

**CITY OF HAYS, KANSAS**

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2010

**CITY OF HAYS, KANSAS**  
Financial Statements With Independent Auditors' Report  
For the Year Ended December 31, 2010

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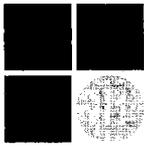
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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **City of Hays, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Hays, Kansas, which represents .9%, 1%, and 1.7%, respectively, of the assets, net assets and revenues of **City of Hays, Kansas**. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Housing Authority of City of Hays, Kansas, is based on the report of the other auditors.

We conducted our audit in accordance with the Kansas Municipal Audit Guide, the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. The financial statements of the Housing Authority of the City of Hays, Kansas and the Hays Public Library were not audited in accordance with *Government Auditing Standards*. Those standards and the Kansas Municipal Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

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

Except for the departure noted above, in our opinion based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements

referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, the Employee Benefit Fund, Bond and Interest Fund and the Capital Project Fund, and the aggregate remaining fund information of **City of Hays, Kansas** as of December 31, 2010 and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 39 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Hays, Kansas**' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The 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 financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

July 28, 2011

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

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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, 2010. 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 continues to improve. The **City of Hays, Kansas'** unreserved fund balance on all major funds did decrease when compared to the previous year however as discussed below, there were transfers and bond retirement that ultimately contributed to the stability of the City's financials.

The General Fund's unreserved fund balance decreased \$110,052 when compared to the previous year. However, the City Commission opted to expend \$1,120,000 during 2009 to retire debt early thus saving the City in excess of \$200,000 in interest cost. The availability of cash and the continued erosion of the investment portfolio interest rate environment prompted them to do so. This is reflective of the current management atmosphere and being accountable to 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 3/4% sales tax to replace the property tax levy for the General Fund. In 2009, this additional sales tax generated \$4,401,412, or the equivalent of 24.44 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. With changes made at the State level this may become even more crucial with the elimination of personal property tax on new commercial purchases.

Over the last two years, the Water and Sewer Fund has shown a steady growth in water sales and sewer service charges. A majority of the increase is attributable to a change in water rate structures and sewer fees implemented recently. After a comprehensive review of operating expenditures, staff recommended a gradual increase in water and sewer rates to cover projected future increases in operating costs and infrastructure investment. The Water and Sewer Fund was also able to transfer \$1,294,000 to capital reserve so that bonding debt in the next year or so would not be needed for improvements to water and sewer infrastructure.

While the Solid Waste Utility did experience a decrease in unreserved fund balance of \$224,972 this included a transfer to reserves of \$377,542 in anticipation of future capital expenditure requirements. 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 has contributed to a nice increase in refuse collection fees. Staff is confident that this fund is now headed in the right direction and will continue to monitor trends to ensure its financial stability.

The Capital Projects Fund is a consolidated fund for all major City projects so that all expenditures may be tracked by project and funded appropriately. This fund currently shows a negative cash balance of \$1,077,108 as funds have been expended and debt has not yet been issued. 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.

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

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**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net assets and statement of activities on pages 9 through 12 provide information about the activities of the City as a whole and present a longer-term view to the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information of activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

**REPORTING THE CITY AS A WHOLE**

**The Statement of Net Assets and the Statement of Activities**

Our analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. Think of the City's net assets, the difference between assets and liabilities, as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether financial health is improving or deteriorating. Consider other non-financial factors however, such as changes in the City's property tax base and the condition of the City's roads to assess the overall health of the City. In the statement of net assets and the statement of activities, the City is divided into three kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here including the police, fire, public works, parks department and general administration. Sales tax, franchise fees and state and federal grants finance most of these activities.
- Business Type Activities – The City charges a fee to customers to help cover all or most of the services it provides. The City's water and sewer system and the solid waste facilities are reported here.
- Component units –The notes to financial statements contain the listing of those entities that are considered component units of the City.

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

Analysis of the City's major funds begins on page 13. The fund financial statements begin on page 39 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenant. However, the City Commission establishes other funds to help or control money for particular purposes or to show that it is meeting legal responsibility for using certain taxes, grants and other monies. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

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

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

**THE CITY AS TRUSTEE**

**Reporting the City's Fiduciary Responsibilities**

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

**THE CITY AS A WHOLE**

**TABLE 1**  
**NET ASSETS**

	Governmental Activities	Business Type Activities	2010 Total Primary Government	2009 Total Primary Government
Current and Other Assets	\$ 13,704,910	28,898,154	42,603,064	48,485,241
Capital Assets	<u>78,566,142</u>	<u>23,271,686</u>	<u>101,837,828</u>	<u>100,528,568</u>
Total Assets	<u>92,271,052</u>	<u>52,169,840</u>	<u>144,440,892</u>	<u>149,013,809</u>
Long Term Debt				
Outstanding	14,059,803	5,357,150	19,416,953	24,109,164
Other Liabilities	<u>7,251,016</u>	<u>1,307,483</u>	<u>8,558,499</u>	<u>6,523,728</u>
Total Liabilities	<u>21,310,819</u>	<u>6,664,633</u>	<u>27,975,452</u>	<u>30,632,892</u>
Invested in Capital Assets				
Net of Related Debt	63,407,749	17,149,456	80,557,205	76,375,009
Restricted	1,496,549	3,974,122	5,470,671	14,002,314
Unrestricted	<u>6,055,935</u>	<u>24,381,629</u>	<u>30,437,564</u>	<u>28,003,594</u>
Total Net Assets	<u>\$ 70,960,233</u>	<u>45,505,207</u>	<u>116,465,440</u>	<u>118,380,917</u>

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

**TABLE 2  
STATEMENT OF ACTIVITIES**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General Government	\$ 11,570,564	611,962	11,477	-	(10,947,125)	-
Highway and Street	4,504,354	-	-	-	(4,504,354)	-
Culture and Recreation	8,801,373	237,088	-	-	(8,564,285)	-
Airport	772,946	79,469	-	2,013,096	1,319,619	-
Interest on Long-Term Debt	544,432	-	-	-	(544,432)	-
Capital Outlay	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>26,193,669</b>	<b>928,519</b>	<b>11,477</b>	<b>2,013,096</b>	<b>(23,240,577)</b>	<b>-</b>
<b>Business-Type Activities</b>						
Water and Sewer	5,611,295	4,999,687	-	-	-	(611,608)
Solid Waste	882,547	1,279,710	-	-	-	397,163
<b>Total Business-Type Activities</b>	<b>6,493,842</b>	<b>6,279,397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(214,445)</b>
<b>Total Primary Government</b>	<b>\$ 32,687,511</b>	<b>7,207,916</b>	<b>11,477</b>	<b>2,013,096</b>	<b>(23,240,577)</b>	<b>(214,445)</b>
<b>Component Units</b>						
Housing Authority of the City of Hays, Kansas	\$ 410,340	220,848	76,580	76,496	-	-
Hays Public Library	1,470,396	6,369	13,677	50,977	-	-
<b>Total Component Units</b>	<b>\$ 1,880,736</b>	<b>227,217</b>	<b>90,257</b>	<b>127,473</b>	<b>-</b>	<b>-</b>
<b>General Revenues</b>						
Property Taxes					\$ 5,080,716	-
Sales Tax					9,059,216	2,583,414
Franchise Taxes					1,398,175	-
Motor Fuel Taxes					591,679	-
Alcoholic Liquor Taxes					361,247	-
Transient Guest Taxes					651,671	-
Special Assessments					383,217	-
Unrestricted Interest Income					52,515	96,651
Miscellaneous					137,253	377,640
Reimbursements					763,492	-
Special Items					2,659	-
Transfers					2,275,202	(2,275,202)
<b>Total General Revenues, Special Items and Transfers</b>					<b>20,757,042</b>	<b>782,503</b>
Change in Net Assets					(2,483,535)	568,058
Net Assets - Beginning					73,443,768	44,937,149
<b>Net Assets - Ending</b>					<b>\$ 70,960,233</b>	<b>45,505,207</b>

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At the end of 2010, the City had \$101,837,828 invested in capital assets net of depreciation.

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

	Governmental Activities	Business Type Activities	2010 Total Primary Government	2009 Total Primary Government
Land	\$ 24,332,900	110,489	24,443,389	24,443,389
Infrastructure	42,953,445	10,308,938	53,262,383	53,251,067
R-9 Ranch	-	3,401,956	3,401,956	3,485,676
Building and Equipment	11,279,797	9,450,303	20,730,100	19,348,436
Total	<u>\$ 78,566,142</u>	<u>23,271,686</u>	<u>101,837,828</u>	<u>100,528,568</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 2010. 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 2010. The City's estimated annual amount of expenditures was \$2,220,474 compared to the actual expenditures of \$1,239,130.

**DEBT**

At the end of 2010, the City had the following debt:

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

	Governmental Activities	Business Type Activities	2010 Total Primary Government	2009 Total Primary Government
Capital Leases	\$ 1,308,393	313,360	1,621,753	1,788,805
G.O. Bonds	13,850,000	-	13,850,000	15,875,000
Revenue Bonds	-	5,777,682	5,777,682	6,445,359
Total	<u>\$ 15,158,393</u>	<u>6,091,042</u>	<u>21,249,435</u>	<u>24,109,164</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**

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

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**Toby Dougherty**  
City Manager  
City of Hays, Kansas

CITY OF HAYS, KANSAS  
Statement of Net Assets  
December 31, 2010  
(With Comparative Totals as of December 31, 2009)

ASSETS	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Totals		Housing Authority of the City of Hays, Kansas	Hays Public Library
			2010	2009		
Cash	\$ 5,619,526	23,787,189	29,406,715	36,402,197	126,803	979,307
Investments	-	-	-	-	82,595	-
Receivables (Net of Allowance for Uncollectibles)	4,785,559	286,450	5,072,009	4,654,783	487	1,359,200
Internal Balances	-	38,428	38,428	37,513	-	-
Due From Other Governments	77,894	-	77,894	178,261	-	-
Prepaid Insurance	-	-	-	-	6,129	-
Inventory	-	-	-	-	1,100	-
Restricted Assets - Cash and Cash Equivalents						
Budget Stabilization	3,221,931	-	3,221,931	3,172,724	-	-
Customer Deposits	-	193,969	193,969	188,057	-	-
Revenue Refunding Bonds - Series 2003 and 2009	-	830,763	830,763	813,093	-	-
Reserve for Capital Improvements	-	3,702,614	3,702,614	2,969,802	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	16,637	16,927
Capital Assets - Net of Depreciation						
Land and Infrastructure	67,286,345	10,419,427	77,705,772	77,694,456	143,946	-
Depreciable Buildings and Equipment	11,279,797	9,450,303	20,730,100	19,348,436	853,677	3,767,329
R-9 Ranch	-	3,401,956	3,401,956	3,485,676	-	-
Issuance Costs - Net of Amortization	-	58,741	58,741	68,811	-	-
<b>Total Assets</b>	<b>\$ 92,271,052</b>	<b>52,169,840</b>	<b>144,440,892</b>	<b>149,013,809</b>	<b>1,231,374</b>	<b>6,122,763</b>

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

CITY OF HAYS, KANSAS  
Statement of Net Assets  
December 31, 2010  
(With Comparative Totals as of December 31, 2009)

LIABILITIES	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Totals		Housing Authority of the City of Hays, Kansas	Hays Public Library
			2010	2009		
Accounts Payable	\$ 483,513	124,064	607,577	384,907	1,996	101,057
Accrued Payroll	106,594	21,716	128,310	110,569	888	-
Accrued Paid Time Off	437,712	105,226	542,938	515,801	1,825	-
Accrued Sick Leave Payout	36,479	-	36,479	35,188	-	-
Accrued Interest Payable	661,328	-	661,328	759,634	-	-
Internal Balances	-	38,428	38,428	37,513	-	-
Accrued Interest - Revolving Loan	-	16,376	16,376	20,586	-	-
Deferred Revenue	4,426,800	-	4,426,800	4,407,664	75	1,359,200
Restricted Assets						
Customer Deposits	-	202,969	202,969	188,057	4,750	-
Accrued Interest - Revenue and Sales Tax Bonds	-	64,812	64,812	63,809	-	-
Compensated Absences	-	-	-	-	1,119	132,638
State of Kansas Waste Water Revolving Loan						
Due Within One Year	-	351,284	351,284	337,677	-	-
Due in More Than One Year	-	941,398	941,398	1,292,682	-	-
Revenue Refunding Bonds - Series 2003						
Due Within One Year	-	290,000	290,000	290,000	-	-
Due in More Than One Year	-	35,000	35,000	325,000	-	-
Revenue Refunding Bonds - Series 2009						
Due Within One Year	-	50,000	50,000	40,000	-	-
Due in More Than One Year	-	4,110,000	4,110,000	4,160,000	-	-
Capital Leases						
Due Within One Year	133,590	42,608	176,198	167,051	-	-
Due in More Than One Year	1,174,803	270,752	1,445,555	1,621,754	-	-
General Obligation Bonds Payable						
Due Within One Year	965,000	-	965,000	1,110,000	-	-
Due in More Than One Year	12,885,000	-	12,885,000	14,765,000	-	-
<b>Total Liabilities</b>	<b>\$ 21,310,819</b>	<b>6,664,633</b>	<b>27,975,452</b>	<b>30,632,892</b>	<b>10,653</b>	<b>1,592,895</b>

