

CITY OF HAYS, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2015

CITY OF HAYS, KANSAS
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Phone (785) 628-3046 ■ Fax (785) 628-3089 ■ www.abbb.com

718 Main Street ■ Suite 224 ■ P.O. Box 1186

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, 2015, 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

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

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

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

Qualified Opinion

In our opinion, based on our audit report and the report of other auditors, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund and Water and Sewer Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the Water and Sewer Fund of **City of Hays, Kansas** as of December 31, 2015, 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, 2015, 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 require 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, 2015, 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, 2015, and our report thereon, dated April 13, 2016, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Schedule of Passenger Facility Charges required by the *Passenger Facility Charge Audit Guide of Public Agencies* is also presented for purposes of additional analysis. Both are 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, and Schedule of Passenger Facility Charges required by the *Passenger Facility Charge Audit Guide* 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 09, 2016, 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.

Auditor's Update on the 2015

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

June 09, 2016, except for Passenger Facility Charges, as to which the date is September 27, 2016

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, 2015. 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. In 2015 the City maintained a balanced budget while setting aside reserves for future capital projects and unexpected expenditures. The City was also able to keep a budgeted unreserved fund balance of 10% of operating expenditures. All this while in a flat sales tax receipts environment.

The General Fund's fund balance increased \$175,797 when compared to the previous year. This includes the City Commission's decision to transfer \$1,457,534 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 2015, the $\frac{3}{4}$ % additional sales tax generated \$4,451,224, or the equivalent of 21.7 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 up 4.96%, while business was down -1.38%. This translates into an increase in total water revenue of \$151,624 or 5.37%. A financial analysis and rate study was conducted in 2015 by Springsted, Inc. to determine future rate structures so as to maintain operations and future capital needs. This information revealed that a several year increase in the rate structures were needed beginning January 1, 2016 to provide sufficient revenue to cover anticipated operating and maintenance expenses, debt service including principal and interest, capital improvements, replacements and cash reserves. Review of the sufficiency of the rates on an annual basis concurrent with the development of each year's budget will be conducted based upon actual performance and on the final construction costs of the anticipated capital improvements.

The Solid Waste Utility continues to be a self-supported enterprise fund calling for no rate increase in 2015. A transfer to reserves of \$114,860 in 2015 helps to continue to build reserves for future capital expenditures associated with the solid waste utility. Staff completed an evaluation of the Solid Waste Division and made recommendations for a new rate structure as well as changed to an automated collection process in 2006 which contributed to a nice increase in refuse collection fees. Staff will review this structure for a possible rate increase in 2017.

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 types 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	2015 Total Primary Government	2014 Total Primary Government
Current and Other Assets	\$ 26,172,213	35,201,197	61,373,410	60,096,536
Capital Assets	96,654,773	19,439,417	116,094,190	106,859,862
Total Assets	122,826,986	54,640,614	177,467,600	166,956,398
Long-Term Debt				
Outstanding	11,940,000	3,100,000	15,040,000	15,890,000
Other Liabilities	10,186,337	669,955	10,856,293	2,083,424
Total Liabilities	22,126,337	3,769,955	25,896,293	17,973,424
Deferred Inflows of Resources	5,970,873	-	5,970,873	4,972,414
Invested in Capital Assets Net of Related Debt	84,714,773	19,099,052	103,813,825	90,926,839
Restricted	5,085,235	1,986,200	7,071,435	9,982,315
Unrestricted	4,929,768	29,785,406	34,715,174	43,139,875
Total Net Position	\$ 94,729,776	50,870,658	145,600,434	144,049,029

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		2015	2014
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental Activities								
General Government	\$ 12,733,959	764,265	37,562	-	(11,932,132)	-	(11,932,132)	(13,418,752)
Highway and Street	300,747	-	-	-	(300,747)	-	(300,747)	(2,966,445)
Culture and Recreation	2,344,658	344,052	-	-	(2,000,606)	-	(2,000,606)	(3,150,223)
Airport	341,268	120,657	-	845,506	624,895	-	624,895	(671,851)
Interest on Long-Term Debt	605,415	-	-	-	(605,415)	-	(605,415)	(48,622)
Total Governmental Activities	16,326,047	1,228,974	37,562	845,506	(14,214,005)	-	(14,214,005)	(20,255,893)
Business-Type Activities								
Water and Sewer	5,702,319	5,276,834	-	-	-	(425,485)	(425,485)	(746,294)
Solid Waste and Stormwater	1,430,625	2,089,847	-	-	-	659,222	659,222	972,193
Total Business-Type Activities	7,132,944	7,366,681	-	-	-	233,737	233,737	225,899
Total Primary Government	\$ 23,458,991	8,595,655	37,562	845,506	(14,214,005)	233,737	(13,980,268)	(20,029,994)
General Revenues								
Property Taxes					\$ 5,740,039	-	5,740,039	5,638,718
Sales Tax					9,422,779	3,036,144	12,458,923	12,479,100
Franchise Taxes					1,481,975	-	1,481,975	1,482,817
Motor Fuel Taxes					597,492	-	597,492	588,750
Alcoholic Liquor Taxes					386,144	-	386,144	380,135
Transient Guest Taxes					891,476	-	891,476	761,301
Special Assessments					466,832	-	466,832	475,993
Unrestricted Interest Income					67,848	83,233	151,081	127,299
Miscellaneous					476,572	303,518	780,090	614,258
Reimbursements					1,993,597	-	1,993,597	498,854
Transfers					3,025,612	(3,025,612)	-	-
Total General Revenues and Transfers					24,550,366	397,283	24,947,649	23,047,225
Change in Net Position					10,336,361	631,020	10,967,381	3,017,231
Net Position - Beginning of Year					93,770,921	50,239,638	144,010,559	140,993,328
Implementation of Net Pension Liability					(9,377,506)	-	(9,377,506)	-
Net Position - Beginning of Year, as Restated					84,393,415	50,239,638	134,633,053	140,993,328
Net Position - End of Year					\$ 94,729,776	50,870,658	145,600,434	144,010,559

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of 2015, 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	2015 Total Primary Government	2014 Total Primary Government
Land and Infrastructure	\$	85,452,572	8,925,639	94,378,211	83,701,509
R-9 Ranch		-	2,883,726	2,883,726	3,249,214
Building and Equipment		11,202,201	7,630,052	18,832,253	19,909,139
Total	\$	<u>96,654,773</u>	<u>19,439,417</u>	<u>116,094,190</u>	<u>106,859,862</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". While some infrastructure needs replaced, the average assessed condition level for 2015 is "Good" to "Very Good". 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 2015. The City's estimated annual amount of expenditures was \$598,352 compared to the actual expenditures of \$529,126.

Debt

At the end of 2015, the City had the following debt:

TABLE 4
OUTSTANDING DEBT AT YEAR-END

		Governmental Activities	Business-Type Activities	2015 Total Primary Government	2014 Total Primary Government
G.O. Bonds	\$	11,940,000	-	11,940,000	12,500,000
Revenue Bonds		-	3,100,000	3,100,000	3,390,000
Total	\$	<u>11,940,000</u>	<u>3,100,000</u>	<u>15,040,000</u>	<u>15,890,000</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, 2015
(With Comparative Totals as of December 31, 2014)

ASSETS	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2015	2014	
Cash	\$ 17,022,116	32,052,470	49,074,586	48,621,652	1,904,735
Receivables, Net of Allowance for Uncollectibles	5,253,152	346,482	5,599,634	5,515,932	1,471,872
Internal Balances	-	102,054	102,054	101,332	-
Due From Other Governments	73,671	-	73,671	98,605	-
Restricted Assets - Cash					
Budget Stabilization	3,221,181	-	3,221,181	3,221,181	-
Customer Deposits	-	227,477	227,477	221,827	-
Revenue Refunding Bonds - Series 2003 and 2009	-	486,514	486,514	485,839	-
Reserve for Capital Improvements	-	1,986,200	1,986,200	1,830,168	-
Restricted Cash	-	-	-	-	11,867
Capital Assets, Net of Depreciation					
Land and Infrastructure	85,452,572	8,925,639	94,378,211	83,701,509	-
Depreciable Buildings and Equipment	11,202,201	7,630,052	18,832,253	19,909,139	3,117,747
R-9 Ranch	-	2,883,726	2,883,726	3,249,214	-
Deferred Outflows of Resources					
Deferred Outflows - Pension	602,093	-	602,093	-	22,131
Total Assets	\$ 122,826,986	54,640,614	177,467,600	166,956,398	6,528,352

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2015
(With Comparative Totals as of December 31, 2014)

<u>LIABILITIES</u>	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2015	2014	
Accounts Payable	\$ 283,580	156,986	440,566	362,240	69,092
Accrued Payroll	254,041	49,996	304,037	278,398	29,150
Accrued Paid Time Off	470,663	93,078	563,741	566,237	-
Accrued Sick Leave Payout	31,764	-	31,764	30,543	-
Accrued Interest Payable	452,997	-	452,997	479,825	-
Internal Balances	-	102,054	102,054	101,332	-
Customer Deposits	-	227,477	227,477	221,827	-
Accrued Interest - Revenue Bonds	-	40,365	40,365	43,023	-
Compensated Absences	-	-	-	-	55,474
Net Pension Liability	8,693,292	-	8,693,292	-	352,185
Revenue Refunding Bonds - Series 2009					
Due Within One Year	-	300,000	300,000	290,000	-
Due in More Than One Year	-	2,800,000	2,800,000	3,100,000	-
General Obligation Bonds Payable					
Due Within One Year	1,070,000	-	1,070,000	1,115,000	-
Due in More Than One Year	10,870,000	-	10,870,000	11,385,000	-
Total Liabilities	22,126,337	3,769,956	25,896,293	17,973,425	505,901
Deferred Inflows of Resources					
Deferred Other	826,495	-	826,495	-	138,410
Deferred Property Tax Receivable	5,144,378	-	5,144,378	4,972,414	1,471,872
Total Deferred Inflows of Resources	5,970,873	-	5,970,873	4,972,414	1,610,282
Total Liabilities and Deferred Inflows of Resources	\$ 28,097,210	3,769,956	31,867,166	22,945,839	2,116,183

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2015
(With Comparative Totals as of December 31, 2014)

NET POSITION	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2015	2014	
Net Investment in Capital Assets	\$ 84,714,773	19,099,052	103,813,825	90,926,839	3,117,747
Restricted for					
Budget Stabilization	3,221,181	-	3,221,181	3,221,181	-
Capital Projects	1,676,529	-	1,676,529	2,213,213	-
Debt Service	187,525	-	187,525	55,459	-
Capital Improvements	-	1,986,200	1,986,200	1,536,457	-
Other	-	-	-	-	11,867
Unrestricted	4,929,768	29,785,406	34,715,174	46,057,410	1,282,555
Total Net Position	\$ 94,729,776	50,870,658	145,600,434	144,010,559	4,412,169

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, 2015
(With Comparative Totals as of December 31, 2014)

