CITY OF HAYS, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

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For the Year Ended December 31, 2011

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

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

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 **City of Hays, Kansas**, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **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 .8%, .9%, and 1.6%, respectively, of the assets, net assets and revenues of **City of Hays, Kansas**. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Housing Authority of 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 and the *Kansas Municipal Audit Guide*. The financial statements of the Housing Authority of the City of Hays, Kansas and the Hays Public Library were not audited in accordance with *Government Auditing* Standards. Those standards and the *Kansas Municipal Audit Guide* 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.

The City is in compliance with K.S.A. 12-5040 in which the City is subsidizing health insurance premiums regardless of age and, as a result, the City is not accounting for post employment benefits other than pensions in the General Fund and the Water and Sewer Fund. Accounting principles generally accepted in the United States of America require that accounting and financial reporting of post employment benefits other than pensions be included in **City of Hays, Kansas'** financial statements, which would increase the liability and the expenses in the above funds. The amount by which this departure would affect the liabilities, net assets and expenses is not reasonably determinable.

Except for the departure noted above, in our opinion based on our audit and the report of the 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 **City of Hays, Kansas**, as of December 31, 2011, 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 addition, 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 unit, the Employee Benefit Fund, Bond and Interest Fund and the Capital Project Fund, and the aggregate remaining fund information of

City of Hays, Kansas as of December 31, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 41 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Hays, Kansas'** financial statements as a whole. 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 financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Adams, Brown, Beran & Ball
ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

August 23, 2012

The discussion and analysis of the **City of Hays, Kansas'** financial performance provides an overview of the City's financial activities for the year ended December 31, 2011. 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, Kansas'** overall financial position is stable and continues to improve despite somewhat volatile economic conditions.

The General Fund's unreserved fund balance decreased $555,104 when compared to the previous year. However, the City Commission opted to expend $1,792,994 during 2011 to pay cash for upcoming capital projects including a new runway at the airport and total reconstruction of 41st street from Hall to the Hwy 183 bypass. This pay-as-you-go philosophy was adopted by the commission in 2010/2011 in an effort to maintain the mill levy at 25 mills thus not burdening the citizens of Hays with a higher property tax bill. The availability of cash and the continued erosion of the investment interest rate environment prompted them to do so as well. This is reflective of the current management atmosphere and being accountable for increased oversight and new policies. The Comprehensive Financial Management Policy continues to ensure the wise use and investment of excess funds. This policy gives the citizens of Hays and future City leaders a defined process for the handling of City debt and excess revenue. In 2004, through a general election, the City passed a ¾% sales tax to replace the property tax levy for the General Fund. In 2011, the ¾% additional sales tax generated $4,175,687, or the equivalent of 22.31 mills. The replacement of property tax revenue with sales tax revenue has spread the cost of funding general City operations across a broader tax base and helped to alleviate the tax burden for local property owners.

The Water and Sewer Fund has shown a steady growth in water sales and sewer service revenues. After a comprehensive review of operating expenditures, staff recommended no increase in water and sewer rates for 2011. Numerous capital projects were finished up in 2011 having expended over $1.7 million for infrastructure upgrades including a large water line improvement in the City of Hays. This was accomplished using capital reserve funds that had been set aside. Therefore the water and sewer fund did not have to bond debt for these projects ultimately keeping rates on water, sewer and sanitation stable.

Unreserved fund balance for solid waste increased nicely by $78,193 during 2011. The Solid Waste Utility continues to be a self-supported enterprise fund calling for no rate increases in 2011. Staff completing an evaluation of the Solid Waste Division and making recommendations for a new rate structure as well as changing to an automated collection process a few years ago has contributed to a nice increase in refuse collection fees. Staff is confident that this fund is headed in the right direction and will continue to monitor trends to ensure its financial stability.

The Capital Projects Fund is a consolidated fund for all major City projects so that all expenditures may be tracked by project and funded appropriately. In recent years this fund had shown a negative cash balance as funds were expended and debt had not yet been issued. During 2011, many projects were completed and funds were transferred as needed to bring this fund to a positive balance reflecting the City Commission's pay-as-you-go philosophy. In the past, the City used temporary financing for these projects until their completion at which time General Obligation Bonds were issued and the temporary financing was paid off. A change in requirements for Temporary Notes increased costs associated with their issuance. Subsequently staff determined that it is more beneficial for the City to utilize idle funds for the temporary financing and bypass issuance costs and finance charges. The City does forgo any interest it might have earned on these idle funds, but the savings received is greater than any interest that would have been earned especially in the prevailing low interest rate environment.

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 9 through 12 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 13. For governmental activities, these statements tell how 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 9. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?"

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

- Governmental Activities – Most of the City's basic services are reported here including the police, fire, public works, parks department and general administration. Sales tax, 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 13. The fund financial statements begin on page 39 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.

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 activities are 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 operations. The City is responsible for ensuring 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	2011 Total Primary Government	2010 Total Primary Government
Current and Other Assets	$ 20,009,570	29,372,047	49,381,617	42,603,064
Capital Assets	88,217,428	22,467,178	110,684,606	101,837,828
Total Assets	108,226,998	51,839,225	160,066,223	144,440,892
Long Term Debt Outstanding	15,003,654	4,637,198	19,640,852	19,416,953
Other Liabilities	7,422,426	1,383,612	8,806,038	8,558,499
Total Liabilities	22,426,080	6,020,810	28,446,890	27,975,452
Invested in Capital Assets Net of Related Debt	71,937,625	17,260,841	89,198,466	80,557,205
Restricted	3,607,630	1,637,411	5,245,041	5,470,671
Unrestricted	10,255,663	26,920,163	37,175,826	30,437,564
Total Net Assets	**$ 85,800,918**	**45,818,415**	**131,619,333**	**116,465,440**

TABLE 2
STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Business-Type Activities	Totals 2011	Totals 2010
Primary Government								
Governmental Activities								
General Government	$ 6,093,822	683,834	9,152	-	(5,400,836)	-	**(5,400,836)**	(10,947,125)
Highway and Street	1,270,798	-	-	-	(1,270,798)	-	**(1,270,798)**	(4,504,354)
Culture and Recreation	2,471,050	261,711	-	-	(2,209,339)	-	**(2,209,339)**	(8,564,285)
Airport	839,762	86,820	-	312,200	(440,742)	-	**(440,742)**	1,319,619
Interest on Long-Term Debt	479,803	-	-	-	(479,803)	-	**(479,803)**	(544,432)
Capital Outlay	-	-	-	-	-	-	**-**	-
Total Governmental Activities	11,155,235	1,032,365	9,152	312,200	(9,801,518)	-	**(9,801,518)**	(23,240,577)
Business-Type Activities								
Water and Sewer	6,799,147	4,935,335	-	-	-	(1,863,812)	**(1,863,812)**	(611,608)
Solid Waste and Wastewater	1,265,221	1,872,828	-	-	-	607,607	**607,607**	397,163
Total Business-Type Activities	8,064,368	6,808,163	-	-	-	(1,256,205)	**(1,256,205)**	(214,445)
Total Primary Government	$ 19,219,603	7,840,528	9,152	312,200	(9,801,518)	(1,256,205)	**(11,057,723)**	(23,455,022)
Component Units								
Housing Authority of the City of Hays, Kansas	$ 423,540	229,147	72,035	58,847	-	-	**-**	-
Hays Public Library	1,489,988	6,228	90,811	45,043	-	-	**-**	-
Total Component Units	$ 1,913,528	235,375	162,846	103,890	-	-	**-**	-
General Revenues								
Property Taxes					$ 5,121,623	-	**5,121,623**	5,080,716
Sales Tax					10,011,067	2,840,522	**12,851,589**	11,642,630
Franchise Taxes					1,422,981	-	**1,422,981**	1,398,175
Motor Fuel Taxes					578,038	-	**578,038**	591,679
Alcoholic Liquor Taxes					378,146	-	**378,146**	361,247
Transient Guest Taxes					736,966	-	**736,966**	651,671
Special Assessments					398,594	-	**398,594**	383,217
Unrestricted Interest Income					50,669	100,157	**150,826**	149,166
Miscellaneous					169,834	516,547	**686,381**	514,893
Reimbursements					3,886,472	-	**3,886,472**	763,492
Special Items					-	-	**-**	2,659
Transfers					1,887,813	(1,887,813)	**-**	-
Total General Revenues, Special Items and Transfers					24,642,203	1,569,413	**26,211,616**	21,539,545
Change in Net Assets					14,840,685	313,208	**15,153,893**	(1,915,477)
Net Assets - Beginning					*70,960,233*	*45,505,207*	**116,465,440**	118,380,917
Net Assets - Ending					$ 85,800,918	45,818,415	**131,619,333**	116,465,440

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the City had $110,684,606 invested in capital assets net of depreciation.

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

	Governmental Activities	Business Type Activities	2011 Total Primary Government	2010 Total Primary Government
Land	$ 24,602,657	110,489	24,713,146	24,443,389
Infrastructure	49,440,407	9,900,203	59,340,610	53,262,383
R-9 Ranch	-	3,351,041	3,351,041	3,401,956
Building and Equipment	14,174,364	9,054,773	23,229,137	20,730,100
Total	**$ 88217428**	**22,416,506**	**110,633,934**	**101,837,828**

The City reports its governmental-type infrastructure assets (e.g., streets, bridges, traffic signals, signs and storm sewer systems) using the modified approach as defined by GASB No. 34. 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 criteria and documents that infrastructure assets are being preserved approximately at a condition level established by the City. It is the City's policy to maintain and preserve infrastructure assets at a minimum condition level of "Fair". All infrastructure assets were assessed at condition levels of "Fair" to "Excellent" during 2011. There were no significant changes in the assessed condition levels from the previous year's assessments. There were no significant differences from the estimated annual amount of expenditures to maintain and preserve the infrastructure assets compared with the actual amounts expended during 2011. The City's estimated annual amount of expenditures was $2,220,474 compared to the actual expenditures of $1,239,130.

DEBT

At the end of 2011, the City had the following debt:

TABLE 4
OUTSTANDING DEBT AT YEAR-END

	Governmental Activities	Business Type Activities	2011 Total Primary Government	2010 Total Primary Government
Capital Leases	$ 1,174,803	270,752	1,445,555	1,621,753
G.O. Bonds	15,105,000	-	15,105,000	13,850,000
Revenue Bonds	-	5,086,398	5,086,398	5,777,682
Total	**$ 16,279,803**	**5,357,150**	**21,636,953**	**21,249,435**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

The component units' separately issued financial statements can be obtained by contacting the City Manager's office. Also, further questions concerning this report or the financial status of the **City of Hays**, **Kansas** should be directed to the City Manager's office at 1507 Main, Hays, Kansas (785) 628-7320 or tdougherty@haysusa.com.

