PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE - BOOK-ENTRY ONLY

RATING (S&P): "AAA"
See "Bond Rating" herein

*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; (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.*

$3,700,000*
SEDGWICK COUNTY, KANSAS
GENERAL OBLIGATION BONDS
SERIES A, 2018

Dated: March 28, 2018 **Due: August 1, As shown on the inside cover**

The General Obligation Bonds, Series A, 2018 (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 2019, and semiannual interest will be payable on February 1 and August 1, beginning on February 1, 2019 (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 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.

MATURITY SCHEDULE LISTED ON INSIDE COVER PAGE

At the option of the Issuer, Bonds maturing on August 1, 2027, and thereafter will be subject to redemption and payment prior to maturity on August 1, 2026, 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 R. Yost, Esq., County Counselor. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about March 28, 2018.

BIDS WILL BE RECEIVED ON FEBRUARY 27, 2018
UNTIL 10:00 A.M., APPLICABLE CENTRAL 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 C – SUMMARY OF FINANCING DOCUMENTS" CONTAINS DEFINITIONS USED IN THIS OFFICIAL STATEMENT.

The date of this Preliminary Official Statement is February 21, 2018.
* Subject to change

$3,700,000*
SEDGWICK COUNTY, KANSAS
GENERAL OBLIGATION BONDS
SERIES A, 2018

MATURITY SCHEDULE

[SERIAL BONDS]

Stated Maturity August 1	Principal Amount*	Annual Rate of Interest	Initial Offering Price	CUSIP [1] Number (Base 81523)
2019	$210,000	____%	____%	
2020	220,000	____%	____%	
2021	225,000	____%	____%	
2022	225,000	____%	____%	
2023	230,000	____%	____%	
2024	215,000	____%	____%	
2025	220,000	____%	____%	
2026	220,000	____%	____%	
2027	225,000	____%	____%	
2028	230,000	____%	____%	
2029	135,000	____%	____%	
2030	135,000	____%	____%	
2031	140,000	____%	____%	
2032	140,000	____%	____%	
2033	145,000	____%	____%	
2034	150,000	____%	____%	
2035	155,000	____%	____%	
2036	155,000	____%	____%	
2037	160,000	____%	____%	
2038	165,000	____%	____%	

[TERM BONDS

Stated Maturity August 1	Principal Amount*	Annual Rate of Interest	Initial Offering Price	CUSIP [1] Number (Base 81523)
	$	____%	____%	
		____%	____%	
		____%	____%	]

(All plus accrued interest, if any)

[1] CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a subsidiary of The McGraw-Hill Companies, Inc, and is 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

DAVID T. DENNIS, Chairman and Commissioner, 3rd District
DAVID M. UNRUH, Chair Pro Tem and Commissioner, 1st District
MICHAEL B. O'DONNELL, II, Commissioner, 2nd District
RICHARD RANZAU, Commissioner, 4th District
JIM HOWELL, Commissioner, 5th District

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

APPOINTED OFFICIALS

MICHAEL SCHOLES, County Manager
TOM STOLZ, Deputy County Manager
LINDSAY POE ROUSSEAU, Chief Financial Officer
RICK DURHAM, Deputy Chief Financial Officer
LARIEN SHOWALTER ARIE, Budget Director
HOPE HERNANDEZ, Director of Accounting
MANDY ESTES, Principal Accountant

COUNTY COUNSELOR

Eric R. Yost, Esq.

MUNICIPAL ADVISOR

Springsted Incorporated
Saint Paul, Minnesota and Kansas City, Missouri

BOND COUNSEL

Gilmore & Bell, P.C.
Wichita, Kansas

CERTIFIED PUBLIC ACCOUNTANTS

BKD LLP
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.

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OFFICIAL STATEMENT

$3,700,000*
SEDGWICK COUNTY, KANSAS
GENERAL OBLIGATION BONDS
SERIES A, 2018

INTRODUCTION

General Matters

The purpose of this Official Statement is to furnish information relating to Sedgwick County, Kansas (the "Issuer" or the "County"), and the General Obligation Bonds, Series A, 2018 (the "Bonds"), of the Issuer, dated March 28, 2018 (the "Dated Date"). The Bonds are being issued to finance the costs of acquiring and improving a public building that is a part of the Issuer's courthouse complex (see "THE PROJECT" herein).

The Appendices to this Official Statement are integral parts of this document, to be read in their entirety.

The Issuer is a political subdivision duly organized and existing under the laws of the State of Kansas (the "State"). Additional information regarding the Issuer is contained in ***APPENDIX A*** to this Official Statement.

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.

Definitions

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

Ratings

The Issuer has applied to S&P Global Ratings, a division of S&P Global Inc. ("S&P") for a rating on the Bonds (see "BOND RATING" herein).

Continuing Disclosure

The Securities and Exchange Commission (the "SEC") has promulgated amendments to Rule 15c2-12 (the "Rule"), requiring continuous secondary market disclosure. The Issuer adopted in 2013 an Omnibus Continuing Disclosure Undertaking, as may be amended and supplemented (the "Disclosure Undertaking") wherein the Issuer covenants to annually provide certain financial information and operating data (collectively the "Annual Report") and other information necessary to comply with the Rule, and to transmit the same to the Municipal Securities Rulemaking Board (the "MSRB"). Pursuant to the Disclosure Undertaking, the Issuer has agreed to file its Annual Report with the national repository ("EMMA") within 180 days after the end of the Issuer's Fiscal Year, commencing with the Fiscal Year ended in 2013. 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.

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 statistical information included in the Annual Reports contains most, but not all, of the information described as Operating Data in the Disclosure Undertaking and the Prior Undertakings. The Issuer's filings for the previous five years are set forth on the table below.

* Subject to change.

Fiscal Year Ending December 31	Filing Time Period (Days)	CAFR Filing Date
2012	180	04/19/2013
2013	180	04/14/2014
2014	180	04/01/2015
2015	180	04/12/2016
2016	180	06/21/2017
2017	180	Not Yet Due

While the Issuer had the filing deficiencies referred to above, it issued general obligation bonds in 2012, 2013 and 2015 payable from the same source of revenue as the Bonds. In addition the Sedgwick County Public Building Commission issued its revenue bonds in 2012, 2013, 2014 and 2015. The official statements for such general obligation bonds and revenue bonds, which did contain all of the information described as Operating Data in the Disclosure Undertaking and the Prior Undertakings, were filed with and are publicly available on EMMA. In addition, on February 2, 2018, the Issuer filed certain operating data for the fiscal years 2012-2017 on EMMA.

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 publicly available through other sources.

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

Additional Information

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

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. 10-620 *et seq*., and K.S.A. 19-1510, as amended by Charter Resolution No. 56, as amended and supplemented from time to time (collectively the "Act"), and a resolution adopted by the governing body of the Issuer (the "Bond Resolution").

Security for the Bonds

The Bonds shall be general obligations of the Issuer payable as to both principal and interest 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.

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 upon all of the taxable tangible property within the Issuer in the manner provided by law. Such taxes 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.

Nonpresentment 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 2027, and thereafter, will be subject to redemption and payment prior to their Stated Maturity on August 1, 2026, 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) *[2038] Term Bonds*.]The [2038] 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 [2038] Term Bonds:

Principal Amount	**Year**
$	
	[2038]*

*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 PROJECT

The Bonds are being issued for the purpose of providing permanent financing for the acquisition and improvement of a public building that will be a part of the Issuer's courthouse complex.

SOURCES AND USES OF FUNDS

The following table summarizes the sources and uses of funds associated with the issuance of the Bonds (exclusive of accrued interest):

Sources of Funds:	
Principal Amount of the Bonds	$3,700,000*.00
[Original Issue Premium]	
[Original Issue Discount]	-
Purchaser's Compensation	
Total	***$***
Uses of Funds:	
Deposit to Improvement Fund	$
Costs of Issuance	
Misc	
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 Police and Firemen's Retirement System ("KP&F") and the Public Employees Retirement System – Local Group (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, the 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, 2016, the Local Group had an UAAL of approximately $1.515 billion and KP&F had an UAAL of approximately $846 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 rating set forth in the section hereof entitled "BOND RATING." 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 RATING

S&P Global Ratings, a division of S&P Global Inc. has assigned a rating of "AAA" to the Bonds. Such rating reflects 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 affect 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" 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 R. 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. 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.

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 is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Code § 1288, original issue discount on tax-exempt obligations accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) 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 (3) any interest payable on that Bond during that accrual period. The amount of original issue discount 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 original issue discount.]

[***Original Issue Premium***. For federal income tax purposes, premium is the excess of the issue price of a Bond over its stated redemption price at maturity. The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Code § 171, premium on tax-exempt obligations amortizes 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, which 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 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.

MUNICIPAL ADVISOR

The Issuer has retained Springsted Incorporated, Public Sector Advisors, Saint Paul, Minnesota and Kansas City, Missouri, 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, registered as a municipal advisor, 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.

The Municipal Advisor is under common ownership with Springsted Investment Advisors, Inc. ("SIA"), an investment adviser registered in the states where services are provided. SIA may provide investment advisory services to the Issuer from time to time in connection with the investment of proceeds from the Bonds as well as advice with respect to portfolio management and investment policies for the Issuer. SIA pays Springsted Incorporated, Public Sector Advisors, as municipal advisor, a referral fee from the fees paid to SIA by the Issuer.

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 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 overallot 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: ________________________________
Name: David T. Dennis, Chairman

By: ________________________________
Name: Lindsay Poe Rousseau, 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)

	Real Property		Personal Property [1]		Total [2]		
Tax Year [3]	Assessed	Actual (est.)	Assessed	Actual (est.)	Assessed	Actual (est.)	Ratio
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	989,209	4,463,330	4,902,797	31,703,833	15.46%
2015	3,974,529	27,659,847	1,003,376	4,427,781	4,977,905	32,087,628	15.51%
2016	4,096,071	28,525,984	1,019,388	4,500,910	5,115,459	33,026,894	15.49%
2017	4,235,262	29,583,823	1,035,677	4,935,193	5,270,939	34,519,016	15.27%

[1] Beginning in 2015 values exclude watercraft and 16M/20M motor vehicles
[2] Represents the equalized valuation of tangible property, including motor vehicles
[3] Taxes levied support the subsequent year's budget, e.g., 2016 taxes levied finance 2017 spending

Source: Sedgwick County Clerk

TEN LARGEST PRINCIPAL PROPERTY TAX PAYERS

December 2017

Rank	Name	Primary Business	% of Total Assessed Value	Assessed Valuation
1	Kansas Gas & Electric - A Westar Co.	Electric/Gas Utility	2.83%	$128,394,062
2	Spirit Aerosystems, Inc.	Aircraft Manufacturing	2.31%	104,777,736
3	Beechcraft Corp 1	Aircraft Manufacturing	0.96%	43,446,124
4	Cessna Aircraft	Aircraft Manufacturing	0.94%	42,535,946
5	The Boeing Company	Aircraft Manufacturing	0.79%	35,635,552
6	Walmart/Sam's	Retail	0.65%	29,672,251
7	Kansas Gas Service - A Division of OneGas	Gas Utility	0.58%	26,225,849
8	Simon Property Group LP/ Towne West Square LLC	Real Property Leasing	0.56%	25,175,808
9	City of Wichita	Government	0.47%	21,468,741
10	Southwestern Bell Telephone	Telecommunications Utility	0.38%	17,149,419
		Total	**10.47%**	**$474,481,488**

Source: Sedgwick County Clerk

COMPUTATION OF LEGAL DEBT MARGIN
December 31, 2017

Equalized assessed valuation of taxable tangible property [1]		$4,675,741,600
Add: Estimated 2017 tangible valuation of motor vehicles	595,197,141	
Total estimated tangible valuation for debt limitation purposes		5,270,938,741
Debt limitation (3% of total valuation)		158,128,162

Sedgwick County General Obligation Indebtedness, December 31, 2017 [2]		103,695,000
Less: Deductions allowed by law		
Road and bridge bonds	17,720,047	
Special assessment bonds	1,484,928	
Facility bonds	1,609,092	
Refunding bonds - Series '09, '10, '11, '12, '13 & '15	10,550,712	
Public Building Commission bonds	55,280,000	
Amount available in Debt Service Fund for repayment of principal	2,833,725	
Total exemptions		89,478,504
Debt applicable to legal debt limit		14,216,496
Debt margin (limitation less non-exempt debt)		$143,911,667

[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 and Crossover Refunding for 2008-1 Issue.

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 March 1, 2018 to the anticipated delivery on the bonds:

Outstanding March 1, 2018 [1]	$103,695,000
Issues:	
Series 2018, General Obligation	3,700,000
Anticipated outstanding April 1, 2018	$107,395,000

[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 and Crossover Refunding for 2008-1 Issue.

GENERAL OBLIGATION BONDS
DEBT SERVICE REQUIREMENTS TO MATURITY

Fiscal Year	General Obligation Principal	General Obligation Interest	Special Assessment Principal	Special Assessment Interest	Total Requirements [1]
2018	8,261,000	1,839,960	239,000	83,863	10,423,823
2019	4,952,000	1,521,605	253,000	74,538	6,801,143
2020	4,732,000	1,326,045	258,000	66,489	6,382,534
2021	4,642,000	1,116,734	288,000	55,423	6,102,156
2022	4,158,000	908,301	212,000	42,728	5,321,029
2023	2,927,000	724,354	218,000	33,496	3,902,850
2024	2,796,000	613,086	229,000	23,583	3,661,669
2025	2,631,000	521,081	234,000	12,720	3,398,801
2026	1,816,000	433,621	19,000	930	2,269,551
2027	1,701,000	363,494	4,000	320	2,068,814
2028	1,756,000	293,994	4,000	160	2,054,154
2029	1,780,000	222,069	-	-	2,002,069
2030	1,190,000	147,124	-	-	1,337,124
2031	1,035,000	103,519	-	-	1,138,519
2032	705,000	68,900	-	-	773,900
2033	555,000	45,688	-	-	600,688
2034	405,000	26,144	-	-	431,144
2035	415,000	13,488	-	-	428,488
	$46,457,000	$10,289,205	$1,958,000	$394,248	$59,098,453

[1] Excludes Public Building Commission and this Issue.

