

Johnson County Fire District No. 2
(A Component Unit of Johnson County, Kansas)

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

FINANCIAL STATEMENTS

Year Ended December 31, 2022

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

FINANCIAL STATEMENTS

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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, 2022, 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, 2022, 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, 2023 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 Johnson County Fire District No. 2's 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, 2023

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022

We offer those interested in the Johnson County Fire District No. 2's (the District) financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2022.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the December 31, 2022 fiscal year by $417,450 (net position). Of this amount, $(3,043,771) is unrestricted net position. The assets of the District 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 District's total net position decreased by $(461,530) for fiscal year December 31, 2022 and the District's total net position increased by $1,547,908 for fiscal year December 31, 2021.
- As of December 31, 2022, the District's governmental funds reported combined ending fund balances of $6,211,569, a decrease of $(446,685) in comparison with the prior year. Approximately 45% of this total amount, $2,790,987, is available to meet current and future needs (assigned and unassigned fund balance).
- As of December 31, 2022, available fund balance for the General Fund was $2,639,254 or 39% of total General Fund expenditures.
- The District's total general obligation bond debt decreased by $(500,000) or (10)% during the current fiscal year because of scheduled debt payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District'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 District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District'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 inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District 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 District 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 activity of the District is 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 District, 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 District 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 District 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 District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $417,450 at the close of the fiscal year ended December 31, 2022. This is a decrease of $(461,530) from 2021.

By far, the largest portion of the District's net position ($3.28M) 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 a decrease of 2.6% over 2021. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District'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	
	2022	**2021**	**2022**	**2021**
Assets				
Current and other assets	$ 11,965,812	$ 11,460,308	$ 11,965,812	$ 11,460,308
Capital assets	5,074,146	5,366,280	5,074,146	5,366,280
Total Assets	17,039,958	16,826,588	17,039,958	16,826,588
Deferred Outflows				
Deferred outflows - OPEB	—	135,575	—	135,575
Deferred outflows - pensions	1,595,447	3,186,205	1,595,447	3,186,205
Total Deferred Outflows	1,595,447	3,321,780	1,595,447	3,321,780
Liabilities				
Noncurrent liabilities outstanding	8,895,092	11,300,809	8,895,092	11,300,809
Other liabilities	1,297,841	789,841	1,297,841	789,841
Total Liabilities	10,192,933	12,090,650	10,192,933	12,090,650
Deferred Inflows				
Deferred inflows - OPEB	—	373,056	—	373,056
Deferred inflows - pensions	3,070,040	2,274,413	3,070,040	2,274,413
Deferred revenue - property tax	4,954,982	4,531,269	4,954,982	4,531,269
Total Deferred Inflows	8,025,022	7,178,738	8,025,022	7,178,738
Net Position				
Net investment in capital assets	3,279,146	3,366,280	3,279,146	3,366,280
Restricted for debt service	182,075	334,384	182,075	334,384
Unrestricted	(3,043,771)	(2,821,684)	(3,043,771)	(2,821,684)
Total Net Position	$ 417,450	$ 878,980	$ 417,450	$ 878,980

An additional portion of the District's net position ($182k) 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	
	2022	**2021**	**2022**	**2021**
Revenues				
Program revenues				
Charges for services	$ 1,410,027	$ 2,420,062	$ 1,410,027	$ 2,420,062
General revenues				
Property taxes	5,089,474	4,857,194	5,089,474	4,857,194
Investment earnings	50,325	227	50,325	227
Miscellaneous	383,248	189,280	383,248	189,280
Total Revenues	6,933,074	7,466,763	6,933,074	7,466,763
Expenses				
Public Safety	7,282,705	5,862,192	7,282,705	5,862,192
Interest on long term debt	111,899	56,663	111,899	56,663
Total Expenses	7,394,604	5,918,855	7,394,604	5,918,855
Increase (Decrease) In Net Position Before Transfers	(461,530)	1,547,908	(461,530)	1,547,908
Change In Net Position	(461,530)	1,547,908	(461,530)	1,547,908
Net Position - Beginning	878,980	(668,928)	878,980	(668,928)
Net Position - Ending	$ 417,450	$ 878,980	$ 417,450	$ 878,980

Total governmental activities' revenue for the fiscal year was $6,933,074. The largest single revenue source for the District was property taxes of $5,089,474. Taxes increased by $232,280 from 2021. 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 $1,410,027 in 2022 and $2,420,062 in 2021. In 2022 and 2021, the District received no operating or capital grants or contributions.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District'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, 2022, the District's governmental funds reported combined ending fund balances of $6,211,569 a decrease of $446,685 in comparison with the prior year. Of this amount, $2,790,987, or 45 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 $182,075. The District also has $3,238,507 of prepaid expenditures that are in non-spendable form.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, available fund balance of the General Fund was $2,639,254, while total fund balance was also $2,639,254. 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 39 percent of total General Fund expenditures, as does total fund balance.