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

CITY OF HAYS, KANSAS  
Statement of Net Assets  
December 31, 2010  
(With Comparative Totals as of December 31, 2009)

NET ASSETS	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Totals		Housing Authority of the City of Hays, Kansas	Hays Public Library
			2010	2009		
Invested in Capital Assets, Net of Related Debt	\$ 63,407,749	17,149,456	80,557,205	76,375,009	997,623	3,767,329
Restricted for						
Budget Stabilization	3,221,931	-	3,221,931	3,172,724	-	-
Capital Projects	(5,585,739)	-	(5,585,739)	1,206,437	-	-
Debt Service	480,443	-	480,443	387,804	-	-
Encumbrances	3,379,914	271,508	3,651,422	6,265,547	-	-
Capital Improvements	-	3,702,614	3,702,614	2,969,802	-	-
Other	-	-	-	-	11,887	16,927
Unrestricted	6,055,935	24,381,629	30,437,564	28,003,594	211,211	745,612
<b>Total Net Assets</b>	<b>\$ 70,960,233</b>	<b>45,505,207</b>	<b>116,465,440</b>	<b>118,380,917</b>	<b>1,220,721</b>	<b>4,529,868</b>

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, 2010  
(With Comparative Totals as of December 31, 2009)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		Totals		Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		2010	2009	Housing Authority of the City of Hays, Kansas	Hays Public Library
					Governmental Activities	Business-Type Activities				
<b>Primary Government</b>										
<b>Governmental Activities</b>										
General Government	\$ 11,570,564	611,962	11,477	-	(10,947,125)	-	(10,947,125)	(10,555,930)	-	-
Highway and Street	4,504,354	-	-	-	(4,504,354)	-	(4,504,354)	(3,338,382)	-	-
Culture and Recreation	8,801,373	237,088	-	-	(8,564,285)	-	(8,564,285)	(2,555,915)	-	-
Airport	772,946	79,469	-	2,013,096	1,319,619	-	1,319,619	(108,955)	-	-
Interest on Long-Term Debt	544,432	-	-	-	(544,432)	-	(544,432)	(647,125)	-	-
Capital Outlay	-	-	-	-	-	-	-	(1,075,421)	-	-
<b>Total Governmental Activities</b>	<b>26,193,669</b>	<b>928,519</b>	<b>11,477</b>	<b>2,013,096</b>	<b>(23,240,577)</b>	<b>-</b>	<b>(23,240,577)</b>	<b>(18,281,728)</b>	<b>-</b>	<b>-</b>
<b>Business-Type Activities</b>										
Water and Sewer	5,611,295	4,999,687	-	-	-	(611,608)	(611,608)	(1,251,358)	-	-
Solid Waste	882,547	1,279,710	-	-	-	397,163	397,163	450,717	-	-
<b>Total Business-Type Activities</b>	<b>6,493,842</b>	<b>6,279,397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(214,445)</b>	<b>(214,445)</b>	<b>(800,641)</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 32,687,511</b>	<b>7,207,916</b>	<b>11,477</b>	<b>2,013,096</b>	<b>(23,240,577)</b>	<b>(214,445)</b>	<b>(23,455,022)</b>	<b>(19,082,369)</b>	<b>-</b>	<b>-</b>
<b>Component Units</b>										
Housing Authority of the City of Hays, Kansas	\$ 410,340	220,848	76,580	76,496	-	-	-	-	(36,416)	-
Hays Public Library	1,470,396	6,369	13,677	50,977	-	-	-	-	-	(1,399,373)
<b>Total Component Units</b>	<b>\$ 1,880,736</b>	<b>227,217</b>	<b>90,257</b>	<b>127,473</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,416)</b>	<b>(1,399,373)</b>
<b>General Revenues</b>										
Property Taxes					\$ 5,080,716	-	5,080,716	5,229,405	-	1,321,388
Sales Tax					9,059,216	2,583,414	11,642,630	10,446,261	-	-
Franchise Taxes					1,398,175	-	1,398,175	1,309,744	-	-
Motor Fuel Taxes					591,679	-	591,679	555,404	-	-
Alcoholic Liquor Taxes					361,247	-	361,247	355,197	-	-
Transient Guest Taxes					651,671	-	651,671	619,240	-	-
Special Assessments					383,217	-	383,217	406,906	-	-
Unrestricted Interest Income					52,515	96,651	149,166	725,446	1,103	5,859
Miscellaneous					137,253	377,640	514,893	769,691	-	21,436
Reimbursements					763,492	-	763,492	4,144,060	-	9,611
Special Items					2,659	-	2,659	(2,381)	-	-
Transfers					2,275,202	(2,275,202)	-	-	-	-
<b>Total General Revenues, Special Items and Transfers</b>					<b>20,757,042</b>	<b>782,503</b>	<b>21,539,545</b>	<b>24,558,973</b>	<b>1,103</b>	<b>1,358,294</b>
Change in Net Assets					(2,483,535)	568,058	(1,915,477)	5,476,604	(35,313)	(41,079)
Net Assets - Beginning					73,443,768	44,937,149	118,380,917	112,904,313	1,256,034	4,570,947
<b>Net Assets - Ending</b>					<b>\$ 70,960,233</b>	<b>45,505,207</b>	<b>116,465,440</b>	<b>118,380,917</b>	<b>1,220,721</b>	<b>4,529,868</b>

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

CITY OF HAYS, KANSAS  
Balance Sheet  
Governmental Funds  
December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Capital Projects Fund	Other Governmental Funds	Totals	
							2010	2009
<b>ASSETS</b>								
Cash	\$ 6,222,886	335,173	480,443	(2,886,238)	(2,491,163)	3,958,425	5,619,526	12,592,526
Receivables - Net								
Accounts Receivable	-	186,139	-	172,620	-	-	358,759	358
Due From Other Governments	77,894	-	-	-	-	-	77,894	178,261
Taxes	-	2,053,847	641,872	-	-	1,731,081	4,426,800	4,407,664
Reserved Cash	3,221,931	-	-	-	-	-	3,221,931	3,172,724
<b>Total Assets</b>	<b>\$ 9,522,711</b>	<b>2,575,159</b>	<b>1,122,315</b>	<b>(2,713,618)</b>	<b>(2,491,163)</b>	<b>5,689,506</b>	<b>13,704,910</b>	<b>20,351,533</b>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Liabilities</b>								
Accounts Payable	\$ 66,058	-	-	328,913	52,045	36,497	483,513	304,115
Accrued Payroll	101,872	-	-	-	-	4,722	106,594	90,339
Accrued Paid Time Off	424,412	-	-	-	-	13,300	437,712	420,155
Accrued Sick Leave Payout	33,575	-	-	-	-	2,904	36,479	35,188
Deferred Revenues	-	2,053,847	641,872	-	-	1,731,081	4,426,800	4,407,664
<b>Total Liabilities</b>	<b>625,917</b>	<b>2,053,847</b>	<b>641,872</b>	<b>328,913</b>	<b>52,045</b>	<b>1,788,504</b>	<b>5,491,098</b>	<b>5,257,461</b>
<b>Fund Balance</b>								
<b>Reserved</b>								
Reserved for Encumbrances	253,348	-	-	2,105,409	647,879	373,278	3,379,914	4,832,157
Reserved for Budget Stabilization	3,221,931	-	-	-	-	-	3,221,931	3,172,724
<b>Unreserved</b>								
Designated for Subsequent Year's Expenditures	4,265,967	222,367	447,804	-	-	2,141,977	7,078,115	6,882,344
Undesignated	1,155,548	298,945	32,639	(5,147,940)	(3,191,087)	1,385,747	(5,466,148)	206,847
<b>Total Fund Balance</b>	<b>8,896,794</b>	<b>521,312</b>	<b>480,443</b>	<b>(3,042,531)</b>	<b>(2,543,208)</b>	<b>3,901,002</b>	<b>8,213,812</b>	<b>15,094,072</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 9,522,711</b>	<b>2,575,159</b>	<b>1,122,315</b>	<b>(2,713,618)</b>	<b>(2,491,163)</b>	<b>5,689,506</b>	<b>13,704,910</b>	<b>20,351,533</b>

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

**CITY OF HAYS, KANSAS**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Government-Wide Statement of Net Assets  
 December 31, 2010

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

Fund Balances of Governmental Funds from the Balance Sheet.	\$	8,213,812
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.		78,566,142
Long-term debt and capital leases have not been included in the Governmental Funds activity on the Balance Sheet.		
General Obligation Bonds		(13,850,000)
Capital Leases		(1,308,393)
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>(661,328)</u>
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (Statement 1).	\$	<u><u>70,960,233</u></u>

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

**CITY OF HAYS, KANSAS**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Capital Projects Fund	Other Governmental Funds	Totals	
							2010	2009
<b>Revenues</b>								
Taxes	\$ 6,334,876	1,803,138	1,655,908	2,583,414	-	2,145,813	14,523,149	13,493,895
Intergovernmental	130,423	-	-	-	-	3,498,747	3,629,170	1,857,523
Licenses and Fees	1,489,675	-	-	-	-	-	1,489,675	1,411,563
Fines and Forfeitures	506,067	-	-	-	-	-	506,067	519,125
Use of Money and Property	53,715	-	-	-	-	-	53,715	256,585
Collections	242,319	-	-	-	-	88,633	330,952	310,448
Donations	-	-	-	-	-	-	-	35,000
Prior Year Encumbrances Voided	42,604	-	-	-	93,449	-	136,053	176,401
Miscellaneous	156,964	206,251	-	223,010	161,577	92,517	840,319	329,060
<b>Total Revenues</b>	<b>8,956,643</b>	<b>2,009,389</b>	<b>1,655,908</b>	<b>2,806,424</b>	<b>255,026</b>	<b>5,825,710</b>	<b>21,509,100</b>	<b>18,389,600</b>
<b>Expenditures</b>								
<b>Current</b>								
General Government	8,197,540	2,959,907	-	-	-	597,211	11,754,658	11,016,935
Highway and Street	932,492	-	-	-	2,977,986	683,876	4,594,354	4,288,551
Culture and Recreation	1,154,647	-	-	6,575,140	-	692,930	8,422,717	2,926,709
Airport	-	-	-	-	-	678,954	678,954	464,243
Debt Service	-	-	1,581,069	-	-	207,936	1,789,005	2,369,630
Capital Outlay	342,291	-	-	300,500	-	2,782,083	3,424,874	1,529,816
<b>Total Expenditures</b>	<b>10,626,970</b>	<b>2,959,907</b>	<b>1,581,069</b>	<b>6,875,640</b>	<b>2,977,986</b>	<b>5,642,990</b>	<b>30,664,562</b>	<b>22,595,884</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,670,327)</b>	<b>(950,518)</b>	<b>74,839</b>	<b>(4,069,216)</b>	<b>(2,722,960)</b>	<b>182,720</b>	<b>(9,155,462)</b>	<b>(4,206,284)</b>
<b>Other Financing Sources (Uses)</b>								
General Obligation Bond Proceeds	-	-	-	-	-	-	-	4,680,000
Sale of Equipment	-	-	-	-	-	-	-	33,663
Transfers In	1,831,216	573,001	17,800	-	-	314,798	2,736,815	2,906,375
Transfers Out	(249,299)	-	-	-	-	(212,314)	(461,613)	(705,159)
<b>Total Other Financing Sources (Uses)</b>	<b>1,581,917</b>	<b>573,001</b>	<b>17,800</b>	<b>-</b>	<b>-</b>	<b>102,484</b>	<b>2,275,202</b>	<b>6,914,879</b>
<b>Net Change in Fund Balances</b>	<b>(88,410)</b>	<b>(377,517)</b>	<b>92,639</b>	<b>(4,069,216)</b>	<b>(2,722,960)</b>	<b>285,204</b>	<b>(6,880,260)</b>	<b>2,708,595</b>
<b>Fund Balance - Beginning of Year</b>	<b>8,985,204</b>	<b>898,829</b>	<b>387,804</b>	<b>1,026,685</b>	<b>179,752</b>	<b>3,615,798</b>	<b>15,094,072</b>	<b>12,385,477</b>
<b>Fund Balance - End of Year</b>	<b>\$ 8,896,794</b>	<b>521,312</b>	<b>480,443</b>	<b>(3,042,531)</b>	<b>(2,543,208)</b>	<b>3,901,002</b>	<b>8,213,812</b>	<b>15,094,072</b>

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

**CITY OF HAYS, KANSAS**  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2010

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Net Changes in Fund Balances - Total Governmental Funds (Statement 4)	\$	(6,880,260)
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Amounts reported for Governmental Activities in the Statement of Activities (Statement 2) are different because of the following:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$3,424,874) exceeded depreciation (\$1,131,190) in the current period.		2,293,684
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Governmental Funds report the total proceeds from the disposal of assets as revenue. However, in the Statement of Activities, the disposal of assets is reported net of the adjusted basis of the assets. This is the amount of the total adjusted basis of assets disposed.		(67,332)
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Capital lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of the capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which capital lease proceeds (none in the current year) exceeded capital lease repayments (\$126,266) recorded in the General Governmental Funds.		126,267
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Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which bond proceeds (none in the current year) exceeded bond repayments (\$1,945,800) recorded in the Governmental Funds.		1,945,800
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Accrued interest payable decreased (\$98,306) from the prior year. These balances are not accounted for in the Governmental Funds. However, the changes are reflected in the Statement of Activities.		<u>98,306</u>
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Change in Net Assets of Governmental Activities (Statement 2)	\$	<u><u>(2,483,535)</u></u>
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The notes to the financial statements are an integral part of these statements.