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		2015	2014	
					Governmental Activities	Business-Type Activities			
Primary Government									
Governmental Activities									
General Government	\$ 12,733,959	767,315	37,562	-	(11,929,082)	-	(11,929,082)	(13,418,752)	-
Highway and Street	300,747	-	-	-	(300,747)	-	(300,747)	(2,966,445)	-
Culture and Recreation	2,344,658	344,052	-	-	(2,000,606)	-	(2,000,606)	(3,150,223)	-
Airport	341,268	120,657	-	845,506	624,895	-	624,895	(671,851)	-
Interest on Long-Term Debt	605,415	-	-	-	(605,415)	-	(605,415)	(48,622)	-
Total Governmental Activities	16,326,047	1,232,024	37,562	845,506	(14,210,955)	-	(14,210,955)	(20,255,893)	-
Business-Type Activities									
Water and Sewer	5,702,319	5,276,834	-	-	-	(425,485)	(425,485)	(746,294)	-
Solid Waste and Stormwater	1,430,625	2,089,847	-	-	-	659,222	659,222	972,193	-
Total Business-Type Activities	7,132,944	7,366,681	-	-	-	233,737	233,737	225,899	-
Total Primary Government	\$ 23,458,991	8,598,705	37,562	845,506	(14,210,955)	233,737	(13,977,218)	(20,029,994)	-
Component Unit									
Hays Public Library	\$ 1,310,629	5,633	62,816	48,139	-	-	-	-	(1,194,041)
General Revenues									
Property Taxes					\$ 5,740,039	-	5,740,039	5,638,718	1,406,200
Sales Tax					9,422,779	3,036,144	12,458,923	12,479,100	-
Franchise Taxes					1,481,975	-	1,481,975	1,482,817	-
Motor Fuel Taxes					597,492	-	597,492	588,750	-
Alcoholic Liquor Taxes					386,144	-	386,144	380,135	-
Transient Guest Taxes					891,476	-	891,476	761,301	-
Special Assessments					466,832	-	466,832	475,993	-
Unrestricted Interest Income					67,848	83,233	151,081	127,299	2,754
Miscellaneous					476,572	303,518	780,090	614,258	18,868
Reimbursements					1,990,547	-	1,990,547	498,854	15,237
Transfers					3,025,612	(3,025,612)	-	-	-
Total General Revenues and Transfers					24,547,316	397,283	24,944,599	23,047,225	1,443,059
Change in Net Position					10,336,361	631,020	10,967,381	3,017,231	249,018
Net Position - Beginning of Year					93,770,921	50,239,638	144,010,559	140,993,328	4,678,957
Implementation of Net Pension Liability					(9,377,506)	-	(9,377,506)	-	(515,806)
Net Position - Beginning of Year, as Restated					84,393,415	50,239,638	134,633,053	140,993,328	4,163,151
Net Position - End of Year					\$ 94,729,776	50,870,658	145,600,434	144,010,559	4,412,169

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

CITY OF HAYS, KANSAS

Balance Sheet
 Governmental Funds
 December 31, 2015

(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Airport Improvement Fund	Capital Projects Fund	Other Governmental Funds	Totals	
								2015	2014
ASSETS									
Cash	\$ 4,770,543	824,390	187,525	1,774,973	165,014	(264,005)	9,563,676	17,022,116	17,366,799
Receivables, Net									
Grants Receivable	-	-	-	-	108,774	-	-	108,774	185,534
Due From Other Governments	73,671	-	-	-	-	-	-	73,671	98,605
Taxes	-	2,459,189	724,677	-	-	-	1,960,512	5,144,378	4,972,414
Reserved Cash	3,221,181	-	-	-	-	-	-	3,221,181	3,221,181
Total Assets	\$ 8,065,395	3,283,579	912,202	1,774,973	273,788	(264,005)	11,524,188	25,570,120	25,844,533
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE									
Liabilities									
Accounts Payable	\$ 78,222	-	-	-	2,099	106,128	97,131	283,580	254,690
Accrued Payroll	244,836	-	-	-	-	-	9,205	254,041	234,125
Accrued Paid Time Off	459,045	-	-	-	-	-	11,618	470,663	471,070
Accrued Sick Leave Payout	31,764	-	-	-	-	-	-	31,764	30,543
Total Liabilities	813,867	-	-	-	2,099	106,128	117,954	1,040,048	990,428
Deferred Inflows of Resources									
Deferred Property Tax Receivable	-	2,459,189	724,677	-	-	-	1,960,512	5,144,378	4,972,414
Total Liabilities and Deferred Inflows of Resources	813,867	2,459,189	724,677	-	2,099	106,128	2,078,466	6,184,426	5,962,842
Fund Balance									
Committed - Budget Stabilization	3,221,181	-	-	-	-	-	-	3,221,181	3,221,181
Assigned - Reserved for Encumbrances	200,688	-	-	-	563,057	3,285,192	184,921	4,233,858	2,492,960
Assigned - Designated for Subsequent Year Expenditures	3,043,962	559,142	55,459	-	-	-	1,119,640	4,778,203	3,954,440
Assigned	-	265,248	132,066	1,774,973	(291,368)	(3,655,325)	8,141,161	6,366,755	9,082,799
Unassigned	785,697	-	-	-	-	-	-	785,697	1,130,311
Total Fund Balance	7,251,528	824,390	187,525	1,774,973	271,689	(370,133)	9,445,722	19,385,694	19,881,691
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 8,065,395	3,283,579	912,202	1,774,973	273,788	(264,005)	11,524,188	25,570,120	25,844,533

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, 2015

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.	\$ 19,385,694
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity on the balance sheet.	96,654,773
Long-term debt has not been included in the governmental funds activity on the balance sheet.	
General Obligation Bonds	(11,940,000)
Net pension liability has not been included in the governmental fund activity on the balance sheet.	(8,693,292)
Deferred pension contributions and other resulting from the pension liability are recognized as deferred outflows and inflows on the balance sheet.	(224,402)
Accrued interest payable for the current portion of interest due on bonds and capital leases has not been reported in the governmental funds on the balance sheet.	<u>(452,997)</u>
Net position of governmental activities as reported. (Statement 1)	<u>\$ 94,729,776</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, 2015
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Airport Improvement Fund	Capital Projects Fund	Other Governmental Funds	Totals	
								2015	2014
Revenues									
Taxes	\$ 7,418,707	2,695,587	1,356,074	-	-	-	4,159,283	15,629,651	15,576,668
Intergovernmental	166,277	-	-	-	845,506	-	1,746,397	2,758,180	2,955,188
Licenses and Fees	1,625,178	-	-	-	-	-	-	1,625,178	1,620,593
Fines and Forfeitures	603,652	-	-	-	-	-	-	603,652	677,028
Use of Money and Property	54,846	3,516	-	-	-	10,686	-	69,048	55,648
Collections	316,053	-	-	-	-	-	167,916	483,969	439,621
Prior Year Encumbrances Cancelled	11,246	-	-	-	19,592	437,380	8,354	476,572	267,496
Reimbursements	-	-	-	-	-	1,521,261	-	1,521,261	-
Miscellaneous	135,892	32,009	-	71,000	46,415	-	183,970	469,286	498,854
Total Revenues	10,331,851	2,731,112	1,356,074	71,000	911,513	1,969,327	6,265,920	23,636,797	22,091,096
Expenditures									
General Government	7,583,903	3,816,516	-	-	-	-	3,066,144	14,466,563	14,403,056
Highway and Street	1,023,120	-	-	-	-	5,516,417	578,463	7,118,000	2,930,613
Culture and Recreation	1,434,337	-	-	-	-	-	1,439,230	2,873,567	2,847,206
Airport	-	-	-	-	1,195,052	-	223,615	1,418,667	1,849,783
Debt Service	-	-	1,391,719	-	-	-	215,524	1,607,243	1,604,693
Capital Outlay	-	-	-	-	-	-	684,366	684,366	325,749
Total Expenditures	10,041,360	3,816,516	1,391,719	-	1,195,052	5,516,417	6,207,342	28,168,406	23,961,100
Excess (Deficiency) of Revenues Over Expenditures	290,491	(1,085,404)	(35,645)	71,000	(283,539)	(3,547,090)	58,578	(4,531,609)	(1,870,004)
Other Financing Sources (Uses)									
General Obligation Bond Proceeds	-	-	-	-	-	1,010,000	-	1,010,000	-
Transfers In	2,146,187	878,939	-	-	330,985	453,341	2,155,953	5,965,405	7,271,843
Transfers Out	(1,781,666)	-	-	(170,884)	-	-	(987,243)	(2,939,793)	(4,170,226)
Total Other Financing Sources (Uses)	364,521	878,939	-	(170,884)	330,985	1,463,341	1,168,710	4,035,612	3,101,617
Net Change in Fund Balance	655,012	(206,465)	(35,645)	(99,884)	47,446	(2,083,749)	1,227,288	(495,997)	1,231,613
Fund Balance - Beginning 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
Fund Balance - End of Year	\$ 7,251,528	824,390	187,525	1,774,973	271,689	(370,133)	9,445,722	19,385,694	19,881,691

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, 2015

Net change in fund balance - total governmental funds (Statement 4)	\$ (495,997)
<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 capital outlays (\$11,109,574) exceeded depreciation (\$1,323,855) in the current period.</p>	9,785,718
<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 bond proceeds during the year of (\$1,010,000) and bond repayments (\$1,570,000) which are recorded in the governmental funds.</p>	560,000
<p>An expense is recorded for pension liability when earned. In the governmental funds, an expense is recorded when the benefits are paid.</p>	459,812
<p>Accrued interest payable decreased \$26,828 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>26,828</u>
Change in net position of governmental activities (Statement 2)	<u>\$ 10,336,361</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, 2015
(With Comparative Totals as of December 31, 2014)

ASSETS	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Funds	2015	2014
Current Assets				
Cash				
Operating Account	\$ 2,243,396	404,095	2,647,491	3,019,306
Local Sales Tax Account	29,404,979	-	29,404,979	28,235,547
Accounts Receivable, Net of Allowance for Uncollectibles	346,482	-	346,482	357,984
Due From Water and Sewer Fund	-	102,054	102,054	101,332
Total Current Assets	31,994,857	506,149	32,501,006	31,714,169
Noncurrent Assets				
Restricted Cash				
Customer Deposits	227,477	-	227,477	221,827
Reserve for Capital Improvements	1,462,319	523,881	1,986,200	1,830,168
Revenue Refunding Bonds - Series 2003				
Principal and Interest Account	65,352	-	65,352	65,352
Bond Reserve Account	421,162	-	421,162	420,487
Total Restricted Cash	2,176,310	523,881	2,700,191	2,537,834
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	11,620,009	-	11,620,009	11,484,210
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	12,077,504
Equipment	-	1,806,335	1,806,335	1,633,486
	46,291,121	2,100,929	48,392,050	48,083,402
Accumulated Depreciation	(27,499,039)	(1,453,594)	(28,952,633)	(28,092,595)
Net Capital Assets	18,792,082	647,335	19,439,417	19,990,807
Total Noncurrent Assets	20,968,392	1,171,216	22,139,608	22,528,641
Total Assets	\$ 52,963,249	1,677,365	54,640,614	54,242,810

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, 2015
(With Comparative Totals as of December 31, 2014)

	<u>Enterprise Funds</u>		<u>Totals</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste and Stormwater Management Utility Funds</u>	<u>2015</u>	<u>2014</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	123,384	17,106	140,490	94,188
Sales Tax	7,599	-	7,599	4,869
State Water Fee	8,897	-	8,897	8,493
Accrued Payroll	36,671	13,325	49,996	44,273
Accrued Paid Time Off	68,966	24,112	93,078	95,167
Due to Stormwater Management Fund	58,674	-	58,674	58,951
Due to Solid Waste Fund	43,380	-	43,380	42,381
Total Current Liabilities	347,571	54,543	402,114	348,322
Current Liabilities Payable From Restricted Assets				
Revenue Refunding Bonds - Series 2009	300,000	-	300,000	290,000
Customer Deposits	222,977	-	222,977	217,327
Monitoring Well Deposits	4,500	-	4,500	4,500
Accrued Interest - Revenue Bonds	40,365	-	40,365	43,023
Total Current Liabilities Payable From Restricted Assets	567,842	-	567,842	554,850
Noncurrent Liabilities				
Sales Tax Refunding Bonds - Series 2009	2,800,000	-	2,800,000	3,100,000
Total Liabilities	3,715,413	54,543	3,769,956	4,003,172
<u>NET POSITION</u>				
Net Position				
Invested in Capital Assets, Net of Related Debt	18,451,717	647,335	19,099,052	16,557,784
Restricted for				
Encumbrances	186,067	43,789	229,856	463,045
Capital Improvements	1,462,319	523,881	1,986,200	1,536,457
Unrestricted	29,147,733	407,817	29,555,550	31,682,352
Total Net Position	\$ 49,247,836	1,622,822	50,870,658	50,239,638
Net Position of Business-Type Activities (Statement 1)			\$ 50,870,658	50,239,638