Source: Sedgwick County Division of Finance

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NET COUNTY DEBT
PERCENTAGE OF ASSESSED VALUE AND PER CAPITA
Last Ten Fiscal Years

Fiscal Year	Population [1]	Assessed Value (thousands)	County Debt [2, 3]	Debt Service Monies Available	Net Debt	Percentage of Assessed Value	Net Debt per Capita
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	499,315	4,806,472	158,570,000	3,386,991	155,183,009	3.23%	311
2011	501,042	4,823,495	165,800,000	1,057,794	164,742,206	3.42%	329
2012	504,167	4,800,422	156,460,000	1,995,981	154,464,019	3.22%	306
2013	506,570	4,842,853	162,800,000	1,324,073	161,475,927	3.33%	319
2014	509,294	4,902,797	141,725,000	1,644,768	140,080,232	2.86%	275
2015	511,574	4,977,905	134,305,000	3,110,533	131,194,467	2.64%	256
2016	511,995	5,115,459	118,755,000	3,271,361	115,483,639	2.26%	226
2017	513,992	5,270,939	103,695,000	2,833,725	100,861,275	1.91%	196

[1] 2017 Population is estimated. Population for 2007-2016 is from the U.S. Census Bureau.
[2] Includes General Obligation bonds, Special Assessments, Public Building Commission lease obligations. Excludes Fire District #1, WSU Experiential Engineering Building PBC Issues 2014-3 & 2014-4 and Crossover Refunding.
[3] 2014 amount updated from previous reports

Source: Sedgwick County Division of Finance

DIRECT, UNDERLYING, AND OVERLAPPING DEBT RATIOS
As of December 31, 2017

Jurisdiction and Debt Type	Total Assessed Valuation [1]	County Debt [2]	Debt as a Percentage of Assessed Valuation
Direct Sedgwick County Debt	5,270,938,741	$103,695,000	1.97%

Underlying and Overlapping Debt [3]		
Cities	844,395,553	16.02%
Public Building Commissions	72,335,000	1.37%
School Districts	1,011,325,761	19.19%
Temporary Notes	127,565,000	2.42%
Total Underlying and Overlapping Debt	2,055,621,314	39.00%

Total Direct, Underlying and	$2,159,316,314	40.97%

[1] Represents the equalized valuation of tangible property, including motor vehicles
[2] Includes General Obligation bonds, Special Assessments, and Public Building Commission lease obligations. Excludes Fire District #1, WSU Experiential Engineering Building PBC Issues 2014-3 & 2014-4 and Crossover Refunding.
[3] Based on 6/30/2017 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
2008	1.5	30.377	18.501	33.381	5.57	54.334	1.462	112.404	119.751	118.793
2009	1.5	29.868	18.447	33.508	5.743	56.679	1.216	113.043	122.226	121.016
2010	1.5	29.359	18.336	34.092	5.889	58.675	1.131	114.504	122.954	121.792
2011	1.5	29.428	18.397	34.326	5.947	58.911	1.192	114.628	123.559	122.310
2012	1.5	29.447	18.398	34.462	6.146	59.169	1.295	115.183	123.978	122.722
2013	1.5	29.377	18.348	34.529	6.211	59.513	1.276	115.547	124.308	123.050
2014	1.5	29.478	18.367	34.545	6.355	56.632	1.287	113.128	121.718	120.473
2015	1.5	29.383	18.371	34.768	7.053	58.913	1.265	115.761	123.972	122.797
2016	1.5	29.393	18.414	34.868	7.202	56.510	1.244	114.160	121.709	120.634
2017	1.5	29.393	18.392	34.981	7.424	56.852	1.246	115.154	122.199	121.198

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
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
2015	6,623,888	129,202,687	15,266,512	130,954,648	4,572,116	246,957,680	8,674,598	73,146,770	469,105,359	542,252,129
2016	6,805,040	132,971,212	15,759,925	135,238,855	4,765,023	243,328,460	8,395,219	73,750,557	473,513,177	547,263,734
2017	7,023,302	137,177,759	16,436,805	140,017,157	5,039,523	252,895,573	8,872,538	76,620,118	490,842,539	567,462,657

[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

				Collected within the Fiscal Year of the Levy			Total Collections To Date [4]	
Tax Year [1]	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Amount [2]	Percentage of Original Levy	Collections in Subsequent Years [3,4]	Amount	Percentage of Adjusted Levy
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)	127,956,387	123,962,799	95.71%	2,609,634	126,572,433	98.92%
2010	129,182,341	343,543	129,525,884	124,101,517	96.07%	2,519,507	126,621,024	97.76%
2011	130,016,010	269,245	130,285,255	125,349,762	96.41%	2,364,298	127,714,060	98.03%
2012	129,216,721	108,339	129,325,060	125,129,425	96.84%	2,585,502	127,714,927	98.75%
2013	129,639,393	26,690	129,666,083	125,508,033	96.81%	2,321,886	127,829,919	98.58%
2014	130,922,296	(215,999)	130,706,297	127,648,264	97.50%	1,917,108	129,565,372	99.13%
2015	131,704,711	(195,108)	131,509,603	128,621,614	97.66%	1,285,795	129,907,409	98.78%
2016	135,147,416	(94,878)	135,052,538	132,021,791	97.69%	*Not Applicable*	132,021,791	97.76%

[1] Taxes levied support the subsequent year's budget, e.g., 2016 taxes finance 2017 spending.
[2] Net of refunding warrants.
[3] Excludes interest penalties.
[4] Data current as of 12/31/17, updated from previous reports
Source: Sedgwick County Treasurer

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

	Property [1]		Local Retail Sales		Motor Vehicle [2]		Other		
Fiscal Year	Collected	%	Collected	%	Collected	%	Collected	%	Total [3]
2008	123,682,620	71.09%	26,330,303	15.1%	17,137,281	9.9%	6,831,428	3.9%	$173,981,632
2009	125,540,833	71.90%	25,225,445	14.4%	17,169,433	9.8%	6,666,669	3.8%	$174,602,379
2010	122,984,871	72.28%	24,575,414	14.4%	16,241,518	9.5%	6,342,132	3.7%	$170,143,935
2011	121,771,508	72.16%	24,886,782	14.7%	15,777,423	9.3%	6,307,896	3.7%	$168,743,608
2012	123,859,911	72.48%	25,907,161	15.2%	15,669,085	9.2%	5,450,266	3.2%	$170,886,424
2013	124,483,299	72.20%	26,890,522	15.6%	15,964,587	9.3%	5,083,752	2.9%	$172,422,160
2014	124,330,025	71.46%	27,737,784	15.9%	17,055,204	9.8%	4,868,498	2.8%	$173,991,511
2015	126,101,928	72.02%	28,402,456	16.2%	17,617,142	10.1%	2,980,954	1.7%	$175,102,480
2016	127,679,792	71.66%	28,899,247	16.2%	18,220,476	10.2%	3,381,979	1.9%	$178,181,494
2017	130,837,074	72.69%	27,380,634	15.2%	18,485,091	10.3%	3,278,472	1.8%	$179,981,271

[1] Ad valorem taxes other than for motor vehicles.
[2] Includes watercraft and 16M/20M motor vehicles.
[3] Excludes Fire District #1
Source: Sedgwick County Division of Finance

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]
2013	7,162,443	1,115,058	6,047,385	6.42
2014	7,223,079	1,533,585	5,689,494	4.71
2015	7,322,161	1,510,521	5,811,640	4.85
2016	7,449,554	1,511,875	5,937,679	4.93
2017	7,624,392	2,416,586	5,207,806	3.16

(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	Economic Development	Debt Service	Capital Outlay	Total
2008	48,088,606	122,499,070	14,980,323	66,687,500	8,206,056	17,616,217	18,756,884	34,380,848	331,215,504
2009	45,282,894	131,425,796	14,461,843	67,811,058	9,535,692	12,612,489	21,644,762	53,597,723	356,372,257
2010	44,398,390	139,386,345	15,325,877	67,917,518	9,283,831	16,294,110	21,800,015	42,665,011	357,071,097
2011	43,723,059	133,111,538	14,612,730	67,487,198	8,918,671	13,394,352	21,433,078	26,326,585	329,007,211
2012	44,564,299	130,477,560	13,441,706	60,151,328	8,620,568	13,836,121	22,536,609	26,081,038	319,709,229
2013	37,952,922	133,750,169	13,648,658	58,328,233	8,301,264	18,869,297	27,916,425	28,042,192	326,809,160
2014	36,329,010	138,130,611	13,944,045	58,261,524	8,771,302	19,390,868	23,524,668	34,744,759	333,096,787
2015	36,367,194	142,611,646	13,873,942	59,844,194	14,481,976	25,961,108	31,203,948	28,775,194	353,119,202
2016	38,834,238	139,424,919	12,768,740	55,094,367	9,282,270	45,470,630	32,756,341	30,583,432	364,214,937
2017 [1]	43,139,006	143,981,912	13,468,666	54,660,185	9,445,732	17,529,650	23,275,769	32,630,035	338,130,955

[1] CAFR not available at time of report; information from 4th Quarter Financial Report
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	%
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%
2015	8,440,000	2,539,574	10,979,574	353,119,202	3.11%
2016	8,460,000	2,399,396	10,859,396	364,214,937	2.98%
2017	8,325,000	2,196,525	10,521,525	338,130,955	3.11%

[1] Excludes Fire District #1, Public Building Commission lease obligations.
Source: Sedgwick County Division of Finance

RETAIL SALES AND SALES TAXES

	Retail Sales		State Sales Tax [1]		Local Sales/Use Tax [2, 3]	
Year [4]	Sales (000s)	% Change	Collections	% Change	Collections	% Change
2007	7,167,239	3.08%	379,863,651	3.08%	152,426,661	3.54%
2008	7,440,612	3.81%	394,352,424	3.81%	93,708,359	-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	1.91%	83,946,714	3.29%
2014	8,123,203	2.61%	499,576,979	1.43%	86,643,199	3.21%
2015	8,360,099	2.92%	528,776,274	5.84%	89,155,813	2.90%
2016	8,461,276	1.21%	549,982,968	4.01%	90,121,550	1.08%

[1] Includes sales taxes distributed to all local governments in Sedgwick County.
[2] Tax rate changes effective 7/1/13 6.30% to 6.15% and effective 7/1/15 6.15% to 6.50%
[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] 2017 data unavailable at time of report.

Source: Kansas Department of Revenue

MAJOR INDUSTRIES AND EMPLOYERS – 2017

Company	Major Product/Service	FT Employees
Spirit AeroSystems, Inc.	Aircraft	10,800
Textron Aviation	Aircraft	9,500
McConnell Air Force Base	Government	6,808
Wichita Public Schools USD #259	Education	5,583
Via Christi Health	Health Care	4,768
State of Kansas	Government	4,494
Koch Industries Inc.	Refining and chemicals	3,600
City of Wichita	Government	3,121
U.S. Government	Government	2,629
Sedgwick County	Government	2,460
Wesley Medical Center	Health Care	2,121
Wichita State University	Education	1,917
Bombardier Learjet	Aircraft	1,700
Johnson Controls	Manufacturing; enginerring	1,600
AGCO Corp. Hesston	Agricultural Equipment	1,200
Dillons Food Stores	Grocery	1,135

Source: Wichita Business Journal

CIVILIAN LABOR FORCE
MONTH OF DECEMBER

	2013	2014	2015	2016	2017
Total civilian labor force					
Wichita MSA [1]	296,905	309,464	308,919	306,704	307,987
Employed					
Wichita MSA [1]	281,269	295,832	296,522	293,249	297,521
Unemployed					
Wichita MSA [1]	15,636	13,632	12,397	13,455	10,466
Unemployment Rate [2]					
Wichita MSA [1]	5.3%	4.4%	4.0%	4.4%	3.4%
Kansas	4.6%	3.8%	3.6%	3.8%	3.0%
United States	6.5%	5.4%	4.8%	4.5%	3.9%

[1] Includes Sedgwick, Butler, Harvey, and Sumner counties, beginning in 2014 also includes Kingman County.
[2] Not seasonally adjusted

Source: Kansas Department of Labor, Labor Market Information Services, and the Bureau of Labor Statistics

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

	2013 [3]	2014 [3]	2015	2016	2017
Total Wage and Salary Employment (in numbers of filled positions)	289,875	292,375	295,508	297,333	299,000
Natural resources and construction	15,200	15,992	16,433	16,308	17,258
Manufacturing	53,208	52,350	51,983	51,875	50,975
Transportation Manufacturing	30,000	28,800	28,300	27,800	26,800
Aerospace Product and Parts	29,800	28,600	28,100	27,600	26,542
Trade, Transportation, and Utilities	50,950	51,800	52,533	52,300	51,033
Wholesale Trade	9,308	9,242	9,417	9,350	9,300
Retail Trade	32,400	32,950	33,425	33,042	31,675
General Merchandise Stores	6,700	6,800	6,900	7,000	7,325
Transportation and Utilities	9,242	9,608	9,692	9,908	10,058
Information	4,333	4,458	4,467	4,667	4,508
Financial Activities	10,650	10,933	11,417	11,158	11,117
Professional and Business Services	31,550	33,033	32,858	33,650	34,567
Professional, Scientific and Technical Services	9,600	10,200	10,700	11,100	11,175
Administrative and Support and Waste	18,900	19,700	19,000	19,400	20,400
Employment Services	4,900	5,100	4,900	5,100	5,058
Education and Health Services	44,025	44,267	44,292	44,425	46,025
Leisure and Hospitality	29,250	29,550	31,417	32,242	33,142
Other Services	9,550	9,442	9,642	10,133	10,275
Government	41,158	40,550	40,467	40,575	40,100
Average Hours Worked per Week, Manufacturing	44.3	43.9	44.5	43.0	43.3
Average Hourly Earnings, Manufacturing	19.4	18.6	17.3	18.0	17.6

[1] Includes Sedgwick, Butler, Harvey, Kingman and Sumner Counties
[2] North American Industry Classification System
[3] Amounts updated from previous reports.
Source: Center for Economic Development and Business Research, Wichita State University

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 [1]
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	11,672,233,000
2015	369,105,881	27,584,040,360	12,068,819,000
2016	372,575,780	28,450,591,526	12,580,941,000
2017	476,726,027	29,512,063,555	12,851,121,000

[1] 2014 Amount updated from previous reports

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
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	5,223	45,482	62,257	-	8,019	309,527
2014	190,287	4,477	46,276	63,029	-	17,773	321,842
2015	193,073	5,128	50,454	65,890	-	7,784	322,330
2016	195,991	6,928	47,323	63,631	-	10,426	324,298
2017 [2]	198,091	7,360	43,613	59,277	-	15,147	323,487

[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.
[2] CAFR not available at time of report; information from 4th Quarter Financial Report

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 Deputy County Manager, three Assistant County Managers and a Corporate Communications Manager aid him in his duties. The County has 2,554 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

Name	Title
David Dennis	Commissioner, 3rd District - Chairman
David M. Unruh	Commissioner, 1st District - Chair Pro Tem
Michael O'Donnell, II	Commissioner, 2nd District
Richard Ranzau	Commissioner, 4th District
Jim Howell	Commissioner, 5th District
Kelly B. Arnold	County Clerk
Linda Kizzire	County Treasurer

Appointed

Name	Title
Mike Scholes	County Manager
Eric Yost	County Counselor
Tom Stolz	Deputy County Manager
Lindsay Poe Rousseau	Chief Financial Officer
Rick Durham	Deputy Chief Financial Officer
Lorien Showalter Arie	Budget Director
Hope Hernandez	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 511,995 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, 39 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 88.6% 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 *2015 American Community Survey,* in Sedgwick County, 25.6% of the population has some college, but no degree, while 7.5% has earned an associate's degree. Approximately 17.6% of the population has at least a bachelor's degree and almost 10.1% 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.

Several buildings opened or began construction in 2017 on the Wichita State University Innovation Campus, including the Airbus Wichita engineering center and the Experiential Engineering Building. The Airbus Wichita building will bring approximately 400 employees and applied learning opportunities for students. The

Experiential Engineering Building will house 25 laboratories, including design studios and manufacturing capabilities, to foster creativity and entrepreneurship.

In addition to the National Center for Aviation Training and the WSU Innovation Campus, there are more than 10 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 six 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 six major passenger airlines, including Alaska Airlines, 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 Atlanta, Chicago, Dallas/Fort Worth, Denver, Houston, Las Vegas, Los Angeles, Minneapolis/Saint Paul, Phoenix, and Seattle.

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 set a passenger traffic record in 2017 with a total of 1,620,240 passengers. 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 2017.

