

OFFICIAL STATEMENT

NEW ISSUE BOOK-ENTRY ONLY

BANK QUALIFIED NOT RATED

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 Bonds is excluded from gross income for federal income tax purposes, 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 Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "LEGAL MATTERS - Opinion of Bond Counsel" herein.

\$2,400,000
STEVENS COUNTY, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2006

Dated: March 1, 2006

Due: March 1, As shown below

The General Obligation Bonds, Series 2006 (the "Bonds") will be issued by Stevens County, Kansas (the "Issuer"), as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof (the "Authorized Denomination"). Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Bonds. Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as paying agent and bond registrar (the "Paying Agent" and "Bond Registrar"). Interest payable on each Bond shall be paid to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date by check or draft of the Paying Agent mailed to such registered owner or, in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners. Principal of the Bonds will be payable on each March 1, beginning in 2008, and semiannual interest will be payable on March 1 and September 1, beginning on March 1, 2007.

The Bonds and the interest thereon will constitute general obligations of the Issuer, payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer.

MATURITY SCHEDULE

<u>Stated Maturity</u>	<u>Principal</u>	<u>Interest</u>		<u>CUSIP⁽¹⁾</u>
<u>March 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Price</u>	<u>Base: 860197</u>
2008	\$440,000	3.485%	PAR	AR 3
2009	460,000	3.545%	PAR	AS 1
2010	480,000	3.605%	PAR	AT 9
2011	500,000	3.665%	PAR	AU 6
2012	520,000	3.725%	PAR	AV 4

⁽¹⁾ 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 Bonds. Neither the Issuer nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

(All plus accrued interest, if any)

The Bonds are offered when, as and if issued by the Issuer, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. Certain other legal matters will be passed upon by Robert E. Johnson II, Esq., counsel for the Issuer. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about March 16, 2006.

CITIZENS STATE BANK, HUGOTON, KANSAS

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

The date of this Official Statement is March 14, 2006.

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

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

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

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

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

STEVENS COUNTY, KANSAS

County Courthouse
200 East 6th Street
Hugoton, Kansas 67951
(620) 544-2541

BOARD OF COUNTY COMMISSIONERS

Gary Baker, Chairman

David Bozone, Commissioner
Melvin Webb, Commissioner

ADMINISTRATIVE OFFICERS

COUNTY CLERK

Pam Bensel

COUNTY TREASURER

Connie Gold

ISSUER'S COUNSEL

Robert E. Johnson, II, Esq.
Hugoton, Kansas

FINANCIAL ADVISOR

Gold Capital Management, Inc.,
Wichita, Kansas

BOND COUNSEL

Gilmore & Bell, P.C.,
Wichita, Kansas

CERTIFIED PUBLIC ACCOUNTANTS

Lewis, Hooper & Dick, LLC,
Garden City, Kansas

CONSULTING ENGINEERS/ARCHITECTS

Gibson, Mancini, Carmichael & Nelson, P.A.
Garden City, Kansas
and
Fiss Architecture/Design, P.A.
Hugoton, Kansas

UNDERWRITER

Citizens State Bank
Hugoton, Kansas

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

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OFFICIAL STATEMENT
\$2,400,000
STEVENS COUNTY, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2006

INTRODUCTION

General Matters

The purpose of this Official Statement is to furnish information relating to Stevens County, Kansas (the "Issuer" or the "County"), and the General Obligation Bonds, Series 2006 (the "Bonds"), of the Issuer, dated March 1, 2006, to be issued in the principal amount of \$2,400,000.

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

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

The materials contained on the cover page, in the body and in the Appendices to this Official Statement are to be read in their entirety. Except for the information expressly attributed to other sources deemed to be reliable, all financial and other information presented herein has been compiled by the County. The presentation of information herein, including tables of receipts from various taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer. 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. Bond Counsel has not assisted in the preparation nor reviewed this Official Statement, except to the extent described under the section captioned "LEGAL MATTERS" and accordingly Bond Counsel expresses no opinion as to the accuracy or sufficiency of any other information contained herein.

Definitions

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in "**APPENDIX C – SUMMARY OF FINANCING DOCUMENTS – THE BOND RESOLUTION - DEFINITIONS.**"

Continuing Disclosure

The Securities and Exchange Commission (the "SEC") has promulgated amendments to Rule 15c2-12 (the "Rule"), requiring continuous secondary market disclosure. In the Bond Resolution, hereinafter defined, the Issuer has covenanted to provide, upon request, certain financial information and operating data; and to file the same with the State Repository, if any; and to file notices of material events in order to comply with the provisions of the Rule. Requests for copies of such financial information and operating data can be made to the Clerk of the Issuer at the address set forth in the preface to this Official Statement. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Bonds. The Issuer has complied with all previous undertakings under the Rule. For more information regarding the Issuer's continuing disclosure undertaking, see "**APPENDIX C – SUMMARY OF FINANCING DOCUMENTS – THE CONTINUING DISCLOSURE INSTRUCTIONS.**"

Additional Information

Additional information regarding the Issuer or the Bonds may be obtained from the Clerk of the Issuer at the address set forth in the preface to this Official Statement, or from the Financial Advisor, Gold Capital Management, Inc., 245 N. Waco, Suite 525, P.O. Box 205 Wichita, Kansas, Attention: Robert L. Schaeffer (785) 271-1092 or via e-mail at bobschaeffer@juno.com.

THE BONDS

Authority for the Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State 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. 19-15,115 *et seq.*, as amended and supplemented from time to time (the "Act"), and a resolution adopted by the governing body of the Issuer on March 7, 2006 (the "Bond Resolution").

Security for the Bonds

The Bonds shall be general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are hereby irrevocably pledged for the prompt payment of the principal of and interest on the Bonds as the same become due.

Description of the Bonds

The Bonds shall consist of fully registered book-entry-only 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 Bonds shall be dated March 1, 2006, shall become due in the amounts, on the Stated Maturities, and without option of prior redemption and payment prior to their Stated Maturities, and shall bear interest at the rates per annum set forth on the cover page of this Official Statement. The 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 the Bond Resolution. The Issuer reserves the right to appoint a successor paying agent or bond registrar. No resignation or removal of the paying agent or bond registrar shall become effective until a successor has been appointed and has accepted the duties of paying agent or bond registrar. Every paying agent or bond registrar appointed by the Issuer shall at all times meet the requirements of Kansas law.

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

Method and Place of Payment of the Bonds

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

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

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

payment. The Paying Agent shall notify the Issuer of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Bond entitled to such notice not less than 10 days prior to such Special Record Date.

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

Payments Due on Saturdays, Sundays and Holidays

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

Book-Entry Bonds; Securities Depository

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

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

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

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

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

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the Issuer may appoint a successor Securities Depository provided the Bond Registrar receives written evidence satisfactory to the Bond Registrar with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing

agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of the Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Bond Resolution.

Registration, Transfer and Exchange of Bonds

As long as any of the Bonds remain Outstanding, each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register. Bonds may be transferred and exchanged only on the Bond Register as hereinafter provided. Upon surrender of any Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

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

The Issuer and the Bond Registrar shall not be required to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Nonpresentment of Bonds

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

Redemption Provisions

The Bonds shall **not** be subject to optional redemption and payment prior to their Stated Maturity.

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each scheduled maturity of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Direct Participants and Indirect Participants (collectively, the "Participants") are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by 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 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 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 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.

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

Distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on 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 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.

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

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

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

THE PROJECTS

The Bonds are being issued for the purpose of providing permanent financing for the construction of certain Law Enforcement Center improvements (the "Improvements"), including the following: (i) approximately 26,000 square foot building with a 44-bed double occupancy capacity detention center, prison common areas, visitation rooms, hearing room, offices for use by law enforcement personnel, break room and related areas for law enforcement officers, (ii) adjacent drives and parking areas, (iii) furnishings, appliances and equipment, (iv) landscaping and (v) making all other necessary improvements appurtenant thereto. The estimated cost, including financing, of the Improvements is \$5,990,000.

The Improvements and the issuance of the Bonds was authorized by an election of the registered voters of the County held on November 8, 2005. Pursuant to K.S.A. 19-15,116 *et seq.*, the registered voters of the County approved the construction of the Improvements and the issuance of \$2,400,000 of general obligation bonds to finance a portion of the costs of the Improvements. The balance of the costs of the Improvements will be paid from available funds of the County.

SOURCES AND USES OF FUNDS

The following table itemizes the sources and uses of funds available for such Improvements, including the proceeds from the sale of the Bonds, exclusive of accrued interest.

Sources of Funds:	
Principal Amount of the Bonds	\$2,400,000
Available funds of the Issuer	3,589,578
Total	\$5,989,578
Uses of Funds:	
Construction	\$5,296,400
Equipment and Furnishings	12,000
Engineering/architectural fees	379,208
Contingency	263,720
<i>Subtotal</i>	<i>\$5,951,328</i>
Legal, financial, printing, registration and miscellaneous costs of issuance	38,250
Total	\$5,989,578

RISK FACTORS AND INVESTMENT CONSIDERATIONS

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

Taxation of Interest on the Bonds

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

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

Market for the Bonds

Lack of Bond Rating. The Bonds are **not** rated and no application has been made for a rating.

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

Legal Matters

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

Limitations on Remedies Available to Owners of Bonds

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

Suitability of Investment

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

BOND RATINGS

The Issuer has **not** applied for a rating on the Bonds herein offered for sale.

ABSENCE OF LITIGATION

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

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

LEGAL MATTERS

Approval of Bonds. All matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Issuer and its certified public accountants, as referred to herein. Bond Counsel has participated in the preparation of the matters appearing in the sections of this Official Statement captioned "THE BONDS," "LEGAL MATTERS," "**APPENDIX C - SUMMARY OF FINANCING DOCUMENTS.**" Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Bonds. Certain legal matters have been passed on for the Issuer by Robert E. Johnson, II, Esq.

Opinion of Bond Counsel

Federal Tax Exemption. In the opinion of Bond Counsel, under existing law, the interest on the 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 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 has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds are "qualified tax-exempt obligations" for purposes of Code §265(b)(3), and, in the case of certain financial institutions (within the meaning of Code §265(b)(5)), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

Kansas Tax Exemption. The interest on the 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 Bonds. However, prospective purchasers of the Bonds should be aware that there may be tax consequences of purchasing the 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 Bonds, except with respect to certain financial institutions (within the meaning of Code §265(b)(5)); (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 Bonds; (c) interest on the 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 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 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of the Bonds should consult their own tax advisors as to the applicability of these tax consequences.

FINANCIAL ADVISOR

Gold Capital Management, Inc., Wichita, Kansas, has acted as Financial Advisor to the Issuer in connection with the sale of the Bonds. The Financial Advisor has assisted the Issuer in matters relating to the issuance of the Bonds. The Financial Advisor retains the right to bid on the Bonds and has received written consent to do so from the Issuer. The fees of the Financial Advisor are contingent upon the issuance of the Bonds.

UNDERWRITING

The Bonds have been sold at public sale by the Issuer to Citizens State Bank, Hugoton, Kansas (the "Underwriter") on the basis of lowest net interest cost. Five bids were received by the Issuer. The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a price equal to 100% of the principal amount of the Bonds, plus accrued interest from the Dated Date to the Issue Date.

AUTHORIZATION OF OFFICIAL STATEMENT

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

STEVENS COUNTY, KANSAS

By _____
Gary Baker, Chairman

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APPENDIX A

INFORMATION CONCERNING THE ISSUER

GENERAL

Size and Location

The county seat of Stevens County is located in Hugoton, Kansas, approximately 32 miles Northwest of Liberal, Kansas. The County encompasses approximately 728 square miles and has a current estimated population of 5,389 persons. Two cities and two townships are located within the County's boundaries.

Government and Organization of the County

The County is a political subdivision of the State of Kansas.

The County is governed by a legislative body consisting of a three member Board of County Commissioners (the "Board"), elected to 4 year staggered terms. The Board which performs both executive and legislative functions, is responsible for all policy and executive decisions regarding county government. Other elected officials include the County Clerk, Treasurer, Sheriff, County Attorney and Register of Deeds.

Municipal Services and Utilities

Water and sewer utility systems are provided by the cities of Hugoton and Moscow located within the County.

The County has 9 sworn sheriff's officers which provide continuous full-time protection to the County. Additionally, the County operates an ambulance service for the area.

Transportation and Communication Facilities

Stevens County, Kansas is served by U.S. Highway 56 and Kansas Highways 25 and 51. Rail service is provided by the Burlington Northern & Santa Fe Railroads.

Educational Institutions and Facilities

The County is served by Unified School District Nos. 209 and 210, with a combined total enrollment of approximately 1,236 students. Unified School District No. 507 (Satanta) also serves a portion of Stevens County residents, but its operations are located in Haskell County. Additionally, one private school is located in the City of Hugoton offering preschool through 8th grade. Fort Hays State University is located in Hays, Kansas within 190 miles of the County and has a current estimated student enrollment of over 5,000 students.

Medical and Health Facilities

Stevens County Hospital, located in the City of Hugoton, Kansas was constructed and opened on July 9, 1950, with major expansions and renovations in 1976 and 1998. The facility currently maintains 15 acute care and 10 swing beds for a total of twenty-five beds, and it offers a range of primary care services with specialty outreach clinics. Primary care services offered include general medical/surgical care, swing-bed, mammography, home health, medical clinic, ultrasound, CT scan, home oxygen and equipment, and utilization review services. Lifeline services are available through the Hospital.

The mission of Stevens County Hospital is to serve the community with quality health care in an atmosphere of warmth, compassion, and respect while responsibly managing our resources for future generations. The motto adopted for the hospital is "Healthcare for the Heartland."

General medical-surgical care, skilled nursing care (wing-bed), breast cancer screening/mammograms, emergency department, fitness center, health fair, health screenings, home health services, hospital-based outpatient care center/services, occupational health services, outpatient surgery, patient education center, ultrasound, CT scan, social work services, support groups, and durable medical equipment.

Currently, the Hospital employs 103 full time employees, including 2 physicians, 27 licensed nurses (RN and LLP) and 9 nurses aides. Linda Stalcup is the administrator and she has nine (9) years experience in Hospital administration. The Hospital is operated by a Board of Trustees that is currently comprised of the following members:

Richard Farrar--President
 Robin Sullivan--Secretary
 Ron McFarland--Treasurer
 Shirley Kramer
 Jeff Sarchet

One adult care home in the County provides 80 beds for adult care services.

