

CITY OF HAYS, KANSAS

Hays, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2005

INDEPENDENT AUDITORS' REPORT



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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Hays, Kansas**, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements 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 did not audit the financial statements of the **Housing Authority of the City of Hays, Kansas** which represents one of the component units presented in the financial statements. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and in our opinion, in so far as it relates to the amounts included for **Housing Authority of the City of Hays, Kansas**, is based on the report of the other auditors.

We conducted our audit 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 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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Hays, Kansas**, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2006, on our consideration of the **City of Hays, Kansas'** internal control over financial reporting and out tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 41 through 71, 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.

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

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 and combining and individual nonmajor 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 the **City of Hays, Kansas**. The combining and individual nonmajor 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 3, 2006

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, 2005. 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'** overall financial position continues to improve. The **City of Hays'** fund balance on all major funds increased \$319,202 over the previous year with the largest increase reflected in the General Fund. The General Fund's balance has increased \$3,712,039 over the previous year, \$1,582,095 over the past five years. This continued increase is directly reflective of the current management environment and accountable to increased oversight and new policies. In 2005 the City implemented a comprehensive Financial Policy to ensure the wise use and investment of excess funds. The policy gives the citizens of Hays and future City leaders a defined process for the handling of City debt and excess revenue. Over the past few years, the purchasing policy has been reviewed and revised creating a more frugal mindset and ensuring that the City gets as much for its dollar as possible. In 2005 the City implemented a Purchasing Agent position to assist Departments with soliciting bids and to ensure all purchases complied with City policy. In 2004, through a general election, the City passed a 3/4% sales tax for the General Fund. This sales tax brought in \$2,790,000 in 2005 and will be used to establish a Budget Stabilization Reserve. In 2006 this additional sales tax eliminated the levying of taxes for the General Fund providing some property tax relieve for land owners in Hays as well as secure the financial viability of the General Fund.

The only areas of concern are the Water and Sewer Fund and the Solid Waste Fund. While the Water and Sewer Fund balance increased by \$1,861,429 over 2004, the past five years this fund had shown a decline of \$1,704,697. In 2005 the City did not budget to transfer any funds into Water Capital Projects but rather used the available fund balance. The City is evaluating if issuing revenue bonds for capital projects and repairs is a better solution than to continue depleting the cash reserve. This fund should be closely monitored to see what impact future transfers for capital projects have on its fund balance. The Solid Waste Fund had a decrease in fund balance of \$29,907 over the previous year and a decrease of \$374,582 over the past five years. Staff is evaluating the current rate structure and services provided in order to level this fund out and ensure it can maintain a healthy fund balance.

At the end of 2004 the City formed a Transportation Development District to fund infrastructure improvement to the area known as the Home Depot Development. In the defined area an extra three-quarters of a percent of sales tax is collected which is used to pay off bonds issued to develop phase one of the project, if sufficient revenue is generated to retire the debt early, the potential for a phase two exists. In June of 2005 the first business opened in the district.

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?"

CITY OF HAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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.
- **Component units** – The notes to financial statements contain the listing of those entities that are considered component units 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 34 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 covenant. 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.

CITY OF HAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

THE CITY AS A WHOLE

TABLE 1
NET ASSETS

	Governmental Activities	Business Type Activities	2005 Total Primary Government	2004 Total Primary Government
Current and Other Assets	\$ 14,334,855	20,412,541	34,747,396	36,472,994
Capital Assets	66,887,867	23,006,908	89,894,775	89,079,907
Total Assets	<u>81,222,722</u>	<u>43,419,449</u>	<u>124,642,171</u>	<u>125,552,901</u>
Long Term Debt				
Outstanding	16,146,080	5,742,309	21,888,389	26,601,329
Other Liabilities	5,199,787	559,058	5,758,845	9,261,460
Total Liabilities	<u>21,345,867</u>	<u>6,301,367</u>	<u>27,647,234</u>	<u>35,862,789</u>
Restricted	9,810,701	1,685,585	11,496,286	10,492,253
Unrestricted	50,066,154	35,432,497	85,498,651	79,197,859
Total Net Assets	<u>\$ 59,876,855</u>	<u>37,118,082</u>	<u>96,994,937</u>	<u>89,690,112</u>

TABLE 2
STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-Type Activities
Primary Government						
Governmental Activities						
General Government	\$ 6,826,238	494,017	16,907	62,375	(6,252,939)	-
Highway and Street	2,900,782	-	-	2,437,751	(463,041)	-
Culture and Recreation	2,149,886	178,010	-	-	(1,971,876)	-
Airport	220,373	68,644	-	1,236,468	1,084,739	-
Interest on Long-Term Debt	718,019	-	-	-	(718,019)	-
Capital Outlay	265,641	-	-	-	(265,641)	-
Total Governmental Activities	<u>13,080,851</u>	<u>740,671</u>	<u>16,907</u>	<u>3,738,594</u>	<u>(6,586,779)</u>	<u>-</u>
Business-Type Activities						
Water and Sewer	3,813,760	4,573,555	121,500	-	-	1,081,285
Solid Waste	801,744	904,554	-	-	-	392,819
Total Business-Type Activities	<u>4,215,504</u>	<u>5,478,109</u>	<u>121,500</u>	<u>-</u>	<u>-</u>	<u>1,384,105</u>
Total Primary Government	<u>\$ 17,296,355</u>	<u>6,218,780</u>	<u>138,407</u>	<u>3,738,594</u>	<u>(6,586,779)</u>	<u>1,384,105</u>
Component Units						
Housing Authority of the City of Hays, Kansas	\$ 341,214	55,293	234,902	45,224	-	-
Hays Public Library	1,172,303	3,858	41,108	50,808	-	-
Total Component Units	<u>\$ 1,513,517</u>	<u>59,149</u>	<u>276,010</u>	<u>95,830</u>	<u>-</u>	<u>-</u>
General Revenues, Special Items, and Transfers						
Property Taxes				\$ 5,719,725	-	-
Special Assessments				255,876	-	-
Sales Tax				5,043,815	2,276,697	-
Franchise Taxes				1,278,725	-	-
Motor Fuel Taxes				616,078	-	-
Alcoholic Beverage Taxes				285,252	-	-
Transient Guest Taxes				455,580	-	-
Unrestricted Investment Earnings				273,974	361,734	-
Miscellaneous				407,635	153,587	-
Fines and Forfeitures				-	-	-
Reimbursements				649,618	-	-
Special Items				9,074	-	-
Transfers				2,266,800	(2,266,800)	-
Total General Revenues, Special Items and Transfers				<u>17,284,355</u>	<u>523,218</u>	<u>-</u>
Change in Net Assets				<u>8,677,576</u>	<u>1,607,323</u>	<u>-</u>
Net Assets - Beginning, As Previously Reported				<u>54,479,353</u>	<u>35,210,759</u>	<u>-</u>
Prior Period Adjustment - Note 12				<u>(3,280,074)</u>	<u>-</u>	<u>-</u>
Balance at Beginning of Year, As Restated				<u>51,199,279</u>	<u>35,210,759</u>	<u>-</u>
Net Assets - Ending				<u>\$ 59,876,855</u>	<u>37,118,082</u>	<u>-</u>

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2005

(With Comparative Totals for the Year Ended December 31, 2004)

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Totals	Housing Authority of the City of Hays, Kansas		
				2005	2004	Hays Public Library
ASSETS						
Cash and Cash Equivalents	5,191,737	18,082,509	23,274,246	28,446,491	92,326	781,742
Investments	2,000,000	-	2,000,000	-	28,901	-
Receivables (Net of Allowance for Uncollectibles)	3,763,641	220,806	3,984,447	5,607,377	114	1,085,471
Internal Balances	-	4,298	4,298	210,816	-	-
Due from Other Governments	-	-	-	21,714	-	-
Prepaid Insurance	33,822	-	33,822	-	2,999	-
Inventory	-	-	-	-	1,298	-
Restricted Assets-Cash and Cash Equivalents	-	-	-	-	-	-
Budget Stabilization	3,345,655	-	3,345,655	-	-	-
Customer Deposits	-	172,174	172,174	174,383	-	-
Revenue Refunding Bonds - Series 2003	-	344,689	344,689	342,189	-	-
Revenue Sales Tax Bonds - Series 2003	-	302,335	302,335	300,235	-	-
Reserve for Capital Improvements	-	1,227,581	1,227,581	1,299,056	-	-
Capital Assets (Note 1D) - Net of Depreciation	58,109,772	9,285,617	67,395,389	63,603,773	214,081	-
Land and Infrastructure	8,778,095	10,543,694	19,321,789	22,292,413	875,085	3,986,600
Depreciable Buildings and Equipment	-	3,177,597	3,177,597	3,183,721	-	-
Circle K Ranch	-	58,149	58,149	70,733	-	-
Issuance Costs - (Net of Amortization)	-	-	-	-	-	-
Total Assets	81,222,722	43,419,449	124,642,171	125,552,901	1,222,181	5,853,813
LIABILITIES						
Accounts Payable	302,413	84,974	387,387	872,413	704	92,829
Accrued Payroll	209,392	32,775	236,167	189,267	944	143
Accrued Vacation	21,574	20,731	42,305	209,977	-	-
Accrued Compensation Time	-	-	-	10,809	-	-
Accrued Paid Time Off	167,315	11,002	178,317	-	-	-
Accrued Sick Leave Payout	202,123	20,375	222,498	-	-	-
Accrued Interest Payable	534,964	-	534,964	554,456	-	-
Internal Balances	-	4,298	4,298	210,816	-	-
Accrued Interest - Revolving Loan	-	35,595	35,595	39,050	-	-
Deferred Revenue	3,624,278	-	3,624,278	4,851,276	5	1,085,471
Restricted Assets	-	-	-	-	-	-
Customer Deposits	-	172,174	172,174	174,383	4,850	-
Accrued Interest - Revenue and Sales Tax Bonds	-	45,489	45,489	50,472	-	-
Compensated Absences (Note 1P)	143,728	131,645	275,373	1,270,593	2,334	105,700
State of Kansas Waste Water Revolving Loan (Note 3)	-	-	-	-	-	-
Due Within One Year	-	288,317	288,317	277,148	-	-
Due in More Than One Year	-	2,566,912	2,566,912	2,855,229	-	-
Totals Carried Forward	\$ 5,199,767	3,414,287	8,614,074	11,565,889	8,837	1,284,143

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

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Totals		Housing Authority of the City of Hays, Kansas	Hays Public Library
			2005	2004		
Totals Brought Forward	\$ 5,199,787	3,414,287	8,614,074	11,565,889	8,837	1,284,143
Revenue Refunding Bonds - Series 2003 (Note 3)	-	255,000	255,000	250,000	-	-
Due Within One Year	-	1,425,000	1,425,000	1,680,000	-	-
Due in More Than One Year	-	-	-	-	-	-
Sales Tax Refunding Bonds - Series 2003 (Note 3)	-	300,000	300,000	290,000	-	-
Due Within One Year	-	780,000	780,000	1,080,000	-	-
Due in More Than One Year	-	-	-	-	-	-
Capital Leases (Note 2)	89,834	-	89,834	217,740	-	-
Due Within One Year	953,326	-	953,326	1,043,160	-	-
Due in More Than One Year	-	-	-	-	-	-
G.O. Bonds Payable (Note 3)	1,113,840	11,160	1,125,000	1,130,000	-	-
Due Within One Year	12,004,080	115,920	12,120,000	11,885,000	-	-
Due in More Than One Year	1,985,000	-	1,985,000	6,721,000	-	-
Temporary Notes	-	-	-	-	-	-
Total Liabilities	21,345,867	6,301,367	27,647,234	35,882,789	8,837	1,284,143
Net Assets						
Restricted for:						
Capital Projects	801,133	-	801,133	3,277,938	-	-
Debt Service	550,550	-	550,550	253,943	-	-
Encumbrances	870,186	407,727	1,277,913	1,882,962	-	-
Capital Improvements	-	1,277,858	1,277,858	1,299,056	1,091,693	-
Subsequent Year's Expenditures Unrestricted	7,588,832	-	7,588,832	3,778,654	-	-
	50,066,154	35,432,497	85,498,651	79,197,859	121,651	4,569,670
Total Net Assets	\$ 59,876,855	37,119,082	96,994,937	89,690,112	1,213,344	4,569,670