Toby Dougherty
City Manager
City of Hays, Kansas

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2011
(With Comparative Totals as of December 31, 2010)

	Primary Government				Component Units	
			Totals			
ASSETS	Governmental Activities	Business-Type Activities	2011	2010	Housing Authority of the City of Hays, Kansas	Hays Public Library
Cash	$ 11,772,967	26,530,168	**38,303,135**	29,406,715	**150,093**	**1,060,594**
Investments	-	-	-	-	**83,941**	-
Receivables (Net of Allowance for Uncollectibles)	4,973,976	305,888	**5,279,864**	5,072,009	**528**	**1,381,115**
Internal Balances	-	96,493	**96,493**	38,428	-	-
Due From Other Governments	41,446	-	**41,446**	77,894	**5,105**	-
Prepaid Insurance	-	-	-	-	**4,446**	-
Inventory	-	-	-	-	**1,051**	-
Restricted Assets - Cash and Cash Equivalents						
Budget Stabilization	3,221,181	-	**3,221,181**	3,221,931	-	-
Customer Deposits	-	199,732	**199,732**	193,969	-	-
Revenue Refunding Bonds - Series 2003 and 2009	-	795,433	**795,433**	830,763	-	-
Reserve for Capital Improvements	-	1,444,333	**1,444,333**	3,702,614	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	**21,802**	**15,907**
Capital Assets - Net of Depreciation						
Land and Infrastructure	74,043,064	10,039,313	**84,082,377**	77,705,772	-	-
Depreciable Buildings and Equipment	14,174,364	9,026,152	**23,200,516**	20,730,100	**961,899**	**3,666,559**
R-9 Ranch	-	3,351,041	**3,351,041**	3,401,956	-	-
Issuance Costs - Net of Amortization	-	50,672	**50,672**	58,741	-	-
Total Assets	$ 108,226,998	51,839,225	**160,066,223**	144,440,892	**1,228,865**	**6,124,175**

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

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2011
(With Comparative Totals as of December 31, 2010)

	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Totals 2011	Totals 2010	Housing Authority of the City of Hays, Kansas	Hays Public Library
LIABILITIES						
Accounts Payable	$ 324,913	155,026	**479,939**	607,577	**5,191**	**49,326**
Accrued Payroll	129,028	26,966	**155,994**	128,310	**1,042**	-
Accrued Paid Time Off	445,529	102,928	**548,457**	542,938	**814**	-
Accrued Sick Leave Payout	34,919	-	**34,919**	36,479	-	-
Accrued Interest Payable	672,864	-	**672,864**	661,328	-	-
Internal Balances	-	96,493	**96,493**	38,428	-	-
Accrued Interest - Revolving Loan	-	12,782	**12,782**	16,376	-	
Deferred Revenue	4,539,024	-	**4,539,024**	4,426,800	**893**	**1,381,115**
Restricted Assets						
Customer Deposits	-	208,732	**208,732**	202,969	**4,550**	-
Accrued Interest - Revenue and Sales Tax Bonds	-	60,733	**60,733**	64,812	-	-
Compensated Absences	-	-	-	-	**4,010**	**137,357**
State of Kansas Waste Water Revolving Loan						
Due Within One Year	-	365,440	**365,440**	351,284	-	-
Due in More Than One Year	-	575,958	**575,958**	941,398	-	-
Revenue Refunding Bonds - Series 2003						
Due Within One Year	-	35,000	**35,000**	290,000	-	-
Due in More Than One Year	-	-	-	35,000	-	-
Revenue Refunding Bonds - Series 2009						
Due Within One Year	-	275,000	**275,000**	50,000	-	-
Due in More Than One Year	-	3,835,000	**3,835,000**	4,110,000	-	-
Capital Leases						
Due Within One Year	141,149	44,512	**185,661**	176,198	-	-
Due in More Than One Year	1,033,654	226,240	**1,259,894**	1,445,555	-	-
General Obligation Bonds Payable						
Due Within One Year	1,135,000	-	**1,135,000**	965,000	-	-
Due in More Than One Year	13,970,000	-	**13,970,000**	12,885,000	-	-
Total Liabilities	$ 22,426,080	6,020,810	**28,446,890**	27,975,452	**16,500**	**1,567,798**

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

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2011
(With Comparative Totals as of December 31, 2010)

	Primary Government				Component Units	
			Totals			
NET ASSETS	Governmental Activities	Business-Type Activities	2011	2010	Housing Authority of the City of Hays, Kansas	Hays Public Library
Invested in Capital Assets, Net of Related Debt	$ 71,937,625	17,260,841	**89,198,466**	80,557,205	**961,899**	**3,666,559**
Restricted for						
Budget Stabilization	3,221,181	-	**3,221,181**	3,221,931	-	-
Capital Projects	(909,101)	-	**(909,101)**	(5,585,739)	-	-
Debt Service	98,416	-	**98,416**	480,443	-	-
Encumbrances	1,213,589	193,078	**1,406,667**	3,651,422	-	-
Capital Improvements	-	1,444,333	**1,444,333**	3,702,614	-	-
Other	-	-	-	-	**17,252**	**677,032**
Unrestricted	10,239,209	26,920,163	**37,159,372**	30,437,564	**233,214**	**212,786**
Total Net Assets	$ 85,800,918	45,818,415	**131,619,333**	116,465,440	**1,212,365**	**4,556,377**

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, 2011
(With Comparative Totals as of December 31, 2010)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Totals 2011	Totals 2010	Component Units: Housing Authority of the City of Hays, Kansas	Component Units: Hays Public Library
Primary Government										
Governmental Activities										
General Government	$ 6,093,822	683,834	9,152	-	(5,400,836)	-	**(5,400,836)**	(10,947,125)	-	-
Highway and Street	1,270,798	-	-	-	(1,270,798)	-	**(1,270,798)**	(4,504,354)	-	-
Culture and Recreation	2,471,050	261,711	-	-	(2,209,339)	-	**(2,209,339)**	(8,564,285)	-	-
Airport	839,762	86,820	-	312,200	(440,742)	-	**(440,742)**	1,319,619	-	-
Interest on Long-Term Debt	479,803	-	-	-	(479,803)	-	**(479,803)**	(544,432)	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	11,155,235	1,032,365	9,152	312,200	(9,801,518)	-	**(9,801,518)**	(23,240,577)	-	-
Business-Type Activities										
Water and Sewer	6,799,147	4,935,335	-	-	-	(1,863,812)	**(1,863,812)**	(611,608)	-	-
Solid Waste and Wastewater	1,265,221	1,872,828	-	-	-	607,607	**607,607**	397,163	-	-
Total Business-Type Activities	8,064,368	6,808,163	-	-	-	(1,256,205)	**(1,256,205)**	(214,445)	-	-
Total Primary Government	$ 19,219,603	7,840,528	9,152	312,200	(9,801,518)	(1,256,205)	(11,057,723)	(23,455,022)	-	-
Component Units										
Housing Authority of the City of Hays, Kansas	$ 423,540	229,147	72,035	58,847	-	-	-	-	**(63,511)**	-
Hays Public Library	1,489,988	6,228	90,811	45,043	-	-	-	-	-	**(1,347,906)**
Total Component Units	$ 1,913,528	235,375	162,846	103,890	-	-	-	-	**(63,511)**	**(1,347,906)**
General Revenues										
Property Taxes					$ 5,121,623	-	**5,121,623**	5,080,716	-	**1,330,638**
Sales Tax					10,011,067	2,840,522	**12,851,589**	11,642,630	-	-
Franchise Taxes					1,422,981	-	**1,422,981**	1,398,175	-	-
Motor Fuel Taxes					578,038	-	**578,038**	591,679	-	-
Alcoholic Liquor Taxes					378,146	-	**378,146**	361,247	-	-
Transient Guest Taxes					736,966	-	**736,966**	651,671	-	-
Special Assessments					398,594	-	**398,594**	383,217	-	-
Unrestricted Interest Income					50,669	100,157	**150,826**	149,166	**1,084**	**3,397**
Miscellaneous					169,834	516,547	**686,381**	514,893	**52,758**	**20,951**
Reimbursements					3,886,472	-	**3,886,472**	763,492	-	**19,229**
Special Items					-	-	-	2,659	**1,313**	**200**
Transfers					1,887,813	(1,887,813)	-	-	-	-
Total General Revenues, Special Items and Transfers					24,642,203	1,569,413	**26,211,616**	21,539,545	**55,155**	**1,374,415**
Change in Net Assets					14,840,685	313,208	**15,153,893**	(1,915,477)	**(8,356)**	**26,509**
Net Assets - Beginning					70,960,233	45,505,207	**116,465,440**	118,380,917	**1,220,721**	**4,529,868**
Net Assets - Ending					$ 85,800,918	45,818,415	**131,619,333**	116,465,440	**1,212,365**	**4,556,377**

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

CITY OF HAYS, KANSAS
Balance Sheet
Governmental Funds
December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Capital Projects Fund	Other Governmental Funds	Totals 2011	Totals 2010
ASSETS								
Cash	$ 5,804,735	995,044	344,927	(1,683,297)	810,619	5,500,939	**11,772,967**	5,619,526
Receivables - Net								
Accounts Receivable	-	-	-	-	400,000	34,952	**434,952**	358,759
Due From Other Governments	41,446	-	-	-	-	-	**41,446**	77,894
Taxes	-	1,886,778	884,863	-	-	1,767,383	**4,539,024**	4,426,800
Reserved Cash	3,221,181	-	-	-	-	-	**3,221,181**	3,221,931
Total Assets	$ 9,067,362	2,881,822	1,229,790	(1,683,297)	1,210,619	7,303,274	**20,009,570**	13,704,910
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts Payable	$ 107,463	119,458	-	37	-	97,955	**324,913**	483,513
Accrued Payroll	123,865	-	-	-	-	5,163	**129,028**	106,594
Accrued Paid Time Off	430,312	-	-	-	-	15,217	**445,529**	437,712
Accrued Sick Leave Payout	34,919	-	-	-	-	-	**34,919**	36,479
Deferred Revenues	-	1,886,778	884,863	-	-	1,767,383	**4,539,024**	4,426,800
Total Liabilities	696,559	2,006,236	884,863	37	-	1,885,718	**5,473,413**	5,491,098
Fund Balance								
Committed - Budget Stabilization	3,221,181	-	-	-	-	-	**3,221,181**	3,221,931
Assigned - Reserved for Encumbrances	283,211	-	-	-	172,221	758,157	**1,213,589**	3,379,914
Assigned - Designated for Subsequent Year Expenditures	3,989,428	256,635	246,511	280,619	-	1,075,530	**5,848,723**	7,078,115
Assigned	-	618,951	98,416	(1,963,953)	1,038,398	3,583,869	**3,375,681**	(6,621,696)
Unassigned	876,983	-	-	-	-	-	**876,983**	1,155,548
Total Fund Balance	8,370,803	875,586	344,927	(1,683,334)	1,210,619	5,417,556	**14,536,157**	8,213,812
Total Liabilities and Fund Balance	$ 9,067,362	2,881,822	1,229,790	(1,683,297)	1,210,619	7,303,274	**20,009,570**	13,704,910

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

CITY OF HAYS, KANSAS
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
December 31, 2011

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.	$ 14,536,157
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.	88,217,428
Long-term debt and capital leases have not been included in the Governmental Funds activity on the Balance Sheet.	
General Obligation Bonds	(15,105,000)
Capital Leases	(1,174,803)
Accrued interest payable for the current portion of interest due on bonds and capital leases have not been reported in the Governmental Funds on the Balance Sheet.	(672,864)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (Statement 1).	$ 85,800,918

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, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Capital Projects Fund	Other Governmental Funds	Totals 2011	Totals 2010
Revenues								
Taxes	$ 6,964,525	2,295,252	1,223,243	2,840,522	-	2,207,742	**15,531,284**	14,523,149
Intergovernmental	132,628	-	-	-	-	1,881,874	**2,014,502**	3,629,170
Licenses and Fees	1,573,192	-	-	-	-	-	**1,573,192**	1,489,675
Fines and Forfeitures	513,503	-	-	-	-	-	**513,503**	506,067
Use of Money and Property	51,869	-	-	-	-	-	**51,869**	53,715
Collections	271,271	-	-	-	-	97,380	**368,651**	330,952
Prior Year Encumbrances Voided	19,329	-	-	-	149,305	-	**168,634**	136,053
Miscellaneous	126,934	44,641	-	1,080,957	2,435,918	198,022	**3,886,472**	840,319
Total Revenues	9,653,251	2,339,893	1,223,243	3,921,479	2,585,223	4,385,018	**24,108,107**	21,509,100
Expenditures								
Current								
General Government	6,994,385	2,912,836	-	-	-	596,296	**10,503,517**	11,754,658
Highway and Street	935,068	-	-	-	-	127,788	**1,062,856**	4,594,354
Culture and Recreation	1,019,636	-	-	-	-	942,455	**1,962,091**	8,422,717
Airport	-	-	-	-	-	720,784	**720,784**	678,954
Debt Service	-	-	1,358,759	-	-	208,099	**1,566,858**	1,789,005
Capital Outlay	938,566	-	-	2,257,731	1,862,776	1,018,396	**6,077,469**	3,424,874
Total Expenditures	9,887,655	2,912,836	1,358,759	2,257,731	1,862,776	3,613,818	**21,893,575**	30,664,562
Excess (Deficiency) of Revenues Over Expenditures	(234,404)	(572,943)	(135,516)	1,663,748	722,447	771,200	**2,214,532**	(9,155,462)
Other Financing Sources (Uses)								
General Obligation Bond Proceeds	-	-	-	-	2,220,000	-	**2,220,000**	-
Transfers In	2,028,393	927,217	-	-	1,177,000	1,846,484	**5,979,094**	2,736,815
Transfers Out	(2,319,980)	-	-	(304,551)	(365,620)	(1,101,130)	**(4,091,281)**	(461,613)
Total Other Financing Sources (Uses)	(291,587)	927,217	-	(304,551)	3,031,380	745,354	**4,107,813**	2,275,202
Net Change in Fund Balances	(525,991)	354,274	(135,516)	1,359,197	3,753,827	1,516,554	**6,322,345**	(6,880,260)
Fund Balance - Beginning of Year	8,896,794	521,312	480,443	(3,042,531)	(2,543,208)	3,901,002	**8,213,812**	15,094,072
Fund Balance - End of Year	$ 8,370,803	875,586	344,927	(1,683,334)	1,210,619	5,417,556	**14,536,157**	8,213,812

