

CITY OF HAYS, KANSAS

Hays, Kansas

Primary Government Financial Statements
With Independent Auditors' Report

For the Year Ended December 31, 2003

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For the Year Ended December 31, 2003

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INDEPENDENT AUDITORS' REPORT

To The Mayor and Commissioners
City of Hays, Kansas
Hays, Kansas 67601

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Hays, Kansas**, as of and for the year ended December 31, 2003, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the **City of Hays, Kansas** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 opinions.

The financial statements referred to above include only the primary government of the **City of Hays, Kansas**, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the **City of Hays, Kansas**, as of December 31, 2003 and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the **City of Hays, Kansas**, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

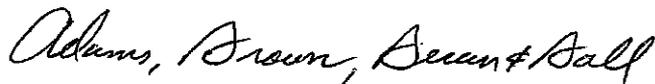
To The Mayor and Commissioners
City of Hays, Kansas
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As described in Note 11, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for States and Local Governments, as of December 31, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2004, on our consideration of the **City of Hays, Kansas**' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 37 through 68, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Hays, Kansas**' basic financial statements. The introductory section, combining individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **City of Hays, Kansas**. The individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

May 12, 2004

CITY OF HAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Hays' financial performance provides an overview of the City's financial activities for the year ended December 31, 2003. Please read in conjunction with the City's financial statements, which begins after this letter.

FINANCIAL HIGHLIGHTS

As reflected in this audit, the City of Hays' over all financial position is improving. The General Fund's Fund Balance has increased by 145% or 1.2 million as compared to 2001, and 63% or \$829,965 as compared to 2002. This increase is reflective of administrative review and direction involving areas of revenues and expenditures. For example, due to renegotiation of franchise agreements, an additional 32.5% or \$199,858 was received in 2003. Other areas of change include; refinancing of bonds, staffing reductions due to attrition, evaluation of surplus vehicles and equipment, and privatization of street sweeping activities. The total positive impact of these changes is estimated to have amounted to \$1,326,000 in 2003. Additionally, the estimated ongoing fiscal impact of these changes is approximately \$130,000 additional per year. The "corporate culture" that is established by these efficiencies is expected to be an ongoing process and the administration is hopeful that these quantified savings will continue to increase.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and statement of activities on pages 7 through 9 provide information about the activities of the City as a whole and present a longer-term view to the City's finances. Fund financial statements start on page 10. For governmental activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government wide statements by providing information about the City's most significant funds. The remaining statements provide financial information of activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 7. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. Think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health or financial position. Over time increases or decreases in the City's net assets are one indicator of whether financial health is improving or deteriorating. Consider other non-financial factors however, such as changes in the City's property tax base and the condition of the City's roads to assess the overall health of the City. In the statement of net assets and the statement of activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here including the police, fire, public works, park department and general administration. Property taxes, franchise fees and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges a fee to customers to help cover all or most of the services it provides. The City's water and sewer system and the solid waste facilities are reported here.

CITY OF HAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Component units – The City has elected not to include the component units in these financial statements. The notes to the financial statements contain the listing of those entities that are considered a component unit of the City.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Analysis of the City's major funds begins on page 10. The fund financial statements begin on page 38 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Commission establishes other funds to help or control money for particular purposes or to show that it is meeting legal responsibility for using certain taxes, grants and other monies. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Governmental Funds – Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can regularly be converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in a statement of net assets and the statement of activities) and the governmental funds in reconciliation at the bottom of the fund financial statements.
- Proprietary Funds – When the City charges customers for the services it provides, whether to outside customers or to other units in the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in a Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the business type activities reported in the government wide statements that provide more detail and additional information such as cash flows for proprietary funds.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

The City is the trustee or fiduciary for the police court. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries. All of the City's fiduciary activity is reported in a separate statement of fiduciary net assets and changes in fiduciary net assets on page 19. Auditing staff excluded these activities from the City's other financial statements because the City can not use these assets to finance its operations. The City is responsible for insuring that the assets reported in these funds are used for their intended purposes.

**CITY OF HAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE CITY AS A WHOLE

The City of Hays is in the process of implementing GASB #34 for the year ended December 31, 2003. Because this is the initial year financial statements there are no comparative data figures available to compare to December 31, 2002. However, in future years there will be comparative data available.

**TABLE 1
NET ASSETS**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>
Current and Other Assets	\$ 11,117,329	16,649,400	27,766,729
Capital Assets	<u>64,446,971</u>	<u>24,750,962</u>	<u>89,197,933</u>
Total Assets	<u>75,564,300</u>	<u>41,400,362</u>	<u>116,964,662</u>
Long Term Debt			
Outstanding	13,115,671	6,570,258	19,685,929
Other Liabilities	<u>6,888,450</u>	<u>1,088,559</u>	<u>7,977,009</u>
Total Liabilities	<u>20,004,121</u>	<u>7,658,817</u>	<u>27,662,938</u>
Net Assets	4,097,937	1,351,006	5,448,943
Restricted	<u>51,462,242</u>	<u>32,390,539</u>	<u>83,852,781</u>
Unrestricted	<u>\$ 55,560,179</u>	<u>33,741,545</u>	<u>89,301,724</u>

**TABLE 2
STATEMENT OF ACTIVITIES**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total 2003
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General Government	\$ 7,732,977	464,075	10,040	30,815	(7,228,047)	-	(7,228,047)
Highway and Street	2,236,145	3,984	22,089	-	(2,210,072)	-	(2,210,072)
Culture and Recreation	2,208,859	193,436	-	-	(2,015,423)	-	(2,015,423)
Airport	2,224,644	78,207	-	1,840,232	(306,205)	-	(306,205)
Interest on Long-Term Debt	502,639	-	-	-	(502,639)	-	(502,639)
Total Governmental Activities	<u>14,905,254</u>	<u>739,702</u>	<u>32,129</u>	<u>1,871,047</u>	<u>(12,262,386)</u>	-	<u>(12,262,386)</u>
Business-Type Activities							
Water and Sewer	3,580,751	4,464,374	294,085	-	-	1,177,708	-
Solid Waste	649,283	877,787	-	-	-	228,504	-
Total Business-Type Activities	<u>4,230,034</u>	<u>5,342,161</u>	<u>294,085</u>	<u>-</u>	<u>-</u>	<u>1,406,212</u>	<u>-</u>
Total Primary Government	<u>\$ 19,135,298</u>	<u>6,081,863</u>	<u>326,214</u>	<u>1,871,047</u>	<u>(12,262,386)</u>	<u>1,406,212</u>	<u>-</u>
General Revenues, Special Items, and Transfers							
Property Taxes					\$ 5,511,100	-	-
Special Assessments					251,215	-	-
Sales Tax					2,813,295	2,141,845	-
Franchise Taxes					1,049,858	-	-
Motor Fuel Taxes					587,046	-	-
Alcoholic Beverage Taxes					235,542	-	-
Transient Guest Taxes					467,875	-	-
Unrestricted Investment Earnings					85,111	81,790	-
Miscellaneous					243,104	236,259	-
G.O. Bond Reimbursements					-	764,105	-
Special Items - Sale of Equipment					57,478	-	-
Transfers					<u>1,985,900</u>	<u>(1,985,900)</u>	<u>-</u>
Total General Revenues, Special Items and Transfer					<u>13,287,524</u>	<u>1,238,099</u>	<u>-</u>
Change in Net Assets					1,025,138	2,644,311	-
Net Assets - Beginning					<u>54,535,041</u>	<u>31,097,234</u>	<u>-</u>
Net Assets - Ending					<u>\$ 55,560,179</u>	<u>33,741,545</u>	<u>-</u>

**CITY OF HAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2003, the City had \$89,197,933 invested in capital assets less depreciation.

**TABLE 3
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>
Land	\$ 13,803,198	110,489	13,913,687
Infrastructure	38,473,039	7,632,457	46,105,496
Work in Progress – Big Creek	-	2,082,834	2,082,834
Circle K Ranch	-	3,189,845	3,189,845
Building and Equipment	12,170,734	11,735,337	23,906,071
Total	<u>\$ 64,446,971</u>	<u>24,750,962</u>	<u>89,197,933</u>

DEBT

At the end of 2003, the City had the following debt:

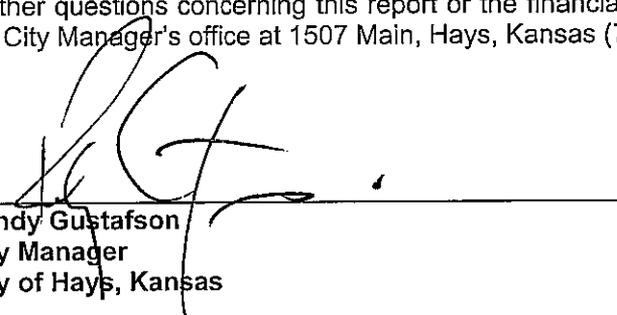
**TABLE 4
OUTSTANDING DEBT AT YEAR-END**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>
Capital Leases	\$ 1,508,631	-	1,508,631
G.O. Bonds	11,607,040	147,960	11,755,000
Revenue Bonds	-	6,728,790	6,728,790
Total	<u>\$ 13,115,671</u>	<u>6,876,750</u>	<u>19,992,421</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. The report is also designed to show the City's accountability for the money it receives.

Further questions concerning this report or the financial status of the City of Hays, should be directed to the City Manager's office at 1507 Main, Hays, Kansas (785) 628-7320 or randyg@haysusa.com.



 Randy Gustafson
 City Manager
 City of Hays, Kansas

CITY OF HAYS, KANSAS

Statement of Net Assets

December 31, 2003

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,938,290	13,978,242	19,916,532
Receivables (Net of Allowance for Uncollectibles)	5,010,003	689,962	5,699,965
Internal Balances	138,877	57,414	196,291
Due from Other Governments	30,159	-	30,159
Restricted Assets-Cash and Cash Equivalents			
Customer Deposits	-	149,555	149,555
Revenue Refunding Bonds - Series 2003	-	245,045	245,045
Revenue Sales Tax Bonds - Series 2003	-	196,810	196,810
Reserve for Capital Improvements	-	1,249,056	1,249,056
Capital Assets (Note 1D)			
Land and Infrastructure	52,276,237	7,742,946	60,019,183
Depreciable Buildings and Equipment, Net	12,170,734	11,735,337	23,906,071
Water Banking Plan	-	2,082,834	2,082,834
Cirlice K Ranch	-	3,189,845	3,189,845
Issuance Costs - (Net of Amortization)	-	83,316	83,316
Total Assets	75,564,300	41,400,362	116,964,662
LIABILITIES			
Accounts Payable	1,064	232,866	233,930
Accrued Payroll	145,452	31,632	177,084
Accrued Vacation	164,444	37,026	201,470
Accrued Compensation Time	10,570	-	10,570
Accrued Interest Payable	510,206	-	510,206
Internal Balances	169,985	26,306	196,291
Accrued Interest - Revolving Loan	-	42,006	42,006
Deferred Revenue	4,825,215	-	4,825,215
Restricted Assets			
Customer Deposits	-	149,555	149,555
Accrued Interest - Revenue and Sales Tax Bonds	-	42,412	42,412
Compensated Absences (Note 1P)	1,061,514	220,264	1,281,778
State of Kansas Waste Water Revolving Loan (Note 3)			
Due Within One Year	-	266,412	266,412
Due in More Than One Year	-	3,132,378	3,132,378
Revenue Refunding Bonds - Series 2003 (Note 3)			
Due in More Than One Year	-	1,930,000	1,930,000
Sales Tax Refunding Bonds - Series 2003 (Note 3)			
Due Within One Year	-	30,000	30,000
Due in More Than One Year	-	1,370,000	1,370,000
Totals Carried Forward	\$ 6,888,450	7,510,857	14,399,307

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

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2003

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Totals Brought Forward	\$ 6,888,450	7,510,857	14,399,307
Capital Leases (Note 2)			
Due Within One Year	247,732	-	247,732
Due in More Than One Year	1,260,899	-	1,260,899
G.O. Bonds Payable (Note 3)			
Due Within One Year	1,174,920	10,080	1,185,000
Due in More Than One Year	10,432,120	137,880	10,570,000
Total Liabilities	20,004,121	7,658,817	27,662,938
Net Assets			
Restricted for:			
Capital Projects	1,209,709	-	1,209,709
Debt Service	165,629	-	165,629
Encumbrances	288,475	101,950	390,425
Capital Improvements	-	1,249,056	1,249,056
Designated for Subsequent Year's Expenditures	2,434,124	-	2,434,124
Unrestricted	51,462,242	32,390,539	83,852,781
Total Net Assets	\$ 55,560,179	33,741,545	89,301,724

