

# OFFICIAL STATEMENT

**NEW ISSUE - BOOK-ENTRY ONLY**

**RATINGS: S&P: "AAA"**  
**Moody's: "Aa1"**  
**Fitch: "AAA"**

*In the opinion of Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Series 2008-1 Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes, except as described herein, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is excluded from computation of Kansas adjusted gross income. The Series 2008-1 Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "LEGAL MATTERS - Opinion of Bond Counsel" herein.*

## **SEDGWICK COUNTY PUBLIC BUILDING COMMISSION**

### **\$43,830,000 REVENUE BONDS (TECHNICAL EDUCATION COMPLEX) SERIES 2008-1**

**Dated: December 15, 2008**

**Due: August 1, as shown on inside cover**

The above-referenced bonds (the "Series 2008-1 Bonds") will be issued by the Sedgwick County Public Building Commission (the "PBC" or "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 Series 2008-1 Bonds. Purchases of the Series 2008-1 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 physical certificates representing their interests in Series 2008-1 Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2008-1 Bonds, as nominee of DTC, references herein to the Series 2008-1 Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Series 2008-1 Bonds. Principal on the Series 2008-1 Bonds will be payable upon presentation and surrender of the Series 2008-2 Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as bond registrar and paying agent (the "Paying Agent" and "Bond Registrar"). Interest payable on each Series 2008-1 Bond shall be paid to the persons who are the registered owners of the Series 2008-1 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 Series 2008-1 Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Series 2008-1 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. Principal of the Series 2008-1 Bonds will be payable on each August 1, beginning in 2009, and semiannual interest will be payable on February 1 and August 1, beginning on August 1, 2009.

The Series 2008-1 Bonds are special obligations of the Issuer, payable solely and only from the Trust Estate (as hereinafter defined), which includes, but is not limited to, funds derived by the PBC from the rental payments received by the PBC under a lease agreement entered into between the PBC, as Lessor, and Sedgwick County, Kansas (the "County"), as Tenant. **THE SERIES 2008-1 BONDS SHALL NOT BE OR CONSTITUTE A GENERAL OBLIGATION OF THE ISSUER, NOR SHALL THEY CONSTITUTE AN INDEBTEDNESS OF THE ISSUER OR THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION, LIMITATION OR RESTRICTION. THE ISSUER HAS NO TAXING POWER.** See "THE SERIES 2008-1 BONDS-Security for the Series 2008-1 Bonds" herein. Additional Bonds may be issued by the Issuer on a parity with each series of the Series 2008-1 Bonds as hereinafter described.

### **MATURITY SCHEDULE LISTED ON INSIDE COVER PAGE**

The payment of the principal of, redemption premium, if any, and interest on the Series 2008-1 Bonds is subject to certain risk factors and investment considerations as described under the caption "RISK FACTORS AND INVESTMENT CONSIDERATIONS" herein.

The Series 2008-1 Bonds are subject to redemption prior to maturity as described herein. See "THE Series 2008-1 Bonds-Redemption Provisions" herein.

The Series 2008-1 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. Certain other legal matters will be passed upon for the County by Richard A. Euson, Esq., County Counselor. It is expected that the Series 2008-1 Bonds will be available for delivery through the facilities of DTC on or about December 18, 2008.

The date of this Official Statement is December 3, 2008.

*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 E - SUMMARY OF FINANCING DOCUMENTS CONTAINS DEFINITIONS USED IN THIS OFFICIAL STATEMENT.*

**SEDGWICK COUNTY PUBLIC BUILDING COMMISSION**

**\$43,830,000  
REVENUE BONDS  
(TECHNICAL EDUCATION COMPLEX)  
SERIES 2008-1**

**MATURITY SCHEDULE**

<b>Stated Maturity <u>August 1</u></b>	<b>Principal <u>Amount</u></b>	<b>Interest <u>Rate</u></b>	<b>Yield</b>	<b>CUSIP<sup>(1)</sup> Base: <u>81533P</u></b>	<b>Stated Maturity <u>August 1</u></b>	<b>Principal <u>Amount</u></b>	<b>Interest <u>Rate</u></b>	<b>Yield</b>	<b>CUSIP<sup>(1)</sup> Base: <u>81533P</u></b>
2009	\$2,190,000	5.00%	1.70%	HA 1	2019	\$2,080,000	4.75%	4.49% <sup>(2)</sup>	HL 7
2010	1,520,000	5.00%	2.50%	HB 9	2020	2,175,000	4.50%	4.70%	HM 5
2011	1,560,000	4.00%	2.75%	HC 7	2021	2,280,000	5.00%	4.84% <sup>(2)</sup>	HN 3
2012	1,605,000	5.00%	2.98%	HD 5	2022	2,390,000	5.00%	4.95% <sup>(2)</sup>	HP 8
2013	1,655,000	5.00%	3.20%	HE 3	2023	2,510,000	5.00%	5.03%	HQ 6
2014	1,710,000	5.00%	3.40%	HF 0	2024	2,635,000	5.00%	5.12%	HR 4
2015	1,775,000	5.00%	3.61%	HG 8	2025	2,770,000	5.00%	5.20%	HS 2
2016	1,840,000	5.00%	3.86%	HH 6	2026	2,920,000	5.25%	5.27%	HT 0
2017	1,915,000	5.00%	4.11%	HJ 2	2027	3,070,000	5.25%	5.33%	HU 7
2018	1,995,000	4.00%	4.25%	HK 9	2028	3,235,000	5.25%	5.37%	HV 5

(All plus accrued interest, if any)

<sup>(1)</sup> CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Owners of the Series 2008-1 Bonds. Neither the Issuer, the County or the Original Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

<sup>(2)</sup> Yield calculated to redemption date of August 1, 2018.

## **SEDGWICK COUNTY PUBLIC BUILDING COMMISSION**

KURT WATSON, President  
BETH GARRISON, Vice President  
BILL HANCOCK, Secretary  
ROBERT FINKBINER  
DAVE COOK

### **SEDGWICK COUNTY, KANSAS**

Sedgwick County Courthouse  
525 North Main  
Wichita, Kansas 67203  
(316) 383-7591

#### **ELECTED OFFICIALS**

THOMAS G. WINTERS, Chairman  
TIM R. NORTON, Chair Pro Tem  
DAVID M. UNRUH, Commissioner  
KELLY PARKS, Commissioner  
GWEN WELSHIMER, Commissioner

DON BRACE, County Clerk  
RON ESTES, County Treasurer

#### **APPOINTED OFFICIALS**

WILLIAM P. BUCHANAN, County Manager  
RICHARD A. EUSON, County Counselor  
CHRIS CHRONIS, Chief Financial Officer

#### **FINANCIAL ADVISOR**

Springsted Incorporated  
St. Paul, Minnesota

#### **BOND COUNSEL**

Gilmore & Bell, P.C.  
Wichita, Kansas

#### **CERTIFIED PUBLIC ACCOUNTANTS**

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

#### **ORIGINAL PURCHASER**

Citigroup Global Markets Inc.  
New York, New York

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**NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER OR THE ORIGINAL PURCHASER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THE SERIES 2008-1 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 NOR SHALL THERE BE ANY SALE OF THE SERIES 2008-1 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 HAS BEEN FURNISHED BY THE ISSUER, THE COUNTY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION, BY THE ORIGINAL PURCHASER. 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 OR THE COUNTY SINCE THE DATE HEREOF.**

**IN CONNECTION WITH THIS OFFERING, THE ORIGINAL PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2008-1 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THE SERIES 2008-1 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE SERIES 2008-1 BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH 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. THESE SERIES 2008-1 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. 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.**

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*Appendix A:* Sedgwick County, Kansas – General Information

*Appendix B:* Sedgwick County, Kansas – Audited Financial Statements (December 31, 2007)

*Appendix C:* Form of Bond Counsel Opinion

*Appendix D:* Summary of Principal Financing Documents

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# OFFICIAL STATEMENT

## SEDGWICK COUNTY PUBLIC BUILDING COMMISSION

**\$43,830,000**  
**REVENUE BONDS**  
**(TECHNICAL EDUCATION COMPLEX)**  
**SERIES 2008-1**

### INTRODUCTION

#### **Purpose of the Official Statement**

This Official Statement, including the cover page, the inside cover page and appendices hereof, is provided to furnish information in connection with the sale of the Sedgwick County Public Building Commission (the "Issuer" or "PBC"), a municipal corporation in Sedgwick County, Kansas (the "County"), Revenue Bonds (Technical Education Complex), Series 2008-1 in the principal amount of \$43,830,000 (the "Series 2008-1 Bonds") hereinafter described. The Series 2008-1 Bonds are being issued pursuant to Resolution No. 2008-4 of the Issuer adopted December 3, 2008 authorizing the issuance of said Series 2008-1 Bonds (the "Bond Resolution.")

The Series 2008-1 Bonds are being issued for the purpose of paying a portion of the costs of developing, constructing and equipping a technical education complex ( the "Technical Education Complex") to be located on a site within the County on or adjacent to Jabara Airport which is owned by the Wichita Airport Authority, Wichita, Kansas (the "Airport Authority"), consisting of an aviation technical training building, a manufacturing technical training building and an assessment and career development center, attendant parking, landscaping and related appurtenances thereto (the "Project."). Reference is made to the section hereof entitled "THE PROJECT" for additional information regarding the Project.

Brief descriptions of the Series 2008-1 Bonds, the Issuer, the Project and anticipated sources and uses of funds are included herein. Summaries of the principal financing documents relating to the authorizing, issuance of and security for the Series 2008-1 Bonds, specifically including, the Bond Resolution, the Base Lease and the Lease (collectively, the "Leases") and the continuing disclosure undertakings of the Issuer and the County (the "Principal Financing Documents") are attached hereto as *Appendix D*. Definitions for certain words and terms contained herein may be found in said appendices. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Principal Financing Documents are qualified in their entirety by reference to such documents, copies of which may be examined at the Sedgwick County Courthouse - Division of Finance, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2008-1 Bonds are qualified in their entirety by the definitive forms thereof and the information with respect thereto included in the Principal Financing Documents.

#### **Additional Information**

Additional information regarding the Issuer or the Series 2008-1 Bonds may be obtained from Chris Chronis, Chief Financial Officer, Sedgwick County Courthouse, Suite 823, 525 North Main, Wichita, Kansas 67203; by phone (316) 660-7591, fax (316) 383-7729 or e-mail: [cchronis@sedgwick.gov](mailto:cchronis@sedgwick.gov) or from the Financial Advisor, Springsted Incorporated, 380 Jackson Street, Suite 300, St. Paul, Minnesota 55101-2887, Attention: David MacGillivray, (651) 223-3068, Fax (651) 223-3002 or e-mail: [dmacgillivray@springsted.com](mailto:dmacgillivray@springsted.com)

#### **Ratings**

The outstanding revenue bonds of the Issuer, including the Series 2008-1 Bonds, and the outstanding general obligation bonds of the County, are rated "Aa1" by Moody's Investors Service ("Moody's"), "AAA" by Fitch Ratings ("Fitch") and "AAA" by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P").

#### **Financial Data**

Except for the information expressly attributed to other sources, all financial and other information presented herein has been compiled by officials of the County in consultation with Springsted Incorporated, financial advisor (the "Financial 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

County. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future.

### **Debt Payment Record**

The Issuer has always promptly made principal and interest payments on its outstanding revenue bonds. The County has always promptly made rental payments to the Issuer pursuant to leases that support the Issuer's outstanding revenue bonds and the County has also always promptly made principal and interest payments on its outstanding general obligation bonds and temporary notes.

### **Continuing Disclosure**

The Securities and Exchange Commission (the "SEC") has promulgated amendments to its Rule 15c2-12 (the "Rule") requiring continuous secondary market disclosure for certain issues. In the Bond Resolution, the PBC has covenanted to cause the County to comply with the provisions of the Rule. In the Lease, the County has agreed to provide annually certain financial information and operating data and other information necessary to comply with the Rule and to transmit said information to certain national repositories, the State repository, if any, and the Municipal Securities Rulemaking Board, as applicable. These covenants are for the benefit of and are enforceable by any Beneficial Owner of the Series 2008-1 Bonds. The County is in compliance with all previous undertakings under the Rule. For more information regarding the continuing disclosure undertaking, see *Appendix D - "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS - THE CONTINUING DISCLOSURE INSTRUCTIONS"*.

## **THE SERIES 2008-1 BONDS**

### **Authority and Purpose**

The Series 2008-1 Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas (the "State"), including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, and K.S.A. 12-1757 *et seq.*, as amended by Charter Resolution No. 48 of the County. The Issuer has published notices of its intent to issue the Series 2008-1 Bonds; no sufficient protest has been filed in opposition thereto in accordance with the Act.

### **Security for the Series 2008-1 Bonds**

The Series 2008-1 Bonds and the interest thereon will constitute special obligations of the Issuer, payable solely from, and secured as to the payment of principal and interest by a pledge of the Trust Estate established under the Bond Resolution (the "Trust Estate"), which includes, the net earnings and revenues of the Project, including, but not limited to, the rents, revenues and receipts received by the Issuer under the Lease (including, in certain circumstances, Series 2008-1 Bond proceeds and income from the temporary investment thereof and proceeds from insurance and condemnation awards) and are secured by a pledge and assignment of the Trust Estate. Rental payments under the Lease are intended to be sufficient, when added to other funds available for such purpose, to pay when due, the principal of, premium if any, and interest on the Series 2008-1 Bonds.

Pursuant to the Act, the obligations of the County for rentals payable under each of the Lease for their entire term are specifically exempted from the provisions of the Kansas cash-basis and budget laws and are **not** subject to annual appropriation, early cancellation or termination. Under K.S.A. 79-5028, the County may levy unlimited taxes to pay rentals under each of the Lease.

***THE SERIES 2008-1 BONDS DO NOT IN ANY RESPECT REPRESENT OR CONSTITUTE A DEBT OR PLEDGE OF THE FULL FAITH AND CREDIT OF THE ISSUER OR THE COUNTY (EXCEPT TO THE EXTENT THAT RENTALS PAYABLE BY THE COUNTY UNDER EACH LEASE CONSTITUTES AN UNCONDITIONAL OBLIGATION OF THE COUNTY FOR THE PAYMENT OF WHICH THE COUNTY MUST LEVY TAXES, IF NECESSARY, WITHOUT LIMIT ON ALL TAXABLE TANGIBLE PROPERTY WITHIN ITS TERRITORIAL LIMITS).***

### **Description of the Series 2008-1 Bonds**

The Series 2008-1 Bonds shall consist of fully registered book-entry bonds in the denomination of \$5,000 or any integral multiples thereof (the "Authorized Denomination") and shall be numbered in such manner as the Bond Registrar shall determine. All of the Series 2008-1 Bonds shall be dated December 15, 2008 (the "Dated Date"), shall become due in the amounts, on the Stated Maturities, and subject to redemption and payment, prior to their Stated Maturities, and shall bear interest

at the rates per annum as set forth on the inside cover page of this Official Statement. The Series 2008-1 Bonds shall bear interest (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 each 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 Series 2008-1 Bonds and bond registrar with respect to the registration, transfer and exchange of Series 2008-1 Bonds.

### **Method and Place of Payment of the Series 2008-1 Bonds**

The principal of, or Redemption Price, and interest on the Series 2008-1 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 Series 2008-1 Bond shall be paid at Maturity to the Person in whose name such Series 2008-1 Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Series 2008-1 Bond at the principal office of the Paying Agent.

The interest payable on each Series 2008-1 Bond on any Interest Payment Date shall be paid to the Owner of such Series 2008-1 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 Series 2008-1 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 Series 2008-1 Bond shall cease to be payable to the Owner of such Series 2008-1 Bond on the relevant Record Date and shall be payable to the Owner in whose name such Series 2008-1 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 Series 2008-1 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 Series 2008-1 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 SERIES 2008-1 BONDS, THE TRUSTEE OR PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See "THE SERIES 2008-1 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 Series 2008-1 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 Series 2008-1 Bonds, except in the



event the Bond Registrar issues Replacement Bonds. It is anticipated that during the term of the Series 2008-1 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 Series 2008-1 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.

(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 Series 2008-1 Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Series 2008-1 Bonds; or

(b) if the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Series 2008-1 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 Series 2008-1 Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Series 2008-1 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 Series 2008-1 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 Series 2008-1 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 Series 2008-1 Bond or Series 2008-1 Bonds for cancellation shall cause the delivery of the Series 2008-1 Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Bond Resolution.

### **Registration, Transfer and Exchange of Series 2008-1 Bonds**

As long as any of the Series 2008-1 Bonds remain Outstanding, each Series 2008-1 Bond when issued shall be registered in the name of the Owner thereof on the Bond Register. Series 2008-1 Bonds may be transferred and exchanged only on the Bond Register as hereinafter provided. Upon surrender of any Series 2008-1 Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Series 2008-1 Bond for a new Series 2008-1 Bond or Series 2008-1 Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Series 2008-1 Bond that was presented for transfer or exchange. Series 2008-1 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 Series 2008-1 Bonds is exercised, the Bond Registrar shall authenticate and deliver Series 2008-1 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 Series 2008-1 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 Series 2008-1 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 Series 2008-1 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 Series 2008-1 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 Series 2008-1 Bonds**

If (a) any mutilated Series 2008-1 Bond is surrendered to the Bond Registrar or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Series 2008-1 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 Series 2008-1 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 Series 2008-1 Bond, a new Series 2008-1 Bond of the same Stated Maturity and of like tenor and principal amount. If any such mutilated, destroyed, lost or stolen Series 2008-1 Bond has become or is about to become due and payable, the Issuer, in its discretion, may pay such Series 2008-1 Bond instead of issuing a new Series 2008-1 Bond. Upon the issuance of any new Series 2008-1 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 Series 2008-1 Bonds**

If any Series 2008-1 Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Series 2008-1 Bond have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Series 2008-1 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 Series 2008-1 Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Bond Resolution or on, or with respect to, said Series 2008-1 Bond. If any Series 2008-1 Bond is not presented for payment within four (4) years following the date when such Series 2008-1 Bond becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Series 2008-1 Bond, and such Series 2008-1 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, upon instruction from the County, the Series 2008-1 Bonds maturing in the years 2019, and thereafter, will be subject to redemption and payment prior to their Stated Maturity on August 1, 2018, and thereafter, as a whole or in part (selection of maturities and the amount of Series 2008-1 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.

***Selection of Series 2008-1 Bonds to be Redeemed.*** Series 2008-1 Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Series 2008-1 Bonds are to be redeemed and paid prior to their Stated Maturity, such Series 2008-1 Bonds shall be redeemed in such manner as the Issuer shall determine, Series 2008-1 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 Series 2008-1 Bonds by lot when Series 2008-1 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 Series 2008-1 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 Series 2008-1 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 Series 2008-1 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 Series 2008-1 Bond or Series 2008-1 Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Series 2008-1 Bond. If the Owner of any such Series 2008-1 Bond fails to present such Series 2008-1 Bond to the Paying Agent for payment and exchange as aforesaid, such Series 2008-1 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 Series 2008-1 Bonds to be redeemed, if the Issuer shall call any Series 2008-1 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 Series 2008-1 Bonds to the State Treasurer, and the Original Purchaser. In addition, the Issuer shall cause the Bond Registrar to give written notice of redemption to the Owners of said Series 2008-1 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 of any series of Outstanding Series 2008-1 Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Series 2008-1 Bonds, the respective principal amounts) of the Series 2008-1 Bonds to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Series 2008-1 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 Series 2008-1 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 Series 2008-1 Bonds or portions of Series 2008-1 Bonds that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Series 2008-1 Bonds or portions of Series 2008-1 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 Series 2008-1 Bonds or portion of Series 2008-1 Bonds shall cease to bear interest.

For so long as the Securities Depository is effecting book-entry transfers of the Series 2008-1 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 Series 2008-1 Bond (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Series 2008-1 Bond so affected, shall not affect the validity of the redemption of such Series 2008-1 Bond.

In addition to the foregoing notice, the Issuer shall provide such notices of redemption as are required by the Disclosure Instructions. 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 Series 2008-1 Bond.

## **THE DEPOSITORY TRUST COMPANY**

***General.*** The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Series 2008-1 Bonds. Ownership interests in the Series 2008-1 Bonds will be available to purchasers only through a book-entry system (the “Book-Entry System”) maintained by The Depository Trust Company “DTC”), New York, New York.

**The following information concerning DTC and DTC’s book-entry system has been obtained from DTC. The Issuer takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.**

DTC will act as securities depository for the Series 2008-1 Bonds. The Series 2008-1 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 Series 2008-1 Bonds, and will be deposited with DTC.

***DTC and its Participants.*** 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 2.2 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 both 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 Standard & Poor's highest rating: "AAA." 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

***Purchases of Ownership Interests.*** Purchases of Series 2008-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008-1 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008-1 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 Series 2008-1 Bonds are to be accomplished by entries made on the books of 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 Series 2008-1 Bonds is discontinued.

***Transfers.*** To facilitate subsequent transfers, all Series 2008-1 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 Series 2008-1 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008-1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008-1 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.

***Notices.*** 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. Beneficial Owners of Series 2008-1 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Principal Financing Documents. For example, Beneficial Owners of Series 2008-1 Bonds may wish to ascertain that the nominee holding the Series 2008-1 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2008-1 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.

***Voting.*** Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2008-1 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 Series 2008-1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

**Payments of Principal, Redemption Price and Interest.** Redemption proceeds, distributions, and dividend payments on the Series 2008-1 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 payable 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.

**Discontinuation of Book-Entry System.** DTC may discontinue providing its services as depository with respect to the Series 2008-1 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.

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, Series 2008-1 Bond certificates will be printed, 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), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Bonds from DTC (or such successor securities depository), Series 2008-1 Bond certificates may be delivered to Beneficial Owners in the manner described in the Bond Resolution.

## THE ISSUER

The Sedgwick County Public Building Commission, a municipal corporation, was organized in 1994 by the Board of County Commissioners of the County pursuant to Resolution No. 163-1994 of the County and the Act. The Issuer's governing body consists of five members, appointed by the individual County Commissioners. The terms of the members coincide with the terms of the County Commissioner that made such appointment. The Issuer's principal function and responsibility is to finance the acquisition and construction of building facilities for lease to governmental entities. The Issuer has authority to issue the Series 2008-1 Bonds under the Act.

The Issuer consists of five members, as follows:

<u>Name</u>	<u>Title</u>	<u>Commissioner Appointment</u>	<u>Term Expires</u>
Kurt Watson	President	Unruh	January 2011
Beth Garrison	Vice President	Winters	January 2009
Bill Hancock	Secretary	Norton	January 2009
Robert Finkbiner	Member	Parks	January 2011
Dave Cook	Member	Welshimer	January 2011

The Issuer has issued and has outstanding as of the date of issuance of the Series 2008-1 Bonds, the following revenue bonds:

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Dated Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
Juvenile Justice Complex	2003-1	12/01/03	\$21,400,000	\$17,055,000	08/01/23
Exploration Place	2003-2	12/01/03	14,940,000	11,835,000	08/01/22
Public Services Administration Building	2003-3	12/01/03	3,385,000	2,325,000	08/01/17
Juvenile Justice Complex	2007-1	01/01/07	15,445,000	13,640,000	08/01/26
Technical Education Complex	2008-1	12/01/08	43,830,000	43,830,000	08/01/28

## THE COUNTY

Sedgwick County, Kansas, is a political subdivision organized under the laws of the State of Kansas. General information and selected operating information with respect to the County is contained in *Appendix A* hereto. Attached hereto as *Appendix B* are the Audited Financial Statements of the County for the fiscal year ended December 31, 2007, which include not only the financial statements of the County (the primary government), but also the Sedgwick County Public Building Commission, for which the County is financially accountable. Financial information for the Issuer is reported separately from the financial information of the County. Allen, Gibbs & Houlik, L.C., Wichita, Kansas, certified public accountants, has performed the audit for such financial statements, but has not participated in the preparation of this Official Statement, other than the information contained in *Appendix B*.

## THE PROJECT

The Series 2008-1 Bonds are being issued for the purpose of paying a portion of the costs of the Technical Education Complex, to be named the National Center for Aviation Training, which will be located on a site within the County on or adjacent to Jabara Airport which is owned by the Wichita Airport Authority, Wichita, Kansas (the "Airport Authority"), consisting of an aviation technical training building, a manufacturing technical training building and an assessment and career development center, attendant parking, landscaping and related appurtenances thereto (the "Project"). The Issuer and the Airport Authority have entered into an Agreement wherein the Airport Authority leases the site on which the Technical Education Complex will be located to the Issuer for a term ending in 2056 (the "Base Lease"), and permits the construction and operation of the Technical Education Complex. The Series 2008-1 Bonds and the interest thereon will constitute special obligations of the Issuer, payable solely from, and secured as to the payment of principal and interest by a pledge of, the net earnings and revenues of the Project, including, but not limited to, the rents, revenues and receipts received by the Issuer under a Lease between the Issuer, as landlord, and the County, as tenant (the "Tenant"), dated December 15, 2008, as amended and supplemented, which has a term ending upon the final maturity of the Series 2008-1 Bonds (the "Lease"). When the Project is completed, the County and the Sedgwick County Technical Education and Training Authority (the "Training Authority"), will entered into an Operating Agreement (the "Operating Agreement") that provides the Training Authority the use of the Technical Education Complex in consideration of Training Authority's agreement to pay operation and maintenance expenses and provide management for the Technical Education Complex. It is anticipated that a subsequent agreement will be entered into between the Training Authority and Wichita State University, which will permit officials of the National Institute for Aviation Research to operate within portions of the Technical Education Complex.

## SOURCES AND USES OF FUNDS

The following table itemizes the sources and uses of funds available for the Projects, including the proceeds from the sale of the Series 2008-1 Bonds, exclusive of accrued interest.

<b>Sources of Funds:</b>	<b><u>Series 2008-1 Bonds</u></b>
Principal Amount of the Bonds	\$43,830,000.00
Reoffering Premium	747,706.10
Awarded Project Grants	<u>4,495,000.00</u>
<b><i>Total</i></b>	<b><i>\$49,072,706.10</i></b>
<b>Uses of Funds:</b>	
Project Costs	\$48,652,146.10
Underwriter's Discount	306,810.00
Costs of Issuance and Miscellaneous	<u>113,750.00</u>
<b><i>Total</i></b>	<b><i>\$49,072,706.10</i></b>

## **RISK FACTORS AND INVESTMENT CONSIDERATIONS**

***A PROSPECTIVE PURCHASER OF THE Series 2008-1 Bonds DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE SERIES 2008-1 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 SERIES 2008-1 BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2008-1 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, THE COUNTY OR THE ORIGINAL PURCHASER.***

### **Special Obligations**

The Series 2008-1 Bonds are special obligations of the Issuer. Neither the Series 2008-1 Bonds nor the interest thereon constitute a general obligation or indebtedness of the Issuer or the County, nor is the payment thereof guaranteed by the Issuer or the County, or any governmental subdivision, agency or instrumentality. The Series 2008-1 Bonds are not payable in any manner from tax revenues, other than tax revenues that may be utilized by the County to make rental payments under the Lease.

