

CITY OF HAYS, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2016

CITY OF HAYS, KANSAS
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 For the Year Ended December 31, 2016

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis.....	5
Statement 1 - Statement of Net Position.....	11
Statement 2 - Statement of Activities	14
Statement 3 - Balance Sheet and Reconciliation - Governmental Funds.....	15
Statement 4 - Statement of Revenues, Expenditures, and Change in Fund Balance and Reconciliation - Governmental Funds	17
Statement 5 - Statement of Net Position - Proprietary Funds.....	19
Statement 6 - Statement of Revenues, Expenses, and Change in Net Position - Proprietary Funds	21
Statement 7 - Statement of Cash Flows - Proprietary Funds.....	22
Statement 8 - Statement of Net Position - Agency Funds.....	24
Notes to Financial Statements	25
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	46
Independent Auditors' Report on Compliance for Each Major Program and for the Passenger Facility Charge Program and on Internal Control Over Compliance Required by the Uniform Guidance	48
 Required Supplementary Information 	
Schedule of Proportionate Share of Collective Net Pension Liability.....	50
Schedule of the City's Contributions	51
 Supplementary Information 	
Statement 9 Balance Sheets and Summary Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (where applicable)	
General Fund	
9-1 General Fund	52

CITY OF HAYS, KANSAS
 Financial Statements With Independent Auditors' Report
 For the Year Ended December 31, 2016

TABLE OF CONTENTS (continued)

Special Revenue Funds	
9-2	Library Fund 56
9-3	Library Employee Benefits Fund 57
9-4	Special Highway Fund..... 58
9-5	Employee Benefits Fund 60
9-6	Public Safety Equipment Fund 62
9-7	Airport Fund..... 64
9-8	Park Development Fund..... 66
9-9	Convention and Visitor's Bureau Fund..... 67
9-10	New Equipment Reserve Fund 69
9-11	Special Alcohol Program Fund..... 70
9-12	Special Park and Recreation Fund..... 71
9-13	Parks Improvement Fund..... 73
9-14	Department of Justice Program Fund 74
9-15	City Commission Capital Reserve Fund..... 75
9-16	Sales Tax Dedicated to Ellis County, Kansas Fund..... 76
Debt Service Funds	
10-1	Bond and Interest Fund 77
10-2	2016-A Bond Redemption Fund..... 79
10-3	Economic Development Bond Fund..... 80
Schedule A	
Enterprise Funds	
	Combining Balance Sheets and Comparison of Actual Revenues and Expenditures to Budget (Water Production and Distribution Fund, Water Reclamation and Reuse Fund, Water Conservation Fund, Water and Sewer Utility Fund, Solid Waste Fund and Stormwater Management Fund)..... 81
	Water Production and Distribution Reserve Fund..... 91
	Water Reclamation and Reuse Reserve Fund..... 92
	Water Sales Tax Reserve Fund..... 93
	Solid Waste Reserve Fund 94
	Stormwater Reserve Fund 95
	Schedule of Findings and Questioned Costs 96
	Summary Schedule of Prior Audit Findings 98
	Schedule of Expenditures of Federal Awards..... 99
	Notes to Schedule of Expenditures of Federal Awards..... 100



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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commission

City of Hays, Kansas

Hays, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's primary government financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Aggregate Discretely Presented Component Unit	Qualified
General Fund	Unmodified
Employee Benefits Fund	Unmodified
Bond and Interest Fund	Unmodified
Airport Improvement Fund	Unmodified
Water Production and Distribution Fund	Unmodified
Water Reclamation and Reuse Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities, Business-Type Activities and Aggregate Discretely Presented Component Unit

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

Qualified Opinion

In our opinion, based on our audit report, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities, Business-Type Activities and Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities and Aggregate Discretely Presented Component Unit of **City of Hays, Kansas** as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of **City of Hays, Kansas** as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

financial position of the reporting entity of **City of Hays, Kansas** as of December 31, 2016, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Hays Public Library, as of and for the year ended December 31, 2016, and our report thereon, dated March 8, 2017, expressed a qualified opinion on those financial statements with an adverse opinion on the Aggregate Discretely Presented Component Unit of the Library.

We have not audited the financial statements of the Housing Authority of the City of Hays, Kansas. These financial statements were audited by another auditor in accordance with auditing standards generally accepted in the United States of America and furnished to the City. Separate financial statements expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Hays, Kansas'** primary government financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the primary government financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Schedule of Passenger Facility Charges required by the *Passenger Facility Charge Audit Guide for Public Agencies* is also presented for purposes of additional analysis. Both are not a required part of the primary government financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and schedule of passenger facility charges required by the *Passenger Facility Charge Audit Guide* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the primary government financial statements or to the primary government 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, the procedures performed as described above, such information is fairly stated, in all material respects, in relation to the primary government financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2017, on our consideration of **City of Hays, Kansas**' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **City of Hays, Kansas**' internal control over financial reporting and compliance.

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

April 13, 2017

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the **City of Hays, Kansas'** financial performance provides an overview of the City's financial activities for the year ended December 31, 2016. The Hays Public Library issues a complete financial statement that includes a discussion and analysis. The address for retrieval of this report is in Note 1. This narrative should be read in conjunction with the City's financial statements, which begins after this letter.

FINANCIAL HIGHLIGHTS

As reflected in this audit, the **City of Hays, Kansas'** overall financial position is stable and continues to improve. In 2016 the City maintained a balanced budget while setting aside reserves for future capital projects and unexpected expenditures. The City was also able to keep a budgeted unreserved fund balance of 10% of operating expenditures. All this while sales tax receipts for the General Fund were down -3.34%.

The General Fund's fund balance decreased \$2,331,629 when compared to the previous year. However, this includes the City Commission's decision to transfer \$3,313,673 to the newly created Commission Capital Reserve to pay cash for future capital projects. This pay-as-you-go philosophy was adopted by the commission in 2010/2011 in an effort to maintain the mill levy at 25 mills, thus not burdening the citizens of Hays with a higher property tax bill. The availability of cash and the continued flat investment interest rate environment prompted them to do so as well. This is reflective of the current management atmosphere and being accountable for increased oversight and new policies. The Comprehensive Financial Management Policy continues to ensure the wise use and investment of excess funds. This policy gives the citizens of Hays and future City leaders a defined process for the handling of City debt and excess revenue. In 2004, through a general election, the City passed a $\frac{3}{4}$ % sales tax to replace the property tax levy for the General Fund. In 2016, the $\frac{3}{4}$ % additional sales tax generated \$4,310,834, or the equivalent of 20.1 mills. The replacement of property tax revenue with sales tax revenue has spread the cost of funding general City operations across a broader tax base and helped to alleviate the tax burden for local property owners.

Residential and business water consumption were down a combined -8.84% for 2016. Given the new rates, as discussed below, this translates into an increase in total water revenue of \$46,896 or 1.58%. A financial analysis and rate study was conducted in 2015 by Springsted, Inc. to determine future rate structures so as to maintain operations and future capital needs. This information revealed that a several year increase in the rate structures were needed beginning January 1, 2016 to provide sufficient revenue to cover anticipated operating and maintenance expenses, debt service including principal and interest, capital improvements, replacements and cash reserves. In 2016, the Water Production and Distribution Fund was able to set aside \$700,000 into the capital reserve for such purposes. Review of the sufficiency of the rates on an annual basis concurrent with the development of each year's budget will be conducted based upon actual performance and on the final construction costs of the anticipated capital improvements.

The Water Reclamation and Reuse Fund had a strong 2016 finishing with revenues up \$523,000 or 24%. As in Water, a financial analysis and rate study was conducted in 2015 by Springsted, Inc to determine future rate structures so as to maintain operations and future capital needs. This was in response to the fund facing regulatory requirements to reconstruct the waste water treatment facility with expected costs to exceed \$27,000,000. In anticipation of those needs, a transfer of \$770,000 was made into the capital reserve. A full review of the adequacy of the new rate structure will continue to be performed each year.

The Solid Waste Utility continues to be a self-supported enterprise fund calling for no rate increase in 2016. A transfer to reserves of \$209,900 in 2016 helps to continue to build reserves for future capital expenditures associated with the solid waste utility. Staff completed an evaluation of the Solid Waste Division and made recommendations for a new rate structure as well as changed to an automated

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

collection process in 2006 which contributed to a nice increase in refuse collection fees. Staff will review this structure for a possible rate increase in 2018.

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

USING THIS ANNUAL REPORT

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

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

REPORTING THE CITY AS A WHOLE (Government Wide)

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

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

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

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

THE CITY AS A WHOLE

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 1
NET POSITION

	Governmental Activities	Business Type Activities	2016 Total Primary Government	2015 Total Primary Government
Current and Other Assets	\$ 24,986,640	38,378,537	63,365,177	60,771,317
Capital Assets	98,070,058	21,113,446	119,183,504	116,094,190
Total Assets	123,056,698	59,491,983	182,548,681	176,865,507
Deferred Outflows of Resources	2,188,154	-	2,188,154	602,093
Long-Term Debt				
Outstanding	10,960,000	5,098,734	16,058,734	15,040,000
Other Liabilities	11,556,484	729,529	12,286,014	10,856,293
Total Liabilities	22,516,484	5,828,263	28,344,748	25,896,293
Deferred Inflows of Resources	5,956,001	-	5,956,001	5,970,873
Invested in Capital Assets Net of Related Debt	86,976,092	15,977,446	102,953,538	103,813,825
Restricted	5,593,370	-	5,593,370	7,071,435
Unrestricted	4,202,905	37,686,273	41,889,178	34,715,174
Total Net Position	\$ 96,772,367	53,663,719	150,436,086	145,600,434

TABLE 2
STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Totals	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2016	2015
Primary Government								
Governmental Activities								
General Government	\$ 16,699,776	764,306	9,199	-	(15,926,271)	-	(15,926,271)	(11,929,082)
Highway and Street	2,154,705	-	-	-	(2,154,705)	-	(2,154,705)	(300,747)
Culture and Recreation	3,630,608	310,750	-	-	(3,319,858)	-	(3,319,858)	(2,000,606)
Airport	1,179,774	103,469	-	628,564	(447,741)	-	(447,741)	624,895
Interest on Long-Term Debt	533,093	-	-	-	(533,093)	-	(533,093)	(605,415)
Total Governmental Activities	24,197,956	1,178,525	9,199	628,564	(22,381,668)	-	(22,381,668)	(14,210,955)
Business-Type Activities								
Water Production and Distribution	2,250,707	3,138,857	-	-	-	888,150	888,150	(425,485)
Water Reclamation and Reuse	1,199,074	2,733,509	-	-	-	1,534,435	1,534,435	-
Solid Waste, Storm Water and Water Conservation	1,762,353	2,115,257	-	-	-	352,904	352,904	659,222
Enterprise Reserves	1,229,196	-	-	-	-	(1,229,196)	(1,229,196)	-
Total Business-Type Activities	6,441,330	7,987,623	-	-	-	1,546,293	1,546,293	233,737
Total Primary Government	\$ 30,639,286	9,166,148	9,199	628,564	(22,381,668)	1,546,293	(20,835,375)	(13,977,218)
Component Unit								
Hays Public Library	\$ 1,318,406	6,281	10,798	47,476	-	-	-	-
General Revenues								
Property Taxes					\$ 5,946,257	-	5,946,257	5,740,039
Sales Tax					9,092,358	2,934,576	12,026,934	12,458,923
Franchise Taxes					1,417,394	-	1,417,394	1,481,975
Motor Fuel Taxes					603,838	-	603,838	597,492
Alcoholic Liquor Taxes					382,281	-	382,281	386,144
Transient Guest Taxes					915,762	-	915,762	891,476
Special Assessments					535,584	-	535,584	466,832
Unrestricted Interest Income					66,951	108,559	175,510	151,081
Miscellaneous					63,007	398,579	461,586	780,090
Reimbursements					3,205,881	-	3,205,881	1,990,547
Transfers					2,976,783	(2,976,783)	-	-
Total General Revenues and Transfers					25,206,096	464,931	25,671,027	24,944,599
Change in Net Position					2,824,428	2,011,224	4,835,652	10,967,381
Net Position - Beginning of Year					94,729,776	50,870,658	145,600,434	134,633,053
Prior Period Restatement - Stormwater Reserve					(781,837)	781,837	-	-
Net Position - End of Year					\$ 96,772,367	53,663,719	150,436,086	145,600,434

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of 2016, the City had \$106,119,407 invested in capital assets net of depreciation.

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

	Governmental Activities	Business-Type Activities	2016 Total Primary Government	2015 Total Primary Government
Land and Infrastructure	\$ 86,676,700	8,592,191	95,268,891	94,378,211
R-9 Ranch	-	2,883,726	2,883,726	2,883,726
Building and Equipment	11,259,392	7,338,795	18,598,187	18,832,253
Construction in Process	133,966	2,298,734	2,432,700	-
Total	\$ 98,070,058	21,113,446	119,183,504	116,094,190

The City reports its governmental-type infrastructure assets (e.g., streets, bridges, traffic signals, signs and storm sewer systems) using the modified approach as defined by GASB No. 34. Infrastructure assets reported by the modified approach are not required to be depreciated as long as the City manages the eligible infrastructure assets using an asset management system that meets certain criteria and documents that infrastructure assets are being preserved approximately at a condition level established by the City. It is the City's policy to maintain and preserve infrastructure assets at a minimum condition level of "Fair". While some infrastructure needs replaced, the average assessed condition level for 2015 is "Good" to "Very Good". There were no significant changes in the assessed condition levels from the previous year's assessments. There were no significant differences from the estimated annual amount of expenditures to maintain and preserve the infrastructure assets compared with the actual amounts expended during 2016. The City's estimated annual amount of expenditures was \$598,352 compared to the actual expenditures of \$529,126.

