

CITY OF HAYS, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2017

CITY OF HAYS, KANSAS
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 For the Year Ended December 31, 2017

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>	45
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	47
Required Supplementary Information	
Schedule of Proportionate Share of Collective Net Pension Liability.....	49
Schedule of the City's Contributions	50
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	51

CITY OF HAYS, KANSAS
 Financial Statements With Independent Auditors' Report
 For the Year Ended December 31, 2017

TABLE OF CONTENTS (continued)

Special Revenue Funds	
9-2	Library Fund 55
9-3	Library Employee Benefits Fund 56
9-4	Special Highway Fund..... 57
9-5	Employee Benefits Fund 59
9-6	Public Safety Equipment Fund 61
9-7	Airport Fund..... 63
9-8	Park Development Fund..... 65
9-9	Convention and Visitor's Bureau Fund..... 66
9-10	New Equipment Reserve Fund 68
9-11	Special Alcohol Program Fund..... 69
9-12	Special Park and Recreation Fund..... 70
9-13	Parks Improvement Fund..... 72
9-14	Department of Justice Program Fund 73
9-15	City Commission Capital Reserve Fund..... 74
9-16	Sales Tax Dedicated to Ellis County, Kansas Fund..... 75
Debt Service Funds	
10-1	Bond and Interest Fund 76
10-2	2016-A Bond Redemption Fund..... 78
10-3	Economic Development Bond Fund..... 79
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, Solid Waste Fund and Stormwater Management Fund)..... 80
	Water Production and Distribution Reserve Fund..... 87
	Water Reclamation and Reuse Reserve Fund..... 88
	Water Sales Tax Reserve Fund..... 89
	Solid Waste Reserve Fund 90
	Stormwater Reserve Fund 91
	Schedule of Findings and Questioned Costs 92
	Summary Schedule of Prior Audit Findings 94
	Schedule of Expenditures of Federal Awards 95
	Notes to Schedule of Expenditures of Federal Awards..... 96



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Hays, Kansas 67601-4465

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commission

City of Hays, Kansas

Hays, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of and for the year ended December 31, 2017, 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, 2017, 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, 2017, 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, 2017, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with 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 Hays Public Library, as of and for the year ended December 31, 2017, and our report thereon, dated March 14, 2018, 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 12, 2018, 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 12, 2018

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, 2017. 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 2017, 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 -1.07%.

The change in net position for Primary Governmental Activities increased \$2,947,263 when compared to the previous year. This includes the decision to transfer \$1,600,000 to the Commission Capital Reserve to pay cash for future capital projects. This pay-as-you-go philosophy was adopted by the commission in an effort to maintain the mill levy at 25 mills, thus not burdening the citizens of Hays with a higher property tax bill. 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 2017, the $\frac{3}{4}$ % additional sales tax generated \$4,264,827, or the equivalent of 19.7 mills. The replacement of property tax revenue with sales tax revenue has spread the cost of funding general City operations across a broader tax base and helped to alleviate the tax burden for local property owners.

Residential and business water consumption were down a combined -.54% for 2017. Given the new rates, as discussed below, this translates into an increase in total water revenue of \$262,251 or 8.35%. 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 2017, the Water Production and Distribution Fund was able to set aside \$1,330,000 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 2017 finishing with revenues up \$376,415 or 13.8%. 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 \$1,625,000 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 2017. A transfer to reserves of \$150,000 in 2017 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 2019.

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 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 production, water reclamation, 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 cannot 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	2017 Total Primary Government	2016 Total Primary Government
Current and Other Assets	\$ 20,040,874	41,546,461	61,587,335	63,365,177
Capital Assets	106,654,388	21,065,430	127,719,818	119,183,504
Total Assets	126,695,262	62,611,891	189,307,153	182,548,681
Deferred Outflows of Resources	1,758,490	-	1,758,490	2,188,154
Long-Term Debt				
Outstanding	11,180,000	4,348,734	15,528,734	16,058,734
Other Liabilities	11,296,884	798,668	12,095,553	12,286,014
Total Liabilities	22,476,884	5,147,402	27,624,287	28,344,748
Deferred Inflows of Resources	6,257,238	-	6,257,238	5,956,001
Invested in Capital Assets Net of Related Debt	88,378,102	16,960,285	105,338,387	102,953,538
Restricted	5,528,439	-	5,528,439	5,593,370
Unrestricted	5,813,089	40,498,022	46,311,111	41,889,178
Total Net Position	\$ 99,719,630	57,458,307	157,177,937	150,436,086

TABLE 2
STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Totals	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-Type Activities	2017	2016
Primary Government								
Governmental Activities								
General Government	\$ 13,440,553	791,389	6,813	-	(12,642,351)	-	(12,642,351)	(15,926,271)
Highway and Street	2,238,647	-	-	-	(2,238,647)	-	(2,238,647)	(2,154,705)
Culture and Recreation	3,863,499	300,560	-	-	(3,562,939)	-	(3,562,939)	(3,319,858)
Airport	1,159,715	127,320	-	677,547	(354,848)	-	(354,848)	(447,741)
Interest on Long-Term Debt	450,060	-	-	-	(450,060)	-	(450,060)	(533,093)
Total Governmental Activities	21,152,474	1,219,269	6,813	677,547	(19,248,845)	-	(19,248,845)	(22,381,668)
Business-Type Activities								
Water Production and Distribution	1,848,837	3,401,109	-	-	-	1,552,272	1,552,272	888,150
Water Reclamation and Reuse	1,172,005	3,109,923	-	-	-	1,937,918	1,937,918	1,534,435
Solid Waste, Storm Water and Water Conservation	1,663,774	2,132,880	-	-	-	469,106	469,106	352,904
Enterprise Reserves	976,599	4,488	-	-	-	(972,111)	(972,111)	(1,229,196)
Total Business-Type Activities	5,661,215	8,648,400	-	-	-	2,987,185	2,987,185	1,546,293
Total Primary Government	\$ 26,813,689	9,867,669	6,813	677,547	(19,248,845)	2,987,185	(16,261,660)	(20,835,375)
Component Unit								
Hays Public Library	\$ 1,435,049	6,751	15,320	47,087	-	-	-	-
General Revenues								
Property Taxes					\$ 6,011,390	-	6,011,390	5,946,257
Sales Tax					9,097,161	2,911,623	12,008,784	12,026,934
Franchise Taxes					1,441,152	-	1,441,152	1,417,394
Motor Fuel Taxes					606,204	-	606,204	603,838
Alcoholic Liquor Taxes					377,796	-	377,796	382,281
Transient Guest Taxes					867,634	-	867,634	915,762
Special Assessments					520,324	-	520,324	535,584
Unrestricted Interest Income					107,813	282,629	390,442	175,510
Life Insurance Proceeds					10,044	-	10,044	-
Miscellaneous					26,940	212,280	239,220	461,586
Reimbursements					505,306	-	505,306	3,205,881
Gain on Sale of Assets					31,348	-	31,348	-
Capital Contributed					97,068	(97,068)	-	-
Transfers					2,495,928	(2,495,928)	-	-
Total General Revenues and Transfers					22,196,108	813,536	23,009,644	25,671,027
Change in Net Position					2,947,263	3,800,721	6,747,984	4,835,652
Net Position - Beginning of Year					96,772,367	53,663,719	150,436,086	145,600,434
Net Position - End of Year					\$ 99,719,630	57,464,440	157,184,070	150,436,086

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of 2017, the City had \$118,324,798 invested in capital assets net of depreciation.

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

		Governmental Activities	Business-Type Activities	2017 Total Primary Government	2016 Total Primary Government
Land and Infrastructure	\$	88,448,560	6,787,734	95,236,294	95,268,891
R-9 Ranch		-	3,104,109	3,104,109	2,883,726
Building and Equipment		11,109,542	8,874,853	19,984,395	18,598,187
Construction in Process		7,096,286	2,298,734	9,395,020	2,432,700
Total	\$	106,654,388	21,065,430	127,719,818	119,183,504

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 2017 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 2017. The City's estimated annual amount of expenditures was \$598,352 compared to the actual expenditures of \$529,126.

Debt

At the end of 2017, the City had the following debt:

TABLE 4
OUTSTANDING DEBT AT YEAR-END

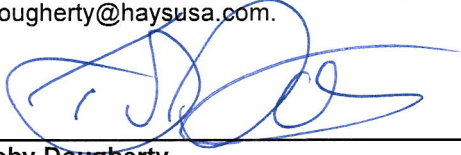
		Governmental Activities	Business-Type Activities	2017 Total Primary Government	2016 Total Primary Government
G.O. Bonds	\$	11,180,000	2,050,000	13,230,000	10,960,000
Revenue Bonds		-	-	-	2,800,000
KDHE Revolving Loan		-	2,298,734	2,298,734	2,298,734
Total	\$	11,180,000	4,348,734	15,528,734	16,058,734

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, 2017
(With Comparative Totals as of December 31, 2016)

ASSETS	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2017	2016	
Cash	\$ 11,301,050	40,848,725	52,149,775	53,778,222	2,599,303
Receivables, Net of Allowance for Uncollectibles	5,502,812	367,390	5,870,202	5,545,134	1,446,291
Due From Other Governments	40,001	-	40,001	60,641	-
Restricted Assets - Cash					
Budget Stabilization	3,197,011	-	3,197,011	3,221,181	-
Customer Deposits	-	330,346	330,346	277,851	-
Revenue Refunding Bonds - Series 2003 and 2009	-	-	-	482,148	-
Restricted Cash	-	-	-	-	11,326
Capital Assets, Net of Depreciation					
Land and Infrastructure	88,448,560	6,787,734	95,236,294	95,268,891	-
Depreciable Buildings and Equipment	11,109,542	8,874,853	19,984,395	18,598,187	2,936,600
R-9 Ranch	-	3,104,109	3,104,109	2,883,726	-
Construction in Process	7,096,286	2,298,734	9,395,020	2,432,700	-
Deferred Outflows of Resources					
Early Retirement on Debt Refunding, Net of Amortization	45,737	108,956	154,693	54,313	-
Deferred Outflows - Pension	1,712,753	-	1,712,753	2,133,841	116,544
Total Assets	\$ 128,453,752	62,720,847	191,174,599	184,736,835	7,110,064

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2017
(With Comparative Totals as of December 31, 2016)

<u>LIABILITIES</u>	<u>Primary Government</u>				<u>Hays Public Library</u>
	<u>Governmental</u>	<u>Business-Type</u>	<u>Totals</u>		
	<u>Activities</u>	<u>Activities</u>	<u>2017</u>	<u>2016</u>	
Accounts Payable	\$ 376,145	279,208	655,353	495,667	84,864
Accrued Payroll	314,741	61,139	375,880	333,853	29,137
Accrued Paid Time Off	482,605	100,432	583,037	593,336	36,419
Accrued Sick Leave Payout	27,768	-	27,768	26,700	-
Accrued Interest Payable	315,061	21,411	336,472	262,434	-
Customer Deposits	-	330,346	330,346	277,851	-
Accrued Interest - Revenue Bonds	-	-	-	37,266	-
Net Pension Liability	9,609,153	-	9,609,153	10,164,819	446,427
Bond Premium, Net of Amortization	171,411	115,137	286,548	94,088	-
Revenue Refunding Bonds - Series 2009					
Due Within One Year	-	-	-	305,000	-
Due in More Than One Year	-	-	-	2,495,000	-
KDHE Water Pollution Revolving Loan	-	2,298,734	2,298,734	2,298,734	-
General Obligation Bonds Payable					
Due Within One Year	1,260,000	265,000	1,525,000	1,270,000	-
Due in More Than One Year	9,920,000	1,785,000	11,705,000	9,690,000	-
Total Liabilities	22,476,884	5,256,407	27,733,291	28,344,748	596,847
Deferred Inflows of Resources					
Deferred Other Pension	873,193	-	873,193	763,139	79,049
Deferred Property Tax Receivable	5,384,045	-	5,384,045	5,192,862	1,446,291
Total Deferred Inflows of Resources	6,257,238	-	6,257,238	5,956,001	1,525,340
Total Liabilities and Deferred Inflows of Resources	\$ 28,734,122	5,256,407	33,990,529	34,300,749	2,122,187

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2017
(With Comparative Totals as of December 31, 2016)

NET POSITION	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2017	2016	
Net Investment in Capital Assets	\$ 88,378,102	16,960,285	105,338,387	102,953,538	2,936,600
Restricted for					
Budget Stabilization	3,197,011	-	3,197,011	3,221,181	-
Capital Projects	2,116,890	-	2,116,890	2,116,877	-
Debt Service	214,538	-	214,538	255,312	-
Other	-	-	-	-	11,326
Unrestricted	<u>5,813,089</u>	<u>40,504,155</u>	<u>46,317,244</u>	<u>41,889,178</u>	<u>2,039,951</u>
Total Net Position	<u>\$ 99,719,630</u>	<u>57,464,440</u>	<u>157,184,070</u>	<u>150,436,086</u>	<u>4,987,877</u>

