

CITY OF HAYS, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2009

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For the Year Ended December 31, 2009

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Hays, Kansas**, as of and for the year ended December 31, 2009, 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 .09%, 1%, and 1.7%, respectively, of the assets, net assets and revenues of the **City of Hays, Kansas**. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the **Housing Authority of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

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

Except for the departure noted above, in our opinion based on our audit and the report of the other auditors, 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, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, the Employee Benefit Fund,

To The Mayor and Commissioners
City of Hays, Kansas
Page Two

Bond and Interest Fund and the Capital Project Fund, and the aggregate remaining fund information of the **City of Hays, Kansas** as of December 31, 2009 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Hays, Kansas'** financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Adams, Brown, Beran & Ball

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

August 12, 2010

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the **City of Hays, Kansas'** financial performance provides an overview of the City's financial activities for the year ended December 31, 2009. Please read in conjunction with the City's financial statements, which begins after this letter.

FINANCIAL HIGHLIGHTS

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

The General Fund's unreserved fund balance decreased \$110,052 when compared to the previous year. However, the City Commission opted to expend \$1,120,000 during 2009 to retire debt early thus saving the City in excess of \$200,000 in interest cost. The availability of cash and the continued erosion of the investment portfolio interest rate environment prompted them to do so. This is reflective of the current management atmosphere and being accountable to increased oversight and new policies. The Comprehensive Financial Management Policy continues to ensure the wise use and investment of excess funds. This policy gives the citizens of Hays and future City leaders a defined process for the handling of City debt and excess revenue. In 2004, through a general election, the City passed a 3/4% sales tax to replace the property tax levy for the General Fund. In 2009, this additional sales tax generated \$4,401,412, or the equivalent of 24.44 mills. The replacement of property tax revenue with sales tax revenue has spread the cost of funding general City operations across a broader tax base and helped to alleviate the tax burden for local property owners. With changes made at the State level this may become even more crucial with the elimination of personal property tax on new commercial purchases.

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

While the Solid Waste Utility did experience a decrease in unreserved fund balance of \$224,972 this included a transfer to reserves of \$377,542 in anticipation of future capital expenditure requirements. Staff completing an evaluation of the Solid Waste Division and making recommendations for a new rate structure as well as changing to an automated collection process has contributed to a nice increase in refuse collection fees. Staff is confident that this fund is now headed in the right direction and will continue to monitor trends to ensure its financial stability.

The Capital Projects Fund is a consolidated fund for all major City projects so that all expenditures may be tracked by project and funded appropriately. This fund currently shows a negative cash balance of \$1,077,108 as funds have been expended and debt has not yet been issued. In the past, the City used temporary financing for these projects until their completion at which time General Obligation Bonds were issued and the temporary financing was paid off. A change in requirements for Temporary Notes increased costs associated with their issuance. Subsequently staff determined that it is more beneficial for the City to utilize idle funds for the temporary financing and bypass issuance costs and finance charges. The City does forgo any interest it might have earned on these idle funds, but the savings received is greater than any interest that would have been earned especially in the prevailing low interest rate environment.

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT

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

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

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

THE CITY AS A WHOLE

TABLE 1
NET ASSETS

	Governmental Activities	Business Type Activities	2009 Total Primary Government	2008 Total Primary Government
Current and Other Assets	\$ 20,351,533	28,133,708	48,485,241	44,750,616
Capital Assets	<u>76,339,790</u>	<u>24,188,778</u>	<u>100,528,568</u>	<u>97,718,602</u>
Total Assets	<u>96,691,323</u>	<u>52,322,486</u>	<u>149,013,809</u>	<u>142,469,218</u>
Long Term Debt				
Outstanding	17,230,460	6,878,704	24,109,164	22,650,797
Other Liabilities	<u>6,017,095</u>	<u>506,633</u>	<u>6,523,728</u>	<u>6,914,108</u>
Total Liabilities	<u>23,247,555</u>	<u>7,385,337</u>	<u>30,632,892</u>	<u>29,564,905</u>
Invested in Capital Assets				
Net of Related Debt	59,109,330	17,265,679	76,375,009	75,061,589
Restricted	9,599,122	4,403,192	14,002,314	7,337,558
Unrestricted	<u>4,735,316</u>	<u>23,268,278</u>	<u>28,003,594</u>	<u>30,505,166</u>
Total Net Assets	<u>\$ 73,443,768</u>	<u>44,937,149</u>	<u>118,380,917</u>	<u>112,904,313</u>

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

**TABLE 2
STATEMENT OF ACTIVITIES**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Totals	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		2009	2008
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental Activities								
General Government	\$ 11,232,081	631,369	9,782	35,000	(10,555,930)	-	(10,555,930)	(9,346,592)
Highway and Street	3,388,551	-	-	50,169	(3,338,382)	-	(3,338,382)	(4,773,355)
Culture and Recreation	2,776,875	220,960	-	-	(2,555,915)	-	(2,555,915)	(2,824,967)
Airport	505,918	79,063	-	317,900	(108,955)	-	(108,955)	(596,646)
Interest on Long-Term Debt	647,125	-	-	-	(647,125)	-	(647,125)	(670,675)
Capital Outlay	1,075,421	-	-	-	(1,075,421)	-	(1,075,421)	(493,803)
Total Governmental Activities	<u>19,625,971</u>	<u>931,392</u>	<u>9,782</u>	<u>403,069</u>	<u>(18,281,728)</u>	<u>-</u>	<u>(18,281,728)</u>	<u>(18,706,038)</u>
Business-Type Activities								
Water and Sewer	5,794,597	4,543,239	-	-	-	(1,251,358)	(1,251,358)	(303,567)
Solid Waste	784,869	1,235,586	-	-	-	450,717	450,717	476,096
Total Business-Type Activities	<u>6,579,466</u>	<u>5,778,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(800,641)</u>	<u>(800,641)</u>	<u>172,529</u>
Total Primary Government	<u>\$ 26,205,437</u>	<u>6,710,217</u>	<u>9,782</u>	<u>403,069</u>	<u>(18,281,728)</u>	<u>(800,641)</u>	<u>(19,082,369)</u>	<u>(18,533,509)</u>
Component Units								
Housing Authority of the City of Hays, Kansas	\$ 417,680	287,816	63,053	145,776	-	-	-	-
Hays Public Library	1,442,363	5,543	19,541	31,413	-	-	-	-
Total Component Units	<u>\$ 1,860,043</u>	<u>293,359</u>	<u>82,594</u>	<u>177,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		General Revenues						
		Property Taxes			\$ 5,229,405	-	5,229,405	4,691,728
		Sales Tax			7,857,584	2,588,677	10,446,261	9,320,944
		Franchise Taxes			1,309,744	-	1,309,744	1,414,052
		Motor Fuel Taxes			555,404	-	555,404	615,661
		Alcoholic Liquor Taxes			355,197	-	355,197	383,332
		Transient Guest Taxes			619,240	-	619,240	735,836
		Special Assessments			406,906	-	406,906	412,758
		Unrestricted Interest Income			255,385	470,061	725,446	1,687,507
		Miscellaneous			92,432	677,259	769,691	268,385
		Reimbursements			4,144,060	-	4,144,060	245,888
		Special Items			(2,381)	-	(2,381)	19,148
		Transfers			2,201,216	(2,201,216)	-	-
		Total General Revenues, Special Items and Transfers			<u>23,024,192</u>	<u>1,534,781</u>	<u>24,558,973</u>	<u>19,795,239</u>
		Change in Net Assets			4,742,464	734,140	5,476,604	1,261,730
		Net Assets - Beginning			68,701,304	44,203,009	112,904,313	111,642,583
		Net Assets - Ending			<u>\$ 73,443,768</u>	<u>44,937,149</u>	<u>118,380,917</u>	<u>112,904,313</u>

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the City had \$100,528,568 invested in capital assets net of depreciation.

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

	Governmental Activities	Business Type Activities	2009 Total Primary Government	2008 Total Primary Government
Land	\$ 24,332,900	110,489	24,443,389	24,443,389
Infrastructure	42,652,945	10,598,122	53,251,067	50,881,084
R-9 Ranch	-	3,485,676	3,485,676	3,569,396
Building and Equipment	9,353,945	9,994,491	19,348,436	18,824,733
Total	\$ 76,339,790	24,188,778	100,528,568	97,718,602

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 2009. 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 2009. The City's estimated annual amount of expenditures was \$2,976,811 compared to the actual expenditures of \$2,764,967.

DEBT

At the end of 2009, the City had the following debt:

TABLE 4
OUTSTANDING DEBT AT YEAR-END

	Governmental Activities	Business Type Activities	2009 Total Primary Government	2008 Total Primary Government
Capital Leases	\$ 1,434,660	354,145	1,788,805	1,950,841
G.O. Bonds	15,795,800	79,200	15,875,000	17,695,000
Revenue Bonds	-	6,445,359	6,445,359	3,004,956
Total	\$ 17,230,460	6,878,704	24,109,164	22,650,797

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Toby Dougherty
City Manager
City of Hays, Kansas

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2009
(With Comparative Totals as of December 31, 2008)

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Housing Authority of the City of Hays, Kansas	Hays Public Library
	2009	2008	2009	2008	
Cash and Cash Equivalents	\$ 12,592,526		36,402,197	34,330,145	901,526
Investments	-	-	-	-	32,069
Receivables (Net of Allowance for Uncollectibles)	4,408,022	246,761	4,654,783	4,878,912	1,337,147
Internal Balances	-	37,513	37,513	105,253	-
Due from Other Governments	178,261	-	178,261	64,584	-
Prepaid Insurance	-	-	-	-	5,214
Inventory	-	-	-	-	1,067
Restricted Assets-Cash and Cash Equivalents					
Budget Stabilization	3,172,724	-	3,172,724	3,244,488	-
Customer Deposits	-	188,057	188,057	154,005	-
Revenue Refunding Bonds - Series 2003	-	813,093	813,093	345,879	-
Revenue Sales Tax Bonds - Series 2003	-	-	-	222,200	-
Reserve for Capital Improvements	-	2,969,802	2,969,802	1,384,753	-
Beach Donation	-	-	-	-	17,802
Capital Assets - Net of Depreciation					
Land and Infrastructure	66,985,845	10,708,611	77,694,456	75,324,473	158,043
Depreciable Buildings and Equipment	9,353,945	9,994,491	19,348,436	18,824,733	900,128
R-9 Ranch	-	3,485,676	3,485,676	3,569,396	-
Issuance Costs - Net of Amortization	-	68,811	68,811	20,397	-
Total Assets	\$ 96,691,323	52,322,486	149,013,809	142,469,218	6,110,191

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2009
(With Comparative Totals as of December 31, 2008)