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, 2011

Net Changes in Fund Balances - Total Governmental Funds (Statement 4)	$ 6,322,345
Amounts reported for Governmental Activities in the Statement of Activities (Statement 2) are different because of the following:	
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 ($11,012,205) exceeded depreciation ($1,357,167) in the current period.	9,655,038
Governmental Funds report the total proceeds from the disposal of assets as revenue. However, in the Statement of Activities, the disposal of assets is reported net of the adjusted basis of the assets. This is the amount of the total adjusted basis of assets disposed.	(3,753)
Capital lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of the capital lease 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 capital lease proceeds (none in the current year) exceeded capital lease repayments ($206,894) recorded in the General Governmental Funds.	133,598
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 (2,220,000) exceeded bond repayments ($965,000) recorded in the Governmental Funds.	(1,255,000)
Accrued interest payable increased ($11,543) from the prior year. These balances are not accounted for in the Governmental Funds. However, the changes are reflected in the Statement of Activities.	(11,543)
Change in Net Assets of Governmental Activities (Statement 2)	$ 14,840,685

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

CITY OF HAYS, KANSAS
Balance Sheet
Proprietary Funds
December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Enterprise Funds		Totals	
ASSETS	**Water and Sewer Fund**	**Solid Waste and Stormwater Management Utility Funds**	**2011**	2010
Current Assets				
Cash				
Operating Account	$ 2,935,340	725,174	**3,660,514**	2,629,241
Local Sales Tax Account	22,869,654	-	**22,869,654**	21,157,948
Accounts Receivable (Net of Allowance for Uncollectibles)	305,888	-	**305,888**	286,450
Due From Water and Sewer Fund	-	96,493	**96,493**	38,428
Total Current Assets	26,110,882	821,667	**26,932,549**	24,112,067
Noncurrent Assets				
Restricted Cash				
Customer Deposits	199,732	-	**199,732**	193,969
Reserve for Capital Improvements	1,031,680	412,653	**1,444,333**	3,702,614
Revenue Refunding Bonds - Series 2003			-	
Principal and Interest Account	182,433	-	**182,433**	217,763
Bond Reserve Account	613,000	-	**613,000**	613,000
Total Restricted Cash and Cash Equivalents	2,026,845	412,653	**2,439,498**	4,727,346
Capital Assets				
Water				
Land and Right-of-Ways	139,109	-	**139,109**	139,109
Infrastructure	18,366,363	-	**18,366,363**	18,245,471
Equipment	11,194,328	-	**11,194,328**	11,180,612
R-9 Ranch	4,262,040	-	**4,262,040**	4,262,040
Sewer and Solid Waste			-	
Building and Structures	11,782,910	289,324	**12,072,234**	12,072,234
Equipment	-	1,602,860	**1,602,860**	1,540,360
	45,744,750	1,892,184	**47,636,934**	47,439,826
Accumulated Depreciation	(24,364,820)	(855,608)	**(25,220,428)**	(24,168,140)
Net Capital Assets	21,379,930	1,036,576	**22,416,506**	23,271,686
Other Assets				
Issuance Costs (Net of Applicable Amortization)	50,672	-	**50,672**	58,741
Total Noncurrent Assets	23,457,447	1,449,229	**24,906,676**	28,057,773
Total Assets	$ 49,568,329	2,270,896	**51,839,225**	52,169,840

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

CITY OF HAYS, KANSAS
Balance Sheet
Proprietary Funds
December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Enterprise Funds		Totals	
LIABILITIES	**Water and Sewer Fund**	**Solid Waste and Stormwater Management Utility Funds**	**2011**	2010
Current Liabilities				
Accounts Payable	$ 111,218	28,888	**140,106**	108,836
Sales Tax	5,335	-	**5,335**	5,813
State Water Fee	9,585	-	**9,585**	9,415
Accrued Payroll	19,422	7,544	**26,966**	21,716
Accrued Paid Time Off	79,895	23,033	**102,928**	105,226
Current Portion - Capital Lease	-	44,512	**44,512**	42,608
Current Portion - Revolving Loan	365,440	-	**365,440**	351,284
Accrued Interest - Revolving Loan	12,782	-	**12,782**	16,376
Due to Stormwater Management Fund	57,425	-	**57,425**	-
Due to Solid Waste Fund	39,068	-	**39,068**	38,428
Total Current Liabilities	700,170	103,977	**804,147**	699,702
Current Liabilities Payable From Restricted Assets				
Customer Deposits	204,232	-	**204,232**	198,469
Monitoring Well Deposits	4,500	-	**4,500**	4,500
Accrued Interest - Revenue and Sales Tax Bonds	60,733	-	**60,733**	64,812
Revenue Refunding Bonds - Series 2003	35,000	-	**35,000**	290,000
Revenue Refunding Bonds - Series 2009	275,000	-	**275,000**	50,000
Total Current Liabilities Payable From Restricted Assets	579,465	-	**579,465**	607,781
Noncurrent Liabilities				
Capital Leases	-	226,240	**226,240**	270,752
State of Kansas Waste Water Revolving Loan	575,958	-	**575,958**	941,398
Revenue Refunding Bonds - Series 2003	-	-	**-**	35,000
Sales Tax Refunding Bonds - Series 2003	3,835,000	-	**3,835,000**	4,110,000
Total Noncurrent Liabilities	4,410,958	226,240	**4,637,198**	5,357,150
Total Liabilities	5,690,593	330,217	**6,020,810**	6,664,633
NET ASSETS				
Net Assets				
Invested in Capital Assets, Net of Related Debt	16,495,017	765,824	**17,260,841**	17,149,456
Restricted for				
Encumbrances	74,024	119,054	**193,078**	271,508
Capital Improvements	1,031,680	412,653	**1,444,333**	3,702,614
Unrestricted	26,277,015	643,148	**26,920,163**	24,381,629
Total Net Assets	$ 43,877,736	1,940,679	**45,818,415**	45,505,207
Net Assets of Business - Type Activities (Statement 1)			$ **45,818,415**	45,505,207

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

CITY OF HAYS, KANSAS
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Funds	Totals 2011	Totals 2010
Operating Revenues				
Charges for Sales and Services				
Water Sales	$ 2,543,688	-	**2,543,688**	2,452,028
Water Sales Conservation Rate	344,618	-	**344,618**	302,173
Total Water Sales	2,888,306	-	**2,888,306**	2,754,201
Sewer Charges	1,962,744	-	**1,962,744**	1,929,334
Refuse Collections	-	1,238,092	**1,238,092**	1,226,756
Stormwater Fees	-	564,692	**564,692**	-
Tap Fees	46,113	-	**46,113**	29,959
Sales and Other Charges	38,172	70,044	**108,216**	339,147
Total Operating Revenues	4,935,335	1,872,828	**6,808,163**	6,279,397
Operating Expenses				
Water Production and Distribution	1,578,125	-	**1,578,125**	1,304,375
Wastewater Treatment and Collection	932,274	-	**932,274**	904,055
Refuse Collection	-	704,523	**704,523**	753,972
Stormwater Management	-	202,474	**202,474**	-
Amortization	8,069	-	**8,069**	10,070
Depreciation	936,857	115,431	**1,052,288**	1,101,948
Total Operating Expenses	3,455,325	1,022,428	**4,477,753**	4,074,420
Net Operating Income	1,480,010	850,400	**2,330,410**	2,204,977
Non-Operating Revenues (Expenses)				
Local Sales Tax	2,840,522	-	**2,840,522**	2,583,414
Interest Income	97,323	2,834	**100,157**	96,651
Rent on R-9 Ranch	393,446	-	**393,446**	362,221
Prior Year Encumbrances Voided	122,259	842	**123,101**	15,419
Interest Expense	(201,460)	(13,384)	**(214,844)**	(238,723)
R-9 Ranch Expenses	(370,113)	-	**(370,113)**	(432,593)
Water Exploration	(717,528)	-	**(717,528)**	(1,679,124)
Net Non-Operating Revenues (Expenses)	2,164,449	(9,708)	**2,154,741**	707,265
Income (Loss) Before Contributions and Transfers	3,644,459	840,692	**4,485,151**	2,912,242
Transfers In	365,620	44,500	**410,120**	-
Transfers Out	(1,865,970)	(431,963)	**(2,297,933)**	(3,150,202)
Change in Net Assets	2,144,109	453,229	**2,597,338**	(237,960)
Change in Capital Improvement Reserve Fund	(2,054,721)	(229,409)	**(2,284,130)**	806,018
Total Net Assets - Beginning of Year	43,788,348	1,716,859		
Total Net Assets - End of Year	$ 43,877,736	1,940,679		
Change in Net Assets of Business-Type Activities (Statement 2)			$ **313,208**	568,058

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

CITY OF HAYS, KANSAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Fund	2011	2010
Cash Flows From Operating Activities				
Receipts From Customers	$ 4,921,660	1,873,670	**6,795,330**	6,268,956
Payments to Suppliers	(1,387,457)	(597,010)	**(1,984,467)**	(1,642,485)
Payments to Employees	(1,029,886)	(369,129)	**(1,399,015)**	(1,265,579)
Net Cash Provided by Operating Activities	2,504,317	907,531	**3,411,848**	3,360,892
Cash Flows From Investing Activities				
Rental Income	393,446	-	**393,446**	362,221
Rental Expenses	(370,113)	-	**(370,113)**	(432,593)
Interest on Investments	97,323	2,834	**100,157**	96,651
Net Cash Provided by Investing Activities	120,656	2,834	**123,490**	26,279
Cash Flows From Noncapital Financing Activities				
Transfers to Other Funds	(1,500,350)	(387,463)	**(1,887,813)**	(2,275,202)
Cash Flows From Capital and Related Financing Activities				
Purchase and Construction of Capital Assets	(134,608)	(62,500)	**(197,108)**	(184,856)
Lease Obligation Retired	-	(42,608)	**(42,608)**	(40,785)
Water Exploration	(717,528)	-	**(717,528)**	(1,747,023)
Interest Paid	(209,133)	(13,384)	**(222,517)**	(241,930)
Principal Payments - Revolving Loan	(365,440)	-	**(365,440)**	(351,284)
Principal Payments - Bonds	(325,844)	-	**(325,844)**	(316,393)
Local Sales Tax	2,840,522	-	**2,840,522**	2,583,414
Capital Improvement Reserve Purchases	(1,932,462)	(229,409)	**(2,161,871)**	-
General Obligation Bond Proceeds (Retired)	-	-	**-**	(79,200)
Net Cash Provided (Used) for Capital and Related Financing Activities	(844,493)	(347,901)	**(1,192,394)**	(378,057)
Net Increase in Cash	280,130	175,001	**455,131**	733,912
Balances - Beginning of Year	27,551,709	962,826	**28,514,535**	27,780,623
Balances - End of the Year	$ 27,831,839	1,137,827	**28,969,666**	28,514,535
Cash Per Statement 5				
Operating Account			$ **3,660,514**	2,629,241
Local Sales Tax Account			**22,869,654**	21,157,948
Restricted Cash and Cash Equivalents			**2,439,498**	4,727,346
Total Cash at Year End per Statement 5			$ **28,969,666**	28,514,535

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

CITY OF HAYS, KANSAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Fund	2011	2010
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	$ 1,480,010	850,400	**2,330,410**	2,204,977
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation and Amortization	944,926	115,431	**1,060,357**	1,112,018
Change in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable	(19,438)	-	**(19,438)**	(39,689)
Increase (Decrease) in Accounts Payable	34,411	(2,299)	**32,112**	55,612
Increase Due to Other Funds	58,065	-	**58,065**	915
(Increase) Due From Other Funds	-	(58,065)	**(58,065)**	(915)
Increase (Decrease) in Accrued Liabilities	6,343	2,064	**8,407**	27,974
Total Adjustments	1,024,307	57,131	**1,081,438**	1,155,915
Net Cash Provided by Operating Activities	$ 2,504,317	907,531	**3,411,848**	3,360,892

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, 2011
(With Comparative Totals as of December 31, 2010)

	Police Judge	TDD Sales Tax District	CID	Totals 2011	Totals 2010
ASSETS					
Cash	$ 111,338	19,154	38,450	**168,942**	122,591
Restricted Cash	736	-	-	**736**	1,059
Total Assets	112,074	19,154	38,450	**169,678**	123,650
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts Payable	27,791	19,154	-	**46,945**	42,248
Due to Other Funds	41,446	-	-	**41,446**	59,891
Total Liabilities	69,237	19,154	-	**88,391**	102,139
Net Assets					
Reserved for Debt	27,785	-	-	**27,785**	20,452
Reserved for ADSAP	15,052	-	-	**15,052**	1,059
Reserved for Improvements	-	-	38,450	**38,450**	-
Total Net Assets	$ 42,837	-	38,450	**81,287**	21,511

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of **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.