Debt

At the end of 2016, the City had the following debt:

TABLE 4
OUTSTANDING DEBT AT YEAR-END

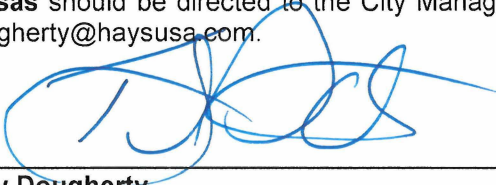
	Governmental Activities	Business-Type Activities	2016 Total Primary Government	2015 Total Primary Government
G.O. Bonds	\$ 10,960,000	-	10,960,000	11,940,000
Revenue Bonds	-	2,800,000	2,800,000	3,100,000
KDHE Revolving Loan	-	2,298,734	2,298,734	-
Total	\$ 10,960,000	5,098,734	16,058,734	15,040,000

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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



Toby Dougherty
City Manager
City of Hays, Kansas

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2016
(With Comparative Totals as of December 31, 2015)

ASSETS	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2016	2015	
Cash	\$ 16,498,604	37,279,618	53,778,222	49,074,586	2,265,663
Receivables, Net of Allowance for Uncollectibles	5,206,214	338,920	5,545,134	5,599,634	1,338,891
Internal Balances	-	-	-	102,054	-
Due From Other Governments	60,641	-	60,641	73,671	-
Restricted Assets - Cash					
Budget Stabilization	3,221,181	-	3,221,181	3,221,181	-
Customer Deposits	-	277,851	277,851	227,477	-
Revenue Refunding Bonds - Series 2003 and 2009	-	482,148	482,148	486,514	-
Reserve for Capital Improvements	-	-	-	1,986,200	-
Restricted Cash	-	-	-	-	11,520
Capital Assets, Net of Depreciation					
Land and Infrastructure	86,676,700	8,592,191	95,268,891	94,378,211	-
Depreciable Buildings and Equipment	11,259,392	7,338,795	18,598,187	18,832,253	2,999,877
R-9 Ranch	-	2,883,726	2,883,726	2,883,726	-
Construction in Process	133,966	2,298,734	2,432,700	-	-
Deferred Outflows of Resources					
Early Retirement on Debt Refunding, Net of Amortization	54,313	-	54,313	-	-
Deferred Outflows - Pension	2,133,841	-	2,133,841	602,093	72,821
Total Assets	\$ 125,244,852	59,491,983	184,736,835	177,467,600	6,688,772

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2016
(With Comparative Totals as of December 31, 2015)

<u>LIABILITIES</u>	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2016	2015	
Accounts Payable	\$ 240,153	255,514	495,667	440,566	58,023
Accrued Payroll	277,789	56,064	333,853	304,037	24,585
Accrued Paid Time Off	490,501	102,835	593,336	563,741	33,730
Accrued Sick Leave Payout	26,700	-	26,700	31,764	-
Accrued Interest Payable	262,434	-	262,434	452,997	-
Internal Balances	-	-	-	102,054	-
Customer Deposits	-	277,851	277,851	227,477	-
Accrued Interest - Revenue Bonds	-	37,266	37,266	40,365	-
Net Pension Liability	10,164,819	-	10,164,819	8,693,292	410,190
Bond Premium, Net of Amortization	94,088	-	94,088	-	-
Revenue Refunding Bonds - Series 2009					
Due Within One Year	-	305,000	305,000	300,000	-
Due in More Than One Year	-	2,495,000	2,495,000	2,800,000	-
KDHE Water Pollution Revolving Loan	-	2,298,734	2,298,734	-	-
General Obligation Bonds Payable					
Due Within One Year	1,270,000	-	1,270,000	1,070,000	-
Due in More Than One Year	9,690,000	-	9,690,000	10,870,000	-
Total Liabilities	22,516,484	5,828,264	28,344,748	25,896,293	526,528
Deferred Inflows of Resources					
Deferred Other Pension	763,139	-	763,139	826,495	98,498
Deferred Property Tax Receivable	5,192,862	-	5,192,862	5,144,378	1,338,891
Total Deferred Inflows of Resources	5,956,001	-	5,956,001	5,970,873	1,437,389
Total Liabilities and Deferred Inflows of Resources	\$ 28,472,485	5,828,264	34,300,749	31,867,166	1,963,917

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2016
(With Comparative Totals as of December 31, 2015)

NET POSITION	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2016	2015	
Net Investment in Capital Assets	\$ 86,976,092	15,977,446	102,953,538	103,813,825	2,999,877
Restricted for					
Budget Stabilization	3,221,181	-	3,221,181	3,221,181	-
Capital Projects	2,116,877	-	2,116,877	1,676,529	-
Debt Service	255,312	-	255,312	187,525	-
Capital Improvements	-	-	-	1,986,200	-
Other	-	-	-	-	11,520
Unrestricted	4,202,905	37,686,273	41,889,178	34,715,174	1,713,458
Total Net Position	\$ 96,772,367	53,663,719	150,436,086	145,600,434	4,724,855

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

CITY OF HAYS, KANSAS
 Statement of Activities
 For the Year Ended December 31, 2016
 (With Comparative Totals as of December 31, 2015)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Totals		Hays Public Library
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		2016	2015	
					Governmental Activities	Business-Type Activities			
Primary Government									
Governmental Activities									
General Government	\$ 16,699,776	764,306	9,199	-	(15,926,271)	-	(15,926,271)	(11,929,082)	-
Highway and Street	2,154,705	-	-	-	(2,154,705)	-	(2,154,705)	(300,747)	-
Culture and Recreation	3,630,608	310,750	-	-	(3,319,858)	-	(3,319,858)	(2,000,606)	-
Airport	1,179,774	103,469	-	628,564	(447,741)	-	(447,741)	624,895	-
Interest on Long-Term Debt	533,093	-	-	-	(533,093)	-	(533,093)	(605,415)	-
Total Governmental Activities	24,197,956	1,178,525	9,199	628,564	(22,381,668)	-	(22,381,668)	(14,210,955)	-
Business-Type Activities									
Water Production and Distribution	2,250,707	3,138,857	-	-	-	888,150	888,150	(425,485)	-
Water Reclamation and Reuse	1,199,074	2,733,509	-	-	-	1,534,435	1,534,435	-	-
Solid Waste, Storm Water and Water Conservation	1,762,353	2,115,257	-	-	-	352,904	352,904	659,222	-
Enterprise Reserves	1,229,196	-	-	-	-	(1,229,196)	(1,229,196)	-	-
Total Business-Type Activities	6,441,330	7,987,623	-	-	-	1,546,293	1,546,293	233,737	-
Total Primary Government	\$ 30,639,286	9,166,148	9,199	628,564	(22,381,668)	1,546,293	(20,835,375)	(13,977,218)	-
Component Unit									
Hays Public Library	\$ 1,318,406	6,281	10,798	47,476	-	-	-	-	(1,253,851)
General Revenues									
Property Taxes					\$ 5,946,257	-	5,946,257	5,740,039	1,533,200
Sales Tax					9,092,358	2,934,576	12,026,934	12,458,923	-
Franchise Taxes					1,417,394	-	1,417,394	1,481,975	-
Motor Fuel Taxes					603,838	-	603,838	597,492	-
Alcoholic Liquor Taxes					382,281	-	382,281	386,144	-
Transient Guest Taxes					915,762	-	915,762	891,476	-
Special Assessments					535,584	-	535,584	466,832	-
Unrestricted Interest Income					66,951	108,559	175,510	151,081	2,228
Miscellaneous					63,007	398,579	461,586	780,090	19,938
Reimbursements					3,205,881	-	3,205,881	1,990,547	11,171
Transfers					2,976,783	(2,976,783)	-	-	-
Total General Revenues and Transfers					25,206,096	464,931	25,671,027	24,944,599	1,566,537
Change in Net Position					2,824,428	2,011,224	4,835,652	10,967,381	312,686
Net Position - Beginning of Year					94,729,776	50,870,658	145,600,434	134,633,053	4,412,169
Prior Period Restatement - Stormwater Reserve					(781,837)	781,837	-	-	-
Net Position - End of Year					\$ 96,772,367	53,663,719	150,436,086	145,600,434	4,724,855

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

CITY OF HAYS, KANSAS

Balance Sheet
Governmental Funds
December 31, 2016

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

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Airport Improvement Fund	Other Governmental Funds	Totals	
						2016	2015
ASSETS							
Cash	\$ 2,509,560	873,828	255,312	343,367	12,516,537	16,498,604	17,022,116
Receivables, Net							
Grants Receivable	-	-	-	13,352	-	13,352	108,774
Due From Other Governments	60,641	-	-	-	-	60,641	73,671
Taxes	-	2,585,745	645,078	-	1,962,039	5,192,862	5,144,378
Reserved Cash	3,221,181	-	-	-	-	3,221,181	3,221,181
Total Assets	\$ 5,791,382	3,459,573	900,390	356,719	14,478,576	24,986,640	25,570,120
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 97,835	81	-	7,644	134,593	240,153	283,580
Accrued Payroll	266,036	-	-	-	11,753	277,789	254,041
Accrued Paid Time Off	480,912	-	-	-	9,589	490,501	470,663
Accrued Sick Leave Payout	26,700	-	-	-	-	26,700	31,764
Total Liabilities	871,483	81	-	7,644	155,935	1,035,143	1,040,048
Deferred Inflows of Resources							
Deferred Property Tax Receivable	-	2,585,745	645,078	-	1,962,039	5,192,862	5,144,378
Total Liabilities and Deferred Inflows of Resources	871,483	2,585,826	645,078	7,644	2,117,974	6,228,005	6,184,426
Fund Balance							
Committed - Budget Stabilization	3,221,181	-	-	-	-	3,221,181	3,221,181
Assigned - Reserved for Encumbrances	71,082	-	-	186,819	1,570,237	1,828,138	4,233,858
Assigned - Designated for Subsequent Year Expenditures	1,627,636	468,141	147,025	-	1,731,621	3,974,423	4,778,203
Assigned	-	405,606	108,287	162,256	9,058,744	9,734,893	6,366,755
Unassigned	-	-	-	-	-	-	785,697
Total Fund Balance	4,919,899	873,747	255,312	349,075	12,360,602	18,758,635	19,385,694
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 5,791,382	3,459,573	900,390	356,719	14,478,576	24,986,640	25,570,120

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

CITY OF HAYS, KANSAS
Reconciliation of the Statement of Net Position to the
Balance Sheet for Governmental Funds
December 31, 2016

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

Fund balances of governmental funds from the balance sheet.	\$ 18,758,635
Capital assets and construction in process, net of depreciation, have not been included as financial resources in governmental fund activity on the balance sheet.	98,070,058
Long-term debt has not been included in the governmental funds activity on the balance sheet.	
General Obligation Bonds	(10,960,000)
Unamortized early retirement on debt, which results in a consumption of net position applicable to a future reporting period is recognized as deferred outflows in the government-wide financial statements.	54,313
Premium on bonds payable is not due and payable in the current period and therefore, not reported as a liability in the funds.	(94,088)
Net pension liability has not been included in the governmental fund activity on the balance sheet.	(10,164,819)
Deferred pension contributions and other resulting from the pension liability are recognized as deferred outflows and inflows on the balance sheet.	1,370,702
Accrued interest payable for the current portion of interest due on bonds and capital leases has not been reported in the governmental funds on the balance sheet.	<u>(262,434)</u>
Net position of governmental activities as reported. (Statement 1)	\$ <u><u>96,772,367</u></u>

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

CITY OF HAYS, KANSAS
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Airport Improvement Fund	Other Governmental Funds	Totals	
						2016	2015
Revenues							
Taxes	\$ 7,184,723	2,841,822	1,387,861	-	4,159,789	15,574,195	15,629,651
Intergovernmental	136,626	-	-	628,564	1,774,454	2,539,644	2,758,180
Licenses and Fees	1,528,363	-	-	-	-	1,528,363	1,625,178
Fines and Forfeitures	639,817	-	-	-	-	639,817	603,652
Use of Money and Property	64,635	3,516	-	-	-	68,151	69,048
Collections	292,390	-	-	-	134,149	426,539	483,969
Prior Year Encumbrances Cancelled	24,492	-	-	22,631	15,884	63,007	476,572
Reimbursements	25,114	-	-	33,775	-	58,889	1,521,261
Miscellaneous	147,398	44,998	-	-	2,954,596	3,146,992	469,286
Total Revenues	10,043,558	2,890,336	1,387,861	684,970	9,038,872	24,045,597	23,636,797
Expenditures							
General Government	7,818,565	3,645,834	-	-	3,353,109	14,817,508	14,466,563
Highway and Street	1,061,081	-	-	-	1,057,792	2,118,873	7,118,000
Culture and Recreation	1,471,733	-	-	-	1,543,662	3,015,395	2,873,567
Airport	-	-	-	752,192	261,950	1,014,142	1,418,667
Debt Service	-	-	1,320,074	-	4,866,633	6,186,707	1,607,243
Capital Outlay	-	-	-	-	4,367,805	4,367,805	684,366
Total Expenditures	10,351,379	3,645,834	1,320,074	752,192	15,450,951	31,520,430	28,168,406
Excess (Deficiency) of Revenues Over Expenditures	(307,821)	(755,498)	67,787	(67,222)	(6,412,079)	(7,474,833)	(4,531,609)
Other Financing Sources (Uses)							
Proceeds From Refunding Bonds	-	-	-	-	5,850,000	5,850,000	1,010,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	(1,197,172)	(1,197,172)	-
Transfers In	2,127,625	804,855	-	144,608	4,938,402	8,015,490	5,965,405
Transfers Out	(4,151,433)	-	-	-	(887,274)	(5,038,707)	(2,939,793)
Total Other Financing Sources (Uses)	(2,023,808)	804,855	-	144,608	8,703,956	7,629,611	4,035,612
Net Change in Fund Balance	(2,331,629)	49,357	67,787	77,386	2,291,877	154,778	(495,997)
Fund Balance - Beginning of Year	7,251,528	824,390	187,525	271,689	10,850,562	19,385,694	19,881,691
Prior Period Restatement - Stormwater Reserve	-	-	-	-	(781,837)	(781,837)	-
Fund Balance - End of Year	\$ 4,919,899	873,747	255,312	349,075	12,360,602	18,758,635	19,385,694

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

CITY OF HAYS, KANSAS
Reconciliation of the Statement of Revenues,
Expenditures, and Change in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2016

Net change in fund balance - total governmental funds (Statement 4)	\$	154,778
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because of the following:		
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 and construction in process (\$2,789,137) exceeded depreciation (\$1,373,851) in the current period.		1,415,286
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. There were bond proceeds during the year of \$5,850,000 and bond repayments of (\$6,830,000), which are recorded in the governmental funds.		980,000
The amortization of bond premiums and discounts affects long-term liabilities on the statement of net position, but does not provide or consume current financial resources of the governmental funds.		(94,088)
Early retirement of debt costs reduces current financial resources of governmental funds, but does not decrease long-term liabilities in the statement of net position.		54,313
An expense is recorded for pension liability when incurred. In the governmental funds, an expense is recorded when the benefits are paid.		123,576
Accrued interest payable decreased from the prior year. This balance is not accounted for in the governmental funds. However, the changes are reflected in the statement of activities.		<u>190,563</u>
Change in net position of governmental activities (Statement 2).	\$	<u><u>2,824,428</u></u>

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

CITY OF HAYS, KANSAS
Statement of Net Position
Proprietary Funds
December 31, 2016
(With Comparative Totals as of December 31, 2015)

ASSETS	Enterprise Funds				Totals	
	Water Production and Distribution Fund	Water Reclamation and Reuse Fund	Solid Waste Stormwater Mangement and Water Conservation Funds	Other Non-Major Enterprise Funds	2016	2015
	Fund	Fund	Funds	Enterprise Funds		
Current Assets						
Cash						
Operating Account	\$ 1,082,311	939,525	568,323	34,689,459	37,279,618	32,052,470
Accounts Receivable, Net of Allowance for Uncollectibles	110,293	113,097	115,530	-	338,920	346,482
Due From Water and Sewer Fund	-	-	-	-	-	102,054
Total Current Assets	1,192,604	1,052,622	683,853	34,689,459	37,618,538	32,501,006
Noncurrent Assets						
Restricted Cash						
Customer Deposits	277,851	-	-	-	277,851	227,477
Reserve for Capital Improvements	-	-	-	-	-	1,986,200
Revenue Refunding Bonds - Series 2003						
Principal and Interest Account	45,746	19,606	-	-	65,352	65,352
Bond Reserve Account	291,757	125,039	-	-	416,796	421,162
Total Restricted Cash	615,354	144,645	-	-	759,999	2,700,191
Capital Assets						
Land and Right-of-Ways	139,109	-	-	-	139,109	139,109
Infrastructure	16,745,680	1,741,373	-	-	18,487,053	18,487,053
Equipment	10,758,382	1,019,775	1,806,335	-	13,584,492	13,426,344
R-9 Ranch	4,262,040	-	-	-	4,262,040	4,262,040
Building and Structures	1,790,520	9,992,389	294,594	-	12,077,503	12,077,504
Construction in Process	-	2,298,734	-	-	2,298,734	-
	33,695,731	15,052,271	2,100,929	-	50,848,931	48,392,050
Accumulated Depreciation	(21,516,284)	(6,624,296)	(1,594,905)	-	(29,735,485)	(28,952,633)
Net Capital Assets	12,179,447	8,427,975	506,024	-	21,113,446	19,439,417
Total Noncurrent Assets	12,794,801	8,572,620	506,024	-	21,873,445	22,139,608
Total Assets	\$ 13,987,405	9,625,242	1,189,877	34,689,459	59,491,983	54,640,614