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 19.0 minutes, compared to 24.1 minutes in St. Louis County, Missouri, and 20.5 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 601 miles of road and 598 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 6,689. It is estimated that during 2017 base activity sustained an additional 2,467 indirect jobs in Sedgwick County, resulting from retail, service, wholesale, and construction activities. During fiscal year 2014, McConnell had a total payroll of $566,324,233. The total impact on the local economy of McConnell AFB and its tenants for FY17 was $612.6 million, within a 50-mile radius of the base.

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 2016 Civilian Labor Force for the Wichita, Kansas, Metropolitan Statistical Area was 309,338 residents, a slight decrease of .2% from 2015. Of those who are eligible for employment, approximately 95.3% (294,792) were employed in 2016. Wichita, Kansas M.S.A. unemployment rate as of April 2017 was 4.0%, slightly lower than the U.S. unemployment rate of 4.1%. In 2010, the unemployment rate in Sedgwick County peaked at 9.0% and has declined steadily since.

Health Care

Home to approximately 2,850 licensed hospital beds, Sedgwick County continues to lead the region in healthcare options. Within the community, there are 17 acute care and free-standing hospitals, each serving the needs of the community by providing acute, general, and specialized care. Additionally, Sedgwick County has over 50 nursing homes 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 use disorders through Comprehensive Community Care of Sedgwick County (COMCARE). The Division collaborates with other agencies in the community to provide services. Since 2002, the number of consumers in the COMCARE system has continued to increase as evidenced by the projected unduplicated count for 2017 increasing to 16,000 compared to the 2016 projection of 13,074.

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.

Sedgwick County Fire District #1 serves 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 631 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 508,000 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 has 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 one of the largest jails in the State of Kansas. From 2015 to 2016, the total daily average inmate population increased a negligible amount, from 1,424 to 1,425

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 $750,000 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 sponsor 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, Cessna Penguin Cove, the Slawson Family Tiger Trek, the Koch Orangutan & Chimpanzee Habitat and the Reed Family Elephants of the Zambezi River Valley.

Tanganyika Wildlife Park is located in western Sedgwick County and offers over 40 exhibits featuring 9 interactive stations, 400 animals and 37 successful breeding programs. 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 the Wichita Thunder, a minor league hockey team; the Wichita Force, a professional indoor football team; the Wingnuts, a minor league baseball team; and FC Wichita, a minor league outdoor soccer team. These teams provide hundreds of hours of entertainment each year for the citizens of Sedgwick County and from surrounding areas. A twin-sheet ice skating arena, the Wichita Ice Center, is also available for additional sporting events. Sedgwick County operates Lake Afton Park and Sedgwick County Park. Lake Afton Park is a 258-acre lake within 720 acres of land that provides for fishing, camping, swimming, boating, and picnicking.

The Sedgwick County Park is a 400-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 33 museums and numerous cultural events including Ballet Wichita, 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
- Air Capital Classic 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 acquisition, construction, remodeling, and major maintenance 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 CIP is five years in duration. The CIP adopted by the Board of County Commissioners for the 2018-2022 planning period totals $158,818,167 and includes $35,950,167 of improvements to County facilities and $122,686,000 of improvements to the County's infrastructure. The adopted Capital Improvement Program is funded with $79,240,167 of cash from current revenues, $33,015,000 of bond proceeds, and $46,563,000 of funding to be provided by other governments.

Although the $33,015,000 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 $16.5 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 10% 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 one 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	$208.13	41.63%
Per capita direct, overlapping and underlying debt	$3,000	$3,983.79	132.79%
Direct debt as % of estimated full market value	1.50%	0.30%	20.22%
Direct, overlapping and underlying debt as % of full market value	6.00%	5.80%	96.74%
Annual debt service as % of budgeted expenditures	10.00%	7.87%	78.673%

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. The Debt Service Fund has 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, 2017 the General Fund cash balance was 28.54% of budgeted annual expenditures and transfers out. The unrestricted fund balance was 28.31% of budgeted annual expenditures and transfers out. Additionally, the Debt Service Fund is 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 306 days and the average yield on investments is 1.01%. Investments had a market value of $485,410,448 at December 31, 2017.

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 for school general funds. 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 for school district general funds; (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: are eligible to receive Sheriff Warrants. 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, 2016 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 November 14, 2014, 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 2017 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 2017 marked the 34th 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 (or October 1 if the County must conduct an election to increase property taxes above the tax lid described below). 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 Kansas Legislature passed legislation in 2015 and 2016 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 is effective on January 1, 2017, and provides that, subject to certain exceptions, no city or county may approve an appropriation or budget which provides for funding by property tax revenues in an amount exceeding that of the immediately prior year, as adjusted to reflect the average changes in the consumer price index for the preceding five calendar years and provided that such average shall not be less than zero, unless approved by a majority vote of electors. The Tax Lid does not require an election in the following situations:

"(1) Increased property tax revenues that, in the current year, are produced and attributable to the taxation of:

(A) The construction of any new structures or improvements or the remodeling or renovation of any existing structures or improvements on real property, which shall not include any ordinary maintenance or repair of any existing structures or improvements on the property;

(B) increased personal property valuation;

(C) real property located within added jurisdictional territory;

(D) real property which has changed in use;

(E) expiration of any abatement of property from property tax; or

(F) expiration of a tax increment financing district, rural housing incentive district, neighborhood revitalization area or any other similar property tax rebate or redirection program.

(2) Increased property tax revenues that will be spent on:

(A) Bond, temporary notes, no fund warrants, state infrastructure loans and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments, and payments made to a public building commission and lease payments but only to the extent such payments were obligations that existed prior to July 1, 2016;

(B) payment of special assessments not exceeding the amount of ad valorem property taxes levied in support of such payments;

(C) court judgments or settlements of legal actions against the city or county and legal costs directly related to such judgments or settlements;

(D) expenditures of city or county funds that are specifically mandated by federal or state law with such mandates becoming effective on or after July 1, 2015, and loss of funds from federal sources after January 1, 2017, where the city or county is contractually obligated to provide a service;

(E) expenses relating to a federal, state or local disaster or federal, state or local emergency, including, but not limited to, a financial emergency, declared by a federal or state official. The board of county commissioners may request the governor to declare such disaster or emergency; or

(F) increased costs above the consumer price index for law enforcement, fire protection or emergency medical services.

(3) Any increased property tax revenues generated for law enforcement, fire protection or emergency medical services shall be expended exclusively for these purposes but shall not be used for the construction or remodeling of buildings.

(4) The property tax revenues levied by the city or county have declined:

(A) In one or more of the next preceding three calendar years and the increase in the amount of funding for the budget or appropriation from revenue produced from property taxes does not exceed the average amount of funding from such revenue of the next preceding three calendar years, adjusted to reflect changes in the consumer price index for all urban consumers as published by the United States department of labor for the preceding calendar year; or

(B) the increase in the amount of ad valorem tax to be levied is less than the change in the consumer price index plus the loss of assessed property valuation that has occurred as the result of legislative action, judicial action or a ruling by the board of tax appeals."

The Tax Lid also provides that "[w]henever a city or county is required by law to levy taxes for the financing of the budget of any political or governmental subdivision of this state that is not authorized by law to levy taxes on its own behalf, and the governing body of such city or county is not authorized or empowered to modify or reduce the amount of taxes levied therefore, the tax levies of the political or governmental subdivision shall not be included in or considered in computing the aggregate limitation upon the property tax levies of the city or county."

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

However, as described above, the Tax Lid provides a specific exception for "[b]ond, temporary notes, no fund warrants, state infrastructure loans, and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments" as well as certain lease payments. 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, 2016 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, 2016. 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 36th consecutive year that Sedgwick County has received this award. The 2017 Comprehensive Annual Financial Report will be 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, each of whom serve four-year terms. The board of trustees appoints an Executive Director to serve as the managing officer of KPERS and manages a staff to carry out daily operations of the system.

As of October, 2017 KPERS serves about 299,000 members and 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS is the administrator of a cost-sharing multiple-employer defined benefit pension plan. KPERS administer the following three statewide, defined benefit retirement groups under one plan, as provided by K.S.A 74, article 49:

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

These three groups have different, actuarial assumptions, experience, contribution rates and benefit options. The Kansas Public Employees Retirement System is the largest of the three groups, accounting for more than 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate subgroups, 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.

(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.

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. 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 6% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009), KPERS Tier 2 members (covered employment on or after July 1, 2009), or KPERS Tier 3 members (covered employment on or after January 1, 2015).

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 8.39% of the employee's gross salary for calendar year 2018. The rate is scheduled to change to 8.89% beginning January 1, 2019. In addition, the Issuer contributes 1% of the employee's gross salary for Death and Disability Insurance for covered employees.

In 2015, Sedgwick County implemented GASB 68 – Accounting and Financial Reporting for Pensions. KPERS produces a Schedule of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer (GASB 68 Report) which provides the net pension liability allocated to each KPERS participant, including the County. The GASB 68 Report is available on the KPERS website at kpers.org/about/reports.html. Sedgwick County has no means to independently verify any of the information set forth on the KPERS website or in the GASB 68 Report. It is important to note that under existing State Law, Sedgwick County has no legal obligation for the unfunded accrued actuarial liability (UAAL) or the net pension liability calculated by KPERS, and such figures are for informational purposes only.

According to the Valuation Report as of December 31, 2016 (2016 Valuation Report) the KPERS Local Group, of which the Issuer is a member, carried a UAAL of approximately $1.512 billion at the end of 2016. The authors of the 2016 Valuation Report note that the UAAL increased due to multiple factors, the most significant of which was the increase in the actuarial liability due to assumption and methodology changes adopted since the release of the prior valuation report. The 2016 Valuation Report discusses these assumption and methodology changes, and includes additional information relating to the funded status of the KPERS Local Group, including recent trends in the funded status of the KPERS Local Group, and is available on the KPERS website at kpers.org/about/reports.html. The County has no means to independently verify any of the information set forth on the KPERS website or in the 2016 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS Local Group. The 2016 Valuation Report sets the employer contribution rate for the period beginning January 1, 2019, for the KPERS Local Group, and KPERS' actuaries identified that an employer contribution rate of 8.89% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by the end of the actuarial period set forth in the 2016 Valuation Report. The statutory contribution rate of employers currently equals the 2016 Valuation Report's actuarial rate. 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. The required employer contribution rate may increase up to the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter.

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 2016 Valuation Report, KPFRS carried an UAAL of $842,208,719 at the end of 2016. Employees contribute

7.15% of gross compensation, and the County contributes 20.22% (Sheriff), 20.09% (Fire), and 20.09% (EMS) of employees' gross compensation for calendar year 2018.

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.

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COMPARISON OF BUDGETARY INFORMATION
GENERAL FUND ONLY (NON-GAAP BASIS)
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Revenues				
Property taxes	$ 115,456,111	$ 115,456,111	$ 115,452,832	$ (3,279)
Sales taxes	29,496,813	29,496,813	28,118,684	(1,378,129)
Other taxes	271,148	271,148	324,026	52,878
Intergovernmental	1,471,193	1,471,193	1,552,067	80,874
Charges for services	16,686,727	16,686,727	15,380,085	(1,306,642)
Uses of money and property	4,650,609	4,650,609	5,421,101	770,492
Fines and forfeits	62,791	62,791	89,765	26,974
Licenses and permits	5,205,641	5,205,641	7,918,393	2,712,752
Reimbursed expenditures	5,338,805	5,338,805	5,458,682	119,877
Other	2,806,148	2,806,148	4,237,785	1,431,637
Total revenues	181,445,986	181,445,986	183,953,420	2,507,434
Expenditures				
Current:				
Personnel services	114,251,192	113,605,235	108,875,775	4,729,460
Contractual services	61,821,687	58,225,611	38,853,254	19,372,357
Commodities	5,535,191	7,634,374	6,950,687	683,687
Capital outlay	3,492,198	214,174	147,183	66,991
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	185,100,268	179,679,394	154,826,899	24,852,495
Revenues over expenditures	(3,654,282)	1,766,592	29,126,521	27,359,929
Other financing sources (uses)				
Transfers from other funds	-	-	42,830	42,830
Transfers to other funds	(19,229,040)	(24,649,914)	(23,372,037)	1,277,877
Total other financing sources (uses)	(19,229,040)	(24,649,914)	(23,329,207)	1,320,707
Net change in fund balances	(22,883,322)	(22,883,322)	5,797,314	28,680,636
Fund balances, beginning of year	22,883,322	22,883,322	61,857,743	38,974,421
Fund balances, end of year	$ -	$ -	$ 67,655,057	$ 67,655,057

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.

	2017 [1]	2016	2015	2014	2013
Revenues					
Property taxes	$ 115,452,832	$ 110,172,395	$ 106,784,206	$ 104,923,803	$ 104,694,337
Sales taxes	15,287,883	16,047,189	15,798,794	15,466,458	15,042,828
Other taxes	324,026	380,976	262,829	387,453	295,802
Intergovernmental	741,688	3,928,621	2,481,224	3,145,037	3,422,908
Charges for services	15,065,650	16,958,332	17,016,993	17,375,833	17,163,512
Uses of money and property	4,617,056	4,283,165	4,531,174	4,229,021	5,018,870
Fines and forfeits	89,765	38,184	45,115	47,716	62,975
Licenses and permits	7,918,393	785,292	68,441	53,469	88,014
Other	5,908,081	3,765,165	4,162,281	5,404,657	3,402,329
Total revenues	165,405,374	156,359,319	151,151,057	151,033,447	149,191,575
Expenditures					
Current:					
General government	37,881,881	34,267,240	31,510,205	31,181,267	29,215,205
Public safety	90,961,520	88,453,284	89,821,408	86,932,665	84,609,217
Public works	1,839,230	1,762,093	1,718,959	1,712,828	1,632,343
Health and welfare	8,597,730	8,492,824	8,756,193	8,966,917	8,655,497
Cultural and recreation	9,427,758	9,245,310	14,452,856	8,766,302	8,300,940
Economic development	2,307,205	2,483,085	2,899,326	4,159,219	4,439,928
Debt service:					
Principal	-	221,483	-	62,783	-
Interest and fiscal charges	-	153,617	-	-	-
Total expenditures	151,015,324	145,078,936	149,158,947	141,781,981	136,853,130
Excess (deficiency) of revenues over (under) expenditures	14,390,050	11,280,383	1,992,110	9,251,466	12,338,445
Other financing sources (uses)					
Transfers from other funds	42,830	556,881	43,671	208,320	36,463
Transfers to other funds	(10,910,261)	(13,838,735)	(7,034,920)	(7,673,812)	(11,586,549)
Sale of general capital assets	-		1,381,960		
Total other financing sources (uses)	(10,867,431)	(13,281,854)	(5,609,289)	(7,465,492)	(11,550,086)
Net change in fund balance	3,522,619	(2,001,471)	(3,617,179)	1,785,974	788,359
Fund balances, beginning of year	63,008,119	65,009,590	68,626,769	66,840,795	66,052,436
Fund balances, end of period	$ 66,530,738	$ 63,008,119	$ 65,009,590	$ 68,626,769	$ 66,840,795

[1] CAFR not available at time of report; information from 4th Quarter Financial Report

APPENDIX B

SEDGWICK COUNTY, KANSAS – AUDITED FINANCIAL STATEMENTS
(FOR THE FISCAL YEAR ENDED 12/31/2016)

BKD LLP
CPAs & Advisors
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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 (the County), as of and for the year ended December 31, 2016, 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 the County, as of December 31, 2016, 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, budgetary comparison, pension, and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual fund financial statements and schedules, 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 fund financial statements and schedules of supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are 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 June 2, 2017, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BKD, LLP

Wichita, Kansas
June 2, 2017

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, 2016. 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 decreased $2.1 million to $505.0 million. The governmental funds increased $2.5 million, and the Arena fund, our only enterprise fund, decreased $4.6 million.
- Of this total, ($29.6) million is reported as unrestricted net position, no change from the prior year which was also ($29.6) million.
- 2016 expenses were $319.4 million, a decrease of $0.9 million.
- Program revenues were $116.3 million, a decrease of of $21.0 million, due to reductions of $3.1 million from the State of Kansas for road projects, $4.8 million for Medicare fees, $6.1 million due to the Affordable Airfares program ending and a one-time payment in 2015 of $5.3 million to help fund construction of the new elephant barn at the Sedgwick County Zoo. Per the operating agreement between The Sedgwick County Zoological Society and Sedgwick County, the County will provide monies for the acquisition and construction of the initial physical facilities located at the Zoo.
- Investment earnings increased $0.7 million or 10.3%, to $6.4 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-71 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 statements include 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-15 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.

