CITY OF HAYS, KANSAS

Hays, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2007

CITY OF HAYS, KANSAS
Financial Statements with Independent Auditors' Report
For the Year Ended December 31, 2007

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Certified
Public
Accountants

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, 2007, 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, the Kansas Municipal Audit Guide and the statements applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Hays Public Library were not audited in accordance with *Government Auditing Standards*. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2008 on our consideration of the **City of Hays, Kansas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 44 through 78, 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.

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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the **City of Hays**. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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

September 11, 2008

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, 2007. 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'** unreserved fund balance on all major funds increased $578,955 over the previous year.

The General Fund's balance has increased $452,913 over the previous year and $2,208,082 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 2007 this additional sales tax generated $3,750,431, or the equivalent of 21.03 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 $310,754 over 2006. 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 still being monitored given its decrease in fund balance of $184,646 when compared to 2006. 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 was implemented in early 2008. 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 $1,121,135 as funds have been expended and debt has not yet been issued. In the past the City used temporary financing for these projects until their completion at which time General Obligation Bonds were issued and the temporary financing was paid off. A change in requirements for Temporary Notes increased costs associated with their issuance. Subsequently staff determined that it is more beneficial for the City to utilize idle funds for the temporary financing and bypass issuance costs and finance charges. The City does forgo any interest it might have earned on these idle funds, but the savings received is greater than any interest that would have been earned.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and statement of activities on pages 9 through 12 provide information about the activities of the City as a whole and present a longer -term view to the City's finances. Fund financial statements start on page 13. For

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

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?"

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

- Governmental Activities – Most of the City's basic services are reported here including the police, fire, public works, parks department and general administration. Sales tax, franchise fees and state and federal grants finance most of these activities.

- Business Type Activities – The City charges a fee to customers to help cover all or most of the services it provides. The City's water and sewer system and the solid waste facilities are reported here.

- Component units –The notes to financial statements contain the listing of those entities that are considered component units of the City.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Analysis of the City's major funds begins on page 13. The fund financial statements begin on page 44 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	2007 Total Primary Government	2006 Total Primary Government
Current and Other Assets	$ 18,371,432	24,785,815	43,157,247	38,181,702
Capital Assets	76,402,381	22,504,968	98,907,349	96,718,084
Total Assets	94,773,813	47,290,783	142,064,596	134,899,786
Long Term Debt Outstanding	17,991,852	3,490,302	21,482,154	21,295,471
Other Liabilities	7,495,144	1,444,715	8,939,859	8,422,530
Total Liabilities	25,486,996	4,935,017	30,422,013	29,718,001
Invested in Capital Assets Net of Related Debt	55,874,770	18,443,021	74,317,791	72,928,218
Restricted	8,734,011	2,111,858	10,845,869	11,662,492
Unrestricted	4,678,036	21,800,887	26,478,923	20,591,075
Total Net Assets	**$ 69,286,817**	**42,355,766**	**111,642,583**	**105,181,785**

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	Totals 2007	Totals 2006
Primary Government								
Governmental Activities								
General Government	$ 10,156,420	604,060	32,581	35,000	(9,484,779)	-	**(9,484,779)**	(7,798,136)
Highway and Street	1,837,462	-	-	1,467,431	(370,031)	-	**(370,031)**	(3,200,150)
Culture and Recreation	2,492,431	202,221	-	-	(2,290,210)	-	**(2,290,210)**	(2,089,031)
Airport	828,689	73,193	-	481,063	(274,433)	-	**(274,433)**	(147,865)
Interest on Long-Term Debt	844,208	-	-	-	(844,208)	-	**(844,208)**	(971,242)
Capital Outlay	-	-	-	-	-		**-**	(296,573)
Total Governmental Activities	16,159,210	879,474	32,581	1,983,494	(13,263,661)	-	**(13,263,661)**	(14,502,997)
Business-Type Activities								
Water and Sewer	2,727,871	4,587,065	-	-	-	1,859,194	**1,859,194**	884,605
Solid Waste	649,768	1,205,059	-	-	-	555,291	**555,291**	321,226
Total Business-Type Activities	3,377,639	5,792,124	-	-	-	2,414,485	**2,414,485**	1,205,831
Total Primary Government	$ 19,536,849	6,671,598	32,581	1,983,494	(13,263,661)	2,414,485	**(10,849,176)**	(13,297,166)
Component Units								
Housing Authority of the City of Hays, Kansas	$ 360,165	47,777	270,087	39,868	-	-	**-**	-
Hays Public Library	1,301,440	5,150	51,673	50,369	-	-	**-**	-
Total Component Units	$ 1,661,605	52,927	321,760	90,237	-	-	**-**	-
General Revenues								
Property Taxes					$ 4,315,762	-	**4,315,762**	4,379,973
Sales Tax					6,250,721	2,500,286	**8,751,007**	8,247,819
Franchise Taxes					1,344,654	-	**1,344,654**	1,350,583
Motor Fuel Taxes					614,828	-	**614,828**	605,874
Alcoholic Liquor Taxes					316,185	-	**316,185**	325,854
Transient Guest Taxes					481,846	-	**481,846**	440,315
Special Assessments					366,339	-	**366,339**	240,297
Unrestricted Interest Income					745,593	1,095,634	**1,841,227**	1,118,721
Miscellaneous					-	311,910	**311,910**	238,026
Reimbursements					172,373	-	**172,373**	166,321
Special Items					26,926	-	**26,926**	4,370,231
Transfers					2,044,100	(2,044,100)	**-**	-
Total General Revenues, Special Items & Transfer					16,679,327	1,863,730	**18,543,057**	21,484,014
Change in Net Assets					3,415,666	4,278,215	**7,693,881**	8,186,848
Net Assets - Beginning					65,871,151	38,077,551	**103,948,702**	96,994,937
Net Assets - Ending					$ 69,286,817	42,355,766	**111,642,583**	105,181,785

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the City had $98,419,582 invested in capital assets less depreciation.

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

	Governmental Activities	Business Type Activities	2007 Total Primary Government	2006 Total Primary Government
Land	$ 19,284,170	110,489	19,394,649	18,916,554
Infrastructure	47,403,680	8,547,647	55,951,327	56,297,703
Circle K Ranch	-	3,653,116	3,653,116	3,171,473
Building and Equipment	9,714,531	10,193,716	19,908,247	18,332,354
Total	$ 76,402,381	22,504,968	98,907,349	96,718,084

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 2007. 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 2007. The City's estimated annual amount of expenditures was $2,878,229 compared to the actual expenditures of $2,970,230.

DEBT

At the end of 2007, the City had the following debt:

TABLE 4
OUTSTANDING DEBT AT YEAR-END

	Governmental Activities	Business Type Activities	2007 Total Primary Government	2006 Total Primary Government
Capital Leases	$ 1,669,472	430,557	2,100,029	953,326
G.O. Bonds	17,935,600	104,400	18,040,000	17,865,000
Revenue Bonds	-	3,901,977	3,901,977	5,615,229
Total	$ 19,605,072	4,436,934	24,042,006	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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Primary Government				Component Units	
			Totals			
ASSETS	**Governmental Activities**	**Business-Type Activities**	**2007**	2006	**Housing Authority of the City of Hays, Kansas**	**Hays Public Library**
Cash and Cash Equivalents	$ 10,685,928	21,586,878	**32,272,806**	27,820,735	**111,101**	**801,141**
Investments	-	-	**-**	-	**31,275**	**-**
Receivables (Net of Allowance for Uncollectibles)	4,361,616	303,304	**4,664,920**	4,167,810	**10**	**1,247,860**
Internal Balances	-	29,204	**29,204**	4,988	**-**	**-**
Due from Other Governments	57,463	-	**57,463**	56,826	**-**	**-**
Prepaid Insurance	-	-	**-**	-	**1,079**	**-**
Inventory	-	-	**-**	-	**1,013**	**-**
Restricted Assets-Cash and Cash Equivalents						
Budget Stabilization	3,266,425	-	**3,266,425**	3,281,228	**-**	**-**
Customer Deposits	-	183,114	**183,114**	177,473	**18,603**	**-**
Revenue Refunding Bonds - Series 2003	-	346,440	**346,440**	346,730	**-**	**-**
Revenue Sales Tax Bonds - Series 2003	-	303,480	**303,480**	301,835	**-**	**-**
Reserve for Capital Improvements	-	2,000,414	**2,000,414**	1,978,512	**-**	**-**
Beach Donation	-	-	**-**	-	**-**	**20,000**
Capital Assets (Note 1I) - Net of Depreciation						
Land and Infrastructure	66,687,850	8,658,136	**75,345,986**	75,214,257	**164,487**	**-**
Depreciable Buildings and Equipment	9,714,531	10,193,716	**19,908,247**	18,332,354	**877,198**	**3,970,517**
Circle K Ranch	-	3,653,116	**3,653,116**	3,171,473	**-**	**-**
Issuance Costs - (Net of Amortization)	-	32,981	**32,981**	45,565	**-**	**-**
Total Assets	$ 94,773,813	47,290,783	**142,064,596**	134,899,786	**1,204,766**	**6,039,518**

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

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Primary Government				Component Units	
			Totals			
LIABILITIES	**Governmental Activities**	**Business-Type Activities**	**2007**	2006	**Housing Authority of the City of Hays, Kansas**	**Hays Public Library**
Accounts Payable	$ 319,166	116,312	**435,478**	287,415	**888**	**56,559**
Accrued Payroll	242,724	45,511	**288,235**	251,227	**816**	**281**
Accrued Vacation	-	-	**-**	35,649	**-**	**-**
Accrued Paid Time Off (Note 1J)	320,752	68,372	**389,124**	285,137	**-**	**-**
Accrued Sick Leave Payout	46,048	-	**46,048**	44,277	**-**	**-**
Accrued Interest Payable	834,063	-	**834,063**	878,306	**-**	**-**
Internal Balances	-	29,204	**29,204**	4,988	**-**	**-**
Accrued Interest - Revolving Loan	-	28,012	**28,012**	32,001	**-**	**-**
Deferred Revenue	4,119,171	-	**4,119,171**	3,861,372	**-**	**1,239,569**
Restricted Assets						
Customer Deposits	-	183,114	**183,114**	177,473	**5,600**	**-**
Accrued Interest - Revenue and Sales Tax Bonds	-	27,558	**27,558**	34,642	**-**	**-**
Compensated Absences (Note 1J)	-	-	**-**	235,276	**3,079**	**139,866**
State of Kansas Waste Water Revolving Loan (Note 3)						
Due Within One Year	-	312,022	**312,022**	299,935	**-**	**-**
Due in More Than One Year	-	1,954,955	**1,954,955**	2,266,977	**-**	**-**
Revenue Refunding Bonds - Series 2003 (Note 3)						
Due Within One Year	-	270,000	**270,000**	265,000	**-**	**-**
Due in More Than One Year	-	890,000	**890,000**	1,160,000	**-**	**-**
Sales Tax Refunding Bonds - Series 2003 (Note 3)						
Due Within One Year	-	315,000	**315,000**	305,000	**-**	**-**
Due in More Than One Year	-	160,000	**160,000**	475,000	**-**	**-**
Capital Leases (Note 2)						
Due Within One Year	115,460	37,370	**152,830**	59,854	**-**	**-**
Due in More Than One Year	1,554,012	393,187	**1,947,199**	893,472	**-**	**-**
G.O. Bonds Payable (Note 3)						
Due Within One Year	1,497,760	12,240	**1,510,000**	1,364,978	**-**	**-**
Due in More Than One Year	16,437,840	92,160	**16,530,000**	16,500,022	**-**	**-**
Total Liabilities	$ 25,486,996	4,935,017	**30,422,013**	29,718,001	**10,383**	**1,436,275**