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

CITY OF HAYS, KANSAS
Statement of Net Position
Proprietary Funds
December 31, 2016
(With Comparative Totals as of December 31, 2015)

	Enterprise Funds				Totals	
	Water Production and Distribution Fund	Water Reclamation and Reuse Fund	Solid Waste Stormwater Mangement and Water Conservation Funds	Other Non-Major Enterprise Funds	2016	2015
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 39,773	127,981	73,751	9	241,514	140,490
Sales Tax	5,818	-	-	-	5,818	7,599
State Water Fee	8,182	-	-	-	8,182	8,897
Accrued Payroll	21,429	16,954	17,681	-	56,064	49,996
Accrued Paid Time Off	37,913	34,826	30,096	-	102,835	93,078
Due to Stormwater Management Fund	-	-	-	-	-	58,674
Due to Solid Waste Fund	-	-	-	-	-	43,380
Total Current Liabilities	113,115	179,761	121,528	9	414,413	402,114
Current Liabilities Payable From Restricted Assets						
Revenue Refunding Bonds - Series 2009	213,500	91,500	-	-	305,000	300,000
Customer Deposits	273,351	-	-	-	273,351	222,977
Monitoring Well Deposits	4,500	-	-	-	4,500	4,500
Accrued Interest - Revenue Bonds	26,086	11,180	-	-	37,266	40,365
Total Current Liabilities Payable From Restricted Assets	517,437	102,680	-	-	620,117	567,842
Noncurrent Liabilities						
Sales Tax Refunding Bonds - Series 2009	1,746,500	748,500	-	-	2,495,000	2,800,000
KDHE Water Pollution Revolving Loan	-	2,298,734	-	-	2,298,734	-
Total Noncurrent Liabilities	1,746,500	3,047,234	-	-	4,793,734	2,800,000
Total Liabilities	2,377,052	3,329,675	121,528	9	5,828,264	3,769,956
NET POSITION						
Net Position						
Invested in Capital Assets, Net of Related Debt Restricted for	10,193,361	5,278,061	506,024	-	15,977,446	19,099,052
Encumbrances	1,960	27,192	120,390	61,213	210,755	229,856
Capital Improvements	-	-	-	-	-	1,986,200
Unrestricted	1,415,032	990,314	441,935	34,628,237	37,475,518	29,555,550
Total Net Position	\$ 11,610,353	6,295,567	1,068,349	34,689,450	53,663,719	50,870,658
Net Position of Business-Type Activities (Statement 1)					\$ 53,663,719	50,870,658

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

CITY OF HAYS, KANSAS
Statement of Revenues, Expenses, and Change in Net Position
Proprietary Funds
For the Year Ended December 31, 2016
(With Comparative Totals as of December 31, 2015)

	Water Production and Distribution Fund	Water Reclamation and Reuse Fund	Solid Waste Stormwater Mangement and Water Conservation Funds	Other Non-Major Enterprise Funds	Totals	
					2016	2015
Operating Revenues						
Charges for Sales and Services						
Water Sales	\$ 2,702,411	-	-	-	2,702,411	2,589,529
Water Sales Conservation Rate	307,326	-	-	-	307,326	378,313
Total Water Sales	3,009,737	-	-	-	3,009,737	2,967,842
Sewer Charges	-	2,710,920	-	-	2,710,920	2,188,468
Refuse Collections	-	-	1,291,744	-	1,291,744	1,282,452
Stormwater Fees	-	-	785,725	-	785,725	779,816
Tap Fees	72,760	-	-	-	72,760	61,647
Sales and Other Charges	42,910	22,589	37,788	-	103,287	86,456
Reimbursed Expense	13,450	-	-	-	13,450	-
Total Operating Revenues	3,138,857	2,733,509	2,115,257	-	7,987,623	7,366,681
Operating Expenses						
Wastewater Treatment and Collection	-	937,785	-	-	937,785	1,031,274
Water Production and Distribution	1,748,890	-	-	-	1,748,890	1,562,426
Refuse Collection	-	-	796,431	-	796,431	785,512
Stormwater Management	-	-	354,983	-	354,983	423,213
Projects	-	-	-	1,229,196	1,229,196	-
Depreciation	416,869	224,671	141,310	-	782,850	860,039
Total Operating Expenses	2,165,759	1,162,456	1,292,724	1,229,196	5,850,135	4,662,464
Net Operating Income (Loss)	973,098	1,571,053	822,533	(1,229,196)	2,137,488	2,704,217
Nonoperating Revenues (Expenses)						
Local Sales Tax	-	-	2,934,577	-	2,934,577	3,036,143
Interest Income	16,018	6,916	85,625	-	108,559	83,233
Rent on R-9 Ranch	-	-	247,859	-	247,859	251,500
Prior Year Encumbrances Cancelled	146,138	-	4,581	-	150,719	52,017
Interest Expense	(84,948)	(36,618)	-	-	(121,566)	(130,006)
R-9 Ranch Expenses	-	-	(276,718)	-	(276,718)	(186,823)
Water Exploration	-	-	(192,911)	-	(192,911)	(1,394,034)
Net Nonoperating Revenues (Expenses)	77,208	(29,702)	2,803,013	-	2,850,519	1,712,030
Income Before Transfers	1,050,306	1,541,351	3,625,546	(1,229,196)	4,988,007	4,416,247
Transfers In	-	-	16,500	3,793,525	3,810,025	16,500
Transfers Out	(1,549,654)	(1,444,040)	(3,793,114)	-	(6,786,808)	(3,042,112)
Change in Net Position	(499,348)	97,311	(151,068)	2,564,329	2,011,224	1,390,635
Change in Capital Improvement Reserve Fund	-	-	-	-	-	(759,615)
Net Position - Beginning of Year	12,109,701	6,198,256	1,219,417	31,343,284	\$ 2,011,224	631,020
Prior Period Restatement - Stormwater	-	-	-	781,837	-	-
Net Position - End of Year	\$ 11,610,353	6,295,567	1,068,349	34,689,450	\$ 2,011,224	631,020
Change in Net Position of Business-Type Activities (Statement 2)					\$ 2,011,224	631,020

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, 2016
(With Comparative Totals as of December 31, 2015)

	Enterprise Funds				Totals	
	Water Production and Distribution Fund	Water Reclamation and Reuse Fund	Solid Waste Stormwater Mangement and Water Conservation Funds	Other Non-Major Enterprise Funds	2016	2015
Cash Flows From Operating Activities						
Receipts From Customers	\$ 3,186,351	2,732,751	2,228,596	-	8,147,698	7,435,850
Payments to Suppliers	(1,101,851)	(355,036)	(634,411)	(1,229,188)	(3,320,486)	(2,323,266)
Payments to Employees	(601,512)	(434,781)	(451,775)	-	(1,488,068)	(1,426,089)
Net Cash Provided (Used) by Operating Activities	1,482,988	1,942,934	1,142,410	(1,229,188)	3,339,144	3,686,495
Cash Flows From Investing Activities						
Rental Income	-	-	247,859	-	247,859	251,500
Rental Expenses	-	-	(276,718)	-	(276,718)	(186,823)
Interest on Investments	16,018	6,916	85,625	-	108,559	83,234
Net Cash Provided by Investing Activities	16,018	6,916	56,766	-	79,700	147,911
Cash Flows From Noncapital Financing Activities						
Transfers to Other Funds	(1,549,654)	(1,444,040)	(3,776,614)	3,793,525	(2,976,783)	(3,025,612)
Cash Flows From Capital and Related Financing Activities						
Purchase and Construction of Capital Assets	(152,032)	(2,352,751)	-	-	(2,504,783)	(308,648)
Water Exploration	-	-	(192,911)	-	(192,911)	(1,394,034)
Interest Paid	(99,226)	(25,439)	-	-	(124,665)	(132,664)
KDHE Loan Proceeds	-	2,298,734	-	-	2,298,734	-
Principal Payments - Bonds	(210,000)	(90,000)	-	-	(300,000)	(290,000)
Local Sales Tax	-	-	2,934,577	-	2,934,577	3,036,141
Capital Improvement Reserve Purchases	-	-	-	-	-	(759,615)
Net Cash Provided (Used) for Capital and Related Financing Activities	(461,258)	(169,456)	2,741,666	-	2,110,952	151,180
Net Increase (Decrease) in Cash	(511,906)	336,354	164,228	2,564,337	2,553,013	959,974
Cash - Beginning of Year	2,209,571	747,816	404,095	32,125,122	35,486,604	34,526,630
Cash - End of the Year	\$ 1,697,665	1,084,170	568,323	34,689,459	38,039,617	35,486,604
Cash Per Statement 5						
Operating Account				\$	37,279,618	32,052,470
Local Sales Tax Account					-	29,404,979
Restricted Cash					759,999	3,434,134
Total Cash Per Statement 5				\$	38,039,617	64,891,583

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, 2016
(With Comparative Totals as of December 31, 2015)

	Enterprise Funds				Totals	
	Water Production and Distribution Fund	Water Reclamation and Reuse Fund	Solid Waste Stormwater Mangement and Water Conservation Funds	Other Non-Major Enterprise Funds	2016	2015
	Fund	Fund	Funds	Enterprise Funds		
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Net Operating Income (Loss)	\$ 973,098	1,571,053	822,533	(1,229,196)	2,137,488	2,704,217
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation and Amortization	416,869	224,671	141,310	-	782,850	860,039
(Increase) Decrease in Accounts Receivable	1,615	(759)	6,704	-	7,560	11,502
Increase (Decrease) in Due From Other Funds	-	-	102,054	-	102,054	(722)
Increase in Accounts Payable	62,529	127,981	61,226	8	251,744	98,319
Increase in Due to Other Funds	-	-	-	-	-	722
Increase in Accrued Liabilities	28,877	19,988	8,583	-	57,448	12,418
Net Cash Provided (Used) by Operating Activities	\$ 1,482,988	1,942,934	1,142,410	(1,229,188)	3,339,144	3,686,495

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

CITY OF HAYS, KANSAS
Statement of Net Position
Agency Funds
December 31, 2016
(With Comparative Totals as of December 31, 2015)

	Police Judge	TDD Sales Tax District	CID	CID - The Mall	Totals	
					2016	2015
<u>ASSETS</u>						
Cash	\$ 110,444	20,277	20,637	18,490	169,848	255,973
Restricted Cash	-	-	-	-	-	94
Total Assets	110,444	20,277	20,637	18,490	169,848	256,067
<u>LIABILITIES AND NET POSITION</u>						
Liabilities						
Other Payables	460	20,277	-	-	20,737	55,667
Due to Other Funds	-	-	-	-	-	41,446
Total Liabilities	460	20,277	-	-	20,737	97,113
Net Position						
Reserved for Debt	109,984	-	-	-	109,984	25,432
Reserved for ADSAP	-	-	-	-	-	94
Reserved for Improvements	-	-	20,637	18,490	39,127	133,428
Total Net Position	\$ 109,984	-	20,637	18,490	149,111	158,954

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The City is a municipal corporation governed by an elected five-member commission. The City receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources. The financial statements of the City consist of all the funds of the City and governmental entities that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. This financial statement does not include the related municipal entity, Housing Authority of the City of Hays, Kansas, shown below.

Housing Authority of the City of Hays, Kansas

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

Discretely Presented Component Unit

Hays Public Library

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

Use of Estimates

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

Government-Wide and Fund Financial Statements

The government-wide financial statements, (i.e. the statement of net position and the statement of activities) report financial information for the City as a whole excluding fiduciary activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

the primary government is financially accountable.

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

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.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

The government reports the following major governmental funds:

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

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

Bond and Interest Fund – The bond and interest fund accounts for the servicing of general long-term debt, including special assessment and is not being financed by the proprietary funds.

Airport Improvement Fund – The airport improvement fund accounts for the financial resources to be used for the acquisition or construction of major capital improvements related to the airport for the City.

The government reports the following major proprietary funds:

Water Production and Distribution Fund – This fund accounts for water operations and maintenance of water wells and the water softening plant along with maintenance and repair of water mains, service connections and meters.

Water Reclamation and Reuse Fund – This fund accounts for sewer operations and maintenance including maintaining and repairing the sanitary sewer collection system.

The government also reports the following fund types:

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

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

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

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

Encumbrances

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

Budgetary Information

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

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2016.

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, fiduciary funds and the following special revenue funds: New Equipment Reserve Fund, Parks Improvement Fund, Department of Justice Program Fund, Sales Tax Dedicated to Ellis County, Kansas Fund, and City Commission Capital Reserve Fund.

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

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

Fund	Expenditures and		Less Beginning		Plus Ending		Expenditures and Transfers out Per Budget Basis
	Transfers Out	Less	Reserve for	Plus	Reserve for	Stabilization	
	Per Fund Statement	Beginning Encumbrances	Budget Stabilization	Ending Encumbrances	Budget		
General Fund	\$ 14,502,812	200,688	3,221,181	71,082	3,221,181	14,373,206	
Bond and Interest Fund	1,320,074	-	-	-	-	1,320,074	
Employee Benefit Fund	3,645,834	-	-	-	-	3,645,834	

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 funds.

Fund	Expenditures and				Less	Plus	Expenditures and Transfers out Per Budget Basis
	Transfers Out		Depreciation	Debt	Beginning	Ending	
	Per Fund Statement	Capital Asset Adjustments	Expense	Adjustments	Encumbrances	Encumbrances	
Water Production and Distribution Fund	\$ 3,800,361	118,663	(416,869)	210,000	(186,067)	1,960	3,528,048
Water Reclamation and Reuse Fund	2,643,114	2,340,809	(224,671)	89,070	-	27,192	4,875,514

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

Inventories and Prepaid Items

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

Accounting for Capital Assets and Depreciation

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

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

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

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

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

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

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

The City prepares a long-range capital improvement plan each year to ensure that infrastructure capital assets are being preserved approximately at or above the desired condition assessment levels set by the City. It is updated annually and now extends through 2028. 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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

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 2016, the infrastructure was assessed, and it was determined that the infrastructure was at condition levels of "Good to Very Good". No significant deterioration of the infrastructure had occurred, and there were no significant changes in condition levels from the previous year's assessments.

The following schedule shows the estimated annual amount of expenditures calculated during June 2016 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2016. It also shows the amounts actually expensed for each of the past four reporting periods.

