

CITY OF HAYS, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2014

CITY OF HAYS, KANSAS
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 For the Year Ended December 31, 2014

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Hays, Kansas 67601-4465

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commission

City of Hays, Kansas

Hays, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Summary of Opinions

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

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

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

Qualified Opinion

In our opinion, based on our audit report and the report of other auditors, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund and Water and Sewer Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the Water and Sewer Fund of **City of Hays, Kansas** as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund other than the General Fund and the Water and Sewer Fund, and the aggregate remaining fund information of **City of Hays, Kansas** as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

As a result, the primary government financial statements, do not purport to, and do not present fairly the financial position of the reporting entity of **City of Hays, Kansas** as of December 31, 2014, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Hays Public Library, as of and for the year ended December 31, 2014, and our report thereon, dated April 14, 2015, expressed a qualified opinion on those financial statements.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015, on our consideration of **City of Hays, Kansas**' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **City of Hays, Kansas**' internal control over financial reporting and compliance.

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

June 11, 2015

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our 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, 2014. The Hays Public Library issues a complete financial statement that includes a discussion and analysis. The address for retrieval of this report is in Note 1. This narrative should be read in conjunction with the City's financial statements, which begins after this letter.

FINANCIAL HIGHLIGHTS

As reflected in this audit, the **City of Hays, Kansas'** overall financial position is stable and continues to improve.

The General Fund's unreserved fund balance decreased \$71,151 when compared to the previous year. However, this includes the City Commission's decision to transfer \$1,725,000 to the newly created Commission Capital Reserve to pay cash for future capital projects. This pay-as-you-go philosophy was adopted by the commission in 2010/2011 in an effort to maintain the mill levy at 25 mills, thus not burdening the citizens of Hays with a higher property tax bill. The availability of cash and the continued flat investment interest rate environment prompted them to do so as well. This is reflective of the current management atmosphere and being accountable for increased oversight and new policies. The Comprehensive Financial Management Policy continues to ensure the wise use and investment of excess funds. This policy gives the citizens of Hays and future City leaders a defined process for the handling of City debt and excess revenue. In 2004, through a general election, the City passed a $\frac{3}{4}$ % sales tax to replace the property tax levy for the General Fund. In 2014, the $\frac{3}{4}$ % additional sales tax generated \$4,435,574, or the equivalent of 21.63 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.

Residential water consumption was down 8.97%, business was down 3.75% for a combined total decline of 6.59%. This translates into a decline in total water revenue of \$28,645 or -1.91%. A financial analysis and rate study will need to be conducted to determine future rate structures so as to maintain operations and future capital needs.

The Solid Waste Utility continues to be a self-supported enterprise fund calling for no rate increase in 2014. A transfer to reserves of \$86,765 in 2014 helps to continue to build reserves for future capital expenditures associated with the solid waste utility. Staff completing an evaluation of the Solid Waste Division and making recommendations for a new rate structure as well as changing to an automated collection process in 2006 contributed to a nice increase in refuse collection fees. Staff will review this structure for a possible rate increase in 2016.

The Capital Projects Fund is a consolidated fund for all major City projects so that all expenditures may be tracked by project and funded appropriately. In the past, the City used temporary financing for these projects until their completion at which time General Obligation Bonds were issued and the temporary financing was paid off. A change in requirements for Temporary Notes increased costs associated with their issuance. Subsequently staff determined that it is more beneficial for the City to utilize idle funds for the temporary financing and bypass issuance costs and finance charges. The City does forgo any interest it might have earned on these idle funds, but the savings received is greater than any interest that would have been earned especially in the prevailing low interest rate environment.

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT

This annual report consists of two distinct series of financial statements – government-wide and fund financial statements. In addition, the annual report includes budgetary-basis financial statement comparisons in accordance with the State of Kansas cash basis and budget laws.

The government-wide statements are designed to provide information about the City's activities as a whole and provide a longer-term view of the City's finances. The fund financial statements tell how the City's services for both governmental and business-type activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in greater detail than the government-wide statements by providing information about the City's most significant funds. In addition, combining statements included in the supplemental information show detail of all other governmental funds. The City also holds fiduciary funds on behalf of various parties. These funds are reported in a separate statement.

REPORTING THE CITY AS A WHOLE (Government Wide)

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS (FUND FINANCIAL STATEMENTS)

Analysis of the City's major funds begins on page 15. The fund financial statements begin on page 46 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenant. However, the City Commission establishes other funds to help or control money for particular purposes or to show that it is meeting legal responsibility for using certain taxes, grants and other monies. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds – Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can regularly be converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 position and the statement of activities) and the governmental funds in reconciliation at the bottom of the fund financial statements.

- Proprietary Funds – When the City charges customers for the services it provides, whether to outside customers or to other units in the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in a Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Funds are the business type activities reported in the government-wide statements that provide more detail and additional information such as cash flows for Proprietary Funds.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

The City is the trustee or fiduciary for the police court. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and changes in fiduciary net assets on page 24. Auditing staff excluded these activities from the City's other financial statements because the City can not use these assets to finance operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

TABLE 1
NET POSITION

	Governmental Activities	Business Type Activities	2014 Total Primary Government	2013 Total Primary Government
Current and Other Assets	\$ 25,844,533	34,252,003	60,096,536	59,114,939
Capital Assets	86,869,055	20,029,277	106,898,332	107,913,299
Total Assets	112,713,588	54,281,280	166,994,868	167,028,238
Long-Term Debt				
Outstanding	12,500,000	3,390,000	15,890,000	17,858,853
Other Liabilities	1,470,253	613,171	2,083,424	3,294,628
Total Liabilities	13,970,253	4,003,171	17,973,424	21,153,481
Deferred Inflows of Resources	4,972,414	-	4,972,414	4,842,959
Invested in Capital Assets Net of Related Debt	74,369,055	16,557,784	90,926,839	89,962,850
Restricted	7,982,813	1,999,502	9,982,315	12,995,528
Unrestricted	11,419,053	31,720,822	43,139,875	38,043,420
Total Net Position	\$ 93,770,921	50,278,108	144,049,029	141,001,798

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 2
STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Totals	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		2014	2013
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental Activities								
General Government	\$ 14,264,660	830,799	15,109	-	(13,418,752)	-	(13,418,752)	(12,022,858)
Highway and Street	2,966,445	-	-	-	(2,966,445)	-	(2,966,445)	(4,543,531)
Culture and Recreation	3,488,762	338,539	-	-	(3,150,223)	-	(3,150,223)	(3,142,533)
Airport	1,968,031	86,287	-	1,209,893	(671,851)	-	(671,851)	(1,025,053)
Interest on Long-Term Debt	48,622	-	-	-	(48,622)	-	(48,622)	(72,990)
Total Governmental Activities	22,736,520	1,255,625	15,109	1,209,893	(20,255,893)	-	(20,255,893)	(20,806,965)
Business-Type Activities								
Water and Sewer	5,745,470	4,999,176	-	-	-	(746,294)	(746,294)	6,519
Solid Waste and Stormwater	1,099,709	2,071,902	-	-	-	972,193	972,193	1,081,104
Total Business-Type Activities	6,845,179	7,071,078	-	-	-	225,899	225,899	1,087,623
Total Primary Government	\$ 29,581,699	8,326,703	15,109	1,209,893	(20,255,893)	225,899	(20,029,994)	(19,719,342)
Component Unit								
Hays Public Library	\$ 1,343,040	5,383	11,244	47,361	-	-	-	-
General Revenues								
Property Taxes					\$ 5,638,718	-	5,638,718	5,339,786
Sales Tax					9,461,957	3,017,143	12,479,100	11,874,866
Franchise Taxes					1,482,817	-	1,482,817	1,397,718
Motor Fuel Taxes					588,750	-	588,750	570,365
Alcoholic Liquor Taxes					380,135	-	380,135	405,459
Transient Guest Taxes					761,301	-	761,301	782,507
Special Assessments					475,993	-	475,993	442,064
Unrestricted Interest Income					54,448	72,851	127,299	85,983
Miscellaneous					267,496	346,762	614,258	413,055
Reimbursements					498,854	-	498,854	519,646
Transfers					3,101,617	(3,101,617)	-	-
Total General Revenues and Transfers					22,712,086	335,139	23,047,225	21,831,449
Change in Net Position					2,456,193	561,038	3,017,231	2,112,107
Net Position - Beginning					91,314,728	49,717,070	141,031,798	138,919,691
Net Position - Ending					\$ 93,770,921	50,278,108	144,049,029	141,031,798

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of 2014, the City had \$106,119,407 invested in capital assets net of depreciation.

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

		Governmental Activities	Business-Type Activities	2014 Total Primary Government	2013 Total Primary Government
Land and Infrastructure	\$	74,806,529	8,894,980	83,701,509	83,326,542
R-9 Ranch		-	3,249,214	3,249,214	3,249,214
Building and Equipment		12,062,526	7,846,613	19,909,139	21,295,006
Total	\$	<u>86,869,055</u>	<u>19,990,807</u>	<u>106,859,862</u>	<u>107,870,762</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 "Good" to "Very Good" during 2014. 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 2014. The City's estimated annual amount of expenditures was \$598,352 compared to the actual expenditures of \$529,126.

Debt

At the end of 2014, the City had the following debt:

TABLE 4
OUTSTANDING DEBT AT YEAR-END

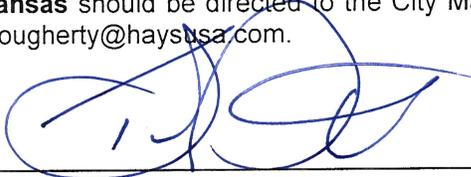
		Governmental Activities	Business-Type Activities	2014 Total Primary Government	2013 Total Primary Government
Capital Leases	\$	-	-	-	418,061
G.O. Bonds		12,500,000	-	12,500,000	13,570,000
Revenue Bonds		-	3,390,000	3,390,000	3,870,792
Total	\$	<u>12,500,000</u>	<u>3,390,000</u>	<u>15,890,000</u>	<u>17,858,853</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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



Toby Dougherty
City Manager
City of Hays, Kansas

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2014
(With Comparative Totals as of December 31, 2013)

ASSETS	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2014	2013	
Cash	\$ 17,366,799	31,254,853	48,621,652	46,028,771	1,601,862
Receivables, Net of Allowance for Uncollectibles	5,157,948	357,984	5,515,932	6,174,140	1,349,952
Internal Balances	-	101,332	101,332	100,104	-
Due From Other Governments	98,605	-	98,605	67,647	-
Restricted Assets - Cash					
Budget Stabilization	3,221,181	-	3,221,181	3,221,181	-
Customer Deposits	-	221,827	221,827	210,868	-
Revenue Refunding Bonds - Series 2003 and 2009	-	485,839	485,839	585,579	-
Reserve for Capital Improvements	-	1,830,168	1,830,168	2,723,649	-
Restricted Cash	-	-	-	-	12,472
Capital Assets, Net of Depreciation					
Land and Infrastructure	74,806,529	8,894,980	83,701,509	83,326,542	-
Depreciable Buildings and Equipment	12,062,526	7,846,613	19,909,139	21,295,006	3,199,831
R-9 Ranch	-	3,249,214	3,249,214	3,249,214	-
Issuance Costs, Net of Amortization	-	38,470	38,470	42,537	-
Total Assets	\$ 112,713,588	54,281,280	166,994,868	167,025,238	6,164,117

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2014
(With Comparative Totals as of December 31, 2013)