## CITY OF HAYS, KANSAS

Balance Sheet

Proprietary Funds

December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

ASSETS	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2010	2009
<b>Current Assets</b>				
Cash				
Operating Account	\$ 2,282,628	346,613	2,629,241	3,065,874
Local Sales Tax Account	21,157,948	-	21,157,948	20,743,797
Accounts Receivable (Net of Allowance for Uncollectibles)	286,450	-	286,450	246,761
Due From Water and Sewer Fund	-	38,428	38,428	37,513
<b>Total Current Assets</b>	<b>23,727,026</b>	<b>385,041</b>	<b>24,112,067</b>	<b>24,093,945</b>
<b>Noncurrent Assets</b>				
Restricted Cash				
Customer Deposits	193,969	-	193,969	188,057
Reserve for Capital Improvements	3,086,401	616,213	3,702,614	2,969,802
Revenue Refunding Bonds - Series 2003				
Principal and Interest Account	217,763	-	217,763	200,093
Bond Reserve Account	613,000	-	613,000	613,000
<b>Total Restricted Cash and Cash Equivalents</b>	<b>4,111,133</b>	<b>616,213</b>	<b>4,727,346</b>	<b>3,970,952</b>
<b>Capital Assets</b>				
Water				
Land and Right-of-Ways	139,109	-	139,109	110,489
Infrastructure	18,245,471	-	18,245,471	18,178,100
Equipment	11,180,612	-	11,180,612	11,164,327
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	12,036,344
Equipment	-	1,540,360	1,540,360	1,530,953
	45,610,142	1,829,684	47,439,826	47,282,253
Accumulated Depreciation	(23,427,963)	(740,177)	(24,168,140)	(23,093,475)
<b>Net Capital Assets</b>	<b>22,182,179</b>	<b>1,089,507</b>	<b>23,271,686</b>	<b>24,188,778</b>
<b>Other Assets</b>				
Issuance Costs (Net of Applicable Amortization)	58,741	-	58,741	68,811
<b>Total Noncurrent Assets</b>	<b>26,352,053</b>	<b>1,705,720</b>	<b>28,057,773</b>	<b>28,228,541</b>
<b>Total Assets</b>	<b>\$ 50,079,079</b>	<b>2,090,761</b>	<b>52,169,840</b>	<b>52,322,486</b>

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

CITY OF HAYS, KANSAS  
Balance Sheet  
Proprietary Funds  
December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)

LIABILITIES	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2010	2009
<b>Current Liabilities</b>				
Accounts Payable	\$ 76,807	32,029	108,836	67,560
Sales Tax	5,813	-	5,813	4,521
State Water Fee	9,415	-	9,415	8,711
Accrued Payroll	16,434	5,282	21,716	20,230
Accrued Paid Time Off	81,995	23,231	105,226	95,646
Current Portion - Capital Lease	-	42,608	42,608	40,785
Current Portion - Revolving Loan	351,284	-	351,284	337,677
Accrued Interest - Revolving Loan	16,376	-	16,376	20,586
General Obligation Bonds - Payable	-	-	-	13,320
Due to Solid Waste Fund	38,428	-	38,428	37,513
<b>Total Current Liabilities</b>	<b>596,552</b>	<b>103,150</b>	<b>699,702</b>	<b>646,549</b>
<b>Current Liabilities Payable From Restricted Assets</b>				
Customer Deposits	198,469	-	198,469	183,557
Monitoring Well Deposits	4,500	-	4,500	4,500
Accrued Interest - Revenue and Sales Tax Bonds	64,812	-	64,812	63,809
Revenue Refunding Bonds - Series 2003	290,000	-	290,000	290,000
Revenue Refunding Bonds - Series 2009	50,000	-	50,000	40,000
<b>Total Current Liabilities Payable From Restricted Assets</b>	<b>607,781</b>	<b>-</b>	<b>607,781</b>	<b>581,866</b>
<b>Noncurrent Liabilities</b>				
General Obligation Bonds - Payable	-	-	-	65,880
Capital Leases	-	270,752	270,752	313,360
State of Kansas Waste Water Revolving Loan	941,398	-	941,398	1,292,682
Revenue Refunding Bonds - Series 2003	35,000	-	35,000	325,000
Sales Tax Refunding Bonds - Series 2003	4,110,000	-	4,110,000	4,160,000
<b>Total Noncurrent Liabilities</b>	<b>5,086,398</b>	<b>270,752</b>	<b>5,357,150</b>	<b>6,156,922</b>
<b>Total Liabilities</b>	<b>6,290,731</b>	<b>373,902</b>	<b>6,664,633</b>	<b>7,385,337</b>
<b>NET ASSETS</b>				
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt Restricted for	16,373,309	776,147	17,149,456	17,265,679
Encumbrances	270,489	1,019	271,508	1,433,390
Capital Improvements	3,086,401	616,213	3,702,614	2,969,802
Unrestricted	24,058,149	323,480	24,381,629	23,268,278
<b>Total Net Assets</b>	<b>\$ 43,788,348</b>	<b>1,716,859</b>	<b>45,505,207</b>	<b>44,937,149</b>
<b>Net Assets of Business - Type Activities (Statement 1)</b>			<b>\$ 45,505,207</b>	<b>44,937,149</b>

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

**CITY OF HAYS, KANSAS**  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)

	Water and Sewer Fund	Solid Waste Utility Fund	Totals	
			2010	2009
<b>Operating Revenues</b>				
<b>Charges for Sales and Services</b>				
Water Sales	\$ 2,452,028	-	2,452,028	2,364,205
Water Sales Conservation Rate	302,173	-	302,173	239,561
<b>Total Water Sales</b>	<b>2,754,201</b>	<b>-</b>	<b>2,754,201</b>	<b>2,603,766</b>
Sewer Charges	1,929,334	-	1,929,334	1,871,099
Refuse Collections	-	1,226,756	1,226,756	1,216,122
Tap Fees	29,959	-	29,959	29,584
Sales and Other Charges	286,193	52,954	339,147	58,254
<b>Total Operating Revenues</b>	<b>4,999,687</b>	<b>1,279,710</b>	<b>6,279,397</b>	<b>5,778,825</b>
<b>Operating Expenses</b>				
Water Production and Distribution	1,304,375	-	1,304,375	1,196,925
Wastewater Treatment and Collection	904,055	-	904,055	868,540
Refuse Collection	-	753,972	753,972	661,186
Amortization	10,070	-	10,070	12,596
Depreciation	988,581	113,367	1,101,948	1,060,840
<b>Total Operating Expenses</b>	<b>3,207,081</b>	<b>867,339</b>	<b>4,074,420</b>	<b>3,800,087</b>
<b>Net Operating Income</b>	<b>1,792,606</b>	<b>412,371</b>	<b>2,204,977</b>	<b>1,978,738</b>
<b>Non-Operating Revenues (Expenses)</b>				
Local Sales Tax	2,583,414	-	2,583,414	2,588,677
Interest Income	94,049	2,602	96,651	470,061
Rent on R-9 Ranch	362,221	-	362,221	658,281
Prior Year Encumbrances Voided	1,083	14,336	15,419	18,978
Interest Expense	(223,515)	(15,208)	(238,723)	(153,622)
R-9 Ranch Expenses	(432,593)	-	(432,593)	(395,171)
Water Exploration	(1,679,124)	-	(1,679,124)	(2,114,987)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>705,535</b>	<b>1,730</b>	<b>707,265</b>	<b>1,072,217</b>
<b>Income (Loss) Before Contributions and Transfers</b>				
Transfers Out	(2,574,774)	(575,428)	(3,150,202)	(3,872,758)
<b>Change in Net Assets</b>	<b>(76,633)</b>	<b>(161,327)</b>	<b>(237,960)</b>	<b>(821,803)</b>
<b>Change in Capital Improvement Reserve Fund</b>	<b>581,018</b>	<b>225,000</b>	<b>806,018</b>	<b>1,555,943</b>
<b>Total Net Assets - Beginning of Year</b>	<b>43,283,963</b>	<b>1,653,186</b>		
<b>Total Net Assets - End of Year</b>	<b>\$ 43,788,348</b>	<b>1,716,859</b>		
<b>Change in Net Assets of Business-Type Activities (Statement 2)</b>			<b>\$ 568,058</b>	<b>734,140</b>

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, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2010	2009
<b>Cash Flows From Operating Activities</b>				
Receipts From Customers	\$ 4,974,549	1,294,407	6,268,956	5,825,757
Payments to Suppliers	(1,235,866)	(406,619)	(1,642,485)	(1,787,253)
Payments to Employees	(945,251)	(320,328)	(1,265,579)	(1,209,129)
<b>Net Cash Provided by Operating Activities</b>	<u>2,793,432</u>	<u>567,460</u>	<u>3,360,892</u>	<u>2,829,375</u>
<b>Cash Flows From Investing Activities</b>				
Rental Income	362,221	-	362,221	658,281
Rental Expenses	(432,593)	-	(432,593)	(395,171)
Interest on Investments	94,049	2,602	96,651	470,061
<b>Net Cash Provided by Investing Activities</b>	<u>23,677</u>	<u>2,602</u>	<u>26,279</u>	<u>733,171</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers to Other Funds	(1,924,774)	(350,428)	(2,275,202)	(2,201,216)
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchase and Construction of Capital Assets	(112,276)	(72,580)	(184,856)	(3,704,202)
Lease Obligation Retired	-	(40,785)	(40,785)	(39,042)
Water Exploration	(1,747,023)	-	(1,747,023)	(2,114,987)
Interest Paid	(226,722)	(15,208)	(241,930)	(114,484)
Principal Payments - Revolving Loan	(351,284)	-	(351,284)	(324,596)
Principal Proceeds - 2009 Revenue Bond	-	-	-	4,200,000
Principal Payments - Bonds	(316,393)	-	(316,393)	(464,436)
Local Sales Tax	2,583,414	-	2,583,414	2,588,677
General Obligation Bond Proceeds (Retired)	(79,200)	-	(79,200)	(12,960)
<b>Net Cash Provided (Used) for Capital and Related Financing Activities</b>	<u>(249,484)</u>	<u>(128,573)</u>	<u>(378,057)</u>	<u>13,970</u>
<b>Net Increase in Cash</b>	642,851	91,061	733,912	1,375,300
<b>Balances - Beginning of Year</b>	<u>26,908,858</u>	<u>871,765</u>	<u>27,780,623</u>	<u>26,405,323</u>
<b>Balances - End of the Year</b>	<u>\$ 27,551,709</u>	<u>962,826</u>	<u>28,514,535</u>	<u>27,780,623</u>
<b>Cash Per Statement 5</b>				
Operating Account			\$ 2,629,241	3,065,874
Local Sales Tax Account			21,157,948	20,743,797
Restricted Cash and Cash Equivalents			4,727,346	3,970,952
<b>Total Cash at Year End per Statement 5</b>			<u>\$ 28,514,535</u>	<u>27,780,623</u>

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

CITY OF HAYS, KANSAS  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2010	2009
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	\$ 1,792,606	412,371	<b>2,204,977</b>	1,978,738
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation and Amortization	998,651	113,367	<b>1,112,018</b>	1,073,436
<b>Change in Assets and Liabilities</b>				
(Increase) Decrease in Accounts Receivable	(40,050)	361	<b>(39,689)</b>	(21,172)
Increase (Decrease) in Accounts Payable	13,068	42,544	<b>55,612</b>	(111,734)
Increase Due to Other Funds	915	-	<b>915</b>	3,890
(Increase) Due From Other Funds	-	(915)	<b>(915)</b>	(75,520)
Increase (Decrease) in Accrued Liabilities	28,242	(268)	<b>27,974</b>	(18,263)
<b>Total Adjustments</b>	<b>1,000,826</b>	<b>155,089</b>	<b>1,155,915</b>	<b>850,637</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,793,432</b>	<b>567,460</b>	<b>3,360,892</b>	<b>2,829,375</b>

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

**CITY OF HAYS, KANSAS**  
Statement of Fiduciary Net Assets  
Agency Funds  
December 31, 2010  
(With Comparative Totals as of December 31, 2009)

	<u>Police Judge</u>	<u>TDD Sales Tax Revenue</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>				
Cash	\$ 102,754	19,837	<b>122,591</b>	114,819
Restricted Cash	<u>1,059</u>	<u>-</u>	<u><b>1,059</b></u>	<u>1,147</u>
<b>Total Assets</b>	<u>103,813</u>	<u>19,837</u>	<u><b>123,650</b></u>	<u>115,966</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>Liabilities</b>				
Accounts Payable	22,411	19,837	<b>42,248</b>	39,748
Due to Other Funds	<u>59,891</u>	<u>-</u>	<u><b>59,891</b></u>	<u>66,294</u>
<b>Total Liabilities</b>	<u>82,302</u>	<u>19,837</u>	<u><b>102,139</b></u>	<u>106,042</u>
<b>Net Assets</b>				
Reserved for Debt	20,452	-	<b>20,452</b>	8,777
Reserved for ADSAP	<u>1,059</u>	<u>-</u>	<u><b>1,059</b></u>	<u>1,147</u>
<b>Total Net Assets</b>	<u>\$ 21,511</u>	<u>-</u>	<u><b>21,511</b></u>	<u>9,924</u>

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The City is a municipal corporation governed by an elected five-member commission. The City receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources. The financial statements of the City consist of all the funds of the City and governmental entities that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

**Housing Authority of the City of Hays, Kansas**

The Housing Authority of the City of Hays, Kansas operates a subsidized public housing project. The five-member board is appointed by the City, and the City is entitled to the resources of the Housing Authority. The City has included this component unit in the City's government wide financial statements. Contact the City office for information on how to obtain a copy of the financial statements and audit report.

