

CITY OF HAYS, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2018

CITY OF HAYS, KANSAS
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2018

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Hays, Kansas**, as of and for the year ended December 31, 2018, 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 and the Aggregate Discretely Presented Component Unit's other postemployment benefits as required by Governmental Auditing Standards Board Statements Number 75. 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, 2018, 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, 2018, 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, Housing Authority of the City of Hays, Kansas, 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, 2018, 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, 2018, and our report thereon, dated April 10, 2019, 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.

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 or to the primary government financial statements themselves, and other additional procedures in accordance 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 with auditing

standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information of the qualified opinion on the basic financial statements as explained in the "Basis for Qualified Opinion" paragraph, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic 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 25, 2019, 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 25, 2019

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, 2018. 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 2018, 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 up just .54%.

The change in net position for Primary Governmental Activities was \$4,341,233 when compared to the previous year of \$2,947,263, an increase of \$1,393,970. This includes the decision to transfer \$1,200,000 to the Commission Capital Reserve to pay cash for future capital projects. The Comprehensive Financial Management Policy continues to ensure the wise use and investment of excess funds. This policy gives the citizens of Hays and future City leaders a defined process for the handling of City debt and excess revenue. In 2004, through a general election, the City passed a 3/4 cent sales tax increase to replace the property tax levy for the General Fund. In 2018, the 3/4 cent additional sales tax generated \$4,287,916, or the equivalent of 19.1 mills. The replacement of property tax revenue with sales tax revenue has spread the cost of funding general City operations across a broader tax base and helped to alleviate the tax burden for local property owners.

Residential and business water consumption were down a combined .61% for 2018. Given the new rates, as discussed below, this translates into an increase in total water revenue of \$163,736 or 4.59%. 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 2018, the Water Production and Distribution Fund was able to set aside \$960,000 into capital reserves 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 2018 finishing with revenues up \$565,845 or 18.1%. As in Water Production and Distribution, a financial analysis and rate study was conducted in 2015 by Springsted, Inc. to determine future rate structures 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, the City was able to set aside \$250,000 into capital reserves for such purposes. 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 2018. The City set aside reserves of \$200,909 in 2018 to help 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. In 2019, staff budgeted a recommended rate increase in an effort to continue to support reserves as future capital expenditures will increase in the near future including three new refuse trucks for 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 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 long-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 FINANCIAL STATEMENTS)

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 50 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.

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

THE CITY AS A WHOLE

TABLE 1
NET POSITION

	Governmental Activities	Business Type Activities	2018 Total Primary Government	2017 Total Primary Government
Current and Other Assets	\$ 17,493,564	43,496,637	60,990,201	61,587,335
Capital Assets	112,336,819	39,452,644	151,789,463	127,719,818
Total Assets	129,830,383	82,949,281	212,779,664	189,307,153
Deferred Outflows of Resources	1,716,171	90,796	1,806,967	1,867,446
Long-Term Debt				
Outstanding	9,920,000	20,335,610	30,255,610	15,528,734
Other Liabilities	11,578,220	1,022,834	12,601,054	12,204,557
Total Liabilities	21,498,220	21,358,444	42,856,664	27,733,291
Deferred Inflows of Resources	5,987,471	-	5,987,471	6,257,238
Net Investment in Capital Assets	91,537,758	19,062,443	110,600,201	105,338,387
Restricted	3,511,545	-	3,511,545	5,528,439
Unrestricted	9,011,560	42,619,190	51,630,750	46,317,244
Total Net Position	\$ 104,060,863	61,681,633	165,742,496	157,184,070

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	Primary Government		2018	2017	
				Capital Grants and Contributions	Governmental Activities			Business-Type Activities
Primary Government								
Governmental Activities								
General Government	\$ 12,661,010	743,634	14,543	-	(11,902,833)	-	(11,902,833)	(12,642,351)
Highway and Street	2,120,501	-	-	-	(2,120,501)	-	(2,120,501)	(2,238,647)
Culture and Recreation	3,142,387	295,237	-	-	(2,847,150)	-	(2,847,150)	(3,562,939)
Airport	2,084,944	152,573	-	1,221,567	(710,804)	-	(710,804)	(354,848)
Interest on Long-Term Debt	431,591	-	-	-	(431,591)	-	(431,591)	(450,060)
Total Governmental Activities	20,440,433	1,191,444	14,543	1,221,567	(18,012,879)	-	(18,012,879)	(19,248,845)
Business-Type Activities								
Water Production and Distribution	2,030,459	3,564,845	-	-	-	1,534,386	1,534,386	1,552,272
Water Reclamation and Reuse	1,360,026	3,675,768	-	-	-	2,315,742	2,315,742	1,937,918
Solid Waste, Storm Water and Water Conservation	1,707,531	2,103,605	-	-	-	396,074	396,074	469,106
Enterprise Reserves	1,831,651	90,868	-	-	-	(1,740,783)	(1,740,783)	(972,111)
Total Business-Type Activities	6,929,667	9,435,086	-	-	-	2,505,419	2,505,419	2,987,185
Total Primary Government	\$ 27,370,100	10,626,530	14,543	1,221,567	(18,012,879)	2,505,419	(15,507,460)	(16,261,660)
Component Unit								
Hays Public Library	\$ 1,529,981	7,003	32,358	49,492	-	-	-	-
General Revenues								
Property Taxes					\$ 6,257,316	-	6,257,316	6,011,390
Sales Tax					8,948,994	2,929,330	11,878,324	12,008,784
Franchise Taxes					1,415,111	-	1,415,111	1,441,152
Motor Fuel Taxes					614,326	-	614,326	606,204
Alcoholic Liquor Taxes					421,015	-	421,015	377,796
Transient Guest Taxes					910,234	-	910,234	867,634
Special Assessments					626,804	-	626,804	520,324
Unrestricted Interest Income					165,361	463,409	628,770	390,442
Life Insurance Proceeds					-	-	-	10,044
Miscellaneous					26,591	202,598	229,189	239,220
Reimbursements					1,084,797	-	1,084,797	505,306
Gain on Sale of Assets					-	-	-	31,348
Capital Contributed					(1,225,967)	1,225,967	-	-
Transfers					3,109,530	(3,109,530)	-	-
Total General Revenues and Transfers					22,354,112	1,711,774	24,065,886	23,009,644
Change in Net Position					4,341,233	4,217,193	8,558,426	6,747,984
Net Position - Beginning of Year					99,719,630	57,464,440	157,184,070	150,436,086
Net Position - End of Year					\$ 104,060,863	61,681,633	165,742,496	157,184,070

CITY OF HAYS, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of 2018, the City had \$151,789,463 invested in capital assets net of depreciation.

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

		Governmental Activities	Business-Type Activities	2018 Total Primary Government	2017 Total Primary Government
Land and Infrastructure	\$	90,971,130	8,027,909	98,999,039	95,236,294
R-9 Ranch		-	3,097,986	3,097,986	3,104,109
Building and Equipment		10,486,628	8,945,516	19,432,144	19,984,395
Construction in Process		10,879,061	19,381,233	30,260,294	9,395,020
Total	\$	112,336,819	39,452,644	151,789,463	127,719,818

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 2018 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 2018. The City's estimated annual amount of expenditures was \$1,277,465 compared to the actual expenditures of \$1,164,694.

Debt

At the end of 2018, the City had the following debt:

TABLE 4
OUTSTANDING DEBT AT YEAR-END

		Governmental Activities	Business-Type Activities	2018 Total Primary Government	2017 Total Primary Government
G.O. Bonds	\$	9,920,000	1,785,000	11,705,000	13,230,000
KDHE Revolving Loan		-	18,550,610	18,550,610	2,298,734
Total	\$	9,920,000	20,335,610	30,255,610	15,528,734

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, 2018
(With Comparative Totals as of December 31, 2017)

ASSETS	Primary Government				Hays Public Library
	Governmental Activities	Business-Type Activities	Totals		
			2018	2017	
Cash	\$ 8,930,463	42,632,753	51,563,216	52,149,775	2,675,032
Receivables, Net of Allowance for Uncollectibles	5,355,996	514,343	5,870,339	5,870,202	1,497,958
Due From Other Governments	56,344	-	56,344	40,001	-
Restricted Assets - Cash					
Budget Stabilization	3,150,761	-	3,150,761	3,197,011	-
Customer Deposits	-	349,541	349,541	330,346	-
Restricted Cash	-	-	-	-	10,949
Capital Assets, Net of Depreciation					
Land and Infrastructure	90,971,130	8,027,909	98,999,039	95,236,294	-
Depreciable Buildings and Equipment	10,486,628	8,945,516	19,432,144	19,984,395	2,955,466
R-9 Ranch	-	3,097,986	3,097,986	3,104,109	-
Construction in Process	10,879,061	19,381,233	30,260,294	9,395,020	87,266
Deferred Outflows of Resources					
Early Retirement on Debt Refunding, Net of Amortization	40,020	90,796	130,816	154,693	-
Deferred Outflows - Pension	1,676,151	-	1,676,151	1,712,753	137,553
Total Assets	\$ 131,546,554	83,040,077	214,586,631	191,174,599	7,364,224

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2018
(With Comparative Totals as of December 31, 2017)

<u>LIABILITIES</u>	Primary Government				Hays Public Library
	Governmental	Business-Type	Totals		
	Activities	Activities	2018	2017	
Accounts Payable	\$ 578,277	253,775	832,052	655,353	61,698
Accrued Payroll	341,901	70,434	412,335	375,880	34,832
Accrued Paid Time Off	513,863	116,045	629,908	583,037	23,037
Accrued Sick Leave Payout	28,879	-	28,879	27,768	-
Accrued Interest Payable	283,423	137,091	420,514	336,472	-
Customer Deposits	-	349,541	349,541	330,346	-
Net Pension Liability	9,676,954	-	9,676,954	9,609,153	478,663
Bond Premium, Net of Amortization	154,923	95,948	250,871	286,548	-
KDHE Water Pollution Revolving Loan					
Due Within One Year	-	1,224,447	1,224,447	-	-
Due in More Than One Year	-	17,326,163	17,326,163	2,298,734	-
General Obligation Bonds Payable					
Due Within One Year	1,295,000	275,000	1,570,000	1,525,000	-
Due in More Than One Year	8,625,000	1,510,000	10,135,000	11,705,000	-
Total Liabilities	21,498,220	21,358,444	42,856,664	27,733,291	598,230
Deferred Inflows of Resources					
Deferred Other Pension	631,475	-	631,475	873,193	49,307
Deferred Property Tax Receivable	5,355,996	-	5,355,996	5,384,045	1,497,958
Total Deferred Inflows of Resources	5,987,471	-	5,987,471	6,257,238	1,547,265
Total Liabilities and Deferred Inflows of Resources	\$ 27,485,691	21,358,444	48,844,135	33,990,529	2,145,495