<u>LIABILITIES</u>	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2014	2013	
Accounts Payable	\$ 254,690	107,550	362,240	1,503,869	62,565
Accrued Payroll	234,125	44,273	278,398	251,441	-
Accrued Paid Time Off	471,070	95,167	566,237	602,084	-
Accrued Sick Leave Payout	30,543	-	30,543	29,368	-
Accrued Interest Payable	479,825	-	479,825	547,835	-
Internal Balances	-	101,332	101,332	100,104	-
Accrued Interest - Revolving Loan	-	-	-	3,661	-
Customer Deposits	-	221,827	221,827	210,868	-
Accrued Interest - Revenue Bonds	-	43,023	43,023	45,398	-
Compensated Absences	-	-	-	-	72,643
State of Kansas Waste Water Revolving Loan					
Due Within One Year	-	-	-	195,792	-
Revenue Refunding Bonds - Series 2009					
Due Within One Year	-	290,000	290,000	285,000	-
Due in More Than One Year	-	3,100,000	3,100,000	3,390,000	-
Capital Leases					
Due Within One Year	-	-	-	73,991	-
Due in More Than One Year	-	-	-	344,070	-
General Obligation Bonds Payable					
Due Within One Year	1,115,000	-	1,115,000	1,070,000	-
Due in More Than One Year	11,385,000	-	11,385,000	12,500,000	-
Total Liabilities	13,970,253	4,003,172	17,973,425	21,153,481	135,208
Deferred Inflows of Resources					
Deferred Property Tax Receivable	4,972,414	-	4,972,414	4,842,959	1,349,952
Total Liabilities and Deferred Inflows of Resources	\$ 18,942,667	4,003,172	22,945,839	25,996,440	1,485,160

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2014
(With Comparative Totals as of December 31, 2013)

NET POSITION	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2014	2013	
Net Investment in Capital Assets	\$ 74,369,055	16,557,784	90,926,839	89,962,850	3,199,831
Restricted for					
Budget Stabilization	3,221,181	-	3,221,181	3,221,181	-
Capital Projects	2,213,213	-	2,213,213	5,061,551	-
Debt Service	55,459	-	55,459	30,916	-
Encumbrances	2,492,960	463,045	2,956,005	2,805,527	-
Capital Improvements	-	1,536,457	1,536,457	2,723,649	-
Other	-	-	-	-	12,472
Unrestricted	11,419,053	31,720,822	43,139,875	37,226,124	1,466,654
Total Net Position	\$ 93,770,921	50,278,108	144,049,029	141,031,798	4,678,957

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, 2014
(With Comparative Totals as of December 31, 2013)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Totals		Hays Public Library
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		2014	2013	
					Governmental Activities	Business-Type Activities			
Primary Government									
Governmental Activities									
General Government	\$ 14,264,660	830,799	15,109	-	(13,418,752)	-	(13,418,752)	(12,022,858)	-
Highway and Street	2,966,445	-	-	-	(2,966,445)	-	(2,966,445)	(4,543,531)	-
Culture and Recreation	3,488,762	338,539	-	-	(3,150,223)	-	(3,150,223)	(3,142,533)	-
Airport	1,968,031	86,287	-	1,209,893	(671,851)	-	(671,851)	(1,025,053)	-
Interest on Long-Term Debt	48,622	-	-	-	(48,622)	-	(48,622)	(72,990)	-
Total Governmental Activities	22,736,520	1,255,625	15,109	1,209,893	(20,255,893)	-	(20,255,893)	(20,806,965)	-
Business-Type Activities									
Water and Sewer	5,745,470	4,999,176	-	-	-	(746,294)	(746,294)	6,519	-
Solid Waste and Stormwater	1,099,709	2,071,902	-	-	-	972,193	972,193	1,081,104	-
Total Business-Type Activities	6,845,179	7,071,078	-	-	-	225,899	225,899	1,087,623	-
Total Primary Government	\$ 29,581,699	8,326,703	15,109	1,209,893	(20,255,893)	225,899	(20,029,994)	(19,719,342)	-
Component Unit									
Hays Public Library	\$ 1,343,040	5,383	11,244	47,361	-	-	-	-	(1,279,052)
General Revenues									
Property Taxes					\$ 5,638,718	-	5,638,718	5,339,786	1,428,159
Sales Tax					9,461,957	3,017,143	12,479,100	11,874,866	-
Franchise Taxes					1,482,817	-	1,482,817	1,397,718	-
Motor Fuel Taxes					588,750	-	588,750	570,365	-
Alcoholic Liquor Taxes					380,135	-	380,135	405,459	-
Transient Guest Taxes					761,301	-	761,301	782,507	-
Special Assessments					475,993	-	475,993	442,064	-
Unrestricted Interest Income					54,448	72,851	127,299	85,983	2,449
Miscellaneous					267,496	346,762	614,258	413,055	18,718
Reimbursements					498,854	-	498,854	519,646	14,156
Transfers					3,101,617	(3,101,617)	-	-	-
Total General Revenues and Transfers					22,712,086	335,139	23,047,225	21,831,449	1,463,482
Change in Net Position					2,456,193	561,038	3,017,231	2,112,107	184,430
Net Position - Beginning					91,314,728	49,717,070	141,031,798	138,919,691	4,494,527
Net Position - Ending					\$ 93,770,921	50,278,108	144,049,029	141,031,798	4,678,957

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

CITY OF HAYS, KANSAS
Balance Sheet
Governmental Funds
December 31, 2014

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

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Airport Improvement Fund	Capital Projects Fund	Other Governmental Funds	Totals	
								2014	2013
ASSETS									
Cash	\$ 4,116,682	1,030,855	223,170	1,874,857	137,913	1,730,485	8,252,837	17,366,799	16,465,427
Receivables, Net									
Grants Receivable	-	-	-	-	185,534	-	-	185,534	980,523
Due From Other Governments	98,605	-	-	-	-	-	-	98,605	67,647
Taxes	-	2,343,162	764,312	-	-	-	1,864,940	4,972,414	4,842,959
Reserved Cash	3,221,181	-	-	-	-	-	-	3,221,181	3,221,181
Total Assets	\$ 7,436,468	3,374,017	987,482	1,874,857	323,447	1,730,485	10,117,777	25,844,533	25,577,737
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE									
Liabilities									
Accounts Payable	\$ 117,904	-	-	-	99,204	16,869	20,713	254,690	1,353,605
Accrued Payroll	228,414	-	-	-	-	-	5,711	234,125	208,647
Accrued Paid Time Off	463,091	-	-	-	-	-	7,979	471,070	493,080
Accrued Sick Leave Payout	30,543	-	-	-	-	-	-	30,543	29,368
Total Liabilities	839,952	-	-	-	99,204	16,869	34,403	990,428	2,084,700
Deferred Inflows of Resources									
Deferred Property Tax Receivable	-	2,343,162	764,312	-	-	-	1,864,940	4,972,414	4,842,959
Total Liabilities and Deferred Inflows of Resources	839,952	2,343,162	764,312	-	99,204	16,869	1,899,343	5,962,842	6,927,659
Fund Balance									
Committed - Budget Stabilization	3,221,181	-	-	-	-	-	-	3,221,181	3,221,181
Assigned - Reserved for Encumbrances	102,385	-	-	-	957,792	1,375,260	57,523	2,492,960	1,958,231
Assigned - Designated for Subsequent Year Expenditures	2,142,639	576,759	167,711	-	-	-	1,067,331	3,954,440	4,614,598
Assigned	-	454,096	55,459	1,874,857	(733,549)	338,356	7,093,580	9,082,799	8,044,550
Unassigned	1,130,311	-	-	-	-	-	-	1,130,311	811,518
Total Fund Balance	6,596,516	1,030,855	223,170	1,874,857	224,243	1,713,616	8,218,434	19,881,691	18,650,078
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,436,468	3,374,017	987,482	1,874,857	323,447	1,730,485	10,117,777	25,844,533	25,577,737

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

CITY OF HAYS, KANSAS
Reconciliation of the Statement of Net Position to the
Balance Sheet for Governmental Funds
December 31, 2014

Amounts reported for governmental activities in the statement of net position differ from the fund balances of governmental funds on the preceding balance sheet as shown in the following reconciliation:

Fund balances of governmental funds from the balance sheet.	\$ 19,881,691
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity on the balance sheet.	86,869,055
Long-term debt has not been included in the governmental funds activity on the balance sheet.	
General Obligation Bonds	(12,500,000)
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>(479,825)</u>
Net position of governmental activities as reported. (Statement 1)	\$ <u><u>93,770,921</u></u>

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

CITY OF HAYS, KANSAS
 Statement of Revenues, Expenditures, and Change in Fund Balance
 Governmental Funds
 For the Year Ended December 31, 2014
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Airport Improvement Fund	Capital Projects Fund	Other Governmental Funds	Totals	
								2014	2013
Revenues									
Taxes	\$ 7,392,620	2,586,409	1,395,142	-	-	-	4,202,497	15,576,668	14,674,782
Intergovernmental	141,821	-	-	-	1,209,893	-	1,603,474	2,955,188	8,269,267
Licenses and Fees	1,620,593	-	-	-	-	-	-	1,620,593	1,534,362
Fines and Forfeitures	677,028	-	-	-	-	-	-	677,028	703,368
Use of Money and Property	53,849	1,799	-	-	-	-	-	55,648	39,250
Collections	316,653	-	-	-	-	-	122,968	439,621	402,849
Prior Year Encumbrances Cancelled	80,662	48,884	-	-	4,263	113,357	20,330	267,496	22,586
Miscellaneous	180,970	32,968	-	71,000	100,072	-	113,844	498,854	519,646
Total Revenues	10,464,196	2,670,060	1,395,142	71,000	1,314,228	113,357	6,063,113	22,091,096	26,166,110
Expenditures									
Current									
General Government	8,118,801	3,487,769	-	-	-	-	2,796,486	14,403,056	12,817,331
Highway and Street	1,018,739	-	-	-	-	1,382,748	529,126	2,930,613	4,385,196
Culture and Recreation	1,397,263	-	-	-	-	-	1,449,943	2,847,206	2,822,544
Airport	-	-	-	-	1,642,907	-	206,876	1,849,783	7,002,072
Debt Service	-	-	1,392,988	-	-	-	211,705	1,604,693	2,218,931
Capital Outlay	118,602	-	-	-	-	-	207,147	325,749	455,584
Total Expenditures	10,653,405	3,487,769	1,392,988	-	1,642,907	1,382,748	5,401,283	23,961,100	29,701,658
Excess (Deficiency) of Revenues Over Expenditures	(189,209)	(817,709)	2,154	71,000	(328,679)	(1,269,391)	661,830	(1,870,004)	(3,535,548)
Other Financing Sources (Uses)									
General Obligation Bond Proceeds	-	-	-	-	-	-	-	-	1,245,000
Transfers In	2,148,971	887,252	-	-	60,843	564,000	3,610,777	7,271,843	6,978,102
Transfers Out	(2,135,559)	-	-	(182,178)	-	(1,157,551)	(694,938)	(4,170,226)	(3,833,454)
Total Other Financing Sources (Uses)	13,412	887,252	-	(182,178)	60,843	(593,551)	2,915,839	3,101,617	4,389,648
Net Change in Fund Balance	(175,797)	69,543	2,154	(111,178)	(267,836)	(1,862,942)	3,577,669	1,231,613	854,100
Fund Balance - Beginning of Year	6,772,313	961,312	221,016	1,986,035	492,079	3,576,558	4,640,765	18,650,078	17,795,978
Fund Balance - End of Year	\$ 6,596,516	1,030,855	223,170	1,874,857	224,243	1,713,616	8,218,434	19,881,691	18,650,078

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

CITY OF HAYS, KANSAS
Reconciliation of the Statement of Revenues,
Expenditures, and Change in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2014

Net change in fund balance - total governmental funds (Statement 4)	\$ 1,231,613
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because of the following:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,307,329) exceeded capital outlays (\$975,838) in the current period.</p>	(331,491)
<p>Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of the capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which capital lease proceeds (none in the current year) exceeded capital lease repayments (\$418,061) recorded in the general governmental funds.</p>	418,061
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. There were no bond proceeds during the year but bond repayments (\$1,070,000) which are recorded in the governmental funds.</p>	1,070,000
<p>Accrued interest payable decreased \$68,010 from the prior year. This balance is not accounted for in the governmental funds. However, the changes are reflected in the statement of activities.</p>	<u>68,010</u>
Change in net position of governmental activities (Statement 2)	<u>\$ 2,456,193</u>