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

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Primary Government				Component Units	
			Totals			
NET ASSETS	**Governmental Activities**	**Business-Type Activities**	**2007**	2006	**Housing Authority of the City of Hays, Kansas**	**Hays Public Library**
Invested in Capital Assets, Net of Related Debt	$ 55,874,770	18,443,021	**74,317,791**	72,928,218	**1,041,684**	**3,970,517**
Restricted for:						
Budget Stabilization	3,266,425	-	**3,266,425**	3,281,228	**-**	**-**
Capital Projects	181,630	-	**181,630**	2,867,497	**-**	**-**
Debt Service	1,263,045	-	**1,263,045**	603,752	**-**	**-**
Encumbrances	4,018,658	169,249	**4,187,907**	3,342,176	**-**	**-**
Capital Improvements	-	1,942,609	**1,942,609**	768,858	**13,003**	**-**
Beach Donation	-	-	**-**	-	**-**	**20,000**
Unrestricted	4,678,036	21,800,887	**26,478,923**	21,390,056	**139,696**	**612,726**
Total Net Assets	$ 69,286,817	42,355,766	**111,642,583**	105,181,785	**1,194,383**	**4,603,243**

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

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 2007	Totals 2006	Component Units: Housing Authority of the City of Hays, Kansas	Component Units: Hays Public Library
Primary Government										
Governmental Activities										
General Government	$ 10,156,420	604,060	32,581	35,000	(9,484,779)	-	**(9,484,779)**	(7,798,136)	-	-
Highway and Street	1,837,462	-	-	1,467,431	(370,031)	-	**(370,031)**	(3,200,150)	-	-
Culture and Recreation	2,492,431	202,221	-	-	(2,290,210)	-	**(2,290,210)**	(2,089,031)	-	-
Airport	828,689	73,193	-	481,063	(274,433)	-	**(274,433)**	(147,865)	-	-
Interest on Long-Term Debt	844,208	-	-	-	(844,208)	-	**(844,208)**	(971,242)	-	-
Capital Outlay	-	-	-	-	-		-	(296,573)	-	-
Total Governmental Activities	16,159,210	879,474	32,581	1,983,494	(13,263,661)	-	**(13,263,661)**	(14,502,997)	-	-
Business-Type Activities										
Water and Sewer	2,727,871	4,587,065	-	-	-	1,859,194	**1,859,194**	884,605	-	-
Solid Waste	649,768	1,205,059	-	-	-	555,291	**555,291**	321,226	-	-
Total Business-Type Activities	3,377,639	5,792,124	-	-	-	2,414,485	**2,414,485**	1,205,831	-	-
Total Primary Government	$ 19,536,849	6,671,598	32,581	1,983,494	(13,263,661)	2,414,485	(10,849,176)	(13,297,166)	-	-
Component Units										
Housing Authority of the City of Hays, Kansas	$ 360,165	47,777	270,087	39,868	-	-	-	-	(2,433)	-
Hays Public Library	1,301,440	5,150	51,673	50,369	-	-	-	-	-	(1,194,248)
Total Component Units	$ 1,661,605	52,927	321,760	90,237	-	-	-	-	(2,433)	(1,194,248)
General Revenues										
Property Taxes					$ 4,315,762	-	**4,315,762**	4,379,973	-	1,130,982
Sales Tax					6,250,721	2,500,286	**8,751,007**	8,247,819	-	-
Franchise Taxes					1,344,654	-	**1,344,654**	1,350,583	-	-
Motor Fuel Taxes					614,828	-	**614,828**	605,874	-	-
Alcoholic Liquor Taxes					316,185	-	**316,185**	325,854	-	-
Transient Guest Taxes					481,846	-	**481,846**	440,315	-	-
Special Assessments					366,339	-	**366,339**	240,297	-	-
Unrestricted Interest Income					745,593	1,095,634	**1,841,227**	1,118,721	**1,519**	**23,911**
Miscellaneous					-	311,910	**311,910**	238,026	-	**12,537**
Reimbursements					172,373	-	**172,373**	166,321	-	**22,302**
Special Items					26,926	-	**26,926**	4,370,231	**1,248**	**(2,731)**
Transfers					2,044,100	(2,044,100)	-	-	-	-
Total General Revenues, Special Items & Transfer					16,679,327	1,863,730	**18,543,057**	21,484,014	**2,767**	**1,187,001**
Change in Net Assets					3,415,666	4,278,215	**7,693,881**	8,186,848	**334**	**(7,247)**
Net Assets - Beginning					65,871,151	38,077,551	**103,948,702**	96,994,937	**1,194,049**	**4,610,490**
Net Assets - Ending					$ 69,286,817	42,355,766	**111,642,583**	105,181,785	**1,194,383**	**4,603,243**

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

CITY OF HAYS, KANSAS
Balance Sheet
Governmental Funds
December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

		General Fund	Employee Benefit Fund	Bond and Interest Fund	Capital Projects Fund	Other Governmental Funds	Totals 2007	Totals 2006
ASSETS								
Cash and Investments	$	5,908,426	834,737	1,200,182	(1,028,555)	3,771,138	**10,685,928**	8,272,149
Receivables - Net								
Accounts Receivable		-	-	-	-	242,445	**242,445**	109,726
Due from Other Governments		57,463	-	-	798,981	-	**856,444**	855,807
Taxes		-	1,983,676	535,497	-	1,599,998	**4,119,171**	3,861,372
Reserved Cash		3,266,425	-	-	-	-	**3,266,425**	3,281,228
Total Assets	$	9,232,314	2,818,413	1,735,679	(229,574)	5,613,581	**19,170,413**	16,380,282
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts Payable	$	108,379	16,698	-	154,700	39,389	**319,166**	211,225
Accrued Payroll		231,343	-	-	-	11,381	**242,724**	213,158
Accrued Vacation		-	-	-	-	-	**-**	18,494
Accrued Paid Time Off		306,664	-	-	-	14,088	**320,752**	268,057
Accrued Sick Leave Payout		43,192	-	-	-	2,856	**46,048**	44,277
Deferred Revenues		-	1,983,676	535,497	-	1,599,998	**4,119,171**	3,861,372
Total Liabilities		689,578	2,000,374	535,497	154,700	1,667,712	**5,047,861**	4,616,583
Fund Balance								
Reserved								
Reserved for Encumbrances		272,010	-	-	3,282,685	463,963	**4,018,658**	2,585,901
Reserved for Budget Stabilization		3,266,425	-	-	-	-	**3,266,425**	3,281,228
Unreserved								
Designated for Subsequent Year's Expenditures		2,953,155	646,188	1,145,830	-	1,562,106	**6,307,279**	7,234,738
Undesignated		2,051,146	171,851	54,352	(3,666,959)	1,919,800	**530,190**	(1,338,168)
Total Fund Balance		8,542,736	818,039	1,200,182	(384,274)	3,945,869	**14,122,552**	11,763,699
Total Liabilities and Fund Balance	$	9,232,314	2,818,413	1,735,679	(229,574)	5,613,581	**19,170,413**	16,380,282

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, 2007

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	$	14,122,552
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.		76,402,381
Internal balance between the Governmental and Business-type activties eliminated on statement of Net Assets.		(798,981)
Long-Term debt, and capital leases, have not been included in the Governmental Fund activity on the Balance Sheet.		
G.O. Bonds		(17,935,600)
Capital Leases		(1,669,472)
Accrued interest payable for the current portion of interest due on the bonds and the capital leases have not been reported in the Governmental Funds on the Balance Sheet.		(834,063)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (Statement 1).	$	69,286,817

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Capital Projects Fund	Other Governmental Funds	Totals 2007	Totals 2006
Revenues							
Taxes	$ 6,213,477	1,399,235	1,483,590	-	1,835,941	**10,932,243**	10,507,678
Intergovernmental	137,976	-	-	633,746	1,788,527	**2,560,249**	1,852,107
Licenses & Fees	1,463,496	-	-	-	-	**1,463,496**	1,448,748
Fines and Forfeitures	469,923	-	-	-	-	**469,923**	436,093
Use of Money & Property	687,212	-	-	-	-	**687,212**	459,715
Collections	213,366	-	-	-	77,343	**290,709**	298,571
Donations	35,000	-	-	100,000	-	**135,000**	12,490
Prior Year Encumbrances Voided	2,868	-	-	27,261	-	**30,129**	13,899
Developer Contributions	-	-	-	682,562	-	**682,562**	240,082
Reimbursements	-	-	-	-	-	**-**	898,908
Miscellaneous	73,392	75,944	-	7,847	95,144	**252,327**	172,642
Total Revenues	9,296,710	1,475,179	1,483,590	1,451,416	3,796,955	**17,503,850**	16,340,933
Expenditures							
Current -							
General Government	6,774,419	2,260,588	-	-	459,193	**9,494,200**	7,753,314
Highway and Street	1,507,608	-	-	2,579,090	206,374	**4,293,072**	7,808,546
Culture and Recreation	1,038,666	-	-	-	1,130,982	**2,169,648**	1,911,455
Airport	-	-	-	-	766,539	**766,539**	229,714
Debt Service	-	-	2,042,738	-	200,567	**2,243,305**	1,708,062
Capital Outlay	144,521	-	-	-	420,738	**565,259**	1,047,829
Total Expenditures	9,465,214	2,260,588	2,042,738	2,579,090	3,184,393	**19,532,023**	20,458,920
Excess (Deficiency) of Revenues Over Expenditures	(168,504)	(785,409)	(559,148)	(1,127,674)	612,562	**(2,028,173)**	(4,117,987)
Other Financing Sources (Uses)							
G.O. Bond Proceeds	-	-	-	1,442,513	97,487	**1,540,000**	5,745,000
Capital Lease Purchase Proceeds	-	-	-	776,000	-	**776,000**	-
Temporary Note Retirement	-	-	-	-	-	**-**	(1,985,000)
Sale of Equipment	26,926	-	-	-	-	**26,926**	138,527
Transfers In	1,567,000	448,300	1,265,376	-	679,600	**3,960,276**	3,350,475
Transfers Out	(968,256)	-	-	-	(947,920)	**(1,916,176)**	(1,181,076)
Total Other Financing Sources (Uses)	625,670	448,300	1,265,376	2,218,513	(170,833)	**4,387,026**	6,067,926
Net Change in Fund Balances	457,166	(337,109)	706,228	1,090,839	441,729	**2,358,853**	1,949,939
Fund Balance - January 1	8,085,570	1,155,148	493,954	(1,475,113)	3,504,140	**11,763,699**	9,813,760
Fund Balance - December 31	$ 8,542,736	818,039	1,200,182	(384,274)	3,945,869	**14,122,552**	11,763,699

