

PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE - BOOK-ENTRY ONLY

**RATINGS: S&P: “[]”
Moody's: “[]”**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Issuer, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”): (1) the interest on the Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; (2) the interest on the Bonds is exempt from income taxation by the State of Kansas; and (3) the Bonds have **not** been designated as “qualified tax-exempt obligations” within the meaning of Code § 265(b)(3). See “TAX MATTERS – Opinion of Bond Counsel” in this Official Statement.*

\$13,725,000*
SEDGWICK COUNTY, KANSAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES A, 2015

Dated: November 19, 2015

Due: August 1, As shown on the inside cover

The General Obligation Refunding and Improvement Bonds, Series A, 2015 (the “Bonds”) will be issued by Sedgwick County, Kansas (the “Issuer”), as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof (the “Authorized Denomination”). Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Bonds. Principal will be payable annually on August 1, beginning in 2016, and semiannual interest will be payable on February 1 and August 1, beginning on February 1, 2016 (the “Interest Payment Dates”). Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as paying agent and bond registrar (the “Paying Agent” and “Bond Registrar”). Interest payable on each Bond shall be paid to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date by check or draft of the Paying Agent mailed to such registered owner, or in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.

The Bonds and the interest thereon will constitute general obligations of the Issuer, payable in part from special assessments levied upon the property benefited by the construction of certain public improvements, and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer, with the balance payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The interest on that portion of the Bonds attributed to refunding the Refunded Bonds to and including August 1, 2016, shall be primarily payable from the proceeds of certain Escrowed Securities and cash held under the terms of the Escrow Agreement.

MATURITY SCHEDULE LISTED ON INSIDE COVER PAGE

At the option of the Issuer, Bonds maturing on August 1, 20[], and thereafter will be subject to redemption and payment prior to maturity on August 1, 20[], or thereafter as described herein. [The Term Bonds are also subject to mandatory redemption as described herein.] See “THE BONDS - Redemption Provisions” herein.

The Bonds are offered when, as and if issued by the Issuer, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel to the Issuer. Certain other legal matters will be passed upon by Eric Yost, Esq., County Counselor. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about November 19, 2015.

BIDS WILL BE RECEIVED ON OCTOBER 21, 2015
UNTIL 10:00 A.M., CENTRAL DAYLIGHT TIME

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. “APPENDIX D – SUMMARY OF FINANCING DOCUMENTS” CONTAINS DEFINITIONS USED IN THIS OFFICIAL STATEMENT.

The date of this Preliminary Official Statement is [POS Date].

* Subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$13,725,000*
SEDGWICK COUNTY, KANSAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES A, 2015

MATURITY SCHEDULE

[SERIAL BONDS]

<u>Stated Maturity August 1</u>	<u>Principal Amount*</u>	<u>Annual Rate of Interest</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ Base 815323</u>	<u>Stated Maturity August 1</u>	<u>Principal Amount*</u>	<u>Annual Rate of Interest</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ Base 815323</u>
2016	\$700,000	___%	___%		2026	\$660,000	___%	___%	
2017	925,000	___%	___%		2027	470,000	___%	___%	
2018	930,000	___%	___%		2028	470,000	___%	___%	
2019	930,000	___%	___%		2029	470,000	___%	___%	
2020	950,000	___%	___%		2030	470,000	___%	___%	
2021	950,000	___%	___%		2031	470,000	___%	___%	
2022	860,000	___%	___%		2032	470,000	___%	___%	
2023	860,000	___%	___%		2033	470,000	___%	___%	
2024	870,000	___%	___%		2034	470,000	___%	___%	
2025	875,000	___%	___%		2035	475,000	___%	___%	

[TERM BONDS]

<u>Stated Maturity August 1</u>	<u>Principal Amount*</u>	<u>Annual Rate of Interest</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ Base 815323</u>
2035	\$	___%	___%]

(All plus accrued interest, if any)

⁽¹⁾ CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Financial Inc., and are included solely for the convenience of the Owners of the Bonds. Neither the Issuer nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

* Subject to change

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS THAT ARE “FORWARD-LOOKING STATEMENTS” AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS “ESTIMATE,” “INTEND,” “EXPECT” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE ISSUER FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

SEDGWICK COUNTY, KANSAS

Sedgwick County Courthouse
525 North Main, Suite 823
Wichita, Kansas 67203
(316) 660-7591

ELECTED OFFICIALS

RICHARD RANZAU, Chairman and Commissioner, 4th District
KARL PETERJOHN, Chair Pro Tem and Commissioner, 3rd District
DAVID M. UNRUH, Commissioner, 1st District
TIM R. NORTON, Commissioner, 2nd District
JIM HOWELL, Commissioner, 5th District

KELLY B. ARNOLD, County Clerk
LINDA KIZZIRE, County Treasurer

APPOINTED OFFICIALS

RON HOLT, Acting County Manager
CHRIS CHRONIS, Chief Financial Officer
RICK DURHAM, Deputy Chief Financial Officer
LINDSAY POE ROUSSEAU, Budget Director
SARA JANTZ, Director of Accounting

COUNTY COUNSELOR

Eric Yost, Esq.

MUNICIPAL ADVISOR

Springsted Incorporated
St. Paul, Minnesota and Kansas City, Missouri

BOND COUNSEL

Gilmore & Bell, P.C.
Wichita, Kansas

CERTIFIED PUBLIC ACCOUNTANTS

Allen, Gibbs & Houlik, L.C.
Wichita, Kansas

UNDERWRITER

[To Be Determined at Public Sale]

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein concerning the Issuer has been furnished by the Issuer and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE BONDS	2
THE DEPOSITORY TRUST COMPANY	7
THE PROJECTS	8
THE REFUNDING PLAN	8
SOURCES AND USES OF FUNDS	9
RISK FACTORS AND INVESTMENT CONSIDERATIONS	9
BOND RATINGS	11
LEGAL PROCEEDINGS	11
LEGAL MATTERS	11
TAX MATTERS	12
VERIFICATION OF ESCROW	13
MUNICIPAL ADVISOR	13
UNDERWRITING.....	13
AUTHORIZATION OF OFFICIAL STATEMENT	14
APPENDIX A SEDGWICK COUNTY, KANSAS.....	A-1
APPENDIX B SEDGWICK COUNTY, KANSAS – AUDITED FINANCIAL STATEMENTS (FOR THE FISCAL YEAR ENDED 12/31/2014)	B-1
APPENDIX C FORM OF BOND COUNSEL OPINION	C-1
APPENDIX D SUMMARY OF FINANCING DOCUMENTS	D-1

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OFFICIAL STATEMENT

\$13,725,000*

SEDGWICK COUNTY, KANSAS GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS SERIES A, 2015

INTRODUCTION

Purpose of Official Statement

The purpose of this Official Statement is to furnish information relating to Sedgwick County, Kansas (the “Issuer” or the “County”), and the General Obligation Refunding and Improvement Bonds, Series A, 2015 (the “Bonds”), of the Issuer, dated November 19, 2015 (the “Dated Date”). The Bonds are being issued to finance the costs of constructing bridge and courthouse complex improvements and to refund certain outstanding general obligation bonds of the Issuer (see “THE PROJECTS” and “THE REFUNDING PLAN” herein).

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in “*APPENDIX D – SUMMARY OF FINANCING DOCUMENTS*.”

Additional Information

Additional information regarding the Issuer or the Bonds may be obtained from Chris Chronis, Chief Financial Officer, Sedgwick County Courthouse, Suite 823, 525 North Main, Wichita, Kansas 67203; by phone (316) 660-7591, fax (316) 383-7729 or e-mail chris.chronis@sedgwick.gov; or from the Municipal Advisor, Springsted Incorporated, 380 Jackson Street, Suite 300, St. Paul, Minnesota 55101-2887, Attention: Bond Services, by phone (651) 223-3000, fax (651) 223-3046 or e-mail bond_services@springsted.com.

Ratings

The outstanding general obligation bonds of the Issuer are rated “Aaa” by Moody's Investors Service (“Moody’s”), “AAA” by Fitch Ratings (“Fitch”) and “AAA” by Standard & Poor's Ratings Services, a division of McGraw Hill Financial Inc. (“S&P”). The Bonds are rated “Aaa” by Moody's and “AAA” by S&P.

Financial Data

Except for the information expressly attributed to other sources, all financial and other information presented herein has been compiled by officials of the Issuer in consultation with Springsted Incorporated, Municipal Advisor to the Issuer (the “Municipal Advisor”). The presentation of information herein, including tables of receipts from various taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer. Except as specifically noted herein, information contained in this Official Statement relating to the Issuer's outstanding debt and any calculations based thereon reflect the anticipated issuance of the Bonds. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future.

Debt Payment Record

The Issuer has always promptly made principal and interest payments on outstanding general obligation bonds and notes when due.

Continuing Disclosure

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. In 2013 the Issuer adopted an Omnibus Continuing Disclosure Undertaking, as may be amended and supplemented (the “Disclosure Undertaking”) wherein the Issuer covenants to provide annually certain Financial Information and Operating Data and other information necessary to comply with the Rule, and to transmit the same to the Municipal Securities Rulemaking Board. The Disclosure Undertaking modified previous undertakings the Issuer entered into pursuant to the Rule (the “Prior Undertakings”). In the Bond Resolution, hereinafter defined, the Issuer covenants with the Underwriter and the Beneficial Owners to apply the provisions of the Disclosure Undertaking to the Bonds. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Bonds.

* Subject to change.

For the past five years the Issuer has filed its Comprehensive Annual Financial Report (the “CAFR”) within the time period prescribed by the Disclosure Undertaking and the Prior Undertakings. The CAFRs contain the audited financial statements of, and statistical information regarding, the Issuer. The Issuer’s filings for such years are set forth on the table below.

<u>Fiscal Year</u> <u>Ending December 31</u>	<u>Filing Time</u> <u>Period (Days)</u>	<u>CAFR</u> <u>Filing Date</u>
2010	180	04/26/2011
2011	180	04/12/2012
2012	180	04/19/2013
2013	180	04/14/2014
2014	180	04/01/2015

The Issuer is also a joint issuer with Shawnee County, Kansas, of revenue bonds the proceeds of which were used to acquire mortgage loans and securities backed by mortgage loans (the “Housing Revenue Bonds”), and to pledge the mortgage loans and mortgage-backed securities as security for the payment of the principal of and interest on the Housing Revenue Bonds. In the continuing disclosure undertakings related to such Housing Revenue Bonds, the Issuer agreed to provide its annual audited financial statement to the trustee for the Housing Revenue Bonds, and the trustee agreed to disseminate the financial statement to EMMA. In certain prior years, the Issuer’s annual audited financial statements were not timely filed on EMMA for the Housing Revenue Bonds; however such annual audited financial statements were contained in the CAFRs filed for the Issuer’s general obligation bonds and available on EMMA, and a notice of incorporation by reference has been associated with the Housing Revenue Bonds to this effect.

During the past five years, the Issuer has made filings of event notices on EMMA with respect to bond calls, defeasances, and rating changes, however, during said time period, the Issuer may not have made timely filings of event notices on EMMA relating to all bond calls, defeasances or rating changes. The Issuer believes this information was disseminated or available through other sources.

For more information regarding the Disclosure Undertaking, see “**APPENDIX D – SUMMARY OF FINANCING DOCUMENTS – THE DISCLOSURE UNDERTAKING.**”

THE BONDS

Authority for the Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-427 *et seq.*, K.S.A. 10-620 *et seq.*, K.S.A. 19-1510, as amended by Charter Resolution No. 56, and K.S.A. 68-1103, as amended and supplemented from time to time (collectively, the “Act”), and a resolution adopted by the governing body of the Issuer on October 21, 2015 (the “Bond Resolution”).

Security for the Bonds

The Bonds shall be general obligations of the Issuer payable as to both principal and interest in part from special assessments levied upon the property benefitted by the construction of certain public improvements originally financed by the Refunded Bonds, and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The balance of the principal and interest on the Bonds is payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds as the same become due. The interest on that portion of the Bonds attributed to refunding the Refunded Bonds to and including August 1, 2016, shall be primarily payable from the proceeds of certain Escrowed Securities and cash held under the terms of the Escrow Agreement.

Levy and Collection of Annual Tax, Transfer to Debt Service Account

The governing body of the Issuer shall annually make provision for the payment of principal of, premium, if any, and interest on the Bonds as the same become due by, to the extent necessary, levying and collecting the necessary taxes and/or assessments upon all of the taxable tangible property within the Issuer in the manner provided by law. Such taxes and/or assessments shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived

from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

Description of the Bonds

The Bonds shall consist of fully registered book-entry-only bonds in an Authorized Denomination and shall be numbered in such manner as the Bond Registrar shall determine. All of the Bonds shall be dated as of the Dated Date, become due in the amounts on the Stated Maturities, subject to redemption and payment prior to their Stated Maturities, and shall bear interest at the rates per annum set forth on the inside cover page of this Official Statement (computed on the basis of twelve 30-day months) from the later of the Dated Date or the most recent Interest Payment Date to which interest has been paid, on the Interest Payment Dates in the manner hereinafter set forth.

Designation of Paying Agent and Bond Registrar

The Issuer will at all times maintain a paying agent and bond registrar meeting the qualifications set forth in the Bond Resolution. The Issuer reserves the right to appoint a successor paying agent or bond registrar. No resignation or removal of the paying agent or bond registrar shall become effective until a successor has been appointed and has accepted the duties of paying agent or bond registrar. Every paying agent or bond registrar appointed by the Issuer shall at all times meet the requirements of Kansas law.

The Treasurer of the State of Kansas, Topeka, Kansas (the “Bond Registrar” and “Paying Agent”) has been designated by the Issuer as paying agent for the payment of principal of and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds.

Method and Place of Payment of the Bonds

The principal of, or Redemption Price, and interest on the Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal or Redemption Price of each Bond shall be paid at Maturity to the Person in whose name such Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Bond at the principal office of the Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Owner of such Bond as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Owner; or (b) in the case of an interest payment to Cede & Co. or any Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Owner upon written notice given to the Bond Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed.

Notwithstanding the foregoing, any Defaulted Interest with respect to any Bond shall cease to be payable to the Owner of such Bond on the relevant Record Date and shall be payable to the Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified. The Issuer shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall notify the Issuer of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Bond entitled to such notice not less than 10 days prior to such Special Record Date.

SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE BONDS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See “THE BONDS – Book-Entry Bonds; Securities Depository.”

Payments Due on Saturdays, Sundays and Holidays

In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Book-Entry Bonds; Securities Depository

The Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Bonds, except in the event the Bond Registrar issues Replacement Bonds. It is anticipated that during the term of the Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Bonds to the Participants until and unless the Bond Registrar authenticates and delivers Replacement Bonds to the Beneficial Owners as described in the following paragraphs.

The Issuer may decide, subject to the requirements of the Operational Arrangements of DTC (or a successor Securities Depository), and the following provisions of this section to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository):

(a) If the Issuer determines (1) that the Securities Depository is unable to properly discharge its responsibilities, or (2) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (3) that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds; or

(b) if the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds, then the Bond Registrar shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Bond Registrar shall register in the name of and authenticate and deliver Replacement Bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (a)(1) or (a)(2) of this paragraph, the Issuer, with the consent of the Bond Registrar, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers.

In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Issuer, the Bond Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Bond Registrar shall authenticate and cause delivery of Replacement Bonds to Owners, as provided herein. The Bond Registrar may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid for by the Issuer.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the Issuer may appoint a successor Securities Depository provided the Bond Registrar receives written evidence satisfactory to the Bond Registrar with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of the Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Bond Resolution.

Registration, Transfer and Exchange of Bonds

As long as any of the Bonds remain Outstanding, each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register. Bonds may be transferred and exchanged only on the Bond Register as hereinafter provided. Upon surrender of any Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied

by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. The Issuer shall pay the fees and expenses of the Bond Registrar for the registration, transfer and exchange of Bonds. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners of the Bonds. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

The Issuer and the Bond Registrar shall not be required (a) to register the transfer or exchange of any Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent and during the period of 15 days next preceding the date of mailing of such notice of redemption; or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

Mutilated, Lost, Stolen or Destroyed Bonds

If (a) any mutilated Bond is surrendered to the Bond Registrar or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Issuer and the Bond Registrar such security or indemnity as may be required by each of them, then, in the absence of notice to the Issuer or the Bond Registrar that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's request, the Bond Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Issuer, in its discretion, may pay such Bond instead of issuing a new Bond. Upon the issuance of any new Bond, the Issuer may require the payment by the Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

Nonpresentation of Bonds

If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Bond Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within four (4) years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Redemption Provisions

Optional Redemption. At the option of the Issuer, Bonds maturing on August 1 in the years 20[___], and thereafter, will be subject to redemption and payment prior to their Stated Maturity on August 1, 20[___], and thereafter, as a whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the Redemption Date.

[**Mandatory Redemption.** [(a) [___] Term Bonds.]The [___] Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on August 1 in each year, the following principal amounts of such [___] Term Bonds:

**Principal
Amount**
\$

Year

*

*Final Maturity

[(b) *2035 Term Bonds.*] The 2035 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on August 1 in each year, the following principal amounts of such 2035 Term Bonds:

<u>Principal Amount</u> \$	<u>Year</u>
	2035*

*Final Maturity

Selection of Bonds to be Redeemed. Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Bonds are to be redeemed and paid prior to their Stated Maturity, such Bonds shall be redeemed in such manner as the Issuer shall determine, Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in minimum Authorized Denomination in such equitable manner as the Bond Registrar may determine. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate Bond of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination value represented by any Bond is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the minimum Authorized Denomination value called for redemption (and to that extent only).

Notice and Effect of Call for Redemption. Unless waived by any Owner of Bonds to be redeemed, if the Issuer shall call any Bonds for redemption and payment prior to the Stated Maturity thereof, the Issuer shall give written notice of its intention to call and pay said Bonds to the Bond Registrar and the Underwriter. In addition, the Issuer shall cause the Bond Registrar to give written notice of redemption to the Owners of said Bonds. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

All official notices of redemption shall be dated and shall contain the following information: (a) the Redemption Date; (b) the Redemption Price; (c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Bonds, the respective principal amounts) of the Bonds to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest.

For so long as the Securities Depository is effecting book-entry transfers of the Bonds, the Bond Registrar shall provide the notices specified to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

In addition to the foregoing notice, the Issuer shall provide such notices of redemption as are required by the Disclosure Undertaking. The Paying Agent is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond.

THE DEPOSITORY TRUST COMPANY

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each scheduled maturity of the Bonds, and will be deposited with DTC.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE PROJECTS

The Bonds are being issued for the purpose of paying a portion of the costs of certain public improvements (collectively the "Improvements"), more specifically described as follows:

<i>Project Description</i>	<i>Res. No.</i>	<i>Authority</i>	<i>Cost Estimate</i>
Courthouse Complex – Acquisition of building for County administrative offices	167-2014	K.S.A. 19-1510/ Ch. Res. 56	\$7,400,000
Bridge – 183rd St. W. between 47th and 55th St. S.	168-2014	K.S.A. 68-1103	600,000
Bridge – 87th St. S. between 295th and 311th St. W.	168-2014	K.S.A. 68-1103	500,000
Bridge – 45th St. N. between Broadway and Hydraulic	168-2014	K.S.A. 68-1103	600,000
Bridge – Bike Pedestrian Bridge on Meridian over WVCFC Project ¹	168-2014	K.S.A. 68-1103	1,500,000
Bridge – 143rd St. E. between 63rd and 71st St. S. ²	168-2014	K.S.A. 68-1103	690,000
Bridge – 93rd St. N. between Meridian and Seneca	168-2014	K.S.A. 68-1103	300,000
Bridge – 183rd St. W. between Central and 13th St. N.	168-2014	K.S.A. 68-1103	650,000
Bridge – 61st St. N. between 279th and 295th St. W. ³	168-2014	K.S.A. 68-1103	500,000
Bridge – Hydraulic between 69th and 77th St. N. ⁴	168-2014	K.S.A. 68-1103	<u>500,000</u>
Total			<u>\$13,240,000</u>

¹ \$562,000 in GO bonds; and \$938,000 in available sales tax funds

² \$138,000 in GO bonds; and \$552,000 in available intergovernmental funds

³ \$400,000 in GO bonds; and \$100,000 in available sales tax funds

⁴ \$250,000 in GO bonds; and \$250,000 in available sales tax funds

THE REFUNDING PLAN

Proceeds of the Bonds will also be applied to retire the following general obligation bonds of the Issuer (the "Refunded Bonds"):

General Obligation Bonds, Series A, 2006, Dated December 1, 2006

<u>Maturity Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
\$205,000	08/01/2017	3.875%	08/01/2016	100%
435,000	08/01/2019	3.875%	08/01/2016	100%
480,000	08/01/2021	3.875%	08/01/2016	100%
335,000	08/01/2023	4.000%	08/01/2016	100%
565,000	08/01/2026	4.000%	08/01/2016	100%

An Escrow Fund will be established for the Refunded Bonds pursuant to the terms of the Escrow Trust Agreement dated as of the Dated Date, by and between the Issuer and [Escrow Agent], [City], Kansas (the “Escrow Agent”). See “**APPENDIX D – SUMMARY OF FINANCING DOCUMENTS – THE ESCROW TRUST AGREEMENT**” for a discussion of the manner in which the Escrow Fund is administered.

SOURCES AND USES OF FUNDS

The following table summarizes the sources and uses of funds associated with the issuance of the Bonds:

Sources of Funds:	
Principal Amount of the Bonds	\$13,725,000*.00
[Original Issue Discount]	-
[Original Issue Premium]	
Total	\$
 Uses of Funds:	
Deposit to Improvement Fund	\$
<i>Bridge Projects</i>	
<i>Courthouse Complex Project</i>	
Deposit to Escrow Fund	
Underwriter’s Compensation	
[Deposit to Debt Service Account]	
Costs of Issuance	
Total	\$

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE BONDS WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE BONDS. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE ISSUER OR THE UNDERWRITER.

Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Issuer or the taxing authority of the Issuer.

Limitations on Remedies Available to Owners of Bonds

The enforceability of the rights and remedies of the owners of Bonds, and the obligations incurred by the Issuer in issuing the Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of Kansas and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

Kansas Public Employees Retirement System

As described in “*APPENDIX A – FINANCIAL INFORMATION – Pension and Employee Retirement Plans*,” the Issuer participates in the Kansas Public Employees Retirement System (“KPERs”), as an instrumentality of the State to provide retirement and related benefits to public employees in Kansas. KPERs administers three statewide defined benefit retirement plans for public employees which are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Issuer participates in the Public Employees Retirement System – Local Group and the Police and Firemen’s Retirement System (“KPFRS”) (the “Plan”). Under existing law, employees make contributions and the Issuer makes all employer contributions to the Plan; neither the employees nor the Issuer are directly responsible for any unfunded accrued actuarial liability (“UAAL”); however, Plan contribution rates may be adjusted by legislative action over time to address any UAAL. According to KPERs’ Valuation Report, dated as of December 31, 2013, the Local Group had an UAAL of \$1.590 billion and KPFRS had an UAAL of \$803 million.

Taxation of Interest on the Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Bonds includable in gross income for federal income tax purposes.

The Issuer has covenanted in the Bond Resolution and in other documents and certificates to be delivered in connection with the issuance of the Bonds to comply with the provisions of the Code, including those which require the Issuer to take or omit to take certain actions after the issuance of the Bonds. Because the existence and continuation of the excludability of the interest on the Bonds depends upon events occurring after the date of issuance of the Bonds, the opinion of Bond Counsel described under “*TAX MATTERS*” assumes the compliance by the Issuer with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Bonds in the event of noncompliance with such provisions. The failure of the Issuer to comply with the provisions described above may cause the interest on the Bonds to become includable in gross income as of the date of issuance.

Premium on Bonds

[The initial offering prices of certain maturities of the Bonds that are subject to optional redemption are in excess of the respective principal amounts thereof.]Any person who purchases a Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Bonds are subject to redemption at par under the various circumstances described under “*THE BONDS – Redemption Provisions*.”

No Additional Interest or Mandatory Redemption upon Event of Taxability

The Bond Resolution does not provide for the payment of additional interest or penalty on the Bonds or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Bond Resolution does not provide for the payment of any additional interest or penalty on the Bonds if the interest thereon becomes subject to income taxation by the State.

Suitability of Investment

The tax exempt feature of the Bonds is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment.

Market for the Bonds

Bond Rating. The Bonds have been assigned the financial ratings set forth in the section hereof entitled “BOND RATINGS.” There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Bonds. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the Bonds as a result of financial condition or market position of broker-dealers, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of the Issuer, whether or not the Bonds are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

BOND RATINGS

Moody's and S&P have assigned the ratings set forth on the cover page of this Official Statement to the Bonds. Such ratings reflect only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. No such rating constitutes a recommendation to buy, sell, or hold any bonds, including the Bonds, or as to the market price or suitability thereof for a particular investor. The Issuer furnished such rating agency with certain information and materials relating to the Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

LEGAL PROCEEDINGS

The Issuer, in the ordinary course of business, is a party to various legal proceedings. In the opinion of management of the Issuer, any judgment rendered against the Issuer in such proceedings would not materially adversely effect the financial position of the Issuer.

The Issuer certifies that there is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the Issuer or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act or the constitutionality or validity of the indebtedness represented by the Bonds or the validity of said Bonds, or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof.

LEGAL MATTERS

Approval of Bonds

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas (“Bond Counsel”), bond counsel to the Issuer. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Issuer and its certified public accountants, as referred to herein. Bond Counsel has participated in the preparation of the Official Statement but expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned “THE BONDS,” “LEGAL

MATTERS,” “TAX MATTERS,” “*APPENDIX C – FORM OF BOND COUNSEL OPINION*,” and “*APPENDIX D – SUMMARY OF FINANCING DOCUMENTS*.” Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Bonds. Certain legal matters have been passed on for the Issuer by Eric Yost, Esq., County Counselor.

TAX MATTERS

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

Opinion of Bond Counsel

In the opinion of Bond Counsel, under the law existing as of the issue date of the Bonds:

Federal Tax Exemption. The interest on the Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Bonds have **not** been designated as “qualified tax-exempt obligations” for purposes of Code § 265(b).

Kansas Tax Exemption. The interest on the Bonds is exempt from income taxation by the State of Kansas.

Bond Counsel’s opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

Other Tax Consequences

[**Original Issue Discount.** For Federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Code § 1288, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Bond during any accrual period generally equals: (a) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods; multiplied by (b) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period); minus (c) any interest payable on that Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for Federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.]

[**Original Issue Premium.** If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Bond. Under Code § 171, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for Federal income tax purposes on sale or disposition

of the Bond prior to its maturity. Even though the owner's basis is reduced, no Federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.]

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent the Bonds are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Bonds, and to the proceeds paid on the sale of Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

VERIFICATION OF ESCROW

The accuracy of the mathematical computations of: (a) the adequacy of cash and certain Escrowed Securities to be held by the Escrow Agent pursuant to the Escrow Agreement, together with the interest to be earned thereon, to pay the interest (but not principal) on the Bonds coming due until the Refunded Bonds Redemption Date and thereafter principal and redemption premium, if any, of the Refunded Bonds, and (b) certain yield calculations relating to the Bonds and the Escrowed Securities made in accordance with Code § 148, will be verified by [Verification Agent], [City, State]. Such verification of the accuracy of such mathematical computations will be based upon information supplied by the Municipal Advisor and on interpretations of the Code provided by Bond Counsel.

MUNICIPAL ADVISOR

The Issuer has retained Springsted Incorporated, St. Paul, Minnesota (the "Municipal Advisor") as Municipal Advisor in connection with the sale of the Bonds. The Municipal Advisor is a "municipal advisor" as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Municipal Advisor is not a public accounting firm and has not been engaged by the Issuer to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds. The fees of the Municipal Advisor are contingent upon the issuance of the Bonds.

UNDERWRITING

The Bonds have been sold at public sale by the Issuer to [Purchaser], [City, State] (the "Underwriter") on the basis of lowest true interest cost. [] bids were received by the Issuer. The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a price equal to the principal amount of the Bonds, plus accrued interest from the Dated Date to the Issue Date[, plus a premium of \$ _____], less an underwriting discount of \$ _____].

The Bonds will be offered to the public initially at the prices determined to produce the yield to maturity or applicable redemption date set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices other than the price stated on the inside cover page hereof and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds

at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

AUTHORIZATION OF OFFICIAL STATEMENT

The preparation of this Official Statement and its distribution has been authorized by the governing body of the Issuer as of the date on the cover page hereof. This Official Statement is submitted in connection with the issuance of the Bonds and may not be reproduced or used as a whole or in part for any other purpose. This Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds.

SEDGWICK COUNTY, KANSAS

By: _____
Richard Ranzau, Chairman

By: _____
Chris Chronis, Chief Financial Officer

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APPENDIX A
SEDGWICK COUNTY, KANSAS

ASSESSED AND ESTIMATED ACTUAL VALUES OF TAXABLE TANGIBLE PROPERTY
Including Motor Vehicles, Last Ten Fiscal Years
SEDGWICK COUNTY PRIMARY GOVERNMENT
(Dollars in Thousands)

Tax Year ⁽¹⁾	Real Property		Personal Property ⁽²⁾		Total		Ratio
	Assessed	Actual (est.)	Assessed	Actual (est.)	Assessed	Actual (est.)	
2005	2,994,083	19,727,010	1,114,926	4,813,199	4,109,009	24,540,209	16.74%
2006	3,179,041	22,334,988	1,130,307	4,867,631	4,309,348	27,202,619	15.84%
2007	3,445,044	24,095,166	1,110,690	4,813,130	4,555,734	28,908,296	15.76%
2008	3,679,637	25,653,996	1,082,535	4,741,103	4,762,172	30,395,099	15.67%
2009	3,758,852	26,248,229	1,027,863	4,526,469	4,786,715	30,774,698	15.55%
2010	3,811,787	26,558,303	994,685	4,379,156	4,806,472	30,937,459	15.54%
2011	3,836,821	26,769,748	986,674	4,330,616	4,823,495	31,100,364	15.51%
2012	3,804,616	26,515,320	995,806	4,369,975	4,800,422	30,885,295	15.54%
2013	3,833,553	26,686,105	1,009,300	4,434,274	4,842,853	31,120,379	15.56%
2014	3,913,588	27,240,503	984,496	2,293,820	4,898,084	29,534,323	16.58%

(1) Tax Year funds subsequent year's budget, e.g., 2014 taxes levied finance 2015 spending.