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

CITY OF HAYS, KANSAS
Statement of Net Position
Proprietary Funds
December 31, 2014
(With Comparative Totals as of December 31, 2013)

<u>ASSETS</u>	<u>Enterprise Funds</u>		<u>Totals</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste and Stormwater Management Utility Funds</u>	<u>2014</u>	<u>2013</u>
Current Assets				
Cash				
Operating Account	\$ 2,445,487	573,819	3,019,306	2,735,862
Local Sales Tax Account	28,235,547	-	28,235,547	26,827,482
Accounts Receivable, Net of Allowance for Uncollectibles	357,984	-	357,984	350,658
Due From Water and Sewer Fund	-	101,332	101,332	100,104
Total Current Assets	<u>31,039,018</u>	<u>675,151</u>	<u>31,714,169</u>	<u>30,014,106</u>
Noncurrent Assets				
Restricted Cash				
Customer Deposits	221,827	-	221,827	210,868
Reserve for Capital Improvements	1,248,298	581,870	1,830,168	2,723,649
Revenue Refunding Bonds - Series 2003				
Principal and Interest Account	65,352	-	65,352	167,383
Bond Reserve Account	420,487	-	420,487	421,196
Total Restricted Cash	<u>1,955,964</u>	<u>581,870</u>	<u>2,537,834</u>	<u>3,523,096</u>
Capital Assets				
Water				
Land and Right-of-Ways	139,109	-	139,109	139,109
Infrastructure	18,487,053	-	18,487,053	18,487,053
Equipment	11,484,210	-	11,484,210	11,283,012
R-9 Ranch	4,262,040	-	4,262,040	4,262,040
Sewer and Solid Waste				
Building and Structures	11,782,910	294,594	12,077,504	12,072,234
Equipment	-	1,633,486	1,633,486	1,633,486
	46,155,322	1,928,080	48,083,402	47,876,934
Accumulated Depreciation	<u>(26,860,900)</u>	<u>(1,231,695)</u>	<u>(28,092,595)</u>	<u>(27,206,718)</u>
Net Capital Assets	<u>19,294,422</u>	<u>696,385</u>	<u>19,990,807</u>	<u>20,670,216</u>
Other Assets				
Issuance Costs, Net of Applicable Amortization	38,470	-	38,470	42,537
Total Noncurrent Assets	<u>21,288,856</u>	<u>1,278,255</u>	<u>22,567,111</u>	<u>24,235,849</u>
Total Assets	<u>\$ 52,327,874</u>	<u>1,953,406</u>	<u>54,281,280</u>	<u>54,249,955</u>

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

CITY OF HAYS, KANSAS
Statement of Net Position
Proprietary Funds
December 31, 2014
(With Comparative Totals as of December 31, 2013)

	<u>Enterprise Funds</u>		<u>Totals</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste and Stormwater Management Utility Funds</u>	<u>2014</u>	<u>2013</u>
	<u>LIABILITIES</u>			
Current Liabilities				
Current Portion - Revolving Loan	\$ -	-	-	195,791
Accounts Payable	87,609	6,579	94,188	115,802
Sales Tax	4,869	-	4,869	4,590
State Water Fee	8,493	-	8,493	29,873
Accrued Payroll	31,970	12,303	44,273	42,794
Accrued Paid Time Off	67,530	27,637	95,167	109,004
Accrued Interest - Revolving Loan	-	-	-	3,661
Due to Stormwater Management Fund	58,951	-	58,951	58,459
Due to Solid Waste Fund	42,381	-	42,381	41,645
Total Current Liabilities	<u>301,803</u>	<u>46,519</u>	<u>348,322</u>	<u>601,619</u>
Current Liabilities Payable From Restricted Assets				
Revenue Refunding Bonds - Series 2009	290,000	-	290,000	285,000
Customer Deposits	217,327	-	217,327	206,368
Monitoring Well Deposits	4,500	-	4,500	4,500
Accrued Interest - Revenue Bonds	43,023	-	43,023	45,398
Total Current Liabilities Payable From Restricted Assets	<u>554,850</u>	<u>-</u>	<u>554,850</u>	<u>541,266</u>
Noncurrent Liabilities				
Sales Tax Refunding Bonds - Series 2009	3,100,000	-	3,100,000	3,390,000
Total Noncurrent Liabilities	<u>3,100,000</u>	<u>-</u>	<u>3,100,000</u>	<u>3,390,000</u>
Total Liabilities	<u>3,956,653</u>	<u>46,519</u>	<u>4,003,172</u>	<u>4,532,885</u>
<u>NET POSITION</u>				
Net Position				
Invested in Capital Assets, Net of Related Debt Restricted for	15,861,399	696,385	16,557,784	16,750,365
Encumbrances	182,472	280,573	463,045	847,296
Capital Improvements	1,127,436	409,021	1,536,457	2,723,649
Unrestricted	31,199,914	520,908	31,720,822	29,395,760
Total Net Position	<u>\$ 48,371,221</u>	<u>1,906,887</u>	<u>50,278,108</u>	<u>49,717,070</u>
Net Position of Business-Type Activities (Statement 1)			<u>\$ 50,278,108</u>	<u>49,717,070</u>

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

CITY OF HAYS, KANSAS
Statement of Revenues, Expenses, and Change in Net Position
Proprietary Funds
For the Year Ended December 31, 2014
(With Comparative Totals as of December 31, 2013)

	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Funds	Totals	
			2014	2013
Operating Revenues				
Charges for Sales and Services				
Water Sales	\$ 2,531,616	-	2,531,616	2,546,189
Water Sales Conservation Rate	300,331	-	300,331	314,403
Total Water Sales	2,831,947	-	2,831,947	2,860,592
Sewer Charges	2,067,148	-	2,067,148	2,025,759
Refuse Collections	-	1,272,233	1,272,233	1,264,863
Stormwater Fees	-	773,132	773,132	767,459
Tap Fees	60,995	-	60,995	34,869
Sales and Other Charges	39,086	26,537	65,623	147,488
Total Operating Revenues	4,999,176	2,071,902	7,071,078	7,101,030
Operating Expenses				
Wastewater Treatment and Collection	985,871	-	985,871	1,134,338
Water Production and Distribution	1,570,503	-	1,570,503	1,628,127
Refuse Collection	-	765,255	765,255	779,172
Stormwater Management	-	213,595	213,595	128,494
Amortization	4,067	-	4,067	4,067
Depreciation	765,018	120,859	885,877	1,027,451
Total Operating Expenses	3,325,459	1,099,709	4,425,168	4,701,649
Net Operating Income	1,673,717	972,193	2,645,910	2,399,381
Nonoperating Revenues (Expenses)				
Local Sales Tax	3,017,143	-	3,017,143	2,981,934
Interest Income	72,103	748	72,851	48,919
Rent on R-9 Ranch	308,200	-	308,200	325,000
Prior Year Encumbrances Cancelled	34,767	3,794	38,561	259
Interest Expense	(141,229)	-	(141,229)	(186,469)
R-9 Ranch Expenses	(188,212)	-	(188,212)	(325,922)
Water Exploration	(1,110,324)	-	(1,110,324)	(405,532)
Net Nonoperating Revenues (Expenses)	1,992,448	4,542	1,996,990	2,438,189
Income Before Transfers	3,666,165	976,735	4,642,900	4,837,570
Transfers In	-	16,500	16,500	16,500
Transfers Out	(2,107,462)	(1,010,655)	(3,118,117)	(3,161,148)
Change in Net Position	1,558,703	(17,420)	1,541,283	1,692,922
Change in Capital Improvement Reserve Fund	(958,796)	(21,449)	(980,245)	(393,834)
Net Position - Beginning of Year	47,771,314	1,945,756		
Net Position - End of Year	\$ 48,371,221	1,906,887		
Change in Net Position of Business-Type Activities (Statement 2)			\$ 561,038	1,299,088

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, 2014
(With Comparative Totals as of December 31, 2013)

	<u>Enterprise Funds</u>		<u>Totals</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste and Stormwater Management Utility Fund</u>	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities				
Receipts From Customers	\$ 5,037,576	2,075,696	7,113,272	7,237,369
Payments to Suppliers	(1,537,555)	(596,443)	(2,133,998)	(2,208,123)
Payments to Employees	(1,079,654)	(376,645)	(1,456,299)	(1,469,564)
Net Cash Provided by Operating Activities	<u>2,420,367</u>	<u>1,102,608</u>	<u>3,522,975</u>	<u>3,559,682</u>
Cash Flows From Investing Activities				
Rental Income	308,200	-	308,200	325,000
Rental Expenses	(188,212)	-	(188,212)	(325,922)
Interest on Investments	72,104	748	72,852	48,919
Net Cash Provided by Investing Activities	<u>192,092</u>	<u>748</u>	<u>192,840</u>	<u>47,997</u>
Cash Flows From Noncapital Financing Activities				
Transfers to Other Funds	(2,107,462)	(994,155)	(3,101,617)	(3,144,648)
Cash Flows From Capital and Related Financing Activities				
Purchase and Construction of Capital Assets	(201,198)	(5,270)	(206,468)	(127,910)
Lease Obligation Retired	-	-	-	(226,240)
Water Exploration	(1,110,324)	-	(1,110,324)	(405,532)
Interest Paid	(147,265)	-	(147,265)	(205,894)
Principal Payments - Revolving Loan	(195,792)	-	(195,792)	(195,791)
Principal Payments - Bonds	(285,000)	-	(285,000)	(344,376)
Local Sales Tax	3,017,143	-	3,017,143	2,981,936
Capital Improvement Reserve Purchases	(958,796)	(21,449)	(980,245)	(393,835)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>118,768</u>	<u>(26,719)</u>	<u>92,049</u>	<u>1,082,358</u>
Net Increase (Decrease) in Cash	623,765	82,482	706,247	1,545,389
Cash - Beginning of Year	<u>32,013,233</u>	<u>1,073,207</u>	<u>33,086,440</u>	<u>31,541,051</u>
Cash - End of the Year	<u>\$ 32,636,998</u>	<u>1,155,689</u>	<u>33,792,687</u>	<u>33,086,440</u>
Cash Per Statement 5				
Operating Account			\$ 3,019,306	2,735,862
Local Sales Tax Account			28,235,547	26,827,482
Restricted Cash			<u>2,537,834</u>	<u>3,523,096</u>
Total Cash Per Statement 5			<u>\$ 33,792,687</u>	<u>33,086,440</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, 2014
(With Comparative Totals as of December 31, 2013)

	<u>Enterprise Funds</u>		<u>Totals</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste and Stormwater Management Utility Fund</u>	<u>2014</u>	<u>2013</u>
	Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 1,673,717	972,193	2,645,910	2,399,381
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation and Amortization	769,085	120,859	889,944	1,031,518
Increase in Accounts Receivable	(7,326)	-	(7,326)	136,485
Increase in Due From Other Funds	-	(1,228)	(1,228)	(967)
Increase (Decrease) in Accounts Payable	10,714	6,233	16,947	(43,291)
Increase in Due to Other Funds	1,228	-	1,228	967
Increase (Decrease) in Accrued Liabilities	(27,051)	4,551	(22,500)	35,589
Net Cash Provided by Operating Activities	<u>\$ 2,420,367</u>	<u>1,102,608</u>	<u>3,522,975</u>	<u>3,559,682</u>

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

CITY OF HAYS, KANSAS
 Statement of Net Position
 Agency Funds
 December 31, 2014
 (With Comparative Totals as of December 31, 2013)

	<u>Police Judge</u>	<u>TDD Sales Tax District</u>	<u>CID</u>	<u>CID-The Mall</u>	<u>Totals</u>	
					<u>2014</u>	<u>2013</u>
<u>ASSETS</u>						
Cash	\$ 123,687	20,611	3,381	5,900	153,579	156,558
Restricted Cash	94	-	-	-	94	740
Total Assets	<u>123,781</u>	<u>20,611</u>	<u>3,381</u>	<u>5,900</u>	<u>153,673</u>	<u>157,298</u>
<u>LIABILITIES AND NET POSITION</u>						
Liabilities						
Bonds Payable	59,228	20,611	-	-	79,839	77,001
Due to Other Funds	55,942	-	-	-	55,942	67,647
Total Liabilities	<u>115,170</u>	<u>20,611</u>	<u>-</u>	<u>-</u>	<u>135,781</u>	<u>144,648</u>
Net Position						
Reserved for Debt	8,517	-	-	-	8,517	11,358
Reserved for ADSAP	94	-	-	-	94	740
Reserved for Improvements	-	-	3,381	5,900	9,281	552
Total Net Position	<u>\$ 8,611</u>	<u>-</u>	<u>3,381</u>	<u>5,900</u>	<u>17,892</u>	<u>12,650</u>

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Discretely Presented Component Units

Housing Authority of the City of Hays, Kansas

The Housing Authority of the City of Hays, Kansas operates a subsidized public housing project. The five-member board is appointed by the City, and the City is entitled to the resources of the Housing Authority. The City has not included this component unit in the City's government wide financial statements. Contact the City office for information on how to obtain a copy of the financial statements and audit report.