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, 2015
(With Comparative Totals as of December 31, 2014)

	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Funds	Totals	
			2015	2014
Operating Revenues				
Charges for Sales and Services				
Water Sales	\$ 2,589,529	-	2,589,529	2,531,616
Water Sales Conservation Rate	378,313	-	378,313	300,331
Total Water Sales	2,967,842	-	2,967,842	2,831,947
Sewer Charges	2,188,468	-	2,188,468	2,067,148
Refuse Collections	-	1,282,452	1,282,452	1,272,233
Stormwater Fees	-	779,816	779,816	773,132
Tap Fees	61,647	-	61,647	60,995
Sales and Other Charges	58,877	27,579	86,456	65,623
Total Operating Revenues	5,276,834	2,089,847	7,366,681	7,071,078
Operating Expenses				
Wastewater Treatment and Collection	1,031,274	-	1,031,274	985,871
Water Production and Distribution	1,562,426	-	1,562,426	1,570,503
Refuse Collection	-	785,512	785,512	765,255
Stormwater Management	-	423,213	423,213	213,595
Amortization	-	-	-	4,067
Depreciation	638,139	221,900	860,039	885,877
Total Operating Expenses	3,231,839	1,430,625	4,662,464	4,425,168
Net Operating Income	2,044,995	659,222	2,704,217	2,645,910
Nonoperating Revenues (Expenses)				
Local Sales Tax	3,036,143	-	3,036,143	3,017,143
Interest Income	81,967	1,266	83,233	72,851
Rent on R-9 Ranch	251,500	-	251,500	308,200
Prior Year Encumbrances Cancelled	47,272	4,745	52,017	38,561
Interest Expense	(130,006)	-	(130,006)	(141,229)
R-9 Ranch Expenses	(186,823)	-	(186,823)	(188,212)
Water Exploration	(1,394,034)	-	(1,394,034)	(1,110,324)
Net Nonoperating Revenues (Expenses)	1,706,019	6,011	1,712,030	1,996,990
Income Before Transfers	3,751,014	665,233	4,416,247	4,642,900
Transfers In	-	16,500	16,500	16,500
Transfers Out	(2,076,314)	(965,798)	(3,042,112)	(3,118,117)
Change in Net Position	1,674,700	(284,065)	1,390,635	1,541,283
Change in Capital Improvement Reserve Fund	(759,615)	-	(759,615)	(980,245)
Net Position - Beginning of Year	48,332,751	1,906,887		
Net Position - End of Year	\$ 49,247,836	1,622,822		
Change in Net Position of Business-Type Activities (Statement 2)			\$ 631,020	561,038

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, 2015
(With Comparative Totals as of December 31, 2014)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste and Stormwater Management Utility Fund	2015	2014
Cash Flows From Operating Activities				
Receipts From Customers	\$ 5,341,258	2,094,592	7,435,850	7,113,272
Payments to Suppliers	(1,532,419)	(790,847)	(2,323,266)	(2,133,998)
Payments to Employees	(1,015,513)	(410,576)	(1,426,089)	(1,456,299)
Net Cash Provided by Operating Activities	2,793,326	893,169	3,686,495	3,522,975
Cash Flows From Investing Activities				
Rental Income	251,500	-	251,500	308,200
Rental Expenses	(186,823)	-	(186,823)	(188,212)
Interest on Investments	81,968	1,266	83,234	72,852
Net Cash Provided by Investing Activities	146,645	1,266	147,911	192,840
Cash Flows From Noncapital Financing Activities				
Transfers to Other Funds	(2,076,314)	(949,298)	(3,025,612)	(3,101,617)
Cash Flows From Capital and Related Financing Activities				
Purchase and Construction of Capital Assets	(135,799)	(172,849)	(308,648)	(206,468)
Water Exploration	(1,394,034)	-	(1,394,034)	(1,110,324)
Interest Paid	(132,664)	-	(132,664)	(147,265)
Principal Payments - Revolving Loan	-	-	-	(195,792)
Principal Payments - Bonds	(290,000)	-	(290,000)	(285,000)
Local Sales Tax	3,036,141	-	3,036,141	3,017,143
Capital Improvement Reserve Purchases	(759,615)	-	(759,615)	(980,245)
Net Cash Provided (Used) for Capital and Related Financing Activities	324,029	(172,849)	151,180	92,049
Net Increase (Decrease) in Cash	1,187,686	(227,712)	959,974	706,247
Cash - Beginning of Year	32,636,998	1,155,689	33,792,687	33,086,440
Cash - End of the Year	\$ 33,824,684	927,977	34,752,661	33,792,687
Cash Per Statement 5				
Operating Account			\$ 2,647,491	3,019,306
Local Sales Tax Account			29,404,979	28,235,547
Restricted Cash			2,700,191	2,537,834
Total Cash Per Statement 5			\$ 34,752,661	33,792,687

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, 2015
(With Comparative Totals as of December 31, 2014)

	<u>Enterprise Funds</u>		<u>Totals</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste and Stormwater Management Utility Fund</u>	<u>2015</u>	<u>2014</u>
	Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities			
Net Operating Income	\$ 2,044,995	659,222	2,704,217	2,645,910
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities				
Depreciation and Amortization	638,139	221,900	860,039	889,944
(Increase) Decrease in Accounts Receivable	11,502	-	11,502	(7,326)
Increase in Due From Other Funds	-	(722)	(722)	(1,228)
Increase in Accounts Payable	83,047	15,272	98,319	16,947
Increase in Due to Other Funds	722	-	722	1,228
Increase (Decrease) in Accrued Liabilities	14,921	(2,503)	12,418	(22,500)
Net Cash Provided by Operating Activities	<u>\$ 2,793,326</u>	<u>893,169</u>	<u>3,686,495</u>	<u>3,522,975</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, 2015
(With Comparative Totals as of December 31, 2014)

	Police Judge	TDD Sales Tax District	CID	CID - The Mall	Totals	
					2015	2014
<u>ASSETS</u>						
Cash	\$ 102,631	19,914	23,967	109,461	255,973	153,579
Restricted Cash	94	-	-	-	94	94
Total Assets	102,725	19,914	23,967	109,461	256,067	153,673
<u>LIABILITIES AND NET POSITION</u>						
Liabilities						
Other Payables	35,753	19,914	-	-	55,667	79,839
Due to Other Funds	41,446	-	-	-	41,446	55,942
Total Liabilities	77,199	19,914	-	-	97,113	135,781
Net Position						
Reserved for Debt	25,432	-	-	-	25,432	8,517
Reserved for ADSAP	94	-	-	-	94	94
Reserved for Improvements	-	-	23,967	109,461	133,428	9,281
Total Net Position	\$ 25,526	-	23,967	109,461	158,954	17,892

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2015

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 is 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, 2015

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.

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.

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2015

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.

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 interfund 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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2015

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, 2015.

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

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2015

A legal operating budget is not required for capital project funds, fiduciary funds and the following special revenue funds: New Equipment Reserve Fund, Parks Improvement Fund, Department of Justice Program Fund, Sales Tax Dedicated to Ellis County, Kansas Fund and City Commission Capital Reserve Fund.

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	\$ 11,803,501	102,385	3,221,181	200,688	3,221,181	11,901,804
Bond and Interest Fund	1,391,719	-	-	-	-	1,391,719
Employee Benefit Fund	3,816,516	-	-	-	-	3,816,516

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, 2015

Water and Sewer Fund

	Statutory Basis	Statutory Adjustments	Encumbrances		GAAP Basis
			Prior Year	Current Year	
Operating Revenues					
Charges for Sales and Services					
Water Sales	\$ 2,589,529	-	-	-	2,589,529
Sewer Charges	2,188,468	-	-	-	2,188,468
Tap Fees	61,647	-	-	-	61,647
Water Sales Conservation Rate	378,313	-	-	-	378,313
Sales and Other Charges	58,877	-	-	-	58,877
Total Operating Revenues	5,276,834	-	-	-	5,276,834
Operating Expenses					
Wastewater Treatment and Collection	992,279	-	46,878	(7,883)	1,031,274
Water Production and Distribution	1,548,524	(9,628)	3,324	(21,694)	1,520,526
Clean Water Fee	17,125	-	-	-	17,125
Other Contractual Fees	35,277	-	-	(10,502)	24,775
Amortization	-	-	-	-	-
Depreciation	-	638,139	-	-	638,139
Total Operating Expenses	2,593,205	628,511	50,202	(40,079)	3,231,839
Net Operating Income	2,683,629	(628,511)	50,202	(40,079)	2,044,995
Nonoperating Revenues (Expenses)					
Local Sales Tax	3,036,143	-	-	-	3,036,143
Local Sales Tax Transfer	(2,342,468)	2,342,468	-	-	-
Capital Outlay	(126,171)	126,171	-	-	-
Interest Income	81,967	-	-	-	81,967
Rent on R-9 Ranch	251,500	-	-	-	251,500
Prior Year Encumbrances Voided	47,272	-	-	-	47,272
R-9 Ranch Expenses	(186,823)	-	-	-	(186,823)
Transfers Out	(3,049,950)	973,636	-	-	(2,076,314)
Interest on Deposits	(261)	-	-	-	(261)
Principal Debt Service Payments	(290,000)	290,000	-	-	-
Water Conservation	(238,935)	-	11,408	(62,330)	(188,013)
Water Sales Tax Fund Reserve Expenses	-	(1,206,021)	-	-	(1,206,021)
Interest Expense	(129,070)	(675)	-	-	(129,745)
Total Nonoperating Revenues (Expenses)	(2,946,796)	2,525,579	11,408	(62,330)	(370,295)
Net Income	\$ (263,167)	1,897,068	61,610	(102,409)	1,674,700

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2015

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 recorded 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, 2015

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 2015, 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 2015 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2015. It also shows the amounts actually expensed for each of the past four reporting periods.

	2011	2012	2013	2014	2015	Totals
Estimated	\$ 11,146,638	3,431,125	1,085,329	598,352	708,082	16,969,526
Actual	11,012,205	1,147,368	916,729	529,126	578,463	14,183,891

Capital asset activity for the year ended December 31, 2015 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	\$ 24,955,207	144,700	-	25,099,907
Infrastructure (Modified Approach)	49,851,322	10,501,343	-	60,352,665
Total Non-Depreciable Capital Assets	74,806,529	10,646,043	-	85,452,572
Depreciable Capital Assets				
Buildings	12,639,509	-	-	12,639,509
Machinery and Equipment	14,817,010	463,530	(12,580)	15,267,960
Total Depreciable Capital Assets	27,456,519	463,530	(12,580)	27,907,469
Accumulated Depreciation	(15,393,993)	(1,323,855)	12,580	(16,705,268)
Depreciable Capital Assets, Net of Accumulated Depreciation	12,062,526	(860,325)	-	11,202,201
Governmental Activities, Capital Assets Net of Accumulated Depreciation	\$ 86,869,055	9,785,718	-	96,654,773

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2015

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	126,171	-	18,613,224
Buildings Machinery and Equipment	12,072,234	-	-	12,072,234
Machinery and Equipment	13,122,966	182,478	-	13,305,444
Total Depreciable Capital Assets	47,944,293	308,649	-	48,252,942
Accumulated Depreciation	(28,092,595)	(860,039)	-	(28,952,634)
Depreciable Capital Assets, Net of Accumulated Depreciation	19,851,698	(551,390)	-	19,300,308
Business-Type Activities, Capital Assets Net of Accumulated Depreciation	\$ 19,990,807	(551,390)	-	19,439,417

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.

