

CITY OF HAYS, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2013

CITY OF HAYS, KANSAS
 Financial Statements With Independent Auditors' Report
 For the Year Ended December 31, 2013

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis	5
Statement 1 - Statement of Net Position	11
Statement 2 - Statement of Activities	14
Statement 3 - Balance Sheet and Reconciliation of Governmental Funds	15
Statement 4 - Statement of Revenues, Expenditures, and Change in Fund Balance and Reconciliation - Governmental Funds.....	17
Statement 5 Statement of Net Position - Proprietary Funds.....	19
Statement 6 Statement of Revenues, Expenses, and Change in Net Position - Proprietary Funds.....	21
Statement 7 Statement of Cash Flows - Proprietary Funds	22
Statement 8 Statement of Net Position - Agency Funds	24
Notes to Financial Statements.....	25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards	43
Independent Auditors' Report on Compliance for Each major Program and on Internal Control Over Compliance Required by OMB Circular A-133	45
 Required Supplementary Information 	
Statement 9 Balance Sheets and Summary Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (where applicable) General Fund	
9-1 General Fund.....	47
 Special Revenue Funds	
9-2 Library Fund.....	51
9-3 Library Employee Benefit Fund.....	52
9-4 Special Highway Fund	53
9-5 Employee Benefit Fund.....	55
9-6 Public Safety Equipment Fund.....	57
9-7 Airport Fund	59
9-8 Park Development Fund	61
9-9 Convention and Visitor's Bureau Fund	62
9-10 New Equipment Reserve Fund.....	64

CITY OF HAYS, KANSAS
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2013

TABLE OF CONTENTS (continued)

9-11	Special Alcohol Program Fund	65
9-12	Special Park and Recreation Fund	66
9-13	Sales Tax Dedicated to Ellis County, Kansas.....	68
Debt Service Funds		
10-1	Bond and Interest Fund	69
10-2	Economic Development Bond Fund	71
Schedule A		
Enterprise Funds		
	Combining Balance Sheets and Comparison of Actual Revenues and Expenditures to Budget (Water and Sewer Fund, Solid Waste Fund, and Stormwater Management Fund).....	72
Supplementary Information		
	Schedule of Findings and Questioned Costs	79
	Summary Schedule of Prior Audit Findings	81
	Schedule of Expenditures of Federal Awards	82
	Notes to Schedule of Expenditures of Federal Awards	83



Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commission
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 unit, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Unit	Qualified
General Fund	Qualified
Employee Benefit Fund	Unmodified
Bond and Interest Fund	Unmodified
Sports Complex Fund	Unmodified
Airport Improvement Fund	Unmodified
Capital Projects Fund	Unmodified
Water and Sewer Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on General Fund and Water and Sewer Fund

The financial statements do not include the required annual cost and long-term obligations of the City's other postemployment benefits as required by Governmental Auditing Standards Board Statements Number 43 and Number 45. Accounting principles generally accepted in the United States of America require the financial data for these other postemployment benefits be reported in the primary government financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities and net position of the primary government financial statements are not reasonably determinable and are presumed to be material.

Qualified Opinion

In our opinion, based on our audit report and the report of other auditors, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund and Water and Sewer Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the Water and Sewer Fund of **City of Hays, Kansas** as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit report 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, each major fund other than the General Fund and the Water and Sewer Fund, and the aggregate remaining fund information of **City of Hays, Kansas** as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of the **City of Hays, Kansas**, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. These primary government financial statements do not include financial data for the city's legally separate component unit, which accounting principles generally accepted in the United States of America required to be reported with the financial data of the City's primary government.

As a result, the primary government financial statements, do not purport to, and do not present fairly the financial position of the reporting entity of the **City of Hays, Kansas**, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Hays Public Library, as of and for the year ended December 31, 2013, and our report thereon, dated June 10, 2014, expressed a qualified opinion on those financial statements.

We have not audited the financial statements of the Housing Authority of the City of Hays, Kansas. These statements were audited by other auditors whose report was furnished to the City. These financial statements were audited in accordance with auditing standards generally accepted in the United States of America. Separate financial statements express an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 10 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Hays, Kansas'** basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2014, on our consideration of **City of Hays, Kansas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **City of Hays, Kansas'** internal control over financial reporting and compliance.

Adams, Brown, Beran & Ball

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

June 18, 2014

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013. 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 \$995,674 when compared to the previous year. However, the City Commission opted to expend \$2,416,703 during 2013 to pay cash for upcoming capital projects including restriping 27th Street, mill and overlay of 13th Street, Fort Street paving and reconstruction of 13th Street from Main to Milner. 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 2013, the ¾% additional sales tax generated \$4,472,900, or the equivalent of 23.37 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.

YTD residential water consumption was down 16.78%, business was down 6.56% for a combined total YTD decline of 12.42%. This translates into a decline in YTD total water revenue of \$278,264 or 8.81%. A financial analysis and rate study will need to be conducted to determine future rate structures so as to maintain operations and future capital needs. The Water and Sewer Fund was also able to transfer \$1,152,267 to capital reserve so that bonding debt in the next year or so would not be needed for improvements to water and sewer infrastructure.

The Solid Waste Utility continues to be a self-supported enterprise fund calling for no rate increases in 2013. A transfer to reserves of \$242,839 in 2013 will allow the early payoff of the lease on the refuse trucks. 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 in 2006 contributed to a nice increase in refuse collection fees. Staff will review this structure for a possible rate increase in 2015.

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 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 Position and Statement of Activities on pages 11 through 14 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 47. For governmental activities, these statements tell how services were financed in the short-term as well as

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Position and the Statement of Activities

Our analysis of the City as a whole begins on page 11. 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 Position 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 position and changes in it. Think of the City's net position, 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 position is 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 position 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 15. The fund financial statements begin on page 47 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

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Position 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 24. 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 POSITION

	Governmental Activities	Business Type Activities	2013 Total Primary Government	2012 Total Primary Government
Current and Other Assets	\$ 25,577,737	33,537,202	59,114,939	55,346,594
Capital Assets	87,200,546	20,712,753	107,913,299	109,648,930
Total Assets	<u>112,778,283</u>	<u>54,249,955</u>	<u>167,028,238</u>	<u>164,995,524</u>
Long-Term Debt				
Outstanding	13,988,061	3,870,792	17,858,853	19,640,852
Other Liabilities	2,632,535	662,093	3,294,628	8,806,038
Total Liabilities	<u>16,620,596</u>	<u>4,532,885</u>	<u>21,153,481</u>	<u>28,446,890</u>
Deferred Inflows of Resources	<u>4,842,959</u>	-	<u>4,842,959</u>	<u>4,641,139</u>
Invested in Capital Assets Net of Related Debt	73,212,485	16,750,365	89,962,850	90,186,755
Restricted	10,271,879	2,723,649	12,995,528	16,046,943
Unrestricted	7,830,364	30,243,056	38,073,420	32,685,993
Total Net Position	<u>\$ 91,314,728</u>	<u>49,717,070</u>	<u>141,031,798</u>	<u>138,919,691</u>

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

**TABLE 2
STATEMENT OF ACTIVITIES**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Totals		Hays Public Library
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2013	2012	
Primary Government									
Governmental Activities									
General Government	\$ 13,314,486	848,782	442,846	-	(12,022,858)	-	(12,022,858)	(11,003,867)	-
Highway and Street	4,543,531	-	-	-	(4,543,531)	-	(4,543,531)	(2,885,836)	-
Culture and Recreation	3,446,357	303,824	-	-	(3,142,533)	-	(3,142,533)	(3,424,247)	-
Airport	7,120,375	90,255	-	6,005,067	(1,025,053)	-	(1,025,053)	(776,255)	-
Interest on Long-Term Debt	72,990	-	-	-	(72,990)	-	(72,990)	(134,893)	-
Total Governmental Activities	28,497,739	1,242,861	442,846	6,005,067	(20,806,965)	-	(20,806,965)	(18,224,898)	-
Business-Type Activities									
Water and Sewer	4,971,041	4,977,560	-	-	-	6,519	6,519	1,190,430	-
Solid Waste and Stormwater	1,042,366	2,123,470	-	-	-	1,081,104	1,081,104	642,978	-
Total Business-Type Activities	6,013,407	7,101,030	-	-	-	1,087,623	1,087,623	1,833,408	-
Total Primary Government	\$ 34,511,146	8,343,891	442,846	6,005,067	(20,806,965)	1,087,623	(19,719,342)	(16,391,490)	-
Component Unit									
Hays Public Library	\$ 1,542,422	5,737	15,344	46,461	-	-	-	-	(1,474,880)
General Revenues									
Property Taxes					\$ 5,339,786	-	5,339,786	5,313,923	1,360,400
Sales Tax					8,892,932	2,981,034	11,874,866	13,499,796	-
Franchise Taxes					1,397,718	-	1,397,718	1,413,907	-
Motor Fuel Taxes					570,365	-	570,365	578,852	-
Alcoholic Liquor Taxes					405,459	-	405,459	413,458	-
Transient Guest Taxes					782,507	-	782,507	754,278	-
Special Assessments					442,064	-	442,064	482,775	-
Unrestricted Interest Income					37,064	48,919	85,983	135,029	2,083
Miscellaneous					86,809	325,260	412,069	303,474	20,556
Reimbursements					519,646	-	519,646	796,356	17,499
Transfers					3,144,648	(3,144,648)	-	-	-
Total General Revenues and Transfers					21,618,998	211,465	21,830,463	23,691,848	1,400,540
Change in Net Position					812,033	1,299,088	2,111,121	7,300,358	(74,340)
Net Position - Beginning					90,501,709	48,417,982	138,919,691	131,619,333	4,568,869
Net Position - Ending					\$ 91,313,742	49,717,070	141,030,812	138,919,691	4,494,529

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the City had \$107,870,762 invested in capital assets net of depreciation.

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

	Governmental Activities	Business-Type Activities	2013 Total Primary Government	2012 Total Primary Government
Land and Infrastructure	\$ 74,066,074	9,260,468	83,326,542	83,766,477
R-9 Ranch	-	3,249,214	3,249,214	3,300,128
Building and Equipment	13,134,472	8,160,534	21,295,006	22,535,721
Total	<u>\$ 87,200,546</u>	<u>20,670,216</u>	<u>107,870,762</u>	<u>109,602,326</u>

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 2013. 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 2013. The City's estimated annual amount of expenditures were \$1,039,027 compared to the actual expenditures of \$583,494.