Recreational, Cultural and Religious Facilities

There is recreation available in the area including sporting events, parks, a swimming pool, golf course and clubhouse and tennis courts. Additionally, the Stevens County Gas & Historical Museum is located in the City of Hugoton. 19 churches serve the community. The City of Hugoton is filled with opportunities for enjoying a broad spectrum of activities. A variety of interests are met by the Hugoton Recreation Commission, whose full-time director coordinates a wide range of activities enjoyed by all age groups. Every fall hundreds of pheasant hunters journey to the Hugoton area in order to try to bag this elusive game bird and to be a part of the longest tail feather contest. There is also deer, elk, turkey, quail and dove hunting.

ECONOMIC INFORMATION

Agriculture

Agriculture was the first industry in Stevens County and today 425 farmers cultivate approximately 394,000 acres of farmland. Over 150,000 of those acres are under irrigation. Local crops include grain sorghum, wheat, corn, alfalfa, soybeans and sunflowers. Over 75,000 acres of grassland, combined with local crop forage supports 6,000 head of cattle year round. Several thousand are wintered on wheat pasture, and over 100,000 head are fed in local feedlots annually.

Natural Gas

The Hugoton Gas Field was discovered in 1926. This vast natural deposit is the largest in the United States. Over 5,300 wells in Kansas produce from 3,600 to 4,000 billion cubic feet of natural gas per year.

Major Employers

Listed below are the major employers located in County and the number employed by each:

<u>Major Employers</u>	<u>Number of Full & Part-time Employees</u>
1. U.S.D. No. 210	160
2. Seaboard Farms	128
3. Stevens County	125
4. Martin Bros./SW Express	118
5. Stevens County Hospital	108
6. Pioneer Manor	105
7. Anadarko	51
8. U.S.D. No. 209	44
9. Hammer Construction	35
10. City of Hugoton	35

Source: County Clerk

Labor Force

The following table sets forth labor force figures for Stevens County and the State of Kansas:

STEVENS COUNTY

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>
2000	2,686	2,621	65	2.4%
2001	2,502	2,432	70	2.8%
2002	2,376	2,313	63	2.7%
2003	2,658	2,603	55	2.1%
2004	2,476	2,372	104	4.2%

STATE OF KANSAS

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>	<u>Worker/Non- Worker Ratio</u>
2000	1,408,587	1,356,000	52,261	3.7%	1.01
2001	1,408,800	1,348,506	60,294	4.3%	1.00
2002	1,425,342	1,351,738	73,604	5.2%	.99
2003	1,447,487	1,366,063	81,424	5.6%	1.01
2004	1,463,945	1,383,655	80,290	5.5%	1.02
2005*	1,471,077	1,395,454	75,623	5.1%	Not Available

*As of November, 2005

Source: Kansas Department of Labor

Agriculture

The following table lists the total value of field crops and livestock/poultry produced in Stevens County for the years listed.

<u>Year</u>	<u>Total Value of Field Crops (\$000)</u>	<u>Total Value Of Livestock/Poultry (\$000)</u>	<u>Total</u>
1997	64,283	54,005	118,288
1998	59,197	47,974	107,171
1999	64,243	48,338	112,581
2000	65,336	55,001	120,337
2001	66,469	28,666	95,135
2002	60,975	N/A	60,975
2003	72,535	N/A	72,535

Source: Kansas Statistical Abstract

Retail Sales Tax Collections

The following table lists State of Kansas sales tax collections for the years indicated for sales occurring in Stevens County, Kansas:

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2000	1,813,013	317.65
2001	1,931,721	342.89
2002	1,740,786	222.21
2003	1,986,806	343.05
2004	2,077,899	379.96

Source: Kansas Statistical Abstract

Local Option Sales Tax

The following table provides the amount of the City of Hugoton's local sales tax collected and received by the County during the years indicated. The County did not receive any local sales tax after the year of 2002.

<u>Year</u>	<u>Receipts</u>
2000	\$335,807.40
2001	339,689.49
2002	309,381.11

Source: County Clerk

Oil Production

The oil production (in number of barrels) for Stevens County for the years listed is indicated in the following table:

<u>Year</u>	<u>Oil Production</u>
2000	655,782
2001	620,347
2002	640,523
2003	744,065
2004	548,140

Source: Kansas Statistical Abstract

Financial and Banking Institutions

There are currently three banks located in Stevens County. For the years listed, bank deposits of the County's banks are as follows (in thousands of dollars):

<u>Year</u>	<u>Total Bank Deposits</u>
1999	91,459
2000	85,914
2001	84,768
2002	87,678
2003	93,823
2004	87,589

Source: Kansas Statistical Abstract

Building Permits

The following table indicates the number of building permits and total valuation of these permits issued within the County for the years indicated. These numbers reflect permits issued either for new construction or for major renovation.

<u>Year</u>	<u>Number of Permits Issued</u>		<u>Total Valuation</u>	
	<u>Residential</u>	<u>Non-Residential</u>	<u>Residential</u>	<u>Non-Residential</u>
2000	10	34	126,918	144,283
2001	39	21	(not available)	(not available)
2002	36	18	120,762	295,881
2003	7	29	(not available)	(not available)
2004	6	26	(not available)	(not available)

Source: County Clerk

Population Trends

The following table shows the approximate population of Stevens County in the years indicated:

<u>Year</u>	<u>Stevens County Population</u>
1960	4,400
1970	4,198
1980	4,736
1990	5,048
2000	5,459
2001	5,363
2002	5,326
2003	5,338
2004	5,520
2005	5,389

The median age of persons in Stevens County and the State of Kansas is 33.6 and 35.2, respectively, per the 2000 Census.

Source: 1960, 1970, 1980, 1990 and 2000 - U.S. Census Data
2001-2004 - Kansas Statistical Abstract; 2005-County Clerk

Personal Income Trends

Stevens County personal and per capita income and the State of Kansas per capita income are listed for the years indicated, in the following table.

<u>Year</u>	<u>Stevens County Personal Income*</u>	<u>Stevens County Per Capita Income</u>	<u>State of Kansas Per Capita Income</u>
1998	\$144,449	\$26,129	\$25,483
1999	149,099	26,458	26,195
2000	149,713	25,578	27,694
2001	132,086	23,573	28,432
2002	126,366	21,517	28,905
2003	126,366	23,673	29,438
2004	Not Available	Not Available	30,811

**Thousands of dollars*

Source: Kansas Statistical Abstract

FINANCIAL INFORMATION

Accounting, Budgeting and Auditing Procedures

The County follows a cash receipts and disbursement basis of accounting which is adjusted for the issuing of statements, to the accrual or modified accrual basis, as appropriate.

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

Kansas law prohibits governmental units from creating indebtedness unless there are funds on hand in the proper accounts and unencumbered by previous action with which to pay such indebtedness. An exception to this cash-basis

operation is made where provision has been made for payment of obligations by bonds or other specific debt obligations authorized by law.

The financial records of the County are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by Lewis, Hooper & Dick, LLC, Garden City, Kansas. Copies of the audit reports for the past five (5) years are on file in the Clerk's office and are available for review. The audit for the Fiscal Year ended 2004 is attached hereto as *Appendix B*.

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments* in June 1999, which established new requirements for the annual financial reports of state and local governments. Among the major changes embodied in Statement 34, governments will now be required to a) report on the overall state of the government's financial health, not just its overall "funds" in a newly required Management's Discussion and Analysis (MD&A), b) provide the most complete information available about the cost of delivering services to their citizens in the annual report which will now also include financial statements prepared using full accrual accounting for all of the government's activities, c) include information about the government's public infrastructure assets -- such as bridges, roads and storm sewers, and d) prepare an introductory narrative section analyzing the government's financial performance. The new GASB standard will take effect for larger governments (\$100 million plus in revenues) beginning with fiscal years ending after June 15, 2002. Medium-sized governments (between \$10 and \$100 million in revenue) will apply the Statement beginning with fiscal years ending after June 15, 2003 and smaller governments (under \$10 million in revenue) beginning with fiscal years ending after June 15, 2004.

The County implemented GASB Statement No. 34 for its financial statements for the fiscal year ending on December 31, 2002.

The financial information contained in the Appendices to this Official Statement are an integral part of this document and are intended to be read in conjunction herewith.

Sources of Revenue

The County finances its general operations through the local property tax levy, various other taxes, a variety of license and permit fees, and other miscellaneous sources as indicated below for the 2004 Fiscal Year:

<u>Source</u>	<u>Percent</u>
Local property tax	48.528%
License and permits	2.779%
Miscellaneous	26.079%
Unencumbered Cash	22.614%

Source: County Clerk

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 under the direction of state statutes. The Stevens County Appraiser's office determines the assessed valuation that is to be used as a basis for the mill levy on property located in the City.

All property in the state of Kansas has been reevaluated as a result of a bill passed by the 1985 session of the Kansas Legislature requiring county appraisers to reassess property for tax purposes, with an effective date of January 1, 1989. In conjunction with the November 1986 general election, Kansas voters approved a proposition to modify the state constitution with respect to classification of property for ad valorem taxation. For taxable years 1989 through 1992, real and personal property was divided into classes and assessed at different percentages of fair market value. Land devoted to agricultural use was valued on the basis of its agricultural income or productivity and assessed at 30% of the value so obtained; commercial and industrial machinery and equipment was assessed at 20% of its fair market value; residential property and vacant lots were assessed at 12% of fair market value; and all other property was assessed at 30% of fair market value. Farm machinery and equipment, merchants' and manufacturers' inventories, and livestock were exempt from property taxation.

In conjunction with the November, 1992 general election, Kansas voters approved a proposition to further modify the state constitution with respect to classification of property for ad valorem taxation. The modified classification provisions shall be effective for assessment and taxation of property on and after January 1, 1993 and each year thereafter. 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 mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, 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, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 20%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, 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, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, 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, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

Assessed Valuation

The following table shows the assessed valuation of the taxable tangible property within the County for the following years:

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicles</u>	<u>Total Valuation</u>
1996	\$27,209,375	\$256,410,854	\$31,967,973	\$7,070,950	\$322,659,152
1997	31,432,922	314,344,375	30,007,656	7,262,308	383,047,261
1998	32,963,991	347,048,509	29,004,482	7,367,639	416,384,621
1999	32,804,135	243,513,892	37,119,327	7,480,629	320,917,983
2000	32,296,628	197,724,390	35,876,300	7,097,555	272,994,873
2001	33,379,115	265,189,479	32,171,386	7,301,704	338,041,684
2002	33,786,557	221,662,080	34,482,137	7,079,418	297,010,192
2003	33,520,719	184,573,452	24,889,571	7,582,626	250,566,368
2004	33,167,776	220,061,574	31,523,629	7,680,721	292,433,700
2005	32,914,379	287,042,833	34,876,841	7,751,277	362,585,330

Source: County Clerk

Property Tax Levies and Collections

Tax Collections:

Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before June 20 of the following year. The 2003 Legislature authorized the Governor to advance the required June 20 payment to be made on or before May 10. The Governor has now exercised such authority and published notice of such advancement. Taxes that are unpaid on the due dates are considered delinquent and accrue interest at a per annum rate established by State law until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale on or before August 1 of each year and is sold by the County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within two years after the tax sale are subject to foreclosure sale, except homestead properties which are subject to foreclosure sale after three years.

Personal taxes are due and may be paid in the same manner as real estate taxes, with the same interest applying to delinquencies. If personal taxes are not paid when due, and after written notice, warrants are issued and placed in the hands of the Sheriff for collection. If not paid on or before October 1, legal judgment is entered and the delinquent tax becomes a lien on the property. Unless renewed, a non-enforced lien expires five years after it is entered.

Motor vehicle taxes are collected periodically throughout the year concurrently 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.

Tax Rates:

The County may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the County and the assessed valuations provided by the County appraiser. Prior to July 1, 1999, tax levies were further restricted by a state aggregate tax lid. The funds of the County restricted by such tax lid included the general fund, capital improvement funds and special improvement funds. Levies not effected by such tax lid included debt service payments on bonds, notes and no fund warrants; payments made to a public building commission; expenses related to tort claim liability, employer contributions for employee retirement, health care and benefit programs, expenses incurred for rebates to owners of property in connection with neighborhood revitalization programs and certain expenses incurred for the by cities in administering juvenile delinquency and crime programs. Effective July 1, 1999, the aggregate tax lid is no longer in effect.

The following table shows the County's mill levies by fund (per \$1000 of assessed valuation) for each of the years indicated and the current year:

<u>Year</u>	<u>General Fund</u>	<u>Road/Bridge Fund</u>	<u>Hospital Fund</u>	<u>G.O. Bonds</u>	<u>Home Health</u>	<u>Misc. Funds</u>	<u>Total Levy</u>
1996/97	2.820	6.120	5.990	-	-	7.990	22.920
1997/98	2.100	5.800	6.000	-	-	7.020	20.920
1998/99	3.110	5.640	4.610	1.390	-	7.100	21.940
1999/00	4.880	7.809	4.512	1.464	-	8.680	27.341
2000/01	6.075	8.823	4.117	1.878	-	10.602	31.495
2001/02	5.999	8.468	4.549	1.450	-	8.489	28.955
2002/03	7.214	9.196	4.155	1.697	.078	9.675	32.015
2003/04	7.763	10.564	3.952	2.048	.079	12.378	36.784
2004/05	9.885	10.145	3.440	1.795	.069	11.500	36.834

Source: County Clerk

Aggregate Tax Levies:

The aggregate tax levies (per \$1000 assessed valuation) of the County and underlying jurisdictions for the years indicated are included in the following table:

<u>Jurisdiction</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Stevens County	36.834	36.784	32.015	28.955	31.495	27.341
City of Hugoton	42.836	43.086	40.099	41.613	38.157	38.958
City of Moscow	43.461	62.766	35.483	37.159	27.906	27.950
U.S.D. 209	32.361	32.472	32.759	31.440	31.949	31.127
U.S.D. 210	30.052	30.468	30.083	29.097	31.210	26.672
U.S.D. 507	29.428	29.048	29.369	28.349	29.699	28.924
Cemetery District (Hugoton)	.283	.333	.277	.266	.329	.273
Cemetery District (Moscow)	1.109	1.966	1.280	1.284	1.615	1.561

Source: County Clerk

Tax Collection Record:

The following table sets forth tax collection information for the County for the years indicated:

<u>Year</u>	<u>Total Taxes Levies</u>	<u>Current Taxes Collected</u>	
		<u>Amount</u>	<u>Percentage</u>
1996/97	21,266,931	21,313,976	100.20
1997/98	22,052,664	22,004,580	99.80
1998/99	21,258,964	21,318,370	100.30
1999/00	18,221,828	18,336,974	100.60
2000/01	17,688,019	17,804,206	100.70
2001/02	20,479,914	20,531,125	100.30
2002/03	19,199,948	19,165,813	99.82
2003/04	17,510,955	18,019,051	103.00
2004/05	20,263,039	20,249,445	99.93

Source: County Clerk

Major Taxpayers:

The following table sets forth the ten largest taxpayers in the County for taxes levied in the most recent tax collection period:

<u>Taxpayer</u>	<u>Taxes Paid</u>
1. Exxon Mobile Corporation	\$7,251,693.70
2. Anadarko Petroleum Corp	3,388,907.01
3. Pioneer Natural Resources	2,060,798.92
4. Anadarko Gathering Inc.	899,782.41
5. Merit Energy	711,974.29
6. Oxy USA, Inc.	597,582.09
7. Northern Natural Gas Co.	538,715.57
8. Four Star Oil & Gas Company	493,343.20
9. Oneok Gas Processing	410,826.72
10. Mobile E & P Development Fund	341,529.52

Source: County Clerk

Risk Management

The County is insured against the risks arising from general liability by the Kansas Company Association Multi-line Pool (KCAMP).