Reporting Entity

The City 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.

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. The City has included this component unit in the City's government wide financial statements. 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 is overseen by a library board whose members are appointed by the Hays City Commissioners. The day to day operations are managed by a library director that was appointed by the library board. 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. The City has included this component unit in the City's government wide financial statements. Contact the City office for information on how to obtain a copy of the financial statements and audit report.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect certain reported amounts and disclosures that can affect these financial statements. Actual results could differ from those estimates.

Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net assets, and the statement of activities report financial information for the City as a whole excluding fiduciary activities. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 City 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.

The City reports the following major governmental and proprietary funds:

Governmental Fund Categories

General Fund – to account for and report all financial resources not accounted for and reported in another fund.

Debt Service Funds – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Projects Fund – to account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure for the City.

Major Proprietary Fund Category

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.

Non-Major Governmental Funds

The City reports the following non-major governmental funds:

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Capital Projects Fund – to account for financial resources to be used for the acquisition of major capital facilities and capital assets.

Economic Development Fund – to account for the accumulation of resources for, and the payment of interest and principal on general obligation bonds, which were used to finance infrastructure for the TDD District.

Non-Major Proprietary Funds

The City reports the following non-major proprietary funds:

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.

Stormwater Management Fund – to account for stormwater management 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.

Fiduciary Fund

Additionally, the City reports the following fund category:

Agency Funds – to account for assets held by the City either as trustee or agent for others.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Total encumbrances as of December 31, 2011 were $1,721,976, of which $1,528,897 are applicable to governmental activities and $193,079 applicable to business-type activities.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, 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 10 days after publication of notice of hearing.

4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUTING POLICIES (continued)

year-end. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute liabilities because the commitments will be honored during subsequent years.

A legal operating budget is not required for capital project funds, the risk management reserve fund, the new equipment reserve 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.

The following table provides a reconciliation between the legally adopted basis of budgeting and the GAAP prescribed basis of accounting presented in the financial statements for the City's major governmental funds.

Fund	Expenditures and Transfers Out Per Fund Statement	Less Beginning Encumbrances	Less Beginning Reserve for Budget Stabilization	Plus Ending Encumbrances	Plus Ending Reserve for Budget Stabilization	Expenditures and Transfers out Per Budget Basis
General Fund	$ 12,207,635	253,348	3,221,931	283,211	3,221,181	12,236,748
Bond and Interest Fund	1,358,759	-	-	-	-	1,358,759
Employee Benefit Fund	2,912,836	-	-	-	-	2,912,836

The following table provides a reconciliation between the legally adopted basis of budgeting and the GAAP prescribed basis of accounting presented in the financial statements for the City's major proprietary fund.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Water and Sewer Fund

	Statutory Basis	Statutory Adjustments	Encumbrances Prior Year	Encumbrances Current Year	GAAP Basis
Operating Revenues					
Charges for Sales and Services					
Water Sales	$ 2,543,688	-	-	-	**2,543,688**
Sewer Charges	1,962,744	-	-	-	**1,962,744**
Tap Fees	46,113	-	-	-	**46,113**
Water Sales Conservation Rate	344,618	-	-	-	**344,618**
Sales and Other Charges	38,172	-	-	-	**38,172**
Total Operating Revenues	4,935,335	-	-	-	**4,935,335**
Operating Expenses					
Water Production and Distribution	1,381,660	-	270,489	(74,024)	**1,578,125**
Wastewater Treatment and Collection	880,140	-	-	-	**880,140**
Clean Water Fee	19,047	-	-	-	**19,047**
Other Contractual Fees	33,087	-	-	-	**33,087**
Amortization	-	8,069	-	-	**8,069**
Depreciation	-	936,857	-	-	**936,857**
Total Operating Expenses	2,313,934	944,926	270,489	(74,024)	**3,455,325**
Operating Income	2,621,401	(944,926)	270,489	(74,024)	**1,480,010**
Non-Operating Revenues (Expenses)					
Local Sales Tax	2,840,522	-	-	-	**2,840,522**
Local Sales Tax Transfer	(2,429,234)	2,429,234	-	-	**-**
Capital Outlay	(134,607)	134,607	-	-	**-**
Interest Income	97,323	-	-	-	**97,323**
Rent on R-9 Ranch	393,446	-	-	-	**393,446**
Prior Year Encumbrances Voided	122,259	-	-	-	**122,259**
R-9 Ranch Expenses	(370,113)	-	-	-	**(370,113)**
Transfers (Out)	(1,865,970)	-	-	-	**(1,865,970)**
Transfers In	365,620				
Interest on Deposits	(906)	906	-	-	**-**
Principal Debt Service Payments	(691,284)	691,284	-	-	**-**
Water Sales Tax Fund Reserve Expenses	-	(717,528)	-	-	**(717,528)**
Interest Expense	(201,259)	(201)	-	-	**(201,460)**
Total Non-Operating Revenues (Expenses)	(1,874,203)	2,538,302	-	-	**298,479**
Net Income	$ 747,198	1,593,376	270,489	(74,024)	**1,778,489**

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 year, are recorded as inventory or prepaid items when they are deemed material and it is considered appropriate.

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 value if transferred from the governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and Equipment	3 to 7 years

The City has elected to report its governmental-type infrastructure assets (e.g., streets, bridges, traffic signals, signs, and storm sewer systems) using the modified approach as defined by GASB No. 34. 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 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.

The City prepares a long-range capital improvement plan each year to ensure that infrastructure capital assets are being preserved approximately at or above the desired condition assessment levels set by the City. It is updated annually and now extends through 2016. The capital improvement plan is developed by the Public Works Department, reviewed by the City Manager, Assistant City Manager, and Director of Finance, and approved by the City Commission.

In this plan, the public works division staff and outside engineers contracted by the City assess the condition of infrastructure assets annually and determine the estimated amounts of expenditures needed to preserve and maintain these assets at the predetermined condition levels.

The City has created a condition level measurement scale that is comprised of four performance levels of condition. Performance Level 1 is denoted as a condition level of "Excellent", which denotes that the infrastructure is fully operational and has no defects. This condition level does not require any corrective action or preventative maintenance. Performance Level 2 is denoted as a condition level of "Good" which requires that infrastructure is operational and has few defects. This category does not require corrective action but may require preventative maintenance to prolong this good condition. Performance Level 3 is denoted as a condition level of "Fair". This performance level condition is representative of infrastructure which requires routine maintenance to improve operation and correct moderate defects. Performance Level 4 is denoted as a condition level of "Poor". Infrastructure assessed at this level requires rehabilitative action beyond routine maintenance. It is the City's policy to maintain and preserve infrastructure at a minimum condition level of "Fair".

During 2011, the infrastructure was assessed, and it was determined that the infrastructure was at condition levels of "Poor" to "Excellent". Some "Poor" sections of storm sewer have been identified. No significant deterioration of the infrastructure had occurred, and there were no significant changes in condition levels from the previous year's assessments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following schedule shows the estimated annual amount of expenditures calculated during June 2011 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2011. It also shows the amounts actually expensed for each of the past four reporting periods.

		2008	2009	2010	2011	Totals
Estimated	$	752,742	2,976,811	2,220,474	11,146,638	17,096,665
Actual	$	744,590	2,764,967	1,239,130	11,012,205	15,760,892

Capital asset activity for the year ended December 31, 2011 was as follows:

Primary Government		Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities					
Non - Depreciable Capital Assets					
Land and Right of Ways	$	24,599,492	269,757	-	24,869,249
Infrastructure (Modified Approach)		42,652,945	6,520,870	-	49,173,815
Total Non - Depreciable Capital Assets		**67,252,437**	**6,790,627**	**-**	**74,043,064**
Depreciable Capital Assets					
Buildings		12,228,134	266,772	-	12,494,906
Machinery and Equipment		9,783,231	3,954,806	(142,782)	13,595,255
Total Depreciable Capital Assets		**22,011,365**	**4,221,578**	**(142,782)**	**26,090,161**
Less Accumulated Depreciation		**(10,697,659)**	**(1,357,167)**	**139,029**	**(11,915,797)**
Depreciable Capital Assets, Net of Accumulated Depreciation		**11,313,706**	**2,864,411**	**(3,753)**	**14,174,364**
Governmental Activities Capital Assets, Net of Accumulated Depreciation	$	**78,566,143**	**9,655,038**	**(3,753)**	**88,217,428**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Primary Government

		Beginning Balances	Increases	Decreases	Ending Balances
Business–Type Activities					
Non-Depreciable Capital Assets					
Land	$	139,109	-	-	139,109
Depreciable Capital Assets					
R-9 Ranch		4,262,040	-	-	4,262,040
Infrastructure		19,172,971	120,891	-	19,293,862
Buildings		12,072,224	-	-	12,072,224
Machinery and Equipment		11,793,481	76,216	-	11,869,697
Total Depreciable Capital Assets		**47,300,716**	**197,107**	**-**	**47,497,823**
Less Accumulated Depreciation		**(24,168,138)**	**(1,052,288)**	**-**	**(25,220,426)**
Depreciable Capital Assets, Net of Accumulated Depreciation		**23,132,578**	**(855,181)**	**-**	**22,277,397**
Business–Type Activities Capital Assets Net of Accumulated Depreciation	$	**23,271,687**	**(855,181)**	**-**	**22,416,506**

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.

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 or in an adjoining county if such institution has been designated as an official depository 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. The City has not further limited its interest rate risk in its investment policy.

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 limited its investment choices in its investment policy to the above.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2011. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits, including certificates of deposit, was $44,133,491. The bank balance was $44,581,187. Of the bank balance, $3,450,961 was covered by FDIC insurance and the remaining $41,130,226 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

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. As of December 31, 2011, the City had no investments.

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. The City's maximum potential liability under the plan at December 31, 2011 has been estimated at $548,457.

Defined Benefit Pension Plan
Plan Description
The City contributes to the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy
K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2011 was 7.74% and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14.42% for KPERS retires. The City's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were $391,255, $341,241, and $273,856, respectively, equal to the required contributions for each year. The KP&F employer rate established for the calendar year 2011 was 14.57%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contributions to KP&F for the years ending December 31, 2011, 2010, and 2009, was $383,638, $351,669, and $354,274 respectively, equal to the required contributions for each year as set forth by the legislature.

Deferred Compensation Plan

City employees may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). Permanent and part-time employees are eligible to participate under the plan. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. The employee is responsible for the amount of deferred compensation to be contributed. The amount selected is invested for the employee. The City is not responsible to make any contributions. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or in case of limited specific circumstances.

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 City under this program.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from Other Funds" or "Due to Other Funds" on the Statement of Net Assets.

The City records utility revenues on a monthly basis. The balance shown as accounts receivable at December 31, 2011 is comprised of accounts considered to be collectible by management. Balances are stated at net of anticipated uncollectible accounts.

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. *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. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

These assets consist of cash 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.

Fund Balance

The City has, by city commission action, established reserves to be used for assigned or committed purposes. When an expense is incurred for which committed or both assigned and unassigned net assets are available, it is the City's policy to utilize unassigned net assets.