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

CITY OF HAYS, KANSAS
Statement of Activities
For the Year Ended December 31, 2003

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Total 2003
					Business-Type Activities		
Primary Government							
Governmental Activities							
General Government	\$ 7,732,977	10,040	30,815	(7,228,047)	-	(7,228,047)	(7,228,047)
Highway and Street	2,236,145	22,089	-	(2,210,072)	-	(2,210,072)	(2,210,072)
Culture and Recreation	2,208,859	-	-	(2,015,423)	-	(2,015,423)	(2,015,423)
Airport	2,224,644	-	1,840,232	(306,205)	-	(306,205)	(306,205)
Interest on Long-Term Debt	502,639	-	-	(502,639)	-	(502,639)	(502,639)
Total Governmental Activities	14,905,264	32,129	1,871,047	(12,262,386)	-	(12,262,386)	(12,262,386)
Business-Type Activities							
Water and Sewer	3,580,751	294,085	-	-	1,177,708	1,177,708	1,177,708
Solid Waste	649,283	-	-	-	228,504	228,504	228,504
Total Business-Type Activities	4,230,034	294,085	-	-	1,406,212	1,406,212	1,406,212
Total Primary Government	\$ 19,135,298	326,214	1,871,047	(12,262,386)	1,406,212	1,406,212	
General Revenues, Special Items, and Transfers							
Property Taxes	\$			5,511,100	-	5,511,100	
Special Assessments				251,215	-	251,215	
Sales Tax				2,813,295	2,141,845	2,141,845	
Franchise Taxes				1,049,858	-	1,049,858	
Motor Fuel Taxes				587,046	-	587,046	
Alcoholic Beverage Taxes				235,542	-	235,542	
Transient Guest Taxes				467,875	-	467,875	
Unrestricted Investment Earnings				85,111	81,790	81,790	
Miscellaneous				243,104	236,259	236,259	
G.O. Bond Reimbursements				-	764,105	764,105	
Special Items - Sale of Equipment Transfers				57,478	(1,985,900)	(1,985,900)	
				1,985,900	-	1,985,900	
Total General Revenues, Special Items and Transfer				13,287,524	1,238,099	1,238,099	
Change in Net Assets				1,025,138		2,644,311	
Net Assets - Beginning				54,535,041		31,097,234	
Net Assets - Ending				\$ 55,560,179		33,741,545	

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

CITY OF HAYS, KANSAS
Balance Sheet
Governmental Funds
December 31, 2003

	General Fund	Employee Benefit Fund	Airport Improvement Fund	Bond and Interest Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 2,418,707	393,532	154,706	159,658	2,811,687	5,938,290
Receivables - Net						
Accounts Receivable	-	63,625	-	-	121,163	184,788
Due from Other Governments	30,159	-	-	-	-	30,159
Due from Special Highway	-	-	-	-	6,681	6,681
Due from W & S	-	-	-	-	22,850	22,850
Due from Airport Improvement	-	-	-	-	103,375	103,375
Due from Capital Project	-	-	-	5,971	-	5,971
Taxes	1,681,485	728,329	-	1,268,776	1,146,625	4,825,215
Total Assets	\$ 4,130,351	1,185,486	154,706	1,434,405	4,212,381	11,117,329

LIABILITIES AND FUND BALANCE

Liabilities						
Accounts Payable	\$ -	-	-	-	1,064	1,064
Accrued Payroll	139,295	-	-	-	6,157	145,452
Accrued Vacation	158,011	-	-	-	6,433	164,444
Accrued Compensation Time	9,977	-	-	-	593	10,570
Due to W & S	-	-	-	-	53,958	53,958
Due to Capital Projects	-	-	-	-	6,681	6,681
Due to Bond & Interest	-	-	-	-	5,971	5,971
Due to Capital Project	-	-	103,375	103,375	-	206,750
Deferred Revenues	1,681,485	728,329	-	1,268,776	1,146,625	4,825,215
Total Liabilities	1,988,768	728,329	103,375	1,372,151	1,227,482	5,420,105
Fund Balance						
Reserved for Encumbrances	225,517	-	-	-	62,958	288,475
Designated for Subsequent Year's Expenditures	1,082,135	201,124	-	30,882	1,150,865	2,465,006
Undesignated	833,931	256,033	51,331	134,747	1,771,076	3,047,118
Total Fund Balance	2,141,583	457,157	51,331	165,629	2,984,899	5,800,599
Total Liabilities and Fund Balance	\$ 4,130,351	1,185,486	154,706	1,537,780	4,212,381	11,220,704

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

CITY OF HAYS, KANSAS
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-Wide Statement of Net Assets
 December 31, 2003

Amounts reported for governmental activities in the Statement of Net Assets differ from the fund balances of Governmental Funds on the preceding balance sheet as shown in the following reconciliation:

Fund Balances of Governmental Funds from the Balance Sheet	\$	5,800,599
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.		64,446,971
Long-Term debt, capital leases, and compensated absences have not been included in the Governmental Fund activity on the Balance Sheet.		
G.O. Bonds		(11,607,040)
Capital Leases		(1,508,631)
Compensated Absences		(1,061,514)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the Governmental Funds on the Balance Sheet.		<u>(510,206)</u>
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (Statement 1).	\$	<u><u>55,560,179</u></u>

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

CITY OF HAYS, KANSAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2003

	General Fund	Employee Benefit Fund	Airport Improvement Fund	Bond and Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 3,935,153	1,043,470	-	1,653,848	1,943,139	8,575,610
Intergovernmental	88,554	-	-	-	1,234,038	1,322,592
Federal Aid	-	-	1,840,232	-	-	1,840,232
Licenses & Fees	1,118,214	-	-	-	-	1,118,214
Fines and Forfeitures	386,899	-	-	-	-	386,899
Use of Money & Property	86,311	-	121	-	-	86,432
Collections	196,448	-	-	-	84,015	280,463
Donations	30,815	-	-	-	-	30,815
Prior Year Encumbrances Voided	21,504	-	-	-	-	21,504
Miscellaneous	27,211	63,625	-	-	133,427	224,263
Total Revenues	5,891,109	1,107,095	1,840,353	1,653,848	3,394,619	13,887,024
Expenditures						
Current -						
General Government	4,251,633	1,710,362	-	-	1,183,096	7,145,091
Highway and Street	1,493,020	-	-	-	743,125	2,236,145
Culture and Recreation	927,215	-	-	-	966,425	1,893,640
Airport	-	-	1,989,632	-	158,762	2,148,394
Debt Service	-	-	-	1,713,539	-	1,713,539
Capital Outlay	124,643	-	-	-	404,498	529,141
Total Expenditures	6,796,511	1,710,362	1,989,632	1,713,539	3,455,906	15,665,950
Excess (Deficiency) of Revenues Over Expenditures	(905,402)	(603,267)	(149,279)	(59,691)	(61,287)	(1,778,926)
Other Financing Sources (Uses)						
G.O. Bond Proceeds	-	-	97,978	-	952,917	1,050,895
Sale of Equipment	-	-	-	-	57,478	57,478
Transfers In	1,940,367	729,400	-	17,800	205,000	2,892,567
Transfers Out	(205,000)	-	-	-	(701,667)	(906,667)
Total Other Financing Sources (Uses)	1,735,367	729,400	97,978	17,800	513,728	3,094,273
Net Change in Fund Balances	829,965	126,133	(51,301)	(41,891)	452,441	1,315,347
Fund Balance - January 1	1,311,618	331,024	102,632	207,520	2,532,458	4,485,252
Fund Balance - December 31	\$ 2,141,583	457,157	51,331	165,629	2,984,899	5,800,599

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

CITY OF HAYS, KANSAS
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2003

Net Changes in Fund Balances - Total Governmental Funds (Statement 4) \$ 1,315,347

Amounts Reported for Governmental Activities in the Statement of Activities
(Statement 2) are different because:

Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$978,455) exceeded capital outlays (\$529,141) in the current period. (449,314)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which bond repayments (\$1,200,280 in the General Governmental Funds and \$9,720 in Business-Type Activities) exceeded bond proceeds recorded in the General Governmental Funds (\$1,050,895) 159,105

Change in Net Assets of Governmental Activities (Statement 2) \$ 1,025,138

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

CITY OF HAYS, KANSAS
Balance Sheet
Proprietary Funds
December 31, 2003

ASSETS	Enterprise Funds		
	Water & Sewer Fund	Solid Waste Utility Fund	Total
Current Assets			
Petty Cash	\$ 8,000	-	8,000
Cash & Cash Equivalents			
Operating Account	1,739,534	288,694	2,028,228
Local Sales Tax Account	11,942,014	-	11,942,014
Accounts Receivable (Net)	689,962	-	689,962
Due From Capital Project Fund	53,958	-	53,958
Due From Water and Sewer Fund	-	3,456	3,456
Total Current Assets	14,433,468	292,150	14,725,618
NonCurrent Assets			
Restricted Assets			
Customer Deposits	149,555	-	149,555
Reserve for Capital Improvements	1,195,326	53,730	1,249,056
Revenue Refunding Bonds - Series 2003			
Principal & Interest Account	52,045	-	52,045
Bond Reserve Account	193,000	-	193,000
Sales Tax Refunding Bonds - Series 2003			
Principal & Interest Account	56,810	-	56,810
Bond Reserve Account	140,000	-	140,000
Total Restricted Assets	1,786,736	53,730	1,840,466
Capital Assets			
Water			
Land & Right-of-Ways	110,489	-	110,489
Infrastructure	12,916,639	-	12,916,639
Equipment	10,070,939	-	10,070,939
Water Banking Plan	2,082,834	-	2,082,834
Circle K Ranch	3,718,865	-	3,718,865
Sewer and Solid Waste			
Building & Structures	11,782,910	253,434	12,036,344
Equipment	-	679,801	679,801
	40,682,676	933,235	41,615,911
Less - Accumulated Depreciation	(16,643,547)	(221,402)	(16,864,949)
Total Capital Assets	24,039,129	711,833	24,750,962
Other Assets			
Issuance Costs Net of Applicable Amortization	83,316	-	83,316
Total Noncurrent Assets	25,909,181	765,563	26,674,744
Total Assets	\$ 40,342,649	1,057,713	41,400,362

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

CITY OF HAYS, KANSAS
Balance Sheet
Proprietary Funds
December 31, 2003

LIABILITIES	Enterprise Funds		
	Water and Sewer Fund	Solid Waste Utility Fund	Total
Current Liabilities			
Accounts Payable	\$ 226,403	360	226,763
Sales Tax	3,999	-	3,999
State Water Fee	2,104	-	2,104
Accrued Payroll	23,740	7,892	31,632
Accrued Vacation	28,851	8,175	37,026
Current Portion - Revolving Loan	266,412	-	266,412
Accrued Interest - Revolving Loan	42,006	-	42,006
G. O. Bonds - Building	10,080	-	10,080
Due to Other Funds	26,306	-	26,306
Total Current Liabilities	<u>629,901</u>	<u>16,427</u>	<u>646,328</u>
Current Liabilities Payable From Restricted Assets			
Customer Deposits	145,055	-	145,055
Monitoring Well Deposits	4,500	-	4,500
Accrued Interest - Bonds	42,412	-	42,412
Sales Tax Refunding Bonds - Series 2003	30,000	-	30,000
Total Current Liabilities Payable From Restricted Assets	<u>221,967</u>	<u>-</u>	<u>221,967</u>
Noncurrent Liabilities			
G.O. Bonds - Building	137,880	-	137,880
State of Kansas Waste Water Revolving Loan	3,132,378	-	3,132,378
Revenue Refunding Bonds - Series 2003	1,930,000	-	1,930,000
Sales Tax Refunding Bonds - Series 2003	1,370,000	-	1,370,000
Total Noncurrent Liabilities	<u>6,570,258</u>	<u>-</u>	<u>6,570,258</u>
Total Liabilities	<u>7,422,126</u>	<u>16,427</u>	<u>7,438,553</u>
Net Assets			
Restricted for:			
Encumbrances	101,950	-	101,950
Capital Improvements	1,195,326	53,730	1,249,056
Unrestricted	31,623,247	987,556	32,610,803
Total Net Assets	<u>\$ 32,920,523</u>	<u>1,041,286</u>	<u>33,961,809</u>

Compensated absences for sick leave are not reported in the business-type activities in the statement of Net Assets. The amount accrued for sick leave is not available for distribution when the employee terminates.