The City does not maintain a formal investment policy pertaining to Passenger Facility revenue. However, in accordance with the Code of Federal Regulation, unexpended Passenger Facility revenue of the City is held in other interest bearing instruments.

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 2015. All deposits were legally secured at December 31, 2015.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2015

At December 31, 2015, the City's carrying amount of deposits, including certificates of deposit, was \$55,251,928. The bank balance was \$55,592,395. Of the bank balance, \$1,021,353 was covered by FDIC insurance, \$54,571,042 was collateralized with securities held by the pledging financial institutions' agents in the City's name and the remaining balance of \$1,750,000 was unsecured at December 31, 2015.

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, 2015, 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, 2015 has been estimated at \$563,741.

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.

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, 2015 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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2015

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.

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 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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2015

- **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 outflows and inflows of resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from several sources: long-term accounts and notes receivable, forgivable loans, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred revenues are reported in both the government-wide statement of net position and the governmental funds balance sheet for property tax receivable. Property taxes are not recognized as revenue until the period for which they are levied.

Special Assessments

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

NOTE 2 - 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%	\$11,940,000

The annual requirements to retire G.O. Bonds as of December 31, 2015, are as follows:

Year	Principal Due	Interest Due	Total
2016	\$ 1,070,000	452,997	1,522,997
2017	1,125,000	410,379	1,535,379
2018	1,135,000	371,390	1,506,390

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2019	1,175,000	330,758	1,505,758
2020	1,220,000	288,021	1,508,021
2021-2025	5,120,000	758,371	5,878,371
2026-2030	<u>1,095,000</u>	<u>75,048</u>	<u>1,170,048</u>
Total	\$ <u>11,940,000</u>	<u>2,686,964</u>	<u>14,626,964</u>

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.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-Type Activities	3.60 – 5.25%	\$3,100,000

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2015 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
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	340,000	77,850	417,850
2021-2024	<u>1,510,000</u>	<u>165,700</u>	<u>1,675,700</u>
Total	\$ <u>3,100,000</u>	<u>668,560</u>	<u>3,768,560</u>

Transportation Development District Sales Tax Revenue Bonds

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

Long-term debt activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
G.O. Bonds	\$ 12,500,000	1,010,000	(1,570,000)	11,940,000	1,070,000
Business-Type Activities					
Revenue Bonds	<u>3,390,000</u>	<u>-</u>	<u>(290,000)</u>	<u>3,100,000</u>	<u>300,000</u>
Total Long-Term Liabilities	\$ <u>15,890,000</u>	<u>1,010,000</u>	<u>(1,860,000)</u>	<u>15,040,000</u>	<u>1,370,000</u>

NOTE 3 – 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

CITY OF HAYS, KANSAS
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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, 2015 was unavailable.

NOTE 4 - 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, 2015. Excess revenues totaled \$681,835.

Gross Revenues		\$ 5,276,834
Adjustments		
Less - Operating Expenses	(2,593,700)	
Transfers Out	(1,491,855)	
Add - Interest Earned	16,925	
Net Adjustments		(4,068,630)
Net Revenues		1,208,204
Maximum Amount of Principal and Interest	421,095	
	125 %	
Net Revenues Required		526,369
Excess		\$ 681,835

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas statutes. The City's operating transfers and statutory authority for the year ended December 31, 2015 were as follows:

CITY OF HAYS, KANSAS
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From Fund	To Fund	Statutory Authority	Amount
Water and Sewer Utility	General	12-825d	\$ 963,787
Solid Waste Utility	General	12-825d	250,000
Convention and Visitor's Bureau	General	Commission Approved	65,450
Special Alcohol Program	General	79-41a04	62,934
Water and Sewer Utility	General	12-825d	584,459
Stormwater Management	General	12-825d	65,195
Sports Complex	General	79-2925	154,362
City Commission Capital Reserve	Employee Benefits	12-16,102	92,200
Solid Waste Utility	Employee Benefits	12-825d	174,778
Water and Sewer Utility	Employee Benefits	12-825d	475,884
Convention and Visitor's Bureau	Employee Benefits	Commission Approved	69,961
Special Alcohol Program	Employee Benefits	79-41a04	28,900
Stormwater Management	Employee Benefits	12-825d	20,694
Sports Complex	Employee Benefits	Commission Approved	16,522
Solid Waste Utility	Solid Waste Reserve	12-825d	114,860
Water and Sewer Utility	Sales Tax Reserve	12-825d	2,342,468
General	New Equipment Reserve	12-1,117	288,107
Airport	New Equipment Reserve	12-1,117	6,053
Convention and Visitor's Bureau	New Equipment Reserve	12-1,117	2,760
Water and Sewer Utility	New Equipment Reserve	12-1,117	52,184
Stormwater Management	New Equipment Reserve	12-1,117	1,790
Public Safety Equipment	New Equipment Reserve	12-1,117	328,000
General	New Equipment Reserve	12-1,117	19,525
General	Stormwater Management	Commission Approved	16,500
Water and Sewer Utility	Capital Improvement	12-1,118	973,636
Stormwater Management	Stormwater Management Reserve	Commission Approved	453,341
General	City Commission Capital Reserve	Commission Approved	1,457,534
Airport	Airport Improvement	12-1,117	128,790
City Commission Capital Reserve	Airport Improvement	Commission Approved	202,195

In the fund financial statements, total transfers in of \$3,025,612 are equal to the total transfers out of \$3,025,612 from business-type funds.

NOTE 6 - LITIGATION

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

City of Hays, Kansas participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public Employees, which includes
 - State/School Employees
 - Local Employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

CITY OF HAYS, KANSAS
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Those employees participating in the Pension Plan for the City are included in the local employees group.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kpers.org.

Benefits Provided

Benefits are established by statute and may only be changed by the General Assembly. Members with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85. Police and Firemen's normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. The monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc postretirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with 5 years of service or 60 with 30 years of service. Early retirement is available at age 55 with 10 years of service with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by KSA 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.0% of total payroll for the fiscal year ended June 30, 2015.

The actuarially determined employer contribution rate (not including the .85% contribution rate for the Death and Disability Program) and the statutory employer capped contribution rate for local government employees are both 9.48%. The actuarially determined employer contribution rate (not including the .85% contribution rate for the Death and Disability Program) and the statutory employer capped contribution rate

CITY OF HAYS, KANSAS
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for police and firemen employees are both 21.36%. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2015 are 5.00% or 6.00% for local government employees and 7.15% for police and firemen.

Employer Allocations

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Fireman
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the City's share of the collective pension amounts as of June 30, 2015 and 2014 were based on the ratio of each employer's contributions to the total employer and nonemployer contributions of the group for the fiscal years ended June 30, 2015 and 2014, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the City's proportion for local employees was 0.3182%, which was a decrease of 0.0129% from its proportion measured at June 30, 2014. At June 30, 2015, the City's proportion for police and firemen was 0.6216%, which was a decrease of 0.0097% from its proportion measured at June 30, 2014.

Net Pension Liability

At December 31, 2015, the City reported a liability for local employees of \$4,179,222 and for police and firemen of \$4,514,070 for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00 to 16.00%, including inflation
Long-term rate of return net of investment expense, including price inflation	8.00%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF HAYS, KANSAS
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The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted for a three year period ending December 31, 2012.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Global Equity	47.00 %	6.30 %
Fixed Income	13.00	.80
Yield Driven	8.00	4.20
Real Return	11.00	1.70
Real Estate	11.00	5.40
Alternatives	8.00	9.40
Short-term Investments	2.00	(0.50)
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police and Firemen. Future employer contribution rates also modeled for Police and Firemen assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

CITY OF HAYS, KANSAS
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December 31, 2015

Local Employees

<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
\$5,932,628	\$4,179,222	\$2,692,679

Police and Firemen

<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
\$6,555,219	\$4,514,070	\$2,789,997

Pension Expense

For the year ended December 31, 2015, the City recognized pension expense of \$628,071, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for local employees and police and firemen:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 41,193	193,865
Net differences between projected and actual earnings on investments	-	306,036
Changes in assumptions	-	103,549
Changes in proportion	2,710	223,045
City contributions subsequent to measurement date	558,190	
Total	\$ 602,093	826,495

The \$558,190 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2016	\$ (278,893)
2017	(278,893)
2018	(278,893)
2019	120,471
2020	(66,384)
Thereafter	-

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.

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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 155 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 2015, the City contributed \$188,631 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 – OPERATING LEASES

The City entered into a lease agreement for a postage machine with Pitney Bowes on December 29, 2015. The lease agreement is payable in quarterly payments of \$877.77 for 60 months. No payments were made in 2015.

The City entered into a lease agreement for a 5500 folder, document stations and hardware/software with Mail Finance, Inc. on December 14, 2012. The lease agreement is payable in quarterly payments of \$975 for 60 months. Payments of \$3,900 were made in 2015.

The City entered into a lease agreement for a copier with Dealers First Finance, LLC on December 9, 2013. The lease agreement is payable in monthly payments of \$219 for 60 months. Payments of \$2,628 were made in 2015.

The City entered into a lease agreement for a copier with Dealers First Finance, LLC on September 9, 2013. The lease agreement is payable in monthly payments of \$425 for 60 months. Payments of \$5,100 were made in 2015.

The City entered into a lease agreement for a copier with Dealers First Finance, LLC on August 8, 2015. The lease agreement is payable in monthly payments of \$219 for 60 months. Payments of \$1,095 were made in 2015.

The City entered into a lease agreement for a copier with Dealers First Finance, LLC on June 1, 2015. The lease agreement is payable in monthly payments of \$130 for 60 months. Payments of \$780 were made in 2015.

CITY OF HAYS, KANSAS
Notes to Financial Statements
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Future scheduled payments to maturity are as follows:

Year	Pitney Bowes	Mail Finance	Dealers First Finance
2016	\$ 3,511	3,900	11,915
2017	3,511	3,900	11,915
2018	3,511	-	9,365
2019	3,511	-	4,187
2020	3,511	-	2,313

NOTE 11 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

City of Hays, Kansas did not adequately secure its deposits of public funds, which is a violation of K.S.A. 9-1402. As soon the bank realized the securities were not in place, the bank obtained securities on January 5, 2016. The City was secured on this date.

NOTE 12 - INTERLOCAL COOPERATION AGREEMENT

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

NOTE 13 - COMPARATIVE DATA

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

NOTE 14 – PASSENGER FACILITY CHARGES

In 2015, **City of Hays, Kansas** first received approval from the Federal Aviation Administration to impose and use a passenger facility charge (PFC) of \$4.50 for each eligible passenger utilizing Hays Regional Airport, effective April 1, 2015. The first funds were received by the City in April 2015.

The charge is collected by all carriers and remitted to the City, less a \$.11 per passenger handling fee. The proceeds from the PFC are restricted for certain FAA approved capital improvement projects. As of December 31, 2015, **City of Hays, Kansas** has submitted and received approval on one application. The approved applications represent a total authorized amount of \$188,142. The charge expiration date for the current program is estimated to be May 1, 2018.

NOTE 15 – GASB NO. 68 ADJUSTMENT

GASB No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the Governmental Accounting Standards Board and is applicable to employers participating in pension plans falling under the guidance of GASB No. 67 for periods beginning after June 15, 2014. In accordance with the standard, GASB No. 68 is being implemented as of December 31, 2015 for **City of Hays, Kansas**. As such, deferred outflows and inflows of resources, as well as net pension liability and pension expense, will not be comparable between the two years reflected in the City's financial statements. For purposes of this audit report, the beginning net position was adjusted as noted below in accordance with the KPERS 68 Report.