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, 2007

Net Changes in Fund Balances - Total Governmental Funds (Statement 4)	$	2,358,853
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 ($2,991,373) exceeded depreciation ($909,883) in the current period.		2,081,490
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.		(266,403)
Capital Lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of the capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which capital lease proceeds ($776,000) exceeded capital lease repayments ($97,190) recorded in the General Governmental Funds.		(678,810)
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 ($1,540,000) exceeded bond repayments ($1,295,000) recorded in the General Governmental Funds.		(245,000)
The compensated absences decreased by ($121,293) from the prior year. The City discontinued the sick leave policy and implemented a paid off time policy for all employees		121,293
Accrued interest payable decreased ($44,243) 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.		44,243
Change in Net Assets of Governmental Activities (Statement 2)	$	3,415,666

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

CITY OF HAYS, KANSAS
Balance Sheet
Proprietary Funds
December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

ASSETS	Enterprise Funds: Water and Sewer Fund	Enterprise Funds: Solid Waste Utility Fund	Totals 2007	Totals 2006
Current Assets				
Cash & Cash Equivalents				
Operating Account	$ 2,290,455	446,334	**2,736,789**	2,532,074
Local Sales Tax Account	18,850,089	-	**18,850,089**	17,016,512
Accounts Receivable (Net)	303,304	-	**303,304**	196,712
Due From Water and Sewer Fund	-	29,204	**29,204**	4,988
Total Current Assets	21,443,848	475,538	**21,919,386**	19,750,286
NonCurrent Assets				
Restricted Cash and Cash Equivalents				
Customer Deposits	183,114	-	**183,114**	177,473
Reserve for Capital Improvements	1,978,271	22,143	**2,000,414**	1,978,512
Revenue Refunding Bonds - Series 2003				
Principal & Interest Account	153,440	-	**153,440**	153,730
Bond Reserve Account	193,000	-	**193,000**	193,000
Sales Tax Refunding Bonds - Series 2003				
Principal & Interest Account	163,480	-	**163,480**	161,835
Bond Reserve Account	140,000	-	**140,000**	140,000
Total Restricted Cash and Cash Equivalents	2,811,305	22,143	**2,833,448**	2,804,550
Capital Assets				
Water				
Land & Right-of-Ways	110,489	-	**110,489**	110,489
Infrastructure	13,275,706	-	**13,275,706**	13,195,674
Equipment	10,236,836	-	**10,236,836**	10,236,836
Water Banking Plan	2,082,834	-	**2,082,834**	2,082,834
R-9 Ranch	4,262,040	-	**4,262,040**	3,718,865
Sewer and Solid Waste				
Building & Structures	11,782,910	253,434	**12,036,344**	12,036,344
Equipment	-	1,501,991	**1,501,991**	729,801
	41,750,815	1,755,425	**43,506,240**	42,110,843
Less - Accumulated Depreciation	(20,558,272)	(443,000)	**(21,001,272)**	(20,001,197)
Total Capital Assets	21,192,543	1,312,425	**22,504,968**	22,109,646
Other Assets				
Issuance Costs Net of Applicable Amortization	32,981	-	**32,981**	45,565
Total NonCurrent Assets	24,036,829	1,334,568	**25,371,397**	24,959,761
Total Assets	$ 45,480,677	1,810,106	**47,290,783**	44,710,047

CITY OF HAYS, KANSAS
Balance Sheet
Proprietary Funds
December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Enterprise Funds		Totals	
LIABILITIES	**Water and Sewer Fund**	**Solid Waste Utility Fund**	**2007**	2006
Current Liabilities				
Accounts Payable	$ 104,045	1,391	**105,436**	63,047
Due on Capital Project	798,981	-	**798,981**	798,981
Sales Tax	1,650	-	**1,650**	3,943
State Water Fee	9,226	-	**9,226**	9,200
Accrued Payroll	30,929	14,582	**45,511**	38,069
Accrued Vacation	-	-	**-**	17,155
Accrued Paid Time Off	51,061	17,311	**68,372**	17,080
Current Portion - Lease Obligation	-	37,370	**37,370**	-
Current Portion - Revolving Loan	312,022	-	**312,022**	299,935
Accrued Interest - Revolving Loan	28,012	-	**28,012**	32,001
G. O. Bonds - Building	12,240	-	**12,240**	11,520
Due to Other Funds	29,204	-	**29,204**	4,988
Total Current Liabilities	1,377,370	70,654	**1,448,024**	1,295,919
Current Liabilities Payable From Restricted Assets				
Customer Deposits	178,614	-	**178,614**	172,973
Monitoring Well Deposits	4,500	-	**4,500**	4,500
Accrued Interest - Bonds	27,558	-	**27,558**	34,642
Revenue Refunding Bonds - Series 2003	270,000	-	**270,000**	265,000
Sales Tax Refunding Bonds - Series 2003	315,000	-	**315,000**	305,000
Total Current Liabilities Payable From Restricted Assets	795,672	-	**795,672**	782,115
Noncurrent Liabilities				
G.O. Bonds - Building	92,160	-	**92,160**	104,400
Lease Obligation Payable	-	393,187	**393,187**	-
State of Kansas Waste Water Revolving Loan	1,954,955	-	**1,954,955**	2,266,977
Revenue Refunding Bonds - Series 2003	890,000	-	**890,000**	1,160,000
Sales Tax Refunding Bonds - Series 2003	160,000	-	**160,000**	475,000
Total Noncurrent Liabilities	3,097,115	393,187	**3,490,302**	4,006,377
Total Liabilities	5,270,157	463,841	**5,733,998**	6,084,411
NET ASSETS				
Net Assets				
Invested in Capital Assets, Net of Related Debt	17,130,596	919,238	**18,049,834**	17,155,171
Restricted for:				
Encumbrances	141,382	27,867	**169,249**	756,275
Capital Improvements	1,615,641	326,968	**1,942,609**	768,858
Unrestricted	21,322,901	72,192	**21,395,093**	19,945,332
Total Net Assets	$ 40,210,520	1,346,265	**41,556,785**	38,625,636
Internal balances between the Governmental and Business-Type Activities Eliminated on Statement of Net Assets			**798,981**	-
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. In 2007, the City discontinued sick leave, but implemented paid time off, which is included in the above liabilities.			**-**	(113,983)
Net Assets of Business-Type Activities (Statement 1)			$ **42,355,766**	38,511,653

CITY OF HAYS, KANSAS
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Water and Sewer Fund	Solid Waste Utility Fund	Totals 2007	Totals 2006
Operating Revenues				
Charges for Sales & Services				
Water Sales	$ 2,364,536	-	**2,364,536**	2,370,482
Water Sales Conservation Rate	256,129	-	**256,129**	287,138
Sub-Total Water Sales	2,620,665	-	**2,620,665**	2,657,620
Sewer Charges	1,894,523	-	**1,894,523**	1,858,968
Refuse Collections	-	1,147,268	**1,147,268**	865,688
Tap Fees	33,915	-	**33,915**	40,915
Sales & Other Charges	37,962	57,791	**95,753**	83,618
Total Operating Revenues	4,587,065	1,205,059	**5,792,124**	5,506,809
Operating Expenses				
Water Production	973,848	-	**973,848**	912,621
General Administration	22,057	-	**22,057**	29,835
Wastewater Treatment	672,054	-	**672,054**	519,332
Refuse Collection	-	593,059	**593,059**	533,988
Amortization	12,584	-	**12,584**	12,584
Depreciation	943,366	56,709	**1,000,075**	984,838
Total Operating Expenses	2,623,909	649,768	**3,273,677**	2,993,198
Operating Income	1,963,156	555,291	**2,518,447**	2,513,611
Non-Operating Revenues (Expenses)				
Local Sales Tax	2,500,286	-	**2,500,286**	2,360,411
Interest Income	1,076,758	18,876	**1,095,634**	633,928
Rent on Circle K Ranch	250,000	-	**250,000**	140,733
Prior Year Encumbrances Voided	61,845	65	**61,910**	3,249
Interest Expense	(156,406)	-	**(156,406)**	(186,004)
Water Exploration	(160,714)	-	**(160,714)**	(694,292)
Total Non-Operating Revenues (Expenses)	3,571,769	18,941	**3,590,710**	2,258,025
Income (Loss) before Contributions and Transfers				
Transfers Out	(1,744,100)	(300,000)	**(2,044,100)**	(3,209,400)
Change in Net Assets	3,790,825	274,232	**4,065,057**	1,562,236
Change in Capital Improvement Reserve Fund	213,158	-	**213,158**	(186,327)
Total Net Assets - Beginning of Year	36,206,537	1,072,033		
Total Net Assets - End of Year	$ 40,210,520	1,346,265		
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. City implemented paid time off and discontinued the sick leave in 2007.			-	17,662
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)			$ **4,278,215**	2,192,552

CITY OF HAYS, KANSAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2007	2006
Cash Flows from Operating Activities				
Receipts from Customers	$ 4,486,114	1,180,908	**5,667,022**	5,535,511
Payments to Suppliers	(807,191)	(307,586)	**(1,114,777)**	(1,220,650)
Payments to Employees	(746,457)	(293,867)	**(1,040,324)**	(795,798)
Net Cash Provided by Operating Activities	2,932,466	579,455	**3,511,921**	3,519,063
Cash Flows from NonCapital Financing Activities				
Transfers to Other Funds	(1,744,100)	(300,000)	**(2,044,100)**	(2,151,600)
Cash Flows from Capital and Related Financing Activities				
Purchase & Construction of Cap. Assets	(1,086,139)	(772,190)	**(1,858,329)**	(532,722)
Lease Obligation Proceeds	-	430,557	**430,557**	-
Water Exploration	(769,845)	-	**(769,845)**	(691,043)
Interest Paid	(167,479)	-	**(167,479)**	(200,445)
Principal Payments - Revolving Loan	(299,935)	-	**(299,935)**	(288,317)
Principal Payments - Bonds	(570,000)	-	**(570,000)**	(555,000)
Local Sales Tax	2,500,286	-	**2,500,286**	2,360,411
GO Bond Proceeds (Retired)	(11,520)	-	**(11,520)**	(11,160)
Net Cash (Used) Provided for Capital and Related Financing Activities	(404,632)	(341,633)	**(746,265)**	81,724
Cash Flows from Investing Activities				
Rental Income	250,000	-	**250,000**	140,733
Interest on Investments	1,076,758	18,876	**1,095,634**	633,928
Net Cash Provided by Investing Activities	1,326,758	18,876	**1,345,634**	774,661
Net Increase (Decrease) in Cash and Cash Equivalents	2,110,492	(43,302)	**2,067,190**	2,223,848
Balances - Beginning of Year	21,841,357	511,779	**22,353,136**	20,129,288
Balances - End of the Year	$ 23,951,849	468,477	**24,420,326**	22,353,136
Cash and Cash Equivalents Per Statement 5				
Operating Account			$ **2,736,789**	2,532,074
Local Sales Tax Account			**18,850,089**	17,016,512
Total Restricted Cash and Cash Equivalents			**2,833,448**	2,804,550
Total Cash and Cash Equivalents at Year End per Statement 5			$ **24,420,326**	22,353,136