DEBT

At the end of 2013, the City had the following debt:

TABLE 4
OUTSTANDING DEBT AT YEAR-END

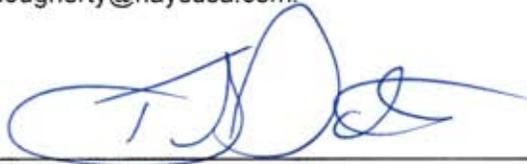
	Governmental Activities	Business-Type Activities	2013 Total Primary Government	2012 Total Primary Government
Capital Leases	\$ 418,061	-	418,061	966,131
G.O. Bonds	13,570,000	-	13,570,000	13,970,000
Revenue Bonds	-	3,870,792	3,870,792	4,410,958
Total	<u>\$ 13,988,061</u>	<u>3,870,792</u>	<u>17,858,853</u>	<u>19,347,089</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The component unit's 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 Position
December 31, 2013
(With Comparative Totals as of December 31, 2012)

ASSETS	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	2013	2012	
Cash	\$ 16,465,427	29,563,344	46,028,771	43,831,353	1,258,499
Receivables (Net of Allowance for Uncollectibles)	5,823,462	350,658	6,174,140	5,342,637	1,371,033
Internal Balances	-	100,104	100,104	99,137	-
Due From Other Governments	67,647	-	67,647	68,791	-
Restricted Assets - Cash	3,221,181	-	3,221,181	3,221,181	-
Budget Stabilization	-	210,868	210,868	211,274	-
Customer Deposits	-	588,579	588,579	621,883	-
Revenue Refunding Bonds - Series 2003 and 2009	-	2,723,649	2,723,649	1,950,338	-
Reserve for Capital Improvements	-	-	-	-	-
Restricted Cash	-	-	-	-	14,030
Capital Assets - Net of Depreciation	74,066,074	9,260,468	83,326,542	83,766,477	-
Land and Infrastructure	13,134,472	8,160,534	21,295,006	22,535,721	3,317,676
Depreciable Buildings and Equipment	-	3,249,214	3,249,214	3,300,128	-
R-9 Ranch	-	42,537	42,537	46,604	-
Issuance Costs - Net of Amortization	-	-	-	-	-
Total Assets	\$ 112,778,263	54,249,955	167,028,238	164,995,524	5,961,238

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2013
(With Comparative Totals as of December 31, 2012)

	Primary Government			Hays Public Library
	Governmental Activities	Business-Type Activities	Totals	
LIABILITIES				
Accounts Payable	\$ 1,353,605	150,264	1,503,869	260,364
Accrued Payroll	208,647	42,794	251,441	221,416
Accrued Paid Time Off	493,080	109,004	602,084	573,671
Accrued Sick Leave Payout	29,368	-	29,368	36,315
Accrued Interest Payable	547,835	-	547,835	616,944
Internal Balances	-	100,104	100,104	99,137
Accrued Interest - Revolving Loan	-	3,661	3,661	10,049
Customer Deposits	-	210,868	210,868	211,274
Accrued Interest - Revenue and Sales Tax Bonds	-	45,398	45,398	58,433
Compensated Absences	-	-	-	-
State of Kansas Waste Water Revolving Loan	-	-	-	64,156
Due Within One Year	-	195,792	195,792	380,167
Due in More Than One Year	-	-	-	195,791
Revenue Refunding Bonds - Series 2009	-	-	-	-
Due Within One Year	-	285,000	285,000	160,000
Due in More Than One Year	-	3,390,000	3,390,000	3,675,000
Capital Leases	-	-	-	-
Due Within One Year	73,991	-	73,991	196,067
Due in More Than One Year	344,070	-	344,070	770,064
General Obligation Bonds Payable	-	-	-	-
Due Within One Year	1,070,000	-	1,070,000	990,000
Due in More Than One Year	12,500,000	-	12,500,000	12,980,000
Total Liabilities	16,620,596	4,532,885	21,153,481	21,434,692
Deferred Inflows of Resources				
Deferred Property Tax Receivable	4,842,959	-	4,842,959	4,641,139
Total Liabilities and Deferred Inflows of Resources	\$ 21,463,555	4,532,885	25,996,440	26,075,831

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2013
(With Comparative Totals as of December 31, 2012)

	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	2013	2012	
NET POSITION					
Net Investment in Capital Assets	\$ 73,212,485	16,750,365	89,962,850	90,186,755	3,317,676
Restricted for					
Budget Stabilization	3,221,181	-	3,221,181	3,221,181	-
Capital Projects	5,061,551	-	5,061,551	3,053,221	-
Debt Service	30,916	-	30,916	55,100	-
Encumbrances	1,958,231	847,296	2,805,527	7,767,103	-
Capital Improvements	-	2,723,649	2,723,649	1,950,338	-
Other	-	-	-	-	14,030
Unrestricted	7,830,364	29,395,760	37,226,124	32,685,993	1,162,823
Total Net Position	\$ 91,314,728	49,717,070	141,031,798	138,919,691	4,494,529

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, 2013
 (With Comparative Totals as of December 31, 2012)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			Totals	Hays Public Library
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Activities	Business-Type Activities		
Primary Government									
Governmental Activities									
General Government	\$ 13,314,486	848,782	442,846	-	(12,022,858)	-	(12,022,858)	(11,003,867)	
Highway and Street	4,543,531	-	-	-	(4,543,531)	-	(4,543,531)	(2,885,636)	
Culture and Recreation	3,446,357	303,824	-	-	(3,142,533)	-	(3,142,533)	(3,424,247)	
Airport	7,120,375	90,255	-	6,005,067	(1,025,053)	-	(1,025,053)	(776,255)	
Interest on Long-Term Debt	72,990	-	-	-	(72,990)	-	(72,990)	(134,893)	
Total Governmental Activities	28,497,739	1,242,861	442,846	6,005,067	(20,806,965)	-	(20,806,965)	(18,224,898)	
Business-Type Activities									
Water and Sewer	4,971,041	4,977,560	-	-	-	6,519	6,519	1,190,430	
Solid Waste and Stormwater	1,042,366	2,123,470	-	-	-	1,081,104	1,081,104	642,978	
Total Business-Type Activities	6,013,407	7,101,030	-	-	-	1,087,623	1,087,623	1,833,408	
Total Primary Government	\$ 34,511,146	8,343,891	442,846	6,005,067	(20,806,965)	1,087,623	(19,719,342)	(16,391,490)	
Component Unit									
Hays Public Library	\$ 1,542,422	5,737	15,344	46,461	-	-	-	(1,474,880)	
General Revenues									
Property Taxes				\$ 5,339,786			5,339,786	5,313,923	
Sales Tax				8,892,932		2,981,934	11,874,866	13,499,796	
Franchise Taxes				1,397,718		-	1,397,718	1,413,907	
Motor Fuel Taxes				570,365		-	570,365	578,852	
Alcoholic Liquor Taxes				405,459		-	405,459	413,458	
Transient Guest Taxes				782,507		-	782,507	754,278	
Special Assessments				442,064		-	442,064	482,775	
Unrestricted Interest Income				37,064		48,919	85,983	135,029	
Miscellaneous				86,809		325,260	412,069	303,474	
Reimbursements				519,646		-	519,646	796,356	
Transfers				3,144,648		(3,144,648)	-	-	
Total General Revenues and Transfers				21,618,998		211,465	21,830,463	1,400,540	
Change in Net Position				812,033		1,299,088	2,111,121	(74,340)	
Net Position - Beginning				90,501,709		48,417,882	138,919,691	131,619,333	
Net Position - Ending				\$ 91,313,742		49,717,070	141,030,812	138,919,691	

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

CITY OF HAYS, KANSAS
Balance Sheet
Governmental Funds
December 31, 2013
(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Airport Improvement Fund	Capital Projects Fund	Other Governmental Funds	Totals
	2013	2013	2013	2013	2013	2013	2013	2012
ASSETS								
Cash	\$ 4,257,776	1,099,049	221,016	1,986,035	614,424	3,581,262	4,705,865	15,073,797
Receivables - Net	-	-	-	-	-	-	-	214,356
Grants Receivable	67,647	-	-	-	980,523	-	-	68,791
Due From Other Governments	-	2,223,429	790,059	-	-	-	1,829,471	4,641,139
Taxes	3,221,181	-	-	-	-	-	-	3,221,181
Reserved Cash	-	-	-	-	-	-	-	-
Total Assets	\$ 7,546,604	3,322,478	1,011,075	1,986,035	1,594,947	3,581,262	6,535,336	23,219,264
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
Liabilities								
Accounts Payable	\$ 70,769	137,737	-	-	1,102,868	4,704	37,527	85,990
Accrued Payroll	200,242	-	-	-	-	-	8,405	184,181
Accrued Paid Time Off	473,912	-	-	-	-	-	19,168	475,061
Accrued Sick Leave Payout	29,368	-	-	-	-	-	-	36,315
Total Liabilities	774,291	137,737	-	-	1,102,868	4,704	65,100	782,147
Deferred Inflows of Resources								
Deferred Property Tax Receivable	-	2,223,429	790,059	-	-	-	1,829,471	4,641,139
Total Liabilities and Deferred Inflows of Resources	774,291	2,361,166	790,059	-	1,102,868	4,704	1,894,571	5,423,286
Fund Balance								
Committed - Budget Stabilization	3,221,181	-	-	-	-	-	-	3,221,181
Assigned - Reserved for Encumbrances	207,031	-	-	-	1,116,837	501,042	133,321	7,767,103
Assigned - Designated for Subsequent Year Expenditures	2,532,583	767,628	190,100	-	-	-	1,124,287	5,534,943
Assigned	-	193,684	30,916	1,986,035	(624,756)	3,075,516	3,363,157	543,948
Unassigned	811,518	-	-	-	-	-	-	726,803
Total Fund Balance	6,772,313	961,312	221,016	1,986,035	492,079	3,576,558	4,640,765	17,795,978
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,546,604	3,322,478	1,011,075	1,986,035	1,594,947	3,581,262	6,535,336	23,219,264

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

CITY OF HAYS, KANSAS
Reconciliation of the Statement of Net Position to the
Balance Sheet for Governmental Funds
December 31, 2013

Amounts reported for governmental activities in the statement of net position 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	\$	18,650,078
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity on the balance sheet.		87,200,546
Long-term debt and capital leases have not been included in the governmental funds activity on the balance sheet.		
General Obligation Bonds		(13,570,000)
Capital Leases		(418,061)
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.		<u>(547,835)</u>
Net position of governmental activities as reported (Statement 1)	\$	<u>91,314,728</u>

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

CITY OF HAYS, KANSAS
Statement of Revenues, Expenditures, and Change in Fund Balance
 Governmental Funds
 For the Year Ended December 31, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Airport Improvement Fund	Capital Projects Fund	Other Governmental Funds	Totals
	2013	2013	2013	2013	2013	2013	2013	2012
Revenues								
Taxes	7,302,196	2,475,066	1,273,063	1,219,773	-	-	2,404,684	16,311,729
Intergovernmental	176,487	-	-	-	6,005,067	400,000	1,687,713	2,027,150
Licenses and Fees	1,534,362	-	-	-	-	-	-	1,548,072
Fines and Forfeitures	703,368	-	-	-	-	-	-	703,368
Use of Money and Property	38,264	-	986	-	-	-	-	39,250
Collections	296,169	-	-	-	-	-	106,680	53,868
Prior Year Encumbrances Cancelled	19,142	-	-	-	-	3,444	-	415,044
Miscellaneous	142,340	130,688	-	72,099	176	9,374	164,969	19,592
Total Revenues	10,212,328	2,605,754	1,274,049	1,291,872	6,005,243	412,818	4,364,046	21,816,739
Expenditures								
Current								
General Government	8,369,851	3,646,784	-	-	-	-	800,696	11,368,056
Highway and Street	1,110,035	-	-	-	-	2,712,506	562,655	4,385,196
Culture and Recreation	1,446,245	-	-	9,883	-	-	1,366,416	2,822,544
Airport	-	-	-	-	6,690,147	-	311,925	7,002,072
Debt Service	-	-	2,006,313	-	-	-	212,618	1,760,721
Capital Outlay	48,422	-	-	-	-	-	407,162	1,147,335
Total Expenditures	10,974,553	3,646,784	2,006,313	9,883	6,690,147	2,712,506	3,661,472	21,140,566
Excess (Deficiency) of Revenues Over Expenditures	(762,225)	(1,041,030)	(732,264)	1,281,989	(684,904)	(2,299,688)	702,574	676,173
Other Financing Sources (Uses)								
General Obligation Bond Proceeds	-	-	655,000	-	-	590,000	-	1,245,000
Transfers In	2,167,958	1,015,279	-	-	177,154	3,004,074	613,637	6,548,304
Transfers Out	(2,336,254)	-	-	(197,278)	-	-	(1,299,922)	(3,964,655)
Total Other Financing Sources (Uses)	(168,296)	1,015,279	655,000	(197,278)	177,154	3,594,074	(686,285)	2,583,649
Net Change in Fund Balance	(930,521)	(25,751)	(77,264)	1,084,711	(507,750)	1,294,386	16,289	3,259,822
Fund Balance - Beginning of Year	7,702,834	987,063	298,280	901,324	999,829	2,282,172	4,624,476	14,536,156
Fund Balance - End of Year	\$ 6,772,313	\$ 961,312	\$ 221,016	\$ 1,986,035	\$ 492,079	\$ 3,576,558	\$ 4,640,765	\$ 17,795,978

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 Change in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2013