CITY OF HAYS, KANSAS
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2014 Net Position, as previously stated	\$ 93,770,921
Deferred Outflows - Contributions subsequent to measurement date	535,264
Deferred Outflows – Differences between actual and expected experience	52,790
Deferred Outflows – Changes in proportion	3,420
Deferred Inflows - Differences between actual and expected experience	(115,717)
Deferred Inflows - Net differences between projected and actual earnings on investments	(1,634,015)
Deferred Inflows – Changes in proportion	(3,189)
Net Pension Liability	<u>(8,216,059)</u>
2014 Net Position, as restated	\$ <u>84,393,415</u>

NOTE 16 - SUBSEQUENT EVENTS

Due to the items noted in Note 14, management has evaluated subsequent events through September 19, 2016, which is the date the financial statements were available to be issued.

Certified
Public
Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of and for the year ended December 31, 2015, 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 09, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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 statement, 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 results 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 09, 2016, except for Passenger Facility Charges, as to which the date is September 27, 2016



Phone (785) 628-3046 ■ Fax (785) 628-3089 ■ www.abbb.com

718 Main Street ■ Suite 224 ■ P.O. Box 1186

Hays, Kansas 67601-4465

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND FOR THE PASSENGER FACILITY CHARGE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

We have audited **City of Hays, Kansas**' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **City of Hays, Kansas**' major federal programs and in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration for the City's passenger facility charge program for the year ended December 31, 2015. **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 and to its passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **City of Hays, Kansas**' major federal programs and its passenger facility charge program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and the Uniform Guidance 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 or the passenger facility charge 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 and the passenger facility charge program. However, our audit does not provide a legal determination of **City of Hays, Kansas**' compliance.

Opinion on Each Major Federal Program and the Passenger Facility Charge 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 and its passenger facility charge program for the year ended December 31, 2015.

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 or the passenger facility charge 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 the passenger facility charge program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

June 09, 2016, except for Passenger Facility Charges, as to which the date is September 27, 2016

CITY OF HAYS, KANSAS

Required Supplementary Information

CITY OF HAYS, KANSAS
Schedule of Proportionate Share of the Collective Net Pension Liability
Kansas Public Employees Retirement System
December 31, 2015

	<u>KPERS</u>	<u>KP&F</u>
The City's proportion of the collective net pension liability	0.318%	0.622%
The City's proportionate share of the net pension liability	\$ 4,179,222	4,514,070
The City's covered-employee payroll	\$ 5,249,197	2,759,456
The City's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	79.62%	163.59%
Plan's fiduciary net position	\$ 16,635,520,735	
Plan fiduciary net position as a percentage of the total pension liability	64.95%	

GASB No. 68 requires presentation of ten years. As of December 31, 2015, only one year of information is available.

CITY OF HAYS, KANSAS
Schedule of the City's Contributions
Kansas Public Employees Retirement System
December 31, 2015

	<u>KPERS</u>	<u>KP&F</u>
Contractually required contribution	\$ 497,624	589,420
Contributions in relation to the contractually required contribution	<u>497,624</u>	<u>589,420</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
The City's covered-employee payroll	5,249,197	2,759,456
Contributions as a percentage of covered-employee payroll	9.48%	21.36%

GASB 68 requires presentation of ten years. As of December 31, 2015, only one year of information is available.

CITY OF HAYS, KANSAS

Supplementary Information

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2015 and 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Cash	\$ 4,770,542	4,116,682
Receivables		
Accounts Receivable, Net of Allowance for Uncollectibles	73,671	98,605
Other Asset		
Reserved Cash - Budget Stabilization	<u>3,221,181</u>	<u>3,221,181</u>
Total Assets	<u>\$ 8,065,394</u>	<u>7,436,468</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 78,221	117,904
Accrued Payroll	244,836	228,414
Accrued Paid Time Off	459,045	463,091
Accrued Sick Leave Payout	<u>31,764</u>	<u>30,543</u>
Total Liabilities	<u>813,866</u>	<u>839,952</u>
Fund Balance		
Committed - Budget Stabilization	3,221,181	3,221,181
Assigned - Reserved for Encumbrances	200,688	102,385
Assigned - Designated for Subsequent Year Expenditures	3,043,962	2,142,639
Unassigned	<u>785,697</u>	<u>1,130,311</u>
Total Fund Balance	<u>7,251,528</u>	<u>6,596,516</u>
Total Liabilities and Fund Balance	<u>\$ 8,065,394</u>	<u>7,436,468</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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015			2014 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues (Statement 9-1, Page 4)	\$ 9,994,380	10,331,851	337,471	10,464,196
Expenditures (Statement 9-1, Page 4)	11,418,817	10,139,663	1,279,154	10,520,647
Excess Revenues Over (Under) Expenditures	(1,424,437)	192,188	1,616,625	(56,451)
Other Financing Sources (Uses)				
Transfers In	2,217,876	2,146,187	(71,689)	2,148,971
Transfers Out	(1,763,591)	(1,781,666)	(18,075)	(2,163,671)
Total Other Financing Sources (Uses)	454,285	364,521	(89,764)	(14,700)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(970,152)	556,709	1,526,861	(71,151)
Fund Balance - Beginning	2,142,639	6,596,516	4,453,877	6,772,313
Increase (Decrease) in Reserve for Encumbrances	-	98,303	98,303	(104,646)
Fund Balance - Ending	\$ 1,172,487	7,251,528	6,079,041	6,596,516

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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Local Sales	\$ 7,156,155	7,418,707	262,552	7,392,620
Intergovernmental				
Liquor Tax	132,061	128,715	(3,346)	126,712
State Grant	-	37,562	37,562	2,173
Federal Grant	-	-	-	12,936
Total Intergovernmental	132,061	166,277	34,216	141,821
Licenses and Permits				
Franchise Tax	1,479,164	1,481,975	2,811	1,482,817
Licenses	47,500	58,058	10,558	46,686
Permits	80,000	85,145	5,145	91,090
Total Licenses and Permits	1,606,664	1,625,178	18,514	1,620,593
Fines and Forfeitures				
Fines and Court Fees	610,000	603,652	(6,348)	677,028
Use of Money and Property				
Interest Income	35,000	53,646	18,646	52,649
Rent	1,200	1,200	-	1,200
Total Use of Money and Property	36,200	54,846	18,646	53,849
Miscellaneous				
Golf Course Fees	300,000	296,793	(3,207)	301,858
Cemetery Receipts	10,300	19,260	8,960	14,795
Miscellaneous Receipts	143,000	135,892	(7,108)	180,970
Prior Year Encumbrances Cancelled	-	11,246	11,246	80,662
Total Miscellaneous	453,300	463,191	9,891	578,285
Total Revenues	\$ 9,994,380	10,331,851	337,471	10,464,196

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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Expenditures				
City Commission	\$ 31,500	23,385	8,115	173,590
City Manager	486,957	436,146	50,811	442,961
Human Resources	204,859	177,773	27,086	181,991
Information Technology	545,925	550,568	(4,643)	520,206
Communication Center	565,122	499,089	66,033	494,039
City Attorney	101,000	127,571	(26,571)	88,254
Finance - City Clerk	380,503	361,928	18,575	354,956
Intergovernmental Account	342,500	301,077	41,423	320,231
Police Department	2,117,871	1,980,441	137,430	2,016,027
Municipal Court	160,213	143,718	16,495	142,584
Public Works - General Administration	288,856	273,616	15,240	246,820
Service Division	933,563	749,504	184,059	771,919
Planning, Inspection, and Enforcement	363,790	337,506	26,284	320,775
Building and Grounds	517,060	448,854	68,206	463,000
Fleet Maintenance	883,076	546,903	336,173	740,114
Fire Department	1,431,603	1,348,150	83,453	1,386,909
Parks and Playgrounds	871,761	829,616	42,145	795,820
Golf Course	415,929	376,347	39,582	337,964
Swimming Pool	100,700	76,086	24,614	62,089
Ballfield Maintenance	36,300	17,334	18,966	37,214
Cemeteries	20,300	15,255	5,045	12,827
Bickle-Schmidt Sports Complex	226,051	134,954	91,097	164,176
Social Services	164,000	164,000	-	164,000
Economic Development	229,378	219,842	9,536	246,878
Qualify of Life	-	-	-	35,303
Total Expenditures	\$ 11,418,817	10,139,663	1,279,154	10,520,647

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Fund
Balance Sheets
December 31, 2015 and 2014

ASSETS			
	<u>2015</u>	<u>2014</u>	
Cash	\$ 110,157	77,007	
Taxes Receivable	<u>1,164,271</u>	<u>1,106,217</u>	
Total Assets	\$ <u>1,274,428</u>	<u>1,183,224</u>	
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources			
Deferred Property Tax Receivable	\$ <u>1,164,271</u>	<u>1,106,217</u>	
Fund Balance			
Assigned - Designated for Subsequent Year Expenditures	<u>48,819</u>	28,188	
Assigned	<u>61,338</u>	<u>48,819</u>	
Total Fund Balance	<u>110,157</u>	<u>77,007</u>	
Total Deferred Inflows of Resources and Fund Balance	\$ <u>1,274,428</u>	<u>1,183,224</u>	

Library Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2015</u>			<u>2014</u> Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 1,140,430	1,119,748	(20,682)	1,106,949
Delinquent	-	16,425	16,425	15,554
Motor Vehicle	73,000	139,260	66,260	138,891
Recreational Vehicle	2,775	1,759	(1,016)	1,979
16/20M Truck	995	926	(69)	1,521
Total Revenues	<u>1,217,200</u>	<u>1,278,118</u>	<u>60,918</u>	<u>1,264,894</u>
Expenditures				
Distributions to Library Board	1,227,000	1,227,000	-	1,241,326
Tax Increment Financing Dist (TIF)	15,388	15,049	339	15,347
Neighborhood Revit Rebate	3,000	2,919	81	3,095
Total Expenditures	<u>1,245,388</u>	<u>1,244,968</u>	<u>420</u>	<u>1,259,768</u>
Excess Revenues Over (Under)				
Expenditures	(28,188)	33,150	61,338	5,126
Fund Balance - Beginning	<u>28,188</u>	<u>77,007</u>	<u>48,819</u>	<u>71,881</u>
Fund Balance - Ending	\$ <u>-</u>	<u>110,157</u>	<u>110,157</u>	<u>77,007</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Employee Benefits Fund
 Balance Sheets
 December 31, 2015 and 2014

ASSETS			
		<u>2015</u>	<u>2014</u>
Cash	\$	16,483	10,278
Taxes Receivable		<u>178,910</u>	<u>162,009</u>
Total Assets	\$	<u>195,393</u>	<u>172,287</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources			
Deferred Property Tax Receivable	\$	<u>178,910</u>	<u>162,009</u>
Fund Balance			
Assigned - Designated for Subsequent Year Expenditures		<u>6,987</u>	3,290
Assigned		<u>9,496</u>	<u>6,988</u>
Total Fund Balance		<u>16,483</u>	<u>10,278</u>
Total Deferred Inflows of Resources and Fund Balance	\$	<u>195,393</u>	<u>172,287</u>

