

Johnson County Fire District No. 2

(A Component Unit of Johnson County, Kansas)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

JOHNSON COUNTY FIRE DISTRICT NO. 2
(A Component Unit of Johnson County, Kansas)

FINANCIAL STATEMENTS

Year Ended December 31, 2021

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JOHNSON COUNTY FIRE DISTRICT NO. 2
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FINANCIAL STATEMENTS

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of County Commissioners
Johnson County Fire District No. 2
Johnson County, Kansas

Report On The Audit Of The Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Johnson County Fire District No. 2, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Johnson County Fire District No. 2's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Johnson County Fire District No. 2 as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis For Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the *Kansas Municipal Audit and Accounting Guide,* and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of Johnson County Fire District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Johnson County Fire District No. 2's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities For The Audit Of The Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Johnson County Fire District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Johnson County Fire District No. 2's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information listed in the table of contents to be presented to supplement the basic financial statements.

Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Johnson County Fire District No. 2's basic financial statements. The budget to actual (budgetary basis) - Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the budget to actual (budgetary basis) – Debt Service Fund is fairly stated in all material respects in relation to the basic 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 November 14, 2022 on our consideration of Johnson County Fire District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of 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 Johnson County Fire District No. 2's internal control over financial reporting and compliance.

RubinBrown LLP

November 14, 2022

JOHNSON COUNTY FIRE DISTRICT NO. 2
(A Component Unit of Johnson County, Kansas)

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

We offer those interested in the Johnson County Fire District No. 2's financial statements this narrative overview and analysis of the financial activities of the Johnson County Fire District No. 2 for the fiscal year ended December 31, 2021.

Financial Highlights

- The assets of the Johnson County Fire District No. 2 exceeded its liabilities at the close of the December 31, 2021 fiscal year by $878,980 (net position). Of this amount, ($2,821,684) is unrestricted net position. The liabilities of the Johnson County Fire District No. 2 exceeded its assets at the close of the December 31, 2020 fiscal year by $(668,928) (net position). Of this amount, $(4,124,211) is unrestricted net position.
- The District's total net position increased by $1,547,908 for fiscal year December 31, 2021 and the District's total net position decreased by $393,526 for fiscal year December 31, 2020.
- As of December 31, 2021, the Johnson County Fire District No. 2's governmental funds reported combined ending fund balances of $6,658,254, an increase of $4,273,141 in comparison with the prior year. Approximately 41 percent of this total amount, $2,752,999, is available to meet current and future needs (assigned and unassigned fund balance).
- As of December 31, 2021, available fund balance for the General Fund was $2,454,904 or 43 percent of total General Fund expenditures.
- The Johnson Fire District No. 2's total general obligation bond debt increased by $2,915,000 or 133 percent during the current fiscal year because of a new debt issuance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Johnson County Fire District No. 2's basic financial statements. The Johnson Fire District No. 2's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide a broad overview of the Johnson County Fire District No. 2's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Johnson County Fire District No. 2's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is measured as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred outflows of resources. Over time, increases or decreases

in net position may serve as a useful indicator of whether the financial position of the Johnson County Fire District No. 2 is improving or deteriorating.

The statement of activities presents information showing how the government'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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Johnson County Fire District No. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Johnson County Fire District No. 2 are public safety. The District has no business-type activities.

The government-wide financial statements include the Johnson County Fire District No. 2, known as the primary government.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Johnson County Fire District No. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Johnson County Fire District No. 2 are governmental funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Johnson County Fire District No. 2 maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and combined Debt Service Funds, all of which are considered to be major funds.

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.

Other information - The District's budgetary comparison statements are presented as required supplementary information. The combining statements referred to earlier in connection with the nonmajor governmental fund are presented immediately after the notes to basic financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Johnson County Fire District No. 2, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $878,980 at the close of the fiscal year ended December 31, 2021. This is an increase of $1,547,908 from 2020.

By far, the largest portion of the Johnson County Fire District No. 2's net position ($3.37M) reflects its investment in capital assets (e.g., land, buildings, improvements and equipment), less any related debt used to acquire those assets that is still outstanding. This is an increase of 7.4% over 2020. The Johnson County Fire District No. 2 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Johnson County Fire District No. 2's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

A summary of the District's net position is as follows:

Johnson County Fire District No. 2's Net Position				
	Governmental Activities		Total	
	2021	2020	2021	2020
Assets				
Current and other assets	$ 11,460,308	$ 6,862,856	$ 11,460,308	$ 6,862,856
Capital assets	5,366,280	5,333,703	5,366,280	5,333,703
Total Assets	16,826,588	12,196,559	16,826,588	12,196,559
Deferred Outflows				
Deferred outflows - OPEB	135,575	151,868	135,575	151,868
Deferred outflows - pensions	3,186,205	4,471,120	3,186,205	4,471,120
Total Deferred Outflows	3,321,780	4,622,988	3,321,780	4,622,988
Liabilities				
Noncurrent liabilities outstanding	11,300,809	11,150,693	11,300,809	11,150,693
Other liabilities	789,841	369,379	789,841	369,379
Total Liabilities	12,090,650	11,520,072	12,090,650	11,520,072
Deferred Inflows				
Deferred inflows - OPEB	373,056	487,591	373,056	487,591
Deferred inflows - pensions	2,274,413	1,172,448	2,274,413	1,172,448
Deferred revenue - property tax	4,531,269	4,308,364	4,531,269	4,308,364
Total Deferred Inflows	7,178,738	5,968,403	7,178,738	5,968,403
Net Position				
Net investment in capital assets	3,366,280	3,133,703	3,366,280	3,133,703
Restricted for debt service	334,384	321,580	334,384	321,580
Unrestricted	(2,821,684)	(4,124,211)	(2,821,684)	(4,124,211)
Total Net Position	$ 878,980	$ (668,928)	$ 878,980	$ (668,928)

An additional portion of the Johnson County Fire District No. 2's net position ($334k) represents resources that are subject to external restrictions on how they may be used.

The changes in net position are highlighted in the following table, which shows the District's revenues and expenses for the fiscal year. These two main components are subtracted to yield the change in net position.

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for sales and services, operating grants and contributions, and capital grants and contributions. General revenue includes taxes, investment income and other unrestricted revenue sources.

A summary of the District's changes in net position follows:

Johnson County Fire District No. 2's Changes In Net Position

	Governmental Activities		Total	
	2021	**2020**	**2021**	**2020**
Revenues				
Program revenues				
Charges for services	$ 2,420,062	$ 2,270,322	$ 2,420,062	$ 2,270,322
General revenues				
Property taxes	4,857,194	4,749,394	4,857,194	4,749,394
Investment earnings	227	6,897	227	6,897
Miscellaneous	189,280	106,348	189,280	106,348
Total Revenues	7,466,763	7,132,961	7,466,763	7,132,961
Expenses				
Public Safety	5,862,192	7,458,569	5,862,192	7,458,569
Interest on long term debt	56,663	67,918	56,663	67,918
Total Expenses	5,918,855	7,526,487	5,918,855	7,526,487
Increase (Decrease) In Net Position Before Transfers	1,547,908	(393,526)	1,547,908	(393,526)
Transfers	-	-	-	-
Change In Net Position	1,547,908	(393,526)	1,547,908	(393,526)
Net Position - Beginning	(668,928)	(275,402)	(668,928)	(275,402)
Net Position - Ending	$ 878,980	$ (668,928)	$ 878,980	$ (668,928)

Total governmental activities' revenue for the fiscal year was $7,466,763. The largest single revenue source for the District was property taxes of $4,857,194. Taxes increased by $107,800 from 2020. This increase is due to growth in the assessed valuation of Johnson County, which results in an increase in ad-valorem funding for the District's General and Debt Service Funds.