**Hays Public Library**

The Hays Public Library is overseen by a library board whose members are appointed by the Hays City Commissioners. The day to day operations are managed by a library director that was appointed by the library board. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. The City must approve, by charter ordinance, increases in the library mill levy rate. The City has included this component unit in the City's government wide financial statements. Contact the City office for information on how to obtain a copy of the financial statements and audit report.

**Use of Estimates**

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

**Government-Wide and Fund Financial Statements**

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

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

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

The City reports the following major governmental and proprietary funds:

**Governmental Fund Categories**

**General Fund** – to account for all financial resources except those required to be reported in another fund.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**Major Proprietary Fund Category**

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

**Non-Major Governmental Funds**

The City reports the following non-major Governmental Funds:

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

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

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

**Non-Major Proprietary Fund**

The City reports the following non-major Proprietary Fund:

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

**Fiduciary Fund**

Additionally, the City reports the following fund category:

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**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 1<sup>st</sup>.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

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

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

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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	\$ 10,876,269	193,340	3,172,724	253,348	3,221,931	10,985,484
Bond and Interest Fund	\$ 1,581,069	-	-	-	-	1,581,069
Employee Benefit Fund	\$ 2,959,907	-	-	-	-	2,959,907

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

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**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

<b>Water and Sewer Fund</b>					
	<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>
<b>Operating Revenues</b>					
<b>Charges for Sales and Services</b>					
Water Sales	\$ 2,452,028	-	-	-	2,452,028
Sewer Charges	1,929,334	-	-	-	1,929,334
Tap Fees	29,959	-	-	-	29,959
Water Sales Conservation Rate	302,173	-	-	-	302,173
Sales and Other Charges	286,193	-	-	-	286,193
<b>Total Operating Revenues</b>	<u>4,999,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,999,687</u>
<b>Operating Expenses</b>					
Water Production and Distribution	1,446,465	-	128,399	(270,489)	1,304,375
Wastewater Treatment and Collection	842,269	-	-	-	842,269
Clean Water Fee	17,817	-	-	-	17,817
Other Contractual Fees	43,969	-	-	-	43,969
Amortization	-	10,070	-	-	10,070
Depreciation	-	988,581	-	-	988,581
<b>Total Operating Expenses</b>	<u>2,350,520</u>	<u>998,651</u>	<u>128,399</u>	<u>(270,489)</u>	<u>3,207,081</u>
<b>Operating Income</b>	<u>2,649,167</u>	<u>(998,651)</u>	<u>128,399</u>	<u>(270,489)</u>	<u>1,792,606</u>
<b>Non-Operating Revenues (Expenses)</b>					
Local Sales Tax	2,583,414	-	-	-	2,583,414
Local Sales Tax Transfer	(2,093,275)	2,093,275	-	-	-
Capital Outlay	(67,371)	67,371	-	-	-
Interest Income	94,049	-	-	-	94,049
Rent on R-9 Ranch	362,221	-	-	-	362,221
Prior Year Encumbrances Voided	1,083	-	-	-	1,083
R-9 Ranch Expenses	(432,593)	-	-	-	(432,593)
Transfers (Out)	(2,574,774)	-	-	-	(2,574,774)
Interest on Deposits	(861)	861	-	-	-
Principal Debt Service Payments	(737,424)	737,424	-	-	-
Water Sales Tax Fund Reserve Expenses	-	(1,679,124)	-	-	(1,679,124)
Interest Expense	(223,515)	-	-	-	(223,515)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(3,089,046)</u>	<u>1,219,807</u>	<u>-</u>	<u>-</u>	<u>(1,869,239)</u>
<b>Net Income</b>	<u>\$ (439,879)</u>	<u>221,156</u>	<u>128,399</u>	<u>(270,489)</u>	<u>(76,633)</u>

**Inventories and Prepaid Items**

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

**Accounting for Capital Assets and Depreciation**

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

Buildings .....	40 to 50 Years
Infrastructure .....	20 to 50 Years
Machinery and Equipment.....	3 to 7 Years

The City has elected to report its governmental-type infrastructure assets (e.g., streets, bridges, traffic signals, signs, and storm sewer systems) using the modified approach as defined by GASB No. 34. Infrastructure assets reported by the modified approach are not required to be depreciated as long as the City manages the eligible infrastructure assets using an asset management system that meets certain criteria and documents that infrastructure assets are being preserved approximately at a condition level established by the City. The City has met the requirements for electing the modified approach and thus, no depreciation is calculated or included in the financial statements for infrastructure assets.

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

The City prepares a long-range Capital Improvement Plan each year to ensure that infrastructure capital assets are being preserved approximately at or above the desired condition assessment levels set by the City. It is updated annually and now extends through 2015. The Capital Improvement Plan is developed by the Public Works Department, reviewed by the City Manager, Assistant City Manager, and Director of Finance, and approved by the City Commission.

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

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

During 2010, 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.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The following schedule shows the estimated annual amount of expenditures calculated during June 2010 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2010. It also shows the amounts actually expended for each of the past four reporting periods.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Totals</u>
Estimated	\$ 2,878,229	752,742	2,976,811	2,220,474	8,828,256
Actual	\$ 2,970,230	744,590	2,764,967	1,239,130	7,718,917

Capital asset activity for the year ended December 31, 2010 was as follows.

**Primary Government**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities</b>				
<b>Non - Depreciable</b>				
<b>Capital Assets</b>				
Land and Right of Ways	\$ 24,332,900	333,174	(66,582)	24,599,492
Infrastructure (Modified Approach)	42,652,945	-	-	42,652,945
<b>Total Non -       Depreciable       Capital Assets</b>	<u>66,985,845</u>	<u>333,174</u>	<u>(66,582)</u>	<u>67,252,437</u>
<b>Depreciable Capital   Assets</b>				
Buildings	12,228,134	-	-	12,228,134
Machinery and Equipment	6,917,602	3,091,700	(226,071)	9,783,231
<b>Total       Depreciable       Capital Assets</b>	<u>19,145,736</u>	<u>3,091,700</u>	<u>(226,071)</u>	<u>22,011,365</u>
<b>Less Accumulated   Depreciation</b>	<u>(9,791,791)</u>	<u>(1,131,190)</u>	<u>225,322</u>	<u>(10,697,659)</u>
<b>Depreciable Capital   Assets, Net of   Accumulated   Depreciation</b>	<u>9,353,945</u>	<u>1,960,510</u>	<u>(749)</u>	<u>11,313,706</u>
<b>Governmental   Activities Capital   Assets,   Net of Accumulated   Depreciation</b>	<u>\$ 76,339,790</u>	<u>2,293,684</u>	<u>(67,331)</u>	<u>78,566,142</u>

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Primary Government**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-Type Activities</b>				
<b>Non-Depreciable     Capital Assets</b>				
Land	\$ 110,489	28,620	-	139,109
<b>Depreciable Capital     Assets</b>				
R-9 Ranch	4,262,040	-	-	4,262,040
Infrastructure	19,105,600	67,371	-	19,172,971
Buildings	12,036,344	35,890	-	12,072,224
Machinery and Equipment	11,767,789	52,975	(27,283)	11,793,481
<b>Total     Depreciable     Capital Assets</b>	<b>47,171,763</b>	<b>156,236</b>	<b>(27,283)</b>	<b>47,300,716</b>
<b>Less Accumulated     Depreciation</b>	<b>(23,093,474)</b>	<b>(1,101,947)</b>	<b>27,283</b>	<b>(24,168,138)</b>
<b>Depreciable Capital     Assets, Net of     Accumulated     Depreciation</b>	<b>24,078,289</b>	<b>(945,711)</b>	<b>-</b>	<b>23,132,578</b>
<b>Business-Type     Activities Capital     Assets     Net of Accumulated     Depreciation</b>	<b>\$ 24,188,778</b>	<b>(917,091)</b>	<b>-</b>	<b>23,271,687</b>

**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.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Concentration of Credit Risk.*

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

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2010. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits, including certificates of deposit, was \$37,478,581. The bank balance was \$37,941,885. Of the bank balance, \$7,863,616 was covered by FDIC insurance and the remaining \$30,078,269 was collateralized with securities held by the pledging financial institutions' agents in the City's name. In addition, the City had cash on hand of \$1,500.

*Custodial Credit Risk – Investments.*

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. As of December 31, 2010, 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, 2010 has been estimated at \$542,938.

**Defined Benefit Pension Plan**

*Plan Description*

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

*Funding Policy*

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERs employer rate established by statute for calendar year 2010 was 7.14%. The

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

City's employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$341,241, \$273,856, and \$229,476, respectively, equal to the required contributions for each year. The KP&F employer rate established for the calendar year 2010 was 12.86%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contributions to KP&F for the years ending December 31, 2010, 2009, and 2008, was \$351,669, \$354,274, and \$332,272 respectively, equal to the required contributions for each year as set forth by the legislature.

**Deferred Compensation Plan**

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

**Other Post Employment Benefits**

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

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

**Receivables and Payables**

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

The City records utility revenues on a monthly basis. The balance shown as accounts receivable at December 31, 2010 is comprised of accounts considered to be collectible by management. Balances are stated at net of anticipated uncollectible accounts.

**Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1<sup>st</sup> are due one-half by December 20<sup>th</sup> and one-half by May 10<sup>th</sup>. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City; and therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenues.

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Restricted Assets**

These assets consist of cash restricted for certain enterprise, debt service, and agency funds. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation. Designations of fund balance represent tentative management plans, which are subject to change.

**Net Assets - Restricted**

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

**Special Assessments**

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

**NOTE 2 - CAPITAL LEASES**

As of December 31, 2010, **City of Hays, Kansas** had the following capital leases:

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

The following is a schedule by years of future minimum lease payments for the governmental activities funds capital leases together with the present value of the net minimum lease payments as of December 31, 2010.

Year Ending December 31	Governmental Activities			Business Type Activities
	HRC Building Facility	Welcome Center	Total	Sanitation Trucks
2011	\$ 106,312	100,582	206,894	55,993
2012	106,312	100,582	206,894	55,993
2013	106,312	100,582	206,894	55,993
2014	106,312	100,582	206,894	55,993
2015	106,312	100,582	206,894	55,993
2016-2018	318,937	223,134	542,070	83,988
Total Minimum Lease Payments	850,497	726,044	1,576,540	363,953
Less: Amount Representing Interest	(155,192)	(112,955)	(268,147)	(50,593)
Present Value Of Future Minimum Lease Payments	\$ 695,305	613,089	1,308,393	313,360

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

**NOTE 2 – CAPITAL LEASES (continued)**

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

**NOTE 3 - LONG-TERM DEBT**

**General Obligation Bonds**

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

<b>Purpose</b>	<b>Interest Rates</b>	<b>Amount</b>
Governmental Activities	3.45 – 6.50%	\$13,850,000

The annual requirements to retire G.O. Bonds as of December 31, 2010, are as follows:

Year	Principal Due	Interest Due	Total
2011	\$ 965,000	588,024	<b>1,553,024</b>
2012	1,010,000	548,616	<b>1,558,616</b>
2013	855,000	506,226	<b>1,361,226</b>
2014	895,000	470,362	<b>1,365,362</b>
2015	935,000	433,385	<b>1,368,385</b>
2016-2020	4,930,000	1,552,681	<b>6,482,681</b>
2021-2026	4,260,000	547,906	<b>4,807,906</b>
Total	<b>\$ 13,850,000</b>	<b>4,647,200</b>	<b>18,497,200</b>

**Revenue Refunding Bonds and Revolving Loan**

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

<b>Purpose</b>	<b>Interest Rates</b>	<b>Amount</b>
Governmental Activities	3.60 – 5.25%	\$5,777,682

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2010 are as follows:

Year	Principal Due	Interest Due	Total
2011	\$ 691,284	201,259	<b>892,543</b>
2012	675,440	178,000	<b>853,440</b>
2013	540,167	157,576	<b>697,743</b>
2014	480,791	139,857	<b>620,648</b>
2015	290,000	129,070	<b>419,070</b>
2016-2020	1,590,000	502,860	<b>2,092,860</b>
2021-2024	1,510,000	165,700	<b>1,675,700</b>
Total	<b>\$ 5,777,682</b>	<b>1,474,322</b>	<b>7,252,004</b>