(2) Represents the equalized valuation of tangible property, including motor vehicles.

Source: Sedgwick County Clerk

TEN LARGEST PRINCIPAL PROPERTY TAX PAYERS
(December 2014)

Rank	Name	Primary Business	% of Total Assessed Value	Assessed Valuation
1	Kansas Gas & Electric – A Westar Co.	Electric/Gas Utility	2.33%	\$100,372,214
2	Spirit Aerosystems, Inc.	Aircraft Manufacturing	2.31%	99,412,235
3	The Boeing Company	Aircraft Manufacturing	1.06%	45,774,150
4	Hawker Beechcraft Corp.	Aircraft Manufacturing	.98%	42,101,960
5	Cessna Aircraft	Aircraft Manufacturing	.90%	38,573,736
6	City of Wichita	Government	.67%	28,664,053
7	Kansas Gas Service	Gas Utility	.58%	24,975,182
8	Simon Property Group	Real Property Leasing	.60%	25,806,503
9	Wal-Mart	Retail	.49%	20,878,864
10	Southwestern Bell Telephone	Telecommunications Utility	.42%	17,905,117
	Total		9.92%	\$ 426,558,897

Source: Sedgwick County Clerk

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2014

Equalized assessed valuation of taxable tangible property ⁽¹⁾		\$4,348,562,089
Add: Estimated 2014 tangible valuation of motor vehicles	549,521,933	
Total estimated tangible valuation for debt limitation purposes		4,898,084,022
Debt limitation (3% of total valuation)		146,942,521

Sedgwick County Bonded Indebtedness, December 31, 2014 ⁽²⁾		179,180,000
Less: Deductions allowed by law		
Road and Bridge bonds	21,727,876	
Special Assessment bonds	2,465,683	
Facilities	749,314	
Exempt portion of Series 2005, 2009, 2010, 2011, 2012 & 2013 Refunding bonds	15,834,053	
Public Building Commission	108,880,000	
Amount available in Debt Service Fund for repayment of principal	1,644,768	
Total exemptions		151,301,694
Debt applicable to legal debt limit		27,878,306
Debt margin (Limitation less non-exempt debt)		\$119,064,215

⁽¹⁾ Excludes assessed valuation of Motor Vehicles.

⁽²⁾ Includes General Obligation bonds, Special Assessments and Public Building Commission lease obligations. Excludes Fire District #1 and WSU Experiential Engineering Building PBC Issues 2014-3 & 2014-4.

Source: Sedgwick County Division of Finance

SUMMARY OF OUTSTANDING INDEBTEDNESS

The following is a summary of changes in general obligation debt of the County for the period October 1, 2015 to the anticipated delivery on the bonds:

Outstanding October 1, 2015 ⁽¹⁾	\$125,845,000
Issues:	
Series 2015, General Obligation	11,571,000
Anticipated Outstanding November 1, 2015	<u>\$137,416,000</u>

⁽¹⁾ Includes General Obligation bonds, Special Assessments and Public Building Commission lease obligations. Excludes Fire District #1 and WSU Experiential Engineering Building PBC Issues 2014-3 & 2014-4.

**GENERAL OBLIGATION BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY**

Fiscal Year	General Obligation		Special Assessment		Total Requirements ¹
	Principal	Interest	Principal	Interest	
2015	8,112,000	2,408,785	328,000	130,789	10,979,574
2016	8,107,000	2,285,788	333,000	120,624	10,846,412
2017	7,991,000	2,014,294	349,000	109,753	10,464,047
2018	8,186,000	1,739,554	359,000	97,656	10,382,210
2019	4,882,000	1,431,174	373,000	84,325	6,770,499
2020	4,692,000	1,224,689	388,000	70,076	6,374,765
2021	4,637,000	1,024,171	293,000	54,716	6,008,887
2022	4,168,000	822,503	212,000	42,728	5,245,231
2023	2,947,000	644,655	218,000	33,496	3,843,151
2024	2,836,000	539,119	229,000	23,583	3,627,702
2025	2,691,000	429,404	234,000	12,720	3,367,124
2026	1,511,000	324,034	19,000	930	1,854,964
2027	1,371,000	261,106	4,000	320	1,636,426
2028	1,416,000	201,506	4,000	160	1,621,666
2029	1,430,000	139,781	-	-	1,569,781
2030	830,000	75,336	-	-	905,336
2031	665,000	42,531	-	-	704,531
2032	325,000	19,013	-	-	344,013
2033	160,000	7,200	-	-	167,200
	\$66,957,000	\$15,634,643	\$3,343,000	\$781,876	\$86,716,519

¹ Excludes Public Building Commission and this Issue.
Source: Sedgwick County Division of Finance

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**NET GENERAL OBLIGATION DEBT
PERCENTAGE OF ASSESSED VALUE AND PER CAPITA
Last Ten Fiscal Years**

Fiscal Year	Population¹	Assessed Value (thousands)	General Obligation Debt²	Debt Service Monies Available	Net General Obligation Debt	Percentage of Assessed Value	Net General Obligation Debt per Capita
2005	467,113	4,109,009	143,430,000	1,124,572	142,305,428	3.46%	305
2006	471,659	4,309,348	136,305,000	2,583,216	133,721,784	3.10%	284
2007	478,479	4,555,734	139,530,000	4,086,468	135,443,532	2.97%	283
2008	486,077	4,762,172	171,415,000	11,609,796	159,805,204	3.36%	329
2009	495,006	4,786,715	166,885,000	12,161,970	154,723,030	3.23%	313
2010	499,360	4,806,472	158,570,000	3,386,991	155,183,009	3.23%	311
2011	500,976	4,823,495	165,800,000	1,057,794	164,742,206	3.42%	329
2012	503,889	4,800,422	156,460,000	1,995,981	154,464,019	3.22%	307
2013	505,905	4,842,853	162,800,000	1,324,073	161,475,927	3.33%	319
2014	508,434	4,902,796	179,180,000	1,644,768	177,535,232	3.62%	349

¹ 2014 Population is estimated. Population for 2004-2013 is from the U.S. Census Bureau.

² Includes General Obligation bonds, Special Assessments, Public Building Commission lease obligations. Excludes KDOT Revolving Loan, WSU Experiential Engineering Building PBC Issues 2014-3 & 2014-4 and Fire District #1.

Source: Sedgwick County Division of Finance

**DIRECT, UNDERLYING, AND OVERLAPPING DEBT RATIOS
As of December 31, 2014**

Jurisdiction and Debt Type	Total Assessed Valuation	General Obligation Debt	Debt as a Percentage of Assessed Valuation
Direct Sedgwick County Debt	\$4,898,084,022	\$179,180,000 ⁽¹⁾	3.66%
Underlying and Overlapping Debt⁽²⁾			
Cities		966,627,038	19.73%
Public Building Commissions		302,635	.01%
School Districts		875,295,207	17.87%
Temporary Notes		100,041,000	2.04%
Total Underlying and Overlapping Debt		1,942,265,880	39.65%
Total Direct, Underlying and Overlapping Debt		\$2,121,445,880	43.31%

⁽¹⁾ Includes General Obligation bonds and Public Building Commission lease obligations. Excludes Fire District #1 and WSU Experiential Engineering Building PBC Issues 2014-3 & 2014-4.

⁽²⁾ Based on 6/30/2015 data.

Source: Sedgwick County Division of Finance, Survey of Individual Districts

**PROPERTY TAX AVERAGE MILL LEVIES BY JURISDICTION TYPE
Last Ten Fiscal Years**

Tax Year⁽¹⁾	State	County	Fire District	Cities Average	Townships Average	Schools Average	Other District Average	Rural Average	Urban Average	County Average
2005	1.500	28.758	18.556	32.701	4.908	51.790	1.528	106.884	114.899	113.787
2006	1.500	31.315	18.469	32.900	4.965	52.197	1.505	109.673	117.808	116.715
2007	1.500	31.333	18.482	33.110	5.598	53.601	1.487	110.441	119.739	118.494
2008	1.500	30.377	18.501	33.381	5.570	54.334	1.462	112.404	119.751	118.793
2009	1.500	29.868	18.447	33.508	5.743	56.679	1.216	113.043	122.226	121.016
2010	1.500	29.359	18.336	34.092	5.889	58.675	1.131	114.504	122.954	121.792
2011	1.500	29.428	18.397	34.326	5.947	58.911	1.192	114.628	123.559	122.310
2012	1.500	29.447	18.398	34.462	6.146	59.169	1.295	115.183	123.978	122.722
2013	1.500	29.377	18.348	34.529	6.211	59.513	1.276	115.547	124.308	123.050
2014	1.500	29.478	18.367	34.545	6.355	56.632	1.287	113.128	121.718	120.473

**PROPERTY TAX AMOUNTS LEVIED BY JURISDICTION TYPE
Last Ten Fiscal Years**

Tax Year⁽¹⁾	State	County Government	Fire District	Cities	Townships	Schools	Special Districts	Rural	Urban	County Total
2005	5,427,690	102,370,944	11,996,352	101,106,657	2,534,748	180,099,033	8,150,141	53,606,776	358,078,789	411,685,565
2006	5,749,585	118,109,197	12,109,011	108,477,376	2,632,011	191,619,441	8,620,958	56,492,355	390,825,224	447,317,579
2007	6,090,771	125,178,265	13,009,882	115,654,412	3,127,853	208,745,863	9,294,398	60,056,134	421,045,310	481,101,444
2008	6,386,992	127,446,647	13,581,458	122,609,048	3,213,822	223,351,545	9,182,585	62,357,207	443,414,890	505,772,097
2009	6,427,792	126,194,919	13,861,628	124,026,814	3,366,338	235,576,173	9,059,364	63,753,973	454,759,056	518,513,029
2010	6,421,103	125,644,285	14,240,940	125,865,408	3,564,996	243,435,093	9,124,879	67,519,119	454,699,605	521,220,698
2011	6,453,319	126,605,108	14,577,088	127,031,853	3,686,201	247,866,093	9,556,020	69,031,541	457,972,787	527,004,328
2012	6,410,189	125,838,433	14,695,815	126,238,060	3,851,291	243,100,328	8,479,945	70,403,425	454,973,175	525,376,560
2013	6,462,922	126,026,067	14,861,846	126,794,209	3,952,644	243,493,774	8,575,857	71,515,390	458,651,929	530,167,319
2014	6,531,166	127,794,804	15,137,444	128,651,894	4,124,793	233,668,397	8,640,048	71,368,911	453,179,635	524,548,546

(1) Tax Year funds subsequent year's budget.
Source: Sedgwick County Clerk

**GENERAL PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Tax Years**

SEDGWICK COUNTY PRIMARY GOVERNMENT

Tax Year ⁽¹⁾	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Total Collections To Date		
				Amount ⁽²⁾	Percentage of Original Levy	Collections in Subsequent Years ⁽³⁾	Amount	Percentage of Adjusted Levy
2004	98,203,643	(455,308)	97,748,335	94,695,003	96.43%	2,359,059	97,054,062	99.29%
2005	103,184,139	(473,529)	102,710,610	99,887,609	96.81%	2,622,339	102,509,948	99.80%
2006	121,793,520	(473,822)	121,319,698	117,958,001	96.85%	3,364,205	121,322,206	100.00%
2007	128,747,504	(440,767)	128,306,737	124,575,078	96.76%	3,733,046	128,308,124	100.00%
2008	130,983,921	(1,035,315)	129,948,606	125,701,736	95.97%	4,244,455	129,946,192	100.00%
2009	129,522,134	(1,565,747)	127,956,386	123,962,799	95.71%	2,452,572	126,415,371	98.80%
2010	129,182,341	343,543	129,525,884	124,101,517	96.07%	2,306,543	126,408,060	97.59%
2011	130,016,010	269,245	130,285,255	125,349,762	96.41%	1,587,223	126,936,985	97.43%
2012	129,216,721	108,339	129,325,060	125,129,425	96.84%	1,234,229	125,129,425	96.76%
2013	129,639,393	26,690	129,666,083	125,508,033	96.81%	<i>Not Applicable</i>	125,508,033	96.79%

⁽¹⁾ Taxes levied support the subsequent year's budget, e.g., 2013 taxes finance 2014 spending.

⁽²⁾ Net of refunding warrants.

⁽³⁾ Excludes interest penalties.

Historical data in this table differs from that shown in official statements prior to 2014, but is identical to that shown in prior Comprehensive Annual Financial Reports'.

Source: Sedgwick County Treasurer

**TAXES COLLECTED BY TYPE AND AS A PERCENTAGE OF TOTAL COLLECTED
Last Ten Fiscal Years**

Fiscal Year	Property (1)		Local Retail Sales		Motor Vehicle (3)		Other		Total
	Collected	%	Collected	%	Collected	%	Collected	%	
2005	96,452,197	53.8%	61,905,294 ⁽²⁾	34.5%	14,521,620	8.1%	6,518,890	3.6%	\$179,398,001
2006	100,600,951	44.4%	104,782,978 ⁽²⁾	46.2%	14,943,523	6.6%	6,389,224	2.8%	226,716,677
2007	116,227,246	46.6%	110,947,791 ⁽²⁾	44.4%	15,503,335	6.2%	6,958,801	2.8%	249,637,172
2008	123,682,620	71.1%	26,330,303	15.1%	17,137,281	9.9%	6,831,428	3.9%	173,981,632
2009	125,540,833	71.9%	25,225,445	14.4%	17,169,433	9.8%	6,666,669	3.8%	174,602,379
2010	122,984,871	72.3%	24,575,414	14.4%	16,241,518	9.5%	6,342,132	3.7%	170,143,935
2011	121,771,508	72.2%	24,886,782	14.7%	15,777,423	9.3%	6,307,896	3.7%	168,743,608
2012	123,859,911	72.5%	25,907,161	15.2%	15,669,085	9.2%	5,450,266	3.2%	170,886,424
2013	124,483,299	72.2%	26,890,522	15.6%	15,964,587	9.3%	5,083,752	2.9%	172,422,160
2014	124,330,025	71.5%	27,737,784	15.9%	17,055,204	9.8%	4,868,498	2.8%	173,991,511

⁽¹⁾ Ad valorem taxes other than for motor vehicles.

⁽²⁾ Includes dedicated sales tax, voter approved, commencing 7/1/05 and expiring 12/31/07 for the Intrust Bank Arena.

⁽³⁾ Ad valorem taxes on motor vehicles only; collected and distributed under a separate statute from "property taxes."

Source: Sedgwick County Division of Finance – Current and historical data updated to exclude Fire District #1

**WICHITA STATE UNIVERSITY EXPERIENTIAL ENGINEERING - ISSUES 2014-3 & 2014-4
THE SPECIAL TAX LEVY – HISTORICAL COVERAGES
Last Five Fiscal Tax Years**

Calendar Year	Actual Special Tax Levy Revenue ¹	Existing Bond Debt Service Requirements ²	Balance Available for University Program Expenditures ³	Debt Service Coverage Ratio ⁴
2010	7,031,298	1,586,478	5,444,820	4.43
2011	7,027,579	1,590,202	5,437,377	4.42
2012	7,120,438	1,586,895	5,533,543	4.49
2013	7,162,443	1,580,363	5,582,080	4.53
2014	7,223,079	1,476,008	5,747,071	4.89

⁽¹⁾ Tax Proceeds from the Special Tax Levy.

⁽²⁾ Debt service requirements for the existing bonds paid from such proceeds.

⁽³⁾ Balance available to be distributed to the Board of Trustees of Wichita State University for University program expenditures.

⁽⁴⁾ Debt service coverage ratio for the existing bonds paid from such proceeds.

Source: Sedgwick County Division of Finance

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Health and Welfare	Culture and Recreation
2005	46,242,408	92,932,268	11,337,976	63,109,315	6,235,483
2006	37,885,436	115,244,299	12,652,298	66,994,154	7,176,300
2007	42,320,165	118,380,157	13,467,153	64,631,594	7,882,505
2008	48,088,606	122,499,070	14,980,323	66,687,500	8,206,056
2009	45,282,894	131,425,796	14,461,843	67,811,058	9,535,692
2010	44,398,390	139,386,345	15,325,877	67,917,518	9,283,831
2011	43,723,059	133,111,538	14,612,730	67,487,198	8,918,671
2012	44,564,299	130,477,560	13,441,706	60,151,328	8,620,568
2013	37,952,922	133,750,169	13,648,658	58,328,233	8,301,264
2014	36,329,010	138,130,611	13,944,045	58,261,524	8,771,302

Fiscal Year	Economic Development	Debt Service	Capital Outlay	Total
2005	12,238,953	17,839,967	27,452,820	277,389,190
2006	14,336,928	18,522,175	34,492,542	307,304,132
2007	11,170,128	18,966,737	32,412,371	309,230,810
2008	17,616,217	18,756,884	34,380,848	331,215,504
2009	12,612,489	21,644,762	53,597,723	356,372,257
2010	16,294,110	21,800,015	42,665,011	357,071,097
2011	13,394,352	21,433,078	26,326,585	329,007,211
2012	13,836,121	22,536,609	26,081,038	319,709,229
2013	18,869,297	27,916,425	28,042,192	326,809,160
2014	19,390,868	23,524,668	34,744,759	333,096,787

Source: Sedgwick County Division of Finance

**GENERAL OBLIGATION BONDS - DEBT SERVICE EXPENDITURES ⁽¹⁾
AS A PERCENTAGE OF TOTAL GENERAL GOVERNMENTAL EXPENDITURES**
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	%
2005	10,060,000	4,307,870	14,367,870	277,389,190	5.18%
2006	10,600,000	4,557,063	15,157,063	307,304,132	4.93%
2007	9,670,000	4,217,228	13,887,228	309,230,810	4.49%
2008	9,375,000	3,893,785	13,268,785	331,215,504	4.01%
2009	8,940,000	3,514,197	12,454,197	356,372,257	3.49%
2010	9,100,000	2,979,927	12,079,927	357,071,097	3.38%
2011	8,785,000	2,789,477	11,574,477	329,007,211	3.52%
2012	8,985,000	2,948,617	11,933,617	319,709,229	3.73%
2013	8,830,000	2,801,282	11,631,282	326,809,160	3.56%
2014	8,767,217	2,792,118	11,559,335	333,096,787	3.47%

Excludes Fire District #1, Public Building Commission lease obligations and KDOT Revolving Loan.

Source: Sedgwick County Division of Finance.

RETAIL SALES AND SALES TAXES

Year	Retail Sales		State Sales Tax		County & Local Sales/Use Tax ⁽¹⁾	
	Sales (000s)	% Change	Collections	% Change	Collections	% Change
2005	6,367,495	-0.03%	337,477,219	-0.03%	92,644,988 ⁽³⁾	34.93%
2006	6,952,861	9.19%	368,501,631	9.19%	147,221,037 ⁽³⁾	58.91%
2007	7,167,239	3.08%	379,863,651	3.08%	152,426,661 ⁽³⁾	3.54%
2008	7,440,612	3.81%	394,352,424	3.81%	93,708,359 ⁽⁴⁾	-38.52%
2009	7,032,194	-5.49%	372,706,268	-5.49%	77,199,765	-17.62%
2010	7,104,516	1.03%	408,062,880	9.49%	74,803,839	-3.10%
2011	7,297,995	2.72%	459,773,654	12.67%	77,800,201	4.01%
2012	7,671,864	5.12%	483,327,433	5.12%	81,271,994	4.46%
2013	7,916,597	3.19%	492,551,072 ⁽²⁾	1.91%	83,946,714	3.29%
2014	8,123,203	2.61%	499,576,979	1.43%	86,643,199	3.21%

⁽¹⁾ Includes sales taxes distributed to all local governments in Sedgwick County.

⁽²⁾ Tax rate change from 6.30% to 6.15% effective 7/1/2013.

⁽³⁾ Includes dedicated sales tax, voter approved, commencing 7/1/2005 and expiring no later than 12/31/2007 for the Intrust Bank Arena.

⁽⁴⁾ Collections reflect the expiration of dedicated sales tax for the Intrust Bank Arena.

Source: Kansas Department of Revenue

MAJOR INDUSTRIES AND EMPLOYERS – 2014

Company	Major Product/Service	FT Employees
Spirit AeroSystems, Inc.	Aircraft	10,900
Via Christi Health	Health Care	5,899
United School District #259	Education	5,606
McConnell Air Force Base	Government	5,094
State of Kansas	Government	3,992
Koch Industries, Inc.	Refining and chemicals	3,300
Bombardier Learjet	Aircraft	2,855
City of Wichita	Government	2,800
U.S. Government	Government	2,620
Sedgwick County	Government	2,618
Wesley Medical Center	Health Care	1,867
Wichita State University	Education	1,847
AGCO Corp. Hesston	Agricultural Equipment	1,590
Dillons Food Stores	Grocery	1,500
USD 260 Derby	Education	1,012
Cargill Meat Solutions	Meat Products	1,000

Source: Wichita Business Journal – Information not reported by Cessna, Hawker Beechcraft, or Textron.

CIVILIAN LABOR FORCE MONTH OF DECEMBER

	2010	2011	2012	2013	2014
Total civilian labor force (in numbers of persons)					
Wichita MSA ⁽¹⁾	311,314	304,004	300,612	296,905	309,464
Total employed					
Wichita MSA ⁽¹⁾	287,267	282,285	282,619	281,269	295,832
Unemployed					
Number: <i>Wichita MSA</i> ⁽¹⁾	25,114	21,719	17,993	15,636	13,632
Rate (percent) ⁽²⁾					
<i>Wichita MSA</i> ⁽¹⁾	8.1%	7.1%	6.0%	5.3%	4.4%
<i>Kansas</i>	6.4%	6.0%	5.3%	4.6%	3.8%
<i>United States</i>	9.4%	8.3%	7.6%	6.5%	5.4%

(1) Includes Sedgwick, Butler, Harvey and Sumner counties.

(2) Not seasonally adjusted.

Source: Labor Market Information Services, Kansas Department of Labor in cooperation with BLS, U.S. Dept of Labor

EMPLOYMENT (WICHITA MSA)⁽¹⁾
Nonfarm Wage and Salary Employment
Industries Classified by NAICS Codes⁽²⁾

	2010	2011	2012	2013	2014
Total wage and salary (in numbers of filled positions)	287,300	288,233	290,433	291,500	293,067
Natural resources and construction	14,100	14,667	15,200	15,500	16,667
Manufacturing	53,733	52,700	53,667	51,500	50,633
Transportation equipment manufacturing	30,700	29,700	31,533	28,600	26,767
Aerospace products and parts ⁽³⁾	-	29,167	31,167	28,500	26,333
Trade, transportation & utilities	50,167	49,500	49,500	51,800	50,733
Wholesale trade	10,900	10,800	10,700	9,400	9,400
Retail trade	30,867	30,467	30,967	33,000	31,900
General merchandise stores	6,867	6,933	6,533	7,100	6,867
Transportation, warehouse, & utilities	8,400	8,233	7,833	9,400	9,433
Information	4,767	4,133	3,833	4,300	4,467
Finance	11,000	10,400	10,467	10,700	10,700
Professional and business services	28,967	34,800	35,700	32,500	33,233
Professional, scientific & technical services	8,500	9,067	8,233	9,800	9,900
Administrative and waste services	15,467	19,567	22,167	18,800	19,400
Employment services	3,633	5,867	5,500	4,800	4,833
Education and health services	44,967	42,933	44,833	44,300	45,633
Leisure and hospitality	26,733	26,267	27,900	29,100	28,833
Other services	11,167	10,767	10,633	10,600	10,700
Government	41,700	42,067	38,700	41,200	41,467
Average hours worked per week, manufacturing	42.6	44.0	44.3	45.7	44.7
Average hourly earnings in manufacturing	18.14	19.96	19.45	19.20	17.70

⁽¹⁾ Includes Sedgwick, Butler, Harvey, and Sumner Counties.

⁽²⁾ North American Industry Classification System.

⁽³⁾ New wage and salary classification included in 2011.

Source: Center for Economic Development and Business Research, Wichita State University

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**BANK DEPOSITS, REAL PROPERTY VALUE, AND NEW CONSTRUCTION VALUE
Last Ten Fiscal Years**

Fiscal Year	Value of New Construction	Total Real Property Value	Commercial Bank Deposits
2005	476,612,032	20,874,086,884	4,897,000,000
2006	684,773,657	22,334,953,521	5,563,000,000
2007	701,370,572	24,095,165,508	5,571,000,000
2008	663,741,786	25,653,995,520	6,280,000,000
2009	691,850,700	26,248,229,388	6,788,000,000
2010	452,039,623	26,489,938,928	7,758,000,000
2011	327,056,606	26,707,113,164	7,784,459,000
2012	291,166,524	26,515,320,351	9,444,609,000
2013	307,584,096	26,623,711,419	9,751,846,000
2014	351,487,961	27,173,210,200	10,056,497,000

Sources: Sedgwick County Clerk, Federal Deposit Insurance Corporation

**GENERAL GOVERNMENT REVENUES BY SOURCE
Last Ten Fiscal Years
(Dollars in Thousands)**

Fiscal Year	Taxes and Special Assessments	Uses of Money and Property	Inter-governmental	Charges for Services	Reimbursed Expenditures⁽¹⁾	Other	Total
2005	153,008	8,023	47,533	63,966	4,345	1,686	278,561
2006	159,803	13,336	47,763	63,949	7,676	2,072	294,599
2007	178,049	22,229	45,329	66,664	12,205	1,812	326,288
2008	188,461	16,322	50,245	68,337	11,026	2,868	337,259
2009	189,563	7,240	53,060	65,648	16,383	4,614	336,508
2010	185,289	4,747	51,426	59,753	-	14,283	315,498
2011	184,297	5,474	47,014	66,922	-	11,293	315,000
2012	186,795	4,352	44,647	62,599	-	13,547	311,940
2013	188,546	5,222	45,482	62,257	-	8,020	309,527
2014	190,287	4,477	46,276	63,029	-	17,773	321,842

(1) In 2010, GAAP reporting of reimbursed expenditures changed. Admin fees offset expenditures and the balance, previously reported as reimbursed expenditures, was transferred to other revenue sources.

Source: Sedgwick County Comprehensive Annual Financial Report

GENERAL INFORMATION

Government/Organization

The County is governed by a five-member Board of County Commissioners. The Commissioners serve as full-time County officials and meet in regular session Wednesday mornings except the last week of each month. The Board, which performs both executive and legislative functions, is responsible for all policy and executive decisions. A County Manager, appointed by the Board, is responsible for administrative matters. One Assistant County Manager and six Division Directors aid him in his duties. The County has 2,568 full-time employees.

The County’s relationship with its employees, including unionized firefighters, is considered good. Salaries are competitive with the private sector.

The following are principal elected and appointed officials of the County who are directly and indirectly involved with the issuance of debt:

Elected

<u>Name</u>	<u>Title</u>
Richard Ranzau	Commissioner, 4 th District - Chairman
Karl Peterjohn	Commissioner, 3 rd District - Chair Pro Tem
David M. Unruh	Commissioner, 1 st District
Tim R. Norton	Commissioner, 2 nd District
Jim Howell	Commissioner, 5 th District
Kelly B. Arnold	County Clerk
Linda Kizzire	County Treasurer

Appointed

<u>Name</u>	<u>Title</u>
Ron Holt	Acting County Manager
Eric Yost	County Counselor
Ron Holt	Assistant County Manager
Chris Chronis	Chief Financial Officer
Rick Durham	Deputy Chief Financial Officer
Lindsay Rousseau	Budget Director
Sara Jantz	Director of Accounting

Demographic Data

Sedgwick County is located in south central Kansas and encompasses 1,008 square miles. The County was organized under the territorial laws of the State of Kansas and the Constitution of the State of Kansas in 1870. The County is the second most populous of the 105 counties in Kansas, with 508,434 residents. The County seat is Wichita, the largest city in the State of Kansas. Wichita is known as the “Air Capital of the World” for its internationally recognized concentration of commercial and military airplane production and aviation services.

**SEDGWICK COUNTY, KANSAS
POPULATION**

1950	222,290
1960	343,231
1970	350,694
1980	367,088
1990	403,662
2000	452,869
2010	499,360

Source: U.S. Census Bureau

Education

With 20 school districts in the public school system, more than 80 schools within the Catholic Diocese and several private educational institutions, education is a community priority in Sedgwick County. An educated citizenry generally benefits an entire community, because it typically leads to a lower than otherwise unemployment rate and more individuals who get involved, vote and perform community service.

An estimated 89.2% of Sedgwick County residents have earned a high school degree or higher, and a significant percentage of those have also earned a post-high school degree. According to the *2013 American Community Survey*, the percentage of those who have obtained a bachelor's degree exceeds the national average by almost 2%.

In Sedgwick County, 26.0% of the population has some college, but no degree, while 7.0% has earned an associate's degree. Approximately 20.6% of the population has at least a bachelor's degree and almost 9.3% of residents report having a graduate or professional degree.

Sedgwick County's National Center for Aviation Training opened in August, 2010. In order to assure a steady pipeline of qualified workers for the regional aerospace and advanced manufacturing industries, Sedgwick County developed the \$50,000,000 (230,000 square foot) National Center for Aviation Training (NCAT). NCAT is a world-class aviation and advanced general manufacturing training center on the grounds of Jabara Airport in northeast Wichita. NCAT has capacity to provide technical training for at least 1,500 students in both day and night classes. Wichita Area Technical College serves as managing partner and coordinates course offerings. NCAT training is employer-driven to flexibly adapt to industry needs. NCAT facilities allow realistic hands-on training on the latest equipment in aviation and advanced manufacturing, including a composites materials lab and an autoclave for heat-curing aviation plastics.

Infrastructure work on the first project of the Wichita State University Innovation Campus is expected to begin in 2015. The Experiential Engineering Building will include engineering laboratories and maker space. Businesses will partner with the university allowing students to get hands on experience while obtaining a traditional degree.

In addition to the National Center for Aviation Training and the future WSU Innovation Campus, there are 12 institutions of higher education located in Sedgwick County. Wichita State University, Friends University, Newman University, the Wichita Area Technical College, and the University of Kansas School of Medicine – Wichita have main campuses in the county, while seven other colleges and universities have chosen to locate branch campuses within the County.

Transportation

Located approximately 170 miles south-southeast of the geographic center of the Continental U.S., and approximately 370 miles west of the geodesic center of the U.S. (Center of Population.), Sedgwick County is ideal for businesses serving national as well as regional markets. Companies involved in international trade benefit from the Sedgwick County Foreign Trade Zone and Kansas Global Trade Services.