Net change in fund balance - total governmental funds (Statement 4)	\$	854,100
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because of the following:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,287,606) exceeded capital outlays (\$455,584) in the current period.		(832,022)
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 position. This is the amount by which capital lease proceeds (none in the current year) exceeded capital lease repayments (\$541,832) recorded in the general governmental funds.		541,832
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond proceeds (\$1,245,000) exceeded bond repayments (\$1,645,000) recorded in the governmental funds.		180,000
Accrued interest payable decreased \$69,109 from the prior year. This balance is not accounted for in the governmental funds. However, the changes are reflected in the statement of activities.		<u>69,109</u>
Change in net position of governmental activities (Statement 2)	\$	<u><u>813,019</u></u>

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

CITY OF HAYS, KANSAS
Statement of Net Position
Proprietary Funds
December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Funds	Totals
	2013	2012	2012
ASSETS			
Current Assets			
Cash			
Operating Account	\$ 2,179,210	556,652	2,735,862
Local Sales Tax Account	26,827,482	-	26,827,482
Accounts Receivable (Net of Allowance for Uncollectibles)	350,658	-	350,658
Due From Water and Sewer Fund	-	100,104	100,104
Total Current Assets	29,357,350	656,756	29,343,835
Noncurrent Assets			
Restricted Cash			
Customer Deposits	210,868	-	210,868
Reserve for Capital Improvements	2,207,094	516,555	2,723,649
Revenue Refunding Bonds - Series 2003			
Principal and Interest Account	167,383	-	167,383
Bond Reserve Account	421,196	-	421,196
Total Restricted Cash	3,006,541	516,555	3,523,096
Capital Assets			
Water			
Land and Right-of-Ways	139,109	-	139,109
Infrastructure	18,487,053	-	18,487,053
Equipment	11,283,012	-	11,283,012
R-9 Ranch	4,262,040	-	4,262,040
Sewer and Solid Waste			
Building and Structures	11,782,910	289,324	12,072,234
Equipment	-	1,633,486	1,633,486
Accumulated Depreciation	45,954,124	1,922,810	47,876,934
	(26,095,882)	(1,110,836)	(27,206,718)
Net Capital Assets	19,858,242	811,974	20,670,216
Other Assets			
Issuance Costs (Net of Applicable Amortization)	42,537	-	42,537
Total Noncurrent Assets	22,907,320	1,328,529	24,235,849
Total Assets	\$ 52,264,670	1,985,285	53,743,692

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

CITY OF HAYS, KANSAS
Statement of Net Position
Proprietary Funds
December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Funds	2013	
LIABILITIES				
Current Liabilities				
Current Portion - Capital Lease	\$ -	-	-	46,501
Current Portion - Revolving Loan	195,792	-	195,792	380,167
Accounts Payable	111,661	4,140	115,801	159,093
Sales Tax	4,590	-	4,590	5,785
State Water Fee	29,873	-	29,873	9,496
Accrued Payroll	32,569	10,225	42,794	37,235
Accrued Paid Time Off	83,840	25,164	109,004	98,010
Accrued Interest - Revolving Loan	3,661	-	3,661	10,049
Due to Stormwater Management Fund	58,459	-	58,459	58,150
Due to Solid Waste Fund	41,645	-	41,645	40,987
Total Current Liabilities	562,090	39,529	601,619	845,473
Current Liabilities Payable From Restricted Assets				
Revenue Refunding Bonds - Series 2009	285,000	-	285,000	160,000
Customer Deposits	206,368	-	206,368	206,774
Monitoring Well Deposits	4,500	-	4,500	4,500
Accrued Interest - Revenue and Sales Tax Bonds	45,398	-	45,398	58,433
Total Current Liabilities Payable From Restricted Assets	541,266	-	541,266	429,707
Noncurrent Liabilities				
Capital Leases	-	-	-	179,739
State of Kansas Waste Water Revolving Loan	-	-	-	195,791
Sales Tax Refunding Bonds - Series 2003	3,390,000	-	3,390,000	3,675,000
Total Noncurrent Liabilities	3,390,000	-	3,390,000	4,050,530
Total Liabilities	4,493,356	39,529	4,532,885	5,325,710
NET POSITION				
Net Position				
Invested in Capital Assets, Net of Related Debt Restricted for	15,936,391	811,974	16,760,365	16,864,078
Encumbrances	653,446	193,850	847,296	278,907
Capital Improvements	2,207,094	516,555	2,723,649	1,950,338
Unrestricted	28,972,383	423,377	29,395,760	29,324,659
Total Net Position	\$ 47,771,314	1,945,756	49,717,070	48,417,962
Net Position of Business-Type Activities (Statement 1)			\$ 49,717,070	48,417,962

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

CITY OF HAYS, KANSAS
 Statement of Revenues, Expenses, and Change in Net Position
 Proprietary Funds
 For the Year Ended December 31, 2013
 (With Comparative Totals for the Year Ended December 31, 2012)

	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Funds	2013	2012
Operating Revenues				
Charges for Sales and Services				
Water Sales	2,546,189	-	2,546,189	2,708,491
Water Sales Conservation Rate	314,403	-	314,403	441,506
Total Water Sales	2,860,592	-	2,860,592	3,149,997
Sewer Charges	2,025,759	-	2,025,759	2,035,646
Refuse Collections	-	1,264,863	1,264,863	1,253,792
Stormwater Fees	-	767,459	767,459	761,397
Tap Fees	34,869	-	34,869	42,825
Sales and Other Charges	56,340	91,148	147,488	101,612
Total Operating Revenues	4,977,560	2,123,470	7,101,030	7,345,269
Operating Expenses				
Wastewater Treatment and Collection	1,134,338	-	1,134,338	880,099
Water Production and Distribution	1,628,127	-	1,628,127	1,566,800
Refuse Collection	-	779,172	779,172	698,844
Stormwater Management	-	128,494	128,494	588,983
Amortization	4,067	-	4,067	4,067
Depreciation	892,751	134,700	1,027,451	977,838
Total Operating Expenses	3,659,283	1,042,366	4,701,649	4,716,531
Net Operating Income	1,318,277	1,081,104	2,399,381	2,628,638
Non-Operating Revenues (Expenses)				
Local Sales Tax	2,981,934	-	2,981,934	2,984,765
Interest Income	48,044	875	48,919	82,361
Rent on R-9 Ranch	325,000	-	325,000	280,000
Prior Year Encumbrances Cancelled	259	-	259	2,682
Interest Expense	(186,469)	-	(186,469)	(186,816)
R-9 Ranch Expenses	(325,922)	-	(325,922)	(148,029)
Water Exploration	(405,532)	-	(405,532)	(377,367)
Net Non-Operating Revenues (Expenses)	2,437,314	875	2,438,189	2,637,596
Income Before Transfers	3,755,591	1,081,979	4,837,570	5,266,234
Transfers In	-	16,500	16,500	16,000
Transfers Out	(2,080,010)	(1,081,136)	(3,161,146)	(2,599,649)
Change in Net Position	1,675,581	17,341	1,692,922	2,682,585
Change in Capital Improvement Reserve Fund	(393,834)	-	(393,834)	(83,018)
Net Position - Beginning of Year	46,489,567	1,926,415	48,416,000	46,489,567
Net Position - End of Year	\$ 47,771,314	\$ 1,945,756	\$ 49,717,070	\$ 47,171,149
Change in Net Position of Business-Type Activities (Statement 2)			\$ 1,299,088	2,599,567

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, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Fund	2012	
Cash Flows From Operating Activities				
Receipts From Customers	5,113,899	2,123,470	7,237,369	7,166,558
Payments to Suppliers	(1,685,278)	(522,845)	(2,208,123)	(2,291,620)
Payments to Employees	(1,089,948)	(379,616)	(1,469,564)	(1,418,407)
Net Cash Provided by Operating Activities	2,338,673	1,221,009	3,559,682	3,456,531
Cash Flows From Investing Activities				
Rental Income	325,000	-	325,000	280,000
Rental Expenses	(325,922)	-	(325,922)	(148,029)
Interest on Investments	48,044	875	48,919	82,351
Net Cash Provided by Investing Activities	47,122	875	47,997	214,332
Cash Flows From Noncapital Financing Activities				
Transfers to Other Funds	(2,080,010)	(1,064,638)	(3,144,648)	(2,583,649)
Cash Flows From Capital and Related Financing Activities				
Purchase and Construction of Capital Assets	(107,684)	(20,226)	(127,910)	(131,090)
Lease Obligation Retired	-	(226,240)	(226,240)	(44,512)
Water Exploration	(405,532)	-	(405,532)	(377,367)
Interest Paid	(205,894)	-	(205,894)	(189,167)
Principal Payments - Revolving Loan	(195,791)	-	(195,791)	(380,167)
Principal Payments - Bonds	(344,376)	-	(344,376)	(295,273)
Local Sales Tax	2,981,936	-	2,981,936	2,984,765
Capital Improvement Reserve Purchases	(393,835)	-	(393,835)	(83,018)
Net Cash Provided (Used) for Capital and Related Financing Activities	1,328,824	(246,466)	1,082,358	1,484,171
Net Increase (Decrease) in Cash	1,634,609	(89,220)	1,545,389	2,571,385
Cash - Beginning of Year	30,378,624	1,162,427	31,541,051	28,969,666
Cash - End of the Year	\$ 32,013,233	\$ 1,073,207	\$ 33,086,440	\$ 31,541,051
Cash Per Statement 5				
Operating Account			\$ 2,735,862	3,765,082
Local Sales Tax Account			26,827,482	24,992,474
Restricted Cash			3,523,096	2,783,495
Total Cash Per Statement 5			\$ 33,086,440	\$ 31,541,051

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, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	Enterprise Funds		Totals
	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Fund	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 1,318,277	1,081,104	2,399,381
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	896,818	134,700	1,031,518
Increase in Accounts Receivable	136,485	-	136,485
Increase in Due From Other Funds	-	(967)	(967)
Increase (Decrease) in Accounts Payable	(46,730)	3,439	(43,291)
Increase in Due to Other Funds	967	-	967
Increase in Accrued Liabilities	32,856	2,733	35,589
Net Cash Provided by Operating Activities	\$ 2,338,673	1,221,009	3,559,682
			2,628,638

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

CITY OF HAYS, KANSAS
 Statement of Net Position
 Agency Funds
 December 31, 2013

(With Comparative Totals as of December 31, 2012)

	Police Judge	TDD Sales Tax District	CID	Totals 2013	Totals 2012
ASSETS					
Cash	\$ 137,637	18,369	552	156,558	172,094
Restricted Cash	740	-	-	740	737
Total Assets	138,377	18,369	552	157,298	172,831
LIABILITIES AND NET POSITION					
Liabilities					
Bonds Payable	58,632	18,369	-	77,001	67,644
Due to Other Funds	67,647	-	-	67,647	68,791
Total Liabilities	126,279	18,369	-	144,648	136,435
Net Position					
Reserved for Debt	11,358	-	-	11,358	22,715
Reserved for ADSAP	740	-	-	740	737
Reserved for Improvements	-	-	552	552	13,044
Total Net Position	\$ 12,098	-	552	12,650	36,496

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

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.

Discretely Presented Component Units

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 not 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 City Commission. 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, (i.e. the statement of net position and the statement of activities) report financial information for the City as a whole excluding fiduciary activities. For the most part, the effect of interfund activity, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

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

Government-Wide Financial Statements

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available 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 liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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:

General Fund – The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Employee Benefit Fund – The employee benefit fund is a special revenue fund established to account for revenues and expenditures derived from taxes levied for employee benefit expenditures.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

Debt Service Fund – The debt service fund accounts for the servicing of general long-term debt, including special assessment and is not being financed by the proprietary funds.

Capital Project Fund – The capital project fund accounts for the 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 Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Capital Project 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.

Storm Water Management Fund – to account for storm water 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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

Fiduciary Fund

Additionally, the City reports the following fund category:

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

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.

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

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.

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end. 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	\$ 13,310,807	141,878	3,221,181	207,031	3,221,181	13,375,960
Bond and Interest Fund	2,006,313	-	-	-	-	2,006,313
Employee Benefit Fund	3,646,784	-	-	-	-	3,646,784

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.