CITY OF HAYS, KANSAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2007	2006
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	$ 1,963,156	555,291	**2,518,447**	2,513,611
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation and Amortization	955,950	56,709	**1,012,659**	997,422
Change in Assets & Liabilities				
(Increase) in Accounts Receivable	(106,592)	-	**(106,592)**	24,094
Increase (Decrease) in Accounts Payable	69,199	(21,104)	**48,095**	(1,454)
Increase (Decrease) Due to Other Funds	24,216	-	**24,216**	690
(Increase) Due from Other Funds	-	(24,216)	**(24,216)**	(690)
Increase (Decrease) in Accrued Liabilities	26,537	12,775	**39,312**	(14,610)
Total Adjustments	969,310	24,164	**993,474**	1,005,452
Net Cash Provided by Operating Activities	$ 2,932,466	579,455	**3,511,921**	3,519,063

CITY OF HAYS, KANSAS
Statement of Fiduciary Net Assets
Private - Purpose Trust Fund
Fire Insurance Fund
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and Investments	$ -	-
NET ASSETS		
Net Assets		
Held in Trust	$ -	-

Statement of Changes in Fiduciary Net Assets
Private - Purpose Trust Fund
Fire Insurance Fund
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007	2006
Revenues		
Collections	$ -	2,500
Expenditures		
Contractual	-	7,500
Change in Net Assets	-	(5,000)
Net Assets - Beginning of the Year	-	5,000
Net Assets - End of the Year	$ -	-

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Police Judge	TDD Sales Tax Revenue	Totals 2007	Totals 2006
ASSETS				
Cash and Investments	$ 92,469	14,857	**107,326**	93,089
Restricted Cash	1,690	-	**1,690**	1,729
Total Assets	94,159	14,857	**109,016**	94,818
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts Payable	31,265	-	**31,265**	23,946
Due to Other Funds	57,463	-	**57,463**	56,826
Total Liabilities	88,728	-	**88,728**	80,772
Net Assets				
Reserved for Debt	3,741	14,857	**18,598**	12,317
Reserved for ADSAP	1,690	-	**1,690**	1,729
Total Net Assets	$ 5,431	14,857	**20,288**	14,046

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, 2007, 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 2007. All deposits were legally secured at December 31, 2007.

At December 31, 2007, the City's carrying amount of deposits including certificates of deposit was $38,478,505. The bank balance was $38,611,934. Of the bank balance, $401,001 was covered by FDIC insurance and the remaining $38,210,933 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 individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from Other Funds" or "Due to Other Funds" on the "Statement of Net Assets".

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, 2007 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 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 2007, 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 2006 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2007. It also shows the amounts actually expensed for each of the past four reporting periods.

		2004	2005	2006	2007		Totals
Estimated	$	2,647,300	3,881,304	4,268,191	2,878,229	$	13,675,024
Actual	$	1,474,624	6,041,805	4,292,963	2,970,230	$	14,779,352

Capital asset activity for the year ended December 31, 2007 was as follows.

Primary Government		Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:					
Non - Depreciable Capital Assets:					
Land & Right of Ways	$	18,806,065	748,805	(270,700)	19,284,170
Infrastructure (Modified Approach)		47,430,979	13,701	(41,000)	47,403,680
Total Non - Depreciable Capital Assets		**66,237,044**	**762,506**	**(311,700)**	**66,687,850**
Depreciable Capital Assets:					
Buildings		10,479,948	1,748,186	-	12,228,134
Machinery and Equipment		5,718,075	459,538	(393,735)	5,783,878
Total Depreciable Capital Assets		**16,198,023**	**2,207,724**	**(393,735)**	**18,012,012**
Less Accumulated Depreciation		**(7,826,629)**	**(909,883)**	**439,037**	**(8,297,481)**
Depreciable Capital Assets,- Net of Accumulated Depreciation		**8,371,394**	**1,297,841**	**45,296**	**9,714,531**
Governmental Activities Capital Assets, Net of Accumulated Depreciation	$	**74,608,438**	**2,060,347**	**(266,404)**	**76,402,381**

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	543,175	-	4,262,040
Infrastructure	15,278,508	80,032	-	15,358,540
Buildings	12,036,344	-	-	12,036,344
Machinery and Equipment	10,966,638	772,189	-	11,738,827
Total Depreciable Capital Assets	**42,000,355**	**1,395,396**	**-**	**43,395,754**
Less Accumulated Depreciation	**(20,001,197)**	**(1,000,075)**	**-**	**(21,001,272)**
Depreciable Capital Assets, Net of Accumulated Depreciation	**21,999,157**	**(395,322)**	**-**	**22,394,479**
Business - Type Activities Capital Assets, Net of Accumulated Depreciation	**$ 22,109,646**	**(395,322)**	**-**	**22,504,968**

J. Paid Time Off

In 2005, the City implemented a general leave policy of paid-time-off (PTO). PTO shall be accrued by full-time employees, and all employees shall have a maximum amount of PTO accrual equal to the number of hours they accrue during their anniversary year. Employees who exceed the accrual maximum shall not be credited with further PTO accrual until their accruals are reduced below the maximum level. Upon separation from employment with the City, employees who terminate in good standing will be paid for all accrued but unused PTO at their current rate of pay. The City's maximum potential liability under the plan at December 31, 2007 has been estimated at $389,124.

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. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specifically exempted by statute), Debt Service Funds, and Enterprise Funds. 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 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 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	$	10,433,470	306,524	3,251,228	272,010	3,266,425	10,384,153
Bond and Interest Fund	$	2,042,738	-	-	-	-	2,042,738
Employee Benefit Fund	S	2,260,588	-	-	-	-	2,260,588

The following tables provide 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	$	2,364,536	-	-	-	**2,364,536**
Sewer Charges		1,894,523	-	-	-	**1,894,523**
Tap Fees		33,915	-	-	-	**33,915**
Water Conservation Rate		256,129	-	-	-	**256,129**
Sales & Other Charges		37,962	-	-	-	**37,962**
Total Operating Revenues		4,587,065	-	-	-	**4,587,065**
Operating Expenses						
Water Production		1,004,465	-	31,271	(61,888)	**973,848**
General Administration		22,057	-	-	-	**22,057**
Wastewater Treatment		671,567	-	487	-	**672,054**
Amortization		-	12,584	-	-	**12,584**
Depreciation		-	943,366	-	-	**943,366**
Total Operating Expenses		1,698,089	955,950	31,758	(61,888)	**2,623,909**
Operating Income		2,888,976	(955,950)	(31,758)	61,888	**1,963,156**
Non-Operating Revenues (Expenses)						
Local Sales Tax		2,500,286	-	-	-	**2,500,286**
Local Sales Tax Transfer		(2,504,553)	2,504,553	-	-	**-**
Equipment Purchases		(90,032)	90,032	-	-	**-**
Interest Income		1,076,758	-	-	-	**1,076,758**
Rent on R-9 Ranch		250,000	-	-	-	**250,000**
Prior Year Encumbrances Voided		61,845	-	-	-	**61,845**
R-9 Ranch Expenses		(160,714)	-	-	-	**(160,714)**
Transfers (Out)		(2,833,900)	1,089,800	-	-	**(1,744,100)**
Interest on Deposits		(8,581)	8,581	-	-	**-**
Principal Debt Service Payments		(869,935)	869,935	-	-	**-**
Capital Imp. Reserve Expenses		-	(1,487)	215,387	(742)	**213,158**
Interest Expense		(156,406)		-	-	**(156,406)**
Total Non-Operating (Revenues) Expenses		(2,735,232)	4,561,414	215,387	(742)	**2,040,827**
Net Income	$	153,744	3,605,464	247,145	(61,888)	**4,003,983**

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 $384,274 at December 31, 2007. 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, 2007 to December 31, 2007 was 5.31%. **City of Hays, Kansas'** employer contributions to KPERS for the years ending December 31, 2007, 2006, and 2005 were $192,787, $159,292, and $177,339, respectively, equal to the required contributions for each year.

The KP&F employer rate established for the year 2007 was 13.32%. 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 years ending December 31, 2007 and 2006, was $303,868 and $265,772, respectively, equal to the required contributions for each year.

R. Deferred Compensation Plan

City employees may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or in case of limited specific circumstances. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income that is attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

S. 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 Building Facility.

As of December 31, 2007, the **City of Hays, Kansas** had the following capital leases:

Lease Date	Property
07-24-98	HRC Building Facility
11-20-07	Welcome Center
10-18-07	Sanitation Trucks

The following is a schedule by years of future minimum lease payments for the governmental activities funds capital leases together with the present value of the net minimum lease payments as of December 31, 2007.

		Governmental Activities			Business Type Activities
Year Ending December 31:		HRC Building Facility	Welcome Center	Total	Sanitation Trucks
2008	$	106,312	100,582	206,894	55,993
2009		106,312	100,582	206,894	55,993
2010		106,312	100,582	206,894	55,993
2011		106,312	100,582	206,894	55,993
2012		106,312	100,582	206,894	55,993
2013-2017		531,560	502,910	1,034,470	251,968
2018		106,312	95,169	201,481	-
Total Minimum Lease Payments		1,169,432	1,100,989	2,270,421	531,933
Less: Amount Representing Interest		(275,960)	(324,989)	(600,949)	(101,376)
Present Value Of Future Minimum Lease Payments	$	893,472	776,000	1,669,472	430,557

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%	$17,935,600
Business – Type Activities	4.50 – 6.50%	104,400
		$18,040,000

The annual requirements to retire G.O. Bonds as of December 31, 2007, are as follows:

Year		Principal Due	Bond Interest Due	**Total**
2008	$	1,510,000	724,006	**2,234,006**
2009		1,530,000	734,284	**2,264,284**
2010		1,570,000	660,761	**2,230,761**
2011		1,275,000	592,904	**1,867,904**
2012		1,020,000	537,815	**1,557,815**
2013-2016		3,655,000	1,732,970	**5,387,970**
2017-2021		4,535,000	1,238,931	**5,773,931**
2022-2026		2,945,000	341,000	**3,286,000**
Total	$	18,040,000	6,562,671	**24,602,671**

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%	$3,901,977

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2007 are as follows:

Year		Principal Due	Interest Due	**Total**
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		400,440	32,945	**433,385**
2013		380,167	18,021	**398,188**
2014		195,791	3,662	**199,453**
Total	$	3,901,977	413,672	**4,315,649**

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 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, 2007 was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
G.O. Bonds	$ 17,749,080	1,540,000	(1,353,480)	17,935,600	1,497,760
Capital Leases	953,326	803,997	(87,851)	1,669,472	115,460
Compensated Absences	121,293	-	(121,293)	-	-
Total Governmental Long-Term Liabilities	**18,823,699**	**2,343,997**	**(1,562,624)**	**20,035,628**	**1,650,591**
Business - Type Activities:					
G.O. Bonds	115,920	-	(11,520)	104,400	12,240
Capital Leases	-	-	-	430,557	37,370
Revenue Bonds	2,205,000	-	(570,000)	1,635,000	585,000
State Revolving Loan	2,566,912	-	(299,934)	2,266,978	312,022
Total Bonds Payable	4887,832	-	(881,455)	4,006,378	909,262
Compensated Absences	113,983	-	(113,982)	-	-
Total Business-Type Long-Term Liabilities	**5,001,815**	**-**	**(995,437)**	**4,006,377**	**909,262**
Total Long-Term Liabilities	$ **23,825,514**	**2,774,554**	**(2,558,061)**	**24,042,006**	**2,559,853**

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, 2007. Excess revenues totaled $475,326 for the prior year.