<u>Governmental Funds</u>

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 nonmajor 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-72 through A-75 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 defined benefit pensions and 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. Combining and individual fund statements and schedules can be found on pages B-1 through D-4 of this report.

Government-wide Financial Analysis

<u>Net Position</u>

Net position may serve over time as a useful indicator of a government's financial position. Assets of the primary government exceeded liabilities by $505.0 million at the end of 2016.

Sedgwick County, Kansas
Net Position
As of December 31, 2016
With Comparatives as of December 31, 2015
(millions of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	$450.3	$429.4	$ 12.5	$ 13.5	$462.8	$442.9
Capital assets	446.3	451.2	148.2	152.0	594.5	603.2
Total assets	896.6	880.6	160.7	165.5	1,057.3	1,046.1
Deferred Outflows:						
Deferred refunding	0.4	0.7	-	-	0.4	0.7
Deferred outflows – pensions	31.1	11.1	-	-	31.1	11.1
Total deferred outflows	31.5	11.8	-	-	31.5	11.8
Liabilities:						
Long-term liabilities	374.2	377.0	-	-	374.2	377.0
Other liabilities	58.1	23.9	-	0.2	58.1	24.1
Total liabilities	432.3	400.9	-	0.2	432.3	401.1
Deferred Inflows:						
Deferred revenues	144.6	139.9	-	-	144.6	139.9
Deferred inflows -pensions	6.9	9.8	-	-	6.9	9.8
Total deferred inflows	151.5	149.7	-	-	151.5	149.7
Net position:						
Net investment in capital assets	329.3	320.5	148.2	152.0	477.5	472.5
Restricted	50.5	56.0	6.6	8.2	57.1	64.2
Unrestricted (deficit)	(35.5)	(34.7)	5.9	5.1	(29.6)	(29.6)
Total net position	$344.3	$341.8	$160.7	$165.3	$505.0	$507.1

The largest portion of the County's net position (94.5 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 11.3 percent of net position and are resources that are subject to external restrictions on how they may be used. The remaining balance of ($29.6) million is *unrestricted (deficit) net position.*

GASB Statements Nos. 68 and 71 were implemented during 2015, requiring the County to record its proportionate share of the Kansas Public Employees Retirement System (KPERS) collective net pension liability. For 2016, this accounts for the majority of the changes in long-term liabilities due in more than one year and unrestricted net position, as well as an increase to $31.1 million to deferred outflows – pensions and a decrease to $6.9 million in deferred inflows – pension. For additional information, please refer to Note IV.F. beginning on page A-64.

Change in Net Position

The County's net position for governmental activities increased $2.5 million or 0.73 percent. Net position of the County's business-type activities decreased $4.6 million representing a decrease of 2.8 percent during 2016. Overall, net position decreased $2.1 million. Changes in net position were as follows:

Sedgwick County, Kansas
Change in Net Position
Fiscal Year Ended December 31, 2016
With Comparatives for the Year Ended December 31, 2015
(millions of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	$ 65.5	$ 70.2	$ 0.6	$ 1.0	$ 66.1	$ 71.2
Operating grants and contributions	44.9	51.2	-	-	44.9	51.2
Capital grants and contributions	5.3	14.9	-	-	5.3	14.9
General revenues:						
Property taxes	162.8	160.4	-	-	162.8	160.4
Sales taxes	28.9	28.4	-	-	28.9	28.4
Other taxes	3.4	3.0	-	-	3.4	3.0
Investment earnings	6.4	5.8	-	-	6.4	5.8
Extraordinary item	(0.5)	-	-	-	(0.5)	-
Gain on sale of capital assets	-	0.5	-	-	-	0.5
Total revenues	316.7	334.4	0.6	1.0	317.3	335.4
Expenses						
General government	47.5	44.1	-	-	47.5	44.1
Public safety	144.4	140.2	-	-	144.4	140.2
Public works	35.2	31.5	-	-	35.2	31.5
Health and welfare	53.3	55.9	-	-	53.3	55.9
Culture and recreation	12.4	16.8	-	-	12.4	16.8
Economic development	14.2	17.8	-	-	14.2	17.8
Interest on long-term debt	7.2	8.9	-	-	7.2	8.9
Arena	-	-	5.2	5.1	5.2	5.1
Total expenses	314.2	315.2	5.2	5.1	319.4	320.3
Increase (decrease) in net position	2.5	19.2	(4.6)	(4.1)	(2.1)	15.1
Net position, beginning	341.8	450.9	165.3	169.4	507.1	620.3
Adjustment for change in accounting principle	-	(128.3)	-	-	-	(128.3)
Net position, ending	$344.3	$341.8	$160.7	$165.3	$505.0	$507.1

Charges for services in governmental activities decreased $4.7 million in 2016. Medicaid fees revenues decreased $4.1 million. Capital grants and contributions were down $9.6 million. In 2015 the Sedgwick County Zoo contributed $8.9 million in capital assets due to the new elephant barn which opened in 2016. Operating grants and contributions decreased $6.3 million from 2015 to 2016. Payments for the Affordable Airfares program were reduced and the program ended in mid-2016. Property tax collections were up $2.4 million, due to an increase in ad valorem tax collections.

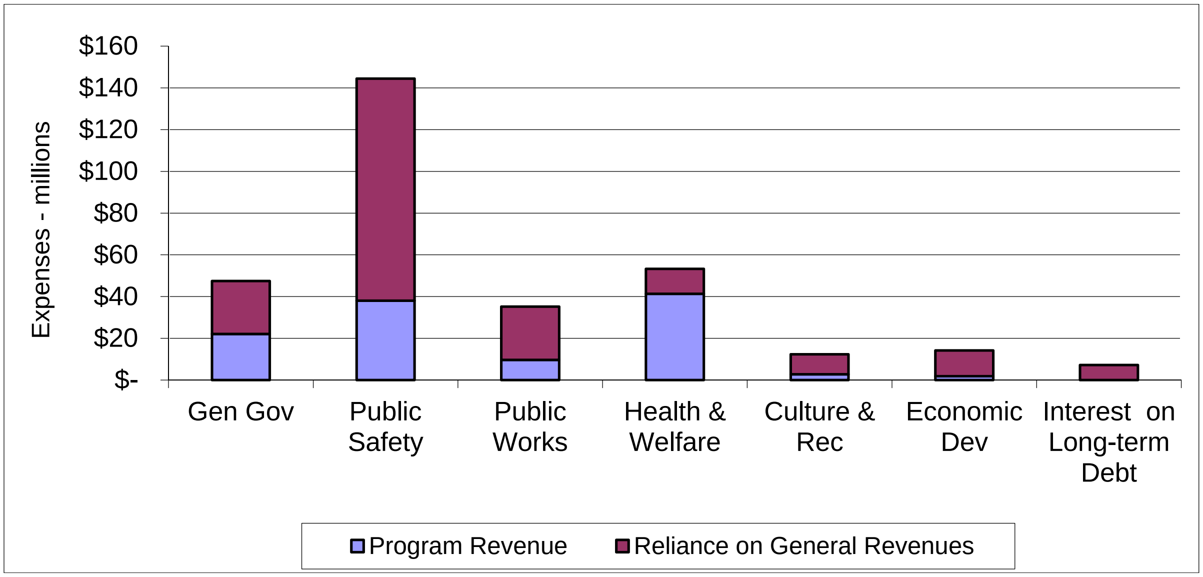
Expenses of governmental activities decreased $1.0 million. General government expenses increased $3.4 million, 2.3%. Health and welfare expenses decreased $2.6 million or 4.6%. Culture and recreation expenses decreased $4.4 million or 25%, due mostly to a one-time payment of $5.3 million to help fund construction of the new elephant barn at the Sedgwick County Zoo in 2015. Economic development expenses decreased $3.6 million, the decrease was primarily was due to the decrease of payment for the Affordable Airfares program. Public safety expenses increased $4.2 million, 3.0%.

<u>Governmental Activities</u>

Governmental activities incurred $314,174,655 in expenses during 2016. The following list breaks this expense down into percentage by function with the corresponding dollar amount:

o	Public safety	46.0%	$144,411,990
o	Health and welfare	17.0%	53,319,338
o	General government	15.1%	47,430,448
o	Public works	11.2%	35,205,540
o	Economic development	4.5%	14,210,390
o	Culture and recreation	3.9%	12,378,012
o	Interest on long-term debt	2.3%	7,218,937
	Total governmental activities expenses		$314,174,655

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 principally taxes and investment earnings.



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%	$ 7,218,937	$ -
o	Economic development	86.7%	12,319,824	1,890,566
o	Culture and recreation	77.9%	9,643,613	2,734,399
o	Public works	72.6%	25,551,047	9,654,493
o	Public safety	73.7%	106,374,045	38,037,945
o	General government	53.4%	25,344,299	22,086,149
o	Health and welfare	22.5%	11,998,122	41,321,216
	Total reliance on general revenues		$198,449,887	$115,724,768

Business-type Activity

Sedgwick County has one business-type activity, the Arena fund. Net position for fiscal year 2016 decreased by $4.6 million to $160.7 million. Of that $160.7 million, $148.1 million is invested in capital assets. The decrease can be attributed to depreciation, which was $4.4 million.

County Funds Financial Analysis

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

<u>Governmental Funds</u>

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 $178.9 million, a decrease of $39.9 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	$ 65,009,590	$ 63,008,119	$ (2,001,471)
Federal/State Assistance	20,396,259	23,117,749	2,721,490
Public Building Commission	41,905,143	9,718,608	(32,186,535)
Debt Service	3,110,533	3,271,361	160,828
Debt Proceeds	44,874,724	33,545,832	(11,328,892)
Other Governmental	43,499,283	46,191,693	2,692,410
Total Governmental Funds	$ 218,795,532	$ 178,853,362	$(39,942,170)

The General Fund is the chief operating fund of Sedgwick County. Ending fund balance in the General Fund decreased $2.0 million, compared to a decrease of $3.6 million a year ago.

Revenues of the General Fund increased $5.2 million, to $156.4 million, in 2016. A variety of miscellaneous revenues categorized as "other revenues" had a decrease of $0.4 million. Property tax increased $3.4 million from 2015. Intergovernmental revenues and licenses and permits increased $1.4 million and $0.7 million from 2015, respectively.

General Fund expenditures decreased $4.1 million, to $145.1 million. The decrease primarily can be attributed to a one-time payment, in 2015, to the Sedgwick County Zoo in the amount of $5.3 million to assist with building the elephant zoo barn, included in culture and recreation. General government expenditures increased $2.8 million, attributable to clean up and reclassification of some old liability accounts. Health and welfare, and economic development decreased $0.7 million. Public Safety expenses decreased $1.4 million from 2015.

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 28.8% of total General Fund expenditures, while total fund balance represents 43.4%. 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 $23.1 million which is $2.7 million more than 2015. Revenues decreased $2.6 million over the prior year, to $56.3 million. The category of 'other revenues' increased $4.2 million. The increase can be attributed to the Affordable Airfares program. The State provided funds for the program for the State Fiscal Year 2016, which should have been received in 2015. Charges for service decreased $3.3 million from 2015 to 2016. Within this category, Medicaid fees decreased $4.1 million. Federal/State Assistance Fund expenditures decreased $9.0 million. Health and welfare expenditures decreased $4.3 million due partly to a reduction of Medicaid pass-thru payments to affiliates and a reduction of personnel expenses. Economic development expenditures decreased $3.1 million, due to the Affordable Airfares program ending. Public Safety expenses decreased $1.5 million from 2015.

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 $9.7 million, which is a decrease of $32.2 million from 2015. During the year, the County paid $32.4 million to Wichita State University (WSU) for construction of an Experiential Engineering facility. The facility was financed with lease-revenue bonds sold by the PBC in 2014; the fund balance primarily consists of bond proceeds that have not yet been spent on the facility. The PBC and WSU have entered into a lease for the facility.

Debt Service fund balance increased by $0.2 million due mostly to a $0.2 million increase in intergovernmental revenue. The County received the second half of 2015 Build America bond interest refunds in 2016.

The Debt Proceeds Fund is a capital projects fund that receives proceeds from general obligation bond issues and other long-term financing sources. During 2016, the County did not issue any new debt. $2.4 million was transferred to capital projects funds to pay for current projects. A significant portion of transfers out to capital projects funds included $1.1 million for the acquisition and renovation of a building that will house Metropolitan Area Building and Construction Department, along with other various departments. Another $1.3 million was used unspent bond proceeds that were transferred out to make debt service payments.

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 Fund had an operating loss of $4.6 million. The loss can be attributed to $4.4 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 a decrease in 2016 of $78,819, to $23.8 million. The workers' compensation expenses exceeded charges and the fund ended the year with a fund balance of $2.9 million. In the Risk Management Fund, Sedgwick County expended approximately $720,000 for property and liability insurance during 2016 and also paid $351,000 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. The County uses a self-funded insurance model for health insurance and dental insurance. The fund had a loss of $0.1 million during 2016 decreasing net position to $6.7 million at the end of the year.

General Fund Budgetary Highlights

The County did not amend the budget during fiscal year 2016, although appropriations were shifted between line items in the General Fund.

Actual revenue was $278,000, or 0.2%, above both the original and final budgets. Four of ten major revenue sources ended the year above budget. Charges for services were over budget by $1.1 million. Licenses and permits were $720,000 above budget, this is primarily due to the Metropolitan Area Building and Construction Department moving from a City of Wichita department to a Sedgwick County department. Combined the other eight major revenues were below budget $1.6 million. Property tax collections were $300,000 below budget. Sales tax revenue was $800,000 below budget. Intergovernmental revenues were $400,000 less than budgeted.

General Fund expenditures totaled $148.4 million, and were 11.9% less than the original and final budgets. Expenditures for personnel services were less than the original and final budgets by $3.7 million and $3.9 million, respectively. Contractual services ended the year $15.2 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 decreased $1.1 million in 2016.

Capital Asset and Debt Administration

Sedgwick County's investment in capital assets for its governmental and business-type activities as of December 31, 2016, totaled $594,491,658 (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, bridges, improvements, machinery and equipment, software and the INTRUST Bank Arena.

Major capital asset events during the 2016 fiscal year included the following:

- Construction in progress decreased from $46.4 million at the end of 2015 to $35.0 million at the end of 2016. $10.6 million of the decrease comes from the completion of the Sedgwick County Zoo elephant exhibit.
- Sedgwick County Zoo contributed $2.3 million in capital assets consisting of an elephant barn that opened May 2016.