Certain revenues are generated that are specific to governmental program activities: these totaled $2,420,062 in 2021 and $2,270,322 in 2020. In 2021 and 2020, the District received no operating or capital grants or contributions.

Financial Analysis of the Government's Funds

As noted earlier, the Johnson County Fire District No. 2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Johnson County Fire District No. 2's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Johnson County Fire District No. 2's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2021, the Johnson County Fire District No. 2's governmental funds reported combined ending fund balances of $6,658,254 an increase of $4,273,141 in comparison with the prior year. Of this amount, $2,752,999, or 41 percent, constitutes available fund balance, which is available for spending at the government's discretion to meet current and future obligations. The remainder of fund balance is restricted to indicate it is not available for new spending because it has already been restricted to: pay for debt service requirements $334,384. The District also has $3,570,871 of prepaid expenditures that are in non-spendable form.

The General Fund is the chief operating fund of the Johnson County Fire District No. 2. At the end of the current fiscal year, available fund balance of the General Fund was $2,454,904, while total fund balance was also $2,454,904. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total General Fund expenditures. Available fund balance represents approximately 43 percent of total General Fund expenditures, as does total fund balance.

The fund balance of the Johnson County Fire District No. 2's General Fund increased by $764,348 during the current fiscal year. The increase is primarily the result of increased ad valorem tax revenue received due to the increase in assessed valuation. Further explanation is included in the General Fund Budgetary Highlights section.

The Capital Projects Fund has a total fund balance of $3,868,966. The net increase in fund balance during the current year was $3,495,989.

The Debt Service Fund has a total fund balance of $334,384, all restricted. The net increase in fund balance during the current year was $12,804.

General Fund Budgetary Highlights

During the year there was no variance between the original budget and the final budget. The 2021 revenue budget was $6,839,127. Actual revenue on the budgetary basis was $7,151,946. The 2021 expenditure budget was $7,074,831. Actual expenditures on the budgetary basis were $5,687,584.

Capital Asset and Debt Administration

Capital assets. The Johnson County Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2021 amounts to $5,366,280 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings, improvements, equipment and infrastructure.

Johnson County Fire District No. 2's Capital Assets

	Governmental Activities		Total	
	2021	2020	2021	2020
Buildings	$ 6,294,232	$ 6,294,232	$ 6,294,232	$ 6,294,232
Improvements	285,889	250,889	285,889	250,889
Equipment	2,646,101	2,637,965	2,646,101	2,637,965
Infrastructure	9,288	-	9,288	-
Accumulated depreciation	(3,869,230)	(3,849,383)	(3,869,230)	(3,849,383)
Total	$ 5,366,280	$ 5,333,703	$ 5,366,280	$ 5,333,703

Additional information on the Johnson County Fire District No. 2's capital assets can be found in Note 3 of this report.

Long-term debt. At the end of the current fiscal year, the Johnson County Fire District No. 2 had total debt outstanding of $5,115,000. This amount comprises debt backed by the full faith and credit of the government.

Johnson County Fire District No. 2 Outstanding Debt
General Obligation

	Governmental Activities		Total	
	2021	2020	2021	2020
General obligation bonds	$ 5,115,000	$ 2,200,000	$ 5,115,000	$ 2,200,000
Total	$ 5,115,000	$ 2,200,000	$ 5,115,000	$ 2,200,000

The Johnson County Fire District No 2's total general obligation bond debt increased by $2,915,000 or 133 percent, during the current fiscal year. During the year, debt was issued for $3,115,000.

Additional information on the Johnson County Fire District No. 2's long-term debt can be found in Note 4 of this report.

Economic Factors and Next Year's Budget and Rates

The following considerations have been factored into the development of the District's 2022 budget:

- The Fire District's general fund mill levy was reduced .397 mills as part of a total .44 mill reduction from the 2021 budget.
- The Fire District budgeted for the sale of Station No. 83 for $540,000 in order to pay off a KPERS liability in 2022.
- Approximately $440,000 has been budgeted for payoff of a KPERS liability.
- The Fire District budgeted for the transition of all employees to contracting out for service.

Requests for Information

This financial report is designed to provide a general overview of the Johnson County Fire District No 2's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Financial Management and Administration, Johnson County Government, 111 South Cherry Street, Suite 2400, Olathe, Kansas 66061.

JOHNSON COUNTY FIRE DISTRICT NO. 2

STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities	Total
Assets		
Current assets:		
Deposits and investments	$ 2,739,619	$ 2,739,619
Receivables:		
Taxes	4,956,670	4,956,670
Intergovernmental	193,148	193,148
Prepaid expenses	3,570,871	3,570,871
Total current assets	11,460,308	11,460,308
Noncurrent assets:		
Capital assets:		
Depreciable, net	5,366,280	5,366,280
Total noncurrent assets	5,366,280	5,366,280
Total assets	16,826,588	16,826,588
Deferred outflows of resources:		
Deferred outflows - other post employment benefits	135,575	135,575
Deferred outflows - pensions	3,186,205	3,186,205
Total deferred outflows of resources	3,321,780	3,321,780
Total assets and deferred outflows of resources	$ 20,148,368	$ 20,148,368

(Continued)

JOHNSON COUNTY FIRE DISTRICT NO. 2

STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities	Total
Liabilities		
Liabilities:		
Current liabilities:		
Accounts payable	$ 267,233	$ 267,233
Accrued liabilities	3,552	3,552
Compensated absences	19,056	19,056
Current maturities of long-term debt	500,000	500,000
Total current liabilities	789,841	789,841
Noncurrent liabilities:		
Compensated absences, noncurrent portion	622,548	622,548
OPEB obligation	29,239	29,239
Net pension liability	5,805,555	5,805,555
General obligation bonds	4,843,467	4,843,467
Total noncurrent liabilities	11,300,809	11,300,809
Total liabilities	12,090,650	12,090,650
Deferred inflows of resources:		
Deferred inflows - other post employement benefits	373,056	373,056
Deferred inflows - pensions	2,274,413	2,274,413
Deferred revenue - property taxes	4,531,269	4,531,269
Total deferred inflows of resources	7,178,738	7,178,738
Net Position		
Net position:		
Net investment in capital assets	3,366,280	3,366,280
Restricted for debt service	334,384	334,384
Unrestricted	(2,821,684)	(2,821,684)
Total net position	$ 878,980	$ 878,980

See accompanying notes to basic financial statements.