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

CITY OF HAYS, KANSAS
Statement of Net Position
December 31, 2018
(With Comparative Totals as of December 31, 2017)

<u>NET POSITION</u>	<u>Primary Government</u>				<u>Hays Public Library</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>		
			<u>2018</u>	<u>2017</u>	
Net Investment in Capital Assets	\$ 91,537,758	19,062,443	110,600,201	105,338,387	3,042,732
Restricted for					
Budget Stabilization	3,012,011	-	3,012,011	3,197,011	-
Capital Improvements	221,687	-	221,687	2,116,890	-
Debt Service	277,847	-	277,847	214,538	-
Other	-	-	-	-	10,949
Unrestricted	9,011,560	42,619,190	51,630,750	46,317,244	2,165,048
Total Net Position	\$ 104,060,863	61,681,633	165,742,496	157,184,070	5,218,729

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, 2018
(With Comparative Totals as of December 31, 2017)

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		2018	2017	
					Governmental Activities	Business-Type Activities			
Primary Government									
Governmental Activities									
General Government	\$ 12,661,010	743,634	14,543	-	(11,902,833)	-	(11,902,833)	(12,642,351)	-
Highway and Street	2,120,501	-	-	-	(2,120,501)	-	(2,120,501)	(2,238,647)	-
Culture and Recreation	3,142,387	295,237	-	-	(2,847,150)	-	(2,847,150)	(3,562,939)	-
Airport	2,084,944	152,573	-	1,221,567	(710,804)	-	(710,804)	(354,848)	-
Interest on Long-Term Debt	431,591	-	-	-	(431,591)	-	(431,591)	(450,060)	-
Total Governmental Activities	20,440,433	1,191,444	14,543	1,221,567	(18,012,879)	-	(18,012,879)	(19,248,845)	-
Business-Type Activities									
Water Production and Distribution	2,030,459	3,564,845	-	-	-	1,534,386	1,534,386	1,552,272	-
Water Reclamation and Reuse	1,360,026	3,675,768	-	-	-	2,315,742	2,315,742	1,937,918	-
Solid Waste, Storm Water and Water Conservation	1,707,531	2,103,605	-	-	-	396,074	396,074	469,106	-
Enterprise Reserves	1,831,651	90,868	-	-	-	(1,740,783)	(1,740,783)	(972,111)	-
Total Business-Type Activities	6,929,667	9,435,086	-	-	-	2,505,419	2,505,419	2,987,185	-
Total Primary Government	\$ 27,370,100	10,626,530	14,543	1,221,567	(18,012,879)	2,505,419	(15,507,460)	(16,261,660)	-
Component Unit									
Hays Public Library	\$ 1,529,981	7,003	32,358	49,492	-	-	-	-	(1,441,128)
General Revenues									
Property Taxes					\$ 6,257,316	-	6,257,316	6,011,390	1,635,400
Sales Tax					8,948,994	2,929,330	11,878,324	12,008,784	-
Franchise Taxes					1,415,111	-	1,415,111	1,441,152	-
Motor Fuel Taxes					614,326	-	614,326	606,204	-
Alcoholic Liquor Taxes					421,015	-	421,015	377,796	-
Transient Guest Taxes					910,234	-	910,234	867,634	-
Special Assessments					626,804	-	626,804	520,324	-
Unrestricted Interest Income					165,361	463,409	628,770	390,442	7,594
Life Insurance Proceeds					-	-	-	10,044	-
Miscellaneous					26,591	202,598	229,189	239,220	19,714
Reimbursements					1,084,797	-	1,084,797	505,306	9,272
Gain on Sale of Assets					-	-	-	31,348	-
Capital Contributed					(1,225,967)	1,225,967	-	-	-
Transfers					3,109,530	(3,109,530)	-	-	-
Total General Revenues and Transfers					22,354,112	1,711,774	24,065,886	23,009,644	1,671,980
Change in Net Position					4,341,233	4,217,193	8,558,426	6,747,984	230,852
Net Position - Beginning of Year					99,719,630	57,464,440	157,184,070	150,436,086	4,987,877
Net Position - End of Year					\$ 104,060,863	61,681,633	165,742,496	157,184,070	5,218,729

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

CITY OF HAYS, KANSAS

Balance Sheet
Governmental Funds
December 31, 2018

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

	General Fund	Employee Benefits Fund	Bond and Interest Fund	Airport Improvement Fund	Other Governmental Funds	Totals	
						2018	2017
ASSETS							
Cash	\$ 2,113,326	1,120,298	277,847	276,075	5,142,917	8,930,463	11,301,050
Receivables, Net							
Other Receivable	-	-	-	-	-	-	46,164
Grants Receivable	-	-	-	-	-	-	72,603
Due From Other Governments	56,344	-	-	-	-	56,344	40,001
Taxes	-	2,461,317	733,481	-	2,161,198	5,355,996	5,384,045
Reserved Cash	3,150,761	-	-	-	-	3,150,761	3,197,011
Total Assets	\$ 5,320,431	3,581,615	1,011,328	276,075	7,304,115	17,493,564	20,040,874
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 151,629	624	-	54,388	371,636	578,277	376,145
Accrued Payroll	326,917	-	-	-	14,984	341,901	314,741
Accrued Paid Time Off	493,495	-	-	-	20,368	513,863	482,605
Accrued Sick Leave Payout	28,879	-	-	-	-	28,879	27,768
Total Liabilities	1,000,920	624	-	54,388	406,988	1,462,920	1,201,259
Deferred Inflows of Resources							
Deferred Property Tax Receivable	-	2,461,317	733,481	-	2,161,198	5,355,996	5,384,045
Total Liabilities and Deferred Inflows of Resources	1,000,920	2,461,941	733,481	54,388	2,568,186	6,818,916	6,585,304
Fund Balance							
Committed - Budget Stabilization	3,012,011	-	-	-	-	3,012,011	3,197,011
Assigned - Reserved for Encumbrances	179,070	-	-	221,331	6,015,166	6,415,567	25,780,557
Assigned - Designated for Subsequent Year Expenditures	1,128,430	945,197	187,696	-	1,108,531	3,369,854	3,747,960
Assigned	-	174,477	90,151	356	(2,387,768)	(2,122,784)	(19,269,958)
Total Fund Balance	4,319,511	1,119,674	277,847	221,687	4,735,929	10,674,648	13,455,570
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 5,320,431	3,581,615	1,011,328	276,075	7,304,115	17,493,564	20,040,874

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, 2018

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.	\$ 10,674,648
Capital assets and construction in process, net of depreciation, have not been included as financial resources in governmental fund activity on the balance sheet.	112,336,819
Long-term debt has not been included in the governmental funds activity on the balance sheet.	
General Obligation Bonds	(9,920,000)
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.	40,020
Premium on bonds payable is not due and payable in the current period and therefore, not reported as a liability in the funds.	(154,923)
Net pension liability has not been included in the governmental fund activity on the balance sheet.	(9,676,954)
Deferred pension contributions and other resulting from the pension liability are recognized as deferred outflows and inflows on the balance sheet.	1,044,676
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>(283,423)</u>
Net position of governmental activities as reported. (Statement 1)	<u>\$ 104,060,863</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, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	General Fund	Employee Benefits Fund	Bond and Interest Fund	Airport Improvement Fund	Other Governmental Funds	Totals	
						2018	2017
Revenues							
Taxes	\$ 7,102,327	3,043,597	1,427,814	-	4,259,376	15,833,114	15,628,873
Intergovernmental	154,882	-	-	1,221,567	1,805,236	3,181,685	2,535,994
Licenses and Fees	1,529,194	-	-	-	-	1,529,194	1,569,935
Fines and Forfeitures	617,951	-	-	-	-	617,951	650,451
Use of Money and Property	166,811	-	-	-	-	166,811	109,013
Collections	283,744	-	-	-	174,216	457,960	438,835
Prior Year Encumbrances Cancelled	17,038	-	-	-	9,554	26,592	26,940
Life Insurance Proceeds	-	-	-	-	-	-	10,044
Reimbursements	-	-	-	48,908	-	48,908	59,532
Miscellaneous	193,423	63,891	-	-	778,575	1,035,889	578,329
Total Revenues	10,065,370	3,107,488	1,427,814	1,270,475	7,026,957	22,898,104	21,607,946
Expenditures							
General Government	7,926,644	3,808,955	-	-	2,121,964	13,857,563	13,658,987
Highway and Street	936,561	-	-	-	1,180,255	2,116,816	2,202,815
Culture and Recreation	1,534,901	-	-	-	1,635,400	3,170,301	3,248,645
Airport	-	-	-	1,635,583	315,492	1,951,075	994,083
Debt Service	-	-	1,364,505	-	219,495	1,584,000	1,540,297
Capital Outlay	-	-	-	-	5,923,800	5,923,800	9,326,705
Total Expenditures	10,398,106	3,808,955	1,364,505	1,635,583	11,396,406	28,603,555	30,971,532
Excess (Deficiency) of Revenues Over Expenditures	(332,736)	(701,467)	63,309	(365,108)	(4,369,449)	(5,705,451)	(9,363,586)
Other Financing Sources (Uses)							
Proceeds From Issuance of GO Bonds	-	-	-	-	-	-	1,588,763
Transfers In	2,173,462	788,042	-	55,000	6,158,294	9,174,798	7,514,019
Transfers Out	(1,942,863)	-	-	-	(4,122,406)	(6,065,269)	(5,018,091)
Total Other Financing Sources (Uses)	230,599	788,042	-	55,000	2,035,888	3,109,529	4,084,691
Net Change in Fund Balance	(102,137)	86,575	63,309	(310,108)	(2,333,561)	(2,595,922)	(5,278,895)
Fund Balance - Beginning of Year	4,606,648	1,033,099	214,538	531,795	7,069,490	13,455,570	18,758,635
Decrease in Budget Stabilization	(185,000)	-	-	-	-	(185,000)	(24,170)
Fund Balance - End of Year	\$ 4,319,511	1,119,674	277,847	221,687	4,735,929	10,674,648	13,455,570