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, 2017
 (With Comparative Totals as of December 31, 2016)

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		2017	2016	
					Governmental Activities	Business-Type Activities			
Primary Government									
Governmental Activities									
General Government	\$ 13,440,553	791,389	6,813	-	(12,642,351)	-	(12,642,351)	(15,926,271)	-
Highway and Street	2,238,647	-	-	-	(2,238,647)	-	(2,238,647)	(2,154,705)	-
Culture and Recreation	3,863,499	300,560	-	-	(3,562,939)	-	(3,562,939)	(3,319,858)	-
Airport	1,159,715	127,320	-	677,547	(354,848)	-	(354,848)	(447,741)	-
Interest on Long-Term Debt	450,060	-	-	-	(450,060)	-	(450,060)	(533,093)	-
Total Governmental Activities	21,152,474	1,219,269	6,813	677,547	(19,248,845)	-	(19,248,845)	(22,381,668)	-
Business-Type Activities									
Water Production and Distribution	1,848,837	3,401,109	-	-	-	1,552,272	1,552,272	888,150	-
Water Reclamation and Reuse	1,172,005	3,109,923	-	-	-	1,937,918	1,937,918	1,534,435	-
Solid Waste, Storm Water and Water Conservation	1,663,774	2,132,880	-	-	-	469,106	469,106	352,904	-
Enterprise Reserves	976,599	4,488	-	-	-	(972,111)	(972,111)	(1,229,196)	-
Total Business-Type Activities	5,661,215	8,648,400	-	-	-	2,987,185	2,987,185	1,546,293	-
Total Primary Government	\$ 26,813,689	9,867,669	6,813	677,547	(19,248,845)	2,987,185	(16,261,660)	(20,835,375)	-
Component Unit									
Hays Public Library	\$ 1,435,049	6,751	15,320	47,087	-	-	-	-	(1,365,891)
General Revenues									
Property Taxes					\$ 6,011,390	-	6,011,390	5,946,257	1,584,263
Sales Tax					9,097,161	2,911,623	12,008,784	12,026,934	-
Franchise Taxes					1,441,152	-	1,441,152	1,417,394	-
Motor Fuel Taxes					606,204	-	606,204	603,838	-
Alcoholic Liquor Taxes					377,796	-	377,796	382,281	-
Transient Guest Taxes					867,634	-	867,634	915,762	-
Special Assessments					520,324	-	520,324	535,584	-
Unrestricted Interest Income					107,813	282,629	390,442	175,510	4,951
Life Insurance Proceeds					10,044	-	10,044	-	-
Miscellaneous					26,940	212,280	239,220	461,586	22,505
Reimbursements					505,306	-	505,306	3,205,881	17,194
Gain on Sale of Assets					31,348	-	31,348	-	-
Capital Contributed					97,068	(97,068)	-	-	-
Transfers					2,495,928	(2,495,928)	-	-	-
Total General Revenues and Transfers					22,196,108	813,536	23,009,644	25,671,027	1,628,913
Change in Net Position					2,947,263	3,800,721	6,747,984	4,835,652	263,022
Net Position - Beginning of Year					96,772,367	53,663,719	150,436,086	145,600,434	4,724,855
Net Position - End of Year					\$ 99,719,630	57,464,440	157,184,070	150,436,086	4,987,877

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

CITY OF HAYS, KANSAS

Balance Sheet
Governmental Funds
December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	General Fund	Employee Benefits Fund	Bond and Interest Fund	Airport Improvement Fund	Other Governmental Funds	Totals	
						2017	2016
ASSETS							
Cash	\$ 2,271,694	1,033,099	214,538	459,192	7,322,527	11,301,050	17,022,116
Receivables, Net							
Other Receivable	24,899	-	-	-	21,265	46,164	-
Grants Receivable	-	-	-	72,603	-	72,603	108,774
Due From Other Governments	40,001	-	-	-	-	40,001	73,671
Taxes	-	2,602,548	689,115	-	2,092,382	5,384,045	5,144,378
Reserved Cash	3,197,011	-	-	-	-	3,197,011	3,221,181
Total Assets	\$ 5,533,605	3,635,647	903,653	531,795	9,436,174	20,040,874	25,570,120
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 132,909	-	-	-	243,236	376,145	283,580
Accrued Payroll	300,545	-	-	-	14,196	314,741	254,041
Accrued Paid Time Off	465,735	-	-	-	16,870	482,605	470,663
Accrued Sick Leave Payout	27,768	-	-	-	-	27,768	31,764
Total Liabilities	926,957	-	-	-	274,302	1,201,259	1,040,048
Deferred Inflows of Resources							
Deferred Property Tax Receivable	-	2,602,548	689,115	-	2,092,382	5,384,045	5,144,378
Total Liabilities and Deferred Inflows of Resources	926,957	2,602,548	689,115	-	2,366,684	6,585,304	6,184,426
Fund Balance							
Committed - Budget Stabilization	3,197,011	-	-	-	-	3,197,011	3,221,181
Assigned - Reserved for Encumbrances	95,595	-	-	1,745,741	23,939,221	25,780,557	4,233,858
Assigned - Designated for Subsequent Year Expenditures	1,314,042	771,271	113,528	-	1,549,119	3,747,960	4,778,203
Assigned	-	261,828	101,010	(1,213,946)	(18,418,850)	(19,269,958)	6,366,755
Unassigned	-	-	-	-	-	-	785,697
Total Fund Balance	4,606,648	1,033,099	214,538	531,795	7,069,490	13,455,570	19,385,694
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 5,533,605	3,635,647	903,653	531,795	9,436,174	20,040,874	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, 2017

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.	\$ 13,455,570
Capital assets and construction in process, net of depreciation, have not been included as financial resources in governmental fund activity on the balance sheet.	106,654,388
Long-term debt has not been included in the governmental funds activity on the balance sheet.	
General Obligation Bonds	(11,180,000)
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.	45,737
Premium on bonds payable is not due and payable in the current period and therefore, not reported as a liability in the funds.	(171,411)
Net pension liability has not been included in the governmental fund activity on the balance sheet.	(9,609,153)
Deferred pension contributions and other resulting from the pension liability are recognized as deferred outflows and inflows on the balance sheet.	839,560
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>(315,061)</u>
Net position of governmental activities as reported. (Statement 1)	\$ <u><u>99,719,630</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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	General Fund	Employee Benefits Fund	Bond and Interest Fund	Airport Improvement Fund	Other Governmental Funds	Totals	
						2017	2016
Revenues							
Taxes	\$ 7,153,684	2,984,198	1,282,608	-	4,208,383	15,628,873	15,574,195
Intergovernmental	132,745	-	-	677,547	1,725,702	2,535,994	2,539,644
Licenses and Fees	1,569,935	-	-	-	-	1,569,935	1,528,363
Fines and Forfeitures	650,451	-	-	-	-	650,451	639,817
Use of Money and Property	109,013	-	-	-	-	109,013	68,151
Collections	290,449	-	-	-	148,386	438,835	426,539
Prior Year Encumbrances Cancelled	18,583	-	-	-	8,357	26,940	63,007
Life Insurance Proceeds	-	-	-	-	10,044	10,044	-
Reimbursements	4,910	-	-	54,622	-	59,532	58,889
Miscellaneous	253,784	46,181	-	-	278,364	578,329	3,146,992
Total Revenues	10,183,554	3,030,379	1,282,608	732,169	6,379,236	21,607,946	24,045,597
Expenditures							
General Government	7,602,904	3,601,030	-	-	2,455,053	13,658,987	14,817,508
Highway and Street	1,038,299	-	-	-	1,164,516	2,202,815	2,118,873
Culture and Recreation	1,474,676	-	-	-	1,773,969	3,248,645	3,015,395
Airport	-	-	-	689,449	304,634	994,083	1,014,142
Debt Service	-	-	1,323,382	-	216,915	1,540,297	6,186,707
Capital Outlay	-	-	-	-	9,326,705	9,326,705	4,367,805
Total Expenditures	10,115,879	3,601,030	1,323,382	689,449	15,241,792	30,971,532	31,520,430
Excess (Deficiency) of Revenues Over Expenditures	67,675	(570,651)	(40,774)	42,720	(8,862,556)	(9,363,586)	(7,474,833)
Other Financing Sources (Uses)							
Proceeds From Refunding Bonds	-	-	-	-	-	-	5,850,000
Proceeds From Issuance of GO Bonds	-	-	-	-	1,588,763	1,588,763	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	(1,197,172)
Transfers In	2,026,887	730,003	-	140,000	4,617,129	7,514,019	8,015,490
Transfers Out	(2,383,643)	-	-	-	(2,634,448)	(5,018,091)	(5,038,707)
Total Other Financing Sources (Uses)	(356,756)	730,003	-	140,000	3,571,444	4,084,691	7,629,611
Net Change in Fund Balance	(289,081)	159,352	(40,774)	182,720	(5,291,112)	(5,278,895)	154,778
Fund Balance - Beginning of Year	4,919,899	873,747	255,312	349,075	12,360,602	18,758,635	18,603,857
Decrease in Budget Stabilization	(24,170)	-	-	-	-	(24,170)	-
Fund Balance - End of Year	\$ 4,606,648	1,033,099	214,538	531,795	7,069,490	13,455,570	18,758,635

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, 2017

Net change in fund balance - total governmental funds (Statement 4)	\$ (5,278,895)
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because of the following:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and construction in process (\$10,127,619) exceeded depreciation (\$1,442,083) in the current period.</p>	8,588,467
<p>In the Statement of Activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only cash proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.</p>	(101,205)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. There were bond proceeds during the year of \$1,490,000 and bond repayments of (\$1,270,000), which are recorded in the governmental funds.</p>	(220,000)
<p>An expense is recorded when restricted cash is used for budget stabilization. In the governmental funds, a change in committed fund balance is recorded when the expenses are paid.</p>	(24,170)
<p>In the Statement of Activities, transfers of capital assets from governmental activities to and from business-type activities are reported as transfers, where as in governmental funds, there is no event to report as there was no outward flow of current financial resources.</p>	97,068
<p>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.</p>	(77,323)
<p>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.</p>	(8,576)
<p>An expense is recorded for pension liability when incurred. In the governmental funds, an expense is recorded when the benefits are paid.</p>	24,524
<p>Accrued interest payable increased from the prior year. This balance is not accounted for in the governmental funds. However, the changes are reflected in the statement of activities.</p>	<u>(52,627)</u>
Change in net position of governmental activities (Statement 2).	<u>\$ 2,947,263</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, 2017
(With Comparative Totals as of December 31, 2016)

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	2017	2016
	Fund	Fund	Funds	Enterprise Funds		
Current Assets						
Cash						
Operating Account	\$ 550,118	619,494	630,127	39,048,986	40,848,725	37,279,618
Accounts Receivable, Net of Allowance for Uncollectibles	122,647	128,485	116,258	-	367,390	338,920
Total Current Assets	672,765	747,979	746,385	39,048,986	41,216,115	37,618,538
Noncurrent Assets						
Restricted Cash						
Customer Deposits	330,346	-	-	-	330,346	277,851
Revenue Refunding Bonds - Series 2003						
Principal and Interest Account	-	-	-	-	-	65,352
Bond Reserve Account	-	-	-	-	-	416,796
Total Restricted Cash	330,346	-	-	-	330,346	759,999
Capital Assets						
Land and Right-of-Ways	446,274	-	-	-	446,274	139,109
Infrastructure	16,769,359	1,741,373	68,723	-	18,579,455	18,487,053
Equipment	10,890,504	1,095,008	1,843,179	-	13,828,691	13,584,492
R-9 Ranch	4,262,040	-	-	-	4,262,040	4,262,040
Building and Structures	1,790,520	10,024,506	294,594	-	12,109,620	12,077,503
Construction in Process	-	2,298,734	-	-	2,298,734	2,298,734
	34,158,697	15,159,621	2,206,496	-	51,524,814	50,848,931
Accumulated Depreciation	(21,899,362)	(6,852,725)	(1,707,297)	-	(30,459,384)	(29,735,485)
Net Capital Assets	12,259,335	8,306,896	499,199	-	21,065,430	21,113,446
Other Assets						
Early Retirement on Debt Refunding, Net of Amortization	76,269	32,687	-	-	108,956	-
Total Noncurrent Assets	12,665,950	8,339,583	499,199	-	21,504,732	21,873,445
Total Assets	\$ 13,338,715	9,087,562	1,245,584	39,048,986	62,720,847	59,491,983

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, 2017
(With Comparative Totals as of December 31, 2016)