	2012	2013	2014	2015	2016	Totals
Estimated	\$ 3,431,125	1,085,329	598,352	708,082	1,172,237	6,995,125
Actual	1,147,368	916,729	529,126	578,463	1,057,792	4,229,478

Capital asset activity for the year ended December 31, 2016 was as follows:

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental				
Non-Depreciable Capital Assets				
Land and Rights of Ways	\$ 25,099,907	61,200	-	25,161,107
Infrastructure (Modified Approach)	60,352,665	1,162,928	-	61,515,593
Construction in Process	-	133,966	-	133,966
Total Non-Depreciable Capital Assets	85,452,572	1,358,094	-	86,810,666
Depreciable Capital Assets				
Buildings	12,639,509	474,416	-	13,113,925
Machinery and Equipment	15,267,960	956,626	(390,590)	15,833,996
Total Depreciable Capital Assets	27,907,469	1,431,042	(390,590)	28,947,921
Accumulated Depreciation	(16,705,268)	(1,373,851)	390,590	(17,688,529)
Depreciable Capital Assets, Net of Accumulated Depreciation	11,202,201	57,191	-	11,259,392
Governmental Activities, Capital Assets Net of Accumulated Depreciation	\$ 96,654,773	1,415,285	-	98,070,058

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

Primary Government	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities				
Non-Depreciable Capital Assets				
Land	\$ 139,109	-	-	139,109
Construction in Process	2,298,734	-	-	2,298,734
Total Non-Depreciable Capital Assets	2,437,843	-	-	2,437,843
Depreciable Capital Assets				
R-9 Ranch	4,262,040	-	-	4,262,040
Infrastructure	18,487,053	-	-	18,487,053
Buildings Machinery and Equipment	12,077,504	-	-	12,077,504
Machinery and Equipment	13,426,344	158,147	-	13,584,491
Total Depreciable Capital Assets	48,252,941	158,147	-	48,411,088
Accumulated Depreciation	(28,952,634)	(782,851)	-	(29,735,485)
Depreciable Capital Assets, Net of Accumulated Depreciation	19,300,307	(624,704)	-	18,675,603
Business-Type Activities, Capital Assets Net of Accumulated Depreciation	\$ 21,738,150	(624,704)	-	21,113,446

Statement of Cash Flows

For the purposes of statement of cash flows, the City considers all restricted and unrestricted, highly liquid deposits as cash.

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 no other policies that would further limit interest rate risk.

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 no investment policy that would further limit its investment choices.

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

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

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 2016. All deposits were legally secured at December 31, 2016.

At December 31, 2016, the City's carrying amount of deposits, including certificates of deposit, was \$57,929,250. The bank balance was \$56,479,900. Of the bank balance, \$1,300,450 was covered by FDIC insurance and \$55,179,450 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

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, 2016, the City had no investments.

Compensated Absences

The City's policy is a general leave policy of paid time off (PTO). PTO shall be accrued by full-time employees, and all employees shall have a maximum amount of PTO accrual equal to the number of hours they accrue during their anniversary year. Employees who exceed the accrual maximum shall not be credited with further PTO until their accruals are reduced below the maximum level. Upon separation from employment with the City, employees who terminate in good standing will be paid for all accrued but unused PTO at their current rate of pay. The City's maximum potential liability under the plan at December 31, 2016 has been estimated at \$593,336.

Deferred Compensation Plan

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

Other Post Employment Benefits

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

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

Receivables and Payables

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

The City records utility revenues on a monthly basis. The balance shown as accounts receivable at December 31, 2016 is comprised of accounts considered to be collectible by management. Balances are stated at net of anticipated uncollectible accounts.

Property Tax Calendar and Receivable

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and therefore, are not susceptible to accrual. At December 31, such taxes are recorded as taxes receivable, net of anticipated delinquencies with a corresponding amount recorded as deferred inflows of resources on the balance sheet of the appropriate funds. It is not practicable to apportion delinquent taxes at the end of the year and, further, the amounts are not material in relationship to the primary government financial statements.

Recognized state-shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes. For revenue recognition purposes, amounts collected and held by the State on behalf of the City at year end are not due and receivable until the ensuing year.

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.

Net Position and Fund Balance

In the government-wide and proprietary fund financial statements net position is classified into three components:

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

In the governmental fund financial statements, fund balance is composed in five different classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The fund balance is classified as follows:

- Non-spendable: Assets legally or contractually required to be maintained or are not in spendable form. Such constraint is binding until the legal requirement is repealed or the amounts become spendable.
- Restricted: Assets with externally imposed constraints, such as those mandated by creditors, grantors, and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws, or regulations.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

- Committed: Assets with a purpose formally imposed by resolution by the City Commission, binding unless modified or rescinded by the City Commission.
- Assigned: Comprised of amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Commission or (2) a body or official to whom the City Commission has delegated the authority to assign amounts to be used for specific purposes as prescribed by the City's fund balance and cash policy.
- Unassigned: All amounts not included in the other fund balance classifications. The general fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred charges on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City reports a collective deferred outflow of resources related to pensions, which is described in more detail in Note 8 – Defined Benefit Pension Plan.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from several sources: long-term accounts and notes receivable, forgivable loans, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred revenues are reported in both the government-wide statement of net position and the governmental funds balance sheet for property tax receivable. Property taxes are not recognized as revenue until the period for which they are levied. Additionally, the City reports collective deferred inflow of resources related to pensions, which is described in more detail in Note 8 – Defined Benefit Pension Plan.

Special Assessments

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

NOTE 2 – CURRENT AND ADVANCE REFUNDING

On December 15, 2016, the City issued Series 2016–A general obligation current and advance refunding bonds of \$5,850,000 (par value) with a variable interest rate of 1.50% to 2.50%. The bond proceeds were used to refund \$4,260,000 of Series 2005-A, Series 2006-A and Series 2009-A general obligation bonds on a current basis and to advance refund \$1,140,000 of Series 2007-A and 2008-A general obligation bonds. The Series 2016-A bonds were issued at a premium of \$99,040, and after paying issuance costs of \$70,837, the

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

net proceeds were \$5,878,203. The advance refunding net proceeds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds in the amount of \$635,000 will be called on September 1, 2017 and the remaining \$505,000 will be called on September 1, 2018. The Series 2016-A bonds mature on September 1, 2026, and will be subject to optional redemption and payment prior to their stated maturity. The City completed the refunding to reduce its total debt service requirements by \$534,761 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$489,882.

NOTE 3 - LONG-TERM DEBT

General Obligation Bonds

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

Purpose	Interest Rates	Amount
Governmental Type Activities	1.10 – 5.375%	\$10,960,000

The annual requirements to retire G.O. Bonds as of December 31, 2016 are as follows:

Year	Principal Due	Interest Due	Total
2017	\$ 1,270,000	262,434	1,532,434
2018	1,180,000	266,051	1,446,051
2019	1,210,000	238,898	1,448,898
2020	1,240,000	209,241	1,449,241
2021	1,285,000	178,083	1,463,083
2022-2026	4,380,000	420,856	4,800,856
2027-2030	395,000	33,648	428,648
Total	\$ 10,960,000	1,609,211	12,569,211

Revenue Refunding Bonds and Revolving Loan

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

Purpose	Interest Rates	Amount
Business-Type Activities	2.27% – 5.25%	\$5,098,734

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2016 are as follows:

Year	Principal Due	Interest Due	Total
2017	\$ 305,000	111,795	416,795
2018	1,525,705	706,902	2,232,607
2019	1,418,029	670,967	2,088,996
2020	340,000	77,850	417,850
2021	355,000	64,250	419,250
2021-2024	1,155,000	101,450	1,256,450
Total	\$ 5,098,734	1,733,214	6,831,948

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

Transportation Development District Sales Tax Revenue Bonds

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

Long-term debt activity for the year ended December 31, 2016 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	\$ 11,940,000	5,850,000	(6,830,000)	10,960,000	1,270,000
Business-Type Activities					
Revenue Bonds	3,100,000	-	(300,000)	2,800,000	305,000
KDHE Revolving Loan	-	2,298,734	-	2,298,734	-
Total Long-Term Liabilities	<u>\$ 15,040,000</u>	<u>8,148,734</u>	<u>(7,130,000)</u>	<u>16,058,734</u>	<u>1,575,000</u>

NOTE 4 – CONDUIT DEBT OBLIGATIONS

From time to time the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The industrial revenue bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The outstanding balance of the bonds as of December 31, 2016 was unavailable.

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

The Water and Sewage System Revenue Bonds - Series 2009 require that water rates charged in each year will enable the City to have in each fiscal year net operating revenues from the system equal to 125 percent of the maximum amount required to be paid by the City in such fiscal year on account of both principal and interest on all water and sewage system revenue bonds then outstanding. This provision was complied with for the year ended December 31, 2016. Excess revenues totaled \$1,282,835.

Gross Revenues	\$ 5,851,803
Adjustments	
Less - Operating Expenses	(2,547,214)
Transfers Out	(1,523,694)
Add - Interest Earned	22,934
Net Adjustments	<u>(4,047,974)</u>
Net Revenues	1,803,829
Maximum Amount of Principal and Interest	416,795
	125 %
Net Revenues Required	<u>520,994</u>
Excess	\$ <u>1,282,835</u>

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas statutes. The City's operating transfers and statutory authority for the year ended December 31, 2016 were as follows:

From Fund	To Fund	Statutory Authority	Amount
Water Production and Distribution	General	12-825d	\$ 546,354
Solid Waste Utility	General	12-825d	228,600
Convention and Visitor's Bureau	General	Commission Approved	67,325
Special Alcohol Program	General	79-41a04	48,014
Water Reclamation and Reuse	General	12-825d	468,390
Stormwater Management	General	12-825d	65,674
Sports Complex	General	79-2925	147,915
Water Conservation	General	12-825d	555,353
Water Reclamation and Reuse	Employee Benefits	12-825d	179,929
Solid Waste Utility	Employee Benefits	12-825d	180,470
Water Production and Distribution	Employee Benefits	12-825d	277,579
Water Conservation	Employee Benefits	12-825d	22,284
Convention and Visitor's Bureau	Employee Benefits	Commission Approved	80,174
Special Alcohol Program	Employee Benefits	79-41a04	24,812
Stormwater Management	Employee Benefits	12-825d	21,771
Sports Complex	Employee Benefits	Commission Approved	17,836
General	New Equipment Reserve	12-1,117	321,260
Airport	New Equipment Reserve	12-1,117	6,830
Convention and Visitor's Bureau	New Equipment Reserve	12-1,117	2,760
Water Production and Distribution	New Equipment Reserve	12-1,117	25,721
Water Conservation	New Equipment Reserve	12-1,117	1,345
Water Reclamation and Reuse	New Equipment Reserve	12-1,117	25,721
Public Safety Equipment	New Equipment Reserve	12-1,117	347,000
Solid Waste Utility	Solid Waste Reserve	12-825d	209,900
Water Conservation	Water Sales Tax Reserve	12-825d	2,113,625
General	Stormwater Management	Commission Approved	16,500
General	Special Highway	Commission Approved	500,000
Water Reclamation and Reuse	Water Reclamation and Reuse Reserve	12-825d	770,000
Water Production and Distribution	Water Production and Distribution Reserve	12-825d	700,000
General	City Commission Capital Reserve	Commission Approved	3,313,673
Airport	Airport Improvement	12-1,117	144,608
Stormwater Management	Capital Projects	12-1,117	394,092

In the fund financial statements, total transfers in of \$2,976,783 are equal to the total transfers out of \$2,976,783 from business-type funds.

NOTE 7 - LITIGATION

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description

City of Hays, Kansas participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERs), a

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

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

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

Those employees participating in the Pension Plan for the City are included in the local employees group.

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

Benefits

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

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

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. The monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc postretirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

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

Contributions

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.1% of total payroll for the fiscal year ended June 30, 2016.

The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory employer capped contribution rate for local government employees are both 9.18%. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory employer capped contribution rate for police and firemen employees are both 20.42%. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2016 was 6.00% for local government employees and 7.15% for police and firemen.

Employer Allocations

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

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

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

The allocation percentages for the City's share of the collective pension amounts as of June 30, 2016 were based on the ratio of each employer's contributions to the total employer and nonemployer contributions of the group for the fiscal year ended June 30, 2016.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, the City's proportion for local employees was 0.3112%, which was a decrease of 0.007% from its proportion measured at June 30, 2015. At June 30, 2016, the City's proportion for police and firemen was 0.5761%, which was a decrease of 0.0455% from its proportion measured at June 30, 2015.

Net Pension Liability

At December 31, 2016, the City reported a liability for local employees of \$4,814,120 and for police and firemen of \$5,350,699 for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

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

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for a three year period ending December 31, 2012.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	%	<u>Long Term Expected Real Rate of Return</u>	%
Global Equity	47.00	%	6.80	%
Fixed Income	13.00		1.25	
Yield Driven	8.00		6.55	
Real Return	11.00		1.71	
Real Estate	11.00		5.05	
Alternatives	8.00		9.85	
Short-term Investments	2.00		(0.25)	
Total	<u>100.00</u>	<u>%</u>		

Discount Rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

(9.00%) than the current rate:

Local Employees		
<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
\$6,598,535	\$4,814,120	\$3,301,082
Police and Firemen		
<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
\$7,340,065	\$5,350,699	\$3,669,917

Pension Expense

For the year ended December 31, 2016, the City recognized pension expense of \$946,693, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for local employees and police and firemen:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$	310,344	142,109
Net differences between projected and actual earnings on investments		1,269,264	-
Changes in assumptions		-	78,020
Changes in proportion		2,000	543,010
City contributions subsequent to measurement date		552,233	-
Total	\$	2,133,841	763,139

The \$552,233 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2017	\$ 61,475
2018	61,475
2019	440,730
2020	265,070
2021	(10,281)
Thereafter	-

NOTE 9 - RISK MANAGEMENT – CLAIMS AND JUDGMENTS

City of Hays, Kansas is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been able to obtain errors and omissions insurance at a cost that is considered to be economically justifiable.

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

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 end value by the City.

The City has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in the Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 154 participating members. The City joined KMIT in January 2005. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. During 2016, the City contributed \$190,193 to the fund for this insurance coverage. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.

There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three calendar years.

NOTE 10 - GRANTS AND SHARED REVENUES

City of Hays, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

NOTE 11 – OPERATING LEASES

The City entered into a lease agreement for a postage machine with Pitney Bowes on December 29, 2015. The lease agreement is payable in quarterly payments of \$878 for 60 months. Payments of \$3,511 were made in 2016.

The City entered into a lease agreement for a 5500 folder, document stations and hardware/software with Mail Finance, Inc. on December 14, 2012. The lease agreement is payable in quarterly payments of \$975 for 60 months. Payments of \$3,900 were made in 2016.

The City entered into a lease agreement for a copier with Dealers First Finance, LLC on December 9, 2013. The lease agreement is payable in monthly payments of \$219 for 60 months. Payments of \$2,628 were made in 2016.

The City entered into a lease agreement for a copier with Dealers First Finance, LLC on September 9, 2013. The lease agreement is payable in monthly payments of \$425 for 60 months. Payments of \$5,100 were made in 2016.

The City entered into a lease agreement for a copier with Dealers First Finance, LLC on August 8, 2015. The lease agreement is payable in monthly payments of \$219 for 60 months. Payments of \$2,628 were made in 2016.