Gross Revenues			$ 4,587,065
Adjustments –			
Less –	Operating Expenses	$(1,667,959)	
	Transfers Out	(2,833,900)	
Add -	Interest Earned	323,620	
Net Adjustments			(4,178,239)
Net Revenues			**408,826**
Maximum Amount of Principal and Interest		303,278	
		125%	
Net Revenues Required			379,098
Excess			$ 29,728

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 2007 were as follows.

5. Transfers and Payments (cont.)

From	To	Authority	Amount
Water & Sewer	General	12-825d	$ 1,288,300
Solid Waste	General	12-825d	180,000
Airport	General	79-2925	31,700
Convention & Tourism	General	79-2925	51,000
Special Alcohol	General	79-41a04	16,000
Solid Waste	Employee Benefit	12-825d	120,000
Water & Sewer	Employee Benefit	12-825d	248,000
Convention & Tourism	Employee Benefit	79-2925	42,500
Airport	Employee Benefit	79-2925	28,000
Special Alcohol	Employee Benefit	79-41a04	9,800
Water & Sewer	Bond & Interest	12-825d	17,800
General	Bond & Interest	79-2925	502,256
Special Highway	Bond & Interest	79-2925	745,320
General	New Equipment Reserve	12-1,117	466,000
Airport	New Equipment Reserve	12-1,117	23,600
Water & Sewer	New Equipment Reserve	12-1,117	190,000
Totals			$ 3,960,276

In the fund financial statements, total transfers of $2,044,100 are equal to the total transfers out of $2,044,100 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	$ 2,755,824	2,755,824
8th Street Reconstruction	1,108,174	1,106,993
Smoky Hill Wellfield Expansion	594,944	594,944
22nd Street Construction	894,742	315,577
Golden Belt Estates First Addition	407,918	405,882
General Custer Waterline Loop	288,300	251,305
41st Street Plaza Fifth Addition	618,395	615,505
Convention and Visitor's Bureau Building	1,568,186	1,568,186
41st Street Economic Development Grant	155,863	155,863
Golden Belt 2nd Addition	1,521,609	1,521,609
Wastewater Plant	531,754	424,218
WWTP Boiler Biogas	23,500	-
2006 General Hays Road	76,253	74,561
Airport Improvements – Grants 15, 16, 18, 19	1,982,072	1,970,819
Golden Belt 2nd Addition – Vista Drive	234,613	-
Waste Water Plant – SCADA	170,064	28,222
2007 Waterline Upgrades	2,696,000	72,072
Repair and Paint Water Tower	114,200	113,403
WTP Filter Controls & SCADA	284,630	175,900

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 2007, the City contributed $184,387 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, 2007, 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.

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

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

We have audited the financial statements of **City of Hays, Kansas,** as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 28, 2008. We conducted our audit in accordance with the Kansas Municipal Audit Guide, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The financial statements of the Hays Public Library were not audited in accordance with *Governmental Auditing Standards*. Other auditors audited the financial statements of the Housing Authority of the **City of Hays, Kansas** as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance And Other Matters

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

We noted certain matters that we have reported to management of **City of Hays, Kansas**, in a separate letter dated September 11, 2008.

This report is intended solely for the information and use of Management, the Commissioners, and filing with the Kansas Department of Administration, Division of Accounts and Reports, Federal Awarding Agencies and Pass Through Entities, and is not intended to be and should not be used by anyone other than these specified parties.

Adams, Brown, Beran & Ball

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

September 11, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of **City of Hays, Kansas,** with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit. The **City of Hays'** basic financial statements include the operations of the Hays Public Library and the Housing Authority of the City of Hays, Kansas which received $0 and $215,558, respectively in federal awards that is not included in the schedule during the year ended December 31, 2007. Our audit, described below did not include the operations of these two component units because the Hays Public Library received no federal awards and the Housing Authority of the City of Hays, Kansas was audited by another auditor.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the Kansas Municipal Audit Guide; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that

adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Management, Commissioners, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, Federal Awarding Agencies and Pass Through Entities, and is not intended to be and should not be used by anyone other than these specified parties.

Adams, Brown, Beran & Ball

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

September 11, 2008

CITY OF HAYS, KANSAS

Hays, Kansas

Supplemental Information

For the Year Ended December 31, 2007

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**5,908,426**	5,334,860
Receivables			
Accounts Receivable		**-**	34,431
Due From Other Governments		**57,463**	56,826
Total Receivables		**57,463**	91,257
Other Asset			
Reserved Cash - Budget Stabilization		**3,266,425**	3,281,228
Total Assets	$	**9,232,314**	8,707,345
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**108,379**	103,064
Accrued Payroll		**231,343**	203,272
Accrued Vacation		**-**	18,494
Accrued Paid Time Off		**306,664**	255,414
Accrued Sick Leave Pay Out		**43,192**	41,531
Total Liabilities		**689,578**	621,775
Fund Balance			
Reserved for Encumbrances		**272,010**	306,524
Reserved for Budget Stabilization		**3,266,425**	3,281,228
Unreserved -			
Designated for Subsequent Year's Expenditures		**2,953,155**	3,153,283
Undesignated		**2,051,146**	1,344,535
Total Fund Balance		**8,542,736**	8,085,570
Total Liabilities and Fund Balance	$	**9,232,314**	8,707,345

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues (Page Four)	$ 8,665,700	**9,296,710**	631,010	8,839,585
Expenditures (Page Four)	11,331,486	**9,415,897**	1,915,589	8,222,556
Excess of Revenues Over (Under) Expenditures	(2,665,786)	**(119,187)**	2,546,599	617,029
Other Financing Sources (Uses)				
Sale of Property	-	**26,926**	26,926	138,527
Transfers In	1,567,000	**1,567,000**	-	1,678,600
Transfers Out	(1,014,304)	**(968,256)**	46,048	(635,000)
Total Other Financing Sources (Uses)	552,696	**625,670**	72,974	1,182,127
Excess Revenues and Other Sources Over Expenditures & Other (Uses)	(2,113,090)	**506,483**	2,619,573	1,799,156
Fund Balance - January 1	2,417,188	**8,085,570**	5,668,382	6,330,401
Increase (Decrease) in Reserve for Encumbrances	-	**(34,514)**	(34,514)	20,440
Increase (Decrease) in Reserve for Budget Stabilization	(304,098)	**(14,803)**	289,295	(64,427)
Fund Balance - December 31	$ -	**8,542,736**	8,542,736	8,085,570

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Taxes				
Delinquent	$ -	**4,859**	4,859	23,254
Motor Vehicle	-	**56,813**	56,813	225,668
Recreational Vehicle	-	**689**	689	2,774
16/20 M Truck Tax	-	**1,852**	1,852	2,068
Local Sales	6,120,000	**6,149,264**	29,264	5,818,322
Total Taxes	6,120,000	**6,213,477**	93,477	6,072,086
Intergovernmental				
Liquor Tax	95,000	**105,395**	10,395	108,618
State Grant	-	**5,841**	5,841	8,125
Federal Grant	-	**26,740**	26,740	7,117
Total Intergovernmental	95,000	**137,976**	42,976	123,860
Licenses and Permits				
Franchise Tax	1,250,000	**1,344,654**	94,654	1,350,583
Licenses	37,500	**51,096**	13,596	42,335
Permits	60,000	**67,746**	7,746	55,830
Total Licenses and Permits	1,347,500	**1,463,496**	115,996	1,448,748
Fines and Forfeitures				
Fines and Court Fees	355,000	**469,923**	114,923	436,093
Use of Money and Property				
Interest Income	442,000	**686,012**	244,012	458,515
Rent	1,200	**1,200**	-	1,200
Total Use of Money & Property	$ 443,200	**687,212**	244,012	459,715

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

		2007			
		Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Miscellaneous					
Golf Course Fees	$	175,000	**198,071**	23,071	205,483
Cemetery Receipts		10,000	**15,295**	5,295	14,900
Donations		-	**35,000**	35,000	2,490
Insurance Proceeds		-	**-**	-	2,500
Capital Credits		-	**14,199**	14,199	14,567
Miscellaneous Receipts		120,000	**59,193**	(60,807)	52,154
Prior Year Encumbrances Voided		-	**2,868**	2,868	6,989
Total Miscellaneous		305,000	**324,626**	19,626	299,083
Total Revenues	$	8,665,700	**9,296,710**	631,010	8,839,585
Expenditures					
City Commission	$	75,600	**41,077**	34,523	20,011
City Manager		756,800	**547,152**	209,648	691,430
Human Resources		150,000	**142,762**	7,238	131,180
Information Technology		416,010	**337,454**	78,556	317,196
City Attorney		101,000	**94,698**	6,302	97,957
City Clerk		335,200	**311,917**	23,283	291,887
Intergovernmental		274,500	**262,666**	11,834	258,695
Police Department		2,129,100	**2,016,958**	112,142	1,906,603
Municipal Court		135,000	**132,596**	2,404	124,070
Public Works-General Administration		235,200	**213,185**	22,015	173,579
Service Division		754,600	**762,877**	(8,277)	820,957
Planning, Inspection, & Enforcement		235,959	**191,371**	44,588	227,658
Building & Grounds		440,200	**391,274**	48,926	360,906
Fleet Maintenance		596,000	**537,055**	58,945	457,338
Fire Department		1,241,400	**1,081,523**	159,877	1,031,566
Parks & Playgrounds		731,400	**711,855**	19,545	560,807
Golf Course		253,700	**245,293**	8,407	212,692
Swimming Pool		96,500	**76,274**	20,226	43,170
Ballfield Maintenance		57,700	**47,875**	9,825	40,107
Cemeteries		61,300	**51,821**	9,479	33,230
Social Services		156,000	**156,000**	-	151,350
Economic Development		361,550	**306,162**	55,388	240,240
Qualify of Life		69,900	**66,100**	3,800	29,927
Financial Policy Projects		1,666,867	**689,952**	976,915	-
Total Expenditures	$	11,331,486	**9,415,897**	1,915,589	8,222,556

See Accountants' Report.