In the General Fund, a reserve for budget stabilization has been established and is reported as a committed fund balance. The city commission has the authority to establish this stabilization arrangement by vote, and also the authority to grant any additions or expenditures to the reserve for budget stabilization. The reserve for budget stabilization makes up the entire committed fund balance amount in the general fund.

In the General Fund, a reserve for encumbrances has been established by the city commission as part of the assigned fund balance. As disclosed in Note 1 for Encumbrances, a balance of $283,211 for reserve for encumbrances is included in the assigned fund balance as of December 31, 2011. The remaining amount of assigned fund balance of $3,989,428 in the General Fund is the amount that has been designated for subsequent year expenditures by the city commissioners.

The remaining fund balance in the general fund has not been committed or assigned to specific purposes and is reported as unassigned.

The assigned fund balance in the special revenue funds have been established for the following purposes:

Library Fund	Library Revenue
Library Employee Benefit Fund	Library Employee Benefits Revenue
Special Highway Fund	Special Highway Fund Revenue
Employee Benefit Fund	Employee Benefit Fund Revenue
Public Safety Equipment Fund	Public Safety Equipment Revenue
Airport Fund	Airport Revenue
Park Development Fund	Park Development Revenue
Convention and Visitor's Bureau Fund	Convention and Visitor's Bureau Revenue
New Equipment Reserve Fund	New Equipment Reserve Revenue
Special Alcohol Program Fund	Special Alcohol Program Revenue
Special Parks and Recreation Fund	Special Parks and Recreation Revenue

The assigned fund balance in the debt service fund has been established for the following purposes:

Debt Service Fund	Debt Service Revenue
Economic Development Bond Fund	Economic Development Bond Revenue

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City. 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.

NOTE 2 - CAPITAL LEASES

As of December 31, 2011, **City of Hays, Kansas** had the following capital leases:

Lease Date	Maturity Date	Interest Rate	Property
07-24-1998	07-24-2018	4.95%	HRC Building Facility
11-20-2007	04-18-2017	4.42%	Welcome Center
10-18-2007	11-01-2018	6.65%	Sanitation Trucks

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, 2011.

Year Ending December 31		Governmental Activities			Business Type Activities
		HRC Building Facility	Welcome Center	Total	Sanitation Trucks
2012	$	106,312	100,582	206,894	55,993
2013		106,312	100,582	206,894	55,993
2014		106,312	100,582	206,894	55,993
2015		106,312	100,582	206,894	55,993
2016		106,312	100,582	206,894	55,993
2017-2018		212,625	122,552	335,177	27,995
Total Minimum Lease Payments		744,185	625,462	1,369,647	307,960
Less: Amount Representing Interest		(121,665)	(73,179)	(194,844)	(37,208)
Present Value Of Future Minimum Lease Payments	$	622,520	552,283	1,174,803	270,752

The City has entered into an agreement with the Hays Recreation Commission whereby the Hays Recreation Commission has agreed to reimburse the City the lease payments on the Hays Recreation Commission Building Facility.

NOTE 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 governmental activities and are listed as outstanding by type as follows:

NOTE 3 - LONG-TERM DEBT (continued)

Purpose	Interest Rates	Amount
Governmental activities	3.45 – 6.50%	$15,105,000

The annual requirements to retire G.O. Bonds as of December 31, 2011, are as follows:

Year		Principal Due	Interest Due	**Total**
2012	$	1,135,000	607,319	**1,742,319**
2013		990,000	559,618	**1,549,618**
2014		1,035,000	520,717	**1,555,717**
2015		1,075,000	480,590	**1,555,590**
2016		1,120,000	437,882	**1,557,882**
2017-2021		5,755,000	1,512,742	**7,267,742**
2022-2026		3,995,000	434,125	**4,429,125**
Total	$	15,105,000	4,552,993	**19,657,993**

Revenue Refunding Bonds and Revolving Loan
The City has issued revenue bonds and entered into a state revolving loan agreement in order to finance wastewater plant improvements.

Purpose	Interest Rates	Amount
Governmental activities	3.60 – 5.25%	$5,086,398

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2011 are as follows:

Year		Principal Due	Interest Due	**Total**
2012	$	675,440	178,000	**853,440**
2013		540,167	157,576	**697,743**
2014		480,791	139,857	**620,648**
2015		290,000	129,070	**419,070**
2016		300,000	121,095	**421,095**
2017-2021		1,645,000	446,015	**2,091,015**
2022-2024		1,155,000	101,450	**1,256,450**
Total	$	5,086,398	1,273,063	**6,359,461**

Transportation Development District Sales Tax Revenue Bonds
On November 15, 2004, **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. The City pledges the TDD sales revenues to the payment of the principal 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.

NOTE 3 – LONG-TERM DEBT (continued)

Long-term debt activity for the year ended December 31, 2011 was as follows:

		Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
G.O. Bonds	$	13,850,000	2,220,000	(965,000)	15,105,000	1,135,000
Capital Leases		1,308,394	-	(133,598)	1,174,796	141,148
Total Governmental Long-Term Liabilities		**15,158,394**	**2,220,000**	**(1,098,598)**	**16,279,796**	**1,276,148**
Business-Type Activities						
Capital Leases		313,360	-	(42,608)	270,752	44,512
Revenue Bonds		4,485,000	-	(340,000)	4,145,000	310,000
State Revolving Loan		1,292,682	-	(351,284)	941,398	365,440
Total Business-Type Long-Term Liabilities		**6,091,042**	**-**	**(733,892)**	**5,357,150**	**719,952**
Total Long-Term Liabilities	$	**21,249,436**	**2,220,000**	**(1,832,490)**	**21,636,946**	**1,996,100**

NOTE 4 – CONDUIT DEBT OBLIGATIONS

From time to time the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The industrial revenue bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The outstanding balance of the bonds as of December 31, 2011 is unavailable.

NOTE 5 - COMPLIANCE WITH REVENUE BOND PROVISION WATER AND SEWER UTILITY FUND

The Water and Sewage System Revenue Bonds Series 2009-A issued in 2009 stand on a parity with the Series 2003 Water and Sewage System Revenue Refunding Bonds.

The Water and Sewage System Revenue Bonds - Series 2009 and the Water and Sewage System Revenue Refunding Bonds - Series 2003 require 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, 2011. Excess revenues totaled $447,371.

NOTE 5 - COMPLIANCE WITH REVENUE BOND PROVISION WATER AND SEWER UTILITY FUND (continued)

Gross Revenues			$ 4,935,335
Adjustments –			
Less –	Operating Expenses	$(2,510,399)	
	Transfers Out	(1,383,958)	
Add -	Interest Earned	26,599	
Net Adjustments			(3,867,758)
Net Revenues			**1,067,577**
Maximum Amount of Principal and Interest		496,165	
		125%	
Net Revenues Required			620,206
Excess			**$ 447,371**

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers 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 ended December 31, 2011 were as follows:

From	To	Statutory Authority	Amount
Water and Sewer	General	12-825d	$ 892,745
Solid Waste	General	12-825d	240,000
Convention and Tourism	General	79-2925	53,550
Special Alcohol	General	79-41a04	40,964
Water Sales Tax – W&S Fund	General	12-825d	482,012
Stormwater Management	General	12-825d	31,025
Sports Complex	General	79-2925	288,097
General Fund	Employee Benefit	12-16,102	270,183
Solid Waste	Employee Benefit	12-825d	141,823
Water and Sewer	Employee Benefit	12-825d	390,788
Convention and Tourism	Employee Benefit	79-2925	73,348
Special Alcohol	Employee Benefit	79-41a04	16,986
Stormwater Management	Employee Benefit	12-825b	17,635
Sports Complex	Employee Benefit	79-2925	16,454
Solid Waste	Solid Waste Reserve	12-825d	88,349
Water and Sewer	Stormwater Management	12-825b	44,500
Water and Sewer	Sales Tax Reserve	12-825d	2,429,234
General Fund	New Equipment Reserve	12-1,117	256,803
Airport Fund	New Equipment Reserve	12-1,117	9,536
Convention and Tourism	New Equipment Reserve	12-1,117	2,760
Water and Sewer	New Equipment Reserve	12-1,117	55,925
Stormwater Management	New Equipment Reserve	12-1,117	1,480
Public Safety Equipment	New Equipment Reserve	12-1,117	568,986
General	Airport Improvement	Commission Approved	615,994
Airport	Airport Improvement	Commission Approved	335,000
General	Capital Projects	Commission Approved	1,177,000
Capital Project	Water and Sewer	Commission Approved	365,620

NOTE 6 – INTERFUND TRANSFERS (continued)

In the fund financial statements, total transfers of $1,887,813 are equal to the total transfers out of $1,887,813 from Business-Type Funds.

NOTE 7 - CAPITAL PROJECTS

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

Project Name	Project Authorization	Expenditures to Date
Sports Complex	$8,000,000	7,020,177
Vine Street	1,100,000	1,033,519

NOTE 8 – SELF-INSURANCE PLANS

Health Care Coverage – During the year ended December 31, 2011, employees of **City of Hays, Kansas** were covered by the City's medical partially self-funded insurance plan (the "plan"). The premium contributed is approximately $380 ($338), $817 ($727), $758 ($675) and $1,195 ($1,064) per month per employee with single, employee with spouse, employee with children, and family coverage, respectively, for the traditional plan (high-deductible plan). The City contributes $338, $727, $675 and $1,064 for an employee with single, employee with spouse, employee with children, and family coverage, respectively. Employees who are covered by the traditional plan pay the premium difference through authorized withholdings. Claims were paid by a third party administrator acting on behalf of the City. The administration contract between the City and the third party administration is renewable annually and administration fees are included in the contractual provisions. The City was protected against unanticipated catastrophic individual loss or aggregate loss by stop loss coverage carried through Blue Cross Blue Shield of Kansas. Stop loss coverage was in effect for individual claims exceeding $50,000 and for aggregate loss with an annualized maximum claim limit of 120%, or $1,406,844. The annualized maximum claim limit is set annually by Blue Cross Blue Shield of Kansas, based on previous year's claims.

Self-Insurance Liability	Current Year Beginning of Fiscal Year Liability	Claims and Changes in Estimates
2011	$ -	1,251,307

Claim Payments	Balance at Fiscal Year-End
$ 910,872	340,435

NOTE 9 - LITIGATION

City of Hays, Kansas 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.

NOTE 10 - RISK MANAGEMENT – CLAIMS AND JUDGMENTS

City of Hays, Kansas 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 that is considered to be economically justifiable.

NOTE 10 – RISK MANAGEMENT – CLAIMS AND JUDGMENTS (continued)

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 City owned motor vehicles that the City has determined would be cost beneficial. Comprehensive and collision coverage was not obtained for vehicles considered obsolete based on their year and value by the City.

The City has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in the Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 141 participating members. The City joined KMIT in January 2005. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $500,000 for each insured event. During 2011, the City contributed $144,791 to the fund for this insurance coverage. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.

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.

NOTE 11 - GRANTS AND SHARED REVENUES

City of Hays, Kansas 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.

NOTE 12 - COMPARATIVE DATA

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of the changes in **City of Hays, Kansas'** financial position and operations. The comparative totals appear in the government-wide financial statements, fund financial statements, and the accompanying supplemental financial statements. However, complete comparative data has not been presented in all the financial statements since their inclusion would make the statement unduly complex and difficult to read.

NOTE 13 – RELATED PARTY TRANSACTIONS

There were no significant related party transactions in 2011.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2012, which is the date the financial statements were available to be issued.

