CITY OF HAYS, KANSAS

Hays, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2006

CITY OF HAYS, KANSAS
Financial Statements with Independent Auditors' Report
For the Year Ended December 31, 2006

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INDEPENDENT AUDITORS' REPORT

To The Mayor and Commissioners
City of Hays, Kansas
Hays, KS 67601

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Hays, Kansas,** as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Hays, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the **Housing Authority of the City of Hays, Kansas** which represents one of the component units presented in the financial statements. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and in our opinion, in so far as it relates to the amounts included for **Housing Authority of the City of Hays, Kansas**, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Hays, Kansas**, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 41 through 71, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We, and the other auditors, have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Hays, Kansas'** basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us, and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Adams, Brown, Beran & Ball

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

April 14, 2007

The discussion and analysis of the **City of Hays'** financial performance provides an overview of the City's financial activities for the year ended December 31, 2006. Please read in conjunction with the City's financial statements, which begins after this letter.

FINANCIAL HIGHLIGHTS

As reflected in this audit, the **City of Hays'** overall financial position continues to improve. The **City of Hays'** fund balance on all major funds increased $1,451,370 over the previous year with the largest increase reflected in the General Fund.

The General Fund's balance has increased $1,755,169 over the previous year and $3,712,039 over the past two years. This continued increase is directly reflective of the current management environment and accountable to increased oversight and new policies. In 2006 the City implemented a Comprehensive Financial Management Policy to ensure the wise use and investment of excess funds. The policy gives the citizens of Hays and future City leaders a defined process for the handling of City debt and excess revenue. In 2004, through a general election, the City passed a 3/4% sales tax to replace the property tax levy for the General Fund. In 2006 this additional sales tax generated $3,490,933, or the equivalent of 21.29 mills. The replacement of property tax revenue with sales tax revenue has spread the cost of funding general city operations across a broader tax base and helped to alleviate the tax burden for local property owners. With changes made at the State level this may become even more crucial with the elimination of personal property tax on new commercial purchases.

Previously the Water and Sewer Fund had shown a steady decline in fund balance but showed an increase of $1,347,066 over 2005 and an increase of $1,861,429 over 2004. A majority of the increase is attributable to a change in water conservation rate structures and sewer minimum fees implemented in 2005. After a comprehensive review of operating expenditures staff recommended a gradual increase in water rates to cover projected future increases in operating costs and infrastructure investment. This coupled with the issuance of revenue bonds for new projects should ensure financial stability on the water side of the fund. A similar process will be complete in 2007 for the sewer functions in this fund. While this fund does appear to have turned around it does bare close monitoring over the next few years to ensure the trend continues.

The Solid Waste Fund is the only fund that continues to be an area of concern. The Solid Waste Fund had an increase in fund balance of $28,843 over 2005 but a decrease of $345,739 over the past five years. In 2006 staff completed a complete evaluation of the Solid Waste Division and made recommendations for a new rate as well as changing to an automated collection process. This process was approved for the 2007 budget and will be implemented in late 2007. Staff is confident that this fund is now headed in the right direction and will continue to monitor trends to ensure the financial stability of the Solid Waste Fund.

The Capital Projects Fund is a consolidated fund for all major City projects so that all expenditures may be tracked by project and funded appropriately. This fund currently shows a negative cash balance of $1,475,113 as funds have been expended and debt has not yet been issued. In the past the City used temporary financing for these projects until their completion at which time General Obligation Bonds were issued and the temporary financing was paid off. A change in requirements for Temporary Notes increased costs associated with their issuance. Subsequently staff determined that it is more beneficial for the City to utilize idle funds for the temporary financing and bypass issuance costs and finance charges. The City does forgo any interest it might have earned on these idol funds, but the savings received is greater than any interest that would have been earned.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and statement of activities on pages 7 through 9 provide information about the activities of the City as a whole and present a longer -term view to the City's finances. Fund financial statements start on page 10. For

governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information of activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 7. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?"

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

- Governmental Activities – Most of the City's basic services are reported here including the police, fire, public works, parks department and general administration. Property taxes, 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 10. The fund financial statements begin on page 34 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenant. However, the City Commission establishes other funds to help or control money for particular purposes or to show that it is meeting legal responsibility for using certain taxes, grants and other monies. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Governmental Funds – Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can regularly be converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in a statement of net assets and the statement of activities) and the governmental funds in reconciliation at the bottom of the fund financial statements.

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

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

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

THE CITY AS A WHOLE

TABLE 1
NET ASSETS

	Governmental Activities	Business Type Activities	2006 Total Primary Government	2005 Total Primary Government
Current and Other Assets	$ 16,380,282	22,600,401	38,980,683	34,747,396
Capital Assets	74,608,438	22,109,646	96,718,084	89,894,775
Total Assets	90,988,720	44,710,047	135,698,767	124,642,171
Long Term Debt Outstanding	18,702,406	4,887,832	23,590,238	21,888,389
Other Liabilities	5,616,182	1,310,562	6,926,744	5,758,845
Total Liabilities	24,318,588	6,198,394	30,516,982	35,862,789
Invested in Capital Assets Net of Related Debt	55,773,047	17,155,171	72,928,218	67,390,338
Restricted	10,137,359	1,525,133	11,662,492	7,253,109
Unrestricted	759,726	19,831,349	20,591,075	22,351,490
Total Net Assets	$ 66,670,132	38,511,653	105,181,785	96,994,937

TABLE 2
STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Business-Type Activities
Primary Government						
Governmental Activities						
General Government	$ 8,365,025	549,158	15,242	2,490	(7,798,136)	-
Highway and Street	3,984,365	-	-	1,583,197	(2,401,169)	-
Culture and Recreation	2,299,039	210,008	-	-	(2,089,031)	-
Airport	294,552	73,663	-	73,024	(147,865)	-
Interest on Long-Term Debt	971,242	-	-	-	(971,242)	-
Capital Outlay	296,573	-	-	-	(296,573)	
Total Governmental Activities	16,210,796	832,829	15,242	1,658,711	(13,704,016)	-
Business-Type Activities						
Water and Sewer	4,515,540	4,601,164	-	-	-	85,624
Solid Waste	584,419	905,645	-	-	-	321,226
Total Business-Type Activities	5,099,959	5,506,809	-	-	-	406,850
Total Primary Government	$ 21,310,757	6,339,638	15,242	1,658,711	(13,704,016)	406,850
Component Units						
Housing Authority of the City of Hays, Kansas	$ 341,214	55,293	234,902	45,224	-	-
Hays Public Library	1,172,303	3,856	41,108	50,606	-	-
Total Component Units	$ 1,513,517	59,149	276,010	95,830	-	-

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities
General Revenues		
Property Taxes	$ 4,379,973	-
Sales Tax	5,887,408	2,360,411
Franchise Taxes	1,350,563	-
Motor Fuel Taxes	605,674	-
Alcoholic Liquor Taxes	325,854	-
Transient Guest Taxes	440,315	-
Special Assessments	240,297	-
Unrestricted Interest Income	484,793	633,928
Miscellaneous	94,044	143,982
Reimbursements	166,321	-
Special Items	4,370,231	-
Transfers	2,151,600	(2,151,600)
Total General Revenues, Special Items and Transfers	20,497,293	986,721
Change in Net Assets	6,793,277	1,393,571
Net Assets - Beginning	59,876,855	37,118,082
Net Assets - Ending	$ 66,670,132	38,511,653

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the City had $96,718,084 invested in capital assets less depreciation.

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

	Governmental Activities	Business Type Activities	2006 Total Primary Government	2005 Total Primary Government
Land	$ 18,806,065	110,489	18,916,554	14,637,267
Infrastructure	47,430,979	8,866,724	56,297,703	52,758,122
Circle K Ranch	-	3,171,473	3,171,473	3,177,597
Building and Equipment	8,371,394	9,960,960	18,332,354	19,321,789
Total	$ 74,608,438	22,109,646	96,718,084	89,894,775

The City reports its governmental-type infrastructure assets (e.g., streets, bridges, traffic signals, signs and storm sewer systems) using the modified approach as defined by GASB No. 34. Infrastructure assets reported by the modified approach are not required to be depreciated as long as the City manages the eligible infrastructure assets using an asset management system that meets certain criteria and

documents that infrastructure assets are being preserved approximately at a condition level established by the City. It is the City's policy to maintain and preserve infrastructure assets at a minimum condition level of "Fair". All infrastructure assets were assessed at condition levels of "Fair" to "Excellent" during 2006. 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 2006. The City's estimated annual amount of expenditures was $4,268,191 compared to the actual expenditures of $4,292,963.

DEBT

At the end of 2006, the City had the following debt:

TABLE 4
OUTSTANDING DEBT AT YEAR-END

	Governmental Activities	Business Type Activities	2006 Total Primary Government	2005 Total Primary Government
Capital Leases	$ 953,326	-	953,326	1,043,160
G.O. Bonds	17,749,080	115,920	17,865,000	13,245,000
Temporary Notes	-	-	-	1,985,000
Revenue Bonds	-	4,771,912	4,771,912	5,615,229
Total	$ 18,702,406	4,887,832	23,590,238	21,888,389

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

Toby Dougherty
City Manager
City of Hays, Kansas

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Totals 2006	Totals 2005	Housing Authority of the City of Hays, Kansas	Hays Public Library
ASSETS						
Cash and Cash Equivalents	$ 8,272,149	19,548,586	27,820,735	23,274,246	117,591	798,133
Investments	-	-	-	2,000,000	4,985	-
Receivables (Net of Allowance for Uncollectibles)	3,971,098	196,712	4,167,810	3,984,447	13	1,097,052
Internal Balances	-	4,988	4,988	4,298	-	-
Due from Other Governments	56,826	-	56,826	33,822	2,692	-
Prepaid Insurance	-	-	-	-	1,219	-
Inventory	-	-	-	-	1,101	-
Restricted Assets-Cash and Cash Equivalents						
Budget Stabilization	3,281,228	-	3,281,228	3,345,655	-	-
Customer Deposits	-	177,473	177,473	172,174	6,567	-
Revenue Refunding Bonds - Series 2003	-	346,730	346,730	344,689	-	-
Revenue Sales Tax Bonds - Series 2003	-	301,835	301,835	302,335	-	-
Reserve for Capital Improvements	-	1,978,512	1,978,512	1,227,581	-	-
Capital Assets (Note 1D) - Net of Depreciation						
Land and Infrastructure	66,237,044	8,977,213	75,214,257	67,395,389	212,141	-
Depreciable Buildings and Equipment	8,371,394	9,960,960	18,332,354	19,321,789	859,304	3,976,649
Circle K Ranch	-	3,171,473	3,171,473	3,177,597	-	-
Issuance Costs - (Net of Amortization)	-	45,565	45,565	58,149	-	-
Total Assets	90,189,739	44,710,047	134,899,786	124,642,171	1,205,613	5,871,834
LIABILITIES						
Accounts Payable	211,225	76,190	287,415	387,387	3,047	41,232
Accrued Payroll	213,158	38,069	251,227	236,167	627	143
Accrued Vacation	18,494	17,155	35,649	42,305	-	-
Accrued Paid Time Off	268,057	17,080	285,137	178,317	-	-
Accrued Sick Leave Payout	44,277	-	44,277	222,498	-	-
Accrued Interest Payable	878,306	-	878,306	534,964	-	-
Internal Balances	-	4,988	4,988	4,298	-	-
Accrued Interest - Revolving Loan	-	32,001	32,001	35,595	-	-
Deferred Revenue	3,861,372	-	3,861,372	3,624,278	-	1,097,052
Restricted Assets						
Customer Deposits	-	177,473	177,473	172,174	4,850	-
Accrued Interest - Revenue and Sales Tax Bonds	-	34,642	34,642	45,489	-	-
Compensated Absences (Note 1P)	121,293	113,983	235,276	275,373	3,040	122,917
State of Kansas Waste Water Revolving Loan (Note 3)						
Due Within One Year	-	299,935	299,935	288,317	-	-
Due in More Than One Year	-	2,266,977	2,266,977	2,566,912	-	-
Totals Carried Forward	$ 5,616,182	3,078,493	8,694,675	8,614,074	11,564	1,261,344