Sedgwick County has multiple transportation options available to residents, businesses and travelers. If traveling by road, Interstate 35, the only Midwest interstate highway to connect Canada, the United States, and Mexico, runs directly through Sedgwick County providing an optimum north/south route for those traveling and for businesses importing/exporting goods out of Kansas. For those wishing to travel or ship goods east or west from Sedgwick County, two primary options exist. Interstate 70 lies 90 miles north of Wichita, while Interstate 40 lies approximately 150 miles to the south. As a result, truck transportation establishments are prevalent in Sedgwick County.

Air transportation is another viable option. Sedgwick County is home to Wichita Dwight D. Eisenhower National Airport, the only commercial airport in south-central Kansas. The Airport services four major cargo carriers and five major passenger airlines, including Allegiant Air, American Airlines, Delta Airlines, Southwest Airlines, and United Airlines. These airlines offer non-stop service to nine different destinations across the United States, including Las Vegas, Minneapolis, Dallas/Fort Worth, Chicago, Los Angeles, Denver, Atlanta, Phoenix and Houston.

The closest international hubs are Dallas, Denver, Chicago, Atlanta and Minneapolis. Wichita has non-stop service to all of these gateways. Wichita Dwight D. Eisenhower National Airport served 1,533,699 passengers in 2014. Overnight air cargo service is provided by major carriers including Federal Express, UPS Supply Chain Solutions and UPS. The Airport has state-of-the-art cargo facilities with main deck loaders capable of handling the largest freighter aircraft. Immediate proximity to the interstate highway system provides access to suppliers and markets. More than 25,000 tons of air cargo was handled in 2014.

The City of Wichita and Wichita Airport Authority constructed a new terminal which opened in June 2015. The new terminal is able to handle more passengers, provide increased operational efficiencies and easily permits future expansions due to growth. The new four-level parking garage offers covered parking and gives travelers easy access to the terminal. The terminal and parking garage was funded by aviation user fees and airport generated revenue. No local tax dollars were used.

Due in part to Sedgwick County's comprehensive network of highways and roads in both the rural and urban areas, average daily work commute times are lower than many regional comparison counties. Sedgwick County's average daily work commute time is 18.3 minutes, compared to 23.6 minutes in St. Louis County, Missouri, and 20.9 minutes in Johnson County, Kansas. Thus, the Sedgwick County workforce spends less time commuting to work, resulting in less fuel usage and vehicle related expenses.

Sedgwick County maintains 603 miles of road and 582 bridges. Sedgwick County's strong emphasis on planning and an aggressive maintenance program for the road and bridge infrastructure is readily evident in the condition of County infrastructure. Regular road maintenance is done on a five year rotating basis. Asphalt and concrete demolition materials have been recycled in Sedgwick County projects for over two decades in an effort to protect the environment.

Military Installation

McConnell Air Force Base, located on the southeastern edge of Wichita, is the only Air Force base in Kansas. The total number of active duty, civilian, Air National Guard and Air Force Reserve personnel at McConnell Base is 6,700. It is estimated that during 2014 base activity sustained an additional 2,600 indirect jobs in Sedgwick County, resulting from retail, service, wholesale, and construction activities. During fiscal year 2014, McConnell had a total payroll of \$343,409,846. The total impact on the local economy of McConnell AFB and its tenants for FY14 was \$754.2 million, within a 50-mile radius of the base.

McConnell Air Force Base received final approval the base would serve as the Main Operating Base for replacing the KC-135R tanker aircraft with the 36 new KC-46A tankers in 2016. The decision is significant for McConnell and the economy of the City of Wichita and Sedgwick County.

Public Utilities

Due to the suburban-rural nature of the County, most utility services are provided by two or more entities rather than a single entity. Westar Energy supplies electrical power and the two largest natural gas companies are Kansas Gas Service and Black Hills Energy. The majority of water and sewer service is provided by the City of Wichita. There are four special water districts that provide service to the rural portions of the County. Other water systems include small municipal corporations and privately owned water systems.

Employment

The United States Department of Labor reported that the average 2014 Civilian Labor Force for the Wichita, Kansas, Metropolitan Statistical Area was 311,768 residents, an increase of .49% from 2013. Of those who are eligible for employment, approximately 94.8% (295,455) were employed in 2014. Wichita, Kansas M.S.A. unemployment rate as of June 2015 was 5.2%, lower than the U.S. unemployment rate of 5.5%. In July 2009, the unemployment rate peaked at 10.6% and declined steadily since then.

Health Care

Home to over 3,100 licensed hospital beds; Sedgwick County is on the cutting edge of healthcare. The community contains 17 hospitals which serve the needs of the community by providing acute, general and specialized care. Additionally, Sedgwick County has 50 nursing and assisted living facilities for those in need of special care.

Sedgwick County also provides services to those in need of mental health care as well as addiction services and substance abuse disorders through Comprehensive Community Care of Sedgwick County (COMCARE). The department collaborates with other agencies in the community to provide services. Since 2002, the number of consumers in the COMCARE system has continued to increase and is projected to reach an unduplicated count of over 14,621 in 2015.

Public Safety

Sedgwick County continues to place high priority on public safety, with approximately one third of all County expenditures being spent on public safety. As a full service government, Sedgwick County has jurisdiction over Sedgwick County Fire District 1, Emergency Medical Services (EMS), and the Sheriff's Office.

The Sedgwick County Fire Department is the fourth largest fire department in Kansas. It serves Fire District No. 1, which includes most of the unincorporated area of Sedgwick County; the cities of Andale, Bel Aire, Bentley, Colwich, Garden Plain, Goddard, Haysville, Kechi, Maize, Park City, Sedgwick, and Viola; and the industrial complexes of Spirit Aerosystems, Cessna, Beechcraft, and Occidental Chemical materials. The response area for the Fire District is 635 square miles. Fire District No. 1 also operates under several mutual aid agreements, including agreements with the cities of Wichita, Derby, Mulvane and Valley Center, as well as with McConnell Air Force Base. The Sedgwick County Fire Department has established policies and procedures for interpreting and enforcing building and fire codes, fire safety evaluations of all buildings, public education, and investigation of incendiary or suspicious fire causes.

Sedgwick County Emergency Medical Service (EMS) is the exclusive agency responsible for providing advanced life support and transportation of persons within Sedgwick County who become acutely ill or injured and are in need of ambulance transport to a hospital. In addition, Sedgwick County EMS provides scheduled ambulance transportation services for people who require routine transfer by ambulance based on a medical necessity. EMS serves a population of approximately 505,000 in a geographic area of approximately 1,000 square miles, and routinely provides dedicated emergency medical standby coverage at Hartman and INTRUST Bank Arenas, the Wichita River Festival, McConnell Air Force Base annual air show, and other large-scale community events throughout the year.

Because Sedgwick County contains 20 cities, there are numerous law enforcement agencies in the area in addition to the Sedgwick County Sheriff's Office. The Sheriff's Office patrols the unincorporated portions of Sedgwick County and operates a 1,158 bed adult detention facility, which is the largest jail in the State of Kansas and a 157-bed work release facility. Inmate populations in excess of the combined facility capacity are housed in other nearby counties. From 2013 to 2014, the total daily average inmate population decreased from 1,418 to 1,359.

Insurance

Sedgwick County purchases all risk property insurance, subject to a \$100,000 deductible for all perils except wind and hail to protect County-owned facilities. The wind and hail deductible is \$250,000 per occurrence. The insured value of all facilities is reviewed and updated annually. As required by Kansas State law, the County provides statutory workers compensation coverage through a self-insured program authorized by the State. A workers compensation claim in excess of \$600,000 is covered by an excess workers compensation insurance policy purchased by the County. The Kansas Tort Claims Act limits liability for Kansas public entities to \$500,000 per occurrence. Sedgwick County has established a self-insurance plan to cover automobile and public liability claims. The self-insured plan also covers claims not subject to the Kansas Tort Claims Act.

Foreign-Trade Zone

The Sedgwick County Foreign Trade Zone is located in the geographic center of the continental United States. As a U.S. Customs port of entry, Wichita and Sedgwick County are served by a number of inbound carriers. These carriers transport cargo directly from the port of unloading into Sedgwick County where they clear U.S. Customs. In addition, air cargo can be shipped or received internationally directly from Wichita Dwight D. Eisenhower International Airport.

Arts, Culture & Recreation

As an expanding metropolitan area, Wichita and Sedgwick County work to provide the utmost in community entertainment and recreation. Sedgwick County owns the INTRUST Bank Arena, a 15,000 seat multi-purpose arena in the heart of downtown Wichita. The Arena was funded through a 30 month, 1 cent, county-wide sales tax, which generated receipts of \$206.5 million. The Arena opened in January of 2010 and has successfully hosted numerous types of events, including family shows, sporting events, and concerts. One of the goals of building a world-class arena was to assist in the revitalization of downtown Wichita.

Not far from the INTRUST Bank Arena, the City of Wichita continues its work to develop the downtown area known as Old Town. This urban entertainment district has more than 100 shops, nightclubs, movie theaters, art galleries, and businesses. With continued growth of entertainment activity in downtown Wichita, Old Town will continue to be a hot spot for eating lunch, shopping, and nightlife.

Sedgwick County is also a proud owner of the Sedgwick County Zoo, the number one outdoor family attraction in the State of Kansas. Founded in 1971, the Zoo is ranked among the best zoos in the world, receiving numerous national and international awards. Occupying 247 acres, the Zoo is home to such exhibits as the Downing Gorilla Forest, the Cargill Learning Center, Cessna Penguin Exhibit and the Slawson Family Tiger Trek. The Zoo is currently constructing the world's first walk-through elephant exhibit. The Elephants of the Zambezi River Valley Habitat will be the third largest elephant exhibit in the country. It is scheduled to open Memorial Day 2016.

Tanganyika Wildlife Park is located in western Sedgwick County and is home to a few hundred animals, many of which you can directly interact with. Tanganyika's primary goal has always been the conservation of animals. It is privately owned and contains rare and endangered species.

Wichita is home to a minor league hockey team, the Wichita Thunder, and the Wichita Force, an indoor arena football team. Sedgwick County is also the home to a minor league professional baseball team, the Wichita Wingnuts, a member of the Central Division of the American Association of Independent Professional Baseball. These teams provide hundreds of hours of entertainment each year for the citizens of Sedgwick County and surrounding areas. A twin-sheet ice skating arena, the Wichita Ice Center, is also available for additional sporting events. There are over thirty-five golf courses within a fifty mile radius in Sedgwick County including public, private and semi-private. Sedgwick County operates Lake Afton Park and Sedgwick County Park. Lake Afton Park is a 258-acre lake within 780 acres of land that provides for fishing, camping, swimming, boating, and picnicking. The Sedgwick County Park is a 480-acre multi-facility park, with a lake for fishing, a nature trail for hiking, and facilities for picnicking, including several enclosed and open shelter houses.

In addition to these centers of culture and entertainment, Wichita and Sedgwick County have 12 museums and numerous cultural events including the Metropolitan Ballet, Music Theatre of Wichita, Wichita Symphony Orchestra and the Wichita Grand Opera. Wichita also has a broad selection of restaurants, offering every type of cuisine and style of food imaginable.

Events

Each year Sedgwick County takes part in numerous community activities. Support ranges from event sponsorship to employee participation. Some examples of events that the County has participated in include:

- Wichita River Festival
- Wichita Flight Festival
- Wichita Open Golf Tournament
- Sedgwick County Fair
- City and town fairs and festivals
- Big Brothers/Big Sisters Bowling Tournament
- Habitat for Humanity

Capital Improvement Program and Funding Plans

Sedgwick County's Capital Improvement Program (CIP) includes the building, remodeling, and repair of public facilities and infrastructure systems. Operating under the supervision of the County Manager and the approval of the Board of County Commissioners, a CIP Committee comprised of senior county administrators provides day to day oversight of the program. The CIP Committee also guides the programming process that annually produces a plan that specifies the capital spending budget for the upcoming budget year and projecting it, in this case for years two through six, of the planning years of the program.

The Capital Improvement Program is five years in duration. The Capital Improvement Program adopted by the Board of County Commissioners for the 2015-2019 planning period totals \$225,986,352 and includes \$17,766,399 of improvements to County facilities and \$208,219,953 of improvements to the County's infrastructure. The adopted Capital Improvement Program is funded with \$80,916,495 of cash from current revenues, \$27,460,532 of bond proceeds, and \$117,609,325 of funding to be provided by other governments.

Although the \$27,460,532 of bond proceeds reflected in the Capital Improvement Program are expected to be financed through the issuance of general obligation debt, the County intends to repay portions of the debt with funding sources other than ad valorem taxes.

Sedgwick County has adopted a resolution requiring that 50% of the annual proceeds of a 1% County sales tax be used for road improvements. This dedicated funding stream, which currently amounts to approximately \$14 million per year, has permitted the County to build most road projects with cash.

Other governmental issuers located in Sedgwick County also have or are considering capital funding plans that may require debt financing backed by property taxes levied on taxable property located in the County. In many cases, these bond issues will require voter approval.

Debt Policy

Sedgwick County has maintained a debt management policy for several years. The purpose of this policy, which is in addition to and more restrictive than legal limits for debt issuance set by State statute, is to set guidelines for management and provide control of debt financing by the County. As the County continues to grow, many different demands are placed upon the services the County provides; therefore, it is necessary to ensure the demand for debt-financed projects does not outrun the County's legal and fiscal capability to finance projects. The County's debt policy may be viewed on the website of the County's Finance Division at www.sedgwickcounty.org/finance.

The basic policy observed by Sedgwick County is to limit the use of long-term debt to capital improvements that have an extended life and cannot be financed from current revenues. Long-term borrowing is not to be used to finance current operations. In addition to establishing benchmarks limiting the amount of debt the County may incur, the debt policy includes guidelines for debt structure, debt repayment schedules, and debt administration. A Debt Management Committee comprised of the County’s CFO, Deputy CFO and Budget Director oversees the County’s adherence to the debt policy and strategies for debt financing.

The current debt policy does not allow the County to engage in debt financing if the current plus proposed obligations exceed more than two of the following five benchmarks: per capita direct debt not to exceed \$500; per capita direct, overlapping and underlying debt not to exceed \$3,000; direct debt as a percentage of estimated full market value not to exceed 1.5%; direct, overlapping and underlying debt as a percentage of estimated full market value not to exceed 6%; and annual debt service not to exceed 20% of the General and Debt Service funds budgeted expenditures.

As reflected in the following table, the County’s outstanding debt (current debt includes this issue) exceeds two of the policy benchmarks. A comparison of outstanding debt to state statutory limits can be found on Page A-2 of this document.

Benchmark	Policy Limit	Current Debt	Current Debt As % Of Limit
Per capita direct debt	\$500	\$270	54.0%
Per capita direct, overlapping and underlying debt	\$3,000	\$3,894	129.8%
Direct debt as % of estimated full market value	1.50%	0.42%	28.0%
Direct, overlapping and underlying debt as % of full market value	6.00%	6.11%	101.8%
Annual debt service as % of budgeted expenditures	20.00%	9.63%	48.15%

Fund Balance Policy

Sedgwick County has adopted a policy that sets a quarter-ending target for minimum cash balance and minimum unrestricted fund balance to avoid service disruptions and provide liquidity to address unexpected revenue reductions or unanticipated expenditures. The minimum cash balance requirement for the General Fund is 10% of budgeted annual expenditures and transfers out. Select Special Revenue Funds, Debt Service Funds, and Internal Service Funds have a minimum cash balance requirement of at least 5% of the fund’s budgeted annual expenditures and transfers out. Minimum unrestricted fund balance is also measured at the end of each calendar quarter. The General Fund minimum is 20%. As of December 31, 2014 the General Fund cash balance was 31.4% of budgeted annual expenditures and transfers out. The unrestricted fund balance was 30.9% of budgeted annual expenditures and transfers out. Additionally, all other funds are within policy limits. The County’s fund balance policy may be viewed at the County Finance Division’s website, www.sedgwickcounty.org/finance.

Investment Policy

As authorized by a comprehensive written investment policy, idle County funds are invested in certificates of deposits, obligations of the U.S. Treasury, government agency securities, repurchase agreements, money market funds, and the State of Kansas Municipal Investment Pool. Maturities on investments have a maximum maturity of four years. The average maturity is 579 days and the average yield on investments is .63%. Pooled investments had a market value of \$255,209,768 at June 30, 2015.

The investment policy addresses permitted investments for both bond proceeds and idle funds, each of which is governed by a separate section of State statute. The policy also establishes standards of care applicable to investment officers, provides for the maintenance of a list of approved financial institutions and investment brokers, and specifies certain reporting requirements. The County’s investment policy may be viewed at the County Finance Division’s website, www.sedgwickcounty.org/finance.

Property Valuations

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the state of Kansas is the responsibility of the various counties by order of State statutes. The Sedgwick County Appraiser's Office determines the assessed valuation used as a basis for the mill levy on property located in the County.

Property subject to ad valorem taxation is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property.

The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family residential real property, real property necessary to accommodate a residential community of mobile or manufactured homes including the real property upon which such homes are located, residential real property used partially for day care home purposes if such home has been registered or licensed pursuant to K.S.A. 79-65-501 et seq., and amendments thereto, and residential real property used partially for bed and breakfast home purposes is assessed at 11.5%, except for the first \$20,000 of appraised valuation which is exempt from property taxation. As used herein, "bed and breakfast home" means a residence with five or fewer bedrooms available for overnight guests who stay for not more than 28 consecutive days for which there is compliance with all zoning or other applicable ordinances or laws which pertain to facilities which lodge and feed guests; (ii) land devoted to agricultural use, valued on the basis of agricultural income or productivity, which is assessed at 30%; (iii) vacant lots are assessed at 12%; (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Section 501 of the Internal Revenue Code, which is assessed at 12%; (v) public utility real property is assessed at 33%, except railroad real property which is assessed at the average rate that all other commercial and industrial property is assessed; (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use are assessed at 25%; and (vii) all other urban and rural property not otherwise specifically classified is assessed at 30%.

Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes are assessed at 11.5%, except for the first \$20,000 of appraised valuation which is exempt from property taxation; (ii) mineral leasehold interests including itemized equipment is assessed at 30%, except oil leasehold working interests, the average daily production from which is 5 barrels or less, and natural gas leasehold working interests the average daily production from which 100 mcf or less, which is assessed at 25%.(iii) public utility tangible personal property, including inventories thereof, is assessed at 33% (except railroad personal property, including inventories thereof, which is assessed at the average rate all other commercial and industrial property is assessed); except telecommunications and railroad machinery and equipment acquired by qualified purchase or lease made or entered into after June 30, 2006 as the result of a bona fide transaction not consummated for the purpose of avoiding taxation or transported into Kansas after June 30, 2006 for the purpose of expanding an existing business or creation of a new business; (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985 are assessed at 30%; (v) commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost, when new is over \$1,500, less sales tax, freight and installation costs and less seven-year straight-line depreciation, or which, if its economic life is less than seven years, is valued at its retail cost when new is over \$1,500, less sales tax, freight and installation costs and less straight-line depreciation over its economic life, except that the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, is assessed at 25%; except commercial and industrial machinery and equipment acquired by qualified purchase or lease made or entered into after June 30, 2006 as a result of a bona fide transaction not consummated for the purpose of avoiding taxation or transported into Kansas after June 30, 2006 for the purpose of expanding an existing business or creation of a new business which is exempt from property taxation and (vi) watercraft, as defined by K.S.A. 79-5501, is assessed at 11.5% for tax year 2014 and 5% for tax year 2015 and all years thereafter; except for watercraft that is exempt because its purchase price was \$750 or less or it is commercial and industrial machinery and equipment purchased after June 30, 2006 or it is designed to be propelled through the water with human power and (vii) all other tangible personal property not otherwise specifically classified is assessed at 30%.

All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories (other than public utility inventories included in subclass 3 of class 2), livestock, all household goods and personal effects not used for the production of income, is exempted from property taxation.

Tax Collections

Pursuant to K.S.A 79-2001, real estate tax statements are mailed on or before December 15th of each year and one-half of the tax due must be paid on or before December 20th, with the remaining one-half due on or before May 10th of the following year. If a taxpayer fails to pay either the full amount or the one-half due December 20th, interest becomes due and payable on December 21st. After May 10th, the full amount plus interest must be paid. Interest is added after the 20th of each month at 0.58% per month. All unpaid real estate taxes are published three times in August. Real estate is eligible for tax foreclosure if a tax becomes three years delinquent.

Pursuant to K.S.A. 79-2004, personal property tax statements are mailed concurrent with real estate statements. The same interest rates apply to delinquencies as real estate taxes. If at least half of personal property taxes are not paid by December 20th, the full amount plus interest becomes due, and, if not paid by April 20th: Sheriff Warrants are issued. Personal property taxes with the first half paid, but the second half unpaid at July 20th, will also be issued Sheriff Warrants. On October 1st, all unpaid personal property taxes become Court warrants and are published as delinquent.

Motor vehicle taxes are collected periodically throughout the year along with the renewal of motor vehicle tags, based upon the value of such vehicles. Such tax receipts are distributed to all taxing subdivisions, including the State of Kansas, in proportion to the number of mills levied within each taxpayer's tax levy unit.

Taxes are collected by the County Treasurer and distributed to local units of government on six distribution dates throughout the year. Collected taxes due to the County are available for use by the County on these dates. The largest distributions are on January 20th and June 5th. By State law, the County is entitled to the interest earned on investment of taxes between their collection and distribution to other governments. This interest is in lieu of a fee for the County to serve as tax collector for other entities.

OPERATING INFORMATION

Basic Accounting System

The accounts of the County are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Reporting Entity

Sedgwick County is organized under the laws of the State of Kansas and is governed by an elected five-member board. As required by generally accepted accounting principles, financial statements of the County include the primary government and its component units, entities for which the County is considered to be financially accountable.

A blended component unit, although a legally separate entity, is, in substance, part of the government's operations and, as such; data from the blended component unit is combined with data of the primary government. The Sedgwick County Fire District No. 1 and Sedgwick County Public Building Commission (SCPBC) are reported as a blended component unit within the County's financial statements. The Fire District is a separate taxing entity governed by the Sedgwick County Board of County Commissioners. The District is operated as a County department under the direction of the County Manager. The Sedgwick County Public Building Commission is governed by a separate five-member board, appointed by the Sedgwick County Board of County Commissioners. The SCPBC has authority to issue revenue bonds to finance the cost of acquiring and/or constructing land and facilities operated for a public purpose by a governmental entity. These bonds are secured by lease payments made by the benefitting governmental entity to the SCPBC.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Financial statements of the reporting entity for the year ended December 31, 2014 are prepared in accordance with Governmental Accounting Standard Board Statement No. 34, "Basic Financial Statements – and Management Discussion and Analysis – for Local and State Governments". The measurement focus and basis of accounting presented in the financial statements are described below. (See Notes to Financial Statements in *Appendix B* for additional information.)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 government considers revenues collected within 60 days of the end of the current fiscal period as available. 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.

Budgetary Procedures

Sedgwick County uses an on-line accounting system that permits line item and quarterly allotment controls in the execution of budgets. Effective January 1, 2002, authority for the transfer of appropriations between expenditure categories in an amount greater than \$250,000 resides with the County Commission. The Budget Director has the authority to approve transfers within expenditure categories as well as transfers between categories in amounts up to \$50,000 and the County Manager has authority up to \$250,000. The Budget Director has full authority to set allotments by quarter. No spending can occur without allotment authority, even if appropriation authority exists. (See Notes to Financial Statements for additional information.)

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Sedgwick County for its annual budget for the 2014 fiscal year. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and communications medium. This recognition in 2014 marked the 31st consecutive year for receiving this prestigious award.

Tax Lid

An annual budget of estimated receipts and disbursements for the coming calendar year is required by statute to be prepared for all funds (unless specifically exempted). The budget is prepared utilizing the modified accrual basis which is further modified by the encumbrance method of accounting. For example, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes. The proposed budget is presented to the governing body of the County prior to August 1, with a public hearing required to be held prior to August 15, with the final budget to be adopted by a majority vote of the governing body of the County prior to August 25 of each year. Budgets may be amended upon action of the governing body after notice and public hearing, provided that no additional tax revenues may be raised after the original budget is adopted.

The County may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the County and the assessed valuations provided by the County appraiser. The 2015 Kansas Legislature passed legislation that, among other things, imposes an additional limit on the aggregate amount of property taxes that may be imposed by cities and counties, without a majority vote of qualified electors of the city or county (the "Tax Lid"). The Tax Lid has an effective date of January 1, 2018.

The Tax Lid provides that, subject to certain exceptions, no city or county may increase the amount of ad valorem tax to be levied over the amount levied in the prior year by an amount greater than the consumer price index without a majority vote of electors. Specific exceptions provided in the Tax Lid include increases in the ad valorem tax due to:

- “(i) costs for new infrastructure or improvements to existing infrastructure to support new improvements to property exempt from property taxation pursuant to the provisions of K.S.A. 79-201 *et seq.*, and amendments thereto, such as hospitals, schools and churches, or exempt additions to or improvements to property so exempt from property taxation;
- (ii) bond and interest payments;
- (iii) an increase in property subject to taxation as the result of the expiration of any abatement of property from property tax;
- (iv) increases in road construction costs when such construction has been once approved by a resolution of the governing body of the city or county;
- (v) special assessments;
- (vi) judgments levied against the city or county or expenses for legal counsel and for defense of legal actions against the city or county or officers of the city or county;
- (vii) new expenditures that are specifically mandated by federal or state law; or
- (viii) an increase in property subject to taxation as the result of new construction.”

Because of ambiguities in the Tax Lid, it is unclear how the various exceptions will be interpreted and how the Tax Lid will be implemented. As a result, it is unclear how the Tax Lid will impact the County.

However, as described above, there is a specific exception in the Tax Lid for ad valorem tax increases necessary for “bond and interest payments.” This language has been interpreted in other contexts to include general obligation bonds and general obligation temporary notes. Therefore, the County is permitted under the Tax Lid to levy unlimited ad valorem taxes as necessary to pay principal of and interest on the Bonds, as required by the Bond Resolution.

The County cannot predict the impact of the Tax Lid on the ratings on the Bonds, or the general rating of the County. A change in the rating on the Bonds or a change in the general rating of the County may adversely impact the market price of the Bonds in the secondary market.

Financial Reporting Practices

An independent audit is conducted annually by an outside firm of certified public accountants which is appointed by the County Commission. Its opinion is included every year in the Comprehensive Annual Financial Report on file with the County Clerk. Audited financial statements for the year ended December 31, 2014 are included in Appendix B of this publication.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Excellence in Financial Reporting to Sedgwick County for the Comprehensive Annual Financial Report for the fiscal years ending December 31, 1981 through December 31, 2013. According to GFOA, in order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, and contents of such report must conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. This marks the 33rd consecutive year that Sedgwick County has received this award. The 2014 Comprehensive Annual Financial Report has been submitted to GFOA.

Pension and Employee Retirement Plans

The County participates in the Kansas Public Employees Retirement System (“KPERs”) established in 1962, as an instrumentality of the State, pursuant to K.S.A. 74-4901 *et seq.*, to provide retirement and related benefits to public employees in Kansas. KPERs is governed by a board of trustees consisting of nine members, including four members appointed by the Governor subject to confirmation by the State Senate, one appointed by the President of the Senate, one appointed by the Speaker of the House of Representatives, two elected by members and retirants of the retirement system, which must be members of such system, and the State Treasurer. Members of the board of trustees serve four-year terms and elect a chairperson annually. The board of trustees appoints an Executive Director to serve as the managing officer of KPERs and employs a staff of approximately 95 people.

As of June 30, 2014, KPERs serves about 290,000 members and 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERs administer the following three statewide, defined benefit retirement plans for public employees:

- (a) Kansas Public Employees Retirement System;
- (b) Kansas Police and Firemen’s Retirement System; and
- (c) Kansas Retirement System for Judges.

These three plans are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Kansas Public Employees Retirement System is the largest of the three plans, accounting for more than 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate groups, as follows:

(a) *State/School Group* - includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, 85% of which comes from the State General Fund. State legislation enacted in 2003 made certain pre-1962 Board employees (which are part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the “TIAA Group”), special members of the State/School Group.

(b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate. State legislation enacted in 2003 made certain pre-1962 employees of the University of Kansas Hospital Authority (which are a part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the “TIAA Group”), special members of the Local Group.

KPERS is currently a qualified, governmental, § 401(a) defined benefit pension plan, and has received IRS determination letters attesting to the plan's qualified status dated October 14, 1999 and March 5, 2001. KPERS is also a "contributory" defined benefit plan, meaning that employees make contributions to the plan. This contrasts it from noncontributory pension plans, which are funded solely by employer contributions. Currently, County employees annually contribute: (a) 6% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009), (b) 6% of their gross salary to the plan if such employees are KPERS Tier 2 members (covered employment on or after July 1, 2009).

In 2012, the Legislature created a new KPERS Tier 3 category (covered employment on or after January 1, 2015) based on a cash balance plan. Each Tier 3 participant shall have a retirement annuity account to which such participant shall contribute 6% of their gross salary to the plan. The employer or State contribution varies based on longevity of participant service: (a) 3% for less than 5 years; (b) 4% for at least 5 years but less than 12 years; (c) 5% for at least 12 years but less than 24 years; and (d) 6% for 24 or more years. Such account shall receive an interest credit of 5.25% per annum, and under certain circumstances, shall receive additional interest credits. Subject to certain exceptions, a Tier 3 participant, upon retirement, shall receive a single life annuity benefit.

Also in 2012, the Legislature adopted a number of other changes to KPERS including: (a) increasing the statutory maximum employer contribution annual increase from 0.6% per year (status quo) to 0.9% per year in 2014, 1.0% in 2015, 1.1% in 2016 and 1.2% per year in 2017 and thereafter, (b) providing additional contribution flexibility for Tier 1 participants with corresponding benefit adjustments (effective January 1, 2014, subject to approval by the IRS), (c) eliminating COLA adjustments for Tier 2 participants with corresponding benefit adjustments (effective January 1, 2014), and (d) providing additional flexibility for alternative investments for the plan.