LIABILITIES	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Housing Authority of the City of Hays, Kansas	Hays Public Library
				2009	2008
Accounts Payable	\$ 304,115	80,792	384,907	421,859	-
Accrued Payroll	90,339	20,230	110,569	341,318	-
Accrued Paid Time Off	420,155	95,646	515,801	454,782	-
Accrued Sick Leave Payout	35,188	-	35,188	36,528	-
Accrued Interest Payable	759,634	-	759,634	857,172	-
Internal Balances	-	37,513	37,513	105,253	-
Accrued Interest - Revolving Loan	-	20,586	20,586	24,122	-
Deferred Revenue	4,407,664	-	4,407,664	4,497,934	1,337,147
Restricted Assets	-	-	-	-	-
Customer Deposits	-	188,057	188,057	154,005	-
Accrued Interest - Revenue and Sales Tax Bonds	-	63,809	63,809	21,135	-
Compensated Absences	-	-	-	-	161,096
State of Kansas Waste Water Revolving Loan	-	-	-	-	-
Due Within One Year	-	337,677	337,677	324,596	-
Due in More Than One Year	-	1,292,682	1,292,682	1,630,359	-
Revenue Refunding Bonds - Series 2003	-	-	-	-	-
Due Within One Year	-	290,000	290,000	275,000	-
Due in More Than One Year	-	325,000	325,000	615,000	-
Revenue Refunding Bonds - Series 2009	-	-	-	-	-
Due Within One Year	-	40,000	40,000	-	-
Due in More Than One Year	-	4,160,000	4,160,000	-	-
Sales Tax Refunding Bonds - Series 2003	-	-	-	-	-
Due Within One Year	-	-	-	160,000	-
Capital Leases	-	-	-	-	-
Due Within One Year	126,266	40,785	167,051	158,393	-
Due in More Than One Year	1,308,394	313,360	1,621,754	1,792,449	-
G.O. Bonds Payable	-	-	-	-	-
Due Within One Year	1,096,680	13,320	1,110,000	1,600,000	-
Due in More Than One Year	14,699,120	65,880	14,765,000	16,095,000	-
Total Liabilities	\$ 23,247,555	7,385,337	30,632,892	29,564,905	1,539,244

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

CITY OF HAYS, KANSAS
Statement of Net Assets
December 31, 2009
(With Comparative Totals as of December 31, 2008)

NET ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Housing Authority of the City of Hays, Kansas	Hays Public Library
Invested in Capital Assets, Net of Related Debt Restricted for:	\$ 59,109,330	17,265,679	76,375,009	1,058,171	3,853,716
Budget Stabilization	3,172,724	-	3,172,724	-	-
Capital Projects	1,206,437	-	1,206,437	-	-
Debt Service	387,804	-	387,804	-	-
Encumbrances	4,832,157	1,433,390	6,265,547	-	-
Capital Improvements	-	2,969,802	2,969,802	-	-
Other	-	-	-	9,764	17,802
Unrestricted	4,735,316	23,266,278	28,003,594	188,098	699,429
Total Net Assets	\$ 73,443,768	44,937,149	118,380,917	1,256,033	4,570,947

CITY OF HAYS, KANSAS
 Statement of Activities
 For the Year Ended December 31, 2009
 (With Comparative Totals as of Ended December 31, 2008)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-Type Activities	Totals		Housing Authority of the City of Hays, Kansas	Hays Public Library
							2009	2008		
Primary Government										
Governmental Activities										
General Government	\$ 11,232,081	631,369	9,782	35,000	(10,555,930)	-	(10,555,930)	(9,346,592)	-	-
Highway and Street	3,388,551	-	-	50,169	(3,338,382)	-	(3,338,382)	(4,773,355)	-	-
Culture and Recreation	2,776,875	220,960	-	-	(2,555,915)	-	(2,555,915)	(2,824,967)	-	-
Airport	505,918	79,063	-	317,900	(108,955)	-	(108,955)	(596,646)	-	-
Interest on Long-Term Debt	647,125	-	-	-	(647,125)	-	(647,125)	(670,675)	-	-
Capital Outlay	1,075,421	-	-	-	(1,075,421)	-	(1,075,421)	(493,803)	-	-
Total Governmental Activities	19,625,971	931,392	9,782	403,069	(18,281,728)	-	(18,281,728)	(18,706,038)	-	-
Business-Type Activities										
Water and Sewer	5,794,597	4,543,239	-	-	-	(1,251,358)	(1,251,358)	(303,567)	-	-
Solid Waste	784,869	1,235,586	-	-	-	450,717	450,717	476,096	-	-
Total Business-Type Activities	6,579,466	5,778,825	-	-	-	(800,641)	(800,641)	172,529	-	-
Total Primary Government	\$ 26,205,437	6,710,217	9,782	403,069	(18,281,728)	(800,641)	(19,082,369)	(18,533,509)	-	-
Component Units										
Housing Authority of the City of Hays, Kansas	\$ 417,680	287,816	63,053	145,776	-	-	-	-	78,965	-
Hays Public Library	1,442,363	5,543	19,541	31,413	-	-	-	-	-	(1,385,866)
Total Component Units	\$ 1,860,043	293,359	82,594	177,189	-	-	-	-	78,965	(1,385,866)
General Revenues										
Property Taxes					\$ 5,229,405	-	5,229,405	4,691,728	-	-
Sales Tax					7,857,584	2,588,677	10,446,261	9,320,944	-	-
Franchise Taxes					1,309,744	-	1,309,744	1,414,052	-	-
Motor Fuel Taxes					555,404	-	555,404	615,661	-	-
Alcoholic Liquor Taxes					355,197	-	355,197	383,332	-	-
Transient Guest Taxes					619,240	-	619,240	735,836	-	-
Special Assessments					406,906	-	406,906	412,758	-	-
Unrestricted Interest Income					255,385	470,061	725,446	1,687,507	-	-
Miscellaneous					92,432	677,259	769,691	268,385	-	10,126
Reimbursements					4,144,060	-	4,144,060	245,888	-	24,634
Special Items					(2,381)	-	(2,381)	19,148	-	13,304
Transfers					2,201,216	(2,201,216)	-	-	-	-
Total General Revenues, Special Items and Transfers					23,024,192	1,534,781	24,558,973	19,795,239	-	1,355,871
Change in Net Assets					4,742,464	734,140	5,476,604	1,261,730	78,965	(29,995)
Net Assets - Beginning					68,701,304	44,203,009	112,904,313	111,642,583	1,177,068	4,600,942
Net Assets - Ending					\$ 73,443,768	44,937,149	118,380,917	112,904,313	1,256,033	4,570,947

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

CITY OF HAYS, KANSAS
Balance Sheet
Governmental Funds
December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Capital Projects Fund	Other Governmental Funds	Totals
							2009
							2008
ASSETS							
Cash and Cash Equivalents	\$ 6,347,383	898,829	387,804	1,037,525	189,436	3,731,549	12,592,526
Receivables - Net	-	-	-	-	-	358	121,337
Accounts Receivable	178,261	-	-	-	-	-	136,214
Due from Other Governments	-	1,606,007	1,081,405	-	-	1,720,252	4,497,934
Taxes	-	-	-	-	-	-	3,172,724
Reserved Cash	3,172,724	-	-	-	-	-	3,244,488
Total Assets	\$ 9,698,368	2,504,836	1,469,209	1,037,525	189,436	5,452,159	20,351,533
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 186,244	-	-	10,840	9,684	97,347	304,115
Accrued Payroll	86,316	-	-	-	-	4,023	289,200
Accrued Paid Time Off	408,320	-	-	-	-	11,835	420,155
Accrued Sick Leave Payout	32,284	-	-	-	-	2,904	372,761
Deferred Revenues	-	1,606,007	1,081,405	-	-	1,720,252	36,528
Total Liabilities	713,164	1,606,007	1,081,405	10,840	9,684	1,836,361	5,257,461
Fund Balance Reserved							
Reserved for Encumbrances	193,340	-	-	288,403	2,319,244	2,031,170	4,832,157
Reserved for Budget Stabilization	3,172,724	-	-	-	-	-	3,172,724
Unreserved	1,450,751	898,829	305,103	-	-	1,510,023	4,264,537
Designated for Subsequent Year's Expenditures	4,168,389	-	82,701	738,282	(2,139,492)	74,605	2,924,485
Undesignated	8,985,204	898,829	387,804	1,026,685	179,752	3,615,798	15,094,072
Total Fund Balance	\$ 9,698,368	2,504,836	1,469,209	1,037,525	189,436	5,452,159	20,351,533

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, 2009

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.	\$ 15,094,072
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.	76,339,790
Long-term debt and capital leases, have not been included in the Governmental Funds activity on the Balance Sheet.	
G.O. Bonds	(15,795,800)
Capital Leases	(1,434,660)
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.	<u>(759,634)</u>
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (Statement 1).	<u><u>\$ 73,443,768</u></u>

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

CITY OF HAYS, KANSAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Sports Complex Fund	Capital Projects Fund	Other Governmental Funds	Totals
							2009
							2008
Revenues							
Taxes	\$ 6,341,797	1,790,737	1,734,204	1,517,146	-	2,110,011	11,762,708
Intergovernmental	127,071	-	-	-	-	1,730,452	2,081,333
Licenses and Fees	1,411,563	-	-	-	-	-	1,509,195
Fines and Forfeitures	519,125	-	-	-	-	-	570,071
Use of Money and Property	256,585	-	-	-	-	-	595,397
Collections	222,628	-	-	-	-	87,820	269,786
Donations	35,000	-	-	-	-	-	35,000
Prior Year Encumbrances Voided	40,592	-	-	-	135,809	-	63,200
Miscellaneous	144,505	62,959	-	-	5,505	116,091	351,750
Total Revenues	9,098,866	1,853,696	1,734,204	1,517,146	141,314	4,044,374	18,389,600
Expenditures							
Current -							
General Government	7,768,721	2,660,580	-	-	-	587,634	9,597,847
Highway and Street	1,637,102	-	-	-	1,863,666	787,783	6,053,524
Culture and Recreation	1,124,440	-	-	490,461	-	1,311,808	2,698,607
Airport	-	-	-	-	-	464,243	901,740
Debt Service	-	-	2,162,125	-	-	207,505	2,372,480
Capital Outlay	224,829	-	-	-	-	1,304,987	669,767
Total Expenditures	10,755,092	2,660,580	2,162,125	490,461	1,863,666	4,663,960	22,595,884
Excess (Deficiency) of Revenues Over Expenditures	(1,656,226)	(806,884)	(427,921)	1,026,685	(1,722,352)	(619,586)	(5,055,525)
Other Financing Sources (Uses)							
G.O. Bond Proceeds	-	-	-	-	4,680,000	-	1,230,000
Sale of Equipment	33,663	-	-	-	-	-	19,148
Transfers In	1,705,691	537,937	113,703	-	-	549,044	3,366,230
Transfers Out	(386,811)	-	-	-	(113,518)	(204,830)	(1,136,620)
Total Other Financing Sources (Uses)	1,352,543	537,937	113,703	-	4,566,482	344,214	3,478,758
Net Change in Fund Balances	(303,683)	(268,947)	(314,218)	1,026,685	2,844,130	(275,372)	(1,576,767)
Fund Balance - Beginning of Year	9,288,887	1,167,776	702,022	-	(2,664,378)	3,891,170	14,122,552
Fund Balance - End of Year	\$ 8,985,204	898,829	387,804	1,026,685	179,752	3,615,798	12,545,785