Hays Public Library

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

Use of Estimates

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

Government-Wide and Fund Financial Statements

The government-wide financial statements, (i.e. the statement of net position and the statement of activities) report financial information for the City as a whole excluding fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The City reports the following major governmental and proprietary funds:

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

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

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

Capital Project Fund – The capital project fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities and infrastructure for the City.

Major Proprietary Fund Category

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

Non-Major Governmental Funds

The City reports the following non-major governmental funds:

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

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

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

Non-Major Proprietary Funds

The City reports the following non-major proprietary funds:

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

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

Fiduciary Fund

Additionally, the City reports the following fund category:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

Encumbrances

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

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2014.

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute liabilities because the commitments will be honored during subsequent years.

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

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

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

Fund	Expenditures and Transfers Out Per Fund Statement	Less Beginning Encumbrances	Less Beginning Reserve for Budget Stabilization	Plus Ending Encumbrances	Plus Ending Reserve for Budget Stabilization	Expenditures and Transfers out Per Budget Basis
General Fund	\$ 12,788,964	207,031	3,221,181	102,385	3,221,181	12,684,318
Bond and Interest Fund	1,392,988	-	-	-	-	1,392,988
Employee Benefit Fund	3,487,769	-	-	-	-	3,487,769

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, 2014

Water and Sewer Fund

	Statutory Basis	Statutory Adjustments	Encumbrances		GAAP Basis
			Prior Year	Current Year	
Operating Revenues					
Charges for Sales and Services					
Water Sales	\$ 2,531,616	-	-	-	2,531,616
Sewer Charges	2,067,148	-	-	-	2,067,148
Tap Fees	60,995	-	-	-	60,995
Water Sales Conservation Rate	300,331	-	-	-	300,331
Sales and Other Charges	39,086	-	-	-	39,086
Total Operating Revenues	4,999,176	-	-	-	4,999,176
Operating Expenses					
Wastewater Treatment and Collection	1,088,590	(64,739)	8,898	(46,878)	985,871
Waster Production and Distribution	1,433,704	(20,303)	50,008	(3,324)	1,460,085
Water Conservation	176,508	-	-	(11,408)	165,100
Clean Water Fee	17,233	-	-	-	17,233
Other Contractual Fees	74,776	-	18,409	-	93,185
Amortization	-	4,067	-	-	4,067
Depreciation	-	765,018	-	-	765,018
Total Operating Expenses	2,790,811	684,043	77,315	(61,610)	3,490,559
Net Operating Income	2,208,365	(684,043)	77,315	(61,610)	1,508,617
Nonoperating Revenues (Expenses)					
Local Sales Tax	3,017,143	-	-	-	3,017,143
Local Sales Tax Transfer	(2,353,289)	2,353,289	-	-	-
Capital Outlay	(108,046)	108,046	-	-	-
Interest Income	72,103	-	-	-	72,103
Rent on R-9 Ranch	308,200	-	-	-	308,200
Prior Year Encumbrances Voided	34,767	-	-	-	34,767
R-9 Ranch Expenses	(188,212)	-	-	-	(188,212)
Transfers In	-	-	-	-	-
Transfers Out	(2,107,462)	-	-	-	(2,107,462)
Interest on Deposits	(250)	-	-	-	(250)
Principal Debt Service Payments	(480,791)	480,791	-	-	-
Water Sales Tax Fund Reserve Expenses	-	(945,224)	-	-	(945,224)
Interest Expense	(139,857)	(1,122)	-	-	(140,979)
Total Nonoperating Revenues (Expenses)	(1,945,694)	1,995,780	-	-	50,086
Net Income	\$ 262,671	1,311,737	77,315	(61,610)	1,558,703

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

Inventories and Prepaid Items

In both government-wide and fund financial statements, payments made to vendors for goods or services that will benefit periods beyond the current year, are recorded as inventory or prepaid items when they are deemed material and it is considered appropriate. Currently, the City does not have inventory or prepaid expenses that are deemed material.

Accounting for Capital Assets and Depreciation

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

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

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

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

Buildings	40 to 50 years
Infrastructure	20 to 50 years
Machinery and Equipment	3 to 7 years

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

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

The City prepares a long-range capital improvement plan each year to ensure that infrastructure capital assets are being preserved approximately at or above the desired condition assessment levels set by the City. It is updated annually and now extends through 2018. The capital improvement plan is developed by the Public Works Department, reviewed by the City Manager, Assistant City Manager, and Director of Finance, and approved by the City Commission.

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

The City has created a condition level measurement scale that is comprised of four performance levels of condition. Performance Level 1 is denoted as a condition level of "Excellent", which denotes that the infrastructure is fully operational and has no defects. This condition level does not require any corrective action or preventative maintenance. Performance Level 2 is denoted as a condition level of "Good" which requires that infrastructure is operational and has few defects. This category does not require corrective action but may

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

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 2014, the infrastructure was assessed, and it was determined that the infrastructure was at condition levels of "Good to Very Good". No significant deterioration of the infrastructure had occurred, and there were no significant changes in condition levels from the previous year's assessments.

The following schedule shows the estimated annual amount of expenditures calculated during June 2014 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2014. It also shows the amounts actually expensed for each of the past four reporting periods.

	2010	2011	2012	2013	2014	Totals
Estimated	\$ 2,220,474	11,146,638	3,431,125	1,085,329	598,352	18,481,918
Actual	1,239,130	11,012,205	1,147,368	916,729	529,126	14,844,558

Capital asset activity for the year ended December 31, 2014 was as follows:

Primary Government

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental				
Non-Depreciable Capital Assets				
Land and Rights of Ways	\$ 24,882,407	72,800	-	24,955,207
Infrastructure (Modified Approach)	49,183,667	667,655	-	49,851,322
Total Non-Depreciable Capital Assets	74,066,074	740,455	-	74,806,529
Depreciable Capital Assets				
Buildings	12,639,509	-	-	12,639,509
Machinery and Equipment	14,770,564	235,383	(188,937)	14,817,010
Total Depreciable Capital Assets	27,410,073	235,383	(188,937)	27,456,519
Accumulated Depreciation	(14,275,601)	(1,307,329)	188,937	(15,393,993)
Depreciable Capital Assets, Net of Accumulated Depreciation	13,134,472	(1,071,946)	-	12,062,526
Governmental Activities, Capital Assets Net of Accumulated Depreciation	\$ 87,200,546	(331,491)	-	86,869,055

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

Primary Government	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities				
Non-Depreciable Capital Assets				
Land	\$ 139,109	-	-	139,109
Depreciable Capital Assets				
R-9 Ranch	4,262,040	-	-	4,262,040
Infrastructure	18,487,053	-	-	18,487,053
Buildings Machinery and Equipment	12,072,234	-	-	12,072,234
Machinery and Equipment	12,916,498	206,468	-	13,122,966
Total Depreciable Capital Assets	47,737,825	206,468	-	47,944,293
Accumulated Depreciation	(27,206,718)	(885,877)	-	(28,092,595)
Depreciable Capital Assets, Net of Accumulated Depreciation	20,531,107	(679,409)	-	19,851,698
Business-Type Activities, Capital Assets Net of Accumulated Depreciation	\$ 20,670,216	(679,409)	-	19,990,807

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 and as such all cash is considered liquid and available for purposes of the statement of cash flows.

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 2014. All deposits were legally secured at December 31, 2014.

At December 31, 2014, the City's carrying amount of deposits, including certificates of deposit, was \$54,534,343. The bank balance was \$54,688,580. Of the bank balance, \$775,263 was covered by FDIC insurance and the remaining \$53,913,317 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

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, 2014, 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 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, 2014 has been estimated at \$566,237.

Defined Benefit Pension Plan

Plan Description

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

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Deferred Compensation Plan

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

Other Post Employment Benefits

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

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

Receivables and Payables

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

The City records utility revenues on a monthly basis. The balance shown as accounts receivable at December 31, 2014 is comprised of accounts considered to be collectible by management. Balances are stated at net of anticipated uncollectible accounts.

Property Tax Calendar and Receivable

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City; and therefore, are not susceptible to accrual. At December 31, such taxes are recorded as taxes receivable. Net of anticipated delinquencies with a correspondence amount recorded as deferred inflows of resources in the fund financial statements.

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

Restricted Assets

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

Equity Classifications

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

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

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

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

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

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

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

Deferred Inflows of Resources/Deferred Outflows of Resources

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

Special Assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City. Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

NOTE 2 - CAPITAL LEASES

In 2007, the City entered into a capital lease agreement with Bank of Hays for the Welcome Center. This lease was scheduled to mature in 2017. The City paid off this lease during 2014 in the amount of \$444,646 which was principal and interest.

NOTE 3 - LONG-TERM DEBT

General Obligation Bonds

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

Purpose	Interest Rates	Amount
Business Type Activities	3.45 – 6.50%	\$12,500,000

The annual requirements to retire G.O. Bonds as of December 31, 2014, are as follows:

Year	Principal Due	Interest Due	Total
2015	\$ 1,115,000	479,825	1,594,825
2016	1,160,000	438,397	1,598,397
2017	1,215,000	395,496	1,610,496
2018	1,235,000	351,318	1,586,318
2019	1,115,000	305,276	1,420,276
2020-2024	5,330,000	872,581	6,202,581
2025-2028	1,330,000	83,811	1,413,811
Total	\$ 12,500,000	2,926,704	15,426,704

Revenue Refunding Bonds and Revolving Loan

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

Purpose	Interest Rates	Amount
Business-Type Activities	3.60 – 5.25%	\$3,390,000

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2014 are as follows:

Year	Principal Due	Interest Due	Total
2015	\$ 290,000	129,070	419,070
2016	300,000	121,095	421,095
2017	305,000	111,795	416,795
2018	315,000	101,730	416,730
2019	330,000	90,390	420,390
2020-2024	1,850,000	243,550	2,093,550
Total	\$ 3,390,000	797,630	4,187,630

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

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, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
G.O. Bonds	\$ 13,570,000	-	(1,070,000)	12,500,000	1,115,000
Capital Leases	418,061	-	(418,061)	-	-
Total Governmental Long-Term Liabilities	13,988,061	-	(1,488,061)	12,500,000	1,115,000
Business-Type Activities					
Revenue Bonds	3,675,000	-	(285,000)	3,390,000	290,000
State Revolving Loan	195,791	-	(195,791)	-	-
Total Business-Type Long-Term Liabilities	3,870,791	-	(480,791)	3,390,000	290,000
Total Long-Term Liabilities	\$ 17,858,852	-	(1,968,852)	15,890,000	1,405,000

NOTE 4 – CONDUIT DEBT OBLIGATIONS

From time to time the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The industrial revenue bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The outstanding balance of the bonds as of December 31, 2014 was unavailable.