The City entered into a lease agreement for a copier with Dealers First Finance, LLC on June 1, 2015. The lease agreement is payable in monthly payments of \$130 for 60 months. Payments of \$1,560 were made in 2016.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

Future scheduled payments to maturity are as follows:

<u>Year</u>	<u>Pitney Bowes</u>	<u>Mail Finance</u>	<u>Dealers First Finance</u>
2017	\$ 3,511	3,900	11,915
2018	3,511	-	9,996
2019	3,511	-	3,537
2020	3,511	-	1,532

NOTE 12 – INTERLOCAL COOPERATION AGREEMENT

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

NOTE 13 – CAPITAL PROJECTS

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

	<u>Project Authorization</u>	<u>Expenditures To Date</u>
Wastewater Treatment Plant Improvements	\$ 2,298,734	\$ 2,298,734

NOTE 14 – COMPARATIVE DATA

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

NOTE 15 – PASSENGER FACILITY CHARGES

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

The charge is collected by all carriers and remitted to the City, less a \$.11 per passenger handling fee. The proceeds from the PFC are restricted for certain FAA approved capital improvement projects. As of December 31, 2016, **City of Hays, Kansas** has submitted and received approval on one application that was amended in 2016. The approved and amended applications represent a total authorized amount of \$207,045. The charge expiration date for the current program is estimated to be May 1, 2018.

NOTE 16 – NONMONETARY TRANSACTIONS

During 2016, the City exchanged certain equipment and vehicles with a book value of \$0 and appraised value of \$20,100 for similar equipment with a fair value of \$165,419. The City considers the new equipment to be better suited for its current and future needs. The new equipment has been recorded in the amount of \$165,419 and a gain of \$20,100, which represents the excess of the appraised value of the equipment given up over its book value.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

NOTE 17 – TAX ABATEMENTS

As of December 31, 2016, the City provides tax abatements through two programs - the Neighborhood Revitalization Rebate Program and the Economic Assistance Incentive Program.

The Neighborhood Revitalization Rebate Program provides property tax abatements to promote revitalization and development of the City of Hays by stimulating new construction and the rehabilitation, conservation or redevelopment of the area in order to protect the public health, safety or welfare of the residents. Abatements are obtained through application by the property owner, including proof that the improvements or construction have been made, and equal 95 percent in the first year of the additional property tax resulting from the increase in assessed value as a result of the improvements or construction. The abatement is on a sliding scale from 95% to 20% over a 10 year process. The amount of the abatement is deducted from the recipient's tax bill.

The Economic Assistance Incentive Program provides property tax abatements to encourage economic activity and the creation of jobs; thereby, broadening its sales and property tax base and improving the quality of life for its citizens. Abatements are obtained through application by the business owner on real and personal property exclusively used in the following business activities: conducting research and development, manufacturing articles of commerce, storing goods that are sold or traded in interstate commerce, corporate or regional headquarters of a multi-state enterprise which is primarily engaged in activities that take place outside of Kansas and high-tech businesses. The abatement permits an exemption up to 100 percent of the qualified investment for up to 10 years. It will be the policy of the City to provide property tax abatement and require payments in lieu of taxes (PILOTs). The abatement level is based on the higher of the capital investment and job creation.

Neighborhood Revitalization Rebate Program	\$	18,470
Economic Assistance Initiative		<u>519,404</u>
 Total Tax Abatements	 \$	 <u>537,874</u>

NOTE 18 – PRIOR PERIOD RESTATEMENT

The prior period fund financial statements for the business-type activities have been restated in order to split out the proprietary funds into individual funds based on the service provided. The beginning net position for the proprietary funds in total was \$50,870,658 and was restated into the new funds as follows:

Water Production and Distribution Fund	\$	12,109,701
Water Reclamation and Reuse Fund		6,198,256
Water Conservation Fund		120,474
Solid Waste Fund		993,591
Stormwater Management Fund		105,350
Water Production and Distribution Reserve Fund		731,159
Water Reclamation and Reuse Reserve Fund		731,159
Water Sales Tax Reserve Fund		29,357,087
Solid Waste Reserve Fund		<u>523,881</u>
 Total	 \$	 <u>50,870,658</u>

The government-wide financial statements have been restated in order to move reserves from the governmental activities to the business-type activities in the amount of \$781,837.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2016

These adjustments in total have no net effect on the previously issued 2015 financial statements.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 13, 2017, which is the date the financial statements were available to be issued.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise **City of Hays, Kansas**' primary government financial statements, and have issued our report thereon dated April 13, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of This Report

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

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

April 13, 2017



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

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

Report on Compliance for Each Major Federal Program

We have audited **City of Hays, Kansas'** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **City of Hays, Kansas'** major federal programs and in the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration for the City's passenger facility charge program for the year ended December 31, 2016. **City of Hays, Kansas'** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, contracts, and grants applicable to its federal programs and to its passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **City of Hays, Kansas'** major federal programs and its passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit and Accounting Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about **City of Hays, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, **City of Hays, Kansas** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its passenger facility charge program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Adams, Brown, Beran & Ball, Chartered

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

April 13, 2017

CITY OF HAYS, KANSAS

Required Supplementary Information

CITY OF HAYS, KANSAS
Schedule of Proportionate Share of the Collective Net Pension Liability
Kansas Public Employees Retirement System
December 31, 2016

	2016 KPERS	2016 KP&F	2015 KPERS	2015 KP&F
The City's proportion of the collective net pension liability	0.311%	0.576%	0.318%	0.622%
The City's proportionate share of the net pension liability	\$ 4,814,120	5,350,699	4,179,222	4,514,070
The City's covered-employee payroll	\$ 5,434,331	2,793,510	5,249,197	2,759,456
The City's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	88.59%	191.54%	79.62%	163.59%
Plan's fiduciary net position	\$ 17,192,432,371		16,635,520,735	
Plan fiduciary net position as a percentage of the total pension liability		65.09%	64.95%	

GASB No. 68 requires presentation of ten years. As of December 31, 2016, only two years of information is available.

See independent auditors' report.

CITY OF HAYS, KANSAS
Schedule of the City's Contributions
Kansas Public Employees Retirement System
December 31, 2016

	2016 KPERs	2016 KP&F	2015 KPERs	2015 KP&F
Contractually required contribution	\$ 497,772	572,197	497,624	589,420
Contributions in relation to the contractually required contribution	<u>497,772</u>	<u>572,197</u>	<u>497,624</u>	<u>589,420</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
The City's covered-employee payroll	5,434,331	2,793,510	5,249,197	2,759,456
Contributions as a percentage of covered-employee payroll	9.16%	20.48%	9.48%	21.36%

GASB 68 requires presentation of ten years. As of December 31, 2016, only two years of information is available.

See independent auditors' report.

CITY OF HAYS, KANSAS

Supplementary Information

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2016 and 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ 2,509,559	4,770,542
Receivables		
Accounts Receivable, Net of Allowance for Uncollectibles	60,641	73,671
Other Asset		
Reserved Cash - Budget Stabilization	<u>3,221,181</u>	<u>3,221,181</u>
Total Assets	<u>\$ 5,791,381</u>	<u>8,065,394</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 97,834	78,221
Accrued Payroll	266,036	244,836
Accrued Paid Time Off	480,912	459,045
Accrued Sick Leave Payout	<u>26,700</u>	<u>31,764</u>
Total Liabilities	<u>871,482</u>	<u>813,866</u>
Fund Balance		
Committed - Budget Stabilization	3,221,181	3,221,181
Assigned - Reserved for Encumbrances	71,082	200,688
Assigned - Designated for Subsequent Year Expenditures	1,627,636	3,043,962
Unassigned	<u>-</u>	<u>785,697</u>
Total Fund Balance	<u>4,919,899</u>	<u>7,251,528</u>
Total Liabilities and Fund Balance	<u>\$ 5,791,381</u>	<u>8,065,394</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues (Statement 9-1, Page 4)	\$ 10,335,601	10,043,558	(292,043)	10,331,851
Expenditures (Statement 9-1, Page 4)	11,388,397	10,221,773	1,166,624	10,139,663
Excess Revenues Over (Under) Expenditures	(1,052,796)	(178,215)	874,581	192,188
Other Financing Sources (Uses)				
Transfers In	2,087,914	2,127,625	39,711	2,146,187
Transfers Out	(2,961,230)	(4,151,433)	(1,190,203)	(1,781,666)
Total Other Financing Sources (Uses)	(873,316)	(2,023,808)	(1,150,492)	364,521
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(1,926,112)	(2,202,023)	(275,911)	556,709
Fund Balance - Beginning	3,043,962	7,251,528	4,207,566	6,596,516
Increase (Decrease) in Reserve for Encumbrances	-	(129,606)	(129,606)	98,303
Fund Balance - Ending	\$ 1,117,850	4,919,899	3,802,049	7,251,528
(a) Adjustment for Qualifying Budget Credits				
Reimbursed Expenses			\$ 25,114	

See independent auditors' report.

CITY OF HAYS, KANSAS
General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Local Sales	\$ 7,597,211	7,184,723	(412,488)	7,418,707
Intergovernmental				
Liquor Tax	131,390	127,427	(3,963)	128,715
State Grant	-	9,199	9,199	37,562
Total Intergovernmental	131,390	136,626	5,236	166,277
Licenses and Permits				
Franchise Tax	1,380,000	1,417,394	37,394	1,481,975
Licenses	45,500	44,738	(762)	58,058
Permits	80,000	66,231	(13,769)	85,145
Total Licenses and Permits	1,505,500	1,528,363	22,863	1,625,178
Fines and Forfeitures				
Fines and Court Fees	610,000	639,817	29,817	603,652
Use of Money and Property				
Interest Income	30,000	63,435	33,435	53,646
Rent	1,200	1,200	-	1,200
Total Use of Money and Property	31,200	64,635	33,435	54,846
Miscellaneous				
Golf Course Fees	307,000	280,070	(26,930)	296,793
Cemetery Receipts	10,300	12,320	2,020	19,260
Miscellaneous Receipts	143,000	147,398	4,398	135,892
Reimbursed Expenses	-	25,114	-	-
Prior Year Encumbrances Cancelled	-	24,492	24,492	11,246
Total Miscellaneous	460,300	489,394	3,980	463,191
Total Revenues	\$ 10,335,601	10,043,558	(317,157)	10,331,851

See independent auditors' report.

CITY OF HAYS, KANSAS
General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016		Variance Positive (Negative)	2015 Actual
	Original and Final Budget	Actual		
Expenditures				
City Commission	\$ 31,500	14,925	16,575	23,385
City Manager	511,593	428,681	82,912	436,146
Human Resources	195,750	166,295	29,455	177,773
Information Technology	558,022	548,502	9,520	550,568
Communication Center	573,784	497,951	75,833	499,089
City Attorney	101,000	133,102	(32,102)	127,571
Finance - City Clerk	381,011	377,992	3,019	361,928
Intergovernmental Account	334,300	329,172	5,128	301,077
Police Department	2,138,223	1,970,173	168,050	1,980,441
Municipal Court	163,465	137,965	25,500	143,718
Public Works - General Administration	293,540	270,929	22,611	273,616
Service Division	926,200	790,152	136,048	749,504
Planning, Inspection, and Enforcement	426,039	315,537	110,502	337,506
Building and Grounds	503,935	451,751	52,184	448,854
Fleet Maintenance	801,073	529,664	271,409	546,903
Fire Department	1,404,167	1,390,498	13,669	1,348,150
Parks and Playgrounds	900,641	874,949	25,692	829,616
Golf Course	366,618	363,179	3,439	376,347
Swimming Pool	100,700	70,757	29,943	76,086
Ballfield Maintenance	38,300	31,788	6,512	17,334
Cemeteries	17,500	12,324	5,176	15,255
Bickle-Schmidt Sports Complex	227,658	131,060	96,598	134,954
Social Services	164,000	164,000	-	164,000
Economic Development	229,378	220,427	8,951	219,842
Total Expenditures	\$ 11,388,397	10,221,773	1,166,624	10,139,663

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Fund
Balance Sheets
December 31, 2016 and 2015

ASSETS		
	<u>2016</u>	<u>2015</u>
Cash	\$ 109,627	110,157
Taxes Receivable	<u>1,167,988</u>	<u>1,164,271</u>
Total Assets	\$ <u>1,277,615</u>	<u>1,274,428</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	\$ <u>1,167,988</u>	<u>1,164,271</u>
Fund Balance		
Assigned - Designated for Subsequent Year Expenditures	<u>79,986</u>	48,819
Assigned	<u>29,641</u>	<u>61,338</u>
Total Fund Balance	<u>109,627</u>	<u>110,157</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>1,277,615</u>	<u>1,274,428</u>

Library Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	<u>2016</u>			<u>2015</u> Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 1,212,782	1,190,373	(22,409)	1,119,748
Delinquent	-	18,678	18,678	16,425
Motor Vehicle	72,448	126,996	54,548	139,260
Recreational Vehicle	1,764	1,893	129	1,759
16/20M Truck	6,785	876	(5,909)	926
Commercial Vehicle	4,465	8,133	3,668	-
Neighborhood Revit Rebate	(3,101)	(3,214)	113	(2,919)
Tax Increment Financing Dist (TIF)	(13,962)	(14,265)	303	(15,049)
Total Revenues	<u>1,281,181</u>	<u>1,329,470</u>	<u>49,121</u>	<u>1,260,150</u>
Expenditures				
Distributions to Library Board	<u>1,330,000</u>	<u>1,330,000</u>	<u>-</u>	<u>1,227,000</u>
Excess Revenues Over (Under)				
Expenditures	(48,819)	(530)	49,121	33,150
Fund Balance - Beginning	<u>48,819</u>	<u>110,157</u>	<u>61,338</u>	<u>77,007</u>
Fund Balance - Ending	\$ <u>-</u>	<u>109,627</u>	<u>110,459</u>	<u>110,157</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Employee Benefits Fund
 Balance Sheets
 December 31, 2016 and 2015

ASSETS			
		<u>2016</u>	<u>2015</u>
Cash	\$	16,759	16,483
Taxes Receivable		<u>170,903</u>	<u>178,910</u>
Total Assets	\$	<u>187,662</u>	<u>195,393</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources			
Deferred Property Tax Receivable	\$	<u>170,903</u>	<u>178,910</u>
Fund Balance			
Assigned - Designated for Subsequent Year Expenditures		<u>12,187</u>	6,987
Assigned		<u>4,572</u>	<u>9,496</u>
Total Fund Balance		<u>16,759</u>	<u>16,483</u>
Total Deferred Inflows of Resources and Fund Balance	\$	<u>187,662</u>	<u>195,393</u>

Library Employee Benefits Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	<u>2016</u>			<u>2015</u> Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 186,365	183,083	(3,282)	164,049
Delinquent	-	2,696	2,696	2,377
Motor Vehicle	10,610	18,779	8,169	21,209
Recreational Vehicle	259	280	21	268
16/20M Truck	994	133	(861)	135
Commercial Vehicle	654	1,193	539	-
Neighborhood Revit Rebate	(521)	(494)	(27)	(428)
Tax Increment Financing Dist (TIF)	(2,148)	(2,194)	46	(2,205)
Total Revenues	196,213	203,476	7,301	185,405
Expenditures				
Distributions to Library Board	203,200	203,200	-	179,200
Excess Revenues Over (Under)				
Expenditures	(6,987)	276	7,301	6,205
Fund Balance - Beginning	6,987	16,483	9,496	10,278
Fund Balance - Ending	\$ -	16,759	16,797	16,483