### **Debt Service Source**

The Series 2008-1 Bonds are payable solely from the receipts of the Issuer arising out of or in connection with its interest in the Project, including the Basic Rental Payments payable by the County under the Lease. Under the Act, the County is authorized to enter into long term leases with the Issuer for use of facilities such as the Project. Under existing law, the obligation of the County to make rental payments under the Lease is *not* subject to annual appropriations and is exempt from the application of the Kansas cash-basis and budget laws.

### **Environmental Matters**

Even though the County operations do not involve any unusual environmental hazards, and the County is currently in compliance with all federal, state and local regulations regarding potential contaminants, the potential for spills and other contamination of the air, soil or groundwater on the Projects or in the vicinity may result in potential exposure to liability under federal and state environmental and regulatory laws which require remedial action. No environmental site assessment of the Project has been conducted. Under some circumstances, lenders and other third parties may be named as "potentially responsible parties" and be subjected to liability for payment of cleanup costs. The liability of third parties to such exposure is not well defined. It is not currently possible to assess accurately either the nature or the extent of such potential liability. Pursuant to the Lease, the County has agreed to indemnify the Issuer and the Owners of the Series 2008-1 Bonds for costs or damages incurred in connection with such environmental hazards during the term of the Leases.

### **Title to Land**

The Project is located on land that is not owned by the Issuer, but is owned by the Airport Authority. Upon expiration or termination of the Base Lease, for any reason, the land and the Project revert to the Airport Authority.

### **Liquidation of Security in the Event of Default**

The Projects consists of real property and the improvements located thereon. In the event of a forced liquidation or other reletting or disposition of the Projects, there is no assurance that such will produce funds sufficient to pay the principal of the respective Series 2008-1 Bonds and interest accrued thereon.

### **Abandonment of Projects after Event of Default**

The Issuer has certain remedies under each Lease if an Event of Default (as defined in the Lease) occurs and continues, including the ability to take possession of the Project and relet it, with the proceeds being available to pay principal and interest on the respective Series 2008-1 Bonds. Each Lease gives the Issuer the option, under such circumstances, not to re-enter or take possession of the Project, thereby abandoning a part of the security for the respective Series 2008-1 Bonds. In the event that the Project should become contaminated by the presence of Hazardous Substances (as defined in the Lease), the Tenant is the subject of a remedial action under an Environmental Law (as defined in the Lease) as a result of such contamination, the Issuer would have the discretion to abandon the Project, and probably would abandon it if its market value were substantially impaired

by the presence of the contamination or if re-entering or taking possession of the Project would probably expose the Issuer or the Owners to liability for costs of a remedial action under an Environmental Law.

### **Taxation of Interest on the Series 2008-1 Bonds**

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Series 2008-1 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 Series 2008-1 Bonds includable in gross income for federal income tax purposes.

The Issuer has covenanted in each Bond Resolution and in other documents and certificates to be delivered in connection with the issuance of the Series 2008-1 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 Series 2008-1 Bonds. Because the existence and continuation of the excludability of the interest on the Series 2008-1 Bonds depends upon events occurring after the date of issuance of the Series 2008-1 Bonds, the opinion of Bond Counsel described under "**LEGAL MATTERS**" assumes the compliance by the Issuer and the County (and the Training Authority with respect to the Series 2008-1 Bonds) 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 Series 2008-1 Bonds in the event of noncompliance with such provisions. The failure of the Issuer or the County (and the Training Authority with respect to the Series 2008-1 Bonds) to comply with the provisions described above may cause the interest on the Series 2008-1 Bonds to become includable in gross income as of the date of issuance.

### **Premium on Series 2008-1 Bonds**

The initial offering prices of certain maturities of the Series 2008-1 Bonds that are subject to optional redemption are in excess of the respective principal amounts thereof. Any person who purchases a Series 2008-1 Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Series 2008-1 Bonds are subject to redemption at par under the various circumstances described under "**THE SERIES 2008-1 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 Series 2008-1 Bonds or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Bond Resolutions do not provide for the payment of any additional interest or penalty on the Series 2008-1 Bonds if the interest thereon becomes includable in gross income for Kansas income tax purposes.

### **Suitability of Investment**

An investment in the Series 2008-1 Bonds involves a certain degree of risk. The tax exempt feature of the Series 2008-1 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 Series 2008-1 Bonds are an appropriate investment.

### **Market for the Bonds**

**Bond Ratings.** The Series 2008-1 Bonds have been assigned the financial ratings set forth in the section hereof entitled "BOND RATINGS." There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Series 2008-1 Bonds.

**Secondary Market** There is no assurance that a secondary market will develop for the purchase and sale of the Series 2008-1 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 Series 2008-1 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 Series 2008-1 Bonds are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

### **Legal Matters**

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Series 2008-1 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 Series 2008-1 Bonds**

The enforceability of the rights and remedies of the owners of Series 2008-1 Bonds, and the obligations incurred by the Issuer in issuing the Series 2008-1 Bonds, and the County in executing the Lease 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 Series 2008-1 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.

**NO REPRESENTATION OR ASSURANCE CAN BE MADE OR GIVEN THAT REVENUES WILL BE REALIZED BY THE ISSUER IN AMOUNTS SUFFICIENT TO PAY THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2008-1 BONDS. THE FOREGOING 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 SERIES 2008-1 BONDS.**

### **BOND RATINGS**

Moody's, Fitch and S&P have assigned the ratings set forth on the cover page of this Official Statement. Such ratings reflect only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. No such rating constitutes a recommendation to buy, sell, or hold any bonds, including the Series 2008-1 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 Series 2008-1 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 Series 2008-1 Bonds.

### **LEGAL PROCEEDINGS**

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 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 Series 2008-1 Bonds or the validity of said Series 2008-1 Bonds, or any of the proceedings had in relation to the authorization, issuance or sale thereof.

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 County 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 Leases, or any of the proceedings had in relation to the authorization thereof, or the levy and collection of a tax to

meet the rental payments thereunder. The County is not involved in any annexation proceedings nor in any litigation which might affect the County's ability to meet its obligations under the Leases.

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

## **FINANCIAL ADVISOR**

Springsted Incorporated, Advisors to the Public Sector, St. Paul, Minnesota, has been retained as financial advisor in connection with the sale of the Series 2008-1 Bonds. The Financial Advisor is not a public accounting firm and has not been engaged to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Series 2008-1 Bonds.

## **LEGAL MATTERS**

### **Approval of Series 2008-1 Bonds.**

All matters incident to the authorization and issuance of the Series 2008-1 Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Issuer and its certified public accountants, and the Financial Advisor, as referred to herein. Bond Counsel has participated in the preparation of the Official Statement but expresses no opinion regarding the information contained herein, other than the sections entitled "*The Series 2008-1 Bonds*," "*Legal Matters*," *Appendix C – "Form of Bond Counsel Opinion"* and *Appendix D – "Summary of Principal Financing Documents."* Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Series 2008-1 Bonds. Certain legal matters have been passed on for the County by Richard A. Euson, Esq., County Counselor.

### **Tax Matters - General**

The following is a summary of the material federal and state income tax consequences of holding and disposing of the Series 2008-1 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 Series 2008-1 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 Series 2008-1 Bonds in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2008-1 Bonds.

### **Tax Matters Applicable to All Bonds**

***Sale, Exchange or Retirement of Bonds.*** Upon the sale, exchange or retirement (including redemption) of a Series 2008-1 Bond, an owner of the Series 2008-1 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 Series 2008-1 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2008-1 Bond. To the extent the Series 2008-1 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 Series 2008-1 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 Series 2008-1 Bonds, and to the proceeds paid on the sale of Series 2008-1 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.

## **Opinion of Bond Counsel**

**Federal Tax Exemption.** In the opinion of Bond Counsel, under existing law, the interest on the Series 2008-1 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the Issuer, the County and the Training Authority with respect to the Series 2008-1 Bonds, comply 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, excluded from gross income for federal income tax purposes. The Issuer, the County and the Training Center each has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2008-1 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Series 2008-1 Bonds have **not** been designated as "qualified tax-exempt obligations" for purposes of Code §265(b).

**Bonds Purchased at a Discount.** In the opinion of Bond Counsel, subject to the conditions set forth above, the original issue discount for each Series 2008-1 Bond, to the extent properly allocable to each owner of such Series 2008-1 Bond, is excluded from gross income for federal income tax purposes with respect to such owner. Original issue discount on each Series 2008-1 Bond is the excess of the "stated redemption price at maturity" of such Series 2008-1 Bond, over the initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of such Series 2008-1 Bonds were sold. For each Series 2008-1 Bond, the stated redemption price at maturity includes all payments on the Series 2008-1 Bond, except interest payable at least annually over the term of the Series 2008 Series 2008-1 Bond ("qualified stated interest"). For the Bonds, the original issue discount is the selling price of each Series 2008-1 Bond originally sold at a price of less than 100% as set forth on the inside cover hereof. The Series 2008-1 Bonds originally sold at a price of less than 100% as set forth on the inside cover hereof are the "OID Bonds."

Under Code § 1272 and 1288, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues during any accrual period generally equals (a) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (b) the yield to maturity of such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (c) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether they are required to include, for State and local income tax purposes, an amount of interest on the OID Bonds as income even though no corresponding cash interest payment is actually received during the tax year.

**Bonds Purchased at a Premium.** Certain maturities of the Series 2008-1 Bonds have an initial offering price which exceeds the stated redemption price at maturity as set forth on the inside cover hereof. The excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Series 2008-1 Bond. A purchaser of a Series 2008-1 Bond must amortize any premium over such Series 2008-1 Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the amount of tax-exempt interest deemed received by the purchaser and the purchaser's basis in such Series 2008-1 Bond are reduced by a corresponding amount. The adjustment to a purchaser's tax basis will result in an increase in the gain (or decrease in the loss) to be recognized for federal income purposes upon a sale or disposition of such Series 2008-1 Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Series 2008-1 Bonds at a premium, whether at the time of initial issuance or afterward, should consult with their own tax advisors as to the determination and treatment of premium for federal income tax purposes and state and local tax consequences of owning such Series 2008-1 Bonds.

**Kansas Tax Exemption.** The interest on the Series 2008-1 Bonds is excluded from computation of Kansas adjusted gross income.

**Other Tax Consequences.** Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Series 2008-1 Bonds. However, prospective purchasers of the Series 2008-1 Bonds should be aware

that there may be tax consequences of purchasing the Series 2008-1 Bonds other than those discussed under the caption "Opinion of Bond Counsel," including the following:

(a) Code §265 denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2008-1 Bonds or, in the case of a financial institution, that portion of such institution's interest expense allocable to interest on the Series 2008-1 Bonds; (b) with respect to insurance companies subject to the tax imposed by Code §831, Code §832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2008-1 Bonds; (c) interest on the Series 2008-1 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Code §884; (d) passive investment income, including interest on the Series 2008-1 Bonds, may be subject to federal income taxation under Code §1375 for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year, if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (e) Code §86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2008-1 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of the Series 2008-1 Bonds should consult their own tax advisors as to the applicability of these tax consequences.

## **PURCHASE OF BONDS**

The Series 2008-1 Bonds have been sold at public sale by the Issuer to Citigroup Global Markets Inc, New York, New York (the "Original Purchaser") on the basis of lowest true interest cost. Six bids were received by the Issuer. The Original Purchaser has agreed, subject to certain conditions, to purchase the Series 2008-1 Bonds at a price equal to 100% of the principal amount of the Series 2008-1 Bonds, less an underwriter's discount of \$306,810, plus an original issue premium of \$747,706.10, plus accrued interest from the Dated Date to the Issue Date.

The Series 2008-1 Bonds will be offered to the public initially at the prices determined to produce the yield to maturity set forth on the inside cover page of this Official Statement. The original purchaser may offer and sell the Series 2008-1 Bonds to certain dealers (including dealers depositing the Series 2008-1 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 original purchasers may over allot or effect transactions which stabilize or maintain the market price of the Series 2008-1 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 Series 2008-1 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 Original Purchaser and any one or more of the purchasers, Owners or Beneficial Owners of the Series 2008-1 Bonds.

**SEDGWICK COUNTY PUBLIC BUILDING  
COMMISSION**

/s/ Kurt Watson  
Kurt Watson, President

**SEDGWICK COUNTY, KANSAS**

/s/ Thomas G. Winters  
Thomas G. Winters, Chairman

/s/ Chris Chronis  
Chris Chronis, Chief Financial Officer

**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**

Tax Year <sup>(1)</sup>	Real Property		Personal Property <sup>(2)</sup>		Total		Ratio
	Assessed	Actual (est.)	Assessed	Actual (est.)	Assessed	Actual (est.)	
1998	\$1,854,181,065	\$13,025,389,306	\$1,017,210,450	\$4,167,792,493	\$2,871,391,515	\$17,193,181,799	16.70%
1999	2,000,772,150	14,128,911,018	1,024,491,742	4,222,712,435	3,025,263,892	18,351,623,453	16.48%
2000	2,173,066,951	15,262,596,186	1,051,831,644	4,260,450,447	3,224,987,595	19,523,046,633	16.52%
2001	2,324,186,616	16,310,311,223	1,056,769,995	4,533,393,697	3,380,956,611	20,843,704,920	16.22%
2002	2,464,039,057	17,192,909,871	1,046,810,389	4,536,948,434	3,510,849,446	21,729,858,305	16.16%
2003	2,704,994,907	18,788,455,494	1,072,064,066	4,598,426,519	3,777,058,973	23,386,882,013	16.15%
2004	2,831,621,386	19,723,089,085	1,088,563,303	4,710,991,475	3,920,184,689	24,434,080,560	16.04%
2005	2,994,083,410	19,727,009,640	1,114,925,549	4,813,198,590	4,109,008,959	24,540,208,230	16.74%
2006	3,179,041,411	22,334,987,993	1,130,306,696	4,867,631,428	4,309,348,107	27,202,619,421	15.84%
2007	3,445,043,727	24,095,165,508	1,110,690,496	4,813,129,947	4,555,734,223	28,908,295,455	15.76%

(1) Tax Year funds subsequent year's budget.

(2) Personal property includes motor vehicles.

Source: Sedgwick County Clerk

**TEN LARGEST TAXPAYERS RANKED BY AD VALOREM TAXES LEVIED**  
**(December 2007)**

Rank	Name	Primary Business	Taxes Levied	% of Total Taxes Levied	Assessed Valuation
1	Kansas Gas & Electric-A Westar Energy Company	Electric/Gas Utility	\$ 9,115,037	1.83%	\$ 83,426,680
2	Spirit Aerosystems, Inc.	Aircraft Manufacturing	8,766,338	1.77%	80,500,538
3	Southwestern Bell Telephone Company	Telecommunications Utility	5,958,901	1.08%	49,371,637
4	The Boeing Company	Aircraft Manufacturing	3,767,875	.76%	34,438,808
5	Wesley Medical Center, LLC	Hospital	4,014,542	.75%	34,007,132
6	Cessna Aircraft	Aircraft Manufacturing	2,926,444	.60%	27,223,318
7	Raytheon Aircraft Company	Aircraft Manufacturing	2,256,054	.44%	19,971,845
8	Simon Property Group	Real Property Leasing	2,174,831	.40%	18,422,964
9	Kansas Gas Service-Division of Oneok	Gas Utility	2,194,505	.40%	18,004,827
10	Towne West Square, LLC	Property Leasing	1,456,851	.27%	12,340,962
	<b>Total</b>		\$42,631,378	8.30%	\$377,708,711

Source: Sedgwick County Clerk

## COMPUTATION OF GENERAL OBLIGATION BONDS - LEGAL DEBT MARGIN

September 1, 2008

Equalized assessed valuation of taxable tangible property <sup>(1)</sup>		\$4,025,083,627
Add: Estimated 2007 tangible valuation of motor vehicles	530,650,596	
Total estimated tangible valuation for debt limitation purposes		4,555,734,223
Debt limitation (3% of total valuation)		136,672,027

Sedgwick County General Obligation Indebtedness, September 1, 2008 <sup>(2)</sup>		130,522,940
Less: Deductions allowed by law		
Road and Bridge bonds	24,623,528	
Special Assessment bonds	10,295,136	
Facilities	825,921	
Exempt portion of Series 2002 Refunding bonds	3,589,549	
Public Building Commission	44,855,000	
KDOT Revolving Loan	2,937,940	
Amount available in Debt Service Fund for repayment of principal	4,086,468	
Total exemptions		91,213,542
Debt applicable to legal debt limit		39,309,398
Debt margin (Limitation less non-exempt debt)		\$97,362,629

<sup>(1)</sup> Excludes assessed valuation of Motor Vehicles.

<sup>(2)</sup> Includes General Obligation bonds, Special Assessments, Public Building Commission lease obligations and KDOT Revolving Loan. Excludes Fire District #1.

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 September 1, 2008 to the anticipated delivery on the bonds:

Outstanding September 1, 2008 <sup>(1)</sup>	\$130,522,940
Issues:	
Series A, 2008 Public Building Commission	43,830,000
Anticipated Outstanding December, 2008	\$174,352,940

<sup>(1)</sup> Includes General Obligation bonds, Special Assessments, Public Building Commission lease obligations and KDOT Revolving Loan. Excludes Fire District #1.

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

Fiscal Year	General Obligation		Special Assessment		Total Requirements <sup>1</sup>
	Principal	Interest	Principal	Interest	
2008	\$7,665,000	\$3,258,295	\$1,710,000	\$635,490	\$13,268,785
2009	7,155,000	2,955,411	1,785,000	558,786	12,454,197
2010	6,380,000	2,687,231	1,875,000	480,185	11,422,416
2011	5,620,000	2,443,668	1,960,000	397,595	10,421,263
2012	5,395,000	2,220,074	2,050,000	311,669	9,976,743
2013	5,585,000	1,997,107	1,535,000	220,788	9,337,895
2014	5,355,000	1,761,859	1,275,000	149,972	8,541,831
2015	5,585,000	1,536,273	755,000	88,609	7,964,882
2016	5,380,000	1,297,570	390,000	52,889	7,120,459
2017	5,510,000	1,062,621	220,000	36,129	6,828,750
2018	5,765,000	818,029	205,000	27,487	6,815,516
2019	2,455,000	558,081	195,000	19,287	3,227,368
2020	2,600,000	447,231	210,000	11,588	3,268,819
2021	2,720,000	327,585	85,000	3,294	3,135,879
2022	2,140,000	201,826	-	-	2,341,826
2023	745,000	104,989	-	-	849,989
2024	785,000	74,470	-	-	859,470
2025	820,000	41,860	-	-	861,860
2026	195,000	7,800	-	-	202,800
	<b>\$77,855,000</b>	<b>\$23,801,980</b>	<b>\$14,250,000</b>	<b>\$2,993,768</b>	<b>\$118,900,748</b>

<sup>1</sup> Excludes KDOT Revolving Loan, Public Building Commission and this Issue.  
Source: Sedgwick County Accounting Department

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

Fiscal Year	Population <sup>1</sup>	Assessed Value (thousands)	General Obligation Debt <sup>2</sup>	Debt Service Monies Available	Net General Obligation Debt	Percentage of Assessed Value	Net General Obligation Debt per Capita
1998	438,679	\$2,871,392	\$123,940,000	\$2,841,520	\$121,098,480	4.22%	\$276
1999	448,050	3,025,264	124,130,000	3,762,449	120,367,551	3.98%	248
2000	452,869	3,224,988	115,355,000	4,280,340	111,074,660	3.44%	245
2001	456,351	3,380,957	116,320,000	7,195,893	109,124,107	3.23%	239
2002	460,643	3,510,849	125,965,000	5,677,358	120,287,642	3.43%	261
2003	462,896	3,777,059	156,000,000	4,105,465	151,894,535	4.02%	328
2004	463,802	3,920,185	140,795,000	560,506	140,234,494	3.58%	302
2005	466,061	4,109,009	143,430,000	1,124,572	142,305,428	3.46%	305
2006	470,895	4,309,348	136,305,000	2,583,216	133,721,784	3.10%	284
2007	471,739	4,555,734	139,530,000	4,086,468	135,443,532	2.97%	287

<sup>1</sup> Population estimates for each year, except 2000. Actual population for 2000 is from the U.S. Census Bureau.

<sup>2</sup> Includes General Obligation bonds, Special Assessments, Public Building Commission lease obligations, excludes KDOT Revolving Loan and Fire District #1.

Source: Sedgwick County Division of Finance

**DIRECT, UNDERLYING, AND OVERLAPPING DEBT RATIOS  
As of June 30, 2008**

Jurisdiction and Debt Type	Total Assessed Valuation <sup>(1)</sup>	General Obligation Debt	Debt as a Percentage of Assessed Valuation
Direct Sedgwick County Debt	\$4,555,734,223	\$142,601,631 <sup>(2)</sup>	3.13%
<b>Underlying and Overlapping Debt</b>			
Cities		651,725,874	14.31%
Public Building Commissions		12,950,000	.28%
School Districts		540,330,876	11.86%
Temporary Notes		133,385,000	2.93%
Total Underlying and Overlapping Debt		1,338,391,750	29.38%
Total Direct, Underlying and Overlapping Debt		\$1,480,993,381	32.51%

<sup>(1)</sup> Excludes 16/20M Truck portion of Motor Vehicle assessed valuation.

<sup>(2)</sup> Includes General Obligation bonds, Public Building Commission lease obligations and KDOT Revolving Loan note. Excludes Fire District #1.

Source: Sedgwick County Clerk, Survey of Individual Districts



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

<b>Tax Year<sup>(1)</sup></b>	<b>State</b>	<b>County</b>	<b>Fire District</b>	<b>Cities Average</b>	<b>Townships Average</b>	<b>Schools Average</b>	<b>Other District Average</b>	<b>Rural Average</b>	<b>Urban Average</b>	<b>County Average</b>
1998	1.500	29.638	14.951	31.457	5.101	37.412	1.191	94.985	100.607	99.546
1999	1.500	28.699	15.978	31.497	5.082	37.389	1.037	97.839	100.730	100.230
2000	1.500	28.600	15.426	31.573	4.890	38.906	1.131	103.730	109.296	108.423
2001	1.500	28.654	15.373	31.880	4.627	55.197	1.465	105.045	116.702	114.949
2002	1.500	28.776	15.407	32.985	4.950	52.798	1.536	105.407	114.636	113.331
2003	1.500	28.817	16.695	32.544	4.549	51.558	1.500	103.861	114.063	112.620
2004	1.500	28.763	18.579	32.581	4.766	51.861	1.536	107.035	114.316	113.293
2005	1.500	28.758	18.556	32.701	4.908	51.790	1.528	106.884	114.899	113.787
2006	1.500	31.315	18.469	32.900	4.965	52.197	1.505	109.673	117.808	116.715
2007	1.500	31.333	18.482	33.110	5.598	53.601	1.487	110.441	119.739	118.494

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

<b>Tax Year<sup>(1)</sup></b>	<b>State</b>	<b>County Government</b>	<b>Fire District</b>	<b>Cities</b>	<b>Townships</b>	<b>Schools</b>	<b>Special Districts</b>	<b>Rural</b>	<b>Urban</b>	<b>County Total</b>
1998	\$3,700,024	\$72,667,516	\$8,011,163	\$62,898,962	\$1,987,944	\$93,752,097	\$2,536,066	\$43,996,693	\$200,270,569	\$244,267,262
1999	3,920,792	74,356,873	8,285,951	68,002,561	2,110,257	101,860,639	3,434,738	57,836,216	204,135,494	261,971,710
2000	4,209,512	79,042,531	8,012,656	74,541,293	2,038,742	130,925,466	5,409,979	44,245,051	217,726,659	304,180,177
2001	4,424,512	83,386,559	8,103,411	79,706,740	1,965,126	155,519,681	5,865,474	46,608,600	292,363,034	338,971,634
2002	4,592,597	86,831,941	8,251,806	84,493,829	2,040,405	154,345,049	6,368,272	45,574,293	301,349,606	346,923,899
2003	4,960,863	93,953,381	9,731,825	92,016,729	2,183,209	162,854,098	6,720,152	48,535,406	323,884,851	372,420,257
2004	5,169,058	97,518,695	11,376,138	95,818,774	2,379,865	170,531,821	7,580,527	51,769,193	338,605,685	390,374,878
2005	5,427,690	102,370,944	11,996,352	101,106,657	2,534,748	180,099,033	8,150,141	53,606,776	358,078,789	411,685,565
2006	5,749,585	118,109,197	12,109,011	108,477,376	2,632,011	191,619,441	8,620,958	56,492,355	390,825,224	447,317,579
2007	6,090,771	125,178,265	13,009,882	115,654,412	3,127,853	208,745,863	9,294,398	60,056,134	421,045,310	481,101,444

(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**

<b>Tax Year <sup>(1)</sup></b>	<b>Adjusted Tax Levy</b>	<b>Current Collected <sup>(2)</sup></b>	<b>% of Levy Collected</b>	<b>Delinquent Collected <sup>(3)</sup></b>	<b>Total Collected</b>	<b>% of Levy Collected</b>
1998	72,577,032	70,999,015	97.83%	1,249,239	\$72,248,254	99.55%
1999	75,097,430	72,924,106	97.11%	1,269,685	74,193,791	98.80%
2000	79,369,047	77,184,854	97.25%	1,042,912	78,227,766	98.56%
2001	84,519,780	81,564,178	96.50%	1,606,396	83,170,574	98.40%
2002	87,635,391	84,773,787	96.74%	1,830,410	86,604,197	98.82%
2003	94,080,703	91,068,224	96.80%	1,973,979	93,042,203	98.90%
2004	97,748,335	94,695,003	96.88%	2,050,618	96,745,621	98.97%
2005	102,710,610	99,887,609	97.25%	2,577,372	102,464,981	99.76%
2006	118,412,948	114,788,420	96.90%	2,307,159	117,095,579	98.88%
2007	125,518,489	121,954,720	97.16%	2,485,044	124,439,764	99.10%

<sup>(1)</sup> Taxes levied support the subsequent year's budget, e.g., 2007 taxes financed 2008 spending.

<sup>(2)</sup> Net of refunding warrants.

<sup>(3)</sup> Excludes interest penalties.

Source: Sedgwick County Treasurer

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

<b>Fiscal Year</b>	<b>Property <sup>(1)</sup></b>		<b>Local Retail Sales</b>		<b>Motor Vehicle <sup>(3)</sup></b>		<b>Other</b>		<b>Total</b>
	<b>Collected</b>	<b>%</b>	<b>Collected</b>	<b>%</b>	<b>Collected</b>	<b>%</b>	<b>Collected</b>	<b>%</b>	
1998	\$78,037,014	67.3%	\$22,898,125	19.8%	\$12,788,676	11.0%	\$2,161,175	1.9%	\$115,884,990
1999	71,396,339	63.4%	22,265,832	19.8%	11,275,569	10.0%	7,657,400	6.8%	\$112,595,140
2000	72,597,529	62.0%	21,501,228	18.4%	14,739,547	12.6%	8,247,777	7.0%	\$117,086,081
2001	83,845,176	65.9%	21,692,058	17.0%	13,758,230	10.8%	8,020,583	6.3%	\$127,316,047
2002	89,997,686	68.1%	21,452,375	16.2%	14,310,240	10.9%	6,354,193	4.8%	\$132,114,494
2003	93,147,589	68.7%	21,512,689	15.9%	14,445,380	10.6%	6,442,266	4.8%	\$135,547,924
2004	102,945,849	69.9%	22,340,777	15.2%	15,261,318	10.4%	6,574,476	4.5%	\$147,122,420
2005	107,733,505	56.1%	61,905,294 <sup>(2)</sup>	32.2%	15,868,717	8.3%	6,518,890	3.4%	\$192,026,406
2006	112,457,028	46.4%	106,879,318 <sup>(2)</sup>	44.1%	16,463,171	6.8%	6,389,225	2.7%	242,188,742
2007	128,190,829	48.5%	111,851,561 <sup>(2)</sup>	42.4%	17,087,125	6.5%	6,958,801	2.6%	264,088,316

<sup>(1)</sup> Ad valorem taxes other than for motor vehicles.