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

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Totals 2006	Totals 2005	Housing Authority of the City of Hays, Kansas	Hays Public Library
Totals Brought Forward	$ 5,616,182	3,078,493	8,694,675	8,614,074	11,564	1,261,344
Revenue Refunding Bonds - Series 2003 (Note 3)						
Due Within One Year	-	265,000	265,000	255,000	-	-
Due in More Than One Year	-	1,160,000	1,160,000	1,425,000	-	-
Sales Tax Refunding Bonds - Series 2003 (Note 3)						
Due Within One Year	-	305,000	305,000	300,000	-	-
Due in More Than One Year	-	475,000	475,000	780,000	-	-
Capital Leases (Note 2)						
Due Within One Year	59,854	-	59,854	89,834	-	-
Due in More Than One Year	893,472	-	893,472	953,326	-	-
G.O. Bonds Payable (Note 3)						
Due Within One Year	1,353,458	11,520	1,364,978	1,125,000	-	-
Due in More Than One Year	16,395,622	104,400	16,500,022	12,120,000	-	-
Temporary Notes	-	-	-	1,985,000	-	-
Total Liabilities	24,318,588	5,399,413	29,718,001	27,647,234	11,564	1,261,344
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	55,773,047	17,155,171	72,928,218	67,390,338	1,071,445	3,976,649
Restricted for:						
Budget Stabilization	3,281,228	-	3,281,228	3,345,655	-	-
Capital Projects	2,867,497	-	2,867,497	801,133	-	-
Debt Service	603,752	-	603,752	550,550	-	-
Encumbrances	2,585,901	756,275	3,342,176	1,277,913	-	-
Capital Improvements	-	768,858	768,858	1,277,858	1,717	-
Unrestricted	759,726	20,630,330	21,390,056	22,351,490	120,887	633,841
Total Net Assets	$ 65,871,151	39,310,634	105,181,785	96,994,937	1,194,049	4,610,490

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, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Totals 2006	Totals 2005	Component Units: Housing Authority of the City of Hays, Kansas	Component Units: Hays Public Library
Primary Government										
Governmental Activities										
General Government	$ 8,365,026	549,158	15,242	2,490	(7,798,136)	-	(7,798,136)	(6,252,939)	-	-
Highway and Street	3,984,366	-	-	784,216	(3,200,150)	-	(3,200,150)	(463,041)	-	-
Culture and Recreation	2,299,039	210,008	-	-	(2,089,031)	-	(2,089,031)	(1,971,878)	-	-
Airport	294,552	73,663	-	73,024	(147,865)	-	(147,865)	1,084,739	-	-
Interest on Long-Term Debt	971,242	-	-	-	(971,242)	-	(971,242)	(718,019)	-	-
Capital Outlay	296,573	-	-	-	(296,573)		(296,573)	(265,641)	-	-
Total Governmental Activities	16,210,798	832,829	15,242	859,730	(14,502,997)	-	(14,502,997)	(8,586,779)	-	-
Business-Type Activities										
Water and Sewer	3,716,559	4,601,164	-	-	-	884,605	884,605	1,081,295	-	-
Solid Waste	584,419	905,645	-	-	-	321,226	321,226	302,810	-	-
Total Business-Type Activities	4,300,978	5,506,809	-	-	-	1,205,831	1,205,831	1,384,105	-	-
Total Primary Government	$ 20,511,776	6,339,638	15,242	859,730	(14,502,997)	1,205,831	(13,297,166)	(7,202,674)	-	-
Component Units										
Housing Authority of the City of Hays, Kansas	$ 341,214	55,293	234,902	45,224	-	-	-	-	(20,767)	-
Hays Public Library	1,172,303	3,856	41,108	50,606	-	-	-	-	-	(1,110,743)
Total Component Units	$ 1,513,517	59,149	276,010	95,830	-	-	-	-	(20,767)	(1,110,743)
General Revenues										
Property Taxes					$ 4,379,973	-	4,379,973	5,719,726	-	1,119,042
Sales Tax					5,887,408	2,360,411	8,247,819	7,320,512	-	-
Franchise Taxes					1,350,583	-	1,350,583	1,278,725	-	-
Motor Fuel Taxes					605,874	-	605,874	616,078	-	-
Alcoholic Liquor Taxes					325,854	-	325,854	285,252	-	-
Transient Guest Taxes					440,315	-	440,315	455,580	-	-
Special Assessments					240,297	-	240,297	255,878	-	-
Unrestricted Interest Income					484,793	633,928	1,118,721	635,708	1,472	19,676
Miscellaneous					94,044	143,982	238,026	561,222	-	2,706
Reimbursements					166,321	-	166,321	649,818	-	10,139
Special Items					4,370,231	-	4,370,231	9,074		
Transfers					2,151,600	(2,151,600)	-	-	-	-
Total General Revenues, Special Items and Transfers					20,497,293	986,721	21,484,014	17,787,573	1,472	1,151,563
Change in Net Assets					5,994,296	2,192,552	8,186,848	10,584,899	(19,295)	40,820
Net Assets - Beginning					59,876,855	37,118,082	96,994,937	86,410,038	1,213,344	4,569,670
Net Assets - Ending					$ 65,871,151	39,310,634	105,181,785	96,994,937	1,194,049	4,610,490

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

CITY OF HAYS, KANSAS
Balance Sheet
Governmental Funds
December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	General Fund	Bond and Interest Fund	Capital Projects Fund	Other Governmental Funds	Totals 2006	Totals 2005
ASSETS						
Cash and Investments	$ 5,334,860	493,954	(2,285,698)	4,729,033	8,272,149	7,191,737
Receivables - Net						
Accounts Receivable	34,431	-	72,795	2,500	109,726	139,363
Due from Other Governments	56,826	-	798,981	-	855,807	33,822
Taxes	-	1,127,241	-	2,734,131	3,861,372	3,624,278
Reserved Cash	3,281,228	-	-	-	3,281,228	3,345,655
Total Assets	$ 8,707,345	1,621,195	(1,413,922)	7,465,664	16,380,282	14,334,855
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	$ 103,064	-	61,191	46,970	211,225	302,413
Accrued Payroll	203,272	-	-	9,886	213,158	203,392
Accrued Vacation	18,494	-	-	-	18,494	21,574
Accrued Paid Time Off	255,414	-	-	12,643	268,057	167,315
Accrued Sick Leave Pay Out	41,531	-	-	2,746	44,277	202,123
Deferred Revenues	-	1,127,241	-	2,734,131	3,861,372	3,624,278
Total Liabilities	621,775	1,127,241	61,191	2,806,376	4,616,583	4,521,095
Fund Balance						
Reserved						
Reserved for Encumbrances	306,524	-	1,899,452	379,925	2,585,901	870,186
Reserved for Budget Stabilization	3,281,228	-	-	-	3,281,228	-
Unreserved						
Designated for Subsequent Year's Expenditures	3,153,283	300,144	-	3,781,311	7,234,738	7,770,565
Undesignated	1,344,535	193,810	(3,374,565)	498,052	(1,338,168)	1,173,009
Total Fund Balance	8,085,570	493,954	(1,475,113)	4,659,288	11,763,699	9,813,760
Total Liabilities and Fund Balance	$ 8,707,345	1,621,195	(1,413,922)	7,465,664	16,380,282	14,334,855

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

CITY OF HAYS, KANSAS
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
December 31, 2006

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

Fund Balances of Governmental Funds from the Balance Sheet	$	11,763,699
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.		74,608,438
Internal balances between the Governmental and Business-Type Activities is eliminated on the Statement of Net Assets.		(798,981)
Long-Term debt, capital leases, and compensated absences have not been included in the Governmental Fund activity on the Balance Sheet.		
G.O. Bonds		(17,749,080)
Capital Leases		(953,326)
Compensated Absences		(121,293)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the Governmental Funds on the Balance Sheet.		(878,306)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (Statement 1).	$	65,871,151

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

CITY OF HAYS, KANSAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	General Fund	Bond and Interest Fund	Capital Projects Fund	Other Governmental Funds	Totals 2006	Totals 2005
Revenues						
Taxes	$ 6,072,086	1,650,700	-	2,784,892	10,507,678	11,019,419
Intergovernmental	123,860	-	388,298	1,339,949	1,852,107	5,086,286
Licenses & Fees	1,448,748	-	-	-	1,448,748	1,381,097
Fines and Forfeitures	436,093	-	-	-	436,093	378,790
Use of Money & Property	459,715	-	-	-	459,715	275,350
Collections	220,383	-	-	78,188	298,571	259,509
Donations	2,490	-	10,000	-	12,490	24,125
Prior Year Encumbrances Voided	6,989	-	6,910	-	13,899	126,202
Developer Contributions	-	-	240,082	-	240,082	-
Reimbursements	-	-	898,908	-	898,908	-
Miscellaneous	69,221	-	42,409	61,012	172,642	788,563
Total Revenues	8,839,585	1,650,700	1,586,607	4,264,041	16,340,933	19,339,341
Expenditures						
Current -						
General Government	5,665,822	-	-	2,087,492	7,753,314	7,284,340
Highway and Street	1,442,824	-	5,648,218	717,504	7,808,546	6,818,673
Culture and Recreation	794,581	-	-	1,116,874	1,911,455	1,833,226
Airport	-	-	-	229,714	229,714	1,398,471
Debt Service	-	1,577,494	-	130,568	1,708,062	1,812,498
Capital Outlay	363,316	-	-	684,513	1,047,829	1,138,616
Total Expenditures	8,266,543	1,577,494	5,648,218	4,966,665	20,458,920	20,285,824
Excess (Deficiency) of Revenues Over Expenditures	573,042	73,206	(4,061,611)	(702,624)	(4,117,987)	(946,483)
Other Financing Sources (Uses)						
G.O. Bond Proceeds	-	-	4,141,884	1,603,116	5,745,000	1,360,001
Temporary Note Proceeds	-	-	-	-	-	1,985,000
Temporary Note Retirement	-	-	-	(1,985,000)	(1,985,000)	(6,721,000)
Sale of Equipment	138,527	-	-	-	138,527	9,074
Transfers In	1,678,600	17,800	348,555	1,305,520	3,350,475	4,087,399
Transfers Out	(635,000)	(6,186)	-	(539,890)	(1,181,076)	(1,800,799)
Total Other Financing Sources (Uses)	1,182,127	11,614	4,490,439	383,746	6,067,926	(1,080,325)
Net Change in Fund Balances	1,755,169	84,820	428,828	(318,878)	1,949,939	(2,026,808)
Fund Balance - January 1	6,330,401	409,134	(1,903,941)	4,978,166	9,813,760	11,840,568
Fund Balance - December 31	$ 8,085,570	493,954	(1,475,113)	4,659,288	11,763,699	9,813,760

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

CITY OF HAYS, KANSAS
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2006

Net Changes in Fund Balances - Total Governmental Funds (Statement 4)	$	1,949,939
Amounts Reported for Governmental Activities in the Statement of Activities (Statement 2) are different because:		
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 ($4,617,741) exceeded depreciation ($852,323) in the current period.		3,765,418
Governmental Funds report the total proceeds from the disposal of assets as revenue. However, in the Statement of Activities, the disposal of assets is reported net of the adjusted basis of the assets. This is the amount of the total adjusted basis of assets disposed.		(399,083)
Non-cash contributions of capital assets are reported in the Statement of Activities as special items. This is the amount of land and right of ways donated to the City and not reported in the Governmental Funds.		4,354,236
Internal balances between the Governmental and Business-Type Activities is eliminated on the Statement of Net Assets.		(798,981)
Governmental Funds report lease payments as expenditures. However, in the statement of activities the principal portions of the payments reduce long-term liabilities. This is the amount of principal from lease payments applied to capital lease obligations.		89,834
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which bond proceeds ($5,745,000) exceeded bond repayments ($1,113,840) recorded in the General Governmental Funds.		(4,631,160)
Temporary note proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of temporary note principal is an expenditure in the Governmental Funds, but the repayment reduces long term liabilities in the Statement of Net Assets. This is the amount of temporary note repayments ($1,985,000) recorded in the General Governmental Funds.		1,985,000
Accrued interest payable increased ($343,342) from the prior year, and compensated absences decreased ($22,435) from the prior year. These balances are not accounted for in the General Governmental Funds. However, the changes are reflected in the Statement of Activities.		(320,907)
Change in Net Assets of Governmental Activities (Statement 2)	$	5,994,296