	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	2017	2016
	LIABILITIES					
Current Liabilities						
Accounts Payable	\$ 32,406	64,103	56,598	111,963	265,070	241,514
Sales Tax	6,000	-	-	-	6,000	5,818
State Water Fee	8,138	-	-	-	8,138	8,182
Accrued Payroll	27,359	14,935	18,845	-	61,139	56,064
Accrued Paid Time Off	36,691	31,759	31,982	-	100,432	102,835
Total Current Liabilities	110,594	110,797	107,425	111,963	440,779	414,413
Current Liabilities Payable From Restricted Assets						
Revenue Refunding Bonds - Series 2009	-	-	-	-	-	305,000
GO Refunding Bond - Series 2017-B	185,500	79,500	-	-	265,000	-
Customer Deposits	325,846	-	-	-	325,846	273,351
Monitoring Well Deposits	4,500	-	-	-	4,500	4,500
Accrued Interest - Revenue Bonds	14,988	6,423	-	-	21,411	37,266
Total Current Liabilities Payable From Restricted Assets	530,834	85,923	-	-	616,757	620,117
Noncurrent Liabilities						
Sales Tax Refunding Bonds - Series 2009	-	-	-	-	-	2,495,000
GO Refunding Bond - Series 2017-B	1,249,500	535,500	-	-	1,785,000	-
KDHE Water Pollution Revolving Loan	-	2,298,734	-	-	2,298,734	2,298,734
Bond Premium, Net of Amortization	80,596	34,541	-	-	115,137	-
Total Noncurrent Liabilities	1,330,096	2,868,775	-	-	4,198,871	4,793,734
Total Liabilities	1,971,524	3,065,495	107,425	111,963	5,256,407	5,828,264
NET POSITION						
Net Position						
Invested in Capital Assets, Net of Related Debt	10,994,847	5,466,239	499,199	-	16,960,285	15,977,446
Restricted for						
Encumbrances	11,246	98,733	8,666	330,375	449,020	210,755
Unrestricted	361,098	457,095	630,294	38,606,648	40,055,135	37,475,518
Total Net Position	\$ 11,367,191	6,022,067	1,138,159	38,937,023	57,464,440	53,663,719
Net Position of Business-Type Activities (Statement 1)				\$ 38,937,023	57,464,440	53,663,719

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, 2017
(With Comparative Totals as of December 31, 2016)

	Water	Water	Solid Waste	Other Non-Major	Totals	
	Production and Distribution Fund	Reclamation and Reuse Fund	Stormwater Management and Water Conservation Funds	Enterprise Funds	2017	2016
Operating Revenues						
Charges for Sales and Services						
Water Sales	\$ 2,970,540	-	-	-	2,970,540	2,702,411
Water Sales Conservation Rate	356,116	-	-	-	356,116	307,326
Total Water Sales	3,326,656	-	-	-	3,326,656	3,009,737
Sewer Charges	-	3,087,056	-	-	3,087,056	2,710,920
Refuse Collections	-	-	1,293,824	-	1,293,824	1,291,744
Stormwater Fees	-	-	790,219	-	790,219	785,725
Tap Fees	39,046	-	-	-	39,046	72,760
Sales and Other Charges	35,407	22,867	48,837	-	107,111	103,287
Reimbursed Expense	-	-	-	4,488	4,488	13,450
Total Operating Revenues	3,401,109	3,109,923	2,132,880	4,488	8,648,400	7,987,623
Operating Expenses						
Wastewater Treatment and Collection	-	916,464	-	-	916,464	937,785
Water Production and Distribution	1,408,748	-	-	-	1,408,748	1,748,890
Refuse Collection	-	-	771,268	-	771,268	796,431
Stormwater Management	-	-	330,608	-	330,608	354,983
Projects	-	-	-	976,599	976,599	1,229,196
Amortization	12,711	5,448	-	-	18,159	-
Depreciation	371,089	222,672	112,392	-	706,153	782,850
Total Operating Expenses	1,792,548	1,144,584	1,214,268	976,599	5,127,999	5,850,135
Net Operating Income (Loss)	1,608,561	1,965,339	918,612	(972,111)	3,520,401	2,137,488
Nonoperating Revenues (Expenses)						
Local Sales Tax	-	-	2,911,624	-	2,911,624	2,934,577
Interest Income	16,719	21,409	244,501	-	282,629	108,559
Rent on R-9 Ranch	-	-	126,085	-	126,085	247,859
Prior Year Encumbrances Cancelled	640	1,774	83,780	-	86,194	150,719
Interest Expense	(22,311)	(18,642)	-	-	(40,953)	(121,566)
Cost of Issuance - GO Bond	(33,978)	(4,804)	-	-	(38,782)	-
KDHE Loan Service Fee	-	(3,975)	-	-	(3,975)	-
R-9 Ranch Expenses	-	-	(152,481)	-	(152,481)	(276,718)
Water Exploration	-	-	(297,025)	-	(297,025)	(192,911)
Net Nonoperating Revenues (Expenses)	(38,930)	(4,238)	2,916,484	-	2,873,316	2,850,519
Income Before Transfers	1,569,631	1,961,101	3,835,096	(972,111)	6,393,717	4,988,007
Capital Contributed - Non Cash	330,844	55,475	101,734	(585,121)	(97,068)	-
Transfers In	-	-	16,500	5,834,979	5,851,479	3,810,025
Transfers Out	(2,143,637)	(2,290,076)	(3,883,520)	(30,174)	(8,347,407)	(6,786,808)
Change in Net Position	(243,162)	(273,500)	69,810	4,247,573	\$ 3,800,721	2,011,224
Net Position - Beginning of Year	11,610,353	6,295,567	1,068,349	34,689,450		
Net Position - End of Year	\$ 11,367,191	6,022,067	1,138,159	38,937,023		
Change in Net Position of Business-Type Activities (Statement 2)					\$ 3,800,721	2,011,224

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, 2017
(With Comparative Totals as of December 31, 2016)

	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	2017	2016
	Fund	Fund	Funds	Enterprise Funds		
Cash Flows From Operating Activities						
Receipts From Customers	\$ 3,441,249	3,094,534	2,215,930	4,488	8,756,201	8,147,698
Payments to Suppliers	(843,237)	(583,730)	(675,661)	(864,645)	(2,967,273)	(3,320,486)
Payments to Employees	(567,392)	(399,924)	(440,317)	-	(1,407,633)	(1,488,068)
Net Cash Provided (Used) by Operating Activities	2,030,620	2,110,880	1,099,952	(860,157)	4,381,295	3,339,144
Cash Flows From Investing Activities						
Rental Income	-	-	126,085	-	126,085	247,859
Rental Expenses	-	-	(152,481)	-	(152,481)	(276,718)
Interest on Investments	16,719	21,409	244,501	-	282,629	108,559
Net Cash Provided by Investing Activities	16,719	21,409	218,105	-	256,233	79,700
Cash Flows From Noncapital Financing Activities						
Transfers to Other Funds	(2,143,637)	(2,290,076)	(3,867,020)	5,804,805	(2,495,928)	(2,976,783)
Cash Flows From Capital and Related Financing Activities						
Purchase and Construction of Capital Assets	(132,122)	(51,875)	(3,832)	(585,121)	(772,950)	(2,504,783)
Water Exploration	-	-	(297,025)	-	(297,025)	(192,911)
Interest Paid	(33,409)	(23,399)	-	-	(56,808)	(124,665)
GO Bond Refunding	(555,372)	(227,641)	-	-	(783,013)	-
KDHE Loan Proceeds	-	-	-	-	-	2,298,734
KDHE Service Fee	-	(3,975)	-	-	(3,975)	-
Principal Payments - Bonds	-	-	-	-	-	(300,000)
Local Sales Tax	-	-	2,911,624	-	2,911,624	2,934,577
Net Cash Provided (Used) for Capital and Related Financing Activities	(720,903)	(306,890)	2,610,767	(585,121)	997,853	2,110,952
Net Increase (Decrease) in Cash	(817,201)	(464,677)	61,804	4,359,527	3,139,453	2,553,013
Cash - Beginning of Year	1,697,665	1,084,170	568,323	34,689,459	38,039,617	35,486,604
Cash - End of the Year	\$ 880,464	619,493	630,127	39,048,986	41,179,070	38,039,617
Cash Per Statement 5						
Operating Account				\$	40,848,725	37,279,618
Restricted Cash					330,346	759,999
Total Cash Per Statement 5				\$	41,179,071	38,039,617

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, 2017
(With Comparative Totals as of December 31, 2016)

	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	2017	2016
	Fund	Fund	Funds	Enterprise Funds		
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Net Operating Income (Loss)	\$ 1,608,561	1,965,339	918,612	(972,111)	3,520,401	2,137,488
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation and Amortization	383,800	228,120	112,392	-	724,312	782,850
(Increase) Decrease in Accounts Receivable	(12,354)	(15,388)	(728)	-	(28,470)	7,560
Increase in Due From Other Funds	-	-	-	-	-	102,054
Increase (Decrease) in Accounts Payable	(6,727)	(62,104)	66,627	111,954	109,750	251,744
Increase in Accrued Liabilities	57,340	(5,086)	3,049	-	55,303	57,448
Net Cash Provided (Used) by Operating Activities	\$ 2,030,620	2,110,881	1,099,952	(860,157)	4,381,296	3,339,144

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, 2017
(With Comparative Totals as of December 31, 2016)

	<u>Police</u>	<u>TDD Sales</u>	<u>CID</u>	<u>CID - The Mall</u>	<u>Economic</u>	<u>Totals</u>	
	<u>Judge</u>	<u>Tax District</u>			<u>Development</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>							
Cash	\$ 91,228	22,669	20,521	19,605	5,000	159,023	169,848
<u>LIABILITIES AND NET POSITION</u>							
Liabilities							
Other Payables	6,563	22,669	-	-	5,000	34,232	20,737
Due to Other Funds	40,001	-	-	-	-	40,001	-
Total Liabilities	46,564	22,669	-	-	5,000	74,233	20,737
Net Position							
Reserved for Debt	44,664	-	-	-	-	44,664	109,984
Reserved for Improvements	-	-	20,521	19,605	-	40,126	39,127
Total Net Position	\$ 44,664	-	20,521	19,605	-	84,790	149,111

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

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, 2017

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, 2017

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, 2017

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, 2017.

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	Expenses and		Less Beginning		Plus Ending		Expenditures and Transfers out Per Budget Basis
	Transfers Out	Less	Reserve for	Plus	Reserve for		
	Per Fund Statement	Beginning Encumbrances	Budget Stabilization	Ending Encumbrances	Budget Stabilization		
General Fund	\$ 12,499,522	71,082	3,221,181	95,595	3,197,011	12,499,865	
Bond and Interest Fund	1,323,382	-	-	-	-	1,323,382	
Employee Benefits Fund	3,601,030	-	-	-	-	3,601,030	

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	Expenses and				Less	Plus	Expenditures and Transfers out Per Budget Basis
	Transfers Out	Capital Asset	Depreciation	Debt	Beginning	Ending	
	Per Fund Statement	Adjustments	Expense	Adjustments	Encumbrances	Encumbrances	
Water Production and Distribution Fund	\$ 3,992,474	132,122	(383,800)	1,724,981	(1,960)	11,246	5,475,063
Water Reclamation and Reuse Fund	3,462,081	19,758	(228,120)	768,454	(27,192)	98,733	4,093,714

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

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 acquisition 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 2022. 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, 2017

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 2017, 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 2017 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2017. It also shows the amounts actually expensed for each of the past four reporting periods.

	2013	2014	2015	2016	2017	Totals
Estimated	\$ 1,085,329	598,352	708,082	1,172,237	1,255,293	4,819,293
Actual	916,729	529,126	578,463	1,057,792	1,164,516	4,246,626

Capital asset activity for the year ended December 31, 2017 was as follows:

Primary Government

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental				
Non-Depreciable Capital Assets				
Land and Rights of Ways	\$ 25,161,107	200,747	-	25,361,854
Infrastructure (Modified Approach)	61,515,593	1,571,113	-	63,086,706
Construction in Process	133,966	6,962,320	-	7,096,286
Total Non-Depreciable Capital Assets	86,810,666	8,734,180	-	95,544,846
Depreciable Capital Assets				
Buildings	13,113,925	181,384	-	13,295,309
Machinery and Equipment	15,833,997	1,212,055	(391,169)	16,654,883
Total Depreciable Capital Assets	28,947,922	1,393,439	(391,169)	29,950,192
Accumulated Depreciation	(17,688,529)	(1,442,083)	289,962	(18,840,650)
Depreciable Capital Assets, Net of Accumulated Depreciation	11,259,393	(48,644)	(101,207)	11,109,542
Governmental Activities, Capital Assets Net of Accumulated Depreciation	\$ 98,070,059	8,685,536	(101,207)	106,654,388

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

Primary Government	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities				
Non-Depreciable Capital Assets				
Land	\$ 139,109	307,165	-	446,274
Construction in Process	2,298,734	-	-	2,298,734
Total Non-Depreciable Capital Assets	2,437,843	307,165	-	2,745,008
Depreciable Capital Assets				
R-9 Ranch	4,262,040	-	-	4,262,040
Infrastructure	18,487,053	92,401	-	18,579,454
Buildings Machinery and Equipment	12,077,504	32,117	-	12,109,621
Machinery and Equipment	13,584,491	244,200	-	13,828,691
Total Depreciable Capital Assets	48,411,088	368,718	-	48,779,806
Accumulated Depreciation	(29,735,485)	(723,899)	-	(30,459,384)
Depreciable Capital Assets, Net of Accumulated Depreciation	18,675,603	(355,181)	-	18,320,422
Business-Type Activities, Capital Assets Net of Accumulated Depreciation	\$ 21,113,446	(48,016)	-	21,065,430

Statement of Cash Flows

For purposes of the 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 rating of the City's investments is noted below.