<sup>(2)</sup> Includes dedicated sales tax, voter approved, commencing 7/1/05 and expiring 12/31/07 for the Sedgwick County Arena.

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

Source: Sedgwick County Accounting Department

## SPECIAL ASSESSMENTS COLLECTIONS

Last Ten Tax Years

Tax Year (1)	Adjusted Tax Levy	Current Collected	% of Levy Collected	Delinquent Collected	Total Collected	% of Levy Collected
1998	4,089,077	3,883,626	94.98%	64,832	3,948,458	96.56%
1999	4,405,721	4,077,804	92.56%	295,947	4,373,751	99.27%
2000	4,621,593	4,157,930	89.97%	185,642	4,343,572	93.98%
2001	3,928,364	3,609,709	91.89%	309,560	3,919,269	99.77%
2002	3,943,121	3,619,024	91.78%	330,841	3,949,865	100.17%
2003	4,131,258	3,959,019	95.83%	509,983	4,469,002	108.18%
2004	3,802,031	3,634,326	95.59%	172,454	3,806,780	100.12%
2005	3,841,471	3,599,739	93.71%	156,715	3,756,454	97.79%
2006	3,731,597	3,504,616	93.90%	67,865	3,572,481	95.74%
2007	3,623,710	3,426,258	94.56%	173,937	3,600,195	99.35%

(1) Assessments levied support the subsequent year's budget (e.g., 2007 assessments financed 2008 spending).

Source: Sedgwick County Treasurer

## GENERAL GOVERNMENT EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Health and Welfare	Culture and Recreation
1998	\$35,097,301	\$60,956,917	\$9,645,515	\$31,609,104	\$4,340,148
1999	38,511,565	67,227,646	10,057,486	32,955,409	4,745,708
2000	43,983,447	74,948,197	21,675,325	36,001,900	5,661,334
2001	49,471,868	81,466,373	24,720,767	46,775,485	5,838,713
2002	45,918,343	78,953,373	12,488,556	55,495,774	6,201,912
2003	45,966,182	84,507,118	13,001,534	59,891,538	5,702,682
2004	44,615,992	88,796,476	14,084,378	63,980,325	5,575,072
2005	46,242,408	92,932,268	11,337,976	63,109,315	6,235,483
2006	37,885,436	115,244,299	12,652,298	66,994,154	7,176,300
2007	42,320,165	118,380,157	13,467,153	64,631,594	7,882,505

Fiscal Year	Economic Development	Debt Service	Capital Outlay	Total
1998	\$9,411,840	\$18,293,884	\$67,320,221	\$236,674,930
1999	9,537,892	19,709,052	37,588,597	220,333,355
2000	10,836,836	20,025,571	3,876,939	217,009,549
2001	10,789,685	16,851,873	5,352,503	241,267,267
2002	11,920,583	34,692,571	24,105,644	269,776,619
2003	13,162,142	16,459,113	38,748,611	277,438,920
2004	14,453,010	18,702,992	35,003,587	285,211,832
2005	12,238,953	17,839,967	27,452,820	277,389,190
2006	14,336,928	18,522,175	34,492,542	307,304,132
2007	11,170,128	18,966,737	32,412,371	309,230,810

Source: Sedgwick County Accounting Department

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Expenditures</b>	<b>%</b>
1998	\$10,970,000	\$3,563,747	\$14,533,747	\$236,674,930	6.14%
1999	11,350,000	5,198,174	16,548,174	220,333,355	7.51%
2000	12,000,000	4,783,206	16,783,206	217,009,549	7.73%
2001	9,475,000	4,404,396	13,879,396	241,267,267	5.75%
2002	9,355,000	4,483,735	13,838,735	269,776,619	5.13%
2003	10,125,000	4,474,276	14,599,276	277,438,920	5.26%
2004	10,515,000	4,658,228	15,173,228	285,211,832	5.32%
2005	10,060,000	4,307,870	14,367,870	277,389,190	5.18%
2006	10,600,000	4,557,063	15,157,063	307,304,132	4.93%
2007	9,670,000	4,217,228	13,887,228	309,230,810	4.49%

*Excludes Fire District #1, Public Building Commission lease obligations and KDOT Revolving Loan.  
Source: Sedgwick County Division of Finance.*

**RETAIL SALES AND SALES TAXES**

<b>Year</b>	<b>Retail Sales</b>		<b>State Sales Tax</b>		<b>Local Sales/Use Tax <sup>(1)</sup></b>	
	<b>Sales (000s)</b>	<b>% Change</b>	<b>Collections</b>	<b>% Change</b>	<b>Collections</b>	<b>% Change</b>
1998	\$6,271,101	3.98%	\$307,283,928	3.98%	\$67,808,335	12.55%
1999	6,238,003	-0.53%	305,662,147	-0.53%	66,234,202	-2.32%
2000	6,082,102	-2.50%	298,022,980	-2.50%	64,909,398	-2.00%
2001	6,101,321	0.32%	298,964,728	0.32%	68,012,444	4.78%
2002	5,962,981	-2.27%	319,286,784 <sup>(2)</sup>	6.80%	68,446,519	0.64%
2003	6,165,500	3.40%	326,771,531	2.34%	65,298,054	-4.60%
2004	6,369,689	3.31%	337,593,524	3.31%	68,660,313	5.15%
2005	6,367,495	-0.03%	337,477,219	-0.03%	92,644,988 <sup>(3)</sup>	34.93%
2006	6,952,861	9.19%	368,501,631	9.19%	147,221,037 <sup>(3)</sup>	58.91%
2007	7,167,239	3.08%	379,863,651	3.08%	152,426,661 <sup>(3)</sup>	10.35%

<sup>(1)</sup> Includes sales taxes distributed to all local governments in Sedgwick County.

<sup>(2)</sup> Tax rate change from 4.9% to 5.3% effective 7/1/2002.

<sup>(3)</sup> Includes dedicated sales tax, voter approved, commencing 7/1/2005 and expiring no later than 12/31/2007 for the Sedgwick County Arena. Amount of 2007 collections attributable to this project is \$85,001,807.

Source: Kansas Department of Revenue

## MAJOR INDUSTRIES AND EMPLOYERS – 2007

Company	Major Product/Service	FT Employees
Cessna Aircraft Company	Aircraft	11,300
Spirit AeroSystems, Inc.	Aircraft	10,900
Hawker Beechcraft Corporation	Aircraft	6,767
Unified School District #259	Education	5,391
Via Christi Health System	Health care	4,809
State of Kansas	Government	4,094
City of Wichita	Government	3,103
Boeing IDS Wichita	Aircraft	3,005
Sedgwick County	Government	2,763
United States Government	Government	2,524
Bombardier Aerospace Learjet, Inc.	Aircraft	2,250
Koch Industries, Inc.	Refining and chemicals	2,000
Wesley Medical Center	Health Care	1,682
Wichita State University	Education	1,670
Catholic Diocese of Wichita	Diocesan services/Education	1,358
AGCO Corp	Agricultural equipment	1,350

*Source: Wichita Business Journal*

## CIVILIAN LABOR FORCE<sup>(2)</sup> MONTH OF DECEMBER

	2003	2004	2005	2006	2007
<b>Total civilian labor force</b> (in numbers of persons)					
Wichita MSA <sup>(1)</sup>	303,755	309,173	307,782	312,755	316,293
<b>Total employed</b>					
Wichita MSA <sup>(1)</sup>	285,417	292,762	293,328	300,218	304,066
<b>Unemployed</b>					
Number: <i>Wichita MSA</i> <sup>(1)</sup>	18,338	16,411	14,454	12,537	12,227
Rate (percent) <sup>(3)</sup>					
<i>Wichita MSA</i> <sup>(1)</sup>	6.0%	5.3%	4.7%	4.0%	3.9%
<i>Kansas</i>	5.2%	5.0%	4.4%	3.9%	4.0%
<i>United States</i>	6.0%	5.5%	5.1%	4.6%	4.6%

(1) Includes Sedgwick, Butler and Harvey counties for 2003. Includes Sedgwick, Butler, Harvey and Sumner counties for 2004 through 2007.

(2) Wichita MSA and Kansas numbers represent Residence Data; national figures are Household Data.

(3) Not seasonally adjusted.

Sources: Kansas Department of Labor and U.S. Department of Labor

**EMPLOYMENT (WICHITA MSA )<sup>(1)</sup>**  
**Nonfarm Wage and Salary Employment**  
**Industries Classified by NAICS Codes<sup>(2)</sup>**  
**MONTH OF DECEMBER**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Total wage and salary</b> (in numbers of filled positions)	283,800	290,100	292,500	299,900	309,500
Natural resources and construction	15,600	15,900	15,600	16,600	17,000
Manufacturing	57,900	60,100	61,800	64,400	67,300
Transportation equipment manufacturing	32,800	34,200	35,700	38,100	40,100
Trade, transportation & utilities	51,200	51,500	51,100	51,300	52,900
Wholesale trade	11,600	10,900	10,500	11,300	12,100
Retail trade	31,500	32,100	31,900	31,700	32,500
General merchandise stores	7,200	7,800	7,700	7,400	7,500
Transportation, warehouse, & utilities	8,100	8,500	8,700	8,300	8,300
Information	6,400	6,000	6,100	6,000	6,000
Finance	12,600	11,800	11,300	11,500	11,700
Professional and business services	25,800	28,100	27,500	28,700	29,700
Professional, scientific & technical services	8,700	8,800	9,000	8,400	8,800
Administrative and waste services	14,600	17,100	16,400	18,000	18,000
Employment services	4,600	6,700	5,200	5,600	5,600
Education and health services	38,000	39,400	40,600	41,500	43,300
Leisure and hospitality	24,200	25,400	26,000	27,100	27,600
Other services	12,000	12,200	11,100	11,100	11,500
Government	40,100	39,700	41,400	41,700	42,500
<b>Average hours worked per week, manufacturing</b>	40.2	43.5	47.9	48.3	47.4
<b>Average hourly earnings in manufacturing</b>	\$19.08	\$19.33	\$18.11	18.46	18.69

<sup>(1)</sup> Includes Sedgwick, Butler, Harvey, and Sumner Counties.

<sup>(2)</sup> North American Industry Classification System.

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

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

<b>Fiscal Year</b>	<b>Value of New Construction</b>	<b>Total Real Property Value</b>	<b>Commercial Bank Deposits</b>
1998	348,258,998	13,025,389,306	3,966,725,000
1999	494,574,694	14,128,911,018	4,156,833,000
2000	393,159,519	15,262,596,186	3,491,159,000
2001	379,086,963	16,310,311,223	3,977,145,000
2002	390,600,245	17,192,909,871	4,317,000,000
2003	448,027,247	18,788,455,494	4,547,000,000
2004	375,136,654	19,723,089,085	4,695,000,000
2005	476,612,032	20,874,086,884	4,897,000,000
2006	684,773,657	22,334,953,521	5,563,000,000
2007	701,370,572	24,095,165,508	5,571,000,000

*Sources: Sedgwick County Clerk, Federal Deposit Insurance Corporation*

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

<b>Fiscal Year</b>	<b>Taxes and Special Assessments</b>	<b>Uses of Money and Property</b>	<b>Inter-governmental</b>	<b>Charges for Services</b>	<b>Reimbursed Expenditures</b>	<b>Other</b>	<b>Total</b>
1998	120,142	7,550	39,470	23,589	5,714	2,755	199,220
1999	121,896	7,956	45,375	22,048	5,538	2,228	205,041
2000	126,794	11,799	44,075	25,888	4,304	1,863	214,723
2001	129,570	10,824	45,743	35,102	4,083	2,590	227,912
2002	132,149	8,031	50,266	48,139	5,339	2,216	246,140
2003	136,567	4,104	42,073	59,852	4,951	2,545	250,092
2004	147,121	5,591	52,317	62,864	4,419	2,900	275,212
2005	153,008	8,023	47,533	63,966	4,345	1,686	278,561
2006	159,803	13,336	47,763	63,949	7,676	2,072	294,599
2007	178,049	22,229	45,329	66,664	12,205	1,812	326,288

*Source: Sedgwick County Comprehensive Annual Financial Report*

## GENERAL INFORMATION

### Government/Organization

Sedgwick County was organized under the territorial laws of the State of Kansas and the Constitution of the State of Kansas in 1870. A five-member Board of County Commissioners governs the County. The Commissioners serve as full-time County officials and meet in regular session once a week. 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. Two Assistant County Managers and six Division Directors aid the County Manager in his duties.

Sedgwick County has approximately 2,738 full-time employees. The County's relationship with its employees, including unionized firefighters, is considered good. Salaries are competitive with the private sector.

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

#### Elected

<u>Name</u>	<u>Title</u>
David M. Unruh	Commissioner, 1 <sup>st</sup> District
Tim R. Norton	Commissioner, 2 <sup>nd</sup> District – Chairman Pro Tem
Thomas G. Winters	Commissioner, 3 <sup>rd</sup> District - Chairman
Kelly Parks	Commissioner, 4 <sup>th</sup> District
Gwen Welshimer	Commissioner, 5 <sup>th</sup> District
Don Brace	County Clerk
Ron Estes	County Treasurer

#### Appointed

<u>Name</u>	<u>Title</u>
William P. Buchanan	County Manager
Richard A. Euson	County Counselor
Charlene Stevens	Assistant County Manager
Ron Holt	Assistant County Manager
Chris Chronis	Chief Financial Officer
Troy Bruun	Deputy Chief Financial Officer
David Miller	Budget Director
Anne Smarsh	Director of Accounting

### Demographic Data

Sedgwick County is located in south central Kansas and encompasses 1,008 square miles. The County is the second most populous of the 105 counties in Kansas and has the second highest total personal income among Kansas counties. The estimated 2007 population for Sedgwick County is 471,739. Historically, Sedgwick County has been fertile ground for the creation and development of business and industry. As the birthplace of Beechcraft, Cessna, the Coleman Company, Koch Industries, Learjet, Rent-a-Center, Pizza Hut and many other nationally and internationally known companies, it is a place where a pioneering spirit is valued and entrepreneurship is encouraged. The most noted industry in Sedgwick County is aviation and has earned its largest city, Wichita, the title of "Aircraft Capital of the World".

Sedgwick County consists of twenty cities, twenty-seven townships, and twenty school districts, as well as watershed districts, drainage districts, improvement districts, and other various special districts. There are 110 separate taxing districts within the County.



The County’s population has steadily grown, approximately doubling in the second half of the last century.

**SEDGWICK COUNTY, KANSAS  
POPULATION**

1950.....	222,290
1960.....	343,231
1970.....	350,694
1980.....	367,088
1990.....	403,662
2000 .....	452,869
2007 (estimate).....	471,739

*Source: U.S. Census Bureau; 2000 is actual, 2007 is estimated.*

**Educational Facilities**

The public schools of Sedgwick County are divided into 20 unified school districts (ten of which lie within the County and one or more other counties). Several of the unified school districts in Sedgwick County offer magnet or alternative schools at the elementary, middle, and high school levels. In addition to its public schools, the County has more than 35 private and parochial schools. Sedgwick County is home to 123 elementary schools, 29 junior high and middle schools, 26 high schools, and 17 special schools. Wichita State University, a member of the State-owned university system, recorded spring semester 2008 enrollment of 14,612 students; Friends University, an independent Christian College, has an enrollment of approximately 2,800 students and is the largest, fastest growing private university in Kansas; and Newman University, a Catholic college, has an enrollment of approximately 2,100 students. The University of Kansas School of Medicine-Wichita (UKSM-W) campus and several campuses of the Wichita Area Technical College are also located in the County. UKSM-W regularly ranks among the top ten primary care medical schools in the nation. Additionally, three community colleges are accessible in Sedgwick County.

To meet aviation manufacturing workforce demands, the National Center for Aviation Training will provide a training facility for up to 1,300 students as well as giving current workers the opportunity to receive training and tools to refine their skills. The first building, the Gateway Building, is under construction. Construction of buildings in Phases Two and Three should begin later this year. The estimated completion date for the project is 2010.

**Transportation Facilities**

Sedgwick County is located approximately 170 miles south-southeast of the geographic center of the continental U.S. The central location of the County, along with access by various modes of transportation including air, rail, and highway, provides a superb link to the rest of the nation. This central location is ideal for national and regional marketing.

Wichita Mid-Continent Airport is a port of entry and a combination air carrier, cargo and general aviation complex providing accommodations for all aircraft. Mid-Continent Airport is not only the County’s, but also the State’s largest airport. Passenger service to twelve major hub cities via twelve carriers provides 51 arrivals/departures daily. All of Wichita’s top 100 destinations have either non-stop or one-stop service. Service is provided by major cargo carriers: DHL, Federal Express, UPS Supply Chain Solutions, and United Parcel Service. In addition to Mid-Continent, Sedgwick County has ten additional public use airport facilities.

Sedgwick County is served by two major (national) railroads, Burlington Northern Santa Fe and Union Pacific. There is also one "short-line" railway that operates in the area, the Kansas & Oklahoma Railroad. Amtrak passenger service is available through Newton, Kansas, less than 25 minutes north of Wichita.

Major highways in Sedgwick County include Interstate 35 connecting the County to the Oklahoma City area to the south and Interstate 135 connecting to I-70, providing easy access east as well as westward to Denver. The Kansas Turnpike connects Sedgwick County with the Kansas City area to the northeast, while Interstate 235, K-96, K-254, K-42, and K-15 (all four-lane highways) connect more locally within the County. Wichita is a major trucking hub due to its high concentration of manufacturing and its role as a regional marketing center. Sixteen carriers have local terminal facilities in the County.

Sedgwick County provides a firm foundation for quality of life, as well as economic development, by building and maintaining a sound infrastructure, maintaining over 600 miles of road and 645 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. In addition to the 2,296 active military personnel, it is estimated that during 2007 base activity sustained an additional 2,055 indirect jobs in Sedgwick County, resulting from retail, service, wholesale, and construction activities. During fiscal year 2007, McConnell had a total payroll of \$364,996,776. The base estimates that \$227.8 million of that payroll was spent locally during the 2007 fiscal year, as well as an additional \$108.7 million for base operations support, military construction and health care.

### **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 County has several natural gas suppliers. Two of the largest natural gas companies are Kansas Gas Service and Aquila Networks. 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. Wichita has an extensive telecommunications infrastructure and extensive fiber optic network system with 18 local carriers and over 50 long distance carriers. Five long distance landline carriers have local points-of-presence (POPs) – AT&T, Birch Telecom, Gabriel Communications, Sprint, and Wiltel. There is one long distance wireless POP – Sprint PCS. Available services include traditional switched and Centrex-based dial tone services to self-healing SONET networks, frame relay, and Advanced Intelligent Networks. Wichita hosts three competing local fiber optic networks – Cox Business Services, SBC, and TelCove. All types of internet access are available, including dial-up telephone modems to high-speed cable modems, DSL-ADSL, ISDN, VPN, T1, wireless broadband, and satellite.

### **Public Health and Safety**

Sedgwick County is a regional health care center. The health care industry employs approximately 28,000 people, making it the second-largest industry after aircraft manufacturing. The metro area has 19 acute care and free-standing specialty hospitals with approximately 3,000 licensed beds. In addition to these major treatment facilities, there are over 50 nursing homes and assisted living facilities. Numerous specialty clinics provide comprehensive patient care and outpatient surgery. Wichita has a Veteran's Administration Medical Center and hosts the headquarters of the Kansas Health Foundation. The University of Kansas School of Medicine has a training branch in Wichita.

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

Sedgwick County also supports a Regional Forensic Science Center. The Regional Forensic Science Center promotes the health and public safety of the residents of Sedgwick County and surrounding communities. Services include forensic pathology, medical investigations, toxicology analysis, DNA profiling, and criminalistics examinations.

### **Insurance**

Sedgwick County purchases all risk property insurance, subject to a \$100,000 self-insured retention, to protect County-owned facilities. 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. Workers compensation claims in excess of \$500,000 are 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, subject to a \$100,000 self-insured retention. 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 near 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 Mid-Continent Airport.

### **Arts and Culture**

Sedgwick County has 40 museums and galleries, 10 performing arts theaters, 14 musical organizations and two professional dance companies. These attractions provide a diverse array of cultural and entertainment options, including: Museum of World Treasures, Allen-Lambe House Museum, Children's Museum of Wichita, Crown-Uptown Dinner Theater, Edwin A. Ulrich Museum of Art, Great Plains Nature Center, Great Plains Transportation Museum, Kansas African American Museum, Kansas Aviation Museum, Kansas Firefighters Museum, Lowell D. Holmes Museum of Anthropology, Metropolitan Ballet Company, Mid-America All-Indian Center Museum, Music Theater of Wichita, Kansas Sports Hall of Fame, Old Cowtown Museum, Wichita Grand Opera, Orpheum Performing Arts Center, Whittier Fine Arts Gallery, Wichita Art Museum, Wichita Center for the Arts, Wichita Children's Theater, Wichita Community Theater, Wichita Pops Concerts, Wichita-Sedgwick County Historical Museum, and the Wichita Symphony Orchestra. In addition, the Wichita Public Library system consists of a downtown central branch and eight neighborhood branches.

### **Annual Events**

Each May, Sedgwick County is host to the Wichita River Festival. Beginning as a centennial celebration in 1970, the River Festival has turned into an annual event with over 300,000 in attendance. For nine days in May the Festival is the community's destination for food, entertainment and a wide range of activities.

The Wichita Flight Festival is held annually to celebrate Kansas' rich aviation heritage with some of the top air shows in the nation. There are displays of vintage aircraft and historical displays of Wichita airplanes and aviation pioneers.

Multi-Cultural Celebration Week is held each spring. This celebration is a week-long showcase, including open houses throughout the community and a variety of events spotlighting diversity. Other diversity-based celebrations include Cinco de Mayo, Intertribal Pow-Wow, Wichita Black Arts Festival, Asian Festival, and the Martin Luther King, Jr. celebration.

Some of the major cultural events held annually are: Fourth of July Celebration, Bastille Day Celebration, National Baseball Congress Tournament, Zoobilee, Fall Festival Arts and Crafts Show, Oktoberfest, Old Sedgwick County Fair, Wichita Jazz Festival, Kansas Polkatennial, Wichita Arts Festival, and the Christmas Parade.

## **Sports**

Sedgwick County is home to minor league professional baseball, The Wichita Wingnuts, and the Wichita Thunder of the Central Hockey League. A twin-sheet ice skating arena is also available for additional sporting events. There are over thirty-five golf courses within a fifty mile radius in Sedgwick County including public, private and semi-private. Sedgwick County operates Lake Afton Park and Sedgwick County Park. Lake Afton Park is a 258-acre lake within 780 acres of land that provides for fishing, camping, swimming, boating, and picnicking. The Sedgwick County Park is a 480-acre multi-facility park, with a lake for fishing, a nature trail for hiking, and facilities for picnicking, including several enclosed and open shelter houses.

## **Additional Attractions and Recreation**

The Sedgwick County Zoo is considered a world-class zoo and is the 18<sup>th</sup> largest in the United States. It is the number one outdoor family attraction in Kansas. The 247-acre facility is home to more than 2,500 animals of nearly 500 different species, providing an environment where animals roam in spacious areas that simulate their natural habitats. In 2008 the Sedgwick County Zoo opened the Plaza Beastro, the main restaurant of the Zoo. It offers views of surrounding ponds and the nearby giraffes and grizzly bears. A new event area will be located south of the Plaza Beastro. It will consist of a stage and amphitheater with a capacity of 2,000 people and will serve large functions such as the popular concert series and Zoobilee.

The Kansas Coliseum is a multi-purpose facility. It is the home of the "Wichita Thunder," a member of the Central Hockey League and the Wichita Wild, an indoor pro football team. It is host to nationally recognized musical entertainers, circuses, rodeos, and other entertainment events. In addition, it is a major livestock exhibition facility with many horse shows and other livestock competitions and livestock sales. It has a maximum seating capacity of over 12,000 for concerts. The Coliseum also has camping facilities and has hosted camping conventions.

Natural science and technology attractions include Exploration Place, the Lake Afton Public Observatory, and Botanica. Exploration Place contains four thematic exhibit areas focusing on different aspects of our world. Visitors encounter immersive environments and hands-on experiences related to flight, health and human life, people, places and environments of Kansas, and imaginative spaces for young children. The Lake Afton Public Observatory features astronomy displays and space-related phenomena. Botanica, The Wichita Gardens, is the city's living museum of plants and flowers. The Kansas Cosmosphere and Space Center is located in nearby Hutchinson and features the second largest collection of space program artifacts in the country. Additional attractions in Sedgwick County include the Tanganyika Wildlife Park and All Star Sports Adventures.

By 2009, Wichita's downtown skyline will be changing with the opening of Wichita WaterWalk, a \$130 million retail and entertainment district who has its first major tenant, Gander Mountain.

Sedgwick County has begun the process of designing and building a world-class entertainment venue in downtown Wichita. The Sedgwick County Arena will be located near Old Town to provide a multi-purpose entertainment package for residents and visitors. The Sedgwick County Arena will provide 15,000 seats and 24 suites, or up to 17,000 seats for concerts. The Arena is scheduled for completion in early 2010. Costs associated with the Sedgwick County Arena will be funded from the proceeds of a special 1% County sales tax, which was approved by the electors in November, 2004 and the Kansas Legislature in April, 2005. The dedicated sales tax commenced on July 1, 2005 and terminated on December 31, 2007. Arena sales tax revenue totaled \$206,537,905 for the 30 month period, exceeding the original budgeted revenue of \$184,500,000.

All of these new developments continue to increase Wichita's appeal to residents and visitors whether it's an extended weekend, business trip, group tour, or family vacation.

### **Capital Improvement Program**

Each year since 1982, Sedgwick County has developed a five-year Capital Improvement Program that is approved each year by the Board of County Commissioners. In the past several years, the process used to develop and administer this program has been modified to focus on realistic project planning and priorities for the County.

Capital projects are requested by operating managers, evaluated by Budget Office staff, and then prioritized by a team of senior managers, including the Assistant County Managers, Chief Financial Officer, Public Works Director and others. Concurrently, Finance staff develops funding strategies and evaluates the fiscal impact of proposed projects on the County's financial condition. These products are presented to the County Manager, who may modify project recommendations, priorities or funding strategies before submitting his recommended Capital Improvement Program to the County Commissioners for consideration and adoption.