(220,264)

Net Assets of Business-Type Activities (Statement 1)

\$ 33,741,545

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

CITY OF HAYS, KANSAS
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2003

	Water and Sewer Fund	Solid Waste Utility Fund	Total
Operating Revenues			
Charges for Sales & Services			
Water Sales	\$ 2,497,695	-	2,497,695
Sewer Charges	1,839,239	-	1,839,239
Refuse Collections	-	854,158	854,158
Tap Fees	31,578	-	31,578
Water Allocation Charges	48,665	-	48,665
Sales & Other Charges	47,197	23,629	70,826
Total Operating Revenues	<u>4,464,374</u>	<u>877,787</u>	<u>5,342,161</u>
Operating Expenses			
Water Production	1,011,239	-	1,011,239
General Administration	133,831	-	133,831
Wastewater Treatment	608,920	-	608,920
Refuse Collection	-	566,353	566,353
Bad Debts	4,093	-	4,093
Amortization	107,925	-	107,925
Depreciation	992,825	50,562	1,043,387
Total Operating Expenses	<u>2,858,833</u>	<u>616,915</u>	<u>3,475,748</u>
Operating Income	<u>1,605,541</u>	<u>260,872</u>	<u>1,866,413</u>
NonOperating Revenues (Expenses)			
Local Sales Tax	2,141,845	-	2,141,845
Interest Income	79,156	2,634	81,790
Rent on Circle K Ranch	207,000	-	207,000
State Grant	159,557	-	159,557
G.O. Bond Proceeds - Reimburse Prior Year Expenditures	764,105	-	764,105
Prior Year Encumbrances Voided	29,259	-	29,259
Interest Expense	(297,030)	-	(297,030)
Water Exploration	(23,812)	-	(23,812)
Professional Services - Other	(213,180)	-	(213,180)
Total Non-Operating Revenues (Expenses)	<u>2,846,900</u>	<u>2,634</u>	<u>2,849,534</u>
Income (Loss) before Contributions and Transfers			
Developer's Contributions	134,528	-	134,528
Transfers In	26,400	-	26,400
Transfers Out	(1,727,400)	(284,900)	(2,012,300)
Total Income (Loss) before Contributions and Transfers	<u>(1,566,472)</u>	<u>(284,900)</u>	<u>(1,851,372)</u>
Change in Net Assets	2,885,969	(21,394)	2,864,575
Total Net Assets - Beginning of Year	<u>30,034,554</u>	<u>1,062,680</u>	
Total Net Assets - End of Year	<u>\$ 32,920,523</u>	<u>1,041,286</u>	
Compensated absences for sick leave are not reported in the business-type activities in the Statement of Revenues, Expenses, and Changes in Net Assets. The amount accrued for sick leave is not available for distribution when the employee terminates.			<u>(220,264)</u>
Change in Net Assets of Business-Type Activities (Statement 2)			<u>\$ 2,644,311</u>

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

CITY OF HAYS, KANSAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Enterprise Funds		Total
	Water and Sewer Fund	Solid Waste Utility Fund	
Cash Flows from Operating Activities			
Receipts from Customers	\$ 4,506,425	877,588	5,384,013
Payments to Suppliers	(1,086,571)	(327,800)	(1,414,371)
Payments to Employees	(658,531)	(237,840)	(896,371)
Net Cash Provided by Operating Activities	<u>2,761,323</u>	<u>311,948</u>	<u>3,073,271</u>
Cash Flows from NonCapital Financing Activities			
State Aid Payments	159,557	-	159,557
Transfers to Other Funds	(1,701,000)	(284,900)	(1,985,900)
Net Cash Provided by Operating Activities	<u>(1,541,443)</u>	<u>(284,900)</u>	<u>(1,826,343)</u>
Cash Flows from Capital and Related Financing Activities			
Purchase & Construction of Cap. Assets	(925,573)	-	(925,573)
Interest Paid	(320,513)	-	(320,513)
Principal Payments - Revolving Loan	(256,092)	-	(256,092)
Principal Payments - Bonds	(368,221)	-	(368,221)
Local Sales Tax	2,141,845	-	2,141,845
GO Bond Proceeds (Retired)	(9,360)	-	(9,360)
Net Cash Used for Capital and Related Financing Activities	<u>262,086</u>	<u>-</u>	<u>262,086</u>
Cash Flows from Investing Activities			
Rental Income	207,000	-	207,000
Interest on Investments	79,156	2,634	81,790
Net Cash Provided by Investing Activities	<u>286,156</u>	<u>2,634</u>	<u>288,790</u>
Net Increase in Cash and Cash Equivalents	1,768,122	29,682	1,797,804
Balances - Beginning of Year	<u>13,558,607</u>	<u>312,742</u>	<u>13,871,349</u>
Balances - End of the Year	<u>\$ 15,326,729</u>	<u>342,424</u>	<u>15,669,153</u>

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

CITY OF HAYS, KANSAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Enterprise Funds		Total
	Water and Sewer Fund	Solid Waste Utility Fund	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 1,605,541	260,872	1,866,413
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	992,825	50,562	1,043,387
Change in Assets & Liabilities			
(Increase) in Accounts Receivable	12,792	-	12,792
Increase (Decrease) in Accounts Payable	226,403	360	226,763
Increase (Decrease) Due to Other Funds	(23,049)	-	(23,049)
(Increase) Due from Other Funds	(53,958)	(199)	(54,157)
Increase (Decrease) in Accrued Liab.	769	353	1,122
Total Adjustments	<u>1,155,782</u>	<u>51,076</u>	<u>1,206,858</u>
Net Cash Provided by Operating Activities	<u>\$ 2,761,323</u>	<u>311,948</u>	<u>3,073,271</u>

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

CITY OF HAYS, KANSAS
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003

	Agency Funds		Total Agency Funds
	Police Judge	Multi-Agency Fund	
ASSETS			
Cash and Investments	\$ 44,043	-	44,043
Restricted Cash	9,096	-	9,096
Loan Receivable-A-1 Plank	-	81,121	81,121
Loan Receivable-Adronics/Elrob	-	30,583	30,583
Total Assets	<u>53,139</u>	<u>111,704</u>	<u>164,843</u>
LIABILITIES - NET ASSETS			
Accounts Payable	13,884	-	13,884
Due to Other Funds	30,159	-	30,159
Total Liabilities	<u>44,043</u>	<u>-</u>	<u>44,043</u>
Net Assets			
Reserved for Loans	-	111,704	111,704
Reserved for ADSAP	9,096	-	9,096
Net Assets	<u>\$ 9,096</u>	<u>111,704</u>	<u>120,800</u>

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2003

	Agency Funds		Total Agency Funds
	Police Judge	Multi-Agency Fund	
Revenues			
Fine and Forfeitures	\$ 500,419	-	500,419
Federal Aid	-	31,360	31,360
Total Revenues	<u>500,419</u>	<u>31,360</u>	<u>531,779</u>
Expenditures			
Contractual	498,168	108,973	607,141
Change in Net Assets	2,251	(77,613)	(75,362)
Net Assets - Beginning of the Year	<u>6,845</u>	<u>189,317</u>	<u>196,162</u>
Net Assets - End of the Year	<u>\$ 9,096</u>	<u>111,704</u>	<u>120,800</u>

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the **City of Hays, Kansas**, relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments (GASB 34 Edition), and by the Financial Accounting Standards Board, when applicable. The following is a summary of such significant policies:

A. Reporting Entity

The **City of Hays, Kansas** is a municipal corporation governed by an elected five-member commission. These financial statements include accounts of all City operations.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB No. 39. The basic – but not the only – criteria for including a potential component unit within the reporting entity is the governing body's ability to influence the financial decisions and economic impact. The most significant manifestation of this ability is financial interdependency. Other manifestations of this influence by the City may include, but are not limited to, the selection of governing authority, the designation of management and the ability to significantly influence operations and accountability for fiscal matters. The other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. The City has the following component units that are not included in the financial statements.

Hays Public Library Board

The Hays Public Library Board operates the public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. The City must approve, by charter ordinance, increases in the library mill levy rate. Contact the City office for information on how to obtain a copy of the financial statements and audit report.

Hays Housing Authority

The Hays Housing Authority Board operates a subsidized public housing project. The Board is an appointed five-member board. The City does not provide significant operating subsidies to the Board. Contact the City office for information on how to obtain a copy of the financial statements and audit report.

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements, the Statement of Net Assets and the Statement of Activities report financial information for the City as a whole excluding fiduciary activities. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

B. Government-Wide and Fund Financial Statements (cont.)

Program revenues include charges for services which report fees, fines and forfeitures, and other charges to users of the City's services, operating grants which finance annual operating activities including investment income, and capital grants which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The operating statements present increases and decreases in net total assets. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to incurring a qualifying expenditure. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

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

The City of Hays, Kansas reports the following major governmental and proprietary funds:

Governmental Funds

General Fund – The General Fund is the main operating fund of the City. This fund accounts for all unrestricted resources except those required to be accounted for in another fund.

Employee Benefit Fund – This fund accounts for resources utilized for the City's share of employee retirement, social security, workers compensation, and unemployment compensation expenditures.

Airport Improvement Fund – This fund accounts for financial resources segregated for the acquisition or construction of major capital facilities and infrastructure for the Hays Regional Airport.

Bond and Interest Fund – This fund accounts for the accumulation of resources for, and the payment of interest and principal on general long-term debt, and the financing of special assessments, which are general obligations of the City.

Proprietary Fund

Water and Sewer Fund – This fund accounts for water and sewer operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following non-major governmental funds:

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

Capital Project Funds – To account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

The City reports the following non-major Proprietary Fund:

Solid Waste Fund – To account for solid waste operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund type:

Fiduciary Fund Types

Fiduciary Fund Type – To account for assets held by the City in a trustee capacity or an agent for individuals, private organizations, and other governments. Agency funds are custodial in nature and do not involve measurement of results of operations.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

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

Private-sector standards of accounting and financial reporting issued before December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements, to the extent that those standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent guidance from the Financial Accounting Standards Board applicable to private sector entities. The City has elected not to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Accounting for Capital Assets and Depreciation

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of three years. These assets are valued at historical cost, estimated historical cost if actual cost is not available, estimated fair value on the date donated, or at the lower of cost or fair market value if transferred from the Governmental Funds.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Capital assets of Proprietary Funds are capitalized and depreciated over the remaining useful lives of the related capital asset categories, as applicable.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 to 50 Years
Infrastructure	20 to 50 Years
Machinery & Equipment	3 to 7 Years

The City has elected to report governmental-type infrastructure assets (e.g., roads, bridges, drainage systems, water and sewer systems, and similar items) using the modified approach. Infrastructure assets reported by the modified approach are not required to be depreciated as long as the City manages the eligible infrastructure assets using an asset management system that meets certain

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

D. Accounting for Capital Assets and Depreciation (cont.)

criteria and documents that infrastructure assets are being preserved approximately at a condition level established by the City. The City has met the requirements for electing the modified approach and thus, no depreciation is calculated or included in the financial statements for infrastructure assets.

In calculating the cost for infrastructure assets, the City obtained current replacement values and adjusted those values to estimated historical costs by using the Federal Highway Administration Construction Cost Price Trends Composite Index and the U.S. Department of Labor Consumer Price Index.

All expenditures made for infrastructure assets are expensed in the period incurred. Any additions or improvements which increase the capacity or efficiency of the assets are capitalized.