JOHNSON COUNTY FIRE DISTRICT NO. 2

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government						
Governmental activities:						
Public Safety	$ 5,862,192	$ 2,420,062	$ -	$ -	$ (3,442,130)	$ (3,442,130)
Interest on long-term debt	56,663	-	-	-	(56,663)	(56,663)
Total governmental activities	5,918,855	2,420,062	-	-	(3,498,793)	(3,498,793)
Total primary government	$ 5,918,855	$ 2,420,062	$ -	$ -	(3,498,793)	(3,498,793)
General Revenues and Transfers						
General Revenues						
Property taxes levied for:						
General purposes					4,587,727	4,587,727
Debt service					269,467	269,467
Investment earnings					227	227
Miscellaneous					189,280	189,280
Total general revenues and transfers					5,046,701	5,046,701
Changes in net position					1,547,908	1,547,908
Net position, beginning of year					(668,928)	(668,928)
Net position, end of year					$ 878,980	$ 878,980

See accompanying notes to basic financial statements.

JOHNSON COUNTY FIRE DISTRICT NO. 2

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General Fund	Capital Projects Fund	Debt Service Funds	Total
Assets:				
Deposits and investments	$ 2,110,578	$ 301,307	$ 327,734	$ 2,739,619
Taxes receivable	4,716,073	-	240,597	4,956,670
Intergovernmental receivable	193,148	-	-	193,148
Prepaid items	-	3,570,871	-	3,570,871
Total assets	$ 7,019,799	$ 3,872,178	$ 568,331	$ 11,460,308
Liabilities:				
Accounts payable	$ 264,021	$ 3,212	$ -	$ 267,233
Accrued liabilities	3,552	-	-	3,552
Total liabilities	267,573	3,212	-	270,785
Deferred inflows of resources:				
Unavailable revenue - property taxes	4,297,322	-	233,947	4,531,269
Total deferred inflows of resources	4,297,322	-	233,947	4,531,269
Fund balances:				
Nonspendable:				
Prepaid items	-	3,570,871	-	3,570,871
Restricted:				
Debt service	-	-	334,384	334,384
Assigned:				
Capital projects	-	298,095	-	298,095
Unassigned	2,454,904	-	-	2,454,904
Total fund balances	2,454,904	3,868,966	334,384	6,658,254
Total liabilities, deferred inflows of resources, and fund balances	$ 7,019,799	$ 3,872,178	$ 568,331	$ 11,460,308

See accompanying notes to basic financial statements.

JOHNSON COUNTY FIRE DISTRICT NO. 2

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES

December 31, 2021

Total governmental fund balances	$	6,658,254
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Depreciable assets		9,235,510
Accumulated depreciation		(3,869,230)
Other deferred outflows of resources do not decrease net position until a future period and, therefore, are not reported in the funds:		
Deferred outflows - pensions		3,186,205
Deferred outflows - other post employment benefits		135,575
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
OPEB obligation		(29,239)
Compensated absences		(641,604)
Net pension liability		(5,805,555)
General obligation bonds, net		(5,343,467)
Other deferred inflows of resources do not increase net position until a future period and, therefore, are not reported in the funds:		
Deferred inflows - other post employment benefits		(373,056)
Deferred inflows - pensions		(2,274,413)
Net position of governmental activities	$	878,980

See accompanying notes to basic financial statements.

JOHNSON COUNTY FIRE DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended December 31, 2021

	General Fund	Capital Projects Fund	Debt Service	Total
Revenues:				
Property tax	$ 4,587,727	$ -	$ 269,467	$ 4,857,194
Charges for services	2,420,062	-	-	2,420,062
Investment earnings	227	-	-	227
Miscellaneous	143,930	45,350	-	189,280
Total revenues	7,151,946	45,350	269,467	7,466,763
Expenditures:				
Current, public safety:				
Salaries and wages	4,576,228	-	-	4,576,228
Contractual services	930,172	-	-	930,172
Commodities	174,213	6,802		181,015
Capital outlay	4,853	487,823	-	492,676
Other	2,118	-	-	2,118
Debt service:				
Principal	-	-	200,000	200,000
Interest	-	-	56,663	56,663
Other	-	98,217	-	98,217
Total expenditures	5,687,584	592,842	256,663	6,537,089
Excess of revenues over (under) expenditures before other financing sources (uses)	1,464,362	(547,492)	12,804	929,674
Other financing sources (uses):				
Transfer in	-	700,014	-	700,014
Transfer out	(700,014)	-	-	(700,014)
Bonds issued	-	3,115,000	-	3,115,000
Premium on bonds issued	-	228,467	-	228,467
Total other financing sources (uses)	(700,014)	4,043,481	-	3,343,467
Net change in fund balances	764,348	3,495,989	12,804	4,273,141
Fund balances, beginning of year	1,690,556	372,977	321,580	2,385,113
Fund balances, end of year	$ 2,454,904	$ 3,868,966	$ 334,384	$ 6,658,254

See accompanying notes to basic financial statements.

JOHNSON COUNTY FIRE DISTRICT NO. 2

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

Net change in fund balances - governmental funds			$ 4,273,141
Amounts reported for governmental activities in the statement of activities are difference because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlay exceeded depreciation in the current year:			
Capital outlay	$ 486,574		
Depreciation	(435,898)		50,676
The net effect of various miscellaneous transactions involving capital assets is to decrease net position:			
Net gain (loss) on disposal of capital assets			(18,099)
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:			
Change in compensated absences			(131,012)
Change in OPEB obligation and related deferred outflows/inflows			1,198,170
The issuance of long-term debt (e.g. bonds, loan, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:			
Debt issued or incurred:			
General Obiligation bonds	(3,115,000)		
Issuance premiums and discounts	(228,467)		
Principal repayments:			
General obligation bonds	200,000		(3,143,467)
Payment of pension contributions is an expenditure in the governmental funds, but reduces the net pension liability in the statement of net position. Additionally, the effect of changes in deferred inflows and deferred outflows for pensions are only recorded in the statement of activities.			(681,501)
Change in net position of governmental activities			$ 1,547,908

See accompanying notes to basic financial statements.

JOHNSON COUNTY FIRE DISTRICT NO. 2
(A Component Unit of Johnson County, Kansas)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

1 - Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies

Reporting entity

Fire District No. 2, Johnson County, Kansas (the District), was created June 6, 1974, by the Board of County Commissioners of Johnson County (BOCC), under the provisions of K.S.A. 19-3613. On June 7, 2018, the BOCC appointed themselves as the governing body of the District. The District is included as a component unit in the financial statements of Johnson County, Kansas based on the County being financially accountable for the District because the BOCC approves the District's budget and levies taxes. The District's service area is comprised of approximately 140 square miles of Johnson County and Miami County. The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 3100 of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, include whether:

1. The organization is legally separate (can sue and be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District is able to impose its will on the organization.
4. The organization has the potential to impose a financial benefit or burden on the District.
5. There is fiscal dependency of the organization by the District.