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

**NOTE 3 – LONG-TERM DEBT (continued)**

**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, 2010 was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
G.O. Bonds	\$ 15,795,800	-	(1,945,800)	13,850,000	965,000
Capital Leases	1,434,660	-	(126,266)	1,308,394	133,590
<b>Total Governmental Long-Term Liabilities</b>	<b>17,230,460</b>	<b>-</b>	<b>(2,072,066)</b>	<b>15,158,394</b>	<b>1,098,590</b>
<b>Business-Type Activities</b>					
G.O. Bonds	79,200	-	(79,200)	-	-
Capital Leases	354,145	-	(40,785)	313,360	42,608
Revenue Bonds	4,815,000	-	(330,000)	4,485,000	340,000
State Revolving Loan	1,630,359	-	(337,677)	1,292,682	351,284
<b>Total Business-Type Long-Term Liabilities</b>	<b>6,878,704</b>	<b>-</b>	<b>(787,662)</b>	<b>6,091,042</b>	<b>733,892</b>
<b>Total Long- Term Liabilities</b>	<b>\$ 24,109,164</b>	<b>-</b>	<b>(2,859,728)</b>	<b>21,249,436</b>	<b>1,832,482</b>

**NOTE 4 - COMPLIANCE WITH REVENUE BOND PROVISION WATER AND SEWER UTILITY FUND**

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

The Water and Sewage System Revenue Bonds - Series 2009 and the Water and Sewage System Revenue Refunding Bonds - Series 2003 require that water rates charged in each year will enable the City to have in each fiscal year net operating revenues from the system equal to 125 percent of the maximum amount required to be paid by the City in such fiscal year on account of both principal and interest on all water and sewage system revenue bonds then outstanding. This provision was complied with for the year ended December 31, 2010. Excess revenues totaled \$343,471 for the prior year.

Gross Revenues		\$ 4,999,687
Adjustments –		
Less – Operating Expenses	\$( 2,208,430)	
Transfers Out	( 2,021,576)	
Add - Interest Earned	<u>28,440</u>	
Net Adjustments		( 4,201,566)
<b>Net Revenues</b>		<b>798,121</b>
Maximum Amount of Principal and Interest	495,666	
	<u>125%</u>	
Net Revenues Required		<u>619,583</u>
<b>Excess</b>		<b>\$ <u>178,538</u></b>

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

**NOTE 5 – 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, 2010 were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water and Sewer	General	12-825d	\$ 957,040
Solid Waste	General	12-825d	219,870
Convention and Tourism	General	79-2925	57,360
Special Alcohol	General	79-41a04	43,748
Water Sales Tax – W&S Fund	General	12-825d	553,198
Solid Waste	Employee Benefit	12-825d	130,558
Water and Sewer	Employee Benefit	12-825d	340,910
Convention and Tourism	Employee Benefit	79-2925	85,150
Special Alcohol	Employee Benefit	79-41a04	16,383
Water and Sewer	Bond and Interest	12-825d	17,800
Solid Waste	Solid Waste Reserve	12-825d	225,000
Water and Sewer	Capital Improvement Reserve	12-825d	650,000
Water and Sewer	Sales Tax Reserve	12-825d	2,093,275
General	New Equipment Reserve	12-1,117	249,299
Airport	New Equipment Reserve	12-1,117	6,913
Convention and Tourism	New Equipment Reserve	12-1,117	2,760
Water and Sewer	New Equipment Reserve	12-1,117	55,826

In the fund financial statements, total transfers of \$2,275,202 are equal to the total transfers out of \$2,275,202 from Business-Type Funds.

**NOTE 6 - CAPITAL PROJECTS**

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expenditures to Date</u>
Golden Belt Estates 3 <sup>rd</sup> Addition	\$ 449,893	398,595
Airport Improvements - Grants 21, 22, 23, 25	2,537,224	2,356,502
Sports Complex	8,000,000	6,587,236
Kings Gate 1 <sup>st</sup> Addition Phase 1	477,260	477,260
Skyline Draw Rain garden	131,385	131,385
Tallgrass Addition Phase IV	380,245	380,245

**NOTE 7 - LITIGATION**

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

**NOTE 8 - 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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 8 - RISK MANAGEMENT – CLAIMS AND JUDGMENTS (continued)**

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 2010, the City contributed \$150,488 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 9 - GRANTS AND SHARED REVENUES**

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

**NOTE 10 - 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 11 – RELATED PARTY TRANSACTIONS**

There were no significant related party transactions in 2010.

**NOTE 12 – SUBSEQUENT EVENTS**

The City has evaluated subsequent events through July 28, 2011, the date the financial statements were available to be issued.

**CITY OF HAYS, KANSAS**

Required Supplementary Information

CITY OF HAYS, KANSAS  
General Fund  
Balance Sheets  
December 31, 2010 and 2009

<u>ASSETS</u>		
	<u>2010</u>	<u>2009</u>
<b>Cash</b>	\$ 6,222,886	6,347,383
<b>Receivables</b>		
Accounts Receivable (Net of Allowance for Uncollectibles)	77,894	178,261
<b>Other Asset</b>		
Reserved Cash - Budget Stabilization	<u>3,221,931</u>	<u>3,172,724</u>
<b>Total Assets</b>	<u>\$ 9,522,711</u>	<u>9,698,368</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<b>Liabilities</b>		
Accounts Payable	\$ 66,058	186,244
Accrued Payroll	101,872	86,316
Accrued Paid Time Off	424,412	408,320
Accrued Sick Leave Payout	<u>33,575</u>	<u>32,284</u>
<b>Total Liabilities</b>	<u>625,917</u>	<u>713,164</u>
<b>Reserved Fund Balances</b>		
Reserved for Encumbrances	253,348	193,340
Reserved for Budget Stabilization	3,221,931	3,172,724
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	4,265,967	4,168,389
Undesignated	<u>1,155,548</u>	<u>1,450,751</u>
<b>Total Fund Balance</b>	<u>8,896,794</u>	<u>8,985,204</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 9,522,711</u>	<u>9,698,368</u>

See accountants' report.

CITY OF HAYS, KANSAS  
General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010			2009 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues (Statement 9-1, Page 4)	\$ 9,323,759	8,956,643	(367,116)	9,098,866
Expenditures (Statement 9-1, Page 4)	14,412,189	10,736,185	3,676,004	10,561,461
Excess of Revenues Over (Under) Expenditures	(5,088,430)	(1,779,542)	3,308,888	(1,462,595)
Other Financing Sources (Uses)				
Sale of Property	-	-	-	33,663
Transfers In	1,831,216	1,831,216	-	1,705,691
Transfers Out	(252,827)	(249,299)	3,528	(386,811)
Total Other Financing Sources (Uses)	1,578,389	1,581,917	3,528	1,352,543
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(3,510,041)	(197,625)	3,312,416	(110,052)
Fund Balance - January 1	4,627,373	8,985,204	4,357,831	9,288,887
Increase (Decrease) in Reserve for Encumbrances	-	60,008	60,008	(147,787)
Increase (Decrease) in Reserve for Budget Stabilization	-	49,207	49,207	(45,844)
Fund Balance - December 31	\$ 1,117,332	8,896,794	7,779,462	8,985,204

See accountants' report.

**CITY OF HAYS, KANSAS**  
**General Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
<b>Taxes</b>				
Delinquent	\$ -	2,031	2,031	1,359
16/20 M		13	13	-
Local Sales	6,670,000	6,332,832	(337,168)	6,340,438
<b>Total Taxes</b>	6,670,000	6,334,876	(335,124)	6,341,797
<b>Intergovernmental</b>				
Liquor Tax	126,259	118,946	(7,313)	117,289
State Grant	-	1,036	1,036	-
Federal Grant	-	10,441	10,441	9,782
<b>Total Intergovernmental</b>	126,259	130,423	4,164	127,071
<b>Licenses and Permits</b>				
Franchise Tax	1,250,000	1,398,175	148,175	1,309,744
Licenses	31,800	44,361	12,561	49,217
Permits	60,000	47,139	(12,861)	52,602
<b>Total Licenses and Permits</b>	1,341,800	1,489,675	147,875	1,411,563
<b>Fines and Forfeitures</b>				
Fines and Court Fees	577,000	506,067	(70,933)	519,125
<b>Use of Money and Property</b>				
Interest Income	205,000	52,515	(152,485)	255,385
Rent	1,200	1,200	-	1,200
<b>Total Use of Money and Property</b>	\$ 206,200	53,715	(152,485)	256,585

See accountants' report.

## CITY OF HAYS, KANSAS

## General Fund

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

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

Revenues (continued)	2010		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Miscellaneous</b>				
Golf Course Fees	\$ 250,000	227,924	(22,076)	212,203
Cemetery Receipts	9,000	14,395	5,395	10,425
Donations	-	-	-	35,000
Capital Credits	-	17,582	17,582	18,759
Reimbursed Expenses	-	110,511	110,511	69,977
Sale of Assets	-	10,947	10,947	-
Miscellaneous Receipts	143,500	17,924	(125,576)	55,769
Prior Year Encumbrances Voided	-	42,604	42,604	40,592
<b>Total Miscellaneous</b>	<u>402,500</u>	<u>441,887</u>	<u>39,387</u>	<u>442,725</u>
<b>Total Revenues</b>	<u>\$ 9,323,759</u>	<u>8,956,643</u>	<u>(367,116)</u>	<u>9,098,866</u>
<b>Expenditures</b>				
City Commission	\$ 3,926,845	1,128,889	2,797,956	1,144,473
City Manager	665,611	496,116	169,495	488,350
Human Resources	198,289	171,436	26,853	190,885
Information Technology	469,428	445,749	23,679	409,700
City Attorney	101,000	99,371	1,629	83,112
Finance - City Clerk	378,111	362,989	15,122	362,428
Intergovernmental Account	289,000	291,459	(2,459)	276,735
Police Department	2,486,772	2,380,504	106,268	2,242,187
Municipal Court	153,417	139,577	13,840	137,907
Public Works - General Administration	247,480	213,041	34,439	295,429
Service Division	824,949	719,451	105,498	808,928
Planning, Inspection, and Enforcement	263,201	246,074	17,127	215,570
Building and Grounds	463,959	452,180	11,779	387,346
Fleet Maintenance	717,020	667,163	49,857	548,356
Fire Department	1,295,213	1,260,868	34,345	1,213,067
Parks and Playgrounds	879,941	745,674	134,267	831,274
Golf Course	390,116	352,392	37,724	288,848
Swimming Pool	115,000	66,346	48,654	84,422
Ballfield Maintenance	77,400	39,442	37,958	67,499
Cemeteries	18,200	11,417	6,783	10,510
Social Services	164,000	164,000	-	164,000
Economic Development	254,705	249,515	5,190	278,275
Qualify of Life	32,532	32,532	-	32,160
<b>Total Expenditures</b>	<u>\$ 14,412,189</u>	<u>10,736,185</u>	<u>3,676,004</u>	<u>10,561,461</u>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Library Fund**  
Balance Sheets  
December 31, 2010 and 2009

<u>ASSETS</u>		<u>2010</u>	<u>2009</u>
Taxes Receivable	\$	<u>1,062,457</u>	<u>1,058,923</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>1,062,457</u></b>	<b><u>1,058,923</u></b>
<u>LIABILITIES AND FUND BALANCE</u>			
<b>Liabilities</b>			
Deferred Revenues	\$	<u>1,062,457</u>	<u>1,058,923</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$</b>	<b><u>1,062,457</u></b>	<b><u>1,058,923</u></b>

**Library Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	<u>2010</u>			<u>2009 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	
<b>Revenues</b>				
Taxes				
Ad Valorem	\$ 1,080,534	1,037,706	(42,828)	1,022,007
Delinquent	-	13,606	13,606	9,917
Motor Vehicle	102,477	120,641	18,164	123,117
Recreational Vehicle	1,396	1,774	378	1,762
16/20M Truck	840	1,147	307	1,016
<b>Total Revenues</b>	<b>1,185,247</b>	<b>1,174,874</b>	<b>(10,373)</b>	<b>1,157,819</b>
<b>Expenditures</b>				
Distributions to Library Board	1,185,247	1,174,874	(10,373)	1,157,819
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	-	-	-	-
<b>Fund Balance - January 1</b>	-	-	-	-
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Library Employee Benefit Fund**  
 Balance Sheets  
 December 31, 2010 and 2009

<u>ASSETS</u>		
	<u>2010</u>	<u>2009</u>
Taxes Receivable	\$ <u>137,395</u>	<u>131,868</u>
<b>Total Assets</b>	<b>\$ <u>137,395</u></b>	<b><u>131,868</u></b>
<u>LIABILITIES AND FUND BALANCE</u>		
<b>Liabilities</b>		
Deferred Revenues	\$ <u>137,395</u>	<u>131,868</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>137,395</u></b>	<b><u>131,868</u></b>

**Library Employee Benefit Fund**  
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	<u>2010</u>		Variance Positive (Negative)	2009
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues</b>				
Taxes				
Ad Valorem	\$ 134,559	129,713	(4,846)	133,049
Delinquent	-	1,588	1,588	1,034
Motor Vehicle	13,275	14,874	1,599	12,422
Recreational Vehicle	181	221	40	178
16/20M Truck	109	118	9	96
<b>Total Revenues</b>	<b>148,124</b>	<b>146,514</b>	<b>(1,610)</b>	<b>146,779</b>
<b>Expenditures</b>				
Distributions to Library Board	151,900	146,514	5,386	149,988
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	(3,776)	-	3,776	(3,209)
<b>Fund Balance - January 1</b>	<b>3,776</b>	<b>-</b>	<b>(3,776)</b>	<b>3,209</b>
<b>Fund Balance - December 31</b>	<b>\$ <u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

See accountants' report.