[The remainder of this page intentionally left blank]

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

Water and Sewer Fund					
	<u>Statutory</u>	<u>Statutory</u>	<u>Encumbrances</u>		<u>GAAP</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Basis</u>
Operating Revenues					
Charges for Sales and Services					
Water Sales	\$ 2,546,189	-	-	-	2,546,189
Sewer Charges	2,025,759	-	-	-	2,025,759
Tap Fees	34,869	-	-	-	34,869
Water Sales Conservation Rate	314,403	-	-	-	314,403
Sales and Other Charges	56,340	-	-	-	56,340
Total Operating Revenues	<u>4,977,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,977,560</u>
Operating Expenses					
Wastewater Treatment and Collection	1,116,002	-	27,234	(8,898)	1,134,338
Waster Production and Distribution	1,536,049	(4,510)	49,964	(50,008)	1,531,495
Water Conservation	85,441	-	-	-	-
Clean Water Fee	18,424	-	-	-	18,424
Other Contractual Fees	62,205	-	34,412	(18,409)	78,208
Amortization	-	4,067	-	-	4,067
Depreciation	-	892,751	-	-	892,751
Total Operating Expenses	<u>2,818,121</u>	<u>892,308</u>	<u>111,610</u>	<u>(77,315)</u>	<u>3,659,283</u>
Net Operating Income	<u>2,159,439</u>	<u>(892,308)</u>	<u>111,610</u>	<u>(77,315)</u>	<u>1,318,277</u>
Non-Operating Revenues (Expenses)					
Local Sales Tax	2,981,934	-	-	-	2,981,934
Local Sales Tax Transfer	(2,334,247)	2,334,247	-	-	-
Capital Outlay	(107,684)	107,684	-	-	-
Interest Income	48,044	-	-	-	48,044
Rent on R-9 Ranch	325,000	-	-	-	325,000
Prior Year Encumbrances Voided	259	-	-	-	259
R-9 Ranch Expenses	(325,922)	-	-	-	(325,922)
Transfers In	85,441	(85,441)	-	-	-
Transfers Out	(3,232,277)	1,152,267	-	-	(2,080,010)
Interest on Deposits	(386)	-	-	-	(386)
Principal Debt Service Payments	(540,167)	540,167	-	-	-
Water Sales Tax Fund Reserve Expenses	-	(405,532)	-	-	(405,532)
Interest Expense	(157,576)	(28,507)	-	-	(186,083)
Total Non-Operating Revenues (Expenses)	<u>(3,257,581)</u>	<u>3,614,885</u>	<u>-</u>	<u>-</u>	<u>357,304</u>
Net Income	<u>\$ (1,098,142)</u>	<u>2,722,577</u>	<u>111,610</u>	<u>(77,315)</u>	<u>1,675,581</u>

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

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. Currently, the City does not have inventory or prepaid expenses that are deemed material.

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.

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

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 2013, the infrastructure was assessed, and it was determined that the infrastructure was at condition levels of "Fair to Excellent". No significant deterioration of the infrastructure had occurred, and there were no significant changes in condition levels from the previous year's assessments.

The following schedule shows the estimated annual amount of expenditures calculated during June 2013 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2013. It also shows the amounts actually expensed for each of the past four reporting periods.

	2010	2011	2012	2013	Totals
Estimated	\$ 2,220,474	11,146,638	3,431,125	1,039,027	17,837,264
Actual	\$ 1,239,130	11,012,205	1,147,368	583,494	13,982,197

Capital asset activity for the year ended December 31, 2013 was as follows:

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental				
Non-Depreciable Capital Assets				
Land and Rights of Ways	\$ 24,882,407	-	-	24,882,407
Infrastructure (Modified Approach)	49,183,667	-	-	49,183,667
Total Non-Depreciable Capital Assets	74,066,074	-	-	74,066,074
Depreciable Capital Assets				
Buildings	12,639,509	-	-	12,639,509
Machinery and Equipment	14,433,725	455,584	(118,745)	14,770,564
Total Depreciable Capital Assets	27,073,234	455,584	(118,745)	27,410,073
Accumulated Depreciation	(13,106,740)	(1,287,606)	118,745	(14,275,601)
Depreciable Capital Assets, Net of Accumulated Depreciation	13,966,494	(832,022)	-	13,134,472
Governmental Activities, Capital Assets Net of Accumulated Depreciation	\$ 88,032,568	(832,022)	-	87,200,546

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

Primary Government

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		18,487,053	-	-	18,487,053
Buildings Machinery and Equipment		12,072,234	-	-	12,072,234
Machinery and Equipment		12,807,588	127,910	(19,000)	12,916,498

Total Depreciable Capital Assets		47,628,915	127,910	(19,000)	47,737,825
---	--	-------------------	----------------	-----------------	-------------------

Accumulated Depreciation		(26,198,266)	(1,027,452)	19,000	(27,206,718)
--------------------------	--	--------------	-------------	--------	--------------

Depreciable Capital Assets,

Net of Accumulated Depreciation		21,430,649	(899,542)	-	20,531,107
--	--	-------------------	------------------	----------	-------------------

Business-Type Activities, Capital Assets

Net of Accumulated Depreciation	\$	21,569,758	(899,542)	-	20,670,216
--	-----------	-------------------	------------------	----------	-------------------

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.

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 2013. All deposits were legally secured at December 31, 2013.

At December 31, 2013, the City's carrying amount of deposits, including certificates of deposit, was \$52,930,346. The bank balance was \$53,963,754. Of the bank balance, \$775,263 was covered by FDIC insurance and the remaining \$53,188,491 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

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, 2013, 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, 2013 has been estimated at \$602,084.

Defined Benefit Pension Plan

Plan Description

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

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. 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. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

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 position.

The City records utility revenues on a monthly basis. The balance shown as accounts receivable at December 31, 2013 is comprised of accounts considered to be collectible by management. Balances are stated at net of anticipated uncollectible accounts.

Property Tax Calendar and Receivable

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. At December 31, such taxes are recorded as taxes receivable. Net of anticipated delinquencies with a correspondence amount recorded as deferred inflows of resources in the fund financial statements.

It is not practicable to apportion delinquent taxes at the end of the year and, further, the amounts are not material in relationship to the basic financial statements.

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.

Equity Classifications

In the government-wide statements, equity is shown as net position and classified into three components:

- Net investment in capital assets - consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction, or improvements of those assets.
- Restricted net position - consisting of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.
- Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

As prescribed by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, governmental fund balance classifications are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

In the fund financial statements, governmental funds report fund balance in five different classifications:

- **Non-spendable:** Assets legally or contractually required to be maintained or are not in spendable form. Such constraint is binding until the legal requirement is repealed or the amounts become spendable.
- **Restricted:** Assets with externally imposed constraints, such as those mandated by creditors, grantors, and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws, or regulations.
- **Committed:** Assets with a purpose formally imposed by resolution by the City Commission, binding unless modified or rescinded by the City Commission.
- **Assigned:** Comprised of amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Commission or (2) a body or official to whom the City's Commission has delegated the authority to assign amounts to be used for specific purposes as prescribed by the City's fund balance and cash policy.
- **Unassigned:** All amounts not included in the other fund balance classifications. The general fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

In circumstances when expenditure is made for a purpose which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The City's fund balance policy states that the General Fund will be managed in such a way as to maintain a minimum unrestricted fund balance on the last calendar quarter equal to 20 percent of budgeted annual expenditures and transfers out.

Deferred Inflows of Resources/Deferred Outflows of Resources

Effective January 1, 2012, the City implemented the provisions of GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and GASB Statement No. 65 Items Previously Reported As Assets and Liabilities. GASB 63 provides guidance for reporting deferred outflows and deferred inflows of resources and GASB 65 provides additional guidance on reclassifying, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The City identified certain financial statement balances that met the definition of a deferred outflow of resources or a deferred inflow of resources. These items were reclassified as deferred outflows of resources or deferred inflows of resources, as applicable. Additionally, the term "net assets" was replaced with the term "net position".

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

NOTE 2 - CAPITAL LEASES

As of December 31, 2013, **City of Hays, Kansas** had the following capital leases:

Lease Date	Maturity Date	Interest Rate	Property
11-20-2007	04-18-2017	4.42%	Welcome Center

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, 2013.

Year Ending December 31	Governmental Activities Welcome Center
2014	\$ 100,582
2015	100,582
2016	100,582
2017	100,582
2018	95,169
Total Minimum Lease Payments	497,497
Less: Amount Representing Interest	(79,436)
Present Value Of Future Minimum Lease Payments	\$ 418,061

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. This was concluded at the end of January 2013.

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:

Purpose	Interest Rates	Amount
Business Type Activities	3.45 – 6.50%	\$13,570,000

The annual requirements to retire G.O. Bonds as of December 31, 2013, are as follows:

Year	Principal Due	Interest Due	Total
2014	\$ 1,070,000	521,244	1,591,244
2015	1,115,000	479,825	1,594,825
2016	1,160,000	438,397	1,598,397
2017	1,215,000	395,496	1,610,496
2018	1,235,000	351,318	1,586,318
2019-2023	5,565,000	1,089,618	6,654,618
2024-2028	2,210,000	172,050	2,382,050
Total	\$ 13,570,000	3,447,948	1,586,318

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

Revenue Refunding Bonds and Revolving Loan

The City has issued revenue bonds and entered into a revolving loan agreement with the State of Kansas in order to finance wastewater plant improvements.

Purpose	Interest Rates	Amount
Business-Type Activities	3.60 – 5.25%	\$3,870,791

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2013 are as follows:

Year	Principal Due	Interest Due	Total
2014	\$ 480,791	139,857	620,648
2015	290,000	129,070	419,070
2016	300,000	121,095	421,095
2017	305,000	111,795	416,795
2018	315,000	101,730	416,730
2019-2023	1,780,000	316,340	2,096,340
2024	400,000	17,600	417,600
Total	\$ 3,870,791	937,487	4,808,278

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.

Long-term debt activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
G.O. Bonds	\$ 13,970,000	1,245,000	(1,645,000)	13,570,000	1,070,000
Capital Leases	739,891	-	(321,830)	418,061	73,991
Total Governmental Long-Term Liabilities	14,709,891	1,245,000	(1,966,830)	13,988,061	1,143,991
Business-Type Activities					
Capital Leases	226,240	-	(226,240)	-	-
Revenue Bonds	3,835,000	-	(160,000)	3,675,000	285,000
State Revolving Loan	575,958	-	(380,167)	195,791	195,791
Total Business-Type Long-Term Liabilities	4,637,198	-	(766,407)	3,870,791	480,791
Total long-Term Liabilities	\$ 19,347,089	1,245,000	(2,733,237)	17,858,852	1,624,782

NOTE 4 – CAPITAL PROJECTS

Project	Budget	Expense
46 th Street 2 nd Addition	\$ 639,549	363,979
41 Street Reconstruction	1,101,548	1,094,166
Vine Street Construction	1,054,188	1,054,188

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

NOTE 5 – 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, 2013 was unavailable.

NOTE 6 - COMPLIANCE WITH REVENUE BOND PROVISION WATER AND SEWER UTILITY FUND

The Water and Sewage System Revenue Bonds - Series 2009 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, 2013. Excess revenues totaled \$218,881.