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, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Totals	Housing Authority of the City of Hays, Kansas	Hays Public Library
Primary Government									
Governmental Activities									
General Government	\$ 6,826,238	494,017	16,907	62,375	(6,252,939)	(6,252,939)	(6,375,828)	-	-
Highway and Street	2,900,792	-	-	2,437,751	(463,041)	(463,041)	(4,083,546)	-	-
Culture and Recreation	2,149,888	178,010	-	-	(1,971,878)	(1,971,878)	(2,035,422)	-	-
Airport	220,373	68,644	-	1,236,468	1,084,739	1,084,739	(228,319)	-	-
Interest on Long-Term Debt	718,019	-	-	-	(718,019)	(718,019)	(614,072)	-	-
Capital Outlay	265,644	-	-	-	(265,644)	(265,644)	-	-	-
Total Governmental Activities	13,080,951	740,671	16,907	3,736,594	(8,586,779)	(8,586,779)	(13,337,187)	-	-
Business-Type Activities									
Water and Sewer	3,613,760	4,573,555	121,500	-	1,081,295	1,081,295	888,972	-	-
Solid Waste	601,744	904,554	-	-	302,810	302,810	318,503	-	-
Total Business-Type Activities	4,215,504	5,478,109	121,500	-	1,384,105	1,384,105	1,207,475	-	-
Total Primary Government	\$ 17,296,455	6,218,780	138,407	3,736,594	(6,586,779)	(7,202,674)	(12,129,712)	-	-
Component Units									
Housing Authority of the City of Hays, Kansas	\$ 341,214	55,293	294,902	45,224	-	-	-	(5,795)	-
Hays Public Library	1,172,303	3,856	41,108	50,606	-	-	-	-	(1,076,733)
Total Component Units	\$ 1,513,517	59,149	276,010	95,830	-	-	-	(5,795)	(1,076,733)
General Revenues, Special Items, and Transfers									
Property Taxes	\$ 5,719,726						5,716,073		1,050,000
Special Assessments	255,878						265,923		-
Sales Tax	5,043,815					2,276,697	4,313,082		-
Franchise Taxes	1,278,725						1,157,987		-
Motor Fuel Taxes	616,078						598,259		-
Alcoholic Beverage Taxes	285,252						254,548		-
Transient Guest Taxes	455,580						432,314		-
Unrestricted Investment Earnings	273,974					361,734	213,211	1,421	15,027
Miscellaneous	407,635					153,587	286,336	729	9,600
Fines and Forfeitures	649,818						141,312		13,674
Reimbursements	9,074						83,697		7,852
Special Items	2,268,800					(2,268,800)	-		-
Transfers							-		-
Total General Revenues, Special Items and Transfers	17,264,855					523,218	13,462,692	2,150	1,096,153
Change in Net Assets									
Change in Net Assets	8,677,576					1,907,323	1,332,980	(3,645)	19,420
Net Assets - Beginning, As Previously Reported	54,479,353					35,210,759	88,357,132	1,216,989	4,550,250
Prior Period Adjustment - Note 12	(3,280,074)					-	-	-	-
Balance at Beginning of Year, As Restated	51,199,279					35,210,759	88,357,132	1,216,989	4,550,250
Net Assets - Ending	\$ 59,876,855					37,118,082	89,650,112	1,213,344	4,569,670

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

CITY OF HAYS, KANSAS
Balance Sheet
Governmental Funds
December 31, 2005

(With Comparative Totals for the Year Ended December 31, 2004)

	General Fund	Special Highway Fund	Capital Projects Fund	Other Governmental Funds	Totals
	2005	2005	2005	2005	2004
ASSETS					
Cash and investments	\$ 3,631,353	1,227,824	(2,015,352)	4,347,912	12,148,086
Receivables - Net					
Accounts Receivable	872	-	138,491	-	262,100
Due from Other Governments	33,822	-	-	-	21,714
Due from Airport Improvement	-	-	-	-	103,375
Taxes	-	-	-	3,624,278	4,851,276
Reserved Cash	3,345,655	-	-	-	-
Total Assets	\$ 7,011,702	1,227,824	(1,876,861)	7,972,190	17,386,551
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 107,736	1,243	27,080	166,354	356,172
Accrued Payroll	195,008	-	-	8,389	156,538
Accrued Vacation	21,574	-	-	-	171,188
Accrued Compensation Time	-	-	-	-	10,809
Accrued Paid Time Off	160,520	-	-	6,795	-
Accrued Sick Leave Pay Out	196,468	-	-	5,655	-
Deferred Revenues	-	-	-	3,624,278	4,851,276
Total Liabilities	681,301	1,243	27,080	3,811,471	5,545,983
Fund Balance					
Reserved for Encumbrances	286,084	22,942	512,516	48,644	1,505,828
Designated for Subsequent Year's Expenditures	4,825,202	375,957	-	2,569,406	3,996,001
Undesignated	1,219,115	827,682	(2,416,457)	1,542,669	6,338,739
Total Fund Balance	6,330,401	1,226,581	(1,903,941)	4,160,719	11,840,568
Total Liabilities and Fund Balance	\$ 7,011,702	1,227,824	(1,876,861)	7,972,190	17,386,551

CITY OF HAYS, KANSAS
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-Wide Statement of Net Assets
 December 31, 2005

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	\$	9,813,760
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.		66,887,867
Long-Term debt, capital leases, and compensated absences have not been included in the Governmental Fund activity on the Balance Sheet.		
G.O. Bonds		(13,117,920)
Temporary Notes		(1,985,000)
Capital Leases		(1,043,160)
Compensated Absences		(143,728)
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>(534,964)</u>
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (Statement 1).	\$	<u><u>59,876,855</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, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	General Fund	Special Highway Fund	Capital Projects Fund	Other Governmental Funds	Totals	
					2005	2004
Revenues						
Taxes	\$ 6,938,274	-	-	4,081,145	11,019,419	8,138,537
Intergovernmental	111,991	3,053,829	-	1,920,466	5,086,286	1,927,652
Licenses & Fees	1,381,097	-	-	-	1,381,097	1,281,003
Fines and Forfeitures	378,790	-	-	-	378,790	347,892
Use of Money & Property	266,777	-	8,573	-	275,350	321,715
Collections	186,270	-	-	73,239	259,509	291,518
Donations	24,125	-	-	-	24,125	76,410
Prior Year Encumbrances Voided	4,102	122,100	-	-	126,202	-
Miscellaneous	240,457	-	269,151	278,955	788,563	290,863
Total Revenues	9,531,883	3,175,929	277,724	6,353,805	19,339,341	12,675,590
Expenditures						
Current -						
General Government	5,189,003	-	-	2,095,337	7,284,340	6,964,055
Highway and Street	1,439,818	1,628,989	3,628,852	121,014	6,818,673	6,419,117
Culture and Recreation	823,364	-	-	1,009,862	1,833,226	1,884,049
Airport	-	-	-	1,398,471	1,398,471	369,926
Debt Service	-	-	-	1,812,498	1,812,498	1,828,935
Capital Outlay	436,448	-	-	702,168	1,138,616	539,774
Total Expenditures	7,888,633	1,628,989	3,628,852	7,139,350	20,285,824	18,005,856
Excess (Deficiency) of Revenues Over Expenditures	1,643,250	1,546,940	(3,351,128)	(785,545)	(946,483)	(5,330,266)
Other Financing Sources (Uses)						
G.O. Bond Proceeds	-	104,211	1,150,229	105,561	1,360,001	2,445,000
Temporary Note Proceeds	-	1,460,727	-	524,273	1,985,000	6,721,000
Temporary Note Retirement	-	(4,195,459)	(1,899,786)	(625,755)	(6,721,000)	-
Sale of Equipment	9,074	-	-	-	9,074	21,035
Transfers In	2,603,315	-	-	1,484,084	4,087,399	3,639,853
Transfers Out	(543,600)	(419,186)	-	(838,013)	(1,800,799)	(1,456,653)
Total Other Financing Sources (Uses)	2,068,789	(3,049,707)	(749,557)	650,150	(1,080,325)	11,370,235
Net Change in Fund Balances	3,712,039	(1,502,767)	(4,100,685)	(135,395)	(2,026,808)	6,039,969
Fund Balance - January 1	2,618,362	2,729,348	2,196,744	4,296,114	11,840,568	5,800,599
Fund Balance - December 31	\$ 6,330,401	1,226,581	(1,903,941)	4,160,719	9,813,760	11,840,568

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, 2005

Net Changes in Fund Balances - Total Governmental Funds (Statement 4)	\$	(2,026,808)
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 capital outlays (\$5,911,920) exceeded depreciation (\$859,387) in the current period.		5,052,533
Governmental Funds report lease payments as expenditures. However, in the statement of activities the principal portions of the payments reduce long-term liabilities. This is the amount of principal from lease payments applied to capital lease obligations.		217,740
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 proceeds (\$1,360,000) exceeded bond repayments (\$1,119,200) recorded in the General Governmental Funds.		(240,800)
Temporary note proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of temporary note 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 temporary note repayments (\$6,721,000) exceeded temporary note proceeds (\$1,985,000) recorded in the General Governmental Funds.		4,736,000
Accrued Interest Payable and Compensated Absences decreased from the prior year. These balances are not accounted for in the General Governmental Funds; however, the changes are reflected in the Statement of Activities.		<u>938,911</u>
Change in Net Assets of Governmental Activities (Statement 2)	\$	<u><u>8,677,576</u></u>

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

CITY OF HAYS, KANSAS

Balance Sheet

Proprietary Funds

December 31, 2005

(With Comparative Totals for the Year Ended December 31, 2004)

ASSETS	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2005	2004
Current Assets				
Cash & Cash Equivalents				
Operating Account	\$ 2,557,169	278,522	2,835,691	2,794,639
Local Sales Tax Account	15,246,818	-	15,246,818	13,503,766
Accounts Receivable (Net)	220,806	-	220,806	494,001
Due From Capital Project Fund	-	-	-	207,169
Due From Water and Sewer Fund	-	4,298	4,298	3,647
Total Current Assets	18,024,793	282,820	18,307,613	17,003,222
NonCurrent Assets				
Restricted Cash and Cash Equivalents				
Customer Deposits	172,174	-	172,174	174,383
Reserve for Capital Improvements	1,074,051	153,530	1,227,581	1,299,056
Revenue Refunding Bonds - Series 2003				
Principal & Interest Account	151,689	-	151,689	149,189
Bond Reserve Account	193,000	-	193,000	193,000
Sales Tax Refunding Bonds - Series 2003				
Principal & Interest Account	162,335	-	162,335	160,235
Bond Reserve Account	140,000	-	140,000	140,000
Total Restricted Cash and Cash Equivalents	1,893,249	153,530	2,046,779	2,115,863
Capital Assets				
Water				
Land & Right-of-Ways	110,489	-	110,489	110,489
Infrastructure	13,108,098	-	13,108,098	13,049,558
Equipment	10,236,836	-	10,236,836	10,186,559
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	12,036,344
Equipment	-	729,801	729,801	729,802
	41,040,032	983,235	42,023,267	41,914,451
Less - Accumulated Depreciation	(18,682,362)	(333,997)	(19,016,359)	(17,949,952)
Total Capital Assets	22,357,670	649,238	23,006,908	23,964,499
Other Assets				
Issuance Costs Net of Applicable Amortization	58,149	-	58,149	70,733
Total NonCurrent Assets	24,309,068	802,768	25,111,836	26,151,095
Total Assets	\$ 42,333,861	1,085,588	43,419,449	43,154,317