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Non - Depreciable Capital Assets:				
Land & Right of Ways	\$ 13,803,198	-	-	13,803,198
Infrastructure (Modified Approach)	38,473,039	-	-	38,473,039
Total Non - Depreciable Capital Assets	52,276,237	-	-	52,276,237
Depreciable Capital Assets:				
Buildings	13,908,353	-	-	13,908,353
Machinery and Equipment	4,017,751	393,663	-	4,411,414
Total Depreciable Capital Assets	17,926,104	393,663	-	18,319,767
Less Accumulated Depreciation	(6,066,059)	(82,974)	-	(6,149,033)
Depreciable Capital Assets, Net of Accumulated Depreciation	11,860,045	310,689	-	12,170,734
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 64,136,282	310,689	-	64,446,971

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

D. Accounting for Capital Assets and Depreciation (cont.)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business - Type Activities:				
Non - Depreciable Capital Assets:				
Land	\$ 110,489	-	-	110,489
Work-in-Progress - Big Creek	<u>2,082,834</u>	<u>-</u>	<u>-</u>	<u>2,082,834</u>
Total Non - Depreciable Capital Assets	<u>2,193,323</u>	<u>-</u>	<u>-</u>	<u>2,193,323</u>
Depreciable Capital Assets:				
Circle K Ranch	3,718,865	-	-	3,718,865
Infrastructure	12,991,885	672,258	(747,504)	12,916,639
Buildings	12,017,576	36,310	(17,542)	12,036,344
Machinery and Equipment	<u>10,533,735</u>	<u>217,005</u>	<u>-</u>	<u>10,750,740</u>
Total Depreciable Capital Assets	<u>39,262,061</u>	<u>925,573</u>	<u>(765,046)</u>	<u>39,422,588</u>
Less Accumulated Depreciation	<u>(15,822,949)</u>	<u>(1,056,370)</u>	<u>14,370</u>	<u>(16,864,949)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>23,439,112</u>	<u>(130,797)</u>	<u>(750,676)</u>	<u>22,557,639</u>
Business - Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 25,632,435</u>	<u>(130,797)</u>	<u>(750,676)</u>	<u>24,750,962</u>

E. Budgets

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specifically exempted by statute), Debt Service Funds, and Enterprise Funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

E. Budgets (cont.)

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 budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the 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, trust funds, and the following Special Revenue Funds:

I-70 Beautification 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.

F. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the Governmental Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

G. Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet. Various resolutions on deposits and investments, including repurchasing agreements, are imposed by statutes.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

G. Deposits and Investments (cont.)

Deposits

At year-end the carrying amount of the City's deposits, including certificates of deposit were \$8,756,998. The bank balance was \$9,297,647. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$483,179 was covered by FDIC insurance and the remaining \$8,814,468 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The third-party bank holding the pledged securities is independent of the pledging bank.

Investments – The City is authorized to make investments in temporary notes or no-fund warrants of such investing governmental unit; or trust companies, repurchase agreements with commercial banks, state or federally chartered savings banks, which have offices located in such investing government unit, with certain exceptions; and United States treasury bills or notes. The City's investments were classified as Risk Category 1, which has the least risk, at December 31, 2003.

	Risk Category			Carrying Amount	Market Value
	1	2	3		
Repurchase Agreements	13,000,000	-	-	13,000,000	13,630,406

H. Property Taxes, Receivables, Other Receivables, and Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City; and therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenues.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

I. Utility Accounts Receivable

The City records utility revenues on a monthly basis. The balance shown as accounts receivable at December 31, 2003 is the total amount due from users less amounts reserved as bad debts. The reserve method of accounting is used in the recognition of bad debts.

J. Inventories and Prepaid Items

In both government-wide and fund financial statements, payments made to vendors for goods or services that will benefit periods beyond the current fiscal year, are recorded as inventory or prepaid items when they are deemed material and it is considered appropriate.

K. Restricted Assets

These assets consist of cash and short-term investments restricted for certain Enterprise, Debt Service, and Agency Funds. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

L. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

M. Net Assets - Restricted

Certain resources of the Water and Sewer and Solid Waste Utility Funds are classified as restricted assets on the balance sheet because their use is limited by action of the City Commission and by the Bond Covenants. The equipment reserve account is used to report resources set aside to meet unexpected contingencies or to fund asset replacements. The governmental activities are restricted by the amounts to fund capital projects and the current debt service.

N. Special Assessments

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

O. Defined Benefit Pension Plan

Plan Description – **City of Hays, 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 Avenue, Suite 160; Topeka, KS 66603-3803) 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 January 1, 2003 to March 31, 2003 was 3.67% and for April 1, 2003 to December 31, 2003 was 3.07%. **City of Hays, Kansas** employer contributions to KPERs for the years ending December 31, 2003, 2002 and 2001 were \$160,355, \$137,630, and \$124,577, respectively, equal to the statutory required contributions for each year.

P. Compensated Absences

The City's contracts with the various employees' unions permit employees to accumulate various amounts of vacation time, sick leave, and compensatory time. The contracts require upon termination of an employee in good standing, any vacation time owed for the current and previous calendar year shall be paid in an immediate lump sum payment. The contracts also require the payment of a percentage of accumulated sick leave on date of employment termination of an employee in good standing or upon death or retirement based on length of service. Compensatory time is allowed to accumulate for police, fire department, and convention and tourism employees in lieu of overtime pay and is payable in full upon termination.

Liabilities resulting from accumulated vacation time and compensatory time have been recorded in each respective fund. The sick leave applicable for the governmental and business-type activities at December 31, 2003 has been recorded in the Statement of Net Assets for the amounts of \$1,061,514 and \$220,264, respectively.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

2. Capital Leases

The **City of Hays, Kansas** has entered into an agreement with the Hays Recreation Commission. The Hays Recreation Commission has agreed to reimburse the City the lease payments on the Hays Recreation Commission Ball Parks and the Hays Recreation Commission Building Facility.

The **City of Hays, Kansas** has entered into the following capital leases:

Lease Date	Property
12-01-95	Golf Course Cart Shed
02-14-96	HRC Ball Parks
07-24-98	HRC Building Facility
03-01-00	Golf Course Equipment
09-20-01	Fire Equipment

The following is a schedule by years of future minimum lease payments for the governmental activities funds capital leases together with the present value of the net minimum lease payments as of December 31, 2003.

	Golf Course Cart Shed	HRC Ball Parks	HRC Building Facility	Golf Course	Fire Equipment	Total Governmental Activities Funds
Year Ending December 31:						
2004	\$ 12,326	35,000	106,312	43,043	126,818	323,499
2005	12,326	35,000	106,312	-	126,818	280,456
2006	-	35,000	106,312	-	-	141,312
2007	-	-	106,312	-	-	106,312
2008	-	-	106,312	-	-	106,312
2009-2013	-	-	531,560	-	-	531,560
2014-2018	-	-	531,560	-	-	531,560
 Total Minimum Lease Payments	<u>24,652</u>	<u>105,000</u>	<u>1,594,680</u>	<u>43,043</u>	<u>253,636</u>	<u>2,021,011</u>

The following is a schedule by years of future minimum lease payments for the governmental activities funds capital leases together with the present value of the net minimum lease payments as of December 31, 2003.

	Golf Course Cart Shed	HRC Ball Parks	HRC Building Facility	Golf Course	Fire Equipment	Total Governmental Activities Funds
Less: Amount Representing Interest	<u>(2,069)</u>	<u>(12,457)</u>	<u>(478,392)</u>	<u>(2,371)</u>	<u>(17,091)</u>	<u>(512,380)</u>
 Present Value Of Future Minimum Lease Payments	<u>\$ 22,583</u>	<u>92,543</u>	<u>1,116,288</u>	<u>40,672</u>	<u>236,545</u>	<u>1,508,631</u>

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

3. Long-Term Debt

General Obligation Bonds

The City issues General Obligation Bonds (G.O. Bonds) to provide funds for the acquisition and construction or improvement of major capital assets. G.O. Bonds have been issued for both governmental and business-type activities and are listed as outstanding by purpose and type as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	3.45 – 6.50%	\$11,607,040
Business – Type Activities	4.50 – 6.50%	147,960
		<u>\$11,755,000</u>

General Obligation Bonds

The annual requirements to retire G.O. Bonds as of December 31, 2003, are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Bond Interest Due</u>	<u>Total</u>
2004	\$ 1,185,000	502,620	1,687,620
2005	1,130,000	456,530	1,586,530
2006	1,125,000	404,397	1,529,397
2007	1,140,000	357,739	1,497,739
2008	1,165,000	254,928	1,419,928
2009-2013	3,870,000	900,022	4,770,022
2014-2018	1,670,000	340,413	2,010,413
2019-2022	470,000	51,371	521,371
Total	<u>\$ 11,755,000</u>	<u>3,268,020</u>	<u>15,023,020</u>

Revenue Bond and Revolving Loan

The City has issued revenue bonds and entered into a state revolving loan agreement in order to finance Wastewater Plant Improvements.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business – Type Activities	3.60 – 5.25%	\$6,728,790

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2003 are as follows:

<u>Year</u>	<u>Bond Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2004	\$ 296,412	217,337	513,749
2005	817,148	193,433	1,010,581
2006	843,317	172,164	1,015,481
2007	869,935	150,173	1,020,108
2008	897,022	126,436	1,023,458
2009-2013	2,809,165	283,476	3,092,641
2014	195,791	3,661	199,452
Total	<u>\$ 6,728,790</u>	<u>1,146,680</u>	<u>7,875,470</u>

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

3. Long-Term Debt (cont.)

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
G.O. Bonds	\$ 10,992,320	1,815,000	(1,200,280)	11,607,040	1,174,920
Capital Leases	1,743,974	-	(235,343)	1,508,631	247,732
Compensated Absences	1,030,195	31,319	-	1,061,514	1,061,514
Total Governmental- Long Term Liabilities	<u>13,766,489</u>	<u>1,846,319</u>	<u>(1,435,623)</u>	<u>14,177,185</u>	<u>2,484,166</u>
Business - Type Activities:					
Bonds Payable:					
G.O. Bonds	157,680	-	(9,720)	147,960	10,080
Revenue Bonds	3,935,000	3,330,000	(3,935,000)	3,330,000	30,000
State Revolving Loan	3,654,882	-	(256,092)	3,398,790	266,412
Total Bonds Payable	<u>7,747,562</u>	<u>3,330,000</u>	<u>(4,200,812)</u>	<u>6,876,750</u>	<u>306,492</u>
Compensated Absences	198,374	21,890	-	220,264	220,264
Total Business-Type Long-Term Liabilities	<u>7,945,936</u>	<u>3,351,890</u>	<u>(4,200,812)</u>	<u>7,097,014</u>	<u>526,756</u>
Total Long-Term Liabilities	<u>\$ 21,712,425</u>	<u>5,198,209</u>	<u>(5,636,435)</u>	<u>21,274,199</u>	<u>3,010,922</u>

4. Interfund Transfers

Transfers are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service. Resources are accumulated in a fund to support the administration of various projects or programs.

From	To	Authority	Amount
Water & Sewer	General	12-825d	\$ 1,244,200
Solid Waste	General	12-825d	143,600
Airport	General	79-2925	27,700
Convention & Tourism	General	79-2925	46,500
Special Highway	General	68-590	465,700
Special Alcohol	General	79-41a04	10,600
Elderly Transportation Fund	General	12-1680	2,067
Solid Waste	Employee Benefit	12-825d	126,800
Water & Sewer	Employee Benefit	12-825d	465,400
Convention & Tourism	Employee Benefit	79-2925	33,500
Special Highway	Employee Benefit	68-590	75,000
Airport	Employee Benefit	79-2925	25,200
Special Alcohol	Employee Benefit	79-41a04	3,500
Water & Sewer	Bond & Interest	12-825d	17,800
Solid Waste	Water & Sewer	12-825d	14,500
Special Highway	Water & Sewer	68-590	11,900
General	Equipment Reserve	12-1,117	<u>205,000</u>
Total			<u>\$ 2,918,967</u>

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

4. Interfund Transfers (cont.)

In the fund financial statements, total transfers of \$1,985,900 are equal to the total transfers out of \$11,900 from Governmental Funds and \$1,974,000 from Business-Type Funds.

5. Compliance with Revenue Bond Provision Water Utility Fund

The Water and Sewage System Revenue Refunding Bonds - Series 2003 requires that water rates charged in each year will enable the City to have in each fiscal year Net Operating Revenues from the System equal to 125 percent of the maximum amount required to be paid by the City in such fiscal year on account of both principal and interest on all Water and Sewage System Revenue Bonds then outstanding. This provision was complied with for the year ended December 31, 2003.

Gross Revenues		\$ 4,464,374
Adjustments –		
Less – Operating Expenses	\$(1,753,990)	
Transfers Out	(1,727,400)	
Add - Interest Earned	79,156	
Transfers In	<u>26,400</u>	
Net Adjustments		(3,375,834)
Net Revenues		1,088,540
Maximum Amount of Principal and Interest	\$ 287,706	
	<u>125%</u>	
Net Revenues Required		<u>359,633</u>
Excess		\$ <u>728,907</u>

6. Capital Projects

Capital Projects that are uncompleted or have a fund balance at December 31, 2003, are:

Project Name	Project Authorization	Project Expenditures	Unexpended (Overexpended) Authorization
Airport Improvement 11/12/13	\$ 2,349,541	1,262,841	1,298,405
Tallgrass Addition	191,000	166,300	24,700
Pool Construction	4,200,000	4,786,128	(586,128)
Sidewalk Curb Cuts	385,000	289,318	95,682
Hall Street	2,000,000	410,593	1,589,407
Vine St. Project	1,678,000	1,054,136	623,864
Eastborough Addition	38,829	34,945	3,884
2001 Sidewalk Ramps	380,000	282,273	97,727
2002 Sidewalk Ramps	360,000	332,968	27,032

7. Comparative Data

Comparative total data for the prior year has been presented in the accompanying supplemental financial statements in order to provide an understanding of the changes in the City's financial position and operations.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2003

8. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and net assets at the date of the financial statement and the reported amount of expenses during the reporting period. Actual results could differ from those estimates.