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Highway Fund
Balance Sheets
December 31, 2016 and 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ <u>292,207</u>	<u>248,375</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>-</u>	<u>1,715</u>
Fund Balance		
Assigned - Reserved for Encumbrances	<u>28</u>	<u>4,581</u>
Assigned - Designated for Subsequent Year's Expenditures	<u>164,343</u>	<u>82,317</u>
Assigned	<u>127,836</u>	<u>159,762</u>
Total Fund Balance	<u>292,207</u>	<u>246,660</u>
Total Liabilities and Fund Balance	<u>\$ 292,207</u>	<u>248,375</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Highway Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016		Variance Positive (Negative)	2015 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
State Gasoline Tax	\$ 545,160	559,047	13,887	552,732
Connecting Link Maintenance	44,760	44,791	31	44,760
Prior Year Encumbrances Cancelled	-	4,054	4,054	5,718
Total Revenues	<u>589,920</u>	<u>607,892</u>	<u>17,972</u>	<u>603,210</u>
Expenditures				
Contractual Services	50,000	11,510	38,490	8,473
Capital Outlay	<u>1,122,237</u>	<u>1,046,282</u>	<u>75,955</u>	<u>569,990</u>
Total Expenditures	<u>1,172,237</u>	<u>1,057,792</u>	<u>114,445</u>	<u>578,463</u>
Excess Revenues Over (Under) Expenditures	(582,317)	(449,900)	132,417	24,747
Other Financing Sources (Uses)				
Transfers In	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(82,317)	50,100	132,417	24,747
Fund Balance - Beginning	82,317	246,660	164,343	238,121
Increase (Decrease) in Reserve for Encumbrances	<u>-</u>	<u>(4,553)</u>	<u>(4,553)</u>	<u>(16,208)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>292,207</u>	<u>292,207</u>	<u>246,660</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Employee Benefits Fund
Balance Sheets
December 31, 2016 and 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ 873,828	824,390
Taxes Receivable	<u>2,585,745</u>	<u>2,459,189</u>
Total Assets	<u>\$ 3,459,573</u>	<u>3,283,579</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 81	-
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>2,585,745</u>	<u>2,459,189</u>
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	468,141	559,142
Assigned	<u>405,606</u>	<u>265,248</u>
Total Fund Balance	<u>873,747</u>	<u>824,390</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,459,573</u>	<u>3,283,579</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Employee Benefits Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016		Variance Positive (Negative)	2015 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 2,561,655	2,514,062	(47,593)	2,371,720
Delinquent	-	37,774	37,774	32,555
Motor Vehicle	153,458	267,009	113,551	285,785
Recreational Vehicle	3,736	3,975	239	3,610
16/20M Truck	14,372	1,798	(12,574)	1,917
Commercial Vehicle	9,459	17,204	7,745	-
Interest Income	2,000	2,289	289	3,516
Miscellaneous	-	46,225	46,225	32,009
Total Revenues	2,744,680	2,890,336	145,656	2,731,112
Expenditures				
Workmen's Compensation	201,386	190,193	11,193	188,631
Unemployment Compensation	19,991	14,407	5,584	16,381
Social Security	695,149	632,594	62,555	626,946
Employee Retirement	1,327,300	1,082,571	244,729	1,136,505
Contingency	100,000	1,810	98,190	51,430
Health Insurance	1,719,500	1,645,959	73,541	1,719,500
Contractual Services	45,676	41,384	4,292	39,065
Tax Increment Financing Dist (TIF)	30,738	30,127	611	31,876
Neighborhood Revit Rebate	6,979	6,789	190	6,182
Total Expenditures	4,146,719	3,645,834	500,885	3,816,516
Excess Revenues Over (Under) Expenditures	(1,402,039)	(755,498)	646,541	(1,085,404)
Other Financing Sources (Uses)				
Transfers In	842,897	804,855	(38,042)	878,939
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(559,142)	49,357	608,499	(206,465)
Fund Balance - Beginning	559,142	824,390	265,248	1,030,855
Fund Balance - Ending	\$ -	873,747	873,747	824,390

See independent auditors' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
Balance Sheets
December 31, 2016 and 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ 108,781	83,740
Taxes Receivable	<u>415,432</u>	<u>411,554</u>
Total Assets	\$ <u>524,213</u>	<u>495,294</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>20,679</u>	<u>869</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>415,432</u>	<u>411,554</u>
Fund Balance		
Assigned - Reserved for Encumbrances	<u>18,570</u>	<u>24,448</u>
Assigned - Designated for Subsequent Year's Expenditures	<u>36,441</u>	<u>28,560</u>
Assigned	<u>33,091</u>	<u>29,863</u>
Total Fund Balance	<u>88,102</u>	<u>82,871</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>524,213</u>	<u>495,294</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016		Variance Positive (Negative)	2015 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 428,702	420,852	(7,850)	402,770
Delinquent	-	6,589	6,589	5,759
Motor Vehicle	26,053	45,619	19,566	49,808
Recreational Vehicle	635	680	45	629
16/20M Truck	2,440	313	(2,127)	327
Commercial Vehicle	1,606	2,925	1,319	-
Intergovernmental				
Federal Grants	-	3,729	3,729	-
Miscellaneous Revenue	-	-	-	7,104
Prior Year Encumbrances Cancelled	-	12,983	12,983	-
Total Revenues	<u>459,436</u>	<u>493,690</u>	<u>34,254</u>	<u>466,397</u>
Expenditures				
Capital Outlay	101,260	129,401	(28,141)	142,090
Tax Increment Financing Dist (TIF)	5,049	5,044	5	5,413
Neighborhood Revit Rebate	1,228	1,136	92	1,050
Total Expenditures	<u>107,537</u>	<u>135,581</u>	<u>(28,044)</u>	<u>148,553</u>
Excess Revenues Over (Under) Expenditures	351,899	358,109	6,210	317,844
Other Financing Sources (Uses)				
Transfers Out	(380,459)	(347,000)	33,459	(328,000)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(28,560)	11,109	39,669	(10,156)
Fund Balance - Beginning	28,560	82,871	54,311	74,864
Increase (Decrease) in Reserve for Encumbrances	-	(5,878)	(5,878)	18,163
Fund Balance - Ending	<u>\$ -</u>	<u>88,102</u>	<u>88,102</u>	<u>82,871</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Airport Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ 85,708	132,958
Taxes Receivable	207,716	<u>205,777</u>
Total Assets	\$ <u>293,424</u>	<u>338,735</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 6,917	1,909
Accrued Payroll	3,528	2,852
Accrued Paid Time Off	3,066	<u>5,631</u>
Total Liabilities	<u>13,511</u>	<u>10,392</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	207,716	<u>205,777</u>
Fund Balance		
Assigned - Reserved for Encumbrances	7,795	10,144
Assigned - Designated for Subsequent Year's Expenditures	64,402	66,165
Assigned	-	<u>46,257</u>
Total Fund Balance	<u>72,197</u>	<u>122,566</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>293,424</u>	<u>338,735</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Airport Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016		Variance Positive (Negative)	2015 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 214,351	210,425	(3,926)	201,486
Delinquent	-	3,299	3,299	2,880
Motor Vehicle	13,027	22,821	9,794	24,916
Recreational Vehicle	317	340	23	315
16/20M Truck	1,220	157	(1,063)	164
Commercial Vehicle	803	1,463	660	-
Licenses and Fees Collected	107,165	103,469	(3,696)	120,657
Farming Leases	17,000	19,620	2,620	22,578
Miscellaneous	4,000	3,153	(847)	3,715
Prior Year Encumbrances Cancelled	-	621	621	3,465
Total Revenues	357,883	365,368	7,485	380,176
Expenditures				
Personal Services	92,807	91,010	1,797	91,297
Contractual Services	116,985	104,649	12,336	83,237
Commodities	109,680	63,201	46,479	45,848
Tax Increment Financing Dist (TIF)	2,524	2,522	2	2,708
Neighborhood Revit Rebate	614	568	46	525
Total Expenditures	322,610	261,950	60,660	223,615
Excess Revenues Over (Under) Expenditures	35,273	103,418	68,145	156,561
Other Financing (Uses)				
Transfers Out	(101,438)	(151,438)	(50,000)	(134,843)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(66,165)	(48,020)	18,145	21,718
Fund Balance - Beginning	66,165	122,566	56,401	95,244
Increase (Decrease) in Reserve for Encumbrances	-	(2,349)	(2,349)	5,604
Fund Balance - Ending	\$ -	72,197	72,197	122,566

See independent auditors' report.

CITY OF HAYS, KANSAS
Park Development Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>			
		2016	2015
Cash	\$	5,027	5,027
<u>FUND BALANCE</u>			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	5,027	5,027

Park Development Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues	\$ -	-	-	-
Expenditures				
Contractual Services	5,027	-	5,027	-
Excess Revenues Over (Under) Expenditures	(5,027)	-	5,027	-
Fund Balance - Beginning	5,027	5,027	-	5,027
Fund Balance - Ending	\$ -	5,027	5,027	5,027

See independent auditors' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>		
	2016	2015
Cash	\$ 1,033,332	807,591
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 11,375	23,739
Accrued Payroll	8,225	6,353
Accrued Paid Time Off	6,523	5,987
Total Liabilities	26,123	36,079
Fund Balance		
Assigned - Reserved for Encumbrances	8,941	14,211
Assigned - Designated for Subsequent Year's Expenditures	919,510	508,617
Assigned	78,758	248,684
Total Fund Balance	1,007,209	771,512
Total Liabilities and Fund Balance	\$ 1,033,332	807,591

See independent auditors' report.

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

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016

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

	2016		Variance Positive (Negative)	2015 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Guest Tax	\$ 792,058	915,762	123,704	891,476
Miscellaneous	40,000	36,791	(3,209)	38,468
Prior Year Encumbrance Cancelled	-	572	572	8,354
Total Revenues	<u>832,058</u>	<u>953,125</u>	<u>121,067</u>	<u>938,298</u>
Expenditures				
Personal Services	234,533	202,955	31,578	158,217
Contractual Services	745,752	192,725	553,027	224,119
Commodities	122,000	106,713	15,287	75,177
Capital Outlay	88,131	59,506	28,625	107,219
Total Expenditures	<u>1,190,416</u>	<u>561,899</u>	<u>628,517</u>	<u>564,732</u>
Excess Revenues Over (Under) Expenditures	(358,358)	391,226	749,584	373,566
Other Financing Sources (Uses)				
Transfers Out	(150,259)	(150,259)	-	(138,171)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(508,617)	240,967	749,584	235,395
Fund Balance - Beginning	508,617	771,512	262,895	547,815
Increase (Decrease) in Reserve for Encumbrances	-	(5,270)	(5,270)	(11,698)
Fund Balance - Ending	\$ -	<u>1,007,209</u>	<u>1,007,209</u>	<u>771,512</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
New Equipment Reserve Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ <u>4,234,681</u>	<u>4,128,457</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>-</u>	<u>51,342</u>
Fund Balance		
Assigned - Reserved for Fund Balance	-	13,830
Assigned	<u>4,234,681</u>	<u>4,063,285</u>
Total Fund Balance	<u>4,234,681</u>	<u>4,077,115</u>
Total Liabilities and Fund Balance	\$ <u>4,234,681</u>	<u>4,128,457</u>

New Equipment Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Revenues		
Interest Income	\$ <u>11,445</u>	<u>7,500</u>
Prior Year Encumbrances Cancelled	<u>13,829</u>	<u>-</u>
Total Revenues	<u>25,274</u>	<u>7,500</u>
Expenditures		
Capital Outlay	<u>584,515</u>	<u>324,155</u>
Excess Revenues Over (Under) Expenditures	<u>(559,241)</u>	<u>(316,655)</u>
Other Financing Sources (Uses)		
Transfers In	<u>730,637</u>	<u>698,419</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>171,396</u>	<u>381,764</u>
Fund Balance - Beginning	<u>4,077,115</u>	<u>3,681,521</u>
Increase (Decrease) in Reserve for Encumbrances	<u>(13,830)</u>	<u>13,830</u>
Fund Balance - Ending	\$ <u>4,234,681</u>	<u>4,077,115</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
Balance Sheets
December 31, 2016 and 2015

<u>ASSETS</u>			
		<u>2016</u>	<u>2015</u>
Cash	\$	<u>58,936</u>	<u>79,335</u>
<u>FUND BALANCE</u>			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	<u>58,936</u>	63,335
Assigned - Reserved for Encumbrances		<u>-</u>	<u>16,000</u>
Total Fund Balance	\$	<u>58,936</u>	<u>79,335</u>

Special Alcohol Program Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	<u>2016</u>			<u>2015</u> Actual
	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)	
Revenues				
Intergovernmental				
Liquor Tax	\$ 131,390	<u>127,427</u>	(3,963)	128,715
Prior Year Encumbrances Cancelled	-	<u>1,000</u>	1,000	-
Total Revenues	<u>131,390</u>	<u>128,427</u>	<u>(2,963)</u>	<u>128,715</u>
Expenditures				
Contractual	60,000	<u>60,000</u>	-	149,080
Contingency	73,325	<u>-</u>	73,325	-
Total Expenditures	<u>133,325</u>	<u>60,000</u>	<u>73,325</u>	<u>149,080</u>
Excess Revenues Over (Under)				
Expenditures	(1,935)	<u>68,427</u>	70,362	(20,365)
Other Financing Sources (Uses)				
Transfers Out	<u>(72,826)</u>	<u>(72,826)</u>	-	<u>(91,834)</u>
Excess Revenues and Other Financing				
Sources (Uses) Over (Under) Expenditures	(74,761)	<u>(4,399)</u>	70,362	(112,199)
Fund Balance - Beginning	74,761	<u>79,335</u>	4,574	175,534
Increase (Decrease) in				
Reserve for Encumbrances	<u>-</u>	<u>(16,000)</u>	<u>(16,000)</u>	<u>16,000</u>
Fund Balance - Ending	<u>\$ -</u>	<u>58,936</u>	<u>58,936</u>	<u>79,335</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
Balance Sheets
December 31, 2016 and 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ <u>296,023</u>	<u>280,595</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>1,093</u>	<u>6,600</u>
Fund Balance		
Assigned - Reserved for Encumbrances	14,960	61,584
Assigned - Designated for Subsequent Year's Expenditures	279,970	205,525
Assigned	<u>-</u>	<u>6,886</u>
Total Fund Balance	<u>294,930</u>	<u>273,995</u>
Total Liabilities and Fund Balance	\$ <u>296,023</u>	<u>280,595</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund

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

For the Year Ended December 31, 2016

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

	2016		Variance Positive (Negative)	2015 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Liquor Tax	\$ 131,390	127,427	(3,963)	128,714
Miscellaneous	-	-	-	4,140
Prior Year Encumbrance Cancelled	-	338	338	-
Total Revenues	131,390	127,765	(3,625)	132,854
Expenditures				
Capital Outlay	336,915	60,206	276,709	146,514
Excess Revenues Over (Under) Expenditures	(205,525)	67,559	273,084	(13,660)
Fund Balance - Beginning	205,525	273,995	68,470	226,071
Increase (Decrease) in Reserve For Encumbrances	-	(46,624)	(46,624)	61,584
Fund Balance - Ending	\$ -	294,930	294,930	273,995

See independent auditors' report.