CITY OF HAYS, KANSAS

Supplementary Information

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS		2011	2010
Cash	$	**5,804,735**	6,222,886
Receivables			
Accounts Receivable (Net of Allowance for Uncollectibles)		**41,446**	77,894
Other Asset			
Reserved Cash - Budget Stabilization		**3,221,181**	3,221,931
Total Assets	$	**9,067,362**	9,522,711
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**107,463**	66,058
Accrued Payroll		**123,865**	101,872
Accrued Paid-Time Off		**430,312**	424,412
Accrued Sick Leave Payout		**34,919**	33,575
Total Liabilities		**696,559**	625,917
Fund Balance			
Committed - Budget Stabilization		**3,221,181**	3,221,931
Assigned - Reserved for Encumbrances		**283,211**	253,348
Assigned - Designated for Subsequent Year Expenditures		**3,989,428**	4,265,967
Unassigned		**876,983**	1,155,548
Total Fund Balance		**8,370,803**	8,896,794
Total Liabilities and Fund Balance	$	**9,067,362**	9,522,711

See independent auditors' 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, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues (Statement 9-1, Page 4)	$ 8,519,329	**9,653,251**	1,133,922	8,956,643
Expenditures (Statement 9-1, Page 4)	11,482,613	**9,916,768**	1,565,845	10,736,185
Excess Revenues Over (Under) Expenditures	(2,963,284)	**(263,517)**	2,699,767	(1,779,542)
Other Financing Sources (Uses)				
Transfers In	2,087,596	**2,028,393**	(59,203)	1,831,216
Transfers Out	(2,321,380)	**(2,319,980)**	1,400	(249,299)
Total Other Financing Sources (Uses)	(233,784)	**(291,587)**	(57,803)	1,581,917
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(3,197,068)	**(555,104)**	2,641,964	(197,625)
Fund Balance - Beginning	4,265,967	**8,896,794**	4,630,827	8,985,204
Increase (Decrease) in Reserve for Encumbrances	-	**29,863**	29,863	60,008
Increase (Decrease) in Reserve for Budget Stabilization	-	**(750)**	(750)	49,207
Fund Balance - Ending	$ 1,068,899	**8,370,803**	7,301,904	8,896,794

See independent auditors' 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, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues				
Taxes				
Delinquent	$ -	**5,047**	5,047	2,031
16/20 M	-	**-**	-	13
Local Sales	5,902,947	**6,959,478**	1,056,531	6,332,832
Total Taxes	5,902,947	**6,964,525**	1,061,578	6,334,876
Intergovernmental				
Liquor Tax	117,432	**123,476**	6,044	118,946
State Grant	-	**8,538**	8,538	1,036
Federal Grant	-	**614**	614	10,441
Total Intergovernmental	117,432	**132,628**	15,196	130,423
Licenses and Permits				
Franchise Tax	1,312,400	**1,422,981**	110,581	1,398,175
Licenses	33,800	**62,151**	28,351	44,361
Permits	55,000	**88,060**	33,060	47,139
Total Licenses and Permits	1,401,200	**1,573,192**	171,992	1,489,675
Fines and Forfeitures				
Fines and Court Fees	566,000	**513,503**	(52,497)	506,067
Use of Money and Property				
Interest Income	90,750	**50,669**	(40,081)	52,515
Rent	1,200	**1,200**	-	1,200
Total Use of Money and Property	$ 91,950	**51,869**	(40,081)	53,715

See independent auditors' 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, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		2011			
Revenues (continued)		Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Miscellaneous					
Golf Course Fees	$	287,500	**251,151**	(36,349)	227,924
Cemetery Receipts		9,300	**20,120**	10,820	14,395
Reimbursed Expenses		-	**-**	-	1,696
Miscellaneous Receipts		143,000	**126,934**	(16,066)	155,268
Prior Year Encumbrances Voided		-	**19,329**	19,329	42,604
Total Miscellaneous		439,800	**417,534**	(22,266)	441,887
Total Revenues	$	8,519,329	**9,653,251**	1,133,922	8,956,643
Expenditures					
City Commission	$	1,084,826	**130,291**	954,535	1,128,889
City Manager		416,790	**380,008**	36,782	496,116
Human Resources		180,650	**152,849**	27,801	171,436
Information Technology		477,180	**455,513**	21,667	445,749
City Attorney		101,000	**117,437**	(16,437)	99,371
Finance - City Clerk		367,760	**364,039**	3,721	362,989
Intergovernmental Account		306,500	**317,809**	(11,309)	291,459
Police Department		2,522,250	**2,283,084**	239,166	2,380,504
Municipal Court		147,330	**118,219**	29,111	139,577
Public Works - General Administration		243,000	**229,282**	13,718	213,041
Service Division		795,570	**744,379**	51,191	719,451
Planning, Inspection, and Enforcement		261,650	**245,368**	16,282	246,074
Building and Grounds		440,200	**453,774**	(13,574)	452,180
Fleet Maintenance		716,240	**725,572**	(9,332)	667,163
Fire Department		1,308,650	**1,271,953**	36,697	1,260,868
Parks and Playgrounds		794,980	**762,764**	32,216	745,674
Golf Course		328,700	**324,473**	4,227	352,392
Swimming Pool		110,600	**60,218**	50,382	66,346
Ballfield Maintenance		65,400	**42,042**	23,358	39,442
Cemeteries		13,300	**8,121**	5,179	11,417
Athletic Complexes		347,300	**288,097**	59,203	-
Social Services		164,000	**164,000**	-	164,000
Economic Development		256,205	**244,944**	11,261	249,515
Qualify of Life		32,532	**32,532**	-	32,532
Total Expenditures	$	11,482,613	**9,916,768**	1,565,845	10,736,185

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS		2011	2010
Cash	$	**17,318**	-
Taxes Receivable		**1,071,598**	1,062,457
Total Assets	$	**1,088,916**	1,062,457
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	$	**1,071,598**	1,062,457
Fund Balance			
Assigned		**17,318**	-
Total Liabilities and Fund Balance	$	**1,088,916**	1,062,457

Library Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		2011			
		Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues					
Taxes					
Ad Valorem	$	1,095,317	**1,074,448**	(20,869)	1,037,706
Delinquent		-	**14,662**	14,662	13,606
Motor Vehicle		106,453	**126,664**	20,211	120,641
Recreational Vehicle		1,395	**1,911**	516	1,774
16/20M Truck		854	**1,270**	416	1,147
Total Revenues		1,204,019	**1,218,955**	14,936	1,174,874
Expenditures					
Neighborhood Revit Rebate		5,980	**6,280**	(300)	-
Tax Increment Financing Dist (TIF)		19,301	**16,619**	2,682	-
Distributions to Library Board		1,178,738	**1,178,738**	-	1,174,874
Total Expenditures		1,204,019	**1,201,637**	2,382	1,174,874
Excess Revenues Over (Under) Expenditures		-	**17,318**	17,318	-
Fund Balance - Beginning		-	-	-	-
Fund Balance - Ending	$	-	**17,318**	17,318	-

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Employee Benefit Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS		2011	2010
Cash	$	**2,159**	-
Taxes Receivable		**151,103**	137,395
Total Assets	$	**153,262**	137,395
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	$	**151,103**	137,395
Fund Balance			
Assigned		**2,159**	-
Total Liabilities and Fund Balance	$	**153,262**	137,395

Library Employee Benefit Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		2011			
		Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues					
Taxes					
Ad Valorem	$	141,644	**138,922**	(2,722)	129,713
Delinquent		-	**1,706**	1,706	1,588
Motor Vehicle		13,257	**15,985**	2,728	14,874
Recreational Vehicle		174	**242**	68	221
16/20M Truck		106	**165**	59	118
Total Revenues		155,181	**157,020**	1,839	146,514
Expenditures					
Distributions to Library Board		151,900	**151,900**	-	146,514
Neighborhood Revit Rebate		769	**812**	(43)	-
Tax Increment Financing Dist (TIF)		2,512	**2,149**	363	-
Total Expenditures		155,181	**154,861**	320	146,514
Excess Revenues Over (Under) Expenditures		-	**2,159**	2,159	-
Fund Balance - Beginning		-	-	-	-
Fund Balance - Ending	$	-	**2,159**	2,159	-

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Highway Fund
Balance Sheets
December 31, 2011 and 2010

		2011	2010
ASSETS			
Cash	$	**615,171**	137,293
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**13,148**	14,416
Fund Balance			
Assigned - Reserved for Encumbrances		**51,516**	41,248
Assigned - Designated for Subsequent Year's Expenditures		**73,732**	57,897
Assigned		**476,775**	23,732
Total Fund Balance		**602,023**	122,877
Total Liabilities and Fund Balance	$	**615,171**	137,293

See independent auditors' 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, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues				
Intergovernmental				
State Gasoline Tax	$ 555,600	**533,278**	(22,322)	546,919
Connecting Link Maintenance	42,764	**44,760**	1,996	44,760
Prior Year Encumbrance Voided	-	**18,628**	18,628	8,636
Total Revenues	598,364	**596,666**	(1,698)	600,315
Expenditures				
Contractual Services	50,000	**-**	50,000	-
Capital Outlay	606,261	**127,788**	478,473	683,876
Total Expenditures	656,261	**127,788**	528,473	683,876
Excess Revenues Over (Under) Expenditures	(57,897)	**468,878**	526,775	(83,561)
Fund Balance - Beginning	57,897	**122,877**	64,980	184,422
Increase (Decrease) in Reserve for Encumbrances	-	**10,268**	10,268	22,016
Fund Balance - Ending	$ -	**602,023**	602,023	122,877

See independent auditors' report.

CITY OF HAYS, KANSAS
Employee Benefit Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS		2011	2010
Cash	$	**995,044**	335,173
Accounts Receivable (Net of Allowance for Uncollectibles)		**-**	186,139
Taxes Receivable		**1,886,778**	2,053,847
Total Assets	$	**2,881,822**	2,575,159
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**119,458**	-
Deferred Revenues		**1,886,778**	2,053,847
Total Liabilities		**2,006,236**	2,053,847
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures		**256,635**	222,367
Assigned		**618,951**	298,945
Total Fund Balance		**875,586**	521,312
Total Liabilities and Fund Balance	$	**2,881,822**	2,575,159

See independent auditors' 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, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	Actual	Variance Positive (Negative)	2010 Actual
Revenues				
Taxes				
Ad Valorem	$ 2,117,368	**2,077,015**	(40,353)	1,579,907
Delinquent	-	**20,984**	20,984	21,065
Motor Vehicle	161,452	**192,433**	30,981	197,010
Recreational Vehicle	2,116	**2,903**	787	2,865
16/20M Truck	1,295	**1,917**	622	2,291
Interest Income	6,750	**3,639**	(3,111)	3,345
Miscellaneous	-	**41,002**	41,002	202,906
Total Revenues	2,288,981	**2,339,893**	50,912	2,009,389
Expenditures				
Workmen's Compensation	168,547	**159,367**	9,180	150,488
Unemployment Compensation	8,236	**7,941**	295	7,783
Social Security	630,023	**579,998**	50,025	586,827
Employee Retirement	729,240	**763,606**	(34,366)	694,178
Contingency	100,000	**-**	100,000	4,206
Health Insurance	1,719,507	**1,331,846**	387,661	1,476,362
Neighborhood Revit Rebate	11,497	**12,140**	(643)	-
Tax Increment Financing Dist (TIF)	29,115	**32,126**	(3,011)	-
Contractual Services	42,400	**25,812**	16,588	40,063
Total Expenditures	3,438,565	**2,912,836**	525,729	2,959,907
Excess Revenues Over (Under) Expenditures	(1,149,584)	**(572,943)**	576,641	(950,518)
Other Financing Sources (Uses)				
Transfers In	927,217	**927,217**	-	573,001
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(222,367)	**354,274**	576,641	(377,517)
Fund Balance - Beginning	222,367	**521,312**	298,945	898,829
Fund Balance - Ending	$ -	**875,586**	875,586	521,312

See independent auditors' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS		2011	2010
Cash	$	**181,683**	567,847
Taxes Receivable		**363,121**	354,153
Total Assets	$	**544,804**	922,000
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**4,124**	69
Deferred Revenues		**363,121**	354,153
Total Liabilities		**367,245**	354,222
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures		**116,021**	451,757
Assigned		**61,538**	116,021
Total Fund Balance		**177,559**	567,778
Total Liabilities and Fund Balance	$	**544,804**	922,000

See independent auditors' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues				
Taxes				
Ad Valorem	$ 365,106	**358,149**	(6,957)	347,286
Delinquent	-	**4,430**	4,430	4,425
Motor Vehicle	35,484	**42,395**	6,911	40,334
Recreational Vehicle	465	**640**	175	593
16/20M Truck	285	**426**	141	381
Intergovernmental				
Federal Grants	-	**11,389**	11,389	30,441
Prior Year Encumbrances Voided	-	-	-	2,111
Total Revenues	401,340	**417,429**	16,089	425,571
Expenditures				
Neighborhood Revit Rebate	1,993	**2,093**	(100)	-
Tax Increment Financing Dist (TIF)	6,463	**5,540**	923	-
Capital Outlay	275,655	**259,436**	16,219	197,833
Total Expenditures	284,111	**267,069**	17,042	197,833
Excess Revenues Over (Under) Expenditures	117,229	**150,360**	33,131	227,738
Other Financing Sources (Uses)				
Transfers Out	(568,986)	**(568,986)**	-	-
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(451,757)	**(418,626)**	33,131	227,738
Fund Balance - Beginning	451,757	**567,778**	116,021	384,969
Increase (Decrease) in Reserve for Encumbrances	-	**28,407**	28,407	(44,929)
Fund Balance - Ending	$ -	**177,559**	177,559	567,778

See independent auditors' report.