CITY OF HAYS, KANSAS

Balance Sheet

Proprietary Funds

December 31, 2005

(With Comparative Totals for the Year Ended December 31, 2004)

LIABILITIES	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2005	2004
Current Liabilities				
Accounts Payable	\$ 46,811	22,989	69,800	708,635
Due on Capital Project	-	-	-	111,214
Sales Tax	5,747	-	5,747	5,204
State Water Fee	9,427	-	9,427	1,732
Accrued Payroll	23,287	9,488	32,775	32,729
Accrued Vacation	13,958	6,773	20,731	38,789
Accrued Paid Time Off	9,097	1,905	11,002	-
Accrued Sick Leave Payout	19,132	1,243	20,375	-
Current Portion - Revolving Loan	288,317	-	288,317	277,148
Accrued Interest - Revolving Loan	35,595	-	35,595	39,050
G. O. Bonds - Building	11,160	-	11,160	10,800
Due to Other Funds	4,298	-	4,298	3,647
Total Current Liabilities	<u>466,829</u>	<u>42,398</u>	<u>509,227</u>	<u>1,228,948</u>
Current Liabilities Payable From Restricted Assets				
Customer Deposits	167,674	-	167,674	169,883
Monitoring Well Deposits	4,500	-	4,500	4,500
Accrued Interest - Bonds	45,489	-	45,489	50,472
Revenue Refunding Bonds - Series 2003	255,000	-	255,000	250,000
Sales Tax Refunding Bonds - Series 2003	300,000	-	300,000	290,000
Total Current Liabilities Payable From Restricted Assets	<u>772,663</u>	<u>-</u>	<u>772,663</u>	<u>764,855</u>
Noncurrent Liabilities				
G.O. Bonds - Building	115,920	-	115,920	127,080
State of Kansas Waste Water Revolving Loan	2,566,912	-	2,566,912	2,855,229
Revenue Refunding Bonds - Series 2003	1,425,000	-	1,425,000	1,680,000
Sales Tax Refunding Bonds - Series 2003	780,000	-	780,000	1,080,000
Total Noncurrent Liabilities	<u>4,887,832</u>	<u>-</u>	<u>4,887,832</u>	<u>5,742,309</u>
Total Liabilities	<u>6,127,324</u>	<u>42,398</u>	<u>6,169,722</u>	<u>7,736,112</u>
Net Assets				
Restricted for:				
Encumbrances	407,673	54	407,727	377,134
Capital Improvements	1,124,328	153,530	1,277,858	1,299,056
Unrestricted	34,674,536	889,606	35,564,142	33,742,015
Total Net Assets	<u>\$ 36,206,537</u>	<u>1,043,190</u>	<u>37,249,727</u>	<u>35,418,205</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.			(131,645)	(207,446)
Net Assets of Business-Type Activities (Statement 1)			<u>\$ 37,118,082</u>	<u>35,210,759</u>

CITY OF HAYS, KANSAS
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	Water and Sewer Fund	Solid Waste Utility Fund	Totals	
			2005	2004
Operating Revenues				
Charges for Sales & Services				
Water Sales	\$ 2,354,459	-	2,354,459	2,343,952
Water Sales Conservation Rate	271,229	-	271,229	215,227
Sub-Total Water Sales	<u>2,625,688</u>	-	<u>2,625,688</u>	<u>2,559,179</u>
Sewer Charges	1,854,636	-	1,854,636	1,714,681
Refuse Collections	-	857,675	857,675	858,406
Tap Fees	34,893	-	34,893	44,804
Sales & Other Charges	58,338	46,879	105,217	96,716
Total Operating Revenues	<u>4,573,555</u>	<u>904,554</u>	<u>5,478,109</u>	<u>5,273,786</u>
Operating Expenses				
Water Production	902,734	-	902,734	1,008,231
General Administration	86,034	-	86,034	253,775
Wastewater Treatment	658,578	-	658,578	641,891
Refuse Collection	-	547,147	547,147	529,655
Bad Debts	237,297	-	237,297	-
Amortization	12,584	-	12,584	12,583
Depreciation	1,010,845	55,562	1,066,407	1,085,003
Total Operating Expenses	<u>2,908,072</u>	<u>602,709</u>	<u>3,510,781</u>	<u>3,531,138</u>
Operating Income	<u>1,665,483</u>	<u>301,845</u>	<u>1,967,328</u>	<u>1,742,648</u>
NonOperating Revenues (Expenses)				
Local Sales Tax	2,276,697	-	2,276,697	2,156,541
Interest income	356,586	5,148	361,734	120,598
Rent on Circle K Ranch	150,000	-	150,000	150,000
State Grant	121,500	-	121,500	4,813
Prior Year Encumbrances Voided	3,587	-	3,587	-
Interest Expense	(214,935)	-	(214,935)	(247,356)
Water Exploration	(565,589)	-	(565,589)	(305,448)
Total Non-Operating Revenues (Expenses)	<u>2,127,846</u>	<u>5,148</u>	<u>2,132,994</u>	<u>1,879,148</u>
Income (Loss) before Contributions and Transfers				
Transfers In	-	-	-	24,600
Transfers Out	(1,931,900)	(336,900)	(2,268,800)	(2,190,000)
Total Income (Loss) before Contributions and Transfers	<u>(1,931,900)</u>	<u>(336,900)</u>	<u>(2,268,800)</u>	<u>(2,165,400)</u>
Change in Net Assets	1,861,429	(29,907)	1,831,522	1,456,396
Total Net Assets - Beginning of Year	<u>34,345,108</u>	<u>1,073,097</u>		
Total Net Assets - End of Year	<u>\$ 36,206,537</u>	<u>1,043,190</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.			75,801	12,818
Change in Net Assets of Business-Type Activities (Statement 2)			<u>\$ 1,907,323</u>	<u>1,469,214</u>

CITY OF HAYS, KANSAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2005	2004
Cash Flows from Operating Activities				
Receipts from Customers	\$ 5,051,710	903,903	5,955,613	5,316,345
Payments to Suppliers	(2,010,026)	(277,689)	(2,287,715)	(884,699)
Payments to Employees	(628,287)	(243,582)	(871,869)	(974,734)
Net Cash Provided by Operating Activities	<u>2,413,397</u>	<u>382,632</u>	<u>2,796,029</u>	<u>3,456,912</u>
Cash Flows from NonCapital Financing Activities				
State Aid Payments	121,500	-	121,500	4,813
Transfers to Other Funds	(1,931,900)	(336,900)	(2,268,800)	(2,165,400)
Net Cash Provided by Operating Activities	<u>(1,810,400)</u>	<u>(336,900)</u>	<u>(2,147,300)</u>	<u>(2,160,587)</u>
Cash Flows from Capital and Related Financing Activities				
Purchase & Construction of Cap. Assets	(108,817)	-	(108,817)	(298,539)
Water Exploration	(562,002)	-	(562,002)	(305,448)
Interest Paid	(223,373)	-	(223,373)	(242,252)
Principal Payments - Revolving Loan	(277,148)	-	(277,148)	(266,413)
Principal Payments - Bonds	(540,000)	-	(540,000)	(30,000)
Local Sales Tax	2,276,697	-	2,276,697	2,156,541
GO Bond Proceeds (Retired)	(10,800)	-	(10,800)	(10,080)
Net Cash Used for Capital and Related Financing Activities	<u>554,557</u>	<u>-</u>	<u>554,557</u>	<u>1,003,809</u>
Cash Flows from Investing Activities				
Rental Income	150,000	-	150,000	150,000
Interest on Investments	356,586	5,148	361,734	120,598
Net Cash Provided by Investing Activities	<u>506,586</u>	<u>5,148</u>	<u>511,734</u>	<u>270,598</u>
Net Increase in Cash and Cash Equivalents	1,664,140	50,880	1,715,020	2,570,732
Balances - Beginning of Year	<u>18,033,096</u>	<u>381,172</u>	<u>18,414,268</u>	<u>15,843,536</u>
Balances - End of the Year	<u>\$ 19,697,236</u>	<u>432,052</u>	<u>20,129,288</u>	<u>18,414,268</u>
Cash and Cash Equivalents Per Statement 5				
Operating Account			\$ 2,835,691	2,794,639
Local Sales Tax Account			15,246,818	13,503,766
Total Restricted Cash and Cash Equivalents			2,046,779	2,115,863
Total Cash and Cash Equivalents at Year End			<u>\$ 20,129,288</u>	<u>18,414,268</u>

CITY OF HAYS, KANSAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	Enterprise Funds		Total	
	Water and Sewer Fund	Solid Waste Utility Fund	2005	2004
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 1,665,483	301,845	1,967,328	1,742,648
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation and Amortization	1,023,429	55,562	1,078,991	1,097,586
Change in Assets & Liabilities				
(Increase) in Accounts Receivable	273,195	-	273,195	195,961
Increase (Decrease) in Accounts Payable	(773,038)	22,989	(750,049)	593,086
Increase (Decrease) Due to Other Funds	651	-	651	(22,659)
(Increase) Due from Other Funds	207,169	(650)	206,519	(153,403)
Increase (Decrease) in Accrued Liab.	16,508	2,886	19,394	3,693
Total Adjustments	<u>747,914</u>	<u>80,787</u>	<u>828,701</u>	<u>1,714,264</u>
Net Cash Provided by Operating Activities	<u>\$ 2,413,397</u>	<u>382,632</u>	<u>2,796,029</u>	<u>3,456,912</u>

CITY OF HAYS, KANSAS
Statement of Fiduciary Net Assets
Private - Purpose Trust Fund
Fire Insurance Fund
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ <u>5,000</u>	<u>420</u>
NET ASSETS		
Net Assets Held in Trust	\$ <u>5,000</u>	<u>420</u>

Statement of Changes in Fiduciary Net Assets
Private - Purpose Trust Fund
Fire Insurance Fund
For the Year Ended December 31, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	<u>2005</u>	<u>2004</u>
Revenues		
Collections	\$ 5,000	420
Expenditures		
Contractual	<u>420</u>	-
Change in Net Assets	4,580	420
Net Assets - Beginning of the Year	<u>420</u>	-
Net Assets - End of the Year	\$ <u>5,000</u>	<u>420</u>

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

CITY OF HAYS, KANSAS
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	Police Judge	TDD Sales Tax Revenue	Totals	
			2005	2004
ASSETS				
Cash and Investments	\$ 52,487	12,484	64,971	35,287
Restricted Cash	1,271	-	1,271	11,286
Loan Receivables	-	-	-	28,792
Total Assets	53,758	12,484	66,242	75,365
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts Payable	18,621	-	18,621	13,573
Due to Other Funds	33,822	-	33,822	21,714
Total Liabilities	52,443	-	52,443	35,287
Net Assets				
Reserved for Loans	-	-	-	28,792
Reserved for Debt	-	12,484	12,484	-
Reserved for ADSAP	1,315	-	1,315	11,286
Total Net Assets	\$ 1,315	12,484	13,799	40,078

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

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. Financial Reporting Entity

The **City of Hays, Kansas** is a municipal corporation governed by an elected five-member commission. The City receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources.

The financial statements of the City consist of all the funds of the City and governmental entities that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The **City of Hays, Kansas** is the primary government as defined in GASB #14 and further amended by GASB #39. The City Commissioners are elected by the public. The Commission has the authority to make decisions, levy taxes, influence operations, and has the primary accountability in fiscal matters. The following are the component units of the **City of Hays, Kansas**. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Housing Authority of the City of Hays, Kansas

The Housing Authority of the **City of Hays, Kansas** operates a subsidized public housing project. The five-member board is appointed by the City, and the City is entitled to the resources of the Housing Authority. Contact the City office for information on how to obtain a copy of the financial statements and audit report.