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, 2009

Net Changes in Fund Balances - Total Governmental Funds (Statement 4)	\$	2,708,595
<p>Amounts reported for Governmental Activities in the Statement of Activities (Statement 2) are different because:</p>		
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$956,297) exceeded depreciation (\$1,063,284) in the current period.</p>		(106,987)
<p>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.</p>		(36,044)
<p>Capital lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of the capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which capital lease proceeds (none in the current year) exceeded capital lease repayments (\$119,362) recorded in the General Governmental Funds.</p>		119,362
<p>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 (\$4,680,000) exceeded bond repayments (\$2,720,000) recorded in the Governmental Funds.</p>		1,960,000
<p>Accrued interest payable decreased (\$97,538) from the prior year. These balances are not accounted for in the Governmental Funds. However, the changes are reflected in the Statement of Activities.</p>		<u>97,538</u>
Change in Net Assets of Governmental Activities (Statement 2)	\$	<u><u>4,742,464</u></u>

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

CITY OF HAYS, KANSAS
Balance Sheet
Proprietary Funds
December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	Enterprise Funds		Totals
	Water and Sewer Fund	Solid Waste Utility Fund	
ASSETS			
Current Assets			
Cash and Cash Equivalents			
Operating Account	2,658,528	407,346	3,065,874
Local Sales Tax Account	20,743,797	-	20,743,797
Accounts Receivable (Net of Allowance for Uncollectibles)	248,400	361	248,761
Due From Water and Sewer Fund	-	37,513	37,513
Total Current Assets	23,648,725	445,220	24,093,945
NonCurrent Assets			
Restricted Cash and Cash Equivalents			
Customer Deposits	188,057	-	188,057
Reserve for Capital Improvements	2,505,383	464,419	2,969,802
Revenue Refunding Bonds - Series 2003			
Principal and Interest Account	200,093	-	200,093
Bond Reserve Account	613,000	-	613,000
Sales Tax Refunding Bonds - Series 2003			
Principal and Interest Account	-	-	-
Bond Reserve Account	-	-	-
Total Restricted Cash and Cash Equivalents	3,506,533	464,419	3,970,952
Capital Assets			
Water			
Land and Right-of-Ways	110,489	-	110,489
Infrastructure	16,095,266	-	16,095,266
Equipment	11,164,327	-	11,164,327
Water Banking Plan	2,082,834	-	2,082,834
R-9 Ranch	4,262,040	-	4,262,040
Sewer and Solid Waste			
Building and Structures	11,782,910	253,434	12,036,344
Equipment	-	1,530,953	1,530,953
Accumulated Depreciation	45,497,866	1,784,387	47,282,253
	(22,439,382)	(654,093)	(23,093,475)
Net Capital Assets	23,058,484	1,130,294	24,188,778
Other Assets			
Issuance Costs (Net of Applicable Amortization)	68,811	-	68,811
Total NonCurrent Assets	26,633,828	1,594,713	28,228,541
Total Assets	\$ 50,282,553	2,039,933	52,322,486
			2008
			3,742,543
			20,555,943
			259,641
			33,623
			24,591,750
			154,005
			1,384,753
			152,879
			193,000
			82,200
			140,000
			2,106,837
			110,489
			13,341,013
			10,236,836
			2,082,834
			4,262,040
			12,036,344
			1,508,495
			43,578,051
			(22,032,635)
			21,545,416
			20,397
			23,672,650
			48,264,400

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

CITY OF HAYS, KANSAS

Balance Sheet
Proprietary Funds
December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

LIABILITIES	Enterprise Funds		Totals
	Water and Sewer Fund	Solid Waste Utility Fund	
Current Liabilities			
Accounts Payable	\$ 63,739	3,821	67,560
Sales Tax	4,521	-	4,521
State Water Fee	8,711	-	8,711
Accrued Payroll	14,757	5,473	20,230
Accrued Paid Time Off	72,338	23,308	95,646
Current Portion - Capital Lease	-	40,785	40,785
Current Portion - Revolving Loan	337,677	-	337,677
Accrued Interest - Revolving Loan	20,586	-	20,586
G. O. Bonds - Payable	13,320	-	13,320
Due to Other Funds	37,513	-	37,513
Total Current Liabilities	573,162	73,387	646,549
Current Liabilities Payable From Restricted Assets			
Customer Deposits	183,557	-	183,557
Monitoring Well Deposits	4,500	-	4,500
Accrued Interest - Revenue and Sales Tax Bonds	63,809	-	63,809
Revenue Refunding Bonds - Series 2003	290,000	-	290,000
Revenue Refunding Bonds - Series 2009	40,000	-	40,000
Sales Tax Refunding Bonds - Series 2003	-	-	-
Total Current Liabilities Payable From Restricted Assets	581,866	-	581,866
Noncurrent Liabilities			
G.O. Bonds - Payable	65,880	-	65,880
Capital Leases	-	313,360	313,360
State of Kansas Waste Water Revolving Loan	1,292,682	-	1,292,682
Revenue Refunding Bonds - Series 2003	325,000	-	325,000
Sales Tax Refunding Bonds - Series 2003	4,160,000	-	4,160,000
Total Noncurrent Liabilities	5,843,562	313,360	6,156,922
Total Liabilities	6,998,590	386,747	7,385,337
NET ASSETS			
Net Assets			
Invested in Capital Assets, Net of Related Debt Restricted for	16,489,530	776,149	17,265,679
Encumbrances	1,385,246	48,144	1,433,390
Capital Improvements	2,505,383	464,419	2,969,802
Unrestricted	22,903,804	364,474	23,268,278
Total Net Assets	43,283,963	1,653,186	44,937,149
Net Assets of Business-Type Activities (Statement 1)			\$ 44,937,149

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

CITY OF HAYS, KANSAS
 Statement of Revenues, Expenses, and Changes in Net Assets
 Proprietary Funds
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	Water and Sewer Fund	Solid Waste Utility Fund	Totals
	2009		2008
Operating Revenues			
Charges for Sales and Services			
Water Sales	2,364,205	-	2,364,205
Water Sales Conservation Rate	239,561	-	239,561
Sub-Total Water Sales	2,603,766	-	2,603,766
Sewer Charges	1,871,099	-	1,871,099
Refuse Collections	-	1,216,122	1,216,122
Tap Fees	29,584	-	29,584
Sales and Other Charges	38,790	19,464	58,254
Total Operating Revenues	4,543,239	1,235,586	5,778,825
Operating Expenses			
Water Production and Distribution	1,196,925	-	1,196,925
General Administration	-	-	-
Wastewater Treatment and Collection	868,540	-	868,540
Refuse Collection	-	661,186	661,186
Amortization	12,596	-	12,596
Depreciation	954,108	106,732	1,060,840
Total Operating Expenses	3,032,169	767,918	3,800,087
Operating Income	1,511,070	467,668	1,978,738
Non-Operating Revenues (Expenses)			
Local Sales Tax	2,588,677	-	2,588,677
Interest Income	459,535	10,526	470,061
Rent on R-9 Ranch	658,281	-	658,281
Prior Year Encumbrances Voided	18,978	-	18,978
Interest Expense	(136,671)	(16,951)	(153,622)
R-9 Ranch Expenses	(395,171)	-	(395,171)
Water Exploration	(2,114,987)	-	(2,114,987)
Net Non-Operating Revenues (Expenses)	1,078,642	(6,425)	1,072,217
Income (Loss) before Contributions and Transfers	(3,165,945)	(706,813)	(3,872,758)
Transfers Out	-	-	-
Change in Net Assets	(576,233)	(245,570)	(821,803)
Change in Capital Improvement Reserve Fund	1,178,401	377,542	1,555,943
Total Net Assets - Beginning of Year	42,681,795	1,521,214	44,203,009
Total Net Assets - End of Year	\$ 43,283,963	1,653,186	\$ 44,937,149
Internal balances between the Governmental and Business-Type Activities is eliminated on the Statement of Net Assets.			
Change in Net Assets of Business-Type Activities (Statement 2)	734,140	-	734,140
The notes to the financial statements are an integral part of these statements.			

CITY OF HAYS, KANSAS
Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	Enterprise Funds		Totals
	Water and Sewer Fund	Solid Waste Utility Fund	
Cash Flows From Operating Activities			
Receipts from Customers	4,590,532	1,235,225	5,825,757
Payments to Suppliers	(1,407,196)	(380,057)	(1,787,253)
Payments to Employees	(892,569)	(316,560)	(1,209,129)
Net Cash Provided by Operating Activities	2,290,767	538,608	2,829,375
Cash Flows From NonCapital Financing Activities			
Transfers to Other Funds	(1,871,945)	(329,271)	(2,201,216)
Cash Flows From Capital and Related Financing Activities			
Purchase and Construction of Capital Assets	(3,681,744)	(22,458)	(3,704,202)
Lease Obligation Proceeds	-	-	-
Lease Obligation Retired	-	(39,042)	(39,042)
Water Exploration	(2,114,987)	-	(2,114,987)
Interest Paid	(97,533)	(16,951)	(114,484)
Principal Payments - Revolving Loan	(324,596)	-	(324,596)
Principal Proceeds - 2009 Revenue Bond	4,200,000	-	4,200,000
Principal Payments - Bonds	(464,436)	-	(464,436)
Local Sales Tax	2,588,677	-	2,588,677
GO Bond Proceeds (Retired)	(12,960)	-	(12,960)
Net Cash (Used) Provided for Capital and Related Financing Activities	92,421	(78,451)	13,970
Cash Flows From Investing Activities			
Rental Income	658,281	-	658,281
Rental Expenses	(395,171)	-	(395,171)
Interest on Investments	459,535	10,526	470,061
Net Cash Provided by Investing Activities	722,645	10,526	733,171
Net Increase Cash and Cash Equivalents	1,233,888	141,412	1,375,300
Balances - Beginning of Year	25,674,970	730,353	26,405,323
Balances - End of the Year	26,908,858	871,765	27,780,623
Cash and Cash Equivalents Per Statement 5			
Operating Account			\$ 3,065,874
Local Sales Tax Account			20,743,797
Restricted Cash and Cash Equivalents			3,970,952
Total Cash and Cash Equivalents at Year End per Statement 5			27,780,623

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

CITY OF HAYS, KANSAS
Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	Enterprise Funds		Totals
	Water and Sewer Fund	Solid Waste Utility Fund	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 1,511,070	467,668	1,978,738
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	966,704	106,732	1,073,436
Change in Assets and Liabilities			
(Increase) in Accounts Receivable	(20,811)	(361)	(21,172)
Increase (Decrease) in Accounts Payable	(85,202)	(26,532)	(111,734)
Increase (Decrease) Due to Other Funds	3,890	-	3,890
(Increase) Due from Other Funds	(71,630)	(3,890)	(75,520)
Increase (Decrease) in Accrued Liabilities	(13,254)	(5,009)	(18,263)
Total Adjustments	779,697	70,940	850,637
Net Cash Provided by Operating Activities	\$ 2,290,767	538,608	2,829,375
			1,095,225
			3,233,714

CITY OF HAYS, KANSAS
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	<u>Police Judge</u>	<u>TDD Sales Tax Revenue</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
ASSETS				
Cash and Cash Equivalents	\$ 97,799	17,020	114,819	153,896
Restricted Cash	<u>1,147</u>	<u>-</u>	<u>1,147</u>	<u>1,065</u>
Total Assets	<u>98,946</u>	<u>17,020</u>	<u>115,966</u>	<u>154,961</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts Payable	22,728	17,020	39,748	82,867
Due to Other Funds	<u>66,294</u>	<u>-</u>	<u>66,294</u>	<u>64,584</u>
Total Liabilities	<u>89,022</u>	<u>17,020</u>	<u>106,042</u>	<u>147,451</u>
Net Assets				
Reserved for Debt	8,777	-	8,777	6,445
Reserved for ADSAP	<u>1,147</u>	<u>-</u>	<u>1,147</u>	<u>1,065</u>
Total Net Assets	<u>\$ 9,924</u>	<u>-</u>	<u>9,924</u>	<u>7,510</u>

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

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. The City has included this component unit in the City's government wide financial statements. Contact the City office for information on how to obtain a copy of the financial statements and audit report.