The Capital Improvement Program adopted by the Board of County Commissioners for the 2009 – 2013 planning period totals \$213,901,127 and includes \$62,989,625 of improvements to County facilities and \$150,912,502 of improvements to the County's infrastructure. The 2009 – 2013 Capital Improvement Program does not include the costs for the Sedgwick County Arena which will be funded by the proceeds of a one-cent countywide sales tax that commenced July 1, 2005 and ended December 31, 2007.

### **Capital Funding Plans**

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 \$11 million per year, has permitted the County to build most road projects with cash.

The Capital Improvement Program adopted by the Board of County Commissioners for the 2009 – 2013 fiscal years is funded with \$87,663,994 of cash from current revenues, \$67,383,706 of bond proceeds, and \$58,854,427 of funding to be provided by other governments. The Sedgwick County Arena, a subsequent amendment to the 2005 Capital Improvement Program, will be funded with sales tax revenues.

Although the \$67,383,706 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. A majority of the debt to be issued for road construction will be repaid with special assessments and sales taxes.

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 some cases, these bond issues may 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](http://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 unless the current plus the proposed obligations are less than the following benchmarks: per capita direct debt not to exceed \$500; per capita direct, overlapping and underlying debt not to exceed \$3,000; direct debt as a percentage of estimated full market value not to exceed 1.5%; direct, overlapping and underlying debt as a percentage of estimated full market value not to exceed 6%; and annual debt service not to exceed 20% of the General and Debt Service funds budgeted expenditures.

As reflected in the following table, the County's outstanding debt (current debt includes this issue) is within 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	\$366	73%
Per capita direct, overlapping and underlying debt	\$3,000	\$2,869	96%
Direct debt as % of estimated full market value	1.50%	0.57%	38%
Direct, overlapping and underlying debt as % of full market value	6.00%	4.44%	74%
Annual debt service as % of budgeted expenditures	20%	10.45%	52%

## Fund Balance Policy

Sedgwick County has adopted a policy that sets a quarter-ending target for minimum cash balance and minimum unreserved 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 ten percent of budgeted annual expenditures and transfers out. Select Special Revenue Funds, Debt Service Funds, and Internal Service Funds have a minimum cash balance requirement of at least five percent of the fund's budgeted annual expenditures and transfers out. Minimum unreserved fund balance is also measured at the end of each calendar quarter. The General Fund minimum is twenty percent. Select Special Revenue Funds, Debt Service Funds, Enterprise Funds, and Internal Service Funds will be managed to maintain a minimum of seven percent of budgeted annual expenditures and transfers out. As of June 30, 2008 the General Fund cash balance was 56.69% of budgeted annual expenditures and transfers out. The unreserved fund balance was 60.69% of budgeted annual expenditures and transfers out. Additionally, all other funds are within policy limits. The County's fund balance policy may be viewed at the County Finance Division's website, [www.sedgwickcounty.org/finance](http://www.sedgwickcounty.org/finance).

## **Investment Policy**

During 2007, as authorized by a comprehensive written investment policy, idle County funds were 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 was 355 days and the average yield on investments was 5.03 percent. Pooled investments had a market value of \$407,259,537 at June 30, 2008.

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](http://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 is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property.

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

Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes are assessed at 11.5%, except for the first \$20,000 of appraised valuation which is exempt from property taxation; (ii) mineral leasehold interests including itemized equipment is assessed at 30%, except oil leasehold working interests, the average daily production from which is 5 barrels or less, and natural gas leasehold working interests the average daily production from which 100 mcf or less, which is assessed at 25%. (iii) public utility tangible personal property, including inventories thereof, is assessed at 33% (except railroad personal property, including inventories thereof, which is assessed at the average rate all other commercial and industrial property is assessed); except telecommunications and railroad machinery and equipment acquired by qualified purchase or lease made or entered into after June 30, 2006 as the result of a bona fide transaction not consummated for the purpose of avoiding taxation or transported into Kansas after June 30, 2006 for the purpose of expanding an existing business or creation of a new business; (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985 are assessed at 30%; (v) commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost, when new is

over \$1,500, less sales tax, freight and installation costs and less seven-year straight-line depreciation, or which, if its economic life is less than seven years, is valued at its retail cost when new is over \$1,500, less sales tax, freight and installation costs and less straight-line depreciation over its economic life, except that the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, is assessed at 25%; except commercial and industrial machinery and equipment acquired by qualified purchase or lease made or entered into after June 30, 2006 as a result of a bona fide transaction not consummated for the purpose of avoiding taxation or transported into Kansas after June 30, 2006 for the purpose of expanding an existing business or creation of a new business which is exempt from property taxation and (vi) 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**

Real estate tax statements are mailed on or about November 1<sup>st</sup> of each year and one-half of the tax due must be paid on or before December 20<sup>th</sup>, with the remaining one-half due on or before May 10<sup>th</sup> of the following year. If a taxpayer fails to pay either the full amount or the one-half due December 20<sup>th</sup>, interest becomes due and payable on December 21<sup>st</sup>. After May 10<sup>th</sup>, the full amount plus interest must be paid. Interest is added after the 20<sup>th</sup> of each month at 0.92% 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.

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 20<sup>th</sup>, the full amount plus interest becomes due, and, if not paid by April 20<sup>th</sup> become Sheriff warrants. Personal property taxes with the first half paid, but the second half unpaid at July 20<sup>th</sup>, will also become Sheriff warrants. On October 1<sup>st</sup>, 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 20<sup>th</sup> and June 5<sup>th</sup>. 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 is reported as a blended component unit within the financial statements of the County. The Fire District is a separate taxing entity, but the Sedgwick County Board of County Commissioners serves as the governing board and the District is operated as a County department under the direction of the County Manager.

The Sedgwick County Public Building Commission (PBC) is reported as a discretely presented component unit and is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. A separate five-member board, appointed by the Sedgwick County Board of County Commissioners, governs the PBC.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Financial statements of the reporting entity for the year ended December 31, 2007 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**

Since 1983, Sedgwick County has utilized an on-line accounting system that permits line item and quarterly allotment controls in the execution of budgets. Effective January 1, 2002, authority for the transfer of funds 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 2008 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 2008 marked the 25th consecutive year for receiving this prestigious award.

### **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, 2007 are included in 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, 2006. 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 26th consecutive year that Sedgwick County has received this award. The 2007 Comprehensive Annual Financial Report has been submitted to GFOA.

### **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)**

	2008 Adopted Budget	2007		
		Revised Budget	Actual	Variance
<b>Revenues and other sources:</b>				
Property taxes	\$ 92,932,644	\$ 100,138,840	\$ 99,978,919	\$ (159,921)
Sales taxes	26,045,214	24,527,739	25,751,469	1,223,730
Other taxes	227,258	218,649	255,659	37,010
Intergovernmental	2,888,792	2,162,379	2,783,708	621,329
Charges for services	20,815,532	18,008,098	17,746,252	(261,846)
Uses of money and property	7,845,278	6,654,051	17,260,420	10,606,369
Fines and forfeits	91,495	81,006	216,530	135,524
Licenses and permits	525,579	505,835	351,057	(154,778)
Reimbursed expenditures	4,107,109	3,756,364	5,384,386	1,628,022
Other	400,018	366,643	696,244	329,601
<b>Total revenues and other sources</b>	<b>155,878,919</b>	<b>156,419,604</b>	<b>170,424,644</b>	<b>14,005,040</b>
<b>Expenditures, encumbrances and other uses:</b>				
Current:				
Personnel services	94,404,222	90,815,118	86,949,958	3,865,160
Contractual services	53,244,333	46,161,282	38,868,486	7,292,796
Commodities	5,317,771	5,876,210	5,633,773	242,437
Capital outlay	3,239,683	942,833	692,971	249,862
Debt service:				
Principal	-	3,318,224	2,340,000	978,224
Interest	-	2,212,149	1,585,422	626,727
Total debt service	-	5,530,373	3,925,422	1,604,951
<b>Total current expenditures</b>	<b>156,206,009</b>	<b>149,325,816</b>	<b>136,070,610</b>	<b>13,255,206</b>
<b>Revenues over (under) expenditures</b>	<b>(327,090)</b>	<b>7,093,788</b>	<b>34,354,034</b>	<b>27,260,246</b>
<b>Transfers in</b>	-	340,461	521,080	180,619
<b>Transfers out</b>	(15,644,334)	(17,666,040)	(16,842,112)	823,928
<b>Total other financing sources (uses)</b>	<b>(15,644,334)</b>	<b>(17,325,579)</b>	<b>(16,321,032)</b>	<b>1,004,547</b>
<b>Net change in fund balances</b>	<b>(15,971,424)</b>	<b>(10,231,791)</b>	<b>18,033,002</b>	<b>28,264,793</b>
<b>Fund balances, beginning of year</b>	<b>15,971,424</b>	<b>10,231,791</b>	<b>34,998,098</b>	<b>24,766,307</b>
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,031,100</b>	<b>\$ 53,031,100</b>

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

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>REVENUES:</b>					
Taxes	\$ 126,047,221	\$ 110,068,027	\$ 107,499,179	\$ 101,965,580	\$ 87,650,700
Intergovernmental	2,776,147	2,974,162	2,333,403	2,168,086	1,791,126
Charges for services	17,746,513	18,123,295	17,961,778	15,865,156	18,201,310
Uses of money and property	20,651,739	11,792,390	6,845,942	4,996,499	3,453,086
Fines and forfeits	216,530	96,636	67,877	68,028	283,330
Licenses and permits	351,057	532,887	496,778	339,724	497,429
Reimbursed expenditures	5,384,386	4,187,348	3,496,425	4,065,010	4,186,446
Other	696,244	411,744	642,584	1,677,916	1,073,521
<b>Total revenues</b>	<b>173,869,837</b>	<b>148,186,489</b>	<b>139,343,966</b>	<b>131,145,999</b>	<b>117,136,948</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General government	32,083,475	29,376,533	37,234,275	37,201,167	38,332,777
Public safety	76,253,643	73,629,540	57,457,424	54,460,177	51,772,840
Public works	1,541,627	1,460,226	1,219,954	1,327,052	1,370,760
Health and welfare	8,300,805	7,814,171	7,056,825	2,899,525	2,596,026
Cultural and recreation	7,878,283	7,147,497	6,175,439	5,519,929	5,592,360
Economic development	3,045,401	6,465,414	4,481,296	5,124,398	3,699,120
<b>Total current expenditures</b>	<b>129,103,234</b>	<b>125,893,381</b>	<b>113,625,213</b>	<b>106,532,248</b>	<b>103,363,883</b>
<b>Capital outlay</b>	-	-	-	-	-
<b>Debt service:</b>					
Principal	2,340,000	1,385,000	1,620,000	1,073,176	675,000
Interest and fiscal charges	1,585,422	1,257,907	1,265,919	340,034	783,779
<b>Total debt service</b>	<b>3,925,422</b>	<b>2,642,907</b>	<b>2,885,919</b>	<b>1,413,210</b>	<b>1,458,779</b>
<b>Total expenditures</b>	<b>133,028,656</b>	<b>128,536,288</b>	<b>116,511,132</b>	<b>107,945,458</b>	<b>104,822,662</b>
<b>Revenues over expenditures</b>	<b>40,841,181</b>	<b>19,650,201</b>	<b>22,832,834</b>	<b>23,200,541</b>	<b>12,314,286</b>
<b>Other financing sources (uses)</b>					
Operating transfers in	521,080	843,466	1,892,418	552,738	788,598
Operating transfers out	(16,842,112)	(16,082,014)	(19,758,864)	(17,351,336)	(14,178,764)
<b>Total other financing sources (uses)</b>	<b>(16,321,032)</b>	<b>(15,238,548)</b>	<b>(17,866,446)</b>	<b>(16,798,598)</b>	<b>(13,390,166)</b>
<b>Revenues and other sources over (under) expenditures and other uses</b>	<b>24,520,149</b>	<b>4,411,653</b>	<b>4,966,388</b>	<b>6,401,943</b>	<b>(1,075,880)</b>
Fund balances, beginning of year	42,480,017	38,068,364	33,101,976	26,700,033	27,775,913
Decrease in reserves for inventory	-	-	-	-	-
Residual equity transfers from other funds	-	-	-	-	-
Residual equity transfers to other funds	-	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ 67,000,166</b>	<b>\$ 42,480,017</b>	<b>\$ 38,068,364</b>	<b>\$ 33,101,976</b>	<b>\$ 26,700,033</b>

*Appendix B*

SEDGWICK COUNTY, KANSAS-AUDITED FINANCIAL STATEMENTS  
(FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007)



Allen, Gibbs & Houlik, L.C.  
CPAs & Advisors

## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Sedgwick County, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sedgwick County, Kansas (County) as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Allen, Gibbs & Houlik, L.C.*

March 26, 2008  
Wichita, Kansas

## Management's Discussion and Analysis

As management of Sedgwick County, Kansas, we offer you this discussion and analysis of the financial activities of Sedgwick County for the fiscal year ended December 31, 2007. 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, as well as the notes to the financial statements.

### Financial Highlights

- Total net assets of Sedgwick County increased \$120.9 million to \$587.7 million, indicating the overall financial health of Sedgwick County improved significantly during 2007. Of this amount, \$72.7 million is reported as unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.
- Business-type activities net assets increased by \$84.9 million due to sales tax receipts held for construction of the new downtown arena.
- Land and construction in progress increased 73.7% to \$104.9 million reflecting several construction projects currently underway, including the new Juvenile Justice Complex, Public Safety Center and downtown arena.
- Property tax revenues increased 12.7% due to a 2.557 mill levy rate increase and a 6.2% increase in the assessed value of real property.
- Total expenses grew by 0.8% or \$2.3 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-59 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 expenditures 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 assets* presents information on all of Sedgwick County's assets and liabilities, with the difference reported as *net assets*, which is one method to measure the County's financial condition. An increase or decrease in the County's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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) 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 Coliseum/Arena Fund.

The government-wide financial statements include not only Sedgwick County (known as the primary government), but also a legally separate entity, the Sedgwick County Public Building Commission, for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information for the primary government itself.

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

### **Fund Financial Statements**

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

#### Governmental Funds

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

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

Sedgwick County maintains thirty-five 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, Debt Service Fund, and Debt Proceeds Fund, all of which are reported as major funds or are of particular interest. Information on the remaining non-major governmental funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Governmental Funds subsection.

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



The basic governmental funds financial statements and reconciliations to the government-wide financial statements can be found on pages A-18 through A-25 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 Coliseum/Arena complex. Additional information regarding the Kansas Coliseum and Downtown Arena subfunds is provided in the form of a 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 Information**

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

## Government-wide Financial Analysis

### Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets of the primary government exceeded liabilities by \$587.7 million at the end of 2007.

**Sedgwick County, Kansas**  
**Net Assets**  
**As of December 31, 2007**  
**With Comparatives as of December 31, 2006**  
(millions of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
<b>Assets:</b>						
Current and other assets	\$330.9	\$291.6	\$ 177.0	\$114.4	\$507.9	\$406.0
Capital assets	343.2	332.4	41.5	14.8	384.7	347.2
Total assets	<u>674.1</u>	<u>624.0</u>	<u>218.5</u>	<u>129.2</u>	<u>892.6</u>	<u>753.2</u>
<b>Liabilities:</b>						
Long-term liabilities	155.5	148.4	-	-	155.5	143.8
Other liabilities	144.1	137.1	5.3	0.9	149.4	142.6
Total liabilities	<u>299.6</u>	<u>285.5</u>	<u>5.3</u>	<u>0.9</u>	<u>304.9</u>	<u>286.4</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	198.4	192.1	41.5	14.8	239.9	206.9
Restricted	103.8	97.3	171.3	113.4	275.1	210.7
Unrestricted	72.3	49.1	0.4	0.1	72.7	49.2
Total net assets	<u>\$374.5</u>	<u>\$338.5</u>	<u>\$ 213.2</u>	<u>\$128.3</u>	<u>\$587.7</u>	<u>\$466.8</u>

The largest portion of the County's net assets (46.8 percent) is restricted. Restricted net assets are resources that are subject to external restrictions on how they may be used. Investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related outstanding debt used to acquire those assets represent 40.8% of the County's net 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. The remaining balance of *unrestricted net assets*, \$72.7 million, may be used to meet the government's ongoing obligations to citizens and creditors.

### Change in Net Assets

The County's net assets for governmental activities increased \$36 million (10.6 percent) after taking into consideration the prior period adjustment of \$4 million to correct prior year depreciation on fleet vehicles and infrastructure. Net assets of the County's business-type activity increased \$84.9 million during 2007, due to unspent sales tax collections for the new downtown arena. The special one-cent sales tax ended on December 31, 2007. Changes in net assets were as follows:

**Sedgwick County, Kansas**  
**Change in Net Assets**  
**Fiscal Year Ended December 31, 2007**  
**With Comparatives for the Year Ended December 31, 2006**  
**(millions of dollars)**

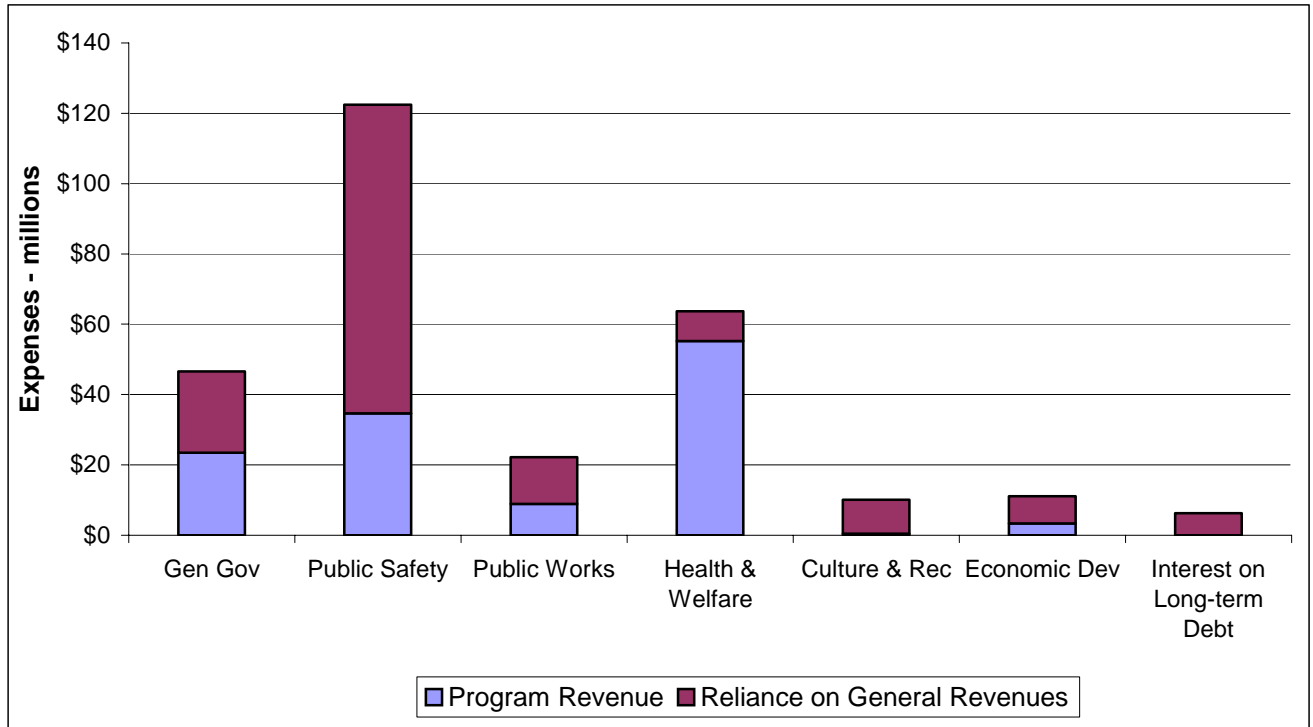
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 78.9	\$ 70.2	\$ 2.3	\$ 1.9	\$ 81.2	\$ 72.1
Operating grants and contributions	45.3	47.8	-	-	45.3	47.8
Capital grants and contributions	2.0	2.8	-	-	2.0	2.8
General revenues:						
Property taxes	145.3	128.9	-	-	145.3	128.9
Sales taxes	25.8	24.4	85.1	82.4	110.9	106.8
Other taxes	3.3	2.7	-	-	3.3	2.7
Investment earnings	22.2	13.3	-	-	22.2	13.3
Total revenues	<u>322.8</u>	<u>290.1</u>	<u>87.4</u>	<u>84.3</u>	<u>410.2</u>	<u>374.4</u>
<b>Expenses</b>						
General government	46.6	44.3	-	-	46.6	44.3
Public safety	122.4	116.4	-	-	122.4	116.4
Public works	21.9	24.9	-	-	21.9	24.9
Health and welfare	63.7	65.5	-	-	63.7	65.5
Culture and recreation	10.1	8.8	-	-	10.1	8.8
Economic development	11.2	14.3	-	-	11.2	14.3
Interest on long-term debt	6.3	5.9	-	-	6.3	5.9
Coliseum/Arena	-	-	3.1	2.9	3.1	2.9
Total expenses	<u>282.2</u>	<u>280.1</u>	<u>3.1</u>	<u>2.9</u>	<u>285.3</u>	<u>283.0</u>
Increase (decrease) in net assets before transfers	40.6	10.0	84.3	81.4	124.9	91.4
Transfers	<u>(0.6)</u>	<u>(0.7)</u>	<u>0.6</u>	<u>0.7</u>	<u>-</u>	<u>-</u>
Increase in net assets	40.0	9.3	84.9	82.0	124.9	91.3
Prior period adjustment	(4.0)	(34.0)	-	-	(4.0)	(34.0)
Net assets, beginning	<u>338.5</u>	<u>363.2</u>	<u>128.3</u>	<u>46.3</u>	<u>466.8</u>	<u>409.5</u>
<b>Net assets, ending</b>	<u><u>\$374.5</u></u>	<u><u>\$338.5</u></u>	<u><u>\$213.2</u></u>	<u><u>\$128.3</u></u>	<u><u>\$587.7</u></u>	<u><u>\$466.8</u></u>

Property tax revenue increased \$16.4 million over 2006, due to a 2.557 mill levy increase and a 6.2% increase in assessed valuation of real property along with a 1.4% increase in the assessed valuation of personal property. Investment earnings increased 66.7% from the previous year to \$22.2 million largely due to the one-cent special sales tax collected to be spent on the downtown arena and better investment returns from a year ago.

Sedgwick County expenses increased a modest 0.8% when comparing 2007 to 2006. Public Safety expenses increased \$6 million due to the Juvenile Justice Complex construction project and construction on the new Public Safety Center. This increase was partially offset by a \$3 million reduction in Public Works road and bridge projects paid by local sales tax collections. General government expenses increased \$2.3 million because of a \$2.6 million increase in the affordable airfares program.

## Governmental Activities

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



As reflected in the chart above, no function of government is self-supporting, thus the need for taxes to be levied and collected in order to provide services to the community. The following list shows each function of government and the percentage of reliance on general revenues of the county to fund their operations and the corresponding dollar amount:

○ Interest on long-term debt	100.0%	\$ 6,315,457
○ Culture and recreation	95.2%	9,621,907
○ Public safety	71.6%	87,659,282
○ Economic development	69.4%	7,740,785
○ Public works	59.3%	13,006,005
○ General government	49.6%	23,118,211
○ Health and welfare	13.4%	8,538,630
Total reliance on general revenues		<u>\$156,000,277</u>

Governmental activities incurred \$282,225,869 in expenses during 2007. The following list breaks this expense down into percentage by function with the corresponding dollar amount:

○ Public safety	43.4%	\$122,371,034
○ Health and welfare	22.6%	63,734,178
○ General government	16.5%	46,618,528
○ Public works	7.8%	21,920,559
○ Economic development	3.9%	11,156,066
○ Culture and recreation	3.6%	10,110,047
○ Interest on long-term debt	2.2%	6,315,457
Total governmental activities expenses		<u>\$282,225,869</u>

### Business-type Activity

Sedgwick County has one business-type activity, the Coliseum/Arena fund. Net assets for fiscal year 2007 increased by \$84.9 million bringing total net assets to \$213.2 million. The increase is fully attributed to the collection of a special one-cent sales tax held for construction of a new downtown arena and a small general fund transfer to subsidize operations at the Kansas Coliseum. Construction has started on the arena and is expected to be complete by the spring of 2010. The new arena will be managed by SMG, a global arena management company. The contract signed between Sedgwick County and SMG shifts responsibility for covering operating losses to SMG and allows the county to share in profits once they exceed \$450,000.

### **County Funds Financial Analysis**

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

### Governmental Funds

The focus of the County's governmental funds is to provide information on near-term cash inflows and outflows during the fiscal year and balances of spendable resources at year-end. This information is useful in assessing the County's financing requirements. Unreserved 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 \$148.3 million, a increase of \$32.6 million since the beginning of the year. The following table shows how fund balance changed in the major and other governmental funds.

<b>Fund</b>	<b>Beginning Fund Balance</b>	<b>Ending Fund Balance</b>	<b>Change in Fund Balance</b>
General	\$ 42,480,017	\$ 67,000,166	\$ 24,520,149
Federal/State Assistance	16,943,618	19,944,135	3,000,517
Debt Service	2,583,216	4,086,468	1,503,252
Debt Proceeds	13,031,065	14,171,633	1,140,568
Other Governmental	40,655,188	43,079,257	2,424,069
<b>Total Governmental Funds</b>	<b>\$ 115,693,104</b>	<b>\$ 148,281,659</b>	<b>\$32,588,555</b>

The General Fund is the chief operating fund of Sedgwick County. Ending fund balance in the General Fund increased \$24.5 million, compared to an increase of \$4.4 million a year ago. The main reasons for the dramatic increase are the following three points. First, a 2.557 mill levy increase boosted property tax revenue \$16.4 million over 2006 numbers. Second, the tax rate was increased in anticipation of debt service on a new center for aviation training and several new jail alternative programs aimed at stabilizing inmate population growth. The aviation training center has been delayed and the cost of the jail alternatives that have been implemented was less than expected. Third, investment income increased \$8.9 million during 2007 due to better returns on idle cash and a larger portfolio. Sedgwick County voters approved a one-cent 30-month sales tax to construct a new world class arena in downtown Wichita. The tax commenced on July 1, 2005 and ended on December 31, 2007. The sales tax raised \$206.5 million and construction officially began on December 4, 2007. Although proceeds of the sales tax are deposited in an enterprise fund, state law mandates that investment income be recorded in the General Fund.

As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 45.8% of total General Fund expenditures, while total fund balance represents 50.4%.