9. Litigation

The City is party to various legal proceedings, such as foreclosure actions and tax appeals, which normally occur in governmental operations.

10. Risk Management – Claims and Judgements

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The City carries commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, umbrella, auto and fidelity bond coverage.

The City does not carry comprehensive collision insurance. The City has elected not to provide for a reserve on this risk.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

11. Implementation of GASB Statement #34

The City implemented GASB Statement #34 during the year 2003. The City included the infrastructure capital assets at this time. The implementation of GASB Statement #34 is a change in accounting principle. The fund financial statements fund balances did not materially change.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Mayor and Commissioners
City of Hays, Kansas
Hays, Kansas 67601

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Hays, Kansas**, as of and for the year ended December 31, 2003, which collectively comprise the **City of Hays, Kansas'** basic financial statements and have issued our report thereon dated May 12, 2004, which was qualified because the financial statements do not include the component units of the **City of Hays, Kansas**. We conducted our audit in accordance with Kansas Municipal Audit Guide, auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

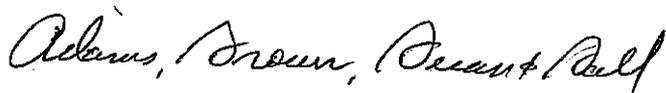
As part of obtaining reasonable assurance about whether the **City of Hays, Kansas'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of **City of Hays, Kansas**, in a separate letter dated May 12, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **City of Hays, Kansas'** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the **City of Hays, Kansas**, in a separate letter dated May 12, 2004.

To The Mayor and Commissioners
City of Hays, Kansas
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This report is intended solely for the information and use of the Commissioners, management, others within the organization, federal awarding agencies, pass-through entities, and for filing with the Kansas Department of Administration, Division of Accounts and Reports and is not intended to be and should not be used by anyone other than these specified parties.



ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

May 12, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and Commissioners
City of Hays, Kansas
Hays, KS 67601

Compliance

We have audited the compliance of **City of Hays, Kansas** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. **City of Hays, Kansas'** major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **City of Hays, Kansas'** management. Our responsibility is to express an opinion on **City of Hays, Kansas'** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **City of Hays, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **City of Hays, Kansas'** compliance with those requirements.

In our opinion, the **City of Hays, Kansas** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of **City of Hays, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **City of Hays, Kansas'** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

To The Mayor and Commissioners
City of Hays, Kansas
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Commissioners, management, others within the organization, federal awarding agencies, pass-through entities, and for filing with the Kansas Department of Administration, Division of Accounts and Reports and is not intended to be and should not be used by anyone other than these specified parties.



ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

May 12, 2004

CITY OF HAYS, KANSAS

Hays, Kansas

Supplemental Information

For the Year Ended December 31, 2003

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Investments	\$ <u>2,418,707</u>	<u>1,560,858</u>
Receivables		
Taxes Receivable	1,681,485	1,522,851
Accounts Receivable	-	7,919
Due From Other Governments	<u>30,159</u>	<u>40,098</u>
Total Receivables	<u>1,711,644</u>	<u>1,570,868</u>
Total Assets	\$ <u><u>4,130,351</u></u>	<u><u>3,131,726</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accrued Payroll	\$ 139,295	129,386
Accrued Vacation Pay	158,011	158,343
Accrued Comp. Time	9,977	9,528
Deferred Revenues	<u>1,681,485</u>	<u>1,522,851</u>
Total Liabilities	<u>1,988,768</u>	<u>1,820,108</u>
Fund Balance		
Reserved for Encumbrances	225,517	316,384
Unreserved -		
Designated for Subsequent Year's Expenditures	1,082,135	585,997
Undesignated	<u>833,931</u>	<u>409,237</u>
Total Fund Balance	<u>2,141,583</u>	<u>1,311,618</u>
Total Liabilities and Fund Balance	\$ <u><u>4,130,351</u></u>	<u><u>3,131,726</u></u>

See Accountants' Report.

CITY OF HAYS, KANSAS
General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Revenues (Page Four)	\$ 5,918,000	5,891,109	(26,891)	5,992,172
Expenditures (Page Four)	8,242,297	6,705,644	1,536,653	5,992,332
Excess of Revenues Over (Under) Expenditures	(2,324,297)	(814,535)	1,509,762	(160)
Other Financing Sources (Uses)				
Transfers In	1,943,300	1,940,367	(2,933)	524,400
Transfers Out	(205,000)	(205,000)	-	(219,100)
Total Other Financing Sources (Uses)	1,738,300	1,735,367	(2,933)	305,300
Excess Revenues and Other Sources Over Expenditures & Other (Uses)	(585,997)	920,832	1,506,829	305,140
Fund Balance - January 1	585,997	1,311,618	725,621	872,738
Increase (Decrease) in Reserve for Encumbrances	-	(90,867)	(90,867)	133,740
Fund Balance - December 31	\$ -	2,141,583	2,141,583	1,311,618

See Accountants' Report.

CITY OF HAYS, KANSAS

General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2003

(With Comparative Totals for the Year Ended December 31, 2002)

	2003			2002 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
Taxes				
Ad Valorem	\$ 1,540,100	1,557,925	17,825	1,600,129
Delinquent	5,000	25,938	20,938	14,470
Motor Vehicle	204,000	206,372	2,372	124,136
Recreational Vehicle	1,700	2,337	637	1,362
16/20 M Truck Tax	500	736	236	669
Local Sales	2,100,000	2,141,845	41,845	2,075,163
Total Taxes	3,851,300	3,935,153	83,853	3,815,929
Intergovernmental				
L.A.V.T.R.	193,000	-	(193,000)	191,587
City/County Revenue Sharing	141,100	-	(141,100)	70,536
Liquor Tax	72,400	78,514	6,114	66,917
State Grant	-	-	-	100,000
Federal Grant	-	10,040	10,040	2,856
Law Enforcement Grant	-	-	-	1,200
Hazardous Material Grant	-	-	-	7,904
Total Intergovernmental	406,500	88,554	(317,946)	441,000
Licenses and Permits				
Franchise Tax	850,000	1,049,858	199,858	792,037
Licenses	33,500	33,809	309	34,109
Building Permits	75,000	34,547	(40,453)	57,762
Total Licenses and Permits	958,500	1,118,214	159,714	883,908
Fines and Forfeitures				
Fines and Court Fees	310,000	386,899	76,899	364,243
Use of Money and Property				
Interest Earned	175,000	85,111	(89,889)	136,771
Rent	1,200	1,200	-	1,200
Total Use of Money & Property	\$ 176,200	86,311	(89,889)	137,971

See Accountants' Report.

CITY OF HAYS, KANSAS

General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2003

(With Comparative Totals for the Year Ended December 31, 2002)

	2003			2002 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Miscellaneous				
Golf Course Fees	\$ 170,000	187,628	17,628	171,783
Cemetery Receipts	10,500	8,820	(1,680)	14,980
Airport Security	-	-	-	31,577
Donations	-	30,815	30,815	67,203
Miscellaneous Receipts	35,000	27,211	(7,789)	63,578
Prior Year Encumbrances Voided	-	21,504	21,504	-
Total Miscellaneous	<u>215,500</u>	<u>275,978</u>	<u>60,478</u>	<u>349,121</u>
Total General Fund Revenues	<u>\$ 5,918,000</u>	<u>5,891,109</u>	<u>(26,891)</u>	<u>5,992,172</u>
Expenditures				
City Commission	\$ 19,700	17,890	1,810	14,229
City Manager	901,397	292,014	609,383	151,482
City Clerk	289,600	268,817	20,783	88,959
City Attorney	46,700	55,320	(8,620)	19,430
Municipal Court	136,900	148,816	(11,916)	139,670
Intergovernmental	239,900	248,901	(9,001)	16,150
Human Resources	-	-	-	84,063
Information Technology	227,000	177,170	49,830	398,661
Building & Grounds	76,000	49,533	26,467	59,407
Public Works-Plan, Inspect, & Enforce	173,700	288,765	(115,065)	189,810
Public Works-Service Division	1,395,400	946,412	448,988	-
Public Works-Equipment & Motor Pool	333,700	257,843	75,857	-
Police Department	1,765,900	1,662,280	103,620	1,551,552
Animal Control	-	-	-	86,000
Fire Department	1,006,600	921,956	84,644	1,049,300
Emergency Preparedness	-	-	-	12,117
Street Lighting	-	-	-	174,915
Snow & Ice Removal	-	-	-	135,964
Street Signs & Signals	-	-	-	108,378
Flood Structure Maintenance	-	-	-	24,385
Community Development	190,300	3,254	187,046	-
Parks & Playgrounds	690,100	610,745	79,355	755,195
Swimming Pool	153,300	114,318	38,982	162,435
Cemeteries	-	-	-	47,277
Golf Course	295,200	251,704	43,496	273,684
Economic Development	188,400	277,406	(89,006)	360,520
Social Services	112,500	112,500	-	48,500
Special Liability	-	-	-	40,249
Total Expenditures	<u>\$ 8,242,297</u>	<u>6,705,644</u>	<u>1,536,653</u>	<u>5,992,332</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Library Fund
Balance Sheets
December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and Investments	\$ 73,353	49,062
Taxes Receivable	784,912	751,795
Total Assets	<u>\$ 858,265</u>	<u>800,857</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	\$ 784,912	751,795
Fund Balance		
Designated for Subsequent Year's Expenditures	33,235	15,827
Undesignated	40,118	33,235
Total Fund Balance	<u>73,353</u>	<u>49,062</u>
Total Liabilities and Fund Balance	<u>\$ 858,265</u>	<u>800,857</u>

Library Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 753,000	769,092	16,092	738,976
Delinquent	5,000	15,492	10,492	10,298
Motor Vehicle	94,200	107,069	12,869	104,103
Recreational Vehicle	800	1,230	430	1,145
16/20M Truck Tax	400	635	235	513
Total Revenues	<u>853,400</u>	<u>893,518</u>	<u>40,118</u>	<u>855,035</u>
Expenditures				
Distributions to Library Board	869,227	869,227	-	838,731
Excess Revenues Over (Under) Expenditures	(15,827)	24,291	40,118	16,304
Fund Balance - January 1	<u>15,827</u>	<u>49,062</u>	<u>33,235</u>	<u>32,758</u>
Fund Balance - December 31	<u>\$ -</u>	<u>73,353</u>	<u>73,353</u>	<u>49,062</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Library Employee Benefit Fund
Balance Sheets
December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and Investments	\$ 1,477	3,656
Taxes Receivable	87,358	73,231
Total Assets	\$ 88,835	76,887
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	\$ 87,358	73,231
Fund Balance		
Designated for Subsequent Year's Expenditures	704	2,952
Undesignated	773	704
Total Fund Balance	1,477	3,656
Total Liabilities and Fund Balance	\$ 88,835	76,887

Library Employee Benefit Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 73,348	74,858	1,510	63,921
Delinquent	400	822	422	517
Motor Vehicle	8,100	7,063	(1,037)	2,265
Recreational Vehicle	100	78	(22)	22
16/20M Truck Tax	100	-	(100)	47
Total Revenues	82,048	82,821	773	66,772
Expenditures				
Distributions to Library Board	85,000	85,000	-	72,000
Excess Revenues Over (Under) Expenditures	(2,952)	(2,179)	773	(5,228)
Fund Balance - January 1	2,952	3,656	704	8,884
Fund Balance - December 31	\$ -	1,477	1,477	3,656

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Highway Fund
Balance Sheets
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Investments	\$ 355,557	(8,569)
Grant Receivable	-	199,500
Total Assets	<u>\$ 355,557</u>	<u>190,931</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to Water and Sewer Utility	\$ 53,958	-
Due to Capital Projects	6,681	-
Total Liabilities	<u>60,639</u>	<u>-</u>
Fund Balance		
Reserved for Encumbrances	34,905	67,581
Unreserved -		
Designated for Subsequent Year's Expenditures	119,651	123,350
Undesignated	140,362	-
Total Fund Balance	<u>294,918</u>	<u>190,931</u>
Total Liabilities and Fund Balance	<u>\$ 355,557</u>	<u>190,931</u>

See Accountants' Report.