Capital Assets
December 31, 2016
(net of depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	$ 24,611,096	$ 13,038,358	$ 37,649,454
Buildings and improvements	209,104,419	134,172,167	343,276,586
Improvements other than buildings	15,132,955	-	15,132,955
Machinery and equipment	18,759,366	782,153	19,541,519
Infrastructure	143,917,485	-	143,917,485
Construction in progress	34,818,568	155,089	34,973,657
Total	$ 446,343,889	$ 148,147,767	$ 594,491,656

Additional information regarding capital assets can be found in Note III. B, beginning on page A-49.

Long-term Debt

At the end of 2016, Sedgwick County had total general obligation bonds outstanding of $56.7 million. This amount includes $2.2 million of special assessment bonds. The County's long-term obligations also include revenue bonds totaling $133.0 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 2016, Sedgwick County did not issue debt. The Board of County Commissioners have established a goal to reduce the amount of outstanding debt, and to fund future capital projects solely with cash and funding provided by other jurisdictions.

Outstanding general obligation bonds of the County and lease revenue bonds of the PBC are rated "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").

Additional information about the County’s long-term debt can be found in Note III. D, beginning on page A-52 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate in the Wichita MSA stood at 4.4% at the end of 2016, as compared to 4.0% at the end of 2015.
- The 2016 County property tax levy funds the 2017 budget. The 2016 property tax (mill levy) rate is 29.393.
- Wichita is known as the air capital of the world because it houses major facilities of three leading aircraft manufacturers: Textron Aviation (which produces Cessna and Beechcraft airplanes), Spirit Aerosystems, and Bombardier Learjet, as well as many other aviation parts suppliers. During 2016 Wichita companies delivered 43% of all general aviation airplanes built in the U.S. and accounted for 29%of global general aviation airplane deliveries.
- For 2016, the value of new residential construction permits was $283.6 million. The value of new non-residential construction permits was $668.6 million.
- The cost of living index in Wichita is a moderate 90.7, almost 9.3% below the national urban area average of 100.

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.

SEDGWICK COUNTY, KANSAS

Statement of Net Position

December 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash, including investments	$ 161,628,670	$ 5,729,885	$ 167,358,555
Receivables, net	246,472,430	175,000	246,647,430
Due from other agencies	3,417,838	-	3,417,838
Inventories, at cost	683,912	-	
Prepaid items	2,416,769	-	2,416,769
Restricted assets:			
Cash, including investments	35,632,362	6,615,262	42,247,624
Capital assets:			
Land and construction in progress	59,429,664	13,193,447	72,623,111
Other capital assets, net of depreciation	386,914,225	134,954,320	521,868,545
Total assets	896,595,870	160,667,914	1,056,579,872
Deferred Outflows of Resources			
Refundings of debt	385,714	-	385,714
Pensions	31,128,715	-	31,128,715
Total deferred outflows of resources	31,514,429	-	31,514,429
Liabilities			
Accounts payable and other current liabilities	5,424,065	-	5,424,065
Accrued wages	3,862,487	-	3,862,487
Accrued interest payable	3,277,441	-	3,277,441
Due to other entities	292,184	-	292,184
Unearned revenue	44,423,107	-	44,423,107
Advance - grants	853,472	-	853,472
Noncurrent liabilities:			
Due within one year	23,649,358	-	23,649,358
Due in more than one year	350,549,874	-	350,549,874
Total liabilities	432,331,988	-	432,331,988
Deferred Inflows of Resources			
Property tax receivable	144,608,173	-	144,608,173
Pensions	6,917,625	-	6,917,625
Total deferred inflows of resources	151,525,798	-	151,525,798
Net Position			
Net investment in capital assets	329,243,600	-	329,243,600
Invested in capital assets	-	148,147,767	148,147,767
Restricted for:			
Capital improvements	8,391,601	-	8,391,601
Capital improvements and operations	-	6,615,262	6,615,262
Debt service	5,443,055	-	5,443,055
Federal/State assistance	12,517,985	-	12,517,985
Economic development	6,932,769	-	6,932,769
Equipment and technology improvements	1,334,022	-	1,334,022
Fire protection	3,808,586	-	3,808,586
Court operations	3,401,575	-	3,401,575
Other purposes	8,698,530	-	8,698,530
Unrestricted	(35,519,210)	5,904,885	(29,614,325)
Total net position	$ 344,252,513	$ 160,667,914	$ 504,236,515

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

SEDGWICK COUNTY, KANSAS

Statement of Activities

For the Year Ended December 31, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 47,430,448	$ 19,267,415	$ 2,818,734	$ -
Public safety	144,411,990	22,752,389	15,285,556	-
Public works	35,205,540	1,671,982	4,987,773	2,994,738
Health and welfare	53,319,338	21,132,561	20,188,655	-
Cultural and recreation	12,378,012	446,867	-	2,287,532
Economic development	14,210,390	223,238	1,667,328	-
Interest on long-term debt	7,218,937	-	-	-
Total governmental activities	314,174,655	65,494,452	44,948,046	5,282,270
Business-type activities:				
Arena	5,248,238	593,062	-	-
Total business-type activities	5,248,238	593,062	-	-
Total primary government	$ 319,422,893	$ 66,087,514	$ 44,948,046	$ 5,282,270

General revenues:
- Property taxes
- Sales taxes
- Other taxes
- Investment earnings
- Extraordinary item (October fraud loss)

Total general revenue

Change in net position

Net position, beginning of year

Net position, end of year

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
$ (25,344,299)	$ -	$ (25,344,299)
(106,374,045)	-	(106,374,045)
(25,551,047)	-	(25,551,047)
(11,998,122)	-	(11,998,122)
(9,643,613)	-	(9,643,613)
(12,319,824)	-	(12,319,824)
(7,218,937)	-	(7,218,937)
(198,449,887)	-	(198,449,887)
-	(4,655,176)	(4,655,176)
-	(4,655,176)	(4,655,176)
$ (198,449,887)	$ (4,655,176)	$ (203,105,063)
162,790,600	-	162,790,600
28,899,247	-	28,899,247
3,381,978	-	3,381,978
6,423,364	-	6,423,364
(543,217)	-	(543,217)
200,951,972	-	200,951,972
2,502,085	(4,655,176)	(2,153,091)
341,750,428	165,323,090	507,073,518
$ 344,252,513	$ 160,667,914	$ 504,920,427

SEDGWICK COUNTY, KANSAS

Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Federal/State Assistance Fund	Public Building Commission Fund
Assets:			
Cash, including investments	$ 54,671,877	$ 22,587,901	$ 1,368,183
Restricted investment	-	-	8,350,425
Advance receivable	5,632,658	-	-
Due from other funds	-	-	-
Due from other agencies	874,711	1,882,240	-
Accounts receivable	395,453	1,041,387	-
Property tax receivable	100,368,752	-	-
Sales tax receivable	2,616,092	-	-
Interest receivable	551,430	-	-
Prepaid items	2,408,625	-	-
Lease receivable	-	-	86,469,024
Notes receivable	936,044	-	-
Special assessments receivable:			
Noncurrent	-	-	-
Delinquent (including interest)	-	-	-
Inventories, at cost	-	65,788	-
Total assets	$ 168,455,642	$ 25,577,316	$ 96,187,632
Liabilities:			
Accounts payable	$ 2,579,523	$ 925,096	$ -
Accrued wages	2,219,173	699,890	-
Advance - grants	18,891	834,581	-
Due to other entities	261,184	-	-
Due to other funds	-	-	-
Advance payable	-	-	-
Total liabilities	5,078,771	2,459,567	-
Deferred Inflows of Resources:			
Property tax receivable	100,368,752	-	-
Unavailable revenue - accounts receivable	-	-	-
Lease receivable	-	-	86,469,024
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	100,368,752	-	86,469,024
Fund balances:			
Nonspendable:			
Inventories	-	65,788	-
Advance receivable	5,632,658	-	-
Notes receivable	936,044	-	-
Prepaid items	2,408,625	-	-
Restricted:			
General Government	-	-	-
Debt Service	-	-	1,368,183
Public Safety	-	2,688,264	-
Public Works	-	-	-
Health and Welfare	-	9,547,108	-
Culture and Recreation	-	-	-
Economic Development	-	4,389,441	8,350,425
Capital Outlay	-		-
Committed:			
Public Safety	-	-	-
Capital Outlay	-	-	-
Health and Welfare	-	360,513	-
Assigned:			
General Government	12,118,235	-	-
Public Safety	118,676	739,756	-
Public Works	65	-	-
Health and Welfare	26,512	5,326,879	-
Culture and Recreation	2,281	-	-
Capital Outlay	-	-	-
Economic Development	-	-	-
Unassigned	41,765,023	-	-
Total fund balance	63,008,119	23,117,749	9,718,608
Total liabilities, deferred inflows of resources and fund balances	$ 168,455,642	$ 25,577,316	$ 96,187,632

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
$ 3,271,361	$ 5,664,817	$ 49,719,832	$ 137,283,971
-	27,281,937	-	35,632,362
-	-	-	5,632,658
-	599,078	-	599,078
-	-	660,887	3,417,838
-	-	1,863,044	3,299,884
11,456,996	-	32,782,425	144,608,173
-	-	2,616,093	5,232,185
-	-	-	551,430
-	-	-	2,408,625
-	-	-	86,469,024
-	-	-	936,044
3,664,639	-	-	3,664,639
1,710,523	-	-	1,710,523
-	-	464,629	530,417
$ 20,103,519	$ 33,545,832	$ 88,106,910	$ 431,976,851
$ -	$ -	$ 1,220,263	$ 4,724,882
-	-	904,911	3,823,974
-	-	-	853,472
-	-	31,000	292,184
-	-	599,078	599,078
-	-	5,632,658	5,632,658
-	-	8,387,910	15,926,248
11,456,996	-	32,782,425	144,608,173
-	-	744,882	744,882
-	-	-	86,469,024
5,375,162	-	-	5,375,162
16,832,158	-	33,527,307	237,197,241
-	-	464,629	530,417
-	-	-	5,632,658
-	-	-	936,044
-	-	-	2,408,625
-	-	1,994,780	1,994,780
3,271,361	27,281,937	25,790	31,947,271
-	-	9,910,731	12,598,995
-	-	3,806,901	3,806,901
-	-	858,285	10,405,393
-	-	30,202	30,202
-	-	9,500	12,749,366
-	6,263,895	9,620,397	15,884,292
-	-	5,027,929	5,027,929
-	-	5,746,491	5,746,491
-	-	-	360,513
-	-	-	12,118,235
-	-	39,811	898,243
-	-	441,721	441,786
-	-	-	5,353,391
-	-	-	2,281
-	-	8,828,924	8,828,924
-	-	-	-
-	-	(614,398)	41,150,625
3,271,361	33,545,832	46,191,693	178,853,362
$ 20,103,519	$ 33,545,832	$ 88,106,910	$ 431,976,851

SEDGWICK COUNTY, KANSAS

Reconciliation of the Statement of Net Position to the Balance Sheet for Governmental Funds

December 31, 2016

Total fund balances of governmental funds			$	178,853,362
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $758,359,674 and the accumulated depreciation is $326,671,494, excluding internal service fund capital assets.				431,688,180
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.				35,293,379
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.				
Special assessments	$	5,375,162		
Principal portion of lease receivable		42,045,917		
Miscellaneous other		744,882		48,165,961
Other deferred outflows of resources are not due and payable in the current period and therefore are not reported in the funds				
Deferred refunding	$	385,714		
Deferred outflows - pensions		31,128,715		31,514,429
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:				
Bonds payable	$	(56,740,000)		
Bond premium		(8,509,062)		
Revenue bonds payable		(133,025,000)		
Capital lease payable		(1,713,962)		
Compensated absences		(6,400,000)		
Net pension liability		(145,221,592)		
Other postemployment benefits other than pensions		(19,458,116)		
Accrued interest payable		(3,277,441)		(374,345,173)
Other deferred inflows of resources do not increase net position until a future period and therefore are not reported in the funds				
Deferred inflows - pensions				(6,917,625)
Net position of governmental activities			$	344,252,513

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 Year Ended December 31, 2016

	General Fund	Federal/State Assistance Fund	Public Building Commission
Revenues			
Property taxes	$ 110,172,395	$ -	$ -
Emergency telephone services taxes	-	-	-
Sales taxes	16,047,189	-	-
Special assessments	-	-	-
Other taxes	380,976	6,422	-
Intergovernmental	3,928,621	29,998,498	-
Charges for services	16,958,332	20,885,234	1,434,167
Uses of money and property	4,283,165	10,624	2,182,984
Fines and forfeits	38,184	222,285	-
Licenses and permits	785,292	-	-
Other	3,765,165	5,165,179	-
Total revenues	156,359,319	56,288,242	3,617,151
Expenditures			
Current:			
General government	34,267,240	-	-
Public safety	88,453,284	10,485,659	-
Public works	1,762,093	-	-
Health and welfare	8,492,824	41,128,047	-
Cultural and recreation	9,245,310	-	-
Economic development	2,483,085	3,144,376	32,393,615
Debt service:			
Principal	221,483	-	1,370,000
Interest and fiscal charges	153,617	-	2,040,071
Debt issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	145,078,936	54,758,082	35,803,686
Excess (deficiency) of revenues over (under) expenditures	11,280,383	1,530,160	(32,186,535)
Other financing sources (uses)			
Transfers from other funds	556,881	1,191,330	-
Transfers to other funds	(13,838,735)	-	-
Premium from issuance of refunding bonds	-	-	-
Premium from issuance of general obligation bonds	-	-	-
Sale of general capital assets	-	-	-
Issuance of general obligation bonds	-	-	-
Extraordinary item	-	-	-
Proceeds from capital lease	-	-	-
Issuance of general obligation bonds	-	-	-
Issuance of revenue bonds	-	-	-
Total other financing sources (uses)	(13,281,854)	1,191,330	-
Net change in fund balances	(2,001,471)	2,721,490	(32,186,535)
Fund balances, beginning of year	65,009,590	20,396,259	41,905,143
Fund balances, end of year	$ 63,008,119	$ 23,117,749	$ 9,718,608

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
$ 13,603,875	$ -	$ 39,014,330	$ 162,790,600
-	-	2,918,138	2,918,138
-	-	12,852,058	28,899,247
918,786	-	-	918,786
-	-	76,442	463,840
245,945	-	13,149,636	47,322,700
628,582	-	23,724,505	63,630,820
-	421,403	30,043	6,928,219
-	-	-	260,469
-	-	75,712	861,004
-	-	374,095	9,304,439
15,397,188	421,403	92,214,959	324,298,262
-	-	4,566,998	38,834,238
-	-	40,485,976	139,424,919
-	-	11,006,647	12,768,740
-	-	5,473,496	55,094,367
-	-	36,960	9,282,270
-	-	7,449,554	45,470,630
13,958,517	8,195,000	673,509	24,418,509
4,887,163	1,202,392	53,989	8,337,232
-	600	-	600
-	-	30,583,432	30,583,432
18,845,680	9,397,992	100,330,561	364,214,937
(3,448,492)	(8,976,589)	(8,115,602)	(39,916,675)
3,609,320	-	15,398,753	20,756,284
-	(2,352,303)	(4,438,716)	(20,629,754)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(543,217)	(543,217)
-	-	391,192	391,192
-	-	-	-
-	-	-	-
3,609,320	(2,352,303)	10,808,012	(25,495)
160,828	(11,328,892)	2,692,410	(39,942,170)
3,110,533	44,874,724	43,499,283	218,795,532
$ 3,271,361	$ 33,545,832	$ 46,191,693	$ 178,853,362