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 \$19.9 million which is \$3 million more than 2006. Revenues increased \$2.7 million due to a full year of grant income from the State of Kansas for Sedgwick County's affordable airfares program. The affordable airfares grant reimburses the county up to \$5 million to assist in keeping low fare airlines flying into Wichita Mid-continent airport. This is an annual, state fiscal year (July-June) competitive grant and Sedgwick County has received this grant twice with the first award in July 2006. Expenditures were down \$0.2 million compared to 2006. One of Sedgwick County's mental health service providers gave up their status as an affiliate mental health center and Sedgwick County also changed billing processes to make payment on a fee for service basis rather than up front through a contractual arrangement. Of the \$19.9 million fund balance, 95.9% is unreserved.

The Debt Service fund has a total fund balance of \$4.1 million, all of which is reserved for the payment of debt service. Sedgwick County anticipated paying debt service on a new jail expansion, but the project has been delayed. Property tax was levied for the additional payment that did not occur, resulting in a \$1.5 million increase to fund balance.

The Debt Proceeds fund is a capital projects fund that receives proceeds from general obligation bond issues and other long-term financing sources. During 2007 the fund received \$1 million in investment income and \$15.4 million in proceeds from debt issuance. \$15 million was transferred out to other capital project funds during the year. Transfers out to other capital projects funds included \$5 million for road projects including improvements on 13<sup>th</sup> St. North from K-96 to 159<sup>th</sup> St. East, \$7.1 million for the new juvenile court building and improvements to the juvenile justice complex, \$2.9 million for the new public safety building that houses 9-1-1 dispatchers and emergency management personnel.

#### 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 Coliseum/Arena Fund is a combination of the current Kansas Coliseum and the new downtown arena that is currently under construction. Operations at the Kansas Coliseum resulted in an operating loss of \$0.8 million, slightly better than the \$1 million loss in 2006. The special one-cent sales tax generated \$85.1 million in revenue to be expended in constructing the new downtown arena. Net assets in the fund increased \$84.9 million to \$213.2 million in 2007. \$171.3 million is currently restricted for the new downtown arena construction project.

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 incurred a \$0.6 million operating loss during 2007. Charges to departments for using fleet vehicles increased \$0.4 million, but it was not enough to offset the \$250,000 increase in fuel and supply costs and the nearly \$0.5 million increase in depreciation. Fleet was also charged \$5.2 million to correctly restate prior period depreciation costs, which ultimately decreased net assets by \$5.6 million at the end of the year. During 2007, the workers compensation fund had a planned draw down of \$0.3 million by undercharging county departments for the expenses incurred by the county's workers' compensation program. This draw down resulted in an ending fund balance of \$1.2 million. Sedgwick County expended \$1.1 million for property and liability insurance during 2007, the same amount as 2006. The Health/Dental/Life insurance fund experienced several major changes in 2007. In 2006 Sedgwick County had two health plans, one self-insured and one fully insured along with separate pharmacy, dental and life insurance plans. On January 1, 2007 the county only offered a fully insured health plan with pharmacy benefits included. The dental and life insurance plans remained unchanged. As a result of offering one health and pharmacy plan, expenditures dropped \$2.7 million. Premiums charged for the health and pharmacy plan also dropped causing revenue to decrease by \$1.9 million. These changes caused net assets to increase \$0.8 million by the end of 2007.

## General Fund Budgetary Highlights

The County did not amend the budget during fiscal year 2007, although appropriations were shifted between line items in the General Fund.

Actual revenue was \$14 million above both the original and final budgets. Investment income was \$10.6 million over the budgeted amount and sales tax revenue was \$1.2 million over budget. The primary reasons for the increase are:

[1] A 2.557 mill levy increase boosted property tax revenue.

[2] The tax rate was increased in anticipation of debt service on a new center for aviation training and several new jail alternative programs aimed at stabilizing inmate population growth. The aviation training center construction has been delayed and the cost of the jail alternatives was less than expected.

[3] Investment income increased \$8.9 million during 2007 due to better returns and a larger portfolio.

Expenditures for personnel services were less than the original and final budgets by \$8.4 million and \$3.9 million, respectively. Contractual services ended the year \$7.3 million lower than the final budget. Debt service expenditures were \$1.6 million less than budgeted because the planned center for aviation training project was delayed 18 months and the debt has yet to be issued. Overall budgetary fund balance in the General Fund increased \$28.3 million in 2007.

## **Capital Asset and Debt Administration**

Sedgwick County's investment in capital assets for its governmental and business-type activities as of December 31, 2007, totaled \$384,813,203 (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, bridges, improvements, machinery and equipment, and park facilities.

Major capital asset events during the 2007 fiscal year included the following:

- \$91.4 million is recorded as construction in progress. The main projects are the Juvenile Justice Complex, Public Safety Center and the new downtown arena.
- The official ground-breaking ceremony for the construction of the new downtown arena took place December 4, 2007. Total project cost is estimated at \$206.5 million.

### **Capital Assets December 31, 2007 (net of depreciation)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Land	\$ 11,989,952	\$ 1,514,844	\$ 13,504,796
Buildings and improvements	126,127,837	10,736,215	136,864,052
Improvements other than buildings	11,883,177	-	11,883,177
Machinery and equipment	11,289,185	97,176	11,386,361
Infrastructure	119,736,722	-	119,736,722
Construction in progress	62,220,574	29,217,521	91,438,095
Total	<u>\$ 343,247,447</u>	<u>\$ 41,565,756</u>	<u>\$384,813,203</u>

Additional information regarding capital assets can be found in Note III. B, beginning on page A-45.

## **Long-term Debt**

At the end of 2007, Sedgwick County had total general obligation bonds outstanding of \$92,105,000. This amount includes \$14,250,000 of special assessment bonds. The County's long-term obligations also include direct financing leases with the Sedgwick County Public Building Commission, a discretely presented component unit of the County, totaling \$47,425,000 and a loan from the Kansas Department of Transportation with a 2007 ending balance of \$3,071,631. 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.

During 2007, the Sedgwick County Public Building Commission issued \$15,445,000 in revenue bonds to fund the design, construction, furnishing and equipping of a juvenile court building and to complete improvements to the juvenile justice complex.

Outstanding general obligation bonds of the County are rated "AAA" by Fitch Ratings ("Fitch"), "Aa1" by Moody's Investors Service ("Moody's"), and "AA+" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P").

State statutes limit the amount of general obligation debt county governments may issue to three percent of its total valuation. After subtracting deductions allowed by the statutes, Sedgwick County's legal debt margin is \$89,607,000.

Additional information about the County's long-term debt can be found in Note III. C, beginning on page A-47 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate in the Wichita MSA stood at 3.8% at the end of 2007, an improvement from 4.3% at the end of 2006.
- The 2007 County mill levy funds the 2008 budget. The 2007 mill levy rate is 31.333, slightly higher than the 2006 rate of 31.315 mills.
- Wichita is known as the air capital of the world because it houses major facilities of five leading aircraft manufacturers. Cessna and Spirit Aerosystems currently have 32.8 billion in backorders, while Boeing has 279 billion in back orders company wide.
- Cost of living in the Wichita M.S.A. is 94.1% of the national average.
- Sedgwick County has the second highest concentration of manufacturing jobs in the United States.

## **Requests for Information**

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

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



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# SEDGWICK COUNTY, KANSAS

## Statement of Net Assets

December 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SCPBC
<b>Assets</b>				
Cash, including investments	\$ 152,808,053	\$ 1,270,847	\$ 154,078,900	\$ -
Receivables, net	168,637,483	53,993	168,691,476	-
Due from other agencies	4,522,599	-	4,522,599	-
Inventories, at cost	1,754,897	-	1,754,897	-
Prepaid expenses	3,172,065	-	3,172,065	-
Restricted assets:				
Cash, including investments	-	160,225,466	160,225,466	-
Sales tax receivable	-	15,440,344	15,440,344	-
Net investment in direct financing lease	-	-	-	47,205,699
Costs of issuance	-	-	-	564,389
Bond discount	-	-	-	57,861
Capital assets:				
Land and construction in progress	74,210,526	30,732,365	104,942,891	-
Other capital assets, net of depreciation	269,036,921	10,833,391	279,870,312	-
<b>Total assets</b>	<b>674,142,544</b>	<b>218,556,406</b>	<b>892,698,950</b>	<b>47,827,949</b>
<b>Liabilities</b>				
Accounts payable and other current liabilities	2,191,011	4,371,093	6,562,104	-
Accrued interest payable	2,432,069	-	2,432,069	775,767
Unearned revenue	139,534,913	944,774	140,479,687	-
Noncurrent liabilities:				
Due within one year	19,428,051	-	19,428,051	2,570,000
Due in more than one year	136,106,220	-	136,106,220	44,855,000
Less: deferred refunding	-	-	-	(597,038)
Bond premium	-	-	-	224,220
<b>Total liabilities</b>	<b>299,692,264</b>	<b>5,315,867</b>	<b>305,008,131</b>	<b>47,827,949</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	198,389,307	-	198,389,307	-
Invested in capital assets	-	41,565,756	41,565,756	-
Restricted for:				
Capital improvements	23,905,676	171,294,796	195,200,472	-
Debt service	24,015,690	-	24,015,690	-
Federal/State assistance	24,386,094	-	24,386,094	-
Equipment and technology improvements	14,375,628	-	14,375,628	-
Fire protection	5,425,092	-	5,425,092	-
Court operations	1,942,114	-	1,942,114	-
Other purposes	9,705,722	-	9,705,722	-
Unrestricted	72,304,957	379,987	72,684,944	-
<b>Total net assets</b>	<b>\$ 374,450,280</b>	<b>\$ 213,240,539</b>	<b>\$ 587,690,819</b>	<b>\$ -</b>

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, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 46,618,528	\$ 22,386,703	\$ 1,113,614	\$ -
Public safety	122,371,034	19,807,231	14,904,521	-
Public works	21,920,559	1,335,895	5,614,317	1,964,342
Health and welfare	63,734,178	33,120,649	22,074,899	-
Culture and recreation	10,110,047	488,140	-	-
Economic development	11,156,066	1,793,518	1,621,763	-
Interest on long-term debt	6,315,457	-	-	-
Total governmental activities	282,225,869	78,932,136	45,329,114	1,964,342
Business-type activities:				
Coliseum/Arena	3,097,901	2,269,722	-	-
Total business-type activities	3,097,901	2,269,722	-	-
Total primary government	\$ 285,323,770	\$ 81,201,858	\$ 45,329,114	\$ 1,964,342
<b>Component unit:</b>				
SCPBC	\$ -	\$ -	\$ -	\$ -
Total component unit	\$ -	\$ -	\$ -	\$ -

General revenues:

- Property taxes
- Sales taxes
- Other taxes
- Investment earnings
- Transfers

Total general revenue and transfers

Change in net assets

- Net assets, beginning of year
- Prior period adjustment

Net assets, end of year

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

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Primary Government		Component Unit SCPBC
	Business-Type Activities	Total	
\$ (23,118,211)	\$ -	\$ (23,118,211)	\$ -
(87,659,282)	-	(87,659,282)	-
(13,006,005)	-	(13,006,005)	-
(8,538,630)	-	(8,538,630)	-
(9,621,907)	-	(9,621,907)	-
(7,740,785)	-	(7,740,785)	-
(6,315,457)	-	(6,315,457)	-
<u>(156,000,277)</u>	<u>-</u>	<u>(156,000,277)</u>	<u>-</u>
-	(828,179)	(828,179)	-
-	(828,179)	(828,179)	-
<u>(156,000,277)</u>	<u>(828,179)</u>	<u>(156,828,456)</u>	<u>-</u>
-	-	-	-
-	-	-	-
145,277,955	-	145,277,955	-
25,812,643	85,135,148	110,947,791	-
3,304,335	-	3,304,335	-
22,229,269	-	22,229,269	-
(629,651)	629,651	-	-
<u>195,994,551</u>	<u>85,764,799</u>	<u>281,759,350</u>	<u>-</u>
39,994,274	84,936,620	124,930,894	-
338,467,061	128,303,919	466,770,980	-
(4,011,055)	-	(4,011,055)	-
<u>\$ 374,450,280</u>	<u>\$ 213,240,539</u>	<u>\$ 587,690,819</u>	<u>\$ -</u>

# SEDGWICK COUNTY, KANSAS

## Balance Sheet Governmental Funds December 31, 2007

	General Fund	Federal/State Assistance Fund	Debt Service Fund
<b>Assets</b>			
Cash, including investments	\$ 53,977,225	\$ 23,268,216	\$ 4,106,631
Advance receivable	864,923	-	-
Due from other funds	-	-	-
Due from other agencies	20,502	1,280,299	-
Accounts receivable	160,029	1,480,643	-
Property tax receivable	79,695,037	-	17,844,685
Sales tax receivable	4,666,406	-	-
Interest receivable	3,429,851	-	-
Note receivable	1,450,000	-	-
Prepaid expenses	3,172,065	-	-
Special assessments receivable:			
Deferred	-	-	20,480,321
Delinquent (including interest)	-	-	1,855,227
Inventories, at cost	-	122,079	-
<b>Total assets</b>	<b>\$ 147,436,038</b>	<b>\$ 26,151,237</b>	<b>\$ 44,286,864</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 740,578	\$ 636,290	\$ -
Due to other funds	-	-	-
Due to other agencies	257	-	-
Due to other entities	-	-	-
Advance payable	-	-	-
Deferred revenue	79,695,037	5,570,812	40,180,233
Matured bonds and coupons payable	-	-	20,163
<b>Total liabilities</b>	<b>80,435,872</b>	<b>6,207,102</b>	<b>40,200,396</b>
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Encumbrances	587,452	693,682	-
Inventories	-	122,079	-
Debt service	-	-	4,086,468
Advance receivable	864,923	-	-
Note receivable	1,450,000	-	-
Prepaid expenses	3,172,065	-	-
<b>Unreserved:</b>			
<b>Designated for:</b>			
Subsequent year's budget	24,561,310	-	-
Capital improvements	-	-	-
Division of highways	2,333,203	-	-
<b>Reported in Special Revenue Funds:</b>			
Subsequent year's budget	-	-	-
Undesignated	34,031,213	19,128,374	-
<b>Undesignated, reported in</b>			
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
<b>Total fund balances</b>	<b>67,000,166</b>	<b>19,944,135</b>	<b>4,086,468</b>
<b>Total liabilities and fund balances</b>	<b>\$ 147,436,038</b>	<b>\$ 26,151,237</b>	<b>\$ 44,286,864</b>

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

<u>Debt Proceeds Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 8,904,779	\$ 48,596,578	\$ 138,853,429
-	-	864,923
5,266,854	-	5,266,854
-	3,221,798	4,522,599
-	3,062,158	4,702,830
-	34,513,126	132,052,848
-	-	4,666,406
-	-	3,429,851
-	-	1,450,000
-	-	3,172,065
-	-	20,480,321
-	-	1,855,227
-	1,191,534	1,313,613
<u>\$ 14,171,633</u>	<u>\$ 90,585,194</u>	<u>\$ 322,630,966</u>
\$ -	\$ 507,822	\$ 1,884,690
-	5,266,854	5,266,854
-	-	257
-	-	-
-	864,923	864,923
-	40,866,338	166,312,420
-	-	20,163
-	<u>47,505,937</u>	<u>174,349,307</u>
-	17,968,690	19,249,824
-	1,191,534	1,313,613
-	25,743	4,112,211
-	-	864,923
-	-	1,450,000
-	-	3,172,065
-	-	24,561,310
14,171,633	-	14,171,633
-	-	2,333,203
-	6,340,911	6,340,911
-	-	53,159,587
-	19,383,066	19,383,066
-	(1,830,687)	(1,830,687)
<u>14,171,633</u>	<u>43,079,257</u>	<u>148,281,659</u>
<u>\$ 14,171,633</u>	<u>\$ 90,585,194</u>	<u>\$ 322,630,966</u>

# SEDGWICK COUNTY, KANSAS

## Reconciliation of the Statement of Net Assets to the Balance Sheet for Governmental Funds December 31, 2007

<b>Total fund balances of governmental funds</b>	<b>\$ 148,281,659</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$496,856,854 and the accumulated depreciation is \$165,770,241.</p>	331,086,613
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.</p>	25,211,458
<p>Special assessments and certain accounts receivable resulting from charges for services are not considered available to liquidate liabilities of the current period, and are therefore deferred in the funds. However, they are recognized as revenue in the entity-wide statements as soon as the related improvement has been completed or the related service has been provided.</p>	26,777,507
<p>Long-term liabilities are not due and payable in the current period and are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. Long-term liabilities at year-end consist of:</p>	
Bonds payable	\$ (92,105,000)
Direct financing lease payable	(47,425,000)
Revolving loan payable	(3,071,631)
Capital lease payable	(2,256,509)
Compensated absences	(6,010,000)
Other postemployment benefits other than pensions	(3,606,748)
Accrued interest payable	(2,432,069)
	(156,906,957)
<b>Net assets of governmental activities</b>	<b><u><u>\$ 374,450,280</u></u></b>

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, 2007

	General Fund	Federal/State Assistance Fund	Debt Service Fund
<b>Revenues</b>			
Property taxes	\$ 99,978,919	\$ -	\$ 9,759,702
Emergency telephone services taxes	-	-	-
Sales taxes	25,812,643	-	-
Special assessments	-	-	3,654,466
Other taxes	255,659	60,932	-
Intergovernmental	2,776,147	34,034,405	-
Charges for services	17,746,513	31,505,683	80,500
Uses of money and property	20,651,739	66,416	-
Fines and forfeits	216,530	71,965	-
Licenses and permits	351,057	-	-
Reimbursed expenditures	5,384,386	6,782,495	-
Other	696,244	244,423	-
<b>Total revenues</b>	<u>173,869,837</u>	<u>72,766,319</u>	<u>13,494,668</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	32,083,475	5,920,976	-
Public safety	76,253,643	11,643,833	-
Public works	1,541,627	-	-
Health and welfare	8,300,805	51,144,186	-
Cultural and recreation	7,878,283	-	-
Economic development	3,045,401	1,659,669	-
<b>Debt service:</b>			
Principal	2,340,000	-	9,798,722
Interest and fiscal charges	1,585,422	1,652	4,340,770
Debt issuance costs	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<u>133,028,656</u>	<u>70,370,316</u>	<u>14,139,492</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>40,841,181</u>	<u>2,396,003</u>	<u>(644,824)</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds	521,080	761,987	2,148,076
Transfers to other funds	(16,842,112)	(157,473)	-
Issuance of capital lease	-	-	-
Premium from issuance of general obligation bonds	-	-	-
Issuance of general obligation bonds	-	-	-
<b>Total other financing sources (uses)</b>	<u>(16,321,032)</u>	<u>604,514</u>	<u>2,148,076</u>
<b>Net change in fund balance</b>	24,520,149	3,000,517	1,503,252
<b>Fund balances, beginning of year</b>	<u>42,480,017</u>	<u>16,943,618</u>	<u>2,583,216</u>
<b>Fund balances, end of year</b>	<u>\$ 67,000,166</u>	<u>\$ 19,944,135</u>	<u>\$ 4,086,468</u>

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

<u>Debt Proceeds Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 35,539,334	\$ 145,277,955
-	2,932,977	2,932,977
-	-	25,812,643
-	-	3,654,466
-	54,768	371,359
-	8,518,565	45,329,117
-	17,331,266	66,663,962
1,014,944	496,170	22,229,269
-	-	288,495
-	98,824	449,881
-	37,654	12,204,535
-	133,053	1,073,720
<u>1,014,944</u>	<u>65,142,611</u>	<u>326,288,379</u>
234,899	4,080,815	42,320,165
-	30,482,681	118,380,157
-	11,925,526	13,467,153
-	5,186,603	64,631,594
-	4,222	7,882,505
-	6,465,058	11,170,128
-	434,742	12,573,464
-	156,529	6,084,373
308,900	-	308,900
-	32,412,371	32,412,371
<u>543,799</u>	<u>91,148,547</u>	<u>309,230,810</u>
<u>471,145</u>	<u>(26,005,936)</u>	<u>17,057,569</u>
-	32,361,764	35,792,907
(14,961,707)	(5,589,759)	(37,551,051)
-	1,658,000	1,658,000
186,130	-	186,130
15,445,000	-	15,445,000
<u>669,423</u>	<u>28,430,005</u>	<u>15,530,986</u>
1,140,568	2,424,069	32,588,555
<u>13,031,065</u>	<u>40,655,188</u>	<u>115,693,104</u>
<u>\$ 14,171,633</u>	<u>\$ 43,079,257</u>	<u>\$ 148,281,659</u>

# SEDGWICK COUNTY, KANSAS

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2007

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

Net change in fund balances - total governmental funds \$ 32,588,555

Governmental funds report capital asset acquisitions as expenditures. However, in the statement of activities the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized assets exceeded depreciation in the current period.

Capitalized assets	\$ 30,798,371	
Depreciation expense	<u>(14,488,545)</u>	
		16,309,826

Revenues reported in the funds that do not provide current financial resources are reported as revenues in the statement of activities. (231,359)

The net effect of various transactions involving capital assets (i.e., annexations, sales, and trade-ins) is to decrease net assets. (715,135)

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 assets.

Bonds payable	\$ 9,670,000	
Direct financing lease payable	2,550,000	
Revolving loan payable	128,722	
Capital lease payable	<u>224,742</u>	
		12,573,464

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 assets. (17,103,000)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are not reported until due. (108,314)

In the statement of activities, compensated absences are measured by the amounts earned during the year, instead of by the amount paid. 50,000

In the statement of activities, other postemployment benefits is measured by the amount due during the year, instead of by the amount paid. (3,606,748)

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. 236,985

Change in net assets of governmental activities \$ 39,994,274

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

## SEDGWICK COUNTY, KANSAS

### Statement of Revenues, Expenditures and Changes in Fund Balances Budget to Actual - Budgetary Basis General Fund

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$100,138,840	\$100,138,840	\$ 99,978,919	\$ (159,921)
Sales taxes	24,527,739	24,527,739	25,751,469	1,223,730
Other taxes	218,649	218,649	255,659	37,010
Intergovernmental	2,162,379	2,162,379	2,783,708	621,329
Charges for services	18,008,098	18,008,098	17,746,252	(261,846)
Uses of money and property	6,654,051	6,654,051	17,260,420	10,606,369
Fines and forfeits	81,006	81,006	216,530	135,524
Licenses and permits	505,835	505,835	351,057	(154,778)
Reimbursed expenditures	3,756,364	3,756,364	5,384,386	1,628,022
Other	366,643	366,643	696,244	329,601
<b>Total revenues</b>	<u>156,419,604</u>	<u>156,419,604</u>	<u>170,424,644</u>	<u>14,005,040</u>
<b>Expenditures</b>				
Current:				
Personnel services	95,398,276	90,815,118	86,949,958	3,865,160
Contractual services	44,546,344	46,161,282	38,868,486	7,292,796
Commodities	5,752,630	5,876,210	5,633,773	242,437
Capital outlay	1,958,134	942,833	692,971	249,862
Debt service:				
Principal	3,255,447	3,318,224	2,340,000	
Interest	2,170,298	2,212,149	1,585,422	
Total debt service	5,425,745	5,530,373	3,925,422	1,604,951
<b>Total expenditures</b>	<u>153,081,129</u>	<u>149,325,816</u>	<u>136,070,610</u>	<u>13,255,206</u>
<b>Revenues over expenditures</b>	<u>3,338,475</u>	<u>7,093,788</u>	<u>34,354,034</u>	<u>27,260,246</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	340,461	340,461	521,080	180,619
Transfers to other funds	(13,910,727)	(17,666,040)	(16,842,112)	823,928
<b>Total other financing sources (uses)</b>	<u>(13,570,266)</u>	<u>(17,325,579)</u>	<u>(16,321,032)</u>	<u>1,004,547</u>
Net change in fund balances	(10,231,791)	(10,231,791)	18,033,002	28,264,793
Fund balances, beginning of year	10,231,791	10,231,791	34,998,098	24,766,307
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,031,100</u>	<u>\$ 53,031,100</u>

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

# SEDGWICK COUNTY, KANSAS

## Balance Sheet Proprietary Funds December 31, 2007

	Business-type Activity - Enterprise Fund Coliseum/Arena Fund	Governmental Activities - Internal Service Funds
<b>Assets</b>		
<b>Current assets:</b>		
Cash, including investments	\$ 1,270,847	\$ 13,954,624
Accounts receivable, net	53,993	-
Inventories, at cost	-	441,284
<b>Restricted assets:</b>		
Cash, including investments	160,225,466	-
Sales tax receivable	15,440,344	-
<b>Total current assets</b>	<b>176,990,650</b>	<b>14,395,908</b>
<b>Noncurrent assets:</b>		
<b>Capital assets:</b>		
Land	1,514,844	-
Buildings and improvements	20,656,700	8,303,571
Machinery and equipment	971,754	21,645,816
Construction in progress	29,217,521	-
Less accumulated depreciation	(10,795,063)	(17,788,553)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>41,565,756</b>	<b>12,160,834</b>
<b>Total assets</b>	<b>\$ 218,556,406</b>	<b>\$ 26,556,742</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 4,371,093	\$ 285,901
Estimated claims costs payable	-	1,025,137
Unearned revenue	944,774	-
<b>Total current liabilities</b>	<b>5,315,867</b>	<b>1,311,038</b>
<b>Noncurrent liabilities:</b>		
Estimated claims costs payable	-	34,246
<b>Total liabilities</b>	<b>5,315,867</b>	<b>1,345,284</b>
<b>Net assets</b>		
Invested in capital assets	41,565,756	12,160,834
Restricted for capital improvements	171,294,796	-
Unrestricted	379,987	13,050,624
<b>Total net assets</b>	<b>213,240,539</b>	<b>25,211,458</b>
<b>Total liabilities and net assets</b>	<b>\$ 218,556,406</b>	<b>\$ 26,556,742</b>

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

## SEDGWICK COUNTY, KANSAS

### Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2007

	Business-type Activity - Enterprise Fund <u>Coliseum/Arena Fund</u>	Governmental Activities - Internal <u>Service Funds</u>
<b>Operating revenues:</b>		
Charges for services	\$ 2,269,345	\$ 31,294,113
Reimbursements	-	242,780
Other revenue	377	85,031
<b>Total operating revenues</b>	<u>2,269,722</u>	<u>31,621,924</u>
<b>Operating expenses:</b>		
Salaries and benefits	1,493,700	1,717,995
Contractual services	311,304	887,799
Utilities	399,918	81,317
Supplies and fuel	150,891	2,863,221
Administrative charges	297,829	107,195
Depreciation expense	425,869	3,319,527
Claims expense	-	23,763,115
Other expense	18,390	57,005
<b>Total operating expenses</b>	<u>3,097,901</u>	<u>32,797,174</u>
<b>Operating income (loss)</b>	<u>(828,179)</u>	<u>(1,175,250)</u>
<b>Nonoperating revenues:</b>		
Sales taxes	85,135,148	-
Investment income	-	206,600
Gain on sale of assets	-	77,142
<b>Total nonoperating revenues</b>	<u>85,135,148</u>	<u>283,742</u>
<b>Income (loss) before transfers</b>	84,306,969	(891,508)
<b>Transfers:</b>		
Transfers from other funds	629,651	1,134,056
Transfers to other funds	-	(5,563)
<b>Change in net assets</b>	84,936,620	236,985
<b>Net assets, beginning of year</b>	128,303,919	30,147,196
<b>Prior period adjustment</b>	-	(5,172,723)
<b>Net assets, end of year</b>	<u>\$ 213,240,539</u>	<u>\$ 25,211,458</u>

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, 2007

	Business-type Activity - Enterprise Fund Arena/Coliseum Fund	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 2,318,726	\$ 31,614,406
Other operating revenues	377	7,518
Payments to suppliers for goods and services	(1,227,787)	(28,662,248)
Payments to employees for services	(1,493,700)	(1,717,995)
Net cash provided by (used in) operating activities	(402,384)	1,241,681
<b>Cash flows from noncapital financing activities</b>		
Transfers from other funds	629,651	1,134,056
Transfers to other funds	-	(5,563)
Net cash provided by (used in) noncapital financing activities	629,651	1,128,493
<b>Cash flows from capital and related financing activities</b>		
Sales tax receipts	85,001,807	-
Proceeds from sale of capital assets	-	86,007
Purchases and construction of capital assets	(22,857,063)	(2,531,797)
Net cash provided by (used in) capital and related financing activities	62,144,744	(2,445,790)
<b>Cash flows from investing activities</b>		
Interest on investments	-	206,600
Net cash provided by investing activities	-	206,600
Net increase in cash and cash equivalents	62,372,011	130,984
Cash and cash equivalents, beginning of the year	99,124,302	13,823,640
Cash and cash equivalents, end of the year	\$ 161,496,313	\$ 13,954,624
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Operating loss	\$ (828,179)	\$ (1,175,250)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense	425,869	3,319,527
(Increase) decrease in accounts receivable	(48,900)	-
(Increase) in inventory	-	(25,982)
Increase (decrease) in accounts payable	(49,455)	45,251
Increase in estimated claims payable	-	(921,865)
Increase in unearned revenue	98,281	-
Net cash provided by (used in) operating activities	\$ (402,384)	\$ 1,241,681

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

# SEDGWICK COUNTY, KANSAS

## Statement of Fiduciary Net Assets Agency Funds December 31, 2007

	<u>Agency Funds</u>
<b>Assets</b>	
Cash, including investments	\$ 298,645,221
Accounts receivable	1,325
Property tax levied	<u>242,115,382</u>
Total assets	<u>\$ 540,761,928</u>
<b>Liabilities</b>	
Accrued liabilities	\$ 8,723,465
Due to other governmental units	<u>532,038,463</u>
Total liabilities	<u>\$ 540,761,928</u>

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



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# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

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# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

### 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. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit – 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 unincorporated 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.