Hays Public Library

The Hays Public Library 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.

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

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

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.

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, 2005

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.

Special Highway Fund – This fund accounts for resources utilized for the construction or reconstruction of highways, bridges, roads, streets, and for necessary incidental facilities.

Capital Projects Fund – This fund accounts for financial resources segregated for the acquisition or construction of major capital facilities and infrastructure for 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).

Debt Service 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.

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 category:

Fiduciary Funds

Agency Funds – To account for assets held by the City either as a trustee or as an agent for other funds, governmental entities, or private entities. 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, 2005

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, 2005

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.

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Non - Depreciable Capital Assets:				
Land & Right of Ways	\$ 14,516,664	10,114	-	14,526,778
Infrastructure (Modified Approach)	<u>38,473,039</u>	<u>5,109,955</u>	<u>-</u>	<u>43,582,994</u>
Total Non - Depreciable Capital Assets	<u>52,989,703</u>	<u>5,120,069</u>	<u>-</u>	<u>58,109,772</u>
Depreciable Capital Assets:				
Buildings	10,541,763	258,895	-	10,800,658
Machinery and Equipment	<u>4,648,653</u>	<u>532,956</u>	<u>(107,250)</u>	<u>5,074,359</u>
Total Depreciable Capital Assets	15,190,416	791,851	(107,250)	15,875,017
Less Accumulated Depreciation	<u>(6,344,785)</u>	<u>859,387</u>	<u>(107,250)</u>	<u>(7,096,922)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>8,845,631</u>	<u>(67,536)</u>	<u>-</u>	<u>8,778,095</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ <u>61,835,334</u>	<u>5,052,533</u>	<u>-</u>	<u>66,887,867</u>

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

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
Depreciable Capital Assets:				
Circle K Ranch	3,718,865	-	-	3,718,865
Infrastructure	15,132,392	58,540	-	15,190,932
Buildings	12,036,344	-	-	12,036,344
Machinery and Equipment	10,916,361	50,277	-	10,966,638
Total Depreciable Capital Assets	41,803,962	108,817	-	41,912,779
Less Accumulated Depreciation	(17,949,952)	(1,066,408)	-	(19,016,360)
Depreciable Capital Assets, Net of Accumulated Depreciation	23,854,010	(957,591)	-	22,896,419
Business - Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 23,964,499	(957,591)	-	23,006,908

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:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

E. Budgets (cont.)

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 Project Funds, the Pool Construction Fund, the Economic Development Bond Fund, and Fiduciary Funds.

Spending in funds which are not subject to the legal annual operating budget requirement is 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 and 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.

Deposits and Investments

As of December 31, 2005, the City had the following investments.

<u>Investment</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Ratings</u>
Repurchase Agreements Secured by U.S. Treasury & Agencies	\$2,000,000	\$2,127,563	June 15, 2006	N/A

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

G. Deposits and Investments (cont.)

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has not further limited its investment choices in its investment policy.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2005. All deposits were legally secured at December 31, 2005.

At December 31, 2005, the City's carrying amount of deposits including certificates of deposit was \$28,736,422. The bank balance was \$28,936,510. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$574,961 was covered by FDIC insurance and the remaining \$28,361,549 was collateralized with securities held by the pledging financial institutions' agents in the City's name. In addition, the City had cash on hand of \$1,500.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

All of the underlying securities of the City's repurchase agreements are held by Federal Home Loan Bank in the name of the City. The City does not have a formal policy limiting securities held by counterparties.

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

I. Utility Accounts Receivable

The City records utility revenues on a monthly basis. The balance shown as accounts receivable at December 31, 2005 is comprised of accounts considered to be collectible by management. Balances are stated at net of anticipated uncollectible accounts.

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.

L. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Proprietary Funds consider 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 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

O. Defined Benefit Pension Plan (cont.)

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, 2005 to June 30, 2005 was 4.01% and for July 1, 2005 to December 31, 2005 was 4.21%. **City of Hays, Kansas** employer contributions for the years ending December 31, 2005, 2004 and 2003 were \$177,339, \$166,397, and \$160,355, respectively, equal to the statutory required contributions for each year.

P. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the City for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

Q. Compensated Absences

In 2005, the City implemented a general leave policy of paid-time-off (PTO). PTO shall be accrued by full-time employees, and all employees shall have a maximum amount of PTO accrual equal to the number of hours they accrue during their anniversary year. Employees who exceed the accrual maximum shall not be credited with further PTO accrual until their accruals are reduced below the maximum level. Upon separation from employment with the City, employees who terminate in good standing will be paid for all accrued but unused PTO at their current rate of pay.

As of December 31, 2005, the City had not finalized labor contracts with the Service Employees International Union (SEIU). Thus, all City employees who participate in the SEIU are not eligible to accrue any compensation benefits. However, they can continue to use any and all accrued vacation and sick leave earned through December 31, 2005. The accrued compensated absences applicable for the governmental and business-type activities at December 31, 2005 has been recorded in the Statement of Net Assets for the amounts of \$143,728 and \$131,645, respectively.

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

2. Capital Leases (cont.)

As of December 31, 2005, the **City of Hays, Kansas** had the following capital leases:

Lease Date	Property
02-14-96	HRC Ball Parks
07-24-98	HRC Building Facility

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, 2005.

	HRC Ball Parks	HRC Building Facility	Total Governmental Activities Funds
Year Ending December 31:			
2006	\$ 35,000	106,312	141,312
2007	-	106,312	106,312
2008	-	106,312	106,312
2009	-	106,312	106,312
2010	-	106,312	106,312
2011-2015	-	531,560	531,560
2016-2018	-	318,937	318,937
Total Minimum Lease Payments	35,000	1,382,057	1,417,057
Less: Amount Representing Interest	(2,164)	(371,733)	(373,897)
Present Value Of Future Minimum Lease Payments	\$ 32,836	1,010,324	1,043,160

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%	\$13,117,920
Business – Type Activities	4.50 – 6.50%	127,080
		\$13,245,000

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

3. Long-Term Debt (cont.)

General Obligation Bonds

The annual requirements to retire G.O. Bonds as of December 31, 2005, are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Bond Interest Due</u>	<u>Total</u>
2006	\$ 1,125,000	534,964	1,659,964
2007	1,235,000	588,237	1,823,237
2008	1,320,000	489,700	1,809,700
2009	1,265,000	434,105	1,699,105
2010	1,285,000	379,831	1,664,831
2011-2015	3,365,000	1,289,006	4,654,006
2016-2020	2,560,000	631,021	3,191,021
2021-2024	1,090,000	129,849	1,219,849
Total	<u>\$ 13,245,000</u>	<u>4,476,713</u>	<u>17,721,713</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%	\$5,615,229

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2005 are as follows:

<u>Year</u>	<u>Bond Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2006	\$ 843,318	172,163	1,015,481
2007	869,935	150,173	1,020,108
2008	897,022	126,436	1,023,458
2009	759,596	100,745	860,341
2010	627,677	76,659	704,336
2011-2014	<u>1,617,681</u>	<u>109,833</u>	<u>1,727,514</u>
Total	<u>\$ 5,615,229</u>	<u>736,009</u>	<u>6,351,238</u>

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

3. Long-Term Debt (cont.)

Transportation Development District Sales Tax Revenue Bonds

On November 15, 2004 the **City of Hays, Kansas** issued \$1,770,000 in bonds to pay the cost of the Transportation Development District. The Bonds shall be special obligations of the City payable solely from and secured as to the payment of principal and interest by a pledge of and lien upon the TDD Sales Revenues and the City pledges the TDD Sales Revenues to the payment of the principal of and interest on the Bonds. The Bonds do not constitute a general obligation of the City, nor do they constitute an indebtedness of the City and the taxing power of the City is not pledged to the payment of the Bonds.

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
G.O. Bonds	\$ 12,877,120	1,360,000	(1,119,200)	13,117,920	1,113,840
Capital Leases	1,260,900	-	(217,740)	1,043,160	89,834
Compensated Absences	<u>1,063,147</u>	<u>-</u>	<u>(919,419)</u>	<u>143,728</u>	<u>143,728</u>
Total Governmental-Long Term Liabilities	<u>15,201,167</u>	<u>1,360,000</u>	<u>(2,256,359)</u>	<u>14,304,808</u>	<u>1,347,402</u>
Business - Type Activities:					
Bonds Payable:					
G.O. Bonds	137,880	-	(10,800)	127,080	11,160
Revenue Bonds	3,300,000	-	(540,000)	2,760,000	555,000
State Revolving Loan	<u>3,132,378</u>	<u>-</u>	<u>(277,149)</u>	<u>2,855,229</u>	<u>288,317</u>
Total Bonds Payable	6,570,258	-	(827,949)	5,742,309	854,477
Compensated Absences	<u>207,446</u>	<u>-</u>	<u>(75,801)</u>	<u>131,645</u>	<u>131,645</u>
Total Business- Type Long-Term Liabilities	<u>6,777,704</u>	<u>-</u>	<u>(903,750)</u>	<u>5,873,954</u>	<u>986,122</u>
Total Long-Term Liabilities	<u>\$ 21,978,871</u>	<u>1,360,000</u>	<u>(3,160,109)</u>	<u>20,178,762</u>	<u>2,333,524</u>

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

4. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas Statutes. The City's operating transfers and statutory authority for the year 2005 were as follows.

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
Water & Sewer	General	12-825d	\$ 1,400,000
Solid Waste	General	12-825d	192,000
Airport	General	79-2925	33,400
Convention & Tourism	General	79-2925	39,200
Special Highway	General	68-590	370,786
Special Alcohol	General	79-41a04	12,800
Solid Waste	Employee Benefit	12-825d	144,900
Water & Sewer	Employee Benefit	12-825d	531,900
Convention & Tourism	Employee Benefit	79-2925	38,300
Special Highway	Employee Benefit	68-590	48,400
Airport	Employee Benefit	79-2925	28,800
Special Alcohol	Employee Benefit	79-41a04	4,000
2002 Capital Projects	Bond & Interest	79-2925	108,084
Water & Sewer	Bond & Interest	12-825d	17,800
General	Equipment Reserve	12-1,117	543,600
Special Parks & Recreation	Equipment Reserve	12-1,117	6,000
Airport	Equipment Reserve	12-1,117	12,300
Pool Construction Capital Project	Pool Construction	79-2925	<u>555,129</u>
Total			<u>\$ 4,087,399</u>

In the fund financial statements, total transfers of \$2,286,600 are equal to the total transfers out of \$2,286,600 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, 2005. Excess revenues totaled \$637,838 for the prior year.

Gross Revenues		\$ 4,573,555
Adjustments -		
Less - Operating Expenses	\$(1,693,994)	
Transfers Out	(1,931,900)	
Add - Interest Earned	356,586	
Transfers In	<u> -</u>	
Net Adjustments		(3,269,308)
Net Revenues		1,304,247
Maximum Amount of Principal and Interest	298,378	
	<u>125%</u>	
Net Revenues Required		<u>372,973</u>
Excess		\$ 931,274

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

6. Capital Projects

Capital Projects authorizations with approved change orders compared with expenditures from inception are as follows:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expenditures to Date</u>
8 th Street Reconstruction	\$ 1,027,397	193,397
General Hays Road	217,510	206,839
Vine St. Mill & Overlay	534,403	534,381
Burns & McDonnell – Phase 2004	4,187,094	121,082
22 nd Street Construction – Design Phase	1,292,300	12,300
Hall Street Reconstruction	1,492,917	1,466,311
Reverse Access Road 48th to 55th	2,438,081	2,302,809
Tallgrass Addition Phase III	500,097	498,612
Street Improvements	124,279	123,036
Golden Belt Estates First Addition	407,918	402,331
Curb Repair	50,000	50,000
General Custer Waterline Loop	325,000	221,981
41 st Street Plaza Fifth Addition	618,395	529,051
55 th Street Reconstruction	194,000	148,384
Sherman Waterline	23,253	23,071
Stripe and Seal	200,000	198,000
41 st Street Economic Development Grant	952,000	7,490
43 rd Street Stormwater Diversion	655,464	655,464
Golden Belt 2 nd Addition	678,651	27,080
Wastewater Plant	35,000	17,000
Covenant Place Addition	387,349	257,580
46 th Street	459,794	381,009
Sanitary Sewer Study 22 nd Street	22,000	22,150
Tallgrass Phase IV	42,800	42,800
Curb Repairs 2005	35,751	-
Airport Improvements – Grant 14	2,349,541	1,527,488
Airport Improvements – Grant 15/16	1,508,550	1,291,178

7. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Risk Management – Claims and Judgements

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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, automobile and fidelity bond coverage.