The fund balance of the District's General Fund increased by $184,350 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 $3,390,240. The net decrease in fund balance during the current year was $478,726.

The Debt Service Fund has a total fund balance of $182,075, all restricted. The net decrease in fund balance during the current year was $152,309.

General Fund Budgetary Highlights

During the year there was no variance between the original budget and the final budget. The 2022 revenue budget was $6,848,673. Actual revenue on the budgetary basis was $6,852,434. The 2022 expenditure budget was $8,394,129. Actual expenditures on the budgetary basis were $6,826,329.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of December 31, 2022 amounts to $5,074,146 (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	
	2022	2021	2022	2021
Buildings	$ 5,344,248	$ 6,294,232	$ 5,344,248	$ 6,294,232
Improvements	285,889	285,889	285,889	285,889
Equipment	2,987,891	2,646,101	2,987,891	2,646,101
Infrastructure	9,288	9,288	9,288	9,288
Accumulated depreciation	(3,553,170)	(3,869,230)	(3,553,170)	(3,869,230)
Total	$ 5,074,146	$ 5,366,280	$ 5,074,146	$ 5,366,280

Additional information on the District's capital assets can be found in Note 3 of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of $4,615,000. 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	
	2022	2021	2021	2020
General obligation bonds	$ 4,615,000	$ 5,115,000	$ 4,615,000	$ 5,115,000
Total	$ 4,615,000	$ 5,115,000	$ 4,615,000	$ 5,115,000

The District's total general obligation bond debt decreased by $500,000 or 9.8 percent, during the current fiscal year. During the year, principal debt payments of $500,000 were made.

Additional information on the District'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 2023 budget:

- The Fire District's general fund mill levy was reduced 1.982 mills as part of a total .911 mill reduction from the 2022 budget.
- A 1.185 mill levy was added for the 2021A Bond Debt repayment in the 2023 budget.
- The Fire District now funds a total of 44 full-time fire service employees via contracts with outside entities.

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, 2022

	Governmental Activities
Assets	
Current assets:	
Deposits and investments	$ 3,675,681
Receivables:	
Taxes	5,051,624
Prepaid expenses	3,238,507
Total current assets	11,965,812
Noncurrent assets:	
Capital assets:	
Depreciable, net	5,074,146
Total noncurrent assets	5,074,146
Total assets	17,039,958
Deferred outflows of resources:	
Deferred outflows - pensions	1,595,447
Total deferred outflows of resources	1,595,447
Total assets and deferred outflows of resources	$ 18,635,405

(Continued)

JOHNSON COUNTY FIRE DISTRICT NO. 2

STATEMENT OF NET POSITION

December 31, 2022

	Governmental Activities
Liabilities:	
Current liabilities:	
Accounts payable	$ 799,261
Compensated absences	13,580
Current maturities of long-term debt	485,000
Total current liabilities	1,297,841
Noncurrent liabilities:	
Compensated absences, noncurrent portion	681,214
Net pension liability	3,878,264
General obligation bonds	4,335,614
Total noncurrent liabilities	8,895,092
Total liabilities	10,192,933
Deferred inflows of resources:	
Deferred inflows - pensions	3,070,040
Deferred revenue - property taxes	4,954,982
Total deferred inflows of resources	8,025,022
Net Position	
Net position:	
Net investment in capital assets	3,279,146
Restricted for debt service	182,075
Unrestricted	(3,043,771)
Total net position	$ 417,450

See accompanying notes to basic financial statements.