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

CITY OF HAYS, KANSAS
Balance Sheet
Proprietary Funds
December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

ASSETS	Enterprise Funds: Water and Sewer Fund	Enterprise Funds: Solid Waste Utility Fund	Totals 2006	Totals 2005
Current Assets				
Cash & Cash Equivalents				
Operating Account	$ 2,261,825	270,249	**2,532,074**	2,835,691
Local Sales Tax Account	17,016,512	-	**17,016,512**	15,246,818
Accounts Receivable (Net)	196,712	-	**196,712**	220,806
Due From Water and Sewer Fund	-	4,988	**4,988**	4,298
Total Current Assets	19,475,049	275,237	**19,750,286**	18,307,613
NonCurrent Assets				
Restricted Cash and Cash Equivalents				
Customer Deposits	177,473	-	**177,473**	172,174
Reserve for Capital Improvements	1,736,982	241,530	**1,978,512**	1,227,581
Revenue Refunding Bonds - Series 2003				
Principal & Interest Account	153,730	-	**153,730**	151,689
Bond Reserve Account	193,000	-	**193,000**	193,000
Sales Tax Refunding Bonds - Series 2003				
Principal & Interest Account	161,835	-	**161,835**	162,335
Bond Reserve Account	140,000	-	**140,000**	140,000
Total Restricted Cash and Cash Equivalents	2,563,020	241,530	**2,804,550**	2,046,779
Capital Assets				
Water				
Land & Right-of-Ways	110,489	-	**110,489**	110,489
Infrastructure	13,195,674	-	**13,195,674**	13,108,098
Equipment	10,236,836	-	**10,236,836**	10,236,836
Water Banking Plan	2,082,834	-	**2,082,834**	2,082,834
Circle K Ranch	3,718,865	-	**3,718,865**	3,718,865
Sewer and Solid Waste				
Building & Structures	11,782,910	253,434	**12,036,344**	12,036,344
Equipment	-	729,801	**729,801**	729,801
	41,127,608	983,235	**42,110,843**	42,023,267
Less - Accumulated Depreciation	(19,614,906)	(386,291)	**(20,001,197)**	(19,016,359)
Total Capital Assets	21,512,702	596,944	**22,109,646**	23,006,908
Other Assets				
Issuance Costs Net of Applicable Amortization	45,565	-	**45,565**	58,149
Total NonCurrent Assets	24,121,287	838,474	**24,959,761**	25,111,836
Total Assets	$ 43,596,336	1,113,711	**44,710,047**	43,419,449

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

CITY OF HAYS, KANSAS
Balance Sheet
Proprietary Funds
December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

LIABILITIES	Enterprise Funds: Water and Sewer Fund	Enterprise Funds: Solid Waste Utility Fund	Totals 2006	Totals 2005
Current Liabilities				
Accounts Payable	$ 40,487	22,560	**63,047**	69,800
Due on Capital Project	798,981	-	**798,981**	-
Sales Tax	3,943	-	**3,943**	5,747
State Water Fee	9,200	-	**9,200**	9,427
Accrued Payroll	27,639	10,430	**38,069**	32,775
Accrued Vacation	11,566	5,589	**17,155**	20,731
Accrued Paid Time Off	13,981	3,099	**17,080**	11,002
Accrued Sick Leave Payout	-	-	**-**	20,375
Current Portion - Revolving Loan	299,935	-	**299,935**	288,317
Accrued Interest - Revolving Loan	32,001	-	**32,001**	35,595
G. O. Bonds - Building	11,520	-	**11,520**	11,160
Due to Other Funds	4,988	-	**4,988**	4,298
Total Current Liabilities	1,254,241	41,678	**1,295,919**	509,227
Current Liabilities Payable From Restricted Assets				
Customer Deposits	172,973	-	**172,973**	167,674
Monitoring Well Deposits	4,500	-	**4,500**	4,500
Accrued Interest - Bonds	34,642	-	**34,642**	45,489
Revenue Refunding Bonds - Series 2003	265,000	-	**265,000**	255,000
Sales Tax Refunding Bonds - Series 2003	305,000	-	**305,000**	300,000
Total Current Liabilities Payable From Restricted Assets	782,115	-	**782,115**	772,663
Noncurrent Liabilities				
G.O. Bonds - Building	104,400	-	**104,400**	115,920
State of Kansas Waste Water Revolving Loan	2,266,977	-	**2,266,977**	2,566,912
Revenue Refunding Bonds - Series 2003	1,160,000	-	**1,160,000**	1,425,000
Sales Tax Refunding Bonds - Series 2003	475,000	-	**475,000**	780,000
Total Noncurrent Liabilities	4,006,377	-	**4,006,377**	4,887,832
Total Liabilities	6,042,733	41,678	**6,084,411**	6,169,722
Net Assets				
Invested in Capital Assets, Net of Related Debt	16,558,227	596,944	**17,155,171**	17,183,515
Restricted for:				
Encumbrances	752,457	3,818	**756,275**	407,727
Capital Improvements	527,328	241,530	**768,858**	1,277,858
Unrestricted	19,715,591	229,741	**19,945,332**	18,380,627
Total Net Assets	$ 37,553,603	1,072,033	**38,625,636**	37,249,727
Compensated absences for sick leave are not reported in the buisness-type activities in the statement of Net Assets. The amount accrued for sick leave is not available for distribution when the employee terminates.			(113,983)	(131,645)
Net Assets of Business-Type Activities (Statement 1)			$ **38,511,653**	37,118,082

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

CITY OF HAYS, KANSAS

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	Water and Sewer Fund	Solid Waste Utility Fund	Totals 2006	Totals 2005
Operating Revenues				
Charges for Sales & Services				
Water Sales	$ 2,370,482	-	**2,370,482**	2,354,459
Water Sales Conservation Rate	287,138	-	**287,138**	271,229
Sub-Total Water Sales	2,657,620	-	**2,657,620**	2,625,688
Sewer Charges	1,858,968	-	**1,858,968**	1,854,636
Refuse Collections	-	865,688	**865,688**	857,675
Tap Fees	40,915	-	**40,915**	34,893
Sales & Other Charges	43,661	39,957	**83,618**	105,217
Total Operating Revenues	4,601,164	905,645	**5,506,809**	5,478,109
Operating Expenses				
Water Production	912,621	-	**912,621**	902,734
General Administration	29,835	-	**29,835**	86,034
Wastewater Treatment	519,332	-	**519,332**	658,578
Refuse Collection	-	533,988	**533,988**	547,147
Bad Debts	-	-	**-**	237,297
Amortization	12,584	-	**12,584**	12,584
Depreciation	932,544	52,294	**984,838**	1,066,407
Total Operating Expenses	2,406,916	586,282	**2,993,198**	3,510,781
Operating Income	2,194,248	319,363	**2,513,611**	1,967,328
NonOperating Revenues (Expenses)				
Local Sales Tax	2,360,411	-	**2,360,411**	2,276,697
Interest Income	624,048	9,880	**633,928**	361,734
Rent on Circle K Ranch	140,733	-	**140,733**	150,000
State Grant	-	-	**-**	121,500
Prior Year Encumbrances Voided	3,249	-	**3,249**	3,587
Interest Expense	(186,004)	-	**(186,004)**	(214,935)
Water Exploration	(694,292)	-	**(694,292)**	(565,589)
Total Non-Operating Revenues (Expenses)	2,248,145	9,880	**2,258,025**	2,132,994
Income (Loss) before Contributions and Transfers				
Transfers Out	(2,909,000)	(300,400)	**(3,209,400)**	(2,268,800)
Change in Net Assets	1,533,393	28,843	**1,562,236**	1,831,522
Capital Reserve Improvement Expenses	(186,327)	-	**(186,327)**	-
Total Net Assets - Beginning of Year	36,206,537	1,043,190		
Total Net Assets - End of Year	$ 37,553,603	1,072,033		
Compensated absences for sick leave are not reported in the business-type activities in the Statement of Revenues, Expenses, and Changes in Net Assets. The amount accrued for sick leave is not available for distribution when the employee terminates.			**17,662**	75,801
Internal balances between the Governmental and Business-Type Activities is eliminated on the Statement of Net Assets.			**798,981**	-
Change in Net Assets of Business-Type Activities (Statement 2)			$ **2,192,552**	1,907,323

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, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2006	2005
Cash Flows from Operating Activities				
Receipts from Customers	$ 4,630,557	904,954	**5,535,511**	5,955,613
Payments to Suppliers	(926,436)	(294,214)	**(1,220,650)**	(2,287,715)
Payments to Employees	(555,305)	(240,493)	**(795,798)**	(871,869)
Net Cash Provided by Operating Activities	3,148,816	370,247	**3,519,063**	2,796,029
Cash Flows from NonCapital Financing Activities				
State Aid Payments	-	-	-	121,500
Transfers to Other Funds	(1,851,200)	(300,400)	**(2,151,600)**	(2,268,800)
Net Cash Provided by Operating Activities	(1,851,200)	(300,400)	**(2,151,600)**	(2,147,300)
Cash Flows from Capital and Related Financing Activities				
Purchase & Construction of Cap. Assets	(532,722)	-	**(532,722)**	(108,817)
Water Exploration	(691,043)	-	**(691,043)**	(562,002)
Interest Paid	(200,445)	-	**(200,445)**	(223,373)
Principal Payments - Revolving Loan	(288,317)	-	**(288,317)**	(277,148)
Principal Payments - Bonds	(555,000)	-	**(555,000)**	(540,000)
Local Sales Tax	2,360,411	-	**2,360,411**	2,276,697
GO Bond Proceeds (Retired)	(11,160)	-	**(11,160)**	(10,800)
Net Cash Used for Capital and Related Financing Activities	81,724	-	**81,724**	554,557
Cash Flows from Investing Activities				
Rental Income	140,733	-	**140,733**	150,000
Interest on Investments	624,048	9,880	**633,928**	361,734
Net Cash Provided by Investing Activities	764,781	9,880	**774,661**	511,734
Net Increase in Cash and Cash Equivalents	2,144,121	79,727	**2,223,848**	1,715,020
Balances - Beginning of Year	19,697,236	432,052	**20,129,288**	18,414,268
Balances - End of the Year	$ 21,841,357	511,779	**22,353,136**	20,129,288
Cash and Cash Equivalents Per Statement 5				
Operating Account			$ **2,532,074**	2,835,691
Local Sales Tax Account			**17,016,512**	15,246,818
Total Restricted Cash and Cash Equivalents			**2,804,550**	2,046,779
Total Cash and Cash Equivalents at Year End			$ **22,353,136**	20,129,288

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, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	Enterprise Funds		Total	
	Water and Sewer Fund	Solid Waste Utility Fund	2006	2005
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	$ 2,194,248	319,363	**2,513,611**	1,967,328
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation and Amortization	945,128	52,294	**997,422**	1,078,991
Change in Assets & Liabilities				
(Increase) in Accounts Receivable	24,094	-	**24,094**	273,195
Increase (Decrease) in Accounts Payable	(1,025)	(429)	**(1,454)**	(750,049)
Increase (Decrease) Due to Other Funds	690	-	**690**	651
(Increase) Due from Other Funds	-	(690)	**(690)**	206,519
Increase (Decrease) in Accrued Liab.	(14,319)	(291)	**(14,610)**	19,394
Total Adjustments	954,568	50,884	**1,005,452**	828,701
Net Cash Provided by Operating Activities	$ 3,148,816	370,247	**3,519,063**	2,796,029