CITY OF HAYS, KANSAS
Library Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**28,413**	33,790
Taxes Receivable		**1,003,769**	899,522
Total Assets	$	**1,032,182**	933,312
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	$	**1,003,769**	899,522
Fund Balance			
Designated for Subsequent Year's Expenditures		**-**	24,748
Undesignated		**28,413**	9,042
Total Fund Balance		**28,413**	33,790
Total Liabilities and Fund Balance	$	**1,032,182**	933,312

Library Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

		2007			
		Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues					
Taxes					
Ad Valorem	$	891,675	**903,150**	11,475	841,544
Delinquent		11,000	**6,473**	(4,527)	12,372
Motor Vehicle		101,654	**113,651**	11,997	110,622
Recreational Vehicle		1,100	**1,409**	309	1,359
16/20M Truck Tax		805	**922**	117	965
Total Revenues		1,006,234	**1,025,605**	19,371	966,862
Expenditures					
Distributions to Library Board		1,030,982	**1,030,982**	-	1,007,042
Excess Revenues Over (Under) Expenditures		(24,748)	**(5,377)**	19,371	(40,180)
Fund Balance - January 1		24,748	**33,790**	9,042	73,970
Fund Balance - December 31	$	-	**28,413**	28,413	33,790

See Accountants' Report.

CITY OF HAYS, KANSAS
Library Employee Benefit Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**4,128**	4,673
Taxes Receivable		**101,762**	85,133
Total Assets	$	**105,890**	89,806
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	$	**101,762**	85,133
Fund Balance			
Designated for Subsequent Year's Expenditures		**1,677**	2,998
Undesignated		**2,451**	1,675
Total Fund Balance		**4,128**	4,673
Total Liabilities and Fund Balance	$	**105,890**	89,806

Library Employee Benefit Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

		2007			
		Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues					
Taxes					
Ad Valorem	$	84,390	**85,538**	1,148	95,184
Delinquent		900	**716**	(184)	1,377
Motor Vehicle		11,498	**12,934**	1,436	12,697
Recreational Vehicle		123	**160**	37	156
16/20M Truck Tax		93	**107**	14	107
Total Revenues		97,004	**99,455**	2,451	109,521
Expenditures					
Distributions to Library Board		100,000	**100,000**	-	112,000
Excess Revenues Over (Under) Expenditures		(2,996)	**(545)**	2,451	(2,479)
Fund Balance - January 1		2,996	**4,673**	1,677	7,152
Fund Balance - December 31	$	-	**4,128**	4,128	4,673

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Highway Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**599,829**	946,995
Accounts Receivable		**-**	2,500
Total Assets	$	**599,829**	949,495
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**320**	72
Fund Balance			
Reserved for Encumbrances		**12,220**	25,626
Unreserved			
Designated for Subsequent Year's Expenditures		**420,368**	846,336
Undesignated		**166,921**	77,461
Total Fund Balance		**599,509**	949,423
Total Liabilities and Fund Balance	$	**599,829**	949,495

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Intergovernmental				
State Gasoline Tax	$ 580,000	**578,108**	(1,892)	569,154
Connecting Link Maintenance	36,000	**36,720**	720	36,720
State Aid	-	**-**	-	3,500
Prior Year Encumbrance Voided	-	**358**	358	-
Total Revenues	616,000	**615,186**	(814)	609,374
Expenditures				
Contractual Services	250,000	**-**	250,000	-
Capital Outlay	400,341	**206,374**	193,967	720,188
Total Expenditures	650,341	**206,374**	443,967	720,188
Excess Revenues Over (Under) Expenditures	(34,341)	**408,812**	443,153	(110,814)
Other Financing Sources (Uses)				
G.O. Bond Proceeds	-	**-**	-	1,291,699
Temporary Note Retirement	-	**-**	-	(1,460,727)
Transfers Out	(811,995)	**(745,320)**	66,675	-
Total Other Financing (Uses)	(811,995)	**(745,320)**	66,675	(169,028)
Excess Revenues & Other Sources Over (Under) Expenditures	(846,336)	**(336,508)**	509,828	(279,842)
Fund Balance - January 1	846,336	**949,423**	103,087	1,226,581
Increase (Decrease) in Reserve for Encumbrances	-	**(13,406)**	(13,406)	2,684
Fund Balance - December 31	$ -	**599,509**	599,509	949,423

See Accountants' Report.

CITY OF HAYS, KANSAS
Employee Benefit Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**834,737**	1,163,979
Taxes Receivable		**1,983,676**	1,253,331
Total Assets	$	**2,818,413**	2,417,310
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**16,698**	8,831
Deferred Revenues		**1,983,676**	1,253,331
Total Liabilities		**2,000,374**	1,262,162
Fund Balance			
Designated for Subsequent Year's Expenditures		**646,188**	1,050,652
Undesignated		**171,851**	104,496
Total Fund Balance		**818,039**	1,155,148
Total Liabilities and Fund Balance	$	**2,818,413**	2,417,310

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Taxes				
Ad Valorem	$ 1,242,398	**1,258,476**	16,078	1,011,278
Delinquent	9,000	**7,331**	(1,669)	12,405
Motor Vehicle	122,276	**130,884**	8,608	108,423
Recreational Vehicle	1,309	**1,624**	315	1,331
16/20M Truck Tax	803	**920**	117	896
Interest Income	-	**59,581**	59,581	26,278
Miscellaneous	-	**16,363**	16,363	3,470
Total Revenues	1,375,786	**1,475,179**	99,393	1,164,081
Expenditures				
Workmen's Compensation	180,000	**201,085**	(21,085)	159,911
Unemployment Compensation	20,274	**8,824**	11,450	15,311
Social Security	516,995	**489,504**	27,491	449,103
Employee Retirement	548,169	**505,490**	42,679	419,813
Contingency	600,000	**27,506**	572,494	20,497
Health Insurance	978,000	**1,022,386**	(44,386)	753,039
Contractual Services	10,000	**5,793**	4,207	5,639
Total Expenditures	2,853,438	**2,260,588**	592,850	1,823,313
Excess Revenues Over (Under) Expenditures	(1,477,652)	**(785,409)**	692,243	(659,232)
Other Financing Sources (Uses)				
Transfers In	443,500	**448,300**	4,800	958,143
Transfers Out	(16,500)	**-**	16,500	(5,164)
Total Other Financing Sources	427,000	**448,300**	21,300	952,979
Excess Revenues & Other Sources Over (Under) Expenditures	(1,050,652)	**(337,109)**	713,543	293,747
Fund Balance - January 1	1,050,652	**1,155,148**	104,496	861,401
Fund Balance - December 31	$ -	**818,039**	818,039	1,155,148

See Accountants' Report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**289,572**	337,260
Taxes Receivable		**329,645**	330,763
Total Assets	$	**619,217**	668,023
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	$	**329,645**	330,763
Fund Balance			
Reserved for Encumbrances		**7,210**	298,335
Unreserved			
Designated for Subsequent Year's Expenditures		**251,003**	8,536
Undesignated		**31,359**	30,389
Total Fund Balance		**289,572**	337,260
Total Liabilities and Fund Balance	$	**619,217**	668,023

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Taxes				
Ad Valorem	$ 327,878	**332,155**	4,277	296,437
Delinquent	1,700	**1,846**	146	2,337
Motor Vehicle	36,000	**35,077**	(923)	19,448
Recreational Vehicle	400	**436**	36	239
16/20M Truck Tax	100	**162**	62	169
Total Revenues	366,078	**369,676**	3,598	318,630
Expenditures				
Capital Outlay	370,814	**126,239**	244,575	479,241
Excess Revenue Over (Under) Expenditures	(4,736)	**243,437**	248,173	(160,611)
Other Financing Sources (Uses)				
Transfers Out	(3,800)	**-**	3,800	(1,514)
Excess Revenues & Other Sources Over (Under) Expenditures	(8,536)	**243,437**	251,973	(162,125)
Fund Balance - January 1	8,536	**337,260**	328,724	201,050
Increase (Decrease) in Reserve for Encumbrances	-	**(291,125)**	(291,125)	298,335
Fund Balance - December 31	$ -	**289,572**	289,572	337,260

See Accountants' Report.

CITY OF HAYS, KANSAS
Airport Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**290,764**	263,774
Taxes Receivable		**164,822**	165,382
Total Assets	$	**455,586**	429,156
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**3,398**	6,928
Accrued Payroll		**3,915**	3,824
Accrued Paid Time Off		**6,557**	7,874
Accrued Sick Leave Pay Out		**2,856**	2,746
Deferred Revenues		**164,822**	165,382
Total Liabilities		**181,548**	186,754
Fund Balance			
Reserved for Encumbrances		**8,788**	3,360
Unreserved			
Designated for Subsequent Year's Expenditures		**243,751**	196,222
Undesignated		**21,499**	42,820
Total Fund Balance		**274,038**	242,402
Total Liabilities and Fund Balance	$	**455,586**	429,156

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Taxes				
Ad Valorem	$ 163,939	**167,905**	3,966	148,220
Delinquent	1,500	**1,138**	(362)	2,161
Motor Vehicle	18,000	**18,120**	120	19,429
Recreational Vehicle	200	**248**	48	239
16/20M Truck Tax	100	**162**	62	168
Licenses and Fees Collected	63,500	**73,193**	9,693	73,663
Farming Leases	7,100	**10,010**	2,910	10,010
Miscellaneous	8,500	**10,581**	2,081	8,838
Prior Year Encumbrances Voided	-	**579**	579	-
Total Revenues	262,839	**281,936**	19,097	262,728
Expenditures				
Personal Services	95,500	**87,384**	8,116	89,841
Contractual Services	256,761	**65,701**	191,060	59,921
Commodities	13,600	**13,051**	549	18,396
Capital Outlay	8,000	**6,292**	1,708	690
Total Expenditures	373,861	**172,428**	201,433	168,848
Excess Revenues Over (Under) Expenditures	(111,022)	**109,508**	220,530	93,880
Other Financing (Uses)				
Transfers Out	(85,200)	**(83,300)**	1,900	(73,957)
Excess Revenues & Other (Uses) Over Expenditures	(196,222)	**26,208**	222,430	19,923
Fund Balance - January 1	196,222	**242,402**	46,180	222,068
Increase (Decrease) in Reserve for Encumbrances	-	**5,428**	5,428	411
Fund Balance - December 31	$ -	**274,038**	274,038	242,402

See Accountants' Report.

CITY OF HAYS, KANSAS
Park Development Fund
Balance Sheets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and Investments	$ **64**	64
FUND BALANCE		
Fund Balance		
Undesignated	$ **64**	64

Park Development Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Expenditures				
Contractual Services	$ 1,464	-	1,464	1,400
Excess Revenues Over (Under) Expenditures	(1,464)	-	1,464	(1,400)
Fund Balance - January 1	1,464	**64**	(1,400)	1,464
Fund Balance - December 31	$ -	**64**	64	64

See Accountants' Report.