CITY OF HAYS, KANSAS

Special Highway Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2003

(With Comparative Totals for the Year Ended December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
State Gasoline Tax	\$ 608,480	550,326	(58,154)	595,466
Connecting Link Maintenance	36,000	36,720	720	36,720
State Aid	-	-	-	199,500
Interest Income	-	405	405	-
Prior Year Encumbrance Voided	-	4,928	4,928	-
Reimbursement of Prior Year Expenditures	-	-	-	188,871
Miscellaneous	-	-	-	7,731
Total Revenues	<u>644,480</u>	<u>592,379</u>	<u>(52,101)</u>	<u>1,028,288</u>
Expenditures				
Personal Services	-	-	-	125,129
Contractual Services	-	-	-	999,973
Commodities	-	-	-	138,558
Capital Outlay	368,729	231,788	136,941	1,326
Total Expenditures	<u>368,729</u>	<u>231,788</u>	<u>136,941</u>	<u>1,264,986</u>
Excess Revenues Over (Under)				
Expenditures	<u>275,751</u>	<u>360,591</u>	<u>84,840</u>	<u>(236,698)</u>
Other Financing Sources (Uses)				
G.O. Bond Proceeds	-	328,672	328,672	-
Transfers Out	(557,600)	(552,600)	5,000	(101,700)
Total Other Financing (Uses)	<u>(557,600)</u>	<u>(223,928)</u>	<u>333,672</u>	<u>(101,700)</u>
Excess Revenues & Other Sources				
Over (Under) Expenditures	<u>(281,849)</u>	<u>136,663</u>	<u>418,512</u>	<u>(338,398)</u>
Fund Balance - January 1	281,849	190,931	(90,918)	512,667
Increase (Decrease) in				
Reserve for Encumbrances	<u>-</u>	<u>(32,676)</u>	<u>(32,676)</u>	<u>16,662</u>
Fund Balance - December 31	<u>\$ -</u>	<u>294,918</u>	<u>294,918</u>	<u>190,931</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Employee Benefit Fund
Balance Sheets
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Investments	\$ 393,532	331,024
Taxes Receivable	728,329	890,644
Refund Receivable	63,625	-
Total Assets	\$ 1,185,486	1,221,668
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	\$ 728,329	890,644
Fund Balance		
Designated for Subsequent Year's Expenditures	201,124	114,829
Undesignated	256,033	216,195
Total Fund Balance	457,157	331,024
Total Liabilities and Fund Balance	\$ 1,185,486	1,221,668

See Accountants' Report.

CITY OF HAYS, KANSAS

Employee Benefit Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2003
 (With Comparative Totals for the Year Ended December 31, 2002)

	2003			2002 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
Taxes				
Ad Valorem	\$ 892,071	911,118	19,047	759,790
Delinquent	5,000	17,026	12,026	11,591
Motor Vehicle	96,800	113,284	16,484	121,075
Recreational Vehicle	800	1,306	506	1,330
16/20M Truck Tax	500	736	236	603
Cobra Payments	15,000	-	(15,000)	18,712
Insurance Company Reimbursement	1,000	63,625	62,625	1,878
Total Revenues	<u>1,011,171</u>	<u>1,107,095</u>	<u>95,924</u>	<u>914,979</u>
Expenditures				
Workmen's Compensation	168,600	121,168	47,432	112,108
Unemployment Compensation	9,500	8,361	1,139	5,262
Social Security	445,000	399,412	45,588	399,402
Employee Retirement	208,300	159,456	48,844	151,098
Health Insurance	1,014,000	1,014,000	-	830,481
Contractual Services	10,000	7,965	2,035	6,395
Total Expenditures	<u>1,855,400</u>	<u>1,710,362</u>	<u>145,038</u>	<u>1,504,746</u>
Excess Revenues Over (Under) Expenditures	<u>(844,229)</u>	<u>(603,267)</u>	<u>240,962</u>	<u>(589,767)</u>
Other Financing Sources (Uses)				
Transfers In	729,400	729,400	-	662,400
Transfers Out	-	-	-	(50,000)
Total Other Financing Sources	<u>729,400</u>	<u>729,400</u>	<u>-</u>	<u>612,400</u>
Excess Revenues & Other Sources Over (Under) Expenditures	<u>(114,829)</u>	<u>126,133</u>	<u>240,962</u>	<u>22,633</u>
Fund Balance - January 1	<u>114,829</u>	<u>331,024</u>	<u>216,195</u>	<u>308,391</u>
Fund Balance - December 31	<u>\$ -</u>	<u>457,157</u>	<u>457,157</u>	<u>331,024</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Fire Equipment Fund
Balance Sheets
December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and Investments	\$ 127,007	106,905
Taxes Receivable	137,197	124,800
Total Assets	\$ 264,204	231,705
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	\$ 137,197	124,800
Fund Balance		
Designated for Subsequent Year's Expenditures	120,963	101,983
Undesignated	6,044	4,922
Total Fund Balance	127,007	106,905
Total Liabilities and Fund Balance	\$ 264,204	231,705

Special Fire Equipment Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 125,000	127,669	2,669	122,916
Delinquent	58	2,235	2,177	1,343
Motor Vehicle	15,700	16,746	1,046	12,950
Recreational Vehicle	100	191	91	143
16/20M Truck Tax	100	79	(21)	64
Total Revenues	140,958	146,920	5,962	137,416
Expenditures				
Capital Outlay	242,941	126,818	116,123	126,912
Excess Revenue Over (Under) Expenditures	(101,983)	20,102	122,085	10,504
Fund Balance - January 1	101,983	106,905	4,922	96,401
Fund Balance - December 31	\$ -	127,007	127,007	106,905

See Accountants' Report.

CITY OF HAYS, KANSAS
 Airport Fund
 Balance Sheets
 December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and Investments	\$ 183,389	234,623
Taxes Receivable	137,158	124,800
Total Assets	\$ 320,547	359,423
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ -	3,104
Accrued Payroll	2,275	1,978
Accrued Vacation	3,407	3,414
Deferred Revenues	137,158	124,800
Total Liabilities	142,840	133,296
Fund Balance		
Reserved for Encumbrances	22,053	-
Unreserved		
Designated for Subsequent Year's Expenditures	-	193,691
Undesignated	155,654	32,436
Total Fund Balance	177,707	226,127
Total Liabilities and Fund Balance	\$ 320,547	359,423

See Accountants' Report.

CITY OF HAYS, KANSAS

Airport Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2003

(With Comparative Totals for the Year Ended December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 125,000	127,669	2,669	122,916
Delinquent	1,000	2,612	1,612	1,752
Motor Vehicle	15,700	17,838	2,138	17,440
Recreational Vehicle	100	205	105	152
16/20M Truck Tax	100	106	6	85
Licenses and Fees Collected	67,100	78,207	11,107	74,341
Prior Year Encumbrances Voided	-	-	-	313
Total Revenues	<u>209,000</u>	<u>226,637</u>	<u>17,637</u>	<u>216,999</u>
Expenditures				
Personal Services	72,600	74,119	(1,519)	77,268
Contractual Services	208,991	61,525	147,466	52,957
Commodities	68,200	45,171	23,029	46,496
Capital Outlay	-	63,395	(63,395)	15,742
Total Expenditures	<u>349,791</u>	<u>244,210</u>	<u>105,581</u>	<u>192,463</u>
Excess Revenues Over (Under) Expenditures	(140,791)	(17,573)	123,218	24,536
Other Financing (Uses) Transfers Out	<u>(52,900)</u>	<u>(52,900)</u>	<u>-</u>	<u>(28,400)</u>
Excess Revenues & Other (Uses) Over Expenditures	(193,691)	(70,473)	123,218	(3,864)
Fund Balance - January 1	193,691	226,127	32,436	246,881
Increase (Decrease) in Reserve for Encumbrances	<u>-</u>	<u>22,053</u>	<u>22,053</u>	<u>(16,890)</u>
Fund Balance - December 31	<u>\$ -</u>	<u>177,707</u>	<u>177,707</u>	<u>226,127</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Park Development Fund
 Balance Sheets
 December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and Investments	\$ <u>3,018</u>	<u>10,120</u>
FUND BALANCE		
Fund Balance		
Designated for Subsequent Year's Expenditures	\$ 3,017	10,119
Undesignated	<u>1</u>	<u>1</u>
Total Fund Balance	\$ <u>3,018</u>	<u>10,120</u>

Park Development Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2003
 (With Comparative Totals for the Year Ended December 31, 2002)

	2003			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2002 Actual
Revenues				
Donations	\$ -	-	-	2,449
Expenditures				
Contractual	<u>10,119</u>	<u>7,102</u>	<u>3,017</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	(10,119)	(7,102)	3,017	2,449
Fund Balance - January 1	<u>10,119</u>	<u>10,120</u>	<u>1</u>	<u>7,671</u>
Fund Balance - December 31	\$ <u>-</u>	<u>3,018</u>	<u>3,018</u>	<u>10,120</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Convention and Tourism Fund
Balance Sheets
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Investments	\$ <u>241,974</u>	<u>201,479</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 1,064	7,828
Accrued Payroll	3,882	3,135
Accrued Vacation	3,026	3,172
Accrued Comp. Time	<u>593</u>	<u>800</u>
Total Liabilities	<u>8,565</u>	<u>14,935</u>
Fund Balance		
Unreserved		
Designated for Subsequent Year's Expenditures	139,444	97,568
Undesignated	<u>93,965</u>	<u>88,976</u>
Total Fund Balance	<u>233,409</u>	<u>186,544</u>
Total Liabilities and Fund Balance	<u>\$ 241,974</u>	<u>201,479</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Convention and Tourism Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Guest Tax	\$ 420,000	467,875	47,875	426,185
Miscellaneous	-	2,567	2,567	75
Total Revenues	<u>420,000</u>	<u>470,442</u>	<u>50,442</u>	<u>426,260</u>
Expenditures				
Personal Services	138,900	120,567	18,333	123,642
Contractual Services	231,168	160,453	70,715	162,206
Commodities	67,500	60,557	6,943	65,208
Capital Outlay	-	2,000	(2,000)	-
Total Expenditures	<u>437,568</u>	<u>343,577</u>	<u>93,991</u>	<u>351,056</u>
Excess Revenues Over (Under) Expenditures	(17,568)	126,865	144,433	75,204
Other Financing Sources (Uses)				
Transfers Out	(80,000)	(80,000)	-	(45,000)
Excess Revenues & Other Sources Over (Under) Expenditures	(97,568)	46,865	144,433	30,204
Fund Balance - January 1	<u>97,568</u>	<u>186,544</u>	<u>88,976</u>	<u>156,340</u>
Fund Balance - December 31	<u>\$ -</u>	<u>233,409</u>	<u>233,409</u>	<u>186,544</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Elderly Transportation Fund
Balance Sheets
December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and investments	\$ -	2,067
FUND BALANCE		
Fund Balance Undesignated	\$ -	2,067

Elderly Transportation Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	2003			2002 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
County Subsidy for Van	\$ -	-	-	13,168
Collections	-	-	-	4,714
Total Revenues	-	-	-	17,882
Expenditures				
Contractual Services	45,000	-	45,000	72,268
Excess Revenues Over (Under) Expenditures	(45,000)	-	45,000	(54,386)
Other Financing Sources (Uses)				
Transfers In	45,000	-	(45,000)	14,100
Transfers Out	-	(2,067)	(2,067)	-
Excess Revenues & Other Sources Over (Under) Expenditures	-	(2,067)	(2,067)	(40,286)
Fund Balance - January 1	-	2,067	2,067	42,353
Fund Balance - December 31	\$ -	-	-	2,067

See Accountants' Report.