History of Employment

The following table indicates the history of the Issuer's employment for the years indicated.

<u>Year</u>	<u>Total Full-Time Employees</u>	<u>Total Part-Time Employees</u>	<u>Total</u>
2001	78	61	139
2002	64	118	182
2003	65	89	154
2004	79	106	185
2005	74	66	140

Source: County Clerk

Pension and Employee Retirement Plans

The County participates in the Kansas Public Employees Retirement System (KPERs) established in 1962, as an instrumentality of the State, pursuant to K.S.A. § 74-4901 *et seq.*, to provide retirement and related benefits to public

employees in Kansas. KPERS is governed by a board of trustees consisting of nine members, including four members appointed by the Governor subject to confirmation by the State Senate, one appointed by the President of the Senate, one appointed by the Speaker of the House of Representatives, two elected by members and retirants of the retirement system, which must be members of such system, and the State Treasurer. Members of the board of trustees serve four-year terms and elect a chairperson annually. The board of trustees appoints an Executive Director to serve as the managing officer of KPERS and employs a staff of approximately 85 people.

As of June 30, 2004, KPERS served approximately 237,123 members and more than 1,400 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees:

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

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

- (a) *State/School Group* - includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, 85% of which comes from the State General Fund. State legislation enacted in 2003 made certain pre-1962 Board employees (which are part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the "TIAA Group"), special members of the State/School Group.
- (b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate. State legislation enacted in 2003 made certain pre-1962 employees of the University of Kansas Hospital Authority (which are a part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the "TIAA Group"), special members of the Local Group.

KPERS is a qualified, governmental, Section 401(a) defined benefit pension plan, and has received IRS determination letters attesting to the plan's qualified status dated October 14, 1999 and March 5, 2001. KPERS is also a "contributory" defined benefit plan, meaning that employees make contributions to the plan. This contrasts it from noncontributory pension plans (more common in the private sector), which are funded solely by employer contributions. The County's employees annually contribute 4% of their gross salary to the plan. The County's contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. Currently, the County's contribution is 4.61% of the employee's gross salary.

DEBT STRUCTURE

Debt Summary

The following table summarizes certain key statistics with respect to the Issuer's general obligation debt, including the Bonds:

Debt Summary (As of March 1, 2006)

Estimated Actual Fair Market Value of Tangible Property ¹	1,189,765,452
Equalized Assessed Valuation of Tangible Valuation for Computation of Bonded Debt Limitations	362,585,330
Legal limitation of Bonded Debt ²	10,877,559
Outstanding General Obligation Debt	4,120,000
Statutory Exempt Debt	1,440,000
Net Debt against Debt Limit Capacity	2,680,000
Additional Debt Capacity	8,197,559
Direct Debt Per Capita (Population = 5,389)	764.52
Direct and Overlapping Debt Per Capita	1,152.86
Direct Debt as a Percentage of Assessed Valuation	1.136%
Direct and Overlapping Debt as a Percentage of Assessed Valuation	1.713%
Statutory Direct Debt as a Percentage of Assessed Valuation	0.739%
Direct Debt as a Percentage of Actual Fair Market Value	0.0035%
Direct and Overlapping Debt as a Percentage of Actual Fair Market Value	0.0052%

¹See "Property Valuations" *infra*

²K.S.A. 10-301 *et seq.*

Current Indebtedness of the Issuer

The following table sets forth as of the date of issuance of the Bonds all of the outstanding obligations of the Issuer including the Bonds:

GENERAL OBLIGATION BONDS

<u>Category of Indebtedness</u>	<u>Series</u>	<u>Dated Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
General Obligation Bonds	A, 2001	2/15/2001	\$200,000	100,000
General Obligation Hospital Refunding Bonds	2003	07/15/2003	\$2,390,000	1,440,000
General Obligation Bonds	2005A	02/15/2005	200,000	180,000
General Obligation Bonds	2006	03/01/2006	2,400,000	2,400,000
		Total		4,120,000

REVENUE OBLIGATIONS

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
County Health Care Facility Refunding Revenue Bonds	2003	06/15/2003	07/01/2011	\$1,375,000	\$1,025,000
		Total			<u>\$1,025,000</u>

Source: Clerk

History of General Obligation Indebtedness

The following table sets forth general obligation debt information pertaining to the Issuer as of the end of each of the years indicated:

<u>Year</u>	<u>Total Debt</u>	<u>Debt As Percentage of Assessed Value</u>	<u>Debt Per Capita</u>
1998	\$1,398,430.22	.336	261.54
1999	5,349,874.75	1.667	1,000.54
2000	5,351,967.50	1.960	980.39
2001	4,807,711.25	1.422	896.46
2002	4,424,847.50	1.490	830.80
2003	3,818,645.00	1.524	715.37
2004	4,987,572.50	1.706	903.55
2005	4,137,738.75	1.141	767.81

Source: County Clerk

The County has never in its history defaulted on the payment of any of its debt obligations.

General Obligation Debt Service Requirements

The following debt service schedule shows the yearly principal and interest requirements for all outstanding general obligation indebtedness of the Issuer, including the Bonds.

Debt Service Schedule

<u>Year</u>	<u>Outstanding Bonds</u>		<u>Series 2006 Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$520,000	\$27,060	-	-	\$547,060.00
2007	555,000	19,560	-	129,960.00	704,520.00
2008	465,000	9,775	440,000	78,973.00	993,748.00
2009	40,000	-	460,000	63,152.50	563,152.50
2010	40,000	-	480,000	46,347.00	566,347.00
2011	40,000	-	500,000	28,532.50	568,532.50
2012	20,000	-	520,000	9,685.00	549,685.00
2013	20,000	-	-	-	20,000.00
2014	20,000	-	-	-	20,000.00
2015	20,000	-	-	-	20,000.00

Source: County Clerk

Underlying Indebtedness

The following table sets forth underlying indebtedness as of March 1, 2006, and the percent attributable (on the basis of assessed valuation) to the County:

<u>Taxing Jurisdiction</u>	<u>Assessed Valuation</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to Issuer</u>	<u>Amount Applicable to Issuer</u>
U.S.D. No. 210 (Hugoton)	N/A	-0-	-0-	\$0
U.S.D. No. 209 (Moscow)	N/A	-0-	-0-	0
U.S.D. No. 507 (Satanta)	N/A	-0-	-0-	0
City of Hugoton	\$14,412,383	2,092,738.75	100%	2,092,738.75
City of Moscow	N/A	-0-	-0-	0
		Total		\$2,092,738.75

Future Indebtedness

The Issuer has no plans to incur indebtedness in the near future.

APPENDIX B

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
(FOR THE FISCAL YEAR ENDED 12/31/04)**

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STEVENS COUNTY, KANSAS

**Years Ended
December 31, 2004 and 2003**

STEVENS COUNTY, KANSAS

Primary Government
Statutory Basis Financial Statements

Years Ended December 31, 2004 and 2003

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STEVENS COUNTY, KANSAS
Primary Government
Statutory Basis Financial Statements
Years Ended December 31, 2004 and 2003

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INDEPENDENT AUDITORS' REPORT

The County Commissioners
Stevens County Courthouse
Hugoton, Kansas 67951

We have audited the accompanying primary government statutory basis financial statements of Stevens County, Kansas, as of and for the year ended December 31, 2004, and the individual fund financial statements of the County as of and for the year ended December 31, 2003, as listed in the table of contents. These statutory basis financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit Guide. 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 opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government statutory basis financial statements referred to above do not include the financial data of component units of Stevens County, Kansas, as of December 31, 2004 and 2003.

As described in Note 1, the County prepared these statutory basis financial statements using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the statutory basis financial statements of the differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

CPAs

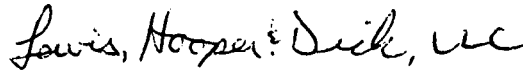
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The County Commissioners
Stevens County Courthouse
Page 2

In our opinion, because of the omission of the financial data of component units of Stevens County, Kansas, and because of the effects of the matter discussed in the preceding paragraph, the statutory basis financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Stevens County, Kansas, as of December 31, 2004 and 2003, or the results of its operations, or the cash flows of its nonexpendable trust funds for the year then ended.

However, in our opinion, the primary government statutory basis financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of Stevens County, Kansas, as of December 31, 2004, and its cash receipts, cash disbursements, and expenditures compared to budget, for the year then ended, on the basis of accounting described in Note 1. Also, in our opinion, the individual fund statutory basis financial statements as of and for the year ended December 31, 2003, present fairly, in all material respects, the unencumbered cash balances, cash receipts, and expenditures, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the primary government statutory basis financial statements of Stevens County, Kansas, taken as a whole. The accompanying financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the primary government statutory basis financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the statutory basis statements and, in our opinion, is fairly presented in all material respects in relation to the primary government statutory basis financial statements taken as a whole on the basis of accounting described in Note 1.


LEWIS, HOOPER & DICK, LLC

March 23, 2005

STEVENS COUNTY, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2004

Fund	Unencumbered Cash Balance 01-01-04	Prior Year Canceled Encumbrances	Receipts and Transfers	Expenditures and Transfers	Unencumbered Cash Balance 12-31-04	Add Payables and Encumbrances	Cash Balance 12-31-04
General							
General	\$ 2,022,200	\$ 96,004	\$ 3,180,515	\$ 4,369,289	\$ 929,430	\$ 211,789	\$ 1,141,219
Special Revenue Funds							
Agricultural Extension Council	996	-	142,542	140,000	3,538	-	3,538
Airport Maintenance	5,968	-	180,239	167,965	18,142	-	18,142
Airport Operating	90,225	-	261,869	190,421	161,673	1,782	163,455
Alcohol and Drug	9,248	-	10,474	2,850	16,872	-	16,872
Ambulance Bequest	4,484	-	300	640	4,144	-	4,144
Building	2,025,522	-	555,564	388,584	2,192,502	-	2,192,502
CDBG Micro-loan	1,103	-	-	1,103	-	-	-
Diversion	27,470	-	16,119	18,984	24,605	-	24,605
Employee Benefits	88,331	-	949,548	990,500	47,379	76,048	123,427
E911	-	-	2,299	-	2,299	-	2,299
Equipment	343,430	-	40,000	-	383,430	-	383,430
Fair Maintenance	1,546	-	97,628	96,620	2,554	-	2,554
Fire Bequest	15,171	-	4,451	4,146	15,476	-	15,476
Home for the Aged Maintenance	658	-	852,670	832,900	20,428	-	20,428
Hospital Maintenance	2,061	-	1,013,037	992,500	22,598	-	22,598
Library Maintenance	74,366	-	292,573	358,562	8,377	-	8,377
Noxious Weed	28,473	-	303,562	170,471	161,564	255	161,819
Noxious Weed Equipment	62,951	-	12,000	-	74,951	-	74,951
Prosecutors' Training	427	-	505	237	695	-	695
Register of Deeds' Technology	4,762	-	10,433	5,312	9,883	-	9,883
Road and Bridge	105,595	-	3,113,028	3,107,103	111,520	7,702	119,222
Road Machinery and Equipment	490,370	-	252,000	226,561	515,809	-	515,809
Rural Fire Equipment	1,961	-	-	-	1,961	-	1,961
Services for the Elderly	1,637	-	119,256	118,000	2,893	-	2,893
Sheriff Bequest	953	-	300	-	1,253	-	1,253
Special Highway Improvement	13,347	-	-	-	13,347	-	13,347
Treasurer's Special Auto	28,581	-	14,355	20,125	22,811	-	22,811
Total Special Revenue Funds	3,429,536	-	8,244,752	7,833,584	3,840,704	85,787	3,926,491
Debt Service Funds							
Bond and Interest - Home Health	2,381	-	20,006	20,000	2,387	-	2,387
Bond and Interest - Home for the Aged	1,389	-	212,535	212,510	1,414	-	1,414
Bond and Interest - Hospital	12,123	-	523,157	511,607	23,673	-	23,673
Total Debt Service Funds	15,893	-	755,698	744,117	27,474	-	27,474
Capital Project Funds							
Hospital Capital Project	6,022	-	78	-	6,100	-	6,100
Total (excluding Agency Accounts) (memorandum only)	\$ 5,473,651	\$ 96,004	\$ 12,181,043	\$ 12,946,990	\$ 4,803,708	\$ 297,576	\$ 5,101,284
Composition of Cash							
Demand and money market deposits:							
Citizens State Bank						\$ 779,681	
Plus deposits in transit						27,877	
Less outstanding checks						(653,100)	
Total demand and money market deposits							\$ 154,458
Change funds							606
Time deposits:							
Citizens State Bank						14,547,903	
First National Bank						2,500,000	
Total time deposits							17,047,903
Total cash							17,202,967
Agency Accounts per Statement 4							(12,101,683)
Total (excluding Agency Accounts)							\$ 5,101,284

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
For the Year Ended December 31, 2004

	Certified Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
<u>General</u>			
General	\$ 4,429,376	\$ 4,369,289	\$ 60,087
<u>Special Revenue Funds</u>			
Agricultural Extension Council	140,000	140,000	-
Airport Maintenance	175,000	167,965	7,035
Alcohol and Drug	13,530	2,850	10,680
Building	1,601,808	388,584	1,213,224
Employee Benefits	990,500	990,500	-
Fair Maintenance	96,620	96,620	-
Home for the Aged Maintenance	832,900	832,900	-
Hospital Maintenance	992,500	992,500	-
Library Maintenance	358,562	358,562	-
Noxious Weed	327,833	170,471	157,362
Road and Bridge	3,110,381	3,107,103	3,278
Services for the Elderly	118,000	118,000	-
<u>Debt Service Funds</u>			
Bond and Interest - Home Health	21,000	20,000	1,000
Bond and Interest - Home for the Aged	307,434	212,510	94,924
Bond and Interest - Hospital	514,470	511,607	2,863

The accompanying Notes to Financial Statements are an integral part of this statement.