CITY OF HAYS, KANSAS  
Special Highway Fund  
Balance Sheets  
December 31, 2010 and 2009

<u>ASSETS</u>		
	<u>2010</u>	<u>2009</u>
Cash	\$ 137,293	184,727
<b>Total Assets</b>	<b>\$ 137,293</b>	<b>184,727</b>
<u>LIABILITIES AND FUND BALANCE</u>		
<b>Liabilities</b>		
Accounts Payable	\$ 14,416	305
<b>Fund Balance</b>		
<b>Reserved</b>		
Reserved for Encumbrances	41,248	19,232
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	57,897	165,190
Undesignated	23,732	-
<b>Total Fund Balance</b>	<b>122,877</b>	<b>184,422</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 137,293</b>	<b>184,727</b>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Special Highway Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
Intergovernmental				
State Gasoline Tax	\$ 582,950	546,919	(36,031)	510,675
Connecting Link Maintenance	42,764	44,760	1,996	44,729
Prior Year Encumbrance Voided	-	8,636	8,636	9,880
<b>Total Revenues</b>	<u>625,714</u>	<u>600,315</u>	<u>(25,399)</u>	<u>565,284</u>
<b>Expenditures</b>				
Contractual Services	150,000	-	150,000	-
Capital Outlay	648,786	683,876	(35,090)	787,783
<b>Total Expenditures</b>	<u>798,786</u>	<u>683,876</u>	<u>114,910</u>	<u>787,783</u>
<b>Excess Revenues Over (Under) Expenditures</b>	<u>(173,072)</u>	<u>(83,561)</u>	<u>89,511</u>	<u>(222,499)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	-	20,633
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,633</u>
<b>Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<u>(173,072)</u>	<u>(83,561)</u>	<u>89,511</u>	<u>(201,866)</u>
<b>Fund Balance - January 1</b>	173,072	184,422	11,350	462,295
<b>Increase (Decrease) in Reserve for Encumbrances</b>	<u>-</u>	<u>22,016</u>	<u>22,016</u>	<u>(76,007)</u>
<b>Fund Balance - December 31</b>	<u>\$ -</u>	<u>122,877</u>	<u>122,877</u>	<u>184,422</u>

See accountants' report.

CITY OF HAYS, KANSAS  
Employee Benefit Fund  
Balance Sheets  
December 31, 2010 and 2009

<b><u>ASSETS</u></b>		
	<u>2010</u>	<u>2009</u>
Cash	\$ 335,173	898,829
Accounts Receivable (Net of Allowance for Uncollectibles)	186,139	-
Taxes Receivable	<u>2,053,847</u>	<u>1,606,007</u>
<b>Total Assets</b>	<b>\$ <u>2,575,159</u></b>	<b><u>2,504,836</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>Liabilities</b>		
Deferred Revenues	\$ <u>2,053,847</u>	<u>1,606,007</u>
<b>Fund Balance</b>		
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	222,367	898,829
Undesignated	<u>298,945</u>	<u>-</u>
<b>Total Fund Balance</b>	<b><u>521,312</u></b>	<b><u>898,829</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>2,575,159</u></b>	<b><u>2,504,836</u></b>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Employee Benefit Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
Taxes				
Ad Valorem	\$ 1,638,783	1,579,907	(58,876)	1,541,374
Delinquent	-	21,065	21,065	15,933
Motor Vehicle	153,938	197,010	43,072	228,761
Recreational Vehicle	2,097	2,865	768	3,254
16/20M Truck	1,262	2,291	1,029	1,415
Interest Income	10,000	3,345	(6,655)	26,027
Health Insurance Refund	-	179,259	179,259	-
Miscellaneous	-	23,647	23,647	36,932
<b>Total Revenues</b>	<b>1,806,080</b>	<b>2,009,389</b>	<b>203,309</b>	<b>1,853,696</b>
<b>Expenditures</b>				
Workmen's Compensation	206,413	150,488	55,925	164,669
Unemployment Compensation	24,763	7,783	16,980	9,085
Social Security	631,456	586,827	44,629	570,429
Employee Retirement	710,252	694,178	16,074	628,607
Contingency	290,500	4,206	286,294	34,879
Health Insurance	1,446,583	1,476,362	(29,779)	1,246,409
Contractual Services	10,000	40,063	(30,063)	6,502
<b>Total Expenditures</b>	<b>3,319,967</b>	<b>2,959,907</b>	<b>360,060</b>	<b>2,660,580</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>(1,513,887)</b>	<b>(950,518)</b>	<b>563,369</b>	<b>(806,884)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	573,001	573,001	-	537,937
<b>Total Other Financing Sources</b>	<b>573,001</b>	<b>573,001</b>	<b>-</b>	<b>537,937</b>
<b>Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<b>(940,886)</b>	<b>(377,517)</b>	<b>563,369</b>	<b>(268,947)</b>
<b>Fund Balance - January 1</b>	<b>940,886</b>	<b>898,829</b>	<b>(42,057)</b>	<b>1,167,776</b>
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>521,312</b>	<b>521,312</b>	<b>898,829</b>

See accountants' report.

CITY OF HAYS, KANSAS  
Public Safety Equipment Fund  
Balance Sheets  
December 31, 2010 and 2009

<b><u>ASSETS</u></b>		
	<u>2010</u>	<u>2009</u>
Cash	\$ 567,847	386,474
Taxes Receivable	<u>354,153</u>	<u>352,974</u>
<b>Total Assets</b>	<b>\$ <u>922,000</u></b>	<b><u>739,448</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>Liabilities</b>		
Accounts Payable	\$ 69	1,505
Deferred Revenues	<u>354,153</u>	<u>352,974</u>
<b>Total Liabilities</b>	<b><u>354,222</u></b>	<b><u>354,479</u></b>
<b>Fund Balance</b>		
<b>    Reserved</b>		
Reserved for Encumbrances	3,810	48,739
<b>    Unreserved</b>		
Designated for Subsequent Year's Expenditures	451,757	268,846
Undesignated	<u>112,211</u>	<u>67,384</u>
<b>Total Fund Balance</b>	<b><u>567,778</u></b>	<b><u>384,969</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>922,000</u></b>	<b><u>739,448</u></b>

See accountants' 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, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	<b>2010</b>			2009 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
<b>Taxes</b>				
Ad Valorem	\$ 360,178	347,286	(12,892)	342,203
Delinquent	-	4,425	4,425	3,330
Motor Vehicle	34,161	40,334	6,173	42,002
Recreational Vehicle	465	593	128	601
16/20M Truck	280	381	101	374
<b>Intergovernmental</b>				
Federal Grants	-	30,441	30,441	-
Prior Year Encumbrances Voided	-	2,111	2,111	-
<b>Total Revenues</b>	395,084	425,571	30,487	388,510
<b>Expenditures</b>				
Capital Outlay	663,930	197,833	466,097	287,290
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	(268,846)	227,738	496,584	101,220
<b>Fund Balance - January 1</b>	268,846	384,969	116,123	436,507
<b>Increase (Decrease) in</b>				
<b>Reserve for Encumbrances</b>	-	(44,929)	(44,929)	(152,758)
<b>Fund Balance - December 31</b>	\$ -	567,778	567,778	384,969

See accountants' report.

CITY OF HAYS, KANSAS  
Airport Fund  
Balance Sheets  
December 31, 2010 and 2009

<b><u>ASSETS</u></b>		
	<b><u>2010</u></b>	<b><u>2009</u></b>
Cash	\$ 423,580	394,039
Accounts Receivable (Net of Allowance for Uncollectibles)	-	127
Taxes Receivable	<u>177,076</u>	<u>176,487</u>
<b>Total Assets</b>	<b>\$ <u>600,656</u></b>	<b><u>570,653</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>Liabilities</b>		
Accounts Payable	\$ 8,218	15,614
Accrued Payroll	1,452	1,278
Accrued Paid Time Off	3,005	3,271
Accrued Sick Leave Payout	2,904	2,904
Deferred Revenues	<u>177,076</u>	<u>176,487</u>
<b>Total Liabilities</b>	<b><u>192,655</u></b>	<b><u>199,554</u></b>
<b>Fund Balance</b>		
<b>Reserved</b>		
Reserved for Encumbrances	2,100	-
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	400,045	338,478
Undesignated	<u>5,856</u>	<u>32,621</u>
<b>Total Fund Balance</b>	<b><u>408,001</u></b>	<b><u>371,099</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>600,656</u></b>	<b><u>570,653</u></b>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Airport Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
<b>Taxes</b>				
Ad Valorem	\$ 180,089	173,643	(6,446)	172,192
Delinquent	-	2,310	2,310	1,723
Motor Vehicle	17,081	20,162	3,081	19,831
Recreational Vehicle	233	297	64	301
16/20M Truck	140	191	51	187
Licenses and Fees Collected	77,200	79,469	2,269	79,063
Farming Leases	16,500	17,262	762	17,262
Miscellaneous	10,000	9,699	(301)	18,877
Prior Year Encumbrances Voided	-	811	811	906
<b>Total Revenues</b>	<b>301,243</b>	<b>303,844</b>	<b>2,601</b>	<b>310,342</b>
<b>Expenditures</b>				
Personal Services	91,807	93,905	(2,098)	86,683
Contractual Services	96,520	83,412	13,108	79,063
Commodities	403,564	61,637	341,927	24,504
Capital Outlay	39,350	23,175	16,175	-
<b>Total Expenditures</b>	<b>631,241</b>	<b>262,129</b>	<b>369,112</b>	<b>190,250</b>
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	(329,998)	41,715	371,713	120,092
<b>Other Financing (Uses)</b>				
Transfers Out	(8,480)	(6,913)	1,567	(23,600)
<b>Excess Revenues and Other Financing</b>				
<b>Sources (Uses) Over (Under) Expenditure</b>	(338,478)	34,802	373,280	96,492
<b>Fund Balance - January 1</b>	338,478	371,099	32,621	296,527
<b>Increase (Decrease) in</b>				
<b>Reserve for Encumbrances</b>	-	2,100	2,100	(21,920)
<b>Fund Balance - December 31</b>	\$ -	<b>408,001</b>	<b>408,001</b>	<b>371,099</b>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Park Development Fund**  
 Balance Sheets  
 December 31, 2010 and 2009

<b><u>ASSETS</u></b>			
		<u>2010</u>	<u>2009</u>
Cash	\$	<u>5,027</u>	-
<b>Total Assets</b>		<u><u>5,027</u></u>	<u>-</u>
<b><u>FUND BALANCE</u></b>			
Fund Balance			
Designated for Subsequent Year's Expenditures	\$	<u>5,027</u>	-
<b>Total Liabilities and Fund Balance</b>	\$	<u><u>5,027</u></u>	<u>-</u>

**Park Development Fund**  
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010			2009 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Miscellaneous		5,027	5,027	-
<b>Expenditures</b>	\$	-	-	64
<b>Excess Revenues Over (Under)</b>				
Expenditures	-	5,027	5,027	(64)
<b>Fund Balance - January 1</b>	-	-	-	64
<b>Fund Balance - December 31</b>	\$	<u><u>5,027</u></u>	<u><u>5,027</u></u>	<u>-</u>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Convention and Visitor's Bureau Fund**  
 Balance Sheets  
 December 31, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Cash	\$ 385,959	359,103
Accounts Receivable (Net of Allowance for Uncollectibles)	-	231
<b>Total Assets</b>	<b>\$ 385,959</b>	<b>359,334</b>
 <u>LIABILITIES AND FUND BALANCE</u> 		
<b>Liabilities</b>		
Accounts Payable	\$ 13,444	3,622
Accrued Payroll	3,270	2,745
Accrued Paid Time Off	10,295	8,564
<b>Total Liabilities</b>	<b>27,009</b>	<b>14,931</b>
<b>Fund Balance</b>		
<b>Reserved</b>		
Reserved for Encumbrances	486	-
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	336,337	344,403
Undesignated	22,127	-
<b>Total Fund Balance</b>	<b>358,950</b>	<b>344,403</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 385,959</b>	<b>359,334</b>