Hays Public Library

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

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

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

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

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

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

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

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.

Non-Major Governmental Funds

The City reports the following non-major Governmental Funds:

Special Revenue Funds – To account for the proceeds of specific revenue sources (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 infrastructure for the TDD District.

Non-Major Proprietary Fund

The City reports the following non-major Proprietary Fund:

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

Fiduciary Fund

Additionally, the City reports the following fund category:

Agency Funds – To account for assets held by the City either as 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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

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

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

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

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.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has not further limited its interest rate risk in its investment policy.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has limited its investment choices in its investment policy to the above.

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 2009. All deposits were legally secured at December 31, 2009.

At December 31, 2009, the City's carrying amount of deposits including certificates of deposit was \$43,660,692. The bank balance was \$43,976,587. Of the bank balance, \$5,027,298 was covered by FDIC insurance and the remaining \$38,949,289 was collateralized with securities held by the pledging financial institutions' agents in the City's name. In addition, the City had cash on hand of \$1,500.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. As of December 31, 2009, the City had no investments.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

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, 2009 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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

I. Accounting for Capital Assets and Depreciation (continued)

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

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

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

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

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

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

The City prepares a long-range Capital Improvement Plan each year to ensure that infrastructure capital assets are being preserved approximately at or above the desired condition assessment levels set by the City. It is updated annually and now extends through 2019. 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 2009, the infrastructure was assessed, and it was determined that the infrastructure was at condition levels of "Fair" to "Excellent". No significant deterioration of the infrastructure had occurred, and there were no significant changes in condition levels from the previous year's assessments.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

I. Accounting for Capital Assets and Depreciation (continued)

The following schedule shows the estimated annual amount of expenditures calculated during June 2009 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2010. It also shows the amounts actually expensed for each of the past four reporting periods.

		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Totals</u>
Estimated	\$	4,268,191	2,878,229	752,742	2,976,811	\$ 10,875,973
Actual	\$	4,292,963	2,970,230	744,590	2,764,967	\$ 10,772,750

Capital asset activity for the year ended December 31, 2009 was as follows.

Primary Government

	<u>Beginning</u>		<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balances</u>				<u>Balances</u>
Governmental Activities					
Non - Depreciable					
Capital Assets					
Land and Right of					
Ways	\$	24,332,900	-	-	24,332,900
Infrastructure					
(Modified Approach)		42,652,945	-	-	42,652,945
Total Non -					
Depreciable					
Capital Assets		<u>66,985,845</u>	-	-	<u>66,985,845</u>
Depreciable Capital					
Assets					
Buildings		12,228,134	-	-	12,228,134
Machinery and					
Equipment		6,069,058	1,265,932	(417,388)	6,917,602
Total					
Depreciable					
Capital Assets		18,297,192	1,265,932	(417,388)	19,145,736
Less Accumulated					
Depreciation		(9,109,851)	(1,063,284)	381,344	(9,791,791)
Depreciable Capital					
Assets, Net of					
Accumulated					
Depreciation		<u>9,1487,341</u>	<u>(202,648)</u>	<u>(36,044)</u>	<u>9,353,945</u>
Governmental					
Activities Capital					
Assets,					
Net of Accumulated					
Depreciation	\$	<u>76,173,186</u>	<u>(202,648)</u>	<u>(36,044)</u>	<u>76,339,790</u>

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

I. Accounting for Capital Assets and Depreciation (continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business - Type Activities				
Non - Depreciable Capital Assets				
Land	\$ 110,489	-	-	110,489
Depreciable Capital Assets				
R-9 Ranch	4,262,040	-	-	4,262,040
Infrastructure	15,423,857	3,681,743	-	19,105,600
Buildings	12,036,344	-	-	12,036,344
Machinery and Equipment	11,745,331	22,458	-	11,767,789
Total Depreciable Capital Assets	43,467,562	3,704,201	-	47,171,763
Less Accumulated Depreciation	(22,032,635)	(1,060,839)	-	(23,093,474)
Depreciable Capital Assets, Net of Accumulated Depreciation	21,434,927	(2,643,362)	-	24,078,289
Business - Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 21,545,416	(2,643,362)	-	24,188,778

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, 2009 has been estimated at \$515,801.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

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. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least 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 was a budget amendment for this year in the Library Fund.

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

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

A legal operating budget is not required for Capital Project Funds, the Risk Management Reserve Fund, the New Equipment Reserve Fund, and Fiduciary Funds.

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

L. Budgets (continued)

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

Fund	Expenditures and Transfers Out Per Fund Statement	Less Beginning Encumbrances	Less Beginning Reserve for Budget Stabilization	Plus Ending Encumbrances	Plus Ending Reserve for Budget Stabilization	Expenditures and Transfers out Per Budget Basis
General Fund	\$ 11,141,903	341,127	3,218,568	193,340	3,172,724	10,948,272
Bond and Interest Fund	\$ 2,660,580	-	-	-	-	2,660,580
Employee Benefit Fund	\$ 2,162,125	-	-	-	-	2,162,125

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

Water and Sewer Fund					
	Statutory Basis	Statutory Adjustments	Encumbrances Prior Year	Encumbrances Current Year	GAAP Basis
Operating Revenues					
Charges for Sales and Services					
Water Sales	\$ 2,364,205	-	-	-	2,364,205
Sewer Charges	1,871,099	-	-	-	1,871,099
Tap Fees	29,584	-	-	-	29,584
Water Sales Conservation Rate	239,561	-	-	-	239,561
Sales and Other Charges	38,790	-	-	-	38,790
Total Operating Revenues	<u>4,543,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,543,239</u>
Operating Expenses					
Water Production and Distribution	1,228,221	-	39,122	(70,418)	1,196,925
Wastewater Treatment and Collection	814,207	-	-	-	814,207
Clean Water Fee	17,801	-	-	-	17,801
Other Contractual Fees	36,532	-	-	-	36,532
Amortization	-	12,596	-	-	12,596
Depreciation	-	954,108	-	-	954,108
Total Operating Expenses	<u>2,096,761</u>	<u>966,704</u>	<u>39,122</u>	<u>(70,418)</u>	<u>3,032,169</u>
Operating Income	<u>2,446,478</u>	<u>(966,704)</u>	<u>39,122</u>	<u>(70,418)</u>	<u>1,511,070</u>
Non-Operating Revenues (Expenses)					
Local Sales Tax	2,588,677	-	-	-	2,588,677
Local Sales Tax Transfer	(2,234,249)	2,234,249	-	-	-
Capital Outlay	(62,754)	62,754	-	-	-
Interest Income	459,535	-	-	-	459,535
Rent on R-9 Ranch	658,281	-	-	-	658,281
Prior Year Encumbrances Voided	18,978	-	-	-	18,978
R-9 Ranch Expenses	(395,171)	-	-	-	(395,171)
Transfers (Out)	(3,165,945)	-	-	-	(3,165,945)
Interest on Deposits	(1,529)	1,529	-	-	-
Principal Debt Service Payments	(759,596)	759,596	-	-	-
Water Sales Tax Fund Reserve Expenses	-	(2,114,987)	-	-	(2,114,987)
Interest Expense	(136,671)	-	-	-	(136,671)
Total Non-Operating Revenues (Expenses)	<u>(3,030,444)</u>	<u>943,141</u>	<u>-</u>	<u>-</u>	<u>(2,087,303)</u>
Net Income	<u>\$ (583,966)</u>	<u>(23,563)</u>	<u>39,122</u>	<u>(70,418)</u>	<u>(676,233)</u>

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

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. 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.

O. 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.

P. Defined Benefit Pension Plan

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

Funding Policy – K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERs employer rate established by statute for calendar year 2009 is 6.54%. Included in this rate is the contribution for Group Death and Disability Insurance of 1.00%. From March 1, 2009 through November 30, 2009 there was a moratorium on the collection of the premium of 1.00% of the Group Death and Disability Insurance rate. The **City of Hays, Kansas'** employer contributions to KPERs for the years ending December 31, 2009, 2008, and 2007 were \$273,856, \$229,476, and \$192,787, respectively, equal to the required contributions for each year.

The KP&F employer rate established for the calendar year 2009 was 13.51%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The **City of Hays, Kansas** contributions to KP&F for the years ending December 31, 2009, 2008, and 2007, was \$354,274, \$332,272, and \$303,868 respectively, equal to the required contributions for each year.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

Q. Deferred Compensation Plan

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

R. Other Post Employment Benefits

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

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

2. Capital Leases

As of December 31, 2009, the **City of Hays, Kansas** had the following capital leases:

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

The following is a schedule by years of future minimum lease payments for the governmental activities funds capital leases together with the present value of the net minimum lease payments as of December 31, 2009.

Year Ending December 31	Governmental Activities			Business Type Activities
	HRC Building Facility	Welcome Center	Total	Sanitation Trucks
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	106,312	100,582	206,894	55,993
2014	106,312	100,582	206,894	55,993
2015-2018	425,249	323,716	748,965	139,982
Total Minimum Lease Payments	956,809	826,626	1,783,435	419,947
Less: Amount Representing Interest	(192,194)	(156,581)	(348,775)	(65,801)
Present Value Of Future Minimum Lease Payments	\$ 764,615	670,045	1,434,660	354,146

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	3.45 – 6.50%	\$15,795,800
Business – Type Activities	4.50 – 6.50%	79,200
		<u>\$15,875,000</u>

The annual requirements to retire G.O. Bonds as of December 31, 2009, are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Bond Interest Due</u>	<u>Total</u>
2010	\$ 1,110,000	679,006	1,789,006
2011	1,050,000	634,966	1,684,966
2012	1,095,000	591,519	1,686,519
2013	945,000	545,007	1,490,007
2014	990,000	504,688	1,494,688
2015-2019	5,360,000	1,858,434	7,218,434
2020-2024	4,490,000	728,979	5,218,979
2025-2026	835,000	52,291	887,291
Total	<u>\$ 15,875,000</u>	<u>5,594,890</u>	<u>21,469,890</u>

Revenue Refunding Bonds and Revolving Loan

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business – Type Activities	3.60 – 5.25%	\$6,445,359

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2009 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2010	\$ 667,677	223,514	891,191
2011	691,284	201,259	892,543
2012	675,440	178,000	853,440
2013	540,167	157,576	697,743
2014	480,791	139,857	620,648
2015-2019	1,540,000	554,080	2,094,080
2020-2024	1,850,000	243,550	2,093,550
Total	<u>\$ 6,445,359</u>	<u>1,697,836</u>	<u>8,143,195</u>