General Fund

Fund Description

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

The General Fund functions are reported in four categories as follows:

General government

- *Courthouse general
- *County Commission
- *County Clerk
- *County Treasurer
- *Register of Deeds
- *County Counselor
- *Appraiser
- *Planning and zoning
- *Election
- *Data processing
- *Other contractual services

Public safety

- *County Attorney
- *Sheriff
- *District Court
- *Civil defense
- *Fire
- *Community service
- *Juvenile detention

Culture and recreation

- *4-H Building
- *Other contractual services

Health and sanitation

- *County Health
- *Emergency services
- *SWKS Health Initiative
- *Wellness center
- *Solid waste
- *Rodent control
- *Other contractual services

STEVENS COUNTY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2004
(With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

	Prior Year	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash receipts:				
Taxes	\$ 2,142,089	\$ 1,994,484	\$ 1,947,265	\$ 47,219
Intergovernmental revenue	541,357	523,206	350,000	173,206
Licenses and fees	110,067	114,193	85,000	29,193
Charges for services	275,474	293,965	209,000	84,965
Use of money and property	113,395	103,247	199,000	(95,753)
Other	138,964	151,420	45,000	106,420
Total cash receipts	3,321,346	3,180,515	\$ 2,835,265	\$ 345,250
Expenditures:				
General government:				
Courthouse general	406,924	802,621	\$ 550,000	\$ (252,621)
County Commission	78,169	75,383	70,000	(5,383)
County Clerk	91,743	94,506	99,915	5,409
County Treasurer	133,422	140,427	135,042	(5,385)
Register of Deeds	68,106	75,371	69,593	(5,778)
County Counselor	75,145	67,452	66,000	(1,452)
Appraiser	262,524	263,591	265,620	2,029
Planning and zoning	22,203	16,984	22,678	5,694
Election	9,915	21,828	20,500	(1,328)
Data processing	58,397	24,669	25,000	331
Other contractual services	442,020	422,901	374,020	(48,881)
Public safety:				
County Attorney	70,000	70,000	70,000	-
Sheriff	864,496	980,304	917,000	(63,304)
District Court	67,347	60,989	86,000	25,011
Civil defense	5,197	5,271	3,000	(2,271)
Fire	83,332	91,228	102,500	11,272
Community service	10,266	11,738	17,679	5,941
Juvenile detention	5,919	7,197	9,596	2,399
Culture and recreation:				
4-H Building	9,284	10,188	10,500	312
Other contractual services	104,273	140,758	140,000	(758)
Health and sanitation:				
County Health	2,400	2,500	2,400	(100)
Emergency services	139,497	136,929	176,000	39,071
SWKS Health Initiative	46,894	62,563	-	(62,563)
Wellness center	-	91,966	87,898	(4,068)
Solid waste	442,092	218,955	297,655	78,700
Rodent control	-	5,175	-	(5,175)
Other contractual services	119,157	127,795	118,280	(9,515)
Transfers out	380,000	340,000	692,500	352,500
Total expenditures	3,998,722	4,369,289	\$ 4,429,376	\$ 60,087
Receipts under expenditures	(677,376)	(1,188,774)		
Unencumbered cash, beginning	2,694,371	2,022,200		
Adjustment to unencumbered cash for prior year canceled encumbrances	5,205	96,004		
Unencumbered cash, ending	\$ 2,022,200	\$ 929,430		

The accompanying Notes to Financial Statements are an integral part of this statement.

Special Revenue Funds

Fund Descriptions

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

The Special Revenue Funds used by Stevens County, Kansas, are:

Agricultural Extension Council:

This fund is used to account for monies for the purpose of instruction in agriculture, marketing, home economics, 4-H club and youth work, community and resource development, and economic development initiatives for the citizens of Stevens County through practical demonstrations, meetings, publications and other means.

Airport Maintenance:

This fund is used to account for monies to finance specified improvement projects involving the construction or reconstruction of airport facilities.

Airport Operating:

This fund is used to account for monies for operating the airport facilities.

Alcohol and Drug:

This fund is used to account for monies used to provide education and assistance for alcohol and drug programs.

Ambulance Bequest:

This fund is used to account for donations received for purchasing ambulance equipment for the County.

Building:

This fund is used to account for monies levied to maintain the buildings of the County.

CDBG Micro-loan:

This fund is used to account for revolving loans provided through a Community Development Block Grant.

Diversion Fund:

This fund is to account for monies received and disbursed for diversions.

Employee Benefits:

This fund is used to account for monies levied to pay for various benefits provided to County employees.

E911:

This fund is used to account for monies used for the County's E911 service.

Equipment:

This fund is used to account for monies used for purchasing equipment for the County.

Fair Maintenance:

This fund is used to account for monies to maintain facilities used by the Fair.

Fire Bequest:

This fund is used to account for donations received for purchasing fire equipment for the County.

Special Revenue Funds

Home for the Aged Maintenance:

This fund is used to provide monies to maintain facilities at Pioneer Manor.

Hospital Maintenance:

This fund is used to account for monies for the maintenance of the hospital.

Library Maintenance:

This fund is used to account for monies for the maintenance of library facilities.

Noxious Weed:

This fund is used to account for monies for controlling the spread of and eradication of noxious weeds in the County.

Noxious Weed Equipment:

This fund is used to account for monies used to purchase equipment used by the Noxious Weed department.

Prosecutors' Training:

This fund is used to account for fees received by the Clerk of the Court from certain cases. The funds are to be used exclusively for the training of personnel in the County Attorney's office and costs related thereto.

Register of Deeds' Technology:

This fund is used to account for monies used to acquire equipment and technological services for the storing, recording, archiving, retrieving, maintaining and handling of data recorded or stored in the office of the Register of Deeds.

Road and Bridge:

This fund is used to account for monies used in the operation of the Road and Bridge Department, which is responsible for the building and maintenance of roads and bridges in the County.

Road Machinery and Equipment:

This fund is used to account for monies from the Road and Bridge Fund used for purchasing construction equipment for the Road and Bridge Department or building bridges within the County.

Rural Fire Equipment:

This fund is used to account for monies used to purchase equipment used by the rural fire department.

Services for the Elderly:

This fund is used to account for monies levied to provide programs for the elderly in the County.

Sheriff Bequest:

This fund is used to account for donations received for purchasing law enforcement equipment for the County.

Special Highway Improvement:

This fund is used to account for monies to finance specified improvement projects involving the construction or reconstruction of highways, bridges, roads, streets and related incidental facilities.

Special Revenue Funds

Treasurer's Motor Vehicle:

This fund is used to account for monies received from the registration fees collected for the State of Kansas motor vehicle department. The monies are appropriated for the use of the County Treasurer in paying for necessary personnel and expenses incidental to the administration of duties in accordance with the provisions of law. The monies are also used for the extra compensation to the County Treasurer for the services performed in administering the motor vehicle department.

Note: The County budgets all special revenue funds except for Airport Operating, Ambulance Bequest, CDBG Micro-loan, Diversion, Equipment, Fire Bequest, Noxious Weed Equipment, Prosecutors' Training, Register of Deeds' Technology, Road Machinery and Equipment, Rural Fire Equipment, Sheriff Bequest, Special Highway Improvement, and Treasurer's Motor Vehicle funds.

STEVENS COUNTY, KANSAS
 Agricultural Extension Council Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 131,418	\$ 139,053	\$ 136,497	\$ 2,556
Motor vehicle	2,891	2,954	2,805	149
Delinquent property	730	535	350	185
Total cash receipts	<u>135,039</u>	<u>142,542</u>	<u>\$ 139,652</u>	<u>\$ 2,890</u>
Expenditures:				
Other public service:				
Contractual	<u>140,000</u>	<u>140,000</u>	<u>\$ 140,000</u>	<u>\$ -</u>
Total expenditures	<u>140,000</u>	<u>140,000</u>	<u>\$ 140,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	(4,961)	2,542		
Unencumbered cash, beginning	<u>5,957</u>	<u>996</u>		
Unencumbered cash, ending	<u>\$ 996</u>	<u>\$ 3,538</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
Airport Maintenance Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2004
(With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 148,345	\$ 173,760	\$ 170,444	\$ 3,316
Motor vehicle	2,892	3,046	3,167	(121)
Delinquent property	629	573	300	273
Rents and royalties	2,546	2,860	1,000	1,860
Total cash receipts	<u>154,412</u>	<u>180,239</u>	<u>\$ 174,911</u>	<u>\$ 5,328</u>
Expenditures:				
General government:				
Personnel	34,341	30,600	\$ -	\$ (30,600)
Contractual	<u>117,837</u>	<u>137,365</u>	<u>175,000</u>	<u>37,635</u>
Total expenditures	<u>152,178</u>	<u>167,965</u>	<u>\$ 175,000</u>	<u>\$ 7,035</u>
Receipts over expenditures	2,234	12,274		
Unencumbered cash, beginning	<u>3,634</u>	<u>5,868</u>		
Unencumbered cash, ending	<u>\$ 5,868</u>	<u>\$ 18,142</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Airport Operating Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Intergovernmental revenue	\$ 86,000	\$ 245,723
Use of money and property	1,896	2,016
Other	22,221	14,130
Total cash receipts	<u>110,117</u>	<u>261,869</u>
Expenditures:		
General government:		
Personnel services	10,015	6,050
Contractual services	13,969	82,539
Commodities	11,291	77,723
Capital outlay	54,004	24,109
Total expenditures	<u>89,279</u>	<u>190,421</u>
Receipts over expenditures	20,838	71,448
Unencumbered cash, beginning of year	69,387	90,225
Unencumbered cash, end of year	<u>\$ 90,225</u>	<u>\$ 161,673</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Alcohol and Drug Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Intergovernmental revenue	\$ 4,642	\$ 10,474	\$ 4,464	\$ 6,010
Total cash receipts	4,642	10,474	\$ 4,464	\$ 6,010
Expenditures:				
Health:				
Contractual	2,850	2,850	13,530	10,680
Total expenditures	2,850	2,850	\$ 13,530	\$ 10,680
Receipts over expenditures	1,792	7,624		
Unencumbered cash, beginning	7,456	9,248		
Unencumbered cash, ending	\$ 9,248	\$ 16,872		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Ambulance Bequest Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Donations	\$ 10,300	\$ 300
Total cash receipts	<u>10,300</u>	<u>300</u>
Expenditures:		
Health:		
Commodities	<u>8,064</u>	<u>640</u>
Total expenditures	<u>8,064</u>	<u>640</u>
Receipts over (under) expenditures	2,236	(340)
Unencumbered cash, beginning	<u>2,248</u>	<u>4,484</u>
Unencumbered cash, ending	<u>\$ 4,484</u>	<u>\$ 4,144</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Building Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 279,761	\$ 247,858	\$ 243,472	\$ 4,386
Motor vehicle	6,450	6,546	5,974	572
Delinquent property	1,723	1,160	650	510
Transfers in	300,000	300,000	-	300,000
Total cash receipts	587,934	555,564	\$ 250,096	\$ 305,468
Expenditures:				
General government:				
Contractual	10,439	22,214	\$ 50,000	\$ 27,786
Capital outlay	1,424	366,370	1,551,808	1,185,438
Total expenditures	11,863	388,584	\$ 1,601,808	\$ 1,213,224
Receipts over expenditures	576,071	166,980		
Unencumbered cash, beginning	1,449,451	2,025,522		
Unencumbered cash, ending	\$ 2,025,522	\$ 2,192,502		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 CDBG Micro-loan Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Intergovernmental revenue	\$ -	\$ -
Total cash receipts	-	-
Expenditures:		
General government:		
Contractual	57	1,103
Total expenditures	57	1,103
Receipts under expenditures	(57)	(1,103)
Unencumbered cash, beginning	1,160	1,103
Unencumbered cash, ending	\$ 1,103	\$ -

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Diversion Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Diversion fees	\$ 16,294	\$ 16,119
Total cash receipts	<u>16,294</u>	<u>16,119</u>
Expenditures:		
Public safety:		
Contractual	<u>29,867</u>	<u>18,984</u>
Total expenditures	<u>29,867</u>	<u>18,984</u>
Receipts under expenditures	(13,573)	(2,865)
Unencumbered cash, beginning	<u>41,043</u>	<u>27,470</u>
Unencumbered cash, ending	<u>\$ 27,470</u>	<u>\$ 24,605</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
Employee Benefit Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2004
(With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 688,358	\$ 931,516	\$ 913,869	\$ 17,647
Motor vehicle	14,618	15,252	14,698	554
Delinquent property	3,643	2,780	1,900	880
Other	749	-	-	-
Total cash receipts	707,368	949,548	\$ 930,467	\$ 19,081
Expenditures:				
General government:				
Social security	162,564	180,633	\$ 180,250	\$ (383)
Retirement	61,615	65,040	54,000	(11,040)
Workers' compensation	41,635	222,140	90,000	(132,140)
Unemployment	3,367	7,623	5,000	(2,623)
Health insurance	610,819	515,064	661,250	146,186
Total expenditures	880,000	990,500	\$ 990,500	\$ -
Receipts under expenditures	(172,632)	(40,952)		
Unencumbered cash, beginning	242,644	88,331		
Adjustment to unencumbered cash for prior year canceled encumbrances	18,319	-		
Unencumbered cash, ending	\$ 88,331	\$ 47,379		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 E911 Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Intergovernmental revenue	\$ -	\$ 2,299
Total cash receipts	-	2,299
Expenditures:		
General government:		
Contractual	-	-
Total expenditures	-	-
Receipts over expenditures	-	2,299
Unencumbered cash, beginning	-	-
Unencumbered cash, ending	\$ -	\$ 2,299