CITY OF HAYS, KANSAS
Equipment Reserve Fund
 Balance Sheets
 December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Investments	\$ <u>386,899</u>	<u>225,726</u>
FUND BALANCE		
Fund Balance		
Designated for Subsequent Year's Expenditures	\$ 329,422	94,454
Undesignated	<u>57,477</u>	<u>131,272</u>
Total Fund Balance	\$ <u><u>386,899</u></u>	<u><u>225,726</u></u>

Equipment Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2003
 (With Comparative Totals for the Year Ended December 31, 2002)

	<u>2003</u>			<u>2002</u> Actual
	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	
Revenues				
Sale of Equipment	\$ -	57,478	57,478	-
Expenditures				
Capital Outlay	299,454	101,305	198,149	256,820
Excess Revenues Over (Under) Expenditures	(299,454)	(43,827)	255,627	(256,820)
Other Financing Sources (Uses)				
Transfers In	205,000	205,000	-	205,000
Excess Revenues and Other Sources Over Expenditures and Other (Uses)	(94,454)	161,173	255,627	(51,820)
Fund Balance - January 1	94,454	225,726	131,272	277,546
Fund Balance - December 31	\$ <u>-</u>	<u>386,899</u>	<u>386,899</u>	<u>225,726</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
Balance Sheets
December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and Investments	\$ <u>86,578</u>	<u>70,164</u>
LIABILITIES AND FUND BALANCE		
Fund Balance		
Designated for Subsequent Year's Expenditures	80,463	70,164
Undesignated	<u>6,115</u>	<u>-</u>
Total Fund Balance	\$ <u>86,578</u>	<u>70,164</u>

Special Alcohol Program Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Liquor Tax	\$ <u>72,400</u>	<u>78,514</u>	6,114	<u>66,917</u>
Expenditures				
Personal Services	-	-	-	4,310
Contractual	143,319	48,000	95,319	69,763
Total Expenditures	<u>143,319</u>	<u>48,000</u>	95,319	<u>74,073</u>
Excess Revenues Over (Under) Expenditures	(70,919)	30,514	101,433	(7,156)
Other Financing Sources (Uses)				
Transfers Out	(14,100)	(14,100)	-	(3,100)
Excess Revenues & Other Sources Over (Under) Expenditures	(85,019)	16,414	101,433	(10,256)
Fund Balance - January 1	85,019	70,164	(14,855)	80,420
Fund Balance - December 31	\$ <u>-</u>	<u>86,578</u>	<u>86,578</u>	<u>70,164</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
 Balance Sheets
 December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Investments	\$ <u>128,192</u>	<u>165,603</u>
FUND BALANCE		
Fund Balance	\$	
Reserved for Encumbrances	6,000	-
Unreserved		
Designated for Subsequent Year's Expenditures	92,302	102,486
Undesignated	<u>29,890</u>	<u>63,117</u>
Total Fund Balance	<u>128,192</u>	<u>165,603</u>
Total Liabilities and Fund Balance	\$ <u>128,192</u>	<u>165,603</u>

Special Park and Recreation Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2003
 (With Comparative Totals for the Year Ended December 31, 2002)

	<u>2003</u>			<u>2002</u> Actual
	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	
Revenues				
Intergovernmental				
Liquor Tax	\$ 72,400	78,514	6,114	66,917
Prior Year Encumbrances Voided	-	-	-	5,760
Total Revenues	<u>72,400</u>	<u>78,514</u>	<u>6,114</u>	<u>72,677</u>
Expenditures				
Contractual Services	44,886	10,945	33,941	12,761
Capital Outlay	130,000	110,980	19,020	-
Total Expenditures	<u>174,886</u>	<u>121,925</u>	<u>52,961</u>	<u>12,761</u>
Excess Revenues Over (Under)				
Expenditures	(102,486)	(43,411)	59,075	59,916
Fund Balance - January 1	102,486	165,603	63,117	119,687
Increase (Decrease) in Reserved				
For Encumbrances	<u>-</u>	<u>6,000</u>	<u>6,000</u>	<u>(14,000)</u>
Fund Balance - December 31	\$ <u>-</u>	<u>128,192</u>	<u>128,192</u>	<u>165,603</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
 I-70 Beautification Fund
 Balance Sheets
 December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and Investments	\$ <u> -</u>	<u> -</u>
<u>FUND BALANCE</u>		
Fund Balance Undesignated	\$ <u> -</u>	<u> -</u>

I-70 Beautification Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2003
 (With Comparative Totals for the Year Ended December 31, 2002)

	2003	2002
Expenditures		
Contractual Services	\$ <u> -</u>	<u> 900</u>
Excess Revenues Over (Under) Expenditures	-	(900)
Fund Balance - January 1	<u> -</u>	<u> 900</u>
Fund Balance - December 31	\$ <u> -</u>	<u> -</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Risk Management Reserve Fund
Balance Sheets
December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and Investments	\$ 192,800	313,963
Refund Receivable	121,163	-
Total Assets	313,963	313,963
FUND BALANCE		
Fund Balance		
Designated for Subsequent Year's Expenditures	\$ 231,664	313,963
Undesignated	82,299	-
Total Fund Balance	313,963	313,963

Risk Management Reserve Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	2003			2002 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
Insurance Company Reimbursement	-	122,069	(122,069)	-
Expenditures				
Other Contractual Services	313,964	122,069	191,895	-
Excess Revenues Over (Under) Expenditures	(313,964)	-	69,826	-
Other Financing Sources (Uses)				
Transfers In	-	-	-	50,000
Excess Revenues & Other Sources Over Expenditures and Other (Uses)	(313,964)	-	69,826	50,000
Fund Balance - January 1	313,964	313,963	(1)	263,963
Fund Balance - December 31	\$ -	313,963	69,825	313,963

See Accountants' Report.

CITY OF HAYS, KANSAS
Library Sales Tax Fund
Balance Sheets
December 31, 2003 and 2002

	2003	2002
ASSETS		
Assets		
Cash	\$ -	-
FUND BALANCE		
Fund Balance		
Undesignated	\$ -	-

Library Sales Tax Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	2003			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2002 Actual
Revenues				
Local Sales Tax	\$ 525,000	671,450	146,450	2,075,163
Expenditures				
Proceeds to Library Board	525,000	671,450	(146,450)	2,075,163
Excess Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ -	-	-	-

See Accountants' Report.

CITY OF HAYS, KANSAS
Bond and Interest Fund
Balance Sheets
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Investments	\$ 159,658	193,549
Taxes Receivable	1,268,776	1,171,528
Due from Capital Project Fund	<u>5,971</u>	<u>13,971</u>
Total Assets	\$ <u>1,434,405</u>	<u>1,379,048</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	\$ <u>1,268,776</u>	<u>1,171,528</u>
Fund Balance		
Designated for Subsequent Year's Expenditures	30,882	166,841
Undesignated	<u>134,747</u>	<u>40,679</u>
Total Fund Balance	<u>165,629</u>	<u>207,520</u>
Total Liabilities and Fund Balance	\$ <u>1,434,405</u>	<u>1,379,048</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Bond and Interest Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 1,184,798	1,198,502	13,704	1,092,329
Delinquent	5,000	28,429	23,429	18,680
Motor Vehicle	139,200	172,409	33,209	200,008
Recreational Vehicle	1,100	1,998	898	2,213
16/20M Truck Tax	900	1,295	395	792
Special Assessments	257,000	251,215	(5,785)	218,503
Interest Income	-	-	-	5,443
Miscellaneous	300	-	(300)	-
Total Revenues	<u>1,588,298</u>	<u>1,653,848</u>	<u>65,550</u>	<u>1,537,968</u>
Expenditures				
Bond Principal	1,210,000	1,210,000	-	1,015,000
Interest Coupons	502,639	502,639	-	464,932
Contractual Services	300	900	(600)	1
Cash Basis Reserve	60,000	-	60,000	-
Pool Bond Principal	-	-	-	685,000
Pool Interest Coupons	-	-	-	12,844
Interest on Temporary Note	-	-	-	150,655
Total Expenditures	<u>1,772,939</u>	<u>1,713,539</u>	<u>59,400</u>	<u>2,328,432</u>
Excess Revenues Over (Under) Expenditures	<u>(184,641)</u>	<u>(59,691)</u>	<u>124,950</u>	<u>(790,464)</u>
Other Financing Sources (Uses)				
Transfers In	17,800	17,800	-	721,400
Excess Revenues and Other Sources Over Expenditures and Other Uses	<u>(166,841)</u>	<u>(41,891)</u>	<u>124,950</u>	<u>(69,064)</u>
Fund Balance - January 1	<u>166,841</u>	<u>207,520</u>	<u>40,679</u>	<u>276,584</u>
Fund Balance - December 31	<u>\$ -</u>	<u>165,629</u>	<u>165,629</u>	<u>207,520</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheets
December 31, 2003 and 2002

	2003		2002	
	Water and Sewer Fund	Solid Waste Utility Fund	Total	2002
ASSETS				
Current Assets				
Petty Cash	\$ 8,000	-	8,000	8,000
Cash & Cash Equivalents	1,739,534	288,694	2,028,228	1,620,939
Operating Account	11,942,014	-	11,942,014	10,223,540
Local Sales Tax Account	689,962	-	689,962	703,412
Accounts Receivable (Net)	-	-	-	53,300
Accounts Receivable - Other	53,958	-	53,958	-
Due From Capital Project Fund	-	3,456	3,456	3,257
Due From Water and Sewer Fund	14,433,468	292,150	14,725,618	12,612,448
Total Current Assets				
Restricted Assets				
Customer Deposits	149,555	-	149,555	147,745
Reserve for Capital Improvements	1,195,326	53,730	1,249,056	1,199,056
Revenue Refunding Bonds	52,045	-	52,045	100,140
Principal & Interest Account	193,000	-	193,000	303,823
Bond Reserve Account	-	-	-	107,851
Sales Tax Refunding Bonds	56,810	-	56,810	308,000
Principal & Interest Account	140,000	-	140,000	2,166,615
Bond Reserve Account	1,786,736	53,730	1,840,466	1,199,056
Total Restricted Assets				
Fixed Assets				
Water				
Land & Right-of-Ways	110,489	-	110,489	110,489
Infrastructure	12,916,639	-	12,916,639	11,673,241
Equipment	10,070,939	-	10,070,939	9,853,934
Water Banking Plan	2,082,834	-	2,082,834	2,082,834
Circle K Ranch	3,718,865	-	3,718,865	3,718,865
Sewer and Solid Waste				
Building & Structures	11,782,910	253,434	12,036,344	12,000,034
Equipment	40,882,676	679,801	41,562,477	40,119,198
Less - Accumulated Depreciation	(16,643,547)	(221,402)	(16,864,949)	(15,835,932)
Total Fixed Assets				
Other Assets				
Issuance Costs Net of Applicable Amortization	83,316	-	83,316	107,924
Total Assets	\$ 40,342,649	1,057,713	41,400,362	39,170,253
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts Payable	\$ 226,403	360	226,763	-
Sales Tax	3,999	-	3,999	1,211
State Water Fee	2,104	-	2,104	2,539
Accrued Payroll	23,740	7,892	31,632	29,721
Accrued Vacation	28,851	8,175	37,026	32,796
Current Portion - Revolving Loan	266,412	-	266,412	256,092
Accrued Interest - Revolving Loan	42,006	-	42,006	45,199
G. O. Bonds - Building	10,080	-	10,080	9,720
Due to Other Funds	26,306	-	26,306	3,257
Total Payable from Current Assets	629,901	16,427	646,328	380,535
Current Liabilities Payable From Restricted Assets				
Customer Deposits	145,055	-	145,055	147,745
Monitoring Well Deposits	4,500	-	4,500	-
Accrued Interest - Bonds	42,412	-	42,412	62,989
Revenue Refunding Bonds	-	-	-	195,000
Sales Tax Refunding Bonds	30,000	-	30,000	240,000
Total Current Liabilities Payable From Restricted Assets	221,967	-	221,967	645,734
Noncurrent Liabilities				
G. O. Bonds - Building	137,880	-	137,880	147,960
State of Kansas Waste	-	-	-	3,398,790
Water Revolving Loan	3,132,378	-	3,132,378	1,970,000
Revenue Refunding Bonds	1,930,000	-	1,930,000	1,530,000
Sales Tax Refunding Bonds	1,370,000	-	1,370,000	7,046,750
Total Noncurrent Liabilities	6,570,258	-	6,570,258	8,073,019
Total Liabilities	7,422,126	16,427	7,438,553	8,073,019
Equity				
Reserve for Capital Improvements	1,195,326	53,730	1,249,056	1,199,056
Reserve for Encumbrances	101,950	-	101,950	595,667
Contributed Capital	3,215,105	115,383	3,330,488	3,330,488
Unreserved	28,408,142	872,173	29,280,315	25,972,023
Total Retained Earnings	32,920,523	1,041,286	33,961,809	31,097,234
Total Liabilities & Equity	\$ 40,342,649	1,057,713	41,400,362	39,170,253