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

CITY OF HAYS, KANSAS
Statement of Fiduciary Net Assets
Private - Purpose Trust Fund
Fire Insurance Fund
December 31, 2006 and 2005

		2006	2005
ASSETS			
Cash and Investments	$	-	5,000
NET ASSETS			
Net Assets Held in Trust	$	-	5,000

Statement of Changes in Fiduciary Net Assets
Private - Purpose Trust Fund
Fire Insurance Fund
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

		2006	2005
Revenues Collections	$	**2,500**	5,000
Expenditures Contractual		**7,500**	420
Change in Net Assets		**(5,000)**	4,580
Net Assets - Beginning of the Year		**5,000**	420
Net Assets - End of the Year	$	**-**	5,000

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

CITY OF HAYS, KANSAS
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

		Police Judge	TDD Sales Tax Revenue	Totals 2006	Totals 2005
ASSETS					
Cash and Investments	$	80,772	12,317	**93,089**	64,971
Restricted Cash		1,729	-	**1,729**	1,271
Total Assets		82,501	12,317	**94,818**	66,242
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts Payable		23,946	-	**23,946**	18,621
Due to Other Funds		56,826	-	**56,826**	33,822
Total Liabilities		80,772	-	**80,772**	52,443
Net Assets					
Reserved for Debt		-	12,317	**12,317**	12,484
Reserved for ADSAP		1,729	-	**1,729**	1,315
Total Net Assets	$	1,729	12,317	**14,046**	13,799

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

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the **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:

A. Financial Reporting Entity

The **City of Hays, Kansas** 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.

The **City of Hays, Kansas** is the primary government as defined in GASB #14 and further amended by GASB #39. The City Commissioners are elected by the public. The Commission has the authority to make decisions, levy taxes, influence operations, and has the primary accountability in fiscal matters. The following are the component units of the **City of Hays, Kansas**. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City (as distinct from legal relationships).

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. Contact the City office for information on how to obtain a copy of the financial statements and audit report.

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

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements, the Statement of Net Assets, and the Statement of Activities report financial information for the City as a whole excluding fiduciary activities. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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

B. Government-Wide and Fund Financial Statements (cont.)

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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The **City of Hays, Kansas** reports the following major governmental and proprietary funds:

Major Governmental Funds

General Fund – The General Fund is the main operating fund of the City. This fund accounts for all unrestricted resources except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont.)

Bond and Interest Fund – This fund accounts for the accumulation of resource for, and the payment of interest and principal on general long-term debt, and the financing of special assessments, which are general obligations of the City.

Capital Projects Fund – This fund accounts for financial resources segregated for the acquisition or construction of major capital facilities and infrastructure for the City.

Major Proprietary Fund

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.

The City reports the following non-major governmental funds:

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to be expensed for specified purposes.

Capital Project Funds – To account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

Economic Development Fund – This fund accounts for the accumulation of resources for, and the payment of interest and principal on general obligation bonds, which were used to finance the Home Depot Construction.

The City reports the following non-major Proprietary Fund:

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

Additionally, the City reports the following fund category:

Fiduciary Funds

Agency Funds – To account for assets held by the City either as a trustee or as an agent for other funds, governmental entities, or private entities. Agency funds are custodial in nature and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued before December 1, 1989, generally are followed in both the government-wide and Proprietary Fund financial statements, to the extent that those standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent guidance from the Financial Accounting Standards Board applicable to private sector entities. The City has elected not to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont.)

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

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

D. 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.

As of December 31, 2006, the City had no investments.

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 not further limited its investment choices in its investment policy.

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 2006. All deposits were legally secured at December 31, 2006.

At December 31, 2006, the City's carrying amount of deposits including certificates of deposit was $33,999,831. The bank balance was $34,414,708. Of the bank balance, $511,550 was covered by FDIC insurance and the remaining $33,903,158 was collateralized with securities held by the pledging financial institutions' agents in the City's name. In addition, the City had cash on hand of $1,500.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

E. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Receivables and Payables

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

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. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City; and therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenues.

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

Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

The City records utility revenues on a monthly basis. The balance shown as accounts receivable at December 31, 2006 is comprised of accounts considered to be collectible by management. Balances are stated at net of anticipated uncollectible accounts.

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

H. 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.

I. Accounting for Capital Assets and Depreciation

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

I. Accounting for Capital Assets and Depreciation (cont.)

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 & Equipment	3 to 7 Years

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

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

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

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

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

During 2006, the infrastructure was assessed, and it was determined that the infrastructure was at condition levels of "Fair" to "Excellent". No significant deterioration of the infrastructure had occurred, and there were no significant changes in condition levels from the previous year's assessments.

I. Accounting for Capital Assets and Depreciation (cont.)

The following schedule shows the estimated annual amount of expenditures calculated during June 2005 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2006. It also shows the amounts actually expensed for each of the past four reporting periods.

		2003	2004	2005	2006		Totals
Estimated	$	1,406,670	2,647,300	3,881,304	4,268,191	$	12,203,465
Actual	$	680,620	1,474,624	6,041,805	4,292,963	$	12,490,012

Capital asset activity for the year ended December 31, 2006 was as follows.

Primary Government		Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:					
Non - Depreciable Capital Assets:					
Land & Right of Ways	$	14,526,778	4,372,736	(93,449)	18,806,065
Infrastructure (Modified Approach)		43,582,994	3,847,985	-	47,430,979
Total Non - Depreciable Capital Assets		**58,109,772**	**8,220,721**	**(93,449)**	**66,237,044**
Depreciable Capital Assets:					
Buildings		10,800,658	-	(320,710)	10,479,948
Machinery and Equipment		5,074,359	751,256	(107,540)	5,718,075
Total Depreciable Capital Assets		**15,875,017**	**751,256**	**(428,250)**	**16,198,023**
Less Accumulated Depreciation		**(7,096,922)**	**(852,323)**	**122,616**	**(7,826,629)**
Depreciable Capital Assets, Net of Accumulated Depreciation		**8,778,095**	**(101,067)**	**(305,634)**	**8,371,394**
Governmental Activities Capital Assets, Net of Accumulated Depreciation	$	**66,887,867**	**8,119,654**	**(399,083)**	**74,608,438**

I. Accounting for Capital Assets and Depreciation (cont.)

	Beginning Balances	Increases	Decreases	Ending Balances
Business - Type Activities:				
Non - Depreciable Capital Assets:				
Land	$ 110,489	-	-	110,489
Depreciable Capital Assets:				
Circle K Ranch	3,718,865	-	-	3,718,865
Infrastructure	15,190,932	87,576	-	15,278,508
Buildings	12,036,344	-	-	12,036,344
Machinery and Equipment	10,966,638	-	-	10,966,638
Total Depreciable Capital Assets	**41,912,779**	**87,576**	**-**	**42,000,355**
Less Accumulated Depreciation	**(19,016,360)**	**(984,838)**	**-**	**(20,001,198)**
Depreciable Capital Assets, Net of Accumulated Depreciation	**22,896,419**	**(897,262)**	**-**	**21,999,157**
Business - Type Activities Capital Assets, Net of Accumulated Depreciation	**$ 23,006,908**	**(897,262)**	**-**	**22,109,646**

J. Compensated Absences

In 2005, the City implemented a general leave policy of paid-time-off (PTO). PTO shall be accrued by full-time employees, and all employees shall have a maximum amount of PTO accrual equal to the number of hours they accrue during their anniversary year. Employees who exceed the accrual maximum shall not be credited with further PTO accrual until their accruals are reduced below the maximum level. Upon separation from employment with the City, employees who terminate in good standing will be paid for all accrued but unused PTO at their current rate of pay.

As of December 31, 2006, the City had not finalized labor contracts with the Service Employees International Union (SEIU). Thus, all City employees who participate in the SEIU are not eligible to accrue any compensation benefits. However, they can continue to use any and all accrued vacation and sick leave earned through December 31, 2005. The accrued compensated absences applicable for the governmental and business-type activities at December 31, 2006 has been recorded in the Statement of Net Assets for the amounts of $121,293 and $113,983, respectively.

K. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and 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.

L. Budgets

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. 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 ten 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 ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for this year.

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

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

A legal operating budget is not required for Capital Project Funds, the Pool Construction Fund, the Risk Management Reserve Fund, the Economic Development Bond Fund, and Fiduciary Funds.

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

L. Budgets (cont.)

The following table provides reconciliations 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 & Transfers Out Per Budget Basis
General Fund	$ 8,901,543	286,084	3,345,655	306,524	3,281,228	$ 8,857,556
Bond and Interest Fund	$ 1,583,680	-	-	-	-	$ 1,583,680
Capital Projects Fund	$ 5,648,218	512,516	-	1,899,452	-	$ 7,035,154

The following tables 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.

Water and Sewer Fund

	Statutory Basis	Statutory Adjustments	Encumbrances Prior Year	Encumbrances Current Year	GAAP Basis
Operating Revenues					
Charges for Sales & Services					
Water Sales	$ 2,370,482	-	-	-	**2,370,482**
Sewer Charges	1,858,968	-	-	-	**1,858,968**
Tap Fees	40,915	-	-	-	**40,915**
Water Allocation Charges	287,138	-	-	-	**287,138**
Sales & Other Charges	43,661	-	-	-	**43,661**
Total Operating Revenues	4,601,164	-	-	-	**4,601,164**
Operating Expenses					
Water Production	845,503	-	98,389	(31,271)	**912,621**
General Administration	29,835	-	-	-	**29,835**
Wastewater Treatment	519,515	-	304	(487)	**519,332**
Amortization	-	12,584	-	-	**12,584**
Depreciation	-	932,544	-	-	**932,544**
Total Operating Expenses	1,394,853	945,128	98,693	(31,758)	**2,406,916**
Operating Income	3,206,311	(945,128)	(98,693)	31,758	**2,194,248**
Non-Operating Revenues (Expenses)					
Local Sales Tax	2,360,411	-	-	-	**2,360,411**
Local Sales Tax Transfer	(2,456,459)	2,456,459	-	-	**-**
Equipment Purchases	(93,111)	93,111	-	-	**-**
Interest Income	624,048	-	-	-	**624,048**
Rent on R-9 Ranch	140,733	-	-	-	**140,733**
Prior Year Encumbrances Voided	3,249	-	-	-	**3,249**
Water Exploration Expenses	(68,391)	(665,663)	-	39,762	**(694,292)**
Transfers (Out)	(2,909,000)	-	-	-	**(2,909,000)**
Interest on Deposits	(17,800)	11,160	-	-	**(6,640)**
Principal Debt Service Payments	(843,317)	843,317	-	-	**-**
Capital Imp. Reserve Expenses	-	(643,872)			**(643,872)**
Interest Expense	(179,364)	-	-	-	**(179,364)**
Total Non-Operating (Revenues) Expenses	(3,439,001)	2,094,512	-	39,762	**(1,304,727)**
Net Income	$ (232,690)	1,149,384	(98,693)	71,520	**889,521**

M. Fund Equity

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

N. Deficit Fund Equity

The Capital Projects Fund, which is a major fund, had a deficit fund balance of $1,017,568 at December 31, 2006. The City anticipates funding this deficit through the issuance of debt in subsequent accounting periods when the construction projects are completed and the associated assets are capitalized.

O. Net Assets - Restricted

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

P. Special Assessments

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

Q. Defined Benefit Pension Plan

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

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP & F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for January 1, 2006 to June 30, 2006 was 4.61% and for July 1, 2006 to December 31, 2006 was 4.81%. **City of Hays, Kansas'** employer contributions to KPERS for the years ending December 31, 2006, 2005 and 2004 were $159,292, $177,339, and $166,397, respectively, equal to the required contributions for each year.