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

3. Long-Term Debt (continued)

Long-term debt activity for the year ended December 31, 2009 was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
G.O. Bonds	\$ 17,602,840	900,000	(2,707,040)	15,795,800	1,096,680
Capital Leases	<u>1,557,655</u>	-	<u>(122,995)</u>	<u>1,434,660</u>	<u>126,266</u>
Total Governmental Long-Term Liabilities	<u>19,160,495</u>	<u>900,000</u>	<u>(2,830,035)</u>	<u>17,230,460</u>	<u>1,222,946</u>
Business - Type Activities:					
G.O. Bonds	92,160	-	(12,960)	79,200	13,320
Capital Leases	393,186	-	(39,041)	354,145	40,785
Revenue Bonds	1,050,000	4,200,000	(435,000)	4,815,000	330,000
State Revolving Loan	<u>1,954,956</u>	-	<u>(324,596)</u>	<u>1,630,359</u>	<u>337,677</u>
Total Business-Type Long-Term Liabilities	<u>3,490,302</u>	<u>4,200,000</u>	<u>(811,597)</u>	<u>6,878,704</u>	<u>721,782</u>
Total Long- Term Liabilities	<u>\$ 22,650,797</u>	<u>5,100,000</u>	<u>(3,641,632)</u>	<u>24,109,164</u>	<u>1,944,728</u>

4. Compliance with Revenue Bond Provision Water and Sewer Utility Fund

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

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

Gross Revenues	\$ 4,543,239
Adjustments –	
Less – Operating Expenses	\$(2,065,465)
Transfers Out	(1,854,145)
Add - Interest Earned	<u>135,140</u>
Net Adjustments	<u>(3,784,470)</u>
Net Revenues	758,769
Maximum Amount of Principal and Interest	332,238
	<u>125%</u>
Net Revenues Required	<u>415,298</u>
Excess	<u>\$ 343,471</u>

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 2009 were as follows:

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

5. Transfers and Payments (continued)

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water and Sewer	General	12-825d	\$ 1,402,806
Solid Waste	General	12-825d	208,707
Convention and Tourism	General	79-2925	54,500
Special Alcohol	General	79-41a04	39,678
Solid Waste	Employee Benefit	12-825d	120,564
Water and Sewer	Employee Benefit	12-825d	333,339
Convention and Tourism	Employee Benefit	79-2925	70,027
Special Alcohol	Employee Benefit	79-41a04	14,007
Water and Sewer	Bond and Interest	12-825d	17,800
Capital Projects	Bond and Interest	Closed Projects	95,903
Solid Waste	Solid Waste Reserve	12-825d	377,542
Water and Sewer	Capital Improvement Reserve	12-825d	1,294,000
Water and Sewer	Sales Tax Reserve	12-825d	2,234,249
Capital Projects	Special Highway	Closed Projects	20,633
General	New Equipment Reserve	12-1,117	386,811
Airport	New Equipment Reserve	12-1,117	23,600
Water and Sewer	New Equipment Reserve	12-1,117	<u>118,000</u>
Totals			\$ <u>6,812,166</u>

In the fund financial statements, total transfers of \$2,201,216 are equal to the total transfers out of \$2,201,216 from Business-Type Funds.

6. Capital Projects

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expenditures to Date</u>
Golden Belt Estates 3 rd Addition	\$ 449,893	390,799
Airport Improvements – Grants 17, 19, 20, 21, 22, 23, 24	2,381,560	472,052
Sports Complex	8,000,000	490,461

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 that can affect these financial statements. 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 that is considered to be economically justifiable.

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2009

8. Risk Management – Claims and Judgments (continued)

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 2009, the City contributed \$183,340 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, 2009, 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

Comparative data for the prior year has been 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, fund financial statements, and the accompanying supplemental financial statements. However, complete comparative data has not been presented in all the financial statements since their inclusion would make the statement unduly complex and difficult to read.

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Cash Equivalents	\$ 6,347,383	6,777,591
Receivables		
Accounts Receivable (Net of Allowance for Uncollectibles)	178,261	64,584
Other Asset		
Reserved Cash - Budget Stabilization	<u>3,172,724</u>	<u>3,244,488</u>
Total Assets	<u>\$ 9,698,368</u>	<u>10,086,663</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 186,244	122,758
Accrued Payroll	86,316	276,331
Accrued Paid Time Off	408,320	362,159
Accrued Sick Leave Payout	<u>32,284</u>	<u>36,528</u>
Total Liabilities	<u>713,164</u>	<u>797,776</u>
Reserved Fund Balance		
Reserved for Encumbrances	193,340	341,127
Reserved for Budget Stabilization	3,172,724	3,218,568
Unreserved		
Designated for Subsequent Year's Expenditures	1,450,751	1,176,071
Undesignated	<u>4,168,389</u>	<u>4,553,121</u>
Total Fund Balance	<u>8,985,204</u>	<u>9,288,887</u>
Total Liabilities and Fund Balance	<u>\$ 9,698,368</u>	<u>10,086,663</u>

See accountants' report.

CITY OF HAYS, KANSAS
General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009		Variance Positive (Negative)	2008 Actual
	Original and Final Budget	Actual		
Revenues (Page Four)	\$ 9,334,278	9,098,866	(235,412)	9,726,474
Expenditures (Page Four)	13,915,559	10,561,461	3,354,098	9,806,991
Excess of Revenues Over (Under) Expenditures	(4,581,281)	(1,462,595)	3,118,686	(80,517)
Other Financing Sources (Uses)				
Sale of Property	-	33,663	33,663	19,148
Transfers In	1,705,691	1,705,691	-	1,711,360
Transfers Out	(389,811)	(386,811)	3,000	(925,100)
Total Other Financing Sources (Uses)	1,315,880	1,352,543	36,663	805,408
Excess Revenues and Other Financing Sources (Uses) over (Under) Expenditures	(3,265,401)	(110,052)	3,155,349	724,891
Fund Balance - January 1	4,391,268	9,288,887	4,897,619	8,542,736
Increase (Decrease) in Reserve for Encumbrances	-	(147,787)	(147,787)	69,117
Increase (Decrease) in Reserve for Budget Stabilization	-	(45,844)	(45,844)	(47,857)
Fund Balance - December 31	\$ 1,125,867	8,985,204	7,859,337	9,288,887

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, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009		Variance Positive (Negative)	2008 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Delinquent	\$ -	1,359	1,359	4,185
Local Sales	6,646,443	6,340,438	(306,005)	6,528,688
Total Taxes	6,646,443	6,341,797	(304,646)	6,532,873
Intergovernmental				
Liquor Tax	118,735	117,289	(1,446)	127,486
State Grant	-	-	-	45,097
Federal Grant	-	9,782	9,782	2,088
Total Intergovernmental	118,735	127,071	8,336	174,671
Licenses and Permits				
Franchise Tax	1,250,000	1,309,744	59,744	1,414,052
Licenses	36,400	49,217	12,817	32,747
Permits	62,000	52,602	(9,398)	62,396
Total Licenses and Permits	1,348,400	1,411,563	63,163	1,509,195
Fines and Forfeitures				
Fines and Court Fees	527,000	519,125	(7,875)	570,071
Use of Money and Property				
Interest Income	302,000	255,385	(46,615)	594,197
Rent	1,200	1,200	-	1,200
Total Use of Money and Property	\$ 303,200	256,585	(46,615)	595,397

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, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

Revenues (Continued)	2009		Variance Positive (Negative)	2008 Actual
	Original and Final Budget	Actual		
Miscellaneous				
Golf Course Fees	\$ 215,000	212,203	(2,797)	189,131
Cemetery Receipts	12,000	10,425	(1,575)	8,055
Donations	-	35,000	35,000	35,000
Capital Credits	-	18,759	18,759	13,279
Reimbursed Expenses	-	69,977	69,977	-
Miscellaneous Receipts	163,500	55,769	(107,731)	74,995
Prior Year Encumbrances Voided	-	40,592	40,592	23,807
Total Miscellaneous	<u>390,500</u>	<u>442,725</u>	<u>52,225</u>	<u>344,267</u>
Total Revenues	\$ <u>9,334,278</u>	<u>9,098,866</u>	<u>(235,412)</u>	<u>9,726,474</u>
Expenditures				
City Commission	\$ 75,500	24,473	51,027	45,962
Financial Policy Project	3,036,427	1,120,000	1,916,427	243,906
City Manager	682,700	488,350	194,350	627,471
Human Resources	206,630	190,885	15,745	155,811
Information Technology	431,445	409,700	21,745	380,886
City Attorney	101,000	83,112	17,888	91,960
Finance - City Clerk	376,700	362,428	14,272	352,831
Intergovernmental Account	285,000	276,735	8,265	274,617
Police Department	2,420,200	2,242,187	178,013	2,169,330
Municipal Court	145,000	137,907	7,093	134,351
Public Works-General Administration	300,600	279,818	20,782	231,301
Service Division	866,310	808,928	57,382	736,382
Planning, Inspection, and Enforcement	241,685	231,181	10,504	204,646
Building and Grounds	427,750	387,346	40,404	442,398
Fleet Maintenance	912,685	548,356	364,329	697,243
Fire Department	1,257,500	1,213,067	44,433	1,108,649
Parks and Playgrounds	977,300	831,274	146,026	836,173
Golf Course	372,700	288,848	83,852	471,410
Swimming Pool	121,200	84,422	36,778	89,008
Ballfield Maintenance	107,300	67,499	39,801	42,219
Cemeteries	42,500	10,510	31,990	6,845
Social Services	164,000	164,000	-	159,900
Economic Development	331,267	278,275	52,992	272,192
Quality of Life	32,160	32,160	-	31,500
Total Expenditures	\$ <u>13,915,559</u>	<u>10,561,461</u>	<u>3,354,098</u>	<u>9,806,991</u>

See accountants' report.

CITY OF HAYS, KANSAS
Library Fund
 Balance Sheets
 December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Taxes Receivable	\$ <u>1,058,923</u>	<u>1,037,912</u>
Total Assets	\$ <u>1,058,923</u>	<u>1,037,912</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	\$ <u>1,058,923</u>	<u>1,037,912</u>
Total Liabilities and Fund Balance	\$ <u>1,058,923</u>	<u>1,037,912</u>

Library Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>2009</u>			
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
Revenues				
Taxes				
Ad Valorem	\$ 1,070,012	1,022,007	(48,005)	988,345
Delinquent	-	9,917	9,917	6,179
Motor Vehicle	114,057	123,117	9,060	116,278
Recreational Vehicle	1,314	1,762	448	1,576
16/20M Truck	885	1,016	131	950
Total Revenues	<u>1,186,268</u>	<u>1,157,819</u>	<u>(28,449)</u>	<u>1,113,328</u>
Expenditures				
Distributions to Library Board	<u>1,186,268</u>	<u>1,157,819</u>	<u>(28,449)</u>	<u>1,141,741</u>
Excess Revenues Over (Under)				
Expenditures	-	-	-	(28,413)
Fund Balance - January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,413</u>
Fund Balance - December 31	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accountants' report.