JOHNSON COUNTY FIRE DISTRICT NO. 2

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

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	$ 7,282,705	$ 1,410,027	$ —	$ —	$ (5,872,678)	$ (5,872,678)
Interest on long-term debt	111,899	—	—	—	(111,899)	(111,899)
Total governmental activities	7,394,604	1,410,027	—	—	(5,984,577)	(5,984,577)
Total primary government	$ 7,394,604	$ 1,410,027	$ —	$ —	(5,984,577)	(5,984,577)
General Revenues and Transfers						
General Revenues						
Property taxes levied for:						
General purposes					4,825,875	4,825,875
Debt service					263,599	263,599
Investment earnings					50,325	50,325
Miscellaneous					383,248	383,248
Total general revenues and transfers					5,523,047	5,523,047
Changes in net position					(461,530)	(461,530)
Net position, beginning of year					878,980	878,980
Net position, end of year					$ 417,450	$ 417,450

See accompanying notes to basic financial statements.

JOHNSON COUNTY FIRE DISTRICT NO. 2

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2022

	General Fund	Capital Projects Fund	Debt Service Funds	Total
Assets:				
Deposits and investments	$ 3,335,316	$ 163,393	$ 176,972	$ 3,675,681
Taxes receivable	4,464,555	—	587,069	5,051,624
Prepaid items	—	3,238,507	—	3,238,507
Total assets	$ 7,799,871	$ 3,401,900	$ 764,041	$ 11,965,812
Liabilities:				
Accounts payable	$ 787,601	$ 11,660	$ —	$ 799,261
Total liabilities	787,601	11,660	—	799,261
Deferred inflows of resources:				
Unavailable revenue - property taxes	4,373,016	—	581,966	4,954,982
Total deferred inflows of resources	4,373,016	—	581,966	4,954,982
Fund balances:				
Nonspendable:				
Prepaid items	—	3,238,507	—	3,238,507
Restricted:				
Debt service	—	—	182,075	182,075
Assigned:				
Capital projects	—	151,733	—	151,733
Unassigned	2,639,254	—	—	2,639,254
Total fund balances	2,639,254	3,390,240	182,075	6,211,569
Total liabilities, deferred inflows of resources, and fund balances	$ 7,799,871	$ 3,401,900	$ 764,041	$ 11,965,812

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, 2022

Total governmental fund balances	$	6,211,569
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Depreciable assets		8,627,316
Accumulated depreciation		(3,553,170)
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		1,595,447
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences		(694,794)
Net pension liability		(3,878,264)
General obligation bonds, net		(4,820,614)
Other deferred inflows of resources do not increase net position until a future period and, therefore, are not reported in the funds:		
Deferred inflows - pensions		(3,070,040)
Net position of governmental activities	$	417,450

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, 2022

	General Fund	Capital Projects Fund	Debt Service	Total
Revenues:				
Property tax	$ 4,825,875	$ —	$ 263,599	$ 5,089,474
Charges for services	1,410,027	—	—	1,410,027
Investment earnings	50,325	—	—	50,325
Miscellaneous	26,207	64,433	—	90,640
Total revenues	6,312,434	64,433	263,599	6,640,466
Expenditures:				
Current, public safety:				
Salaries and wages	532,954	—	—	532,954
Contractual services	5,669,934	41,333	—	5,711,267
Commodities	74,607	87,926		162,533
Capital outlay	1,150	412,989	—	414,139
Other	193,448	—	—	193,448
Debt service:				
Principal	295,000	—	205,000	500,000
Interest	59,236	—	52,663	111,899
Other	—	911	—	911
Total expenditures	6,826,329	543,159	257,663	7,627,151
Excess of revenues over (under) expenditures before other financing sources (uses)	(513,895)	(478,726)	5,936	(986,685)
Other financing sources (uses):				
Transfer in	158,245	—	—	158,245
Transfer out	—	—	(158,245)	(158,245)
Sale of capital assets	540,000	—	—	540,000
Total other financing sources (uses)	698,245	—	(158,245)	540,000
Net change in fund balances	184,350	(478,726)	(152,309)	(446,685)
Fund balances, beginning of year	2,454,904	3,868,966	334,384	6,658,254
Fund balances, end of year	$ 2,639,254	$ 3,390,240	$ 182,075	$ 6,211,569

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, 2022

Net change in fund balances - governmental funds			$	(446,685)
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 depreciation exceeded capital outlay in the current year:				
Capital outlay	$	376,790		
Depreciation		(421,532)		(44,742)
The net effect of various miscellaneous transactions involving capital assets is to decrease net position:				
Net gain (loss) on disposal of capital assets				(247,392)
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				(53,190)
Change in OPEB obligation and related deferred outflows/inflows				266,720
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 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:				
Amortization of issuance premiums and discounts		22,852		
Principal repayments:				
General obligation bonds		500,000		522,852
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.				(459,093)
Change in net position of governmental activities			$	(461,530)

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, 2022

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.