As of December 31, 2017, the City had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in years) Less than One	Rating
U.S. Treasury Notes	\$ 4,474,838	4,507,000	AAA

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

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. The City's allocation of investments as of December 31, 2017, is as follows:

Investments	Percentage of Investments
U.S. Treasury Notes	100%

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 2017. All deposits were legally secured at December 31, 2017.

At December 31, 2017, the City's carrying amount of deposits, including certificates of deposit, was \$51,361,318. The bank balance was \$52,130,358. Of the bank balance, \$1,010,264 was covered by FDIC insurance and \$51,120,094 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.

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, 2017 has been estimated at \$583,037.

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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

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

Receivables and Payables

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

The City records utility revenues on a monthly basis. The balance shown as accounts receivable at December 31, 2017 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".

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

In the governmental fund financial statements, fund balance is comprised of 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.
- **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 an 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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

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 variable interest rates 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 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 were 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.

On August 15, 2017, the City issued Series 2017–B general obligation advance refunding bonds of \$2,050,000 (par value) with an interest rate of 3%. The bond proceeds, plus \$780,898 in City debt service funds, were used to advance refund \$2,800,000 of Series 2009-A water and sewage system revenue bonds. The Series 2017-B bonds were issued at a premium of \$134,327, and after paying issuance costs of \$38,110, the net proceeds were \$2,146,217. 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 \$2,800,000 will be called on September 1, 2018. The Series 2017-B bonds mature on September 1, 2024, 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 \$205,167 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$172,253.

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Type Activities	1.10 – 5.375%	\$11,180,000
Business Type Activities	3.00%	\$2,050,000

The annual requirements to retire G.O. Bonds as of December 31, 2017 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2018	\$ 1,525,000	379,294	1,904,294
2019	1,570,000	336,973	1,906,973
2020	1,610,000	296,516	1,906,516
2021	1,670,000	254,258	1,924,258

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

2022	1,570,000	209,808	1,779,808
2023-2027	4,460,000	458,401	4,918,401
2028-2030	<u>825,000</u>	<u>77,258</u>	902,258
Total	\$ <u>13,230,000</u>	<u>2,012,508</u>	<u>15,242,508</u>

Revolving Loan

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-Type Activities	2.27%	\$2,298,734

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2017 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2018	\$ 601,937	305,626	907,563
2019	1,224,447	592,944	1,817,391
2020	<u>472,350</u>	<u>287,180</u>	759,530
Total	\$ <u>2,298,734</u>	<u>1,185,750</u>	<u>3,484,484</u>

Transportation Development District Sales Tax Revenue Bonds

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

Long-term debt activity for the year ended December 31, 2017 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	\$ 10,960,000	1,490,000	(1,270,000)	11,180,000	1,260,000
Business-Type Activities					
Revenue Bonds	2,800,000	-	(2,800,000)	-	-
G.O. Bond	-	2,050,000	-	2,050,000	265,000
KDHE Revolving Loan	<u>2,298,734</u>	-	-	<u>2,298,734</u>	-
Total Long-Term Liabilities	\$ <u>16,058,734</u>	<u>3,540,000</u>	<u>(4,070,000)</u>	<u>15,528,734</u>	<u>1,525,000</u>

NOTE 4 - 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 5 - 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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

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 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, 2017 were as follows: (See following page.)

From Fund	To Fund	Statutory Authority	Amount
Water Production and Distribution	General	12-825d	\$ 546,354
Solid Waste	General	12-825d	245,367
Convention and Visitor's Bureau	General	Commission Approved	68,671
Special Alcohol Program	General	79-41a04	38,342
Water Reclamation and Reuse	General	12-825d	468,390
Stormwater Management	General	12-825d	65,674
Sports Complex	General	79-2925	143,313
Water Conservation	General	12-825d	450,776
Water Reclamation and Reuse	Employee Benefits	12-825d	169,216
Solid Waste	Employee Benefits	12-825d	164,078
Water Production and Distribution	Employee Benefits	12-825d	244,577
Water Conservation	Employee Benefits	12-825d	19,510
Convention and Visitor's Bureau	Employee Benefits	Commission Approved	74,837
Special Alcohol Program	Employee Benefits	79-41a04	20,421
Stormwater Management	Employee Benefits	12-825d	19,306
Sports Complex	Employee Benefits	Commission Approved	18,058
General	New Equipment Reserve	12-1,117	267,143
Airport	New Equipment Reserve	12-1,117	6,850
Convention and Visitor's Bureau	New Equipment Reserve	12-1,117	2,900
Water Production and Distribution	New Equipment Reserve	12-1,117	22,706
Water Conservation	New Equipment Reserve	12-1,117	2,802
Water Reclamation and Reuse	New Equipment Reserve	12-1,117	27,470
Public Safety Equipment	New Equipment Reserve	12-1,117	350,000
Stormwater Management	New Equipment Reserve	12-1,117	36,028
Solid Waste	Solid Waste Reserve	12-825d	150,000
Water Conservation	Water Sales Tax Reserve	12-825d	2,429,979
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	1,625,000
Water Production and Distribution	Water Production and Distribution Reserve	12-825d	1,330,000
Water Production and Distribution Reserve	Capital Projects	12-1,117	30,174
Capital Projects	City Commission Capital Reserve	Commission Approved	195,082
General	City Commission Capital Reserve	Commission Approved	1,600,000
Airport	Airport Improvement	12-1,117	140,000
Stormwater Management	Stormwater Reserve	12-825d	300,000
Convention and Visitor's Bureau	Special Parks and Recreation	Commission Approved	75,000
City Commission Capital Reserve	Capital Projects	Commission Approved	1,575,974

In the fund financial statements, total transfers in of \$2,495,928 are equal to the total transfers out of \$2,495,928 from the business-type funds.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

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 Legislature. 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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

Contributions

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

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended June 30, 2017.

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 8.46%. 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 19.03%. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2017 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, 2017 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, 2017.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017, the City's proportion for local employees was 0.3063%, which was a decrease of 0.005% from its proportion measured at June 30, 2016. At June 30, 2017, the City's proportion for police and firemen was 0.5516%, which was a decrease of 0.0245% from its proportion measured at June 30, 2016.

Net Pension Liability

At December 31, 2017, the City reported a liability for local employees of \$4,436,228 and for police and firemen of \$5,172,925 for its proportionate share of the net pension liability.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Price inflation	2.75%
Salary increases, including wage increases	3.50 to 12.00%, including inflation
Long-term rate of return net of investment expense, including price inflation	7.75%

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted for the three year period January 1, 2013 through December 31, 2015. The experience study is dated November 18, 2016.

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 and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, 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 7.75%. The projection of cash flows used to determine the discount rate was based on member and employer contributions. The local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2017 was 1.2 percent.

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 7.75%, 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 (6.75%) or 1 percentage point higher (8.75%) than the current rate:

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

Local Employees		
<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$6,389,139	\$4,436,228	\$2,790,002
Police and Firemen		
<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$7,338,541	\$5,172,925	\$3,359,997

Pension Expense

For the year ended December 31, 2017, the City recognized pension expense of \$955,059, 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, 2017, 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	\$	271,521	192,092
Net differences between projected and actual earnings on investments		330,791	-
Changes in assumptions		600,126	55,557
Changes in proportion		1,290	625,544
City contributions subsequent to measurement date		509,025	-
Total	\$	1,712,753	873,193

The \$509,025 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, 2017. 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	
2018	\$ (50,345)
2019	317,478
2020	148,070
2021	(116,607)
2022	31,939
Thereafter	-

NOTE 8 - RISK MANAGEMENT – CLAIMS AND JUDGMENTS

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

The City has been unable to obtain commercial insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other public entities in the State of Kansas and Missouri to participate in the Midwest Public Risk Pool (MPR), a public entity risk pool currently operating as a common risk management and insurance program for 196 participating members. The City joined MPR in July 2017.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

The agreement to participate provides that MPR will be self-sustaining through member premiums and will reinsure through commercial companies for property claims in excess of \$300,000 and liability claims in excess of \$500,000 for each insured event. During 2017, the City contributed \$194,568 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 MPR management.

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.

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 160 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 2017, the City contributed \$157,640 to the fund for this insurance coverage. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.

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

NOTE 9 – 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 2017.

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. The lease expired in 2017. Payments of \$3,900 were made in 2017.

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 2017.

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 2017.

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 2017.

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 2017.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

Future scheduled payments to maturity are as follows:

Year	Pitney Bowes	Dealers First Finance
2018	\$ 3,511	9,996
2019	3,511	3,537
2020	3,511	1,532

NOTE 10 – 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 11 – CAPITAL PROJECTS

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

	Project Authorization	Expenditures To Date
Wastewater Treatment Plant Improvements	\$ 2,298,734	\$ 2,298,734
46 th Street Second Addition – Phase II	305,221	305,221
King's Gate First Addition – Phase II	517,246	517,246
Tallgrass Addition – Phase V	700,765	700,765
S&W Alley	65,531	65,531

NOTE 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

City of Hays, Kansas did not remit or provide a certificate to the state fiscal agent stating that funds are on deposit and held in trust for the payment of interest and principal at least 20 days prior to maturity of the bonds, which is a violation of K.S.A. 10-130.

NOTE 13 – COMPARATIVE DATA

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

NOTE 14 – PASSENGER FACILITY CHARGES

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

The charge is collected by all carriers and remitted to the City, less a \$.11 per passenger handling fee. The proceeds from the PFC are restricted for certain FAA approved capital improvement projects. As of December 31, 2017, **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.

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2017

NOTE 15 – TAX ABATEMENTS

As of December 31, 2017 and 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	\$ 15,666
Economic Assistance Initiative	<u>519,404</u>
Total Tax Abatements	<u>\$ 535,070</u>

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 12, 2018, 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, 2017, 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 12, 2018.

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 12, 2018



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Hays, Kansas 67601-4465

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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, 2017. **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, 2017.

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 12, 2018

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, 2017

	2017 KPERs	2017 KP&F	2016 KPERs	2016 KP&F	2015 KPERs	2015 KP&F
The City's proportion of the collective net pension liability	0.306%	0.552%	0.311%	0.576%	0.318%	0.622%
The City's proportionate share of the net pension liability	\$ 4,436,228	5,172,925	4,814,120	5,350,699	4,179,222	4,514,070
The City's covered-employee payroll	\$ 5,390,422	2,746,039	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	82.30%	188.38%	88.59%	191.54%	79.62%	163.59%
Plan's fiduciary net position	\$ 18,633,840,421		17,192,432,371		16,635,520,735	
Plan fiduciary net position as a percentage of the total pension liability	67.12%		65.09%		64.95%	

GASB No. 68 requires presentation of ten years. As of December 31, 2017, only three 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, 2017

	2017 KPERs	2017 KP&F	2016 KPERs	2016 KP&F	2015 KPERs	2015 KP&F
Contractually required contribution	\$ 479,061	543,730	497,772	572,197	497,624	589,420
Contributions in relation to the contractually required contribution	<u>479,061</u>	<u>543,730</u>	<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>	<u>-</u>	<u>-</u>
The City's covered-employee payroll	5,390,422	2,746,039	5,434,331	2,793,510	5,249,197	2,759,456
Contributions as a percentage of covered-employee payroll	8.89%	19.80%	9.16%	20.48%	9.48%	21.36%