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

The Water and Sewage System Revenue Bonds - Series 2009 require that water rates charged in each year will enable the City to have in each fiscal year net operating revenues from the system equal to 125 percent of the maximum amount required to be paid by the City in such fiscal year on account of both principal and interest on all water and sewage system revenue bonds then outstanding. This provision was complied with for the year ended December 31, 2014. Excess revenues totaled \$425,962.

Gross Revenues	\$ 4,999,176
Adjustments	
Less - Operating Expenses	(2,556,374)
Transfers Out	(1,510,612)
Add - Interest Earned	17,610
Net Adjustments	<u>(4,049,376)</u>
Net Revenues	949,800
Maximum Amount of Principal and Interest	419,070
	<u>125</u> %
Net Revenues Required	<u>523,838</u>
Excess	\$ 425,962

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas statutes. The City's operating transfers and statutory authority for the year ended December 31, 2014 were as follows:

From Fund	To Fund	Statutory Authority	Amount
Water and Sewer Utility	General	12-825d	\$ 961,024
Solid Waste Utility	General	12-825d	245,000
Convention and Tourism	General	Commission Approved	63,325
Special Alcohol	General	79-41a04	54,336
Water Sales Tax - W & S	General	12-825d	596,850
Stormwater Management	General	12-825d	64,260
Sports Complex	General	79-2925	164,176
General	Employee Benefit	12-16,102	96,479
Solid Waste Utility	Employee Benefit	12-825d	167,754
Water and Sewer Utility	Employee Benefit	12-825d	486,662
Convention and Tourism	Employee Benefit	Commission Approved	80,430
Special Alcohol	Employee Benefit	79-41a04	26,074
Stormwater Management	Employee Benefit	12-825d	11,851
Sports Complex	Employee Benefit	Commission Approved	18,002
Solid Waste Utility	Solid Waste Reserve	12-825d	86,765
Water and Sewer Utility	Sales Tax Reserve	12-825d	2,353,289
General	New Equipment Reserve	12-1,117	273,555
Airport	New Equipment Reserve	12-1,117	7,013
Convention and Tourism	New Equipment Reserve	12-1,117	2,760
Water and Sewer Utility	New Equipment Reserve	12-1,117	62,926
Stormwater Management	New Equipment Reserve	12-1,117	1,790
Public Safety Equipment	New Equipment Reserve	12-1,117	360,127
General	New Equipment Reserve	12-1,117	19,525
General	Stormwater Management	Commission Approved	16,500
Stormwater Management	Capital Projects	Commission Approved	520,000
Convention and Tourism	Capital Projects	Commission Approved	39,500
General	Capital Projects	Commission Approved	4,500
Capital Projects	City Commission Capital Reserve	Commission Approved	1,157,551
Airport	Airport Improvement	Commission Approved	60,843
General	City Commission Capital Reserve	Commission Approved	1,725,000
Special Park and Recreation	Parks Improvement Fund	Commission Approved	530

In the fund financial statements, total transfers in of \$3,101,617 are equal to the total transfers out of \$3,101,617 from business-type funds.

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 financial impact on the funds of the City.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

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 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, flood coverage 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 2014, the City contributed \$176,639 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 - INTERLOCAL COOPERATION AGREEMENT

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

NOTE 11 - 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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2014

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 11, 2015, which is the date the financial statements were available to be issued.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise **City of Hays, Kansas'** basic financial statements, and have issued our report thereon dated June 11, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of This Report

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

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

June 11, 2015



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

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

Report on Compliance for Each Major Federal Program

We have audited **City of Hays, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **City of Hays, Kansas'** major federal programs for the year ended December 31, 2014. **City of Hays, Kansas'** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, **City of Hays, Kansas** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Adams, Brown, Beran & Ball, Chartered

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

June 11, 2015

CITY OF HAYS, KANSAS

Supplementary Information

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ 4,116,682	4,257,776
Receivables		
Accounts Receivable (Net of Allowance for Uncollectibles)	98,605	67,647
Other Asset		
Reserved Cash - Budget Stabilization	<u>3,221,181</u>	<u>3,221,181</u>
Total Assets	<u>\$ 7,436,468</u>	<u>7,546,604</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 117,904	70,769
Accrued Payroll	228,414	200,242
Accrued Paid Time Off	463,091	473,912
Accrued Sick Leave Payout	<u>30,543</u>	<u>29,368</u>
Total Liabilities	<u>839,952</u>	<u>774,291</u>
Fund Balance		
Committed - Budget Stabilization	3,221,181	3,221,181
Assigned - Reserved for Encumbrances	102,385	207,031
Assigned - Designated for Subsequent Year Expenditures	2,142,639	2,532,583
Unassigned	<u>1,130,311</u>	<u>811,518</u>
Total Fund Balance	<u>6,596,516</u>	<u>6,772,313</u>
Total Liabilities and Fund Balance	<u>\$ 7,436,468</u>	<u>7,546,604</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
Revenues (Statement 9-1, Page 4)	\$ 10,018,201	10,464,196	445,995	10,212,328
Expenditures (Statement 9-1, Page 4)	13,214,906	10,548,759	2,666,147	11,039,706
Excess Revenues Over (Under) Expenditures	(3,196,705)	(84,563)	3,112,142	(827,378)
Other Financing Sources (Uses)				
Transfers In	2,225,630	2,148,971	(76,659)	2,167,958
Transfers Out	(387,984)	(2,135,559)	(1,747,575)	(2,336,254)
Total Other Financing Sources (Uses)	1,837,646	13,412	(1,824,234)	(168,296)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditure	(1,359,059)	(71,151)	1,287,908	(995,674)
Fund Balance - Beginning	2,532,583	6,772,313	4,239,730	7,702,834
Increase (Decrease) in Reserve for Encumbrances	-	(104,646)	(104,646)	65,153
Fund Balance - Ending	\$ <u>1,173,524</u>	<u>6,596,516</u>	<u>5,422,992</u>	<u>6,772,313</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			2013 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Local Sales	\$ 7,240,398	7,392,620	152,222	7,302,196
Intergovernmental				
Liquor Tax	135,803	126,712	(9,091)	135,407
State Grant	-	2,173	2,173	3,090
Federal Grant	-	12,936	12,936	37,990
Total Intergovernmental	135,803	141,821	6,018	176,487
Licenses and Permits				
Franchise Tax	1,415,000	1,482,817	67,817	1,397,718
Licenses	47,500	46,686	(814)	57,987
Permits	75,000	91,090	16,090	78,657
Total Licenses and Permits	1,537,500	1,620,593	83,093	1,534,362
Fines and Forfeitures				
Fines and Court Fees	610,000	677,028	67,028	703,368
Use of Money and Property				
Interest Income	35,000	52,649	17,649	37,064
Rent	1,200	1,200	-	1,200
Total Use of Money and Property	\$ 36,200	53,849	17,649	38,264

See independent auditors' report.

CITY OF HAYS, KANSAS
General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			2013 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues (continued)				
Miscellaneous				
Golf Course Fees	\$ 305,000	301,858	(3,142)	287,399
Cemetery Receipts	10,300	14,795	4,495	8,770
Miscellaneous Receipts	143,000	180,970	37,970	142,340
Prior Year Encumbrances Cancelled	-	80,662	80,662	19,142
Total Miscellaneous	<u>458,300</u>	<u>578,285</u>	<u>119,985</u>	<u>457,651</u>
Total Revenues	\$ <u>10,018,201</u>	<u>10,464,196</u>	<u>445,995</u>	<u>10,212,328</u>
Expenditures				
City Commission	\$ 1,947,677	201,702	1,745,975	682,220
City Manager	471,987	442,961	29,026	430,967
Human Resources	192,702	181,991	10,711	198,330
Information Technology	535,119	520,206	14,913	532,619
Dispatch	558,815	494,039	64,776	524,273
City Attorney	101,000	88,254	12,746	95,275
Finance - City Clerk	367,807	354,956	12,851	347,355
Intergovernmental Account	364,500	320,231	44,269	321,804
Police Department	2,136,475	2,016,027	120,448	1,901,691
Municipal Court	156,891	142,584	14,307	141,308
Public Works - General Administration	281,865	246,820	35,045	334,680
Service Division	907,001	771,919	135,082	775,355
Planning, Inspection, and Enforcement	340,303	320,775	19,528	251,882
Building and Grounds	513,660	463,000	50,660	473,836
Fleet Maintenance	830,101	740,114	89,987	771,995
Fire Department	1,408,993	1,386,909	22,084	1,347,718
Parks and Playgrounds	860,770	795,820	64,950	823,773
Golf Course	350,897	337,964	12,933	314,673
Swimming Pool	114,700	62,089	52,611	106,492
Ballfield Maintenance	57,100	37,214	19,886	22,185
Cemeteries	20,200	12,827	7,373	12,991
Bickle-Schmidt Sports Complex	240,835	164,176	76,659	179,122
Social Services	164,000	164,000	-	164,000
Economic Development	256,205	246,878	9,327	246,415
Qualify of Life	35,303	35,303	-	38,747
Total Expenditures	\$ <u>13,214,906</u>	<u>10,548,759</u>	<u>2,666,147</u>	<u>11,039,706</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Fund
Balance Sheets
December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ 77,007	71,881
Taxes Receivable	1,106,217	1,083,438
Total Assets	\$ <u>1,183,224</u>	<u>1,155,319</u>
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	\$ 1,106,217	1,083,438
Fund Balance		
Assigned - Designated for Subsequent Year Expenditures	28,188	45,326
Assigned	48,819	26,555
Total Fund Balance	<u>77,007</u>	<u>71,881</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>1,183,224</u>	<u>1,155,319</u>

Library Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	<u>2014</u>			<u>2013</u> Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 1,116,946	1,106,949	(9,997)	1,061,391
Delinquent	-	15,554	15,554	15,736
Motor Vehicle	97,384	138,891	41,507	135,155
Recreational Vehicle	1,373	1,979	606	1,848
16/20M Truck	1,027	1,521	494	1,427
Total Revenues	1,216,730	<u>1,264,894</u>	<u>48,164</u>	<u>1,215,557</u>
Expenditures				
Distributions to Library Board	1,241,326	1,241,326	-	1,188,000
Tax Increment Financing Dist (TIF)	17,000	15,347	1,653	16,114
Neighborhood Revit Rebate	3,730	3,095	635	5,273
Total Expenditures	1,262,056	<u>1,259,768</u>	<u>2,288</u>	<u>1,209,387</u>
Excess Revenues Over (Under) Expenditures	(45,326)	5,126	50,452	6,170
Fund Balance - Beginning	45,326	<u>71,881</u>	<u>26,555</u>	<u>65,711</u>
Fund Balance - Ending	\$ -	<u>77,007</u>	<u>77,007</u>	<u>71,881</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Employee Benefit Fund
Balance Sheets
December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ 10,278	8,464
Taxes Receivable	<u>162,009</u>	<u>164,885</u>
Total Assets	\$ <u>172,287</u>	<u>173,349</u>
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	\$ <u>162,009</u>	<u>164,885</u>
Fund Balance		
Assigned - Designated for Subsequent Year Expenditures	<u>3,290</u>	<u>5,333</u>
Assigned	<u>6,988</u>	<u>3,131</u>
Total Fund Balance	<u>10,278</u>	<u>8,464</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>172,287</u>	<u>173,349</u>