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, 2018

Net change in fund balance - total governmental funds (Statement 4)	\$ (2,595,922)
<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 (\$7,144,973) exceeded depreciation (\$1,462,542) in the current period.</p>	5,682,431
<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 repayments (\$1,260,000), which are recorded in the governmental funds.</p>	1,260,000
<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>	(185,000)
<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>	16,488
<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>	(5,717)
<p>An expense is recorded for pension liability when incurred. In the governmental funds, an expense is recorded when the benefits are paid.</p>	137,315
<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>	31,638
Change in net position of governmental activities (Statement 2).	\$ 4,341,233

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, 2018
(With Comparative Totals as of December 31, 2017)

	Business-type Activities Enterprise Funds				Totals	
	Water Production and Distribution Fund	Water Reclamation and Reuse Fund	Solid Waste Stormwater Management and Water Conservation Funds	Other Non-Major Enterprise Funds	2018	2017
ASSETS						
Current Assets						
Cash						
Operating Account	\$ 275,569	1,070,884	530,804	40,755,496	42,632,753	40,848,725
Accounts Receivable, Net of Allowance for Uncollectibles	183,787	207,108	123,448	-	514,343	367,390
Total Current Assets	459,356	1,277,992	654,252	40,755,496	43,147,096	41,216,115
Noncurrent Assets						
Restricted Cash						
Customer Deposits	349,541	-	-	-	349,541	330,346
Capital Assets						
Land and Right-of-Ways	446,274	-	-	-	446,274	446,274
Infrastructure	15,207,776	1,879,773	68,723	-	17,156,272	18,579,455
Equipment	10,905,875	1,095,008	2,028,271	-	14,029,154	13,828,691
R-9 Ranch	4,262,040	-	-	-	4,262,040	4,262,040
Building and Structures	1,790,520	10,285,544	294,594	-	12,370,658	12,109,620
Construction in Process	-	19,381,233	-	-	19,381,233	2,298,734
	32,612,485	32,641,558	2,391,588	-	67,645,631	51,524,814
Accumulated Depreciation	(19,307,613)	(7,095,281)	(1,790,093)	-	(28,192,987)	(30,459,384)
Net Capital Assets	13,304,872	25,546,277	601,495	-	39,452,644	21,065,430
Other Assets						
Early Retirement on Debt Refunding, Net of Amortization	63,557	27,239	-	-	90,796	108,956
Total Noncurrent Assets	13,717,970	25,573,516	601,495	-	39,892,981	21,504,732
Total Assets	\$ 14,177,326	26,851,508	1,255,747	40,755,496	83,040,077	62,720,847

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, 2018
(With Comparative Totals as of December 31, 2017)

	Business-type Activities				Enterprise Funds	
	Water	Water	Solid Waste	Other Non-Major	Totals	
	Production and Distribution Fund	Reclamation and Reuse Fund	Stormwater Management and Water Conservation Funds		Enterprise Funds	2018
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 51,629	95,089	84,308	7,605	238,631	265,070
Sales Tax	7,579	-	-	-	7,579	6,000
State Water Fee	7,565	-	-	-	7,565	8,138
Accrued Payroll	25,560	21,883	22,991	-	70,434	61,139
Accrued Paid Time Off	46,619	32,423	37,003	-	116,045	100,432
Total Current Liabilities	138,952	149,395	144,302	7,605	440,254	440,779
Current Liabilities Payable From Restricted Assets						
GO Refunding Bond - Series 2017-B	192,500	82,500	-	-	275,000	265,000
KDHE Water Pollution Revolving Loan	-	1,224,447	-	-	1,224,447	-
Customer Deposits	345,041	-	-	-	345,041	325,846
Monitoring Well Deposits	4,500	-	-	-	4,500	4,500
Accrued Interest	12,495	124,596	-	-	137,091	21,411
Total Current Liabilities Payable From Restricted Assets	554,536	1,431,543	-	-	1,986,079	616,757
Noncurrent Liabilities						
GO Refunding Bond - Series 2017-B	1,057,000	453,000	-	-	1,510,000	1,785,000
KDHE Water Pollution Revolving Loan	-	17,326,163	-	-	17,326,163	2,298,734
Bond Premium, Net of Amortization	67,164	28,784	-	-	95,948	115,137
Total Noncurrent Liabilities	1,124,164	17,807,947	-	-	18,932,111	4,198,871
Total Liabilities	1,817,652	19,388,885	144,302	7,605	21,358,444	5,256,407
NET POSITION						
Net Position						
Invested in Capital Assets, Net of Related Debt	12,042,877	6,418,071	601,495	-	19,062,443	16,960,285
Unrestricted	316,797	1,044,552	509,950	40,747,891	42,619,190	40,055,135
Total Net Position	\$ 12,359,674	7,462,623	1,111,445	40,747,891	61,681,633	57,464,440
Net Position of Business-Type Activities (Statement 1)					\$ 61,681,633	57,464,440

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, 2018
(With Comparative Totals as of December 31, 2017)

	Business-type Activities				Totals	
	Enterprise Funds				2018	2017
	Water Production and Distribution Fund	Water Reclamation and Reuse Fund	Solid Waste Stormwater Management and Water Conservation Funds	Other Non-Major Enterprise Funds		
Operating Revenues						
Charges for Sales and Services						
Water Sales	\$ 3,114,267	-	-	-	3,114,267	2,970,540
Water Sales Conservation Rate	331,624	-	-	-	331,624	356,116
Total Water Sales	3,445,891	-	-	-	3,445,891	3,326,656
Sewer Charges	-	3,580,426	-	-	3,580,426	3,087,056
Refuse Collections	-	-	1,300,400	-	1,300,400	1,293,824
Stormwater Fees	-	-	793,588	-	793,588	790,219
Tap Fees	30,218	-	-	-	30,218	39,046
Sales and Other Charges	88,736	95,342	9,617	-	193,695	107,111
Reimbursed Expense	-	-	-	90,868	90,868	4,488
Total Operating Revenues	<u>3,564,845</u>	<u>3,675,768</u>	<u>2,103,605</u>	<u>90,868</u>	<u>9,435,086</u>	<u>8,648,400</u>
Operating Expenses						
Wastewater Treatment and Collection	-	1,082,028	-	-	1,082,028	916,464
Water Production and Distribution	1,604,039	-	-	-	1,604,039	1,408,748
Refuse Collection	-	-	852,932	-	852,932	771,268
Stormwater Management	-	-	420,333	-	420,333	330,608
Projects	-	-	-	1,831,651	1,831,651	976,599
Amortization	(721)	(309)	-	-	(1,030)	18,159
Depreciation	379,313	242,556	82,799	-	704,668	706,153
Total Operating Expenses	<u>1,982,631</u>	<u>1,324,275</u>	<u>1,356,064</u>	<u>1,831,651</u>	<u>6,494,621</u>	<u>5,127,999</u>
Net Operating Income (Loss)	<u>1,582,214</u>	<u>2,351,493</u>	<u>747,541</u>	<u>(1,740,783)</u>	<u>2,940,465</u>	<u>3,520,401</u>
Nonoperating Revenues (Expenses)						
Local Sales Tax	-	-	2,929,331	-	2,929,331	2,911,624
Interest Income	23,373	27,454	412,582	-	463,409	282,629
Rent on R-9 Ranch	-	-	146,590	-	146,590	126,085
Prior Year Encumbrances Cancelled	85	52,764	3,158	-	56,007	86,194
Interest Expense	(47,828)	(18,202)	-	-	(66,030)	(40,953)
Cost of Issuance - GO Bond	-	-	-	-	-	(38,782)
KDHE Loan Service Fee	-	(17,549)	-	-	(17,549)	(3,975)
R-9 Ranch Expenses	-	-	(160,648)	-	(160,648)	(152,481)
Water Exploration	-	-	(190,819)	-	(190,819)	(297,025)
Net Nonoperating Revenues (Expenses)	<u>(24,370)</u>	<u>44,467</u>	<u>3,140,194</u>	<u>-</u>	<u>3,160,291</u>	<u>2,873,316</u>
Income (Loss) Before Transfers	<u>1,557,844</u>	<u>2,395,960</u>	<u>3,887,735</u>	<u>(1,740,783)</u>	<u>6,100,756</u>	<u>6,393,717</u>
Capital Contributed - Non Cash	987,431	69,619	168,917	-	1,225,967	(97,068)
Transfers In	-	-	16,500	4,101,699	4,118,199	5,851,479
Transfers Out	(1,552,792)	(1,025,023)	(4,099,866)	(550,048)	(7,227,729)	(8,347,407)
Change in Net Position	<u>992,483</u>	<u>1,440,556</u>	<u>(26,714)</u>	<u>1,810,868</u>	<u>\$ 4,217,193</u>	<u>3,800,721</u>
Net Position - Beginning of Year	<u>11,367,191</u>	<u>6,022,067</u>	<u>1,138,159</u>	<u>38,937,023</u>		
Net Position - End of Year	<u>\$ 12,359,674</u>	<u>7,462,623</u>	<u>1,111,445</u>	<u>40,747,891</u>		
Change in Net Position of Business-Type Activities (Statement 2)					<u>\$ 4,217,193</u>	<u>3,800,721</u>

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, 2018
(With Comparative Totals as of December 31, 2017)