Based on the aforementioned criteria, Johnson County Fire District No. 2 has no component units.

Basis of Presentation

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. There are no business-type activities to report.

1 - Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. The focus of fund financial statements is on major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. There are no Nonmajor funds to report.

Fund accounting: The accounts of the District 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, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as “fund balance”. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the District’s major governmental funds:

General Fund: The General Fund is the government’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition of and construction of capital facilities and other capital assets.

1 - Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Debt Service Fund: The Debt Service Fund is used to account for the servicing of the general long-term debt of the District.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

1 - Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Charges for sales and services and miscellaneous revenues are generally recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property taxes are recognized as a receivable at the time they become an enforceable legal claim. The current taxes receivable represent the 2021 levy plus any uncollected amounts from the 2020 levy. Property taxes levied in the current year are revenue sources to be used to finance the budget of the ensuing fiscal year and are shown as deferred inflows of resources. Property taxes are levied each year on all taxable real and personal property in the District. The District's property tax is levied and a lien attached November 1 on the assessed value as of the prior January 1. The first half is paid on or before December 20 and the second half paid on or before May 10 of the following year.

Summary of Significant Accounting Policies

The significant accounting policies followed by the District include the following:

Cash and pooled cash investments: The District internally pools all investments with the exception of Guaranteed Investment Contracts for bond reserve funds and Capital Projects Fund held in escrow by a trustee. Pooled investments for the District are carried at cost, which approximates fair value and consist principally of funds held with the State of Kansas Municipal Investment Pool. Investment income is credited to the General Fund. All banks are required to pledge to the District an aggregate market value investment in U.S. Treasury obligations and other U.S. agency obligations to provide a minimum of 100 percent collateralization for all deposits.

Investments: The District invests in authorized investment pools. Investments are carried at fair value.

Accounts receivable: results primarily for services and programs provided and are accounted for in the General Fund and the Capital Projects Fund.

1 - Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets, including land, construction-in-progress, buildings, improvements, equipment assets and infrastructure are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $10,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	15-50 years
Equipment	5-15 years
Infrastructure	5-50 years

Pensions: The District has implemented provisions of GASB 68, Accounting and Financial Reporting for Pensions and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deletions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

1 - Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits: The District has implemented provisions of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. See Notes 9 and 10 for more information on OPEB.

Deferred outflows/inflows of resources: In addition to assets, the statement of financial 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 (expense/expenditure) until then. The District has two items that qualify for reporting in this category in the government-wide statement of net position, the deferred outflows for OPEB, and the deferred outflows for pensions. See Note 7 for more information on the deferred outflows for pensions. See Notes 9 and 10 for more information on deferred outflows for OPEB.

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, deferred revenue, deferred inflows for OPEB, and deferred inflows for pensions that qualify for reporting in this category. Deferred/Unavailable revenues are reported in the government-wide statement of net position and the governmental funds balance sheet, respectively, for property tax receivable.

Property taxes are not recognized as revenue until the period for which they are levied. Deferred inflows for pensions and OPEB are reported on the government-wide statement of net position. See Note 7 for more information on the deferred inflows for pensions. See Notes 9 and 10 for more information on the deferred inflows for OPEB.

Interfund transactions: Transactions among District funds that would be treated as revenues and expenditures or expenses if they involved organizations external to the District are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

1 - Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Transactions which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds".

Compensated absences: Under terms of the District's personnel policy, District employees are granted vacation leave based on a formula of years of service and job classification. In the event of termination, an employee is paid for accumulated vacation days.

Fund equity: Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable fund balance represents amounts that are not in spendable form or amounts that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts whose use is restricted by external parties or through constitutional provisions or enabling legislation. Committed fund balance represents amounts that are constrained for use by formal action of the District's highest level of decision-making authority (the Board of County Commissioners). Assigned fund balance represents amounts that are constrained by the District's intent to use the amounts for a specific purpose. The District's Fire Chief has the authority to assign amounts for a specific purpose. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unassigned fund balance is available. The District first applies committed resources then assigned resources and then unassigned resources when an expense is incurred for purposes for which committed, assigned and unassigned fund balance is available.

Net position: Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

1 - Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2 - Deposits and Investments

Authorized investments: The District is authorized by Statute to invest public funds in collateralized public deposits, obligations of the United States government, its agencies and instrumentalities and State of Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have an investment policy that limits investment maturities as a means of limiting its exposure to fair value losses arising from rising interest rates.

Fair value measurement: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investment.

Level 1 inputs are quoted prices in active markets for identical assets;

Level 2 inputs are significant other observable inputs, either directly or indirectly observable, and fair value can be determined through the use of models or other valuation methodologies;

Level 3 inputs are significant unobservable inputs in situations where there is little or no market activity for the asset or liability and the entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

2 - Deposits and Investments (Continued)

As of December 31, 2021, the District had the following investments and maturities:

Investment Type	NAV/ Fair Value	Maturities	Moody's Rating	Standard & Poor's Rating	Fair Value Hierarchy
Kansas Municipal Investment Pool	$ 2,721,379	Current	N/A	N/A	NA
	$ 2,721,379				

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a policy regarding credit risk.

Concentration of credit risk: The District places no limit on the amount the District may invest in one issuer. More than 5 percent of the District's investments are in the Kansas Municipal Investment Pool (100 percent).

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have a policy regarding investment custodial credit risk.

At December 31, 2021, the District had invested $2,721,379 in the State's Municipal Investment Pool (MIP). The MIP is under oversight of the Pooled Money Investment Board. The Board is comprised of the State Treasurer and four additional members appointed by the State Governor. The Board reports annually to the Kansas Legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. Government or any agency thereof, with maturities up to four years. No more than 10% of those funds may be invested in mortgage-backed securities, In addition, the MIP may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

The investment in the Kansas Municipal Investment Pool of $2,721,379 is measured at net asset value, which approximates fair value. There are no restrictions on the redemption of the funds as the strategy of the funds is to provide liquidity with an investment return.

2 - Deposits and Investments (Continued)

A summary of deposits and investments, along with their financial statement classification, is as follows:

Deposits	$ 18,240
Investments	2,721,379
	$ 2,739,619
Deposits and investments	$ 2,739,619

A breakdown of cash by fund type is as follows:

	Governmental Fund Type	Total
Deposits and investments	$ 2,739,619	$ 2,739,619

3 - Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2021:

	2020 Balance	Additions	Deletions	2021 Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings	$ 6,294,232	$ -	$ -	$ 6,294,232
Improvements other than Buildings	250,889	35,000	-	285,889
Equipment	2,637,965	442,286	(434,150)	2,646,101
Infrastructure	-	9,288	-	9,288
Total capital assets being depreciated	9,183,086	486,574	(434,150)	9,235,510
Less accumulated depreciation for:				
Buildings	2,391,652	157,357	-	2,549,009
Improvements other than Buildings	1,045	13,857	-	14,902
Equipment	1,456,686	264,065	(416,051)	1,304,700
Infrastructure	-	619	-	619
Total accumulated depreciation	3,849,383	435,898	(416,051)	3,869,230
Total capital assets being depreciated, net	5,333,703	50,676	(18,099)	5,366,280
Governmental activities capital assets, net	$ 5,333,703	$ 50,676	$ (18,099)	$ 5,366,280

4 - Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2021:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 2,200,000	$ 3,115,000	$ (200,000)	$ 5,115,000	$ 500,000
Plus: bond premium	-	228,467	-	228,467	-
Compensated absences	510,592	131,012	-	641,604	19,056
Net pension liability	7,510,934	3,063,193	(4,768,572)	5,805,555	-
OPEB obligation	1,129,167	120,418	(1,220,346)	29,239	-
	11,350,693	6,658,090	(6,188,918)	11,819,865	519,056
	$ 11,350,693	$ 6,658,090	$ (6,188,918)	$ 11,819,865	$ 519,056

The District issued General Obligation Bonds Series 2015A dated May 13, 2015, in the amount of $2,585,000 for the purpose of building a new fire station.