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.

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)

Property taxes are recognized as a receivable at the time they become an enforceable legal claim. The current taxes receivable represent the 2022 levy plus any uncollected amounts from the 2021 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 for bond reserve funds and Capital Projects Fund. 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.

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.

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)

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.

Other Postemployment Benefits: The District has implemented provisions of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. See Note 9 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 assets 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 one item that qualifies for reporting in this category in the government-wide statement of net position, the deferred outflows for pensions. See Note 7 for more information on the deferred outflows for pensions.

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)

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 assets 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 two types of items, deferred revenue, 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 are reported on the government-wide statement of net position. See Note 7 for more information on the deferred inflows for pensions.

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.

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. This applies to employees transferred to Fire District No. 1 and Overland Park Fire Department per the executed Fire Service agreement effective November 28, 2021.

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.

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)

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 Services Administrator 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.

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.

As of December 31, 2022, 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	$ 2,011,905	Current	N/A	AAAf/S1+	NA
	$ 2,011,905				

2 - Deposits and Investments (Continued)

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, 2022, the District had invested $2,011,905 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 $2,011,905 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	$	1,663,776
Investments		2,011,905
	$	3,675,681
Deposits and investments	$	3,675,681

A breakdown of cash by fund type is as follows:

	Governmental Fund Type	Total
Deposits and investments	$ 3,675,681	$ 3,675,681

3 - Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2022:

	2021 Balance	Additions	Deletions	2022 Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings	6,294,232	—	(949,984)	5,344,248
Improvements other than Buildings	285,889			285,889
Equipment	2,646,101	376,790	(35,000)	2,987,891
Infrastructure	9,288	—	—	9,288
Total capital assets being depreciated	9,235,510	376,790	(984,984)	8,627,316
Less accumulated depreciation for:				
Buildings	2,549,009	145,480	(702,592)	1,991,897
Improvements other than Buildings	14,902	14,295		29,197
Equipment	1,304,700	259,899	(35,000)	1,529,599
Infrastructure	619	1,858		2,477
Total accumulated depreciation	3,869,230	421,532	(737,592)	3,553,170
Total capital assets being depreciated, net	5,366,280	(44,742)	(247,392)	5,074,146
Governmental activities capital assets, net	$ 5,366,280	$ (44,742)	$ (247,392)	5,074,146

4 - Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 5,115,000	$ —	$ (500,000)	$ 4,615,000	$ 485,000
Plus (less) deferred amounts:					
Issuance premiums	228,467	—	(22,853)	205,614	—
Compensated absences	641,604	53,190	—	694,794	13,580
Net pension liability	5,805,555	—	(1,927,291)	3,878,264	—
OPEB obligation	29,239	—	(29,239)	—	—
	11,819,865	53,190	(2,479,383)	9,393,672	498,580
	$ 11,819,865	$ 53,190	$ (2,479,383)	$ 9,393,672	$ 498,580

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	5/13/2015	9/1/2030	$ 2,585,000	$ 1,795,000	1.50% - 3.00%
2021A General Obligation Bonds	12/15/2021	9/1/2031	3,115,000	2,820,000	2.00% - 3.00%
			$ 5,700,000	$ 4,615,000	

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, 2022, are as follows:

	Governmental Activities		
	General Obligation Bonds Payable		
	Principal	Interest	Totals
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	540,000	67,850	607,850
2028-2031	2,060,000	105,450	2,165,450
	$ 4,615,000	$ 585,538	$ 5,200,538

5 - Restricted Fund Balance

The District has $182,075 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	$ 158,245	
Debt Service Fund		158,245
	$ 158,245	$ 158,245

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 changed 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.

7 - Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Member employees choose 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 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 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.

7 - Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

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 2022 was 8.90% for KPERS. The employer contribution rate for KP&F for 2022 was 22.99%. The District's employer contributions to KPERS for the years ended December 31, 2022 and 2021 were $-0- and $-0-, respectively, equal to the statutory required contributions for each year. The District's employer contributions to KP&F for the years ended December 31, 2022 and 2021 were $8,517 and $714,248, respectively, equal to the statutory required contributions for each year.