	Business-type Activities Enterprise Funds				Totals	
	Water Production and Distribution Fund	Water Reclamation and Reuse Fund	Solid Waste Stormwater Management and Water Conservation Funds	Other Non-Major Enterprise Funds	2018	2017
Cash Flows From Operating Activities						
Receipts From Customers	\$ 3,522,901	3,597,145	2,099,570	90,867	9,310,483	8,756,202
Payments to Suppliers	(924,738)	(538,238)	(711,529)	(1,936,009)	(4,110,514)	(2,967,273)
Payments to Employees	(650,858)	(452,428)	(524,859)	-	(1,628,145)	(1,407,633)
Net Cash Provided (Used) by Operating Activities	<u>1,947,305</u>	<u>2,606,479</u>	<u>863,182</u>	<u>(1,845,142)</u>	<u>3,571,824</u>	<u>4,381,296</u>
Cash Flows From Investing Activities						
Rental Income	-	-	146,590	-	146,590	126,085
Rental Expenses	-	-	(160,648)	-	(160,648)	(152,481)
Interest on Investments	23,373	27,454	412,582	-	463,409	282,629
Net Cash Provided by Investing Activities	<u>23,373</u>	<u>27,454</u>	<u>398,524</u>	<u>-</u>	<u>449,351</u>	<u>256,233</u>
Cash Flows From Noncapital Financing Activities						
Transfers to Other Funds	(1,552,792)	(1,025,023)	(4,083,366)	3,551,651	(3,109,530)	(2,495,928)
Cash Flows From Capital and Related Financing Activities						
Purchase and Construction of Capital Assets	(437,419)	(17,412,317)	(16,175)	-	(17,865,911)	(772,950)
Water Exploration	-	-	(190,819)	-	(190,819)	(297,025)
Interest Paid	(50,321)	99,971	-	-	49,650	(56,808)
GO Bond Refunding	-	-	-	-	-	(783,013)
KDHE Loan Proceeds	-	17,082,499	-	-	17,082,499	-
KDHE Service Fee	-	(17,549)	-	-	(17,549)	(3,975)
KDHE Principal Payments	-	(830,623)	-	-	(830,623)	-
Principal Payments - Bonds	(185,500)	(79,500)	-	-	(265,000)	-
Local Sales Tax	-	-	2,929,331	-	2,929,331	2,911,624
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(673,240)</u>	<u>(1,157,519)</u>	<u>2,722,337</u>	<u>-</u>	<u>891,578</u>	<u>997,853</u>
Net Increase (Decrease) in Cash	(255,354)	451,391	(99,323)	1,706,509	1,803,223	3,139,454
Cash - Beginning of Year	880,464	619,493	630,127	39,048,987	41,179,071	38,039,617
Cash - End of the Year	<u>\$ 625,110</u>	<u>1,070,884</u>	<u>530,804</u>	<u>40,755,496</u>	<u>42,982,294</u>	<u>41,179,071</u>
Cash Per Statement 5						
Operating Account					\$ 42,632,753	40,848,725
Restricted Cash					349,541	330,346
Total Cash Per Statement 5					\$ 42,982,294	41,179,071

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, 2018
(With Comparative Totals as of December 31, 2017)

	Business-type Activities Enterprise Funds				Totals	
	Water Production and Distribution Fund	Water Reclamation and Reuse Fund	Solid Waste Stormwater Management and Water Conservation Funds	Other Non-Major Enterprise Funds	2018	2017
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Net Operating Income (Loss)	\$ 1,582,214	2,351,493	747,541	(1,740,783)	2,940,465	3,520,401
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation and Amortization	378,592	242,247	82,799	-	703,638	724,312
(Increase) Decrease in Accounts Receivable	(61,140)	(78,623)	(7,190)	-	(146,953)	(28,470)
Increase (Decrease) in Accounts Payable	19,308	83,750	30,868	(104,359)	29,567	109,750
Increase in Accrued Liabilities	28,331	7,612	9,164	-	45,107	55,303
Net Cash Provided (Used) by Operating Activities	\$ 1,947,305	2,606,479	863,182	(1,845,142)	3,571,824	4,381,296

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, 2018
(With Comparative Totals as of December 31, 2017)

	Police Judge	TDD Sales Tax District	CID #1	CID #2	CID #3	Economic Development	Totals	
							2018	2017
ASSETS								
Cash	\$ 100,698	288,704	16,909	17,425	2,117	4,244	430,097	159,023
LIABILITIES AND NET POSITION								
Liabilities								
Other Payables	11,006	23,811	-	-	-	-	34,817	34,232
Due to Other Funds	56,344	-	-	-	-	-	56,344	40,001
Total Liabilities	67,350	23,811	-	-	-	-	91,161	74,233
Net Position								
Reserved for Debt	33,348	264,893	-	-	-	-	298,241	44,664
Reserved for Improvements	-	-	16,909	17,425	2,117	4,244	40,695	40,126
Total Net Position	\$ 33,348	264,893	16,909	17,425	2,117	4,244	338,936	84,790

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

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2018

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, 2018

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, 2018

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, 2018

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, 2018.

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 Transfers Out		Beginning Reserve for		Ending Reserve for		Expenditures and Transfers out Per Budget Basis
	Per Fund Statement	Beginning Encumbrances	Budget Stabilization	Ending Encumbrances	Budget Stabilization		
General Fund	\$ 12,340,969	(95,595)	(3,197,011)	364,070	3,012,011	12,424,444	
Bond and Interest Fund	1,364,505	-	-	-	-	1,364,505	
Employee Benefits Fund	3,808,955	-	-	-	-	3,808,955	

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 Transfers Out				Beginning Encumbrances	Ending Encumbrances	Expenditures and Transfers out Per Budget Basis
	Per Fund Statement	Capital Asset Adjustments	Depreciation Expense	Debt Adjustments			
Water Production and Distribution Fund	\$ 3,583,251	437,417	(378,592)	187,993	(11,246)	63,010	3,881,833
Water Reclamation and Reuse Fund	2,385,049	17,151,281	(242,247)	1,052,988	(98,733)	121,082	20,369,420

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2018

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 10 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 2023. 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, 2018

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 2018, 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 2018 to maintain and preserve the street infrastructure at a minimum condition level of "Fair" for 2018. It also shows the amounts actually expended for each of the past four reporting periods.

	2014	2015	2016	2017	2018	Totals
Estimated	\$ 598,352	708,082	1,172,237	1,255,293	1,277,465	5,011,429
Actual	529,126	578,463	1,057,792	1,164,516	1,180,255	4,510,152

Capital asset activity for the year ended December 31, 2018 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	\$ 25,361,854	-	-	25,361,854
Infrastructure (Modified Approach)	63,086,706	2,522,570	-	65,609,276
Construction in Process	7,096,286	4,703,021	(920,246)	10,879,061
Total Non-Depreciable Capital Assets	95,544,846	7,225,591	-	101,850,191
Depreciable Capital Assets				
Buildings	13,295,309	337,947	-	13,633,256
Machinery and Equipment	16,654,883	501,681	(208,407)	16,948,157
Total Depreciable Capital Assets	29,950,192	839,628	(208,407)	30,581,413
Accumulated Depreciation	(18,840,650)	(1,462,542)	208,407	(20,094,785)
Depreciable Capital Assets, Net of Accumulated Depreciation	11,109,542	(622,914)	-	10,486,628
Governmental Activities, Capital Assets Net of Accumulated Depreciation	\$ 106,654,388	6,602,677	-	112,336,819

CITY OF HAYS, KANSAS
Notes to Financial Statements
December 31, 2018

Primary Government	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities				
Non-Depreciable Capital Assets				
Land	\$ 446,274	-	-	446,274
Construction in Process	2,298,734	17,082,499	-	19,381,233
Total Non-Depreciable Capital Assets	2,745,008	17,082,499	-	19,827,507
Depreciable Capital Assets				
R-9 Ranch	4,262,040	-	-	4,262,040
Infrastructure	18,579,454	1,547,881	(2,971,063)	17,156,272
Buildings Machinery and Equipment	12,109,621	261,039	-	12,370,660
Machinery and Equipment	13,828,691	200,463	-	14,029,154
Total Depreciable Capital Assets	48,779,806	2,009,383	(2,971,063)	47,818,126
Accumulated Depreciation	(30,459,384)	(704,668)	2,971,063	(28,192,989)
Depreciable Capital Assets, Net of Accumulated Depreciation	18,320,422	1,304,715	-	19,625,137
Business-Type Activities, Capital Assets Net of Accumulated Depreciation	\$ 21,065,430	18,387,214	-	39,452,644

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, 2018, the City had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in years) Less than One	Rating
U.S. Treasury Notes	\$ 7,679,678	7,707,000	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, 2018

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, 2018, 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 2018. All deposits were legally secured at December 31, 2018.

At December 31, 2018, the City's carrying amount of deposits, including certificates of deposit, was \$47,813,939. The bank balance was \$47,881,227. Of the bank balance, \$1,250,000 was covered by FDIC insurance and \$46,631,227 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, 2018 has been estimated at \$629,908.

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.

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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.

As provided by K.S.A.74-4927, disabled members in the Kansas Public Employees Retirement System (KPERs) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERs that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2018. However, the cost of this benefit has not been quantified in these financial statements.

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, 2018 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;

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or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.

- Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".
- In the governmental fund financial statements, fund balance is 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 net 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 6 – 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

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which they are levied. Additionally, the City reports collective deferred inflow of resources related to pensions, which is described in more detail in Note 6 – Defined Benefit Pension Plan.

Special Assessments

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

NOTE 2 - LONG-TERM DEBT

General Obligation Bonds

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

Purpose	Interest Rates	Amount
Governmental Type Activities	1.10 – 5.375%	\$9,920,000
Business Type Activities	3.00%	\$1,785,000

The annual requirements to retire G.O. Bonds as of December 31, 2018 are as follows:

Year	Principal Due	Interest Due	Total
2019	\$ 1,570,000	336,972	1,906,972
2020	1,610,000	296,515	1,906,515
2021	1,670,000	254,258	1,924,258
2022	1,570,000	209,807	1,779,807
2023	1,410,000	164,088	1,574,088
2024-2028	3,275,000	579,587	3,854,587
2029-2032	600,000	48,218	648,218
Total	\$ 11,705,000	1,889,445	13,594,445

Revolving Loan

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

Purpose	Interest Rates	Amount
Business-Type Activities	2.27%	\$18,550,610

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2018 are as follows:

Year	Principal Due	Interest Due	Total
2019	\$ 1,224,447	592,944	1,817,391
2020	1,252,399	568,070	1,820,469
2021	1,280,990	542,628	1,823,618
2022	1,310,234	516,605	1,826,839
2023	1,340,145	489,988	1,830,133

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	2024-2028	7,173,842	2,028,929	9,202,771
	2029-2032	<u>4,968,553</u>	<u>1,019,226</u>	5,987,779
Total	\$	<u>18,550,610</u>	<u>5,758,390</u>	<u>24,309,000</u>

Long-term debt activity for the year ended December 31, 2018 was as follows:

		<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
G.O. Bonds	\$	11,180,000	-	(1,260,000)	9,920,000	1,295,000
Business-Type Activities						
G.O. Bond		2,050,000	-	(265,000)	1,785,000	275,000
KDHE Revolving Loan		<u>2,298,734</u>	<u>17,082,499</u>	<u>(830,623)</u>	<u>18,550,610</u>	<u>1,224,447</u>
Total Long-Term Liabilities	\$	<u>15,528,734</u>	<u>17,082,499</u>	<u>(2,355,623)</u>	<u>30,255,610</u>	<u>2,794,447</u>

NOTE 3 - 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 4 - GRANTS AND SHARED REVENUES

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

NOTE 5 – 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, 2018 were as follows: (See following page.)