GASB 68 requires presentation of ten years. As of December 31, 2017, only three 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, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ 2,271,693	2,509,559
Receivables		
Accounts Receivable, Net of Allowance for Uncollectibles	64,900	60,641
Other Asset		
Reserved Cash - Budget Stabilization	<u>3,197,011</u>	<u>3,221,181</u>
Total Assets	<u>\$ 5,533,604</u>	<u>5,791,381</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 132,908	97,834
Accrued Payroll	300,545	266,036
Accrued Paid Time Off	465,735	480,912
Accrued Sick Leave Payout	<u>27,768</u>	<u>26,700</u>
Total Liabilities	<u>926,956</u>	<u>871,482</u>
Fund Balance		
Committed - Budget Stabilization	3,197,011	3,221,181
Assigned - Reserved for Encumbrances	95,595	71,082
Assigned - Designated for Subsequent Year Expenditures	<u>1,314,042</u>	<u>1,627,636</u>
Total Fund Balance	<u>4,606,648</u>	<u>4,919,899</u>
Total Liabilities and Fund Balance	<u>\$ 5,533,604</u>	<u>5,791,381</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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017			2016 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues (Statement 9-1, Page 3)	\$ 10,139,202	10,183,554	44,352	10,043,558
Expenditures (Statement 9-1, Page 4)	11,108,272	10,140,392	967,880	10,221,773
Excess Revenues Over (Under) Expenditures	(969,070)	43,162	1,012,232	(178,215)
Other Financing Sources (Uses)				
Transfers In	2,113,729	2,026,887	(86,842)	2,127,625
Transfers Out	(1,597,985)	(2,383,643)	(785,658)	(4,151,433)
Total Other Financing Sources (Uses)	515,744	(356,756)	(872,500)	(2,023,808)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(453,326)	(313,594)	139,732	(2,202,023)
Fund Balance - Beginning	1,640,765	4,919,899	3,279,134	7,251,528
Decrease in Reserve for Budget Stabilization	-	(24,170)	(24,170)	-
Increase (Decrease) in Reserve for Encumbrances	-	24,513	24,513	(129,606)
Fund Balance - Ending	\$ <u>1,187,439</u>	<u>4,606,648</u>	<u>3,419,209</u>	<u>4,919,899</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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017		Variance Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Local Sales	\$ 7,353,603	7,153,684	(199,919)	7,184,723
Intergovernmental				
Liquor Tax	130,499	125,932	(4,567)	127,427
State Grant	-	-	-	9,199
Federal Grant	-	6,813	6,813	-
Total Intergovernmental	130,499	132,745	2,246	136,626
Licenses and Permits				
Franchise Tax	1,400,000	1,441,152	41,152	1,417,394
Licenses	57,900	62,084	4,184	44,738
Permits	80,000	66,699	(13,301)	66,231
Total Licenses and Permits	1,537,900	1,569,935	32,035	1,528,363
Fines and Forfeitures				
Fines and Court Fees	600,000	650,451	50,451	639,817
Use of Money and Property				
Interest Income	57,000	107,813	50,813	63,435
Rent	1,200	1,200	-	1,200
Total Use of Money and Property	58,200	109,013	50,813	64,635
Miscellaneous				
Golf Course Fees	300,000	279,494	(20,506)	280,070
Cemetery Receipts	16,000	10,955	(5,045)	12,320
Miscellaneous Receipts	143,000	125,159	(17,841)	147,398
Sale of Assets	-	128,625	128,625	-
Reimbursed Expenses	-	4,910	4,910	25,114
Prior Year Encumbrances Cancelled	-	18,583	18,583	24,492
Total Miscellaneous	459,000	567,726	108,726	489,394
Total Revenues	\$ 10,139,202	10,183,554	44,352	10,043,558

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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017		Variance Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
Expenditures				
City Commission	\$ 22,920	16,206	6,714	14,925
City Manager	469,163	385,042	84,121	428,681
Human Resources	191,063	178,545	12,518	166,295
Information Technology	572,162	561,734	10,428	548,502
Communication Center	553,105	539,786	13,319	497,951
City Attorney	144,100	104,664	39,436	133,102
Finance - City Clerk	388,399	375,919	12,480	377,992
Intergovernmental Account	343,900	334,652	9,248	329,172
Police Department	2,087,069	1,982,417	104,652	1,970,173
Municipal Court	157,008	125,021	31,987	137,965
Public Works - General Administration	294,973	236,550	58,423	270,929
Service Division	869,657	801,749	67,908	790,152
Planning, Inspection, and Enforcement	356,538	309,559	46,979	315,537
Building and Grounds	505,660	431,582	74,078	451,751
Fleet Maintenance	706,624	518,238	188,386	529,664
Fire Department	1,406,511	1,372,620	33,891	1,390,498
Parks and Playgrounds	903,169	861,863	41,306	874,949
Golf Course	361,618	336,453	25,165	363,179
Swimming Pool	115,100	116,876	(1,776)	70,757
Ballfield Maintenance	33,500	15,893	17,607	31,788
Cemeteries	17,500	6,064	11,436	12,324
Bickle-Schmidt Sports Complex	230,155	143,591	86,564	131,060
Social Services	164,000	164,000	-	164,000
Economic Development	214,378	221,368	(6,990)	220,427
Total Expenditures	\$ 11,108,272	10,140,392	967,880	10,221,773

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Fund
Balance Sheets
December 31, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ 69,589	109,627
Taxes Receivable	<u>1,239,577</u>	<u>1,167,988</u>
Total Assets	\$ <u>1,309,166</u>	<u>1,277,615</u>
 <u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u> 		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	\$ <u>1,239,577</u>	<u>1,167,988</u>
Fund Balance		
Assigned - Designated for Subsequent Year Expenditures	<u>29,641</u>	79,986
Assigned	<u>39,948</u>	<u>29,641</u>
Total Fund Balance	<u>69,589</u>	<u>109,627</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>1,309,166</u>	<u>1,277,615</u>

Library Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>2017</u>			<u>2016</u> Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 1,216,654	1,206,015	(10,639)	1,190,373
Delinquent	-	11,101	11,101	18,678
Motor Vehicle	93,167	131,121	37,954	126,996
Recreational Vehicle	2,014	2,030	16	1,893
16/20M Truck	824	863	39	876
Commercial Vehicle	5,857	7,655	1,798	8,133
Neighborhood Revit Rebate	(3,611)	(3,524)	(87)	(3,214)
Tax Increment Financing Dist (TIF)	(13,828)	(14,236)	408	(14,265)
Total Revenues	<u>1,301,077</u>	<u>1,341,025</u>	<u>40,590</u>	<u>1,329,470</u>
Expenditures				
Distributions to Library Board	<u>1,381,063</u>	<u>1,381,063</u>	-	<u>1,330,000</u>
Excess Revenues Over (Under)				
Expenditures	(79,986)	(40,038)	40,590	(530)
Fund Balance - Beginning	<u>79,986</u>	<u>109,627</u>	<u>29,641</u>	<u>110,157</u>
Fund Balance - Ending	\$ <u>-</u>	<u>69,589</u>	<u>70,231</u>	<u>109,627</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Employee Benefits Fund
Balance Sheets
December 31, 2017 and 2016

<u>ASSETS</u>			
	<u>2017</u>	<u>2016</u>	
Cash	\$ 10,883	16,759	
Taxes Receivable	206,714	170,903	
Total Assets	\$ 217,597	187,662	
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
Deferred Inflows of Resources			
Deferred Property Tax Receivable	\$ 206,714	170,903	
Fund Balance			
Assigned - Designated for Subsequent Year Expenditures	4,572	12,187	
Assigned	6,311	4,572	
Total Fund Balance	10,883	16,759	
Total Deferred Inflows of Resources and Fund Balance	\$ 217,597	187,662	

Library Employee Benefits Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>2017</u>			<u>2016</u> Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 178,024	176,496	(1,528)	183,083
Delinquent	-	1,649	1,649	2,696
Motor Vehicle	14,317	20,163	5,846	18,779
Recreational Vehicle	310	312	2	280
16/20M Truck	127	126	(1)	133
Commercial Vehicle	900	1,177	277	1,193
Neighborhood Revit Rebate	(551)	(516)	(35)	(494)
Tax Increment Financing Dist (TIF)	(2,114)	(2,083)	(31)	(2,194)
Total Revenues	191,013	197,324	6,179	203,476
Expenditures				
Distributions to Library Board	203,200	203,200	-	203,200
Excess Revenues Over (Under)				
Expenditures	(12,187)	(5,876)	6,179	276
Fund Balance - Beginning	12,187	16,759	4,572	16,483
Fund Balance - Ending	\$ -	10,883	10,751	16,759

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Highway Fund
Balance Sheets
December 31, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ <u>243,799</u>	<u>292,207</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>780</u>	<u>-</u>
Fund Balance		
Assigned - Reserved for Encumbrances	9,152	28
Assigned - Designated for Subsequent Year's Expenditures	172,175	164,343
Assigned	<u>61,692</u>	<u>127,836</u>
Total Fund Balance	<u>243,019</u>	<u>292,207</u>
Total Liabilities and Fund Balance	<u>\$ 243,799</u>	<u>292,207</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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017			2016 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Intergovernmental				
State Gasoline Tax	\$ 546,190	561,475	15,285	559,047
Connecting Link Maintenance	44,760	44,729	(31)	44,791
Prior Year Encumbrances Cancelled	-	-	-	4,054
Total Revenues	<u>590,950</u>	<u>606,204</u>	<u>15,254</u>	<u>607,892</u>
Expenditures				
Contractual Services	50,000	29,629	20,371	11,510
Capital Outlay	1,205,293	1,134,887	70,406	1,046,282
Total Expenditures	<u>1,255,293</u>	<u>1,164,516</u>	<u>90,777</u>	<u>1,057,792</u>
Excess Revenues Over (Under) Expenditures	(664,343)	(558,312)	106,031	(449,900)
Other Financing Sources (Uses)				
Transfers In	500,000	500,000	-	500,000
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(164,343)	(58,312)	106,031	50,100
Fund Balance - Beginning	164,343	292,207	127,864	246,660
Increase (Decrease) in Reserve for Encumbrances	-	9,124	9,124	(4,553)
Fund Balance - Ending	<u>\$ -</u>	<u>243,019</u>	<u>243,019</u>	<u>292,207</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Employee Benefits Fund
Balance Sheets
December 31, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ 1,033,099	873,828
Taxes Receivable	<u>2,602,548</u>	<u>2,585,745</u>
Total Assets	\$ <u>3,635,647</u>	<u>3,459,573</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ -	81
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>2,602,548</u>	<u>2,585,745</u>
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	771,271	468,141
Assigned	<u>261,828</u>	<u>405,606</u>
Total Fund Balance	<u>1,033,099</u>	<u>873,747</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ <u>3,635,647</u>	<u>3,459,573</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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017		Variance Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 2,693,484	2,669,788	(23,696)	2,514,062
Delinquent	-	22,992	22,992	37,774
Motor Vehicle	196,789	276,929	80,140	267,009
Recreational Vehicle	4,254	4,287	33	3,975
16/20M Truck	1,740	1,828	88	1,798
Commercial Vehicle	12,371	16,168	3,797	17,204
Neighborhood Revit Rebate	(7,919)	(7,794)	(125)	-
Interest Income	2,000	6,984	4,984	2,289
Miscellaneous	-	39,197	39,197	46,225
Total Revenues	2,902,719	3,030,379	127,410	2,890,336
Expenditures				
Workmen's Compensation	186,401	190,060	(3,659)	190,193
Unemployment Compensation	12,494	9,322	3,172	14,407
Social Security	655,577	612,623	42,954	632,594
Employee Retirement	1,217,790	993,063	224,727	1,082,571
Contingency	237,244	71,264	165,980	1,810
Health Insurance	1,719,500	1,652,413	67,087	1,645,959
Contractual Services	52,017	40,771	11,246	41,384
Tax Increment Financing Dist (TIF)	31,896	31,514	382	30,127
Neighborhood Revit Rebate	-	-	-	6,789
Total Expenditures	4,112,919	3,601,030	511,889	3,645,834
Excess Revenues Over (Under)				
Expenditures	(1,210,200)	(570,651)	639,299	(755,498)
Other Financing Sources (Uses)				
Transfers In	742,059	730,003	(12,056)	804,855
Excess Revenues and Other Financing Sources				
(Uses) Over (Under) Expenditures	(468,141)	159,352	627,243	49,357
Fund Balance - Beginning	468,141	873,747	405,606	824,390
Fund Balance - Ending	\$ -	1,033,099	1,032,849	873,747