The District issued General Obligation Bonds Series 2021A dated December 15, 2021, in the amount of $3,115,000 for the purpose of acquiring fire fighting equipment.

Summary of bond issues:

	Issued	Maturity	Original Amount	Governmental Activities Balance	Rate
General obligation bonds:					
2015A General Obligation Bonds	05/13/2015	09/01/2030	2,585,000	2,000,000	1.50% - 3.00%
2021A General Obligation Bonds	12/15/2021	09/01/2031	3,115,000	3,115,000	2.00% - 3.00%
			5,700,000	5,115,000	

4 - Long Term Debt (Continued)

Summary of principal and interest maturities:

None of the debt is a direct placement. Long term obligations other than debt are typically liquidated from the general fund. Annual debt service requirements to service all outstanding indebtedness as of December 31, 2021, are as follows:

	Governmental Activities General Obligation Bonds Payable		
	Principal	Interest	Totals
2022	500,000	111,898	611,898
2023	485,000	123,013	608,013
2024	495,000	110,000	605,000
2025	510,000	96,725	606,725
2026	525,000	82,500	607,500
2027-2031	2,600,000	182,300	2,782,300
	$ 5,115,000	$ 706,436	$ 5,821,436

5 - Restricted Fund Balance

The District has $334,384 in restricted fund balance in the Debt Service Fund which allows for a dedicated mill levy for which property tax is levied for the purpose of paying the outstanding debt service on the District's General Obligation bonds.

6 - Interfund Transfers

The following is a schedule of transfers as included in the basic financial statements of the District:

	Transfers In	Transfers Out
Governmental funds:		
General Fund	$ -	$ 700,014
Capital Projects Fund	700,014	-
	$ 700,014	$ 700,014

6 - Interfund Transfers (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description: Johnson County Fire District No.2 participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, et seq. Kansas law established and amends benefit provisions. KPERS and Kansas Police & Fire Group (KP&F) issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas Avenue, Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Benefits Provided: KPERS and KP&F provide retirement benefits, life insurance, disability income benefits and death benefits. Benefits are established by statute and may only be charged by the General Assembly. Member employees (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at the age of 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points.

The normal retirement ages of Police and Firemen are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and dispersed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees chose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actual present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into

7 - Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.The 2012 Legislature made changes affecting new hires, current member employees and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 30 years with 30 years of service. Early retirement is available at the age of 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions: K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009.

KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F be determined based on the results of each actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate for 2021 was 8.87% for KPERS. The employer contribution rate for KP&F for 2021 was 22.80%. The District's employer contributions to KPERS for the years ended December 31, 2021 and 2020 were $-0- and $1,498, respectively, equal to the statutory required contributions for each year. The District's employer contributions to KP&F for the years ended December 31, 2021 and 2020 were $714,248 and $779,853, respectively, equal to the statutory required contributions for each year.

7 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Although KPERS administers one cost sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each group of the plan. The District participates in the local (KPERS) group and the Police and Firemen (KP&F) group.

At December 31, 2021, the District reported a liability of $2,040 for KPERS and $5,803,515 for KP&F for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. The District's proportion of the collective net pension liability was based on the ratio of the District's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of KPERS and KP&F for the fiscal year ended June 30, 2021. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2021, the District's proportion and change from its proportion measured as of June 30, 2020 were as follows:

	Net pension liability as of December 31, 2021	Proportion as of June 30, 2021	Change in proportion from June 30, 2020
KPERS (local)	$ 2,040	0.0002%	-0.001%
KP&F	5,803,515	0.6082%	0.001%
	$ 5,805,555		

7 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2021, the District recognized pension (benefit) expense of $(429,405) for KPERS and $1,824,872 for KP&F. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 458,022	$ 18
Net difference between projected and actual earnings on pension plan investments	-	1,523,281
Changes in proportionate share	1,631,876	751,114
Changes in assumptions	738,617	-
District contributions subsequent to measurement date	357,690	-
Total	$ 3,186,205	$ 2,274,413

The $357,690 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2022.

7 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

Year ended December 31:	Deferred Outflows (Inflows) of Resources
2022	586,482
2023	319,028
2024	(39,058)
2025	(344,491)
2026	32,141
	$ 554,102

Actuarial Assumptions: The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	2.75%
Wage Inflation	3.00%
Salary Increases	3.50% to 12.00%, including price inflation
Investment Rate of Return	7.25% compound annually, net of investment expense, including price inflation

Mortality rates were based on the RP 2014 Mortality Table, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2016 through December 31, 2018. The experience study is dated January 7, 2020.

7 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	23.50 %	5.20 %
Non-U.S. Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield Driven	8.00	4.70
Real Return	11.00	3.25
Fixed Income	11.00	1.55
Short-term investments	4.00	0.25
Total	100.00 %	

Discount Rate: The discount rate used by KPERS to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarially determined rate. Based on legislations passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2021 was 1.2%. Employers contribute the full actuarial determined rate for KP&F. Future employer contribution rates were also modeled for KP&F assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future

7 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis: Sensitivity of the District's proportionate share of the collective net pension liability to changes in the discount rate are shown below. The following presents the District's proportionate share of the collective net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's KPERS proportionate share of the net pension liability	$ 3,355	$ 2,040	$ 937
District's KP&F proportionate share of the net pension liability	8,710,520	5,803,515	3,371,804
	$ 8,713,875	$ 5,805,555	$ 3,372,741

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

8 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the District carries commercial insurance. No significant reduction in insurance coverage from that of the prior year has occurred. Settlements have not exceeded insurance coverage for each of the last three years.

9 - Other Post-Employment Benefits (OPEB)

Plan description and funding policy: The District sponsors a single-employer health care plan that provides medical benefits to employees and retirees. Members who qualify for pension benefits under the Kansas Public Employee Retirement System (KPERS) are eligible for benefits. Under KPERS, a participant must be at least age 55 with at least 10 years of service, meet Rule of 85 at any age, or have at least 10 years of service to qualify for a disability benefit under the KPERS disability benefits program. Retirees are required to pay 105 percent of the blended premium rates to receive benefits. Retirees may elect to stay on the District's plan until reaching Medicare eligibility age which is currently 65. The current funding policy of the District is to pay premiums as they occur. This arrangement does not qualify as OPEB plan assets under GASB for current GASB reporting. The District establishes and amends contribution requirements. The required contribution is based on projected pay-as-you-go financing. For fiscal year 2021, the District contributed approximately $111,096.

GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, 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 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. 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.

Employees covered by benefit terms: At December 31, 2021, the following employees were covered by the benefit terms:

Active employees eligible for coverage	1
Inactive employees or beneficiaries currently receiving benefit payments	-
	1

The District's total OPEB liability of $29,239 was measured as of January 1, 2022 with no adjustments.

9 - Other Post Employment Benefits (OPEB) (Continued)

Actuarial assumptions and other inputs: The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Payroll growth	3.5%
Discount rate	2.25%
Healthcare cost trend rates	7.0% for 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for 2027 and later years
Retirees' share of benefit-related costs	Retirees contribute the funding rate plus 2% additional COBRA load.

Under GASB 75, allocation of actuarial present value of future benefits for services prior and after the measurement date was determined using entry age normal level percent of salary method where:

- Service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual service cost is a constant percentage of the participant's salary that is assumed to increase according to the payroll growth.

The discount rate was selected from a range of 3 indices: Bond Buyer GO 20-Bond Municipal Bond Index (2.05%), S&P Municipal Bond 20-Year High Grade Rate Index (2.25%), and Fidelity 20-Year GO Municipal Bond Index (1.84%). Based on these, the actuary used a discount rate of 2.25%.

Mortality rates were based on the SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020.

9 - Other Post Employment Benefits (OPEB) (Continued)

Changes in the OPEB liability are as follows:

Total OPEB Liability	
Balance at 12/31/2020	$ 1,128,573
Service cost	80,303
Interest cost	25,628
Changes of benefit terms	(1,193,498)
Changes in assumptions	(28)
Differences between expected and actual experience	(11,739)
Benefit payments	-
Net change	(1,099,334)
Balance at 12/31/2021	$ 29,239

Sensitivity Results: The following presents the total OPEB liability as of December 31, 2021, calculated using the discount rate assumed and what it would be using a 1.0% higher and a 1.0% lower discount rate.

- The current discount rate is 2.25%.
- The 1.0% decrease in discount rate would be 1.25%.
- The 1.0% increase in discount rate would be 3.25%.

As of December 31, 2021	Total OPEB Liability
1% Decrease	$ 29,394
Current Discount Rate	29,239
1% Increase	28,955

The following presents the total OBEB liability as of December 31, 2021, calculated using the health care trend rates assumed and what it would be using a 1.0% higher and a 1.0% lower health care trend rates.

9 - Other Post Employment Benefits (OPEB) (Continued)

- The current health care trend rate starts at an initial rate of 7.0% decreasing by 0.5% annually to an ultimate rate of 4.5%.
- The 1.0% decrease in health care trend rates would assume an initial rate of 6.0% decreasing by 0.5% annually to an ultimate rate of 3.5%.
- The 1.0% increase in health care trend rates would assume an initial rate of 8.0% decreasing 0.5% annually to an ultimate rate of 5.5%.

As of December 31, 2021	Total OPEB Liability
1% Decrease	$ 28,069
Current Health Care Trend Rates	29,239
1% Increase	30,449

For the year ended December 31, 2021, the District recognized OPEB expense (benefit) of ($1,120,588). At December 31, 2021, the District reported deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ (330,919)	$ -
Changes in assumptions	(42,137)	135,575
Total	$ (373,056)	$ 135,575

9 - Other Post Employment Benefits (OPEB) (Continued)

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

Year ended December 31:	Deferred Outflows (Inflows) of Resources Governmental Activities
2022	(33,020)
2023	(27,137)
2024	(27,137)
2025	(27,137)
2026	(27,137)
Thereafter	(95,913)
	(237,481)

Plan Report: The Plan does not issue a stand-alone audited GAAP – basis report.

10 - Other Post Employment Benefits (OPEB) – KPERS Disability & Death

Plan description: The District previously participated in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability equal to 60 percent (prior to January 1, 2006, 66 2/3) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

10 - Other Post Employment Benefits (OPEB) – KPERS Disability & Death (Continued)

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security, primary disability, or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues, until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payment for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150 percent of the greater of 1) the member's annual rate of compensation at the time of the disability, or 2) the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If the member is diagnosed at terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive 100 percent of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Total OPEB Liability: The District's total OPEB liability of $0 reported as of December 31, 2021, was measured as of June 30, 2021 (the measurement date) and was determined based on data showing no participants in the plan. Therefore no report was prepared by KPERS.

10 - Other Post Employment Benefits (OPEB) – KPERS Disability & Death (Continued)

Changes in the Total OPEB Liability:

Total OPEB Liability		
Balance at 12/31/2020	$	594
Service cost		-
Interest cost		-
Effect of plan changes		-
Effect of liability gains or losses		-
Effect of assumptions changes or inputs*		(594)
Benefit payments		-
Net change		(594)
Balance at 12/31/2021	$	-

**Discount rate change rom 2.21% to 2.25%*

For the year ended December 31, 2021, the District recognized OPEB expense of $77,582. At December 31, 2021, the District reported no deferred inflows of resources or deferred outflows of resources related to OPEB due to no longer having any participants in the plan.

Plan Report: The Plan does not issue a stand-alone audited GAAP – basis report.

11 - New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The statements which might impact the District are as follows:

GASB Statement No. 91, *Conduit Debt Obligations*, the primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Provisions of this statement are effective for financial statements for the District's fiscal year ending December 31, 2022.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Provisions of this statement are effective for financial statements for the District's fiscal year ending December 31, 2022.

GASB Statement No. 93*, Replacement of Interbank Offered Rates*, the objective of this statement is to address those accounting and financial reporting implications that result from the replacement of an interbank offered rate. Provisions of this statement are effective for financial statements for the District's fiscal year ending December 31, 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, provides uniform guidance on accounting and financial reporting for transactions that meet the definition of public-private and public-public partnerships and availability payment arrangements. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. Provisions of this statement are effective for financial statements for the District's fiscal year ending December 31, 2023.

11 - New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides uniform guidance on accounting and financial reporting for subscription-base information technology arrangements for governmental end users. Provisions of this statement are effective for financial statements for the District's fiscal year ending December 31, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, provides requirements that will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Provisions of this statement are effective for financial statements for the District's fiscal year ending December 31, 2022.

12 - Budgetary Information

Kansas' statutes require that an annual operating budget be legally adopted for the General Fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- Preparation of the budget for the succeeding calendar year on or before August 1.
- Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
- Public hearing on or before August 15, but at least 10 days after publication of notice of hearing.
- Adoption of the final budget on or before August 25.

12 - Budgetary Information (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the 2021 budget.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All encumbered appropriations (legal budget expenditure authority) lapse at year-end. Accordingly, the actual data presented in the budgetary comparison statements includes encumbrances and, consequently, differ from the expenditure data presented in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

A legal operating budget is not required for capital project funds. Therefore, no budget is adopted for the Capital Projects Fund.