Gross Revenues		\$ 4,977,560
Adjustments		
Less - Operating Expenses	(2,762,465)	
Transfers Out	(1,483,160)	
Add - Interest Earned	13,440	
Net Adjustments		(4,232,185)
Net Revenues		745,375
Maximum Amount of Principal and Interest	421,195	
	125 %	
Net Revenues Required		526,494
Excess		\$ 218,881

NOTE 7 – 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, 2013 were as follows:

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

From Fund	To Fund	Statutory Authority	Amount
Water and Sewer	General	12-825d	\$ 968,200
Solid Waste	General	12-825d	245,000
Convention and Tourism	General	79-2925	61,625
Special Alcohol	General	79-41a04	52,854
Water Sales Tax - W & S	General	12-825d	596,850
Stormwater Management	General	12-825d	64,260
Sports Complex	General	79-2925	179,169
General	Employee Benefit	12-16,102	271,323
Solid Waste	Employee Benefit	12-825d	159,376
Water and Sewer	Employee Benefit	12-825d	454,019
Convention and Tourism	Employee Benefit	79-2925	77,705
Special Alcohol	Employee Benefit	79-41a04	24,045
Stormwater Management	Employee Benefit	12-825b	10,702
Sports Complex	Employee Benefit	79-2925	18,109
Solid Waste	Solid Waste Reserve	12-825d	242,839
Water and Sewer	Sales Tax Reserve	12-825d	2,334,247
General	New Equipment Reserve	12-1,117	298,431
Airport	New Equipment Reserve	12-1,117	6,540
Convention and Tourism	New Equipment Reserve	12-1,117	2,760
Water and Sewer	New Equipment Reserve	12-1,117	60,941
Stormwater Management	New Equipment Reserve	12-1,117	1,800
Public Safety Equipment	New Equipment Reserve	12-1,117	243,165
Stormwater Management	Capital Projects	Commission Approved	600,000
Water and Sewer	Capital Improvement Reserve	12-825d	1,152,267
Special Highway	Capital Projects	Commission Approved	354,074
General	Capital Projects	Commission Approved	1,750,000
General	Stormwater Management	Commission Approved	16,500
Airport	Airport Improvement	Commission Approved	177,154
Special Parks	Capital Projects	Commission Approved	300,000
Water Sales Tax - W & S	Water and Sewer	Commission Approved	85,441

In the fund financial statements, total transfers of \$3,177,648 are equal to the total transfers out of \$3,177,648 from business-type funds.

NOTE 8 – SELF-INSURANCE PLANS

Health Care Coverage – During the year ended December 31, 2013, 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 \$397 (\$351), \$854 (\$757), \$815 (\$725) and \$1,272 (\$1,129) 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 \$351, \$757, \$725 and \$1,129 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 \$1,582,049. The annualized maximum claim limit is set annually by Blue Cross Blue Shield of Kansas, based on previous year's claims.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

Self-Insurance Liability	Current Year Beginning of Fiscal Year Liability	Claims and Changes in Estimates
2013	-	1,582,049
\$	\$	
Claim Payments	Balance at Fiscal Year End	
\$ 1,582,049	-	

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 financial 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.

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 2013, the City contributed \$123,626 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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2013

NOTE 12 - INTERLOCAL COOPERATION AGREEMENT

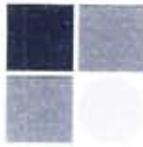
City of Hays, Kansas has entered into an Interlocal Cooperation Agreement with Ellis County, Kansas. The City has agreed to remit to Ellis County, Kansas all proceeds from the County wide retailers sales tax received by the City.

NOTE 13 - 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 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 18, 2014, which is the date the financial statements were available to be issued.



Certified
Public
Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise **City of Hays, Kansas'** basic financial statements, and have issued our report thereon dated June 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **City of Hays, Kansas'** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **City of Hays, Kansas'** internal control. Accordingly, we do not express an opinion on the effectiveness of **City of Hays, Kansas'** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of Hays, Kansas'** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Adams, Brown, Beran, & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

June 18, 2014



Certified
Public
Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited **City of Hays, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **City of Hays, Kansas'** major federal programs for the year ended December 31, 2013. **City of Hays, Kansas'** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **City of Hays, Kansas'** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit and Accounting Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **City of Hays, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **City of Hays, Kansas'** compliance.

Opinion on Each Major Federal Program

In our opinion, **City of Hays, Kansas** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of **City of Hays, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **City of Hays, Kansas'** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **City of Hays, Kansas'** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Adams, Brown, Beran & Ball

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

June 18, 2014

CITY OF HAYS, KANSAS

Required Supplementary Information

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2013 and 2012

	<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash	\$	4,257,776	5,155,908
Receivables			
Accounts Receivable (Net of Allowance for Uncollectibles)		67,647	68,791
Other Asset			
Reserved Cash - Budget Stabilization		3,221,181	3,221,181
Total Assets	\$	<u>7,546,604</u>	<u>8,445,880</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts Payable	\$	70,769	76,402
Accrued Payroll		200,242	176,259
Accrued Paid-Time Off		473,912	454,070
Accrued Sick Leave Payout		29,368	36,315
Total Liabilities		<u>774,291</u>	<u>743,046</u>
Fund Balance			
Committed - Budget Stabilization		3,221,181	3,221,181
Assigned - Reserved for Encumbrances		207,031	141,878
Assigned - Designated for Subsequent Year Expenditures		2,532,583	3,610,972
Unassigned		811,518	728,803
Total Fund Balance		<u>6,772,313</u>	<u>7,702,834</u>
Total Liabilities and Fund Balance	\$	<u>7,546,604</u>	<u>8,445,880</u>

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, 2013
(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013			2012 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues (Statement 9-1, Page 4)	\$ 9,991,456	10,212,328	220,872	10,166,436
Expenditures (Statement 9-1, Page 4)	12,364,706	11,039,706	1,325,000	10,302,372
Excess Revenues Over (Under) Expenditures	(2,373,250)	(827,378)	1,545,872	(135,936)
Other Financing Sources (Uses)				
Transfers In	2,245,882	2,167,958	(77,924)	2,206,957
Transfers Out	(2,318,179)	(2,336,254)	(18,075)	(2,597,657)
Total Other Financing Sources (Uses)	(72,297)	(168,296)	(95,999)	(390,700)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(2,445,547)	(995,674)	1,449,873	(526,636)
Fund Balance - Beginning	3,610,972	7,702,834	4,091,862	8,370,803
Increase (Decrease) in Reserve for Encumbrances	-	65,153	65,153	(141,333)
Fund Balance - Ending	\$ 1,165,425	6,772,313	5,606,888	7,702,834

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, 2013
(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013		Variance Positive (Negative)	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Local Sales	\$ 7,311,628	7,302,196	(9,432)	7,313,536
Intergovernmental				
Liquor Tax	126,153	135,407	9,254	137,819
State Grant	-	3,090	3,090	1,500
Federal Grant	-	37,990	37,990	7,403
Total Intergovernmental	<u>126,153</u>	<u>176,487</u>	<u>50,334</u>	<u>146,722</u>
Licenses and Permits				
Franchise Tax	1,430,000	1,397,718	(32,282)	1,413,907
Licenses	44,750	57,987	13,237	46,006
Permits	55,000	78,657	23,657	88,159
Total Licenses and Permits	<u>1,529,750</u>	<u>1,534,362</u>	<u>4,612</u>	<u>1,548,072</u>
Fines and Forfeitures				
Fines and Court Fees	530,000	703,368	173,368	644,928
Use of Money and Property				
Interest Income	34,425	37,064	2,639	52,668
Rent	1,200	1,200	-	1,200
Total Use of Money and Property	<u>\$ 35,625</u>	<u>38,264</u>	<u>2,639</u>	<u>53,868</u>

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, 2013

(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

Revenues (continued)	2013		Variance Positive (Negative)	2012 Actual
	Original and Final Budget	Actual		
Miscellaneous				
Golf Course Fees	\$ 305,000	287,399	(17,601)	281,900
Cemetery Receipts	10,300	8,770	(1,530)	19,110
Miscellaneous Receipts	143,000	142,340	(660)	138,708
Prior Year Encumbrances Cancelled	-	19,142	19,142	19,592
Total Miscellaneous	<u>458,300</u>	<u>457,651</u>	<u>(649)</u>	<u>459,310</u>
Total Revenues	<u>\$ 9,991,456</u>	<u>10,212,328</u>	<u>220,872</u>	<u>10,166,436</u>
Expenditures				
City Commission	\$ 1,036,813	682,220	354,593	263,398
City Manager	454,097	430,967	23,130	400,148
Human Resources	223,417	198,330	25,087	160,978
Information Technology	520,851	532,619	(11,768)	485,035
Dispatch	552,452	524,273	28,179	-
City Attorney	101,000	95,275	5,725	132,338
Finance - City Clerk	403,146	347,355	55,791	385,162
Intergovernmental Account	360,850	321,804	39,046	335,586
Police Department	2,098,965	1,901,691	197,274	2,380,893
Municipal Court	151,626	141,308	10,318	142,766
Public Works - General Administration	349,867	334,680	15,187	230,606
Service Division	868,197	775,355	92,842	728,222
Planning, Inspection, and Enforcement	314,238	251,882	62,356	267,651
Building and Grounds	531,260	473,836	57,424	452,187
Fleet Maintenance	884,650	771,995	112,655	746,611
Fire Department	1,387,544	1,347,718	39,826	1,291,892
Parks and Playgrounds	842,410	823,773	18,637	810,416
Golf Course	350,878	314,673	36,205	323,938
Swimming Pool	137,900	106,492	31,408	68,725
Ballfield Maintenance	60,500	22,185	38,315	26,253
Cemeteries	18,000	12,991	5,009	7,648
Bickle-Schmidt Sports Complex	257,093	179,122	77,971	217,399
Social Services	164,000	164,000	-	164,000
Economic Development	256,205	246,415	9,790	247,338
Quality of Life	38,747	38,747	-	33,182
Total Expenditures	<u>\$ 12,364,706</u>	<u>11,039,706</u>	<u>1,325,000</u>	<u>10,302,372</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Fund
 Balance Sheets
 December 31, 2013 and 2012

<u>ASSETS</u>			
	<u>2013</u>	<u>2012</u>	
Cash	\$ 71,881	65,711	
Taxes Receivable	<u>1,083,438</u>	<u>1,051,066</u>	
Total Assets	\$ <u>1,155,319</u>	<u>1,116,777</u>	
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
Deferred Inflows of Resources			
Deferred Property Tax Receivable	\$ <u>1,083,438</u>	<u>1,051,066</u>	
Fund Balance			
Assigned - Designated for Subsequent Year Expenditures	<u>45,326</u>	<u>20,386</u>	
Assigned	<u>26,555</u>	<u>45,325</u>	
Total Fund Balance	<u>71,881</u>	<u>65,711</u>	
Total Deferred Inflows of Resources and Fund Balance	\$ <u>1,155,319</u>	<u>1,116,777</u>	

Library Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	<u>2013</u>			<u>2012</u> Actual
	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>	
Revenues				
Taxes				
Ad Valorem	\$ 1,083,573	1,061,391	(22,182)	1,086,690
Delinquent	-	15,736	15,736	34,077
Motor Vehicle	104,415	135,155	30,740	132,532
Recreational Vehicle	1,420	1,848	428	1,967
16/20M Truck	<u>993</u>	<u>1,427</u>	<u>434</u>	<u>1,416</u>
Total Revenues	<u>1,190,401</u>	<u>1,215,557</u>	<u>25,156</u>	<u>1,256,682</u>
Expenditures				
Distributions to Library Board	1,188,000	1,188,000	-	1,186,000
Tax Increment Financing Dist (TIF)	17,000	16,114	886	16,138
Neighborhood Revit Rebate	<u>5,787</u>	<u>5,273</u>	<u>514</u>	<u>6,150</u>
Total Expenditures	<u>1,210,787</u>	<u>1,209,387</u>	<u>1,400</u>	<u>1,208,288</u>
Excess Revenues Over (Under)				
Expenditures	(20,386)	6,170	26,556	48,394
Fund Balance - Beginning	<u>20,386</u>	<u>65,711</u>	<u>45,325</u>	<u>17,317</u>
Fund Balance - Ending	\$ <u>-</u>	<u>71,881</u>	<u>71,881</u>	<u>65,711</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Employee Benefit Fund
 Balance Sheets
 December 31, 2013 and 2012

<u>ASSETS</u>			
	<u>2013</u>	<u>2012</u>	
Cash	\$ 8,464	7,654	
Taxes Receivable	<u>164,885</u>	<u>153,611</u>	
Total Assets	\$ <u>173,349</u>	<u>161,265</u>	
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
Deferred Inflows of Resources			
Deferred Property Tax Receivable	\$ <u>164,885</u>	<u>153,611</u>	
Fund Balance			
Assigned - Designated for Subsequent Year Expenditures	<u>5,333</u>	2,321	
Assigned	<u>3,131</u>	<u>5,333</u>	
Total Fund Balance	<u>8,464</u>	<u>7,654</u>	
Total Deferred Inflows of Resources and Fund Balance	\$ <u>173,349</u>	<u>161,265</u>	