See accountants' 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, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
Intergovernmental				
Guest Tax	\$ 680,000	651,671	(28,329)	619,240
Prior Year Encumbrances Voided	-	2,061	2,061	1,207
Miscellaneous	37,000	41,310	4,310	36,764
<b>Total Revenues</b>	<b>717,000</b>	<b>695,042</b>	<b>(21,958)</b>	<b>657,211</b>
<b>Expenditures</b>				
Personal Services	235,073	220,786	14,287	210,311
Contractual Services	615,140	269,044	346,096	239,558
Commodities	71,000	45,881	25,119	71,915
<b>Total Expenditures</b>	<b>921,213</b>	<b>535,711</b>	<b>385,502</b>	<b>521,784</b>
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	(204,213)	159,331	363,544	135,427
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(145,270)	(145,270)	-	(124,527)
<b>Excess Revenues and Other Financing</b>				
<b>Sources (Uses) Over (Under) Expenditures:</b>	(349,483)	14,061	363,544	10,900
<b>Fund Balance - January 1</b>	349,483	344,403	(5,080)	343,232
<b>Increase (Decrease) in</b>				
<b>Reserve for Encumbrances</b>	-	486	486	(9,729)
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>358,950</b>	<b>358,950</b>	<b>344,403</b>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**New Equipment Reserve Fund**  
 Balance Sheets  
 December 31, 2010 and 2009

<u><b>ASSETS</b></u>		
	<u>2010</u>	<u>2009</u>
Cash	\$ <u>1,457,220</u>	<u>1,459,745</u>
 <u><b>FUND BALANCE</b></u>		
<b>Fund Balance Reserved</b>		
Reserved for Encumbrances	\$ 38,592	100,154
<b>Unreserved</b>		
Undesignated	<u>1,418,628</u>	<u>1,359,591</u>
<b>Total Fund Balance</b>	\$ <u>1,457,220</u>	<u>1,459,745</u>

**New Equipment Reserve Fund**  
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Interest Income	\$ 4,874	28,177
<b>Expenditures</b>		
Capital Outlay	<u>260,635</u>	<u>762,874</u>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>(255,761)</b>	<b>(734,697)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers In	<u>314,798</u>	<u>528,411</u>
<b>Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<b>59,037</b>	<b>(206,286)</b>
<b>Fund Balance - January 1</b>	<b>1,459,745</b>	<b>1,638,077</b>
<b>Increase (Decrease) in Reserve for Encumbrances</b>	<u><b>(61,562)</b></u>	<u>27,954</u>
<b>Fund Balance - December 31</b>	\$ <u>1,457,220</u>	<u>1,459,745</u>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Special Alcohol Program Fund**  
 Balance Sheets  
 December 31, 2010 and 2009

	<b>ASSETS</b>	
	<b>2010</b>	<b>2009</b>
Cash	\$ <b>192,755</b>	194,894
<b>FUND BALANCE</b>		
<b>Fund Balance</b>		
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	\$ <b>192,755</b>	194,894

**Special Alcohol Program Fund**  
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	<b>2010</b>			
	Original and Final Budget	Actual	Variance Positive (Negative)	2009 Actual
<b>Revenues</b>				
Intergovernmental				
Liquor Tax	\$ 126,259	119,492	(6,767)	117,289
<b>Expenditures</b>				
Contractual	262,469	61,500	200,969	65,850
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	(136,210)	57,992	194,202	51,439
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(60,131)	(60,131)	-	(53,685)
<b>Excess Revenues and Other Financing</b>				
<b>Sources (Uses) Over (Under) Expenditures</b>	(196,341)	(2,139)	194,202	(2,246)
<b>Fund Balance - January 1</b>	196,341	194,894	(1,447)	197,140
<b>Fund Balance - December 31</b>	\$ -	192,755	192,755	194,894

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Special Park and Recreation Fund**  
Balance Sheets  
December 31, 2010 and 2009

	<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Cash	\$	<u>638,225</u>	<u>529,142</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>  			
<b>Liabilities</b>			
Accounts Payable	\$	<u>350</u>	<u>5,722</u>
<b>Fund Balance</b>			
<b>Reserved</b>			
Reserved for Encumbrances		832	-
<b>Unreserved</b>			
Designated for Subsequent Year's Expenditures		627,679	488,399
Undesignated		<u>9,364</u>	<u>35,021</u>
<b>Total Fund Balance</b>		<u>637,875</u>	<u>523,420</u>
<b>Total Liabilities and Fund Balance</b>	\$	<u>638,225</u>	<u>529,142</u>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Special Park and Recreation Fund**  
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	<u>2010</u>		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
Intergovernmental				
Liquor Tax	\$ 126,259	<b>122,809</b>	(3,450)	120,620
<b>Expenditures</b>				
Capital Outlay	614,658	<b>9,186</b>	605,472	18,863
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	(488,399)	<b>113,623</b>	602,022	101,757
<b>Fund Balance - January 1</b>	488,399	<b>523,420</b>	35,021	425,163
<b>Increase (Decrease) in Reserve   For Encumbrances</b>	-	<b>832</b>	832	(3,500)
<b>Fund Balance - December 31</b>	\$ -	<b>637,875</b>	637,875	523,420

See accountants' report.

CITY OF HAYS, KANSAS  
Debt Service Fund  
Balance Sheets  
December 31, 2010 and 2009

<b><u>ASSETS</u></b>		
	<b><u>2010</u></b>	<b><u>2009</u></b>
Cash	\$ 480,443	387,804
Taxes Receivable	<u>641,872</u>	<u>1,081,405</u>
<b>Total Assets</b>	<b>\$ <u>1,122,315</u></b>	<b><u>1,469,209</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>Liabilities</b>		
Deferred Revenues	\$ <u>641,872</u>	<u>1,081,405</u>
<b>Fund Balance</b>		
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	447,804	305,103
Undesignated	<u>32,639</u>	<u>82,701</u>
<b>Total Fund Balance</b>	<b><u>480,443</u></b>	<b><u>387,804</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>1,122,315</u></b>	<b><u>1,469,209</u></b>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Debt Service Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
Taxes				
Ad Valorem	\$ 1,103,474	1,063,821	(39,653)	1,233,997
Delinquent	-	15,085	15,085	10,128
Motor Vehicle	123,168	125,390	2,222	80,895
Recreational Vehicle	1,678	1,888	210	1,174
16/20M Truck	1,010	627	(383)	1,044
Special Assessments	399,881	383,217	(16,664)	406,906
Miscellaneous	-	65,880	65,880	60
<b>Total Revenues</b>	<b>1,629,211</b>	<b>1,655,908</b>	<b>26,697</b>	<b>1,734,204</b>
<b>Expenditures</b>				
Bond Principal	1,030,000	1,020,000	10,000	1,515,000
Interest Expense	557,011	561,069	(4,058)	647,125
Levy Stabilization	305,103	-	305,103	-
Cash Basis Reserve	60,000	-	60,000	-
<b>Total Expenditures</b>	<b>1,952,114</b>	<b>1,581,069</b>	<b>371,045</b>	<b>2,162,125</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>(322,903)</b>	<b>74,839</b>	<b>397,742</b>	<b>(427,921)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	17,800	17,800	-	113,703
<b>Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<b>(305,103)</b>	<b>92,639</b>	<b>397,742</b>	<b>(314,218)</b>
<b>Fund Balance - January 1</b>	<b>305,103</b>	<b>387,804</b>	<b>82,701</b>	<b>702,022</b>
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>480,443</b>	<b>480,443</b>	<b>387,804</b>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Economic Development Bond Fund**  
Balance Sheets  
December 31, 2010 and 2009

	<u>ASSETS</u>	
	2010	2009
Cash	\$ <u>70,480</u>	<u>74,054</u>
<u>FUND BALANCE</u>		
<b>Fund Balance</b>		
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	70,480	54,216
Undesignated	-	19,838
<b>Total Fund Balance</b>	\$ <u>70,480</u>	<u>74,054</u>

**Economic Development Bond Fund**  
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010			2009 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Taxes				
Ad Valorem	\$ -	61,392	61,392	91,412
Intergovernmental				
Local Sales Tax	217,250	142,970	(74,280)	131,257
<b>Total Revenues</b>	217,250	204,362	(12,888)	222,669
<b>Expenditures</b>				
Bond Principal	90,000	90,000	-	85,000
Interest Expense	117,936	117,936	-	122,505
<b>Total Expenditures</b>	207,936	207,936	-	207,505
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	9,314	(3,574)	(12,888)	15,164
<b>Fund Balance - January 1</b>	54,216	74,054	19,838	58,890
<b>Fund Balance - December 31</b>	\$ 63,530	70,480	6,950	74,054

See accountants' report.

CITY OF HAYS, KANSAS  
Enterprise Funds  
Combining Balance Sheets  
December 31, 2010 and 2009

	2010			2009		2010			2009
	Water and Sewer Fund	Solid Waste Utility Fund	Total			Water and Sewer Fund	Solid Waste Utility Fund	Total	
<b>ASSETS</b>					<b>LIABILITIES AND EQUITY</b>				
<b>Current Assets</b>					<b>Current Liabilities</b>				
Cash					Accounts Payable	\$ 76,807	32,029	108,836	67,560
Operating Account	\$ 2,282,628	346,613	2,629,241	3,065,874	Sales Tax	5,813	-	5,813	4,521
Local Sales Tax Account	21,157,948	-	21,157,948	20,743,797	State Water Fee	9,415	-	9,415	8,711
Accounts Receivable (Net)	286,450	-	286,450	246,761	Accrued Payroll	16,434	5,282	21,716	20,230
Due From Water and Sewer Fund	-	38,428	38,428	37,513	Accrued Paid Time Off	81,995	23,231	105,226	95,646
					Current Portion - Capital Lease	-	42,608	42,608	40,785
<b>Total Current Assets</b>	<b>23,727,026</b>	<b>385,041</b>	<b>24,112,067</b>	<b>24,093,945</b>	Current Portion - Revolving Loan	351,284	-	351,284	337,677
<b>Restricted Assets</b>					Accrued Interest - Revolving Loan	16,376	-	16,376	20,586
Customer Deposits	193,969	-	193,969	188,057	G. O. Bonds - Building	-	-	-	13,320
Reserve for Capital Improvements	3,086,401	616,213	3,702,614	2,969,802	Due to Solid Waste Fund	38,428	-	38,428	37,513
					<b>Total Current Liabilities</b>	<b>596,552</b>	<b>103,150</b>	<b>699,702</b>	<b>646,549</b>
Revenue Bonds					<b>Current Liabilities Payable From Restricted Assets</b>				
Principal and Interest Account	217,763	-	217,763	200,093	Customer Deposits	198,469	-	198,469	183,557
Bond Reserve Account	613,000	-	613,000	613,000	Monitoring Well Deposits	4,500	-	4,500	4,500
					Accrued Interest - Bonds	64,812	-	64,812	63,809
<b>Total Restricted Assets</b>	<b>4,111,133</b>	<b>616,213</b>	<b>4,727,346</b>	<b>3,970,952</b>	2003 Revenue Refunding Bonds	290,000	-	290,000	290,000
<b>Capital Assets</b>					2009 Revenue Bonds	50,000	-	50,000	40,000
Water					<b>Total Current Liabilities Payable From Restricted Assets</b>	<b>607,781</b>	<b>-</b>	<b>607,781</b>	<b>581,866</b>
Land and Right-of-Ways	139,109	-	139,109	110,489	<b>Noncurrent Liabilities</b>				
Infrastructure	18,245,471	-	18,245,471	18,178,100	General Obligation Bonds - Building	-	-	-	65,880
Equipment	11,180,612	-	11,180,612	11,164,327	Capital Lease	-	270,752	270,752	313,360
R-9 Ranch	4,262,040	-	4,262,040	4,262,040	State of Kansas Waster Water Revolving Loan	941,398	-	941,398	1,292,682
					2003 Revenue Refunding Bonds	35,000	-	35,000	325,000
Sewer and Solid Waste					2009 Revenue Bonds	4,110,000	-	4,110,000	4,160,000
Building and Structures	11,782,910	289,324	12,072,234	12,036,344	<b>Total Noncurrent Liabilities</b>	<b>5,086,398</b>	<b>270,752</b>	<b>5,357,150</b>	<b>6,156,922</b>
Equipment	-	1,540,360	1,540,360	1,530,953	<b>Total Liabilities</b>	<b>6,290,731</b>	<b>373,902</b>	<b>6,664,633</b>	<b>7,385,337</b>
	45,610,142	1,829,684	47,439,826	47,282,253	<b>Equity</b>				
Accumulated Depreciation	(23,427,963)	(740,177)	(24,168,140)	(23,093,475)	Reserve for Capital Improvements	3,086,401	616,213	3,702,614	2,969,802
					Reserve for Encumbrances	270,489	1,019	271,508	1,433,390
<b>Net Capital Assets</b>	<b>22,182,179</b>	<b>1,089,507</b>	<b>23,271,686</b>	<b>24,188,778</b>	Contributed Capital	3,215,105	115,383	3,330,488	3,330,488
<b>Other Assets</b>					Unreserved	37,216,353	984,244	38,200,597	37,203,469
Issuance Costs Net of Applicable Amortization	58,741	-	58,741	68,811	<b>Total Equity</b>	<b>43,788,348</b>	<b>1,716,859</b>	<b>45,505,207</b>	<b>44,937,149</b>
					<b>Total Liabilities and Equity</b>	<b>\$ 50,079,079</b>	<b>2,090,761</b>	<b>52,169,840</b>	<b>52,322,486</b>
<b>Total Assets</b>	<b>\$ 50,079,079</b>	<b>2,090,761</b>	<b>52,169,840</b>	<b>52,322,486</b>					