In 2015, the Legislature authorized, subject to certain conditions, the issuance of revenue bonds in an amount not to exceed \$1 billion (plus associated costs of issuance) (the "Revenue Bonds"), the proceeds of which must be applied to the unfunded actuarial pension liability as directed by KPERS. The repayment of the Revenue Bonds shall be subject to legislative annual appropriation, shall not be an obligation of the KPERS system, and the full faith and credit or taxing power of the State shall not be pledged to the repayment of the Revenue Bonds. Additionally, the statutory maximum annual increases to employer contributions for State/School Group and certain employees of the State department of corrections were modified as follows: (a) if the Revenue Bonds are issued and finance capitalized interest, an increase of 1.1% in 2015 and 1.2% in 2016 and thereafter; or (b) if such Revenue Bonds are not issued to finance capitalized interest, such rate of contribution shall be 10.91% in 2015 and 10.81% in 2016.

The County's contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The Issuer's contribution is 9.48% of the employee's gross salary for calendar year 2015. The rate is scheduled to change to 9.18% beginning January 1, 2016. In addition, the Issuer contributes 1% of the employee's gross salary for Death and Disability Insurance for covered employees for the period beginning July 1, 2015, through June 30, 2016.

In 2015, Sedgwick County is required to implement GASB 68 – Accounting and Financial Reporting for Pensions. If the County were required to report the information in 2014, the Net Pension Liability as of June 30, 2014 would be \$111,262,100. It is important to note that under existing Kansas Law, Sedgwick County has no financial obligation for the unfunded liability. It is for informational purposes only.

According to the "Valuation Report" as of December 31, 2013 the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability ("UAAL") of \$1,589,787,025 at the end of 2013. KPERS' actuaries identified that an employer contribution rate of 9.18% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by 2033, the end of the actuarial period. The statutory contribution rate of employers is currently equal to the Valuation Report's actuarial rate of 9.18%. As a result, members of the Local Group are adequately funding their projected actuarial

liabilities and the UAAL can be expected to diminish over time. KPERS' actuaries project the required employer contribution rate to increase by the maximum statutorily allowed rate, which is currently 1.0% , 1.1% in fiscal year 2016 and 1.2% in fiscal year 2017.

The County has established membership in the Kansas Police and Fire Retirement System ("KPFRS") for its police and fire personnel. KPFRS is a division of and is administered by KPERS. Annual contributions are adjusted annually based on actuarial studies, subject to legislative caps on percentage increases. According to the Valuation Report, KPFRS carried an UAAL of \$803,113,766 at the end of 2013. Commencing with the first payroll period on or after July 1, 2013, employees contribute 7.15% of gross compensation, and the County contributes 21.72% (Sheriff), 21.36% (Fire), and 21.36% (EMS) of employees' gross compensation for calendar year 2015. In 2013, the Legislature adopted a number of changes to the KPFRS which included (a) raising the cap on maximum KPFRS benefits from 80% to 90% of final average salary and (b) permitting certain active KPFRS members to pay a lump sum amount prior to or on their retirement date to enhance the individual retirement benefit at their own cost.

Additional Information

The County will provide copies of its Comprehensive Annual Financial Report, which includes audited financial statements and other pertinent credit information, in accordance with the Continuing Disclosure Instructions. Appropriate periodic credit information necessary for maintaining the ratings on the Bonds will be provided by the County to the rating agencies rating the Bonds.

**COMPARISON OF BUDGETARY INFORMATION
GENERAL FUND ONLY (NON-GAAP BASIS)**

	2015	2014		
	Adopted Budget	Revised Budget	Actual	Variance
Revenues and other sources:				
Property taxes	\$ 107,327,061	\$ 103,650,816	\$ 104,923,803	\$ 1,272,987
Sales taxes	28,889,628	27,674,323	27,553,006	(121,317)
Other taxes	302,297	249,114	387,453	138,339
Intergovernmental	2,552,092	4,375,641	3,142,527	(1,233,114)
Charges for services	17,613,321	17,642,384	17,380,859	(261,525)
Uses of money and property	5,065,005	4,219,812	4,763,874	544,062
Fines and forfeits	50,698	65,386	47,716	(17,670)
Licenses and permits	293,034	408,488	53,469	(355,019)
Reimbursed expenditures	5,069,864	4,987,817	5,607,666	619,849
Other	2,797,803	3,200,778	4,588,316	1,387,538
Total revenues and other sources	169,960,803	166,474,559	168,448,689	1,974,130
Expenditures, encumbrances and other uses:				
Current:				
Personnel services	109,015,516	106,278,326	102,232,262	4,046,064
Contractual services	61,963,452	57,712,944	39,096,788	18,616,156
Commodities	5,477,398	6,029,161	5,500,622	528,539
Capital outlay	2,293,787	579,448	161,433	418,015
Debt service:				
Principal	-	62,783	62,783	-
Total debt service	-	-	-	-
Total current expenditures	178,750,153	170,662,662	147,053,888	23,608,774
Revenues over (under) expenditures	(8,789,349)	(4,188,103)	21,394,801	25,582,904
Transfers in		345,937	208,320	(137,617)
Transfers out	(17,311,150)	(20,788,408)	(19,852,749)	935,659
Total other financing sources (uses)	(17,311,150)	(20,442,471)	(19,644,429)	798,042
Net change in fund balances	(26,100,499)	(24,630,574)	1,750,372	26,380,946
Fund balances, beginning of year	26,100,499	24,630,574	62,754,047	38,123,473
Fund balances, end of year	\$ -	\$ -	\$ 64,504,419	\$ 64,504,419

REVENUES, EXPENDITURES AND FUND BALANCES - GENERAL FUND (GAAP BASIS)

The following table shows County General Fund revenues, expenditures and fund balances for each of the five most recent fiscal years ended December 31. The information is from the County's financial statements.

	<u>2014⁽¹⁾</u>	<u>2013⁽¹⁾</u>	<u>2012⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>2010⁽¹⁾</u>
REVENUES:					
Taxes	\$120,777,714	\$ 120,032,967	\$ 114,883,685	\$ 128,831,916	\$ 133,309,088
Intergovernmental	3,145,037	3,422,908	4,354,163	4,407,890	4,648,601
Charges for services	17,375,833	17,163,512	17,294,721	15,875,352	12,368,031
Uses of money and property	4,229,021	5,018,870	4,324,277	5,423,202	4,700,086
Fines and forfeits	47,716	62,975	84,380	122,246	140,659
Licenses and permits	53,469	88,014	400,195	477,263	440,090
Reimbursed expenditures	-	-	-	-	-
Other	5,404,657	3,402,329	4,379,853	2,730,798	4,296,919
Total revenues	151,033,447	149,191,575	145,721,274	157,868,667	159,903,474
EXPENDITURES:					
Current:					
General government	31,181,267	29,215,205	32,493,289	31,855,794	32,948,052
Public safety	86,932,665	84,609,217	82,876,286	85,293,693	89,783,136
Public works	1,712,828	1,632,343	1,678,765	1,844,561	2,007,479
Health and welfare	8,966,917	8,655,497	8,700,232	9,549,277	9,975,120
Cultural and recreation	8,766,302	8,300,940	8,620,365	8,918,502	9,283,580
Economic development	4,159,219	4,439,928	3,886,001	4,133,091	3,599,818
Total current expenditures	141,719,198	136,853,130	138,254,938	141,594,918	147,597,185
Capital outlay		-	-	243,951	274,018
Debt service:					
Principal	62,783	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total debt service		-	-	-	-
Total expenditures	141,781,981	136,853,130	138,254,938	141,838,869	147,871,203
Revenues over expenditures	9,251,466	12,338,445	7,466,336	16,029,798	12,032,271
Other financing sources (uses)					
Operating transfers in	208,320	36,463	220,674	1,270,728	2,885,146
Operating transfers out	(7,673,812)	(11,586,549)	(7,864,422)	(17,422,615)	(17,374,903)
Total other financing sources (uses)	(7,465,492)	(11,550,086)	(7,643,748)	(16,151,887)	(14,489,757)
Revenues and other sources over (under) expenditures and other uses	1,785,974	788,359	(177,412)	(122,089)	(2,457,486)
Fund balances, beginning of year	66,840,795	66,052,436	66,229,848	66,351,937	68,809,423
Decrease in reserves for inventory	-	-	-	-	-
Residual equity transfers from other funds	-	-	-	-	-
Residual equity transfers to other funds	-	-	-	-	-
Fund balances, end of year	\$68,626,769	\$ 66,840,795	\$ 66,052,436	\$66,229,848	\$ 66,351,937

⁽¹⁾ In 2010, GAAP reporting of reimbursed expenditures changed. Admin fees offset expenditures and the balance, previously reported as reimbursed expenditures, was transferred to other revenue sources.

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sedgwick County, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sedgwick County, Kansas (County) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sedgwick County, Kansas, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015 on our consideration of the County'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 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 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 County's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

March 19, 2015
Wichita, Kansas

Management's Discussion and Analysis

As management of Sedgwick County, Kansas, we offer you this discussion and analysis of the financial activities of Sedgwick County for the fiscal year ended December 31, 2014. This information is designed to identify and explain significant financial issues, changes in Sedgwick County's financial position and deviations from budget. We encourage you to consider this information in conjunction with the letter of transmittal that precedes this narrative, the financial statements, and the notes to the financial statements.

Financial Highlights

- Total net position of Sedgwick County increased \$5.2 million to \$620.3 million. The governmental funds increased \$10.2 million, and the Arena fund, our only enterprise fund, decreased \$5.0 million.
- Of this total, \$85.2 million, a decrease of \$4.1 from the prior year, is reported as unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.
- During 2014, general government expenses decreased \$1.1 million to \$45.6 million, and health and welfare expenses decreased \$0.2 million to \$56.3 million. Public works expenses increased \$0.5 million to \$31.6 million, and public safety expenses increased \$4.5 million to \$141.5 million. In total, expenses increased \$10.2 million, or 3.3%, to \$314.1 million.
- Program revenues were \$130.9 million, an increase of \$14.0 million, due to an increase in Affordable Airfares, contributions from Wichita State University and Sedgwick County Zoo.
- Investment earnings decreased \$0.6 million or 11.3%, to \$4.7 million.

Overview of the Financial Statements

Management's discussion and analysis serves as an introduction to Sedgwick County's basic financial statements. The basic financial statements consist of three components: [1] government-wide financial statements, [2] fund financial statements, and [3] notes to the financial statements. This report also contains other information in addition to the basic financial statements.

The government-wide financial statements provide financial information about the County as a whole, including its component units.

The fund financial statements focus on the County's operations in more detail than government-wide financial statements. The financial statements presented for governmental funds report on the County's general government services and proprietary funds report on the activities the County operates like private-sector businesses.

The basic financial section also includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide more detailed data essential to a full understanding of the data presented in the financial statements. The notes to the financial statements can be found on pages A-31 through A-63 of this report.

Government-wide Financial Statements

The *government-wide financial statements* provide readers with a broad overview of Sedgwick County's finances. All current year revenues and expenses are included, regardless of whether related cash has been received or paid. This reporting method produces a view of financial activities and position similar to that presented by most private-sector businesses.

The *statement of net position* presents information on all of Sedgwick County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*, which is one method to measure the County's financial condition. An increase or decrease in the County's

net position from one year to the next indicates whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County'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.

The government-wide financial statements report functions of the County that are principally supported by taxes and intergovernmental revenue (governmental activities) separately from other functions that are intended to recover all or a significant portion of costs through user fees and charges (business-type activities). Governmental activities of the County include general government, public safety, public works, health and welfare, culture and recreation, and economic development. The County has a single business-type activity, the Arena Fund, which is used to account for the assets, liabilities, revenues and expenses associated with INTRUST Bank Arena.

The government-wide financial statement includes not only the primary government but also two blended component units, Sedgwick County Fire District #1 and Public Building Commission.

The government-wide financial statements can be found on pages A-14 through A-17 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Sedgwick County, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements focus on individual parts of the County, reporting the operations in more detail than the government-wide statements. Fund financial statements focus on the most significant funds within the County. The County's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds include most of the basic services provided by the County and account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, the fund financial statements focus on how money flows in and out of the funds during the fiscal year and spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing 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*.

Sedgwick County maintains thirty-two individual governmental funds. Information is presented separately in the governmental funds *balance sheet* and in the governmental funds *statement of revenues, expenditures, and changes in fund balances* for the General Fund, Federal/State Assistance Fund, Public Building Commission Fund, Debt Service Fund, and Debt Proceeds Fund, all of which are reported as major funds. Information on the remaining non-major governmental funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Governmental Funds subsection.

The County adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental funds financial statements and reconciliations to the government-wide financial statements can be found on pages A-18 through A-24 of this report.

Proprietary Funds

Sedgwick County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County reports a single enterprise fund to account for the Arena complex. Additional information regarding the INTRUST Bank Arena is provided in the combining schedule in the Enterprise Fund subsection.

Internal service funds are used to accumulate and allocate costs internally among Sedgwick County's various functions. The County utilizes internal service funds to account for its fleet of vehicles, employee health, dental and life insurance, worker's compensation activity, and risk management. The four internal service funds are combined into a single, aggregated column in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the Internal Service Funds subsection. Because activity of the internal service funds predominately benefit governmental rather than business-type functions, they are included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages A-26 through A-28 of this report.

Fiduciary Funds

Fiduciary funds are used to report activities whereby the County acts as a trustee or fiduciary to hold resources for the benefit of parties outside the government. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide statements exclude fiduciary fund activities and balances, because these assets are restricted in purpose and cannot be used by the County to finance its operations. The County must ensure that assets reported in fiduciary funds are used for their intended purpose.

The County's fiduciary funds are classified as agency funds. These two funds account for tax collection and distribution, and for other clearing and fee collections. Individual fund detail is included in the form of *combining statements* in the Agency Funds subsection.

The basic fiduciary fund financial statement can be found on page A-29 of this report.

Notes to the Financial Statements

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the financial statements begin on page A-31 of this report.

Other Required Supplementary Information

This section is found on pages A-64 through A-66 and shows a comparison of the original and final General Fund budget to actual results and reconciliation between budgetary fund balance and GAAP. Information on the County's funding for postemployment benefits other than pensions is also shown.

Other Information

Other information includes combining financial statements for nonmajor governmental, enterprise, internal service, and fiduciary funds, as well as the County's discretely presented component unit. Combining and individual fund statements and schedules can be found on pages B-1 through D-1 of this report.

Government-wide Financial Analysis

Net Position

Net position may serve over time as a useful indicator of a government's financial position. Assets of the primary government exceeded liabilities by \$620.3 million at the end of 2014.

Sedgwick County, Kansas
Net Position
As of December 31, 2014
With Comparatives as of December 31, 2013
(millions of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$419.7	\$348.6	\$ 13.5	\$ 13.7	\$433.2	\$362.3
Capital assets	446.4	437.4	155.9	160.7	602.3	598.1
Total assets	<u>866.1</u>	<u>786.0</u>	<u>169.4</u>	<u>174.4</u>	<u>1,035.5</u>	<u>960.4</u>
Deferred Outflows:						
Deferred refunding	1.1	1.2	-	-	1.1	1.2
Total deferred outflows	<u>1.1</u>	<u>1.2</u>	<u>-</u>	<u>-</u>	<u>1.1</u>	<u>1.2</u>
Liabilities:						
Long-term liabilities	264.0	195.4	-	-	264.0	195.4
Other liabilities	12.4	13.8	-	-	12.4	13.8
Total liabilities	<u>276.4</u>	<u>209.2</u>	<u>-</u>	<u>-</u>	<u>276.4</u>	<u>209.2</u>
Deferred Inflows:						
Deferred revenues	139.9	137.3	-	-	139.9	137.3
Total deferred inflows	<u>139.9</u>	<u>137.3</u>	<u>-</u>	<u>-</u>	<u>139.9</u>	<u>137.3</u>
Net position:						
Net investment in capital assets	310.0	298.1	155.9	160.7	465.9	458.8
Restricted	60.0	57.0	9.2	10.0	69.2	67.0
Unrestricted	80.9	85.6	4.3	3.7	85.2	89.3
Total net position	<u>\$450.9</u>	<u>\$440.7</u>	<u>\$169.4</u>	<u>\$174.4</u>	<u>\$620.3</u>	<u>\$615.1</u>

The largest portion of the County's net position (75.1 percent) is invested in capital assets (e.g. land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets. Sedgwick County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position represents 11.1 percent of net position and are resources that are subject to external restrictions on how they may be used. The remaining balance of \$85.2 million is *unrestricted net position* and may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position

The County's net position for governmental activities increased \$10.2 million or 2.3 percent. Net position of the County's business-type activities decreased \$5.0 million representing a decrease of 2.9 percent during 2014. Overall, net position increased \$5.2 million. Changes in net position were as follows:

Sedgwick County, Kansas
Change in Net Position
Fiscal Year Ended December 31, 2014
With Comparatives for the Year Ended December 31, 2013
(millions of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 68.9	\$ 66.0	\$ 0.6	\$ 0.8	\$ 69.5	\$ 66.8
Operating grants and contributions	57.2	48.8	-	-	57.2	48.8
Capital grants and contributions	4.8	1.9	-	-	4.8	1.9
General revenues:						
Property taxes	157.7	156.6	-	-	157.7	156.6
Sales taxes	27.7	26.9	-	-	27.7	26.9
Other taxes	3.3	3.1	-	-	3.3	3.1
Investment earnings	4.7	5.3	-	-	4.7	5.3
Gain on sale of capital assets	-	-	-	0.2	-	0.2
Total revenues	324.3	308.6	0.6	1.0	324.9	309.6
Expenses						
General government	45.6	46.7	-	-	45.6	46.7
Public safety	141.5	137.0	-	-	141.5	137.0
Public works	31.6	31.1	-	-	31.6	31.1
Health and welfare	56.3	56.5	-	-	56.3	56.5
Culture and recreation	11.0	10.8	-	-	11.0	10.8
Economic development	21.0	15.1	-	-	21.0	15.1
Interest on long-term debt	7.1	6.6	-	-	7.1	6.6
Arena	-	-	5.6	5.7	5.6	5.7
Total expenses	314.1	303.8	5.6	5.7	319.7	309.5
Increase (decrease) in net position	10.2	4.8	(5.0)	(4.7)	5.2	0.1
Net position, beginning	440.7	436.2	174.4	179.1	615.1	615.3
Prior period adjustment	-	(0.3)	-	-	-	(0.3)
Net position, ending	\$450.9	\$440.7	\$169.4	\$174.4	\$620.3	\$615.1

Charges for services in governmental activities increased \$2.9 million in 2014. EMS revenues increased \$1.4 million due to a rate increase and an increase in call volume. Mortgage program revenues increased \$1.7 million from the previous year. Capital grants and contributions were up \$2.9 million. The Sedgwick County Zoo contributed \$4.7 million in capital assets in 2014 compared to \$1.5 million in 2013. Operating grants and contributions increased \$8.4 million from 2013 to 2014. This is due to the State paying 2013 and 2014 Affordable Airfare funds in 2014. Property tax collections were up \$1.1 million, due to an increase in motor vehicles tax collections.

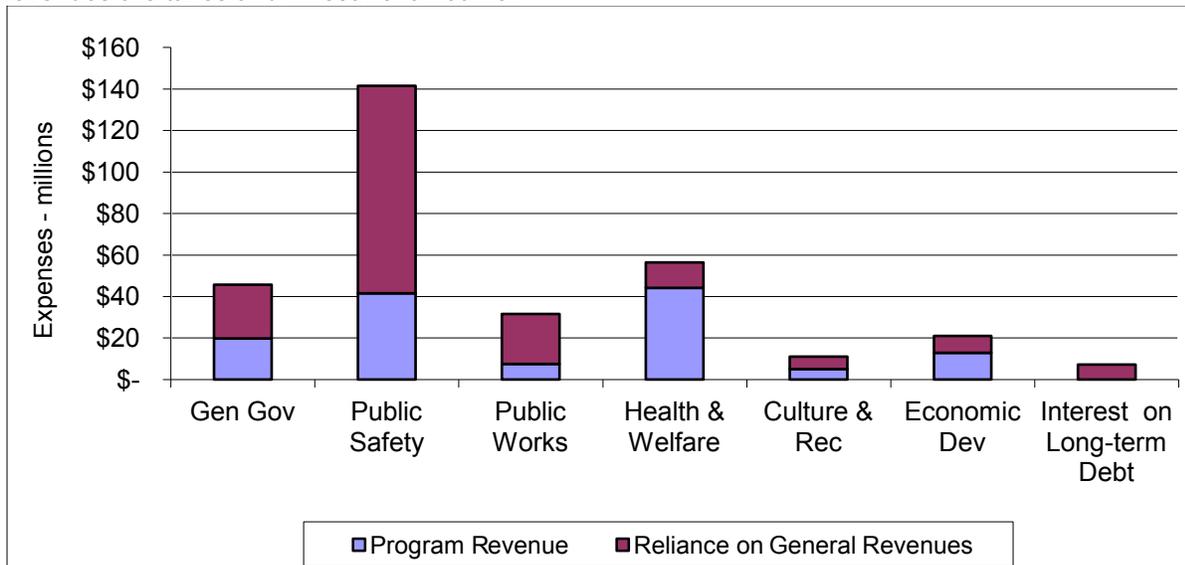
Expenses of governmental activities increased \$10.3 million. General government expenses decreased \$1.1 million, 2.4%. Health and welfare expenses decreased \$0.2 million or 0.4%. Culture and recreation expenses increased 1.9%. Economic development expenses increased \$5.9 million, 39.1% due to the Affordable Airfares program being reallocated from general government. Public safety expenses increased \$4.5 million, 3.3%, mostly due to personnel cost.

Governmental Activities

Governmental activities incurred \$314,133,268 in expenses during 2014. The following list breaks this expense down into percentage by function with the corresponding dollar amount:

○ Public safety	45.0%	\$141,461,365
○ Health and welfare	17.9%	56,346,131
○ General government	14.5%	45,631,487
○ Public works	10.1%	31,607,297
○ Economic development	6.7%	20,937,889
○ Culture and recreation	3.5%	11,024,934
○ Interest on long-term debt	2.3%	7,124,165
		<u>\$314,133,268</u>

The following chart shows total expenses for each function of governmental activities. The chart also shows total program revenue for each function along with total reliance on general revenues. General revenues are taxes and investment income.



As reflected in the chart, no function of government is self-supporting. For that reason there is need for taxes to be levied and collected in order to provide services to the community. The following list shows each function of government, the percentage of reliance on general revenues of the county to fund the function, and the corresponding dollar amount of general revenue and program revenues used to fund the function:

		General Revenues	Program Revenues
o Interest on long-term debt	100.0%	\$ 7,124,165	\$ -
o Economic development	38.4%	8,040,498	12,897,391
o Culture and recreation	54.4%	5,992,994	5,031,940
o Public works	76.4%	24,145,617	7,461,680
o Public safety	70.6%	99,885,804	41,575,561
o General government	56.7%	25,851,613	19,779,874
o Health and welfare	21.6%	<u>12,155,139</u>	<u>44,190,992</u>
Total reliance on general revenues		<u>\$183,195,830</u>	<u>\$130,937,438</u>

Business-type Activity

Sedgwick County has one business-type activity, the Arena fund. Net position for fiscal year 2014 decreased by \$5.0 million to \$169.4 million. Of that \$169.4 million, \$155.9 million is invested in capital assets.

County Funds Financial Analysis

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term cash inflows and outflows during the fiscal year and balances of spendable resources at year-end. This information is useful in assessing the County's financing requirements. Unassigned fund balance may serve as a useful measure of the County's net resources available for future spending.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$236.5 million, an increase of \$71.9 million since the beginning of the year. The following table shows how fund balance changed in the major and other governmental funds.

Fund	Beginning Fund Balance	Ending Fund Balance	Change in Fund Balance
General	\$ 66,840,795	\$ 68,626,769	\$1,785,974
Federal/State Assistance	20,108,531	23,262,996	3,154,465
Public Building Commission	1,116,689	50,532,966	49,416,277
Debt Service	1,324,073	1,644,768	320,695
Debt Proceeds	24,167,275	48,102,264	23,934,989
Other Governmental	51,024,277	44,331,235	(6,693,042)
Total Governmental Funds	<u>\$ 164,581,640</u>	<u>\$ 236,500,998</u>	<u>\$71,919,358</u>

The General Fund is the chief operating fund of Sedgwick County. Ending fund balance in the General Fund increased \$1.8 million, compared to an increase of \$0.8 million a year ago.

Revenues of the General Fund increased \$1.8 million, to \$151 million, in 2014. A majority of the increase comes from a variety of miscellaneous revenues categorized as "other revenues, which had an increase of \$2.0 million. The housing mortgage program had increased activity in 2013 and revenues increased \$1.7 million. Property tax increased \$0.2 million from 2013. Intergovernmental revenues and charges for services decreased \$0.2 million and \$0.8 million from 2013, respectively.

General Fund expenditures increased \$4.9 million, to \$141.8 million; every function increased with the exception of economic development. General government expenditures increased \$2.0 million, to \$31.2 million. \$1.1 million of that increase was due to an increase in costs in operating County facilities. Public safety expenditures increased \$2.3 million, to \$86.9 million, due to an increase in personnel cost; culture and recreation increased \$465,000, to \$8.8 million.

As a measure of the General Fund's financial position, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27% of total General Fund expenditures, while total fund balance represents 48.4%. In other words, readily available resources as of December 31 were sufficient to pay for services for three months.

The Federal/State Assistance Fund is a special revenue fund that accounts for programs that receive grant funding. The Federal/State Assistance Fund ended the year with a fund balance of \$23.3 million which is \$3.2 million more than 2013. Revenues increased \$4.5 million over the prior year, to \$65.1 million. A majority of that increase was other revenues in the amount of \$5.7 million. The increase can be attributed to the Affordable Airfares program. The State distributed the 2013 and 2014 funds in 2014. Charges for service decreased \$1.2 million from 2013 to 2014. Medicaid waivers decreased \$1.2 million. Federal/State Assistance expenditures increased \$3.0 million, which is due to the Affordable Airfares Program. General government expenditures decreased \$3.8 million, and economic development expenditures increased \$6.5 million. Expenditures for Affordable Airfares program were reclassified from general government to economic development in 2014.

The Public Building Commission (PBC) fund is a special revenue fund to account for revenues and expenditures derived from direct financing leases. The PBC fund ended the year with a fund balance of \$50.5 million, which is an increase of \$49.4 million from 2013. During the year, the PBC issued \$44.9 million in revenue bonds for Wichita State University (WSU) to build an Experiential Engineering facility. The funds were placed in an escrow account until construction.

Debt Service fund balance increased by \$0.3 million due to a \$1.0 million increase in property tax revenue and a decrease of \$702,000 in principal and interest expenditures.

The Debt Proceeds Fund is a capital projects fund that receives proceeds from general obligation bond issues and other long-term financing sources. During 2014 the fund received \$31.9 million in proceeds from debt issuance. Proceeds were used to refund outstanding debt. \$10.7 million was transferred to capital projects funds to pay for current projects. A significant portion of transfers out to capital projects funds included \$5.0 million for the jail replace master control system and public safety facilities, and \$4.2 million for road and bridge projects.

Proprietary Funds

Sedgwick County's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Arena Fund represents the activity of the INTRUST Bank Arena. The facility is operated by a private company; the county incurs expenses only for certain capital improvements or major repairs and depreciation, and receives as revenue only a share of profits earned by the operator, if any, and naming rights fees. The Arena had an operating loss of \$5.0 million. The loss can be attributed to \$5.2 million in depreciation expense.

Internal service funds account for the County's fleet operation as well as insurance, including workers compensation, health, life, dental, property and liability. Fleet operations show an increase in 2014 of \$559,600, to \$22.5 million. The workers' compensation charges exceeded expenses and the fund ended the year with a net income of \$588,700. In the Risk Management Fund, Sedgwick County expended approximately \$558,000 for property and liability insurance during 2014 and also paid \$565,000 in claims for various items including but not limited to storm damage to County property and vehicle damages. The Health, Dental and Life Insurance Reserve Fund accounts for employee benefits. Employee health

insurance is fully insured and dental insurance is self funded. The fund had a gain of \$86,300 during 2014 increasing net position to \$5.0 million at the end of the year.

General Fund Budgetary Highlights

The County did not amend the budget during fiscal year 2014, although appropriations were shifted between line items in the General Fund.

Actual revenue was \$2.0 million, or 1.2%, above both the original and final budgets. Five of ten major revenue sources ended the year above budget. Property tax collections were \$1.3 million above budget. All other revenues were \$700,000 above budget. The main increase was other revenues, which were up \$1.4 million. The increase in other revenues comes mostly from the housing mortgage program, which increased \$1.7 million. The mortgage program was redesigned and now Sedgwick County receives a fee per new mortgage. Intergovernmental revenues were down \$1.2 million. Due to the change in funding for Affordable Airfares Program, City of Wichita contribution goes directly to the Federal/State Assistance Fund and not the General Fund. This accounted for \$994,000 of the decrease. State revenue for the juvenile justice authority was lower than expected by \$379,000. Charges for services were \$261,500 less than budgeted; this is due to a decrease in mortgage registration fees. Uses of money and property was \$544,000 more than budgeted. Penalties and interest collected on back taxes was better than expected by \$500,000.

General Fund expenditures totaled \$147.1 million, were 13.8% less than the final budgets. Expenditures for personnel services were less than the original and final budgets by \$4.4 million and \$4.0 million, respectively. Contractual services ended the year \$18.6 million lower than the final budget. The County budgets a contingency for disaster recovery each year, which is included in contractual services. Much of the discrepancy between budgeted and actual contractual expenditures is due to the fact that the county was not required to use the disaster contingency account. Overall budgetary fund balance in the General Fund increased \$1.8 million in 2014.

Capital Asset and Debt Administration

Sedgwick County's investment in capital assets for its governmental and business-type activities as of December 31, 2014, totaled \$602,289,171 (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, bridges, improvements, machinery and equipment, software and the Arena.

Major capital asset events during the 2014 fiscal year included the following:

- Construction in progress increased from \$35.4 million at the end of 2013 to \$57.4 million at the end of 2014.
- In 2014, the County purchased and began renovation of a building, which will be used to consolidate operations of the Metropolitan Area Building and Construction Department as well as house the downtown auto license Tag office. The project is expected to cost approximately \$13.9 million.