Library Employee Benefit Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	<u>2013</u>			<u>2012</u> Actual
	<u>Original and</u> Final Budget	<u>Actual</u>	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 158,362	155,107	(3,255)	153,143
Delinquent	-	2,131	2,131	4,252
Motor Vehicle	14,723	18,659	3,936	16,995
Recreational Vehicle	200	255	55	252
16/20M Truck	140	184	44	194
Total Revenues	<u>173,425</u>	<u>176,336</u>	<u>2,911</u>	<u>174,836</u>
Expenditures				
Distributions to Library Board	172,400	172,400	-	166,200
Tax Increment Financing Dist (TIF)	2,500	2,355	145	2,274
Neighborhood Revit Rebate	846	771	75	867
Total Expenditures	<u>175,746</u>	<u>175,526</u>	<u>220</u>	<u>169,341</u>
Excess Revenues Over (Under)				
Expenditures	(2,321)	810	3,131	5,495
Fund Balance - Beginning	<u>2,321</u>	<u>7,654</u>	<u>5,333</u>	<u>2,159</u>
Fund Balance - Ending	\$ <u>-</u>	<u>8,464</u>	<u>8,464</u>	<u>7,654</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Highway Fund
Balance Sheets
December 31, 2013 and 2012

<u>ASSETS</u>		
	<u>2013</u>	<u>2012</u>
Cash	\$ <u>227,844</u>	<u>487,989</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>1,590</u>	<u>-</u>
Fund Balance		
Assigned - Reserved for Encumbrances	84,629	-
Assigned - Designated for Subsequent Year's Expenditures	13,902	-
Assigned	<u>127,723</u>	<u>487,989</u>
Total Fund Balance	<u>226,254</u>	<u>487,989</u>
Total Liabilities and Fund Balance	\$ <u>227,844</u>	<u>487,989</u>

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, 2013
(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013			2012 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Intergovernmental				
State Gasoline Tax	\$ 533,800	525,636	(8,164)	534,061
Connecting Link Maintenance	44,760	44,729	(31)	44,791
Prior Year Encumbrances Cancelled	-	-	-	711
Total Revenues	<u>578,560</u>	<u>570,365</u>	<u>(8,195)</u>	<u>579,563</u>
Expenditures				
Contractual Services	50,000	-	50,000	505
Capital Outlay	681,255	562,655	118,600	103,834
Total Expenditures	<u>731,255</u>	<u>562,655</u>	<u>168,600</u>	<u>104,339</u>
Excess Revenues Over (Under) Expenditures	(152,695)	7,710	160,405	475,224
Other Financing Sources (Uses)				
Transfers Out	(354,074)	(354,074)	-	(537,742)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(506,769)	(346,364)	160,405	(62,518)
Fund Balance - Beginning	506,769	487,989	(18,780)	602,023
Increase (Decrease) in Reserve for Encumbrances	-	84,629	84,629	(51,516)
Fund Balance - Ending	<u>\$ -</u>	<u>226,254</u>	<u>226,254</u>	<u>487,989</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Employee Benefit Fund
Balance Sheets
December 31, 2013 and 2012

<u>ASSETS</u>			
		<u>2013</u>	<u>2012</u>
Cash	\$	1,099,049	972,831
Receivable - Employee Withholdings		-	14,526
Taxes Receivable		<u>2,223,429</u>	<u>2,176,143</u>
Total Assets	\$	<u>3,322,478</u>	<u>3,163,500</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>			
Liabilities			
Accounts Payable	\$	<u>137,737</u>	<u>294</u>
Deferred Inflows of Resources			
Deferred Property Tax Receivable		<u>2,223,429</u>	<u>2,176,143</u>
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures		767,628	548,346
Assigned		<u>193,684</u>	<u>438,717</u>
Total Fund Balance		<u>961,312</u>	<u>987,063</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$	<u>3,322,478</u>	<u>3,163,500</u>

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, 2013
(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013		Variance Positive (Negative)	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 2,243,446	2,197,712	(45,734)	1,913,183
Delinquent	-	27,563	27,563	57,784
Motor Vehicle	183,845	243,697	59,852	242,725
Recreational Vehicle	2,500	3,864	1,364	3,551
16/20M Truck	1,749	2,230	481	2,408
Interest Income	3,000	2,456	(544)	3,018
Miscellaneous	-	128,232	128,232	184,645
Total Revenues	<u>2,434,540</u>	<u>2,605,754</u>	<u>171,214</u>	<u>2,407,314</u>
Expenditures				
Workmen's Compensation	182,298	123,626	58,672	206,517
Unemployment Compensation	8,809	19,988	(11,179)	8,044
Social Security	673,924	621,076	52,848	598,400
Employee Retirement	1,007,781	949,611	58,170	870,818
Contingency	300,000	-	300,000	8,820
Health Insurance	1,719,500	1,826,440	(106,940)	1,601,133
Contractual Services	60,181	61,759	(1,578)	43,076
Tax Increment Financing Dist (TIF)	33,625	33,366	259	28,412
Neighborhood Revit Rebate	12,047	10,918	1,129	10,828
Total Expenditures	<u>3,998,165</u>	<u>3,646,784</u>	<u>351,381</u>	<u>3,376,048</u>
Excess Revenues Over (Under) Expenditures	(1,563,625)	(1,041,030)	522,595	(968,734)
Other Financing Sources (Uses)				
Transfers In	1,015,279	1,015,279	-	1,080,211
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(548,346)	(25,751)	522,595	111,477
Fund Balance - Beginning	548,346	987,063	438,717	875,586
Fund Balance - Ending	<u>\$ -</u>	<u>961,312</u>	<u>961,312</u>	<u>987,063</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
Balance Sheets
December 31, 2013 and 2012

<u>ASSETS</u>			
	<u>2013</u>	<u>2012</u>	
Cash	\$ 74,241	83,394	
Taxes Receivable	<u>387,432</u>	<u>371,275</u>	
Total Assets	\$ <u>461,673</u>	<u>454,669</u>	
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>			
Liabilities			
Accounts Payable	\$ <u>8,668</u>	<u>153</u>	
Deferred Inflows of Resources			
Deferred Property Tax Receivable	<u>387,432</u>	<u>371,275</u>	
Fund Balance			
Assigned - Reserved for Encumbrances	1,229	13,219	
Assigned - Designated for Subsequent Year's Expenditures	25,974	44,048	
Assigned	<u>38,370</u>	<u>25,974</u>	
Total Fund Balance	<u>65,573</u>	<u>83,241</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>461,673</u>	<u>454,669</u>	

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, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013		Variance Positive (Negative)	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 382,758	375,027	(7,731)	368,167
Delinquent	-	5,303	5,303	11,469
Motor Vehicle	35,382	45,608	10,226	44,221
Recreational Vehicle	481	623	142	656
16/20M Truck	337	476	139	478
Intergovernmental				
Federal Grants	-	1,262	1,262	1,870
Miscellaneous Revenue	-	28,063	28,063	16,946
Prior Year Cancelled Encumbrance	-	2,217	2,217	836
Total Revenues	<u>418,958</u>	<u>458,579</u>	<u>39,621</u>	<u>444,643</u>
Expenditures				
Capital Outlay	185,497	213,535	(28,038)	143,068
Tax Increment Financing Dist (TIF)	5,800	5,694	106	5,468
Neighborhood Revit Rebate	2,044	1,863	181	2,084
(a) Adjustment for Qualifying Budget Credit	1,262	-	1,262	-
Total Expenditures	<u>194,603</u>	<u>221,092</u>	<u>(26,489)</u>	<u>150,620</u>
Excess Revenues Over (Under)				
Expenditures	224,355	237,487	13,132	294,023
Other Financing Sources (Uses)				
Transfers Out	(269,665)	(243,165)	26,500	(369,343)
Excess Revenues and Other Financing				
Sources (Uses) Over (Under) Expenditures	<u>\$ (45,310)</u>	<u>(5,678)</u>	<u>39,632</u>	<u>(75,320)</u>
Fund Balance - Beginning		83,241		177,559
Increase (Decrease) in				
Reserve for Encumbrances		<u>(11,990)</u>		<u>(18,998)</u>
Fund Balance - Ending		<u>\$ 65,573</u>		<u>83,241</u>
(a) Adjustment for Qualifying Budget Credit				
Federal Grants Over Amount Budgeted			<u>\$ 1,262</u>	

See independent auditors' report.

CITY OF HAYS, KANSAS
Airport Fund
Balance Sheets
December 31, 2013 and 2012

<u>ASSETS</u>		
	<u>2013</u>	<u>2012</u>
Cash	\$ 55,925	146,377
Accounts Receivable (Net of Allowance for Uncollectibles)	-	11,718
Taxes Receivable	<u>193,716</u>	<u>185,638</u>
Total Assets	\$ <u>249,641</u>	<u>343,733</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 3,636	5,640
Accrued Payroll	2,840	2,909
Accrued Paid Time Off	<u>6,613</u>	<u>7,035</u>
Total Liabilities	<u>13,089</u>	<u>15,584</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>193,716</u>	<u>185,638</u>
Fund Balance		
Assigned - Reserved for Encumbrances	5,200	6,381
Assigned - Designated for Subsequent Year's Expenditures	18,884	-
Assigned	<u>18,752</u>	<u>136,130</u>
Total Fund Balance	<u>42,836</u>	<u>142,511</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>249,641</u>	<u>343,733</u>

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, 2013
(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013			2012 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 191,379	187,514	(3,865)	184,175
Delinquent	-	2,652	2,652	5,734
Motor Vehicle	17,691	22,813	5,122	22,111
Recreational Vehicle	241	312	71	328
16/20M Truck	168	238	70	239
Intergovernmental				
Federal Grant	-	64,789	64,789	-
Licenses and Fees Collected	107,170	90,255	(16,915)	87,399
Farming Leases	16,512	20,530	4,018	18,977
Miscellaneous	10,000	8,022	(1,978)	6,860
Total Revenues	<u>343,161</u>	<u>397,125</u>	<u>53,964</u>	<u>325,823</u>
Expenditures				
Personal Services	110,165	100,978	9,187	105,436
Contractual Services	94,830	78,275	16,555	79,746
Commodities	114,175	128,893	(14,718)	113,142
Tax Increment Financing Dist (TIF)	3,200	2,847	353	2,735
Neighborhood Revit Rebate	1,022	932	90	1,042
Total Expenditures	<u>323,392</u>	<u>311,925</u>	<u>11,467</u>	<u>302,101</u>
Excess Revenues Over (Under)				
Expenditures	19,769	85,200	65,431	23,722
Other Financing (Uses)				
Transfers Out	(183,694)	(183,694)	-	(6,207)
Excess Revenues and Other Financing				
Sources (Uses) Over (Under) Expenditures	(163,925)	(98,494)	65,431	17,515
Fund Balance - Beginning	163,925	142,511	(21,414)	121,088
Increase (Decrease) in				
Reserve for Encumbrances	-	(1,181)	(1,181)	3,908
Fund Balance - Ending	<u>\$ -</u>	<u>42,836</u>	<u>42,836</u>	<u>142,511</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Park Development Fund
Balance Sheets
December 31, 2013 and 2012

	<u>ASSETS</u>	
	2013	2012
Cash	\$ <u>5,027</u>	<u>5,027</u>
<u>FUND BALANCE</u>		
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	\$ <u>5,027</u>	<u>5,027</u>

Park Development Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013
(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013			
	Original and Final Budget	Actual	Variance Positive (Negative)	2012 Actual
Revenues				
Miscellaneous	\$ -	-	-	-
Expenditures				
Contractual Services	-	-	-	-
Excess Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance - Beginning	-	5,027	5,027	5,027
Fund Balance - Ending	\$ <u>-</u>	<u>5,027</u>	<u>5,027</u>	<u>5,027</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund
Balance Sheets
December 31, 2013 and 2012