Library Employee Benefit Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	<u>2014</u>			<u>2013</u> Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 169,985	168,608	(1,377)	155,107
Delinquent	-	2,221	2,221	2,131
Motor Vehicle	14,232	20,126	5,894	18,659
Recreational Vehicle	201	286	85	255
16/20M Truck	<u>150</u>	<u>214</u>	<u>64</u>	<u>184</u>
Total Revenues	<u>184,568</u>	<u>191,455</u>	<u>6,887</u>	<u>176,336</u>
Expenditures				
Distributions to Library Board	186,833	186,833	-	172,400
Tax Increment Financing Dist (TIF)	2,500	2,337	163	2,355
Neighborhood Revit Rebate	<u>568</u>	<u>471</u>	<u>97</u>	<u>771</u>
Total Expenditures	<u>189,901</u>	<u>189,641</u>	<u>260</u>	<u>175,526</u>
Excess Revenues Over (Under) Expenditures	(5,333)	1,814	7,147	810
Fund Balance - Beginning	<u>5,333</u>	<u>8,464</u>	<u>3,131</u>	<u>7,654</u>
Fund Balance - Ending	\$ <u>-</u>	<u>10,278</u>	<u>10,278</u>	<u>8,464</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Highway Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ <u>239,865</u>	<u>227,844</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>1,744</u>	<u>1,590</u>
Fund Balance		
Assigned - Reserved for Encumbrances	20,789	84,629
Assigned - Designated for Subsequent Year's Expenditures	123,482	13,902
Assigned	<u>93,850</u>	<u>127,723</u>
Total Fund Balance	<u>238,121</u>	<u>226,254</u>
Total Liabilities and Fund Balance	\$ <u>239,865</u>	<u>227,844</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Highway Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
State Gasoline Tax	\$ 539,690	543,990	4,300	525,636
Connecting Link Maintenance	44,760	44,760	-	44,729
Prior Year Encumbrances Cancelled	-	16,083	16,083	-
Total Revenues	584,450	604,833	20,383	570,365
Expenditures				
Contractual Services	50,000	10,415	39,585	-
Capital Outlay	548,352	518,711	29,641	562,655
Total Expenditures	598,352	529,126	69,226	562,655
Excess Revenues Over (Under)				
Expenditures	(13,902)	75,707	89,609	7,710
Other Financing Sources (Uses)				
Transfers Out	-	-	-	(354,074)
Excess Revenues and Other Financing Sources				
(Uses) Over (Under) Expenditures	(13,902)	75,707	89,609	(346,364)
Fund Balance - Beginning	13,902	226,254	212,352	487,989
Increase (Decrease) in				
Reserve for Encumbrances	-	(63,840)	(63,840)	84,629
Fund Balance - Ending	\$ -	238,121	238,121	226,254

See independent auditors' report.

CITY OF HAYS, KANSAS
Employee Benefit Fund
 Balance Sheets
 December 31, 2014 and 2013

	<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Cash	\$	1,030,855	1,099,049
Taxes Receivable		<u>2,343,162</u>	<u>2,223,429</u>
Total Assets	\$	<u>3,374,017</u>	<u>3,322,478</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>			
Liabilities			
Accounts Payable	\$	-	137,737
Deferred Inflows of Resources			
Deferred Property Tax Receivable		<u>2,343,162</u>	<u>2,223,429</u>
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures		576,759	767,628
Assigned		<u>454,096</u>	<u>193,684</u>
Total Fund Balance		<u>1,030,855</u>	<u>961,312</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$	<u>3,374,017</u>	<u>3,322,478</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Employee Benefit Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 2,292,195	2,271,700	(20,495)	2,197,712
Delinquent	-	30,693	30,693	27,563
Motor Vehicle	201,625	277,434	75,809	243,697
Recreational Vehicle	2,842	3,904	1,062	3,864
16/20M Truck	2,126	2,678	552	2,230
Interest Income	3,000	1,799	(1,201)	2,456
Miscellaneous	-	32,968	32,968	128,232
Prior Year Encumbrances Cancelled	-	48,884	48,884	-
Total Revenues	2,501,788	2,670,060	168,272	2,605,754
Expenditures				
Workmen's Compensation	180,350	176,639	3,711	123,626
Unemployment Compensation	25,634	14,929	10,705	19,988
Social Security	676,213	633,314	42,899	621,076
Employee Retirement	1,138,617	1,088,465	50,152	949,611
Contingency	300,000	2,379	297,621	-
Health Insurance	1,719,500	1,494,020	225,480	1,826,440
Contractual Services	75,139	40,177	34,962	61,759
Tax Increment Financing Dist (TIF)	33,625	31,494	2,131	33,366
Neighborhood Revit Rebate	7,590	6,352	1,238	10,918
Total Expenditures	4,156,668	3,487,769	668,899	3,646,784
Excess Revenues Over (Under) Expenditures	(1,654,880)	(817,709)	837,171	(1,041,030)
Other Financing Sources (Uses)				
Transfers In	887,252	887,252	-	1,015,279
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(767,628)	69,543	837,171	(25,751)
Fund Balance - Beginning	767,628	961,312	193,684	987,063
Fund Balance - Ending	\$ -	1,030,855	1,030,855	961,312

See independent auditors' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ 80,618	74,241
Taxes Receivable	<u>397,810</u>	<u>387,432</u>
Total Assets	\$ <u>478,428</u>	<u>461,673</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>5,754</u>	<u>8,668</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>397,810</u>	<u>387,432</u>
Fund Balance		
Assigned - Reserved for Encumbrances	<u>6,285</u>	1,229
Assigned - Designated for Subsequent Year's Expenditures	<u>40,019</u>	25,974
Assigned	<u>28,560</u>	<u>38,370</u>
Total Fund Balance	<u>74,864</u>	<u>65,573</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>478,428</u>	<u>461,673</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 399,414	395,927	(3,487)	375,027
Delinquent	-	5,409	5,409	5,303
Motor Vehicle	34,400	48,653	14,253	45,608
Recreational Vehicle	485	636	151	623
16/20M Truck	363	515	152	476
Intergovernmental				
Federal Grants	-	-	-	1,262
Miscellaneous Revenue	-	-	-	28,063
Prior Year Encumbrances Cancelled	-	1,229	1,229	2,217
Total Revenues	<u>434,662</u>	<u>452,369</u>	<u>17,707</u>	<u>458,579</u>
Expenditures				
Capital Outlay	93,265	81,411	11,854	213,535
Tax Increment Financing Dist (TIF)	5,916	5,489	427	5,694
Neighborhood Revit Rebate	1,328	1,107	221	1,863
Total Expenditures	<u>100,509</u>	<u>88,007</u>	<u>12,502</u>	<u>221,092</u>
Excess Revenues Over (Under) Expenditures	334,153	364,362	30,209	237,487
Other Financing Sources (Uses)				
Transfers Out	(360,127)	(360,127)	-	(243,165)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ (25,974)</u>	<u>4,235</u>	<u>30,209</u>	<u>(5,678)</u>
Fund Balance - Beginning		65,573		83,241
Increase (Decrease) in Reserve for Encumbrances		<u>5,056</u>		<u>(11,990)</u>
Fund Balance - Ending		<u><u>\$ 74,864</u></u>		<u><u>65,573</u></u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Airport Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ 103,581	55,925
Taxes Receivable	<u>198,904</u>	<u>193,716</u>
Total Assets	\$ <u>302,485</u>	<u>249,641</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 2,244	3,636
Accrued Payroll	2,888	2,840
Accrued Paid Time Off	<u>3,205</u>	<u>6,613</u>
Total Liabilities	<u>8,337</u>	<u>13,089</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>198,904</u>	<u>193,716</u>
Fund Balance		
Assigned - Reserved for Encumbrances	4,540	5,200
Assigned - Designated for Subsequent Year's Expenditures	31,143	18,884
Assigned	<u>59,561</u>	<u>18,752</u>
Total Fund Balance	<u>95,244</u>	<u>42,836</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>302,485</u>	<u>249,641</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Airport Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 199,707	198,061	(1,646)	187,514
Delinquent	-	2,705	2,705	2,652
Motor Vehicle	17,200	24,302	7,102	22,813
Recreational Vehicle	242	345	103	312
16/20M Truck	181	258	77	238
Intergovernmental				
Federal Grant	-	-	-	64,789
Licenses and Fees Collected	89,454	86,287	(3,167)	90,255
Farming Leases	18,977	20,530	1,553	20,530
Miscellaneous	6,859	4,372	(2,487)	8,022
Prior Year Encumbrances Cancelled	-	1,640	1,640	-
Total Revenues	332,620	338,500	5,880	397,125
Expenditures				
Personal Services	86,638	63,163	23,475	100,978
Contractual Services	90,000	86,025	3,975	78,275
Commodities	92,646	54,388	38,258	128,893
Capital Outlay	10,700	10,700	-	-
Tax Increment Financing Dist (TIF)	3,000	2,746	254	2,847
Neighborhood Revit Rebate	664	554	110	932
Total Expenditures	283,648	217,576	66,072	311,925
Excess Revenues Over (Under) Expenditures	48,972	120,924	71,952	85,200
Other Financing (Uses)				
Transfers Out	(67,856)	(67,856)	-	(183,694)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(18,884)	53,068	71,952	(98,494)
Fund Balance - Beginning	18,884	42,836	23,952	142,511
Increase (Decrease) in Reserve for Encumbrances	-	(660)	(660)	(1,181)
Fund Balance - Ending	\$ -	95,244	95,244	42,836

See independent auditors' report.

CITY OF HAYS, KANSAS
Park Development Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>			
		<u>2014</u>	<u>2013</u>
Cash	\$	<u>5,027</u>	<u>5,027</u>
<u>FUND BALANCE</u>			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	<u>5,027</u>	<u>5,027</u>

Park Development Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2014
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			<u>2013 Actual</u>
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Miscellaneous	\$ -	-	-	-
Expenditures				
Contractual Services	<u>5,027</u>	-	<u>5,027</u>	-
Excess Revenues Over (Under) Expenditures	(5,027)	-	5,027	-
Fund Balance - Beginning	<u>5,027</u>	<u>5,027</u>	-	<u>5,027</u>
Fund Balance - Ending	\$ <u>-</u>	<u>5,027</u>	<u>5,027</u>	<u>5,027</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ <u>566,190</u>	<u>721,233</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 10,778	12,072
Accrued Payroll	2,823	5,565
Accrued Paid Time Off	<u>4,774</u>	<u>12,555</u>
Total Liabilities	<u>18,375</u>	<u>30,192</u>
Fund Balance		
Assigned - Reserved for Encumbrances	25,909	-
Assigned - Designated for Subsequent Year's Expenditures	416,536	637,386
Assigned	<u>105,370</u>	<u>53,655</u>
Total Fund Balance	<u>547,815</u>	<u>691,041</u>
Total Liabilities and Fund Balance	<u>\$ 566,190</u>	<u>721,233</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Guest Tax	\$ 745,000	761,301	16,301	782,507
Miscellaneous	42,000	42,627	627	39,745
Total Revenues	<u>787,000</u>	<u>803,928</u>	<u>16,928</u>	<u>822,252</u>
Expenditures				
Personal Services	235,489	178,629	56,860	220,962
Contractual Services	896,382	528,712	367,670	275,820
Commodities	72,000	65,246	6,754	60,576
Capital Outlay	74,000	14,461	59,539	28,611
Total Expenditures	<u>1,277,871</u>	<u>787,048</u>	<u>490,823</u>	<u>585,969</u>
Excess Revenues Over (Under) Expenditures	(490,871)	16,880	507,751	236,283
Other Financing Sources (Uses)				
Transfers Out	(146,515)	(186,015)	(39,500)	(142,090)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(637,386)	(169,135)	468,251	94,193
Fund Balance - Beginning	637,386	691,041	53,655	614,380
Increase (Decrease) in Reserve for Encumbrances	-	25,909	25,909	(17,532)
Fund Balance - Ending	<u>\$ -</u>	<u>547,815</u>	<u>547,815</u>	<u>691,041</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
New Equipment Reserve Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ <u>3,681,521</u>	<u>3,091,981</u>
<u>FUND BALANCE</u>		
Fund Balance		
Assigned - Reserved for Fund Balance	\$ -	40,493
Assigned	<u>3,681,521</u>	<u>3,051,488</u>
Total Fund Balance	\$ <u>3,681,521</u>	<u>3,091,981</u>