Library Employee Benefits Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2015
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2015</u>			<u>2014 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	
Revenues				
Taxes				
Ad Valorem	\$ 167,020	164,049	(2,971)	168,608
Delinquent	-	2,377	2,377	2,221
Motor Vehicle	11,110	21,209	10,099	20,126
Recreational Vehicle	422	268	(154)	286
16/20M Truck	151	135	(16)	214
Total Revenues	<u>178,703</u>	<u>188,038</u>	<u>9,335</u>	<u>191,455</u>
Expenditures				
Distributions to Library Board	179,200	179,200	-	186,833
Tax Increment Financing Dist (TIF)	2,343	2,205	138	2,337
Neighborhood Revit Rebate	450	428	22	471
Total Expenditures	<u>181,993</u>	<u>181,833</u>	<u>160</u>	<u>189,641</u>
Excess Revenues Over (Under) Expenditures	(3,290)	6,205	9,495	1,814
Fund Balance - Beginning	<u>3,290</u>	<u>10,278</u>	<u>6,988</u>	<u>8,464</u>
Fund Balance - Ending	<u>\$ -</u>	<u>16,483</u>	<u>16,483</u>	<u>10,278</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Highway Fund
 Balance Sheets
 December 31, 2015 and 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Cash	\$ <u>248,375</u>	<u>239,865</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>1,715</u>	<u>1,744</u>
Fund Balance		
Assigned - Reserved for Encumbrances	4,581	20,789
Assigned - Designated for Subsequent Year's Expenditures	82,317	123,482
Assigned	<u>159,762</u>	<u>93,850</u>
Total Fund Balance	<u>246,660</u>	<u>238,121</u>
Total Liabilities and Fund Balance	\$ <u>248,375</u>	<u>239,865</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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
State Gasoline Tax	\$ 539,870	552,732	12,862	543,990
Connecting Link Maintenance	44,730	44,760	30	44,760
Prior Year Encumbrances Cancelled	-	5,718	5,718	16,083
Total Revenues	<u>584,600</u>	<u>603,210</u>	<u>18,610</u>	<u>604,833</u>
Expenditures				
Contractual Services	50,000	8,473	41,527	10,415
Capital Outlay	658,082	569,990	88,092	518,711
Total Expenditures	<u>708,082</u>	<u>578,463</u>	<u>129,619</u>	<u>529,126</u>
Excess Revenues Over (Under)				
Expenditures	(123,482)	24,747	148,229	75,707
Fund Balance - Beginning	123,482	238,121	114,639	226,254
Increase (Decrease) in				
Reserve for Encumbrances	-	(16,208)	(16,208)	(63,840)
Fund Balance - Ending	<u>\$ -</u>	<u>246,660</u>	<u>246,660</u>	<u>238,121</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Employee Benefits Fund
Balance Sheets
December 31, 2015 and 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Cash	\$ 824,390	1,030,855
Taxes Receivable	<u>2,459,189</u>	<u>2,343,162</u>
Total Assets	\$ <u>3,283,579</u>	<u>3,374,017</u>
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>2,459,189</u>	<u>2,343,162</u>
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	559,142	767,628
Assigned	<u>265,248</u>	<u>263,227</u>
Total Fund Balance	<u>824,390</u>	<u>1,030,855</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>3,283,579</u>	<u>3,374,017</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Employee Benefits Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 2,415,631	2,371,720	(43,911)	2,271,700
Delinquent	-	32,555	32,555	30,693
Motor Vehicle	149,810	285,785	135,975	277,434
Recreational Vehicle	5,694	3,610	(2,084)	3,904
16/20M Truck	2,042	1,917	(125)	2,678
Interest Income	2,000	3,516	1,516	1,799
Miscellaneous	-	32,009	32,009	32,968
Prior Year Encumbrances Cancelled	-	-	-	48,884
Total Revenues	<u>2,575,177</u>	<u>2,731,112</u>	<u>155,935</u>	<u>2,670,060</u>
Expenditures				
Workmen's Compensation	180,000	188,631	(8,631)	176,639
Unemployment Compensation	18,053	16,381	1,672	14,929
Social Security	690,522	626,946	63,576	633,314
Employee Retirement	1,227,679	1,136,505	91,174	1,088,465
Contingency	300,000	51,430	248,570	2,379
Health Insurance	1,719,500	1,719,500	-	1,494,020
Contractual Services	48,055	39,065	8,990	40,177
Tax Increment Financing Dist (TIF)	31,578	31,876	(298)	31,494
Neighborhood Revit Rebate	6,615	6,182	433	6,352
Total Expenditures	<u>4,222,002</u>	<u>3,816,516</u>	<u>405,486</u>	<u>3,487,769</u>
Excess Revenues Over (Under) Expenditures	(1,646,825)	(1,085,404)	561,421	(817,709)
Other Financing Sources (Uses)				
Transfers In	1,070,066	878,939	(191,127)	887,252
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(576,759)	(206,465)	370,294	69,543
Fund Balance - Beginning	<u>576,759</u>	<u>1,030,855</u>	<u>454,096</u>	<u>961,312</u>
Fund Balance - Ending	<u>\$ -</u>	<u>824,390</u>	<u>824,390</u>	<u>1,030,855</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
 Balance Sheets
 December 31, 2015 and 2014

<u>ASSETS</u>		
	2015	2014
Cash	\$ 83,740	80,618
Taxes Receivable	411,554	397,810
Total Assets	\$ 495,294	478,428
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 869	5,754
Deferred Inflows of Resources		
Deferred Property Tax Receivable	411,554	397,810
Fund Balance		
Assigned - Reserved for Encumbrances	24,448	6,285
Assigned - Designated for Subsequent Year's Expenditures	28,560	40,019
Assigned	29,863	28,560
Total Fund Balance	82,871	74,864
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 495,294	478,428

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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 410,113	402,770	(7,343)	395,927
Delinquent	-	5,759	5,759	5,409
Motor Vehicle	26,104	49,808	23,704	48,653
Recreational Vehicle	992	629	(363)	636
16/20M Truck	356	327	(29)	515
Miscellaneous Revenue	-	7,104	7,104	-
Prior Year Encumbrances Cancelled	-	-	-	1,229
Total Revenues	437,565	466,397	28,832	452,369
Expenditures				
Capital Outlay	139,780	142,090	(2,310)	81,411
Tax Increment Financing Dist (TIF)	5,503	5,413	90	5,489
Neighborhood Revit Rebate	1,104	1,050	54	1,107
Total Expenditures	146,387	148,553	(2,166)	88,007
Excess Revenues Over (Under) Expenditures	291,178	317,844	26,666	364,362
Other Financing Sources (Uses)				
Transfers Out	(331,197)	(328,000)	3,197	(360,127)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	\$ (40,019)	(10,156)	29,863	4,235
Fund Balance - Beginning		74,864		65,573
Increase (Decrease) in Reserve for Encumbrances		18,163		5,056
Fund Balance - Ending		\$ 82,871		74,864

See independent auditors' report.

CITY OF HAYS, KANSAS
Airport Fund
 Balance Sheets
 December 31, 2015 and 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Cash	\$ 132,958	103,581
Taxes Receivable	<u>205,777</u>	<u>198,904</u>
Total Assets	\$ <u>338,735</u>	<u>302,485</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 1,909	2,244
Accrued Payroll	<u>2,852</u>	<u>2,888</u>
Accrued Paid Time Off	<u>5,631</u>	<u>3,205</u>
Total Liabilities	<u>10,392</u>	<u>8,337</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>205,777</u>	<u>198,904</u>
Fund Balance		
Assigned - Reserved for Encumbrances	10,144	4,540
Assigned - Designated for Subsequent Year's Expenditures	<u>66,165</u>	<u>31,143</u>
Assigned	<u>46,257</u>	<u>59,561</u>
Total Fund Balance	<u>122,566</u>	<u>95,244</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>338,735</u>	<u>302,485</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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 205,056	201,486	(3,570)	198,061
Delinquent	-	2,880	2,880	2,705
Motor Vehicle	13,052	24,916	11,864	24,302
Recreational Vehicle	496	315	(181)	345
16/20M Truck	178	164	(14)	258
Licenses and Fees Collected	107,865	120,657	12,792	86,287
Farming Leases	17,000	22,578	5,578	20,530
Miscellaneous	6,859	3,715	(3,144)	4,372
Prior Year Encumbrances Cancelled	-	3,465	3,465	1,640
Total Revenues	<u>350,506</u>	<u>380,176</u>	<u>29,670</u>	<u>338,500</u>
Expenditures				
Personal Services	96,800	91,297	5,503	63,163
Contractual Services	93,000	83,237	9,763	86,025
Commodities	103,700	45,848	57,852	54,388
Capital Outlay	-	-	-	10,700
Tax Increment Financing Dist (TIF)	2,754	2,708	46	2,746
Neighborhood Revit Rebate	552	525	27	554
Total Expenditures	<u>296,806</u>	<u>223,615</u>	<u>73,191</u>	<u>217,576</u>
Excess Revenues Over (Under) Expenditures	53,700	156,561	102,861	120,924
Other Financing (Uses)				
Transfers Out	(84,843)	(134,843)	(50,000)	(67,856)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(31,143)	21,718	52,861	53,068
Fund Balance - Beginning	31,143	95,244	64,101	42,836
Increase (Decrease) in Reserve for Encumbrances	-	5,604	5,604	(660)
Fund Balance - Ending	<u>\$ -</u>	<u>122,566</u>	<u>122,566</u>	<u>95,244</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Park Development Fund
 Balance Sheets
 December 31, 2015 and 2014

<u>ASSETS</u>			
		2015	2014
Cash	\$	5,027	5,027
<u>FUND BALANCE</u>			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	5,027	5,027

Park Development Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2015
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015			2014 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues	\$ -	-	-	-
Expenditures				
Contractual Services	5,027	-	5,027	-
Excess Revenues Over (Under) Expenditures	(5,027)	-	5,027	-
Fund Balance - Beginning	5,027	5,027	-	5,027
Fund Balance - Ending	\$ -	5,027	5,027	5,027

See independent auditors' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund
 Balance Sheets
 December 31, 2015 and 2014

<u>ASSETS</u>		
	2015	2014
Cash	\$ 807,591	566,190
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 23,739	10,778
Accrued Payroll	6,353	2,823
Accrued Paid Time Off	5,987	4,774
Total Liabilities	36,079	18,375
Fund Balance		
Assigned - Reserved for Encumbrances	14,211	25,909
Assigned - Designated for Subsequent Year's Expenditures	508,617	416,536
Assigned	248,684	105,370
Total Fund Balance	771,512	547,815
Total Liabilities and Fund Balance	\$ 807,591	566,190

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, 2015

(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Guest Tax	\$ 770,000	891,476	121,476	761,301
Miscellaneous	40,000	38,468	(1,532)	42,627
Prior Period Cancelled Encumbrance	-	8,354	8,354	-
Total Revenues	<u>810,000</u>	<u>938,298</u>	<u>128,298</u>	<u>803,928</u>
Expenditures				
Personal Services	237,403	158,217	79,186	178,629
Contractual Services	610,907	224,119	386,788	528,712
Commodities	92,000	75,177	16,823	65,246
Capital Outlay	136,131	107,219	28,912	14,461
Total Expenditures	<u>1,076,441</u>	<u>564,732</u>	<u>511,709</u>	<u>787,048</u>
Excess Revenues Over (Under) Expenditures	(266,441)	373,566	640,007	16,880
Other Financing Sources (Uses)				
Transfers Out	(150,095)	(138,171)	11,924	(186,015)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(416,536)	235,395	651,931	(169,135)
Fund Balance - Beginning As Previously Stated	416,536	547,815	131,279	691,041
Increase (Decrease) in Reserve for Encumbrances	-	(11,698)	(11,698)	25,909
Fund Balance - Ending	<u>\$ -</u>	<u>771,512</u>	<u>771,512</u>	<u>547,815</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
New Equipment Reserve Fund
 Balance Sheets
 December 31, 2015 and 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Cash	\$ <u>4,128,457</u>	<u>3,681,521</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>51,342</u>	<u>-</u>
Fund Balance		
Assigned - Reserved for Fund Balance	<u>13,830</u>	<u>-</u>
Assigned	<u>4,063,285</u>	<u>3,681,521</u>
Total Fund Balance	<u>4,077,115</u>	<u>3,681,521</u>
Total Liabilities and Fund Balance	<u>\$ 4,128,457</u>	<u>3,681,521</u>