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Equipment Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Transfers in	\$ 80,000	\$ 40,000
Total cash receipts	<u>80,000</u>	<u>40,000</u>
Expenditures:		
General government:		
Capital outlay	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Receipts over expenditures	80,000	40,000
Unencumbered cash, beginning	<u>263,430</u>	<u>343,430</u>
Unencumbered cash, ending	<u>\$ 343,430</u>	<u>\$ 383,430</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Fair Maintenance Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 92,393	\$ 95,180	\$ 93,336	\$ 1,844
Motor vehicle	1,935	2,076	1,973	103
Delinquent property	502	372	150	222
Total cash receipts	<u>94,830</u>	<u>97,628</u>	<u>\$ 95,459</u>	<u>\$ 2,169</u>
Expenditures:				
Culture and recreation:				
Contractual	<u>96,620</u>	<u>96,620</u>	<u>\$ 96,620</u>	<u>\$ -</u>
Total expenditures	<u>96,620</u>	<u>96,620</u>	<u>\$ 96,620</u>	<u>\$ -</u>
Receipts over (under) expenditures	(1,790)	1,008		
Unencumbered cash, beginning	<u>3,336</u>	<u>1,546</u>		
Unencumbered cash, ending	<u>\$ 1,546</u>	<u>\$ 2,554</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Fire Bequest Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Donations	\$ 16,895	\$ 4,451
Total cash receipts	<u>16,895</u>	<u>4,451</u>
Expenditures:		
Public safety:		
Commodities	<u>5,245</u>	<u>4,146</u>
Total expenditures	<u>5,245</u>	<u>4,146</u>
Receipts over expenditures	11,650	305
Unencumbered cash, beginning	<u>3,521</u>	<u>15,171</u>
Unencumbered cash, ending	<u>\$ 15,171</u>	<u>\$ 15,476</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Home for the Aged Maintenance Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 786,491	\$ 832,093	\$ 816,376	\$ 15,717
Motor vehicle	15,732	17,461	16,793	668
Delinquent property	4,008	3,116	1,900	1,216
Total cash receipts	<u>806,231</u>	<u>852,670</u>	<u>\$ 835,069</u>	<u>\$ 17,601</u>
Expenditures:				
Health and sanitation:				
Contractual	<u>813,374</u>	<u>832,900</u>	<u>\$ 832,900</u>	<u>\$ -</u>
Total expenditures	<u>813,374</u>	<u>832,900</u>	<u>\$ 832,900</u>	<u>\$ -</u>
Receipts under expenditures	(7,143)	19,770		
Unencumbered cash, beginning	<u>7,801</u>	<u>658</u>		
Unencumbered cash, ending	<u>\$ 658</u>	<u>\$ 20,428</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Hospital Maintenance Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

	Prior Year	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash receipts:				
Taxes:				
Ad valorem property	\$ 1,192,216	\$ 979,514	\$ 962,608	\$ 16,906
Motor vehicle	28,440	28,511	25,456	3,055
Delinquent property	7,904	5,012	3,600	1,412
Total cash receipts	<u>1,228,560</u>	<u>1,013,037</u>	<u>\$ 991,664</u>	<u>\$ 21,373</u>
Expenditures:				
Health and sanitation:				
Contractual	<u>1,244,000</u>	<u>992,500</u>	<u>\$ 992,500</u>	<u>\$ -</u>
Total expenditures	<u>1,244,000</u>	<u>992,500</u>	<u>\$ 992,500</u>	<u>\$ -</u>
Receipts over (under) expenditures	(15,440)	20,537		
Unencumbered cash, beginning	<u>17,501</u>	<u>2,061</u>		
Unencumbered cash, ending	<u>\$ 2,061</u>	<u>\$ 22,598</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Library Maintenance Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 352,644	\$ 283,300	\$ 277,951	\$ 5,349
Motor vehicle	7,767	7,823	7,529	294
Delinquent property	1,944	1,450	450	1,000
Total cash receipts	<u>362,355</u>	<u>292,573</u>	<u>\$ 285,930</u>	<u>\$ 6,643</u>
Expenditures:				
Culture and recreation:				
Contractual	<u>366,181</u>	<u>358,562</u>	<u>\$ 358,562</u>	<u>\$ -</u>
Total expenditures	<u>366,181</u>	<u>358,562</u>	<u>\$ 358,562</u>	<u>\$ -</u>
Receipts under expenditures	(3,826)	(65,989)		
Unencumbered cash, beginning	<u>78,192</u>	<u>74,366</u>		
Unencumbered cash, ending	<u>\$ 74,366</u>	<u>\$ 8,377</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
Noxious Weed Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2004
(With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 181,959	\$ 249,116	\$ 244,414	\$ 4,702
Motor vehicle	4,061	4,181	3,884	297
Delinquent property	1,050	739	450	289
Charges for services	64,993	49,526	70,000	(20,474)
Total cash receipts	252,063	303,562	\$ 318,748	\$ (15,186)
Expenditures:				
Public works:				
Personnel	64,572	65,369	\$ 66,537	\$ 1,168
Contractual	7,156	9,079	14,266	5,187
Commodities	176,125	75,661	225,610	149,949
Capital outlay	230	8,362	9,420	1,058
Transfer to Noxious Weed Equipment Reserve	10,000	12,000	12,000	-
Total expenditures	258,083	170,471	\$ 327,833	\$ 157,362
Receipts over (under) expenditures	(6,020)	133,091		
Unencumbered cash, beginning	30,217	28,473		
Adjustment to unencumbered cash for prior year canceled encumbrances	4,276	-		
Unencumbered cash, ending	<u>\$ 28,473</u>	<u>\$ 161,564</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Noxious Weed Equipment Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Transfer from Noxious Weed	\$ 10,000	\$ 12,000
Total cash receipts	<u>10,000</u>	<u>12,000</u>
Expenditures:		
Public works:		
Capital outlay	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Receipts over expenditures	10,000	12,000
Unencumbered cash, beginning	<u>52,951</u>	<u>62,951</u>
Unencumbered cash, ending	<u>\$ 62,951</u>	<u>\$ 74,951</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Prosecutors' Training Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Licenses and fees	\$ 350	\$ 505
Total cash receipts	350	505
Expenditures:		
Public safety:		
Contractual	189	237
Total expenditures	189	237
Receipts over expenditures	161	268
Unencumbered cash, beginning of year	266	427
Unencumbered cash, end of year	\$ 427	\$ 695

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Register of Deeds' Technology Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Licenses and fees	\$ 14,872	\$ 10,433
Total cash receipts	<u>14,872</u>	<u>10,433</u>
Expenditures:		
General government:		
Contractual	-	1,635
Capital outlay	<u>13,985</u>	<u>3,677</u>
Total expenditures	<u>13,985</u>	<u>5,312</u>
Receipts over expenditures	887	5,121
Unencumbered cash, beginning of year	<u>3,875</u>	<u>4,762</u>
Unencumbered cash, end of year	<u>\$ 4,762</u>	<u>\$ 9,883</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Road and Bridge Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 2,638,660	\$ 2,618,446	\$ 2,568,856	\$ 49,590
Motor vehicle	55,390	59,684	56,339	3,345
Delinquent property	14,406	10,621	5,300	5,321
Intergovernmental	368,574	355,474	375,359	(19,885)
Other	9,140	68,803	30,000	38,803
Total cash receipts	3,086,170	3,113,028	\$ 3,035,854	\$ 77,174
Expenditures:				
Public works:				
Maintenance:				
Personnel	758,758	758,392	\$ 860,197	\$ 101,805
Contractual	50,701	59,148	120,000	60,852
Commodities	481,542	500,535	577,000	76,465
Capital outlay	592,063	617,660	107,000	(510,660)
Construction:				
Contractual	-	-	10,000	10,000
Commodities	1,001,935	974,643	1,152,000	177,357
Administrative:				
Personnel	75,421	87,240	90,184	2,944
Contractual	93,873	95,274	176,000	80,726
Commodities	1,778	3,080	15,000	11,920
Capital outlay	4,139	1,131	3,000	1,869
Transfers out	240,000	10,000	-	(10,000)
Total expenditures	3,300,210	3,107,103	\$ 3,110,381	\$ 3,278
Receipts over (under) expenditures	(214,040)	5,925		
Unencumbered cash, beginning	287,193	105,595		
Adjustment to unencumbered cash for prior year canceled encumbrances	32,442	-		
Unencumbered cash, ending	\$ 105,595	\$ 111,520		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Road Machinery and Equipment Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Transfer from Road and Bridge	\$ 240,000	\$ 10,000
Sale of assets	-	242,000
Total cash receipts	<u>240,000</u>	<u>252,000</u>
Expenditures:		
Public works:		
Capital outlay	<u>318,219</u>	<u>226,561</u>
Total expenditures	<u>318,219</u>	<u>226,561</u>
Receipts over (under) expenditures	(78,219)	25,439
Unencumbered cash, beginning of year	<u>568,589</u>	<u>490,370</u>
Unencumbered cash, end of year	<u>\$ 490,370</u>	<u>\$ 515,809</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Rural Fire Equipment Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Transfer from Rural Fire District #1	\$ -	\$ -
Total cash receipts	-	-
Expenditures:		
Public safety:		
Capital outlay	30,500	-
Total expenditures	30,500	-
Receipts over (under) expenditures	(30,500)	-
Unencumbered cash, beginning of year	32,461	1,961
Unencumbered cash, end of year	\$ 1,961	\$ 1,961

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
Services for the Elderly Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2004
(With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 114,773	\$ 116,249	\$ 113,970	\$ 2,279
Motor vehicle	2,111	2,557	2,450	107
Delinquent property	581	450	200	250
Total cash receipts	<u>117,465</u>	<u>119,256</u>	<u>\$ 116,620</u>	<u>\$ 2,636</u>
Expenditures:				
Health and sanitation:				
Contractual	<u>117,500</u>	<u>118,000</u>	<u>\$ 118,000</u>	<u>\$ -</u>
Total expenditures	<u>117,500</u>	<u>118,000</u>	<u>\$ 118,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	(35)	1,256		
Unencumbered cash, beginning	<u>1,672</u>	<u>1,637</u>		
Unencumbered cash, ending	<u>\$ 1,637</u>	<u>\$ 2,893</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Sheriff Bequest Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Donations	\$ 300	\$ 300
Total cash receipts	300	300
Expenditures:		
Public safety:		
Commodities	-	-
Total expenditures	-	-
Receipts over expenditures	300	300
Unencumbered cash, beginning	653	953
Unencumbered cash, ending	<u>\$ 953</u>	<u>\$ 1,253</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Special Highway Improvement Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Transfer from Road and Bridge	\$ -	\$ -
Total cash receipts	-	-
Expenditures:		
Public works:		
Capital outlay	-	-
Total expenditures	-	-
Receipts over expenditures	-	-
Unencumbered cash, beginning of year	13,347	13,347
Unencumbered cash, end of year	<u>\$ 13,347</u>	<u>\$ 13,347</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Treasurer's Motor Vehicle Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2003)

	Prior Year Actual	Actual
Cash receipts:		
Licenses and fees	\$ 16,937	\$ 14,355
Total cash receipts	<u>16,937</u>	<u>14,355</u>
Expenditures:		
General government:		
Personnel	5,699	4,925
Commodities	<u>9,325</u>	<u>15,200</u>
Total expenditures	<u>15,024</u>	<u>20,125</u>
Receipts over (under) expenditures	1,913	(5,770)
Unencumbered cash, beginning of year	<u>26,668</u>	<u>28,581</u>
Unencumbered cash, end of year	<u>\$ 28,581</u>	<u>\$ 22,811</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Debt Service Funds

Fund Descriptions

The Debt Service Funds are used to account for the accumulation of resources to be used for the payment of principal, interest and related costs of the general obligation bonds and certain other long-term obligations of the County.

The Debt Service Funds used by Stevens County, Kansas, are:

- Bond and Interest – Home Health
- Bond and Interest – Home for the Aged
- Bond and Interest – Hospital

STEVENS COUNTY, KANSAS
 Bond and Interest - Home Health Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 22,381	\$ 19,582	\$ 19,098	\$ 484
Motor vehicle	-	353	478	(125)
Delinquent property	-	71	-	71
Total cash receipts	<u>22,381</u>	<u>20,006</u>	<u>\$ 19,576</u>	<u>\$ 430</u>
Expenditures:				
Health and sanitation:				
Principal	20,000	20,000	\$ 20,000	\$ -
Commissions	-	-	1,000	1,000
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>\$ 21,000</u>	<u>\$ 1,000</u>
Receipts over expenditures	2,381	6		
Unencumbered cash, beginning	-	2,381		
Unencumbered cash, ending	<u>\$ 2,381</u>	<u>\$ 2,387</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
 Bond and Interest - Home for the Aged Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Reimbursement from Pioneer Manor	\$ 155,192	\$ 212,510	\$ 218,051	\$ (5,541)
Use of money and property	970	-	-	-
Miscellaneous	-	25	-	25
Bond proceeds	1,375,000	-	-	-
Total cash receipts	1,531,162	212,535	\$ 218,051	\$ (5,516)
Expenditures:				
Health and sanitation:				
Principal	1,465,000	175,000	\$ 175,000	\$ -
Interest	58,372	37,498	38,885	1,387
Commissions	48,784	12	500	488
Cash basis reserve	-	-	93,049	93,049
Total expenditures	1,572,156	212,510	\$ 307,434	\$ 94,924
Receipts over (under) expenditures	(40,994)	25		
Unencumbered cash, beginning	42,383	1,389		
Unencumbered cash, ending	\$ 1,389	\$ 1,414		

The accompanying Notes to Financial Statements are an integral part of this statement.

STEVENS COUNTY, KANSAS
Bond and Interest - Hospital Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2004
(With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 486,930	\$ 507,633	\$ 498,092	\$ 9,541
Motor vehicle	10,260	10,773	10,396	377
Delinquent property	2,459	1,947	850	1,097
Use of money and property	3,148	2,804	-	2,804
Bond proceeds	2,390,000	-	-	-
Total cash receipts	2,892,797	523,157	\$ 509,338	\$ 13,819
Expenditures:				
Health and sanitation:				
Principal	2,755,000	465,000	\$ 465,000	\$ -
Interest	107,479	46,591	38,470	(8,121)
Commissions and cost of issuance	39,283	16	1,000	984
Cash basis reserve	-	-	10,000	10,000
Total expenditures	2,901,762	511,607	\$ 514,470	\$ 2,863
Receipts over (under) expenditures	(8,965)	11,550		
Unencumbered cash, beginning	21,088	12,123		
Unencumbered cash, ending	\$ 12,123	\$ 23,673		

The accompanying Notes to Financial Statements are an integral part of this statement.

Capital Project Funds

Fund Descriptions

The Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The Hospital Capital Project Fund is used to account for the financing and renovation of the hospital.

STEVENS COUNTY, KANSAS
 Hospital Capital Project Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

	Prior Year	Actual
Cash receipts:		
Use of money and property	\$ 63	\$ 78
Total cash receipts	63	78
Expenditures:		
Health and sanitation:		
Capital outlay	-	-
Total expenditures	-	-
Receipts over expenditures	63	78
Unencumbered cash, beginning	5,959	6,022
Unencumbered cash, ending	\$ 6,022	\$ 6,100

The accompanying Notes to Financial Statements are an integral part of this statement.

Trust and Agency Funds

Fund Description

The Agency Funds are used to account for assets held by the County as an agent for other funds.

The Agency Funds used by Stevens County, Kansas, are:

District Court Account:

This fund is used to account for the collections of fines, fees and related court costs along with the collection and payment of child support and other payments as ordered by the Court.

Law Library Account:

This fund is used to account for funds used in the operation of the County's law library.

Register of Deeds Account:

This fund is used to account for mortgage fees, recording fees and miscellaneous fees for copies and faxes.

Sheriff Account:

This fund is used to account for sheriff and report fees, VIN fees, warrants, and reimbursements for use of the County jail by other law enforcement entities.