See independent auditors' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
Balance Sheets
December 31, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ 63,929	108,781
Taxes Receivable	<u>430,727</u>	<u>415,432</u>
Total Assets	\$ <u>494,656</u>	<u>524,213</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>9,436</u>	<u>20,679</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>430,727</u>	<u>415,432</u>
Fund Balance		
Assigned - Reserved for Encumbrances	760	18,570
Assigned - Designated for Subsequent Year's Expenditures	51,399	36,441
Assigned	<u>2,334</u>	<u>33,091</u>
Total Fund Balance	<u>54,493</u>	<u>88,102</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>494,656</u>	<u>524,213</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, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017		Variance Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 432,742	429,092	(3,650)	420,852
Delinquent	-	3,928	3,928	6,589
Motor Vehicle	32,933	46,360	13,427	45,619
Recreational Vehicle	712	718	6	680
16/20M Truck	291	310	19	313
Commercial Vehicle	2,070	2,707	637	2,925
Neighborhood Revit Rebate	(1,325)	(1,254)	(71)	-
Intergovernmental				
Federal Grants	-	3,767	3,767	3,729
Prior Year Encumbrances Cancelled	-	100	100	12,983
Total Revenues	<u>467,423</u>	<u>485,728</u>	<u>18,163</u>	<u>493,690</u>
Expenditures				
Capital Outlay	151,595	146,462	5,133	129,401
Tax Increment Financing Dist (TIF)	5,075	5,065	10	5,044
Neighborhood Revit Rebate	-	-	-	1,136
Total Expenditures	<u>156,670</u>	<u>151,527</u>	<u>5,143</u>	<u>135,581</u>
Excess Revenues Over (Under) Expenditures	310,753	334,201	23,306	358,109
Other Financing Sources (Uses)				
Transfers Out	(347,194)	(350,000)	(2,806)	(347,000)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(36,441)	(15,799)	20,500	11,109
Fund Balance - Beginning	36,441	88,102	51,661	82,871
Increase (Decrease) in Reserve for Encumbrances	-	(17,810)	(17,810)	(5,878)
Fund Balance - Ending	<u>\$ -</u>	<u>54,493</u>	<u>54,351</u>	<u>88,102</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Airport Fund
Balance Sheets
December 31, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ 22,555	85,708
Taxes Receivable	<u>215,364</u>	<u>207,716</u>
Total Assets	\$ <u>237,919</u>	<u>293,424</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 4,628	6,917
Accrued Payroll	4,893	3,528
Accrued Paid Time Off	<u>8,791</u>	<u>3,066</u>
Total Liabilities	<u>18,312</u>	<u>13,511</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>215,364</u>	<u>207,716</u>
Fund Balance		
Assigned - Reserved for Encumbrances	2,300	7,795
Assigned - Designated for Subsequent Year's Expenditures	<u>1,943</u>	<u>64,402</u>
Total Fund Balance	<u>4,243</u>	<u>72,197</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>237,919</u>	<u>293,424</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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017			2016 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 216,371	214,546	(1,825)	210,425
Delinquent	-	1,965	1,965	3,299
Motor Vehicle	16,467	23,180	6,713	22,821
Recreational Vehicle	356	359	3	340
16/20M Truck	146	155	9	157
Commercial Vehicle	1,035	1,353	318	1,463
Neighborhood Revit Rebate	(672)	(627)	(45)	-
Licenses and Fees Collected	130,265	127,320	(2,945)	103,469
Farming Leases	22,000	19,620	(2,380)	19,620
Miscellaneous	4,000	972	(3,028)	3,153
Prior Year Encumbrances Cancelled	-	182	182	621
Total Revenues	389,968	389,025	(1,033)	365,368
Expenditures				
Personal Services	93,430	108,717	(15,287)	91,010
Contractual Services	116,900	103,540	13,360	104,649
Commodities	119,480	89,844	29,636	63,201
Tax Increment Financing Dist (TIF)	2,537	2,533	4	2,522
Neighborhood Revit Rebate	-	-	-	568
Total Expenditures	332,347	304,634	27,713	261,950
Excess Revenues Over (Under) Expenditures	57,621	84,391	26,680	103,418
Other Financing (Uses)				
Transfers Out	(122,341)	(146,850)	(24,509)	(151,438)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(64,720)	(62,459)	2,171	(48,020)
Fund Balance - Beginning	64,720	72,197	7,477	122,566
Increase (Decrease) in Reserve for Encumbrances	-	(5,495)	(5,495)	(2,349)
Fund Balance - Ending	\$ -	4,243	4,153	72,197

See independent auditors' report.

CITY OF HAYS, KANSAS
Park Development Fund
 Balance Sheets
 December 31, 2017 and 2016

<u>ASSETS</u>			
		<u>2017</u>	2016
Cash	\$	<u>5,027</u>	<u>5,027</u>
<u>FUND BALANCE</u>			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	<u>5,027</u>	<u>5,027</u>

Park Development Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017			2016 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues	\$ -	-	-	-
Expenditures				
Contractual Services	<u>5,027</u>	-	<u>5,027</u>	-
Excess Revenues Over (Under) Expenditures	(5,027)	-	5,027	-
Fund Balance - Beginning	<u>5,027</u>	<u>5,027</u>	-	<u>5,027</u>
Fund Balance - Ending	\$ <u>-</u>	<u>5,027</u>	<u>5,027</u>	<u>5,027</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund
 Balance Sheets
 December 31, 2017 and 2016

<u>ASSETS</u>		
	2017	2016
Cash	\$ <u>1,070,608</u>	<u>1,033,332</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 12,815	11,375
Accrued Payroll	9,303	8,225
Accrued Paid Time Off	8,079	6,523
Total Liabilities	30,197	26,123
Fund Balance		
Assigned - Reserved for Encumbrances	7,470	8,941
Assigned - Designated for Subsequent Year's Expenditures	874,260	919,510
Assigned	158,681	78,758
Total Fund Balance	1,040,411	1,007,209
Total Liabilities and Fund Balance	\$ 1,070,608	1,033,332

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, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017		Variance Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Guest Tax	\$ 1,049,063	867,634	(181,429)	915,762
Miscellaneous	40,000	36,034	(3,966)	36,791
Prior Year Encumbrance Cancelled	-	6,756	6,756	572
Total Revenues	<u>1,089,063</u>	<u>910,424</u>	<u>(178,639)</u>	<u>953,125</u>
Expenditures				
Personal Services	221,863	222,659	(796)	202,955
Contractual Services	1,153,214	321,430	831,784	192,725
Commodities	163,000	40,544	122,456	106,713
Capital Outlay	249,131	69,710	179,421	59,506
Total Expenditures	<u>1,787,208</u>	<u>654,343</u>	<u>1,132,865</u>	<u>561,899</u>
Excess Revenues Over (Under) Expenditures	(698,145)	256,081	954,226	391,226
Other Financing Sources (Uses)				
Transfers Out	(221,365)	(221,408)	(43)	(150,259)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(919,510)	34,673	954,183	240,967
Fund Balance - Beginning	919,510	1,007,209	87,699	771,512
Increase (Decrease) in Reserve for Encumbrances	-	(1,471)	(1,471)	(5,270)
Fund Balance - Ending	<u>\$ -</u>	<u>1,040,411</u>	<u>1,040,411</u>	<u>1,007,209</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
New Equipment Reserve Fund
 Balance Sheets
 December 31, 2017 and 2016

<u>ASSETS</u>		
	2017	2016
Cash	\$ 3,968,357	4,234,681
<u>LIABILITIES AND FUND BALANCE</u>		
Fund Balance		
Assigned	\$ 3,968,357	4,234,681
New Equipment Reserve Fund		
Summary Statement of Revenues, Expenditures and Changes in Fund Balance		
For the Year Ended December 31, 2017		
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)		
	2017	2016
Revenues		
Interest Income	\$ 31,069	11,444
Prior Year Encumbrances Cancelled	-	13,830
Total Revenues	31,069	25,274
Expenditures		
Capital Outlay	1,013,292	584,515
Excess Revenues Over (Under)		
Expenditures	(982,223)	(559,241)
Other Financing Sources (Uses)		
Transfers In	715,899	730,637
Excess Revenues and Other Financing		
Sources (Uses) Over (Under) Expenditures	(266,324)	171,396
Fund Balance - Beginning	4,234,681	4,077,115
Increase (Decrease) in		
Reserve for Encumbrances	-	(13,830)
Fund Balance - Ending	\$ 3,968,357	4,234,681

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
 Balance Sheets
 December 31, 2017 and 2016

	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash	\$	<u>66,105</u>	<u>58,936</u>
 <u>FUND BALANCE</u> 			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	<u>66,105</u>	<u>58,936</u>

Special Alcohol Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>2017</u>			
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2016 Actual</u>
Revenues				
Intergovernmental				
Liquor Tax	\$ 130,499	125,932	(4,567)	127,427
Prior Year Encumbrances Cancelled	-	-	-	1,000
Total Revenues	<u>130,499</u>	<u>125,932</u>	<u>(4,567)</u>	<u>128,427</u>
Expenditures				
Contractual	60,000	60,000	-	60,000
Contingency	31,706	-	31,706	-
Total Expenditures	<u>91,706</u>	<u>60,000</u>	<u>31,706</u>	<u>60,000</u>
Excess Revenues Over (Under) Expenditures	38,793	65,932	27,139	68,427
Other Financing Sources (Uses)				
Transfers Out	(58,763)	(58,763)	-	(72,826)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(19,970)	7,169	27,139	(4,399)
Fund Balance - Beginning	19,970	58,936	38,966	79,335
Increase (Decrease) in Reserve for Encumbrances	-	-	-	(16,000)
Fund Balance - Ending	<u>\$ -</u>	<u>66,105</u>	<u>66,105</u>	<u>58,936</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
 Balance Sheets
 December 31, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ <u>282,332</u>	<u>296,023</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>1,026</u>	<u>1,093</u>
Fund Balance		
Assigned - Reserved for Encumbrances	<u>50,530</u>	14,960
Assigned - Designated for Subsequent Year's Expenditures	<u>230,776</u>	<u>279,970</u>
Total Fund Balance	<u>281,306</u>	<u>294,930</u>
Total Liabilities and Fund Balance	\$ <u>282,332</u>	<u>296,023</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, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017		Variance Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Liquor Tax	\$ 130,499	125,932	(4,567)	127,427
Prior Year Encumbrance Cancelled	-	-	-	338
Total Revenues	130,499	125,932	(4,567)	127,765
Expenditures				
Capital Outlay	527,301	250,126	277,175	60,206
Excess Revenues Over (Under)				
Expenditures	(396,802)	(124,194)	272,608	67,559
Other Financing Sources (Uses)				
Transfers In	75,000	75,000	-	-
Excess Revenues and Other Financing				
Sources (Uses) Over (Under) Expenditures	(321,802)	(49,194)	272,608	67,559
Fund Balance - Beginning	321,802	294,930	(26,872)	273,995
Increase (Decrease) in Reserve				
For Encumbrances	-	35,570	35,570	(46,624)
Fund Balance - Ending	\$ -	281,306	281,306	294,930

See independent auditors' report.

CITY OF HAYS, KANSAS
Parks Improvement Fund
 Balance Sheets
 December 31, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ (17,015)	47,539
Other Receivable	<u>21,265</u>	<u>-</u>
Total Assets	\$ <u>4,250</u>	<u>47,539</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>1,052</u>	<u>780</u>
Fund Balance		
Assigned - Reserved for Encumbrances	<u>80,969</u>	41,115
Assigned	<u>(77,771)</u>	<u>5,644</u>
Total Fund Balance	<u>3,198</u>	<u>46,759</u>
Total Liabilities and Fund Balance	\$ <u>4,250</u>	<u>47,539</u>

Parks Improvement Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenues		
Donations	\$ 931	6,000
Miscellaneous	<u>35,464</u>	<u>52,328</u>
Prior Year Encumbrances Cancelled	<u>1,601</u>	<u>483</u>
Total Revenues	<u>37,996</u>	<u>58,811</u>
Expenditures		
Contractual	<u>3,494</u>	44,278
Projects	<u>117,917</u>	<u>24,842</u>
Total Expenditures	<u>121,411</u>	<u>69,120</u>
Excess Revenues Over (Under) Expenditures	(83,415)	(10,309)
Increase (Decrease) in Reserve For Encumbrances	39,854	992
Fund Balance - Beginning	<u>46,759</u>	<u>56,076</u>
Fund Balance - Ending	\$ <u>3,198</u>	<u>46,759</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Department of Justice Program Fund
 Balance Sheets
 December 31, 2017 and 2016

	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash		\$ <u>781</u>	<u>931</u>
	<u>FUND BALANCE</u>		
Fund Balance Assigned		\$ <u>781</u>	<u>931</u>

Department of Justice Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenues	\$ -	-
Expenditures		
Capital Outlay	<u>150</u>	<u>280</u>
Excess Revenues Over (Under) Expenditures	(150)	(280)
Fund Balance - Beginning	<u>931</u>	<u>1,211</u>
Fund Balance - Ending	\$ <u>781</u>	<u>931</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
City Commission Capital Reserve Fund
 Balance Sheets
 December 31, 2017 and 2016

<u>ASSETS</u>		
	2017	2016
Cash	\$ 6,021,014	5,852,071
<u>FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 2,607	-
Fund Balance		
Assigned - Reserved for Encumbrances	9,223	-
Assigned	6,009,184	5,852,071
Total Fund Balance	6,018,407	5,852,071
Total Liabilities and Fund Balance	\$ 6,021,014	5,852,071
City Commission Capital Reserve Fund		
Summary Statement of Revenues, Expenditures and Changes in Fund Balance		
For the Year Ended December 31, 2017		
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)		
	2017 Actual	2016 Actual
Revenues		
Interest	\$ 29,835	9,966
Expenditures		
Projects	91,830	894,078
Excess Revenues Over (Under) Expenditures	(61,995)	(884,112)
Other Financing Sources (Uses)		
Transfers In	1,795,082	3,313,673
Transfers Out	(1,575,974)	-
Total Other Financing Sources (Uses)	219,108	3,313,673
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	157,113	2,429,561
Fund Balance - Beginning	5,852,071	3,422,510
Increase (Decrease) in Reserve for Encumbrances	9,223	-
Fund Balance - Ending	\$ 6,018,407	5,852,071

See independent auditors' report.