Capital Assets December 31, 2014 (net of depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 22,184,002	\$ 13,038,358	\$ 35,222,360
Buildings and improvements	199,386,814	142,352,005	341,738,819
Improvements other than buildings	7,331,930	-	7,331,930
Machinery and equipment	21,338,691	511,701	21,850,392
Infrastructure	138,795,531	-	138,795,531
Construction in progress	57,350,139	-	57,350,139
Total	<u>\$ 446,387,107</u>	<u>\$ 155,902,064</u>	<u>\$ 602,289,171</u>

Additional information regarding capital assets can be found in Note III. B, beginning on page A-47.

Long-term Debt

At the end of 2014, Sedgwick County had total general obligation bonds outstanding of \$70.3 million. This amount includes \$ 3.3 million of special assessment bonds. The County's long-term obligations also include revenue bonds totaling \$153.8 million. All outstanding debt at the end of the year was associated with governmental activities and is backed by the full faith and taxing power of Sedgwick County with the exception of the Public Building Commission 2014-3 and 2014-4 issuance, which is backed by lease revenue from Wichita State University.

During 2014, the Public Building Commission (PBC) issued two crossover refunding revenue bonds to refund the Juvenile Justice Center and National Center for Aviation Training. The amounts issued were \$6.1 million and \$25.7 million, respectively. Combined, the refundings will reduce Sedgwick County's debt payments by \$3.5 million over the next twelve to fourteen years. In addition, the PBC issued revenue bonds 2014-3 and 2014-4 to finance the first project of the WSU Innovation Campus. The County did not issue General Obligation Bonds.

Outstanding general obligation bonds of the County and lease revenue bonds of the PBC are rated "AAA" by Fitch Ratings ("Fitch"), "AAA" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P") and "Aaa" by Moody's Investors Service ("Moody's").

State statutes limit the amount of general obligation debt a county government may issue to three percent of its total valuation. After subtracting deductions allowed by the statutes, Sedgwick County's legal debt margin is \$119.9 million.

Additional information about the County's long-term debt can be found in Note III. D, beginning on page A-49 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in the Wichita MSA stood at 4.8% at the end of 2014, as compared to 5.4% at the end of 2013.
- The 2014 County property tax levy funds the 2015 budget. The 2014 property tax (mill levy) rate is 29.478.
- Wichita is known as the air capital of the world because it houses major facilities of four leading aircraft manufacturers: Cessna, Spirit Aerosystems, Beechcraft, and Bombardier Learjet, as well as many other aviation parts suppliers. General Aviation shipments increased 1.3% from 2013 to 2014 and total billings increased 6.3%.
- For 2014, the value of new residential construction permits decreased 6.4%; the value of new non-residential construction permits increased 35.1%.
- The cost of living in Wichita is a moderate 91.3, almost 9% below the national urban area average.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Sedgwick County Division of Finance, 525 N. Main, Suite 823, Wichita, Kansas 67203.

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SEDGWICK COUNTY, KANSAS

Statement of Net Position

December 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash, including investments	\$ 162,095,759	\$ 4,340,525	\$ 166,436,284
Receivables, net	162,247,031	-	162,247,031
Due from other agencies	2,215,988	-	2,215,988
Inventories, at cost	647,363	-	647,363
Prepaid items	2,569,773	-	2,569,773
Restricted assets:			
Cash, including investments	89,965,933	9,196,893	99,162,826
Capital assets:			-
Land and construction in progress	79,534,141	13,038,358	92,572,499
Other capital assets, net of depreciation	366,852,966	142,863,706	509,716,672
Total assets	866,128,954	169,439,482	1,035,568,436
Deferred Outflows of Resources			
Deferred refunding	1,103,608	-	1,103,608
Total deferred outflows of resources	1,103,608	-	1,103,608
Liabilities			
Accounts payable and other current liabilities	3,038,345	-	3,038,345
Accrued wages	6,160,971	-	6,160,971
Accrued interest payable	2,777,746	-	2,777,746
Advance - grants	436,640	-	436,640
Noncurrent liabilities:			
Due within one year	23,438,763	-	23,438,763
Due in more than one year	240,576,856	-	240,576,856
Total liabilities	276,429,321	-	276,429,321
Deferred Inflows of Resources			
Deferred property tax receivable	139,691,557	-	139,691,557
Deferred notes receivable	229,646	-	229,646
Total deferred inflows of resources	139,921,203	-	139,921,203
Net Position			
Net investment in capital assets	310,035,285	-	310,035,285
Invested in capital assets	-	155,902,064	155,902,064
Restricted for:			
Capital improvements	17,657,735	-	17,657,735
Capital improvements and operations	-	9,196,893	9,196,893
Debt service	5,676,928	-	5,676,928
Federal/State assistance	15,161,208	-	15,161,208
Economic development	5,460,975	-	5,460,975
Equipment and technology improvements	991,924	-	991,924
Fire protection	3,292,917	-	3,292,917
Court operations	3,161,557	-	3,161,557
Other purposes	8,549,421	-	8,549,421
Unrestricted	80,894,088	4,340,525	85,234,613
Total net position	\$ 450,882,038	\$ 169,439,482	\$ 620,321,520

The notes to the financial statements are an integral part of this statement.

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SEDGWICK COUNTY, KANSAS

Statement of Activities

For the Year Ended December 31, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 45,631,487	\$ 17,671,949	\$ 2,107,925	\$ -
Public safety	141,461,365	25,399,717	16,175,844	-
Public works	31,607,297	2,116,756	5,210,949	133,975
Health and welfare	56,346,131	23,134,337	21,056,655	-
Culture and recreation	11,024,934	328,772	-	4,703,168
Economic development	20,937,889	251,390	12,646,001	-
Interest on long-term debt	7,124,165	-	-	-
Total governmental activities	<u>314,133,268</u>	<u>68,902,921</u>	<u>57,197,374</u>	<u>4,837,143</u>
Business-type activities:				
Arena	5,580,194	595,480	-	-
Total business-type activities	<u>5,580,194</u>	<u>595,480</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 319,713,462</u>	<u>\$ 69,498,401</u>	<u>\$ 57,197,374</u>	<u>\$ 4,837,143</u>

General revenues:
 Property taxes
 Sales taxes
 Other taxes
 Investment earnings

Total general revenue

Change in net position

Net position, beginning of year

Net position, end of period

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (25,851,613)	\$ -	\$ (25,851,613)
(99,885,804)	-	(99,885,804)
(24,145,617)	-	(24,145,617)
(12,155,139)	-	(12,155,139)
(5,992,994)	-	(5,992,994)
(8,040,498)	-	(8,040,498)
(7,124,165)	-	(7,124,165)
<u>(183,195,830)</u>	<u>-</u>	<u>(183,195,830)</u>
-	(4,984,714)	(4,984,714)
-	(4,984,714)	(4,984,714)
\$ (183,195,830)	\$ (4,984,714)	\$ (188,180,544)
157,680,267	-	157,680,267
27,737,784	-	27,737,784
3,251,092	-	3,251,092
4,704,790	-	4,704,790
<u>193,373,933</u>	<u>-</u>	<u>193,373,933</u>
10,178,103	(4,984,714)	5,193,389
<u>440,703,935</u>	<u>174,424,196</u>	<u>615,128,131</u>
<u>\$ 450,882,038</u>	<u>\$ 169,439,482</u>	<u>\$ 620,321,520</u>

SEDGWICK COUNTY, KANSAS

*Balance Sheet
Governmental Funds
December 31, 2014*

	<u>General Fund</u>	<u>Federal/State Assistance Fund</u>	<u>Public Building Commission</u>
Assets			
Cash, including investments	\$ 60,134,994	\$ 23,231,492	\$ 1,300,162
Restricted investment	-	-	49,232,804
Advance receivable	6,055,041	-	-
Due from other funds	-	-	-
Due from other agencies	26,472	2,126,208	-
Accounts receivable	549,819	882,898	-
Property tax receivable	92,660,577	-	-
Sales tax receivable	2,561,023	-	-
Interest receivable	537,758	-	-
Prepaid items	2,569,773	-	-
Note receivable	936,044	-	3,148,396
Special assessments receivable:			
Noncurrent	-	-	-
Delinquent (including interest)	-	-	-
Inventories, at cost	-	94,284	-
Total assets	<u>\$ 166,031,501</u>	<u>\$ 26,334,882</u>	<u>\$ 53,681,362</u>
Liabilities			
Accounts payable	\$ 1,241,346	\$ 672,798	\$ -
Accrued wages	3,502,809	1,182,641	-
Advance - grants	-	436,640	-
Due to other funds	-	-	-
Advance payable	-	-	-
Total liabilities	<u>4,744,155</u>	<u>2,292,079</u>	<u>-</u>
Deferred Inflows of Resources			
Deferred property tax receivable	92,660,577	-	-
Unavailable revenue - accounts receivable	-	779,807	-
Deferred notes receivable	-	-	3,148,396
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	<u>92,660,577</u>	<u>779,807</u>	<u>3,148,396</u>
Fund balances			
Nonspendable:			
Inventories	-	94,284	-
Advance receivable	6,055,041	-	-
Note receivable	936,044	-	-
Prepaid items	2,569,773	-	-
Restricted:			
General Government	-	-	-
Debt Service	-	-	1,300,162
Public Safety	-	3,383,195	-
Public Works	-	-	-
Health and Welfare	-	10,903,922	-
Culture and Recreation	-	-	-
Economic Development	-	3,938,138	49,232,804
Capital Outlay	-	-	-
Committed:			
Public Safety	-	-	-
Capital Outlay	-	-	-
Culture and Recreation	5,300,000	-	-
Assigned:			
General Government	15,334,960	-	-
Public Safety	114,395	573,466	-
Public Works	89,109	-	-
Health and Welfare	1,394	4,369,991	-
Capital Outlay	-	-	-
Economic Development	210	-	-
Unassigned	38,225,843	-	-
Total fund balance	<u>68,626,769</u>	<u>23,262,996</u>	<u>50,532,966</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 166,031,501</u>	<u>\$ 26,334,882</u>	<u>\$ 53,681,362</u>

The notes to the financial statements are an integral part of this statement.

<u>Debt Service Fund</u>	<u>Debt Proceeds Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,644,768	\$ 824,308	\$ 56,438,349	\$ 143,574,073
-	40,733,129	-	89,965,933
-	-	-	6,055,041
-	6,544,827	-	6,544,827
-	-	63,308	2,215,988
-	-	4,372,152	5,804,869
13,610,112	-	33,420,868	139,691,557
-	-	2,561,023	5,122,046
-	-	-	537,758
-	-	-	2,569,773
-	-	-	4,084,440
5,121,765	-	-	5,121,765
1,884,596	-	-	1,884,596
-	-	349,975	444,259
<u>\$ 22,261,241</u>	<u>\$ 48,102,264</u>	<u>\$ 97,205,675</u>	<u>\$ 413,616,925</u>
\$ -	\$ -	\$ 990,006	\$ 2,904,150
-	-	1,428,238	6,113,688
-	-	-	436,640
-	-	6,544,827	6,544,827
-	-	6,055,041	6,055,041
-	-	15,018,112	22,054,346
13,610,112	-	33,420,868	139,691,557
-	-	4,435,460	5,215,267
-	-	-	3,148,396
7,006,361	-	-	7,006,361
<u>20,616,473</u>	<u>-</u>	<u>37,856,328</u>	<u>155,061,581</u>
-	-	349,975	444,259
-	-	-	6,055,041
-	-	-	936,044
-	-	-	2,569,773
-	-	1,492,689	1,492,689
1,644,768	40,733,129	25,790	43,703,849
-	-	9,166,303	12,549,498
-	-	3,927,346	3,927,346
-	-	950,999	11,854,921
-	-	35,699	35,699
-	-	9,500	53,180,442
-	7,369,135	17,657,735	25,026,870
-	-	3,487,921	3,487,921
-	-	4,705,788	4,705,788
-	-	-	5,300,000
-	-	-	15,334,960
-	-	-	687,861
-	-	265,598	354,707
-	-	-	4,371,385
-	-	8,800,948	8,800,948
-	-	-	210
-	-	(6,545,056)	31,680,787
<u>1,644,768</u>	<u>48,102,264</u>	<u>44,331,235</u>	<u>236,500,998</u>
<u>\$ 22,261,241</u>	<u>\$ 48,102,264</u>	<u>\$ 97,205,675</u>	<u>\$ 413,616,925</u>

SEDGWICK COUNTY, KANSAS

Reconciliation of the Statement of Net Position to the Balance Sheet for Governmental Funds December 31, 2014

Total fund balances of governmental funds	\$	236,500,998
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$715,849,793 and the accumulated depreciation is \$284,804,900</p>		431,044,893
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.</p>		32,710,526
<p>Special assessments and certain accounts receivable resulting from charges for services are not considered available to liquidate liabilities of the current period, and are therefore deferred in the funds. However, they are recognized as revenue in the entity-wide statements as soon as the related improvement has been completed or the related service has been provided.</p>		15,140,378
<p>Long-term liabilities are not due and payable in the current period and are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year-end consist of:</p>		
Bonds payable	\$	(70,300,000)
Bond premium		(10,894,311)
Bond discount		28,957
Deferred refunding		1,103,608
Revenue bonds payable		(153,825,000)
Capital lease payable		(2,718,464)
Compensated absences		(6,950,000)
Other postemployment benefits other than pensions		(18,181,801)
Accrued interest payable		(2,777,746)
		(264,514,757)
Net position of governmental activities	\$	<u>450,882,038</u>

The notes to the financial statements are an integral part of this statement.

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SEDGWICK COUNTY, KANSAS

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Twelve Months Ended December 31, 2014**

	<u>General Fund</u>	<u>Federal/State Assistance Fund</u>	<u>Public Building Commission</u>
Revenues			
Property taxes	\$ 104,923,803	\$ -	\$ -
Emergency telephone services taxes	-	-	-
Sales taxes	15,466,458	-	-
Special assessments	-	-	-
Other taxes	387,453	84,519	-
Intergovernmental	3,145,037	33,556,556	-
Charges for services	17,375,833	21,903,863	1,448,250
Uses of money and property	4,229,021	13,551	211,231
Fines and forfeits	47,716	207,581	-
Licenses and permits	53,469	-	-
Other	5,404,657	9,346,788	2,000,000
Total revenues	<u>151,033,447</u>	<u>65,112,858</u>	<u>3,659,481</u>
Expenditures			
Current:			
General government	31,181,267	659,940	-
Public safety	86,932,665	11,789,466	-
Public works	1,712,828	-	-
Health and welfare	8,966,917	43,733,033	-
Cultural and recreation	8,766,302	-	-
Economic development	4,159,219	8,008,570	-
Debt service:			
Principal	62,783	-	1,260,000
Interest and fiscal charges	-	-	216,008
Debt issuance costs	-	-	477,163
Capital outlay	-	-	-
Total expenditures	<u>141,781,981</u>	<u>64,191,009</u>	<u>1,953,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,251,466</u>	<u>921,849</u>	<u>1,706,310</u>
Other financing sources (uses)			
Transfers from other funds	208,320	2,403,516	-
Transfers to other funds	(7,673,812)	(170,900)	-
Premium from issuance of revenue bonds	-	-	2,764,967
Premium from issuance of refunding bonds	-	-	-
Proceeds from capital lease	-	-	-
Issuance of refunding bonds	-	-	-
Issuance of revenue bonds	-	-	44,945,000
Total other financing sources (uses)	<u>(7,465,492)</u>	<u>2,232,616</u>	<u>47,709,967</u>
Net change in fund balance	1,785,974	3,154,465	49,416,277
Fund balances, beginning of year	<u>66,840,795</u>	<u>20,108,531</u>	<u>1,116,689</u>
Fund balances, end of period	<u>\$ 68,626,769</u>	<u>\$ 23,262,996</u>	<u>\$ 50,532,966</u>

The notes to the financial statements are an integral part of this statement.

Debt Service Fund	Debt Proceeds Fund	Other Governmental Funds	Total Governmental Funds
\$ 14,253,938	\$ -	\$ 38,502,526	\$ 157,680,267
-	-	2,690,238	2,690,238
-	-	12,271,326	27,737,784
1,617,407	-	-	1,617,407
-	-	88,882	560,854
178,437	-	9,396,309	46,276,339
719,854	-	21,580,824	63,028,624
-	19,300	3,570	4,476,673
-	-	-	255,297
-	-	68,921	122,390
-	-	644,613	17,396,058
<u>16,769,636</u>	<u>19,300</u>	<u>85,247,209</u>	<u>321,841,931</u>
-	-	4,487,803	36,329,010
-	-	39,408,480	138,130,611
-	-	12,231,217	13,944,045
-	-	5,561,574	58,261,524
-	-	5,000	8,771,302
-	-	7,223,079	19,390,868
14,172,217	-	817,281	16,312,281
5,892,413	151,750	94,488	6,354,659
-	380,565	-	857,728
-	-	34,744,759	34,744,759
<u>20,064,630</u>	<u>532,315</u>	<u>104,573,681</u>	<u>333,096,787</u>
<u>(3,294,994)</u>	<u>(513,015)</u>	<u>(19,326,472)</u>	<u>(11,254,856)</u>
3,615,689	-	12,747,965	18,975,490
-	(10,745,450)	(1,385,725)	(19,975,887)
-	-	-	2,764,967
-	3,318,454	-	3,318,454
-	-	1,271,190	1,271,190
-	31,875,000	-	31,875,000
-	-	-	44,945,000
<u>3,615,689</u>	<u>24,448,004</u>	<u>12,633,430</u>	<u>83,174,214</u>
320,695	23,934,989	(6,693,042)	71,919,358
<u>1,324,073</u>	<u>24,167,275</u>	<u>51,024,277</u>	<u>164,581,640</u>
<u>\$ 1,644,768</u>	<u>\$ 48,102,264</u>	<u>\$ 44,331,235</u>	<u>\$ 236,500,998</u>

SEDGWICK COUNTY, KANSAS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2014

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

Net change in fund balances - total governmental funds	\$	71,919,358
<p>Governmental funds report capital asset acquisitions as expenditures. However, in the statement of activities the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized assets exceeded depreciation in the current period.</p>		
Capitalized assets	\$ 29,634,706	
Depreciation expense	<u>(20,868,346)</u>	8,766,360
<p>Payments received on certain receivables are recognized as revenue when received in the fund. However, in the statement of net position, revenue is recognized as earned.</p>		
		(2,461,845)
<p>The net effect of various transactions involving capital assets (i.e., annexations, sales, and trade-ins) is to decrease net position.</p>		
		(55,514)
<p>Repayment of bond principal and other long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Bonds payable	\$ 8,830,000	
Revenue bond payable	6,665,000	
Capital lease payable	<u>817,281</u>	16,312,281
<p>Bond and capital lease proceeds provide current financial resources to government funds, but represent an increase in long-term liabilities in the statement of net position.</p>		
Revenue bond payable	\$ (76,820,000)	
Capital lease payable	(1,271,190)	
Premiums	<u>(6,083,421)</u>	(84,174,611)
<p>Bond costs - governmental funds report the effect of premiums, discounts and similar items when the debt is issued, whereas these amounts are deferred and amortized in the statement of activities</p>		
		495,283
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are not reported until due.</p>		
		(181,949)
<p>In the statement of activities, compensated absences are measured by the amounts earned during the year, instead of by the amount paid.</p>		
		(250,000)
<p>In the statement of activities, other postemployment benefits is measured by the amount due during the year, instead of by the amount paid.</p>		
		(1,068,957)
<p>Internal service funds are used by management to charge the costs of fleet management and insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		<u>877,697</u>
Change in net position of governmental activities:	\$	<u><u>10,178,103</u></u>

The notes to the financial statements are an integral part of this statement.

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SEDGWICK COUNTY, KANSAS

Statement of Net Position Proprietary Funds December 31, 2014

	Business-type Activity - Enterprise Fund Arena Fund	Governmental Activities - Internal Service Funds
Assets		
Current assets:		
Cash, including investments	\$ 4,340,525	\$ 18,521,686
Inventories, at cost	-	203,104
Restricted assets:		
Cash, including investments	9,196,893	-
Total current assets	13,537,418	18,724,790
Noncurrent assets:		
Capital assets:		
Land	13,038,358	40,580
Buildings and improvements	163,140,917	8,319,354
Machinery and equipment	6,070,494	32,324,734
Less accumulated depreciation	(26,347,705)	(25,342,454)
Total capital assets (net of accumulated depreciation)	155,902,064	15,342,214
Total assets	\$ 169,439,482	\$ 34,067,004
Liabilities		
Current liabilities:		
Accounts payable	\$ -	\$ 134,195
Accrued wages	-	47,283
Estimated claims costs payable	-	833,000
Total current liabilities	-	1,014,478
Noncurrent liabilities:		
Estimated claims costs payable	-	342,000
Total liabilities	-	1,356,478
Net position		
Investment in capital assets	155,902,064	15,342,214
Restricted for capital improvements and operations	9,196,893	-
Unrestricted	4,340,525	17,368,312
Total net position	169,439,482	32,710,526
Total liabilities and net position	\$ 169,439,482	\$ 34,067,004

The notes to the financial statements are an integral part of this statement.

SEDGWICK COUNTY, KANSAS

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds For the Twelve Months Ended December 31, 2014

	Business-type Activity - Enterprise Fund Arena Fund	Governmental Activities - Internal Service Funds
Operating revenues:		
Charges for services	\$ 590,000	\$ 39,651,812
Other revenue	5,480	603,162
Total operating revenues	595,480	40,254,974
Operating expenses:		
Salaries and benefits	-	1,415,728
Contractual services	416,471	1,259,656
Utilities	-	71,091
Supplies and fuel	-	3,406,640
Administrative charges	-	199,830
Depreciation expense	5,157,424	2,726,632
Claims expense	-	31,467,953
Other expense	6,299	-
Total operating expenses	5,580,194	40,547,530
Operating income (loss)	(4,984,714)	(292,556)
Nonoperating revenues:		
Investment income	-	3,005
Gain (loss) on sale of assets	-	166,851
Total nonoperating revenues	-	169,856
Income (loss) before transfers	(4,984,714)	(122,700)
Transfers:		
Transfers from other funds	-	1,000,397
Change in net position	(4,984,714)	877,697
Net position, beginning of year	174,424,196	31,832,829
Net position, end of period	\$ 169,439,482	\$ 32,710,526

The notes to the financial statements are an integral part of this statement.

SEDGWICK COUNTY, KANSAS

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2014

	Business-type Activity - Enterprise Fund Arena Fund	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers and users	\$ 1,026,157	\$ 39,732,433
Other operating revenues	-	522,541
Payments to suppliers for goods and services	(422,769)	(36,640,093)
Payments to employees for services	-	(1,415,728)
Net cash provided by (used in) operating activities	603,388	2,199,153
Cash flows from noncapital financing activities:		
Transfers from other funds	-	1,000,397
Net cash provided by (used in) noncapital financing activities	-	1,000,397
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	-	226,638
Purchases and construction of capital assets	(357,602)	(3,088,180)
Net cash provided by (used in) capital and related financing activities	(357,602)	(2,861,542)
Cash flows from investing activities		
Interest on investments	-	3,005
Net cash provided by investing activities	-	3,005
Net increase in cash and cash equivalents	245,786	341,013
Cash and cash equivalents, beginning of the year	13,291,632	18,180,673
Cash and cash equivalents, end of the year	\$ 13,537,418	\$ 18,521,686
Reconciliation of operating loss to net cash provided by operating activities		
Operating income (loss)	\$ (4,984,714)	\$ (292,556)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense	5,157,424	2,726,632
Decrease (increase) in accounts receivable	430,678	-
Decrease (increase) in inventory	-	207,832
Increase (decrease) in accounts payable	-	(476,755)
Increase in estimated claims payable	-	34,000
Net cash provided by (used in) operating activities	\$ 603,388	\$ 2,199,153

The notes to the financial statements are an integral part of this statement.

SEDGWICK COUNTY, KANSAS

Statement of Net Position Agency Funds December 31, 2014

	<u>Agency Funds</u>
Assets	
Cash, including investments	\$ 320,123,706
Accounts receivable	449
Property tax levied	<u>212,966,219</u>
Total assets	<u><u>\$ 533,090,374</u></u>
Liabilities	
Accrued liabilities	\$ 8,664,234
Due to other governmental units	<u>524,426,140</u>
Total liabilities	<u><u>\$ 533,090,374</u></u>

The notes to the financial statements are an integral part of this statement.

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SEDGWICK COUNTY, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

INDEX

	PAGE
I. Summary of Significant Accounting Policies	
A. Reporting Entity.....	A-32
B. Government-Wide and Fund Financial Statements.....	A-33
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation	A-33
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.....	A-36
1. Deposits and Investments.....	A-36
2. Receivables.....	A-37
3. Inventories.....	A-39
4. Prepaid Items.....	A-39
5. Capital Assets	A-39
6. Compensated Absences	A-40
7. Long-term Obligations.....	A-40
8. Equity Classifications	A-41
9. Deferred Inflows of Resources/Deferred Outflows of Resources	A-42
10. Estimates	A-42
II. Stewardship, Compliance and Accountability	
A. Budgetary Information.....	A-43
B. Deficit Fund Equity	A-44
III. Detailed Notes on All Funds	
A. Deposits and Investments	A-44
B. Capital Assets	A-47
C. Operating Leases	A-48
D. Long-term Debt	A-49
E. Interfund Transfers.....	A-56
F. Interfund Receivables and Payables	A-56
IV. Other Information	
A. Risk Management	A-57
B. Commitments -	A-59
C. Contingent Liabilities	A-59
D. Pending Governmental Accounting Standards.....	A-60
E. Defined Benefit Pension Plans.....	A-60
F. Other Postemployment Benefits Other Than Pensions	A-61
G. Termination Benefits.....	A-63

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

I. Summary of Significant Accounting Policies

A. Reporting Entity

Sedgwick County (County) is organized under the laws of the State of Kansas (Kansas or State) and is governed by an elected five-member board. As required by generally accepted accounting principles (GAAP), these financial statements present the primary government and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Units - The Sedgwick County Fire District (Fire District) is governed by the Sedgwick County Board of County Commissioners, acting as a separate governing body. The Fire District is a separate taxing entity by applicable Kansas statutes, providing fire protection services to certain areas of the County. The costs of providing such service, including retirement of long-term debt, are provided from property taxes assessed to property owners in the benefit district. The Fire District general obligation bonds payable are general obligation debt of the Fire District and are secured by the full faith and credit of the Fire District. For financial reporting, the financial activities of the Fire District are accounted for within the special revenue funds, debt service funds, and capital project funds within the County's financial statements.

The Sedgwick County Public Building Commission (SCPBC) was established to benefit the County and other governmental entities and is governed by a separate five-member board. The Sedgwick County Board of County Commissioners appoints all five members of the SCPBC Board and is able to impose its will on the SCPBC. The SCPBC has the authority to issue revenue bonds to finance the cost of acquiring and/or constructing land and facilities operated for a public purpose by a governmental entity. The SCPBC finances the debt service of the revenue bonds by leasing the land and facilities to the governmental entity that operates it. The operating governmental entity guarantees the rentals under the SCPBC lease. The SCPBC has no power to levy taxes, and revenue bonds issued by the SCPBC are not included in any legal debt limitations of the operating governmental entity. The SCPBC is considered a blended component unit due to a majority of the total debt outstanding for SCPBC being expected to be repaid entirely with the resources of the County. For financial reporting, the financial activities of the SCPBC are accounted for within the special revenue funds within the County's financial statements.

Separate audited financial statements are not prepared for the Sedgwick County Fire District or the SCPBC.

Related Organizations - The County Manager and Board of County Commissioners are also responsible for appointing ten of the eleven members of the board of the Sedgwick County Technical Education and Training Authority. However, the County's accountability for this organization does not extend beyond making the appointments. The Sedgwick County Technical Education and Training Authority is the official governing body of the Wichita Area Technical College.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

I. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report financial information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated in the process of consolidation. *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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and [2] grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Fund Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements, except for agency funds, which have no measurement focus. 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. Special assessments are recognized as revenue when levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - 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 government considers revenues collected within 60 days of the end of the current fiscal period as available. 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.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Fund Financial Statement Presentation (continued)

Property taxes are budgeted to finance the subsequent year's operations and, consequently, are not susceptible to accrual. Sales taxes collected and held by merchants and/or the State at year-end on behalf of the County are recognized as revenue. Licenses, fees, fines, forfeitures, charges for services, and other revenues are generally not susceptible to accrual and are recorded when received in cash.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year during which the entitlement is received.

The County's fiduciary funds consist of agency funds. Agency funds, unlike all other types of funds, report only assets and liabilities and use the accrual basis of accounting to recognize receivables and payables.

The County reports the following major governmental funds:

- ❑ The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- ❑ The *Federal/State Assistance Fund* is a special revenue fund established to account for revenues and expenditures derived from Federal and State grant sources.
- ❑ The *Public Building Commission Fund* is a blended component unit (special revenue fund) established to account for revenues and expenditures derived from direct financing leases.
- ❑ The *Debt Service Fund* accounts for the servicing of general long-term debt, including special assessment debt that is secured by the full faith and credit of the County, not being financed by proprietary funds.
- ❑ The *Debt Proceeds Fund* accounts for the receipt of proceeds from general obligation bonds and transfers to capital projects for financing the costs of improvements.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Fund Financial Statement Presentation (continued)

The *Arena Fund* is a major fund and the only enterprise fund of the County, accounting for activities of the County-owned downtown arena.

Additionally, the County reports the following fund types:

- ❑ *Special revenue funds* account for the proceeds of specific revenue sources (other than for major capital projects) that are restricted or committed for specified purposes.
- ❑ *Capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities or improvements (other than those financed by proprietary funds).
- ❑ *Internal service funds* account for fleet management, health, dental and life insurance reserves, workers' compensation reserves, and risk management reserves that provide services to other departments on a cost-reimbursement basis.
- ❑ *Agency funds* are used to report resources held by the County in a custodial capacity for tax collections and related distributions to other governments, as well as amounts held as fiduciary resources for remittance to individuals, private organizations or other governments through established clearing/other fee collection accounts.