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From Fund	To Fund	Statutory Authority	Amount
Water Production and Distribution	General	12-825d	\$ 563,655
Solid Waste	General	12-825d	226,491
Convention and Visitor's Bureau	General	Commission Approved	105,120
Special Alcohol Program	General	79-41a04	39,876
Water Reclamation and Reuse	General	12-825d	507,555
Stormwater Management	General	12-825d	66,980
Sports Complex	General	79-2925	219,185
Water Conservation	General	12-825d	444,600
Water Reclamation and Reuse	Employee Benefits	12-825d	179,286
Solid Waste	Employee Benefits	12-825d	167,616
Water Production and Distribution	Employee Benefits	12-825d	261,530
Water Conservation	Employee Benefits	12-825d	23,906
Convention and Visitor's Bureau	Employee Benefits	12-16,102	77,475
Special Alcohol Program	Employee Benefits	79-41a04	21,689
Stormwater Management	Employee Benefits	12-825d	38,843
Sports Complex	Employee Benefits	12-16,102	17,697
General	New Equipment Reserve	12-1,117	226,363
Airport	New Equipment Reserve	12-1,117	7,794
Convention and Visitor's Bureau	New Equipment Reserve	12-1,117	2,857
Water Production and Distribution	New Equipment Reserve	12-1,117	15,824
Water Conservation	New Equipment Reserve	12-1,117	2,802
Water Reclamation and Reuse	New Equipment Reserve	12-1,117	38,182
Public Safety Equipment	New Equipment Reserve	12-1,117	308,000
Stormwater Management	New Equipment Reserve	12-1,117	38,712
Solid Waste	Solid Waste Reserve	12-825d	184,734
Water Conservation	Water Sales Tax Reserve	12-825d	2,545,922
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	300,000
Water Production and Distribution	Water Production and Distribution Reserve	12-825d	711,783
Water Production and Distribution Reserve	Capital Projects	12-1,118	531,836
General	City Commission Capital Reserve	Commission Approved	1,200,000
Airport	Airport Improvement	12-1,118	55,000
Stormwater Management	Stormwater Reserve	12-825d	359,260
Convention and Visitor's Bureau	Special Parks and Recreation	Commission Approved	75,000
Convention and Visitor's Bureau	Capital Projects	12-1,118	424,108
Public Safety Equipment	Capital Projects	12-1,118	50,000
Stormwater Management Reserve	Capital Projects	12-1,118	18,212
City Commission Capital Reserve	Capital Projects	Commission Approved	2,793,605

In the fund financial statements, total transfers in of \$3,109,530 are equal to the total transfers out of \$3,109,530 from the business-type funds.

NOTE 6 – 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

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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.

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.

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.

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, 2018.

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

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are both 8.39%. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory employer capped contribution rate for police and firemen employees are both 20.09%. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2018 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, 2018 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, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the City's proportion for local employees was 0.307%, which was an increase of 0.001% from its proportion measured at June 30, 2017. At June 30, 2018, the City's proportion for police and firemen was 0.562%, which was a decrease of 0.010% from its proportion measured at June 30, 2017.

Net Pension Liability

At December 31, 2018, the City reported a liability for local employees of \$4,273,943 and for police and firemen of \$5,403,011 for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Price inflation	2.75%
Salary increase	3.50 to 12.00%, including inflation
Investment 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, 2017 valuation were based on the results of an

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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	%	6.85	%
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>	%		

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 2018 was 1.2%.

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:

Local Employees			
<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>	
\$6,268,365	\$4,273,943	\$2,588,481	
Police and Firemen			
<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>	
\$7,700,367	\$5,403,011	\$3,479,620	

Pension Expense

For the year ended December 31, 2018, the City recognized pension expense of \$925,913, 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.

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Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, 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	\$ 345,570	146,067
Net differences between projected and actual earnings on investments	240,595	-
Changes in assumptions	469,599	449,913
Changes in proportion	69,143	35,495
City contributions subsequent to measurement date	551,244	-
Total	\$ 1,676,151	631,475

The \$551,244 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, 2018. 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	
2019	\$ 346,224
2020	174,627
2021	(93,588)
2022	55,267
2023	10,902
Thereafter	-

NOTE 7 - 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 200 participating members. The City joined MPR in July 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 \$250,000 and liability claims in excess of \$500,000 for each insured event. During 2018, the City contributed \$223,753 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, sewer liability, law enforcement liability, cyber, crime, automobile, earthquake, flood and public official/employment liability coverage.

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

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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 2018, the City contributed \$158,460 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 8– 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. This agreement ended in 2018.

NOTE 9 – CAPITAL PROJECTS

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

	<u>Project Authorization</u>	<u>Expenditures To Date</u>
Wastewater Treatment Plant Improvements	\$ 19,381,233	\$ 19,381,233

NOTE 10 – 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 11 – 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, 2018, **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, 2020.

NOTE 12 – TAX ABATEMENTS

As of December 31, 2018, 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

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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	\$ 12,097
Economic Assistance Initiative	<u>519,404</u>
Total Tax Abatements	\$ <u>531,501</u>

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 25, 2019, 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, 2018, 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 25, 2019. The report on the audited financial statements was qualified because it did not include the required annual cost and long-term obligations of the other postemployment benefits as required by Governmental Auditing Standards Board Statements Number 75 and accounting principles generally accepted in the United States of America.

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 25, 2019



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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, 2018. **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 federal statutes, regulations, and the terms and conditions of its federal awards 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 and the Passenger Facility Charge 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, 2018.

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 25, 2019

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, 2018

	2018 KPERs	2018 KP&F	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	0.307%	0.562%	0.306%	0.552%	0.311%	0.576%	0.318%	0.622%
The City's proportionate share of the net pension liability	\$ 4,273,943	5,403,011	4,436,228	5,172,925	4,814,120	5,350,699	4,179,222	4,514,070
The City's covered-employee payroll	\$ 5,666,288	2,936,123	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	75.43%	184.02%	82.30%	188.38%	88.59%	191.54%	79.62%	163.59%
Plan's fiduciary net position	\$ 19,696,209,235		18,633,840,421		17,192,432,371		16,635,520,735	
Plan fiduciary net position as a percentage of the total pension liability	68.88%		67.12%		65.09%		64.95%	

Notes to Schedule

Changes of assumptions and other inputs

- Price inflation lowered from 3.00% to 2.75%
- Investment return was lowered from 8.00% to 7.75%
- General wage growth was lowered from 4.00% to 3.50%
- Payroll growth was lowered from 4.00% to 3.00%

GASB No. 68 requires presentation of ten years. Until a full 10 year trend is compiled, the City will present information for those years for which information is available.

See independent auditors' report.

CITY OF HAYS, KANSAS
Schedule of the City's Contributions
Kansas Public Employees Retirement System
December 31, 2018

		2018 KPERS	2018 KP&F	2017 KPERS	2017 KP&F	2016 KPERS	2016 KP&F	2015 KPERS	2015 KP&F
Contractually required contribution	\$	462,393	558,616	479,061	543,730	497,772	572,197	497,624	589,420
Contributions in relation to the contractually required contribution		<u>462,393</u>	<u>558,616</u>	<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>	<u>-</u>	<u>-</u>
The City's covered-employee payroll		5,666,288	2,936,123	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		8.16%	19.03%	8.89%	19.80%	9.16%	20.48%	9.48%	21.36%

GASB No. 68 requires presentation of ten years. Until a full 10 year trend is compiled, the City will present information for those years for which information is available.

See independent auditors' report.

CITY OF HAYS, KANSAS

Supplementary Information

CITY OF HAYS, KANSAS
General Fund
Balance Sheets
December 31, 2018 and 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Cash	\$ 2,113,326	2,271,693
Receivables		
Accounts Receivable, Net of Allowance for Uncollectibles	56,344	64,900
Other Asset		
Reserved Cash - Budget Stabilization	3,150,761	3,197,011
Total Assets	\$ 5,320,431	5,533,604
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 151,629	132,908
Accrued Payroll	326,917	300,545
Accrued Paid Time Off	493,495	465,735
Accrued Sick Leave Payout	28,879	27,768
Total Liabilities	1,000,920	926,956
Fund Balance		
Committed - Budget Stabilization	3,012,011	3,197,011
Assigned - Reserved for Encumbrances	179,070	95,595
Assigned - Designated for Subsequent Year Expenditures	1,128,430	1,314,042
Total Fund Balance	4,319,511	4,606,648
Total Liabilities and Fund Balance	\$ 5,320,431	5,533,604