The City has elected to obtain comprehensive and collision coverage on all City owned motor vehicles.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2005

8. Risk Management – Claims and Judgements (cont.)

The City also participates in the Kansas Municipal Insurance Trust (KMIT) to provide workers compensation insurance. The City joined KMIT in January 2005. The City, along with other participating cities, contributes annual amounts determined by KMIT management. As claims arise they are submitted to and paid by KMIT. During 2005, the County contributed \$140,781 to the fund for this insurance coverage.

There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of December 31, 2005, the financial statements do not include liabilities for anticipated costs.

9. Litigation

The City is party to various legal proceedings, such as foreclosure actions and tax appeals, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the City.

10. Grants and Shared Revenues

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

11. Comparative Data

Comparative total data for the prior year has been presented in Statements 3 through 8 and the accompanying supplemental financial statements in order to provide an understanding of the changes in the City's financial position and operations.

12. Prior Period Restatement

The Hays Public Library is a component unit of the **City of Hays, Kansas**. The land, building, and building improvements were reported as assets of the Governmental Activities of the primary government in the **City of Hays, Kansas** at December 31, 2004. The net assets for the Governmental Activities at December 31, 2004 have been restated to \$51,199,279.

13. Compliance with Kansas Statutes

Expenditures exceeded the budgeted amounts in the Special Highway Fund by \$45,745 which is in violation of K.S.A. 79-2935.

The fourth quarter statement dated December 31, 2005 published in the Hays Daily News did not include information on the capital project funds or debt outstanding. This is in violation of K.S.A. 12-1608.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Hays, Kansas**, as of and for the year ended December 31, 2005, which collectively comprise the **City of Hays, Kansas'** basic financial statements and have issued our report thereon dated May 3, 2006. We conducted our audit in accordance with the 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.

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 opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

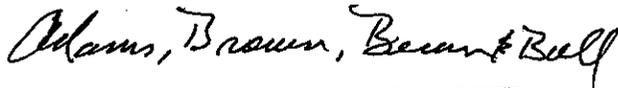
Compliance and Other Matters

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 grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items B1 and B2. We also noted certain matters that we have reported to management of **City of Hays, Kansas**, in a separate letter dated May 3, 2006.

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

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 3, 2006



Certified
Public
Accountants

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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, 2005. **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 on **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, 2005.

Internal Control Over Compliance

The management of **City of Hays, Kansas**, is responsible for establishing and maintaining effective internal control over compliance with 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.

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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 reportable 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 caused by error or fraud 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

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

May 3, 2006

CITY OF HAYS, KANSAS

Hays, Kansas

Supplemental Information

For the Year Ended December 31, 2005

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ <u>3,631,353</u>	<u>2,954,411</u>
Receivables		
Accounts Receivable	872	-
Taxes Receivable	-	1,609,944
Due From Other Governments	<u>33,822</u>	<u>21,714</u>
Total Receivables	<u>34,694</u>	<u>1,631,658</u>
Other Asset		
Reserved Cash - Budget Stabilization	<u>3,345,655</u>	-
Total Assets	<u>\$ <u>7,011,702</u></u>	<u>4,586,069</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 107,736	33,512
Accrued Payroll	195,003	149,651
Accrued Vacation	21,574	163,791
Accrued Paid Time Off	160,520	-
Accrued Sick Leave Pay Out	196,468	-
Accrued Comp. Time	-	10,809
Deferred Revenues	-	<u>1,609,944</u>
Total Liabilities	<u>681,301</u>	<u>1,967,707</u>
Fund Balance		
Reserved for Encumbrances	286,084	9,000
Unreserved -		
Designated for Subsequent Year's Expenditures	4,825,202	1,672,298
Undesignated	<u>1,219,115</u>	<u>937,064</u>
Total Fund Balance	<u>6,330,401</u>	<u>2,618,362</u>
Total Liabilities and Fund Balance	<u>\$ <u>7,011,702</u></u>	<u>4,586,069</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, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Revenues (Page Four)	\$ 6,074,294	9,540,957	3,466,663	6,594,284
Expenditures (Page Four)	9,251,178	8,165,717	1,085,461	7,508,488
Excess of Revenues Over (Under) Expenditures	(3,176,884)	1,375,240	4,552,124	(914,204)
Other Financing Sources (Uses)				
Transfers In	2,048,186	2,603,315	555,129	1,812,500
Transfers Out	(543,600)	(543,600)	-	(205,000)
Total Other Financing Sources (Uses)	1,504,586	2,059,715	555,129	1,607,500
Excess Revenues and Other Sources Over Expenditures & Other (Uses)	(1,672,298)	3,434,955	5,107,253	693,296
Fund Balance - January 1	1,672,298	2,618,362	946,064	2,141,583
Increase (Decrease) in Reserve for Encumbrances	-	277,084	277,084	(216,517)
Fund Balance - December 31	\$ -	6,330,401	6,330,401	2,618,362

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, 2005

(With Comparative Totals for the Year Ended December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 1,611,394	1,632,274	20,880	1,691,164
Delinquent	10,000	20,374	10,374	51,679
Motor Vehicle	216,900	237,093	20,193	231,381
Recreational Vehicle	1,900	2,847	947	2,699
16/20 M Truck Tax	1,100	1,871	771	1,288
Local Sales	2,200,000	5,043,815	2,843,815	2,156,541
Total Taxes	4,041,294	6,938,274	2,896,980	4,134,752
Intergovernmental				
Liquor Tax	77,400	95,084	17,684	84,850
State Grant	-	-	-	3,389
Federal Grant	-	16,907	16,907	41,388
Total Intergovernmental	77,400	111,991	34,591	129,627
Licenses and Permits				
Franchise Tax	1,195,200	1,278,725	83,525	1,157,937
Licenses	32,700	42,723	10,023	46,911
Permits	35,000	59,649	24,649	76,155
Total Licenses and Permits	1,262,900	1,381,097	118,197	1,281,003
Fines and Forfeitures				
Fines and Court Fees	366,000	378,790	12,790	347,892
Use of Money and Property				
Interest Earned	85,000	265,401	180,401	92,613
Rent	1,200	1,376	176	1,200
Total Use of Money & Property	\$ 86,200	266,777	180,577	93,813

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, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	2005			2004 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Miscellaneous				
Golf Course Fees	\$ 187,000	173,415	(13,585)	166,262
Cemetery Receipts	8,500	12,855	4,355	12,210
Donations	-	24,125	24,125	76,410
Insurance Proceeds	-	168,662	168,662	50,046
Capital Credits	-	10,493	10,493	27,334
Sale of Property	-	9,074	9,074	225,000
Miscellaneous Receipts	45,000	61,302	16,302	49,935
Prior Year Encumbrances Voided	-	4,102	4,102	-
Total Miscellaneous	<u>240,500</u>	<u>464,028</u>	<u>223,528</u>	<u>607,197</u>
Total General Fund Revenues	<u>\$ 6,074,294</u>	<u>9,540,957</u>	<u>3,466,663</u>	<u>6,594,284</u>
Expenditures				
City Commission	\$ 17,900	16,459	1,441	11,988
City Manager	993,400	444,752	548,648	636,278
Human Resources	169,000	153,168	15,832	91,448
Information Technology	326,700	254,024	72,676	190,820
City Attorney	91,000	85,265	5,735	101,925
City Clerk	338,778	310,588	28,190	324,544
Intergovernmental	252,500	241,169	11,331	254,910
Police Department	1,924,000	1,910,696	13,304	1,733,388
Municipal Court	120,800	120,656	144	107,959
Public Works-General Administration	165,500	169,728	(4,228)	-
Service Division	1,010,200	865,574	144,626	1,089,162
Planning, Inspection, & Enforcement	247,400	227,826	19,574	214,986
Building & Grounds	431,600	396,427	35,173	63,812
Fleet Maintenance	412,400	406,839	5,561	310,563
Fire Department	1,109,600	1,037,191	72,409	975,140
Parks & Playgrounds	591,900	543,573	48,327	557,966
Golf Course	425,400	406,114	19,286	273,882
Swimming Pool	153,000	92,095	60,905	106,974
Ballfield Maintenance	51,700	39,953	11,747	20,214
Cemeteries	30,000	23,173	6,827	3,686
Social Services	151,750	151,750	-	151,750
Economic Development	207,500	239,547	(32,047)	259,193
Qualify of Life	29,150	29,150	-	27,900
Total Expenditures	<u>\$ 9,251,178</u>	<u>8,165,717</u>	<u>1,085,461</u>	<u>7,508,488</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Library Fund
 Balance Sheets
 December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ 73,970	80,922
Taxes Receivable	845,697	802,279
Total Assets	<u>\$ 919,667</u>	<u>883,201</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	\$ 845,697	802,279
Fund Balance		
Designated for Subsequent Year's Expenditures	47,222	41,119
Undesignated	26,748	39,803
Total Fund Balance	<u>73,970</u>	<u>80,922</u>
Total Liabilities and Fund Balance	<u>\$ 919,667</u>	<u>883,201</u>

Library Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	<u>2005</u>		Variance Favorable (Unfavorable)	<u>2004</u> Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 795,281	813,423	18,142	789,502
Delinquent	6,000	10,179	4,179	25,794
Motor Vehicle	101,200	112,174	10,974	112,367
Recreational Vehicle	900	1,348	448	1,311
16/20M Truck Tax	500	924	424	595
Total Revenues	<u>903,881</u>	<u>938,048</u>	<u>34,167</u>	<u>929,569</u>
Expenditures				
Distributions to Library Board	945,000	945,000	-	922,000
Excess Revenues Over (Under)				
Expenditures	(41,119)	(6,952)	34,167	7,569
Fund Balance - January 1	<u>41,119</u>	<u>80,922</u>	<u>39,803</u>	<u>73,353</u>
Fund Balance - December 31	<u>\$ -</u>	<u>73,970</u>	<u>73,970</u>	<u>80,922</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Library Employee Benefit Fund
 Balance Sheets
 December 31, 2005 and 2004

	ASSETS	<u>2005</u>	<u>2004</u>
Cash and Investments	\$	7,152	4,556
Taxes Receivable		<u>95,578</u>	<u>92,938</u>
Total Assets	\$	<u>102,730</u>	<u>97,494</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	\$	<u>95,578</u>	<u>92,938</u>
Fund Balance			
Designated for Subsequent Year's Expenditures		4,156	873
Undesignated		<u>2,996</u>	<u>3,683</u>
Total Fund Balance		<u>7,152</u>	<u>4,556</u>
Total Liabilities and Fund Balance	\$	<u>102,730</u>	<u>97,494</u>

Library Employee Benefit Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	<u>2005</u>		Variance	2004
	Original and Final Budget	Actual	Favorable (Unfavorable)	Actual
Revenues				
Taxes				
Ad Valorem	\$ 92,127	94,269	2,142	87,920
Delinquent	500	992	492	2,344
Motor Vehicle	11,300	12,099	799	10,640
Recreational Vehicle	100	145	45	124
16/20M Truck Tax	100	91	(9)	51
Total Revenues	<u>104,127</u>	<u>107,596</u>	3,469	101,079
Expenditures				
Distributions to Library Board	<u>105,000</u>	<u>105,000</u>	-	98,000
Excess Revenues Over (Under)				
Expenditures	(873)	2,596	3,469	3,079
Fund Balance - January 1	<u>873</u>	<u>4,556</u>	3,683	<u>1,477</u>
Fund Balance - December 31	<u>\$ -</u>	<u>7,152</u>	<u>7,152</u>	<u>4,556</u>
See Accountants' Report.				