CITY OF HAYS, KANSAS
Library Employee Benefit Fund
 Balance Sheets
 December 31, 2009 and 2008

		2009	2008
ASSETS			
Cash and Cash Equivalents	\$	-	3,209
Taxes Receivable		131,868	134,454
Total Assets	\$	131,868	137,663
LIABILITIES AND FUND BALANCE			
Liabilities			
Deferred Revenues	\$	131,868	134,454
Fund Balance			
Unreserved			
Designated for Subsequent Year's Expenditures		-	1,481
Undesignated		-	1,728
Total Fund Balance		-	3,209
Total Liabilities and Fund Balance	\$	131,868	137,663

Library Employee Benefit Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	2009				2008
	Original and Final Budget	Actual	Variance Positive (Negative)		Actual
Revenues					
Taxes					
Ad Valorem	\$ 136,564	133,049	(3,515)		101,635
Delinquent	-	1,034	1,034		646
Motor Vehicle	11,729	12,422	693		11,537
Recreational Vehicle	135	178	43		156
16/20M Truck	91	96	5		107
Total Revenues	148,519	146,779	(1,740)		114,081
Expenditures					
Distributions to Library Board	150,000	149,988	12		115,000
Excess Revenues Over (Under)					
Expenditures	(1,481)	(3,209)	(1,728)		(919)
Fund Balance - January 1	1,481	3,209	1,728		4,128
Fund Balance - December 31	-	-	-		3,209

See accountants' report.

CITY OF HAYS, KANSAS
Special Highway Fund
Balance Sheets
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Cash Equivalents	\$ <u>184,727</u>	<u>462,471</u>
Total Assets	\$ <u>184,727</u>	<u>462,471</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ <u>305</u>	<u>176</u>
Fund Balance		
Reserved		
Reserved for Encumbrances	19,232	95,239
Unreserved		
Designated for Subsequent Year's Expenditures	165,190	345,681
Undesignated	<u>-</u>	<u>21,375</u>
Total Fund Balance	<u>184,422</u>	<u>462,295</u>
Total Liabilities and Fund Balance	\$ <u>184,727</u>	<u>462,471</u>

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, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009		Variance Positive (Negative)	2008 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
State Gasoline Tax	\$ 586,370	510,675	(75,695)	572,897
Connecting Link Maintenance	44,760	44,729	(31)	42,764
Prior Year Encumbrance Voided	-	9,880	9,880	10,776
Total Revenues	<u>631,130</u>	<u>565,284</u>	<u>(65,846)</u>	<u>626,437</u>
Expenditures				
Contractual Services	150,000	-	150,000	-
Capital Outlay	826,811	787,783	39,028	846,670
Total Expenditures	<u>976,811</u>	<u>787,783</u>	<u>189,028</u>	<u>846,670</u>
Excess Revenues Over (Under) Expenditures	<u>(345,681)</u>	<u>(222,499)</u>	<u>123,182</u>	<u>(220,233)</u>
Other Financing Sources (Uses)				
Transfers In	-	20,633	20,633	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>20,633</u>	<u>20,633</u>	<u>-</u>
Excess Revenues and Other Financing Sources (Uses) over (Under) Expenditures	<u>(345,681)</u>	<u>(201,866)</u>	<u>143,815</u>	<u>(220,233)</u>
Fund Balance - January 1	345,681	462,295	116,614	599,509
Increase (Decrease) in Reserve for Encumbrances	<u>-</u>	<u>(76,007)</u>	<u>(76,007)</u>	<u>83,019</u>
Fund Balance - December 31	<u>\$ -</u>	<u>184,422</u>	<u>184,422</u>	<u>462,295</u>

See accountants' report.

CITY OF HAYS, KANSAS
Employee Benefit Fund
 Balance Sheets
 December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Cash Equivalents	\$ 898,829	1,185,290
Taxes Receivable	<u>1,606,007</u>	<u>1,559,110</u>
Total Assets	\$ <u>2,504,836</u>	<u>2,744,400</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ -	17,514
Deferred Revenues	<u>1,606,007</u>	<u>1,559,110</u>
Total Liabilities	<u>1,606,007</u>	<u>1,576,624</u>
Fund Balance		
Unreserved		
Unreserved Designated for Subsequent Year's Expenditures	898,829	969,360
Undesignated	<u>-</u>	<u>198,416</u>
Total Fund Balance	<u>898,829</u>	<u>1,167,776</u>
Total Liabilities and Fund Balance	\$ <u>2,504,836</u>	<u>2,744,400</u>

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, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	2009			2008 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 1,607,330	1,541,374	(65,956)	1,979,983
Delinquent	-	15,933	15,933	5,872
Motor Vehicle	228,495	228,761	266	156,593
Recreational Vehicle	2,633	3,254	621	2,125
16/20M Truck	1,774	1,415	(359)	1,143
Interest Income	20,000	26,027	6,027	52,882
Miscellaneous	-	36,932	36,932	53,121
Total Revenues	<u>1,860,232</u>	<u>1,853,696</u>	<u>(6,536)</u>	<u>2,251,719</u>
Expenditures				
Workmen's Compensation	256,000	164,669	91,331	171,377
Unemployment Compensation	24,000	9,085	14,915	12,182
Social Security	600,000	570,429	29,571	505,112
Employee Retirement	690,000	628,607	61,393	561,804
Contingency	300,000	34,879	265,121	31,622
Health Insurance	1,484,000	1,246,409	237,591	1,135,355
Contractual Services	10,000	6,502	3,498	6,400
Total Expenditures	<u>3,364,000</u>	<u>2,660,580</u>	<u>703,420</u>	<u>2,423,852</u>
Excess Revenues Over (Under) Expenditures	<u>(1,503,768)</u>	<u>(806,884)</u>	<u>696,884</u>	<u>(172,133)</u>
Other Financing Sources (Uses)				
Transfers In	<u>534,408</u>	<u>537,937</u>	<u>3,529</u>	<u>521,870</u>
Total Other Financing Sources	<u>534,408</u>	<u>537,937</u>	<u>3,529</u>	<u>521,870</u>
Excess Revenues and Other Financing Sources (Uses) over (Under) Expenditure	<u>(969,360)</u>	<u>(268,947)</u>	<u>700,413</u>	<u>349,737</u>
Fund Balance - January 1	<u>969,360</u>	<u>1,167,776</u>	<u>198,416</u>	<u>818,039</u>
Fund Balance - December 31	<u>\$ -</u>	<u>898,829</u>	<u>898,829</u>	<u>1,167,776</u>

See accountants' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
Balance Sheets
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Cash Equivalents	\$ 386,474	436,507
Taxes Receivable	<u>352,974</u>	<u>345,991</u>
Total Assets	\$ <u>739,448</u>	<u>782,498</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 1,505	-
Deferred Revenues	<u>352,974</u>	<u>345,991</u>
Total Liabilities	<u>354,479</u>	<u>345,991</u>
Fund Balance		
Reserved		
Reserved for Encumbrances	48,739	201,497
Unreserved		
Designated for Subsequent Year's Expenditures	268,846	195,761
Undesignated	<u>67,384</u>	<u>39,249</u>
Total Fund Balance	<u>384,969</u>	<u>436,507</u>
Total Liabilities and Fund Balance	\$ <u>739,448</u>	<u>782,498</u>

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, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009		Variance Positive (Negative)	2008 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 356,692	342,203	(14,489)	329,329
Delinquent	-	3,330	3,330	1,895
Motor Vehicle	37,962	42,002	4,040	42,331
Recreational Vehicle	437	601	164	574
16/20M Truck	295	374	79	335
Total Revenues	<u>395,386</u>	<u>388,510</u>	<u>(6,876)</u>	<u>374,464</u>
Expenditures				
Capital Outlay	<u>591,147</u>	<u>287,290</u>	<u>303,857</u>	<u>421,816</u>
Excess Revenue Over (Under)				
Expenditures	(195,761)	101,220	296,981	(47,352)
Fund Balance - January 1	195,761	436,507	240,746	289,572
Increase (Decrease) in				
Reserve for Encumbrances	<u>-</u>	<u>(152,758)</u>	<u>(152,758)</u>	<u>194,287</u>
Fund Balance - December 31	<u>\$ -</u>	<u>384,969</u>	<u>384,969</u>	<u>436,507</u>

See accountants' report.

CITY OF HAYS, KANSAS
 Airport Fund
 Balance Sheets
 December 31, 2009 and 2008

	2009	2008
ASSETS		
Cash and Cash Equivalents	\$ 394,039	311,678
Accounts Receivable (Net of Allowance for Uncollectibles)	127	-
Taxes Receivable	176,487	172,996
Total Assets	\$ 570,653	484,674
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 15,614	7,709
Accrued Payroll	1,278	4,344
Accrued Paid Time Off	3,271	3,098
Accrued Sick Leave Payout	2,904	-
Deferred Revenues	176,487	172,996
Total Liabilities	199,554	188,147
Fund Balance		
Reserved		
Reserved for Encumbrances	-	21,920
Unreserved		
Designated for Subsequent Year's Expenditures	338,478	149,990
Undesignated	32,621	124,617
Total Fund Balance	371,099	296,527
Total Liabilities and Fund Balance	\$ 570,653	484,674

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, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	2009			2008 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 178,346	172,192	(6,154)	164,559
Delinquent	-	1,723	1,723	1,127
Motor Vehicle	18,991	19,831	840	21,158
Recreational Vehicle	219	301	82	287
16/20M Truck	147	187	40	168
Licenses and Fees Collected	76,000	79,063	3,063	67,925
Farming Leases	16,500	17,262	762	12,601
Miscellaneous	12,000	18,877	6,877	13,836
Prior Year Encumbrances Voided	-	906	906	-
Total Revenues	302,203	310,342	8,139	281,661
Expenditures				
Personal Services	95,450	86,683	8,767	75,642
Contractual Services	262,243	79,063	183,180	89,894
Commodities	31,900	24,504	7,396	29,018
Capital Outlay	39,000	-	39,000	14,400
Total Expenditures	428,593	190,250	238,343	208,954
Excess Revenues Over (Under)				
Expenditures	(126,390)	120,092	246,482	72,707
Other Financing (Uses)				
Transfers Out	(23,600)	(23,600)	-	(63,350)
Excess Revenues and Other Financing				
Sources (Uses) over (Under) Expenditures:	(149,990)	96,492	246,482	9,357
Fund Balance - January 1	149,990	296,527	146,537	274,038
Increase (Decrease) in				
Reserve for Encumbrances	-	(21,920)	(21,920)	13,132
Fund Balance - December 31	\$ -	371,099	371,099	296,527

See accountants' report.