County Treasurer – Fish and Game Licenses Account:

This fund is used to account for the user fees collected from individuals to permit the harvesting of fish and game in the State. The funds included are: archery permits, fish and game licenses, waterfowl stamps, turkey licenses, and trout permits. The fees collected are remitted quarterly to the State of Kansas.

County Treasurer – Heritage Trust Account:

This fund is used to account for the fees collected to provide assistance for preservation of historic property in Kansas.

County Treasurer – Insufficient Check Clearing Account:

This fund is used to account for returned checks received back as a result of insufficient funds.

County Treasurer – Insurance Clearing Account:

This fund is used to account for the premiums for insurance policies purchased on behalf of the County and its component units which are then reimbursed by the appropriate departments and component units. In addition, insurance claims and their related expenditures are also accounted for through this fund.

County Treasurer – Payroll Clearing Account:

This fund is used to account for all federal and state income tax withheld from County employees. These taxes are remitted monthly to the federal government and State of Kansas.

County Treasurer - Tax Collections Account:

This fund is used to account for collections of County ad valorem taxes. The funds included are: current tax, protested tax, advanced tax, motor vehicle registration tax, recreational vehicle tax, and rental and excise tax.

County Treasurer - Tax Distributions Account:

This fund is used to account for distribution of County ad valorem taxes collected to the various taxing entities in the County. Distributions are made in January, March, May, July, September and October. Delinquent personal property taxes are distributed once a year, generally in March.

STEVENS COUNTY, KANSAS
 Trust and Agency Funds
 Statement of Cash Receipts and Cash Disbursements
 For the Year Ended December 31, 2004

	Balance January 1, 2004	Cash Receipts	Cash Disburse- ments	Balance December 31, 2004
<u>Agency Accounts</u>				
District Court Account	\$ 181,216	\$ 278,635	\$ 326,712	\$ 133,139
Law Library Account	11,662	6,579	6,035	12,206
Register of Deeds Account	-	76,707	76,707	-
Sheriff Account	-	38,841	38,841	-
<u>County Treasurer:</u>				
Fish and Game Licenses Account	11,960	16,981	18,088	10,853
Heritage Trust Account	301	1,835	1,924	212
Insufficient Check Clearing Account	(781)	17,497	17,078	(362)
Insurance Clearing Account	(59,128)	84,620	25,145	347
Payroll Clearing Account	362	365,096	363,499	1,959
Tax Collections Account	10,615,342	20,572,638	19,244,478	11,943,502
Tax Distributions Account	(937)	9,543,583	9,542,819	(173)
Total	\$ 10,759,997	\$ 31,003,012	\$ 29,661,326	\$ 12,101,683

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEMENT 5

Balance January 1, 2004	Additions	Reductions/ Payments	Net Change	Balance December 31, 2004	Interest Paid
\$ 160,000	\$ -	\$ 20,000		\$ 140,000	\$ -
2,390,000	-	465,000		1,925,000	46,591
2,550,000	-	485,000		2,065,000	46,591
1,375,000	-	175,000		1,200,000	37,498
1,375,000	-	175,000		1,200,000	37,498
233,328	-	233,328		-	5,144
240,706	-	240,706		-	13,810
131,103	-	-		131,103	-
143,287	-	-		143,287	-
547,179	-	-		547,179	-
1,295,603	-	474,034		821,569	18,954
471,085			\$ (20,446)	450,639	
32,234			57,052	89,286	
\$ 5,723,922	\$ -	\$ 1,134,034	\$ 36,606	\$ 4,626,494	\$ 103,043

Year				Total
2007	2008	2009	2010-2011	
\$ 535,000	\$ 445,000	\$ 20,000	\$ 40,000	\$ 2,065,000
185,000	195,000	200,000	260,000	1,200,000
-	-	-	-	821,569
720,000	640,000	220,000	300,000	4,086,569
19,560	9,775	-	-	89,518
28,060	22,510	16,270	11,560	129,177
-	-	-	-	68,339
47,620	32,285	16,270	11,560	287,034
\$ 767,620	\$ 672,285	\$ 236,270	\$ 311,560	\$ 4,373,603

STATEMENT 5

Balance January 1, 2003	Additions	Reductions/ Payments	Net Change	Balance December 31, 2003	Interest Paid
\$ 2,755,000	\$ -	\$ 2,755,000		\$ -	\$ 107,479
180,000	-	20,000		160,000	-
-	2,390,000	-		2,390,000	-
2,935,000	2,390,000	2,775,000		2,550,000	107,479
1,465,000	-	1,465,000		-	37,242
-	1,375,000	-		1,375,000	21,130
1,465,000	1,375,000	1,465,000		1,375,000	58,372
241,799	-	8,471		233,328	17,545
284,125	-	43,419		240,706	15,035
112,023	-	112,023		-	8,134
231,966	-	100,863		131,103	20,394
273,327	-	130,040		143,287	22,149
579,106	-	31,927		547,179	55,716
1,722,346	-	426,743		1,295,603	138,973
703,863			\$ (232,778)	471,085	
30,407			1,827	32,234	
<u>\$ 6,856,616</u>	<u>\$ 3,765,000</u>	<u>\$ 4,666,743</u>	<u>\$ (230,951)</u>	<u>\$ 5,723,922</u>	<u>\$ 304,824</u>

Year				
2006	2007	2008	2009-2011	Total
\$ 520,000	\$ 535,000	\$ 445,000	\$ 60,000	\$ 2,550,000
185,000	185,000	195,000	460,000	1,375,000
512,000	-	-	-	1,295,603
1,217,000	720,000	640,000	520,000	5,220,603
27,060	19,560	9,775	-	136,109
30,372	25,285	19,390	19,695	166,675
-	-	-	-	81,116
57,432	44,845	29,165	19,695	383,900
<u>\$ 1,274,432</u>	<u>\$ 764,845</u>	<u>\$ 669,165</u>	<u>\$ 539,695</u>	<u>\$ 5,604,503</u>

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

1. Summary of Significant Accounting Policies

Stevens County, Kansas (the County) was established in 1885 and is an organized county having the powers, duties and privileges granted counties by K.S.A. 19-101.

A. Financial Reporting Entity

The County is governed by an elected three-member commission. The financial statements present Stevens County (the primary government) only. The organizations, functions or activities discussed below are component units of the County's reporting entity because of the significance of their operational or financial relationships with the County; however, they are not included in the County's statutory basis financial statements.

The Stevens County Extension Council provides services in such areas as agriculture, home economics and 4-H clubs to all persons in the County. The Council is governed by an elected executive board. The County levies taxes for the support of the Council. The Council is presented as a governmental fund type. Separate financial statements have been issued for the Stevens County Extension Council and may be obtained at the Extension Council's office.

The Stevens County Public Library operates the County's library and provides services for the residents of Stevens County. It was created under K.S.A. 12-1218 and has its own Board of Directors, who operates independently from the County. The Board of Directors is responsible for the management and fiscal accountability of the Library. The Board is appointed by the County Commission, who also has the authority to remove appointed Board members. The County Commissioners approve the Library's budget and levy taxes for Library operations. The Library building is titled to the County. Bond issuances for the Library's benefit must be approved by the County. The Library is presented as a governmental fund type. Separate financial statements have been issued for the Stevens County Public Library and may be obtained at the Library.

The Stevens County Gas and Historical Museum, Inc. is a not for profit entity that operates the County's museum. It has its own Board of Directors, who operates independently from the County. The Board of Directors is responsible for the management and fiscal accountability of the Museum. The Board is appointed by the County Commission, who also has the authority to remove appointed Board members. The County Commissioners approve the Museum's budget and levy taxes for Museum operations. The Museum is presented as a governmental fund type. Separate financial statements have been issued for the Stevens County Gas and Historical Museum, Inc. and may be obtained at the Museum.

Pioneer Manor Nursing Home, Inc. provides long-term care facilities and services for the residents of Stevens County. It has its own Board of Directors, who operates independently from the County. The Board of Directors is responsible for the management and fiscal accountability of the Board. The Board is appointed by the County Commission, who also has the authority to remove appointed Board members. The County Commissioners approve Pioneer Manor Nursing Home, Inc.'s budget and levy taxes for operations. Pioneer Manor Nursing Home, Inc. is presented as an enterprise fund type. Separate financial statements have been issued for Pioneer Manor Nursing Home, Inc. and may be obtained at its office.

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The Stevens County Hospital provides medical services for the residents of Stevens County. It has its own Board of Directors, who operates independently from the County. The Board of Directors is responsible for the management and fiscal accountability of the Board. The Board is appointed by the County Commission, who also has the authority to remove appointed Board members. The County Commissioners approve the Hospital's budget and levy taxes for operations. The Hospital is presented as an enterprise fund type. Separate financial statements have been issued for the Stevens County Hospital and may be obtained at the Hospital's office.

The Stevens County Services for the Elderly provide services for the senior residents of Stevens County. It has its own Board of Directors, who operates independently from the County. The Board of Directors is responsible for the management and fiscal accountability of the Board. The Board is appointed by the County Commission, who also has the authority to remove appointed Board members. The County Commissioners approve the Board's budget and levy taxes for operations. The Board is presented as a governmental fund type. Separate financial statements have not been issued for the Stevens County Services for the Elderly.

The Stevens County Foundation is a not for profit entity established to benefit the residents of Stevens County. It has its own Board of Directors, who operates independently from the County. The Board of Directors is responsible for the management and fiscal accountability of the Board. The Board is appointed by the County Commission, who also has the authority to remove appointed Board members. The County Commissioners approve the Board's budget and levy taxes for public purposes. The Foundation is presented as a governmental fund type. Separate financial statements have not been issued for the Stevens County Foundation.

The following organizations are jointly governed organizations in which the County participates but does not retain an ongoing financial interest or responsibility. Consequently, they are not included in the financial statements of the County.

Cimarron Basin Community Corrections is a jointly governed organization between ten counties in southwest Kansas created under an interlocal agreement. Cimarron Basin Community Corrections is governed by a board appointed by the participating parties. Cimarron Basin Community Corrections was established to account for monies received as grants from federal and state sources to operate a program of the Kansas Department of Corrections which assists in managing the population in the State's prisons. The primary source of funding for Cimarron Basin Community Corrections is from grants with additional support from the participating parties. Stevens County contributed \$-0- and \$3,502 to the operations of Cimarron Basin Community Corrections during the years ended December 31, 2004 and 2003, respectively. Stevens County has no equity interest nor does the County materially contribute to the continued existence of Cimarron Basin Community Corrections. Cimarron Basin Community Corrections has a December 31st year end.

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Southwest Guidance Center, Inc. is a jointly governed organization between four counties in southwest Kansas, created under K.S.A. 19-4001. Southwest Guidance Center, Inc. is governed by a board appointed by the County Commissioners of the participating counties. The purpose of Southwest Guidance Center, Inc. is to promote mental health wellness. This is accomplished by providing training, counseling and other services to those in need. A primary source of funding for Southwest Guidance Center, Inc. is ad valorem tax levies by the participating counties. Stevens County contributed \$350 and \$35,280 to the operations of Southwest Guidance Center, Inc. during the year ended December 31, 2004 and 2003, respectively. Stevens County has no equity interest nor does the County materially contribute to the continued existence of Southwest Guidance Center, Inc. Southwest Guidance Center, Inc. has a December 31st year end.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

C. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense; liabilities such as deferred revenue and matured principal and interest payable; and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. The General Fixed Assets Account Group that accounts for the land, buildings and equipment owned by the County is not recorded. Also, the General Long-Term Debt Account Group which accounts for general long-term debt such as general obligation bonds, temporary notes and compensated absences is not presented in the financial statements.

D. Fund accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the County:

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

1. Summary of Significant Accounting Policies (continued)

D. Fund accounting (continued)

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments of major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

Debt Service Fund - to account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Capital Project Funds - to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Proprietary Funds

Enterprise Funds - to account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include: a) Expendable Trust Funds, b) Nonexpendable Trust Funds, c) Pension Trust Funds, and d) Agency Funds.

E. Waiver of financial reporting requirements

The County's Board of Commissioners has determined by resolution that financial statements prepared in conformity with accounting principles generally accepted in the United States of America are not relevant to the requirements of the cash basis and budget laws of the State of Kansas and are of no significant value to the Board, the County or the members of the general public of the County. The County submitted a waiver form with the Division of Accounts and Reports of the State of Kansas which served as notice of the Board's election to waive the requirements for reporting of its financial data in conformity with accounting principles generally accepted in the United States of America, as provided and authorized by K.S.A. 75-1120a.

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

1. Summary of Significant Accounting Policies (continued)

F. Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2004.

The legal level of budgetary control is the fund level. The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of adopted budget of expenditures of individual funds. The governing body allows management to transfer budgeted amounts between line items within an individual fund without prior approval. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.

A legal operating budget is not required for capital projects funds, agency funds and the following special revenue funds:

- Airport Operating Fund
- Ambulance Bequest Fund
- CDBG Micro-loan Fund
- Diversion Fund
- E911 Fund
- Equipment Fund
- Fire Bequest Fund
- Noxious Weed Equipment Fund
- Prosecutors' Training Fund
- Register of Deeds' Technology Fund
- Road Machinery and Equipment Fund
- Rural Fire Equipment Fund
- Sheriff Bequest Fund

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

1. Summary of Significant Accounting Policies (continued)

F. Budgetary Information (continued)

Special Highway Improvement Fund
Treasurer's Motor Vehicle Fund

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

G. Property taxes and special assessments

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the counties. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the County.

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing 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 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31, 2004 and 2003, such taxes are a lien on the property.

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the County. Special assessments received prior to or after the issuance of general obligation bonds are recorded as revenue in the appropriate project fund. Further, state statutes require levying additional general ad valorem property taxes in the Debt Service Fund to finance delinquent special assessments receivable.

Special assessments are levied over a ten or fifteen year period and annual installments are due and payable with annual ad valorem property taxes. The County may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, 2004 and 2003, the special assessment taxes levied are a lien on the property.

H. Cash and Investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the County (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits. Investments of the pooled accounts consist primarily of certificates of deposit and U.S. government securities carried at cost, which approximates market. Interest income earned, unless specifically designated, is allocated to the general fund.

Investments are stated at cost, which approximates fair value. The aggregate value of the investments, including certificates of deposit, at December 31, 2004 and 2003, is \$16,547,903 and \$16,432,684, respectively.

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

1. Summary of Significant Accounting Policies (continued)

I. Post-Employment Health Care Benefits

The County makes health care benefits available for retired employees but only on a reimbursed basis. There is no cost to the County since the retired employees reimburse the County for the premiums. There were seven employees covered under this post retirement benefit at December 31, 2004 and 2003, respectively.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the County makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. This program is offered for a duration of 18 to 36 months after the employee's termination date. There is no cost to the County under this program and there were no participants in the program at December 31, 2004 and 2003.