Spending in funds that are not subject to the legal annual operating budget requirements are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

13 - Commitment and Contingencies

A. Commitments

In 2021, the District entered into two agreements involving a consolidation of fire services. On October, 21, 2021 the Johnson County Commissioners voted to approve two fire service agreements, firstly between Fire District No. 2 of Johnson County and Fire District No. 1 of Johnson County, and secondly between Fire District No. 2 of Johnson County and the City of Overland Park, Kansas. These agreements commenced November 28, 2021 and resulted in the transfer of employees from Fire District No. 2 of Johnson County to Fire District No. 1 of Johnson County and to the City of Overland Park, Kansas. Fire District No. 2 will reimburse all costs associated with the transferred employees during the term of the agreement, including salaries, benefits, accrued compensated absence benefits and other ancillary and related employee costs deemed necessary for the employees. Fire District No. 2 will maintain ownership of the Fire Stations and Equipment noted in the agreement. The agreement between Fire District No. 2 of Johnson County and Fire District No. 1 of Johnson County goes through December 31, 2022, or upon subsequent merger, consolidation or reorganization, and shall renew automatically for successive one-year periods unless terminated by either party. The agreement between Fire District No. 2 of Johnson County and the City of Overland Park, Kansas shall be for a period of ten years, and shall automatically renew for successive one-year periods unless terminated by either party.

B. Encumbrances

The District uses “encumbrances” to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities but, rather, as assigned fund balance.

14 - Tax Abatement Disclosures

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement is intended to improve financial reporting related to disclosures of tax abatement transactions. This required disclosure of tax abatement information about (1) a

14 - Tax Abatement Disclosures (Continued)

reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

The District does not have any of its own tax abatements. However, Johnson County Government does have current tax abatements. Johnson County economic development incentives are available under the County's Economic Development Incentives Policy for New Century Air Center (NCAC), a general aviation reliever airport with a business park for industrial development. The policy was authorized under Resolution 062-12, which was adopted by the Board of County Commissioners (BOCC) on December 20, 2012. The policy promotes the development of NCAC as a strategic business location that complements the economic vitality of other Johnson County communities and replaces the Economic Development Incentives Program adopted on August 11, 1994.

Property tax abatements are authorized under Kansas statutes KSA 12-1740 et. seq. and KSA 79-201a and subject to Johnson County policy. Abatements may not exceed a term of ten years by statute. The developer must demonstrate a positive cost/benefit to the various taxing jurisdictions by Kansas law. Other criteria for eligibility include: (1) significant addition to the local economy in terms of private capital investment (a minimum investment of $2,000,000) and increased direct and indirect employment opportunities, (2) the nature of the business either exports a substantial portion of its products/services from Johnson County or are for local consumption but would add new jobs and replace purchases now being made by Johnson County residents in areas outside of Johnson County, (3) preferences shall be extended to existing industries to facilitate expansion or retention, (4) no abatements granted for a relocation within Johnson County except under special circumstances detailed by policy, (5) property owned by Johnson County and used exclusively for aviation purposes is eligible for 100% exemption from all ad valorem taxation, (6) except for projects mention in #5, no property tax abatement shall be in excess of 50% of the amount that would have been paid, and (7) projects must be in compliance with NCAC Comprehensive Compatibility Plan and Johnson County Airport's Vicinity Overlay Districts and Zones Regulations.

Any tax abatement granted shall be accompanied by a performance agreement between the applicant and the BOCC subject to annual review by the BOCC to determine that the conditions qualifying the business for the incentives continue to exist and that assurances made by the applicant to induce the BOCC to grant the incentives are fulfilled.

14 - Tax Abatement Disclosures (Continued)

Following are the current tax abatement programs affecting the District entered into by Johnson County Government as of December 31, 2021:

Johnson County's
Tax Abatements entered into as of December 31, 2021

Company Names	Tax being abated	Dollar amount of taxes abated	Name of abatement	Mechanism for abatement
Upfield Sourcing US Inc.	Ad Valorem Property Tax	56,278	EDX	Reduction of assessed value; 50%
Total		$ 56,278		

Johnson County cities have used tax abatements for many years to spur industrial and office development. Kansas statutes provide a process for cities to abate property tax on qualifying property.

Following are the current tax abatement programs affecting District entered into by cities in Johnson County as of December 31, 2021:

Other government tax abatement programs affecting Johnson County revenues
entered into as of December 31, 2020

Name of government	Tax being abated	Dollar amount of taxes abated	Name of abatement	Dollar amount(s) received from or due from other governments in association with (and offsetting) abated taxes	Quantatitive threshold for disclosure of individual recipient (if applicable)	Information not reported due to legal prohibition
Spring Hill	Ad Valorem Property Tax	60,713	EDX	None	N/A	
Total		$ 60,713				

REQUIRED SUPPLEMENTARY INFORMATION

JOHNSON COUNTY FIRE DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL (BUDGETARY BASIS) - GENERAL FUND

For the Year Ended December 31, 2021

	Budget			Adjustments to		Final to Actual Variance Positive
	Original	Final	GAAP Basis	Budgetary Basis	Budgetary Basis	(Negative)
Revenues:						
Taxes	$ 4,616,977	$ 4,616,977	$ 4,587,727	$ -	$ 4,587,727	$ (29,250)
Charges for services	2,195,650	2,195,650	2,420,062	-	2,420,062	224,412
Investment earnings	-	-	227	-	227	227
Miscellaneous	26,500	26,500	143,930	-	143,930	117,430
Total revenues	6,839,127	6,839,127	7,151,946	-	7,151,946	312,819
Expenditures:						
Current, public safety:						
Salaries and wages	5,266,895	5,266,895	4,576,228	-	4,576,228	690,667
Contractual services	788,936	788,936	930,172	-	930,172	(141,236)
Commodities	-	-	174,213		174,213	(174,213)
Capital outlay and debt service	1,019,000	1,019,000	4,853	-	4,853	1,014,147
Miscellaneous	-	-	2,118	-	2,118	(2,118)
Total expenditures	7,074,831	7,074,831	5,687,584	-	5,687,584	1,387,247
Revenue over (under) expenditures	(235,704)	(235,704)	1,464,362	-	1,464,362	1,700,066
Other financing sources (uses):						
Transfer out	(700,014)	(700,014)	(700,014)	-	(700,014)	-
Total other financing sources (uses)	(700,014)	(700,014)	(700,014)	-	(700,014)	-
Net change in fund balance	(935,718)	(935,718)	764,348	$ -	764,348	$ 1,700,066
Fund balance, beginning of year (restated)	1,690,556	1,690,556	1,690,556		1,690,556	
Fund balance, end of year	$ 754,838	$ 754,838	$ 2,454,904		$ 2,454,904	

JOHNSON COUNTY FIRE DISTRICT NO. 2
(A Component Unit of Johnson County, Kansas)

Schedule of Changes in the District's
Total OPEB Liability and Related Ratios – District Plan