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Water and Sewer Utility Fund**  
 Comparison of Actual Revenues and Expenditures to Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
Local Sales Tax	\$ 2,808,320	2,583,414	(224,906)	2,588,677
Water Sales	2,565,000	2,452,028	(112,972)	2,364,205
Sewer Service Charges	1,934,240	1,929,334	(4,906)	1,871,099
Water Tap - Turn-Ons	38,000	29,959	(8,041)	29,584
Water Sales Conservation Rate	278,500	302,173	23,673	239,561
Sales and Other Charges	13,000	261,686	248,686	16,354
Penalty	21,000	24,507	3,507	22,436
Rent on R-9 Ranch	362,150	362,221	71	658,281
Interest on Investments	105,000	28,440	(76,560)	135,140
Interest on Sales Tax Reserves	265,000	65,609	(199,391)	324,395
Prior Year Encumbrances Voided	-	1,083	1,083	18,978
<b>Total Revenues</b>	<b>\$ 8,390,210</b>	<b>8,040,454</b>	<b>(349,756)</b>	<b>8,268,710</b>
<b>Expenditures</b>				
<b>Water Production and Distribution</b>				
<b>Personal Services</b>				
Salaries	\$ 421,436	468,063	(46,627)	426,660
<b>Contractual Services</b>				
Communications	3,365	3,750	(385)	2,816
Publications	3,150	2,887	263	261
Heat, Light and Power	230,691	227,040	3,651	209,851
Travel and Training	2,500	3,091	(591)	2,292
Other Contractual Services	91,717	47,124	44,593	44,774
Professional Services	15,540	208,080	(192,540)	1,279
<b>Total Contractual Services</b>	<b>346,963</b>	<b>491,972</b>	<b>(145,009)</b>	<b>261,273</b>
<b>Commodities</b>				
Office Supplies	1,030	957	73	571
General Supplies	42,000	36,604	5,396	19,442
Chemicals	455,150	400,122	55,028	435,017
Equipment Expense	56,135	25,280	30,855	40,169
Uniforms	4,870	4,040	830	4,026
Repairs to Buildings and Structures	4,500	3,142	1,358	1,311
<b>Total Commodities</b>	<b>563,685</b>	<b>470,145</b>	<b>93,540</b>	<b>500,536</b>
<b>Capital Outlay</b>	<b>-</b>	<b>16,285</b>	<b>(16,285)</b>	<b>39,752</b>
<b>Total Water Production and Distribution</b>	<b>\$ 1,332,084</b>	<b>1,446,465</b>	<b>(114,381)</b>	<b>1,228,221</b>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Water and Sewer Utility Fund**  
 Comparison of Actual Revenues and Expenditures to Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Wastewater Treatment and Collection</b>				
<b>Personal Services</b>				
Salaries	\$ 467,983	<b>488,522</b>	(20,539)	452,655
<b>Contractual Services</b>				
Communications	5,073	<b>1,808</b>	3,265	1,838
Heat, Light and Power	201,235	<b>186,113</b>	15,122	171,822
Professional Services	17,140	<b>17,115</b>	25	12,445
Travel and Training	2,820	<b>1,638</b>	1,182	2,522
Other Contractual Services	33,000	<b>17,983</b>	15,017	19,484
<b>Total Contractual Services</b>	<b>259,268</b>	<b>224,657</b>	<b>34,611</b>	<b>208,111</b>
<b>Commodities</b>				
Office Supplies	600	<b>590</b>	10	578
General Supplies	22,042	<b>24,945</b>	(2,903)	22,738
Chemicals	59,382	<b>75,598</b>	(16,216)	60,336
Repairs to Buildings and Structures	5,000	<b>4,717</b>	283	3,758
Equipment Expense	54,774	<b>20,083</b>	34,691	62,908
Uniforms	3,955	<b>3,157</b>	798	3,123
<b>Total Commodities</b>	<b>145,753</b>	<b>129,090</b>	<b>16,663</b>	<b>153,441</b>
<b>Total Wastewater Treatment and Collection</b>	<b>873,004</b>	<b>842,269</b>	<b>51,274</b>	<b>814,207</b>
<b>Debt Service</b>				
Principal Payment-2003 Revenue Bond	290,000	<b>290,000</b>	-	275,000
Interest Payment-2003 Revenue Bond	18,810	<b>18,810</b>	-	26,235
Principal Payment-Revolving Loan	341,544	<b>341,544</b>	-	324,596
Interest Payment-Revolving Loan	57,849	<b>57,849</b>	-	75,033
Principal Payment-Sales Tax Bond	-	-	-	160,000
Interest Payment-Sales Tax Bond	-	-	-	4,400
Principal Payment-2009 Revenue Bond	40,000	<b>40,000</b>	-	-
Interest Payment-2009 Revenue Bond	146,856	<b>146,856</b>	-	31,003
<b>Total Debt Service</b>	<b>\$ 895,059</b>	<b>895,059</b>	<b>-</b>	<b>896,267</b>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Water and Sewer Utility Fund**  
 Comparison of Actual Revenues and Expenditures to Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	<u>2010</u>			2009 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
<b>Non Operating Expenditures</b>				
R-9 Ranch Expenditures	\$ 264,000	432,593	(168,593)	395,171
Water Taps, Hydrants, Meters,	117,141	67,371	49,770	62,754
Contingency	5,000	2,276	2,724	961
Projects	25,000	20,000	5,000	17,850
Retire Debt Early	-	65,880	(65,880)	-
Interest on Meter Deposits	5,000	861	4,139	1,529
Clean Drinking Water Fee	20,500	17,817	2,683	17,801
Other Contractual Services	-	21,693	(21,693)	17,721
Transfer to Bond and Interest Fund	17,800	17,800	-	17,800
Transfer to Sales Tax Reserve	2,578,030	2,093,275	484,755	2,234,249
Transfer to Capital Improvement	1,200,000	650,000	550,000	1,294,000
Transfer to General Fund	957,040	957,040	-	893,146
Transfer to General Fund - Water Sales	553,198	553,198	-	509,660
Transfer to Employee Benefit Fund	340,910	340,910	-	333,339
Transfer to New Equipment Reserve	55,826	55,826	-	118,000
<b>Total Non Operating Expenditures</b>	<u>6,139,445</u>	<u>5,296,540</u>	<u>842,905</u>	<u>5,913,981</u>
<b>Total Expenditures</b>	<u>\$ 9,239,592</u>	<u>8,480,333</u>	<u>779,798</u>	<u>8,852,676</u>

See accountants' report.

**CITY OF HAYS, KANSAS**  
**Solid Waste Utility Fund**  
Comparison of Actual Revenues and Expenditures to Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	2010		Variance Positive (Negative)	2009 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
Refuse Collections	\$ 1,200,000	1,224,809	24,809	1,213,960
Interest on Investments	10,000	2,602	(7,398)	10,526
Yard Waste Tags	1,500	1,947	447	2,162
Recycling Revenue	10,000	52,954	42,954	19,464
Prior Year Encumbrances Voided	-	14,336	14,336	-
<b>Total Revenues</b>	<b>\$ 1,221,500</b>	<b>1,296,648</b>	<b>75,148</b>	<b>1,246,112</b>
<b>Expenditures</b>				
<b>Personal Services</b>				
Salaries	\$ 329,202	320,060	9,142	311,551
Transfer - Employee Benefit	130,558	130,558	-	120,564
<b>Total Personal Services</b>	<b>459,760</b>	<b>450,618</b>	<b>9,142</b>	<b>432,115</b>
<b>Contractual Services</b>				
Communications	870	702	168	762
Publications	3,000	1,224	1,776	1,091
Utility - Water, Light and Power	7,580	7,348	232	6,477
Contingency	5,000	-	5,000	4,137
Other Contractual Services	362,960	343,580	19,380	353,171
Travel and Training	600	800	(200)	519
Transfer to Reserve	225,000	225,000	-	377,542
Transfer - General Fund	219,870	219,870	-	208,707
<b>Total Contractual Services</b>	<b>824,880</b>	<b>798,524</b>	<b>26,356</b>	<b>952,406</b>
<b>Commodities</b>				
Office Supplies	500	626	(126)	434
General Supplies	12,240	14,264	(2,024)	8,283
Equipment Expense	9,900	7,995	1,905	6,835
Uniforms	3,400	3,270	130	3,150
Rentals	3,500	3,500	-	-
Repairs to Buildings and Structures	3,600	2,851	749	3,600
<b>Total Commodities</b>	<b>33,140</b>	<b>32,506</b>	<b>634</b>	<b>22,302</b>
<b>Capital Outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,268</b>
<b>Debt Service</b>	<b>56,000</b>	<b>55,993</b>	<b>7</b>	<b>55,993</b>
<b>Total Expenditures</b>	<b>\$ 1,373,780</b>	<b>1,337,641</b>	<b>36,139</b>	<b>1,471,084</b>

See accountants' report.

**CITY OF HAYS, KANSAS**

Supplementary Information



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 Commissioners  
**City of Hays, Kansas**  
Hays, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas** as of and for the year ended December 31, 2010, and have issued our report thereon dated July 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit 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 City's two discretely presented component units, the Housing Authority of the City of Hays, Kansas and the Hays Public Library, were not audited in accordance with *Government Auditing Standards*. We did not audit the financial statements of the Housing Authority of the City of Hays, Kansas, one of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Housing Authority of City of Hays, Kansas, is based on the report of the other auditors

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered **City of Hays, Kansas'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **City of Hays, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2010-1, that we consider to be a significant deficiency in internal control over financial reporting. 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.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of **City of Hays, Kansas** in a separate letter dated July 28, 2011.

**City of Hays, Kansas'** response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **City of Hays, Kansas'** response and, accordingly, we express no opinion on it.

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

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

July 28, 2011



Certified  
Public  
Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

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 program for the year ended December 31, 2010. **City of Hays, Kansas'** major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of **City of Hays, Kansas'** management. Our responsibility is to express an opinion on **City of Hays, Kansas'** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit 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*. The financial statements of the Housing Authority of the City of Hays, Kansas and the Hays Public Library were not audited in accordance with *Government Auditing Standards*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **City of Hays, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **City of Hays, Kansas'** compliance with those requirements.

In our opinion, **City of Hays, Kansas** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

**Internal Control Over Compliance**

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Adams, Brown, Beran & Ball*

**ADAMS, BROWN, BERAN & BALL, CHTD.**

Certified Public Accountants

July 28, 2011

**CITY OF HAYS, KANSAS**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2010

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:		<u>Qualified</u>	
Internal control over financial reporting			
• Material weakness identified?	<u>                    </u>	Yes	<u>    X    </u> No
• Significant deficiency identified?	<u>    X    </u>	Yes	<u>                    </u> None reported
• Noncompliance material to financial statements noted?	<u>                    </u>	Yes	<u>    X    </u> No

**FEDERAL AWARDS**

Internal control over major programs:			
• Material weakness identified?	<u>                    </u>	Yes	<u>    X    </u> No
• Significant deficiency identified?	<u>                    </u>	Yes	<u>    X    </u> 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?	<u>                    </u>	Yes	<u>    X    </u> No
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Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.6010	Airport Improvement Grant

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

Auditee qualified as low-risk auditee?	<u>                    </u>	Yes	<u>    X    </u> No
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**CITY OF HAYS, KANSAS**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2010

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**B. Significant Deficiency in Internal Control**

**2010-1**

**Criteria**

Client personnel responsible for the accounting and reporting function should possess the necessary skills and knowledge to apply generally accepted accounting principles when recording the entity's financial transactions and preparing financial statements.

**Condition**

Client personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles.

**Effect**

Financial transactions and financial statements may not properly reflect financial information in accordance with generally accepted accounting principles.

**Cause**

The City's accounting personnel are unable to obtain the training necessary to obtain these skills due to its size and financial resources.

**Recommendation**

Continual training of accounting personnel should be implemented to ensure financial transactions and financial statements are being presented as accurately as possible.

**Views of responsible officials and planned corrective actions**

The City is aware that personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles. However, due to the size and financial resources of the City, it would not be feasible to obtain the necessary training.

**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  
For the Year Ended December 31, 2010

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The City did not have an OMB-133 audit for the year ended December 31, 2009.

**CITY OF HAYS, KANSAS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass Through Number	Federal Expenditures
<b>U.S. Department of Transportation</b>			
Direct Program			
Airport Improvement Grant	20.106	AIP 3-20-0026	\$ 1,946,171
Passed Through Kansas Department of Transportation			
State and Community Highway Safety Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.600	276	1,822
	20.601	276	3,944
<b>U.S. Department of Justice</b>			
Direct Program			
Direct Program Award	16.804	None	30,441
<b>U. S. Department of Health and Human Services</b>			
Passed through the Kansas Department of Health and Environment			
Health and Environment	93.136	264	<u>1,691</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u>1,984,069</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF HAYS, KANSAS**  
Notes to Schedule of Expenditures of Federal Awards  
December 31, 2010

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**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 the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than 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*.