CITY OF HAYS, KANSAS
Airport Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS		2011	2010
Cash	$	**137,407**	423,580
Taxes Receivable		**181,561**	177,076
Total Assets	$	**318,968**	600,656
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**10,556**	8,218
Accrued Payroll		**1,410**	1,452
Accrued Paid Time Off		**4,353**	3,005
Accrued Sick Leave Payout		**-**	2,904
Deferred Revenues		**181,561**	177,076
Total Liabilities		**197,880**	192,655
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures		**105,978**	400,045
Assigned		**15,110**	7,956
Total Fund Balance		**121,088**	408,001
Total Liabilities and Fund Balance	$	**318,968**	600,656

See independent auditors' 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, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	Actual	Variance Positive (Negative)	2010 Actual
Revenues				
Taxes				
Ad Valorem	$ 182,553	**179,075**	(3,478)	173,643
Delinquent	-	**2,468**	2,468	2,310
Motor Vehicle	17,742	**21,195**	3,453	20,162
Recreational Vehicle	233	**320**	87	297
16/20M Truck	142	**213**	71	191
Licenses and Fees Collected	84,500	**86,820**	2,320	79,469
Farming Leases	16,500	**17,012**	512	17,262
Miscellaneous	10,000	**7,455**	(2,545)	9,699
Prior Year Encumbrances Voided	-	**106**	106	811
Total Revenues	311,670	**314,664**	2,994	303,844
Expenditures				
Neighborhood Revit Rebate	997	**1,047**	(50)	-
Tax Increment Financing Dist (TIF)	3,230	**2,770**	460	-
Personal Services	108,285	**100,178**	8,107	93,905
Contractual Services	100,880	**76,061**	24,819	83,412
Commodities	153,787	**77,358**	76,429	61,637
Capital Outlay	335,000	**-**	335,000	23,175
Total Expenditures	702,179	**257,414**	444,765	262,129
Excess Revenues Over (Under) Expenditures	(390,509)	**57,250**	447,759	41,715
Other Financing (Uses)				
Transfers Out	(9,536)	**(344,536)**	(335,000)	(6,913)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(400,045)	**(287,286)**	112,759	34,802
Fund Balance - Beginning	400,045	**408,001**	7,956	371,099
Increase (Decrease) in Reserve for Encumbrances	-	**373**	373	2,100
Fund Balance - Ending	$ -	**121,088**	121,088	408,001

See independent auditors' report.

CITY OF HAYS, KANSAS
Park Development Fund
Balance Sheets
December 31, 2011 and 2010

		2011	2010
ASSETS			
Cash	$	**5,027**	5,027
FUND BALANCE			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	$	**5,027**	5,027

Park Development Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		2011			
		Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues					
Miscellaneous	$	-	-	-	5,027
Expenditures					
Contractual Services		5,027	-	5,027	-
Excess Revenues Over (Under) Expenditures		(5,027)	-	5,027	5,027
Fund Balance - Beginning		5,027	**5,027**	-	-
Fund Balance - Ending	$	-	**5,027**	5,027	5,027

See independent auditors' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS		2011	2010
Cash	$	**527,653**	385,959
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**30,786**	13,444
Accrued Payroll		**3,753**	3,270
Accrued Paid Time Off		**10,864**	10,295
Total Liabilities		**45,403**	27,009
Fund Balance			
Assigned - Reserved for Encumbrances		**-**	487
Assigned - Designated for Subsequent Year's Expenditures		**335,046**	336,337
Assigned		**147,204**	22,126
Total Fund Balance		**482,250**	358,950
Total Liabilities and Fund Balance	$	**527,653**	385,959

See independent auditors' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues				
Intergovernmental				
Guest Tax	$ 630,000	**736,966**	106,966	651,670
Prior Year Encumbrances Voided	-	**487**	487	2,061
Miscellaneous	37,000	**37,006**	6	41,310
Total Revenues	667,000	**774,459**	107,459	695,041
Expenditures				
Personal Services	211,851	**210,276**	1,575	220,786
Contractual Services	579,328	**239,611**	339,717	269,044
Commodities	51,000	**51,263**	(263)	45,881
Capital Outlay	31,500	**19,864**	11,636	-
Total Expenditures	873,679	**521,014**	352,665	535,711
Excess Revenues Over (Under) Expenditures	(206,679)	**253,445**	460,124	159,330
Other Financing Sources (Uses)				
Transfers Out	(129,658)	**(129,658)**	-	(145,270)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(336,337)	**123,787**	460,124	14,060
Fund Balance - Beginning	336,337	**358,950**	22,613	344,404
Increase (Decrease) in Reserve for Encumbrances	-	**(487)**	(487)	486
Fund Balance - Ending	$ -	**482,250**	482,250	358,950

See independent auditors' report.

CITY OF HAYS, KANSAS
New Equipment Reserve Fund
Balance Sheets
December 31, 2011 and 2010

		2011	2010
ASSETS			
Cash	$	**2,142,707**	1,457,220
FUND BALANCE			
Fund Balance			
Assigned - Reserved for Encumbrances	$	-	38,592
Assigned		**2,142,707**	1,418,628
Total Fund Balance	$	**2,142,707**	1,457,220

New Equipment Reserve Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		2011	2010
Revenues			
Interest Income	$	**5,258**	4,874
Expenditures			
Capital Outlay		**176,669**	260,635
Excess Revenues Over (Under) Expenditures		**(171,411)**	(255,761)
Other Financing Sources (Uses)			
Transfers In		**895,490**	314,798
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		**724,079**	59,037
Fund Balance - Beginning		**1,457,220**	1,459,745
Increase (Decrease) in Reserve for Encumbrances		**(38,592)**	(61,562)
Fund Balance - Ending	$	**2,142,707**	1,457,220

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS		2011	2010
Cash	$	**193,081**	192,755
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**2,449**	-
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures		**187,037**	192,755
Assigned		**3,595**	-
Total Fund Balance		**190,632**	192,755
Total Liabilities and Fund Balance	$	**193,081**	192,755

Special Alcohol Program Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		2011			
		Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues					
Intergovernmental					
Liquor Tax	$	117,432	**123,476**	6,044	119,492
Expenditures					
Contractual		254,654	**65,200**	189,454	61,500
Contingency		-	**2,449**	(2,449)	-
Total Expenditures		254,654	**67,649**	187,005	61,500
Excess Revenues Over (Under) Expenditures		(137,222)	**55,827**	193,049	57,992
Other Financing Sources (Uses)					
Transfers Out		(57,950)	**(57,950)**	-	(60,131)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		(195,172)	**(2,123)**	193,049	(2,139)
Fund Balance - Beginning		195,172	**192,755**	(2,417)	194,894
Fund Balance - Ending	$	-	**190,632**	190,632	192,755

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS		2011	2010
Cash	$	**570,025**	638,225

LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**100**	350
Fund Balance			
Assigned - Reserved for Encumbrances		**383,979**	832
Assigned - Designated for Subsequent Year's Expenditures		**185,946**	627,679
Assigned		**-**	9,364
Total Fund Balance		**569,925**	637,875
Total Liabilities and Fund Balance	$	**570,025**	638,225

Special Park and Recreation Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		2011			
		Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues					
Intergovernmental					
Liquor Tax	$	117,432	**131,194**	13,762	122,810
Expenditures					
Capital Outlay		745,111	**582,291**	162,820	9,186
Excess Revenues Over (Under) Expenditures		(627,679)	**(451,097)**	176,582	113,624
Fund Balance - Beginning		627,679	**637,875**	10,196	523,419
Increase (Decrease) in Reserve For Encumbrances		-	**383,147**	383,147	832
Fund Balance - Ending	$	-	**569,925**	569,925	637,875

See independent auditors' report.

CITY OF HAYS, KANSAS
Debt Service Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS		2011	2010
Cash	$	**344,927**	480,443
Taxes Receivable		**884,863**	641,872
Total Assets	$	**1,229,790**	1,122,315
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	$	**884,863**	641,872
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures		**246,511**	447,804
Assigned		**98,416**	32,639
Total Fund Balance		**344,927**	480,443
Total Liabilities and Fund Balance	$	**1,229,790**	1,122,315

See independent auditors' report.

CITY OF HAYS, KANSAS
Debt Service Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues				
Taxes				
Ad Valorem	$ 661,724	**649,079**	(12,645)	1,063,821
Delinquent	-	**18,341**	18,341	15,085
Motor Vehicle	108,713	**135,215**	26,502	125,390
Recreational Vehicle	1,425	**2,054**	629	1,888
16/20M Truck	872	**1,531**	659	627
Special Assessments	365,150	**398,594**	33,444	383,217
Miscellaneous	-	**18,429**	18,429	65,880
Total Revenues	1,137,884	**1,223,243**	85,359	1,655,908
Expenditures				
Neighorhood Revit Rebate	3,593	**3,794**	(201)	-
Tax Increment Financing Dist	23,298	**10,040**	13,258	-
Bond Principal	870,000	**870,000**	-	1,020,000
Interest Expense	474,925	**474,925**	-	561,069
Levy Stabilization	153,872	**-**	153,872	-
Cash Basis Reserve	60,000	**-**	60,000	-
Total Expenditures	1,585,688	**1,358,759**	226,929	1,581,069
Excess Revenues Over (Under) Expenditures	(447,804)	**(135,516)**	312,288	74,839
Other Financing Sources (Uses)				
Transfers In	-	**-**	-	17,800
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(447,804)	**(135,516)**	312,288	92,639
Fund Balance - Beginning	447,804	**480,443**	32,639	387,804
Fund Balance - Ending	$ -	**344,927**	344,927	480,443

See independent auditors' report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
Balance Sheets
December 31, 2011 and 2010

ASSETS

		2011	2010
Cash	$	**73,448**	70,480

FUND BALANCE

Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	$	**66,743**	70,480
Assigned		**6,705**	-
Total Fund Balance	$	**73,448**	70,480

Economic Development Bond Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		2011			
		Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues					
Taxes					
Ad Valorem	$	-	-	-	61,392
Intergovernmental					
Local Sales Tax		206,761	**211,067**	4,306	142,970
Total Revenues		206,761	**211,067**	4,306	204,362
Expenditures					
Bond Principal		95,000	**95,000**	-	90,000
Interest Expense		113,099	**113,099**	-	117,936
Total Expenditures		208,099	**208,099**	-	207,936
Excess Revenues Over (Under) Expenditures		(1,338)	**2,968**	4,306	(3,574)
Fund Balance - Beginning		74,545	**70,480**	(4,065)	74,054
Fund Balance - Ending	$	73,207	**73,448**	241	70,480

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheets
December 31, 2011 and 2010