J. Compensated Absences

The County's policy regarding vacation leave pay permits employees to accumulate vacation leave days at a maximum rate of 1.5 days per month up to 18 days. The County's policy is to recognize the costs of vacation leave when actually paid. Upon resignation or retirement, employees are entitled to payment for up to 12 days of accrued vacation earned. Upon termination, payment is made to an employee for up to 12 days of accrued vacation leave.

The County's policy regarding sick leave pay permits employees to accumulate leave days at a maximum rate of 12 days per year up to 90 days; days accumulated above 90 days are converted to compensation time as noted in the policy manual. The County's policy in 2003 was to recognize the costs of sick leave when actually paid since employees are not reimbursed for unused sick leave when they leave the County's employ. Beginning in 2004, the County's policy is to pay sick leave upon termination based on the years of service and number of days accrued up to a maximum payment for 45 days.

The County has estimated the value of accrued leave pay at December 31, 2004 and 2003, to be \$89,286 and \$32,234, respectively.

K. Interfund Transactions

Quasi-external transactions (i.e., transactions that would be treated as revenues or expenses if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as cash receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

2. Cash and Investments (continued)

The County's deposits and investments are categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes cash and investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered cash and investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered cash and investments for which securities are held by the counterparty, or its trust department, but not in the County's name. Of the three risk categories, the investments classified in Category 1 have the least risk to the County.

A reconciliation of cash and investments as shown in the composition of cash on the summary of cash receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Cash on hand	\$ 606
Carrying amount of demand and money market deposits	154,458
Carrying amount of investments	<u>16,547,903</u>
Total cash and investments	<u>\$ 16,702,967</u>

Deposits

State statutes require the County's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka except during designated "peak periods" when required coverage is 50%. The County's designated "peak periods" are May 1st through June 15th, and December 15th through January 31st.

At year end, the County's carrying amount of deposits was \$16,702,967 and the bank balance was \$17,827,584. Of the bank balance, \$520,669 was covered by federal depository insurance and \$11,293,330 was collateralized with securities held by the pledging financial institutions' agents in the County's name. The remaining balance of \$6,013,585 was unsecured at December 31, 2004. The County's cash deposits by financial institution and category of coverage at year end are as follows:

	Citizens State Bank	First National Bank
Bank balance covered by:		
FDIC coverage	\$ 420,669	\$ 100,000
Pledged securities at fair value (Category 1)	8,893,330	2,400,000
Unsecured	<u>6,013,585</u>	<u>-</u>
Total bank balance	<u>\$ 15,327,584</u>	<u>\$ 2,500,000</u>

The County's cash deposits at December 31, 2003, are as follows:

	Citizens State Bank	First National Bank
Bank balance covered by:		
FDIC coverage	\$ 459,873	\$ 100,000
Pledged securities at fair value (Category 1)	8,935,843	2,400,000
Unsecured	<u>5,447,651</u>	<u>-</u>
Total bank balance	<u>\$ 14,843,367</u>	<u>\$ 2,500,000</u>

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

2. Cash and Investments (continued)

Investments

State statutes authorize the County to invest idle funds in U.S. government securities, temporary notes, no-fund warrants, repurchase agreements and the state municipal investment pool. The County had no investments of this type at December 31, 2004 or 2003.

3. Capital Projects in Process

There were no capital projects in progress at December 31, 2004 and 2003.

4. General Long-Term Debt

General long-term debt at December 31, 2004 and 2003, is presented in Statement 5 of the financial statements.

Interest paid in fiscal year 2004 and 2003, was \$103,043 and \$304,824, respectively. Current maturities of principal and interest are presented in Statement 5 of the financial statements.

A. Legal debt margin

The debt limit per K.S.A. 10-306 is three percent of the assessed tangible valuation adjusted for exempt farm property, business aircraft and motor vehicles given by the County Assessor to the County Clerk on August 25 each year. Per K.S.A. 10-307, certain bond issues are not subject to the bonded indebtedness limitation; these include the refunding bonds and the limited obligation bonds issued for the purpose of financing the construction and remodeling of the courthouse, jail and law enforcement center, to be paid from sales tax proceeds. The amount of debt outstanding does not exceed the statutory limit.

B. Debt Refundings

During 2003, the County issued \$2,390,000 of general obligation bonds for a current refunding of \$2,350,000 of general obligation bonds for the hospital. The refunding was undertaken to reduce future debt service payments. The transaction resulted in a reduction of \$110,941 in future debt service payments.

In addition, during 2003, the County issued \$1,375,000 of revenue bonds for a current refunding of \$1,325,000 of revenue bonds for Pioneer Manor Nursing Home, Inc. The refunding was undertaken to reduce future debt service payments. The transaction resulted in a reduction of \$92,810 in future debt service payments.

C. Subsequent Events

Subsequent to December 31, 2004, the County issued \$200,000 of general obligation bonds for the hospital. The bonds are at zero percent interest, maturing at a rate of \$20,000 per year through the year 2014.

5. Risk Management and Self-Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. In addition, the County has established, through resolutions, the following risk management fund:

The County's self-insurance policy for medical insurance contains an aggregate stop/loss clause that covers claims above \$408,717 at December 31, 2004, and \$414,929 at December 31, 2003.

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

5 Risk Management and Self-Insurance (continued)

The claims liability reported in the Employee Benefits fund at December 31, 2004 and 2003, is based on the requirements of Governmental Accounting Standards Board Statements No. 10 and No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liability and expenses include all specific, incremental claim adjustment expenses. Additionally, estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from any liability for unpaid claims. Changes in the Employee Benefits fund's claims liability amount in fiscal year 2003 and 2004 were:

	December 31, 2003	December 31, 2004
Beginning of fiscal year liability	\$ 37,055	\$ 66,282
Current year claims and changes in estimates	775,463	892,731
Claim payments	<u>(746,236)</u>	<u>(882,965)</u>
Balance at fiscal year end	<u>\$ 66,282</u>	<u>\$ 76,048</u>

6. Deficit Unencumbered Cash

The following funds had deficit unencumbered cash balances as of December 31, 2004:

Insufficient Check Clearing Account	\$ 362
Tax Distributions Account	173

Insufficient checks were due at year end to cover the deficit in the Insufficient Check Clearing Account. Receivables from related entities were due at year end in the Insurance Clearing Account. The deficit in the Tax Distributions Account resulted from the refunding of abated taxes and was covered by a reduction in the subsequent tax distributions.

7. Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representative of the County.

- Kansas statute 19-716 requires the County Attorney to review and give approval on all claims presented to the County Commissioners for payment. Kansas statutes 12-105a and 12-105b address the uniform payment of claims and require most claims to be presented to the County Commissioners prior to their payment. During 2003, the Airport Board functioned as an independent organization and did not provide the County Attorney and County Commissioners with the airport's claims prior to making payment on the claims. This resulted from a change in the organization of the Airport Board and was corrected during 2004.

In addition, the following immaterial violations occurred:

- Kansas statute 9-1401 requires the County to designate depositories for all public monies and record the designation in the minutes of the County Commission meetings. The Commissioners designated Citizens State Bank as an official depository for 2004 and 2003; however, First National Bank was not designated as an official depository.

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

7. Compliance with Kansas Statutes (continued)

- Kansas statutes 10-1113 and 10-1121 require no indebtedness be created in excess of available monies in any fund. At December 31, 2004, two agency accounts had deficit unencumbered cash balances as explained in Note 6. At December 31, 2003, three agency accounts had deficit unencumbered cash balances as explained in Note 6.
- Kansas statute 19-2687 requires individual departments to prepare and submit annual inventory listings to the County Clerk. For the year ended December 31, 2003, inventory listings were not available for all departments.
- Kansas statute 79-3104 requires the Register of Deeds to remit mortgage registration fees collected daily to the County Treasurer. The Register of Deeds remits fees collected to the County Treasurer on a monthly basis.

8. Related Party Transactions

Various departments and funds within the County provide goods and services to other operating departments. Charges for these services are billed in the same manner such services would be billed to the general public and are handled as arms length transactions in the normal course of business.

9. Defined Benefit Pension Plan

Plan description: Stevens County, Kansas, participates in the Kansas Public Employees Retirement System ("KPERS"), a cost sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy: K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2004 is 3.22% for the period January 1, 2004, to June 30, 2004, and 3.82% for the period July 1, 2004, to December 31, 2004. Stevens County, Kansas, contributions to KPERS for the years ending December 31, 2004, 2003 and 2002, were \$64,481, \$55,806, and \$52,136, respectively, equal to the statutory required contributions for each year.

10. Municipal Solid Waste Landfill

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste. The \$450,639 reported as landfill closure and post closure care liability at December 31, 2004, represents the cumulative amount reported to date based on the use of 72.53% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$170,694 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2004. The County estimates approximately 19.2 years remain prior to the closure of the landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Closure and post closure care financial assurance requirements are being met through reserve amounts in the County's annual budget.

STEVENS COUNTY, KANSAS
Notes to Financial Statements
December 31, 2004 and 2003

11. Interfund Transfers

Interfund operating transfers are as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>2003</u>	<u>2004</u>
General	Equipment	19-119	\$ 80,000	\$ 40,000
General	Building	19-120	300,000	300,000
Road and Bridge	Road Machinery and Equipment	68-141g	240,000	10,000
Noxious Weed	Noxious Weed Equipment	2-1318	10,000	12,000
Total			<u>\$ 630,000</u>	<u>\$ 362,000</u>

Supplemental Schedules

STEVENS COUNTY, KANSAS
 General Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

		Current Year		Variance
	Prior Year	Actual	Budget	Favorable (Unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property	\$ 2,069,953	\$ 1,924,171	\$ 1,887,668	\$ 36,503
Motor vehicle	41,932	45,445	44,197	1,248
Delinquent property	10,418	8,139	5,400	2,739
Interest on taxes	19,786	16,729	10,000	6,729
Total taxes	<u>2,142,089</u>	<u>1,994,484</u>	<u>1,947,265</u>	<u>47,219</u>
Intergovernmental revenue:				
LAVTR	14,980	-	-	-
Mineral production tax	526,377	523,206	350,000	173,206
Total intergovernmental revenue	<u>541,357</u>	<u>523,206</u>	<u>350,000</u>	<u>173,206</u>
Licenses and fees:				
Mortgage registration fees	59,221	45,883	35,000	10,883
Motor vehicle license fees	21,243	22,054	20,000	2,054
Officers' fees	29,603	46,256	30,000	16,256
Total licenses and fees	<u>110,067</u>	<u>114,193</u>	<u>85,000</u>	<u>29,193</u>
Charges for services:				
Ambulance	88,607	111,040	94,000	17,040
Wellness center	-	45,401	65,000	(19,599)
Jail board	79,603	73,710	10,000	63,710
Law enforcement	98,576	55,414	35,000	20,414
Other	8,688	8,400	5,000	3,400
Total charges for services	<u>275,474</u>	<u>293,965</u>	<u>209,000</u>	<u>84,965</u>
Use of money and property:				
Interest on investments	100,976	91,452	190,000	(98,548)
Rents and royalties	12,419	11,795	9,000	2,795
Total use of money and property	<u>113,395</u>	<u>103,247</u>	<u>199,000</u>	<u>(95,753)</u>
Other:				
Other	138,964	151,420	45,000	106,420
Total cash receipts	<u>\$ 3,321,346</u>	<u>\$ 3,180,515</u>	<u>\$ 2,835,265</u>	<u>\$ 345,250</u>

(continued)

STEVENS COUNTY, KANSAS
General Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2004
(With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

	Prior Year	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
(continued)				
Expenditures:				
General government:				
Courthouse general:				
Personnel services	\$ 188,408	\$ 402,995	\$ 38,584	\$ (364,411)
Contractual services	176,908	356,190	240,000	(116,190)
Commodities	15,064	32,262	21,416	(10,846)
Capital outlay	26,544	11,174	250,000	238,826
Total Courthouse general	406,924	802,621	550,000	(252,621)
County Commission:				
Personnel services	57,312	64,024	60,000	(4,024)
Contractual services	20,360	10,769	9,000	(1,769)
Commodities	-	-	1,000	1,000
Capital outlay	497	590	-	(590)
Total County Commission	78,169	75,383	70,000	(5,383)
County Clerk:				
Personnel services	80,982	72,388	86,455	14,067
Contractual services	3,954	4,491	6,160	1,669
Commodities	3,994	3,259	6,300	3,041
Capital outlay	2,813	14,368	1,000	(13,368)
Total County Clerk	91,743	94,506	99,915	5,409
County Treasurer:				
Personnel services	99,826	113,384	103,042	(10,342)
Contractual services	13,593	13,048	14,000	952
Commodities	11,774	13,050	13,000	(50)
Capital outlay	8,229	945	5,000	4,055
Total County Treasurer	133,422	140,427	135,042	(5,385)
Register of Deeds:				
Personnel services	53,757	59,143	52,093	(7,050)
Contractual services	3,355	2,767	7,500	4,733
Commodities	4,399	5,415	5,000	(415)
Capital outlay	6,595	8,046	5,000	(3,046)
Total Register of Deeds	68,106	75,371	69,593	(5,778)
Appraiser:				
Personnel services	100,154	104,259	99,500	(4,759)
Contractual services	123,219	140,349	149,020	8,671
Commodities	8,048	8,370	12,100	3,730
Capital outlay	31,103	10,613	5,000	(5,613)
Total Appraiser	262,524	263,591	265,620	2,029

(continued)

STEVENS COUNTY, KANSAS
General Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2004
(With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

	Prior Year	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
(continued)				
County Counselor:				
Contractual services	\$ 75,145	\$ 67,452	\$ 66,000	\$ (1,452)
Planning and zoning:				
Personnel services	14,977	15,981	14,328	(1,653)
Contractual services	1,075	1,003	7,400	6,397
Commodities	6,151	-	500	500
Capital outlay	-	-	450	450
Total planning and zoning	22,203	16,984	22,678	5,694
Election:				
Personnel services	1,618	7,856	8,000	144
Contractual services	1,656	4,858	1,350	(3,508)
Commodities	2,278	9,114	8,100	(1,014)
Capital outlay	4,363	-	3,050	3,050
Total election	9,915	21,828	20,500	(1,328)
Data processing:				
Contractual services	4,725	24,152	25,000	848
Commodities	1,314	517	-	(517)
Capital outlay	52,358	-	-	-
Total data processing	58,397	24,669	25,000	331
Other contractual services:				
Soil conservation	27,020	27,020	27,020	-
Economic development	65,000	65,881	65,000	(881)
Community foundation	350,000	330,000	280,000	(50,000)
Grant writing	-	-	2,000	2,000
Total other contractual services	442,020	422,901	374,020	(48,881)
Total general government	1,648,568	2,005,733	1,698,368	(307,365)
Public safety:				
County Attorney:				
Contractual services	70,000	70,000	70,000	-
Sheriff:				
Personnel services	513,225	633,838	550,000	(83,838)
Contractual services	155,395	163,570	200,000	36,430
Commodities	57,770	83,447	45,000	(38,447)
Capital outlay	138,106	99,449	122,000	22,551
Total Sheriff	864,496	980,304	917,000	(63,304)