The KP&F employer rate established for the fiscal year beginning in 2006 was 12.39%. Employers participating in KP & F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. **City of Hays, Kansas** contributions to KP&F for the year ending December 31, 2006 was $265,772 equal to the required contributions for 2006.

R. 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 government under this program.

2. Capital Leases

The **City of Hays, Kansas** has entered into an agreement with the Hays Recreation Commission. The Hays Recreation Commission has agreed to reimburse the City the lease payments on the Hays Recreation Commission Ball Parks and the Hays Recreation Commission Building Facility.

As of December 31, 2006, the **City of Hays, Kansas** had the following capital lease:

Lease Date	Property
07-24-98	HRC Building Facility

The following is a schedule by years of future minimum lease payments for the governmental activities funds capital leases together with the present value of the net minimum lease payments as of December 31, 2006.

Year Ending December 31:		HRC Building Facility
2007	$	106,312
2008		106,312
2009		106,312
2010		106,312
2011		106,312
2012-2016		531,560
2017-2018		212,624
Total Minimum Lease Payments		1,275,744
Less: Amount Representing Interest		(322,418)
Present Value Of Future Minimum Lease Payments	$	953,326

3. Long-Term Debt

General Obligation Bonds

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

Purpose	Interest Rates	Amount
Governmental Activities	3.45 – 6.50%	$17,749,080
Business – Type Activities	4.50 – 6.50%	115,920
		$17,865,000

3. Long-Term Debt (cont.)

The annual requirements to retire G.O. Bonds as of December 31, 2006, are as follows:

Year	Principal Due	Bond Interest Due	Total
2007	1,365,000	878,306	**2,243,306**
2008	1,510,000	724,006	**2,234,006**
2009	1,465,000	660,810	**2,125,810**
2010	1,495,000	598,537	**2,093,537**
2011	1,195,000	534,055	**1,729,055**
2012-2016	4,205,000	2,034,116	**6,239,116**
2017-2021	3,960,000	1,107,508	**5,067,508**
2022-2026	2,670,000	323,570	**2,993,570**
Total	17,865,000	6,860,908	**24,725,908**

Revenue Bond and Revolving Loan

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

Purpose	Interest Rates	Amount
Business – Type Activities	3.60 – 5.25%	$4,771,912

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2006 are as follows:

Year	Bond Principal Due	Interest Due	Total
2007	$ 869,935	150,173	**1,020,108**
2008	897,022	126,436	**1,023,458**
2009	759,596	100,745	**860,341**
2010	627,677	76,659	**704,336**
2011	641,284	55,204	**696,488**
2012-2014	976,398	54,628	**1,031,026**
Total	$ 4,771,912	563,845	**5,335,757**

Transportation Development District Sales Tax Revenue Bonds

On November 15, 2004, the **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 of 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.

3. Long-Term Debt (cont.)

Long-term debt activity for the year ended December 31, 2006 was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
G.O. Bonds	$ 13,117,920	5,745,000	(1,113,840)	17,749,080	1,353,458
Capital Leases	1,043,160	-	(89,834)	953,326	59,854
Compensated Absences	143,728	-	(22,435)	121,293	121,293
Total Governmental Long-Term Liabilities	**14,304,808**	**5,745,000**	**(1,226,109)**	**18,823,699**	**1,534,627**
Business - Type Activities:					
G.O. Bonds	127,080	-	(11,160)	115,920	11,520
Revenue Bonds	2,760,000	-	(555,000)	2,205,000	570,000
State Revolving Loan	2,855,229	-	(288,317)	2,566,912	299,935
Total Bonds Payable	5,742,309	-	(854,477)	4,887,832	881,455
Compensated Absences	131,645	-	(17,662)	113,983	113,983
Total Business-Type Long-Term Liabilities	**5,873,954**	**-**	**(872,139)**	**5,001,815**	**995,438**
Total Long-Term Liabilities	**$ 20,178,762**	**5,745,000**	**(2,098,248)**	**23,825,514**	**2,530,065**

4. Compliance with Revenue Bond Provision Water Utility Fund

The Water and Sewage System Revenue Refunding Bonds - Series 2003 requires 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, 2006. Excess revenues totaled $931,274 for the prior year.

Gross Revenues			$ 4,601,164
Adjustments –			
Less –	Operating Expenses	$(1,461,788)	
	Transfers Out	(2,909,000)	
Add -	Interest Earned	624,048	
	Transfers In	-	
Net Adjustments			(3,746,740)
Net Revenues			**854,424**
Maximum Amount of Principal and Interest		303,278	
		125%	
Net Revenues Required			379,098
Excess			**$ 475,326**

5. Transfers and Payments

Transfers and payments 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 2006 were as follows.

5. Transfers and Payments (cont.)

From	To	Authority	Amount
Water & Sewer	General	12-825d	$ 1,413,600
Solid Waste	General	12-825d	179,400
Airport	General	79-2925	25,400
Convention & Tourism	General	79-2925	46,300
Special Alcohol	General	79-41a04	13,900
Solid Waste	Employee Benefit	12-825d	121,000
Water & Sewer	Employee Benefit	12-825d	242,000
Convention & Tourism	Employee Benefit	79-2925	36,300
Airport	Employee Benefit	79-2925	24,200
Special Alcohol	Employee Benefit	79-41a04	4,000
Risk Management Reserve	Employee Benefit	79-2925	530,644
2001 Capital Projects	Capital Projects	79-2925	348,555
Water & Sewer	Bond & Interest	12-825d	17,800
General	New Equipment Reserve	12-1,117	635,000
Special Park & Recreation	New Equipment Reserve	12-1,117	10,200
Airport	New Equipment Reserve	12-1,117	23,600
Water & Sewer	New Equipment Reserve	12-1,117	195,600
Bond & Interest	Economic Dev. Bond	79-2925	6,186
Airport	Economic Dev. Bond	79-2925	757
Public Safety Equipment	Economic Dev. Bond	79-2925	1,514
Employee Benefit	Economic Dev. Bond	79-2925	5,164
Totals			$ 3,881,120

In the fund financial statements, total transfers of $2,169,400 are equal to the total transfers out of $2,169,400 from Business-Type Funds.

6. Capital Projects

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

Project Name	Project Authorization	Expenditures to Date
Vine Street Reconstruction	$ 2,713,481	2,713,481
8th Street Reconstruction	1,016,724	1,115,586
Ash Street Waterline Upgrade	387,884	6,250
Smoky Hill Wellfield Expansion	4,402,944	352,009
22nd Street Construction	1,467,563	49,350
Hall Street Reconstruction	1,492,917	1,466,311
Reverse Access Road 48th to 55th	2,749,387	2,736,577
Golden Belt Estates First Addition	407,918	405,882
General Custer Waterline Loop	288,300	248,194
41st Street Plaza Fifth Addition	618,395	609,962
Ottley North I-70	7,000	7,000
Convention and Visitor's Bureau Building	1,420,620	49,332
55th Street Reconstruction	194,058	194,058
41st Street Economic Development Grant	741,573	63,290
Golden Belt 2nd Addition	1,519,410	1,521,564
Wastewater Plant	45,300	17,000
Effluent Recovery	41,600	41,600
Covenant Place Addition	383,106	383,106
46th Street First Addition	457,127	457,127
Curb Repairs 2005	35,751	35,751
2006 General Hays Road	76,965	76,965
Airport Improvements – Grant 14	2,349,541	1,530,488

6. Capital Projects (cont.)

Project Name	Project Authorization	Expenditures to Date
Airport Improvements – Grant 15/16	1,508,550	1,363,613
Airport Improvements – Grant 18	53,078	12,394

7. Use of Estimates in the Preparation of Financial Statements

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

8. Risk Management – Claims and Judgments

The City 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 it considered to be economically justifiable.

The City carries commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, automobile and fidelity bond coverage.

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

The City also participates in the Kansas Municipal Insurance Trust (KMIT) to provide workers compensation insurance. The City joined KMIT in January 2005. The City, along with other participating cities, contributes annual amounts determined by KMIT management. As claims arise they are submitted to and paid by KMIT. During 2006, the City contributed $151,490 to the fund for this insurance coverage.

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.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of December 31, 2006, the financial statements do not include liabilities for anticipated costs.

9. Litigation

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

10. Grants and Shared Revenues

The City 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.

11. Comparative Data and Reclassifications

Comparative totals for the prior year are presented in the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. The comparative totals appear in the government-wide financial statements and the accompanying supplemental financial statements.

On the government-wide "Statement of Net Assets", the 2005 "Net Assets Restricted for Subsequent Year's Expenditures" was reclassified to "Unrestricted Net Assets". Designations for subsequent year's expenditures is considered a self-imposed restriction by management and should not be reported as a part of restricted net assets as prescribed by GAAP. For purposes of the 2005 comparison totals, $7,588,832 of restricted net assets was reclassified to "Unrestricted Net Assets".

On the government-wide "Statement of Net Assets", the 2005 "Unrestricted Net Assets" was reclassified to "Invested in Capital Assets, Net of Related Debt". For purposes of the 2005 comparison totals, $67,390,338 was reclassified to "Invested in Capital Assets, Net of Related Debt" as prescribed by GAAP.

12. Non-Monetary Transactions

The City received land and right of way donations from citizens during 2006. The City has recorded these donations at their fair market value of $4,354,236 in "Special Items" on the "Statement of Activities".

13. Subsequent Event

The City purchased the Army Reserve Building located at 101 Main Street, Hays, Kansas, from the Heart of America Development Corporation for $180,000 in 2006. However, the United States government did not approve the Quit Claim Deed for transfer of ownership until January 9, 2007. Because the City did not have possession of the building as of December 31, 2006, the purchase of the building was not capitalized and is not included in capital assets for 2006.

CITY OF HAYS, KANSAS

Hays, Kansas

Supplemental Information

For the Year Ended December 31, 2006

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ 5,334,860	3,631,353
Receivables		
Accounts Receivable	34,431	872
Due From Other Governments	56,826	33,822
Total Receivables	91,257	34,694
Other Asset		
Reserved Cash - Budget Stabilization	3,281,228	3,345,655
Total Assets	$ 8,707,345	7,011,702
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	$ 103,064	107,736
Accrued Payroll	203,272	195,003
Accrued Vacation	18,494	21,574
Accrued Paid Time Off	255,414	160,520
Accrued Sick Leave Pay Out	41,531	196,468
Total Liabilities	621,775	681,301
Fund Balance		
Reserved for Encumbrances	306,524	286,084
Reserved for Budget Stabilization	3,281,228	3,345,655
Unreserved -		
Designated for Subsequent Year's Expenditures	3,153,283	2,698,662
Undesignated	1,344,535	-
Total Fund Balance	8,085,570	6,330,401
Total Liabilities and Fund Balance	$ 8,707,345	7,011,702

See Accountants' Report.

CITY OF HAYS, KANSAS
General Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues (Page Four)	$ 8,139,256	**8,839,585**	700,329	9,531,883
Expenditures (Page Four)	9,208,809	**8,222,556**	986,253	8,165,717
Excess of Revenues Over (Under) Expenditures	(1,069,553)	**617,029**	1,686,582	1,366,166
Other Financing Sources (Uses)				
Sale of Property	-	**138,527**	138,527	9,074
Transfers In	1,678,600	**1,678,600**	-	2,603,315
Transfers Out	(4,415,129)	**(635,000)**	3,780,129	(543,600)
Total Other Financing Sources (Uses)	(2,736,529)	**1,182,127**	3,918,656	2,068,789
Excess Revenues and Other Sources Over Expenditures & Other (Uses)	(3,806,082)	**1,799,156**	5,605,238	3,434,955
Fund Balance - January 1	3,870,509	**6,330,401**	2,459,892	2,618,362
Increase (Decrease) in Reserve for Encumbrances	-	**20,440**	20,440	277,084
Increase (Decrease) in Reserve for Budget Stabilization	(64,427)	**(64,427)**	-	-
Fund Balance - December 31	$ -	**8,085,570**	8,085,570	6,330,401

See Accountants' Report.