CITY OF HAYS, KANSAS
Sales Tax Dedicated to Ellis County, Kansas Fund
 Balance Sheets
 December 31, 2017 and 2016

	<u>ASSETS</u>	<u>2017</u>	<u>2016</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, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenues		
Intergovernmental		
Local Sales Tax	\$ 1,709,166	1,692,882
Expenditures		
Payment to Ellis County	<u>1,709,166</u>	<u>1,692,882</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, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ 214,538	255,312
Taxes Receivable	<u>689,115</u>	<u>645,078</u>
Total Assets	\$ <u>903,653</u>	<u>900,390</u>
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	\$ <u>689,115</u>	<u>645,078</u>
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	113,528	147,025
Assigned	<u>101,010</u>	<u>108,287</u>
Total Fund Balance	<u>214,538</u>	<u>255,312</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>903,653</u>	<u>900,390</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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017		Variance Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 671,956	666,210	(5,746)	740,798
Delinquent	-	7,479	7,479	14,978
Motor Vehicle	58,451	81,629	23,178	88,902
Recreational Vehicle	793	1,264	471	1,328
16/20M Truck	513	595	82	639
Commercial Vehicle	3,646	4,766	1,120	5,632
Special Assessments	506,147	520,324	14,177	535,584
Miscellaneous	-	2,292	2,292	-
Neighborhood Revitalization Rebate	(2,082)	(1,951)	131	-
Total Revenues	<u>1,239,424</u>	<u>1,282,608</u>	<u>43,184</u>	<u>1,387,861</u>
Expenditures				
Neighborhood Revitalization Rebate	-	-	-	2,001
Tax Increment Financing District	7,982	7,864	118	8,880
Bond Principal	985,000	1,130,000	(145,000)	940,000
Interest Expense	333,467	185,518	147,949	369,193
Cash Basis Reserve	60,000	-	60,000	-
Total Expenditures	<u>1,386,449</u>	<u>1,323,382</u>	<u>63,067</u>	<u>1,320,074</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(147,025)	(40,774)	106,251	67,787
Fund Balance - Beginning	<u>147,025</u>	<u>255,312</u>	<u>108,287</u>	<u>187,525</u>
Fund Balance - Ending	<u>\$ -</u>	<u>214,538</u>	<u>214,538</u>	<u>255,312</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
2016-A Bond Redemption Fund
 Balance Sheets
 December 31, 2017 and 2016

	<u>ASSETS</u>	
	2017	2016
Cash	\$ -	-
	<u>FUND BALANCE</u>	
Fund Balance	\$ -	-

2016-A Bond Redemption Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017 Actual	2016 Actual
Revenues		
Bond Proceeds	\$ -	5,850,000
Premium	-	99,040
Total Revenues	-	5,949,040
Expenditures		
Bond Principal	-	4,620,000
Bond Interest	-	61,032
Issuance Costs	-	70,836
Transfer to Escrow	-	1,197,172
Total Expenditures	-	5,949,040
Excess Revenues Over (Under) Expenditures	-	-
Fund Balance - Beginning	-	-
Fund Balance - Ending	\$ -	-

See independent auditors' report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
 Balance Sheets
 December 31, 2017 and 2016

<u>ASSETS</u>		
	2017	2016
Cash	\$ 128,213	110,819
 <u>FUND BALANCE</u>		
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	\$ 113,221	110,819
Assigned	14,992	-
Total Fund Balance	\$ 128,213	110,819

Economic Development Bond Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017			2016 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Intergovernmental				
Local Sales Tax	\$ 219,317	234,309	14,992	214,749
Expenditures				
Bond Principal	140,000	140,000	-	130,000
Interest Expense	76,915	76,915	-	83,805
Total Expenditures	216,915	216,915	-	213,805
Excess Revenues Over (Under)				
Expenditures	2,402	17,394	14,992	944
Fund Balance - Beginning	115,386	110,819	(4,567)	109,875
Fund Balance - Ending	\$ 117,788	128,213	10,425	110,819

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2017
(With Comparative Totals as of December 31, 2016)

	2017					Total	2016
	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	\$ 550,118	619,494	135,753	271,190	223,184	1,799,739	2,590,159
Accounts Receivable (Net)	122,647	128,485	-	77,181	39,077	367,390	338,920
Total Current Assets	672,765	747,979	135,753	348,371	262,261	2,167,129	2,929,079
Restricted Assets							
Customer Deposits	330,346	-	-	-	-	330,346	277,851
Revenue Bonds							
Principal and Interest Account	-	-	-	-	-	-	65,352
Bond Reserve Account	-	-	-	-	-	-	416,796
Total Restricted Assets	330,346	-	-	-	-	330,346	759,999
Capital Assets							
Land and Right-of-Ways	446,274	-	-	-	-	446,274	139,109
Infrastructure	16,769,359	1,741,373	-	-	68,723	18,579,455	18,487,053
Equipment	10,890,504	1,095,008	-	1,834,430	8,749	13,828,691	13,584,492
R-9 Ranch	4,262,040	-	-	-	-	4,262,040	4,262,040
Building and Structures	1,790,520	10,024,506	-	294,594	-	12,109,620	12,077,503
Construction in Process	-	2,298,734	-	-	-	2,298,734	2,298,734
Total Capital Assets	34,158,697	15,159,621	-	2,129,024	77,472	51,524,814	50,848,931
Accumulated Depreciation	(21,899,362)	(6,852,725)	-	(1,706,360)	(937)	(30,459,384)	(29,735,485)
Net Capital Assets	12,259,335	8,306,896	-	422,664	76,535	21,065,430	21,113,446
Other Assets							
Early Retirement on Debt Refunding (Net)	76,269	32,687	-	-	-	108,956	-
Total Assets	\$ 13,338,715	9,087,562	135,753	771,035	338,796	23,671,861	24,802,524

See independent auditors' report.

CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2017
(With Comparative Totals as of December 31, 2016)

	2017					Total	2016
	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	\$ 32,406	64,103	21,987	31,857	2,754	153,107	241,505
Sales Tax	6,000	-	-	-	-	6,000	5,818
State Water Fee	8,138	-	-	-	-	8,138	8,182
Accrued Payroll	27,359	14,935	2,358	14,717	1,770	61,139	56,064
Accrued Paid Time Off	36,691	31,759	1,879	27,876	2,227	100,432	102,835
Total Current Liabilities	110,594	110,797	26,224	74,450	6,751	328,816	414,404
Current Liabilities Payable From Restricted Assets							
2009 Revenue Bonds	-	-	-	-	-	-	305,000
2016-A GO Refunding Bonds	185,500	79,500	-	-	-	265,000	-
Customer Deposits	325,846	-	-	-	-	325,846	273,351
Monitoring Well Deposits	4,500	-	-	-	-	4,500	4,500
Accrued Interest - Bonds	14,988	6,423	-	-	-	21,411	37,266
Total Current Liabilities Payable From Restricted Assets	530,834	85,923	-	-	-	616,757	620,117
Noncurrent Liabilities							
2009 Revenue Bonds	-	-	-	-	-	-	2,495,000
2016-A GO Refunding Bonds	1,249,500	535,500	-	-	-	1,785,000	-
KDHE Wastewater Revolving Loan	-	2,298,734	-	-	-	2,298,734	2,298,734
Bond Premium (Net)	80,596	34,541	-	-	-	115,137	-
Total Noncurrent Liabilities	1,330,096	2,868,775	-	-	-	4,198,871	4,793,734
Total Liabilities	1,971,524	3,065,495	26,224	74,450	6,751	5,144,444	5,828,255
Equity							
Reserve for Encumbrances	11,246	98,733	5,508	-	3,158	118,645	149,542
Contributed Capital	2,581,418	1,020,006	-	139,646	77,472	3,818,542	3,330,488
Unreserved	8,774,527	4,903,328	104,021	556,939	251,415	14,590,230	15,494,239
Total Equity	11,367,191	6,022,067	109,529	696,585	332,045	18,527,417	18,974,269
Total Liabilities and Equity	\$ 13,338,715	9,087,562	135,753	771,035	338,796	23,671,861	24,802,524

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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017			2016 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Water Sales	\$ 3,341,000	2,970,540	(370,460)	2,702,411
Water Tap - Turn-Ons	42,350	39,046	(3,304)	72,760
Water Sales Conservation Rate	370,260	356,116	(14,144)	307,326
Sales and Other Charges	8,470	17,805	9,335	26,557
Penalty	14,400	17,600	3,200	16,353
Interest on Investments	12,705	16,719	4,014	16,018
GO Bond Proceeds	-	1,440,420	1,440,420	-
GO Bond Premium	-	94,029	94,029	-
Reimbursed Expense	-	-	-	13,450
Prior Year Encumbrance Cancelled	-	640	640	146,138
Total Revenues	\$ 3,789,185	4,952,915	1,163,730	3,301,013
Expenditures				
Personal Services				
Salaries	\$ 578,739	567,392	11,347	601,512
Contractual Services				
Communications	5,500	3,277	2,223	5,401
Publications	1,500	-	1,500	729
Heat, Light and Power	277,500	232,026	45,474	240,857
Professional Services	15,540	33,929	(18,389)	3,133
Travel and Training	7,000	16,655	(9,655)	5,053
Other Contractual Services	105,000	97,020	7,980	73,772
Total Contractual Services	412,040	382,907	29,133	328,945
Commodities				
Office Supplies	1,200	1,336	(136)	1,684
General Supplies and Materials	42,000	45,160	(3,160)	51,336
Chemicals	532,332	297,037	235,295	391,810
Repairs to Buildings and Structures	5,000	12,599	(7,599)	7,774
Equipment Expense	100,500	94,453	6,047	157,798
Projects	335,000	17,023	317,977	10,200
Uniforms	5,000	6,583	(1,583)	5,863
Total Commodities	1,021,032	474,191	546,841	626,465
Debt Service				
GO Bond - Cost of Issuance	-	33,978	(33,978)	-
GO Bond - Transfer to Escrow	-	1,495,723	(1,495,723)	-
Principal Payment - 2009 Revenue Bond	213,500	210,088	3,412	210,000
Interest Payment - 2009 Revenue Bond	78,257	39,128	39,129	83,764
Total Debt Service	291,757	1,778,917	(1,487,160)	293,764
Nonoperating Expenditures				
Water Taps, Hydrants, Meters	150,000	102,938	47,062	100,861
Contingency	25,000	7,004	17,996	9,528
Interest on Deposits	1,000	2,353	(1,353)	1,184
Clean Drinking Water Fee	20,000	15,724	4,276	16,135
Transfer to Water Reserve Fund	818,283	1,330,000	(511,717)	700,000
Transfer to General Fund	546,354	546,354	-	546,354
Transfer to Employee Benefits Fund	244,577	244,577	-	277,579
Transfer to New Equipment Reserve	22,706	22,706	-	25,721
Total Nonoperating Expenditures	1,827,920	2,271,656	(443,736)	1,677,362
Total Expenditures	\$ 4,131,488	5,475,063	(1,343,575)	3,528,048
(a) Adjustment for Qualifying Budget Credits				
GO Bond Proceeds and Premium			\$ 1,534,449	