(continued)

STEVENS COUNTY, KANSAS
General Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2004
(With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

	Prior Year	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
(continued)				
District Court:				
Contractual services	\$ 34,250	\$ 34,937	\$ 86,000	\$ 51,063
Commodities	8,097	7,434	-	(7,434)
Capital outlay	25,000	18,618	-	(18,618)
Total District Court	67,347	60,989	86,000	25,011
Civil defense:				
Contractual services	2,434	1,402	1,500	98
Commodities	693	3,869	-	(3,869)
Capital outlay	2,070	-	1,500	1,500
Total civil defense	5,197	5,271	3,000	(2,271)
Fire:				
Personnel services	45,506	47,274	47,500	226
Contractual services	20,176	16,491	34,000	17,509
Commodities	16,666	22,357	16,000	(6,357)
Capital outlay	984	5,106	5,000	(106)
Total fire	83,332	91,228	102,500	11,272
Community service:				
Personnel services	8,520	8,205	15,679	7,474
Contractual services	1,746	940	1,000	60
Commodities	-	2,593	1,000	(1,593)
Total community service	10,266	11,738	17,679	5,941
Juvenile detention:				
Contractual services	5,919	7,197	9,596	2,399
Total public safety	1,106,557	1,226,727	1,205,775	(20,952)
Culture and recreation:				
4-H building:				
Personnel services	1,408	2,805	3,000	195
Contractual services	6,573	6,506	5,600	(906)
Commodities	1,303	877	900	23
Capital outlay	-	-	1,000	1,000
Total 4-H building	9,284	10,188	10,500	312
Other contractual services:				
Historical society	62,000	100,000	100,000	-
Community college tuition	42,273	40,758	40,000	(758)
Total other contractual services	104,273	140,758	140,000	(758)
Total culture and recreation	113,557	150,946	150,500	(446)

(continued)

STEVENS COUNTY, KANSAS
General Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2004
(With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

	Prior Year	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
(continued)				
Health and sanitation:				
County Health:				
Personnel services	\$ 2,400	\$ 2,500	\$ 2,400	\$ (100)
Emergency services:				
Personnel services	89,021	96,021	97,891	1,870
Contractual services	18,753	23,630	38,109	14,479
Commodities	15,773	17,278	25,000	7,722
Capital outlay	15,950	-	15,000	15,000
Total emergency services	139,497	136,929	176,000	39,071
SWKS Health Initiative:				
Contractual services	14,517	33,726	-	(33,726)
Commodities	3,672	12,578	-	(12,578)
Capital outlay	28,705	16,259	-	(16,259)
Total SWKS Health Initiative	46,894	62,563	-	(62,563)
Wellness center:				
Personnel services	-	73,022	71,460	(1,562)
Contractual services	-	12,700	11,245	(1,455)
Commodities	-	3,748	2,295	(1,453)
Capital outlay	-	2,496	2,898	402
Total wellness center	-	91,966	87,898	(4,068)
Solid waste:				
Personnel services	96,786	87,741	107,985	20,244
Contractual services	273,885	93,967	126,870	32,903
Commodities	69,850	30,601	58,800	28,199
Capital outlay	1,571	6,646	4,000	(2,646)
Total solid waste	442,092	218,955	297,655	78,700
Rodent control:				
Contractual services	-	170	-	(170)
Commodities	-	5,005	-	(5,005)
Total rodent control	-	5,175	-	(5,175)
Other contractual services:				
Coroner	8,877	17,015	8,000	(9,015)
Developmentally disabled	75,000	75,500	75,000	(500)
Mental health	35,280	35,280	35,280	-
Total other contractual services	119,157	127,795	118,280	(9,515)
Total health and sanitation	750,040	645,883	682,233	36,350

(continued)

STEVENS COUNTY, KANSAS
 General Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Totals for the Prior Year Ended December 30, 2003)

	Prior Year	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
(continued)				
Transfers out:				
Equipment	\$ 80,000	\$ 40,000	\$ 40,000	\$ -
Building	300,000	300,000	652,500	352,500
Total transfers out	380,000	340,000	692,500	352,500
Total expenditures	\$ 3,998,722	\$ 4,369,289	\$ 4,429,376	\$ 60,087

STEVENS COUNTY, KANSAS
Reconciliation of 2003 Tax Roll
For the Year Ended December 31, 2004

2003 Tax Roll as Adjusted:	
County Clerk's abstract of taxes levied	\$ 17,703,952
Supplemental tax roll	480,112
2003 taxes abated	<u>(47,001)</u>
2003 tax roll as adjusted	<u>\$ 18,137,063</u>
2003 Tax Roll Accounted For:	
2003 current tax collections	\$ 18,016,741
Delinquent taxes	<u>120,322</u>
2003 total tax roll	<u>\$ 18,137,063</u>

Reconciliation of 2002 Tax Roll
For the Year Ended December 31, 2003

2002 Tax Roll as Adjusted:	
County Clerk's abstract of taxes levied	\$ 19,392,026
Supplemental tax roll	17,634
2002 taxes abated	<u>(123,475)</u>
2002 tax roll as adjusted	<u>\$ 19,286,185</u>
2002 Tax Roll Accounted For:	
2002 current tax collections	\$ 19,162,088
Delinquent taxes	<u>124,097</u>
2002 total tax roll	<u>\$ 19,286,185</u>

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APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

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

THE BOND RESOLUTION

DEFINITIONS

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

"Act" means the Constitution and statutes of the State of Kansas including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.* and K.S.A. 19-15,115 *et seq.*, as amended and supplemented.

"Arbitrage Instructions" means the Arbitrage Instructions attached to the Issuer's Federal Tax Certificate dated as of the Issue Date, as the same may be amended or supplemented in accordance with the provisions thereof.

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

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

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

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

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

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

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

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

"Bonds" means the General Obligation Bonds, Series 2006, authorized and issued by the Issuer pursuant to the Bond Resolution.

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

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

"Chairman" means the duly elected and acting Chairman, or in the Chairman's absence, the duly appointed and/or elected Vice Chairman or Acting Chairman of the Issuer.

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

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

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

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

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

"County" means Stevens County, Kansas.

"Dated Date" means March 1, 2006.

"Debt Service Account" means the account by that name (within the Bond and Interest Fund) created by the Bond Resolution.

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

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

"Defeasance Obligations" means any of the following obligations:

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

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

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

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

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

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

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

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

"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 Instructions" means the Continuing Disclosure Instructions dated as of the Issue Date, attached to the Issuer's Closing Certificate relating to certain obligations contained in the SEC Rule.

"DTC" means The Depository Trust Company, New York, New York.

"Event of Default" means each of the following occurrences or events:

- (a) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise; or
- (b) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due;
- (c) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution (other than the covenants relating to continuing disclosure) on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of the Bonds then Outstanding.

"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.

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

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

"Improvements" means the improvements referred to in the preamble to the Bond Resolution.

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

"Interest Payment Date(s)" means the Stated Maturity of an installment of interest on any Bond which shall be March 1 and September 1 of each year, commencing March 1, 2007.

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

"Issuer" means the County and any successors or assigns.

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

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

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

- (a) Bonds theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds deemed to be paid in accordance with the provisions of the Bond Resolution; and

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered hereunder.

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

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

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

"Permitted Investments" shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative: (a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in commercial banks or trust companies located in the Issuer; (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.

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

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

"Rating Agency" means any company, agency or entity that provides financial ratings for the Bonds.

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

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

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

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

"SEC Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as may be amended from time to time.

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

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

"Standard & Poor's" means 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.

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

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

ESTABLISHMENT OF FUNDS AND ACCOUNTS; DEPOSIT AND APPLICATION OF BOND PROCEEDS AND OTHER MONEYS

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

- (a) Improvement Fund;
- (b) Debt Service Account; and
- (c) Costs of Issuance Account.

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

Deposit of Bond Proceeds and Other Moneys. The net proceeds received from the sale of the Bonds and certain other funds shall be deposited simultaneously with the delivery of the Bonds as follows:

- (a) All accrued interest received from the sale of the Bonds shall be deposited in the Debt Service Account.
- (b) An amount necessary to pay the costs of issuance shall be deposited in the Costs of Issuance Account.
- (c) The remaining balance of the proceeds derived from the sale of the Bonds, together with funds provided by the Issuer, shall be deposited in the Improvement Fund.
- (d) In addition to proceeds of the Bonds, the Issuer will use available moneys representing available funds of the Issuer to pay a portion of the costs of the Improvements.

Application of Moneys in the Improvement Fund. Moneys in the Improvement Fund shall be used for the sole purpose of: (a) paying the costs of the Improvements and (b) paying Costs of Issuance. Withdrawals from the Improvement Fund shall be made only when authorized by the governing body of the Issuer. Each authorization for costs of the Improvements shall be supported by a certificate executed by the Consulting Engineer stating that such payment is being made for a purpose within the scope of the Bond Resolution and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Authorizations for withdrawals for other authorized purposes shall be supported by a certificate executed by the Issuer's Clerk (or designate) stating that such payment is being made for a purpose within the scope of the Bond Resolution. Upon completion of the Improvements, any surplus remaining in the Improvement Fund shall be deposited in the Debt Service Account.

Application of Moneys in the Debt Service Account. All amounts paid and credited to the Debt Service Account shall be expended and used by the Issuer for the sole purpose of paying the principal or Redemption Price of and interest on the Bonds as and when the same become due and the usual and customary fees and expenses of the Bond Registrar and Paying Agent. The Treasurer is authorized and directed to withdraw from the Debt Service Account sums sufficient to pay

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

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

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

DEPOSIT AND INVESTMENT OF MONEYS

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

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

DEFAULT AND REMEDIES

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

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

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

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

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

Bond Resolution, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of such Outstanding Bonds.

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

DEFEASANCE

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

TAX COVENANTS

General Covenants. The Issuer covenants and agrees that it will comply with all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds and it will not use or permit the use of any proceeds of Bonds or any other funds of the Issuer, will not take or permit any other action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds. The Issuer covenants and agrees that it will not use any portion of the proceeds of the Bonds, including any investment income earned on such proceeds, directly or indirectly, in a manner that would cause any Bond to be a "private activity bond" within the meaning of Code § 141(a), or to make or finance a loan to any Person other than the State or a political subdivision thereof.

Rebate Covenants. The Issuer covenants and agrees that it will pay or provide for the payment from time to time all amounts required to be rebated to the United States pursuant to the Code and the Arbitrage Instructions.

CONTINUING DISCLOSURE REQUIREMENTS

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

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

MISCELLANEOUS PROVISIONS

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

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

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

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

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity, to grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to conform the Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

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

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

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

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

THE CONTINUING DISCLOSURE INSTRUCTIONS

The Continuing Disclosure Instructions are executed and delivered by the Issuer in connection with the issuance of the Bonds pursuant to the Bond Resolution, in which the Issuer covenants to enter into an undertaking to provide certain financial and other information with respect to the Bonds in order to assist the Participating Underwriter in complying with the provisions of the SEC Rule. The Issuer is the only "obligated person" with responsibility for continuing disclosure with respect to the Bonds.

DEFINITIONS

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

"Annual Report" means any Annual Report provided by the Issuer pursuant to the Disclosure Instructions.

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

"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 Issuer described under the heading "**PROVISION OF ANNUAL REPORTS – Financial Information.**"

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

"Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the 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 these Disclosure Instructions, there is no State Repository.

PROVISION OF ANNUAL REPORTS

The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer's Fiscal Year, commencing with the Fiscal Year ended in 2004, provide to the State Repository, if any, (unless the Annual Report is filed through the Central Post Office) the Issuer's Financial Information and Operating Data (jointly, the "Annual Report") as follows:

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

Operating Data. Updates as of the end of the Fiscal Year of substantially all of the information and data contained in those sections of *Appendix A* to the Official Statement entitled "Economic Information," "Financial Information" and "Debt Structure."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the SEC Rule), which have been filed with 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 Issuer shall: (1) determine each year prior to the date for providing the Annual Report the name and address of 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.

Pursuant to an exception granted in 15c2-12(d)(2), the Issuer is not required to file the Annual Report with any National Repository. However, upon request of any person, the Issuer shall make available a copy of the Annual Report.

REPORTING OF MATERIAL EVENTS

The Issuer 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 Bonds, if the Issuer 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 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 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, if any. 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 may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Instructions, 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 State Repository, if any, the Issuer 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 the State Repository, if any, 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 Instructions, 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 Issuer has certified to the Dissemination Agent that the Issuer has provided the Annual Report to the State Repository, if any. If the Dissemination Agent has not received an Annual Report or has not received a written notice from the Issuer 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 the State Repository, if any or the Central Post Office. The Dissemination Agent shall also make available to any person, upon request, a copy of the Annual Report; and shall notify, at least annually, the Issuer of all persons that have made a request for a copy of the Annual Report.

Material Event Notices.

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

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

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 Issuer's obligations under the Disclosure Instructions shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Issuer'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 Instructions in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility. If such termination or substitution occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination or substitution in the same manner as for a Material Event

Amendment; Waiver. The Issuer and the Dissemination Agent, if any, may amend the Disclosure Instructions (and the Dissemination Agent shall not unreasonably refuse to execute any amendment so requested by the Issuer) and any provision of the Disclosure Instructions may be waived, provided that: (a) Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer and the Dissemination Agent, if any, with its opinion that the undertaking of the Issuer, 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 Bonds, or the type of business conducted; and (c) the amendment or waiver is either (1) approved by the Owners of the 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 Bonds.

In the event of any amendment or waiver, the Issuer 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 Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event 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 Issuer from disseminating any other information, using the means of dissemination set forth in the Disclosure Instructions 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 Instructions.

Noncompliance. In the event of a failure of the Issuer or the Dissemination Agent, if any, to comply with any provision of the Disclosure Instructions, the Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer or the Dissemination Agent, if any, as the case may be, to comply with its obligations under the Disclosure Instructions. Noncompliance with the provisions of the Disclosure Instructions shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under the Disclosure Instructions in the event of any failure of the Issuer or the Dissemination Agent, if any, to comply with the Disclosure Instructions shall be an action to compel performance.

Electronic Transactions. Actions taken under the Disclosure Instructions and the arrangements described therein may be conducted and related documents may be stored by electronic means.

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

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

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