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, 2016

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

Net change in fund balances - total governmental funds		$	(39,942,170)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital outlays capitalized	$ 16,387,028		
Loss on disposal of assets	(364,889)		
Depreciation expense	(21,956,895)		(5,934,756)
Contributed capital assets are recognized as revenues on the statement of activities			2,287,532
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.			21,432,327
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.			
Bonds payable	$ 10,480,000		
Revenue bond payable	13,265,000		
Capital lease payable	673,509		
			24,418,509
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.			
Proceeds from capital lease			(391,192)
Bond costs - governmental funds report the effect of premiums, discounts and similar items when the debt is issued, where as these amounts are deferred and amortized in the statement of activities			2,602,014
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are not reported until due.			68,587
In the statement of activities, compensated absences are measured by the amounts earned during the year, instead of by the amount paid.			(200,000)
In the statement of activities, other postemployment benefits is measured by the amount due during the year, instead of by the amount paid.			(904,559)
Payment of pension contributions is an expenditure in the governmental funds, but reduces the net pension liability in the statement of net position. Additionally, the effect of changes in deferred inflows and deferred outflows for pensions are only recorded in the statement of activities.			54,205
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.			(988,412)
Change in net position of governmental activities		$	2,502,085

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, 2016

	Business-type Activity - Enterprise Fund Arena Fund	Governmental Activities - Internal Service Funds
Assets		
Current assets:		
Cash, including investments	$ 5,729,885	$ 24,344,699
Accounts receivable	175,000	528
Prepaids	-	8,144
Inventories, at cost	-	153,495
Restricted assets:		
Cash, including investments	6,615,262	-
Total current assets	12,520,147	24,506,866
Noncurrent assets:		
Capital assets:		
Land	13,038,358	40,580
Buildings and improvements	163,470,698	8,319,354
Machinery and equipment	6,610,580	31,726,887
Construction in progress	155,089	-
Less accumulated depreciation	(35,126,958)	(25,431,112)
Total capital assets (net of accumulated depreciation)	148,147,767	14,655,709
Total assets	$ 160,667,914	$ 39,162,575
Liabilities		
Current liabilities:		
Accounts payable	$ -	$ 699,183
Accrued wages	-	38,513
Estimated claims costs payable	-	2,806,100
Total current liabilities	-	3,543,796
Noncurrent liabilities:		
Estimated claims costs payable	-	325,400
Total liabilities	-	3,869,196
Net position		
Investment in capital assets	148,147,767	14,655,709
Restricted for capital improvements and operations	6,615,262	-
Unrestricted	5,904,885	20,637,670
Total net position	160,667,914	35,293,379
Total liabilities and net position	$ 160,667,914	$ 39,162,575

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 Year Ended December 31, 2016

	Business-type Activity - Enterprise Fund Arena Fund	Governmental Activities - Internal Service Funds
Operating revenues:		
Charges for services	$ 590,103	$ 38,544,630
Other revenue	2,959	863,211
Total operating revenues	593,062	39,407,841
Operating expenses:		
Salaries and benefits	-	1,669,651
Contractual services	497,832	2,945,935
Utilities	-	55,590
Supplies and fuel	-	2,373,224
Administrative charges	-	171,313
Depreciation expense	4,434,035	2,892,860
Claims expense	-	30,669,912
Other expense	316,371	140
Total operating expenses	5,248,238	40,778,625
Operating loss	(4,655,176)	(1,370,784)
Nonoperating revenues:		
Investment income	-	43,746
Gain (loss) on sale of assets	-	465,156
Total nonoperating revenues	-	508,902
Loss before transfers	(4,655,176)	(861,882)
Transfers:		
Transfers from other funds	-	713,470
Transfers to other funds	-	(840,000)
Change in net position	(4,655,176)	(988,412)
Net position, beginning of year	165,323,090	36,281,791
Net position, end of year	$ 160,667,914	$ 35,293,379

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, 2016

	Business-type Activity - Enterprise Fund Arena Fund	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers	$ 793,062	$ 147,663
Receipts from interfund services provided	-	38,591,040
Other operating revenues	-	669,011
Payments to suppliers for goods and services	(1,011,798)	(36,026,300)
Payments to employees for services	-	(1,677,795)
Net cash provided by (used in) operating activities	(218,736)	1,703,619
Cash flows from noncapital financing activities		
Transfers from other funds	-	713,470
Transfers to other funds	-	(840,000)
Net cash used in noncapital financing activites	-	(126,530)
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	-	549,438
Purchases and construction of capital assets	(578,628)	(1,814,943)
Net cash used in capital and related financing activities	(578,628)	(1,265,505)
Cash flows from investing activities		
Interest on investments	-	43,746
Net cash provided by investing activities	-	43,746
Net Increase (Decrease) in cash and cash equivalents	(797,364)	355,330
Cash and cash equivalents, beginning of the year	13,142,511	23,989,369
Cash and cash equivalents, end of the year	$ 12,345,147	$ 24,344,699
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (4,655,176)	$ (1,370,784)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	4,434,035	2,892,860
Increase in prepaid expenses	-	(8,144)
Decrease (increase) in accounts receivable	200,000	(127)
Increase in inventories	-	(23,294)
Increase (decrease) in accounts payable	(197,595)	63,708
Increase in estimated claims payable	-	149,400
Net cash provided by (used in) operating activities	$ (218,736)	$ 1,703,619

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

SEDGWICK COUNTY, KANSAS

Statement of Fiduciary Net Position
Agency Funds
December 31, 2016

		Agency Funds
Assets		
Cash, including investments	$	344,532,377
Accounts receivable		-
Property tax levied		214,913,042
Total assets	$	559,445,419
Liabilities		
Accrued liabilities	$	16,493,314
Due to other governmental units		542,952,105
Total liabilities	$	559,445,419

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, 2016

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SEDGWICK COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

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.

The Sedgwick County Zoological Society, Inc. (Society) and Sedgwick County Board of County commissioners entered into an agreement on August 18, 1967, which employs the Society as an agent of the county to plan, establish, manage, operate, and develop zoological gardens and exhibits. Sedgwick County provides monies annually for the maintenance and operation of the facility. Such expenditures are financed within the general fund, the capital reserve fund and the park and recreation fund of Sedgwick County.

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

<u>Government-Wide Financial Statements</u> - 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.

<u>Fund Financial Statements</u> - 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 and pension and OPEB liabilities are only recognized to the extent the liability is normally expected to be liquidated with expendable available resources.

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.

I. Summary of Significant Accounting Policies (continued)

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

The County reports the following major proprietary fund:

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:

- *Nonmajor special revenue funds* account for the proceeds of specific revenue sources (other than for debt service or capital projects) that are restricted or committed for specified purposes.

- *Nonmajor 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.

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 are charges to customers for services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. For internal service funds, operating revenues and expenses relate to goods or services provided to other funds. 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 investments of the proprietary fund types to be cash equivalents if such investments have original maturities of three months or less.

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,

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 2016, 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 noncurrent 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 nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 both the government-wide and 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, 2016 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, 2018.

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 unavailable for 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 – Land Lease

Effective January 1, 2007, the County, through the SCPBC, entered into a 50-year lease as lessee with the Wichita Airport Authority of the City of Wichita, Kansas for land at Jabara Airport for construction of the aviation technical education campus. The cost of the prepaid item is recorded as expenditures/expenses when consumed rather than when purchased. The County originally paid $3,263,206 in advance rental payments, of which $2,408,625 remains at December 31, 2016. At the end of the 50-year term, title to the facilities contracted by the County reverts to the lessor, unless sooner transferred under provisions of the lease.

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 acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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.

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:

Assets	Years
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.

I. Summary of Significant Accounting Policies (continued)

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

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Net Position/Fund Balance Classifications

In the government-wide statements, net position is 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 to finance qualifying activities.
- Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

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:

- Nonspendable - Amounts 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 - Amounts 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.

I. *Summary* of Significant Accounting Policies (continued)

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

9. Net Position/Fund Balance Classifications (continued)

- Committed - Amounts 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.

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 unrestricted fund balance on the last calendar quarter equal to twenty percent of budgeted annual expenditures and transfers out.

10. Deferred Inflows of Resources/Deferred Outflows of Resources

In addition to assets, the statement of financial position and fund balance sheet 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 has two items that qualify for reporting in this category in the government-wide statement of net position, deferred charge on refunding and deferred outflows for pensions. 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. See Note IV. F. for more information on the deferred outflows for pensions.

In addition to liabilities, the statement of financial position and fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 three types of items, unavailable revenue, deferred revenue and deferred inflows for pensions 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:

I. Summary of Significant Accounting Policies (continued)

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

10. Deferred Inflows of Resources/Deferred Outflows of Resources (continued)

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 in the governmental funds balance sheet for lease receivable. Property taxes are not recognized as revenue until the period for which they are levied. Principal on the lease receivable is not available until future periods, so is deferred in the funds. The third item, deferred inflows for pensions, is reported on the government-wide statement of net position. See Note IV. F. for more information on this deferred inflow.

11. Estimates

Preparation of financial statements in conformity with GAAP requires making estimates and assumptions that affect [1] the reported amounts of assets and liabilities, deferred outflows and deferred inflows of resources [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.

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.

II. Stewardship, Compliance and Accountability (continued)

A. Budgetary Information (continued)

- 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 2016.

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	Non-Budgeted Internal Service Funds
Federal and State Assistance Programs	Fleet Management
Public Building Commission	Health/Dental/Life Insurance Reserve
Fire District Research and Development	Workers' Compensation Reserve
Auto License	Risk Management Reserve
Prosecuting Attorney Training	
Technology	
Court Alcohol/Drug Safety Action Program	
District Court Trustee Operations	
Township Dissolution	

B. Deficit Fund Equity

The Building and Equipment Fund and the Street, Bridge and Other Fund had a fund balance deficit of $611,253 and $3,145 respectively as of December 31, 2016. 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."

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2016, the County had the following investments:

Investment Type	Fair Value	Modified Duration (in years)	Percent of Total Pooled Funds
U.S. treasury coupon securities	$ 44,110,678	1.295	8.31
U.S. agency coupon securities	205,399,502	1.953	38.72
Repurchase agreements	91,192,485	-	17.19
Kansas Municipal Investment Pool[1]	105,982,744	-	19.98
Collateralized deposits	42,013,268	-	7.92
Mutual funds	6,199,869	-	1.17
Subtotal general operating portfolio	494,898,546		
Assets held by trustee:			
U.S. treasury coupon securities	27,281,937	-	5.14
State & Local Govt. securities	8,350,425	-	1.57
Subtotal assets held by trustee	35,632,362		100.00
Total Investments	**$ 530,530,908**		
Portfolio modified duration		.772	

[1]Interest rate risk for the Kansas Municipal Investment Pool is based on the weighted average maturity of the pool. As of December 31, 2016 the weighted average maturity of the pool was 20 days.

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 $13,998,743 of treasury and agency coupons 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.

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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, 2016, the market value of assets pledged to the County as collateral complied with the investment policy.

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, 2016, the County's securities underlying repurchase agreements and investments consisting of U.S. 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 AAAf/S1+ by Standard & Poor's. Mutual funds utilized by the County were rated AAAm by Standard & Poor's at December 31, 2016.

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.

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At December 31, the County held $93.2 million, or 18.8%, of its portfolio in investments issued by the Federal Home Loan Bank, $34.1 million, or 6.9%, in investments were issued by the Federal Farm Credit Bank, $29.6, or 6.0%, in investments were issued by Federal Home Loan Mortgage Loan Corp., and investments totaling $49.7 million, or 10.0%, 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	$ 167,358,555
Restricted cash, including investments, Statement of Net Position	42,247,624
Cash, including investments, Statement of Fiduciary Net Position	344,532,377
Total	$ 554,138,556

Fair Value Investments

Generally accepted accounting principles (GAAP) defines fair value as 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. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of net position/balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016:

		Fair Value Measurements Using		
	12/31/2016	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
U.S. treasury securities	$ 44,110,678	$ 44,110,678	$ -	$ -
U.S agency securities	205,399,502	18,459,790	186,939,712	-
Repurchase agreements	91,192,485	91,192,485	-	-
Kansas Municipal Investment Pool	105,982,744	105,982,744	-	-
Collateralized deposits	42,013,268	42,013,268	-	-
Mutual funds	6,199,869	6,199,869	-	-
Subtotal general operating portfolio	494,898,546	307,958,834	186,939,712	-
Assets held by trustee:				
U.S. treasury securities	27,281,937	27,281,937	-	-
State & Local Govt. securities	8,350,425	8,350,425	-	-
Subtotal assets held by trustee	35,632,362	35,632,362	-	-
Total investments	$ 530,530,908	$ 343,591,196	$ 186,939,712	$ -

III. Detailed Notes on All Funds (continued)

B. Receivables

Amounts are aggregated into a single accounts receivable line for certain funds and aggregated columns. Below is the detail of receivables for the general, fed/state assistance, PBC, debt service, nonmajor governmental, internal service and Arena funds in the aggregate as of December 31, 2016:

Receivables	Accounts Receivable	Property Taxes Receivable	Sales Taxes Receivable	Interest Receivable	Lease Receivable	Notes Receivable	Special Assessment Receivable	Total
General Fund	$ 395,453	$ 100,368,752	$ 2,616,092	$ 551,430	$ -	$ 936,044	$ -	$ 104,867,771
Fed/State Assistance Fund	1,041,387	-	-	-	-	-	-	1,041,387
Public Building Commission	-	-	-	-	86,469,024	-	-	86,469,024
Debt Service Fund	-	11,456,996	-	-	-	-	5,375,162	16,832,158
Nonmajor Governmental Funds	1,863,044	32,782,425	2,616,093	-	-	-	-	37,261,562
Internal Service Fund	528	-	-	-	-	-	-	528
Total Governmental Activities	3,300,412	144,608,173	5,232,185	551,430	86,469,024	936,044	5,375,162	246,472,430
Arena	175,000	-	-	-	-	-	-	175,000
Total Business-Type Activities	175,000	-	-	-	-	-	-	175,000
Total Net Receivables	$ 3,475,412	$ 144,608,173	$ 5,232,185	$ 551,430	$ 86,469,024	$ 936,044	$ 5,375,162	$ 246,647,430

III. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital assets activity of the primary government, which includes the internal service funds, for the year ended December 31, 2016, was as follows:

	December 31, 2015	Increases	Decreases	December 31, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 22,344,233	$ 2,266,863	$ -	$ 24,611,096
Construction in progress	46,355,316	13,059,206	(24,595,954)	34,818,568
Total capital assets, not being depreciated	68,699,549	15,326,069	(24,595,954)	59,429,664
Capital assets, being depreciated:				
Buildings and improvements	324,171,646	14,560,004	-	338,731,650
Leasehold improvements	2,234,871	-	-	2,234,871
Improvements other than buildings	37,787,163	828,438	-	38,615,601
Machinery and equipment	88,478,096	3,456,768	(2,281,401)	89,653,463
Infrastructure	259,319,612	10,914,178	(452,544)	269,781,246
Total capital assets being depreciated	711,991,388	29,759,388	(2,733,945)	739,016,831
Less accumulated depreciation for:				
Buildings and improvements	(120,565,178)	(9,062,053)	-	(129,627,231)
Leasehold improvements	(2,234,871)	-	-	(2,234,871)
Improvements other than buildings	(20,523,302)	(2,959,344)	-	(23,482,646)
Machinery and equipment	(68,092,216)	(4,974,587)	2,172,706	(70,894,097)
Infrastructure	(118,122,058)	(7,853,771)	112,068	(125,863,761)
Total accumulated depreciation	(329,537,625)	(24,849,755)	2,284,774	(352,102,606)
Total capital assets being depreciated, net	382,453,763	4,909,633	(449,171)	386,914,225
Governmental activities capital assets, net	$ 451,153,312	$ 20,235,702	$ (25,045,125)	$ 446.343.889

	December 31, 2015	Increases	Decreases	December 31, 2016
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 13,038,358	$ -	$ -	$ 13,038,358
Construction in progress	-	155,089	-	155,089
Total capital assets, not being depreciated	13,038,358	155,089	-	13,193,447
Capital assets, being depreciated:				
Buildings and improvements	163,412,739	57,958	-	163,470,697
Machinery and equipment	6,343,384	365,581	(98,385)	6,610,580
Total capital assets being depreciated	169,756,123	423,539	(98,385)	170,081,277
Less accumulated depreciation for:				
Buildings and improvements	(25,033,859)	(4,264,671)	-	(29,298,530)
Machinery and equipment	(5,757,448)	(169,364)	98,385	(5,828,427)
Total accumulated depreciation	(30,791,307)	(4,434,035)	98,385	(35,126,957)
Total capital assets being depreciated, net	138,964,816	(4,010,496)	-	134,954,320
Business-type activities capital assets, net	$ 152,003,174	$ (3,855,407)	$ -	$ 148,147,767

III. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

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

Governmental activities:		
General government	$	2,484,035
Public safety		6,126,366
Public works, including depreciation of general infrastructure assets		9,036,855
Health and welfare		150,088
Cultural and recreation		3,037,344
Economic Development, conserve./natural resources		1,122,207
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		2,892,860
Total depreciation expense – governmental activities	$	24,849,755
Business-type activities:		
Arena fund	$	4,434,035
Total depreciation expense – business-type activities	$	4,434,035

Construction Commitments

The County had outstanding construction commitments for various capital projects and improvements totaling $13,281,462 at December 31, 2016. 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.