CITY OF HAYS, KANSAS
Special Highway Fund
Balance Sheets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ 1,227,824	2,467,248
Grant Receivable	-	262,100
Total Assets	\$ 1,227,824	2,729,348
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 1,243	-
Fund Balance		
Reserved for Encumbrances	22,942	1,359,328
Unreserved -		
Designated for Subsequent Year's Expenditures	375,957	208,414
Undesignated	827,682	1,161,606
Total Fund Balance	1,226,581	2,729,348
Total Liabilities and Fund Balance	\$ 1,227,824	2,729,348

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, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	2005			2004 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
Intergovernmental				
State Gasoline Tax	\$ 614,400	579,383	(35,017)	561,514
Connecting Link Maintenance	36,000	36,695	695	36,745
State Aid	-	2,437,751	2,437,751	485,856
Prior Year Encumbrance Voided	-	122,100	122,100	-
Total Revenues	<u>650,400</u>	<u>3,175,929</u>	<u>2,525,529</u>	<u>1,084,115</u>
Expenditures				
Contractual Services	189,628	1,954	187,674	38,000
Capital Outlay	250,000	290,649	(40,649)	3,864,663
Total Expenditures	<u>439,628</u>	<u>292,603</u>	<u>147,025</u>	<u>3,902,663</u>
Excess Revenues Over (Under) Expenditures	<u>210,772</u>	<u>2,883,326</u>	<u>2,672,554</u>	<u>(2,818,548)</u>
Other Financing Sources (Uses)				
G.O. Bond Proceeds	-	104,211	104,211	-
Temporary Note Proceeds	-	1,460,727	1,460,727	4,192,755
Temporary Note Retirement	-	(4,195,459)	(4,195,459)	-
Transfers Out	419,186	(419,186)	-	-
(a) Budget Credit	4,002,689	-	4,002,689	(264,200)
Total Other Financing (Uses)	<u>4,421,875</u>	<u>(3,049,707)</u>	<u>1,372,168</u>	<u>3,928,555</u>
Excess Revenues & Other Sources Over (Under) Expenditures	<u>\$ 4,632,647</u>	<u>(166,381)</u>	<u>4,044,722</u>	<u>1,110,007</u>
Fund Balance - January 1		2,729,348		294,918
Increase (Decrease) in Reserve for Encumbrances		<u>(1,336,386)</u>		<u>1,324,423</u>
Fund Balance - December 31		<u>\$ 1,226,581</u>		<u>2,729,348</u>
(a) Budget Credit				
Excess G.O. Bond Proceeds, Temporary Note Proceeds, and State Aid Over Amount Budgeted		<u>\$ 4,002,689</u>		

See Accountants' Report.

CITY OF HAYS, KANSAS
Employee Benefit Fund
Balance Sheets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ 877,172	433,091
Taxes Receivable	<u>1,017,246</u>	<u>800,046</u>
Total Assets	<u>\$ 1,894,418</u>	<u>1,233,137</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 15,771	-
Deferred Revenues	<u>1,017,246</u>	<u>800,046</u>
Total Liabilities	<u>1,033,017</u>	<u>800,046</u>
Fund Balance		
Designated for Subsequent Year's Expenditures	425,891	433,091
Undesignated	<u>435,510</u>	<u>-</u>
Total Fund Balance	<u>861,401</u>	<u>433,091</u>
Total Liabilities and Fund Balance	<u>\$ 1,894,418</u>	<u>1,233,137</u>

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, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 793,067	811,138	18,071	732,532
Delinquent	5,000	10,470	5,470	29,311
Motor Vehicle	93,900	111,211	17,311	128,932
Recreational Vehicle	800	1,341	541	1,504
16/20M Truck Tax	600	1,094	494	611
Insurance Company Reimbursement	-	238,700	238,700	-
Miscellaneous	-	1,063	1,063	-
Total Revenues	<u>893,367</u>	<u>1,175,017</u>	<u>281,650</u>	<u>892,890</u>
Expenditures				
Workmen's Compensation	175,000	156,282	18,718	108,384
Unemployment Compensation	12,800	10,515	2,285	6,727
Social Security	466,500	429,315	37,185	413,104
Employee Retirement	266,000	219,858	46,142	182,686
Health Insurance	966,000	721,318	244,682	739,416
Contractual Services	10,000	5,719	4,281	6,055
Total Expenditures	<u>1,896,300</u>	<u>1,543,007</u>	<u>353,293</u>	<u>1,456,372</u>
Excess Revenues Over (Under) Expenditures	<u>(1,002,933)</u>	<u>(367,990)</u>	<u>634,943</u>	<u>(563,482)</u>
Other Financing Sources (Uses)				
Transfers In	796,300	796,300	-	766,000
Transfers Out	(400,000)	-	400,000	(226,584)
Total Other Financing Sources	<u>396,300</u>	<u>796,300</u>	<u>400,000</u>	<u>539,416</u>
Excess Revenues & Other Sources Over (Under) Expenditures	<u>(606,633)</u>	<u>428,310</u>	<u>1,034,943</u>	<u>(24,066)</u>
Fund Balance - January 1	<u>606,633</u>	<u>433,091</u>	<u>(173,542)</u>	<u>457,157</u>
Fund Balance - December 31	<u>\$ -</u>	<u>861,401</u>	<u>861,401</u>	<u>433,091</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Fire Equipment Fund
Balance Sheets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ 201,050	161,411
Taxes Receivable	<u>298,256</u>	<u>141,232</u>
Total Assets	\$ <u>499,306</u>	<u>302,643</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	\$ <u>298,256</u>	<u>141,232</u>
Fund Balance		
Designated for Subsequent Year's Expenditures	194,412	153,807
Undesignated	<u>6,638</u>	<u>7,604</u>
Total Fund Balance	<u>201,050</u>	<u>161,411</u>
Total Liabilities and Fund Balance	\$ <u>499,306</u>	<u>302,643</u>

CITY OF HAYS, KANSAS
Special Fire Equipment Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 140,000	143,260	3,260	138,043
Delinquent	100	1,695	1,595	4,204
Motor Vehicle	17,700	19,367	1,667	18,660
Recreational Vehicle	200	233	33	217
16/20M Truck Tax	100	153	53	99
Intergovernmental				
Fire Safety Trailer Grant	38,300	38,250	(50)	-
Total Revenues	<u>196,400</u>	<u>202,958</u>	<u>6,558</u>	<u>161,223</u>
Expenditures				
Contractual Services	102,707	-	102,707	-
Capital Outlay	247,500	163,319	84,181	126,819
Total Expenditures	<u>350,207</u>	<u>163,319</u>	<u>186,888</u>	<u>126,819</u>
Excess Revenue Over (Under)				
Expenditures	(153,807)	39,639	193,446	34,404
Fund Balance - January 1	<u>153,807</u>	<u>161,411</u>	<u>7,604</u>	<u>127,007</u>
Fund Balance - December 31	<u>\$ -</u>	<u>201,050</u>	<u>201,050</u>	<u>161,411</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Airport Fund
 Balance Sheets
 December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ 237,943	227,164
Taxes Receivable	<u>149,128</u>	<u>141,193</u>
Total Assets	\$ <u>387,071</u>	<u>368,357</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 5,195	10,040
Accrued Payroll	3,229	2,629
Accrued Vacation	-	3,502
Accrued Paid Time Off	3,966	-
Accrued Sick Leave Pay Out	3,485	-
Deferred Revenues	<u>149,128</u>	<u>141,193</u>
Total Liabilities	<u>165,003</u>	<u>157,364</u>
Fund Balance		
Reserved for Encumbrances	2,949	-
Unreserved		
Designated for Subsequent Year's Expenditures	196,977	154,318
Undesignated	<u>22,142</u>	<u>56,675</u>
Total Fund Balance	<u>222,068</u>	<u>210,993</u>
Total Liabilities and Fund Balance	\$ <u>387,071</u>	<u>368,357</u>

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, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 139,962	143,117	3,155	137,906
Delinquent	1,000	1,742	742	4,329
Motor Vehicle	17,700	19,352	1,652	18,660
Recreational Vehicle	200	232	32	218
16/20M Truck Tax	100	153	53	99
Licenses and Fees Collected	55,900	68,644	12,744	67,582
Farming Leases	10,000	7,148	(2,852)	12,145
Miscellaneous Revenue	4,000	12,352	8,352	28,269
Prior Year Encumbrances Voided	-	-	-	128
Total Revenues	228,862	252,740	23,878	269,336
Expenditures				
Personal Services	83,500	86,529	(3,029)	78,455
Contractual Services	195,880	63,057	132,823	59,590
Commodities	25,900	16,842	9,058	12,669
Capital Outlay	3,400	3,686	(286)	8,483
Total Expenditures	308,680	170,114	138,566	159,197
Excess Revenues Over (Under) Expenditures	(79,818)	82,626	162,444	110,139
Other Financing (Uses)				
Transfers Out	(74,500)	(74,500)	-	(54,800)
Excess Revenues & Other (Uses) Over Expenditures	(154,318)	8,126	162,444	55,339
Fund Balance - January 1	154,318	210,993	56,675	177,707
Increase (Decrease) in Reserve for Encumbrances	-	2,949	2,949	(22,053)
Fund Balance - December 31	\$ -	222,068	222,068	210,993

See Accountants' Report.

CITY OF HAYS, KANSAS
Park Development Fund
 Balance Sheets
 December 31, 2005 and 2004

	2005	2004
ASSETS		
Cash and Investments	\$ <u>1,464</u>	<u>5,818</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ -	1,829
Fund Balance		
Designated for Subsequent Year's Expenditures	1,464	2,797
Undesignated	-	1,192
Total Fund Balance	<u>1,464</u>	<u>3,989</u>
Total Liabilities and Fund Balance	\$ <u>1,464</u>	<u>5,818</u>

Park Development Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	2005				
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)		2004 Actual
Revenues					
Donations	\$ -	-	-		3,987
Expenditures					
Contractual Services	<u>2,797</u>	<u>2,525</u>	<u>272</u>		<u>3,016</u>
Excess Revenues Over (Under) Expenditures	(2,797)	(2,525)	272		971
Fund Balance - January 1	<u>2,797</u>	<u>3,989</u>	<u>1,192</u>		<u>3,018</u>
Fund Balance - December 31	\$ <u>-</u>	<u>1,464</u>	<u>1,464</u>		<u>3,989</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Convention and Tourism Fund
Balance Sheets
December 31, 2005 and 2004

	2005	2004
ASSETS		
Cash and Investments	\$ 296,758	244,767
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 17,595	247
Accrued Payroll	5,160	4,258
Accrued Vacation	-	3,895
Accrued Paid Time Off	2,829	-
Accrued Sick Leave Pay Out	2,170	-
Total Liabilities	27,754	8,400
Fund Balance		
Designated for Subsequent Year's Expenditures	257,583	236,367
Undesignated	11,421	-
Total Fund Balance	269,004	236,367
Total Liabilities and Fund Balance	\$ 296,758	244,767