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

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, 2022, the District reported a liability of $-0- for KPERS and $3,878,264 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, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. 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, 2022. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

7 - Defined Benefit Pension Plan (Continued)

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

June 30, 2022, the District's proportion and change from its proportion measured as of June 30, 2021 were as follows:

	Net pension liability as of December 31, 2022	Proportion as of June 30, 2022	Change in proportion from June 30, 2021
KPERS (local)	$ —	— %	— %
KP&F	3,878,264	0.2689 %	(0.339)%
	3,878,264		

For the year ended December 31, 2022, the District recognized pension (benefit) expense of $(438,942) for KPERS and $898,036 for KP&F. At December 31, 2022, 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	$ 164,577	$ —
Net difference between projected and actual earnings on pension plan investments	266,170	—
Changes in proportionate share	666,318	3,070,040
Changes in assumptions	498,382	—
District contributions subsequent to measurement date	—	—
Total	$ 1,595,447	$ 3,070,040

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
2023	$ (74,043)
2024	(389,311)
2025	(544,359)
2026	(378,181)
2027	(88,699)
	$ (1,474,593)

Actuarial Assumptions: The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Price Inflation	2.75%
Salary Increases	3.50% to 12.00%, including price inflation
Investment Rate of Return	7.00% compounded 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, 2021 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 7.00%. 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 2022 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 benefit payments of current plan members. applied to all periods of projected benefit payments to determine the total pension liability.

7 - Defined Benefit Pension Plan (Continued)

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

Therefore, the long-term expected rate of return on pension plan investments was 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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's KPERS proportionate share of the net pension liability	$ —	$ —	$ —
District's KP&F proportionate share of the net pension liability	5,319,605	3,878,264	2,678,983
	$ 5,319,605	$ 3,878,264	$ 2,678,983

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 sponsored a single-employer health care plan that provided medical benefits to employees and retirees. The plan has ended as there are no longer any participating members, see Note 12. 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 2022, the District contributed $-0-.

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.

The District's total OPEB liability of $-0- was measured as of December 31, 2022 with no adjustments.

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

Changes in the OPEB liability are as follows:

Total OPEB Liability		
Balance at 12/31/2021	$	29,239
Service cost		—
Interest cost		—
Changes of benefit terms		—
Changes in assumptions		(29,239)
Differences between expected and actual experience		—
Benefit payments		—
Net change		(29,239)
Balance at 12/31/2022	$	—

For the year ended December 31, 2022, the District recognized OPEB expense (benefit) of ($266,720).

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

10 - 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. 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.

10 - 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. 99, *Omnibus 2022*, provides uniform guidance on accounting and financial reporting to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature. Provisions of this statement are effective for financial statements for the District's fiscal year ending December 31, 2023.

GASB Statement No. 100, *Accounting Change and Error Corrections*, provides uniform guidance on accounting and financial reporting to enhance requirements for accounting changes and error corrections. Provisions of this statement are effective for financial statements for the District's fiscal year ending December 31, 2024.

GASB Statement No. 100, *Compensated Absences*, provides uniform guidance on accounting and financial reporting for compensated absences. Provisions of this statement are effective for financial statements for the District's fiscal year ending December 31, 2024.

11 - 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.

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 2022 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).

11 - Budgetary Information (Continued)

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.

12 - 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.

13 - 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 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 mentioned 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.

13 - Tax Abatement Disclosures (Continued)

Following are the current tax abatement programs affecting the District entered into by Johnson County Government as of December 31, 2022:

Johnson County's

Tax Abatements entered into as of December 31, 2022

Company Names	Tax being abated	Dollar amount of taxes abated	Name of abatement	Mechanism for abatement
Upfield Sourcing US Inc.	Ad Valorem Property Tax	55,910	EDX	Reduction of assessed value; 50%
Total		$ 55,910		

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 the District entered into by cities in Johnson County as of December 31, 2022:

Other government tax abatement programs affecting the District's revenues

entered into as of December 31, 2022

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	Quantitative threshold for disclosure of individual recipient (if applicable)	Information not reported due to legal prohibition
Spring Hill	Ad Valorem Property Tax	29,034	IRBX	None	N/A	
Total		$ 29,034				