D. Operating Leases

The County has entered into a lease agreement as lessor with Wichita State University for space at the National Center for Aviation Training on the aviation technical education campus (note I.D.4). The future minimum rental income on this lease is as follows:

Year ending December 31		Governmental Activities
2017	$	800,000
2018		800,000
2019		800,000
2020		800,000
2021		800,000
2022 – 2026		4,000,000
2027 – 2030		3,200,000
Totals	$	11,200,000

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.

III. Detailed Notes on All Funds (continued)

E. Long-Term Debt

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 when debt is called or matures, 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 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 included $6,175,000 of Series 2007-1 Bonds with an average interest rate of 4.1 percent.

The crossover date on this refunding issue was August 1, 2016, and the $6,175,000 was paid.

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.

On November 19, 2015, the County issued $1,915,000 in General Obligation Bonds at a premium of $193,758 for a crossover refunding. The bonds have a true interest cost of 1.8 percent. The crossover refunding portion includes $2,020,000 of Series A 2006 Bonds with an average interest rate of 4.0 percent.

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

The County refunded these bonds to reduce total debt service payments over a period of 11 years and will realize a net savings of $175,426 with a present value savings of $152,334.

At December 31, 2016, $26,065,000 of crossover refunding bonds have not been called.

III. Detailed Notes on All Funds (continued)

E. Long-Term Debt (continued)

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.

General obligation bonds outstanding at December 31, 2016 are as follows:

Purpose	Interest Rate	Amount
Governmental Activities – Road and Bridge	2.00 – 5.65%	$ 15,791,339
Governmental Activities – Facilities	2.00 – 5.65%	12,011,661
Governmental Activities – Refunding	2.00 – 5.65%	26,745,000
Total general obligation bonds outstanding		$ 54,548,000

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

Year ending December 31	Governmental Activities Principal	Governmental Activities Interest	Governmental Activities Totals
2017	$ 8,091,000	$ 2,106,253	$ 10,197,253
2018	8,261,000	1,839,960	10,100,960
2019	4,952,000	1,521,605	6,473,605
2020	4,732,000	1,326,045	6,058,045
2021	4,642,000	1,116,734	5,758,734
2022 – 2026	14,328,000	3,200,444	17,528,444
2027 – 2031	7,462,000	1,130,199	8,592,199
2032 – 2036	2,080,000	154,219	2,234,219
Totals	$ 54,548,000	$ 12,395,458	$ 66,943,458

III. Detailed Notes on All Funds (continued)

E. 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	2.00 – 5.20%	$ 2,192,000

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

	Governmental Activities		
Year ending December 31	Principal	Interest	Totals
2017	$ 234,000	$ 90,273	$ 324,273
2018	239,000	83,863	322,863
2019	253,000	74,538	327,538
2020	258,000	66,489	324,489
2021	288,000	55,423	343,423
2022 – 2026	912,000	113,456	1,025,456
2027 – 2031	8,000	480	8,480
Totals	$ 2,192,000	$ 484,520	$ 2,676,520

III. Detailed Notes on All Funds (continued)

E. 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. SCPBC bonds do not constitute a debt or pledge the full faith and credit of Sedgwick County, except to extent the lease agreement constitutes an unconditional obligation of the 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	3.60 – 4.00%	$ 305,000
*#Technical Education Complex 2008-1	4.00 – 5.25%	29,975,000
*Public Safety Facilities & Equipment 2011-1	2.00 – 4.00%	9,955,000
*Juvenile Justice 2012-1 Refunding	2.00 – 3.00%	9,205,000
Wichita State University 2013-1 Refunding	3.00 – 4.00%	1,440,000
*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
*Exploration Place Series 2015-1 Refunding	5.00%	5,325,000
Total		$ 133,025,000

^: These bond issues do not constitute an unconditional obligation of the County.
#: $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-52 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
2017	$ 6,735,000	$ 5,393,853	$ 12,128,853
2018	5,730,000	5,150,744	10,880,744
2019	8,055,000	4,961,885	13,016,885
2020	8,325,000	4,704,351	13,029,351
2021	8,690,000	4,363,268	13,053,268
2022 – 2026	40,075,000	16,542,816	56,617,816
2027 – 2031	20,075,000	9,654,954	29,729,954
2032 – 2036	4,850,000	7,530,491	12,380,491
2037 – 2041	6,115,000	6,220,228	12,335,228
2042 – 2046	7,785,000	4,513,400	12,298,400
2047 – 2051	9,700,000	2,571,950	12,271,950
2052 – 2056	6,890,000	454,200	7,344,200
Totals	$ 133,025,000	$ 72,062,140	$ 205,087,140

III. Detailed Notes on All Funds (continued)

E. 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, 2016, the components of the net investment of this lease consist of:

Lease receivable	$ 126,000
Less unearned income	6,000
Net effect on statement of net position	$ 120,000

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

Year ending December 31	Principal	Interest	Total
2017	120,000	6,000	126,000
Total	$ 120,000	$ 6,000	$ 126,000

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 constructing, furnishing and equipping the first project part of the University's Innovation Campus. The proceeds of the bonds were deposited into an escrow trust account. Concurrent with the debt issuance, the SCPBC entered into a ground lease (as lessee) with the Kansas Board of Regents and a project lease (as lessor) with the Wichita State Board of Trustees. At December 31, 2016, the components of the net investment of this lease consist of:

Lease receivable	$ 86,343,024
Less unearned income	44,417,107
Net effect on statement of net position	$ 41,925,917

III. Detailed Notes on All Funds (continued)

E. Long-Term Debt (continued)

The County and WSU agreed on an amortization schedule for the entire amount of the lease. The following chart represents the adopted future minimum lease rentals to be received under the direct financing lease. The future amounts to be received coincide with the debt schedule on page A-55.

Year ending December 31	Principal	Interest	Total
2017	-	1,933,821	1,933,821
2018	565,000	1,928,313	2,493,313
2019	575,000	1,916,479	2,491,479
2020	585,000	1,902,695	2,487,695
2021	600,000	1,886,686	2,486,686
2022-2026	3,305,000	9,125,923	12,430,923
2027-2031	3,975,000	8,437,154	12,412,154
2032-2036	4,850,000	7,530,491	12,380,491
2037-2041	6,115,000	6,220,228	12,335,228
2042-2046	7,785,000	4,513,400	12,298,400
2047-2051	9,700,000	2,571,950	12,271,950
2052-2057	6,890,000	454,200	7,344,200
Total	$ 44,945,000	$ 48,421,340	$ 93,366,340

Fire District Lease Agreements

In 2010, 2011, 2014 and 2016 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	$ 4,727,984
Less: accumulated depreciation	2,246,850
Total	$ 2,481,134

The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2016, were as follows:

Year ending December 31	Governmental Activities
2017	$ 508,254
2018	418,087
2019	231,060
2020	231,060
2021	231,060
2022	145,749
2023	30,219
Total minimum lease payments	1,795,488
Less: amount representing interest	81,526
Total	$ 1,713,962

III. Detailed Notes on All Funds (continued)

E. 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 $3,131,500 are included in the amounts below. Claims are generally liquidated by the appropriate Internal Service Fund. The net pension liability will be liquidated primarily through KPERS employer contributions made primarily from the governmental funds. Generally, compensated absences and other postemployment benefits are liquidated by the General Fund. Noncurrent liability activity for the year ended December 31, 2016, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 64,400,000	$ -	$ 9,852,000	$ 54,548,000	$ 8,091,000
Revenue bonds	$ 146,290,000	-	13,265,000	133,025,000	6,735,000
Special assessment debt with government commitment	$ 2,820,000	-	628,000	2,192,000	234,000
Total bonds payable	213,510,000	-	23,745,000	189,765,000	15,060,000
Capital lease payable	1,996,279	391,192	673,509	1,713,962	483,258
Claims payable	2,982,100	24,844,269	24,694,869	3,131,500	2,806,100
Other postemployment benefits	18,553,557	2,063,028	1,158,469	19,458,116	-
Compensated absences	6,200,000	6,690,345	6,490,345	6,400,000	5,300,000
Governmental activities	243,241,936	33,988,834	56,762,192	220,468,578	23,649,358
Premium/(Discount)	11,464,461	-	2,955,399	8,509,062	-
Noncurrent liabilities	$ 254,706,397	$ 33,988,834	$ 59,717,591	$228,977,640	$ 23,649,358
		Net pension liability		145,221,592	
		Total noncurrent liabilities		$ 374,199,232	

III. Detailed Notes on All Funds (continued)

E. 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, 2016 was $24,805,000 for the Industrial Revenue Bonds and $9,114,764 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.

F. Interfund Transfers

A summary of interfund transfers is as follows:

	Transfers in:					
	General Fund	Federal/State Assistance Funds	Debt Service Fund	Nonmajor Governmental Funds	Internal Service Funds	Totals
Transfers out:						
General Fund	$ -	$ 906,906	$ 1,597,566	$ 10,620,793	$ 713,470	$ 13,838,735
Debt Proceed Fund	-	-	1,275,841	1,076,462	-	2,352,303
Nonmajor Governmental Funds	556,881	284,424	735,913	2,861,498	-	4,438,716
Internal Service Funds	-	-	-	840,000	-	840,000
Total	$ 556,881	$ 1,191,330	$ 3,609,320	$ 15,398,753	$ 713,470	$ 21,469,754

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.

G. 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.

III. Detailed Notes on All Funds (continued)

G. Interfund Receivables and Payables (continued)

A summary of interfund receivables and payables at December 31, 2016 is as follows:

	Interfund Receivable	Interfund Payable
Debt Proceeds Fund	$ 599,078	$ -
Nonmajor Capital Projects Funds:		
Building and Equipment Fund	-	599,078
	$ 599,078	$ 599,078

During 2003, 2013 and 2014 interfund loans were made between the General Fund and the Capital Improvement Fund to provide for the funding of the Department of Corrections Adult Residential Facility and Fire Stations 34, 35 and 36. These advance receivables and payables as of December 31, 2016 are supported by note agreements specifying payment dates and interest amounts and are as follows:

	Advance Receivables	Advance Payables
General Fund	$ 5,632,658	$ -
Nonmajor Capital Projects Fund:		
Capital Improvement Fund	-	5,632,658
	$ 5,632,658	$ 5,632,658

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 self-funded insurance fund for health claims. Claims for county employees are administered through a third party administrator for the County’s self-insured plan. Premiums are paid by employer and employee contributions into an internal service fund and are available to pay claims and costs of an administrative service agreement. An excess insurance policy covers individual claims in excess of $500,000. Incurred but not reported claims of $2,000,000 have been accrued as a liability. In 2016, $23,806,886 was paid as claims. The outstanding claims liability is calculated from historical data and future expectations. This includes an estimated liability for known claims as well as an estimated liability for claims incurred but not reported.

IV. Other Information (continued)

A. Risk Management (continued)

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.

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	Health/Dental Life Insurance
January 1, 2015 liability balances	$ 1,175,900	
Claims and changes in estimates	1,001,104	23,171,135
Claim payments	(1,094,904)	(21,271,135
December 31, 2015 liability balances	1,082,100	$ 1,900,000
Claims and changes in estimates	937,383	23,906,886
Claim payments	(887,983)	(23,806,886)
December 31, 2016 liability balances	$ 1,131,500	$ 2,000,000

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

Health/Dental/Life Insurance Reserve Fund	$ 6,711,122
Workers' Compensation Reserve Fund	2,944,281
Risk Management Reserve Fund	1,837,951

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 a 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, 2016 the County's governmental funds had a total of $13.7 million in encumbrances, which were reported as following:

	General	Federal/State Assistance	Other Governmental Funds	Total Governmental Funds
Restricted:				
General government	$ -	$ -	$ 6,074	$ 6,074
Public safety	-	33,636	229,532	263,168
Health and welfare	-	46,235	2,211	48,445
Public Works	-	-	513,622	513,622
Economic development	-	3,861	-	3,861
Capital Outlay				
Road improvements	-	-	8,101,467	8,101,467
Road preventive maintenance	-	-	807,211	807,211
Bridge improvements	-	-	1,086,518	1,086,518
Committed:				
Public safety	-	-	18,283	18,283
Capital Outlay				
Road improvements	-	-	898,694	898,694
Bridge improvements	-	-	291,053	291,053
Sedgwick County park improvements	-	-	1,628	1,628
Sedgwick County facility improvements	-	-	1,394,016	1,394,016
Assigned:				
General government	111,003	-	-	111,003
Public safety	118,676	-	-	118,676
Public works	65	-	36	101
Health and welfare	26,512	-	-	26,512
Culture and recreation	2,281	-	-	2,281
Capital Outlay	-	-	52,373	52,373
Total	$ 258,537	$ 83,731	$ 13,402,718	$ 13,744,986

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.

IV. Other Information (continued)

D. Tax Abatements

There are currently two programs being utilized in Sedgwick County that offer tax abatements for economic development purposes. Both operate by granting an exemption on part or all of a property's assessed, or taxable, valuation.

Economic Development Exemptions (EDX)

Article 11, Section 13 of the Kansas Constitution gives counties and cities the authority to exempt from ad valorem taxation all or any portion of the valuation of buildings, land or other improvements used to facilitate business expansion and new employment creation. Such economic development exemptions may be in effect for up to ten years.