CITY OF HAYS, KANSAS
Convention and Tourism Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**214,950**	211,218
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**8,657**	934
Accrued Payroll		**7,466**	6,062
Accrued Paid Time Off		**7,531**	4,769
Total Liabilities		**23,654**	11,765
Fund Balance			
Reserved for Encumbrances		**5,020**	8,904
Unreserved -			
Designated for Subsequent Year's Expenditures		**186,276**	190,549
Total Fund Balance		**191,296**	199,453
Total Liabilities and Fund Balance	$	**214,950**	211,218

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Intergovernmental				
Guest Tax	$ 500,000	**481,846**	(18,154)	440,315
Miscellaneous	10,000	**5,961**	(4,039)	3,805
Total Revenues	510,000	**487,807**	(22,193)	444,120
Expenditures				
Personal Services	160,500	**167,702**	(7,202)	148,995
Contractual Services	437,296	**175,310**	261,986	247,898
Capital Outlay	12,000	**-**	12,000	-
Commodities	58,000	**55,568**	2,432	43,082
Total Expenditures	667,796	**398,580**	269,216	439,975
Excess Revenues Over (Under) Expenditures	(157,796)	**89,227**	247,023	4,145
Other Financing Sources (Uses)				
Transfers Out	(93,500)	**(93,500)**	-	(82,600)
Excess Revenues & Other Sources Over (Under) Expenditures	(251,296)	**(4,273)**	247,023	(78,455)
Fund Balance - January 1	251,296	**199,453**	(51,843)	269,004
Increase (Decrease) in Reserve for Encumbrances	-	**(3,884)**	(3,884)	8,904
Fund Balance - December 31	$ -	**191,296**	191,296	199,453

See Accountants' Report.

CITY OF HAYS, KANSAS
New Equipment Reserve Fund
Balance Sheets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and Investments	$ **1,538,009**	1,121,993
FUND BALANCE		
Fund Balance		
Reserved for Encumbrances	$ **34,816**	-
Unreserved -		
Undesignated	**1,503,193**	1,121,993
Total Fund Balance	**1,538,009**	1,121,993

New Equipment Reserve Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Interest Income	$ -	**44,153**	44,153	-
Insurance Reimbursements	-	**23,502**	23,502	-
Total Revenues	-	**67,655**	67,655	-
Expenditures				
Contractual Services	1,331,675	-	1,331,675	-
Capital Outlay	485,600	**366,055**	119,545	204,582
Total Expenditures	1,817,275	**366,055**	1,451,220	204,582
Excess Revenues Over (Under) Expenditures	(1,817,275)	**(298,400)**	1,518,875	(204,582)
Other Financing Sources (Uses)				
Transfers In	689,800	**679,600**	(10,200)	864,400
Excess Revenues and Other Sources Over Expenditures and Other (Uses)	(1,127,475)	**381,200**	1,508,675	659,818
Fund Balance - January 1	1,127,475	**1,121,993**	(5,482)	462,175
Increase (Decrease) in Reserve for Encumbrances	-	**34,816**	34,816	-
Fund Balance - December 31	$ -	**1,538,009**	1,538,009	1,121,993

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**172,925**	153,330
FUND BALANCE			
Fund Balance			
Designated for Subsequent Year's Expenditures	$	**170,530**	137,712
Undesignated		**2,395**	15,618
Total Fund Balance	$	**172,925**	153,330

Special Alcohol Program Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

		2007			
		Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues					
Intergovernmental					
Liquor Tax	$	95,000	**105,395**	10,395	108,618
Expenditures					
Contractual		199,012	**60,000**	139,012	64,000
Excess Revenues Over (Under) Expenditures		(104,012)	**45,395**	149,407	44,618
Other Financing Sources (Uses)					
Transfers Out		(33,700)	**(25,800)**	7,900	(17,900)
Excess Revenues & Other Sources Over (Under) Expenditures		(137,712)	**19,595**	157,307	26,718
Fund Balance - January 1		137,712	**153,330**	15,618	126,612
Fund Balance - December 31	$	-	**172,925**	172,925	153,330

See Accountants' Report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**344,802**	245,801
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$	**409**	600
Fund Balance			
Reserved for Encumbrances		**44,300**	43,700
Unreserved			
Designated for Subsequent Year's Expenditures		**288,501**	-
Undesignated		**11,592**	201,501
Total Fund Balance		**344,393**	245,201
Total Liabilities and Fund Balance	$	**344,802**	245,801

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Intergovernmental				
Liquor Tax	$ 95,000	**105,395**	10,395	108,618
Expenditures				
Contractual Services	-	**613**	(613)	58,539
Capital Outlay	309,222	**6,190**	303,032	-
Total Expenditures	309,222	**6,803**	302,419	58,539
Excess Revenues Over (Under) Expenditures	(214,222)	**98,592**	312,814	50,079
Other Financing (Uses)				
Transfers Out	(10,200)	**-**	10,200	(10,200)
Excess Revenues & Other (Uses) Over Expenditures	(224,422)	**98,592**	323,014	39,879
Fund Balance - January 1	224,422	**245,201**	20,779	207,317
Increase (Decrease) in Reserved For Encumbrances	-	**600**	600	(1,995)
Fund Balance - December 31	$ -	**344,393**	344,393	245,201

See Accountants' Report.

CITY OF HAYS, KANSAS
Risk Management Reserve Fund
Balance Sheets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and Investments	$ -	-
FUND BALANCE		
Fund Balance		
Undesignated	$ -	-

Risk Management Reserve Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007	2006
Other Financing Sources (Uses)		
Transfers Out	$ -	(530,644)
Excess Revenues & Other Sources Over Expenditures and Other (Uses)	-	(530,644)
Fund Balance - January 1	-	530,644
Fund Balance - December 31	$ -	-

See Accountants' Report.

CITY OF HAYS, KANSAS
Bond and Interest Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
ASSETS			
Cash and Investments	$	**1,200,182**	493,954
Taxes Receivable		**535,497**	1,127,241
Total Assets	$	**1,735,679**	1,621,195
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	$	**535,497**	1,127,241
Fund Balance			
Designated for Subsequent Year's Expenditures		**1,145,830**	300,144
Undesignated		**54,352**	193,810
Total Fund Balance		**1,200,182**	493,954
Total Liabilities and Fund Balance	$	**1,735,679**	1,621,195

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, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Taxes				
Ad Valorem	$ 917,408	**929,177**	11,769	1,211,270
Delinquent	-	**15,009**	15,009	20,059
Motor Vehicle	147,000	**167,545**	20,545	175,359
Recreational Vehicle	1,600	**2,076**	476	2,155
16/20M Truck Tax	1,200	**1,454**	254	1,560
Special Assessments	256,000	**366,339**	110,339	240,297
Interest Income	-	**1,990**	1,990	-
Miscellaneous	300	**-**	(300)	-
Total Revenues	1,323,508	**1,483,590**	160,082	1,650,700
Expenditures				
Bond Principal	1,452,500	**1,295,000**	157,500	1,125,000
Interest Coupons	612,208	**747,738**	(135,530)	404,396
Interest on Temporary Note	-	**-**	-	48,098
Levy Stabilization	811,995	**-**	811,995	-
Cash Basis Reserve	60,000	**-**	60,000	-
Total Expenditures	2,936,703	**2,042,738**	893,965	1,577,494
Excess Revenues Over (Under) Expenditures	(1,613,195)	**(559,148)**	1,054,047	73,206
Other Financing Sources (Uses)				
Transfers In	1,332,051	**1,265,376**	(66,675)	17,800
Transfers Out	(19,000)	**-**	19,000	(6,186)
Total Other Financing Sources (Uses)	1,313,051	**1,265,376**	(47,675)	11,614
Excess Revenues and Other Sources Over Expenditures and Other Uses	(300,144)	**706,228**	1,006,372	84,820
Fund Balance - January 1	300,144	**493,954**	193,810	409,134
Fund Balance - December 31	$ -	**1,200,182**	1,200,182	493,954

See Accountants' Report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
Balance Sheets
December 31, 2007 and 2006

		2007	2006
	ASSETS		
Cash and Investments	$	**62,863**	109,798
	FUND BALANCE		
Fund Balance			
Undesignated	$	**62,863**	109,798

Economic Development Bond Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

		2007	2006
Revenues			
Taxes			
Ad Valorem	$	**52,175**	16,243
Intergovernmental			
Local Sales Tax		**101,457**	69,086
Total Revenues		**153,632**	85,329
Expenditures			
Bond Principal		**70,000**	-
Interest Coupons		**130,567**	130,568
Total Expenditures		**200,567**	130,568
Excess Revenues Over (Under) Expenditures		**(46,935)**	(45,239)
Other Financing Sources (Uses)			
Transfers In		**-**	13,621
Excess Revenues & Other Sources Over (Under) Expenditures		**(46,935)**	(31,618)
Fund Balance - January 1		**109,798**	141,416
Fund Balance - December 31	$	**62,863**	109,798

See Accountants' Report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheets
December 31, 2007 and 2006

	2007 Water and Sewer Fund	2007 Solid Waste Utility Fund	2007 Total	2006
ASSETS				
Current Assets				
Cash & Cash Equivalents				
Operating Account	$ 2,290,455	446,334	**2,736,789**	2,532,074
Local Sales Tax Account	18,850,089	-	**18,850,089**	17,016,512
Accounts Receivable (Net)	303,304	-	**303,304**	196,712
Due From Water and Sewer Fund	-	29,204	**29,204**	4,988
Total Current Assets	21,443,848	475,538	**21,919,386**	19,750,286
Restricted Assets				
Customer Deposits	183,114	-	**183,114**	177,473
Reserve for Capital Improvements	1,978,271	22,143	**2,000,414**	1,978,512
Revenue Refunding Bonds				
Principal & Interest Account	153,440	-	**153,440**	153,730
Bond Reserve Account	193,000	-	**193,000**	193,000
Sales Tax Refunding Bonds				
Principal & Interest Account	163,480	-	**163,480**	161,835
Bond Reserve Account	140,000	-	**140,000**	140,000
Total Restricted Assets	2,811,305	22,143	**2,833,448**	2,804,550
Capital Assets				
Water				
Land & Right-of-Ways	110,489	-	**110,489**	110,489
Infrastructure	15,358,540	-	**15,358,540**	15,278,508
Equipment	10,236,836	-	**10,236,836**	10,236,836
R-9 Ranch	4,262,040	-	**4,262,040**	3,718,865
Sewer and Solid Waste				
Building & Structures	11,782,910	253,434	**12,036,344**	12,036,344
Equipment	-	1,501,991	**1,501,991**	729,801
	41,750,815	1,755,425	**43,506,240**	42,110,843
Less - Accumulated Depreciation	(20,558,272)	(443,000)	**(21,001,272)**	(20,001,197)
Net Capital Assets	21,192,543	1,312,425	**22,504,968**	22,109,646
Other Assets				
Issuance Costs Net of Applicable Amortization	32,981	-	**32,981**	45,565
Total Assets	$ 45,480,677	1,810,106	**47,290,783**	44,710,047

