,399,968
Excess (deficiency) of revenues over expenditures	(2,952,227)	(2,083,529)	(1,570,054)	338,382	(1,231,672)
Other financing sources (uses):					
Disposal of capital assets	94,000	94,000	49,632	-	49,632
Transfers out	-	-	-	(230,340)	(230,340)
Total other financing sources and uses	94,000	94,000	49,632	(230,340)	(180,708)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,858,227)	(1,989,529)	(1,520,422)	108,042	(1,412,380)
Fund balance, beginning of year	4,391,383	3,985,160	3,985,160	-	3,985,160
Available prior year encumbrances	1,877,994	1,877,994	-	-	-
Fund balance, end of year	\$ 3,411,150	\$ 3,873,625	\$ 2,464,738	\$ 108,042	\$ 2,572,780

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, 2016

Explanation of differences:

The department retained the risk of loss related to certain legal claims, and the State of Missouri provided legal representation for some of these and was responsible for claims up to \$1.0 million annually. Certain estimated claims obligations are reported for GAAP purposes but not for budget purposes until paid.	\$ 1,979,328
The department retained the risk of loss related to workers compensation claims. Estimated claims payable are reported for GAAP purposes but not for budget purposes until paid.	(860,000)
Revenues not expected to be collected within 60 days are reported as deferred inflows for GAAP purposes.	(1,000,000)
The following budgetary differences do not have an impact on the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses as the differences offset revenues, expenditures, or other financing sources equally.	
Liability self-retention activities are accounted for in subsidiary accounts of the general fund. Payments of \$3,300,000 made to subsidiary accounts are treated as revenue in the subsidiary account and expenditures in the general fund for budgetary purposes. Only the amount used to pay for expenses in the subsidiary accounts is reported for GAAP purposes.	-
The department budgets for compensated absences on the cash basis, rather than on the modified accrual basis. The change of \$1,142,799 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 \$3,797	-
Inventory acquisitions are reported as expenditures for budgetary purposes, but only the change in inventory used of \$204,525 is reported for GAAP purposes.	-
The amount of \$230,340 for grant matches charged in from another fund is reported with personal services for budgetary purposes, but is reported as a transfer out for GAAP purposes.	-
The department uses estimates to accrue payroll and certain other items for budgetary purposes, but reports subsequent changes for GAAP purposes. Subsequent changes were \$1,323,430 for accrued payroll and inventory of which all but \$11,286 is offset by revenue	(11,286)

\$ 108,042

The Police Department of Kansas City, Missouri
A Component Unit of the City of Kansas City, Missouri
Budgetary Comparison Schedule - Federal Seizure and Forfeiture Fund
For the Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Charges for services	\$ 190,000	\$ 473,198	\$ 810,083	\$ -	\$ 810,083
Interest	-	1,000	883	-	883
Total revenues	190,000	474,198	810,966	-	810,966
Expenditures / Expenses					
Public safety – police	31,831	31,831	-	-	-
Contractual services	60,080	61,080	13,168	-	13,168
Commodities	-	-	-	-	-
Capital outlay	84,947	201,138	116,191	-	116,191
Total expenditures / expenses	176,858	294,049	129,359	-	129,359
Excess (deficiency) of revenues over expenditures / expenses	13,142	180,149	681,607	-	681,607
Other Financing Sources (Uses)					
Disposal of capital assets	-	-	14,275	-	14,275
Total other financing sources and uses	-	-	14,275	-	14,275
Change in Fund balance	13,142	180,149	695,882	-	695,882
Fund Balance, Beginning of Year	-	-	669,986	-	669,986
Available Prior Year Encumbrances	63,053	63,053	-	-	-
Fund Balance, End of Year	\$ 76,195	\$ 243,202	\$ 1,365,868	\$ -	\$ 1,365,868

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, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
Revenues:					
Operating grants	\$ 5,436,111	\$ 6,998,089	\$ 5,220,280	\$ -	\$ 5,220,280
Capital grants	-	-	170,838	-	170,838
Other intergovernmental	-	-	-	42,507	42,507
Total revenues	<u>5,436,111</u>	<u>6,998,089</u>	<u>5,391,118</u>	<u>42,507</u>	<u>5,433,625</u>
Expenditures:					
Public safety - police:					
Current:					
Personal services	4,373,618	4,590,351	3,782,716	(256,911)	4,039,627
Contractual services	593,833	1,707,325	1,246,187	-	1,246,187
Commodities	100,160	131,770	76,933	-	76,933
Capital outlay	368,500	379,782	285,282	(15,936)	301,218
Total expenditures	<u>5,436,111</u>	<u>6,809,228</u>	<u>5,391,118</u>	<u>(272,847)</u>	<u>5,663,965</u>
Excess (deficiency) of revenues over expenditures	-	188,861	-	(230,340)	(230,340)
Other financing sources (uses):					
Transfers in	-	-	-	230,340	230,340
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,340</u>	<u>230,340</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	188,861	-	-	-
Fund balance, beginning of year	-	-	-	-	-
Available prior year encumbrances	<u>730,654</u>	<u>730,654</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 730,654</u>	<u>\$ 919,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Explanation of differences:

The amount of \$230,340 for grant matches charged out to another fund is reported with personal services 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 \$42,507 for accrued payroll.