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, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018		Variance Positive (Negative)	2017 Actual
	Original and Final Budget	Actual		
Revenues (Statement 9-1, Page 3)	\$ 10,146,322	10,065,370	(80,952)	10,183,554
Expenditures (Statement 9-1, Page 4)	10,964,128	10,481,581	482,547	10,140,392
Excess Revenues Over (Under) Expenditures	(817,806)	(416,211)	401,595	43,162
Other Financing Sources (Uses)				
Transfers In	2,146,699	2,173,462	26,763	2,026,887
Transfers Out	(1,527,011)	(1,942,863)	(415,852)	(2,383,643)
Total Other Financing Sources (Uses)	619,688	230,599	(389,089)	(356,756)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(198,118)	(185,612)	12,506	(313,594)
Fund Balance - Beginning	1,640,765	4,606,648	2,965,883	4,919,899
Decrease in Reserve for Budget Stabilization	-	(185,000)	(185,000)	(24,170)
Increase (Decrease) in Reserve for Encumbrances	-	83,475	83,475	24,513
Fund Balance - Ending	\$ <u>1,442,647</u>	<u>4,319,511</u>	<u>2,876,864</u>	<u>4,606,648</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, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018		Variance Positive (Negative)	2017 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Local Sales	\$ 7,275,000	7,102,327	(172,673)	7,153,684
Intergovernmental				
Liquor Tax	128,197	140,339	12,142	125,932
Federal Grant	-	14,543	14,543	6,813
Total Intergovernmental	128,197	154,882	26,685	132,745
Licenses and Permits				
Franchise Tax	1,413,000	1,415,111	2,111	1,441,152
Licenses	44,025	44,444	419	62,084
Permits	66,500	69,639	3,139	66,699
Total Licenses and Permits	1,523,525	1,529,194	5,669	1,569,935
Fines and Forfeitures				
Fines and Court Fees	638,300	617,951	(20,349)	650,451
Use of Money and Property				
Interest Income	120,000	165,361	45,361	107,813
Rent	1,200	1,450	250	1,200
Total Use of Money and Property	121,200	166,811	45,611	109,013
Miscellaneous				
Golf Course Fees	290,000	273,594	(16,406)	279,494
Cemetery Receipts	14,800	10,150	(4,650)	10,955
Miscellaneous Receipts	155,300	179,065	23,765	125,159
Sale of Assets	-	14,358	14,358	128,625
Reimbursed Expenses	-	-	-	4,910
Prior Year Encumbrances Cancelled	-	17,038	17,038	18,583
Total Miscellaneous	460,100	494,205	34,105	567,726
Total Revenues	\$ 10,146,322	10,065,370	(80,952)	10,183,554

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, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			2017 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Expenditures				
City Commission	\$ 23,989	16,090	7,899	16,206
City Manager	485,540	440,324	45,216	385,042
Human Resources	192,518	169,162	23,356	178,545
Information Technology	597,795	598,979	(1,184)	561,734
Communication Center	560,561	532,453	28,108	539,786
City Attorney	131,600	109,361	22,239	104,664
Finance - City Clerk	382,070	384,689	(2,619)	375,919
Intergovernmental Account	344,000	334,784	9,216	334,652
Police Department	2,163,402	2,183,832	(20,430)	1,982,417
Municipal Court	128,032	125,664	2,368	125,021
Public Works - General Administration	289,460	171,450	118,010	236,550
Service Division	808,359	765,111	43,248	801,749
Planning, Inspection, and Enforcement	355,615	323,001	32,614	309,559
Building and Grounds	494,500	462,416	32,084	431,582
Fleet Maintenance	623,926	610,867	13,059	518,238
Fire Department	1,465,976	1,382,574	83,402	1,372,620
Parks and Playgrounds	938,362	870,132	68,230	861,863
Golf Course	363,743	373,005	(9,262)	336,453
Swimming Pool	82,700	79,896	2,804	116,876
Ballfield Maintenance	30,800	11,741	19,059	15,893
Cemeteries	12,200	10,472	1,728	6,064
Bickle-Schmidt Sports Complex	191,205	200,127	(8,922)	143,591
Social Services	164,000	164,000	-	164,000
Economic Development	133,775	160,772	(26,997)	221,368
Project Management	-	679	(679)	-
Total Expenditures	\$ 10,964,128	10,481,581	482,547	10,140,392

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Fund
Balance Sheets
December 31, 2018 and 2017

<u>ASSETS</u>			
	<u>2018</u>	<u>2017</u>	
Cash	\$ 90,836	69,589	
Taxes Receivable	1,246,878	1,239,577	
Total Assets	\$ 1,337,714	1,309,166	
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
Deferred Inflows of Resources			
Deferred Property Tax Receivable	\$ 1,246,878	1,239,577	
Fund Balance			
Assigned - Designated for Subsequent Year Expenditures	39,191	29,641	
Assigned	51,645	39,948	
Total Fund Balance	90,836	69,589	
Total Deferred Inflows of Resources and Fund Balance	\$ 1,337,714	1,309,166	

Library Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	<u>2018</u>			<u>2017 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	
Revenues				
Taxes				
Ad Valorem	\$ 1,291,226	1,279,653	(11,573)	1,206,015
Delinquent	-	7,483	7,483	11,101
Motor Vehicle	93,221	145,998	52,777	131,121
Recreational Vehicle	2,193	2,153	(40)	2,030
16/20M Truck	934	760	(174)	863
Commercial Vehicle	5,941	7,867	1,926	7,655
Neighborhood Revit Rebate	(3,257)	(2,785)	(472)	(3,524)
Tax Increment Financing Dist (TIF)	(13,899)	(16,082)	2,183	(14,236)
Total Revenues	1,376,359	1,425,047	52,110	1,341,025
Expenditures				
Distributions to Library Board	1,406,000	1,403,800	2,200	1,381,063
Excess Revenues Over (Under)				
Expenditures	(29,641)	21,247	54,310	(40,038)
Fund Balance - Beginning	29,641	69,589	39,948	109,627
Fund Balance - Ending	\$ -	90,836	94,258	69,589

See independent auditors' report.

CITY OF HAYS, KANSAS
Library Employee Benefits Fund
 Balance Sheets
 December 31, 2018 and 2017

ASSETS			
		2018	2017
Cash	\$	13,685	10,883
Taxes Receivable		271,514	206,714
Total Assets	\$	285,199	217,597
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources			
Deferred Property Tax Receivable	\$	271,514	206,714
Fund Balance			
Assigned - Designated for Subsequent Year Expenditures		6,200	4,572
Assigned		7,485	6,311
Total Fund Balance		13,685	10,883
Total Deferred Inflows of Resources and Fund Balance	\$	285,199	217,597

Library Employee Benefits Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			2017 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Taxes				
Ad Valorem	\$ 215,327	213,462	(1,865)	176,496
Delinquent	-	1,139	1,139	1,649
Motor Vehicle	13,640	21,366	7,726	20,163
Recreational Vehicle	321	315	(6)	312
16/20M Truck	137	117	(20)	126
Commercial Vehicle	869	1,151	282	1,177
Neighborhood Revit Rebate	(542)	(465)	(77)	(516)
Tax Increment Financing Dist (TIF)	(2,124)	(2,683)	559	(2,083)
Total Revenues	227,628	234,402	7,738	197,324
Expenditures				
Distributions to Library Board	232,200	231,600	600	203,200
Excess Revenues Over (Under)				
Expenditures	(4,572)	2,802	8,338	(5,876)
Fund Balance - Beginning	4,572	10,883	6,311	16,759
Fund Balance - Ending	\$ -	13,685	14,649	10,883

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Highway Fund
Balance Sheets
December 31, 2018 and 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Cash	\$ <u>442,217</u>	<u>243,799</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>15,670</u>	<u>780</u>
Fund Balance		
Assigned - Reserved for Encumbrances	256,014	9,152
Assigned - Designated for Subsequent Year's Expenditures	69,692	172,175
Assigned	<u>100,841</u>	<u>61,692</u>
Total Fund Balance	<u>426,547</u>	<u>243,019</u>
Total Liabilities and Fund Balance	\$ <u>442,217</u>	<u>243,799</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, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			2017 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Intergovernmental				
State Gasoline Tax	\$ 560,530	569,566	9,036	561,475
Connecting Link Maintenance	44,760	44,760	-	44,729
Prior Year Encumbrances Cancelled	-	2,595	2,595	-
Total Revenues	605,290	616,921	11,631	606,204
Expenditures				
Contractual Services	50,000	15,560	34,440	29,629
Capital Outlay	1,227,465	1,164,695	62,770	1,134,887
Total Expenditures	1,277,465	1,180,255	97,210	1,164,516
Excess Revenues Over (Under) Expenditures	(672,175)	(563,334)	108,841	(558,312)
Other Financing Sources (Uses)				
Transfers In	500,000	500,000	-	500,000
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(172,175)	(63,334)	108,841	(58,312)
Fund Balance - Beginning	172,175	243,019	70,844	292,207
Increase (Decrease) in Reserve for Encumbrances	-	246,862	246,862	9,124
Fund Balance - Ending	\$ -	426,547	426,547	243,019

See independent auditors' report.