	2007 Water and Sewer Fund	2007 Solid Waste Utility Fund	2007 Total	2006
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts Payable	$ 104,045	1,391	**105,436**	63,047
Due to Capital Projects	798,981	-	**798,981**	798,981
Sales Tax	1,650	-	**1,650**	3,943
State Water Fee	9,226	-	**9,226**	9,200
Accrued Payroll	30,929	14,582	**45,511**	38,069
Accrued Vacation	-	-	-	17,155
Accrued Paid Time Off	51,061	17,311	**68,372**	17,080
Current Portion - Lease Obligation	-	37,370	**37,370**	-
Current Portion - Revolving Loan	312,022	-	**312,022**	299,935
Accrued Interest - Revolving Loan	28,012	-	**28,012**	32,001
G. O. Bonds - Building	12,240	-	**12,240**	11,520
Due to Other Funds	29,204	-	**29,204**	4,988
Total Current Liabilities	1,377,370	70,654	**1,448,024**	1,295,919
Current Liabilities Payable From Restricted Assets				
Customer Deposits	178,614	-	**178,614**	172,973
Monitoring Well Deposits	4,500	-	**4,500**	4,500
Accrued Interest - Bonds	27,558	-	**27,558**	34,642
Revenue Refunding Bonds	270,000	-	**270,000**	265,000
Sales Tax Refunding Bonds	315,000	-	**315,000**	305,000
Total Current Liabilities Payable From Restricted Assets	795,672	-	**795,672**	782,115
Noncurrent Liabilities				
G. O. Bonds - Building	92,160	-	**92,160**	104,400
Lease Obligation Payable	-	393,187	**393,187**	-
State of Kansas - Water Revolving Loan	1,954,955	-	**1,954,955**	2,266,977
Revenue Refunding Bonds	890,000	-	**890,000**	1,160,000
Sales Tax Refunding Bonds	160,000	-	**160,000**	475,000
Total Noncurrent Liabilities	3,097,115	393,187	**3,490,302**	4,006,377
Total Liabilities	5,270,157	463,841	**5,733,998**	6,084,411
Equity				
Reserve for Capital Improvements	1,615,641	326,968	**1,942,609**	768,858
Reserve for Encumbrances	141,382	27,867	**169,249**	756,275
Contributed Capital	3,215,105	115,383	**3,330,488**	3,330,488
Unreserved	35,238,392	876,047	**36,114,439**	33,770,015
Total Equity	40,210,520	1,346,265	**41,556,785**	38,625,636
Total Liabilities & Equity	$ 45,480,677	1,810,106	**47,290,783**	44,710,047

See Accountants' Report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2007
(With Comparative Totals for December 31, 2006)

		2007			
		Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Revenues					
Local Sales Tax	$	2,533,800	**2,500,286**	(33,514)	2,360,411
Water Sales		2,300,000	**2,364,536**	64,536	2,370,482
Sewer Service Charges		1,700,000	**1,894,523**	194,523	1,858,968
Water Tap - Turn-Ons		35,000	**33,915**	(1,085)	40,915
Water Sales Conservation Rate		250,000	**256,129**	6,129	287,138
Sales & Other Charges		25,000	**16,190**	(8,810)	20,862
Penalty		24,000	**21,772**	(2,228)	22,799
Rent on R-9 Ranch		150,000	**250,000**	100,000	140,733
Interest on Investments		180,000	**323,620**	143,620	203,330
Interest on Sales Tax Reserves		380,000	**753,138**	373,138	420,718
Prior Year Encumbrances Voided		-	**61,845**	61,845	3,249
Total Revenues	$	7,577,800	**8,475,954**	898,154	7,729,605
Expenditures					
Water Production Costs					
Personal Services					
Salaries		384,000	**387,460**	(3,460)	257,228
Contractual Services					
Communications		2,550	**2,698**	(148)	2,222
Heat, Light & Power		201,100	**190,886**	10,214	199,323
Travel & Training		3,500	**1,728**	1,772	1,072
Other Contractual Services		87,000	**32,050**	54,950	52,291
Professional Services		520	**-**	520	-
Total Contractual Services		294,670	**227,362**	67,308	254,908
Commodities					
Office Supplies		1,130	**420**	710	571
General Supplies		29,020	**18,215**	10,805	8,275
Chemicals		308,210	**317,520**	(9,310)	300,944
Equipment Expense		54,500	**49,490**	5,010	20,580
Uniforms		1,530	**1,013**	517	789
Repairs to Buildings & Structures		5,350	**-**	5,350	2,208
Total Commodities		399,740	**386,658**	13,082	333,367
Capital Outlay		8,000	**2,985**	5,015	-
Total Water Production Costs	$	1,086,410	**1,004,465**	81,945	845,503

See Accountants' Report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2007
(With Comparative Totals for December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
General Administration				
Personal Services				
Transfer to Empl. Health Insurance	$ 248,000	**248,000**	-	242,000
Contractual Services				
Other Contractual Services	-	**3,577**	(3,577)	3,438
Interest On Deposits	5,500	**8,581**	(3,081)	7,581
Clean Drinking Water Fee	19,000	**18,480**	520	19,016
Transfer to General Fund	1,288,300	**1,288,300**	-	1,413,600
Total Contractual Services	1,312,800	**1,318,938**	(6,138)	1,443,635
Total General Administration	1,560,800	**1,566,938**	(6,138)	1,685,635
Wastewater Treatment				
Personal Services				
Salaries	397,000	**387,801**	9,199	285,789
Contractual Services				
Communications	4,800	**4,087**	713	3,555
Heat, Light & Power	174,000	**172,383**	1,617	149,362
Professional Services	16,000	**8,456**	7,544	-
Travel & Training	2,500	**1,606**	894	1,072
Other Contractual Services	31,800	**18,249**	13,551	19,936
Total Contractual Services	229,100	**204,781**	24,319	173,925
Commodities				
Office Supplies	700	**698**	2	418
General Supplies	21,400	**14,071**	7,329	8,334
Chemicals	60,000	**29,687**	30,313	30,050
Equipment Expense	53,000	**34,120**	18,880	20,186
Uniforms	1,000	**409**	591	813
Total Commodities	136,100	**78,985**	57,115	59,801
Total Wastewater Treatment	$ 762,200	**671,567**	90,633	519,515

See Accountants' Report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2007
(With Comparative Totals for December 31, 2006)

	2007			
	Original and Final Budget	**Actual**	Variance Favorable (Unfavorable)	2006 Actual
Capital Outlay Expenditures				
Water Taps, Hydrants, Meters, and Projects	$ 117,200	**90,032**	27,168	93,111
Transfer - Bond & Interest Fund	17,800	**17,800**	-	17,800
Transfer - Capital Improvement	1,089,800	**1,089,800**	-	1,057,800
Transfer - New Equipment Reserve	190,000	**190,000**	-	195,600
Total Capital Outlay Expenditures	1,414,800	**1,387,632**	27,168	1,364,311
Debt Service Expenditures				
Principal Payment	265,000	**265,000**	-	255,000
Interest Payment	38,280	**38,278**	2	43,378
Principal Payment	299,935	**299,935**	-	288,317
Interest Payment	99,465	**99,458**	7	111,316
Total Debt Service	702,680	**702,671**	9	698,011
Sales Tax Expenditures				
Principal Payment	305,000	**305,000**	-	300,000
Interest Payment	18,670	**18,670**	-	24,670
Transfer Sales Tax Reserve	2,400,000	**2,504,553**	(104,553)	2,456,459
Water Exploration		**160,714**	(160,714)	
(a) Budget Credit	373,138	**-**	373,138	68,391
Total Sales Tax Fund	3,096,808	**2,988,937**	107,871	2,849,520
Total Expenditures	$ 8,623,698	**8,322,210**	301,488	7,962,495

(a) Budget Credit
Actual Sales Tax Reserve Interest on Investments Over amount budgeted $ **373,138**

See Accountants' Report.

CITY OF HAYS, KANSAS
Solid Waste Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2007
(With Comparative Totals for December 31, 2006)

	2007			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2006 Actual
Revenues				
Refuse Collections	$ 1,080,530	**1,144,254**	63,724	863,473
Interest on Investments	500	**18,876**	18,376	9,880
Yard Waste Tags	2,700	**3,014**	314	2,215
Miscellaneous Revenue	30,000	**57,791**	27,791	39,957
Prior Year Encumbrances Voided	-	**65**	65	-
Total Revenues	$ 1,113,730	**1,224,000**	110,270	915,525
Expenditures				
Personal Services				
Salaries	$ 285,500	**306,642**	(21,142)	240,202
Transfer - Employee Benefit	120,000	**120,000**	-	121,000
Total Personal Services	405,500	**426,642**	(21,142)	361,202
Contractual Services				
Communications	650	**676**	(26)	503
Publications	9,150	**4,105**	5,045	4,811
Utility - Water, Light & Power	7,102	**7,088**	14	6,416
Professional Services	-	**5,898**	(5,898)	-
Tipping Fees	336,085	**276,547**	59,538	266,046
Transfer to Reserve	88,000	**88,000**	-	88,000
Travel & Training	1,000	**694**	306	191
Transfer - General Fund	180,000	**180,000**	-	179,400
Total Contractual Services	621,987	**563,008**	58,979	545,367
Commodities				
Office Supplies	1,000	**974**	26	110
General Supplies	11,536	**9,997**	1,539	8,746
Equipment Expense	8,858	**1,818**	7,040	8,270
Uniforms	1,040	**1,034**	6	1,015
Repairs to Buildings & Structures	1,800	**1,635**	165	1,442
Total Commodities	24,234	**15,458**	8,776	19,583
Capital Outlay	-	**34,246**	(34,246)	-
Debt Services	62,500	**-**	62,500	-
Total Expenditures	$ 1,114,221	**1,039,354**	74,867	926,152

See Accountants' Report.

CITY OF HAYS, KANSAS
Hays, Kansas
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2007

A. Summary of Auditors' Results -

1. The auditors' report expresses an unqualified opinion on the financial statements of the **City of Hays, Kansas**.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements preformed in accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of the **City of Hays, Kansas**, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major federal award programs for the **City of Hays, Kansas**, expresses an unqualified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

7. The program tested as a major program was:

   20.205 Highway Planning and Construction

8. The threshold for distinguishing Types A and B programs was $300,000.

9. The **City of Hays, Kansas**, does not qualify as a low risk auditee.

B. Compliance - Financial Statement Audit -

No material findings are required to be disclosed under *Government Auditing Standards.*

C. Findings and Questioned Costs - Major Federal Award Programs Audit -

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

CITY OF HAYS, KANSAS
Hays, Kansas
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2007

Findings and Questioned Costs – Major Federal Award Programs

The City was not required to have an OMB A-133 audit for December 31, 2006.

CITY OF HAYS, KANSAS
Schedule of Expenditures of Federal Awards - Statutory Basis
For the Year Ended December 31, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Transportation			
Direct Funding:			
Airport Improvement Program -	20.106	N/A	$ 496,008
Passed Through Kansas State Department of Transportation			
Highway Planning and Construction	20.205		704,047
State and Community Highway Safety	20.600		2,309
U.S. Department of Housing and Urban Development			
Passed through Kansas State Department of Housing and Commerce:			
Emergency Shelter Grants Program	14.231	N/A	21,280
U.S. Department of Homeland Security			
Passed through Kansas Department of Adjutant General:			
Public Assistance Grants	97.036		20,384
Total Federal Expenditures			$ 1,244,028

See Accountants' Report.

CITY OF HAYS, KANSAS
Hays, Kansas
Notes to Schedule of Expenditures of Federal Awards – Statutory Basis
For the Year Ended December 31, 2007

Note 1 - Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **City of Hays, Kansas**, and is presented on the basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.