CITY OF HAYS, KANSAS
General Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Taxes				
Ad Valorem	$ -	-	-	1,632,274
Delinquent	30,000	**23,254**	(6,746)	20,374
Motor Vehicle	-	**225,668**	225,668	237,093
Recreational Vehicle	-	**2,774**	2,774	2,847
16/20 M Truck Tax	-	**2,068**	2,068	1,871
Local Sales	5,730,000	**5,818,322**	88,322	5,043,815
Total Taxes	5,760,000	**6,072,086**	312,086	6,938,274
Intergovernmental				
Liquor Tax	84,000	**108,618**	24,618	95,084
State Grant	-	**8,125**	8,125	-
Federal Grant	-	**7,117**	7,117	16,907
Total Intergovernmental	84,000	**123,860**	39,860	111,991
Licenses and Permits				
Franchise Tax	1,231,056	**1,350,583**	119,527	1,278,725
Licenses	36,000	**42,335**	6,335	42,723
Permits	50,000	**55,830**	5,830	59,649
Total Licenses and Permits	1,317,056	**1,448,748**	131,692	1,381,097
Fines and Forfeitures				
Fines and Court Fees	359,000	**436,093**	77,093	378,790
Use of Money and Property				
Interest Income	235,000	**458,515**	223,515	265,401
Rent	1,200	**1,200**	-	1,376
Total Use of Money & Property	$ 236,200	**459,715**	223,515	266,777

See Accountants' Report.

CITY OF HAYS, KANSAS
General Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

		2006			
		Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Miscellaneous					
Golf Course Fees	$	170,000	**205,483**	35,483	173,415
Cemetery Receipts		9,000	**14,900**	5,900	12,855
Donations		-	**2,490**	2,490	24,125
Insurance Proceeds		-	**2,500**	2,500	168,662
Capital Credits		-	**14,567**	14,567	10,493
Miscellaneous Receipts		204,000	**52,154**	(151,846)	61,302
Prior Year Encumbrances Voided		-	**6,989**	6,989	4,102
Total Miscellaneous		383,000	**299,083**	(83,917)	454,954
Total General Fund Revenues	$	8,139,256	**8,839,585**	700,329	9,531,883
Expenditures					
City Commission	$	22,900	**20,011**	2,889	16,459
City Manager		929,900	**691,430**	238,470	444,752
Human Resources		134,600	**131,180**	3,420	153,168
Information Technology		350,100	**317,196**	32,904	254,024
City Attorney		101,000	**97,957**	3,043	85,265
City Clerk		315,900	**291,887**	24,013	310,588
Intergovernmental		287,022	**258,695**	28,327	241,169
Police Department		1,990,820	**1,906,603**	84,217	1,910,696
Municipal Court		125,700	**124,070**	1,630	120,656
Public Works-General Administration		187,800	**173,579**	14,221	169,728
Service Division		989,300	**820,957**	168,343	865,574
Planning, Inspection, & Enforcement		243,500	**227,658**	15,842	227,826
Building & Grounds		435,800	**360,906**	74,894	396,427
Fleet Maintenance		513,690	**457,338**	56,352	406,839
Fire Department		1,087,500	**1,031,566**	55,934	1,037,191
Parks & Playgrounds		683,600	**560,807**	122,793	543,573
Golf Course		224,700	**212,692**	12,008	406,114
Swimming Pool		82,500	**43,170**	39,330	92,095
Ballfield Maintenance		48,300	**40,107**	8,193	39,953
Cemeteries		37,900	**33,230**	4,670	23,173
Social Services		151,350	**151,350**	-	151,750
Economic Development		235,000	**240,240**	(5,240)	239,547
Qualify of Life		29,927	**29,927**	-	29,150
Total Expenditures	$	9,208,809	**8,222,556**	986,253	8,165,717

See Accountants' Report.

CITY OF HAYS, KANSAS
Library Fund
Balance Sheets
December 31, 2006 and 2005

		2006	2005
ASSETS			
Cash and Investments	$	33,790	73,970
Taxes Receivable		899,522	845,697
Total Assets	$	933,312	919,667
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	$	899,522	845,697
Fund Balance			
Designated for Subsequent Year's Expenditures		24,748	47,222
Undesignated		9,042	26,748
Total Fund Balance		33,790	73,970
Total Liabilities and Fund Balance	$	933,312	919,667

Library Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Taxes				
Ad Valorem	$ 838,320	841,544	3,224	813,423
Delinquent	13,000	12,372	(628)	10,179
Motor Vehicle	107,000	110,622	3,622	112,174
Recreational Vehicle	1,000	1,359	359	1,348
16/20M Truck Tax	500	965	465	924
Total Revenues	959,820	966,862	7,042	938,048
Expenditures				
Distributions to Library Board	1,007,042	1,007,042	-	945,000
Excess Revenues Over (Under) Expenditures	(47,222)	(40,180)	7,042	(6,952)
Fund Balance - January 1	47,222	73,970	26,748	80,922
Fund Balance - December 31	$ -	33,790	33,790	73,970

See Accountants' Report.

CITY OF HAYS, KANSAS
Library Employee Benefit Fund
Balance Sheets
December 31, 2006 and 2005

		2006	2005
ASSETS			
Cash and Investments	$	4,673	7,152
Taxes Receivable		85,133	95,578
Total Assets	$	89,806	102,730
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	$	85,133	95,578
Fund Balance			
Designated for Subsequent Year's Expenditures		2,998	4,156
Undesignated		1,675	2,996
Total Fund Balance		4,673	7,152
Total Liabilities and Fund Balance	$	89,806	102,730

Library Employee Benefit Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Taxes				
Ad Valorem	$ 94,744	95,184	440	94,269
Delinquent	900	1,377	477	992
Motor Vehicle	12,000	12,697	697	12,099
Recreational Vehicle	100	156	56	145
16/20M Truck Tax	100	107	7	91
Total Revenues	107,844	109,521	1,677	107,596
Expenditures				
Distributions to Library Board	112,000	112,000	-	105,000
Excess Revenues Over (Under) Expenditures	(4,156)	(2,479)	1,677	2,596
Fund Balance - January 1	4,156	7,152	2,996	4,556
Fund Balance - December 31	$ -	4,673	4,673	7,152

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Highway Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ 946,995	1,227,824
Accounts Receivable	2,500	-
Total Assets	$ 949,495	1,227,824
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	$ 72	1,243
Fund Balance		
Reserved for Encumbrances	25,626	22,942
Unreserved		
Designated for Subsequent Year's Expenditures	846,336	375,957
Undesignated	77,461	827,682
Total Fund Balance	949,423	1,226,581
Total Liabilities and Fund Balance	$ 949,495	1,227,824

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Highway Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Intergovernmental				
State Gasoline Tax	$ 625,000	569,154	(55,846)	579,383
Connecting Link Maintenance	36,000	36,720	720	36,695
State Aid	-	3,500	3,500	2,437,751
Prior Year Encumbrance Voided	-	-	-	122,100
Total Revenues	661,000	609,374	(51,626)	3,175,929
Expenditures				
Contractual Services	250,000	-	250,000	1,954
Capital Outlay	786,957	720,188	66,769	290,649
Total Expenditures	1,036,957	720,188	316,769	292,603
Excess Revenues Over (Under) Expenditures	(375,957)	(110,814)	265,143	2,883,326
Other Financing Sources (Uses)				
G.O. Bond Proceeds	-	1,291,699	1,291,699	104,211
Temporary Note Proceeds	-	-	-	1,460,727
Temporary Note Retirement	-	(1,460,727)	(1,460,727)	(4,195,459)
Transfers Out	-	-	-	(419,186)
(a) Budget Credit	1,291,699	-	1,291,699	-
Total Other Financing (Uses)	1,291,699	(169,028)	1,122,671	(3,049,707)
Excess Revenues & Other Sources Over (Under) Expenditures	$ 915,742	(279,842)	1,387,814	(166,381)
Fund Balance - January 1		1,226,581		2,729,348
Increase (Decrease) in Reserve for Encumbrances		2,684		(1,336,386)
Fund Balance - December 31		$ 949,423		1,226,581
(a) Budget Credit				
Excess G.O. Bond Proceeds Over Amount Budgeted		$ 1,291,699		

See Accountants' Report.

CITY OF HAYS, KANSAS
Employee Benefit Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ 1,163,979	877,172
Taxes Receivable	1,253,331	1,017,246
Total Assets	$ 2,417,310	1,894,418
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	$ 8,831	15,771
Deferred Revenues	1,253,331	1,017,246
Total Liabilities	1,262,162	1,033,017
Fund Balance		
Designated for Subsequent Year's Expenditures	1,050,652	425,891
Undesignated	104,496	435,510
Total Fund Balance	1,155,148	861,401
Total Liabilities and Fund Balance	$ 2,417,310	1,894,418

See Accountants' Report.

CITY OF HAYS, KANSAS
Employee Benefit Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Taxes				
Ad Valorem	$ 1,048,707	**1,011,278**	(37,429)	811,138
Delinquent	9,000	**12,405**	3,405	10,470
Motor Vehicle	100,000	**108,423**	8,423	111,211
Recreational Vehicle	1,200	**1,331**	131	1,341
16/20M Truck Tax	1,000	**896**	(104)	1,094
Insurance Company Reimbursement	-	-	-	238,700
Interest Income	-	**26,278**	26,278	-
Miscellaneous	-	**3,470**	3,470	1,063
Total Revenues	1,159,907	**1,164,081**	4,174	1,175,017
Expenditures				
Workmen's Compensation	175,000	**159,911**	15,089	156,282
Unemployment Compensation	17,117	**15,311**	1,806	10,515
Social Security	484,995	**449,103**	35,892	429,315
Employee Retirement	480,809	**419,813**	60,996	219,858
Contingency	600,000	**20,497**	579,503	-
Health Insurance	1,002,000	**753,039**	248,961	721,318
Contractual Services	10,000	**5,639**	4,361	5,719
Total Expenditures	2,769,921	**1,823,313**	946,608	1,543,007
Excess Revenues Over (Under) Expenditures	(1,610,014)	**(659,232)**	950,782	(367,990)
Other Financing Sources (Uses)				
Transfers In	1,194,223	**958,143**	236,080	796,300
Transfers Out	(10,100)	**(5,164)**	4,936	-
Total Other Financing Sources	1,184,123	**952,979**	241,016	796,300
Excess Revenues & Other Sources Over (Under) Expenditures	(425,891)	**293,747**	1,191,798	428,310
Fund Balance - January 1	425,891	**861,401**	435,510	433,091
Fund Balance - December 31	$ -	**1,155,148**	1,627,308	861,401

See Accountants' Report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ 337,260	201,050
Taxes Receivable	330,763	298,256
Total Assets	$ 668,023	499,306
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	$ 330,763	298,256
Fund Balance		
Reserved for Encumbrances	298,335	-
Unreserved		
Designated for Subsequent Year's Expenditures	8,536	194,412
Undesignated	30,389	6,638
Total Fund Balance	337,260	201,050
Total Liabilities and Fund Balance	$ 668,023	499,306

See Accountants' Report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Taxes				
Ad Valorem	$ 307,480	**296,437**	(11,043)	143,260
Delinquent	1,700	**2,337**	637	1,695
Motor Vehicle	18,000	**19,448**	1,448	19,367
Recreational Vehicle	200	**239**	39	233
16/20M Truck Tax	100	**169**	69	153
Intergovernmental				
Fire Safety Trailer Grant		-	-	38,250
Total Revenues	327,480	**318,630**	(8,850)	202,958
Expenditures				
Capital Outlay	511,332	**479,241**	32,091	163,319
Contractual Services	7,480	-	7,480	-
Total Expenditures	518,812	**479,241**	39,571	163,319
Excess Revenue Over (Under) Expenditures	(191,332)	**(160,611)**	30,721	39,639
Other Financing Sources (Uses)				
Transfers Out	(3,080)	**(1,514)**	1,566	-
Excess Revenues & Other Sources Over (Under) Expenditures	(194,412)	**(162,125)**	32,287	39,639
Fund Balance - January 1	194,412	**201,050**	6,638	161,411
Increase (Decrease) in Reserve for Encumbrances	-	**298,335**	298,335	-
Fund Balance - December 31	$ -	**337,260**	337,260	201,050

See Accountants' Report.