See Accountants' Report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2003
(With Comparative Totals for December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Revenues				
Local Sales Tax	\$ 2,100,000	2,141,845	41,845	2,075,163
Water Sales	2,300,000	2,497,695	197,695	2,484,455
Sewer Service Charges	1,800,000	1,839,239	39,239	1,827,048
Water Tap - Turn-Ons	35,000	31,578	(3,422)	47,705
Water Allocation Charges	20,000	48,665	28,665	46,859
Sales & Other Charges	12,000	23,139	11,139	16,002
Penalty	20,000	24,058	4,058	23,783
Rent on R-9 Ranch	225,500	207,000	(18,500)	176,300
G.O. Bond Proceeds	-	764,105	764,105	-
Interest on Investments	150,000	36,175	(113,825)	113,756
Interest on Sales Tax Collection	100,000	42,981	(57,019)	83,423
Developer's Contribution	-	134,528	134,528	-
Federal Grant	-	-	-	43,618
State Grant	-	159,557	159,557	120,841
Transfers In	26,400	26,400	-	-
Prior Year Encumbrances Voided	-	29,259	29,259	38,821
Total Revenues	\$ 6,788,900	8,006,224	1,217,324	7,097,774
Expenditures				
Water Planning/Wellhead Management				
Personal Services				
Salaries	\$ -	-	-	67,285
Contractual Services				
Communications	-	-	-	1,929
Publications	-	-	-	10,613
Professional Services	-	-	-	10,005
Rentals	-	-	-	232
Travel & Training	-	-	-	2,214
Other Contractual Services	-	-	-	526
Total Contractual Services	-	-	-	25,519
Commodities				
General Supplies	-	-	-	547
Total Water Planning/ Wellhead Management	\$ -	-	-	93,351
Water Production Costs				
Personal Services				
Salaries	\$ 330,400	289,230	41,170	313,686

See Accountants' Report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2003
(With Comparative Totals for December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Contractual Services				
Communications	\$ 4,500	2,841	1,659	2,540
Publications	1,000	127	873	797
Insurance	-	-	-	9,701
Heat, Light & Power	185,000	177,819	7,181	177,324
Rentals	105,800	108,470	(2,670)	106,312
Travel & Training	3,400	2,506	894	3,762
Other Contractual Services	146,000	126,220	19,780	93,794
Professional Services	3,500	20	3,480	281
Total Contractual Services	<u>449,200</u>	<u>418,003</u>	<u>31,197</u>	<u>394,511</u>
Commodities				
Office Supplies	1,500	462	1,038	1,295
General Supplies	28,000	17,373	10,627	19,219
Chemicals	230,000	245,813	(15,813)	224,019
Equipment Expense	44,200	42,536	1,664	49,289
Uniforms	3,500	3,851	(351)	2,964
Repairs to Buildings & Structures	10,000	2,228	7,772	5,776
Total Commodities	<u>317,200</u>	<u>312,263</u>	<u>4,937</u>	<u>302,562</u>
Total Water Production Cos	<u>\$ 1,096,800</u>	<u>1,019,496</u>	<u>77,304</u>	<u>1,010,759</u>
Transmission & Distribution				
Personal Services				
Salaries	\$ -	-	-	113,355
Contractual Services				
Communications	-	-	-	3,852
Publications	-	-	-	1,018
Insurance	-	-	-	5,039
Heat, Light & Power	-	-	-	16,907
Professional Services	-	-	-	1,966
Rentals	-	-	-	45
Travel & Training	-	-	-	2,843
Other Contractual Services	-	-	-	9,184
Total Contractual Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,854</u>
Commodities				
Office Supplies	-	-	-	1,720
General Supplies	-	-	-	38,777
Equipment Expense	-	-	-	18,204
Uniforms	-	-	-	3,797
Total Commodities	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>62,498</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2003
(With Comparative Totals for December 31, 2002)

	2003			2002 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Capital Outlay				
Mains, Taps, Meters	\$ -	-	-	370,943
Total Transmission & Distrib.	\$ -	-	-	587,650
General Administration				
Personal Services				
Meter Reading	\$ -	-	-	63,444
Office	73,200	77,486	(4,286)	195,694
Transfer to Empl. Health Insurance	465,400	465,400	-	430,800
Total Personal Services	538,600	542,886	(4,286)	689,938
Contractual Services				
Communications	1,400	1,469	(69)	26,909
Publications	500	643	(143)	3,614
Insurance	-	-	-	1,260
Professional Services	13,400	40,315	(26,915)	67,800
Travel & Training	6,800	196	6,604	8,435
Other Contractual Services	3,100	356	2,744	32,238
Clean Drinking Water Fee	-	19,405	(19,405)	14,709
Organization Development	-	-	-	5,958
Transfer to General Fund	1,244,200	1,244,200	-	445,000
Total Contractual Services	1,269,400	1,306,584	(37,184)	605,923
Commodities				
Office Supplies	1,000	603	397	15,940
General Supplies	1,400	1,258	142	3,350
Total Commodities	2,400	1,861	539	19,290
Total General Administration	\$ 1,810,400	1,851,331	(40,931)	1,315,151
Wastewater Treatment				
Personal Services				
Salaries	\$ 316,700	297,603	19,097	320,457
Contractual Services				
Communications	5,000	5,713	(713)	7,202
Publications	600	250	350	127
Insurance	-	-	-	10,583
Heat, Light & Power	191,000	164,972	26,028	133,447
Professional Services	1,000	784	216	603
Travel & Training	4,300	2,760	1,540	5,310
Other Contractual Services	35,000	29,173	5,827	51,408
Total Contractual Services	\$ 236,900	203,652	33,248	208,680

See Accountants' Report.

Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2003
(With Comparative Totals for December 31, 2002)

	2003		Variance Favorable (Unfavorable)	2002 Actual
	Original and Final Budget	Actual		
Commodities				
Office Supplies	\$ 1,500	1,418	82	1,391
General Supplies	35,000	22,050	12,950	51,164
Chemicals	40,000	43,200	(3,200)	51,835
Equipment Expense	35,000	35,014	(14)	48,186
Uniforms	3,000	3,045	(45)	2,726
Repairs	2,000	2,938	(938)	2,154
Total Commodities	<u>116,500</u>	<u>107,665</u>	<u>8,835</u>	<u>157,456</u>
Total Wastewater Treatment	<u>\$ 670,100</u>	<u>608,920</u>	<u>61,180</u>	<u>686,593</u>
Sewer Maintenance				
Personal Services				
Salaries	\$ -	-	-	103,613
Contractual Services				
Insurance	-	-	-	378
Other Contractual Services	-	-	-	5,280
Professional Services	-	-	-	102
Travel and Training	-	-	-	1,258
Total Contractual Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,018</u>
Commodities				
General Supplies	-	-	-	12,633
Equipment Expense	-	-	-	6,136
Uniforms	-	-	-	858
Total Commodities	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,627</u>
Total Sewer Maintenance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>130,258</u>
Non-Operating Expenses				
Capital Outlay	\$ 1,150,900	925,573	225,327	1,365,474
Interest on Deposits	6,500	5,655	845	7,624
Total Non-Operating Expenses	<u>\$ 1,157,400</u>	<u>931,228</u>	<u>226,172</u>	<u>1,373,098</u>
Debt Service				
Revenue Bond Payment	\$ 195,000	113,750	81,250	188,333
Interest- Revenue Bond Payment	105,400	85,929	19,471	110,593
Prin/Int Revolv. Loan	399,600	399,606	(6)	399,598
Total Debt Service	<u>\$ 700,000</u>	<u>599,285</u>	<u>100,715</u>	<u>698,524</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2003
(With Comparative Totals for December 31, 2002)

	2003			2002 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Sales Tax Expenditures				
Principal Payment Rev Bond	\$ 240,000	152,500	87,500	233,333
Sales Tax Issue Interest	83,600	79,925	3,675	89,993
Transfer Sales Tax Reserve	1,776,400	1,718,474	57,926	1,845,261
Total Sales Tax Fund	<u>\$ 2,100,000</u>	<u>1,950,899</u>	<u>149,101</u>	<u>2,168,587</u>
Other Expenditures				
Water Exploration	\$ 100,000	99,000	1,000	46,749
Transfer for Service Building Debt	17,800	17,800	-	23,500
Professional Services - Other	50,000	183,176	(133,176)	-
Total Other Expenditures	<u>\$ 167,800</u>	<u>299,976</u>	<u>(132,176)</u>	<u>70,249</u>
Total Expenditures	<u>\$ 7,702,500</u>	<u>7,261,135</u>	<u>441,365</u>	<u>8,134,220</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Solid Waste Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2003
(With Comparative Totals for December 31, 2002)

	2003			2002 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
Refuse Collections	\$ 847,000	850,026	3,026	868,703
Interest on Investments	16,000	2,634	(13,366)	7,447
Yard Waste Tags	3,000	4,132	1,132	3,890
Miscellaneous Revenue	8,000	23,629	15,629	849
Total Revenues	<u>\$ 874,000</u>	<u>880,421</u>	<u>6,421</u>	<u>880,889</u>
Expenditures				
Personal Services				
Salaries	\$ 263,400	238,193	25,207	357,860
Transfer - Employee Benefit	126,800	-	126,800	114,600
Total Personal Services	<u>390,200</u>	<u>238,193</u>	<u>152,007</u>	<u>472,460</u>
Contractual Services				
Communications	1,000	1,439	(439)	11,252
Publications	17,500	11,192	6,308	18,777
Insurance	-	-	-	7,937
Utility - Water, Light & Power	12,200	6,048	6,152	4,546
Professional Services	3,000	626	2,374	3,496
Tipping Fees	275,000	279,222	(4,222)	245,031
Transfer to Reserve	50,000	50,000	-	85,000
Travel & Training	1,200	452	748	1,633
Transfer - General Fund (Info. Sys)	158,100	284,900	(126,800)	18,200
Total Contractual Services	<u>518,000</u>	<u>633,879</u>	<u>(115,879)</u>	<u>395,872</u>
Commodities				
Office Supplies	2,000	1,263	737	2,086
General Supplies	11,000	10,564	436	16,893
Equipment Expense	8,500	8,143	357	33,705
Uniforms	3,100	3,771	(671)	3,165
Repairs to Buildings & Structures	6,000	5,440	560	3,072
Total Commodities	<u>30,600</u>	<u>29,181</u>	<u>1,419</u>	<u>58,921</u>
Total Expenditures	<u>\$ 938,800</u>	<u>901,253</u>	<u>37,547</u>	<u>927,253</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
 Schedule of Expenditures of Federal Awards - Statutory Basis
 For the Year Ended December 31, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Direct Funding:			
Airport Improvement Program -	20.106	N/A	\$ 1,693,446
Passed Through Kansas State Department of Transportation:			
Safety Incentive Highway Planning and Construction	20.205		4,289
Grants for Use of Seatbelts	20.604		996
<u>U.S. Department of Federal Emergency Management & Administration-</u>			
Passed Through Kansas State Department of Adjustment General			
Emergency Management Performance Grant	97.042	N/A	425
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Kansas State Department of Housing & Commerce:			
Emergency Shelter Grants Program	14.231	N/A	31,360
<u>U.S. Department of Justice</u>			
Passed through the Kansas State Sentencing Commission:			
Local Law Enforcement Block Grant Program	16.592	N/A	<u>4,196</u>
Total Expenditures of Federal Awards			<u>\$ 1,734,712</u>

See Accountants' Report.

CITY OF HAYS, KANSAS

Note to Schedule of Expenditures of Federal Awards – Statutory Basis
For the Year Ended December 31, 2003

1. Summary of Significant Accounting Policies

A. Basis of Accounting

The Schedule of Expenditure of Federal Awards was prepared on the statutory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF HAYS, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2003

A. Summary of Audit Results

1. The auditors' report expresses a qualified opinion on the financial statements of **City of Hays, Kansas**.
2. No reportable conditions were disclosed during the audit of the financial statement's reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **City of Hays, Kansas**, were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal awards programs.
5. The auditors' report on compliance for the major federal award programs for **City of Hays, Kansas**, expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for **City of Hays, Kansas**, are reported in Part C of this schedule.
7. The program tested as major was:

Airport Improvement Program	20.106
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8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The **City of Hays, Kansas** did not qualify as a low risk auditee.

B. Findings – Financial Statements Audit

No material findings were noted.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

CITY OF HAYS, KANSAS
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2003

Findings and Questioned Costs – Major Federal Award Programs Audit

No material findings or questioned costs were required to be disclosed under OMB Circular A-133.