December 31, 2021

Other Post Employment Benefit Obligations under GASB Statement No. 75 are as follows:

Total OPEB Liability

	Last Fiscal Year*			
	12/31/21	12/31/20	12/31/19	12/31/18
Service cost	$ 80,303	$ 77,771	$ 68,529	$ 73,648
Interest cost	25,628	42,889	48,801	40,876
Changes of benefit terms	(1,193,498)	-	-	-
Changes in assumptions	(28)	75,083	101,948	(66,195)
Differences between expected and actual experience	(11,739)	(305,017)	(100,238)	(4,076)
Benefit payments	-	-	-	-
Net change in Total OPEB liability	(1,099,334)	(109,274)	119,040	44,253
Total OPEB liability - beginning of year	1,128,573	1,237,847	1,118,807	1,074,554
Total OPEB liability - end of year	$ 29,239	$ 1,128,573	$ 1,237,847	$ 1,118,807
Covered payroll	$ 127,172	$ 3,042,314	$ 3,083,297	$ 2,972,689
Total OPEB liability as a percentage of covered payroll	23.0%	37.1%	40.1%	37.6%

* GASB 75 requires presentation of ten years. As of December 31, 2021, only four years of information is available.

1. Under GASB 75, allocation of actuarial present value of future benefits for services prior and after the measurement date was determined using entry age normal level percent of salary method where:

    - Service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
    - Annual service cost is a constant percentage of the participant's salary that is assumed to increase according to the payroll growth.

JOHNSON COUNTY FIRE DISTRICT NO. 2
(A Component Unit of Johnson County, Kansas)

Schedule of Changes in the District's
Total OPEB Liability and Related Ratios

December 31, 2021

2. The discount rate used in valuing OPEB liabilities for unfunded plans as of the Measurement Date must be based on a yield for 20-year-tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The current valuation uses a discount rate of 2.25%.

3. Mortality rates were based on the SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020.

4. Health care trend rates use an initial rate of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5% in years 2027 and beyond.

Year	Current	Year	Current
2021	7.5%	2025	5.5%
2022	7.0%	2026	5.0%
2023	6.5%	2027+	4.5%
2024	6.0%		

JOHNSON COUNTY FIRE DISTRICT NO. 2
(A Component Unit of Johnson County, Kansas)

Schedule of Changes in the District's
Total OPEB Liability and Related Ratios – KPERS Disability and Death

December 31, 2021

Other Post Employment Benefit Obligations under GASB Statement No. 75 are as follows:

Total OPEB Liability - KPERS Disability and Death

	Last Fiscal Year*			
	6/30/21	6/30/20	6/30/19	6/30/18
Service cost	$ -	$ 293	$ 235	$ 234
Interest cost	-	46	32	3,711
Effect of economic/demographic gains or losses	(594)	(843)	129	(106,784)
Effect of assumption changes or inputs*	-	79	31	(16)
Benefit payments	-	-	-	-
Net change in Total OPEB liability	(594)	(425)	427	(102,855)
Total OPEB liability - beginning of year	594	1,019	592	103,447
Total OPEB liability - end of year	$ -	$ 594	$ 1,019	$ 592
Covered employee payroll	$ -	$ 27,457	$ 72,399	$ 62,444
Total OPEB liability as a percentage of covered employee payroll	0.0%	2.2%	1.4%	0.9%

**Discount rate change from 2.21% to 2.25%*

No assets are accumulated in a trust to pay related benefits for this plan.

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period:

- The discount rate increased from 3.85% on June 30, 2017 to 3.87% on June 30, 2018.
- The discount rate decreased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.
- The discount rate decreased from 3.50% on June 30, 2019 to 2.21% on June 30, 2020.
- The discount rate increased from 2.21 on June 20, 2020 to 2.25% on June 30, 2021.

JOHNSON COUNTY FIRE DISTRICT NO. 2
(A Component Unit of Johnson County, Kansas)

Defined Benefit Pension Plans

December 31, 2021

Share of the Collective Net Pension Liability
Kanasas Public Employees Retirement System
Last Four Fiscal Years*

	6/30/21	6/30/20	6/30/19	6/30/18
District's proportion of the collective net pension liability:				
KPERS (local group)	0.0002%	0.0015%	0.0033%	0.0872%
KP&F (police & firemen)	0.6082%	0.6069%	0.5967%	0.3136%
District's proportionate share of the collective net pension liability	$ 5,805,555	$ 7,510,934	$ 6,085,755	$ 4,233,278
District's covered payroll ^	$ 3,415,752	$ 3,362,821	$ 3,250,681	$ 2,701,400
District's proportionate share of the collective net pension liability as a percentage of its covered payroll	170%	223%	187%	157%
Plan fiduciary net position as a percentage of the total pension liability	76.40%	66.30%	69.88%	68.88%

* GASB 68 requires presentation of ten years. As of December 31, 2021, only four years of information is available.

^ Covered payroll is measured as of the measurement date ending June 30.

JOHNSON COUNTY FIRE DISTRICT NO. 2
(A Component Unit of Johnson County, Kansas)

Defined Benefit Pension Plans (Continued)

December 31, 2021

Schedule of District's Contributions
Kansas Public Employees Retirement System
Last Four Fiscal Years*

	12/31/21	12/31/20	12/31/19	12/31/18
Contractually required contribution	$ 714,248	$ 779,853	$ 724,224	$ 635,647
Contributions in relation to the contractually required contribution	(714,248)	(779,853)	(724,224)	(635,647)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll ^	$ 3,032,090	$ 3,566,664	$ 3,288,365	$ 3,201,510
Contributions as a percentage of covered payroll	23.56%	21.87%	22.02%	19.85%

* GASB 68 requires presentation of ten years. As of Decenber 31, 2021, only four years of information is available.

^ Covered payroll is measured as of the fiscal year end December 31.

SUPPLEMENTARY INFORMATION

JOHNSON COUNTY FIRE DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
DEBT SERVICE FUND

BUDGET TO ACTUAL (BUDGETARY BASIS)

For the Year Ended December 31, 2021

	Debt Service			
	Original Budget	Final Budget	Actual	Final to Actual Variance Positive (Negative)
Revenues:				
Taxes	$ 261,306	$ 261,306	$ 269,467	$ 8,161
	261,306	261,306	269,467	8,161
Expenditures, debt service:				
Principal	200,000	200,000	200,000	-
Interest	56,663	56,663	56,663	-
Total expenditures	256,663	256,663	256,663	-
Net change in fund balances	4,643	4,643	12,804	8,161
Fund balance, beginning of year	128,446	128,446	321,580	
Fund balance, end of year	$ 133,089	$ 133,089	$ 334,384	

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of County Commissioners
Johnson County Fire District No. 2

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Johnson County Fire District No. 2 as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Johnson County Fire District No. 2's basic financial statements, and have issued our report thereon dated November 14, 2022.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Johnson County Fire District No. 2's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Johnson County Fire District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Johnson County Fire District No. 2's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report On Compliance And Other Matters

As part of obtaining reasonable assurance about whether Johnson County Fire District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

November 14, 2022