Expenditures are grouped by function. The following are descriptions of the County's functions:

- ❑ *General Government* includes legislative, executive, financial administration, law, personnel administration, elections, facility operations, information technology, and planning & zoning functions.
- ❑ *Public Safety* includes public safety administration, law enforcement, corrections, protective inspection, fire protection, EMS, emergency communications, civil preparedness and judicial functions.
- ❑ *Public Works* includes road & bridges, storm drainage, waste disposal, weed control, and environmental resources functions.
- ❑ *Health and welfare* includes mental health, public health, aging assistance, general assistance, and animal control functions.
- ❑ *Cultural and recreation* includes parks, fairs & livestock, museums, and zoo functions.
- ❑ *Economic development* includes education, economic development, economic opportunity, and urban redevelopment & housing functions.
- ❑ *Debt service* includes payment of principal, interest and debt issuance cost.
- ❑ *Capital Outlay* includes construction of buildings, roads and major asset purchase.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Fund Financial Statement Presentation (continued)

Amounts reported as *program revenues* include [1] charges to customers or applicants for goods, services or privileges provided, [2] operating grants and contributions, and [3] capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund and internal service funds are charges to customers for services. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources, as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Deposits and Investments

The County maintains a cash and investment pool that is available for use by all funds of the primary government. The pool has the general characteristics of demand deposit accounts, in that each fund may deposit additional cash at any time and also, effectively, may withdraw cash at any time without prior notice or penalty. The pooled cash is invested to the extent available in authorized investments. Each fund type's portion of the pool is displayed on the financial statements as "cash, including investments."

For purposes of the statement of cash flows, the County considers all cash of the proprietary fund types to be cash equivalents.

The County's investment policy and Kansas law (K.S.A. 12-1675 – 12-1677) allow monies not otherwise regulated by statute to be invested in:

- Temporary notes of Sedgwick County;
- Time deposits, open accounts, or certificates of deposits with maturities of not more than four years;
- Repurchase agreements with commercial banks, or State or federally chartered savings and loan associations that have offices in Sedgwick County;
- United States treasury bills or notes with maturities not exceeding four years;
- U.S. government agency securities with a maturity of not more than four years;
- The municipal investment pool fund operated by the Kansas Treasurer. This pool is not an SEC registered pool. The Pooled Money Investment Board (PMIB) provides the regulatory oversight for this pool. The fair value of the PMIB investments approximates the value of pool shares; and,

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

1. Deposits and Investments (continued)

- A municipal investment pool established through the trust department of commercial banks that have offices in Sedgwick County.

In addition to the preceding authorized investments, the County's investment policy and Kansas law (K.S.A. 10-131) allow investment of proceeds of bonds and temporary notes in the following:

- U.S. government and agency obligations;
- Time deposits with banks and trust companies in Sedgwick County;
- FNMA, FHLB, and FHLMC obligations;
- Collateralized repurchase agreements;
- Investment agreements with financial institutions, including broker/dealers whose obligations are rated in one of the three highest rating categories by either Moody's or Standard & Poor's;
- Mutual funds whose portfolio consists entirely of obligations of the U.S. government, U.S. government agencies, FNMA, FHLB, and FHLMC; and
- Certain Kansas municipal bonds.

During 2014, the County invested in certificates of deposit, repurchase agreements, the Kansas Municipal Investment Pool, U.S. government and agency obligations, and mutual funds whose portfolio consists entirely of obligations of the U.S. government.

Unless specifically required under applicable Kansas statutes or other restrictions, earnings from investments are allocated based on average available cash balances, and the remaining earnings are allocated to the General Fund. Investments are carried at fair value.

2. Receivables

Interfund receivables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

2. Receivables (continued)

Property tax receivables – In accordance with Kansas statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied, with the balance to be paid on or before May 10 of the ensuing year. Kansas statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year.

Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred inflows of resources in the fund financial statements. It is not practicable to apportion delinquent taxes at the end of the year, and further, those amounts are not material in relationship to the basic financial statements.

Special assessments receivable – As required by Kansas statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds that are secured by the full faith and credit of the County and are retired from the Debt Service Fund. Further, Kansas statutes permit levying additional general ad valorem property taxes in the Debt Service Fund to finance delinquent special assessments receivable. Consequently, special assessments receivable are accounted for within the Debt Service Fund.

Special assessment taxes are levied over a 10 or 15-year period, and the County may foreclose on liens against property benefited by special assessments when delinquent assessments are two years in arrears. In the fund financial statements, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the Debt Service Fund, with a corresponding amount recorded as deferred inflows of resources in the fund financial statements at December 31.

Note receivable – Sedgwick County agreed to loan the Sedgwick County Zoological Society, Inc. up to \$2,400,000 for a 10-year term beginning April 1, 2007. The loan funds capital improvements for the Zoo at an initial rate of 5.23%, adjusted annually. At December 31, 2014 the note balance was \$936,044. Starting in 2014 there is a moratorium for five years. During that time the zoo will not be required to make payments on the loan. The rate will reset April 1, 2017.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

3. Inventories

Inventories of the governmental funds are valued at cost as determined by the first-in, first-out (FIFO) method. The consumption method is used to account for these inventories. Under the consumption method, inventories purchased are recorded as an asset and expenditure recognition is deferred until the inventories are actually consumed. Reported inventories in governmental funds are equally offset by a nonspendable fund balance, which indicates they are unavailing for a appropriation, even though they are a component of reported assets. Inventories of proprietary funds are valued at cost determined on the moving weighted average method.

4. Prepaid Items

Effective January 1, 2007, the County, through the SCPBC, entered into a 50-year lease with the Wichita Airport Authority of the City of Wichita, Kansas for land at Jbara Airport for construction of the aviation technical education campus. The County originally paid \$3,263,206 in advance rental payments, of which \$2,569,773 remains at December 31, 2014.

5. Capital Assets

Capital assets, including property, plant, equipment, software, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant, and infrastructure assets with initial individual costs that exceed \$50,000 and estimated useful lives extending beyond a single reporting period are recorded as capital assets. Equipment and software is capitalized when the initial cost exceeds \$10,000 and its useful life extends beyond a single reporting period.

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

5. Capital Assets (continued)

Property, plant, software, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Bridges	40
Drainage systems	30
Roads	30
Building improvements	20
Heavy equipment	10
Improvements other than buildings	10
Leasehold improvements	10
Office furniture and equipment	5
Operating equipment	3-5
Software	5
Vehicles	3

6. Compensated Absences

It is the County's policy to permit employees to accumulate a maximum of 160 hours of vacation. Upon termination or resignation from service to the County, employees are entitled to payment for all accrued vacation earned prior to termination or resignation.

All employees on permanent status earn sick leave at the rate of one calendar day per month with no maximum accumulation. Upon retirement, any employee who has accumulated 800 hours of sick leave is entitled to 240 hours of pay at the employee's current rate of salary. No allowance for unused sick leave is paid upon termination or resignation.

All leave pay is accrued when incurred in the government-wide statements and a liability for these amounts is reported.

7. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the government-wide financial statements, bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

8. Equity Classifications

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

- Net investment in capital assets – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction, or improvements of those assets.
- Restricted net position – consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The County first utilizes restricted resources of finance qualifying activities.
- Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

As prescribed by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, governmental fund balance classifications are based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

In the fund financial statements, governmental funds report fund balance in five different classifications:

- Non-spendable - Assets legally or contractually required to be maintained or are not in spendable form. Such constraint is binding until the legal requirement is repealed or the amounts become spendable.
- Restricted - Assets with externally imposed constraints, such as those mandated by creditors, grantors, and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws, or regulations.
- Committed - Assets with a purpose formally imposed by resolution by the Board of County Commissioners, binding unless modified or rescinded by the Board of County Commissioners.
- Assigned - Comprises of amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the County's Board or (2) a body or official to whom the County's Board has delegated the authority to. The Board has delegated authority to the County Manager or Department Heads to assign amounts to be used for specific purposes as prescribed by the County's Fund Balance and Cash policy.
- Unassigned - All amounts not included in the other fund balance classifications. The general fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

8. Equity Classifications (continued)

In circumstances when expenditure is made for a purpose which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The County's fund balance policy states that the General Fund will be managed in such a way as to maintain a minimum unrestrictd fund balance on the last calendar quarter equal to twenty percent of budgeted annual expenditures and transfers out.

9. Deferred Inflows of Resources/Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items, unavailable revenue and deferred revenue that qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: accounts receivable and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred revenues are reported in both the government-wide statement of net position and the governmental funds balance sheet for property tax receivable and notes receivable. Property taxes are not recognized as revenue until the period for which they are levied. Principal and interest on notes receivable are not available until future periods, so are deferred in the funds; however, only the interest portion is deferred in the government-wide statements, as it is recognized as revenue as it is earned over the term of the agreement.

10. Estimates

Preparation of financial statements in conformity with GAAP requires making estimates and assumptions that affect [1] the reported amounts of assets and liabilities, [2] disclosures, such as contingencies, and [3] the reported amounts of revenues and expenditures or expenses included in the financial statements. Actual results could differ from those estimates.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Kansas statutes require an annual operating budget be legally adopted for the general fund and debt service funds. Legally adopted budgets are also required for special revenue funds, internal service funds and enterprise funds, unless specifically exempted by statute. The statutes provide for the following sequence and timetable 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 County has the following levels of budget control:

- The legal level of control is established at the fund level by Kansas statutes.
- County resolution places level of control at the object class (i.e., personal services, contractual, commodities, etc.). This allows management to transfer amounts between object classes within a fund, subject to County policy.
- As allowed by Kansas statute, the governing body can increase the fund level expenditures by amending the budget. An amendment may only be made for previously unbudgeted increases in revenue other than ad valorem taxes. A notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after the publication, the hearing may be held and the governing body may amend the budget at that time.

There were no budget amendments in 2014.

All unencumbered appropriations (legal budget expenditure authority) lapse at year-end, except for capital project funds appropriations, which are carried forward until such time as the project is completed or terminated. Encumbered appropriations are not reappropriated in the ensuing year's budget, but are carried forward until liquidated or cancelled.

A legal operating budget is not required for capital projects funds, the debt proceeds fund, the County's single enterprise fund, or the following special revenue funds and internal service funds:

Non-Budgeted Special Revenue Funds

Federal and State Assistance Programs
Public Building Commission
Fire District Research and Development
Auto License
Prosecuting Attorney Training
Register of Deeds Technology
Court Alcohol/Drug Safety Action Program
District Court Trustee Operations
Township Dissolution

Non-Budgeted Internal Service Funds

Fleet Management
Health/Dental/Life Insurance Reserve
Workers' Compensation Reserve
Risk Management Reserve

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

II. Stewardship, Compliance and Accountability (continued)

B. Deficit Fund Equity

The Street, Bridge and Other Fund had a fund balance deficit of \$312,135 and the Building and Equipment Fund had a fund balance deficit of \$6,232,921 as of December 31, 2014. These deficits will be recovered through transfers from the Debt Proceeds Fund.

III. Detailed Notes on All Funds

A. Deposits and Investments

Sedgwick County has adopted a formal investment policy. Primary objectives of investment activities are, in order of priority, safety, liquidity and yield. The standard of care to be used by investment officials is the "prudent person" investment rule and is applied to management of the entire portfolio. This rule states "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well the probable income to be derived."

At December 31, 2014, the County had the following investments:

Investment Type	Fair Value	Modified Duration (in years)	Percent of Total Pooled Funds
U.S. treasury coupon securities	\$ 11,982,539	2.316	2.11
U.S. agency coupon securities	219,552,609	1.376	38.66
Repurchase agreements	89,468,454	-	15.75
Kansas Municipal Investment Pool ¹	57,979,975	-	10.21
Collateralized deposits	87,829,221	-	15.46
Mutual funds	11,186,359	-	1.97
Subtotal general operating portfolio	<u>477,999,157</u>		
Assets held by trustee:			
U.S. treasury coupon securities	84,043,882	-	14.80
State & Local Govt. securities	5,922,051	-	1.04
Subtotal assets held by trustee	<u>89,965,933</u>		100.00
Total Investments	<u>\$ 567,965,090</u>		
Portfolio modified duration		<u>.832</u>	

¹Interest rate risk for the Kansas Municipal Investment Pool is based on the weighted average maturity of the pool. As of December 31, 2014 the weighted average maturity of the pool was 148 days.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure or failure of the investment counterparty, the County's deposits may not be returned to the County, or the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has \$28,047,653 of agency coupon securities that are held by the investment counterparty.

The County requires that all investment transactions be settled delivery versus payment with an independent third party safekeeping agent under contract with the County. The County's investment policy requires compliance within the provisions of state law for the collateralization of all deposits and allowable securities are further limited to:

- Direct obligations of, or obligations insured by, the U.S. government or any agency thereof.
- Obligations and securities of U.S. government-sponsored corporations that, under federal law, may be accepted as security for public funds.
- Bonds of any Kansas municipality that have been refunded and are secured by U.S. obligations.
- Bonds of the State of Kansas.
General obligation bonds of any Kansas municipality.
- Temporary notes of Sedgwick County Kansas.
- Surety bond of a surety corporation authorized to do business in Kansas in an amount equal to the amount on deposit.

Peak period collateral agreements are not accepted by the County. Kansas law requires the fair value of collateral pledged to be equal to or greater than the entity's deposits. The County's investment policy requires the fair value of collateral to be at least 102% of the total deposits. As of December 31, 2014, the bank balance of the County's pooled cash deposits, including certificates of deposit, amounted to \$106,707,524. Of this, \$817,720 was not collateralized due to a deficiency of collateral pledged by one financial institution, resulting from an administrative error. The bank acknowledged the error, and in January 2015 a signed safekeeping agreement was executed to properly pledge collateral to cover the balance. All remaining balances were covered by FDIC insurance, or pledged collateral held by the County's agent in the County's name.

Interest rate risk

Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by requiring that maturities be staggered in a way that avoids undue concentration of assets in a specific maturity sector, and that the investment portfolio remain sufficiently liquid to meet all operating requirements which might reasonably be anticipated. Additionally, Kansas law and the investment policy limits investments to a maximum stated maturity of four years.

Credit risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Kansas law limits the types of investments that can be made by Sedgwick County. The County's investment policy imposes limitations beyond those of the State of Kansas. In accordance with the County's investment policy, the County minimizes credit risk by pre-qualifying financial institutions, brokers/dealers, intermediaries and advisors, as well as diversifying the portfolio so that potential losses on individual securities will be minimized. On December 31, 2014, the County's securities underlying repurchase agreements and investments consisting of U.S.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

agency obligations not directly guaranteed by the U.S. government included only instruments rated Aaa by Moody's and AA+ by Standard & Poor's. The County also holds investments with the Kansas Municipal Investment Pool, which is rated AAf/S1+ by Standard & Poor's. Mutual funds utilized by the County were rated AAAM by Standard & Poor's at December 31, 2014.

Concentration of credit risk

The investment policy of the County limits the amount of investments that can be placed with a single financial institution to no more than 60% of the total value of time deposits in the portfolio. The following maximum limits, by instrument, are also established for the County's total investment portfolio:

Investment Type	Maximum Percentage Of Portfolio
Repurchase agreements	15
Collateralized time and demand deposits	100
U.S. Treasury notes and bills	80
U.S. government agency obligations	80
Kansas Municipal Investment Pool	25
Bank Trust Department municipal pools	15
Temporary notes	10

In addition, the limit on repurchase agreements and investments with the Kansas Municipal Investment Pool may not exceed 75% of the portfolio for a maximum of 45 days during each of the May and December tax collection seasons. Finally, investments established for bond proceeds are limited by instrument as a percentage of the County's total portfolio value. Invested amounts are not to exceed 20% for mutual funds and 10% for general obligation bonds of Kansas municipalities.

At December 31, the County held \$105.4 million, or 22.1%, of its portfolio in investments issued by the Federal Home Loan Bank, \$35.8 million, or 7.5%, in investments were issued by the Federal Farm Credit Bank, \$29.9, or 6.3%, in investments were issued by Federal Home Loan Mortgage Loan Corp., and investments totaling \$48.6 million, or 10.2%, were held with the Federal National Mortgage Association.

A reconciliation of cash and investments as shown on the basic financial statements follows:

Cash, including investments, Statement of Net Position	\$ 166,436,284
Restricted cash, including investments, Statement of Net Position	99,162,826
Cash, including investments, Statement of Fiduciary Net Position	320,123,706
Total	\$ 585,722,816

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

III. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital assets activity of the primary government, which includes the internal service funds, for the year ended December 31, 2014, was as follows:

	December 31, 2013	Increases	Decreases	December 31, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 21,818,422	\$ 365,580	\$ -	\$ 22,184,002
Construction in progress	35,352,062	25,749,205	(3,751,128)	57,350,139
Total capital assets, not being depreciated	<u>57,170,484</u>	<u>26,114,785</u>	<u>(3,751,128)</u>	<u>79,534,141</u>
Capital assets, being depreciated:				
Buildings and improvements	309,299,673	3,104,168	-	312,403,841
Leasehold improvements	2,234,871	-	-	2,234,871
Improvements other than buildings	25,626,545	327,219	(318,628)	25,635,136
Machinery and equipment	83,921,671	6,932,702	(3,493,642)	87,360,731
Infrastructure	249,075,342	292,785	(2,386)	249,365,741
Total capital assets being depreciated	<u>670,158,102</u>	<u>10,656,874</u>	<u>(3,814,656)</u>	<u>677,000,320</u>
Less accumulated depreciation for:				
Buildings and improvements	(104,868,533)	(8,148,494)	-	(113,017,027)
Leasehold improvements	(2,234,871)	-	-	(2,234,871)
Improvements other than buildings	(16,795,451)	(1,507,755)	-	(18,303,206)
Machinery and equipment	(62,957,522)	(6,464,631)	3,400,113	(66,022,040)
Infrastructure	(103,097,709)	(7,474,098)	1,597	(110,570,210)
Total accumulated depreciation	<u>(289,954,086)</u>	<u>(23,594,978)</u>	<u>3,401,710</u>	<u>(310,147,354)</u>
Total capital assets being depreciated, net	<u>380,204,016</u>	<u>(12,938,104)</u>	<u>(412,946)</u>	<u>366,852,966</u>
Governmental activities capital assets, net	<u>\$ 437,374,500</u>	<u>\$ 13,176,681</u>	<u>\$ (4,164,074)</u>	<u>\$ 446,387,107</u>
	December 31, 2013	Increases	Decreases	December 31, 2014
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 13,038,358	\$ -	\$ -	\$ 13,038,358
Total capital assets, not being depreciated	<u>13,038,358</u>	<u>-</u>	<u>-</u>	<u>13,038,358</u>
Capital assets, being depreciated:				
Buildings and improvements	162,992,184	148,731	-	163,140,915
Machinery and equipment	5,861,624	208,871	-	6,070,495
Total capital assets being depreciated	<u>168,853,808</u>	<u>357,602</u>	<u>-</u>	<u>169,211,410</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,552,527)	(4,236,383)	-	(20,788,910)
Machinery and equipment	(4,637,753)	(921,041)	-	(5,558,794)
Total accumulated depreciation	<u>(21,190,280)</u>	<u>(5,157,424)</u>	<u>-</u>	<u>(26,347,704)</u>
Total capital assets being depreciated, net	<u>147,663,528</u>	<u>(4,799,822)</u>	<u>-</u>	<u>142,863,706</u>
Business-type activities capital assets, net	<u>\$ 160,701,886</u>	<u>\$ (4,799,822)</u>	<u>\$ -</u>	<u>\$ 155,902,064</u>

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

III. Detailed Notes on All Funds (continued)

B. Capital Assets (continued)

Depreciation expense was charged to functions of the primary government, as follows:

Governmental activities:	
General government	\$ 3,356,362
Public safety	4,909,150
Public works, including depreciation of general infrastructure assets	8,645,693
Health and welfare	146,361
Culture and recreation	2,275,186
Economic Development, conserve./natural resources	1,535,594
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,726,632</u>
Total depreciation expense – governmental activities	<u>\$ 23,594,978</u>
Business-type activities:	
Arena fund	<u>\$ 5,157,424</u>
Total depreciation expense – business-type activities	<u>\$ 5,157,424</u>

Construction Commitments

The County had outstanding construction commitments for various capital projects and improvements totaling \$8,612,802 at December 31, 2014. This amount is reflected as an encumbrance, which is a part of the fund balance in the Capital Projects Funds, including the Building and Equipment Fund, Street, Bridge and Other Fund, Sales Tax Road and Bridge Fund, Road and Bridge Equipment Fund, and the Capital Improvement Fund. These commitments will be funded through special assessments, general obligation bonds, local sales tax, intergovernmental revenue and existing local resources.

C. Operating Leases

The County has entered into a lease agreement with Wichita State University for space at National Center for Aviation Training. The future minimum rental income on this lease is as follows:

Year ending December 31	Governmental Activities
2015	\$ 800,000
2016	800,000
2017	800,000
2018	800,000
2019	800,000
2020 – 2024	4,000,000
2025 – 2029	4,000,000
2030	<u>800,000</u>
Totals	<u>\$ 12,800,000</u>

The lease has a term of 20 years. The County is responsible for a majority of utility payments and the lessee is responsible for insurance expenses associated with the property.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

III. Detailed Notes on All Funds (continued)

D. Long-Term Debt

General Obligation Bonds

Sedgwick County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, roads, bridges, storm water drainage systems and also to refund past debt issuances. All general obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of Sedgwick County. These bonds generally are issued as 20-year serial bonds with a level repayment schedule.

Current and Crossover Refunding Bonds

Crossover Refunding - For reporting purposes, under a crossover advance refunding bond issue, the original issue (refunded bonds) is not considered defeased until they are retired. As with advance refunding bond issues, the proceeds of the crossover advance refunding bonds are placed into an escrow account. However, unlike other types of advance refunding, the escrow account in a crossover advance refunding transaction is not immediately dedicated to debt service principal and interest payments on the refunded debt. Instead, the resources in the escrow account are used temporarily to meet debt service requirements on the refunding bonds. Only at a later date, known as the "crossover date" are the resources in the escrow account dedicated exclusively to the payment of principal and interest on the refunded debt. Crossover refunding does not result in the defeasance of debt prior to the crossover date. The County has recorded in the appropriate financial statements the outstanding debt of both the refunding and the refunded issues which are not considered defeased.

On August 15, 2012, the County issued \$5,840,000 in General Obligation Bonds at a premium of \$468,377 for a crossover refunding. The bonds have a true interest cost of 1.8 per cent. The crossover refunding portion includes \$5,785,000 of Series A 2005 Bonds with an average interest rate of 4.0 percent.

The crossover date on this refunding issue is August 1, 2015.

The County refunded these bonds to reduce total debt service payments over a period of 13 years and will realize a net savings of \$396,098 with a present value savings of \$341,415.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

III. Detailed Notes on All Funds (continued)

D. Long-Term Debt (continued)

Crossover Refunding – On September 15, 2014, the Sedgwick County Public Building Commission issued \$6,130,000 in revenue bonds at a premium of \$495,119 for a crossover refunding. The bonds have a true interest cost of 2.0 percent. The crossover refunding portion includes \$6,175,000 of Series 2007-1 Bonds with an average interest rate of 4.1 percent.

The crossover date on this refunding issue is August 1, 2016.

The County refunded these bonds to reduce its total debt service payments over a period of 12 years and will realize a net savings of \$473,397 with a present value savings of \$414,011.

On September 15, 2014, the Sedgwick County Public Building Commission issued \$25,745,000 in revenue bonds at a premium of \$2,823,335 for a crossover refunding. The bonds have a true interest cost of 2.3 percent. The crossover refunding portion includes \$26,065,000 of Series 2008-1 Bonds with an average interest rate of 5.1 percent.

The crossover date on this refunding issue is August 1, 2018.

The County refunded these bonds to reduce its total debt service payments over a period of 14 years and will realize a net savings of \$3,076,572 with a present value savings of \$2,510,739.

At December 31, 2014, \$38,025,000 of crossover refunding bonds have not been called.

General obligation bonds outstanding at December 31, 2014 are as follows:

Purpose	Interest Rate	Amount
Governmental Activities – Road and Bridge	1.25 – 5.65%	\$ 19,160,614
Governmental Activities – Facilities	1.25 – 5.65%	11,966,386
Governmental Activities – Refunding	1.25 – 5.65%	<u>35,830,000</u>
Total general obligation bonds outstanding		<u>\$ 66,957,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year ending December 31	Governmental Activities		
	Principal	Interest	Totals
2015	\$ 8,112,000	\$ 2,560,535	\$ 10,672,535
2016	8,107,000	2,285,788	10,392,788
2017	7,991,000	2,014,294	10,005,294
2018	8,186,000	1,739,554	9,925,554
2019	4,882,000	1,431,174	6,313,174
2020 – 2024	19,280,000	4,255,136	23,535,136
2025 – 2029	8,419,000	1,355,831	9,774,831
2030 – 2033	<u>1,980,000</u>	<u>144,080</u>	<u>2,124,080</u>
Totals	<u>\$ 66,957,000</u>	<u>\$ 15,786,392</u>	<u>\$ 82,743,392</u>

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

III. Detailed Notes on All Funds (continued)

D. Long-Term Debt (continued)

Sedgwick County also issues special assessment debt. Prior to 2002, the County issued special assessment debt to provide funds for the construction of sewer systems and streets for residential and commercial development. The County sold the sewer system to the City of Wichita on April 1, 2001 and now only issues special assessment debt to provide funds for the construction of streets. Special assessment bonds will be repaid from amounts levied against the property owners benefited by the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the County will provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. These bonds are issued as 15-year serial bonds with a level repayment schedule. Special assessment bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Governmental activities – Street and Sewer	1.25 – 5.20%	\$ 3,343,000

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year ending December 31	Governmental Activities		
	Principal	Interest	Totals
2015	\$ 328,000	\$ 130,789	\$ 458,789
2016	333,000	120,624	453,624
2017	349,000	109,753	458,753
2018	359,000	97,656	456,656
2019	373,000	84,325	457,325
2020 – 2024	1,340,000	224,598	1,564,598
2025 – 2029	261,000	14,130	275,130
Totals	\$ 3,343,000	\$ 781,875	\$ 4,124,875

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

III. Detailed Notes on All Funds (continued)

D. Long-Term Debt (continued)

Sedgwick County Public Building Commission Revenue Bonds

The Sedgwick County Public Building Commission (SCPBC) is a blended component unit of Sedgwick County. The SCPBC has the authority to issue revenue bonds to finance the cost of acquiring and/or constructing land and facilities operated for a public purpose by a governmental entity. The SCPBC finances the debt service of the revenue bonds by leasing the land and facilities to the governmental entity, which operates it. The operating governmental entity guarantees the rentals under the SCPBC lease. The SCPBC has no power to levy taxes, and revenue bonds issued by the SCPBC are not included in any legal debt limitations of Sedgwick County. The County is the operating governmental entity on eight of the eleven issues outstanding (as indicated with a “*”) with repayment schedules ranging from 5 to 20 years with one exception. The WSU Experiential Engineering 2014-3 is paid over 40 years to keep annual debt service under \$2,500,000. The current bonds outstanding are as follows:

Purpose	Interest Rate	Amount
*Public Services Administration Building 2003-3	3.80 – 4.00%	\$ 870,000
*Exploration Place Series 2003-2	3.85 – 4.50%	7,615,000
*#Juvenile Justice Complex 2007-1	4.00 – 4.125%	8,135,000
*#Technical Education Complex 2008-1	4.00 – 5.25%	33,590,000
*Public Safety Facilities & Equipment 2011-1	2.00 – 4.00%	11,025,000
*Juvenile Justice 2012-1 Refunding	2.00 – 3.00%	11,655,000
Wichita State University 2013-1 Refunding	3.00 – 4.00%	4,115,000
*Juvenile Justice Complex 2014-1 Refunding	1.00 – 5.00%	6,130,000
*Technical Education Complex 2014-2 Refunding	1.75 – 5.00%	25,745,000
^WSU Experiential Engineering (Tax Exempt) 2014-3	1.50 – 5.00%	38,895,000
^WSU Experiential Engineering 2014-4	1.95 – 3.90%	6,050,000
Total		<u>\$ 153,825,000</u>

^: The County does not pledge its full faith and credit on these bond issues.

#: \$32.2 million of these bond issues have been crossover refunded as a result of the proceeds from the 2014-1 and 2014-2 issues. Funds have been placed into an escrow account to be used on the crossover dates. See page A-50 for additional information.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending December 31	Component Unit – SCPBC		
	Principal	Interest	Totals
2015	\$ 6,870,000	\$ 5,233,798	\$ 12,103,798
2016	7,115,000	5,910,825	13,025,825
2017	7,360,000	5,633,925	12,993,925
2018	6,375,000	5,372,681	11,747,681
2019	8,715,000	5,164,743	13,879,743
2020 – 2024	45,070,000	20,660,561	65,730,561
2025 – 2029	33,665,000	12,000,761	45,665,761
2030 – 2034	6,105,000	8,023,914	14,128,914
2035 – 2039	5,550,000	6,798,703	12,348,703
2040 – 2044	7,070,000	5,235,750	12,305,750
2045 – 2049	8,910,000	3,378,900	12,288,900
2050 – 2054	11,020,000	1,229,375	12,249,375
Totals	<u>\$ 153,825,000</u>	<u>\$ 84,643,936</u>	<u>\$ 238,468,936</u>

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

III. Detailed Notes on All Funds (continued)

D. Long-Term Debt (continued)

SCPBC Revenue Bonds – WSU Refunding 2013-1

In 2013, the SCPBC issued revenue bonds for Wichita State University to finance the costs of acquiring an interest in the Woodman Alumni Center from the Wichita State Board of Trustees. The financing of this facility by the SCPBC represents a direct financing lease, and accordingly, the net investment in the lease is recorded as a note receivable on the SCPBC's balance sheet for governmental funds, and on the government-wide statement of net position.