Discretely Presented Component Unit – 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.

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

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

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

### 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 Assets 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

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

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

Government-Wide Financial Statements. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Special assessments are recognized as revenue when levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### 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 *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.

The *Coliseum/Arena Fund* is a major fund and the only enterprise fund of the County, accounting for activities of the County-owned multi-purpose coliseum facilities and the downtown arena.

Additionally, the County reports the following fund types:

- ❑ *Special revenue funds* account for the proceeds of specific revenue sources (other than for major capital projects) that legally restrict expenditures for specified purposes.
- ❑ *Capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities or improvements (other than those financed by proprietary funds).
- ❑ *Internal service funds* account for fleet management, health, dental and life insurance reserves, workers' compensation reserves, and risk management reserves that provide services to other departments on a cost-reimbursement basis.

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

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

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

- *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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Based on accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989 for business-type activities and enterprise funds.

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

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

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

#### D. Assets, Liabilities and Net Assets or Equity

##### 1. Deposits and Investments

The County maintains a cash and investment pool that is available for use by all funds of the primary government and the SCPBC. 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 and component unit's portion of the pool is displayed on the financial statements as "cash, including investments."

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

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

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

#### D. Assets, Liabilities and Net Assets or Equity (continued)

##### 1. Deposits and Investments (continued)

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,
- 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 2007, 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.

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

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

#### D. Assets, Liabilities and Net Assets or Equity (continued)

##### 2. Receivables

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

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 revenue in the fund financial statements. It is not practicable to apportion delinquent taxes by the County Treasurer at the end of the year, and further, the amounts thereof 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 revenue 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, 2007 the note balance was \$1,450,000.



# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

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

#### D. Assets, Liabilities and Net Assets or Equity (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 fund balance reserve, 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 Expenses

Effective January 1, 2007, the County, through the SCPBC, entered into a 50-year lease with the Wichita Airport Authority of the City of Wichita, Kansas for land at Jabara Airport for construction of the aviation technical education campus. The County originally paid \$3,263,206 in advance rental payments, of which \$3,172,065 remains at December 31, 2007.

##### 5. Capital Assets

Capital assets, including property, plant, equipment, 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 is capitalized when the initial cost exceeds \$10,000 and its useful life extends beyond a single reporting period.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	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	5
Vehicles	3

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

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

#### D. Assets, Liabilities and Net Assets or Equity (continued)

##### 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 assets. In the government-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

##### 8. Reserves and Designations of Fund Balances

In the fund financial statements, governmental funds report the following reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose:

- Reserved for encumbrances – used to segregate a portion of fund balance legally restricted for the future payment of outstanding encumbrances.
- Reserved for inventories – used to segregate a portion of fund balance to indicate that inventories do not represent available or spendable resources.
- Reserved for debt service – used to segregate a portion of fund balance for debt service resources legally restricted to the payment of general long-term debt principal and interest amounts in future years.
- Reserved for advances receivable – used to segregate a portion of fund balance to indicate that advance receivables do not represent available or spendable resources.
- Reserved for note receivable – used to segregate a portion of fund balance to indicate that note receivable does not represent available or spendable resources.
- Reserved for prepaid expenses – used to segregate a portion of fund balance to indicate that prepaid expenses does not represent available or spendable resources.

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

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

#### D. Assets, Liabilities and Net Assets or Equity (continued)

##### 8. Reserves and Designations of Fund Balances (continued)

The following designations of fund balance are reflected in the governmental fund financial statements for amounts that represent tentative management plans that are subject to change:

- Designated for subsequent year's budget – used to segregate a portion of fund balance for current resources that were included in the subsequent year's budget to be used to finance operations of the ensuing year.
- Designated for capital improvements – used to segregate a portion of fund balance for current resources pledged for capital improvements.
- Designated for division of highways – used to segregate a portion of fund balance for accrued sales tax receivable pledged for improvements of roads, highways, and bridges.

##### 9. Estimates

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

### 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 lowers the legal level of control to the object class level (i.e., personal services, contractual, commodities, etc.) by allowing management to transfer amounts between object classes within a fund, if approved by the governing body.
- 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.

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### II. Stewardship, Compliance and Accountability (continued)

#### A. Budgetary Information (continued)

There were no budget amendments during 2007.

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, debt proceeds fund, the County's single enterprise fund, or the following special revenue funds and internal service funds:

**Non-Budgeted Special Revenue Funds**

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

**Non-Budgeted Internal Service Funds**

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

#### B. 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 a reconciliation from GAAP basis to budgetary basis for the General Fund.

	<b>December 31, 2007</b>
Fund balance, budgetary basis	\$ 53,031,100
Current year encumbrances	587,452
Fair value adjustment of investments	2,137,432
Accrued revenues	11,244,182
Fund balance, GAAP basis	\$ 67,000,166

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### II. Stewardship, Compliance and Accountability (continued)

#### C. Deficit Fund Equity

The following nonmajor governmental funds had fund balance deficits as of December 31, 2007:

The Building and Equipment Fund has a fund balance deficit of \$2,417,605. This deficit will be recovered through transfers from the Debt Proceeds Fund.

The Street, Bridge and Other Fund had a fund balance deficit of \$2,968,096. This deficit 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 shall be the "prudent person" investment rule and shall be applied to management of the entire portfolio. This rule states "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well the probable income to be derived."

At December 31, 2007, the County (including the SCPBC) had the following investments:

Investment Type	Fair Value	Modified Duration (in years)	Percent of Total Pooled Funds
U.S. treasury coupon securities	\$ 37,128,945	0.576	6.32
U.S. agency coupon securities	268,957,023	0.834	45.80
U.S. agency discount securities	75,331,853	0.064	12.83
Repurchase agreement	151,267,000	-	25.76
Kansas Municipal Investment Pool <sup>1</sup>	30,717,600	-	5.23
Mutual funds	21,196,499	-	3.61
Collateralized deposits	2,652,608	-	0.45
Total value	\$587,251,528		100.0
Portfolio modified duration		.427	

<sup>1</sup>Interest rate risk for the Kansas Municipal Investment Pool is based on the weighted average maturity of the pool. As of December 31, 2007 the weighted average maturity of the pool was 79.1 days.

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### A. Deposits and Investments (continued)

##### Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure or failure of the investment counterparty, the County's deposits may not be returned to the County, or the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has \$181,404,995 of agency coupons securities and \$14,043,984 of U.S. Treasury securities that are held by the investment counterparty.

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

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

Peak period collateral agreements and mortgages 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, 2007, 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, 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, 2007, 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. The County also holds investments with the Kansas Municipal Investment Pool, which is rated AAAs/S1+ by Standard & Poor's. Mutual funds utilized by the County were rated AAAs by Standard & Poor's at December 31, 2007.

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### A. Deposits and Investments (continued)

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	25
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

Additionally, 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 seasons. Finally, investments established for bond proceeds are limited by instrument as a percentage of the County's total portfolio value. Invested amounts are not to exceed 20% for mutual funds and 10% for general obligation bonds of Kansas municipalities.

At December 31, the County held \$41.2 million, or 7%, of its portfolio in investments issued by Federal Home Loan Mortgage Loan Corp., \$114.4 million, or 19.5%, in investments issued by the Federal Home Loan Bank and investments totaling \$177.1 million, or 30.2%, were held with the Federal National Mortgage Association.

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

Cash, including investments, Statement of Net Assets	\$ 154,078,900
Restricted cash, including investments, Statement of Net Assets	160,225,466
Cash, including investments, Statement of Fiduciary Net Assets	298,645,221
Total	\$ 612,949,587

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### B. Capital Assets

Capital assets activity of the primary government for the year ended December 31, 2007 was as follows:

	As Previously Reported December 31, 2006	Prior Period Adjustment	Increases	Decreases	December 31, 2007
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 11,989,952	\$ -	\$ -	\$ -	\$ 11,989,952
Construction in progress	38,916,573	-	23,494,232	(190,231)	62,220,574
Total capital assets, not being depreciated	<u>50,906,525</u>	<u>-</u>	<u>23,494,232</u>	<u>(190,231)</u>	<u>74,210,526</u>
Capital assets, being depreciated:					
Buildings and improvements	186,185,691	-	5,580,186	(408,911)	191,356,966
Leasehold improvements	2,234,871	-	-	-	2,234,871
Improvements other than buildings	20,462,159	-	408,911	-	20,871,070
Machinery and equipment	52,437,080	-	4,445,983	(1,195,116)	55,687,947
Infrastructure	183,375,361	-	-	(930,500)	182,444,861
Total capital assets being depreciated	<u>444,695,162</u>	<u>-</u>	<u>10,435,080</u>	<u>(2,534,527)</u>	<u>452,595,715</u>
Less accumulated depreciation for:					
Buildings	(59,940,000)	-	(5,446,589)	-	(65,386,589)
Leasehold improvements	(2,033,372)	-	(44,039)	-	(2,077,411)
Improvements other than buildings	(7,463,997)	-	(1,523,896)	-	(8,987,893)
Machinery and equipment	(35,233,970)	(5,172,723)	(5,178,319)	1,186,251	(44,398,761)
Infrastructure	(58,469,942)	1,161,668	(5,615,229)	215,363	(62,708,140)
Total accumulated depreciation	<u>(163,141,281)</u>	<u>(4,011,055)</u>	<u>(17,808,072)</u>	<u>1,401,614</u>	<u>(183,558,794)</u>
Total capital assets being depreciated, net	<u>281,553,881</u>	<u>(4,011,055)</u>	<u>(7,372,992)</u>	<u>(1,132,913)</u>	<u>269,036,921</u>
Governmental activities capital assets, net	<u>\$ 332,460,406</u>	<u>\$ (4,011,055)</u>	<u>\$ 16,121,240</u>	<u>\$ (1,323,144)</u>	<u>\$ 343,247,447</u>

#### Prior period adjustment

The County's net assets have been restated by \$4,011,055 to reduce the net value of capital assets which were depreciated incorrectly in prior years. These assets consist of infrastructure, machinery and equipment.



# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### B. Capital Assets (continued)

	December 31, 2006	Increases	Decreases	December 31, 2007
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,514,844	\$ -	\$ -	\$ 1,514,844
Construction in progress	8,000,312	27,224,407	(6,007,198)	29,217,521
Total capital assets, not being depreciated	<u>9,515,156</u>	<u>27,224,407</u>	<u>(6,007,198)</u>	<u>30,732,365</u>
Capital assets, being depreciated:				
Buildings and improvements	14,649,502	6,007,198	-	20,656,700
Machinery and equipment	971,754	-	-	971,754
Total capital assets being depreciated	<u>15,621,256</u>	<u>6,007,198</u>	<u>-</u>	<u>21,628,454</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,516,461)	(404,024)	-	(9,920,485)
Machinery and equipment	(852,733)	(21,845)	-	(874,578)
Total accumulated depreciation	<u>(10,369,194)</u>	<u>(425,869)</u>	<u>-</u>	<u>(10,795,063)</u>
Total capital assets being depreciated, net	<u>5,252,062</u>	<u>5,581,329</u>	<u>-</u>	<u>10,833,391</u>
Business-type activities capital assets, net	<u>\$ 14,767,218</u>	<u>\$ 32,805,736</u>	<u>\$ (6,007,198)</u>	<u>\$ 41,565,756</u>

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

Governmental activities:	
General government	\$ 2,191,630
Public safety	3,166,780
Public works, including depreciation of general infrastructure assets	6,927,384
Health and welfare	83,350
Culture and recreation	2,119,401
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>3,319,527</u>
Total depreciation expense – governmental activities	<u>\$17,808,072</u>
Business-type activities:	
Coliseum/Arena fund	\$ 425,869
Total depreciation expense – business-type activities	<u>\$ 425,869</u>

#### Construction Commitments

The County had outstanding construction commitments for various capital projects and improvements totaling \$13,435,645 at December 31, 2007. This amount is reflected as reserved for encumbrances in the Capital Projects Funds, including the Building and Equipment Fund, Street, Bridge and Other Fund, Sales Tax Road and Bridge 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.

The County's outstanding construction commitments for the downtown arena totaled \$139,290,528 at December 31, 2007. This amount is restricted for capital improvements in the Coliseum/Arena Fund and has been funded by the special one-cent sales tax collected through December 31, 2007.

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### C. Long-Term Debt

##### General Obligation Bonds

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

General obligation bonds outstanding at December 31, 2007 are as follows:

Purpose	Interest Rate	Amount
Governmental Activities – Road and Bridge	3.00 – 4.95%	\$ 33,448,356
Governmental Activities – Facilities	3.00 – 6.00%	36,052,618
Governmental Activities – Storm Water	4.00 – 4.95%	1,344,026
Governmental Activities – Refunding	3.00 – 4.75%	<u>7,010,000</u>
Total general obligation bonds outstanding		<u>\$ 77,855,000</u>

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

Year ending December 31	Governmental Activities		
	Principal	Interest	Totals
2008	\$ 7,665,000	\$ 3,258,295	\$ 10,923,295
2009	7,155,000	2,955,411	10,110,411
2010	6,380,000	2,687,231	9,067,231
2011	5,620,000	2,443,668	8,063,668
2012	5,395,000	2,220,074	7,615,074
2013 - 2017	27,415,000	7,655,430	35,070,430
2018 - 2022	15,680,000	2,352,752	18,032,752
2023 - 2026	<u>2,545,000</u>	<u>229,119</u>	<u>2,774,119</u>
Totals	<u>\$ 77,855,000</u>	<u>\$ 23,801,980</u>	<u>\$ 101,656,980</u>

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### C. 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	3.00 – 6.00%	\$14,250,000

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

Year ending December 31	Governmental Activities		
	Principal	Interest	Totals
2008	\$ 1,710,000	\$ 635,490	\$ 2,345,490
2009	1,785,000	558,786	2,343,786
2010	1,875,000	480,185	2,355,185
2011	1,960,000	397,595	2,357,595
2012	2,050,000	311,669	2,361,669
2013 - 2017	4,175,000	548,386	4,723,386
2018 - 2021	695,000	61,656	756,656
Totals	\$ 14,250,000	\$ 2,993,767	\$ 17,243,767

#### Sedgwick County Public Building Commission Revenue Bonds

The Sedgwick County Public Building Commission (SCPBC) is a 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. Three issues are outstanding with repayment schedules ranging from 12 to 18 years. The current bonds outstanding are as follows:

Purpose	Interest Rate	Amount
Public Services Administration Building	3.00 – 4.50%	\$ 2,540,000
Exploration Place	2.50 – 4.00%	12,460,000
Juvenile Justice Complex 2003-1	2.75 – 4.65%	17,900,000
Juvenile Justice Complex 2007-1	3.75 – 4.125%	14,525,000
Total		\$47,425,000

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### C. Long-Term Debt (continued)

Future minimum lease rentals to be received under the direct financing leases are equal to the annual debt service requirements to maturity for the revenue bonds, as follows:

Year ending December 31	Component Unit - SCPBC		
	Principal	Interest	Totals
2008	\$ 2,570,000	\$ 1,861,840	\$ 4,431,840
2009	2,645,000	1,781,290	4,426,290
2010	2,730,000	1,695,775	4,425,775
2011	2,815,000	1,604,550	4,419,550
2012	2,770,000	1,506,347	4,276,347
2013 - 2017	15,085,000	5,852,843	20,937,843
2018 - 2022	14,540,000	2,862,662	17,402,662
2023 - 2026	4,270,000	360,369	4,630,369
Totals	\$ 47,425,000	\$ 17,525,676	\$ 64,950,676

SCPBC Revenue Bonds – Public Services Administration Building. During 1997, the SCPBC issued revenue bonds to finance all or a portion of the costs to acquire a site and construct and equip thereon a facility for the Division of Public Works of the County, consisting of approximately 32,000 square feet, containing offices and working spaces for the County’s engineering, public works, zoning, and code enforcement operations. The financing of this facility by the SCPBC represents a direct financing lease, and accordingly, the net investment in the lease is recorded in the SCPBC’s balance sheet on the government-wide financial statements. The following lists the components of the net investment in the direct financing lease as of December 31, 2007:

Minimum lease payments receivable	\$ 3,084,480
Less unearned income	654,504
Net investment in direct financing lease	\$ 2,429,976

Future minimum lease rentals to be received under the direct financing lease are equal to the annual debt service requirements to maturity for the revenue bonds, as follows:

Year ended December 31	Principal	Interest	Total
2008	\$ 215,000	\$ 87,480	\$ 302,480
2009	220,000	82,105	302,105
2010	230,000	76,165	306,165
2011	235,000	69,265	304,265
2012	245,000	61,745	306,745
2013 - 2017	1,395,000	167,720	1,562,720
Total	\$ 2,540,000	\$ 544,480	\$ 3,084,480

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### C. Long-Term Debt (continued)

SCPBC Revenue Bonds – Exploration Place. During 1997, the SCPBC issued revenue bonds to finance a portion of the costs of developing, constructing, and equipping a children’s museum and science center known as Exploration Place, to be located in Wichita, Kansas, and consisting of a 90,000 square foot structure, attendant parking, landscaping, and related appurtenances thereto. The financing of this facility by the SCPBC represents a direct financing lease, and accordingly, the net investment in the lease is recorded in the SCPBC’s balance sheet and as part of the long-term obligations of the County. The following lists the components of the net investment in the direct financing lease as of December 31, 2007:

Minimum lease payments receivable	\$ 16,959,885
Less unearned income	<u>4,986,796</u>
Net investment in direct financing lease	<u>\$ 11,973,089</u>

The County entered into an operating agreement with a not-for-profit corporation to operate the facility. The \$62 million project is funded through a public partnership that includes the County, the City of Wichita, and numerous private sector donors. The land on which the project is located is owned by the City of Wichita and is being leased to the SCPBC for 50 years.

Future minimum lease rentals to be paid by the County to the SCPBC under the direct financing lease will be equal to the annual debt service requirements to maturity for the revenue bonds, as follows:

Year ended December 31	Principal	Interest	Total
2008	\$ 625,000	\$ 481,307	\$ 1,106,307
2009	645,000	462,557	1,107,557
2010	660,000	443,207	1,103,207
2011	685,000	423,408	1,108,408
2012	710,000	401,488	1,111,488
2013 - 2017	4,055,000	1,596,485	5,651,485
2018 - 2022	<u>5,080,000</u>	<u>691,433</u>	<u>5,771,433</u>
Total	<u>\$12,460,000</u>	<u>\$ 4,499,885</u>	<u>\$16,959,885</u>

#### SCPBC Revenue Bonds - Juvenile Justice Complex

During 2003, the SCPBC issued revenue bonds to finance the costs of developing, constructing and equipping the Juvenile Justice Complex, to be located in Wichita, Kansas. The financing of this facility by the SCPBC represents a direct financing lease, and accordingly, the net investment of the lease is recorded in the SCPBC’s balance sheet and as part of the long-term obligations of the County. The following lists the components of the net investment in the direct financing lease as of December 31, 2007:

Minimum lease payments receivable	\$ 25,005,342
Less unearned income	<u>6,938,938</u>
Net investment in direct financing lease	<u>\$ 18,066,404</u>

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### C. Long-Term Debt (continued)

Future minimum lease rentals to be paid by the County to the SCPBC under the direct financing lease will be equal to the annual debt service requirements to maturity for the revenue bonds, as follows:

Year ended December 31	Principal	Interest	Total
2008	\$ 845,000	\$ 718,690	\$ 1,563,690
2009	870,000	695,452	1,565,452
2010	895,000	669,352	1,564,352
2011	920,000	640,265	1,560,265
2012	955,000	608,065	1,563,065
2013 - 2017	5,345,000	2,455,588	7,800,588
2018 - 2022	6,570,000	1,248,180	7,818,180
2023	1,500,000	69,750	1,569,750
Total	<u>\$17,900,000</u>	<u>\$7,105,342</u>	<u>\$25,005,342</u>

#### SCPBC Revenue Bonds - Juvenile Justice Complex

During 2007, the SCPBC issued revenue bonds to finance the costs of designing, constructing, furnishing, and equipping a juvenile court building and completing other improvements to the Juvenile Justice Complex located in Wichita, Kansas. The financing of this facility by the SCPBC represents a direct financing lease, and accordingly, the net investment of the lease is recorded in the SCPBC's balance sheet and as part of the long-term obligations of the County. The following lists the components of the net investment in the direct financing lease as of December 31, 2007:

Minimum lease payments receivable	\$ 19,900,969
Less unearned income	<u>5,164,739</u>
Net investment in direct financing lease	<u>\$ 14,736,230</u>

Future minimum lease rentals to be paid by the County to the SCPBC under the direct financing lease will be equal to the annual debt service requirements to maturity for the revenue bonds, as follows:

Year ended December 31	Principal	Interest	Total
2008	\$ 885,000	\$ 574,362	\$ 1,459,362
2009	910,000	541,175	1,451,175
2010	945,000	507,050	1,452,050
2011	975,000	471,613	1,446,613
2012	860,000	435,050	1,295,050
2013 - 2017	4,290,000	1,633,050	5,923,050
2018 - 2022	2,890,000	923,050	3,813,050
2023 - 2026	2,770,000	290,619	3,060,619
Total	<u>\$14,525,000</u>	<u>\$ 5,375,969</u>	<u>\$19,900,969</u>

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### C. Long-Term Debt (continued)

##### Kansas Transportation Project Loan

In January 2005, the County entered into a loan agreement with the State of Kansas through the Kansas Department of Transportation to obtain funding of \$3,412,564 from the Kansas Transportation Revolving Fund to finance certain qualified transportation projects. This liability is considered a general obligation of the County and is payable over a 20-year term at an interest rate of 3.86%. Debt service requirements to maturity for the Kansas Transportation Project Loan are as follows:

Year ending December 31	Governmental Activities		
	Principal	Interest	Totals
2008	\$ 133,691	\$ 118,565	\$ 252,256
2009	138,852	113,404	252,256
2010	144,211	108,045	252,256
2011	149,778	102,478	252,256
2012	155,559	96,697	252,256
2013 - 2017	872,636	388,644	1,261,280
2018 - 2022	1,054,569	206,711	1,261,280
2023 - 2024	422,335	23,497	445,832
Totals	\$ 3,071,631	\$ 1,158,041	\$ 4,229,672

##### Capital Leases

In 2003, 2004 and 2007, 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	\$ 2,798,411
Less: accumulated depreciation	550,499
Total	\$ 2,247,912

The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2007, were as follows:

Year ended December 31	Governmental Activities
2008	\$ 411,104
2009	411,104
2010	411,104
2011	395,656
2012	351,596
2013 - 2015	611,769
Total minimum lease payments	2,592,333
Less: amount representing interest	(335,824)
Total	\$ 2,256,509

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### C. Long-Term Debt (continued)

##### Changes in Noncurrent Liabilities

Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities of the Internal Service Funds are included as part of the totals for governmental activities. At year-end, claims payable totaling \$1,059,383 are included in the amounts below. Claims are generally liquidated by the appropriate Internal Service Fund. Generally, compensated absences are liquidated by the General Fund. Noncurrent liability activity for the year ended December 31, 2007, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 85,810,000	\$ -	\$ 7,955,000	\$ 77,855,000	\$ 7,665,000
Special assessment debt with government commitment	<u>15,965,000</u>	<u>-</u>	<u>1,715,000</u>	<u>14,250,000</u>	<u>1,710,000</u>
Total bonds payable	101,775,000	-	9,670,000	92,105,000	9,375,000
KDOT Revolving Loan	3,200,353	-	128,722	3,071,631	133,691
Direct financing lease	34,530,000	15,445,000	2,550,000	47,425,000	2,570,000
Capital lease payable	823,251	1,658,000	224,742	2,256,509	324,223
Claims payable	1,981,248	1,754,727	2,676,592	1,059,383	1,025,137
Other postemployment benefits	-	3,606,748	-	3,606,748	-
Compensated absences	<u>6,060,000</u>	<u>6,616,720</u>	<u>6,666,720</u>	<u>6,010,000</u>	<u>6,000,000</u>
Governmental activities Noncurrent liabilities	<u>\$ 148,369,852</u>	<u>\$ 29,081,195</u>	<u>\$ 21,916,776</u>	<u>\$ 155,534,271</u>	<u>\$ 19,428,051</u>
<b>Component unit: SCPBC</b>					
Bonds payable:					
Revenue bonds	\$ 34,530,000	\$ 15,445,000	\$ 2,550,000	\$ 47,425,000	\$ 2,570,000
Premium on revenue bonds	<u>55,480</u>	<u>186,130</u>	<u>17,390</u>	<u>224,220</u>	<u>12,316</u>
SCPBC noncurrent liabilities	<u>\$ 34,585,480</u>	<u>\$ 15,631,130</u>	<u>\$ 2,567,390</u>	<u>\$ 47,649,220</u>	<u>\$ 2,582,316</u>

##### 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, 2007 was \$483,213,953 for the Industrial Revenue Bonds and \$726,815,327 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.



# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### III. Detailed Notes on All Funds (continued)

#### D. Interfund Transfers

A summary of interfund transfers is as follows:

	Transfers In:						Totals
	General Fund	Federal/State Assistance Funds	Debt Service Fund	Nonmajor Governmental Funds	Internal Service Funds	Coliseum/Arena Enterprise Fund	
Transfers out:							
General Fund	\$ -	\$ 596,683	\$ 1,597,566	\$ 12,993,010	\$ 1,025,202	\$ 629,651	\$ 16,842,112
Federal/State Assistance Funds	31,869	-	-	90,808	34,796	-	157,473
Debt Proceeds Fund	-	-	-	14,961,707	-	-	14,961,707
Nonmajor Governmental Funds	489,211	165,304	550,510	4,310,676	74,058	-	5,589,759
Internal Service Funds	-	-	-	5,563	-	-	5,563
Total	<u>\$ 521,080</u>	<u>\$ 761,987</u>	<u>\$ 2,148,076</u>	<u>\$ 32,631,764</u>	<u>\$ 1,134,056</u>	<u>\$ 629,651</u>	<u>\$ 37,556,614</u>

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.

#### E. 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 the special revenue equipment and capital projects funds that have yet to be repaid from long-term financing from the Debt Proceeds Fund.

A summary of interfund receivables and payables at December 31, 2007 is as follows:

	Interfund Receivable	Interfund Payable
Debt Proceeds Fund	\$ 5,266,854	\$ -
Nonmajor Capital Projects Funds:		
Building and Equipment Fund	-	2,298,871
Street, Bridge and Other Fund	-	2,967,983
	<u>\$ 5,266,854</u>	<u>\$ 5,266,854</u>

During 2003, an interfund loan was made between the General Fund and the Capital Improvement Fund to provide for the funding of a specific capital improvement project, with repayment terms over the next 8 years. This advance receivable and payable as of December 31, 2007 is as follows:

	Advance Receivable	Advance Payable
General Fund	\$ 864,923	\$ -
Nonmajor Capital Projects Fund:		
Capital Improvement Fund	-	864,923
	<u>\$ 864,923</u>	<u>\$ 864,923</u>

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### 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 Kansas Coliseum include loss related to torts, theft, damage or destruction of assets, errors and omissions, injury to employees, 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. In 2007, the County moved to a fully funded health plan. Previously, the County had a self-insured health plan purchased from an insurance company for accident and health claims. A dental benefit purchased from a dental insurance company is provided for all health plan participants. The County pays all premiums for the health/dental benefit from the Health/Dental/Life Insurance Reserve Fund. In 2007, the County paid 83% and participating employees paid 17% of the cost of the health plan benefit.

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

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, 2006 liability balances	\$ 1,000,337	\$ 729,158
Claims and changes in estimates	1,108,186	9,047,333
Claim payments	(1,047,773)	(8,855,993)
December 31, 2006 liability balances	1,060,750	920,498
Claims and changes in estimates	1,754,727	-
Claim payments	(1,756,094)	(920,498)
December 31, 2007 liability balances	\$ 1,059,383	\$ -

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### IV. Other Information (continued)

#### A. Risk Management (continued)

Net assets available for self-insurance expenses and future catastrophe losses are as follows:

Health/Dental/Life Insurance Reserve Fund	\$ 1,482,483
Workers' Compensation Reserve Fund	1,189,235
Risk Management Reserve Fund	2,197,116

#### B. 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.

#### C. Pending Governmental Accounting Standards

The effect on the County's financial statements of the following statements issued, but not yet adopted, has not yet been determined. GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was issued June 2007. This statement provides guidance on identifying, accounting for, and reporting intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. It further states that these assets should be classified as capital assets. The provisions of this statement are effective for the County's year ending December 31, 2010.

#### D. Defined Benefit Pension Plans

Plan description. The County participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary and the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### IV. Other Information (continued)

#### D. Defined Benefit Pension Plans (continued)

The KPERS employer rate established by statute for 2007 is 5.31%. The County's contributions to KPERS for the years ended December 31, 2007, 2006, and 2005 were \$3,921,299, \$3,314,684 and \$2,770,225, respectively, equal to the statutory required contributions for each year. The KP&F employer rates for 2007 are 13.76% for the Emergency Medical Services Department, 13.32% for the Fire Department, and 13.66% for the Sheriff Department. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The County's contributions to KP&F for the years ended December 31, 2007, 2006, and 2005 were \$3,949,413, \$3,591,339 and \$3,275,169, respectively, equal to the statutory required contributions for each year.

#### E. Other Postemployment Benefits Other Than Pensions

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

County retirees pay the same premiums charged to COBRA participants for medical, dental and vision coverage. The COBRA rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these two amounts is the implicit rate subsidy, which is considered other post employment 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.

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.

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2007

### IV. Other Information (continued)

#### E. Other Postemployment Benefits Other Than Pensions (continued)

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 2007:

Annual OPEB Cost for 2007	Amount
Normal Cost	\$ 1,983,343
Amortization of Unfunded Actuarial Accrued Liability	1,484,684
Annual Required Contribution (ARC)	3,468,027
Interest on Net OPEB Obligation	138,721
Adjustment to the ARC	-
Annual OPEB Cost	<u>\$3,606,748</u>
Employer Contribution for 2007	Amount
Premiums Paid on Behalf of Retirees	\$ 450,346
Retiree Contribution	(450,346)
Net Employer Contribution	<u>\$ -</u>

Schedule of Employer Contributions			
Year	Annual Required Contributions	Net Employer Contributions	Percentage Contributed
2007	\$3,606,748	\$ -	- %

Net OPEB Obligation at 12/31/07	Amount
Annual OPEB Cost for 2007	\$ 3,606,748
Net Employer Contributions for 2007	-
Balance at 12/31/07	<u>\$ 3,606,748</u>

Funded Status and Funding Progress. As of December 31, 2006, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$26.7 million, and there was no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$26.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$101.1 million, and the ratio of the UAAL to the covered payroll was 26.4 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 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.

# SEDGWICK COUNTY, KANSAS

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

### IV. Other Information (continued)

#### E. Other Postemployment Benefits Other Than Pensions (continued)

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 December 31, 2006, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 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 9 percent initially, reduced by decrements to an ultimate rate of 6.25 percent after eight years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, was thirty years.

# SEDGWICK COUNTY, KANSAS

## REQUIRED SUPPLEMENTARY INFORMATION December 31, 2007

### I. Other Postemployment Benefits Other Than Pensions

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2006	-	26,700,137	26,700,137	-	101,102,772	26.4%

*APPENDIX C*

**FORM OF BOND COUNSEL OPINION**

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

Sedgwick County Public Building Commission  
Sedgwick County, Kansas

Citigroup Global Markets Inc.  
New York, New York

Re: \$43,830,000 Sedgwick County Public Building Commission Revenue Bonds (Technical Education Complex), Series 2008-1, Dated December 15, 2008

We have acted as Bond Counsel in connection with the issuance by the Sedgwick County Public Building Commission, Sedgwick County, Kansas (the "Issuer"), of the above-captioned bonds (the "Series 2008-1 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.

The Series 2008-1 Bonds have been authorized pursuant to a Resolution adopted by the Issuer (the "Bond Resolution"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Bond Resolution.

The Series 2008-1 Bonds are being issued for the purpose of paying a portion of the costs of the Technical Education Complex to be located on a site within the County on or adjacent to Jabara Airport which is owned by the Wichita Airport Authority, Wichita, Kansas (the "Airport Authority"). The Issuer and the Airport Authority have entered into an Agreement wherein the Airport Authority leases the Land on which the Technical Education Complex will be located to the Issuer for a term ending in 2056 (the "Base Lease"), and permits the construction and operation of the Technical Education Complex. The Issuer's interest in the Land and the Technical Education Complex (the "Project") will be leased by the Issuer to the County pursuant to the terms of a Lease between the Issuer, as landlord, and the County, as tenant (the "Tenant"), dated December 15, 2008, as amended and supplemented, which has a term ending upon the final maturity of the Series 2008-1 Bonds (the "Lease"). Under the Lease, the County has agreed to make rental payments to be used to pay when due the principal of, premium, if any, and interest on the Series 2008-1 Bonds. Such payments, with other revenues derived by the Issuer under the Lease (the "Revenues") and the rights of the Issuer under the Lease (except certain rights to indemnification and reimbursement) and in the Project (collectively, the "Trust Estate") have been pledged and assigned by the Issuer as security for the Series 2008-1 Bonds. The County and the Sedgwick County Technical Education and Training Authority (the "Training Authority"), have entered into an Operating Agreement (the "Operating Agreement") that provides the Training Authority the use of the Technical Education Complex under certain terms and conditions.

Reference is made to an opinion of even date herewith of counsel to the County with respect to, among other matters: (a) the power of the County to enter into the Lease and Operating Agreement; (b) the authorization, execution and delivery of the Lease and the Operating Agreement by the County, and (c) the binding effect and enforceability thereof against the County. Reference is also made to an opinion of counsel to the Airport Authority with respect to, among other matters: (a) the power of the Airport Authority to enter into the Base Lease; (b) the authorization, execution and delivery of the Base Lease by the Airport Authority, and (c) the binding effect and enforceability thereof against the Airport Authority.

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 Issuer is a duly authorized municipal corporation with power to adopt the Bond Resolution and perform the agreements on its part contained therein, to enter into the Base Lease and to perform its obligations contained therein and to issue the Series 2008-1 Bonds.



2. The Series 2008-1 Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding special obligations of the Issuer.

3. The Series 2008-1 Bonds are payable solely from the Trust Estate on a parity with any Additional Bonds to be issued, as provided in the Bond Resolution. The Series 2008-1 Bonds do not constitute general obligations of the Issuer nor do they constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision, limitation or restriction, nor shall they in any way obligate the Issuer, the State of Kansas or any political subdivision thereof (other than the County) to levy any form of taxation or make any appropriation for their payment. The Issuer has no taxing power. The County may enter into the Lease without regard to K.S.A. 10-1101 *et seq.* and K.S.A. 79-2925.

4. The Bond Resolution has been duly adopted by the Issuer and the Bond Resolution, Base Lease and Lease constitute valid and legally binding obligations of the Issuer enforceable against the Issuer in accordance with their terms.

5. The interest on the Series 2008-1 Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; such interest, however, is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer, the County and the Training Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2008-1 Bonds in order to preserve the exclusion of the interest on the Series 2008-1 Bonds from gross income for federal income tax purposes. The Issuer, the County and the Training Authority have each covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause interest on the Series 2008-1 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2008-1 Bonds. The Series 2008-1 Bonds have **not** been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Series 2008-1 Bonds.

6. The interest on the Series 2008-1 Bonds is excluded from computation of Kansas adjusted gross income.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2008-1 Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding the perfection or priority of the lien on the Trust Estate or other funds pledged under the Bond Resolution or tax consequences arising with respect to the Series 2008-1 Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Series 2008-1 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, in addition to the information provided elsewhere herein, summarizes certain provisions of the Base Lease, the Lease, the Bond Resolution and the Disclosure Agreement to which reference is made for the detailed provisions thereof.

#### **DEFINITIONS**

**Definitions of Words and Terms.** In addition to the words and terms defined elsewhere in this Official Statement, in the Base Lease, the Lease and the Bond Resolution, the following words and terms shall have the following meanings, unless some other meaning is plainly intended:

**"Act"** means K.S.A. 12-1757 *et seq.*, as amended by Charter Resolution No. 48 of Sedgwick County, Kansas, all as amended and supplemented from time to time.

**"Additional Bonds"** means any Bonds issued in addition to the Series 2008-1 Bonds specifically authorized pursuant to the Bond Resolution.

**"Additional Rent"** means all Impositions, all Maintenance Costs, all amounts required to be rebated to the United States pursuant to the Bond Resolution, all other payments of whatever nature payable or to become payable pursuant to the Bond Resolution or which Tenant has agreed to pay or assume under the provisions of the Lease and any and all expenses (including reasonable attorney's fees) incurred by Issuer in connection with the issuance of the Bonds or the administration or enforcement of any rights under the Lease or the Bond Resolution.

**"Authorized Tenant Representative"** means the County's Chief Financial Officer, or such other person as is designated to act on behalf of the Tenant as evidenced by a written certificate furnished to PBC, containing the specimen signature of such person. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authorized Tenant Representative.

**"Base Lease"** means the Base Lease dated as of December 12, 2006 between The Wichita Airport Authority, as Lessor, and the PBC, as Lessee.

**"Basic Rent"** means the semi-annual amount which, when added to Basic Rent Credits, will be sufficient to pay, on any Payment Date, all principal of, redemption premium, if any, and interest on the Bonds which is due and payable on such Payment Date.

**"Basic Rent Credits"** means all funds on deposit in the Principal and Interest Payment Account and available for the payment of principal of, redemption premium, if any, and interest on the Bonds on any Bond Payment Date.

**"Basic Rent Payment Date"** means the Business Day prior to August 1, 2009 and the business day preceding any Bond Payment Date thereafter until the principal of, redemption premium, if any, and interest on the Bonds have been fully paid or provision made for their payment in accordance with the provisions of the Bond Resolution.

**"Basic Term"** with respect to the Lease means that term commencing as of the date of the Lease and ending on August 1, 2028, subject to prior termination as specified in the Lease, but terminating in any event when all of the principal of, redemption premium, if any, and interest on all Outstanding Bonds shall have been paid in full or provision made for their payment in accordance with the provisions of the Bond Resolution and the County has exercised its option to purchase the Project.

**"Bond" or "Bonds"** means the Series 2008-1 Bonds and any Additional Bonds.

**"Bond Counsel"** means the firm of Gilmore & Bell, P.C., Wichita, Kansas 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 Issuer and Tenant.

**"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 Treasurer of the State of Kansas, Topeka, Kansas, and its successors and assigns.

**"Bond Resolution"** means jointly, Resolution No. 2008-4 of the Issuer authorizing the issuance of the Series 2008-1 Bonds, as amended and supplemented, and any Supplemental Resolutions adopted in accordance with the provisions of the Bond Resolution.

**"Business Day"** means a day which is not 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 banks in the City of New York or in the State are not authorized to be closed.

**"CERCLA"** means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601, *et seq.*

**"Certificate of Completion"** means a written certificate signed by the Authorized Tenant Representative stating that: (a) the Project has been completed in accordance with the plans and specifications prepared or approved by Issuer or Tenant, as the case may be; (b) the Project has been completed in a good and workmanlike manner; (c) no mechanic's or materialmen's liens have been filed, nor is there any basis for the filing of such liens, with respect to the Project; (d) the Facility is located upon the Land; and (e) if required by applicable building codes, that an appropriate certificate of occupancy has been issued with respect to the Project.

**"Code"** means the Internal Revenue Code of 1986, as amended, together with the regulations promulgated thereunder by the United States Department of the Treasury.

**"Costs of Issuance"** means all costs of issuing the Bonds, including all publication, printing, signing and mailing expenses in connection therewith, registration fees, financial advisory fees, all legal fees and expenses of Bond Counsel and other legal counsel, expenses incurred in connection with compliance with the Code, all expenses incurred in connection with receiving ratings on the Bonds, and any premiums or expenses incurred in obtaining municipal bond insurance on the Bonds.

**"Costs of Issuance Account"** means that account authorized and established pursuant to the Bond Resolution and designated "Costs of Issuance Account for Sedgwick County Public Building Commission Revenue Bonds (Technical Education Complex), Series 2008-1".

**"County"** means Sedgwick County, Kansas.

**"Dated Date"** means December 15, 2008.

**"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) the obligations are rated in the highest rating category by Moody's (presently "Aaa") or Standard & Poor's (presently "AAA").

**"Default"** means any event or condition the occurrence of which, with the lapse of time or the giving of notice or both, constitutes an Event of Default.

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

**"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 Agreement"** means the Continuing Disclosure Agreement of the PBC and the County, (as may be amended from time to time) to be delivered at the time of issuance and delivery of the Bonds, relating to certain matters within the scope of the SEC Rule, in accordance with its terms.

**"Environmental Law"** means CERCLA, SARA, and any other federal, state or local environmental statute, regulation or ordinance presently in effect or coming into effect during the term of the Lease.

**"Event of Bankruptcy"** means an event whereby the Tenant shall: (a) admit in writing its inability to pay its debts as they become due; or (b) file a petition in bankruptcy or for reorganization or for the adoption of an arrangement under the Bankruptcy Code as now or in the future amended, or file a pleading asking for such relief; or (c) make an assignment for the benefit of creditors; or (d) consent to the appointment of a trustee or receiver for all or a major portion of its property; or (e) be finally adjudicated as bankrupt or insolvent under any federal or state law; or (f) suffer the entry of a final and nonappealable court order under any federal or state law appointing a receiver or trustee for all or a major part of its property or ordering the winding-up or liquidation of its affairs, or approving a petition filed against it under the Bankruptcy Code, which order, if the Tenant has not consented thereto, shall not be vacated, denied, set aside or stayed within 60 days after the day of entry; or (g) suffer a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial portion of its property, and such writ or warrant of attachment or any similar process is not contested, stayed, or is not released within 60 days after the final entry, or levy or after any contest is finally adjudicated or any stay is vacated or set aside.

**"Event of Default"** with respect to the Lease means any one of the following events:

(a) Failure of Tenant to make any payment of Basic Rent at the time and in the amounts required under the Lease; or

(b) Failure of Tenant to make any payment of Additional Rent at the times and in the amounts required under the Lease, or failure to observe or perform any other covenant, agreement, obligation or provision of this Lease on the Tenant's part to be observed or performed, and the same is not remedied within thirty (30) days after the Issuer has given the Tenant written notice specifying such failure (or such longer period as shall be reasonably required to correct such default; provided that (1) Tenant has commenced such correction within said 30-day period, and notwithstanding the provisions of the Lease relating to Continuing Disclosure (2) Tenant diligently prosecutes such correction to completion); or

(c) An Event of Bankruptcy; or

(d) Abandonment of the Project by Tenant.

**"Event of Default"** with respect to the Bond Resolution means any one of the following events:

(a) Default in the due and punctual payment of the principal of, premium, if any, and interest on the Bonds whether at the stated maturity or accelerated maturity thereof, or at the redemption date thereof;

(b) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer under the Bond Resolution (other than the covenants relating to Continuing Disclosure) or the Bonds, and the continuance thereof for a period of 30 days after written notice thereof shall have been given to the Issuer by the County, or to the Issuer and the County by the Owners owning not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, if any default shall be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the County within such period and diligently pursued until the default is corrected; or

(c) An Event of Default as defined in the Lease shall have occurred.

**"Facility"** means the Technical Education Complex to be funded in part from the proceeds of the Series 2008-1 Bonds.

**"Fiscal Year"** means the twelve month period ending on December 31.

**"Fitch"** means Fitch Ratings, 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, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

**"Full Insurable Value"** means the full actual replacement cost less physical depreciation as determined from time to time upon the request of Issuer, Tenant (but not more frequently than once in every 24 months) by an architect, appraiser, appraisal company or one of the insurers, selected and paid by Tenant.

**"Hazardous Substances"** shall mean "hazardous substances" as defined in CERCLA.

**"Impositions"** means all taxes and assessments, general and special, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or payable for or in respect of the Project or any part thereof, or any improvements at any time thereon or Tenant's interest therein, including any new lawful taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen.

**"Interest Payment Date(s)"** means the Stated Maturity of an installment of interest on any Series 2008-1 Bond which shall be February 1 and August 1 of each year, commencing August 1, 2009.

**"Investment Securities"** 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) Intentionally Omitted; (e) interest-bearing time deposits in commercial banks or trust companies located in the county in which the Issuer is located 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 or the federal home loan mortgage corporation; (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.

**"Issuer"** means the PBC, its successors and assigns.

**"Land"** means the real property (or interests therein) described in *Schedule I* attached to the Lease.

**"Lease"** means the Lease dated as of the Dated Date between the Issuer and the Tenant, as from time to time amended and supplemented in accordance with the provisions thereof and of the Bond Resolution.

**"Maintenance Costs"** means all costs and expenses of every kind of operating and maintaining the Project during the Term of the Lease.

**"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

**"Original Purchaser"** means Citigroup Global Markets Inc., New York, New York, the original purchaser of the Series 2008-1 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 under the Bond Resolution.

**"Owner"** when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register.

**"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 Treasurer of the State of Kansas, Topeka, Kansas, and any successors and assigns.

**"PBC"** means the Sedgwick County Public Building Commission.

**"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.

**"Principal and Interest Payment Account"** means that account authorized and established pursuant to the Bond Resolution and designated the "Principal and Interest Payment Account for Sedgwick County Public Building Commission Revenue Bonds (Technical Education Complex), Series 2008-1".

**"Principal Payment Date"** shall mean the 1st day of August, commencing August 1, 2009 and continuing until such time as the aggregate principal amount of the Bonds has been paid or provisions is made for the payment thereof, whether at Stated Maturity or Redemption date.

**"Project"** means and includes the interest of Issuer in the Land and the Facility acquired, constructed or installed with the proceeds of the Series 2008-1 Bonds, together with any Project Additions.

**"Project Additions"** means any additions to the Project acquired, constructed or installed from proceeds of any series of Additional Bonds authorized and issued pursuant to this Bond Resolution. It also includes any alterations or additions made to the Project to the extent provided in the Lease.

**"Project Costs"** means those costs incurred in connection with the Project, including:

- (a) all costs and expenses necessary or incident to the acquisition of the Land and such of the Facility as are acquired, constructed or in progress at the date of such acquisition.

(b) fees and expenses of architects, appraisers, surveyors and engineers for estimates, surveys, soil borings and soil tests and other preliminary investigations and items necessary to the commencement of construction, preparation of plans, drawings and specifications and supervision of construction, as well as for the performance of all other duties of architects, appraisers, surveyors and engineers in relation to the construction, furnishing and equipping of the Project or the issuance of the Bonds.

(c) all costs and expenses of every nature incurred in constructing, acquiring or installing the remaining portion of the Project.

(d) payment of interest actually incurred on any interim financing obtained from a lender unrelated to the Tenant for performance of work on the Project prior to the issuance of the Bonds.

(e) the cost of the title insurance policies and the cost of any insurance and performance and payment bonds required by the Lease.

(f) interest accruing on the Bonds during the period of construction of the Facility.

(g) Costs of Issuance.

**"Project Fund"** means the account authorized and established pursuant to the Bond Resolution and designated the "Project Fund for Sedgwick County Public Building Commission Revenue Bonds (Technical Education Complex), Series 2008-1".

**"Rebate Fund"** means the account authorized and established pursuant to the Bond Resolution and designated the "Rebate Fund for Sedgwick County Public Building Commission Revenue Bonds (Technical Education Complex), Series 2008-1".

**"Rental Payments"** means the aggregate of the Basic Rent payments and Additional Rent payments provided for pursuant to the Lease.

**"Replacement Bonds"** means Bonds issued to the Beneficial Owners of the Bonds in accordance with the Bond Resolution.

**"SARA"** means the Superfund Amendments and Reauthorization Act of 1986, as now in effect and as hereafter amended.

**"SEC Rule"** means Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

**"Securities Depository"** means, initially, DTC, and its successors and assigns.

**"Secretary"** means the duly appointed and/or elected Secretary or, in the Secretary's absence, the duly appointed Deputy Secretary or Acting Secretary of the Issuer.

**"Series 2008-1 Bonds"** means Sedgwick County Public Building Commission Revenue Bonds (Technical Education Complex), Series 2008-1, dated as of the Dated Date.

**"Standard & Poor's"** means Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, 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 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.

**"Supplemental Resolution"** means any amendment or supplement to the Bond Resolution entered into as provided in the Bond Resolution.

**"Tenant"** means the County, its successors and assigns.

**"Term"** means, collectively, the Basic Term and any Additional Term of the Lease.

**"Trust Estate"** means (a) all right, title and interest, of the Issuer in, to and under the Base Lease and Lease, all Basic Rent or Additional Rent derived by the Issuer pursuant to the Lease, subject to the provisions of the Lease and Base Lease; provided that the pledge and assignment hereby made shall not impair or diminish the obligations of the Issuer under the provisions of the Lease and Base Lease; and (b) all moneys and Investment Securities from time to time held under the terms of the Bond Resolution (excluding funds held in or accruing to the Rebate Fund), including, without limitation, Bond proceeds and income from the temporary investment thereof, proceeds from insurance and condemnation awards, any and all real or personal property of every kind and nature from time to time hereafter, by delivery or by right of any kind, pledged, assigned or transferred as and for additional security for the Bonds by 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.

## **THE BASE LEASE**

### **Lease of Land; Issuance of Bonds**

The Issuer has leased the Land from the Wichita Airport Authority. The Issuer will issue the Bonds to provide a portion of the costs to construct the Facility, subject to the County entering into the Lease with the Issuer. When the Project is completed, the County and the Sedgwick County Technical Education and Training Authority (the "Training Authority"), plan to enter into an Operating Agreement (the "Operating Agreement") for the operation and management of the Facility.

### **Term of Base Lease**

The term of the Base Lease commenced on January 1, 2007 and will end on December 31, 2056.

### **Assignments and Subleases**

The Issuer shall have the unrestricted right to assign the Base Lease to the County, which shall, in turn, be entitled to enter into an Operating Agreement or sublease with an operating entity.

If an "Event of Default" under the Lease occurs, the Issuer shall have the right to possession of the Land for the remainder of the term of the Base Lease and shall have the right to sublease the Project or sell its interest in the Project and the Base Lease upon whatever terms and conditions it deems prudent and in the interest of the Owners of the Bonds.

### **Taxes and Assessments**

The parties agree that the ownership and occupancy of the Project shall be by entities exempt from the payment of ad valorem real estate taxes. In the event the Project is deemed to be subject to the payment of ad valorem taxes or special assessment taxes, all such taxes shall be the sole responsibility of the Issuer. Under the terms of the Lease, the County has agreed to pay any and all assessments of any kind or character and all taxes levied or assessed upon the Project.



## **Title and Consideration**

Title to the Land shall remain in the City at all times. For the term of the Base Lease, the Issuer shall own all improvements constructed by the Issuer on the Land. Upon termination of the Base Lease, for any reason, title to all such improvements shall immediately vest in the City.

## **THE LEASE**

### **Lease of Project; Issuance of the Bonds; Payment of Rent**

The Issuer agrees to lease the Project to the County pursuant to the Lease and to issue the Bonds to provide funds for the payment of Project Costs. The County, pursuant to the Lease, agrees to make semi-annual payments of Basic Rent on the Basic Rent Payment Dates. The County has agreed also, and from time to time is required, to pay Additional Rent.

### **Deposit and Application of Proceeds from the Sale of the Bonds**

From the proceeds of the Bonds an amount equal to any accrued interest and premium if any, received from the sale will be deposited into the Principal and Interest Payment Account. The remainder of the proceeds will be deposited in the Costs of Issuance Account and the Project Fund as provided in the Bond Resolution.