New Equipment Reserve Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2015
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
Revenues		
Interest Income	\$ <u>7,500</u>	<u>5,880</u>
Expenditures		
Capital Outlay	<u>324,155</u>	<u>103,543</u>
Excess Revenues Over (Under) Expenditures	<u>(316,655)</u>	<u>(97,663)</u>
Other Financing Sources (Uses)		
Transfers In	<u>698,419</u>	<u>727,696</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>381,764</u>	<u>630,033</u>
Fund Balance - Beginning	<u>3,681,521</u>	<u>3,091,981</u>
Increase (Decrease) in Reserve for Encumbrances	<u>13,830</u>	<u>(40,493)</u>
Fund Balance - Ending	<u>\$ 4,077,115</u>	<u>3,681,521</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
 Balance Sheets
 December 31, 2015 and 2014

ASSETS			
		2015	2014
Cash	\$	79,335	175,534
FUND BALANCE			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	63,335	175,534
Assigned - Reserved for Encumbrances		16,000	-
Total Fund Balance	\$	79,335	175,534

Special Alcohol Program Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2015
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015			2014 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Intergovernmental				
Liquor Tax	\$ 132,061	128,715	(3,346)	126,712
Expenditures				
Contractual	60,000	149,080	(89,080)	60,000
Contingency	164,852	-	164,852	-
Total Expenditures	224,852	149,080	75,772	60,000
Excess Revenues Over (Under) Expenditures	(92,791)	(20,365)	72,426	66,712
Other Financing Sources (Uses)				
Transfers Out	(91,834)	(91,834)	-	(80,410)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(184,625)	(112,199)	72,426	(13,698)
Fund Balance - Beginning	184,625	175,534	(9,091)	189,232
Increase (Decrease) in Reserve for Encumbrances	-	16,000	16,000	-
Fund Balance - Ending	\$ -	79,335	79,335	175,534

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
 Balance Sheets
 December 31, 2015 and 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Cash	\$ <u>280,595</u>	<u>226,221</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>6,600</u>	<u>150</u>
Fund Balance		
Assigned - Reserved for Encumbrances	61,584	-
Assigned - Designated for Subsequent Year's Expenditures	205,525	151,618
Assigned	<u>6,886</u>	<u>74,453</u>
Total Fund Balance	<u>273,995</u>	<u>226,071</u>
Total Liabilities and Fund Balance	\$ <u>280,595</u>	<u>226,221</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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Liquor Tax	\$ 132,061	128,714	(3,347)	126,711
Miscellaneous	-	4,140	4,140	1,027
Prior Year Encumbrance Cancelled	-	-	-	1,378
Total Revenues	132,061	132,854	793	129,116
Expenditures				
Capital Outlay	283,679	146,514	137,165	11,493
Excess Revenues Over (Under) Expenditures	(151,618)	(13,660)	(136,372)	117,623
Other Financing Sources (Uses)				
Transfers Out	-	-	-	(530)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	\$ <u>(151,618)</u>	(13,660)	<u>(136,372)</u>	117,093
Fund Balance - Beginning		226,071		110,748
Increase (Decrease) in Reserve For Encumbrances		<u>61,584</u>		<u>(1,770)</u>
Fund Balance - Ending		<u>\$ 273,995</u>		<u>226,071</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Parks Improvement Fund
 Balance Sheets
 December 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash	\$ <u>67,034</u>	<u>38,839</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>10,958</u>	<u>-</u>
Fund Balance		
Assigned - Reserved for Encumbrances	<u>40,123</u>	<u>-</u>
Assigned	<u>15,953</u>	<u>38,839</u>
Total Fund Balance	<u>56,076</u>	<u>38,839</u>
Total Liabilities and Fund Balance	\$ <u>67,034</u>	<u>38,839</u>

Parks Improvement Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2015
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
Revenues		
Donations	\$ <u>28,232</u>	<u>16,781</u>
Miscellaneous	<u>91,282</u>	<u>36,308</u>
Total Revenues	<u>119,514</u>	<u>53,089</u>
Expenditures		
Contractual	<u>70,793</u>	<u>-</u>
Projects	<u>71,607</u>	<u>14,780</u>
Total Expenditures	<u>142,400</u>	<u>14,780</u>
Excess Revenues Over (Under) Expenditures	<u>(22,886)</u>	<u>38,309</u>
Other Financing Sources (Uses)		
Transfers In	<u>-</u>	<u>530</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>(22,886)</u>	<u>38,839</u>
Increase (Decrease) in Reserve For Encumbrances	<u>40,123</u>	<u>-</u>
Fund Balance - Beginning	<u>38,839</u>	<u>-</u>
Fund Balance - Ending	\$ <u>56,076</u>	<u>38,839</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Department of Justice Program Fund
 Balance Sheets
 December 31, 2015 and 2014

	<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash	\$	<u>1,211</u>	<u>1,379</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts Payable	\$	-	43
Fund Balance			
Assigned		<u>1,211</u>	<u>1,336</u>
Total Liabilities and Fund Balance	\$	<u>1,211</u>	<u>1,379</u>

Department of Justice Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2015
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
Revenues		
Miscellaneous	\$ -	3,100
Expenditures		
Capital Outlay	<u>125</u>	<u>1,764</u>
Excess Revenues Over (Under)		
Expenditures	(125)	1,336
Fund Balance - Beginning	<u>1,336</u>	-
Fund Balance - Ending	\$ <u>1,211</u>	<u>1,336</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
City Commission Capital Reserve Fund
 Balance Sheets
 December 31, 2015 and 2014

<u>ASSETS</u>		
	2015	2014
Cash	\$ <u>3,422,510</u>	<u>2,882,551</u>
<u>FUND BALANCE</u>		
Fund Balance		
Assigned	\$ <u>3,422,510</u>	<u>2,882,551</u>

City Commission Capital Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2015
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015 Actual	2014 Actual
Expenditures		
Projects	\$ <u>623,180</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	<u>(623,180)</u>	<u>-</u>
Other Financing Sources (Uses)		
Transfers In	1,457,534	2,882,551
Transfers Out	<u>(294,395)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,163,139</u>	<u>2,882,551</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	539,959	2,882,551
Fund Balance - Beginning	<u>2,882,551</u>	<u>-</u>
Fund Balance - Ending	\$ <u>3,422,510</u>	<u>2,882,551</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Sales Tax Dedicated to Ellis County, Kansas Fund
 Balance Sheets
 December 31, 2015 and 2014

	<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash	\$	-	-
	<u>FUND BALANCE</u>		
Fund Balance Assigned	\$	-	-

Sales Tax Dedicated to Ellis County, Kansas Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2015
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
Revenues		
Intergovernmental		
Local Sales Tax	\$ 1,779,169	1,850,500
Expenditures		
Payment to Ellis County	<u>1,779,169</u>	<u>1,850,500</u>
Excess Revenues Over (Under) Expenditures	-	-
Fund Balance - Beginning	-	-
Fund Balance - Ending	\$ <u>-</u>	-

See independent auditors' report.

CITY OF HAYS, KANSAS
Bond and Interest Fund
Balance Sheets
December 31, 2015 and 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Cash	\$ 187,525	223,170
Taxes Receivable	<u>724,677</u>	<u>764,312</u>
Total Assets	\$ <u>912,202</u>	<u>987,482</u>
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	\$ <u>724,677</u>	<u>764,312</u>
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	55,459	190,100
Assigned	<u>132,066</u>	<u>33,070</u>
Total Fund Balance	<u>187,525</u>	<u>223,170</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>912,202</u>	<u>987,482</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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 787,950	773,746	(14,204)	807,357
Delinquent	-	12,039	12,039	11,040
Motor Vehicle	53,232	101,554	48,322	98,176
Recreational Vehicle	2,023	1,283	(740)	1,320
16/20M Truck	726	620	(106)	1,256
Special Assessments	441,006	466,832	25,826	475,993
Total Revenues	<u>1,284,937</u>	<u>1,356,074</u>	<u>71,137</u>	<u>1,395,142</u>
Expenditures				
Neighborhood Revitalization Rebate	2,123	2,017	106	2,257
Tax Increment Financing District	11,221	10,399	822	11,191
Bond Principal	990,000	996,755	(6,755)	955,000
Interest Expense	389,304	382,548	6,756	424,540
Cash Basis Reserve	60,000	-	60,000	-
Total Expenditures	<u>1,452,648</u>	<u>1,391,719</u>	<u>60,929</u>	<u>1,392,988</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(167,711)	(35,645)	132,066	2,154
Fund Balance - Beginning	<u>167,711</u>	<u>223,170</u>	<u>55,459</u>	<u>221,016</u>
Fund Balance - Ending	<u>\$ -</u>	<u>187,525</u>	<u>187,525</u>	<u>223,170</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
 Balance Sheets
 December 31, 2015 and 2014

<u>ASSETS</u>			
		2015	2014
Cash	\$	109,875	100,495
<u>FUND BALANCE</u>			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	104,288	92,494
Assigned		5,587	8,001
Total Fund Balance	\$	109,875	100,495

Economic Development Bond Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2015
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015			2014 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Intergovernmental				
Local Sales Tax	\$ 219,317	224,904	5,587	218,837
Expenditures				
Bond Principal	125,000	125,000	-	115,000
Interest Expense	90,524	90,524	-	96,705
Total Expenditures	215,524	215,524	-	211,705
Excess Revenues Over (Under)				
Expenditures	3,793	9,380	5,587	7,132
Fund Balance - Beginning	100,973	100,495	(478)	93,363
Fund Balance - Ending	\$ 104,766	109,875	5,109	100,495

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2015
(With Comparative Totals as of December 31, 2014)

	2015				2014
	Water and Sewer Fund	Solid Waste Utility Fund	Stormwater Management Fund	Total	
ASSETS					
Current Assets					
Cash					
Operating Account	\$ 2,243,396	354,182	49,913	2,647,491	3,019,306
Local Sales Tax Account	29,404,979	-	-	29,404,979	28,235,547
Accounts Receivable (Net)	346,482	-	-	346,482	357,984
Due From Water and Sewer Fund	-	43,380	58,674	102,054	101,332
Total Current Assets	31,994,857	397,562	108,587	32,501,006	31,714,169
Restricted Assets					
Customer Deposits	227,477	-	-	227,477	221,827
Reserve for Capital Improvements	1,462,319	523,881	-	1,986,200	1,830,168
Revenue Bonds					
Principal and Interest Account	65,352	-	-	65,352	65,352
Bond Reserve Account	421,162	-	-	421,162	420,487
Total Restricted Assets	2,176,310	523,881	-	2,700,191	2,537,834
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	11,620,009	-	-	11,620,009	11,484,210
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	12,077,504
Equipment	-	1,806,335	-	1,806,335	1,633,486
Total Capital Assets	46,291,121	2,100,929	-	48,392,050	48,083,402
Accumulated Depreciation	(27,499,039)	(1,453,594)	-	(28,952,633)	(28,092,595)
Net Capital Assets	18,792,082	647,335	-	19,439,417	19,990,807
Total Assets	\$ 52,963,249	1,568,778	108,587	54,640,614	54,242,810

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2015
(With Comparative Totals as of December 31, 2014)