At December 31, 2014, the components of the net investment of this lease consist of:

Note receivable	\$ 3,148,396
Less unearned income	229,646
Net effect on statement of net position	\$ 2,918,750

Future minimum lease rentals to be received under the direct financing lease are as follows:

Year ending December 31	Principal	Interest	Total
2015	\$ 1,364,583	\$ 145,938	\$ 1,510,521
2016	1,434,167	77,708	1,511,875
2017	120,000	6,000	126,000
Total	\$ 2,918,750	\$ 229,646	\$ 3,148,396

SCPBC Revenue Bonds – WSU Experiential Engineering 2014-3 & 2014-4

On December 30, 2014, the SCPBC issued revenue bonds for Wichita State University (WSU) to finance the cost of acquiring an interest in the Site, and of constructing, furnishing and equipping the first project part of the Innovation Campus. The proceeds of the bonds were deposited into an escrow trust account. As the project progresses, WSU will request reimbursement for project expenditures and the SCPBC will record a note receivable for the direct financing lease.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

III. Detailed Notes on All Funds (continued)

D. Long-Term Debt (continued)

Fire District Lease Agreements

In 2007, 2010, 2011 and 2014 the County entered into five lease agreements as lessee for financing the acquisition of major equipment for the Fire District. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through the capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 5,994,792
Less: accumulated depreciation	2,593,473
Total	\$ 3,401,319

The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2014, were as follows:

Year ending December 31	Governmental Activities
2015	\$ 704,104
2016	667,061
2017	563,347
2018	357,649
2019	170,622
2020	170,622
2021	170,622
2022	85,311
Total minimum lease payments	2,889,338
Less: amount representing interest	170,874
Total	\$ 2,718,464

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

III. Detailed Notes on All Funds (continued)

D. Long-Term Debt (continued)

Changes in Noncurrent Liabilities

Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities of the Internal Service Funds are included as part of the totals for governmental activities. At year-end, claims payable totaling \$1,175,000 are included in the amounts below. Claims are generally liquidated by the appropriate Internal Service Fund. Generally, compensated absences and other postemployment benefits are liquidated by the General Fund. Noncurrent liability activity for the year ended December 31, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 75,462,051	\$ -	\$ 8,505,051	\$ 66,957,000	\$ 8,112,000
Revenue Bonds	83,670,000	76,820,000	6,665,000	153,825,000	6,870,000
Special assessment debt with government commitment	<u>3,667,949</u>	<u>-</u>	<u>324,949</u>	<u>3,343,000</u>	<u>328,000</u>
Total bonds payable	162,800,000	76,820,000	15,495,000	224,125,000	15,310,000
Capital lease payable	2,264,555	1,271,190	817,281	2,718,464	645,763
Claims payable	1,141,000	1,246,900	1,212,900	1,175,000	833,000
Other postemployment benefits	17,112,844	2,652,183	1,583,226	18,181,801	-
Compensated absences	<u>6,700,000</u>	<u>6,953,904</u>	<u>6,703,904</u>	<u>6,950,000</u>	<u>6,650,000</u>
Governmental activities	<u>190,018,399</u>	<u>88,944,177</u>	<u>25,812,311</u>	<u>253,150,265</u>	<u>23,438,763</u>
Premium/(Discount)	<u>5,410,248</u>	<u>6,083,421</u>	<u>628,315</u>	<u>10,865,354</u>	<u>-</u>
Noncurrent liabilities	<u>\$ 195,428,647</u>	<u>\$ 95,027,598</u>	<u>\$ 26,440,626</u>	<u>\$ 264,015,619</u>	<u>\$ 23,438,763</u>

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

III. Detailed Notes on All Funds (continued)

D. Long-Term Debt (continued)

Conduit Debt

The County has issued Economic Development revenue bonds not directly obligated by the County. The County has issued these bonds individually and jointly with surrounding counties. The total amount outstanding at December 31, 2014 was \$172,081,664 for the Industrial Revenue Bonds and \$54,700,418 for the Single Family Mortgage Revenue Bonds. These bonds do not constitute an indebtedness or pledge of the faith and credit of the responsible entities or the County.

E. Interfund Transfers

A summary of interfund transfers is as follows:

	Transfers in:					Totals
	General Fund	Federal/State Assistance Funds	Debt Service Fund	Nonmajor Governmental Funds	Internal Service Funds	
Transfers out:						
General Fund	\$ -	\$ 2,178,070	\$ 1,597,566	\$ 2,897,779	\$ 1,000,397	\$ 7,673,812
Federal/State Assistance Funds	-	-	-	170,900	-	170,900
Debt Proceed Fund	-	-	1,275,842	9,469,608	-	10,745,450
Nonmajor Governmental Funds	208,320	225,446	742,281	209,678	-	1,385,725
Total	\$ 208,320	\$ 2,403,516	\$ 3,615,689	\$ 12,747,965	\$ 1,000,397	\$ 19,975,887

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, [2] move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and [3] use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Interfund Receivables and Payables

Interfund balances result from the time lag between the dates that [1] interfund goods and services are provided or reimbursable expenditures occur, [2] transactions are recorded in the accounting system, and [3] payments between funds are made. Interfund payables at year-end relate to amounts spent in certain capital projects funds that have yet to be repaid from long-term financing from the Debt Proceeds Fund.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

III. Detailed Notes on All Funds (continued)

F. Interfund Receivables and Payables (continued)

A summary of interfund receivables and payables at December 31, 2014 is as follows:

	Interfund Receivable	Interfund Payable
Debt Proceeds Fund	\$ 6,544,827	\$ -
Nonmajor Capital Projects Funds:		
Building and Equipment Fund	-	6,232,692
Street, Bridge and Other Fund	-	312,135
	\$ 6,544,827	\$ 6,544,827

During 2003, 2013 and 2014 interfund loans were made between the General Fund and the Capital Improvement Fund to provide for the funding of specific capital improvement projects. These advance receivables and payables as of December 31, 2014 are as follows:

	Advance Receivables	Advance Payables
General Fund	\$ 6,055,041	\$ -
Nonmajor Capital Projects Fund:		
Capital Improvement Fund	-	6,055,041
	\$ 6,055,041	\$ 6,055,041

IV. Other Information

A. Risk Management

The County's property and casualty insurance coverage consists of both a self-insurance program and insurance policies purchased from various insurance carriers. The overall cost of insurance coverage has increased significantly the past three years. There have not been any settlements in excess of insurance coverage during any of the prior three fiscal years. Exposure to various risks associated with weather related incidents such as wind, hail, and storm damage is covered by a property insurance policy.

Risks associated with the operation of the INTRUST Bank Arena include loss related to theft, damage or destruction of assets, and natural disasters. These risks are covered by commercial insurance. Settlements from these risks have not exceeded insurance coverage for the past three years.

Health/Dental/Life Insurance Reserve Fund. The County has a fully funded health plan. A dental benefit purchased from a dental insurance company is provided for all health plan participants. The County pays all premiums for the health/dental benefit from the Health/Dental/Life Insurance Reserve Fund. In 2014, the County paid 91% and participating employees paid 9% of the cost of the health plan benefit.

Workers' Compensation Reserve Fund. The County provides workers' compensation benefits through a self-insured plan that has been approved by the State of Kansas. Workers' compensation claims are administered by Risk Management, with the assistance of a contract attorney. Funding (premiums) for this self insurance plan is allocated to County departments. Premiums are determined by a formula that uses both paid claims and the actual number of claims. The County does maintain reserves and pays all expenses for this plan from the Workers' Compensation Reserve Fund.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

IV. Other Information (continued)

A. Risk Management (continued)

Risk Management Reserve Fund. The Risk Management Reserve Fund was established for the purpose of providing a contingency fund to pay self-insured claims, retentions and deductibles, and to provide an additional source of funding for the self-insured law enforcement liability, general liability, and public official's liability. Property insurance is also maintained with a commercial insurer and provides a self-insured retention of \$100,000 for each claim.

The following is a summary of the changes in the unpaid claims liability:

	Workers' Compensation
January 1, 2013 liability balances	\$ 1,204,000
Claims and changes in estimates	1,326,004
Claim payments	(1,389,004)
December 31, 2013 liability balances	1,141,000
Claims and changes in estimates	1,246,900
Claim payments	(1,212,900)
December 31, 2014 liability balances	\$ 1,175,000

Net position available for self-insurance expenses and future catastrophic losses are as follows:

Health/Dental/Life Insurance Reserve Fund	\$ 4,994,505
Workers' Compensation Reserve Fund	2,423,342
Risk Management Reserve Fund	2,226,249

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

IV. Other Information (continued)

B. Commitments

Encumbrances - The County uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executed 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 restricted, committed, or assigned fund balance. As of December 31, 2014 the County's governmental funds had a total of \$9.1 million in encumbrances, which were reported as following:

	General	Federal/State Assistance	Other Governmental Funds	Total Governmental Funds
Restricted:				
General government	\$ -	\$ -	\$ 6,364	\$ 6,364
Public safety	-	54,662	39,120	93,782
Health and welfare	-	8,831	34	8,865
Public Works	-	-	16,272	16,272
Economic development	-	3,150	-	3,150
Capital Outlay	-	-	6,287,523	6,287,523
Committed:				
Public safety	-	-	19,818	19,818
Capital Outlay	-	-	2,283,244	2,283,244
Assigned:				
General government	92,020	-	-	92,020
Public safety	114,395	57,691	-	172,086
Public works	89,109	-	2,381	91,490
Health and welfare	1,394	4,045	-	5,439
Economic development	210	-	-	210
Capital Outlay	-	-	42,035	42,035
Total	\$ 297,128	\$ 128,379	\$ 8,696,791	\$ 9,122,298

Funding Commitments - In 2013, Sedgwick County entered into a five year funding agreement with the Sedgwick County Zoological Society. The County agreed to pay \$30.2 million over five years starting in 2014. As of December 31, 2014, the County has paid \$5.3 million and the remaining balance is \$24.9 million.

In 2014, Sedgwick County committed another \$5.3 million to the Zoo for a sponsorship agreement related to the addition of an elephant barn. The payment was made on January 2, 2015.

C. Contingent Liabilities

The County is a defendant in various legal actions pending or in process for tax appeals, property damage, and miscellaneous claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. Management and the County's counsel are of the opinion that the final outcome of the cases will not have an adverse material effect on the County's financial statements.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

IV. Other Information (continued)

D. Pending Governmental Accounting Standards

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was issued in June 2012. This statement establishes accounting and financial reporting by state and local governments for pensions, including entities that participate in cost-sharing multiple-employer plans. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equipment arrangements that meet certain criteria. Also, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For example, cost-sharing employers participating in KPERS, such as the County, will be required to record their proportionate share, as defined in Statement No. 68, of the KPERS unfunded pension liability. While management of the County has not yet estimated their share of the KPERS liability, it is presumed that the amount will be material to the County's financial statements. The provisions of this statement are effective for financial statements for the County's fiscal year ending December 31, 2015.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, was issued in November 2013. The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Under Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances of deferred outflows and inflows of resources not be reported. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement should be applied simultaneously with the provisions of Statement 68.

GASB Statement No. 72, Fair Value Measurement and Application, was issued in February 2015. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes, applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The provisions of this statement are effective for financial statements for the County's fiscal year ending December 31, 2016.

E. Defined Benefit Pension Plans

Plan description. The County participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

IV. Other Information (continued)

E. Defined Benefit Pension Plans (continued)

benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-419 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7.15% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for 2014 is as 9.69%

The County's contributions to KPERS for the years ended December 31, 2014, 2013, and 2012 were \$8,760,409, \$7,589,220, and \$7,382,885, respectively, equal to the statutory required contributions for each year. The KP&F employer rates for 2014 are 20.08% for the Emergency Medical Services Department, 19.92% for the Fire Department, and 20.28% for the Sheriff Department. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The County's contributions to KP&F for the years ended December 31, 2014, 2013, and 2012 were \$6,138,375, \$5,344,070, and \$5,093,322, respectively, equal to the statutory required contributions for each year.

F. Other Postemployment Benefits Other Than Pensions

Plan description. The County sponsors a single-employer defined benefit healthcare plan that provides healthcare benefits, including medical, dental and vision, to retirees. Retiree health coverage is provided for under K.S.A. 12-5040. Employees who retire with at least 10 years of cumulative service with the County and commence retirement or disability benefits under the Kansas Public Employee Retirement System (KPERS) are eligible for benefits. The funding policy of the County is to pay premiums as they come due through the Health/Dental/Life Insurance Reserve internal service fund.

County retirees pay the same premiums charged to COBRA participants for medical, dental and vision coverage. The COBRA rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these two amounts is the implicit rate subsidy, which is considered other postemployment benefits (OPEB) under Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45).

Retirees and spouses have the same benefit as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches the Medicare eligibility age which is currently age 65. Spousal coverage is available until

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

IV. Other Information (continued)

F. Other Postemployment Benefits Other Than Pensions (continued)

the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies.

Funding policy. The contribution requirements of plan members and the County are established and may be amended by the County Commission. The required contribution is based on projected pay-as-you-go financing requirements. County retirees pay 100% of their healthcare premiums; the County is not required to share costs of retiree premiums.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following tables show the components of the primary government OPEB cost for 2014:

Annual OPEB Cost and Obligation for 2014	Amount
Annual required contribution (ARC)	\$ 2,707,579
Interest on Net OPEB Obligation	598,950
Adjustment to the ARC	(654,346)
Annual OPEB cost (expense)	2,652,183
Contributions made	(1,583,226)
Increase in net OPEB obligation	1,068,957
Net OPEB obligation—beginning of year	17,112,844
Net OPEB obligation—end of year	\$ 18,181,801

Employer Contribution for 2014	Amount
Age-approximating premiums paid on behalf of retirees	\$ 2,145,437
Retiree contribution	(562,211)
Net employer contribution	\$ 1,583,226

Schedule of Employer Contributions				
Year	Net OPEB Obligation	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed
2012	15,774,746	2,365,362	1,364,327	57.7%
2013	17,112,844	2,656,514	1,318,416	49.6%
2014	18,181,801	2,652,183	1,583,226	59.7%

Funded Status and Funding Progress. As of January 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$27.6 million, and there was no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$27.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$111.0 million, and the ratio of the UAAL to the covered payroll was 24.8 percent.

SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

IV. Other Information (continued)

F. Other Postemployment Benefits Other Than Pensions (continued)

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

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

In the January 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment return on the County's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after seven years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was thirty years.

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

G. Termination Benefits

During 2011, the County adopted a retirement incentive program to reduce its workforce. This was done as a cost saving measure in response to the decline in the economy. Eligible employees were given the option to participate in medical insurance for five years or until retiree reaches the age of 65. The County would continue paying the current employer portion of the premium consistent with the contribution of active employees. If during the five years the employee reaches the age of 65, the benefit will transition to a single Medicare supplemental plan. The employee could also elect a one-time pay out of sick leave plus an additional 20 days (a maximum of a 50 day payout). In 2014, benefits paid were \$802,500. The effect of the health care benefit is included with the determination of other post employment benefits described in Note F. above. The retirement incentive program increased the accrual actuarial liability by \$5,775,637 for the year ended December 31, 2014.

SEDGWICK COUNTY, KANSAS

**REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014**

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual – Budgetary Basis
General Fund
For the Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 103,650,816	\$ 103,650,816	\$ 104,923,803	\$ 1,272,987
Sales taxes	27,674,323	27,674,323	27,553,006	(121,317)
Other taxes	249,114	249,114	387,453	138,339
Intergovernmental	4,375,641	4,375,641	3,142,527	(1,233,114)
Charges for services	17,642,384	17,642,384	17,380,859	(261,525)
Uses of money and property	4,219,812	4,219,812	4,763,874	544,062
Fines and forfeits	65,386	65,386	47,716	(17,670)
Licenses and permits	408,488	408,488	53,469	(355,019)
Reimbursed expenditures	4,987,817	4,987,817	5,607,666	619,849
Other	3,200,778	3,200,778	4,588,316	1,387,538
Total revenues	<u>166,474,559</u>	<u>166,474,559</u>	<u>168,448,689</u>	<u>1,974,130</u>
Expenditures				
Current:				
Personnel services	106,642,035	106,278,326	102,232,262	4,046,064
Contractual services	60,978,519	57,712,944	39,096,788	18,616,156
Commodities	5,556,478	6,029,161	5,500,622	528,539
Capital outlay	877,927	579,448	161,433	418,015
Debt service:				
Principal	-	62,783	62,783	-
Total debt service	-	62,783	62,783	-
Total expenditures	<u>174,054,959</u>	<u>170,662,662</u>	<u>147,053,888</u>	<u>23,608,774</u>
Revenues over expenditures	<u>(7,580,400)</u>	<u>(4,188,103)</u>	<u>21,394,801</u>	<u>25,582,904</u>
Other financing sources (uses)				
Transfers from other funds	345,937	345,937	208,320	(137,617)
Transfers to other funds	(17,396,111)	(20,788,408)	(19,852,749)	935,659
Total other financing sources (uses)	<u>(17,050,174)</u>	<u>(20,442,471)</u>	<u>(19,644,429)</u>	<u>798,042</u>
Net change in fund balances	(24,630,574)	(24,630,574)	1,750,372	26,380,946
Fund balances, beginning of year	24,630,574	24,630,574	62,754,047	38,123,473
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,504,419</u>	<u>\$ 64,504,419</u>

SEDGWICK COUNTY, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2014

Schedule of Revenues, Expenditures and Changes in Fund Balances (continued)

Budget / GAAP Reconciliation

All legal operating budgets are prepared using the modified cash 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 for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Accordingly, the data presented in the budgetary comparison statements differs from the data presented in the financial statements prepared in accordance with GAAP. The following schedule provides reconciliation from GAAP basis to budgetary basis for the General Fund.

	December 31, 2014
Fund balance, budgetary basis	\$ 64,504,419
Current year encumbrances	297,128
Fair value adjustment of investments	(947,109)
Accrued revenues	<u>4,772,331</u>
Fund balance, GAAP basis	<u>\$ 68,626,769</u>

Other Postemployment Benefits Other Than Pensions

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2009	-	28,488,774	28,488,774	-	113,107,379	25.2%
01/01/2011	-	22,649,095	22,649,095	-	121,832,839	18.6%
01/01/2013	-	27,567,411	27,567,411	-	111,026,155	24.8%

SEDGWICK COUNTY, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION December 31, 2014

Note 1 Significant Factors Affecting Trends in Actuarial Information

Changes in the Actuarial Accrued Liability for the valuation completed at January 1, 2013 are primarily due to:

- The valuation interest rate was lowered from 4.0% to 3.5%.
- The assumed enrollment rate for future retirees was lowered from 65% to 55%.
- The assumed proportion of future retirees with a covered spouse was lowered from 60% to 50%.
- The assumed Medical/Rx trend rates were changed from Actual, then 7.5% grading down in increments of .5 percentage points to an ultimate of 5.0% to a starting trend of actual, then 7.5% grading down in increments of .25 percentage points to an ultimate of 5.0%.
- The disability, turnover and retirement rates were updated where applicable to be based on the latest available rates from KPERS/KP&F.
- Assumed mortality was updated to reflect improvement through 2018 based on recommendations in actuarial literature.
- The County changed from two Medical plan options to one effective January 1, 2013.

APPENDIX C

FORM OF BOND COUNSEL OPINION

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[November 19, 2015]

Governing Body
Sedgwick County, Kansas

[Purchaser]
[City, State]

Re: \$13,725,000* General Obligation Refunding and Improvement Bonds, Series A, 2015, of Sedgwick County, Kansas, Dated November 19, 2015

We have acted as Bond Counsel in connection with the issuance by Sedgwick County, Kansas (the "Issuer"), of the above-captioned bonds (the "Bonds"). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the resolution adopted by the governing body of the Issuer authorizing the issuance and prescribing the details of the Bonds.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding general obligations of the Issuer.

2. The Bonds are payable as to both principal and interest in part from special assessments levied upon the property benefited by the construction of certain improvements and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The balance of the principal and interest on the Bonds is payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The interest on that portion of the Bonds attributed to refunding the Refunded Bonds to and including August 1, 2016, shall be primarily payable from the proceeds of certain Escrowed Securities and cash held under the terms of the Escrow Agreement. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. The interest on the Bonds [(including any original issue discount properly allocable to an owner of a Bond)] is: (a) excludable from gross income for federal income tax purposes; and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have **not** been designated as "qualified tax-exempt obligations" for purposes of Code § 265(b)(3). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. The interest on the Bonds is exempt from income taxation by the State of Kansas.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

GILMORE & BELL, P.C.

APPENDIX D

SUMMARY OF FINANCING DOCUMENTS

The following is a summary of certain provisions contained in the Bond Resolution authorizing the issuance of the Bonds, the Escrow Trust Agreement and the Disclosure Undertaking. This summary does not purport to be complete and is qualified by reference to the entirety of the foregoing documents.

THE BOND RESOLUTION

DEFINITIONS

In addition to words and terms defined elsewhere in this Official Statement, the following words and terms as used herein shall have the meanings hereinafter set forth. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

“Act” means the Constitution and statutes of the State of Kansas including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-427 *et seq.*, K.S.A. 10-620 *et seq.*, K.S.A. 19-1510, as amended by Charter Resolution No. 56, and K.S.A. 68-1103, as amended and supplemented.

“Authorized Denomination” means \$5,000 or any integral multiples thereof.

“Beneficial Owner” of the Bonds includes any Owner of the Bonds and any other Person who, directly or indirectly has the investment power with respect to such Bonds.

“Bond and Interest Fund” means the Bond and Interest Fund of the Issuer for its general obligation bonds.

“Bond Counsel” means the firm of Gilmore & Bell, P.C., or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the Issuer.

“Bond Payment Date” means any date on which principal of or interest on any Bond is payable.

“Bond Register” means the books for the registration, transfer and exchange of Bonds kept at the office of the Bond Registrar.

“Bond Registrar” means the State Treasurer, and its successors and assigns.

“Bond Resolution” means the resolution adopted by the governing body of the Issuer authorizing the issuance of the Bonds, as amended from time to time.

“Bonds” means the General Obligation Refunding and Improvement Bonds, Series A, 2015, authorized and issued by the Issuer pursuant to the Bond Resolution.

“Business Day” means a day other than a Saturday, Sunday or any day designated as a holiday by the Congress of the United States or by the Legislature of the State and on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

“Cede & Co.” means Cede & Co., as nominee of DTC and any successor nominee of DTC with respect to the Bonds.

“CFO” means the Chief Financial Officer of the Issuer, or in the CFO's absence, the duly appointed Deputy CFO or Acting CFO of the Issuer or such other person as may be designed by the CFO or the Issuer to act on behalf of such Chief Financial Officer.

“Chairman” means the duly elected and acting Chairman of the Issuer, or in the Chairman's absence, the duly appointed and/or elected Chair Pro Tem or Acting Chairman of the Issuer.

“Clerk” means the duly appointed and acting Clerk of the Issuer or, in the Clerk's absence, the duly appointed Deputy, Assistant or Acting Clerk of the Issuer.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder of the United States Department of the Treasury.

“Consulting Engineer” means an independent engineer or engineering firm, or architect or architectural firm, having a favorable reputation for skill and experience in the construction, financing and operation of public facilities, at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Consulting Engineer by the Bond Resolution.

“Costs of Issuance” means all costs of issuing the Bonds, including but not limited to all publication, printing, signing and mailing expenses in connection therewith, registration fees, financial advisory fees, all legal fees and expenses of Bond Counsel and other legal counsel, expenses incurred in connection with compliance with the Code, all expenses incurred in connection with receiving ratings on the Bonds, and any premiums or expenses incurred in obtaining municipal bond insurance on the Bonds.

“Costs of Issuance Account” means the account by that name created by the Bond Resolution.

“County” means Sedgwick County, Kansas.

“Dated Date” means November 19, 2015.

“Debt Service Account” means the account by that name created within the Bond and Interest Fund by the Bond Resolution.

“Debt Service Requirements” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on the Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company located in the State and having full trust powers.

“Defaulted Interest” means interest on any Bond which is payable but not paid on any Interest Payment Date.

“Defeasance Obligations” means any of the following obligations:

(a) United States Government Obligations that are not subject to redemption in advance of their maturity dates;
or

(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(3) such cash and the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) such obligations are rated in a rating category by Moody's or Standard & Poor's that is no lower than the rating category then assigned by that Rating Agency to United States Government Obligations.

“Derivative” means any investment instrument whose market price is derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.

“Disclosure Undertaking” means the Issuer’s Omnibus Continuing Disclosure Undertaking, as may be amended and supplemented, relating to certain obligations contained in the SEC Rule.

“DTC” means The Depository Trust Company, New York, New York.

“Escrow Agent” means [Escrow Agent], [City], Kansas, and its successors and assigns.

“Escrow Agreement” means the Escrow Trust Agreement, dated as of November 19, 2015, between the Issuer and the Escrow Agent.

“Escrow Fund” means the Escrow Fund for Refunded Bonds referred to in the Bond Resolution.

“Escrowed Securities” means the direct, noncallable obligations of the United States of America, as described in the Escrow Agreement.

“Event of Default” means each of the following occurrences or events:

(a) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise;

(b) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due; or

(c) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution (other than the covenants relating to continuing disclosure contained in the Bond Resolution and the Disclosure Undertaking) on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of the Bonds then Outstanding.

“Federal Tax Certificate” means the Issuer's Federal Tax Certificate for the Bonds, dated as of the Issue Date, as the same may be amended or supplemented in accordance with the provisions thereof.

“Financeable Costs” means the amount of expenditure for an Improvement which has been duly authorized by action of the governing body of the Issuer to be financed by general obligation bonds, less: (a) the amount of any temporary notes or general obligation bonds of the Issuer which are currently Outstanding and available to pay such Financeable Costs; and (b) any amount of Financeable Costs which has been previously paid by the Issuer or by any eligible source of funds unless such amounts are entitled to be reimbursed to the Issuer under State or federal law.

“Fiscal Year” means the twelve month period ending on December 31.

“Funds and Accounts” means funds and accounts created by or referred to in the Bond Resolution.

“Improvement Fund” means the fund by that name created in the Bond Resolution.

“Improvements” means the improvements referred to in the preamble to the Bond Resolution and any Substitute Improvements.

“Independent Accountant” means an independent certified public accountant or firm of independent certified public accountants at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Independent Accountant by the Bond Resolution.

“Interest Payment Date(s)” means the Stated Maturity of an installment of interest on any Bond which shall be February 1 and August 1 of each year, commencing February 1, 2016.

“Issue Date” means the date when the Issuer delivers the Bonds to the Purchaser in exchange for the Purchase Price.

“Issuer” means the County and any successors or assigns.

“Maturity” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein and in the Bond Resolution provided, whether at the Stated Maturity thereof or call for redemption or otherwise.

“Moody’s” means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

“Official Statement” means the Issuer’s Official Statement relating to the Bonds.

“Outstanding” means, when used with reference to the Bonds, as of a particular date of determination, all Bonds theretofore, authenticated and delivered, except the following Bonds:

- (a) Bonds theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds deemed to be paid in accordance with the provisions of the Bond Resolution; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered hereunder.

“Owner” when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register. Whenever consent of the Owners is required pursuant to the terms of the Bond Resolution, and the Owner of the Bonds, as set forth on the Bond Register, is Cede & Co., the term Owner shall be deemed to be the Beneficial Owner of the Bonds.

“Participants” means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“Paying Agent” means the State Treasurer, and any successors and assigns.

“Permitted Investments” shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative: (a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in commercial banks or trust companies located in the Issuer which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c); (f) obligations of the federal national mortgage association, federal home loan banks, federal home loan mortgage corporation or government national mortgage association; (g) repurchase agreements for securities described in (c) or (f); (h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's; (i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f); (j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f); (k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; or (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f), all as may be further restricted or modified by amendments to applicable State law.

“Person” means any natural person, corporation, partnership, joint venture, association, firm, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

“Purchaser” means the financial institution or investment banking firm that is original purchaser of the Bonds.

“Rating Agency” means any company, agency or entity that provides, pursuant to request of the Issuer, financial ratings for the Bonds.

“Rebate Fund” means the fund by that name created by the Bond Resolution.

“Record Dates” for the interest payable on any Interest Payment Date means the fifteenth day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

“Redemption Date” means, when used with respect to any Bond to be redeemed, the date fixed for the redemption of such Bond pursuant to the terms of the Bond Resolution.

“Redemption Price” means, when used with respect to any Bond to be redeemed, the price at which such Bond is to be redeemed pursuant to the terms of the Bond Resolution, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

“Refunded Bonds” means the Series A, 2006 Bonds maturing in the years 2017 to 2026, inclusive, in the aggregate principal amount of \$2,020,000.

“Refunded Bonds Paying Agent” means the paying agent for the Refunded Bonds as designated in the Refunded Bonds Resolution, and any successor or successors at the time acting as paying agent of the Refunded Bonds.

“Refunded Bonds Redemption Date” means August 1, 2016.

“Refunded Bonds Resolution” means the resolution which authorized the Refunded Bonds.

“Replacement Bonds” means Bonds issued to the Beneficial Owners of the Bonds in accordance with the Bond Resolution.

“SEC Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

“Securities Depository” means, initially, DTC, and its successors and assigns.

“Series A, 2006 Bonds” means the Issuer's General Obligation Bonds, Series A, 2006, dated December 1, 2006.

“Series A, 2006 Principal and Interest Account” means the Principal and Interest Account for the Series A, 2006 Bonds.

“Special Record Date” means the date fixed by the Paying Agent for the payment of Defaulted Interest.

“Standard & Poor's” means Standard & Poor's Ratings Services, a division of McGraw Hill Financial Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

“State” means the state of Kansas.

“State Treasurer” means the duly elected Treasurer of the State or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the State.

“Stated Maturity” when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond and the Bond Resolution as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

“Substitute Escrowed Securities” means securities that satisfy the requirement of Defeasance Obligations as set forth in the Refunded Bonds Resolution, which have been acquired by the Escrow Agent and substituted for Escrowed Securities in accordance with the Escrow Agreement.

“Substitute Improvements” means the substitute or additional improvements of the Issuer described in the Bond Resolution.

[**“Term Bonds”** means the Bonds scheduled to mature in the year 2035.]

[**“___ Term Bonds”** means the Bonds scheduled to mature in the year ____.]

[**“2035 Term Bonds”** means the Bonds scheduled to mature in the year 2035.]

[**“Term Bonds”** means collectively, the ___ Term Bonds and the 2035 Term Bonds.]

“**Treasurer**” means the duly appointed and/or elected Treasurer of the Issuer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the Issuer.

“**United States Government Obligations**” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Issuer.

“**Verification Report**” means the verification report relating to the Bonds and the Refunded Bonds as referenced in the Escrow Agreement.

**ESTABLISHMENT OF FUNDS AND ACCOUNTS;
DEPOSIT AND APPLICATION OF BOND PROCEEDS**

Creation of Funds and Accounts. Simultaneously with the issuance of the Bonds, there shall be created within the Treasury of the Issuer the following Funds and Accounts:

- (a) Improvement Fund.
- (b) Debt Service Account (within the Bond and Interest Fund).
- (c) Rebate Fund.
- (d) Costs of Issuance Account.