New Equipment Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2014
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
Revenues		
Interest Income	\$ 5,880	3,369
Expenditures		
Capital Outlay	<u>103,543</u>	<u>172,796</u>
Excess Revenues Over (Under) Expenditures	(97,663)	(169,427)
Other Financing Sources (Uses)		
Transfers In	<u>727,696</u>	<u>613,637</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	630,033	444,210
Fund Balance - Beginning	3,091,981	2,607,278
Increase (Decrease) in Reserve for Encumbrances	<u>(40,493)</u>	<u>40,493</u>
Fund Balance - Ending	\$ <u>3,681,521</u>	<u>3,091,981</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>			
		<u>2014</u>	<u>2013</u>
Cash	\$	<u>175,534</u>	<u>189,232</u>
<u>FUND BALANCE</u>			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	<u>175,534</u>	179,978
Assigned		<u>-</u>	<u>9,254</u>
Total Fund Balance	\$	<u>175,534</u>	<u>189,232</u>

Special Alcohol Program Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2014
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			<u>2013 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)	
Revenues				
Intergovernmental				
Liquor Tax	\$ 135,803	<u>126,712</u>	(9,091)	<u>135,406</u>
Expenditures				
Contractual	60,000	<u>60,000</u>	-	60,000
Contingency	175,371	<u>-</u>	175,371	<u>-</u>
Total Expenditures	<u>235,371</u>	<u>60,000</u>	<u>175,371</u>	<u>60,000</u>
Excess Revenues Over (Under) Expenditures	(99,568)	<u>66,712</u>	166,280	75,406
Other Financing Sources (Uses)				
Transfers Out	(80,410)	<u>(80,410)</u>	-	<u>(76,899)</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(179,978)	<u>(13,698)</u>	166,280	(1,493)
Fund Balance - Beginning	<u>179,978</u>	<u>189,232</u>	<u>9,254</u>	<u>190,725</u>
Fund Balance - Ending	\$ -	<u>175,534</u>	<u>175,534</u>	<u>189,232</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ <u>226,221</u>	<u>122,309</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>150</u>	<u>11,561</u>
Fund Balance		
Assigned - Reserved for Encumbrances	-	1,770
Assigned - Designated for Subsequent Year's Expenditures	151,618	99,983
Assigned	<u>74,453</u>	<u>8,995</u>
Total Fund Balance	<u>226,071</u>	<u>110,748</u>
Total Liabilities and Fund Balance	\$ <u>226,221</u>	<u>122,309</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Liquor Tax	\$ 135,803	126,711	(9,092)	134,646
Donations	-	1,027	1,027	63,023
Prior Year Encumbrance Cancelled	-	1,378	1,378	-
Total Revenues	<u>135,803</u>	<u>129,116</u>	<u>(6,687)</u>	<u>197,669</u>
Expenditures				
Capital Outlay	<u>235,786</u>	<u>11,493</u>	<u>224,293</u>	<u>94,521</u>
Excess Revenues Over (Under)				
Expenditures	(99,983)	117,623	(230,980)	103,148
Other Financing Sources (Uses)				
Transfers Out	-	(530)	530	(300,000)
Excess Revenues and Other Financing				
Sources (Uses) Over (Under) Expenditures	<u>\$ (99,983)</u>	<u>117,093</u>	<u>(230,450)</u>	<u>(196,852)</u>
Fund Balance - Beginning		110,748		309,832
Increase (Decrease) in Reserve				
For Encumbrances		<u>(1,770)</u>		<u>(2,232)</u>
Fund Balance - Ending		<u>\$ 226,071</u>		<u>110,748</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Parks Improvement Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>		
	2014	2013
Cash	\$ <u>38,839</u>	<u>-</u>
<u>FUND BALANCE</u>		
Fund Balance		
Assigned	\$ <u>38,839</u>	<u>-</u>
Parks Improvement Fund		
Summary Statement of Revenues, Expenditures and Changes in Fund Balance		
For the Year Ended December 31, 2014		
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)		
	2014 Actual	2013 Actual
Revenues		
Donations	\$ 16,781	-
Miscellaneous	<u>36,308</u>	<u>-</u>
Total Revenues	53,089	-
Expenditures		
Contractual	<u>14,780</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	38,309	-
Other Financing Sources (Uses)		
Transfers In	<u>530</u>	<u>-</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	38,839	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>
Fund Balance - Ending	\$ <u>38,839</u>	<u>-</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Department of Justice Program Fund
 Balance Sheets
 December 31, 2014 and 2013

	<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Cash	\$	<u>1,379</u>	<u>-</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts Payable		43	-
Fund Balance			
Assigned		<u>1,336</u>	<u>-</u>
Total Liabilities and Fund Balance	\$	<u>1,379</u>	<u>-</u>

Department of Justice Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2014
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

		<u>2014</u>	<u>2013</u>
		<u>Actual</u>	<u>Actual</u>
Revenues			
Miscellaneous	\$	3,100	-
Expenditures			
Capital Outlay		<u>1,764</u>	<u>-</u>
Excess Revenues Over (Under)			
Expenditures		1,336	-
Fund Balance - Beginning		<u>-</u>	<u>-</u>
Fund Balance - Ending	\$	<u>1,336</u>	<u>-</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
City Commission Capital Reserve Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ <u>2,882,551</u>	<u>-</u>
<u>FUND BALANCE</u>		
Fund Balance		
Assigned	\$ <u>2,882,551</u>	<u>-</u>

City Commission Capital Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2014
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
	<u>Actual</u>	<u>Actual</u>
Other Financing Sources (Uses)		
Transfers In	\$ <u>2,882,551</u>	<u>-</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	2,882,551	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>
Fund Balance - Ending	\$ <u>2,882,551</u>	<u>-</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Sales Tax Dedicated to Ellis County, Kansas
 Balance Sheets
 December 31, 2014 and 2013

	<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Cash	\$	-	-
	<u>FUND BALANCE</u>		
Fund Balance			
Assigned	\$	-	-

Sales Tax Dedicated to Ellis County, Kansas
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2014
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
Revenues		
Intergovernmental		
Local Sales Tax	\$ 1,850,500	147,170
Expenditures		
Payment to Ellis County	<u>1,850,500</u>	<u>147,170</u>
Excess Revenues Over (Under)		
Expenditures	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>
Fund Balance - Ending	\$ <u>-</u>	<u>-</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Bond and Interest Fund
Balance Sheets
December 31, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Cash	\$ 223,170	221,016
Taxes Receivable	<u>764,312</u>	<u>790,059</u>
Total Assets	\$ <u>987,482</u>	<u>1,011,075</u>
 <u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u> 		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	\$ <u>764,312</u>	<u>790,059</u>
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	<u>167,711</u>	190,100
Assigned	<u>55,459</u>	<u>30,916</u>
Total Fund Balance	<u>223,170</u>	<u>221,016</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>987,482</u>	<u>1,011,075</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Bond and Interest Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			2013 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 814,494	807,357	(7,137)	710,341
Delinquent	-	11,040	11,040	14,171
Motor Vehicle	65,172	98,176	33,004	104,205
Recreational Vehicle	919	1,320	401	1,420
16/20M Truck	687	1,256	569	862
Special Assessments	452,891	475,993	23,102	442,064
Accrued Interest	-	-	-	986
Total Revenues	<u>1,334,163</u>	<u>1,395,142</u>	<u>60,979</u>	<u>1,274,049</u>
Expenditures				
Neighborhood Revitalization Rebate	2,720	2,257	463	3,529
Tax Increment Financing District	13,000	11,191	1,809	10,784
Bond Principal	970,003	955,000	15,003	1,535,000
Interest Expense	403,540	424,540	(21,000)	457,000
Levy Stabilization	75,000	-	75,000	-
Cash Basis Reserve	60,000	-	60,000	-
Total Expenditures	<u>1,524,263</u>	<u>1,392,988</u>	<u>131,275</u>	<u>2,006,313</u>
Excess Revenues Over (Under) Expenditures	(190,100)	2,154	192,254	(732,264)
Other Financing Sources (Uses)				
Bond Proceeds	-	-	-	655,000
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ (190,100)</u>	<u>2,154</u>	<u>192,254</u>	<u>(77,264)</u>
Fund Balance - Beginning		<u>221,016</u>		<u>298,280</u>
Fund Balance - Ending		<u><u>\$ 223,170</u></u>		<u><u>221,016</u></u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
 Balance Sheets
 December 31, 2014 and 2013

<u>ASSETS</u>		
	2014	2013
Cash	\$ <u>100,495</u>	<u>93,363</u>
 <u>FUND BALANCE</u>		
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	\$ <u>92,494</u>	92,494
Assigned	<u>8,001</u>	<u>869</u>
Total Fund Balance	\$ <u>100,495</u>	<u>93,363</u>

Economic Development Bond Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2014
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			2013 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Intergovernmental				
Local Sales Tax	\$ <u>222,925</u>	<u>218,837</u>	<u>(4,088)</u>	<u>223,793</u>
Expenditures				
Bond Principal	115,000	115,000	-	110,000
Interest Expense	<u>96,706</u>	<u>96,705</u>	<u>1</u>	<u>102,618</u>
Total Expenditures	<u>211,706</u>	<u>211,705</u>	<u>1</u>	<u>212,618</u>
Excess Revenues Over (Under) Expenditures	11,219	7,132	(4,087)	11,175
Fund Balance - Beginning	<u>92,494</u>	<u>93,363</u>	<u>869</u>	<u>82,188</u>
Fund Balance - Ending	\$ <u>103,713</u>	<u>100,495</u>	<u>(3,218)</u>	<u>93,363</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2014
(With Comparative Totals as of December 31, 2013)

	2014				2013
	Water and Sewer Fund	Solid Waste Utility Fund	Stormwater Management Fund	Total	
ASSETS					
Current Assets					
Cash					
Operating Account	\$ 2,445,487	361,604	212,215	3,019,306	2,735,862
Local Sales Tax Account	28,235,547	-	-	28,235,547	26,827,482
Accounts Receivable (Net)	357,984	-	-	357,984	350,658
Due From Water and Sewer Fund	-	42,381	58,951	101,332	100,104
Total Current Assets	31,039,018	403,985	271,166	31,714,169	30,014,106
Restricted Assets					
Customer Deposits	221,827	-	-	221,827	210,868
Reserve for Capital Improvements	1,248,298	581,870	-	1,830,168	2,723,649
Revenue Bonds					
Principal and Interest Account	65,352	-	-	65,352	167,383
Bond Reserve Account	420,487	-	-	420,487	421,196
Total Restricted Assets	1,955,964	581,870	-	2,537,834	3,523,096
Capital Assets					
Water					
Land and Right-of-Ways	139,109	-	-	139,109	139,109
Infrastructure	18,487,053	-	-	18,487,053	18,487,053
Equipment	11,484,210	-	-	11,484,210	11,283,012
R-9 Ranch	4,262,040	-	-	4,262,040	4,262,040
Sewer and Solid Waste					
Building and Structures	11,782,910	294,594	-	12,077,504	12,072,234
Equipment	-	1,633,486	-	1,633,486	1,633,486
Total Capital Assets	46,155,322	1,928,080	-	48,083,402	47,876,934
Accumulated Depreciation	(26,860,900)	(1,231,695)	-	(28,092,595)	(27,206,718)
Net Capital Assets	19,294,422	696,385	-	19,990,807	20,670,216
Other Assets					
Issuance Costs, Net of Accumulated Amortization	38,470	-	-	38,470	42,537
Total Assets	\$ 52,327,874	1,682,240	271,166	54,281,280	54,249,955