	2015				2014
	Water and Sewer Fund	Solid Waste Utility Fund	Stormwater Management Fund	Total	
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts Payable	\$ 123,384	15,611	1,495	140,490	94,188
Sales Tax	7,599	-	-	7,599	4,869
State Water Fee	8,897	-	-	8,897	8,493
Due to Stormwater Management Fund	58,674	-	-	58,674	58,951
Accrued Payroll	36,671	11,583	1,742	49,996	44,273
Accrued Paid Time Off	68,966	24,112	-	93,078	95,167
Due to Solid Waste Fund	43,380	-	-	43,380	42,381
Total Current Liabilities	347,571	51,306	3,237	402,114	348,322
Current Liabilities Payable From Restricted Assets					
2009 Revenue Bonds	300,000	-	-	300,000	290,000
Customer Deposits	222,977	-	-	222,977	217,327
Monitoring Well Deposits	4,500	-	-	4,500	4,500
Accrued Interest - Bonds	40,365	-	-	40,365	43,023
Total Current Liabilities Payable From Restricted Assets	567,842	-	-	567,842	554,850
Noncurrent Liabilities					
2009 Revenue Bonds	2,800,000	-	-	2,800,000	3,100,000
Total Liabilities	3,715,413	51,306	3,237	3,769,956	4,003,172
Equity					
Reserve for Capital Improvements	1,462,319	523,881	-	1,986,200	1,536,457
Reserve for Encumbrances	186,067	32,315	11,474	229,856	463,045
Contributed Capital	3,215,105	115,383	-	3,330,488	3,330,488
Unreserved	44,384,345	845,893	93,876	45,324,114	44,909,648
Total Equity	49,247,836	1,517,472	105,350	50,870,658	50,239,638
Total Liabilities and Equity	\$ 52,963,249	1,568,778	108,587	54,640,614	54,242,810

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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Revenues				
Local Sales Tax	\$ 2,922,295	3,036,143	113,848	3,017,143
Water Sales	2,701,252	2,589,529	(111,723)	2,531,616
Sewer Service Charges	2,117,682	2,188,468	70,786	2,067,148
Water Tap - Turn-Ons	35,000	61,647	26,647	60,995
Water Sales Conservation Rate	375,950	378,313	2,363	300,331
Sales and Other Charges	10,000	28,008	18,008	8,915
Penalty	25,000	30,869	5,869	30,171
Rent on R-9 Ranch	250,000	251,500	1,500	308,200
Interest on Investments	15,000	16,925	1,925	17,610
Interest on Sales Tax Reserves	45,000	65,042	20,042	54,493
Transfer In From Water Sales Tax Reserve	270,331	-	-	-
Prior Year Encumbrances Cancelled	-	47,272	47,272	34,767
Total Revenues	\$ 8,767,510	8,693,716	196,537	8,431,389
Expenditures				
Wastewater Treatment and Collection				
Personal Services				
Salaries	\$ 479,308	458,051	21,257	443,049
Contractual Services				
Communications	3,000	2,192	808	2,385
Heat, Light and Power	219,555	192,289	27,266	191,721
Travel and Training	4,500	4,524	(24)	3,673
Other Contractual Services	186,050	170,874	15,176	181,445
Professional Services	29,906	20,715	9,191	23,380
Total Contractual Services	443,011	390,594	52,417	402,604
Commodities				
Office Supplies	600	304	296	298
General Supplies and Materials	28,000	21,589	6,411	32,585
Chemicals	65,972	53,803	12,169	51,598
Equipment Expense	92,400	62,372	30,028	63,677
Uniforms	4,500	3,373	1,127	4,150
Projects	-	-	-	40,585
Repairs to Buildings and Structures	30,000	2,193	27,807	50,044
Total Commodities	221,472	143,634	77,838	242,937
Total Wastewater Treatment and Collection	\$ 1,143,791	992,279	151,512	1,088,590

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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015		Variance Positive (Negative)	2014 Actual
	Original and Final Budget	Actual		
Water Production and Distribution				
Personal Services				
Salaries	\$ 617,630	563,599	54,031	619,696
Contractual Services				
Communications	5,250	4,010	1,240	3,466
Publications	3,150	1,326	1,824	691
Heat, Light and Power	288,150	250,807	37,343	236,642
Professional Services	15,540	13,553	1,987	2,787
Travel and Training	4,500	2,552	1,948	3,033
Other Contractual Services	94,350	111,405	(17,055)	45,408
Total Contractual Services	410,940	383,653	27,287	292,027
Commodities				
Office Supplies	1,150	1,614	(464)	1,007
General Supplies and Materials	42,000	37,205	4,795	34,573
Chemicals	517,810	477,109	40,701	403,921
Repairs to Buildings and Structures	4,775	15,510	(10,735)	1,907
Equipment Expense	57,824	64,751	(6,927)	76,979
Projects	36,806	-	36,806	-
Uniforms	5,000	5,083	(83)	3,594
Total Commodities	665,365	601,272	64,093	521,981
Total Water Production and Distribution	1,693,935	1,548,524	145,411	1,433,704
Debt Service				
Principal Payment - Revolving Loan	-	-	-	195,791
Interest Payment - Revolving Loan	-	-	-	3,662
Principal Payment - 2009 Revenue Bond	290,000	290,000	-	285,000
Interest Payment - 2009 Revenue Bond	129,070	129,070	-	136,195
Total Debt Service	\$ 419,070	419,070	-	620,648

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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015			2014 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Water Conservation				
Personal Services	\$ 55,131	52,303	2,828	54,749
Contractual Services	14,500	1,087	13,413	1,600
Commodities	2,700	6,786	(4,086)	4,268
Capital Outlay	198,000	178,759	19,241	115,891
Total Water Conservation	270,331	238,935	31,396	176,508
Nonoperating Expenditures				
R-9 Ranch Expenditures	315,000	186,823	128,177	188,212
Water Taps, Hydrants, Meters	131,840	126,171	5,669	108,046
Contingency	50,000	15,678	34,322	58,399
Interest on Deposits	1,000	261	739	250
Clean Drinking Water Fee	20,000	17,125	2,875	17,233
Other Contractual Services	-	19,599	(19,599)	20,444
Transfer to Sales Tax Reserve Fund	2,500,000	2,342,468	157,532	2,353,289
Transfer to Capital Improvement Fund	973,636	973,636	-	-
Transfer to General Fund	963,787	963,787	-	961,024
Transfer to General Fund - Water Sales T	584,459	584,459	-	596,850
Transfer to Employee Benefits Fund	475,884	475,884	-	486,662
Transfer to New Equipment Reserve	52,184	52,184	-	62,926
Total Nonoperating Expenditures	6,067,790	5,758,075	309,715	4,853,335
Total Expenditures	\$ 9,594,917	8,956,883	606,638	8,172,785

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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2015			2014 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Refuse Collections	\$ 1,250,000	1,281,024	31,024	1,271,041
Interest on Investments	1,100	1,266	166	748
Yard Waste Tags	1,900	1,428	(472)	1,192
Recycling Revenue	40,000	27,579	(12,421)	26,537
Prior Year Encumbrances Cancelled	-	263	263	3,794
Total Revenues	\$ 1,293,000	1,311,560	18,560	1,303,312
Expenditures				
Personal Services				
Salaries	\$ 365,586	356,288	9,298	354,503
Transfer to Employee Benefits Fund	174,778	174,778	-	167,754
Total Personal Services	540,364	531,066	9,298	522,257
Contractual Services				
Communications	1,300	904	396	975
Publications	2,000	3,568	(1,568)	2,115
Utility - Water, Light and Power	7,010	5,414	1,596	6,262
Contingency	50,000	-	50,000	5,624
Other Contractual Services	387,080	371,876	15,204	370,363
Travel and Training	800	1,226	(426)	598
Transfer to Reserve Fund	114,860	114,860	-	86,765
Transfer to General Fund	250,000	250,000	-	245,000
Total Contractual Services	813,050	747,848	65,202	717,702
Commodities				
Office Supplies	550	69	481	790
General Supplies	23,240	23,226	14	14,923
Equipment Expense	10,900	10,379	521	8,891
Uniforms	4,000	3,379	621	3,944
Projects	5,900	4,569	1,331	5,670
Repairs to Buildings and Structures	3,600	3,632	(32)	1,766
Total Commodities	48,190	45,254	2,936	35,984
Total Expenditures	\$ 1,401,604	1,324,168	77,436	1,275,943

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, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2015</u>			2014 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Stormwater Fee	\$ 767,000	779,816	12,816	773,132
Prior Year Encumbrances Voided	-	4,482	4,482	-
Transfer From General Fund	16,500	16,500	-	16,500
Total Revenues	<u>\$ 783,500</u>	<u>800,798</u>	<u>17,298</u>	<u>789,632</u>
Expenditures				
Personal Services				
Salaries	\$ 52,604	51,785	819	26,693
Transfer to Employee Benefits Fund	20,694	20,694	-	11,851
Total Personal Services	<u>73,298</u>	<u>72,479</u>	<u>819</u>	<u>38,544</u>
Contractual Services				
Communications	750	1,057	(307)	1,112
Other Contractual Services	10,000	10,000	-	9,060
Contingency	50,000	25,301	24,699	25,212
Professional Services	22,000	16,008	5,992	1,561
Travel and Training	2,500	955	1,545	1,776
Transfer to General Fund	65,195	65,195	-	64,260
Total Contractual Services	<u>150,445</u>	<u>118,516</u>	<u>31,929</u>	<u>102,981</u>
Commodities				
General Supplies	7,500	5,039	2,461	2,338
Uniforms	200	115	85	198
Projects	-	-	-	53,620
Sewer Line Project	250,000	250,000	-	-
Transfer to Capital Projects Fund	428,341	453,341	(25,000)	520,000
Transfer to New Equipment Reserve	1,790	1,790	-	1,790
Total Commodities	<u>687,831</u>	<u>710,285</u>	<u>(22,454)</u>	<u>577,946</u>
Total Expenditures	<u>\$ 911,574</u>	<u>901,280</u>	<u>10,294</u>	<u>719,471</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2015

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 2 CFR Section 200-516(a)?

_____ Yes X No

Major Program:

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:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

CITY OF HAYS, KANSAS
Schedule of Findings and Questions Costs
December 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

No material findings or questioned costs are required to be disclosed under Government Auditing Standards.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under the Uniform Guidance.

CITY OF HAYS, KANSAS
Summary Schedule of Prior Audit Findings
December 31, 2015

No material findings or questioned costs for the year ended December 31, 2014 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, 2015

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass- through Number	Total Federal Expenditures
U.S. Department of Transportation			
Direct Program			
Airport Improvement Grant	20.106	AIP 3-20-0028	\$ 23,373
Airport Improvement Grant	20.106	AIP 3-20-0031	546,489
Airport Improvement Grant	20.106	AIP 3-20-0032	<u>277,533</u>
Total Airport Improvement Grant			847,395
Passed Through Kansas Department of Transportation			
State and Community Highway Safety	20.600	276	6,124
National Priority Safety Program	20.616	276	6,121
U.S. Department of Homeland Security			
Passed Through Kansas Department of Homeland Security and North Central Regional Planning Commission			
Homeland Security Grant Program	97.067	13-NW150205	<u>25,317</u>
Total Expenditures of Federal Awards			\$ <u><u>884,957</u></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, 2015

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 in accordance with generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – PASSENGER FACILITY CHARGES

The accompanying schedule of Passenger Facility Charges is presented on the cash basis of accounting. The information in the schedule is presented in accordance with the requirements of the Passenger Facility Charge Audit Guide for Public Agencies. Therefore, some amounts presented in the schedule may differ from amounts in or used in the preparation of the basic financial statements.

Approved Application Project Number	Unliquidated PFC Beginning Balance	PFC Collected	PFC Expended	Unliquidated PFC Ending Balance
15-01-C-00-HYS	\$ -	19,592	-	19,592