CITY OF HAYS, KANSAS
Employee Benefits Fund
Balance Sheets
December 31, 2018 and 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Cash	\$ 1,120,298	1,033,099
Taxes Receivable	<u>2,461,317</u>	<u>2,602,548</u>
Total Assets	\$ <u>3,581,615</u>	<u>3,635,647</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>624</u>	<u>-</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>2,461,317</u>	<u>2,602,548</u>
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	<u>945,197</u>	<u>771,271</u>
Assigned	<u>174,477</u>	<u>261,828</u>
Total Fund Balance	<u>1,119,674</u>	<u>1,033,099</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ <u>3,581,615</u>	<u>3,635,647</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, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018		Variance Positive (Negative)	2017 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 2,710,987	2,686,494	(24,493)	2,669,788
Delinquent	-	15,965	15,965	22,992
Motor Vehicle	208,204	323,200	114,996	276,929
Recreational Vehicle	3,025	4,767	1,742	4,287
16/20M Truck	2,068	1,604	(464)	1,828
Commercial Vehicle	13,152	17,414	4,262	16,168
Neighborhood Revit Rebate	(6,830)	(5,847)	(983)	(7,794)
Interest Income	5,100	14,850	9,750	6,984
Miscellaneous	-	49,041	49,041	39,197
Total Revenues	<u>2,935,706</u>	<u>3,107,488</u>	<u>169,816</u>	<u>3,030,379</u>
Expenditures				
Workmen's Compensation	203,146	166,133	37,013	190,060
Unemployment Compensation	12,575	12,135	440	9,322
Social Security	659,738	643,162	16,576	612,623
Employee Retirement	1,116,539	1,119,501	(2,962)	993,063
Contingency	494,144	72,556	421,588	71,264
Health Insurance	1,719,500	1,718,573	927	1,652,413
Contractual Services	49,042	43,133	5,909	40,771
Tax Increment Financing Dist (TIF)	32,059	33,762	(1,703)	31,514
Total Expenditures	<u>4,286,743</u>	<u>3,808,955</u>	<u>477,788</u>	<u>3,601,030</u>
Excess Revenues Over (Under) Expenditures	(1,351,037)	(701,467)	647,604	(570,651)
Other Financing Sources (Uses)				
Transfers In	790,092	788,042	(2,050)	730,003
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(560,945)	86,575	645,554	159,352
Fund Balance - Beginning	<u>771,271</u>	<u>1,033,099</u>	<u>261,828</u>	<u>873,747</u>
Fund Balance - Ending	<u>\$ 210,326</u>	<u>1,119,674</u>	<u>907,382</u>	<u>1,033,099</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Public Safety Equipment Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Cash	\$ 87,949	63,929
Taxes Receivable	<u>428,479</u>	<u>430,727</u>
Total Assets	\$ <u>516,428</u>	<u>494,656</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>2,039</u>	<u>9,436</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>428,479</u>	<u>430,727</u>
Fund Balance		
Assigned - Reserved for Encumbrances	60,609	760
Assigned - Designated for Subsequent Year's Expenditures	2,824	51,399
Assigned	<u>22,477</u>	<u>2,334</u>
Total Fund Balance	<u>85,910</u>	<u>54,493</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>516,428</u>	<u>494,656</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, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018		Variance Positive (Negative)	2017 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 448,674	444,710	(3,964)	429,092
Delinquent	-	2,653	2,653	3,928
Motor Vehicle	33,157	51,945	18,788	46,360
Recreational Vehicle	780	766	(14)	718
16/20M Truck	332	268	(64)	310
Commercial Vehicle	2,113	2,799	686	2,707
Neighborhood Revit Rebate	(1,131)	(968)	(163)	(1,254)
Intergovernmental				
Federal Grants	-	-	-	3,767
Miscellaneous	-	3,300	3,300	-
Prior Year Encumbrances Cancelled	-	760	760	100
Total Revenues	<u>483,925</u>	<u>506,233</u>	<u>21,982</u>	<u>485,728</u>
Expenditures				
Capital Outlay	240,300	171,076	69,224	146,462
Tax Increment Financing Dist (TIF)	5,100	5,589	(489)	5,065
Total Expenditures	<u>245,400</u>	<u>176,665</u>	<u>68,735</u>	<u>151,527</u>
Excess Revenues Over (Under) Expenditures	238,525	329,568	90,717	334,201
Other Financing Sources (Uses)				
Transfers Out	(289,924)	(358,000)	(68,076)	(350,000)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(51,399)	(28,432)	22,641	(15,799)
Fund Balance - Beginning	51,399	54,493	3,094	88,102
Increase (Decrease) in Reserve for Encumbrances	-	59,849	59,849	(17,810)
Fund Balance - Ending	<u>\$ -</u>	<u>85,910</u>	<u>85,584</u>	<u>54,493</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Airport Fund
Balance Sheets
December 31, 2018 and 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Cash	\$ 55,412	22,555
Taxes Receivable	<u>214,327</u>	<u>215,364</u>
Total Assets	\$ <u>269,739</u>	<u>237,919</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 10,062	4,628
Accrued Payroll	5,230	4,893
Accrued Paid Time Off	<u>9,187</u>	<u>8,791</u>
Total Liabilities	<u>24,479</u>	<u>18,312</u>
Deferred Inflows of Resources		
Deferred Property Tax Receivable	<u>214,327</u>	<u>215,364</u>
Fund Balance		
Assigned - Reserved for Encumbrances	2,455	2,300
Assigned - Designated for Subsequent Year's Expenditures	-	1,943
Assigned	<u>28,478</u>	<u>-</u>
Total Fund Balance	<u>30,933</u>	<u>4,243</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ <u>269,739</u>	<u>237,919</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, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018		Variance Positive (Negative)	2017 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 224,337	222,355	(1,982)	214,546
Delinquent	-	1,327	1,327	1,965
Motor Vehicle	16,725	25,973	9,248	23,180
Recreational Vehicle	243	383	140	359
16/20M Truck	166	134	(32)	155
Commercial Vehicle	1,057	1,399	342	1,353
Neighborhood Revit Rebate	(565)	(484)	(81)	(627)
Licenses and Fees Collected	122,500	152,573	30,073	127,320
Farming Leases	17,600	10,866	(6,734)	19,620
Miscellaneous	4,000	1,945	(2,055)	972
Prior Year Encumbrances Cancelled	-	-	-	182
Total Revenues	386,063	416,471	30,246	389,025
Expenditures				
Personal Services	109,159	116,355	(7,196)	108,717
Contractual Services	113,250	112,882	368	103,540
Commodities	122,200	83,461	38,739	89,844
Capital Outlay	11,000	11,650	(650)	-
Tax Increment Financing Dist (TIF)	2,550	2,794	(244)	2,533
Total Expenditures	358,159	327,142	31,017	304,634
Excess Revenues Over (Under) Expenditures	27,904	89,329	61,263	84,391
Other Financing (Uses)				
Transfers Out	(40,074)	(62,794)	(22,720)	(146,850)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(12,170)	26,535	38,543	(62,459)
Fund Balance - Beginning	12,170	4,243	(7,927)	72,197
Increase (Decrease) in Reserve for Encumbrances	-	155	155	(5,495)
Fund Balance - Ending	\$ -	30,933	30,771	4,243

See independent auditors' report.

CITY OF HAYS, KANSAS
Park Development Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>			
		2018	2017
Cash	\$	5,027	5,027
<u>FUND BALANCE</u>			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	5,027	5,027

Park Development Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			2017 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues	\$ -	-	-	-
Expenditures				
Contractual Services	5,027	-	5,027	-
Excess Revenues Over (Under) Expenditures	(5,027)	-	5,027	-
Fund Balance - Beginning	5,027	5,027	-	5,027
Fund Balance - Ending	\$ -	5,027	5,027	5,027

See independent auditors' report.

CITY OF HAYS, KANSAS
Convention and Visitor's Bureau Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>		
	2018	2017
Cash	\$ 624,101	<u>1,070,608</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 20,894	12,815
Accrued Payroll	9,754	9,303
Accrued Paid Time Off	11,181	<u>8,079</u>
Total Liabilities	41,829	<u>30,197</u>
Fund Balance		
Assigned - Reserved for Encumbrances	5,406	7,470
Assigned - Designated for Subsequent Year's Expenditures	513,883	874,260
Assigned	62,983	<u>158,681</u>
Total Fund Balance	582,272	<u>1,040,411</u>
Total Liabilities and Fund Balance	\$ 624,101	<u>1,070,608</u>

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, 2018

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

	2018		Variance Positive (Negative)	2017 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental				
Guest Tax	\$ 1,051,200	910,234	(140,966)	867,634
Miscellaneous	40,000	28,311	(11,689)	36,034
Prior Year Encumbrance Cancelled	-	1,485	1,485	6,756
Total Revenues	<u>1,091,200</u>	<u>940,030</u>	<u>(151,170)</u>	<u>910,424</u>
Expenditures				
Personal Services	245,423	251,758	(6,335)	222,659
Contractual Services	1,251,204	305,229	945,975	321,430
Commodities	68,500	59,254	9,246	40,544
Capital Outlay	137,826	95,304	42,522	69,710
Total Expenditures	<u>1,702,953</u>	<u>711,545</u>	<u>991,408</u>	<u>654,343</u>
Excess Revenues Over (Under) Expenditures	(611,753)	228,485	840,238	256,081
Other Financing Sources (Uses)				
Transfers Out	(262,507)	(684,560)	(422,053)	(221,408)
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(874,260)	(456,075)	418,185	34,673
Fund Balance - Beginning	874,260	1,040,411	166,151	1,007,209
Increase (Decrease) in Reserve for Encumbrances	-	(2,064)	(2,064)	(1,471)
Fund Balance - Ending	<u>\$ -</u>	<u>582,272</u>	<u>582,272</u>	<u>1,040,411</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
New Equipment Reserve Fund
 Balance Sheets
 December 31, 2018 and 2017

	<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$	<u>4,273,746</u>	<u>3,968,357</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Fund Balance			
Assigned	\$	<u>4,273,746</u>	<u>3,968,357</u>

New Equipment Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

		<u>2018</u>	<u>2017</u>
Revenues			
Interest Income	\$	<u>44,035</u>	31,069
Prior Year Encumbrances Cancelled		<u>3,087</u>	-
Total Revenues		<u>47,122</u>	31,069
Expenditures			
Capital Outlay		<u>382,267</u>	<u>1,013,292</u>
Excess Revenues Over (Under) Expenditures		<u>(335,145)</u>	(982,223)
Other Financing Sources (Uses)			
Transfers In		<u>640,534</u>	<u>715,899</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		<u>305,389</u>	(266,324)
Fund Balance - Beginning		<u>3,968,357</u>	4,234,681
Fund Balance - Ending	\$	<u>4,273,746</u>	<u>3,968,357</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Alcohol Program Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>			
		<u>2018</u>	<u>2017</u>
Cash	\$	<u><u>84,878</u></u>	<u><u>66,105</u></u>
<u>FUND BALANCE</u>			
Fund Balance			
Assigned - Designated for Subsequent Year's Expenditures	\$	<u><u>84,878</u></u>	<u><u>66,105</u></u>

Special Alcohol Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	<u>2018</u>		Variance Positive (Negative)	<u>2017 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		
Revenues				
Intergovernmental				
Liquor Tax	\$ 128,197	<u>140,338</u>	12,141	<u>125,932</u>
Expenditures				
Contractual	60,000	<u>60,000</u>	-	60,000
Contingency	45,598	<u>-</u>	45,598	<u>-</u>
Total Expenditures	<u>105,598</u>	<u>60,000</u>	<u>45,598</u>	<u>60,000</u>
Excess Revenues Over (Under) Expenditures	22,599	<u>80,338</u>	57,739	65,932
Other Financing Sources (Uses)				
Transfers Out	<u>(61,565)</u>	<u>(61,565)</u>	-	<u>(58,763)</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(38,966)	<u>18,773</u>	57,739	7,169
Fund Balance - Beginning	<u>38,966</u>	<u>66,105</u>	<u>27,139</u>	<u>58,936</u>
Fund Balance - Ending	<u><u>\$ -</u></u>	<u><u>84,878</u></u>	<u><u>84,878</u></u>	<u><u>66,105</u></u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Special Park and Recreation Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Cash	\$ <u>424,347</u>	<u>282,332</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>38,899</u>	<u>1,026</u>
Fund Balance		
Assigned - Reserved for Encumbrances	143,339	50,530
Assigned - Designated for Subsequent Year's Expenditures	<u>242,110</u>	<u>230,776</u>
Total Fund Balance	<u>385,448</u>	<u>281,306</u>
Total Liabilities and Fund Balance	\$ <u>424,347</u>	<u>282,332</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, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			2017 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Intergovernmental				
Liquor Tax	\$ 128,197	140,338	12,141	125,932
Prior Year Encumbrance Cancelled	-	468	468	-
Total Revenues	128,197	140,806	12,609	125,932
Expenditures				
Capital Outlay	475,880	204,473	271,407	250,126
Excess Revenues Over (Under)				
Expenditures	(347,683)	(63,667)	284,016	(124,194)
Other Financing Sources (Uses)				
Transfers In	75,000	75,000	-	75,000
Excess Revenues and Other Financing				
Sources (Uses) Over (Under) Expenditures	(272,683)	11,333	284,016	(49,194)
Fund Balance - Beginning	272,683	281,306	8,623	294,930
Increase (Decrease) in Reserve				
For Encumbrances	-	92,809	92,809	35,570
Fund Balance - Ending	\$ -	385,448	385,448	281,306

See independent auditors' report.