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, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Guest Tax	\$ 450,000	455,580	5,580	432,314
Prior Year Encumbrances Voided	-	-	-	1,064
Miscellaneous	7,000	19,015	12,015	2,893
Total Revenues	<u>457,000</u>	<u>474,595</u>	<u>17,595</u>	<u>436,271</u>
Expenditures				
Personal Services	140,500	139,606	894	138,437
Contractual Services	417,009	187,072	229,937	166,564
Commodities	63,900	37,780	26,120	46,312
Total Expenditures	<u>621,409</u>	<u>364,458</u>	<u>256,951</u>	<u>351,313</u>
Excess Revenues Over (Under) Expenditures	(164,409)	110,137	274,546	84,958
Other Financing Sources (Uses)				
Transfers Out	(77,500)	(77,500)	-	(82,000)
Excess Revenues & Other Sources Over (Under) Expenditures	(241,909)	32,637	274,546	2,958
Fund Balance - January 1	<u>241,909</u>	<u>236,367</u>	<u>(5,542)</u>	<u>233,409</u>
Fund Balance - December 31	<u>\$ -</u>	<u>269,004</u>	<u>269,004</u>	<u>236,367</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Equipment Reserve Fund
 Balance Sheets
 December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ <u>462,175</u>	<u>386,538</u>
FUND BALANCE		
Fund Balance		
Reserved for Encumbrances	\$ -	88,600
Unreserved		
Designated for Subsequent Year's Expenditures	<u>462,175</u>	<u>297,938</u>
Total Fund Balance	\$ <u>462,175</u>	<u>386,538</u>

Equipment Reserve Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	<u>2005</u>			<u>2004</u> Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
Sale of Equipment	\$ -	-	-	21,035
Expenditures				
Contractual Services	430,800	-	430,800	-
Capital Outlay	464,500	397,663	66,837	314,996
Total Expenditures	895,300	397,663	497,637	314,996
Excess Revenues Over (Under) Expenditures	(895,300)	(397,663)	497,637	(293,961)
Other Financing Sources (Uses)				
Transfers In	561,900	561,900	-	205,000
Excess Revenues and Other Sources Over Expenditures and Other (Uses)	(333,400)	164,237	497,637	(88,961)
Fund Balance - January 1	333,400	386,538	53,138	386,899
Increase (Decrease) in Reserve for Encumbrances	-	(88,600)	(88,600)	88,600
Fund Balance - December 31	\$ -	462,175	462,175	386,538
See Accountants' Report.				

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
 Balance Sheets
 December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ <u>126,612</u>	<u>103,327</u>
FUND BALANCE		
Fund Balance		
Designated for Subsequent Year's Expenditures	105,527	88,477
Undesignated	<u>21,085</u>	<u>14,850</u>
Total Fund Balance	\$ <u>126,612</u>	<u>103,327</u>

Special Alcohol Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	<u>2005</u>			<u>2004</u> Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
Intergovernmental				
Liquor Tax	\$ 77,400	95,084	17,684	84,849
Expenditures				
Contractual	149,077	55,000	94,077	56,000
Excess Revenues Over (Under)				
Expenditures	(71,677)	40,084	111,761	28,849
Other Financing Sources (Uses)				
Transfers Out	(16,800)	(16,800)	-	(12,100)
Excess Revenues & Other Sources				
Over (Under) Expenditures	(88,477)	23,284	111,761	16,749
Fund Balance - January 1	88,477	103,328	14,851	86,578
Fund Balance - December 31	\$ -	<u>126,612</u>	<u>126,612</u>	<u>103,327</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
 Balance Sheets
 December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ <u>207,449</u>	<u>194,331</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ <u>132</u>	<u>-</u>
Fund Balance		
Reserved for Encumbrances	45,695	-
Unreserved		
Designated for Subsequent Year's Expenditures	161,622	175,191
Undesignated	<u>-</u>	<u>19,140</u>
Total Fund Balance	<u>207,317</u>	<u>194,331</u>
Total Liabilities and Fund Balance	\$ <u>207,449</u>	<u>194,331</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Liquor Tax	\$ 77,400	95,084	17,684	84,849
Prior Year Encumbrances Voided	-	-	-	2,535
Total Revenues	<u>77,400</u>	<u>95,084</u>	<u>17,684</u>	<u>87,384</u>
Expenditures				
Contractual Services	246,591	121,793	124,798	15,245
Excess Revenues Over (Under) Expenditures	(169,191)	(26,709)	142,482	72,139
Other Financing (Uses)				
Transfers Out	(6,000)	(6,000)	-	-
Excess Revenues & Other (Uses) Over Expenditures	(175,191)	(32,709)	142,482	72,139
Fund Balance - January 1	175,191	194,331	19,140	128,192
Increase (Decrease) in Reserved For Encumbrances	-	45,695	45,695	(6,000)
Fund Balance - December 31	<u>\$ -</u>	<u>207,317</u>	<u>207,317</u>	<u>194,331</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Pool Construction Fund
 Balance Sheets
 December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ -	604,029
<u>FUND BALANCE</u>		
Fund Balance	\$ -	48,900
Reserved for Encumbrances	-	48,900
Unreserved	-	555,129
Undesignated	-	555,129
Total Fund Balance	\$ -	604,029

Pool Construction Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
 For the Year Ended December 31, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	<u>2005</u>	<u>2004</u>
Expenditures		
Contractual Services	\$ -	\$ 56,840
Excess Revenues Over (Under)		
Expenditures	-	(56,840)
Other Financing Sources		
Transfers In	-	611,969
Transfers Out	(555,129)	-
Total Other Financing (Uses)	(555,129)	611,969
Excess Revenues & Other (Uses)		
Over Expenditures	(555,129)	555,129
Fund Balance - January 1	604,029	-
Increase (Decrease) in Reserved		
For Encumbrances	(48,900)	48,900
Fund Balance - December 31	\$ -	\$ 604,029

See Accountants' Report.

CITY OF HAYS, KANSAS
Risk Management Reserve Fund
 Balance Sheets
 December 31, 2005 and 2004

	2005	2004
ASSETS		
Cash and Investments	\$ <u>530,644</u>	<u>541,723</u>
FUND BALANCE		
Fund Balance		
Designated for Subsequent Year's Expenditures	\$ 530,644	313,964
Undesignated	-	227,759
Total Fund Balance	\$ <u>530,644</u>	<u>541,723</u>

Risk Management Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	2005			2004 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
Insurance Company Reimbursement	\$ -	-	-	1,176
Expenditures				
Contractual Services	713,964	11,079	702,885	-
Excess Revenues Over (Under) Expenditures	(713,964)	(11,079)	702,885	1,176
Other Financing Sources (Uses)				
Transfers In	400,000	-	(400,000)	226,584
Excess Revenues & Other Sources Over Expenditures and Other (Uses)	(313,964)	(11,079)	302,885	227,760
Fund Balance - January 1	313,964	541,723	227,759	313,963
Fund Balance - December 31	\$ -	<u>530,644</u>	<u>530,644</u>	<u>541,723</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Bond and Interest Fund
Balance Sheets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	\$ 409,134	253,643
Taxes Receivable	<u>1,218,373</u>	<u>1,263,644</u>
Total Assets	\$ <u>1,627,507</u>	<u>1,517,287</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	\$ <u>1,218,373</u>	<u>1,263,644</u>
Fund Balance		
Designated for Subsequent Year's Expenditures	181,733	217,347
Undesignated	<u>227,401</u>	<u>36,296</u>
Total Fund Balance	<u>409,134</u>	<u>253,643</u>
Total Liabilities and Fund Balance	\$ <u>1,627,507</u>	<u>1,517,287</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, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 1,264,783	1,281,195	16,412	1,276,077
Delinquent	10,000	18,500	8,500	40,000
Motor Vehicle	163,600	179,708	16,108	172,916
Recreational Vehicle	1,400	2,158	758	2,017
16/20M Truck Tax	800	1,439	639	879
Special Assessments	256,000	255,878	(122)	265,923
Sales Tax	-	-	-	-
Miscellaneous	300	-	(300)	25
Total Revenues	<u>1,696,883</u>	<u>1,738,878</u>	<u>41,995</u>	<u>1,757,837</u>
Expenditures				
Bond Principal	1,235,000	1,130,000	105,000	1,185,000
Interest Coupons	491,530	456,530	35,000	502,621
Interest on Temporary Note	145,200	122,733	22,467	-
Contractual Services	300	8	292	2
Cash Basis Reserve	60,000	-	60,000	-
Total Expenditures	<u>1,932,030</u>	<u>1,709,271</u>	<u>222,759</u>	<u>1,687,623</u>
Excess Revenues Over (Under) Expenditures	<u>(235,147)</u>	<u>29,607</u>	<u>264,754</u>	<u>70,214</u>
Other Financing Sources (Uses)				
Transfers In	<u>17,800</u>	<u>125,884</u>	<u>108,084</u>	<u>17,800</u>
Excess Revenues and Other Sources Over Expenditures and Other Uses	<u>(217,347)</u>	<u>155,491</u>	<u>372,838</u>	<u>88,014</u>
Fund Balance - January 1	<u>217,347</u>	<u>253,643</u>	<u>36,296</u>	<u>165,629</u>
Fund Balance - December 31	<u>\$ -</u>	<u>409,134</u>	<u>409,134</u>	<u>253,643</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
 Balance Sheets
 December 31, 2005 and 2004

	2005	2004
ASSETS		
Cash and Investments	\$ <u>141,416</u>	<u>212,578</u>
FUND BALANCE		
Fund Balance Undesignated	\$ <u>141,416</u>	<u>212,578</u>

Economic Development Bond Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
 For the Year Ended December 31, 2005
 (With Comparative Totals for the Year Ended December 31, 2004)

	2005	2004
Revenues		
Intergovernmental		
Local Sales Tax	\$ <u>32,065</u>	<u>-</u>
Expenditures		
Bond Principal	-	16,564
Interest Coupons	97,926	-
Issuance Costs	<u>5,301</u>	<u>-</u>
Total Expenditures	<u>103,227</u>	<u>16,564</u>
Excess Revenues Over (Under) Expenditures	(71,162)	(16,564)
Other Financing Sources (Uses)		
G.O. Bond Proceeds	<u>-</u>	<u>229,142</u>
Excess Revenues & Other Sources Over (Under) Expenditures	(71,162)	212,578
Fund Balance - January 1	<u>212,578</u>	<u>-</u>
Fund Balance - December 31	\$ <u>141,416</u>	<u>212,578</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheets
December 31, 2005 and 2004