CITY OF HAYS, KANSAS
Airport Fund
Balance Sheets
December 31, 2006 and 2005

		2006	2005
ASSETS			
Cash and Investments	$	263,774	237,943
Taxes Receivable		165,382	149,128
Total Assets	$	429,156	387,071
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	6,928	5,195
Accrued Payroll		3,824	3,229
Accrued Paid Time Off		7,874	3,966
Accrued Sick Leave Pay Out		2,746	3,485
Deferred Revenues		165,382	149,128
Total Liabilities		186,754	165,003
Fund Balance			
Reserved for Encumbrances		3,360	2,949
Unreserved			
Designated for Subsequent Year's Expenditures		196,222	196,977
Undesignated		42,820	22,142
Total Fund Balance		242,402	222,068
Total Liabilities and Fund Balance	$	429,156	387,071

See Accountants' Report.

CITY OF HAYS, KANSAS
Airport Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Taxes				
Ad Valorem	$ 153,740	**148,220**	(5,520)	143,117
Delinquent	1,500	**2,161**	661	1,742
Motor Vehicle	18,000	**19,429**	1,429	19,352
Recreational Vehicle	200	**239**	39	232
16/20M Truck Tax	100	**168**	68	153
Licenses and Fees Collected	59,000	**73,663**	14,663	68,644
Farming Leases	10,000	**10,010**	10	7,148
Miscellaneous Revenue	7,000	**8,838**	1,838	12,352
Total Revenues	249,540	**262,728**	13,188	252,740
Expenditures				
Personal Services	87,000	**89,841**	(2,841)	86,529
Contractual Services	261,177	**59,921**	201,256	63,057
Commodities	22,600	**18,396**	4,204	16,842
Capital Outlay	1,000	**690**	310	3,686
Total Expenditures	371,777	**168,848**	202,929	170,114
Excess Revenues Over (Under) Expenditures	(122,237)	**93,880**	216,117	82,626
Other Financing (Uses) Transfers Out	(74,740)	**(73,957)**	783	(74,500)
Excess Revenues & Other (Uses) Over Expenditures	(196,977)	**19,923**	216,900	8,126
Fund Balance - January 1	196,977	**222,068**	25,091	210,993
Increase (Decrease) in Reserve for Encumbrances	-	**411**	411	2,949
Fund Balance - December 31	$ -	**242,402**	242,402	222,068

See Accountants' Report.

CITY OF HAYS, KANSAS
Park Development Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ 64	1,464
FUND BALANCE		
Fund Balance		
Designated for Subsequent Year's Expenditures	$ 64	1,464

Park Development Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Expenditures				
Contractual Services	$ 3,989	1,400	2,589	2,525
Excess Revenues Over (Under) Expenditures	(3,989)	(1,400)	2,589	(2,525)
Fund Balance - January 1	3,989	1,464	(2,525)	3,989
Fund Balance - December 31	$ -	64	64	1,464

See Accountants' Report.

CITY OF HAYS, KANSAS
Convention and Tourism Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ 211,218	296,758
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	$ 934	17,595
Accrued Payroll	6,062	5,160
Accrued Paid Time Off	4,769	2,829
Accrued Sick Leave Pay Out	-	2,170
Total Liabilities	11,765	27,754
Fund Balance		
Reserved for Encumbrances	8,904	-
Unreserved -		
Designated for Subsequent Year's Expenditures	190,549	257,583
Undesignated	-	11,421
Total Fund Balance	199,453	269,004
Total Liabilities and Fund Balance	$ 211,218	296,758

See Accountants' Report.

CITY OF HAYS, KANSAS
Convention and Tourism Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Intergovernmental				
Guest Tax	$ 460,000	**440,315**	(19,685)	455,580
Miscellaneous	3,000	**3,805**	805	19,015
Total Revenues	463,000	**444,120**	(18,880)	474,595
Expenditures				
Personal Services	146,700	**148,995**	(2,295)	139,606
Contractual Services	429,883	**247,898**	181,985	187,072
Capital Outlay	4,900	**-**	4,900	-
Commodities	56,500	**43,082**	13,418	37,780
Total Expenditures	637,983	**439,975**	198,008	364,458
Excess Revenues Over (Under) Expenditures	(174,983)	**4,145**	179,128	110,137
Other Financing Sources (Uses)				
Transfers Out	(82,600)	**(82,600)**	-	(77,500)
Excess Revenues & Other Sources Over (Under) Expenditures	(257,583)	**(78,455)**	179,128	32,637
Fund Balance - January 1	257,583	**269,004**	11,421	236,367
Increase (Decrease) in Reserve for Encumbrances	-	**8,904**	8,904	-
Fund Balance - December 31	$ -	**199,453**	199,453	269,004

See Accountants' Report.

CITY OF HAYS, KANSAS
New Equipment Reserve Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ 1,121,993	462,175
FUND BALANCE		
Fund Balance		
Designated for Subsequent Year's Expenditures	$ 1,121,993	462,175

New Equipment Reserve Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Expenditures				
Contractual Services	$ 1,149,237	-	1,149,237	-
Capital Outlay	204,000	204,582	(582)	397,663
Total Expenditures	1,353,237	204,582	1,148,655	397,663
Excess Revenues Over (Under) Expenditures	(1,353,237)	(204,582)	1,148,655	(397,663)
Other Financing Sources (Uses)				
Transfers In	869,300	864,400	(4,900)	561,900
Excess Revenues and Other Sources Over Expenditures and Other (Uses)	(483,937)	659,818	1,143,755	164,237
Fund Balance - January 1	483,937	462,175	(21,762)	386,538
Increase (Decrease) in Reserve for Encumbrances	-	-	-	(88,600)
Fund Balance - December 31	$ -	1,121,993	1,121,993	462,175

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
Balance Sheets
December 31, 2006 and 2005

		2006	2005
ASSETS			
Cash and Investments	$	**153,330**	126,612
FUND BALANCE			
Fund Balance			
Designated for Subsequent Year's Expenditures	$	**137,712**	105,527
Undesignated		**15,618**	21,085
Total Fund Balance	$	**153,330**	126,612

Special Alcohol Program Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

		2006			
		Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2005 Actual
Revenues					
Intergovernmental					
Liquor Tax	$	84,000	**108,618**	24,618	95,084
Expenditures					
Contractual		171,627	**64,000**	107,627	55,000
Excess Revenues Over (Under) Expenditures		(87,627)	**44,618**	132,245	40,084
Other Financing Sources (Uses)					
Transfers Out		(17,900)	**(17,900)**	-	(16,800)
Excess Revenues & Other Sources Over (Under) Expenditures		(105,527)	**26,718**	132,245	23,284
Fund Balance - January 1		105,527	**126,612**	21,085	103,328
Fund Balance - December 31	$	-	**153,330**	153,330	126,612

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ 245,801	207,449
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	$ 600	132
Fund Balance		
Reserved for Encumbrances	43,700	45,695
Unreserved		
Designated for Subsequent Year's Expenditures	201,501	161,622
Total Fund Balance	245,201	207,317
Total Liabilities and Fund Balance	$ 245,801	207,449

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Intergovernmental				
Liquor Tax	$ 84,000	**108,618**	24,618	95,084
Expenditures				
Contractual Services	306,131	**58,539**	247,592	121,794
Excess Revenues Over (Under) Expenditures	(222,131)	**50,079**	272,210	(26,710)
Other Financing (Uses)				
Transfers Out	(10,200)	**(10,200)**	-	(6,000)
Excess Revenues & Other (Uses) Over Expenditures	(232,331)	**39,879**	272,210	(32,710)
Fund Balance - January 1	232,331	**207,317**	(25,014)	194,332
Increase (Decrease) in Reserved For Encumbrances	-	**(1,995)**	(1,995)	45,695
Fund Balance - December 31	$ -	**245,201**	245,201	207,317

See Accountants' Report.

CITY OF HAYS, KANSAS
Pool Construction Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ -	-
FUND BALANCE		
Fund Balance	$ -	-

Pool Construction Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006	2005
Other Financing Sources (Uses)		
Transfers Out	$ -	(555,129)
Excess Revenues & Other (Uses) Over Expenditures	-	(555,129)
Fund Balance - January 1	-	604,029
Increase (Decrease) in Reserved For Encumbrances	-	(48,900)
Fund Balance - December 31	$ -	-

See Accountants' Report.

CITY OF HAYS, KANSAS
Risk Management Reserve Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ -	530,644
FUND BALANCE		
Fund Balance		
Designated for Subsequent Year's Expenditures	$ -	530,644

Risk Management Reserve Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Expenditures				
Transfer to Employee Benefit	$ -	-	-	-
Excess Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers Out	(766,723)	**(530,644)**	236,079	(11,079)
Excess Revenues & Other Sources Over Expenditures and Other (Uses)	(766,723)	**(530,644)**	236,079	(11,079)
Fund Balance - January 1	766,723	**530,644**	(236,079)	541,723
Fund Balance - December 31	$ -	-	-	530,644

See Accountants' Report.

CITY OF HAYS, KANSAS
Bond and Interest Fund
Balance Sheets
December 31, 2006 and 2005

		2006	2005
ASSETS			
Cash and Investments	$	**493,954**	409,134
Taxes Receivable		**1,127,241**	1,218,373
Total Assets	$	**1,621,195**	1,627,507
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	$	**1,127,241**	1,218,373
Fund Balance			
Designated for Subsequent Year's Expenditures		**300,144**	181,733
Undesignated		**193,810**	227,401
Total Fund Balance		**493,954**	409,134
Total Liabilities and Fund Balance	$	**1,621,195**	1,627,507

See Accountants' 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, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Taxes				
Ad Valorem	$ 1,256,055	**1,211,270**	(44,785)	1,281,195
Delinquent	18,000	**20,059**	2,059	18,500
Motor Vehicle	163,600	**175,359**	11,759	179,708
Recreational Vehicle	1,800	**2,155**	355	2,158
16/20M Truck Tax	800	**1,560**	760	1,439
Special Assessments	256,000	**240,297**	(15,703)	255,878
Miscellaneous	300	-	(300)	-
Total Revenues	1,696,555	**1,650,700**	(45,855)	1,738,878
Expenditures				
Bond Principal	1,225,000	**1,125,000**	100,000	1,130,000
Interest Coupons	490,000	**404,396**	85,604	456,530
Interest on Temporary Note	120,000	**48,098**	71,902	122,733
Econ. Development Bonds	12,000	-	12,000	-
Interest on TIF	130,567	-	130,567	-
Contractual Services	1,088	-	1,088	8
Cash Basis Reserve	60,000	-	60,000	-
Total Expenditures	2,038,655	**1,577,494**	461,161	1,709,271
Excess Revenues Over (Under) Expenditures	(342,100)	**73,206**	415,306	29,607
Other Financing Sources (Uses)				
Transfers In	269,520	**17,800**	(251,720)	125,884
Transfers Out	(109,153)	**(6,186)**	102,967	-
Total Other Financing Sources (Uses)	160,367	**11,614**	(148,753)	125,884
Excess Revenues and Other Sources Over Expenditures and Other Uses	(181,733)	**84,820**	266,553	155,491
Fund Balance - January 1	181,733	**409,134**	227,401	253,643
Fund Balance - December 31	$ -	**493,954**	493,954	409,134