CITY OF HAYS, KANSAS
Parks Improvement Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>		
	2016	2015
Cash	\$ <u>47,539</u>	<u>67,034</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>780</u>	<u>10,958</u>
Fund Balance		
Assigned - Reserved for Encumbrances	<u>41,115</u>	40,123
Assigned	<u>5,644</u>	<u>15,953</u>
Total Fund Balance	<u>46,759</u>	<u>56,076</u>
Total Liabilities and Fund Balance	\$ <u>47,539</u>	<u>67,034</u>

Parks Improvement Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016 Actual	2015 Actual
Revenues		
Donations	\$ <u>6,000</u>	28,232
Miscellaneous	<u>52,328</u>	91,282
Prior Year Encumbrances Cancelled	<u>483</u>	-
Total Revenues	<u>58,811</u>	<u>119,514</u>
Expenditures		
Contractual	<u>44,278</u>	70,793
Projects	<u>24,842</u>	<u>71,607</u>
Total Expenditures	<u>69,120</u>	<u>142,400</u>
Excess Revenues Over (Under) Expenditures	(10,309)	(22,886)
Increase (Decrease) in Reserve For Encumbrances	992	40,123
Fund Balance - Beginning	<u>56,076</u>	<u>38,839</u>
Fund Balance - Ending	\$ <u>46,759</u>	<u>56,076</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Department of Justice Program Fund
 Balance Sheets
 December 31, 2016 and 2015

	<u>ASSETS</u>		<u>2016</u>	<u>2015</u>
Cash		\$	<u>931</u>	<u>1,211</u>
 <u>FUND BALANCE</u>				
Fund Balance				
Assigned		\$	<u>931</u>	<u>1,211</u>

Department of Justice Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

			<u>2016</u>	<u>2015</u>
			Actual	Actual
Revenues		\$	-	-
Expenditures				
Capital Outlay			<u>280</u>	<u>125</u>
Excess Revenues Over (Under)				
Expenditures			(280)	(125)
Fund Balance - Beginning			<u>1,211</u>	<u>1,336</u>
Fund Balance - Ending		\$	<u>931</u>	<u>1,211</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
City Commission Capital Reserve Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ <u>5,852,071</u>	<u>3,422,510</u>
 <u>FUND BALANCE</u>		
Fund Balance		
Assigned	\$ <u>5,852,071</u>	<u>3,422,510</u>

City Commission Capital Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	<u>2016 Actual</u>	<u>2015 Actual</u>
Revenues		
Interest	\$ 9,966	-
Expenditures		
Projects	<u>894,078</u>	<u>623,180</u>
Excess Revenues Over (Under) Expenditures	<u>(884,112)</u>	<u>(623,180)</u>
Other Financing Sources (Uses)		
Transfers In	3,313,673	1,457,534
Transfers Out	<u>-</u>	<u>(294,395)</u>
Total Other Financing Sources (Uses)	<u>3,313,673</u>	<u>1,163,139</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>2,429,561</u>	<u>539,959</u>
Fund Balance - Beginning	<u>3,422,510</u>	<u>2,882,551</u>
Fund Balance - Ending	\$ <u>5,852,071</u>	<u>3,422,510</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Sales Tax Dedicated to Ellis County, Kansas Fund
 Balance Sheets
 December 31, 2016 and 2015

	<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash	\$	-	-
	<u>FUND BALANCE</u>		
Fund Balance			
Assigned	\$	-	-

Sales Tax Dedicated to Ellis County, Kansas Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Revenues		
Intergovernmental		
Local Sales Tax	\$ 1,692,882	1,779,169
Expenditures		
Payment to Ellis County	<u>1,692,882</u>	<u>1,779,169</u>
Excess Revenues Over (Under)		
Expenditures	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>
Fund Balance - Ending	\$ <u>-</u>	<u>-</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Bond and Interest Fund
Balance Sheets
December 31, 2016 and 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ 255,312	187,525
Taxes Receivable	<u>645,078</u>	<u>724,677</u>
Total Assets	\$ <u>900,390</u>	<u>912,202</u>
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	\$ <u>645,078</u>	<u>724,677</u>
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	<u>147,025</u>	55,459
Assigned	<u>108,287</u>	<u>132,066</u>
Total Fund Balance	<u>255,312</u>	<u>187,525</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>900,390</u>	<u>912,202</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Bond and Interest Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016

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

	2016			2015 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 754,872	740,798	(14,074)	773,746
Delinquent	-	14,978	14,978	12,039
Motor Vehicle	50,056	88,902	38,846	101,554
Recreational Vehicle	1,219	1,328	109	1,283
16/20M Truck	4,688	639	(4,049)	620
Commercial Vehicle	3,085	5,632	2,547	-
Special Assessments	510,608	535,584	24,976	466,832
Total Revenues	<u>1,324,528</u>	<u>1,387,861</u>	<u>63,333</u>	<u>1,356,074</u>
Expenditures				
Neighborhood Revitalization Rebate	2,107	2,001	106	2,017
Tax Increment Financing District	8,686	8,880	(194)	10,399
Bond Principal	940,000	940,000	-	996,755
Interest Expense	369,194	369,193	1	382,548
Cash Basis Reserve	60,000	-	60,000	-
Total Expenditures	<u>1,379,987</u>	<u>1,320,074</u>	<u>59,913</u>	<u>1,391,719</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(55,459)	67,787	123,246	(35,645)
Fund Balance - Beginning	<u>55,459</u>	<u>187,525</u>	<u>132,066</u>	<u>223,170</u>
Fund Balance - Ending	<u>\$ -</u>	<u>255,312</u>	<u>255,312</u>	<u>187,525</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
2016-A Bond Redemption Fund
 Balance Sheets
 December 31, 2016 and 2015

	<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash		\$ -	-
	<u>FUND BALANCE</u>		
Fund Balance Assigned		\$ -	-

2016-A Bond Redemption Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Revenues		
Bond Proceeds	\$ 5,850,000	-
Premium	99,040	-
Total Revenues	<u>5,949,040</u>	<u>-</u>
Expenditures		
Bond Principal	4,620,000	-
Bond Interest	61,032	-
Issuance Costs	70,836	-
Transfer to Escrow	1,197,172	-
Total Expenditures	<u>5,949,040</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>-</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>		
	2016	2015
Cash	\$ <u>110,819</u>	<u>109,875</u>
 <u>FUND BALANCE</u> 		
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	\$ 110,819	104,288
Assigned	<u>-</u>	<u>5,587</u>
Total Fund Balance	\$ <u>110,819</u>	<u>109,875</u>

Economic Development Bond Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Intergovernmental				
Local Sales Tax	\$ 219,317	<u>214,749</u>	<u>(4,568)</u>	<u>224,904</u>
Expenditures				
Bond Principal	130,000	<u>130,000</u>	-	125,000
Interest Expense	83,805	<u>83,805</u>	-	<u>90,524</u>
Total Expenditures	<u>213,805</u>	<u>213,805</u>	-	<u>215,524</u>
Excess Revenues Over (Under)				
Expenditures	5,512	<u>944</u>	<u>(4,568)</u>	9,380
Fund Balance - Beginning	<u>104,288</u>	<u>109,875</u>	<u>5,587</u>	<u>100,495</u>
Fund Balance - Ending	\$ <u>109,800</u>	<u>110,819</u>	<u>1,019</u>	<u>109,875</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2016
(With Comparative Totals as of December 31, 2015)

	2016					Total	2015
	Water Production and Distribution Fund	Wastewater Reclamation and Reuse Fund	Water Conservation Fund	Solid Waste Fund	Stormwater Management Fund		
ASSETS							
Current Assets							
Cash							
Operating Account	\$ 1,082,311	939,525	143,263	257,409	167,651	2,590,159	2,647,491
Local Sales Tax Account	-	-	-	-	-	-	29,404,979
Accounts Receivable (Net)	110,293	113,097	-	76,856	38,674	338,920	346,482
Due From Water and Sewer Fund	-	-	-	-	-	-	102,054
Total Current Assets	1,192,604	1,052,622	143,263	334,265	206,325	2,929,079	32,501,006
Restricted Assets							
Customer Deposits	277,851	-	-	-	-	277,851	227,477
Reserve for Capital Improvements	-	-	-	-	-	-	1,986,200
Revenue Bonds							
Principal and Interest Account	45,746	19,606	-	-	-	65,352	65,352
Bond Reserve Account	291,757	125,039	-	-	-	416,796	421,162
Total Restricted Assets	615,354	144,645	-	-	-	759,999	2,700,191
Capital Assets							
Land and Right-of-Ways	139,109	-	-	-	-	139,109	139,109
Infrastructure	16,745,680	1,741,373	-	-	-	18,487,053	18,487,053
Equipment	10,758,382	1,019,775	-	1,806,335	-	13,584,492	13,426,344
R-9 Ranch	4,262,040	-	-	-	-	4,262,040	4,262,040
Building and Structures	1,790,520	9,992,389	-	294,594	-	12,077,503	12,077,504
Construction in Process	-	2,298,734	-	-	-	2,298,734	-
Total Capital Assets	33,695,731	15,052,271	-	2,100,929	-	50,848,931	48,392,050
Accumulated Depreciation	(21,516,284)	(6,624,296)	-	(1,594,905)	-	(29,735,485)	(28,952,633)
Net Capital Assets	12,179,447	8,427,975	-	506,024	-	21,113,446	19,439,417
Total Assets	\$ 13,987,405	9,625,242	143,263	840,289	206,325	24,802,524	54,640,614

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2016
(With Comparative Totals as of December 31, 2015)

	2016					Total	2015
	Water Production and Distribution Fund	Wastewater Treatment and Collection Fund	Water Conservation Fund	Solid Waste Fund	Stormwater Management Fund		
<u>LIABILITIES AND EQUITY</u>							
Current Liabilities							
Accounts Payable	\$ 39,773	127,981	36,951	31,601	5,199	241,505	140,490
Sales Tax	5,818	-	-	-	-	5,818	7,599
State Water Fee	8,182	-	-	-	-	8,182	8,897
Accrued Payroll	21,429	16,954	2,045	14,023	1,613	56,064	49,996
Accrued Paid Time Off	37,913	34,826	1,183	27,006	1,907	102,835	93,078
Due to Stormwater Management Fund	-	-	-	-	-	-	58,674
Due to Solid Waste Fund	-	-	-	-	-	-	43,380
Total Current Liabilities	113,115	179,761	40,179	72,630	8,719	414,404	402,114
Current Liabilities Payable From Restricted Assets							
2009 Revenue Bonds	213,500	91,500	-	-	-	305,000	300,000
Customer Deposits	273,351	-	-	-	-	273,351	222,977
Monitoring Well Deposits	4,500	-	-	-	-	4,500	4,500
Accrued Interest - Bonds	26,086	11,180	-	-	-	37,266	40,365
Total Current Liabilities Payable From Restricted Assets	517,437	102,680	-	-	-	620,117	567,842
Noncurrent Liabilities							
2009 Revenue Bonds	1,746,500	748,500	-	-	-	2,495,000	2,800,000
KDHE Wastewater Revolving Loan	-	2,298,734	-	-	-	2,298,734	-
Total Noncurrent Liabilities	1,746,500	3,047,234	-	-	-	4,793,734	2,800,000
Total Liabilities	2,377,052	3,329,675	40,179	72,630	8,719	5,828,255	3,769,956
Equity							
Reserve for Capital Improvements	-	-	-	-	-	-	1,986,200
Reserve for Encumbrances	1,960	27,192	104,842	4,840	10,708	149,542	229,856
Contributed Capital	2,250,574	964,531	-	115,383	-	3,330,488	3,330,488
Unreserved	9,357,819	5,303,844	(1,758)	647,436	186,898	15,494,239	45,324,114
Total Equity	11,610,353	6,295,567	103,084	767,659	197,606	18,974,269	50,870,658
Total Liabilities and Equity	\$ 13,987,405	9,625,242	143,263	840,289	206,325	24,802,524	54,640,614

See independent auditors' report.

CITY OF HAYS, KANSAS
Water Production and Distribution Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016		Variance Positive (Negative)	2015 Actual
	Original and Final Budget	Actual		
Revenues				
Water Sales	\$ 3,035,299	2,702,411	(332,888)	-
Water Tap - Turn-Ons	35,000	72,760	37,760	-
Water Sales Conservation Rate	306,000	307,326	1,326	-
Sales and Other Charges	7,000	26,557	19,557	-
Penalty	12,500	16,353	3,853	-
Interest on Investments	10,500	16,018	5,518	-
Reimbursed Expense	-	13,450	13,450	-
Prior Year Encumbrance Cancelled	-	146,138	146,138	-
Total Revenues	\$ 3,406,299	3,301,013	(264,874)	-
Expenditures				
Personal Services				
Salaries	\$ 627,262	601,512	25,750	-
Contractual Services				
Communications	5,490	5,401	89	-
Publications	2,000	729	298,574	-
Heat, Light and Power	299,303	240,857	(225,317)	-
Professional Services	15,540	3,133	1,867	-
Travel and Training	5,000	5,053	48,125	-
Other Contractual Services	53,178	73,772	(73,772)	-
Total Contractual Services	380,511	328,945	49,566	-
Commodities				
Office Supplies	1,150	1,684	(534)	-
General Supplies and Materials	42,000	51,336	(9,336)	-
Chemicals	525,213	391,810	133,403	-
Repairs to Buildings and Structures	4,775	7,774	(2,999)	-
Equipment Expense	99,424	157,798	(58,374)	-
Projects	10,000	10,200	(200)	-
Uniforms	5,000	5,863	(863)	-
Total Commodities	687,562	626,465	61,097	-
Debt Service				
Principal Payment - 2009 Revenue Bond	210,000	210,000	-	-
Interest Payment - 2009 Revenue Bond	84,767	83,764	1,003	-
Total Debt Service	294,767	293,764	1,003	-
Nonoperating Expenditures				
Water Taps, Hydrants, Meters	150,000	100,861	49,139	-
Contingency	25,000	9,528	15,472	-
Interest on Deposits	250	1,184	(934)	-
Clean Drinking Water Fee	20,000	16,135	3,865	-
Transfer to Water Reserve Fund	500,000	700,000	(200,000)	-
Transfer to General Fund	546,354	546,354	-	-
Transfer to Employee Benefits Fund	345,027	277,579	67,448	-
Transfer to New Equipment Reserve	25,721	25,721	-	-
Total Nonoperating Expenditures	1,612,352	1,677,362	(65,010)	-
Total Expenditures	\$ 3,602,454	3,528,048	72,406	-

See independent auditors' report.

CITY OF HAYS, KANSAS
Water Reclamation and Reuse Fund
 Comparison of Actual Revenues and Expenditures to Budget
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Sewer Service Charges	\$ 2,602,168	2,710,920	108,752	-
Sales and Other Charges	3,000	7,113	4,113	-
Penalty	12,500	15,476	2,976	-
Interest on Investments	4,500	6,916	2,416	-
KDHE Loan Proceeds	-	2,298,734	(2,298,734)	-
Total Revenues	\$ 2,622,168	5,039,159	118,257	-
Expenditures				
Personal Services				
Salaries	\$ 489,733	454,767	34,966	-
Contractual Services				
Communications	3,100	3,561	(461)	-
Heat, Light and Power	227,512	190,029	37,483	-
Travel and Training	5,000	5,004	(4)	-
Other Contractual Services	156,000	146,889	9,111	-
Professional Services	30,198	24,371	5,827	-
Total Contractual Services	421,810	369,854	51,956	-
Commodities				
Office Supplies	650	598	52	-
General Supplies and Materials	30,000	21,465	8,535	-
Chemicals	69,572	50,168	19,404	-
Equipment Expense	112,400	93,246	19,154	-
Uniforms	5,000	4,511	489	-
Projects	30,000	2,298,734	(2,268,734)	-
Repairs to Buildings and Structures	30,000	4,833	25,167	-
Total Commodities	277,622	2,473,555	(2,195,933)	-
Debt Service				
Principal Payment - 2009 Revenue Bond	90,000	90,000	-	-
Interest Payment - 2009 Revenue Bond	36,329	35,688	641	-
Total Debt Service	126,329	125,688	641	-
Nonoperating Expenditures				
Contingency	25,000	7,610	17,390	-
Transfer to Water Reclamation Reserve Fund	600,000	770,000	(170,000)	-
Transfer to General Fund	468,390	468,390	-	-
Transfer to Employee Benefits Fund	147,869	179,929	(32,060)	-
Transfer to New Equipment Reserve	25,721	25,721	-	-
Total Nonoperating Expenditures	1,266,980	1,451,650	(184,670)	-
Total Expenditures	\$ 2,582,474	4,875,514	(2,293,040)	-
(a) Adjustment for Qualifying Budget Credits				
KDHE Loan Proceeds			\$ 2,298,734	

See independent auditors' report.