	2005		2004	
	Water and Sewer Fund	Solid Waste Utility Fund	Total	2004
ASSETS				
Current Assets				
Petty Cash	-	-	-	-
Cash & Cash Equivalents	2,557,169	278,522	2,835,691	2,794,639
Operating Account	15,246,818	-	15,246,818	13,503,766
Local Sales Tax Account	220,806	-	220,806	494,001
Accounts Receivable (Net)	-	-	-	-
Accounts Receivable - Other	-	-	-	207,169
Due From Capital Project Fund	-	4,298	4,298	3,647
Due From Water and Sewer Fund	18,024,793	282,820	18,307,613	17,003,222
Total Current Assets			18,307,613	17,003,222
Restricted Assets			172,174	174,383
Customer Deposits	172,174	-	172,174	174,383
Reserve for Capital Improvements	1,074,051	153,530	1,227,581	1,299,056
Revenue Refunding Bonds			151,689	149,189
Principal & Interest Account	151,689	-	151,689	149,189
Bond Reserve Account	193,000	-	193,000	193,000
Sales Tax Refunding Bonds	162,335	-	162,335	160,235
Principal & Interest Account	140,000	-	140,000	140,000
Bond Reserve Account	1,893,249	153,530	2,046,779	2,115,863
Total Restricted Assets			2,046,779	2,115,863
Fixed Assets				
Water				
Land & Right-of-Ways	110,489	-	110,489	110,489
Infrastructure	15,190,932	-	15,190,932	15,132,392
Equipment	10,236,836	-	10,236,836	10,186,559
Circle K Ranch	3,718,865	-	3,718,865	3,718,865
Sewer and Solid Waste Building & Structures				
Equipment	11,782,910	253,433	12,036,343	12,036,344
	-	729,802	729,802	729,802
	41,040,032	983,235	42,023,267	41,914,451
Less - Accumulated Depreciation			(19,016,359)	(17,949,952)
	(18,682,362)	(333,997)	(19,016,359)	(17,949,952)
Total Fixed Assets			23,006,908	23,964,499
	22,357,670	649,238	23,006,908	23,964,499
Other Assets				
Issuance Costs Net of Applicable Amortization	58,149	-	58,149	70,733
Total Assets			43,419,449	43,154,317
	\$ 42,333,861	1,085,588	\$ 43,419,449	\$ 43,154,317
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts Payable	46,811	22,989	69,800	708,635
Due on Capital Project	-	-	-	111,214
Sales Tax	5,747	-	5,747	5,204
State Water Fee	9,427	-	9,427	1,732
Accrued Payroll	23,287	9,488	32,775	32,729
Accrued Vacation	13,958	6,773	20,731	36,789
Accrued Paid Time Off	9,097	1,905	11,002	-
Accrued Sick Leave Payout	19,132	1,243	20,375	-
Current Portion - Revolving Loan	288,317	-	288,317	277,148
Accrued Interest - Revolving Loan	35,595	-	35,595	39,050
G. O. Bonds - Building	11,160	-	11,160	10,800
Due to Other Funds	4,298	-	4,298	3,647
Total Payable from Current Assets	466,829	42,398	509,227	1,228,948
	167,674	-	167,674	169,883
Customer Deposits	4,500	-	4,500	4,500
Monitoring Well Deposits	45,489	-	45,489	50,472
Accrued Interest - Bonds	255,000	-	255,000	250,000
Revenue Refunding Bonds	300,000	-	300,000	290,000
Sales Tax Refunding Bonds	772,663	-	772,663	764,855
Total Current Liabilities Payable From Restricted Assets			115,920	127,080
	115,920	-	115,920	127,080
Noncurrent Liabilities				
G. O. Bonds - Building	2,566,912	-	2,566,912	2,855,229
State of Kansas Waste	1,425,000	-	1,425,000	1,680,000
Water Revolving Loan	780,000	-	780,000	1,080,000
Revenue Refunding Bonds	4,887,832	-	4,887,832	5,742,309
Sales Tax Refunding Bonds	6,127,324	42,398	6,169,722	7,736,112
Total Liabilities			11,224,328	1,299,056
	1,124,328	153,530	1,277,858	1,299,056
Equity				
Reserve for Capital Improvements	407,673	54	407,727	377,134
Reserve for Encumbrances	3,215,105	115,383	3,330,488	3,330,488
Contributed Capital	31,459,431	774,223	32,233,654	30,411,527
Unreserved	36,206,537	1,043,190	37,249,727	35,418,205
Total Retained Earnings			43,419,449	43,154,317
	\$ 42,333,861	1,085,588	\$ 43,419,449	\$ 43,154,317

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, 2005
(With Comparative Totals for December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Revenues				
Local Sales Tax	\$ 2,100,000	2,276,697	176,697	2,156,541
Water Sales	2,400,000	2,354,459	(45,541)	2,343,952
Sewer Service Charges	1,700,000	1,854,636	154,636	1,714,681
Water Tap - Turn-Ons	40,000	34,893	(5,107)	44,804
Water Sales Conservation Rate	30,000	271,229	241,229	215,227
Sales & Other Charges	12,000	33,465	21,465	24,448
Penalty	22,000	24,873	2,873	29,319
Rent on R-9 Ranch	225,500	150,000	(75,500)	150,000
Interest on Investments	100,000	106,397	6,397	29,775
Interest on Sales Tax Reserves	80,000	250,189	170,189	86,979
State Grant	-	121,500	121,500	4,813
Transfers In	24,600	-	(24,600)	24,600
Prior Year Encumbrances Voided	-	3,587	3,587	-
Total Revenues	\$ 6,734,100	7,481,925	747,825	6,825,139
Expenditures				
Water Production Costs				
Personal Services				
Salaries	\$ 324,100	314,483	9,617	301,706
Contractual Services				
Communications	1,800	2,170	(370)	1,877
Heat, Light & Power	182,500	183,169	(669)	171,765
Rentals	-	-	-	108,470
Travel & Training	2,900	1,503	1,397	1,874
Other Contractual Services	86,300	69,985	16,315	64,463
Professional Services	1,500	28	1,472	200
Total Contractual Services	275,000	256,855	18,145	348,649
Commodities				
Office Supplies	1,000	691	309	636
General Supplies	25,000	14,960	10,040	15,930
Chemicals	257,000	244,807	12,193	250,024
Equipment Expense	44,200	61,516	(17,316)	34,121
Uniforms	1,000	675	325	609
Repairs to Buildings & Structures	5,000	4,069	931	4,478
Total Commodities	333,200	326,718	6,482	305,798
Total Water Production Costs	\$ 932,300	898,056	34,244	956,153

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, 2005
(With Comparative Totals for December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
General Administration				
Personal Services				
Office	\$ -	-	-	126,445
Transfer to Empl. Health Insurance	531,900	531,900	-	488,700
Total Personal Services	<u>531,900</u>	<u>531,900</u>	<u>-</u>	<u>615,145</u>
Contractual Services				
Communications	-	-	-	1,003
Professional Services	-	-	-	33,624
Travel & Training	-	-	-	3,322
Other Contractual Services	-	-	-	451
Interest On Deposits	6,500	4,464	2,036	26,039
Clean Drinking Water Fee	20,000	18,534	1,466	18,630
Grant Funding	-	67,500	(67,500)	67,500
Transfer to General Fund	1,400,000	1,400,000	-	1,414,600
Total Contractual Services	<u>1,426,500</u>	<u>1,490,498</u>	<u>(63,998)</u>	<u>1,565,169</u>
Commodities				
Office Supplies	-	-	-	1,156
General Supplies	-	-	-	1,644
Total Commodities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,800</u>
Total General Administration	<u>\$ 1,958,400</u>	<u>2,022,398</u>	<u>(63,998)</u>	<u>2,183,114</u>
Wastewater Treatment				
Personal Services				
Salaries	\$ 329,500	324,283	5,217	317,526
Contractual Services				
Communications	4,000	4,475	(475)	4,512
Heat, Light & Power	175,000	159,795	15,205	169,122
Professional Services	1,000	22,000	(21,000)	862
Travel & Training	2,800	1,828	972	1,759
Other Contractual Services	30,000	21,356	8,644	29,173
Total Contractual Services	<u>212,800</u>	<u>209,454</u>	<u>3,346</u>	<u>205,428</u>
Commodities				
Office Supplies	1,000	484	516	759
General Supplies	26,700	11,329	15,371	18,757
Chemicals	44,000	67,217	(23,217)	47,790
Equipment Expense	50,000	45,284	4,716	49,507
Uniforms	700	527	173	661
Repairs	-	-	-	1,463
Total Commodities	<u>122,400</u>	<u>124,841</u>	<u>(2,441)</u>	<u>118,937</u>
Total Wastewater Treatment	<u>\$ 664,700</u>	<u>658,578</u>	<u>6,122</u>	<u>641,891</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, 2005
(With Comparative Totals for December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Capital Outlay Expenditures				
Capital Expenditures	\$ -	-	-	362,185
Water Taps, Hydrants, and Meters	101,000	54,928	46,072	76,239
Transfer - Bond & Interest Fund	17,800	17,800	-	17,800
Total Non-Operating Expenses	\$ 118,800	72,728	46,072	456,224
Debt Service Expenditures				
Revenue Bond Payment	\$ 250,000	250,000	-	-
Interest- Revenue Bond Payment	48,400	43,378	5,022	56,440
Principal & Interest-Revolving Loan	399,600	399,624	(24)	399,393
Total Debt Service	\$ 698,000	693,002	4,998	455,833
Sales Tax Expenditures				
Principal Payment	\$ 290,000	290,000	-	30,000
Interest Payment	30,500	30,470	30	36,248
Transfer Sales Tax Reserve	1,879,500	2,206,416	(326,916)	1,561,752
Water Exploration	-	70,662	(70,662)	682,582
(a) Budget Credit	468,386	-	468,386	-
Total Sales Tax Fund	\$ 2,668,386	2,597,548	70,838	2,310,582
Total Expenditures	\$ 7,040,586	6,942,310	98,276	7,003,797
(a) Budget Credit				
Excess Local Sales Tax, Interest on Sales Tax Reserves and State Aid Over Amount Budgeted		\$ 468,386		

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, 2005
(With Comparative Totals for December 31, 2004)

	2005		Variance Favorable (Unfavorable)	2004 Actual
	Original and Final Budget	Actual		
Revenues				
Refuse Collections	\$ 844,000	854,950	10,950	855,136
Interest on Investments	2,000	5,148	3,148	3,844
Yard Waste Tags	3,800	2,725	(1,075)	3,270
Miscellaneous Revenue	20,000	46,879	26,879	42,949
Total Revenues	<u>\$ 869,800</u>	<u>909,702</u>	<u>39,902</u>	<u>905,199</u>
Expenditures				
Personal Services				
Salaries	\$ 253,900	246,468	7,432	231,917
Transfer - Employee Benefit	144,900	144,900	-	133,100
Total Personal Services	<u>398,800</u>	<u>391,368</u>	<u>7,432</u>	<u>365,017</u>
Contractual Services				
Communications	1,200	572	628	900
Publications	13,000	9,388	3,612	6,990
Utility - Water, Light & Power	8,200	6,471	1,729	6,069
Professional Services	-	-	-	-
Tipping Fees	266,500	261,175	5,325	259,264
Transfer to Reserve	49,800	49,800	-	50,000
Travel & Training	1,200	376	824	964
Transfer - Water and Sewer Fund	-	-	-	14,100
Transfer - General Fund	192,000	192,000	-	139,500
Total Contractual Services	<u>531,900</u>	<u>519,782</u>	<u>12,118</u>	<u>477,787</u>
Commodities				
Office Supplies	1,500	716	784	1,203
General Supplies	10,800	10,800	-	10,755
Equipment Expense	8,300	7,956	344	7,909
Uniforms	1,200	1,122	78	1,525
Repairs to Buildings & Structures	2,800	2,157	643	2,159
Total Commodities	<u>24,600</u>	<u>22,751</u>	<u>1,849</u>	<u>23,551</u>
Non-Operating Expenses				
Capital Outlay	-	-	-	50,000
Total Expenditures	<u>\$ 955,300</u>	<u>933,901</u>	<u>21,399</u>	<u>916,355</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Schedule of Expenditures of Federal Awards - Statutory Basis
For the Year Ended December 31, 2005

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Direct Funding:			
Airport Improvement Program -	20.106	N/A	\$ 1,104,730
Passed Through Kansas State Department of Transportation:			
Safety Incentive Highway Planning and Construction	20.205		4,049
<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	<u>29,241</u>
Total Expenditures of Federal Awards			<u>\$ 1,138,020</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Note to Schedule of Expenditures of Federal Awards – Statutory Basis
For the Year Ended December 31, 2005

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, 2005

A. Summary of Audit Results

1. The auditors' report expresses an unqualified 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 Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Instances of noncompliance material to the financial statements of **City of Hays, Kansas**, were disclosed during the audit. (See Item B below).
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

1. The **City of Hays, Kansas** violated K.S.A. 79-2935 in the Special Highway Fund. Measures should be in place to ensure that expenditures do not exceed budgeted amounts. We recommend the Mayor and Commissioners review expenditures by fund frequently to ensure that over spending of the budget does not occur.
2. The **City of Hays, Kansas** violated K.S.A. 12-1608, which requires quarterly financial statements to be published showing cash balances for all funds and any debt outstanding. The Treasurer should be aware of the requirements of K.S.A. 12-1608. The public is not properly notified concerning the City's cash and debt positions. We recommend the Treasurer review the quarterly financial statements to ensure the statements contain the proper information.

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, 2005

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.