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, 2022

	Budget					Final to Actual Variance Positive (Negative)
	Original	Final	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	
Revenues:						
Taxes	$ 4,808,646	$ 4,808,646	$ 4,825,875	$ —	$ 4,825,875	$ 17,229
Charges for services	1,440,027	1,440,027	1,410,027	—	1,410,027	(30,000)
Investment earnings	—	—	50,325	—	50,325	50,325
Miscellaneous	600,000	600,000	26,207	—	26,207	(573,793)
Total revenues	6,848,673	6,848,673	6,312,434	—	6,312,434	(536,239)
Expenditures:						
Current, public safety:						
Salaries and wages	619,142	619,142	532,954	—	532,954	86,188
Contractual services	5,793,550	5,793,550	5,669,934	—	5,669,934	123,616
Commodities	—	—	74,607	—	74,607	(74,607)
Capital outlay and debt service	1,981,437	1,981,437	355,386	—	355,386	1,626,051
Miscellaneous	—	—	193,448	—	193,448	(193,448)
Total expenditures	8,394,129	8,394,129	6,826,329	—	6,826,329	1,567,800
Revenue over (under) expenditures	(1,545,456)	(1,545,456)	(513,895)	—	(513,895)	1,031,561
Other financing sources (uses):						
Transfer in	158,245	158,245	158,245	—	158,245	—
Sale of capital assets	—	—	540,000	(540,000)	—	—
Total other financing sources (uses)	158,245	158,245	698,245	(540,000)	158,245	—
Net change in fund balance	(1,387,211)	(1,387,211)	184,350	$ (540,000)	(355,650)	$ 1,031,561
Fund balance, beginning of year	2,454,904	2,454,904	2,454,904		2,454,904	
Fund balance, end of year	$ 1,067,693	$ 1,067,693	$ 2,639,254		$ 2,099,254	

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, 2022

The plan has ended as there are no longer any participating members.

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

	Total OPEB Liability				
	Last Fiscal Year*				
	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
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	(29,239)	(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	(29,239)	(1,099,334)	(109,274)	119,040	44,253
Total OPEB liability - beginning of year	29,239	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, 2022, only five 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.

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 4.31%.

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 7.0% decreasing by 0.5% annually to an ultimate rate of 4.5% in years 2028 and beyond.

Year	Current	Year	Current
2023	7.0%	2026	5.5%
2024	6.5%	2027	5.0%
2025	6.0%	2028+	4.5%

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

Defined Benefit Pension Plans

December 31, 2022

	Share of the Collective Net Pension Liability Kanasas Public Employees Retirement System Last Five Fiscal Years*				
	6/30/2022	**6/30/2021**	**6/30/2020**	**6/30/2019**	**6/30/2018**
District's proportion of the collective net pension liability:					
KPERS (local group)	—%	0.0002%	0.0015%	0.0033%	0.0872%
KP&F (police & firemen)	0.2689%	0.6082%	0.6069%	0.5967%	0.3136%
District's proportionate share of the collective net pension liability	$ 3,878,264	$ 5,805,555	$ 7,510,934	$ 6,085,755	$ 4,233,278
District's covered payroll ^	$ 1,469,491	$ 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	264%	170%	223%	187%	157%
Plan fiduciary net position as a percentage of the total pension liability	66.12%	76.40%	66.30%	69.88%	68.88%

* GASB 68 requires presentation of ten years. As of December 31, 2022, only five 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, 2022

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

	12/31/2022**	12/31/2021	12/31/2020	12/31/2019	12/31/2018
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, 2022, only five years of information is available.

** No contributions required as the plan has no employees (see Note 12)

^ 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, 2022

	Debt Service			
	Original Budget	Final Budget	Actual	Final to Actual Variance Positive (Negative)
Revenues:				
Taxes	$ 262,384	$ 262,384	$ 263,599	$ 1,215
Investment earnings	—	—	—	
	262,384	262,384	263,599	1,215
Expenditures, debt service:				
Principal	205,000	205,000	205,000	—
Interest	52,663	52,663	52,663	—
Total expenditures	257,663	257,663	257,663	—
Revenue over (under) expenditures	4,721	4,721	5,936	$ 1,215
Other financing sources (uses):				
Transfer out	—	—	(158,245)	(158,245)
Total other financing sources (uses)	—	—	(158,245)	(158,245)
Net change in fund balances	4,721	4,721	(152,309)	$ (157,030)
Fund balance, beginning of year	133,167	133,167	334,384	
Fund balance, end of year	$ 137,888	$ 137,888	$ 182,075	

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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, 2022, 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, 2023.

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, 2023