CITY OF HAYS, KANSAS
Water Conservation Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Local Sales Tax	\$ 3,085,293	2,934,577	(150,716)	-
Rent on R-9 Ranch	250,000	247,859	(2,141)	-
Sales and Other Charges	-	495	495	-
Interest on Sales Tax Collections	45,000	84,147	39,147	-
Total Revenues	\$ 3,380,293	3,267,078	(113,215)	-
Expenditures				
Personal Services				
Salaries	\$ 54,178	54,626	(448)	-
Contractual Services				
Communications	500	738	(238)	-
Publications	2,000	614	1,386	-
Travel and Training	2,000	1,277	1,223	-
Other Contractual Services	2,500	-	-	-
Total Contractual Services	7,000	2,629	2,371	-
Commodities				
General Supplies and Materials	2,500	2,493	7	-
Projects	223,000	238,005	(15,005)	-
Uniforms	200	-	200	-
Total Commodities	225,700	240,498	(14,798)	-
Nonoperating Expenditures				
R-9 Ranch Expenditures	230,000	276,718	(46,718)	-
Grant Funding	5,000	-	5,000	-
Transfer to Sales Tax Reserve Fund	2,276,779	2,113,625	163,154	-
Transfer to General Fund - Water Sales Tax	555,353	555,353	-	-
Transfer to Employee Benefits Fund	24,938	22,284	2,654	-
Transfer to New Equipment Reserve	1,345	1,345	-	-
Total Nonoperating Expenditures	3,093,415	2,969,325	124,090	-
Total Expenditures	\$ 3,380,293	3,267,078	111,215	-

See independent auditors' report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
 Comparison of Actual Revenues and Expenditures to Budget
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Local Sales Tax	\$ -	-	-	3,036,143
Water Sales	-	-	-	2,589,529
Sewer Service Charges	-	-	-	2,188,468
Water Tap - Turn-Ons	-	-	-	61,647
Water Sales Conservation Rate	-	-	-	378,313
Sales and Other Charges	-	-	-	28,008
Penalty	-	-	-	30,869
Rent on R-9 Ranch	-	-	-	251,500
Interest on Investments	-	-	-	16,925
Interest on Sales Tax Reserves	-	-	-	65,042
Prior Year Encumbrances Cancelled	-	-	-	47,272
Total Revenues	\$ -	-	-	8,693,716
Expenditures				
Wastewater Treatment and Collection				
Personal Services				
Salaries	\$ -	-	-	458,051
Contractual Services				
Communications	-	-	-	2,192
Heat, Light and Power	-	-	-	192,289
Travel and Training	-	-	-	4,524
Other Contractual Services	-	-	-	170,874
Professional Services	-	-	-	20,715
Total Contractual Services	-	-	-	390,594
Commodities				
Office Supplies	-	-	-	304
General Supplies and Materials	-	-	-	21,589
Chemicals	-	-	-	53,803
Equipment Expense	-	-	-	62,372
Uniforms	-	-	-	3,373
Repairs to Buildings and Structures	-	-	-	2,193
Total Commodities	-	-	-	143,634
Total Wastewater Treatment and Collection	\$ -	-	-	992,279

See independent auditors' report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Water Production and Distribution				
Personal Services				
Salaries	\$ -	-	-	563,599
Contractual Services				
Communications	-	-	-	4,010
Publications	-	-	-	1,326
Heat, Light and Power	-	-	-	250,807
Professional Services	-	-	-	13,553
Travel and Training	-	-	-	2,552
Other Contractual Services	-	-	-	111,405
Total Contractual Services	-	-	-	383,653
Commodities				
Office Supplies	-	-	-	1,614
General Supplies and Materials	-	-	-	37,205
Chemicals	-	-	-	477,109
Repairs to Buildings and Structures	-	-	-	15,510
Equipment Expense	-	-	-	64,751
Uniforms	-	-	-	5,083
Total Commodities	-	-	-	601,272
Total Water Production and Distribution	-	-	-	1,548,524
Debt Service				
Principal Payment - 2009 Revenue Bond	-	-	-	290,000
Interest Payment - 2009 Revenue Bond	-	-	-	129,070
Total Debt Service	\$ -	-	-	419,070

See independent auditors' report.

CITY OF HAYS, KANSAS
Water and Sewer Utility Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016			2015 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Water Conservation				
Personal Services	\$ -	-	-	52,303
Contractual Services	-	-	-	1,087
Commodities	-	-	-	6,786
Capital Outlay	-	-	-	178,759
Total Water Conservation	-	-	-	238,935
Nonoperating Expenditures				
R-9 Ranch Expenditures	-	-	-	186,823
Water Taps, Hydrants, Meters	-	-	-	126,171
Contingency	-	-	-	15,678
Interest on Deposits	-	-	-	261
Clean Drinking Water Fee	-	-	-	17,125
Other Contractual Services	-	-	-	19,599
Transfer to Sales Tax Reserve Fund	-	-	-	2,342,468
Transfer to Capital Improvement Fund	-	-	-	973,636
Transfer to General Fund	-	-	-	963,787
Transfer to General Fund - Water Sales T	-	-	-	584,459
Transfer to Employee Benefits Fund	-	-	-	475,884
Transfer to New Equipment Reserve	-	-	-	52,184
Total Nonoperating Expenditures	-	-	-	5,758,075
Total Expenditures	\$ -	-	-	8,956,883

See independent auditors' report.

CITY OF HAYS, KANSAS
Solid Waste Fund

Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016		Variance Positive (Negative)	2015 Actual
	Original and Final Budget	Actual		
Revenues				
Refuse Collections	\$ 1,270,000	1,290,437	20,437	1,281,024
Interest on Investments	750	1,478	728	1,266
Yard Waste Tags	1,200	1,307	107	1,428
Recycling Revenue	30,000	37,293	7,293	27,579
Prior Year Encumbrances Cancelled	-	263	263	263
Total Revenues	\$ 1,301,950	1,330,778	28,828	1,311,560
Expenditures				
Personal Services				
Salaries	\$ 370,602	353,785	16,817	356,288
Transfer to Employee Benefits Fund	180,470	180,470	-	174,778
Total Personal Services	551,072	534,255	16,817	531,066
Contractual Services				
Communications	1,300	965	335	904
Publications	2,200	1,262	938	3,568
Utility - Water, Light and Power	7,110	5,487	1,623	5,414
Contingency	50,000	5,559	44,441	-
Other Contractual Services	398,692	374,312	24,380	371,876
Travel and Training	800	293	507	1,226
Transfer to Reserve Fund	109,900	209,900	(100,000)	114,860
Transfer to General Fund	228,600	228,600	-	250,000
Total Contractual Services	798,602	826,378	(27,776)	747,848
Commodities				
Office Supplies	550	107	443	69
General Supplies	23,240	13,557	9,683	23,226
Equipment Expense	10,900	5,568	5,332	10,379
Uniforms	4,400	4,763	(363)	3,379
Projects	-	-	-	4,569
Repairs to Buildings and Structures	3,600	3,298	302	3,632
Total Commodities	42,690	27,293	15,397	45,254
Total Expenditures	\$ 1,392,364	1,387,926	4,438	1,324,168

See independent auditors' report.

CITY OF HAYS, KANSAS
Stormwater Management Fund
 Comparison of Actual Revenues and Expenditures to Budget
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016		Variance Positive (Negative)	2015 Actual
	Original and Final Budget	Actual		
Revenues				
Stormwater Fee	\$ 772,640	785,725	13,085	779,814
Prior Year Encumbrances Cancelled	-	4,318	4,318	4,482
Transfer From General Fund	16,500	16,500	-	16,500
Total Revenues	\$ 789,140	806,543	17,403	800,796
Expenditures				
Personal Services				
Salaries	\$ 53,663	51,947	1,716	51,785
Transfer to Employee Benefits Fund	21,771	21,771	-	20,694
Total Personal Services	75,434	73,718	1,716	72,479
Contractual Services				
Communications	900	613	287	1,057
Other Contractual Services	10,000	17,481	(7,481)	10,000
Contingency	50,000	500	49,500	25,301
Professional Services	55,000	900	54,100	16,008
Travel and Training	2,500	210	2,290	955
Transfer to General Fund	65,674	65,674	-	65,195
Total Contractual Services	184,074	85,378	98,696	118,516
Commodities				
General Supplies	57,500	32,395	25,105	5,039
Uniforms	200	173	27	115
Sewer Line Project	250,000	250,000	-	250,000
Transfer to Capital Projects Fund	294,092	394,092	(100,000)	453,341
Transfer to New Equipment Reserve	-	-	-	1,790
Total Commodities	601,792	676,660	(74,868)	710,285
Total Expenditures	\$ 861,300	835,756	25,544	901,280

See independent auditors' report.

CITY OF HAYS, KANSAS
Water Production and Distribution Reserve Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>		
	2016	2015
Cash	\$ <u><u>925,300</u></u>	<u><u>-</u></u>
<u>FUND BALANCE</u>		
Fund Balance		
Assigned	\$ <u><u>925,300</u></u>	<u><u>-</u></u>

Water Production and Distribution Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016	2015
Revenues	\$ -	-
Expenditures		
Capital Outlay	<u>505,859</u>	-
Excess Revenues Over (Under) Expenditures	(505,859)	-
Other Financing Sources (Uses)		
Transfers In	<u>700,000</u>	-
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	194,141	-
Fund Balance - Beginning	<u>731,159</u>	-
Fund Balance - Ending	\$ <u><u>925,300</u></u>	<u><u>-</u></u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Water Reclamation and Reuse Reserve Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>		
	2016	2015
Cash	\$ <u><u>1,475,846</u></u>	<u><u>-</u></u>
<u>FUND BALANCE</u>		
Fund Balance		
Assigned - Reserved for Encumbrances	55,475	-
Assigned	<u>1,420,371</u>	<u>-</u>
Total Fund Balance	\$ <u><u>1,475,846</u></u>	<u><u>-</u></u>

Water Reclamation and Reuse Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016	2015
Revenues	\$ -	-
Expenditures		
Capital Outlay	<u>80,788</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	(80,788)	-
Other Financing Sources (Uses)		
Transfers In	<u>770,000</u>	<u>-</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	689,212	-
Fund Balance - Beginning	731,159	-
Increase (Decrease) in Reserve for Encumbrances	<u>55,475</u>	<u>-</u>
Fund Balance - Ending	\$ <u><u>1,475,846</u></u>	<u><u>-</u></u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Water Sales Tax Reserve Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ <u>30,772,696</u>	<u>-</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 9	-
Fund Balance		
Assigned	<u>30,772,687</u>	<u>-</u>
Total Liabilities and Fund Balance	\$ <u>30,772,696</u>	<u>-</u>

Water Sales Tax Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Revenues	\$ -	-
Expenditures		
Capital Outlay	<u>698,025</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	(698,025)	-
Other Financing Sources (Uses)		
Transfers In	<u>2,113,625</u>	<u>-</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	1,415,600	-
Fund Balance - Beginning	<u>29,357,087</u>	<u>-</u>
Fund Balance - Ending	\$ <u>30,772,687</u>	<u>-</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Solid Waste Reserve Fund
 Balance Sheets
 December 31, 2016 and 2015

<u>ASSETS</u>		
	2016	2015
Cash	\$ 733,781	-
<u>FUND BALANCE</u>		
Fund Balance		
Assigned - Reserved for Encumbrances	\$ 5,738	-
Assigned	728,043	-
Total Fund Balance	\$ 733,781	-

Solid Waste Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	2016	2015
Revenues	\$ -	-
Expenditures	5,738	-
Excess Revenues Over (Under) Expenditures	(5,738)	-
Other Financing Sources (Uses)		
Transfers In	209,900	-
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	204,162	-
Fund Balance - Beginning	523,881	-
Increase (Decrease) in Reserve for Encumbrances	5,738	-
Fund Balance - Ending	\$ 733,781	-

See independent auditors' report.

CITY OF HAYS, KANSAS
Stormwater Reserve Fund
 Balance Sheets
 December 31, 2016 and 2015

	<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash	\$	<u>781,836</u>	<u>-</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Fund Balance			
Assigned	\$	<u>781,836</u>	<u>-</u>

Stormwater Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2016
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

		<u>2016</u>	<u>2015</u>
Revenues	\$	-	-
Expenditures		<u>-</u>	<u>-</u>
Excess Revenues Over (Under)			
Expenditures		-	-
Fund Balance - Beginning		<u>781,836</u>	<u>-</u>
	\$	<u>781,836</u>	<u>-</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Qualified

Internal control over financial reporting

- Material weakness identified? _____ Yes X No
- Significant deficiency identified? _____ Yes X No
- Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

CITY OF HAYS, KANSAS
Schedule of Findings and Questioned Costs
December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

CITY OF HAYS, KANSAS
Summary Schedule of Prior Audit Findings
December 31, 2016

No material findings or questioned costs for the year ended December 31, 2015 are required to be disclosed under the Uniform Guidance.

CITY OF HAYS, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Environmental Protection Agency			
Passed Through the Kansas Department of Health and Environment			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C20 1799 01	\$ <u>2,327,801</u>
U.S. Department of Transportation			
Passed Through the Kansas Department of Transportation			
State and Community Highway Safety	20.600	SP130014	2,692
National Priority Safety Programs	20.616		10,087
Airport Improvement Program	20.106	AIP 3-20-0028-32	473,071
Airport Improvement Program	20.106	AIP 3-20-0028-33	<u>154,657</u>
Total U.S. Department of Transportation			<u>640,507</u>
U.S. Department of the Interior			
Sport Fish Restoration Program	15.605		<u>1,030</u>
Total Expenditures of Federal Awards			\$ <u>2,969,338</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HAYS, KANSAS
Notes to Schedule of Expenditures of Federal Awards
December 31, 2016

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – INDIRECT COST RATE

The City has elected not to use the 10% de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.

NOTE 3 – OTHER EXPENDITURES

The City did not receive any federal awards in the form of noncash assistance, insurance, loans, or loan guarantees and incurred no expenditures in relation thereof for the year ended December 31, 2016.

NOTE 4 – PASSENGER FACILITY CHARGES

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

Approved Application Project Number	Unliquidated PFC Beginning Balance	PFC Collected	PFC Expended	Unliquidated PFC Ending Balance
15-01-C-00-HYS	\$ 19,592	33,773	198,940	(145,575)