CITY OF HAYS, KANSAS
Park Development Fund
 Balance Sheets
 December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Cash Equivalents	\$ -	64
Total Assets	<u>-</u>	<u>64</u>
FUND BALANCE		
Fund Balance		
Undesignated	\$ -	64
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>64</u>

Park Development Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>2009</u>			
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
Expenditures	\$ -	64	(64)	-
Excess Revenues Over (Under) Expenditures	-	(64)	(64)	-
Fund Balance - January 1	-	64	64	64
Fund Balance - December 31	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>64</u>

See accountants' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund
 Balance Sheets
 December 31, 2009 and 2008

	2009	2008
ASSETS		
Cash and Cash Equivalents	\$ 359,103	363,223
Accounts Receivable (Net of Allowance for Uncollectibles)	231	-
Total Assets	\$ 359,334	363,223
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 3,622	3,962
Accrued Payroll	2,745	8,525
Accrued Paid Time Off	8,564	7,504
Total Liabilities	14,931	19,991
Fund Balance		
Reserved		
Reserved for Encumbrances	-	9,729
Unreserved		
Designated for Subsequent Year's Expenditures	344,403	160,376
Undesignated	-	173,127
Total Fund Balance	344,403	343,232
Total Liabilities and Fund Balance	\$ 359,334	363,223

See accountants' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Guest Tax	\$ 628,000	619,240	(8,760)	735,836
Prior Year Encumbrances Voided	-	1,207	1,207	116
Miscellaneous	35,000	36,764	1,764	35,661
Total Revenues	663,000	657,211	(5,789)	771,613
Expenditures				
Personal Services	224,000	210,311	13,689	197,664
Contractual Services	383,849	239,558	144,291	274,436
Commodities	91,000	71,915	19,085	39,386
Total Expenditures	698,849	521,784	177,065	511,486
Excess Revenues Over (Under) Expenditures	(35,849)	135,427	171,276	260,127
Other Financing Sources (Uses)				
Transfers Out	(124,527)	(124,527)	-	(112,900)
Excess Revenues and Other Financing Sources (Uses) over (Under) Expenditures	(160,376)	10,900	171,276	147,227
Fund Balance - January 1	160,376	343,232	182,856	191,296
Increase (Decrease) in Reserve for Encumbrances	-	(9,729)	(9,729)	4,709
Fund Balance - December 31	\$ -	344,403	344,403	343,232

See accountants' report.

CITY OF HAYS, KANSAS
New Equipment Reserve Fund
 Balance Sheets
 December 31, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents	\$ <u>1,459,745</u>	<u>1,638,077</u>
FUND BALANCE		
Fund Balance Reserved		
Reserved for Encumbrances	\$ 100,154	72,200
Unreserved		
Undesignated	<u>1,359,591</u>	<u>1,565,877</u>
Total Fund Balance	\$ <u>1,459,745</u>	<u>1,638,077</u>

New Equipment Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>2009</u>	<u>2008</u>
Revenues		
Interest Income	\$ <u>28,177</u>	<u>67,615</u>
Expenditures		
Capital Outlay	<u>762,874</u>	<u>562,531</u>
Excess Revenues Over (Under) Expenditures	(734,697)	(494,916)
Other Financing Sources (Uses)		
Transfers In	<u>528,411</u>	<u>557,600</u>
Excess Revenues and Other Financing Sources (Uses) over (Under) Expenditures	(206,286)	62,684
Fund Balance - January 1	1,638,077	1,538,009
Increase (Decrease) in Reserve for Encumbrances	<u>27,954</u>	<u>37,384</u>
Fund Balance - December 31	\$ <u>1,459,745</u>	<u>1,638,077</u>

See accountants' report..

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
 Balance Sheets
 December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Cash Equivalents	\$ <u>194,894</u>	<u>197,141</u>
FUND BALANCE		
Fund Balance		
Unreserved		
Designated for Subsequent Year's Expenditures	\$ 194,894	179,431
Undesignated	<u>-</u>	<u>17,710</u>
Total Fund Balance	\$ <u>194,894</u>	<u>197,141</u>

Special Alcohol Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>2009</u>		Variance Positive (Negative)	<u>2008 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		
Revenues				
Intergovernmental				
Liquor Tax	\$ 118,735	117,288	(1,447)	127,486
Expenditures				
Contractual	244,481	65,850	178,631	68,000
Excess Revenues Over (Under)				
Expenditures	(125,746)	51,438	177,184	59,486
Other Financing Sources (Uses)				
Transfers Out	(53,685)	(53,685)	-	(35,270)
Excess Revenues and Other Financing Sources (Uses) over (Under) Expenditure	(179,431)	(2,247)	177,184	24,216
Fund Balance - January 1	179,431	197,141	17,710	172,925
Fund Balance - December 31	\$ <u>-</u>	<u>194,894</u>	<u>194,894</u>	<u>197,141</u>

See accountants' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
Balance Sheets
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Cash Equivalents	\$ <u>529,142</u>	<u>425,263</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ <u>5,722</u>	<u>100</u>
Fund Balance		
 Reserved		
Reserved for Encumbrances	-	3,500
 Unreserved		
Designated for Subsequent Year's Expenditures	488,399	390,869
Undesignated	<u>35,021</u>	<u>30,794</u>
 Total Fund Balance	<u>523,420</u>	<u>425,163</u>
 Total Liabilities and Fund Balance	\$ <u>529,142</u>	<u>425,263</u>

See accountants' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>2009</u>			<u>2008 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	
Revenues				
Intergovernmental				
Liquor Tax	\$ 118,735	120,620	1,885	128,360
Expenditures				
Capital Outlay	509,604	18,863	490,741	6,790
Excess Revenues Over (Under)				
Expenditures	(390,869)	101,757	492,626	121,570
Fund Balance - January 1	390,869	425,163	34,294	344,393
Increase (Decrease) in Reserved For Encumbrances	-	(3,500)	(3,500)	(40,800)
Fund Balance - December 31	\$ -	523,420	523,420	425,163

See accountants' report.

CITY OF HAYS, KANSAS
Debt Service Fund
Balance Sheets
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Cash Equivalents	\$ 387,804	702,022
Taxes Receivable	<u>1,081,405</u>	<u>1,247,471</u>
Total Assets	\$ <u>1,469,209</u>	<u>1,949,493</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred Revenues	\$ <u>1,081,405</u>	<u>1,247,471</u>
Fund Balance		
Unreserved		
Designated for Subsequent Year's Expenditures	305,103	695,517
Undesignated	<u>82,701</u>	<u>6,505</u>
Total Fund Balance	<u>387,804</u>	<u>702,022</u>
Total Liabilities and Fund Balance	\$ <u>1,469,209</u>	<u>1,949,493</u>

See accountants' report.

CITY OF HAYS, KANSAS

Debt Service Fund

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

For the Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	2009			2008 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 1,286,053	1,233,997	(52,056)	534,530
Delinquent	-	10,128	10,128	9,905
Motor Vehicle	61,686	80,895	19,209	131,373
Recreational Vehicle	711	1,174	463	1,776
16/20M Truck	479	1,044	565	1,369
Special Assessments	399,881	406,906	7,025	412,758
Miscellaneous	-	60	60	404
Total Revenues	<u>1,748,810</u>	<u>1,734,204</u>	<u>(14,606)</u>	<u>1,092,115</u>
Expenditures				
Bond Principal	1,605,000	1,515,000	90,000	1,495,000
Interest Expense	785,000	647,125	137,875	670,675
Levy Stabilization	12,127	-	12,127	-
Cash Basis Reserve	60,000	-	60,000	-
Total Expenditures	<u>2,462,127</u>	<u>2,162,125</u>	<u>300,002</u>	<u>2,165,675</u>
Excess Revenues Over (Under) Expenditures	<u>(713,317)</u>	<u>(427,921)</u>	<u>285,396</u>	<u>(1,073,560)</u>
Other Financing Sources (Uses)				
Transfers In	17,800	113,703	95,903	575,400
Total Other Financing Sources (Uses)	<u>17,800</u>	<u>113,703</u>	<u>95,903</u>	<u>575,400</u>
Excess Revenues and Other Financing Sources (Uses) over (Under) Expenditures	<u>(695,517)</u>	<u>(314,218)</u>	<u>381,299</u>	<u>(498,160)</u>
Fund Balance - January 1	<u>695,517</u>	<u>702,022</u>	<u>6,505</u>	<u>1,200,182</u>
Fund Balance - December 31	<u>\$ -</u>	<u>387,804</u>	<u>387,804</u>	<u>702,022</u>

See accountants' report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
Balance Sheets
December 31, 2009 and 2008

	ASSETS	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents		\$ <u>74,054</u>	<u>58,890</u>
FUND BALANCE			
Fund Balance			
Unreserved			
Designated for Subsequent Year's Expenditures		54,216	-
Undesignated		<u>19,838</u>	<u>58,890</u>
Total Fund Balance		<u>74,054</u>	<u>58,890</u>
Total Liabilities and Fund Balance		\$ <u>74,054</u>	<u>58,890</u>

Economic Development Bond Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	<u>2009</u>			<u>2008</u> Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 55,631	91,412	35,781	73,702
Intergovernmental				
Local Sales Tax	151,875	131,257	(20,618)	129,130
Total Revenues	<u>207,506</u>	<u>222,669</u>	<u>15,163</u>	<u>202,832</u>
Expenditures				
Bond Principal	85,000	85,000	-	80,000
Interest Expense	122,506	122,505	1	126,805
Total Expenditures	<u>207,506</u>	<u>207,505</u>	<u>1</u>	<u>206,805</u>
Excess Revenues Over (Under)				
Expenditures	-	15,164	15,164	(3,973)
Fund Balance - January 1	-	58,890	58,890	62,863
Fund Balance - December 31	\$ -	<u>74,054</u>	<u>74,054</u>	<u>58,890</u>

See Accountants' Report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheets
December 31, 2009 and 2008