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, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017		Variance Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
Revenues				
Sewer Service Charges	\$ 2,919,471	3,087,056	167,585	2,710,920
Sales and Other Charges	3,000	5,870	2,870	7,113
Penalty	14,400	16,999	2,599	15,476
Interest on Investments	6,050	21,409	15,359	6,916
Prior Year Cancelled Encumbrances	-	1,774	1,774	-
GO Bond Proceeds	-	615,000	615,000	-
GO Bond Premium	-	40,298	40,298	-
KDHE Loan Proceeds	-	-	-	2,298,734
Total Revenues	\$ 2,942,921	3,788,406	845,485	5,039,159
Expenditures				
Personal Services				
Salaries	\$ 439,094	394,838	44,256	454,767
Contractual Services				
Communications	4,500	3,380	1,120	3,561
Heat, Light and Power	235,724	192,630	43,094	190,029
Travel and Training	7,000	7,329	(329)	5,004
Other Contractual Services	50,000	29,266	20,734	146,889
Professional Services	35,000	36,034	(1,034)	24,371
Total Contractual Services	332,224	268,639	63,585	369,854
Commodities				
Office Supplies	600	593	7	598
General Supplies and Materials	40,000	23,410	16,590	21,465
Chemicals	73,000	57,568	15,432	50,168
Equipment Expense	90,000	71,053	18,947	93,246
Uniforms	5,000	4,767	233	4,511
Projects	-	-	-	2,298,734
Repairs to Buildings and Structures	210,000	157,972	52,028	4,833
Total Commodities	418,600	315,363	103,237	2,473,555
Debt Service				
KDHE Interest Payment	-	32,117	(32,117)	-
KDHE Service Fee	-	3,975	(3,975)	-
GO Bond - Cost of Issuance	-	4,804	(4,804)	-
GO Bond - Transfer to Escrow	-	650,494	(650,494)	-
Principal Payment - 2009 Revenue Bond	91,500	91,500	-	90,000
Interest Payment - 2009 Revenue Bond	33,539	12,985	20,554	35,688
Total Debt Service	125,039	795,875	(670,836)	125,688
Nonoperating Expenditures				
Contingency	25,000	28,923	(3,923)	7,610
Transfer to Water Reclamation Reserve Fund	1,474,707	1,625,000	(150,293)	770,000
Transfer to General Fund	468,390	468,390	-	468,390
Transfer to Employee Benefits Fund	175,977	169,216	6,761	179,929
Transfer to New Equipment Reserve	27,470	27,470	-	25,721
Total Nonoperating Expenditures	2,171,544	2,318,999	(147,455)	1,451,650
Total Expenditures	\$ 3,486,501	4,093,714	(607,213)	4,875,514
(a) Adjustment for Qualifying Budget Credits				
GO Bond Proceeds and Premium			\$ 655,298	

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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017			2016 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Local Sales Tax	\$ 3,005,174	2,911,624	(93,550)	2,934,577
Rent on R-9 Ranch	175,000	126,085	(48,915)	247,859
Sales and Other Charges	-	365	365	495
Interest on Sales Tax Collections	75,565	239,969	164,404	84,147
Prior Year Cancelled Encumbrances	-	80,975	80,975	-
Total Revenues	\$ 3,255,739	3,359,018	103,279	3,267,078
Expenditures				
Personal Services				
Salaries	\$ 53,156	47,755	5,401	54,626
Contractual Services				
Communications	500	1,461	(961)	738
Publications	2,000	157	1,843	614
Travel and Training	2,500	1,612	888	1,277
Other Contractual Services	2,500	-	2,500	-
Total Contractual Services	7,500	3,230	4,270	2,629
Commodities				
General Supplies and Materials	2,000	1,882	118	2,493
Projects	205,200	144,652	60,548	238,005
Uniforms	200	172	28	-
Total Commodities	207,400	146,706	60,694	240,498
Nonoperating Expenditures				
R-9 Ranch Expenditures	175,000	152,481	22,519	276,718
Grant Funding	5,000	-	5,000	-
Transfer to Water Sales Tax Reserve Fund	2,331,171	2,429,979	(98,808)	2,113,625
Transfer to General Fund - Water Sales Tax	450,776	450,776	-	555,353
Transfer to Employee Benefits Fund	22,934	19,510	3,424	22,284
Transfer to New Equipment Reserve	2,802	2,802	-	1,345
Total Nonoperating Expenditures	2,987,683	3,055,548	(67,865)	2,969,325
Total Expenditures	\$ 3,255,739	3,253,239	2,500	3,267,078

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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017		Variance Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
Revenues				
Refuse Collections	\$ 1,280,000	1,292,863	12,863	1,290,437
Interest on Investments	750	4,532	3,782	1,478
Yard Waste Tags	1,200	961	(239)	1,307
Recycling Revenue	30,000	48,473	18,473	37,293
Prior Year Encumbrances Cancelled	-	3	3	263
Total Revenues	<u>\$ 1,311,950</u>	<u>1,346,832</u>	<u>34,882</u>	<u>1,330,778</u>
Expenditures				
Personal Services				
Salaries	\$ 351,482	349,074	2,408	353,785
Transfer to Employee Benefits Fund	166,009	164,078	1,931	180,470
Total Personal Services	<u>517,491</u>	<u>513,152</u>	<u>4,339</u>	<u>534,255</u>
Contractual Services				
Communications	1,300	928	372	965
Publications	3,500	1,565	1,935	1,262
Utility - Water, Light and Power	6,090	6,504	(414)	5,487
Contingency	50,000	-	50,000	5,559
Other Contractual Services	398,692	375,654	23,038	374,312
Travel and Training	1,300	703	597	293
Transfer to Solid Waste Reserve Fund	112,237	150,000	(37,763)	209,900
Transfer to General Fund	245,367	245,367	-	228,600
Total Contractual Services	<u>818,486</u>	<u>780,721</u>	<u>37,765</u>	<u>826,378</u>
Commodities				
Office Supplies	550	76	474	107
General Supplies	23,240	21,218	2,022	13,557
Equipment Expense	10,000	9,648	352	5,568
Uniforms	4,400	3,477	923	4,763
Repairs to Buildings and Structures	3,600	1,413	2,187	3,298
Total Commodities	<u>41,790</u>	<u>35,832</u>	<u>5,958</u>	<u>27,293</u>
Total Expenditures	<u>\$ 1,377,767</u>	<u>1,329,705</u>	<u>48,062</u>	<u>1,387,926</u>

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, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017			2016 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Stormwater Fee	\$ 772,640	790,219	17,579	785,725
Prior Year Encumbrances Cancelled	-	2,802	2,802	4,318
Transfer From General Fund	16,500	16,500	-	16,500
Total Revenues	\$ 789,140	809,521	20,381	806,543
Expenditures				
Personal Services				
Salaries	\$ 49,606	46,539	3,067	51,947
Transfer to Employee Benefits Fund	19,747	19,306	441	21,771
Total Personal Services	69,353	65,845	3,508	73,718
Contractual Services				
Communications	1,300	417	883	613
Other Contractual Services	20,000	19,028	972	17,481
Contingency	50,000	-	50,000	500
Professional Services	55,000	-	55,000	900
Travel and Training	2,500	392	2,108	210
Transfer to General Fund	65,674	65,674	-	65,674
Total Contractual Services	194,474	85,511	108,963	85,378
Commodities				
General Supplies	57,500	6,299	51,201	32,395
Uniforms	200	383	(183)	173
Projects	20,000	-	20,000	-
Sewer Line Project	250,000	250,000	-	250,000
Transfer to Stormwater Reserve Fund	183,301	300,000	(116,699)	394,092
Transfer to New Equipment Reserve Fund	36,028	36,028	-	-
Total Commodities	547,029	592,710	(45,681)	676,660
Total Expenditures	\$ 810,856	744,066	66,790	835,756

See independent auditors' report.

CITY OF HAYS, KANSAS
Water Production and Distribution Reserve Fund
Balance Sheets
December 31, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ <u>2,076,379</u>	<u>925,300</u>
<u>FUND BALANCE</u>		
Fund Balance		
Assigned - Reserved for Encumbrances	<u>312,000</u>	-
Assigned	<u>1,764,379</u>	<u>925,300</u>
Total Fund Balance	\$ <u>2,076,379</u>	<u>925,300</u>
Water Production and Distribution Reserve Fund		
Summary Statement of Revenues, Expenditures and Changes in Fund Balance		
For the Year Ended December 31, 2017		
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)		
	<u>2017</u>	<u>2016</u>
Revenues	\$ -	-
Expenditures		
Capital Outlay	<u>460,747</u>	<u>505,859</u>
Excess Revenues Over (Under) Expenditures	<u>(460,747)</u>	<u>(505,859)</u>
Other Financing Sources (Uses)		
Transfers In	<u>1,330,000</u>	700,000
Transfers Out	<u>(30,174)</u>	-
Total Other Financing Sources (Uses)	<u>1,299,826</u>	<u>700,000</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>839,079</u>	194,141
Fund Balance - Beginning	<u>925,300</u>	731,159
Increase (Decrease) in Reserve for Encumbrances	<u>312,000</u>	-
Fund Balance - Ending	\$ <u>2,076,379</u>	<u>925,300</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Water Reclamation and Reuse Reserve Fund
 Balance Sheets
 December 31, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
Cash	\$ <u>2,882,684</u>	<u>1,475,846</u>
<u>FUND BALANCE</u>		
Fund Balance		
Assigned - Reserved for Encumbrances	-	55,475
Assigned	<u>2,882,684</u>	<u>1,420,371</u>
Total Fund Balance	\$ <u>2,882,684</u>	<u>1,475,846</u>

Water Reclamation and Reuse Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Revenues		
Miscellaneous	\$ 467	-
Expenditures		
Capital Outlay	<u>163,154</u>	<u>80,788</u>
Excess Revenues Over (Under) Expenditures	(162,687)	(80,788)
Other Financing Sources (Uses)		
Transfers In	<u>1,625,000</u>	<u>770,000</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	1,462,313	689,212
Fund Balance - Beginning	1,475,846	731,159
Increase (Decrease) in Reserve for Encumbrances	<u>(55,475)</u>	<u>55,475</u>
Fund Balance - Ending	\$ <u>2,882,684</u>	<u>1,475,846</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Water Sales Tax Reserve Fund
 Balance Sheets
 December 31, 2017 and 2016

<u>ASSETS</u>		
	2017	2016
Cash	\$ 32,224,687	30,772,696
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 20,908	9
Fund Balance		
Assigned	32,203,779	30,772,687
Total Liabilities and Fund Balance	\$ 32,224,687	30,772,696

Water Sales Tax Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017	2016
Revenues	\$ -	-
Expenditures		
Capital Outlay	998,886	698,025
Excess Revenues Over (Under) Expenditures	(998,886)	(698,025)
Other Financing Sources (Uses)		
Transfers In	2,429,979	2,113,625
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	1,431,093	1,415,600
Fund Balance - Beginning	30,772,686	29,357,087
Fund Balance - Ending	\$ 32,203,779	30,772,687

See independent auditors' report.

CITY OF HAYS, KANSAS
Solid Waste Reserve Fund
 Balance Sheets
 December 31, 2017 and 2016

<u>ASSETS</u>		
	2017	2016
Cash	\$ 882,063	733,781
<u>FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 12,525	-
Fund Balance		
Assigned - Reserved for Encumbrances	18,375	5,738
Assigned	851,163	728,043
Total Fund Balance	869,538	733,781
Total Liabilities and Fund Balance	\$ 882,063	733,781

Solid Waste Reserve Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	2017	2016
Revenues		
Miscellaneous	\$ 4,020	-
Expenditures		
Capital Outlay	30,900	5,738
Excess Revenues Over (Under) Expenditures	(26,880)	(5,738)
Other Financing Sources (Uses)		
Transfers In	150,000	209,900
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	123,120	204,162
Fund Balance - Beginning	733,781	523,881
Increase (Decrease) in Reserve for Encumbrances	12,637	5,738
Fund Balance - Ending	\$ 869,538	733,781

See independent auditors' report.

CITY OF HAYS, KANSAS
Stormwater Reserve Fund
 Balance Sheets
 December 31, 2017 and 2016

	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash	\$	<u>983,173</u>	<u>781,836</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts Payable	\$	78,530	-
Fund Balance			
Assigned		<u>904,643</u>	<u>781,836</u>
Total Liabilities and Fund Balance	\$	<u>983,173</u>	<u>781,836</u>
Stormwater Reserve Fund			
Summary Statement of Revenues, Expenditures and Changes in Fund Balance			
For the Year Ended December 31, 2017			
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)			
		<u>2017</u>	<u>2016</u>
Revenues	\$	-	-
Expenditures			
Capital Outlay		177,193	-
Other Financing Sources (Uses)			
Transfers In		<u>300,000</u>	-
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		122,807	-
Fund Balance - Beginning		<u>781,836</u>	<u>781,836</u>
Fund Balance - Ending	\$	<u>904,643</u>	<u>781,836</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2017

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 2 CFR section 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
For the Year Ended December 31, 2017

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
For the Year Ended December 31, 2017

No material findings or questioned costs for the year ended December 31, 2016 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, 2017

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>6,079,223</u>
U.S. Department of Transportation			
Direct Award			
Airport Improvement Program	20.106	AIP 3-20-0028-33	34,582
Airport Improvement Program	20.106	AIP 3-20-0028-34	457,289
Airport Improvement Program	20.106	AIP 3-20-0028-35	131,525
Passed Through the Kansas Department of Transportation			
State and Community Highway Safety	20.600	SP130014	1,931
National Priority Safety Programs	20.616	N/A	<u>3,852</u>
Total U.S. Department of Transportation			<u>629,179</u>
U.S. Department of the Interior			
Sport Fish Restoration	15.605	N/A	<u>1,030</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	N/A	<u>3,767</u>
Total Expenditures of Federal Awards			\$ <u>6,713,199</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HAYS, KANSAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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, 2017.

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	\$ -	91,290	91,290	-