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2014
(With Comparative Totals as of December 31, 2013)

	2014				2013
	Water and Sewer Fund	Solid Waste Utility Fund	Stormwater Management Fund	Total	
LIABILITIES AND EQUITY					
Current Liabilities					
Current Portion - Revolving Loan	\$ -	-	-	-	195,791
Accounts Payable	87,609	5,766	813	94,188	115,802
Sales Tax	4,869	-	-	4,869	4,590
State Water Fee	8,493	-	-	8,493	29,873
Due to Stormwater Management Fund	58,951	-	-	58,951	58,459
Accrued Payroll	31,970	10,735	1,568	44,273	42,794
Accrued Paid Time Off	67,530	27,637	-	95,167	109,004
Accrued Interest - Revolving Loan	-	-	-	-	3,661
Due to Solid Waste Fund	42,381	-	-	42,381	41,645
Total Current Liabilities	301,803	44,138	2,381	348,322	601,619
Current Liabilities Payable From Restricted Assets					
2009 Revenue Bonds	290,000	-	-	290,000	285,000
Customer Deposits	217,327	-	-	217,327	206,368
Monitoring Well Deposits	4,500	-	-	4,500	4,500
Accrued Interest - Bonds	43,023	-	-	43,023	45,398
Total Current Liabilities Payable From Restricted Assets	554,850	-	-	554,850	541,266
Noncurrent Liabilities					
2009 Revenue Bonds	3,100,000	-	-	3,100,000	3,390,000
Total Noncurrent Liabilities	3,100,000	-	-	3,100,000	3,390,000
Total Liabilities	3,956,653	44,138	2,381	4,003,172	4,532,885
Equity					
Reserve for Capital Improvements	1,127,436	409,021	-	1,536,457	2,723,649
Reserve for Encumbrances	182,472	206,146	74,427	463,045	847,296
Contributed Capital	3,215,105	115,383	-	3,330,488	3,330,488
Unreserved	43,846,208	907,552	194,358	44,948,118	42,815,637
Total Equity	48,371,221	1,638,102	268,785	50,278,108	49,717,070
Total Liabilities and Equity	\$ 52,327,874	1,682,240	271,166	54,281,280	54,249,955

See independent auditors' report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
Revenues				
Local Sales Tax	\$ 2,954,917	3,017,143	62,226	2,981,934
Water Sales	2,749,118	2,531,616	(217,502)	2,546,189
Sewer Service Charges	2,056,002	2,067,148	11,146	2,025,759
Water Tap - Turn-Ons	35,000	60,995	25,995	34,869
Water Sales Conservation Rate	365,000	300,331	(64,669)	314,403
Sales and Other Charges	10,000	8,915	(1,085)	27,143
Penalty	25,000	30,171	5,171	29,151
Rent on R-9 Ranch	325,000	308,200	(16,800)	325,000
Interest on Investments	25,000	17,610	(7,390)	13,440
Interest on Sales Tax Reserves	50,000	54,493	4,493	34,604
Transfer In from Water Sales Tax Reserve	435,109	-	-	85,441
Prior Year Encumbrances Cancelled		34,767	34,767	259
Total Revenues	\$ 9,030,146	8,431,389	(163,648)	8,418,192
Expenditures				
Wastewater Treatment and Collection				
Personal Services				
Salaries	\$ 496,960	443,049	53,911	495,966
Contractual Services				
Communications	3,000	2,385	615	2,965
Heat, Light and Power	209,871	191,721	18,150	175,631
Travel and Training	4,000	3,673	327	3,343
Other Contractual Services	186,050	181,445	4,605	39,278
Professional Services	29,035	23,380	5,655	28,913
Total Contractual Services	431,956	402,604	29,352	250,130
Commodities				
Office Supplies	600	298	302	671
General Supplies and Materials	24,804	32,585	(7,781)	27,324
Chemicals	64,050	51,598	12,452	58,155
Equipment Expense	92,400	63,677	28,723	105,842
Uniforms	4,500	4,150	350	4,489
Projects	-	40,585	(40,585)	160,686
Repairs to Buildings and Structures	51,500	50,044	1,456	12,739
Total Commodities	237,854	242,937	(5,083)	369,906
Total Wastewater Treatment and Collection	\$ 1,166,770	1,088,590	37,595	1,116,002

See independent auditors' report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
Water Production and Distribution				
Personal Services				
Salaries	\$ 625,037	619,696	5,341	607,802
Contractual Services				
Communications	8,400	3,466	4,934	5,105
Publications	3,150	691	2,459	589
Heat, Light and Power	281,800	236,642	45,158	250,054
Professional Services	15,540	2,787	12,753	15,054
Travel and Training	4,000	3,033	967	3,451
Other Contractual Services	91,720	45,408	46,312	83,567
Total Contractual Services	404,610	292,027	112,583	357,820
Commodities				
Office Supplies	1,100	1,007	93	1,044
General Supplies and Materials	42,000	34,573	7,427	34,689
Chemicals	520,810	403,921	116,889	472,153
Repairs to Buildings and Structures	4,500	1,907	2,593	4,596
Equipment Expense	56,140	76,979	(20,839)	53,416
Projects	60,000	-	60,000	-
Uniforms	5,000	3,594	1,406	4,529
Total Commodities	689,550	521,981	167,569	570,427
Total Water Production and Distribution	1,719,197	1,433,704	285,493	1,536,049
Debt Service				
Principal Payment - 2003 Revenue Bond	-	-	-	-
Interest Payment - 2003 Revenue Bond	-	-	-	-
Principal Payment - Revolving Loan	400,000	195,791	204,209	380,167
Interest Payment - Revolving Loan	-	3,662	(3,662)	18,021
Principal Payment - 2009 Revenue Bond	285,000	285,000	-	160,000
Interest Payment - 2009 Revenue Bond	140,000	136,195	3,805	139,555
Total Debt Service	\$ 825,000	620,648	204,352	697,743

See independent auditors' report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
 Comparison of Actual Revenues and Expenditures to Budget
 For the Year Ended December 31, 2014
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			2013 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Water Conservation				
Personal Services	\$ 81,110	54,749	26,361	40,109
Contractual Services	9,000	1,600	7,400	955
Commodities	10,000	4,268	5,732	1,604
Capital Outlay	335,000	115,891	219,109	42,773
Total Water Conservation	435,110	176,508	258,602	85,441
Nonoperating Expenditures				
R-9 Ranch Expenditures	315,000	188,212	126,788	325,922
Water Taps, Hydrants, Meters	128,000	108,046	19,954	107,684
Contingency	50,000	58,399	(8,399)	48,309
Interest on Deposits	1,000	250	750	386
Clean Drinking Water Fee	20,000	17,233	2,767	18,424
Other Contractual Services	-	20,444	(20,444)	13,896
Transfer to Sales Tax Reserve Fund	2,755,475	2,353,289	402,186	2,334,247
Transfer to Capital Improvement Fund	-	-	-	1,152,267
Transfer to General Fund	961,024	961,024	-	968,200
Transfer to General Fund - Water Sales T	596,850	596,850	-	596,850
Transfer to Employee Benefit Fund	486,662	486,662	-	454,019
Transfer to New Equipment Reserve	62,926	62,926	-	60,941
Total Nonoperating Expenditures	5,376,937	4,853,335	523,602	6,081,145
Total Expenditures	\$ 9,523,014	8,172,785	1,051,042	9,516,380

See independent auditors' report.

CITY OF HAYS, KANSAS
Solid Waste Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			2013 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Refuse Collections	\$ 1,225,000	1,271,041	46,041	1,263,346
Interest on Investments	2,000	748	(1,252)	875
Yard Waste Tags	1,900	1,192	(708)	1,517
Recycling Revenue	40,000	26,537	(13,463)	46,359
Prior Year Encumbrances Cancelled	-	3,794	3,794	-
Total Revenues	\$ 1,268,900	1,303,312	34,412	1,312,097
Expenditures				
Personal Services				
Salaries	\$ 357,555	354,503	3,052	352,537
Transfer to Employee Benefit Fund	167,754	167,754	-	159,376
Total Personal Services	525,309	522,257	3,052	511,913
Contractual Services				
Communications	1,190	975	215	1,219
Publications	2,000	2,115	(115)	1,903
Utility - Water, Light and Power	7,494	6,262	1,232	5,753
Contingency	50,000	5,624	44,376	27,996
Other Contractual Services	368,080	370,363	(2,283)	357,856
Travel and Training	800	598	202	80
Transfer to Reserve Fund	86,765	86,765	-	242,839
Transfer to General Fund	245,000	245,000	-	245,000
Total Contractual Services	761,329	717,702	43,627	882,646
Commodities				
Office Supplies	550	790	(240)	587
General Supplies	23,240	14,923	8,317	15,214
Equipment Expense	14,300	8,891	5,409	8,724
Uniforms	4,000	3,944	56	2,903
Projects	6,000	5,670	330	5,000
Repairs to Buildings and Structures	3,600	1,766	1,834	3,467
Total Commodities	51,690	35,984	15,706	35,895
Total Expenditures	\$ 1,338,328	1,275,943	62,385	1,430,454

See independent auditors' report.

CITY OF HAYS, KANSAS
Stormwater Management Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
Revenues				
Stormwater Fee	\$ 756,000	773,132	17,132	767,459
Prior Year Encumbrances Voided	-	-	-	44,789
Transfer From General Fund	16,500	16,500	-	16,500
Total Revenues	\$ 772,500	789,632	17,132	828,748
Expenditures				
Personal Services				
Salaries	\$ 31,375	26,693	4,682	29,812
Transfer to Employee Benefit	11,851	11,851	-	10,702
Total Personal Services	43,226	38,544	4,682	40,514
Contractual Services				
Communications	750	1,112	(362)	651
Other Contractual Services	10,000	9,060	940	9,001
Contingency	50,000	25,212	24,788	23,065
Professional Services	20,000	1,561	18,439	-
Travel and Training	8,000	1,776	6,224	662
Transfer to General Fund	64,260	64,260	-	64,260
Total Contractual Services	153,010	102,981	50,029	97,639
Commodities				
General Supplies	7,400	2,338	5,062	2,382
Uniforms	200	198	2	138
Projects	576,544	53,620	522,924	144,223
Transfer to Capital Projects Fund	-	520,000	(520,000)	600,000
Transfer to New Equipment Reserve	1,790	1,790	-	1,800
Total Commodities	585,934	577,946	7,988	748,543
Total Expenditures	\$ 782,170	719,471	62,699	886,696

See independent auditors' report.

CITY OF HAYS, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:

Qualified

Internal control over financial reporting:

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

FEDERAL AWARDS

Internal control over major programs:

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

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

_____ Yes X No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

CITY OF HAYS, KANSAS
Schedule of Findings and Questions Costs
December 31, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

CITY OF HAYS, KANSAS
Summary Schedule of Prior Audit Findings
December 31, 2014

No material findings or questioned costs for the year ended December 31, 2013 are required to be disclosed under OMB Circular A-133.

CITY OF HAYS, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures
U.S. Department of Transportation			
Direct Program			
Airport Improvement Grant	20.106	AIP 3-20-0028	\$ 712,365
Airport Improvement Grant	20.106	AIP 3-20-0030	129,525
Airport Improvement Grant	20.106	AIP 3-20-0031	<u>367,826</u>
Total Airport Improvement Grant			1,209,716
Passed Through Kansas Department of Transportation			
State and Community Highway Safety	20.600	276	2,860
Alcohol Impaired Driving Countermeasures Incentive Grant I	20.601	276	4,561
Occupant Protection Incentive Grants	20.602	276	4,071
National Priority Safety Program	20.616	276	<u>1,444</u>
Total Expenditures of Federal Awards			\$ <u>1,222,652</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HAYS, KANSAS
Notes to Schedule of Expenditures of Federal Awards
December 31, 2014

NOTE 1 – BASIS OF PRESENTATION

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