	2009		Total	2008	
	Water and Sewer Fund	Solid Waste Utility Fund		Water and Sewer Fund	Solid Waste Utility Fund
ASSETS					
Current Assets					
Cash and Cash Equivalents					
Operating Account	2,658,528	407,346	3,065,874	3,742,543	119,409
Local Sales Tax Account	20,743,797	-	20,743,797	20,555,943	71,630
Accounts Receivable (Net)	246,400	361	246,761	259,641	4,092
Due From Water and Sewer Fund	-	37,513	37,513	33,623	8,711
Total Current Assets	23,648,725	445,220	24,093,945	24,591,750	52,118
Restricted Assets					
Customer Deposits	188,057	-	188,057	154,005	82,021
Reserve for Capital Improvements	2,505,383	464,419	2,969,802	1,384,753	39,041
Total Restricted Assets	2,693,440	464,419	3,157,859	1,538,758	324,596
Revenue Bonds					
Principal and Interest Account	200,093	-	200,093	152,879	24,122
Bond Reserve Account	613,000	-	613,000	193,000	12,960
Sales Tax Refunding Bonds	-	-	-	-	-
Principal and Interest Account	-	-	-	82,200	-
Bond Reserve Account	-	-	-	140,000	-
Total Restricted Assets	813,093	-	813,093	468,079	33,623
Capital Assets					
Water					
Land and Right-of-Ways	110,489	-	110,489	110,489	149,505
Infrastructure	18,178,100	-	18,178,100	15,423,847	4,500
Equipment	11,164,327	-	11,164,327	10,236,836	63,809
R-9 Ranch	4,262,040	-	4,262,040	4,262,040	21,135
Total Water Capital Assets	25,614,956	-	25,614,956	25,032,712	275,000
Sewer and Solid Waste					
Building and Structures	11,782,910	253,434	12,036,344	12,036,344	-
Equipment	45,497,866	1,530,953	47,028,819	45,508,495	-
Total Sewer and Solid Waste Capital Assets	57,280,776	1,784,387	59,065,163	57,544,839	160,000
Accumulated Depreciation					
	(22,439,382)	(654,093)	(23,093,475)	(22,032,635)	(610,140)
Net Capital Assets	33,845,594	1,130,294	34,975,888	33,510,177	564,860
Other Assets					
Issuance Costs Net of Applicable Amortization	66,811	-	66,811	20,397	1,384,753
Total Assets	\$ 50,282,553	2,039,933	52,322,486	48,264,400	1,384,753
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts Payable	63,739	3,821	67,560	67,560	119,409
Due to Capital Projects	-	-	-	-	71,630
Sales Tax	4,521	-	4,521	4,521	4,092
State Water Fee	14,757	-	14,757	8,711	8,934
Accrued Payroll	72,338	5,473	77,811	20,230	52,118
Accrued Paid Time Off	-	23,308	23,308	95,646	82,021
Current Portion - Lease Obligation	337,677	40,785	378,462	40,785	39,041
Current Portion - Revolving Loan	20,586	-	20,586	-	324,596
Accrued Interest - Revolving Loan	13,320	-	13,320	-	24,122
G. O. Bonds - Building	37,513	-	37,513	-	12,960
Due to Solid Waste Fund	-	-	-	-	33,623
Total Current Liabilities	573,162	73,387	646,549	646,549	772,546
Current Liabilities Payable From Restricted Assets					
Customer Deposits	183,557	-	183,557	183,557	149,505
Monitoring Well Deposits	4,500	-	4,500	4,500	4,500
Accrued Interest - Bonds	63,809	-	63,809	63,809	21,135
2003 Revenue Refunding Bonds	290,000	-	290,000	290,000	275,000
2009 Revenue Bonds	40,000	-	40,000	-	-
Sales Tax Refunding Bonds	-	-	-	-	160,000
Total Current Liabilities Payable From Restricted Assets	581,866	-	581,866	581,866	610,140
Noncurrent Liabilities					
G. O. Bonds - Building	65,880	-	65,880	65,880	79,200
Lease Obligation Payable	-	313,360	313,360	313,360	354,146
State of Kansas - Water Revolving Loan	1,292,682	-	1,292,682	1,292,682	1,630,359
2003 Revenue Refunding Bonds	325,000	-	325,000	325,000	615,000
2009 Revenue Bonds	4,160,000	-	4,160,000	4,160,000	-
Total Noncurrent Liabilities	5,943,562	313,360	6,256,922	6,156,922	2,678,705
Total Liabilities	6,516,724	386,747	6,903,471	6,803,471	4,061,391
Equity					
Reserve for Capital Improvements	2,505,383	464,419	2,969,802	2,969,802	1,384,753
Reserve for Encumbrances	1,385,246	48,144	1,433,390	1,433,390	100,932
Contributed Capital	3,215,105	115,383	3,330,488	3,330,488	3,330,488
Unreserved	36,178,229	1,025,240	37,203,469	37,203,469	38,386,836
Total Equity	43,283,963	1,653,186	44,937,149	44,937,149	44,203,009
Total Liabilities and Equity	\$ 50,282,553	2,039,933	52,322,486	52,322,486	48,264,400

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
 Comparison of Actual Revenues and Expenditures to Budget
 For the Year Ended December 31, 2009
 (With Comparative Totals for December 31, 2008)

	<u>2009</u>			2008 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Local Sales Tax	\$ 2,808,320	2,588,677	(219,643)	2,663,126
Water Sales	2,600,000	2,364,205	(235,795)	2,337,691
Sewer Service Charges	1,967,000	1,871,099	(95,901)	1,859,134
Water Tap - Turn-Ons	38,000	29,584	(8,416)	40,586
Water Sales Conservation Rate	267,800	239,561	(28,239)	244,758
Sales and Other Charges	20,000	16,354	(3,646)	10,385
Penalty	24,000	22,436	(1,564)	22,247
Rent on R-9 Ranch	473,000	658,281	185,281	250,000
Interest on Investments	128,000	135,140	7,140	274,716
Interest on Sales Tax Reserves	320,000	324,395	4,395	678,801
Prior Year Encumbrances Voided	-	18,978	18,978	18,040
Total Revenues	\$ 8,646,120	8,268,710	(377,410)	8,399,484
Expenditures				
Water Production and Distribution				
Personal Services				
Salaries	\$ 477,083	426,660	50,423	383,531
Contractual Services				
Communications	3,205	2,816	389	3,187
Publications	3,000	261	2,739	2,704
Heat, Light and Power	222,520	209,851	12,669	210,213
Travel and Training	2,500	2,292	208	1,519
Other Contractual Services	84,405	44,774	39,631	98,824
Professional Services	15,540	1,279	14,261	417
Total Contractual Services	331,170	261,273	69,897	316,864
Commodities				
Office Supplies	1,000	571	429	994
General Supplies	27,000	19,442	7,558	17,813
Chemicals	425,064	435,017	(9,953)	381,307
Equipment Expense	56,135	40,169	15,966	37,310
Uniforms	4,870	4,026	844	1,530
Repairs to Buildings and Structures	4,500	1,311	3,189	3,867
Total Commodities	518,569	500,536	18,033	442,821
Capital Outlay	49,000	39,752	9,248	-
Total Water Production and Distribution	\$ 1,375,822	1,228,221	147,601	1,143,216

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, 2009
(With Comparative Totals for December 31, 2008)

	<u>2009</u>		Variance Positive (Negative)	<u>2008 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		
Wastewater Treatment and Collection				
Personal Services				
Salaries	\$ 439,116	452,655	(13,539)	381,680
Contractual Services				
Communications	5,073	1,838	3,235	3,470
Heat, Light and Power	192,668	171,822	20,846	198,054
Professional Services	17,140	12,445	4,695	12,904
Travel and Training	2,500	2,522	(22)	1,458
Other Contractual Services	32,754	19,484	13,270	21,380
Total Contractual Services	<u>250,135</u>	<u>208,111</u>	<u>42,024</u>	<u>237,266</u>
Commodities				
Office Supplies	600	578	22	586
General Supplies	22,042	22,738	(696)	20,639
Chemicals	60,845	60,336	509	38,148
Repairs to Buildings and Structures	4,000	3,758	242	-
Equipment Expense	54,774	62,908	(8,134)	37,568
Uniforms	3,955	3,123	832	1,000
Total Commodities	<u>146,216</u>	<u>153,441</u>	<u>(7,225)</u>	<u>97,941</u>
Total Wastewater Treatment and Collection	<u>\$ 835,467</u>	<u>814,207</u>	<u>34,799</u>	<u>716,887</u>
Debt Service				
Principal Payment-2003 Revenue Bond	275,000	275,000	-	270,000
Interest Payment-2003 Revenue Bond	26,235	26,235	-	32,580
Principal Payment-Revolving Loan	324,596	324,596	-	312,022
Interest Payment-Revolving Loan	74,797	75,033	(236)	87,631
Principal Payment-Sales Tax Bond	160,000	160,000	-	315,000
Interest Payment-Sales Tax Bond	4,400	4,400	-	11,960
Principal Payment-2009 Revenue Bond	267,000	-	267,000	-
Interest Payment-2009 Revenue Bond	145,200	31,003	114,197	-
Total Debt Service	<u>\$ 1,277,228</u>	<u>896,267</u>	<u>380,961</u>	<u>1,029,193</u>

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, 2009
 (With Comparative Totals for December 31, 2008)

	2009			2008 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Non Operating Expenditures				
R-9 Ranch Expenditures	\$ 264,000	395,171	(131,171)	256,438
Water Taps, Hydrants, Meters,	113,729	62,754	50,975	80,307
Contingency	5,000	961	4,039	-
Projects	25,000	17,850	7,150	950
Interest on Meter Deposits	5,000	1,529	3,471	4,418
Clean Drinking Water Fee	20,500	17,801	2,699	18,062
Other Contractual Services	-	17,721	(17,721)	6,729
Transfer to Bond and Interest Fund	17,800	17,800	-	17,800
Transfer to Sales Tax Reserve	2,618,660	2,234,249	384,411	2,470,287
Transfer to Capital Improvement	1,294,000	1,294,000	-	100,000
Transfer to General Fund	893,146	893,146	-	901,850
Transfer to General Fund - Water Sales	509,660	509,660	-	544,680
Transfer to Employee Benefit Fund	353,951	333,339	20,612	280,800
Transfer to New Equipment Reserve	118,000	118,000	-	166,500
Total Non Operating Expenditures	<u>6,238,446</u>	<u>5,913,981</u>	<u>324,465</u>	<u>4,848,821</u>
Total Expenditures	<u>\$ 9,726,963</u>	<u>8,852,676</u>	<u>887,826</u>	<u>7,738,117</u>

See accountants' report.

CITY OF HAYS, KANSAS
Solid Waste Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2009
(With Comparative Totals for December 31, 2008)

	2009		Variance Positive (Negative)	2008 Actual
	Original and Final Budget	Actual		
Revenues				
Refuse Collections	\$ 1,185,690	1,213,960	28,270	1,193,694
Interest on Investments	500	10,526	10,026	19,296
Yard Waste Tags	1,500	2,162	662	2,163
Miscellaneous Revenue	40,000	19,464	(20,536)	65,393
Prior Year Encumbrances Voided	-	-	-	345
Total Revenues	<u>\$ 1,227,690</u>	<u>1,246,112</u>	<u>18,422</u>	<u>1,280,891</u>
Expenditures				
Personal Services				
Salaries	\$ 311,600	311,551	49	294,317
Transfer - Employee Benefit	120,474	120,564	(90)	131,500
Total Personal Services	<u>432,074</u>	<u>432,115</u>	<u>(41)</u>	<u>425,817</u>
Contractual Services				
Communications	830	762	68	779
Publications	4,000	1,091	2,909	2,433
Utility - Water, Light and Power	8,420	6,477	1,943	7,215
Contingency	5,000	4,137	863	-
Tipping Fees	362,960	353,171	9,789	307,678
Travel and Training	600	519	81	389
Transfer to Reserve	400,000	377,542	22,458	90,000
Transfer - General Fund	208,707	208,707	-	186,480
Total Contractual Services	<u>990,517</u>	<u>952,406</u>	<u>38,111</u>	<u>594,974</u>
Commodities				
Office Supplies	500	434	66	169
General Supplies	12,240	8,283	3,957	11,645
Equipment Expense	9,900	6,835	3,065	7,996
Uniforms	3,400	3,150	250	1,040
Repairs to Buildings and Structures	3,600	3,600	-	1,694
Total Commodities	<u>29,640</u>	<u>22,302</u>	<u>7,338</u>	<u>22,544</u>
Capital Outlay	<u>8,300</u>	<u>8,268</u>	<u>32</u>	<u>6,504</u>
Debt Service	<u>56,000</u>	<u>55,993</u>	<u>7</u>	<u>55,993</u>
Total Expenditures	<u>\$ 1,516,531</u>	<u>1,471,084</u>	<u>45,447</u>	<u>1,105,832</u>

See accountants' report.