	2011				
	Water and Sewer Fund	Solid Waste Utility Fund	Stormwater Management Fund	Total	2010
ASSETS					
Current Assets					
Cash					
Operating Account	$ 2,935,340	424,811	300,363	**3,660,514**	2,629,240
Local Sales Tax Account	22,869,654	-	-	**22,869,654**	21,157,948
Accounts Receivable (Net)	305,888	-	-	**305,888**	286,450
Due From Water and Sewer Fund	-	39,068	57,425	**96,493**	38,428
Total Current Assets	26,110,882	463,879	357,788	**26,932,549**	24,112,066
Restricted Assets					
Customer Deposits	199,732	-	-	**199,732**	193,969
Reserve for Capital Improvements	1,031,680	412,653	-	**1,444,333**	3,702,614
Revenue Bonds					
Principal and Interest Account	182,433	-	-	**182,433**	217,763
Bond Reserve Account	613,000	-	-	**613,000**	613,000
Total Restricted Assets	2,026,845	412,653	-	**2,439,498**	4,727,346
Capital Assets					
Water					
Land and Right-of-Ways	139,109	-	-	**139,109**	139,109
Infrastructure	18,366,363	-	-	**18,366,363**	18,245,471
Equipment	11,194,328	-	-	**11,194,328**	11,180,612
R-9 Ranch	4,262,040	-	-	**4,262,040**	4,262,040
Sewer and Solid Waste					
Building and Structures	11,782,910	289,324	-	**12,072,234**	12,072,234
Equipment	-	1,602,860	-	**1,602,860**	1,540,360
Total Capital Assets	45,744,750	1,892,184	-	**47,636,934**	47,439,826
Accumulated Depreciation	(24,364,820)	(855,608)	-	**(25,220,428)**	(24,168,139)
Net Capital Assets	21,379,930	1,036,576	-	**22,416,506**	23,271,687
Other Assets					
Issuance Costs Net of Applicable Amortization	50,672	-	-	**50,672**	58,741
Total Assets	$ 49,568,329	1,913,108	357,788	**51,839,225**	52,169,840

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheets
December 31, 2011 and 2010

	2011				
	Water and Sewer Fund	Solid Waste Utility Fund	Stormwater Management Fund	Total	2010
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts Payable	$ 111,218	28,817	71	**140,106**	108,836
Sales Tax	5,335	-	-	**5,335**	5,813
State Water Fee	9,585	-	-	**9,585**	9,415
Due to Stormwater Management Fund	57,425	-	-	**57,425**	-
Accrued Payroll	19,422	6,485	1,059	**26,966**	21,716
Accrued Paid Time Off	79,895	23,033	-	**102,928**	105,226
Current Portion - Capital Lease	-	44,512	-	**44,512**	42,608
Current Portion - Revolving Loan	365,440	-	-	**365,440**	351,284
Accrued Interest - Revolving Loan	12,782	-	-	**12,782**	16,376
Due to Solid Waste Fund	39,068	-	-	**39,068**	38,428
Total Current Liabilities	700,170	102,847	1,130	**804,147**	699,702
Current Liabilities Payable From Restricted Assets					
Customer Deposits	204,232	-	-	**204,232**	198,469
Monitoring Well Deposits	4,500	-	-	**4,500**	4,500
Accrued Interest - Bonds	60,733	-	-	**60,733**	64,812
2003 Revenue Refunding Bonds	35,000	-	-	**35,000**	290,000
2009 Revenue Bonds	275,000	-	-	**275,000**	50,000
Total Current Liabilities Payable From Restricted Assets	579,465	-	-	**579,465**	607,781
Noncurrent Liabilities					
Capital Lease	-	226,240	-	**226,240**	270,752
State of Kansas Waster Water Revolving Loan	575,958	-	-	**575,958**	941,398
2003 Revenue Refunding Bonds	-	-	-	**-**	35,000
2009 Revenue Bonds	3,835,000	-	-	**3,835,000**	4,110,000
Total Noncurrent Liabilities	4,410,958	226,240	-	**4,637,198**	5,357,150
Total Liabilities	5,690,593	329,087	1,130	**6,020,810**	6,664,633
Equity					
Reserve for Capital Improvements	1,031,680	412,653	-	**1,444,333**	3,702,614
Reserve for Encumbrances	74,024	3,870	115,184	**193,078**	271,508
Contributed Capital	3,215,105	115,383	-	**3,330,488**	3,330,488
Unreserved	39,556,927	1,052,115	241,474	**40,850,516**	38,200,597
Total Equity	43,877,736	1,584,021	356,658	**45,818,415**	45,505,207
Total Liabilities and Equity	$ 49,568,329	1,913,108	357,788	**51,839,225**	52,169,840

See independent auditors' report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues				
Local Sales Tax	$ 2,410,058	**2,840,522**	430,464	2,583,414
Water Sales	2,471,460	**2,543,688**	72,228	2,452,028
Sewer Service Charges	1,992,267	**1,962,744**	(29,523)	1,929,334
Water Tap - Turn-Ons	35,000	**46,113**	11,113	29,959
Water Sales Conservation Rate	250,000	**344,618**	94,618	302,173
Sales and Other Charges	14,275	**9,226**	(5,049)	261,686
Penalty	21,700	**28,946**	7,246	24,507
Rent on R-9 Ranch	362,150	**393,446**	31,296	362,221
Interest on Investments	48,750	**26,599**	(22,151)	28,440
Interest on Sales Tax Reserves	131,250	**70,724**	(60,526)	65,609
Transfer From Capital Projects Fund	-	**365,620**	365,620	-
Prior Year Encumbrances Voided	-	**122,259**	122,259	1,083
Total Revenues	$ 7,736,910	**8,754,505**	1,017,595	8,040,454
Expenditures				
Water Production and Distribution				
Personal Services				
Salaries	$ 504,683	**531,972**	(27,289)	468,063
Contractual Services				
Communications	4,100	**5,316**	(1,216)	3,750
Publications	3,150	**3,090**	60	2,887
Heat, Light and Power	243,630	**241,197**	2,433	227,040
Travel and Training	3,000	**2,945**	55	3,091
Other Contractual Services	91,717	**78,137**	13,580	47,124
Professional Services	15,540	**541**	14,999	208,080
Total Contractual Services	361,137	**331,226**	29,911	491,972
Commodities				
Office Supplies	1,030	**756**	274	957
General Supplies	42,000	**37,033**	4,967	36,604
Chemicals	445,852	**426,100**	19,752	400,122
Equipment Expense	62,735	**39,529**	23,206	25,280
Uniforms	5,000	**3,458**	1,542	4,040
Repairs to Buildings and Structures	16,500	**11,586**	4,914	3,142
Total Commodities	573,117	**518,462**	54,655	470,145
Capital Outlay	7,000	**13,716**	(6,716)	16,285
Total Water Production and Distribution	$ 1,445,937	**1,395,376**	50,561	1,446,465

See independent auditors' report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	Actual	Variance Positive (Negative)	2010 Actual
Wastewater Treatment and Collection				
Personal Services				
Salaries	$ 520,610	**498,802**	21,808	488,522
Contractual Services				
Communications	5,073	**2,919**	2,154	1,808
Heat, Light and Power	215,322	**183,763**	31,559	186,113
Professional Services	17,654	**17,755**	(101)	17,115
Travel and Training	2,905	**2,345**	560	1,638
Other Contractual Services	33,000	**31,347**	1,653	17,983
Total Contractual Services	273,954	**238,129**	35,825	224,657
Commodities				
Office Supplies	600	**537**	63	590
General Supplies	22,704	**30,208**	(7,504)	24,945
Chemicals	61,164	**64,733**	(3,569)	75,598
Repairs to Buildings and Structures	5,000	**4,579**	421	4,717
Equipment Expense	56,417	**39,248**	17,169	20,083
Uniforms	4,074	**3,904**	170	3,157
Total Commodities	149,959	**143,209**	6,750	129,090
Total Wastewater Treatment and Collection	944,523	**880,140**	42,575	842,269
Debt Service				
Principal Payment-2003 Revenue Bond	290,000	**290,000**	-	290,000
Interest Payment-2003 Revenue Bond	10,110	**10,110**	-	18,810
Principal Payment-Revolving Loan	341,544	**351,284**	(9,740)	341,544
Interest Payment-Revolving Loan	57,849	**45,094**	12,755	57,849
Principal Payment-2009 Revenue Bond	50,000	**50,000**	-	40,000
Interest Payment-2009 Revenue Bond	146,055	**146,055**	-	146,856
Total Debt Service	$ 895,558	**892,543**	3,015	895,059

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CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Non Operating Expenditures				
R-9 Ranch Expenditures	$ 262,149	**370,113**	(107,964)	432,593
Water Taps, Hydrants, Meters,	120,655	**120,891**	(236)	67,371
Contingency	5,000	**1,217**	3,783	2,276
Projects	25,000	**20,235**	4,765	20,000
Retire Debt Early	-	**-**	-	65,880
Interest on Meter Deposits	5,000	**906**	4,094	861
Clean Drinking Water Fee	20,500	**19,047**	1,453	17,817
Other Contractual Services	-	**11,635**	(11,635)	21,693
Transfer to Bond and Interest Fund	-	**-**	-	17,800
Transfer to Sales Tax Reserve	2,526,470	**2,429,234**	97,236	2,093,275
Transfer to Capital Improvement	-	**-**	-	650,000
Transfer to General Fund	892,745	**892,745**	-	957,040
Transfer to General Fund - Water Sales	482,012	**482,012**	-	553,198
Transfer to Employee Benefit Fund	390,788	**390,788**	-	340,910
Transfer to Stormwater Management	44,500	**44,500**	-	-
Transfer to New Equipment Reserve	55,925	**55,925**	-	55,826
Total Non Operating Expenditures	4,830,744	**4,839,248**	(8,504)	5,296,540
Total Expenditures	$ 8,116,762	**8,007,307**	87,647	8,480,333

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CITY OF HAYS, KANSAS
Solid Waste Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2011			
	Original and Final Budget	**Actual**	Variance Positive (Negative)	2010 Actual
Revenues				
Refuse Collections	$ 1,200,000	**1,236,265**	36,265	1,224,809
Interest on Investments	5,250	**2,834**	(2,416)	2,602
Yard Waste Tags	1,500	**1,827**	327	1,947
Recycling Revenue	40,000	**69,964**	29,964	52,954
Prior Year Encumbrances Voided	-	**842**	842	14,336
Total Revenues	$ 1,246,750	**1,311,732**	64,982	1,296,648
Expenditures				
Personal Services				
Salaries	$ 321,908	**319,250**	2,658	320,060
Transfer - Employee Benefit	141,823	**141,823**	-	130,558
Total Personal Services	463,731	**461,073**	2,658	450,618
Contractual Services				
Communications	870	**787**	83	702
Publications	4,000	**1,016**	2,984	1,224
Utility - Water, Light and Power	8,728	**7,062**	1,666	7,348
Contingency	5,000	**-**	5,000	-
Other Contractual Services	367,960	**346,925**	21,035	343,580
Travel and Training	600	**526**	74	800
Transfer to Reserve	88,349	**88,349**	-	225,000
Transfer - General Fund	240,000	**240,000**	-	219,870
Total Contractual Services	715,507	**684,665**	30,842	798,524
Commodities				
Office Supplies	500	**441**	59	626
General Supplies	18,240	**16,985**	1,255	14,264
Equipment Expense	9,900	**8,113**	1,787	7,995
Uniforms	3,500	**2,657**	843	3,270
Rentals	3,500	**85**	3,415	3,500
Repairs to Buildings and Structures	3,600	**3,527**	73	2,851
Total Commodities	39,240	**31,808**	7,432	32,506
Debt Service	56,000	**55,993**	7	55,993
Total Expenditures	$ 1,274,478	**1,233,539**	40,939	1,337,641

See independent auditors' report.

CITY OF HAYS, KANSAS
Stormwater Management Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2011

		2011		
		Original and Final Budget	Actual	Variance Positive (Negative)
Revenues				
Stormwater Fee	$	360,000	**564,692**	204,692
Miscellaneous		-	**80**	80
Transfer from Water and Sewer Fund		44,500	**44,500**	-
Total Revenues	$	404,500	**609,272**	204,772
Expenditures				
Personal Services				
Salaries	$	48,384	**51,943**	(3,559)
Transfer - Employee Benefit		17,635	**17,635**	-
Total Personal Services		66,019	**69,578**	(3,559)
Contractual Services				
Communications		800	**585**	215
Other Contractual Services		5,000	**1,380**	3,620
Travel and Training		2,500	**1,008**	1,492
Transfer - General Fund		31,025	**31,025**	-
Total Contractual Services		39,325	**33,998**	5,327
Commodities				
Office Supplies		500	**471**	29
General Supplies		500	**194**	306
New Equipment		20,000	**-**	20,000
Projects		276,676	**262,077**	14,599
Transfer to New Equipment Reserve		1,480	**1,480**	-
Total Commodities		299,156	**264,222**	34,934
Total Expenditures	$	404,500	**367,798**	36,702

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