The above Funds and Accounts shall be administered in accordance with the provisions of the Bond Resolution so long as the Bonds are Outstanding.

In addition to the Funds and Accounts described above, the Escrow Agreement establishes the Escrow Fund to be held and administered by the Escrow Agent in accordance with the provisions of the Escrow Agreement.

Deposit of Bond Proceeds. The net proceeds received from the sale of the Bonds shall be deposited simultaneously with the delivery of the Bonds as follows:

- (a) Any excess proceeds received from the sale Bonds shall be deposited in the Series A, 2006 Principal and Interest Account and applied to payment of principal on the Series A, 2006 Bonds that are not Refunded Bonds.
- (b) An amount necessary to pay the Costs of Issuance shall be deposited in the Costs of Issuance Account.
- (s) An amount necessary to provide for the redemption of the Refunded Bonds shall be transferred to the Escrow Agent for deposit in the Escrow Fund and applied in accordance with the Escrow Agreement.
- (d) The remaining balance of the proceeds derived from the sale of the Bonds shall be deposited in the Improvement Fund.

Application of Moneys in the Improvement Fund. Moneys in the Improvement Fund shall be used for the sole purpose of: (a) paying the costs of the Improvements; (b) paying interest on the Bonds during construction of the Improvements; (c) paying Costs of Issuance to the extent necessary; and (d) transferring any amounts to the Rebate Fund. Withdrawals from the Improvement Fund shall be made only when authorized by the governing body of the Issuer. Each authorization for costs of the Improvements shall be approved by the Consulting Engineer, the County engineer, or a project manager designated by the Issuer (or designate) evidencing the fact that such payment is being made for a purpose within the scope of the Bond Resolution and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Authorizations for withdrawals for other authorized purposes shall be approved by the CFO (or designate) stating that such payment is being made for a purpose within the scope of the Bond Resolution. Upon completion of the Improvements, any surplus remaining in the Improvement Fund shall be deposited in the Debt Service Account.

Substitution of Improvements; Reallocation of Proceeds. The Issuer may elect for any reason to substitute or add other public improvements to be financed with proceeds of the Bonds provided the following conditions are met: (a) the Substitute Improvement and the issuance of general obligation bonds to pay the cost of the Substitute Improvement has been duly authorized by the governing body of the Issuer in accordance with the laws of the State; (b) a resolution authorizing the

use of the proceeds of the Bonds to pay the Financeable Costs of the Substitute Improvement has been duly adopted by the governing body of the Issuer pursuant to this Section, (c) the Attorney General of the State has approved the amendment made by such resolution to the transcript of proceedings for the Bonds to include the Substitute Improvements; and (d) the use of the proceeds of the Bonds to pay the Financeable Cost of the Substitute Improvement will not adversely affect the tax status of the Bonds under State or federal law.

The Issuer may reallocate expenditure of Bond proceeds among all Improvements financed by the Bonds; provided the following conditions are met: (a) the reallocation is approved by the governing body of the Issuer; (b) the reallocation shall not cause the proceeds of the Bonds allocated to any Improvement to exceed the Financeable Costs of the Improvement; and (c) the reallocation will not adversely affect the tax status of the Bonds under State or federal law.

Application of Moneys in the Debt Service Account. All amounts paid and credited to the Debt Service Account shall be expended and used by the Issuer for the sole purpose of paying the principal or Redemption Price of and interest on the Bonds as and when the same become due and the usual and customary fees and expenses of the Bond Registrar and Paying Agent. The Treasurer is authorized and directed to withdraw from the Debt Service Account sums sufficient to pay both principal or Redemption Price of and interest on the Bonds and the fees and expenses of the Bond Registrar and Paying Agent as and when the same become due, and to forward such sums to the Paying Agent in a manner which ensures that the Paying Agent will receive immediately available funds in such amounts on or before the Business Day immediately preceding the dates when such principal, interest and fees of the Paying Agent will become due. If, through the lapse of time or otherwise, the Owners of Bonds are no longer entitled to enforce payment of the Bonds or the interest thereon, the Paying Agent shall return said funds to the Issuer. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Bond Resolution and shall be held in trust by the Paying Agent for the benefit of the Owners of the Bonds entitled to payment from such moneys. Any moneys or investments remaining in the Debt Service Account after the retirement of the Bonds shall be transferred and paid into the Bond and Interest Fund.

Payments Due on Saturdays, Sundays and Holidays. In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Application of Moneys in the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Federal Tax Certificate. All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Federal Tax Certificate), for payment to the United States of America, and neither the Issuer nor the Owner of any Bonds shall have any rights in or claim to such money.

Application of Moneys in the Costs of Issuance Account. Moneys in the Costs of Issuance Account shall be used by the Issuer to pay the Costs of Issuance. Any funds remaining in the Costs of Issuance Account, after payment of all Costs of Issuance, but not later than the later of 30 days prior to the first Stated Maturity of principal or one year after the date of issuance of the Bonds, shall be transferred to the Improvement Fund until completion of the Improvements and thereafter to the Debt Service Account.

Application of Moneys in the Escrow Fund. Under the Escrow Agreement, the Escrow Agent will apply moneys in the Escrow Fund to purchase the Escrowed Securities and to establish an initial cash balance in accordance with the Escrow Agreement. The cash and Escrowed Securities held in the Escrow Fund will be applied by the Escrow Agent solely in the manner authorized by the Escrow Agreement.

Verification of Certified Public Accountant. Prior to or concurrently with the issuance and delivery of the Bonds and the creation of the Escrow Fund, the Issuer shall obtain a Verification Report from an independent certified public accountant that such accountant has verified the accuracy of the calculations that demonstrate that the money and obligations required to be deposited with the Escrow Agent pursuant to the Bond Resolution and the Escrow Agreement, together with the earnings to accrue thereon, will be sufficient for the timely payment of the principal of and redemption premium, if any, on the Refunded Bonds and the interest on the Bonds to the Refunded Bonds Redemption Date in accordance with the Escrow Agreement.

DEPOSIT AND INVESTMENT OF MONEYS

Deposits. Moneys in each of the Funds and Accounts shall be deposited in a bank, savings and loan association or savings bank which are members of the Federal Deposit Insurance Corporation, or otherwise as permitted by State law, and which meet certain guidelines of State law. All such deposits shall be held in cash or invested in Permitted Investments or shall be adequately secured as provided by the laws of the State.

Investments. Moneys held in any Fund or Account other than the Escrow Fund may be invested in accordance with the Bond Resolution and the Federal Tax Certificate, in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such fund was created. All earnings on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account; provided that, during the period of construction of the Improvements, earnings on the investment of such funds may, at the discretion of the Issuer, be credited to the Debt Service Account.

DEFAULT AND REMEDIES

Remedies. The provisions of the Bond Resolution, including the covenants and agreements herein contained, shall constitute a contract between the Issuer and the Owners of the Bonds. If an Event of Default occurs and shall be continuing, the Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

(a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Owner or Owners against the Issuer and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Bond Resolution or by the Constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Issuer, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

Limitation on Rights of Owners. The covenants and agreements of the Issuer contained in the Bond Resolution and in the Bonds shall be for the equal benefit, protection, and security of the Owners of any or all of the Bonds, all of which Bonds of any series shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the Funds and Accounts pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Bond Resolution. No one or more Owners secured hereby shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for in the Bond Resolution, or to enforce any right, except in the manner provided in the Bond Resolution, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of such Outstanding Bonds.

Remedies Cumulative. No remedy conferred upon the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred. No waiver of any default or breach of duty or contract by the Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon.

DEFEASANCE

When any or all of the Bonds, redemption premium, if any, or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and all other rights granted thereby shall terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds, redemption premium, if any, or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company located in the State and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds or the interest payments thereon, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the principal or Redemption Price of said Bonds and/or interest accrued to the Stated Maturity or Redemption Date, or if default in such payment has occurred on such date, then to the date of the tender of such payments. If the amount to be so deposited is based on the Redemption Price of any Bonds, no such satisfaction shall occur until: (a) the Issuer has elected to redeem such Bonds, and (b) either notice of such redemption has been given, or the Issuer has given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Bond Registrar to give such notice of redemption.

TAX COVENANTS

General Covenants. The Issuer covenants and agrees that it will comply with: (a) all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds; and (b) all provisions and requirements of the Federal Tax Certificate. The Issuer will take such actions as may be necessary

to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the Issuer.

Survival of Covenants. The covenants contained in the Bond Resolution and in the Federal Tax Certificate shall remain in full force and effect notwithstanding the defeasance of the Bonds or any other provision of the Bond Resolution until such time as is set forth in the Federal Tax Certificate.

CONTINUING DISCLOSURE REQUIREMENTS

Disclosure Requirements. The Issuer covenants in the Bond Resolution with the Purchaser and the Beneficial Owners to provide and disseminate such information as is required by the SEC Rule and as further set forth in the Disclosure Undertaking and to make the provisions of the Disclosure Undertaking applicable to the Bonds. Such covenant shall be for the benefit of and enforceable by the Purchaser and the Beneficial Owners.

Failure to Comply with Continuing Disclosure Requirements. In the event the Issuer fails to comply in a timely manner with its continuing disclosure covenants contained in the Bond Resolution, the Purchaser and/or any Beneficial Owner may make demand for such compliance by written notice to the Issuer. In the event the Issuer does not remedy such noncompliance within 10 days of receipt of such written notice, the Purchaser or any Beneficial Owner may in its discretion, without notice or demand, proceed to enforce compliance by a suit or suits in equity for the specific performance of such covenant or agreement or for the enforcement of any other appropriate legal or equitable remedy, as the Purchaser and/or any Beneficial Owner shall deem effectual to protect and enforce any of the duties of the Issuer under such preceding section. Notwithstanding any other provision of the Bond Resolution, failure of the Issuer to comply with its continuing disclosure covenants contained in the Bond Resolution shall not be considered an Event of Default under the Bond Resolution.

MISCELLANEOUS PROVISIONS

Annual Audit. Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the financial statements of the Issuer for the preceding Fiscal Year by an Independent Accountant. Within 30 days after the completion of each such annual audit, a copy thereof shall be filed in the office of the CFO. Such audits shall at all times during the usual business hours be open to the examination and inspection by any Owner of any of the Bonds, or by anyone acting for or on behalf of such user or Owner.

Levy and Collection of Annual Tax. The governing body of the Issuer shall annually make provision for the payment of Debt Service Requirements on the Bonds as the same become due by levying and collecting the necessary taxes and/or assessments upon all of the taxable tangible property within the Issuer in the manner provided by law. The taxes and/or assessments referred to above shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer shall thereafter be deposited in the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent. If at any time said taxes and/or assessments are not collected in time to pay the principal of or interest on the Bonds when due, the Treasurer is hereby authorized and directed to pay said principal or interest out of the general funds of the Issuer and to reimburse said general funds for money so expended when said taxes are collected.

Amendments. The rights and duties of the Issuer and the Owners, and the terms and provisions of the Bonds or of the Bond Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall: (a) extend the maturity of any payment of principal or interest due upon any Bond; (b) effect a reduction in the amount which the Issuer is required to pay as principal of or interest on any Bond; (c) permit preference or priority of any Bond over any other Bond; or (d) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Bond Resolution.

Any provision of the Bonds or of the Bond Resolution may, however, be amended or modified by resolution duly adopted by the governing body of the Issuer at any time in any legal respect with the written consent of the Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity, to grant to or confer upon the Owners any

additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to more precisely identify the Improvements, to reallocate proceeds of the Bonds among Improvements, to provide for Substitute Improvements, to conform the Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

Notices, Consents and Other Instruments by Owners. Any notice, request, complaint, demand or other communication required or desired to be given or filed under the Bond Resolution shall be in writing, and shall be deemed duly given or filed if the same shall be: (a) duly mailed by registered or certified mail, postage prepaid; or (b) communicated via fax, with electronic or telephonic confirmation of receipt. Copies of such notices shall also be given to the Paying Agent. The Issuer, the Paying Agent and the Purchaser may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent. All notices given by: (a) certified or registered mail as aforesaid shall be deemed duly given as of the date they are so mailed; (b) fax as aforesaid shall be deemed duly given as of the date of confirmation of receipt. If, because of the temporary or permanent suspension of regular mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such other form of notice as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

Electronic Transactions. The issuance of the Bonds and the transactions related thereto and described herein may be conducted and documents may be stored by electronic means.

Severability. If any section or other part of the Bond Resolution, whether large or small, is for any reason held invalid, the invalidity thereof shall not affect the validity of the other provisions of the Bond Resolution.

Governing Law. The Bonds and the Bond Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State.

THE ESCROW TRUST AGREEMENT

Creation of the Escrow Fund. The Escrow Trust Agreement creates and establishes with the Escrow Agent the Escrow Fund, which shall be a special and irrevocable separate trust fund to be held in the custody of the Escrow Agent.

Creation of Lien. The Escrow Fund shall be irrevocable. The owners of the Bonds and the Refunded Bonds are granted an express lien on, and security interest in, the Escrowed Securities and the cash in the Escrow Fund and all earnings thereon until used and applied in accordance with the Escrow Trust Agreement. The matured principal of, and earnings on, the Escrowed Securities and any cash in the Escrow Fund are pledged and assigned, and shall be applied solely for the payment of the principal of and redemption premium, if any of the Refunded Bonds and to the interest on the Bonds to and including the Refunded Bonds Redemption Date.

Deposits to the Escrow Fund. Concurrently with the execution and delivery of the issuance of the Bonds, and pursuant to the provisions of the Bond Resolution, the Issuer shall deposit with the Escrow Agent, and the Escrow Agent acknowledges receipt and deposit into the Escrow Fund of, proceeds of the Bonds in amounts sufficient to purchase the Escrowed Securities, which shall be delivered to and deposited in the Escrow Fund, and establish any required beginning cash balance in the Escrow Fund sufficient to provide for payment of the Refunded Bonds.

Verification Report. A firm of independent certified public accountants has verified the mathematical computations which demonstrate that the cash held in the Escrow Fund, together with the maturing Escrowed Securities and interest to accrue thereon, will be sufficient to pay all principal of and redemption premium, if any, on the Refunded Bonds on the respective Bond Payment Dates and the Refunded Bonds Redemption Date and the interest on the Bonds on the respective Bond Payment Dates to and including the Refunded Bonds Redemption Date.

Application of Cash and Escrowed Securities in the Escrow Fund. Except as otherwise expressly provided, the Escrow Agent shall have no power or duty to invest any money held thereunder or to sell transfer or otherwise dispose of any Escrowed Securities. On or prior to each Bond Payment Date and on the Refunded Bonds Redemption Date, the Escrow Agent shall withdraw from the Escrow Fund an amount equal to the interest on the Bonds becoming due and payable on such Bond Payment Date and on the Refunded Bonds Redemption Date, and on the Refunded Bonds Redemption Date an amount equal to the principal of and premium, if any, due on such Refunded Bonds Redemption Date, and shall forward from available moneys in the Escrow Fund such amount to the offices of the respective Refunded Bonds Paying Agent, so that immediately available funds will reach the office of the Refunded Bonds Paying Agent on or before the Bond Payment Dates and the Refunded Bonds Redemption Date. In order to make the required payments, the Escrow Agent is authorized to redeem or otherwise dispose of Escrowed Securities. Upon the payment in full of the principal of, redemption premium, if

any, and interest on the Refunded Bonds, all remaining money and Escrowed Securities in the Escrow Fund, together with any interest thereon, shall be transferred to the Issuer to be applied in accordance with State law.

Substitute Escrowed Securities. In the event that any of the Escrowed Securities are not available for delivery on the date of the issuance of the Bonds, the Escrow Agent is directed to accept substitute securities in lieu thereof, provided the substitute securities are non-callable direct obligations of the United States of America, the maturing principal of and interest on such substitute securities (excluding any interest after any optional call date) is equal to or greater than the maturity value of such unavailable Escrowed Securities, principal of and interest on the substitute securities is payable on or before the maturity date of the unavailable Escrowed Securities, and the Issuer and Bond Counsel approve such substitution.

At the written request of the Issuer and upon compliance with the conditions hereinafter stated, the Escrow Agent shall have the power to sell, transfer, request the redemption of or otherwise dispose of the Escrowed Securities and to substitute for the Escrowed Securities solely cash or Substitute Escrowed Securities. The Escrow Agent shall purchase such Substitute Escrowed Securities with the proceeds derived from the sale, transfer, disposition or redemption of the Escrowed Securities together with any other funds available for such purpose. The substitution may be effected only if the substitution of the Substitute Escrowed Securities for the original Escrowed Securities occurs simultaneously; the Escrow Agent shall receive from an independent certified public accountant acceptable to the Escrow Agent in its reasonable judgment a certification, satisfactory in form and substance to the Escrow Agent, to the effect that after such substitution, the principal of and interest on the Escrowed Securities to be held in the Escrow Fund after the substitution (including Substitute Escrowed Securities to be acquired), together with any other money to be held in the Escrow Fund after such transaction, will be sufficient to pay all remaining principal of, redemption premium, if any, and interest on the Refunded Bonds and the Bonds required herein and the amounts and dates of the anticipated transfers from the Escrow Fund to the Refunded Bonds Paying Agent will not be diminished or postponed thereby; and the Escrow Agent shall receive a written opinion of Bond Counsel to the effect that such substitution would not cause the interest on either the Bonds or the Refunded Bonds to become included in gross income for purposes of federal income taxation under then existing law.

Redemption of Refunded Bonds. The Escrow Agent acknowledges that the Issuer has notified the Escrow Agent that the Issuer has elected to call the Refunded Bonds for redemption and payment prior to maturity on the Refunded Bonds Redemption Date and has directed the Escrow Agent to notify the Refunded Bonds Paying Agent of such call for redemption so that the Refunded Bonds Paying Agent may cause notice of the call for redemption and payment of the Refunded Bonds to be given.

Resignation or Removal of Escrow Agent; Successor Escrow Agent. The Escrow Agent may at any time resign and be discharged from its duties and responsibilities by giving written notice by first-class mail to the Issuer and the Refunded Bonds Paying Agent (who shall cause notice to be given to the Owners of the Bonds and the Refunded Bonds) not less than 60 days prior to the date when the resignation is to take effect. Such resignation shall take effect immediately upon the acceptance of the Issuer of the resignation, the appointment of a successor Escrow Agent (which may be a temporary Escrow Agent) by the Issuer, the acceptance of such successor Escrow Agent of the terms, covenants and conditions of the Escrow Trust Agreement, the transfer of the Escrow Fund, including the money and Escrowed Securities held therein, to such successor Escrow Agent and the completion of any other actions required for the principal of and interest on the Escrowed Securities to be made payable to such successor Escrow Agent rather than the resigning Escrow Agent.

The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, delivered to the Escrow Agent and the Issuer and signed by the owners of a majority in principal amount of the Refunded Bonds then Outstanding; provided that written notice thereof is mailed on or before the date of such removal by first-class mail, postage prepaid, to all Owners of such Bonds and Refunded Bonds, who are not parties to such instruments. The Escrow Agent may also be removed by the Issuer if the Escrow Agent fails to make timely payment of available moneys on any Bond Payment Date to the Refunded Bonds Paying Agent of the amounts required to be paid by it on such Bond Payment Date; provided that written notice thereof is mailed on or before the date of such removal by first-class mail, postage prepaid, to the Refunded Bonds Paying Agent and to all Owners of such Refunded Bonds, who are not parties to such instruments. Any removal shall become effective upon the appointment of a successor Escrow Agent (which may be a temporary successor Escrow Agent) by the Issuer, the acceptance of such successor Escrow Agent of the terms, covenants and conditions of the Escrow Trust Agreement, the transfer of the Escrow Fund, including the money and Escrowed Securities held therein, to such successor Escrow Agent and the completion of any other actions required for the principal of and interest on the Escrowed Securities to be made payable to such successor Escrow Agent rather than the Escrow Agent being removed.

If no appointment of a successor Escrow Agent or a temporary successor Escrow Agent shall have been made by the Issuer within 60 days after written notice of resignation of the Escrow Agent has been given to the Issuer or instrument of removal has been delivered to the Escrow Agent, the Owner of any of the Refunded Bonds or any retiring or removed Escrow Agent may apply to any court of competent jurisdiction for the appointment of a successor Escrow Agent, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Escrow Agent. No successor Escrow Agent shall be appointed unless such successor Escrow Agent shall be a corporation with trust powers authorized to

do business in the State, and organized under the banking laws of the United States or the State and shall have at the time of appointment capital and surplus of not less than \$10,000,000.

Amendments. The Escrow Agreement is made for the benefit of the Issuer and the Owners from time to time of the Bonds and Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such Owners, the Escrow Agent and the Issuer; provided, however, that the Issuer and the Escrow Agent may, without the consent of, or notice to, such Owners, enter into such agreements supplemental to the Escrow Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of the Escrow Agreement, for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission; (b) to grant to, or confer upon, the Escrow Agent for the benefit of the Owners of the Bonds or Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such Owners or the Escrow Agent; and (c) to subject to the Escrow Agreement additional funds, securities or properties. The Escrow Agent shall notify the Rating Agency in writing prior to the execution of any such amendment.

THE DISCLOSURE UNDERTAKING

The Issuer has adopted an Omnibus Continuing Disclosure Undertaking, as may be amended and supplemented (the “Disclosure Undertaking”) in which the Issuer covenants to provide certain financial and other information with respect to its outstanding obligations, including the Bonds, in order to assist the Participating Underwriter in complying with the provisions of the SEC Rule. In the Bond Resolution, the Issuer covenants to apply the provisions of the Disclosure Undertaking to the Bonds. Such covenants are for the benefit of and enforceable by the Participating Underwriter and the Beneficial Owners. The Issuer is the only “obligated person” with responsibility for continuing disclosure with respect to the Bonds.

DEFINITIONS

In addition to the definitions set forth in this “**APPENDIX D – THE BOND RESOLUTION – Definitions**” unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report filed by the Issuer pursuant to, and as described in the Disclosure Undertaking, which may include the Issuer’s CAFR, so long as the CAFR contains the Financial Information and Operating Data.

“**Beneficial Owner**” means, with respect to a series of Bonds, any registered owner of any Bonds of such series and any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds of such series (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds of such series for federal income tax purposes.

“**Bond Insurer**” means the provider of the bond insurance policy, if any, for any series of Bonds.

“**Bonds**” means all bonds, notes, installment sale agreements, leases or certificates intended to be a debt obligation of the Issuer identified in the Disclosure Undertaking, including the Bonds.

“**CAFR**” means the Issuer’s Comprehensive Annual Financial Report.

“**Designated Agent**” means Gilmore & Bell, P.C. or one or more other entities designated in writing by the Issuer to serve as a designated agent of the Issuer for purposes of the Disclosure Undertaking.

“**Dissemination Agent**” means any entity designated in writing by the Issuer to serve as dissemination agent pursuant to the Disclosure Undertaking and which has filed with the Issuer a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

“**Financial Information**” means the financial information of the Issuer described under the heading “**PROVISION OF ANNUAL REPORTS – Financial Information.**”

“**Material Events**” means any of the events listed under the heading “**REPORTING OF MATERIAL EVENTS.**”

“**MSRB**” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the SEC Rule.

“**Official Statement**” means collectively the Issuer's Official Statement(s) for each series of the Bonds, including all appendices and exhibits thereto.

“**Operating Data**” means the operating data of the Issuer described under the heading “**PROVISION OF ANNUAL REPORTS – Operating Data.**”

“**Participating Underwriter**” means each of the original underwriters of a series of Bonds required to comply with the SEC Rule in connection with the offering of such Bonds.

“**Repository**” means the MSRB via EMMA.

“**SEC**” means the Securities and Exchange Commission of the United States.

PROVISION OF ANNUAL REPORTS

The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer's Fiscal Year, commencing with the Fiscal Year ended in 2013, file with the Repository the Issuer's Annual Report, consisting of the Financial Information and Operating Data described as follows:

Financial Information. The audited financial statements of the Issuer for such prior Fiscal Year, prepared in accordance with generally accepted auditing standards, in substantially the format contained in *Appendix B* to the Official Statement. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain summary unaudited financial information and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available. The accounting basis and the method of preparation of the financial statements of the Issuer are contained in *Appendix B* to the Official Statement. The method of preparation and basis of accounting of the Financial Information may not be changed to a basis less comprehensive than contained in the Official Statement, unless the Issuer provides notice of such change in the same manner as for a Material Event.

Operating Data. Updates as of the end of the Fiscal Year of substantially all of the information and data presented in tabular format in *Appendix A* to the Official Statement (with such modifications to the formatting and general presentation thereof as deemed appropriate by the Issuer), together with any material adverse changes in the narrative portions of such *Appendix A*.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the SEC Rule), which have been filed with the Repository, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the Repository. The Issuer shall clearly identify each such other document so included by reference. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audit report and accompanying financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event.

From and after such time that Section (b)(5) of the SEC Rule applies to any series of Bonds, if the Annual Report is not filed within the time period specified in *subsection (a)* hereof, the Issuer shall send a notice to the Repository in a timely manner. Pursuant to Section (d)(3) of the SEC Rule, filing of an Annual Report shall not apply to any Bonds with a stated maturity of 18 months or less.

REPORTING OF MATERIAL EVENTS

No later than 10 Business Days after the occurrence of any of the following Material Events, the Issuer shall give, or cause to be given, to the Repository notice of the occurrence of any of the following Material Events with respect to the Bonds, with copies to the Bond Insurer:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;

- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer (which shall be deemed to occur as provided in the SEC Rule);
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional paying agent or trustee or the change of name of the paying agent or trustee, if material.

Notwithstanding the foregoing, notice of Material Events described in (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Bond Resolution.

DISSEMINATION AGENT

General. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as Dissemination Agent at any time upon 30 days prior written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Issuer pursuant to the Disclosure Undertaking.

Annual Reports. If a Dissemination Agent shall be appointed, not later than 15 Business Days prior to the date specified for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent or the Repository; provided that an Annual Report shall not be required for any series of Bonds that has a stated maturity of 18 months or less. The Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been filed pursuant to the Disclosure Undertaking, stating the date it was filed, or that the Issuer has certified to the Dissemination Agent that the Issuer has filed the Annual Report with the Repository. If the Dissemination Agent has not received an Annual Report or has not received a written notice from the Issuer that it has filed an Annual Report to the Repository, by the date required in the Disclosure Undertaking, the Dissemination Agent shall send a notice to the Repository; provided such report shall not be applicable to an Issuer that has outstanding \$10 million or less of principal amount of Bonds subject to the Rule.

Material Event Notices.

(1) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the chief financial officer of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event.

(2) The Issuer will promptly respond in writing to any such request. Whenever the Issuer obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent or otherwise, the Issuer shall promptly determine if such event constitutes a Material Event and shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence. If the Issuer has determined that knowledge of an event is listed in (2), (7), (10) or (13) of the definition of a Material Event, is not material, the Issuer shall notify the Dissemination Agent in writing not to report the occurrence.

(3) If the Dissemination Agent has been given written instructions by the Issuer to report the occurrence of a Material Event, the Dissemination Agent shall file a notice of such occurrence with the Repository within 10 Business Days after the occurrence, with copies to the Issuer and the Bond Insurer. Notwithstanding the foregoing, notice of Material Events described in paragraphs (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Bond Resolution.

Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Undertaking. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer.

Other Designated Agents. The Issuer may, from time to time, appoint or designate a Designated Agent to submit Annual Reports, Material Event notices, and other notices or reports pursuant to the Disclosure Undertaking. The Issuer hereby appoints the Dissemination Agent and the Designated Agent(s) solely for the purpose of submitting Issuer-approved Annual Reports, Material Event notices, and other notices or reports pursuant to the Disclosure Undertaking. The Issuer may revoke this designation at any time upon written notice to the Designated Agent.

MISCELLANEOUS PROVISIONS

Termination of Reporting Obligation. The Issuer's obligations under the Disclosure Undertaking for a particular series of Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of that series of Bonds. If the Issuer's obligations hereunder are assumed in full by some other entity as permitted in the Bond Resolution, such person shall be responsible for compliance with under the Disclosure Undertaking in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such termination or assumption occurs prior to the final maturity of such Bonds, the Issuer shall give notice of such termination or assumption in the same manner as for a Material Event.

Amendment; Waiver. In conjunction with the public offering of any series of Bonds, the Issuer and the Dissemination Agent, if any, may amend the categories of Operating Data to be updated to conform to the operating data included in the final Official Statement for such series of Bonds, in conformance with the requirements and interpretations of the SEC Rule as of the date of such final Official Statement, without further amendment to the Disclosure Undertaking. Thereafter, the Operating Data to be filed by the Issuer with the Repository with respect to the Bonds (and all other series of Bonds then subject to the Disclosure Undertaking) shall be deemed to be amended to reflect the requirements of the revised Operating Data for the new series of Bonds.

The Issuer may amend and any other provision of the Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer with its written opinion that the undertaking of the Issuer contained therein, as so amended or after giving effect to such waiver, is in compliance with the SEC Rule and all current amendments thereto and interpretations thereof that are applicable to the Disclosure Undertaking; provided, however, that the Disclosure Undertaking, may be amended for the purpose of (a) extending the coverage of the Disclosure Undertaking to any additional series of Bonds or (b) removing reference to any series of Bonds for which the Issuer's reporting obligations have terminated, each without the provision of a written opinion as otherwise required by this paragraph. If a provision of the Disclosure Undertaking is amended or waived with respect to a series of Bonds pursuant to this paragraph, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event; and (b) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by the Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by the Disclosure Undertaking, the Issuer shall have no obligation under the Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Noncompliance. In the event of a failure of the Issuer or the Dissemination Agent, if any, to comply with any provision of the Disclosure Undertaking with respect to a series of Bonds, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer or the Dissemination Agent, if any, as the case may be, to comply with its obligations under the Disclosure Undertaking. Noncompliance with the provisions of the Disclosure Undertaking shall not be deemed an Event of Default under the Bond Resolution or the Bonds, and the sole remedy under the Disclosure Undertaking in the event of any failure of the Issuer or the Dissemination Agent, if any, to comply with the Disclosure Undertaking shall be an action to compel performance.

Electronic Transactions. Actions taken under the Disclosure Undertaking and the arrangements described therein may be conducted and related documents may be stored by electronic means.

Beneficiaries. The Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, each Participating Underwriter and Beneficial Owners from time to time with respect to a series of Bonds, and shall create no rights in any other person or entity.

Governing Law. The Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State.

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