<u>ASSETS</u>			
	<u>2013</u>	<u>2012</u>	
Cash	\$ <u>721,233</u>	<u>637,387</u>	
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts Payable	\$ 12,072	3,438	
Accrued Payroll	5,565	5,013	
Accrued Paid Time Off	<u>12,555</u>	<u>14,556</u>	
Total Liabilities	<u>30,192</u>	<u>23,007</u>	
Fund Balance			
Assigned - Reserved for Encumbrances	-	17,532	
Assigned - Designated for Subsequent Year's Expenditures	637,386	548,497	
Assigned	<u>53,655</u>	<u>48,351</u>	
Total Fund Balance	<u>691,041</u>	<u>614,380</u>	
Total Liabilities and Fund Balance	<u>\$ 721,233</u>	<u>637,387</u>	

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, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013		Variance Positive (Negative)	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Guest Tax	\$ 725,000	782,507	57,507	754,278
Miscellaneous	37,000	39,745	2,745	41,736
Total Revenues	<u>762,000</u>	<u>822,252</u>	<u>60,252</u>	<u>796,014</u>
Expenditures				
Personal Services	231,507	220,962	10,545	216,498
Contractual Services	836,400	275,820	560,580	268,075
Commodities	71,500	60,576	10,924	45,287
Capital Outlay	29,000	28,611	389	17,752
Total Expenditures	<u>1,168,407</u>	<u>585,969</u>	<u>582,438</u>	<u>547,612</u>
Excess Revenues Over (Under) Expenditures	(406,407)	236,283	642,690	248,402
Other Financing Sources (Uses)				
Transfers Out	(142,090)	(142,090)	-	(133,804)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(548,497)	94,193	642,690	114,598
Fund Balance - Beginning	548,497	614,380	65,883	482,250
Increase (Decrease) in Reserve for Encumbrances	-	(17,532)	(17,532)	17,532
Fund Balance - Ending	<u>\$ -</u>	<u>691,041</u>	<u>691,041</u>	<u>614,380</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
New Equipment Reserve Fund
Balance Sheets
December 31, 2013 and 2012

	<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash		\$ <u>3,091,981</u>	<u>2,607,278</u>
	<u>FUND BALANCE</u>		
Fund Balance			
Assigned - Reserved for Fund Balance		\$ 40,493	-
Assigned		<u>3,051,488</u>	<u>2,607,278</u>
Total Fund Balance		<u>\$ 3,091,981</u>	<u>2,607,278</u>

New Equipment Reserve Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2013
(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Revenues		
Interest Income	\$ 3,369	5,035
Expenditures		
Capital Outlay	<u>172,796</u>	<u>277,014</u>
Excess Revenues Over (Under) Expenditures	(169,427)	(271,979)
Other Financing Sources (Uses)		
Transfers In	<u>613,637</u>	<u>736,550</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	444,210	464,571
Fund Balance - Beginning	2,607,278	2,142,707
Increase (Decrease) in Reserve for Encumbrances	<u>40,493</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,091,981</u>	<u>2,607,278</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
 Balance Sheets
 December 31, 2013 and 2012

ASSETS			
		2013	2012
Cash	\$	189,232	190,725
FUND BALANCE			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	179,978	173,385
Assigned		9,254	17,340
Total Fund Balance	\$	189,232	190,725

Special Alcohol Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013			2012 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Intergovernmental				
Liquor Tax	\$ 126,153	135,406	9,253	137,819
Expenditures				
Contractual	60,000	60,000	-	71,704
Contingency	162,639	-	162,639	-
Total Expenditures	222,639	60,000	162,639	71,704
Excess Revenues Over (Under)				
Expenditures	(96,486)	75,406	171,892	66,115
Other Financing Sources (Uses)				
Transfers Out	(76,899)	(76,899)	-	(66,023)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(173,385)	(1,493)	171,892	92
Fund Balance - Beginning	173,385	190,725	17,340	190,633
Fund Balance - Ending	\$ -	189,232	189,232	190,725

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
 Balance Sheets
 December 31, 2013 and 2012

<u>ASSETS</u>			
	<u>2013</u>	<u>2012</u>	
Cash	\$ <u>122,309</u>	<u>309,832</u>	
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts Payable	\$ <u>11,561</u>	<u>-</u>	
Fund Balance			
Assigned - Reserved for Encumbrances	1,770	4,002	
Assigned - Designated for Subsequent Year's Expenditures	99,983	255,946	
Assigned	<u>8,995</u>	<u>49,884</u>	
Total Fund Balance	<u>110,748</u>	<u>309,832</u>	
Total Liabilities and Fund Balance	\$ <u>122,309</u>	<u>309,832</u>	

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013		Variance Positive (Negative)	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Liquor Tax	\$ 126,153	134,646	8,493	137,819
Donations	-	63,023	63,023	15,031
Prior Year Encumbrance Cancelled	-	-	-	6,237
Total Revenues	<u>126,153</u>	<u>197,669</u>	<u>71,516</u>	<u>159,087</u>
Expenditures				
Capital Outlay	82,099	94,521	(12,422)	39,203
(a) Adjustment for Qualifying Budget Credit	63,023	-	63,023	-
Total Expenditures	<u>145,122</u>	<u>94,521</u>	<u>50,601</u>	<u>39,203</u>
Excess Revenues Over (Under) Expenditures	(18,969)	103,148	20,915	119,884
Other Financing Sources (Uses)				
Transfers Out	(300,000)	(300,000)	-	-
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ (318,969)</u>	<u>(196,852)</u>	<u>20,915</u>	119,884
Fund Balance - Beginning		309,832		569,925
Increase (Decrease) in Reserve For Encumbrances		<u>(2,232)</u>		<u>(379,977)</u>
Fund Balance - Ending		<u>\$ 110,748</u>		<u>309,832</u>
(a) Adjustment for Qualifying Budget Credit				
Donations Over Amount Budgeted			<u>\$ 63,023</u>	

See independent auditors' report.

CITY OF HAYS, KANSAS
Sales Tax Dedicated to Ellis County, Kansas
 Balance Sheets
 December 31, 2013 and 2012

	<u>ASSETS</u>	
	2013	2012
Cash	\$ -	-
	-	-
	<u>FUND BALANCE</u>	
Fund Balance	\$ -	-
	-	-

Sales Tax Dedicated to Ellis County, Kansas
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013 Actual	2012 Actual
Revenues		
Intergovernmental		
Local Sales Tax	\$ 147,170	-
Expenditures		
Payment to Ellis County	147,170	-
Excess Revenues Over (Under) Expenditures	-	-
Fund Balance - Beginning	-	-
Fund Balance - Ending	\$ -	-

See independent auditors' report.

CITY OF HAYS, KANSAS
Bond and Interest Fund
Balance Sheets
December 31, 2013 and 2012

<u>ASSETS</u>		
	<u>2013</u>	<u>2012</u>
Cash	\$ 221,016	298,280
Taxes Receivable	<u>790,059</u>	<u>703,406</u>
Total Assets	\$ <u>1,011,075</u>	<u>1,001,686</u>
 <u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u> 		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	\$ <u>790,059</u>	<u>703,406</u>
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	190,100	243,180
Assigned	<u>30,916</u>	<u>55,100</u>
Total Fund Balance	<u>221,016</u>	<u>298,280</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>1,011,075</u>	<u>1,001,686</u>

See independent auditors' report.

CITY OF HAYS, KANSAS

Bond and Interest Fund

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

For the Year Ended December 31, 2013

(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013			2012 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 725,161	710,341	(14,820)	897,189
Delinquent	-	14,171	14,171	29,552
Motor Vehicle	86,220	104,205	17,985	93,880
Recreational Vehicle	1,173	1,420	247	1,446
16/20M Truck	820	862	42	1,239
Special Assessments	431,319	442,064	10,745	482,775
Accrued Interest	-	986	986	-
Total Revenues	<u>1,244,693</u>	<u>1,274,049</u>	<u>29,356</u>	<u>1,506,081</u>
Expenditures				
Neighborhood Revitalization Rebate	3,873	3,529	344	5,078
Tax Increment Financing District	12,000	10,784	1,216	13,324
Bond Principal	880,000	1,535,000	(655,000)	1,035,000
Interest Expense	457,000	457,000	-	499,326
Levy Stabilization	75,000	-	75,000	-
Cash Basis Reserve	60,000	-	60,000	-
(a) Adjustment for Qualifying Budget Credit	655,000	-	655,000	-
Total Expenditures	<u>2,142,873</u>	<u>2,006,313</u>	<u>136,560</u>	<u>1,552,728</u>
Excess Revenues Over (Under)				
Expenditures	(898,180)	(732,264)	165,916	(46,647)
Other Financing Sources (Uses)				
Bond Proceeds	-	655,000	655,000	-
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ (898,180)</u>	<u>(77,264)</u>	<u>820,916</u>	<u>(46,647)</u>
Fund Balance - Beginning		<u>298,280</u>		<u>344,927</u>
Fund Balance - Ending		<u>\$ 221,016</u>		<u>298,280</u>
(a) Adjustment for Qualifying Budget Credit				
Bond Proceeds Over Amount Budgeted			<u>\$ 655,000</u>	

See independent auditors' report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
 Balance Sheets
 December 31, 2013 and 2012

	ASSETS	
	2013	2012
Cash	\$ <u>93,363</u>	<u>82,188</u>
FUND BALANCE		
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	\$ 92,494	82,188
Assigned	<u>869</u>	<u>-</u>
Total Fund Balance	\$ <u>93,363</u>	<u>82,188</u>

Economic Development Bond Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013			
	Original and Final Budget	Actual	Variance Positive (Negative)	2012 Actual
Revenues				
Intergovernmental				
Local Sales Tax	\$ 222,925	<u>223,793</u>	868	<u>216,733</u>
Expenditures				
Bond Principal	110,000	<u>110,000</u>	-	100,000
Interest Expense	<u>102,618</u>	<u>102,618</u>	-	<u>107,993</u>
Total Expenditures	<u>212,618</u>	<u>212,618</u>	-	<u>207,993</u>
Excess Revenues Over (Under) Expenditures	10,307	<u>11,175</u>	868	8,740
Fund Balance - Beginning	<u>82,835</u>	<u>82,188</u>	(647)	<u>73,448</u>
Fund Balance - Ending	\$ <u>93,142</u>	<u>93,363</u>	<u>221</u>	<u>82,188</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2013

(With Comparative Totals as of December 31, 2012)

	2013				2012
	Water and Sewer Fund	Solid Waste Utility Fund	Stormwater Management Fund	Total	
ASSETS					
Current Assets					
Cash					
Operating Account	2,179,210	323,385	233,267	2,735,862	3,785,082
Local Sales Tax Account	26,827,482	-	-	26,827,482	24,992,474
Accounts Receivable (Net)	350,658	-	-	350,658	487,142
Due From Water and Sewer Fund	-	41,645	58,459	100,104	99,137
Total Current Assets	29,357,350	365,030	291,726	30,014,106	29,343,835
Restricted Assets					
Customer Deposits	210,868	-	-	210,868	211,274
Reserve for Capital Improvements	2,207,094	516,555	-	2,723,649	1,950,338
Revenue Bonds					
Principal and Interest Account	167,383	-	-	167,383	167,383
Bond Reserve Account	421,196	-	-	421,196	454,500
Total Restricted Assets	3,006,541	516,555	-	3,523,096	2,783,495
Capital Assets					
Water					
Land and Right-of-Ways	139,109	-	-	139,109	139,109
Infrastructure	18,487,053	-	-	18,487,053	18,487,053
Equipment	11,283,012	-	-	11,283,012	11,194,328
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	-	1,633,486	-	1,633,486	1,613,260
Total Capital Assets	45,954,124	1,922,810	-	47,876,934	47,768,024
Accumulated Depreciation	(26,095,882)	(1,110,836)	-	(27,206,718)	(26,198,266)
Net Capital Assets	19,858,242	811,974	-	20,670,216	21,569,758
Other Assets					
Issuance Costs, Net of Accumulated Amortization	42,537	-	-	42,537	46,604
Total Assets	\$ 52,264,670	1,693,559	291,726	54,249,955	53,743,692

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2013

(With Comparative Totals as of December 31, 2012)