See Accountants' Report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
Balance Sheets
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and Investments	$ 109,798	141,416
FUND BALANCE		
Fund Balance		
Undesignated	$ 109,798	141,416

Economic Development Bond Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
For the Year Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006	2005
Revenues		
Taxes		
Ad Valorem	$ 16,243	-
Intergovernmental		
Local Sales Tax	69,086	32,065
Total Revenues	85,329	32,065
Expenditures		
Interest Coupons	130,568	97,926
Issuance Costs	-	5,301
Total Expenditures	130,568	103,227
Excess Revenues Over (Under) Expenditures	(45,239)	(71,162)
Other Financing Sources (Uses)		
Transfers In	13,621	-
Excess Revenues & Other Sources Over (Under) Expenditures	(31,618)	(71,162)
Fund Balance - January 1	141,416	212,578
Fund Balance - December 31	$ 109,798	141,416

See Accountants' Report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheets
December 31, 2006 and 2005

ASSETS	2006 Water and Sewer Fund	2006 Solid Waste Utility Fund	2006 Total	2005
Current Assets				
Cash & Cash Equivalents				
Operating Account	$ 2,261,825	270,249	2,532,074	2,835,691
Local Sales Tax Account	17,016,512	-	17,016,512	15,246,818
Accounts Receivable (Net)	196,712	-	196,712	220,806
Due From Water and Sewer Fund	-	4,988	4,988	4,298
Total Current Assets	19,475,049	275,237	19,750,286	18,307,613
Restricted Assets				
Customer Deposits	177,473	-	177,473	172,174
Reserve for Capital Improvements	1,736,982	241,530	1,978,512	1,227,581
Revenue Refunding Bonds				
Principal & Interest Account	153,730	-	153,730	151,689
Bond Reserve Account	193,000	-	193,000	193,000
Sales Tax Refunding Bonds				
Principal & Interest Account	161,835	-	161,835	162,335
Bond Reserve Account	140,000	-	140,000	140,000
Total Restricted Assets	2,563,020	241,530	2,804,550	2,046,779
Capital Assets				
Water				
Land & Right-of-Ways	110,489	-	110,489	110,489
Infrastructure	15,278,508	-	15,278,508	15,190,932
Equipment	10,236,836	-	10,236,836	10,236,836
Circle K Ranch	3,718,865	-	3,718,865	3,718,865
Sewer and Solid Waste				
Building & Structures	11,782,910	253,434	12,036,344	12,036,343
Equipment	-	729,801	729,801	729,802
	41,127,608	983,235	42,110,843	42,023,267
Less - Accumulated Depreciation	(19,614,906)	(386,291)	(20,001,197)	(19,016,359)
Net Capital Assets	21,512,702	596,944	22,109,646	23,006,908
Other Assets				
Issuance Costs Net of Applicable Amortization	45,565	-	45,565	58,149
Total Assets	$ 43,596,336	1,113,711	44,710,047	43,419,449

LIABILITIES AND EQUITY	2006 Water and Sewer Fund	2006 Solid Waste Utility Fund	2006 Total	2005
Current Liabilities				
Accounts Payable	$ 40,487	22,560	63,047	69,800
Due to Capital Projects	798,981	-	798,981	-
Sales Tax	3,943	-	3,943	5,747
State Water Fee	9,200	-	9,200	9,427
Accrued Payroll	27,639	10,430	38,069	32,775
Accrued Vacation	11,566	5,589	17,155	20,731
Accrued Paid Time Off	13,981	3,099	17,080	11,002
Accrued Sick Leave Payout	-	-	-	20,375
Current Portion - Revolving Loan	299,935	-	299,935	288,317
Accrued Interest - Revolving Loan	32,001	-	32,001	35,595
G. O. Bonds - Building	11,520	-	11,520	11,160
Due to Other Funds	4,988	-	4,988	4,298
Total Payable from Current Assets	1,254,241	41,678	1,295,919	509,227
Current Liabilities Payable From Restricted Assets				
Customer Deposits	172,973	-	172,973	167,674
Monitoring Well Deposits	4,500	-	4,500	4,500
Accrued Interest - Bonds	34,642	-	34,642	45,489
Revenue Refunding Bonds	265,000	-	265,000	255,000
Sales Tax Refunding Bonds	305,000	-	305,000	300,000
Total Current Liabilities Payable From Restricted Assets	782,115	-	782,115	772,663
Noncurrent Liabilities				
G. O. Bonds - Building	104,400	-	104,400	115,920
State of Kansas Waste Water Revolving Loan	2,266,977	-	2,266,977	2,566,912
Revenue Refunding Bonds	1,160,000	-	1,160,000	1,425,000
Sales Tax Refunding Bonds	475,000	-	475,000	780,000
Total Noncurrent Liabilities	4,006,377	-	4,006,377	4,887,832
Total Liabilities	6,042,733	41,678	6,084,411	6,169,722
Equity				
Reserve for Capital Improvements	527,328	241,530	768,858	1,277,858
Reserve for Encumbrances	752,457	3,818	756,275	407,727
Contributed Capital	3,215,105	115,383	3,330,488	3,330,488
Unreserved	33,058,713	711,302	33,770,015	32,233,654
Total Retained Earnings	37,553,603	1,072,033	38,625,636	37,249,727
Total Liabilities & Equity	$ 43,596,336	1,113,711	44,710,047	43,419,449

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CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2006
(With Comparative Totals for December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Local Sales Tax	$ 2,460,000	**2,360,411**	(99,589)	2,276,697
Water Sales	2,300,000	**2,370,482**	70,482	2,354,459
Sewer Service Charges	1,700,000	**1,858,968**	158,968	1,854,636
Water Tap - Turn-Ons	35,000	**40,915**	5,915	34,893
Water Sales Conservation Rate	250,000	**287,138**	37,138	271,229
Sales & Other Charges	30,000	**20,862**	(9,138)	33,465
Penalty	23,000	**22,799**	(201)	24,873
Rent on R-9 Ranch	150,000	**140,733**	(9,267)	150,000
Interest on Investments	100,000	**203,330**	103,330	106,397
Interest on Sales Tax Reserves	230,000	**420,718**	190,718	250,189
State Grant	-	-	-	121,500
Prior Year Encumbrances Voided	-	**3,249**	3,249	3,587
Total Revenues	$ 7,278,000	**7,729,605**	451,605	7,481,925
Expenditures				
Water Production Costs				
Personal Services				
Salaries	$ 340,600	**257,228**	83,372	314,483
Contractual Services				
Communications	1,900	**2,222**	(322)	2,170
Heat, Light & Power	188,000	**199,323**	(11,323)	183,169
Travel & Training	3,000	**1,072**	1,928	1,503
Other Contractual Services	91,100	**52,291**	38,809	69,985
Professional Services	500	-	500	28
Total Contractual Services	284,500	**254,908**	29,592	256,855
Commodities				
Office Supplies	1,100	**571**	529	691
General Supplies	25,800	**8,275**	17,525	14,960
Chemicals	264,800	**300,944**	(36,144)	244,807
Equipment Expense	45,600	**20,580**	25,020	61,516
Uniforms	1,100	**789**	311	675
Repairs to Buildings & Structures	5,200	**2,208**	2,992	4,069
Total Commodities	343,600	**333,367**	10,233	326,718
Total Water Production Costs	$ 968,700	**845,503**	123,197	898,056

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CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2006
(With Comparative Totals for December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
General Administration				
Personal Services				
Transfer to Empl. Health Insuranc	$ 242,000	**242,000**	-	531,900
Contractual Services				
Other Contractual Services	-	**3,438**	(3,438)	-
Interest On Deposits	6,700	**7,581**	(881)	4,464
Clean Drinking Water Fee	20,600	**19,016**	1,584	18,534
Grant Funding	-	**-**	-	67,500
Transfer to General Fund	1,413,600	**1,413,600**	-	1,400,000
Total Contractual Services	1,440,900	**1,443,635**	(2,735)	1,490,498
Total General Administration	$ 1,682,900	**1,685,635**	(2,735)	2,022,398
Wastewater Treatment				
Personal Services				
Salaries	$ 346,300	**285,789**	60,511	324,283
Contractual Services				
Communications	4,200	**3,555**	645	4,475
Heat, Light & Power	184,200	**149,362**	34,838	159,795
Professional Services	1,100	**-**	1,100	22,000
Travel & Training	2,900	**1,072**	1,828	1,828
Other Contractual Services	30,900	**19,936**	10,964	21,356
Total Contractual Services	223,300	**173,925**	49,375	209,454
Commodities				
Office Supplies	1,100	**418**	682	484
General Supplies	21,400	**8,334**	13,066	11,329
Chemicals	51,500	**30,050**	21,450	67,217
Equipment Expense	51,500	**20,186**	31,314	45,284
Uniforms	800	**813**	(13)	527
Total Commodities	126,300	**59,801**	66,499	124,841
Total Wastewater Treatment	$ 695,900	**519,515**	176,385	658,578

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CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2006
(With Comparative Totals for December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Capital Outlay Expenditures				
Water Taps, Hydrants, and Meters	$ 104,100	93,111	10,989	54,928
Transfer - Bond & Interest Fund	17,800	17,800	-	17,800
Transfer - Capital Improvement	1,057,800	1,057,800	-	-
Transfer - New Equipment Reserve	195,600	195,600	-	-
Total Non-Operating Expenses	$ 1,375,300	1,364,311	10,989	72,728
Debt Service Expenditures				
Principal Payment	$ 255,000	255,000	-	250,000
Interest Payment	43,380	43,378	2	43,378
Principal Payment	288,317	288,317	-	277,149
Interest Payment	111,083	111,316	(233)	122,475
Total Debt Service	$ 697,780	698,011	(231)	693,002
Sales Tax Expenditures				
Principal Payment	$ 300,000	300,000	-	290,000
Interest Payment	24,670	24,670	-	30,470
Transfer Sales Tax Reserve	2,300,000	2,456,459	(156,459)	2,206,416
Water Exploration	-	68,391	(68,391)	70,662
Total Sales Tax Fund	$ 2,624,670	2,849,520	(224,850)	2,597,548
Total Expenditures	$ 8,045,250	7,962,495	82,755	6,942,310

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CITY OF HAYS, KANSAS
Solid Waste Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2006
(With Comparative Totals for December 31, 2005)

	2006			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues				
Refuse Collections	$ 850,000	**863,473**	13,473	854,950
Interest on Investments	8,000	**9,880**	1,880	5,148
Yard Waste Tags	3,800	**2,215**	(1,585)	2,725
Miscellaneous Revenue	35,000	**39,957**	4,957	46,879
Total Revenues	$ 896,800	**915,525**	18,725	909,702
Expenditures				
Personal Services				
Salaries	$ 263,400	**240,202**	23,198	246,468
Transfer - Employee Benefit	121,000	**121,000**	-	144,900
Total Personal Services	384,400	**361,202**	23,198	391,368
Contractual Services				
Communications	1,300	**503**	797	572
Publications	8,300	**4,811**	3,489	9,388
Utility - Water, Light & Power	6,800	**6,416**	384	6,471
Tipping Fees	282,900	**266,046**	16,854	261,175
Transfer to Reserve	88,000	**88,000**	-	49,800
Travel & Training	500	**191**	309	376
Transfer - General Fund	179,400	**179,400**	-	192,000
Total Contractual Services	567,200	**545,367**	21,833	519,782
Commodities				
Office Supplies	1,300	**110**	1,190	716
General Supplies	11,200	**8,746**	2,454	10,800
Equipment Expense	8,600	**8,270**	330	7,956
Uniforms	1,300	**1,015**	285	1,122
Repairs to Buildings & Structures	1,800	**1,442**	358	2,157
Total Commodities	24,200	**19,583**	4,617	22,751
Total Expenditures	$ 975,800	**926,152**	49,648	933,901

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