### **Application of Funds in the Project Fund**

The moneys in the Project Fund will be disbursed for the payment of Project Costs upon a proper system of voucher certificates submitted by the County.

### **Completion of Project**

Issuer covenants and agrees to proceed diligently to complete the Project on or before the Completion Date. Upon completion of the Project, Issuer shall cause the Authorized Tenant Representative to deliver a Certificate of Completion. In the event funds remain on hand in the Project Fund on the date the Certificate of Completion is furnished or on the Completion Date, whichever shall first occur, such remaining funds shall be transferred to the Principal and Interest Payment Account on the Completion Date and shall be applied in accordance with the provisions of the Bond Resolution.

### **Assignment of the Lease by the County**

The County may not assign its interest in the Lease without the prior written consent of the Issuer. Any such assignment must be to a governmental entity authorized to be a tenant in accordance with the Act. In the event of assignment, the County shall remain fully liable, except to the extent provided thereunder. If, in connection with an assignment by the County of its interests in the Lease, (a) the Issuer and the Owners of ninety percent (90%) in aggregate principal amount of the Outstanding Bonds (including any Additional Bonds) shall file with the Issuer their prior written consent to such assignment, and (b) the proposed assignee shall expressly assume and agree to perform all of the obligations of the County under the Lease, then the County shall be fully released from all obligations accruing under the Lease after the date of such assignment.

### **Sublease by the County**

The County may not sublease the Project to a single party or entity, without the prior written consent of Issuer. The County may sublease portions of the Project for use by others in the normal course of its business without Issuer's prior consent or approval. Any such subtenant must be an entity permitted to be a Tenant under the provisions of the Act. In the event of any such subleasing, County shall remain fully liable for the performance of its duties and obligations hereunder, and no such subleasing and no dealings or transactions between Issuer and any such subtenant shall relieve County of any of its duties and obligations thereunder. Any such sublease shall be subject and subordinate in all respects to the provisions of the Lease.

## **Operating Agreement**

The County intends to enter into an Operating Agreement with the Sedgwick County Technical Education and Training Authority (the "Training Authority") providing the Training Authority the use of the Project in consideration of the Training Authority's agreement to pay operation and maintenance expenses and to manage the use of the Project.

## **Special Tax Covenants**

The County agrees that it will not take or permit any action to be taken which will cause the Bonds to be "private activity bonds" within the meaning of Section 141(b) of the Code or to cause the interest on the Bonds to become subject to federal income taxation pursuant to the provisions of the Code.

## **Environmental Matters**

County acknowledges that it is responsible for maintaining the Project in compliance with all Environmental Laws. In the event that County does not expeditiously proceed with any compliance required by any local, state or federal authority under the applicable Environmental Law, the Issuer, immediately after notice to County, may elect (but may not be required) to undertake such compliance. Any moneys expended by Issuer in efforts to comply with any applicable Environmental Law (including the cost of hiring consultants, undertaking sampling and testing, performing any cleanup necessary or useful in the compliance process and attorneys' fees) shall be due and payable as Additional Rent hereunder with interest thereon at the average rate of interest per annum on the Bonds, plus two (2) percentage points, from the date such cost is incurred.

To the extent permitted by law, the County covenants to indemnify Issuer and the Owners and defend and hold them harmless from and against all loss, cost, damage and expense (including, without limitation, attorneys' fees and costs associated incurred in the investigation, defense and settlement of claims) that they may incur, directly or indirectly, as a result of or in connection with the assertion against them or any of them of any claim relating to the presence, escape or removal of any hazardous substance or other material regulated by any applicable Environmental Law, or compliance with any applicable Environmental Law, whether before, during or after the term of the Lease, including claims relating to personal injury or damage to property.

## **Repair and Maintenance**

The County covenants and agrees that it will, during the Term of the Lease, keep and maintain the Project and all parts thereof in good condition and repair, including but not limited to the furnishing of all parts, mechanisms and devices required to keep the furnishings, equipment and personal property constituting a part of the Project in good mechanical and working order, and that during said period of time it will keep the Project and all parts thereof free from nuisance or conditions unreasonably increasing the danger of fire.

## **Removal, Disposition and Substitution of Machinery and Equipment**

County shall have the right, if not in default in the payment of Basic Rent and Additional Rent, to remove and sell or otherwise dispose of any furnishings or equipment which constitutes a part of the Project and which are no longer used by County or, in the opinion of County, are no longer suitable for use by the County in its operations (whether by reason of obsolescence, depreciation or otherwise), subject, however, to certain conditions set out in the Lease.

## **Remedies on Default**

Whenever any Event of Default shall have happened and be continuing, the Issuer may take any one or more of the following remedial actions:

(a) By written notice to the County upon acceleration of maturity of the Bonds as provided in the Bond Resolution, the Issuer may declare the aggregate amount of all unpaid Basic Rent or Additional Rent then or thereafter required to be paid under the Lease to be immediately due and payable as liquidated damages from the County, whereupon the same shall become immediately due and payable by the County.

(b) Give the County written notice of its intention to terminate the Lease on a date specified therein, which date shall not be earlier than thirty (30) days after such notice is given and, if all Events of Default have not then been cured on the date so

specified, the Tenant's rights to possession of the Project subject to the Base Lease shall cease, and the Lease shall thereupon be terminated, and the Issuer may reenter and take possession of the Project; or

(c) Without terminating the Lease, conduct inspections or an Environmental Assessment of the Project, and re-enter the Project or take possession thereof pursuant to legal proceedings or any notice provided for by law and the Lease. The Issuer may refuse to re-enter or take possession of the Project if it has reasonable cause for such refusal. "Reasonable cause" shall include the presence on the Project of conditions which are in violation of any Environmental Law or the existence or threat of a remedial action against the Tenant under any Environmental Law resulting from conditions on the Project.

Having elected to reenter or take possession of the Project as described in subsection (c) above, the Issuer may (subject, however, to any restrictions against termination of the Lease in the Bond Resolution or the Base Lease), by notice to the County given at any time thereafter while the County is in default in the making of Rental Payments or in the performance of any other obligation under the Lease, elect to terminate the Lease in accordance with subsection (b) above and thereafter proceed to sell its interest in the Project subject to the Base Lease. If, in accordance with any of the foregoing provisions, the Issuer has the right to reenter and take possession of the Project, subject to the Base Lease, the Issuer may enter and expel the County and remove the property and effects of County (forcibly, if necessary) without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or preceding breach of covenant. Net proceeds of any reletting shall be deposited in the Principal and Interest Payment Account.

### **Survival of Obligations**

The County covenants and agrees that until the Bonds and the interest thereon and redemption premium, if any, are paid in full or provision made for the payment thereof, County's obligations under the Lease shall survive the cancellation and termination of the Lease for any cause and that County shall continue to make Basic Rent and Additional Rent and perform all other obligations provided for in the Lease, all at the time or times provided in the Lease.

### **No Remedy Exclusive**

No remedy conferred upon or reserved to the Issuer in the Lease is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power, or shall be construed to be a waiver thereof.

### **Performance of the County's Obligations by the Issuer**

If the County fails to keep or perform any of its obligations as provided under the Lease, the Issuer may (but shall not be obligated to do so) upon the continuance of such failure on the County's part for ninety (90) days after notice of such failure is given the County by the Issuer, make any such payment or perform any such obligation, and all sums so paid by the Issuer and all necessary or incidental costs and expenses incurred by the Issuer in performing such obligations shall be paid to the Issuer on demand, and if not paid within ten (10) days of demand, the Issuer shall have the same rights and remedies provided in the Lease in the case of an Event of Default.

### **Options to Purchase the Project**

Subject to the provisions of the Lease, the County shall have the option to purchase the Project at any time during the Term of the Lease or within 120 days thereafter. The County must exercise its option by giving the Issuer written notice of the County's election to exercise its option and specifying the date, time and place of closing, which shall neither be earlier than thirty (30) days nor later than one hundred eighty (180) days after the notice is given.

If notice of election to purchase is given, the Issuer covenants and agrees to sell and convey the Project to the County free and clear of all liens and encumbrances except (a) those to which the title was subject on the date of the County's conveyance to the Issuer of the Project, or to which title became subject with the County's written consent, or which resulted from failure of the County to perform any of its covenants or obligations under the Lease, (b) taxes and assessments, if any, and (c) the rights of any party having condemned or who is attempting to condemn title to, or the use for a limited period of, all or any part of the Project, for the full amount which is required to provide the Issuer with funds or securities sufficient to pay at maturity or to redeem and pay in full

(A) the principal of all of the Outstanding Bonds, (B) all interest due thereon to date of maturity or redemption, whichever first occurs, and (C) all costs, expenses and premiums incident to the redemption and payment of said Bonds in full, plus \$100.00.

**Closing of Purchase**

On the closing date the Issuer will deliver to the County its quitclaim deed or other instrument or instruments of conveyance conveying the Project to the County free and clear of all liens and encumbrances except as set forth in the preceding section above. However, the Issuer is not required to deliver its instrument of conveyance to the County until after all duties and obligations of the County under the Lease to the date of such delivery have been fully performed and satisfied. Upon the delivery to the County of the Issuer's instrument or instruments of conveyance and payment of the purchase price by the County, the Lease shall, *ipso facto*, terminate.

**Insurance**

The County shall be required to maintain in full force and effect general accident and public liability insurance, workers' compensation, fire and extended coverage casualty insurance, and such other insurance policies as are reasonably related to the Project as provided in the Lease.

**Financial Reporting**

So long as any Bonds are Outstanding and unpaid and subject to the terms of the Bond Resolution, the County shall furnish or cause to be furnished to Issuer, as soon as practicable, but not later than 180 days after the end of each Fiscal Year, duplicate copies of the Comprehensive Annual Financial Report ("CAFR") of the County. Such CAFR shall set forth in comparative form the figures for the previous Fiscal Year and such CAFR shall be prepared in accordance with generally accepted accounting principles consistently applied (except for any change in accounting principles with which the preparing certified public accountants concur) and the examination of such accountants in connection with such financial statements shall be made in accordance with generally accepted auditing standards, and accordingly include such tests of the accounting records and such other auditing procedures as considered necessary in the circumstances.

**Amendments, Changes and Modifications of the Lease**

The Lease may be amended, changed or modified in the following manner:

(a) With respect to an amendment, change or modification which reduces the Basic Rent or Additional Rent, or any amendment which reduces the percentage of Owners whose consent is required for any such amendment, change or modification, by an agreement in writing executed by the Issuer and the County and consented to in writing by the Owners of one hundred percent (100%) of the aggregate principal amount of the Bonds then Outstanding; and

(b) With respect to any other amendment, change or modification which will materially adversely affect the security or rights of the Owners, by an agreement in writing executed by the Issuer and the County and consented to in writing by the Owners of sixty-six and two-thirds percent (66-2/3%) of the aggregate principal amount of the Bonds then Outstanding;

(c) With respect to all other amendments changes, or modifications, by an agreement in writing executed by the Issuer and the County.

**THE BOND RESOLUTION**

**Application of Bond Proceeds-Project Fund**

The proceeds from the sale of the Bonds will be received by the Issuer simultaneously with the original delivery of the Bonds, and the Issuer will deposit accrued interest and premium, if any, in the Principal and Interest Payment Account, an sum sufficient to pay Costs of Issuance in the Cost of Issuance Account and the balance of the proceeds in the Project Fund.

## **Principal and Interest Payment Account**

Moneys paid into the Principal and Interest Payment Account will include all Rental Payments, excess amounts in the Project Fund upon completion of the Project and interest and other income from investment of the Principal and Interest Payment Account.

Moneys in the Principal and Interest Payment Account will be expended solely for the payment of principal of, premium, if any, and interest on the Bonds, except that any balance remaining after the Bonds have been paid in full, or provision made for payment in accordance with the Bond Resolution, will be paid to County. Payment of fees and expenses of the Paying Agent and Bond Registrar shall be subordinate to payments of principal and interest to the Owners of the Bonds.

## **Investment of Moneys in Funds**

Moneys held in the Project Fund, the Principal and Interest Payment Account and the Rebate Fund shall be separately invested and reinvested in Investment Securities which mature or are subject to redemption by the owner prior to the date such funds will be needed; provided, however, that such moneys shall not be invested in such manner as will violate the provisions of the Bond Resolution. Any such Investment Securities shall be deemed at all times a part of the fund or account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Investment Securities shall be credited to and accumulated in such fund, and any loss resulting from such Investment Securities shall be charged to such fund. In determining the balance in any fund or account, investments in such fund or account shall be valued at their fair market value. No investments shall be made which would violate the provisions of Section 148 of the Code. The Issuer shall comply with the Tax Compliance Agreement and shall pay any rebate amounts due therefor.

## **Additional Bonds**

Additional Bonds may be issued under and equally and ratably secured by the Bond Resolution on a parity with the Series 2008-1 Bonds and any other Additional Bonds Outstanding at any time and from time to time, upon compliance with the conditions hereinafter provided, for any of the following purposes:

- (a) To provide funds to pay the cost of completing the Project, the total of such costs to be evidenced by a certificate signed by an authorized representative of the County.
- (b) To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof.
- (c) To provide funds to pay all or any part of the costs of acquisition, purchase or construction of such additions, improvements, extensions, alterations, expansions or modifications of the Project or any part thereof as the County may deem necessary or desirable and as will not impair the nature of the Project as a facility within the meaning and purposes of the Act.
- (d) To provide funds for refunding all or any part of the Bonds then Outstanding of any series, including the payment of any premium thereon and interest to accrue to the designated redemption date and any expenses in connection with such refunding.

Before any such Additional Bonds shall be issued, the Original Purchaser shall be given written notice thereof, and the Issuer shall adopt a Supplemental Resolution (i) authorizing the issuance of such Additional Bonds, fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Bonds are being issued or describing the Bonds to be refunded; and (ii) requiring the Issuer to enter into a supplemental lease with the County to provide for rental payments at least sufficient to pay the principal of, premium, if any, and interest on the Bonds then Outstanding (including the Additional Bonds to be issued) as the same become due, and for such other matters as are appropriate because of the issuance of the Additional Bonds proposed to be issued which, in the judgment of the Issuer, is not to the prejudice of the Issuer or the Owners of Bonds previously issued.

Except as provided in the Bond Resolution, the Issuer will not otherwise issue any obligations on a parity with the Series 2008-1 Bonds, but the Issuer may issue other obligations specifically subordinate and junior to the Series 2008-1 Bonds with the express written consent of the County.

### **Limitation on Exercise of Remedies by Owners**

No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Bond Resolution, for the execution of any trust under the Bond Resolution, or for the appointment of a receiver or any other remedy under the Bond Resolution, unless (i) a default has occurred, of which the Owners have been notified as provided in the Bond Resolution; (ii) such default shall have become an Event of Default, (iii) the Owners owning 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Issuer, shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and (iv) the Issuer has failed or refused to exercise the powers granted under the Bond Resolution or to institute such action, suit or proceeding in its own name. No Owner shall have any right in any manner to affect, disturb or prejudice the Bond Resolution by its, his or their action or to enforce any right thereunder except in the manner provided in the Bond Resolution. All proceedings shall be instituted and maintained in the manner provided and for the equal benefit of the Owners owning all Bonds then Outstanding.

### **Right of Owners to Direct Proceedings**

The Owners owning 25% in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Issuer, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Resolution, or for the appointment of a receiver or any other proceedings under the Bond Resolution; provided that such direction shall not be otherwise than in accordance with the provisions of law and the Bond Resolution.

No remedy conferred by the Bond Resolution upon or reserved to the Issuer or to the Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative. No delay or omission to exercise any right, power or remedy accruing upon any Event of Default shall impair any such right, power, or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein. No waiver of any Event of Default under the Bond Resolution shall extend to or shall affect any subsequent Event of Default thereunder or shall impair any rights or remedies consequent thereon.

### **Waivers of Events of Default**

Any Event of Default under the Bond Resolution and its consequences may be waived and shall be waived upon the written request of the Owners of at least 25% in aggregate principal amount of all Bonds then Outstanding. In case of any such waiver or rescission, or in case any proceedings taken on account of any such default shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Issuer, the County and the Owners shall be restored to their former positions, rights and obligations under the Bond Resolution.

### **Supplemental Resolutions Not Requiring Consent of Owners**

The Issuer may from time to time, without the consent of or notice to any of the Owners, enter into such supplemental resolutions as shall be consistent with the terms and provisions of the Bond Resolution, for any one or more of the following purposes:

- (a) To cure any ambiguity, formal defect or omission in the Bond Resolution or to make any other change not prejudicial to the Owners;
- (b) To grant to or confer upon the Bond Registrar for the benefit of the Owners, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners;
- (c) To more precisely identify the Project or to substitute or add additional property thereto;
- (d) To subject to the Bond Resolution additional revenues, properties or collateral;
- (e) To issue Additional Bonds as described herein under the caption "THE BOND RESOLUTION - Additional Bonds;" and
- (f) To conform the provisions of the Bond Resolution to the provisions of the Code as the same now exists or may be hereafter amended.

## **Supplemental Resolutions Requiring Consent of Owners**

The Owners owning not less than 66-2/3% in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer of such other supplemental resolutions as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Resolution or in any supplemental resolution; provided, however, that nothing in the Bond Resolution shall permit: (a) an extension of the maturity of the principal of or the interest on any Bond; (b) a reduction in the principal amount of any Bond or the rate of interest thereon; (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds; or (d) a reduction in the aggregate principal amount of Bonds the Owners owning which are required for consent to any such supplemental resolution.

Any provision of the Bond Resolution or the Bonds may be amended with the written consent of the Owners owning 100% in aggregate principal amount then Outstanding.

No Supplemental Resolution which affects any rights of the County shall become effective unless and until the County shall have consented in writing to the execution and delivery of such Supplemental Resolution.

## **Defeasance**

When any or all of the Bonds or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and the pledge of the Trust Estate and all other rights granted in the Bond Resolution shall terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds 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 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; provided, however, that if any such Bonds are to be redeemed prior to their Stated Maturity: (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 in compliance with the Bond Resolution.

## **Payments Due on Non-Business Days**

Payments may be made on the next succeeding Business Day that the Bond Registrar and Paying Agent is open for business if such payment is due on a Saturday, Sunday, legal holiday or day on which the Paying Agent is authorized by law to close, and no interest shall accrue for the period after the stated due date.

## **THE CONTINUING DISCLOSURE AGREEMENT**

The Disclosure Agreement is being executed and delivered by the Issuer and the County in connection with the issuance of the Series 2008-1 Bonds pursuant to the Bond Resolution and the Lease to set forth, in one document, the agreement of the parties with respect to their obligations to provide an undertaking to provide certain financial and other information with respect to the Series 2008-1 Bonds in order to assist the Participating Underwriter in complying with the provisions of the SEC Rule. The County is the only "obligated person" with responsibility for continuing disclosure with respect to the Series 2008-1 Bonds.

## **DEFINITIONS**

In addition to the definitions set forth in "*Appendix E - SUMMARY OF FINANCING DOCUMENTS - Definitions* " unless otherwise defined herein, the following capitalized terms shall have the following meanings:

**"Annual Report"** means any Annual Report provided by the County pursuant to the Disclosure Agreement.

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

**"CAFR"** means the County's Comprehensive Annual Financial Report.

**"Central Post Office"** means DisclosureUSA, any successor thereto, or any other conduit entity recognized, authorized or approved by the Securities and Exchange Commission for the submission of Annual Reports and Material Events notices to the Repositories.

**"Financial Information"** means the financial information of the County hereinafter described.

**"GAAP"** means generally accepted accounting principles, as applied to governmental units by GASB, as in effect at the time of the preparation of the Financial Information.

**"GASB"** means the Governmental Accounting Standards Board.

**"Material Events"** means any of the events listed under the heading "MATERIAL EVENTS."

**"MSRB"** means the Municipal Securities Rulemaking Board.

**"National Repository"** means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

**"Operating Data"** means the operating data of the County herein described.

**"Participating Underwriter"** means any of the original underwriters of the Series 2008-1 Bonds required to comply with the Rule in connection with offering of the Series 2008-1 Bonds.

**"Repository"** means each National Repository and each State Repository, if any.

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

**"State Repository"** means any public or private repository or entity designated by the State of Kansas as a state repository for the purpose of the Rule and recognized as such by the SEC. As of the date of the Disclosure Agreement, there is no State Repository.

## **PROVISION OF ANNUAL REPORTS**

The County 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 2008, provide to each Repository (unless the Annual Report is filed through the Central Post Office) the County's CAFR, which will contain the Financial Information and Operating Data (jointly, the "Annual Report") as follows:

**Financial Information.** The financial statements of the County for such prior Fiscal Year, prepared in accordance with GAAP, accompanied by an audit report resulting from an audit conducted by an Independent Accountant in conformity with generally accepted auditing standards. If such audit is not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements and the audit shall be filed in the same manner as the Annual Report promptly after it becomes available. The accounting basis and the method of preparation of the financial statements of the Issuer is contained in *Appendix B* to this Official Statement. In the event GAAP has changed since the submission of the last CAFR of the County, and if such changes are material to the Issuer, a narrative explanation describing the impact of such changes shall be contained in the CAFR.

**Operating Data.** Updates as of the end of the Fiscal Year of substantially all of the information and data contained in *Appendix A* to this Official Statement.

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 County is an "obligated person" (as defined by the SEC Rule), which have been filed with



each of the Repositories, the Central Post Office, if any, the MSRB or the SEC. 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; *provided* that the Financial Information 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.

If no Dissemination Agent has been appointed, the County shall:

- (1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any or the Central Post Office, if any; and
- (2) file the Annual Report; or if the Annual Report is not filed within the time period specified, the Issuer shall send a notice to each Repository (unless the Annual Report is filed through the Central Post Office) of the failure to timely file the Annual Report.

### **REPORTING OF MATERIAL EVENTS**

The County shall give, or cause the Dissemination Agent, if any, to give, notice of the occurrence of any of the following events with respect to the Series 2008-1 Bonds, if the County deems such events to be material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) modifications to rights of bondowners;
- (4) optional, contingent or unscheduled bond calls;
- (5) defeasances;
- (6) rating changes;
- (7) adverse tax opinions or events affecting the tax-exempt status of the Series 2008-1 Bonds;
- (8) unscheduled draws on debt service reserves reflecting financial difficulties;
- (9) unscheduled draws on credit enhancements reflecting financial difficulties;
- (10) substitution of credit or liquidity providers, or their failure to perform; or
- (11) release, substitution or sale of property securing repayment of the Series 2008-1 Bonds.

Such notice shall be given by promptly filing a notice of such occurrence with each National Repository, the Central Post Office, if any, or the MSRB and the State Repository, with a copy to the Issuer. Notwithstanding the foregoing, notice of Material Events described in (4) and (5) 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 and the County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

**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 Repositories, the County shall provide the Annual Report to the Dissemination Agent. The Dissemination Agent shall determine each year prior to the date for providing the Annual Report the name and address of each Repository and the Central Post Office, if any; and file a report with the Issuer certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided (unless the Annual Report is filed through the Central Post Office), or that the County has certified to the Dissemination Agent that the County has provided the Annual Report to the Repositories. If the Dissemination Agent has not received an Annual Report or has not received a written notice from the County that it has provided an Annual Report to the Repositories or the Central Post Office by the date required, the Dissemination Agent shall send a notice to each Repository or the Central Post Office and to the Issuer.

#### ***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 County or his or her designee, or such other person

as the County shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the County promptly notify the Dissemination Agent in writing whether or not to report the event.

(2) The County will promptly respond in writing to any such request. Whenever the County obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent or otherwise, the County shall promptly determine if such event would be material under applicable federal securities law. If the County has determined that knowledge of the occurrence of a Material Event would be material under applicable federal securities law, the County shall promptly so notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence. If the County has determined that knowledge of a Material Event would not be material under federal securities law, the County shall promptly so notify the Dissemination Agent and the Issuer in writing. Such notice shall instruct the Dissemination Agent not to report the occurrence.

(3) If the Dissemination Agent has been given written instructions by the County to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with each National Repository (unless the Annual Report is filed through the Central Post Office) or the MSRB and the State Repository, with copies to the Issuer and the County. Notwithstanding the foregoing, notice of Material Events described in paragraphs (4) and (5) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Series 2008-1 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 Agreement. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County.

## **MISCELLANEOUS PROVISIONS**

***Central Post Office.*** The Issuer may use, and authorizes and directs the Dissemination Agent to use, the Central Post Office for the submission of Annual Reports and Material Events notices for so long as there is any Central Post Office recognized, authorized or approved by the Securities and Exchange Commission. Submission of an Annual Report or a Material Events notice by the Issuer or the Dissemination Agent to the Central Post Office shall be deemed to satisfy the Issuer's or the Dissemination Agent's obligations under the continuing Disclosure Instructions with respect to that Annual Report or Material Events notice.

***Termination of Reporting Obligation.*** The County's obligations under the Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2008-1 Bonds. If the County's obligations 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 Agreement in the same manner as if it were the County, and the County shall have no further responsibility. If such termination or substitution occurs prior to the final maturity of the Series 2008-1 Bonds, the County shall give notice of such termination or substitution in the same manner as for a Material Event

***Amendment; Waiver.*** The Issuer, the County and the Dissemination Agent, if any, may amend the Disclosure Agreement (and the Dissemination Agent shall not unreasonably refuse to execute any amendment so requested by the Issuer or the County) and any provision of the Disclosure Agreement may be waived, provided that: (a) Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer, the County and the Dissemination Agent, if any, with its opinion that the undertaking of the County, 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 of the Disclosure; (b) If the amendment or waiver relates to the Annual Report or a Material Event, such amendment or waiver may only be made in connection with a change in circumstances that arises from a change in law or legal requirements, or change in the identity, nature or status of an obligated person with respect to the Series 2008-1 Bonds, or the type of business conducted; and (c) the amendment or waiver is either (1) approved by the Owners of the Series 2008-1 Bonds in the same manner as provided in the Bond Resolution with consent of the Owners, or (2) does not in the opinion of Bond Counsel materially impair the interests of the Owners or Beneficial Owners of the Series 2008-1 Bonds.

In the event of any amendment or waiver, the County shall describe such amendment 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 County. 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 in 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 County from disseminating any other information, using the means of dissemination set forth in the Disclosure Agreement 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 Agreement.

***Noncompliance.*** In the event of a failure of the Issuer, the County or the Dissemination Agent, if any, to comply with any provision of the Disclosure Agreement, the Participating Underwriter or any Beneficial Owner of the Series 2008-1 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 Agreement. Noncompliance with the provisions of the Disclosure Agreement shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under the Disclosure Agreement in the event of any failure of the Issuer, the County or the Dissemination Agent, if any, to comply with the Disclosure Agreement shall be an action to compel performance.

***Beneficiaries.*** The Disclosure Agreement shall inure solely to the benefit of the Issuer, the County, the Dissemination Agent, if any, the Participating Underwriter and Beneficial Owners from time to time of the Series 2008-1 Bonds, and shall create no rights in any other person or entity.

***Governing Law.*** The Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.