\$ -

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Combining Balance Sheet - Nonmajor Funds
 April 30, 2016

	Public Safety Sales Tax	Police Drug Enforcement	City G.O. Bond	City S.O. Bond	City Tax-Exempt Bond	Byrne JAG Grant	Non-Major Funds Total
Assets							
Cash and short-term investments	\$ -	\$ 241,703	\$ -	\$ -	\$ -	\$ -	\$ 241,703
Receivables:							
Due from City of Kansas City, Missouri	17,309	-	129	1,285	12,495	-	31,218
Due from other governments	-	28,876	-	-	-	-	28,876
Total assets	\$ 17,309	\$ 270,579	\$ 129	\$ 1,285	\$ 12,495	\$ -	\$ 301,797
Liabilities							
Accounts payable	\$ 17,309	\$ -	\$ 129	\$ 1,285	\$ 12,495	\$ -	\$ 31,218
Accrued payroll	-	28,876	-	-	-	-	28,876
Due to City of Kansas City, Missouri	-	37,283	-	-	-	-	37,283
Due to other governments	-	66,443	-	-	-	-	66,443
Total liabilities	17,309	132,602	129	1,285	12,495	-	163,820
Fund Balances							
Fund balances:							
Restricted	-	137,977	-	-	-	-	137,977
Total fund balance	-	137,977	-	-	-	-	137,977
Total liabilities and fund balances	\$ 17,309	\$ 270,579	\$ 129	\$ 1,285	\$ 12,495	\$ -	\$ 301,797

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, 2016

	Public Safety Sales Tax	Police Drug Enforcement	City G.O. Bond	City S.O. Bond	City Tax-Exempt Bond	Byrne JAG Grant	Non-Major Funds Total
Revenues:							
Revenues received from City of Kansas City, Missouri	\$ 2,478,991	\$ -	\$ 133,001	\$ 3,867,567	\$ 548,172	\$ -	\$ 7,027,731
Other intergovernmental	-	2,128,435	-	-	-	97,304	2,225,739
Total revenues	<u>2,478,991</u>	<u>2,128,435</u>	<u>133,001</u>	<u>3,867,567</u>	<u>548,172.00</u>	<u>97,304</u>	<u>9,253,470</u>
Expenditures:							
Public safety - police:							
Current:							
Personal services		1,847,034					1,847,034
Contractual services	377,148	191,350				97,189	665,687
Commodities	894,978	33,732					928,710
Capital outlay	1,206,865	91,859	133,001	3,867,567	548,172.00	115	5,847,579
Total expenditures	<u>2,478,991</u>	<u>2,163,975</u>	<u>133,001</u>	<u>3,867,567</u>	<u>548,172.00</u>	<u>97,304</u>	<u>9,289,010</u>
Excess (deficiency) of revenues over expenditures	-	(35,540)	-	-	-	-	(35,540)
Fund balance, beginning of year	-	173,517	-	-	-	-	173,517
Fund balance, end of year	<u>\$ -</u>	<u>\$ 137,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,977</u>

The Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
 Combining Statement of Assets and Liabilities - Fiduciary Funds - Agency Funds
 April 30, 2016

	Major Case Squad	ETAC	Depository	Seizure Retention	Misdemeanor Bond	Dental Program	Agency Funds Total
Assets							
Cash and short-term investments	\$ 406	\$ 858,325	\$ 322,426	\$ 1,384,951	\$ 3,450	\$ 100,412	\$ 2,669,970
Receivables:							
Accounts						5,867	5,867
Interest	-	-	49	212	-	-	261
Total assets	<u>\$ 406</u>	<u>\$ 858,325</u>	<u>\$ 322,475</u>	<u>\$ 1,385,163</u>	<u>\$ 3,450</u>	<u>\$ 106,279</u>	<u>\$ 2,676,098</u>
Liabilities							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 1,000	\$ 4,000
Other accrued liabilities	406	858,325	322,475	1,385,163	450	105,279	2,672,098
Total liabilities	<u>\$ 406</u>	<u>\$ 858,325</u>	<u>\$ 322,475</u>	<u>\$ 1,385,163</u>	<u>\$ 3,450</u>	<u>\$ 106,279</u>	<u>\$ 2,676,098</u>