	2013			Total	2012
	Water and Sewer Fund	Solid Waste Utility Fund	Stormwater Management Fund		
LIABILITIES AND EQUITY					
Current Liabilities					
Current Portion - Capital Lease	-	-	-	-	46,501
Current Portion - Revolving Loan	195,791	-	-	195,791	380,167
Accounts Payable	111,662	3,904	236	115,802	159,093
Sales Tax	4,590	-	-	4,590	5,785
State Water Fee	29,873	-	-	29,873	9,496
Due to Stormwater Management Fund	58,459	-	-	58,459	58,150
Accrued Payroll	32,569	9,384	841	42,794	37,235
Accrued Paid Time Off	83,840	25,164	-	109,004	98,010
Accrued Interest - Revolving Loan	3,661	-	-	3,661	10,049
Due to Solid Waste Fund	41,645	-	-	41,645	40,987
Total Current Liabilities	562,090	38,452	1,077	601,619	845,473
Current Liabilities Payable From Restricted Assets					
2009 Revenue Bonds	285,000	-	-	285,000	160,000
Customer Deposits	206,368	-	-	206,368	206,774
Monitoring Well Deposits	4,500	-	-	4,500	4,500
Accrued Interest - Bonds	45,398	-	-	45,398	58,433
Total Current Liabilities Payable From Restricted Assets	541,266	-	-	541,266	429,707
Noncurrent Liabilities					
Capital Lease	-	-	-	-	179,739
State of Kansas Waster Water Revolving Loan	-	-	-	-	195,791
2009 Revenue Bonds	3,390,000	-	-	3,390,000	3,675,000
Total Noncurrent Liabilities	3,390,000	-	-	3,390,000	4,050,530
Total Liabilities	4,493,356	38,452	1,077	4,532,885	5,325,710
Equity					
Reserve for Capital Improvements	2,207,094	516,555	-	2,723,649	1,950,338
Reserve for Encumbrances	653,446	27,398	166,452	847,296	278,907
Contributed Capital	3,215,105	115,383	-	3,330,488	3,330,488
Unreserved	41,695,669	995,771	124,197	42,815,637	42,858,249
Total Equity	47,771,314	1,655,107	290,649	49,717,070	48,417,982
Total Liabilities and Equity	\$ 52,264,670	\$ 1,693,559	\$ 291,726	\$ 54,249,955	\$ 53,743,692

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, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013		Variance Positive (Negative)	2012 Actual
	Original and Final Budget	Actual		
Revenues				
Local Sales Tax	\$ 2,984,252	2,981,934	(2,318)	2,984,765
Water Sales	2,626,500	2,546,189	(80,311)	2,708,491
Sewer Service Charges	2,214,500	2,025,759	(188,741)	2,035,646
Water Tap - Turn-Ons	35,000	34,869	(131)	42,825
Water Sales Conservation Rate	365,000	314,403	(50,597)	441,506
Sales and Other Charges	10,000	27,189	17,189	23,592
Penalty	25,000	29,151	4,151	30,395
Rent on R-9 Ranch	350,000	325,000	(25,000)	280,000
Interest on Investments	50,000	13,440	(36,560)	19,799
Interest on Sales Tax Reserves	25,000	34,604	9,604	60,354
Transfer In from Water Sales Tax Reserve	-	85,441	-	-
Prior Year Encumbrances Cancelled	-	259	259	2,682
Total Revenues	\$ 8,685,252	8,418,238	(352,455)	8,630,055
Expenditures				
Wastewater Treatment and Collection				
Personal Services				
Salaries	\$ 492,441	495,966	(3,525)	455,266
Contractual Services				
Communications	3,000	2,965	35	2,376
Heat, Light and Power	206,825	175,631	31,194	191,554
Travel and Training	6,000	3,343	2,657	3,255
Other Contractual Services	33,000	39,278	(6,278)	35,427
Professional Services	28,189	28,913	(724)	23,403
Total Contractual Services	277,014	250,130	26,884	256,015
Commodities				
Office Supplies	600	671	(71)	472
General Supplies and Materials	23,381	27,324	(3,943)	16,799
Chemicals	85,000	58,155	26,845	82,846
Equipment Expense	58,112	105,842	(47,730)	74,053
Uniforms	4,202	4,489	(287)	3,243
Projects	158,000	160,686	(2,686)	14,298
Repairs to Buildings and Structures	5,150	12,739	(7,589)	4,341
Total Commodities	334,445	369,906	(35,461)	196,052
Total Wastewater Treatment and Collection	\$ 1,103,900	1,116,002	(14,788)	907,333

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, 2013
(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013		Variance Positive (Negative)	2012 Actual
	Original and Final Budget	Actual		
Water Production and Distribution				
Personal Services				
Salaries	\$ 613,656	607,802	5,854	580,884
Contractual Services				
Communications	4,300	5,105	(805)	5,381
Publications	3,150	589	2,561	283
Heat, Light and Power	270,160	250,054	20,106	255,909
Professional Services	15,540	15,054	486	3,275
Travel and Training	6,000	3,451	2,549	2,420
Other Contractual Services	91,720	83,567	8,153	65,228
Total Contractual Services	390,870	357,820	33,050	332,496
Commodities				
Office Supplies	1,100	1,044	56	447
General Supplies and Materials	42,000	34,689	7,311	27,331
Chemicals	494,210	472,153	22,057	450,876
Repairs to Buildings and Structures	4,500	4,596	(96)	2,448
Equipment Expense	56,140	53,416	2,724	75,843
Uniforms	5,000	4,529	471	3,645
Total Commodities	602,950	570,427	32,523	560,590
Total Water Production and Distribution	1,607,476	1,536,049	71,427	1,473,970
Debt Service				
Principal Payment - 2003 Revenue Bond	-	-	-	35,000
Interest Payment - 2003 Revenue Bond	-	-	-	1,120
Principal Payment - Revolving Loan	380,167	380,167	-	365,440
Interest Payment - Revolving Loan	19,226	18,021	1,205	31,825
Principal Payment - 2009 Revenue Bond	285,000	160,000	125,000	275,000
Interest Payment - 2009 Revenue Bond	139,556	139,555	1	145,055
Total Debt Service	\$ 823,949	697,743	126,206	853,440

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, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013		Variance Positive (Negative)	2012 Actual
	Original and Final Budget	Actual		
Water Conservation				
Personal Services	\$ 31,065	40,109	(9,044)	-
Contractual Services	5,000	955	4,045	-
Commodities	6,500	1,604	4,896	-
Capital Outlay	45,000	42,773	2,227	-
Total Water Conservation	<u>87,565</u>	<u>85,441</u>	<u>2,124</u>	<u>-</u>
Non-Operating Expenditures				
R-9 Ranch Expenditures	280,000	325,922	(45,922)	148,029
Water Taps, Hydrants, Meters,	128,003	107,684	20,319	110,922
Contingency	50,000	48,309	1,691	54,452
Projects	40,000	-	40,000	22,895
Interest on Deposits	5,000	386	4,614	241
Clean Drinking Water Fee	18,000	18,424	(424)	20,799
Other Contractual Services	-	13,896	(13,896)	14,934
Transfer to Sales Tax Reserve Fund	2,759,000	2,334,247	424,753	2,502,292
Transfer to Capital Improvement Fund	1,152,267	1,152,267	-	500,000
Transfer to General Fund	968,200	968,200	-	907,575
Transfer to General Fund - Water Sales	596,850	596,850	-	542,827
Transfer to Employee Benefit Fund	454,019	454,019	-	417,579
Transfer to New Equipment Reserve	60,941	60,941	-	58,218
Total Non-Operating Expenditures	<u>6,512,280</u>	<u>6,081,145</u>	<u>431,135</u>	<u>5,300,763</u>
Total Expenditures	<u>\$ 10,135,170</u>	<u>9,516,380</u>	<u>613,980</u>	<u>8,535,506</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Solid Waste Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2013
(With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013			2012 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Refuse Collections	\$ 1,225,000	1,263,346	38,346	1,252,028
Interest on Investments	2,000	875	(1,125)	2,208
Yard Waste Tags	1,900	1,517	(383)	1,764
Recycling Revenue	40,000	46,359	6,359	47,605
Total Revenues	\$ 1,268,900	1,312,097	43,197	1,303,605
Expenditures				
Personal Services				
Salaries	\$ 354,133	352,537	1,596	329,909
Transfer to Employee Benefit Fund	157,547	159,376	(1,829)	150,514
Total Personal Services	511,680	511,913	(233)	480,423
Contractual Services				
Communications	1,190	1,219	(29)	1,002
Publications	2,000	1,903	97	361
Utility - Water, Light and Power	7,244	5,753	1,491	4,854
Contingency	50,000	27,996	22,004	215
Other Contractual Services	368,080	357,856	10,224	358,828
Travel and Training	800	80	720	801
Transfer to Reserve Fund	244,668	242,839	1,829	89,023
Transfer to General Fund	245,000	245,000	-	245,000
Total Contractual Services	918,982	882,646	36,336	700,084
Commodities				
Office Supplies	550	587	(37)	40
General Supplies	23,240	15,214	8,026	22,569
Equipment Expense	10,900	8,724	2,176	21,557
Uniforms	3,500	2,903	597	3,369
Projects	5,000	5,000	-	-
Repairs to Buildings and Structures	3,600	3,467	133	3,600
Total Commodities	46,790	35,895	10,895	51,135
Debt Service	-	-	-	55,993
Total Expenditures	\$ 1,477,452	1,430,454	46,998	1,287,635

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, 2013
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2012)

	2013			2012 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Stormwater Fee	\$ 756,000	767,459	11,459	761,397
Miscellaneous	-	-	-	20
Prior Year Encumbrances Voided	-	44,789	44,789	-
Transfer From General Fund	16,500	16,500	-	16,000
Total Revenues	\$ 772,500	828,748	56,248	777,417
Expenditures				
Personal Services				
Salaries	\$ 31,065	29,812	1,253	57,699
Transfer to Employee Benefit	10,702	10,702	-	20,520
Total Personal Services	41,767	40,514	1,253	78,219
Contractual Services				
Communications	650	651	(1)	715
Other Contractual Services	9,000	9,001	(1)	12,567
Contingency	50,000	23,065	26,935	-
Professional Services	20,000	-	20,000	-
Travel and Training	3,000	662	2,338	1,798
Transfer to General Fund	64,260	64,260	-	170,572
Total Contractual Services	146,910	97,639	49,271	185,652
Commodities				
General Supplies	7,400	2,382	5,018	693
Uniforms	200	138	62	165
Projects	146,897	144,223	2,674	485,174
Transfer to Capital Projects Fund	600,000	600,000	-	85,000
Transfer to New Equipment Reserve	1,800	1,800	-	1,844
Total Commodities	756,297	748,543	7,754	572,876
Total Expenditures	\$ 944,974	886,696	58,278	836,747

See independent auditors' report.

CITY OF HAYS, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness identified? Yes X No
- Significant deficiency identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiency identified? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF HAYS, KANSAS

Supplementary Information

CITY OF HAYS, KANSAS
Schedule of Findings and Questions Costs
December 31, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

CITY OF HAYS, KANSAS
Summary Schedule of Prior Audit Findings
December 31, 2013

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

CITY OF HAYS, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures
U.S. Department of Transportation			
Direct Program			
Airport Improvement Grant	20.106	AIP 3-20-0027	\$ 53,304
Airport Improvement Grant	20.106	AIP 3-20-0028	5,842,606
Airport Improvement Grant	20.106	AIP 3-20-0029	72,371
Airport Improvement Grant	20.106	AIP 3-20-0030	<u>27,453</u>
Total Airport Improvement Grant			5,995,734
Small Community Air Service Development Program	20.930	N/A	46,830
Passed Through Kansas Department of Transportation			
State and Community Highway Safety	20.600	276	4,761
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	276	5,211
Occupant Protection Incentive Grants	20.602	276	5,565
U. S. Department of Homeland Security			
Passed Through Kansas Department of Adjutant General			
Direct Program Award	97.036	34	<u>23,174</u>
Total Expenditures of Federal Awards			\$ <u>6,081,275</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HAYS, KANSAS
Notes to Schedule of Expenditures of Federal Awards
December 31, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **City of Hays, Kansas**, and is presented on generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.