Exempt Industrial Revenue Bonds (IRB)

Kansas Statutes Annotated 79-213 et.seq. establish procedures by which the taxable value of real or personal property being financed by industrial revenue bonds may be wholly or partially exempt. In Sedgwick County, IRB exemptions granted by the County and several of the cities are currently in effect. The table below shows taxes that are foregone by the County government and the County Fire District for both EDX & IRB abatements whether issued by the County or by another municipal government that reduce County revenues.

Economic Development Tax Abatements

Abated Taxes

Location of Exempt Property	Sedgwick County	Sedgwick County Fire District	Total
	IRB		
County	$1,456,677	$910,702	$2,367,379
Cities	$1,548,935	$353,948	$1,902,883
Total IRB	$3,005,612	$1,264,650	$4,270,262
	EDX		
County	$1,763	$1,102	$2,865
Cities	$336,700	$207	$336,907
Total EDX	$338,463	$1,309	$339,772
Total Abatements	$3,344,075	$1,265,959	$4,610,034

The abated taxes reflect the amounts that would have been levied on behalf of the County and the County Fire District on the 2015 tax roll to fund expenditures during calendar year 2016 were it not for the tax exemption.

IV. Other Information (continued)

E. Pending Governmental Accounting Standards

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes financial reporting standards for state and local governmental OPEB plans that are administered through trusts or equivalent arrangements and for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through a trust or equivalent arrangement. The provisions of this statement are effective for financial statements for the County's fiscal year ending December 31, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for financial statements for the County's fiscal year ending December 31, 2018.

GASB Statement No. 80, Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of *Statement No. 39, Determining Whether Certain Organizations Are Component Units–an amendment of GASB Statement No. 14*. The provisions of this statement are effective for financial statements for the County's fiscal year ending December 31, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This statement requires that recognition occurs when the liability is both incurred and reasonably estimable, and it also requires the measurement of an ARO be based on the best estimate of the current value of outlays expected to be incurred. This statement also requires disclosure about the nature of a government's AROs, the methods and assumptions used for the estimated of the liabilities, and the estimated remaining useful life of the associated tangible capital asset. The provisions of this statement are effective for financial statements for the County's fiscal year ending December 31, 2019.

IV. Other Information (continued)

E. Pending Governmental Accounting Standards (continued)

GASB Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The provisions of this statement are effective for financial statements for the County's fiscal year ending December 31, 2019.

GASB Statement No. 85, Omnibus 2017, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The provisions of this statement are effective for financial statements for the County's fiscal year ending December 31, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, establishes accounting and financial reporting guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt), are placed in an irrevocable trust for the sole purpose of extinguishing debt. When debt is defeased in substance, the debt, cash, and other monetary assets placed in trust are no longer reported in the financial statements. But governments are required to disclose information in the notes to the financial statements about debt that has been defeased in substance. Statement 86 also provides guidance relating to prepaid insurance on debt that is extinguished. When governments extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this statement will require that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. The provisions of this statement are effective for financial statements for the County's fiscal year ending December 31, 2018.

F. Defined Benefit Pension Plans

General Information about the Pension Plan

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 K.S.A. 74-4901, *et. seq*. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at http://www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

IV. Other Information (continued)

F. Defined Benefit Pension Plans (continued)

Benefits provided. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points" (Police and Firemen' normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

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

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

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

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

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

IV. Other Information (continued)

F. Defined Benefit Pension Plans (continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.18% for KPERS and 20.42% for KP&F for the fiscal year ended December 31, 2016. Contributions to the pension plan from the County were $11,708,452 for KPERS and $6,506,709 for KP&F for the year ended December 31, 2016.

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

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

At December 31, 2016, the County reported a liability of $82,666,154 for KPERS and $62,555,438 for KP&F for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2016, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The County's proportion of the collective net pension liability was based on the ratio of the County's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the KPERS and KP&F for the fiscal year ended June 30, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, the County's proportion and change from its proportion measured as of June 30, 2015 were as follows:

	Net pension liability as of December 31, 2016	Proportion as of June 30, 2016	Decrease in proportion from June 30, 2015
KPERS (local)	$ 82,666,154	5.344%	(0.181%)
KP&F	62,555,438	6.735%	(0.123%)
	$ 145,221,592		

IV. Other Information (continued)

F. Defined Benefit Pension Plans (continued)

For the year ended December 31, 2016, the County recognized pension expense of $7,037,998 for KPERS and $7,264,298 for KP&F. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

KPERS	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 479,796	$ 1,492,040
Net difference between projected and actual earnings on pension plan investments	9,765,340	-
Changes in proportion	1,181,053	2,639,798
Changes of assumptions	-	773,303
County contributions subsequent to measurement date	4,530,646	-
Total	$ 15,956,835	$ 4,905,141

KP&F	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 3,301,599	$ 645,566
Net difference between projected and actual earnings on pension plan investments	8,190,429	-
Changes in proportion	169,714	981,258
Changes of assumptions	-	385,660
County contributions subsequent to measurement date	3,510,138	-
Total	$ 15,171,880	$ 2,012,484

IV. Other Information (continued)

F. Defined Benefit Pension Plans (continued)

The $8,040,784 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

KPERS

Year ending December 31:		Net Deferred Outflows and Inflows of Resources
2017	$	418,732
2018		418,732
2019		3,469,281
2020		2,411,478
2021		(197,175)
	$	6,521,048

KP&F

Year ending December 31:		Net Deferred Outflows and Inflows of Resources
2017	$	1,494,921
2018		1,494,921
2019		3,888,471
2020		2,504,509
2021		266,436
	$	9,649,258

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00% to 16.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	8.00%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for the three-year period beginning December 31, 2012.

IV. Other Information (continued)

F. Defined Benefit Pension Plans (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.80%
Fixed income	13	1.25
Yield driven	8	6.55
Real return	11	1.71
Real estate	11	5.05
Alternatives	8	9.85
Short-term investments	2	(0.25)
Total	100%	

Discount rate. The discount rate used by KPERS to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Employers contribute the full actuarial determined rate for KP&F. Future employer contribution rates were also modeled for KP&F assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

IV. Other Information (continued)

F. Defined Benefit Pension Plans (continued)

Sensitivity of the County's proportionate share of the collective net pension liability to changes in the discount rate. The following presents the County's proportionate share of the collective net pension liability calculated using the discount rate of 8.00%, as well as what the County's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's KPERS proportionate share of the net pension liability	$ 113,307,338	$ 82,666,154	$ 56,684,820
County's KP&F proportionate share of the net pension liability	85,813,261	62,555,438	42,905,277
	$ 199,120,599	$ 145,221,592	$ 99,590,097

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

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

IV. Other Information (continued)

G. Postemployment Benefits Other than Pensions (continued)

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 2016:

Annual OPEB Cost and Obligation for 2016	Amount
Annual required contribution (ARC)	$ 2,123,089
Interest on Net OPEB Obligation	649,374
Adjustment to the ARC	(709,435)
Annual OPEB cost (expense)	2,063,028
Contributions made	(1,158,469)
Increase in net OPEB obligation	904,559
Net OPEB obligation—beginning of year	18,553,557
Net OPEB obligation—end of year	$ 19,458,116

Employer Contribution for 2016	Amount
Age-approximating premiums paid on behalf of retirees	$ 1,828,927
Retiree contribution	(670,458)
Net employer contribution	$ 1,158,469

Schedule of Employer Contributions

Year	Net OPEB Obligation	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed
2014	18,181,801	2,652,183	1,583,226	59.7%
2015	18,553,557	2,064,232	1,692,476	82.0%
2016	19,458,116	2,063,028	1,158,469	56.2%

Funded Status and Funding Progress. As of January 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $21.4 million, and there was no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $21.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $117.8 million, and the ratio of the UAAL to the covered payroll was 18.1 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the 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

IV. Other Information (continued)

G. Postemployment Benefits Other than Pensions (continued)

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, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 2.75 percent inflation rate implicitly included in the 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, 2015, was thirty years.

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

H. 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. 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). Benefits paid during 2016 before and after retiree contribution premiums were $ 946,255 and $901,132, respectively. The incentive program ended December 31, 2016. Those who retired under the program may continue coverage beyond 5 years at COBRA rates until age 65.

SEDGWICK COUNTY, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual – Budgetary Basis
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Revenues				
Property taxes	$ 110,498,042	$ 110,498,042	$ 110,172,395	$ (325,647)
Sales taxes	29,543,935	29,543,935	28,744,006	(799,929)
Other taxes	328,656	328,656	380,976	52,320
Intergovernmental	3,512,765	3,512,765	3,109,324	(403,441)
Charges for services	16,195,545	16,195,545	17,340,735	1,145,190
Uses of money and property	4,698,980	4,698,980	4,712,540	13,560
Fines and forfeits	55,510	55,510	38,184	(17,326)
Licenses and permits	64,900	64,900	785,292	720,392
Reimbursed expenditures	5,196,181	5,196,181	5,110,994	(85,187)
Other	2,964,797	2,964,797	2,942,738	(22,059)
Total revenues	173,059,311	173,059,311	173,337,184	277,873
Expenditures				
Current:				
Personnel services	108,751,010	109,003,568	105,069,803	3,933,765
Contractual services	57,887,509	52,332,034	37,115,834	15,216,200
Commodities	5,889,466	6,243,828	5,583,448	660,380
Capital outlay	1,087,786	537,500	285,650	251,850
Debt service:				
Principal	-	221,483	221,483	-
Interest	-	153,617	153,617	-
Total debt service	-	375,100	375,100	-
Total expenditures	173,615,771	168,492,030	148,429,835	20,062,195
Revenues over expenditures	(556,460)	4,567,281	24,907,349	20,340,068
Other financing sources (uses)				
Transfers from other funds	1,190	1,190	556,881	555,691
Transfers to other funds	(21,890,401)	(27,014,142)	(26,613,171)	400,971
Total other financing sources (uses)	(21,889,211)	(27,012,952)	(26,056,290)	956,662
Net change in fund balances	(22,445,671)	(22,445,671)	(1,148,941)	21,296,730
Fund balances, beginning of year	22,445,671	22,445,671	63,006,684	40,561,013
Fund balances, end of year	$ -	$ -	$ 61,857,743	$ 61,857,743

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, 2016
Fund balance, budgetary basis	$ 61,857,743
Current year encumbrances	258,537
Fair value adjustment of investments	(1,551,415)
Accrued revenues	4,023,342
Accrued expenditures	(1,580,088)
Fund balance, GAAP basis	$ 63,008,119

Defined Benefit Pension Plans

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

	2016	2015	2014	2013
County's proportion of the collective net pension liability:				
KPERS (local group)	5.344%	5.525%	5.403%	5.475%
KP&F (police & firemen)	6.735%	6.858%	6.825%	6.879%
County's proportionate share of the collective net pension liability	$ 145,221,592	$ 122,343,954	$ 111,262,101	$ 139,254,285
County's covered-employee payroll ^	$ 127,025,880	$ 127,247,391	$ 122,530,074	$ 122,135,423
County's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	1.143244133	0.961465324	0.908039124	1.140162957
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%	59.94%

* GASB 68 requires presentation of ten years. As of December 31, 2016, only four years of information is available.

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

Defined Benefit Pension Plans (continued)

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

	2016	2015	2014	2013
Statutorily required contribution	$ 18,215,161	$ 16,216,371	$ 14,137,345	$ 12,199,406
Contributions in relation to the statutorily required contribution	(18,215,161)	(16,216,371)	(14,137,345)	(12,199,406)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
County's covered-employee payroll ^	$ 126,822,618	$ 127,537,022	$ 124,775,254	$ 122,097,547
Contributions as a percentage of covered-employee payroll	14.36%	12.72%	11.33%	9.99%

* GASB 68 requires presentation of ten years. As of Decenber 31, 2016, only four years of information is available.

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

Changes in benefit terms for KPERS. In the state fiscal year 2014, the KP&F group had a change in benefit terms. The Legislature increased this group’s employee contributions to 7.15 percent and eliminated the reduction of employee contributions to 2.0 percent after 32 years of service. In addition, the maximum retirement benefit increased to 90 percent of final average salary (reached at 36 years of service). Before this change the maximum retirement benefit was limited to 80 percent of final average salary (reached at 32 years of service).

Effective January 1, 2014, KPERS 1 member’s employee contribution rate increased to 5.0 percent and then on January 1, 2015, increased to 6.0 percent, with an increase in benefit multiplier to 1.85 percent for future years of service. For KPERS 2 members retiring after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85 percent multiplier for all years of service.

January 1, 2015, the KPERS 3 cash balance plan became effective. Members enrolled in this plan are ones first employed in a KPERS covered position on or after January 1, 2015, or KPERS 1 or KPERS 2 members who left employment before vesting and returned to employment on or after January 1, 2015. The retirement benefit is an annuity based on the account balance at retirement.

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
01/01/2011	-	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%
01/01/2015	-	21,379,829	21,379,826	-	117,796,647	18.1%

Note 1 Significant Factors Affecting Trends in Actuarial Information

Changes in the Actuarial Accrued Liability for the valuation completed at January 1, 2015 are primarily due to:

F. The disability, turnover and retirement rates were updated where applicable to be based on the latest available rates from KPERS/KP&F.

G. The assumed mortality was updated to reflect the Society of Actuaries Adjusted RPH-2014 Total Dataset Mortality with MP-2015 full generational improvement.

H. The assumed proportion of future retirees with a covered spouse was lowered from 50% to 40%. This is based on multiple years of retiree experience.

I. The assumed trend rates and per capita costs were updated as part of the ongoing valuation analysis.

J. The assumed enrollment rate for future retirees was lowered from 55% to 45%. Twelve years of County experience was utilized in evaluating this assumption.

K. The County went to a self-funded arrangement for Medical/Rx effective January 1, 2015. Thus, pre-65 per capita costs were evaluated as expected claims plus admin fees.

FORM OF BOND COUNSEL OPINION

GILMORE & BELL, P.C.
Attorneys at Law
100 N. Main Suite 800
Wichita, Kansas 67202

[March 28, 2018]

Governing Body Sedgwick County, Kansas	[Purchaser] [City, State]

Re: $3,700,000* General Obligation Bonds, Series A, 2018, of Sedgwick County, Kansas, Dated March 28, 2018

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 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 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. 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 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. 10-620 *et seq*. and K.S.A. 19-1510, as amended by Charter Resolution No. 56, all 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 Bonds, Series A, 2018, 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" or **"Chief Financial Officer"** means the duly appointed and acting Chief Financial Officer of the Issuer or, in the CFO's absence, the duly appointed Deputy, Assistant or Acting Chief Financial Officer of the Issuer.

"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, municipal 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 March 28, 2018.

"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.

"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, 2019.

"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.

"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.

"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.

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

"Standard & Poor's" means S&P Global Ratings, a division of S&P Global 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 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 2038.]

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

[**“2038 Term Bonds”** means the Bonds scheduled to mature in the year 2038.]

[**“Term Bonds”** means collectively, the ____ Term Bonds and the 2038 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.

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) 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.

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) Excess proceeds, if any, received from the sale of the Bonds shall be deposited in the Debt Service Account.

(b) An amount necessary to pay the Costs of Issuance shall be deposited in the Costs of Issuance Account.

(c) 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 or reimbursing the Issuer for the costs of the Improvements; and (b) paying Costs of Issuance. Each authorization for costs of the Improvements shall be supported by a certificate executed by the CFO (or designate) stating 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 supported by a certificate executed 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 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 Debt Service Account.

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 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 upon all of the taxable tangible property within the Issuer in the manner provided by law. The taxes 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 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 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 2017, 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.

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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