CITY OF HAYS, KANSAS
Parks Improvement Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Cash	\$ 26,908	(17,015)
Other Receivable	-	21,265
Total Assets	\$ <u>26,908</u>	<u>4,250</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>20,000</u>	1,052
Fund Balance		
Assigned - Reserved for Encumbrances	-	80,969
Assigned	<u>6,908</u>	<u>(77,771)</u>
Total Fund Balance	<u>6,908</u>	3,198
Total Liabilities and Fund Balance	\$ <u>26,908</u>	<u>4,250</u>

Parks Improvement Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
	<u>Actual</u>	<u>Actual</u>
Revenues		
Donations	\$ 1,399	931
Miscellaneous	188,670	35,464
Prior Year Encumbrances Cancelled	<u>4,982</u>	<u>1,601</u>
Total Revenues	<u>195,051</u>	37,996
Expenditures		
Contractual	-	3,494
Projects	<u>110,372</u>	<u>117,917</u>
Total Expenditures	<u>110,372</u>	121,411
Excess Revenues Over (Under) Expenditures	84,679	(83,415)
Fund Balance - Beginning	3,198	46,759
Increase (Decrease) in Reserve For Encumbrances	<u>(80,969)</u>	<u>39,854</u>
Fund Balance - Ending	\$ <u>6,908</u>	<u>3,198</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Department of Justice Program Fund
 Balance Sheets
 December 31, 2018 and 2017

	<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash		\$ <u>281</u>	<u>781</u>
 <u>FUND BALANCE</u> 			
Fund Balance Assigned		\$ <u>281</u>	<u>781</u>

Department of Justice Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Revenues	\$ -	-
Expenditures		
Capital Outlay	<u>500</u>	<u>150</u>
Excess Revenues Over (Under) Expenditures	(500)	(150)
Fund Balance - Beginning	<u>781</u>	<u>931</u>
Fund Balance - Ending	\$ <u>281</u>	<u>781</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
City Commission Capital Reserve Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Cash	\$ <u>4,429,869</u>	<u>6,021,014</u>
<u>FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ -	2,607
Fund Balance		
Assigned - Reserved for Encumbrances	-	9,223
Assigned	<u>4,429,869</u>	<u>6,009,184</u>
Total Fund Balance	<u>4,429,869</u>	<u>6,018,407</u>
Total Liabilities and Fund Balance	\$ <u>4,429,869</u>	<u>6,021,014</u>
City Commission Capital Reserve Fund		
Summary Statement of Revenues, Expenditures and Changes in Fund Balance		
For the Year Ended December 31, 2018		
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)		
	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Revenues		
Interest	\$ 51,025	29,835
Expenditures		
Projects	<u>36,735</u>	<u>91,830</u>
Excess Revenues Over (Under)		
Expenditures	<u>14,290</u>	<u>(61,995)</u>
Other Financing Sources (Uses)		
Transfers In	1,200,000	1,795,082
Transfers Out	<u>(2,793,605)</u>	<u>(1,575,974)</u>
Total Other Financing Sources (Uses)	<u>(1,593,605)</u>	<u>219,108</u>
Excess Revenues and Other Financing		
Sources (Uses) Over (Under) Expenditures	<u>(1,579,315)</u>	<u>157,113</u>
Fund Balance - Beginning	<u>6,018,407</u>	<u>5,852,071</u>
Increase (Decrease) in		
Reserve for Encumbrances	<u>(9,223)</u>	<u>9,223</u>
Fund Balance - Ending	\$ <u>4,429,869</u>	<u>6,018,407</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Sales Tax Dedicated to Ellis County, Kansas Fund
 Balance Sheets
 December 31, 2018 and 2017

	<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$	-	-
		<u> </u>	<u> </u>
	<u>FUND BALANCE</u>		
Fund Balance			
Assigned	\$	-	-
		<u> </u>	<u> </u>

Sales Tax Dedicated to Ellis County, Kansas Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

		<u>2018</u>	<u>2017</u>
		<u>Actual</u>	<u>Actual</u>
Revenues			
Intergovernmental			
Local Sales Tax	\$	1,600,014	1,709,166
Expenditures			
Payment to Ellis County		<u>1,600,014</u>	<u>1,709,166</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, 2018 and 2017

<u>ASSETS</u>		
	2018	2017
Cash	\$ 277,847	214,538
Taxes Receivable	733,481	689,115
Total Assets	\$ 1,011,328	903,653
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Deferred Inflows of Resources		
Deferred Property Tax Receivable	\$ 733,481	689,115
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	187,696	113,528
Assigned	90,151	101,010
Total Fund Balance	277,847	214,538
Total Deferred Inflows of Resources and Fund Balance	\$ 1,011,328	903,653

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, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018		Variance Positive (Negative)	2017 Actual
	Original and Final Budget	Actual		
Revenues				
Taxes				
Ad Valorem	\$ 717,828	711,314	(6,514)	666,210
Delinquent	-	4,586	4,586	7,479
Motor Vehicle	51,942	80,650	28,708	81,629
Recreational Vehicle	755	1,189	434	1,264
16/20M Truck	516	472	(44)	595
Commercial Vehicle	3,281	4,346	1,065	4,766
Special Assessments	619,271	626,804	7,533	520,324
Miscellaneous	-	1	1	2,292
Neighborhood Revitalization Rebate	(1,809)	(1,548)	261	(1,951)
Total Revenues	<u>1,391,784</u>	<u>1,427,814</u>	<u>36,030</u>	<u>1,282,608</u>
Expenditures				
Tax Increment Financing District	8,023	8,939	(916)	7,864
Bond Principal	1,120,000	1,110,000	10,000	1,130,000
Interest Expense	244,956	245,566	(610)	185,518
Cash Basis Reserve	60,000	-	60,000	-
Total Expenditures	<u>1,432,979</u>	<u>1,364,505</u>	<u>68,474</u>	<u>1,323,382</u>
Excess Revenues Over (Under)				
Expenditures	(41,195)	63,309	104,504	(40,774)
Fund Balance - Beginning	<u>113,528</u>	<u>214,538</u>	<u>101,010</u>	<u>255,312</u>
Fund Balance - Ending	<u>\$ 72,333</u>	<u>277,847</u>	<u>205,514</u>	<u>214,538</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Economic Development Bond Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Cash	\$ <u>155,371</u>	<u>128,213</u>
 <u>FUND BALANCE</u>		
Fund Balance		
Assigned - Designated for Subsequent Year's Expenditures	\$ 144,726	113,221
Assigned	<u>10,645</u>	<u>14,992</u>
Total Fund Balance	\$ <u>155,371</u>	<u>128,213</u>

Economic Development Bond Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	<u>2018</u>			<u>2017 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	
Revenues				
Intergovernmental				
Local Sales Tax	\$ 222,782	<u>246,653</u>	<u>23,871</u>	<u>234,309</u>
Expenditures				
Bond Principal	150,000	<u>150,000</u>	-	140,000
Interest Expense	69,495	<u>69,495</u>	-	<u>76,915</u>
Total Expenditures	<u>219,495</u>	<u>219,495</u>	-	<u>216,915</u>
Excess Revenues Over (Under)				
Expenditures	3,287	<u>27,158</u>	23,871	17,394
Fund Balance - Beginning	<u>113,221</u>	<u>128,213</u>	<u>14,992</u>	<u>110,819</u>
Fund Balance - Ending	\$ <u>116,508</u>	<u>155,371</u>	<u>38,863</u>	<u>128,213</u>

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CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2018
(With Comparative Totals as of December 31, 2017)

	2018					Total	2017
	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	\$ 275,569	1,070,884	253,473	141,223	136,108	1,877,257	1,799,739
Accounts Receivable (Net)	183,787	207,108	-	86,378	37,070	514,343	367,390
Total Current Assets	<u>459,356</u>	<u>1,277,992</u>	<u>253,473</u>	<u>227,601</u>	<u>173,178</u>	<u>2,391,600</u>	<u>2,167,129</u>
Restricted Assets							
Customer Deposits	349,541	-	-	-	-	349,541	330,346
Capital Assets							
Land and Right-of-Ways	446,274	-	-	-	-	446,274	446,274
Infrastructure	15,207,776	1,879,773	-	-	68,723	17,156,272	18,579,455
Equipment	10,905,875	1,095,008	-	2,019,522	8,749	14,029,154	13,828,691
R-9 Ranch	4,262,040	-	-	-	-	4,262,040	4,262,040
Building and Structures	1,790,520	10,285,544	-	294,594	-	12,370,658	12,109,620
Construction in Process	-	19,381,233	-	-	-	19,381,233	2,298,734
Total Capital Assets	32,612,485	32,641,558	-	2,314,116	77,472	67,645,631	51,524,814
Accumulated Depreciation	(19,307,613)	(7,095,281)	-	(1,787,906)	(2,187)	(28,192,987)	(30,459,384)
Net Capital Assets	<u>13,304,872</u>	<u>25,546,277</u>	<u>-</u>	<u>526,210</u>	<u>75,285</u>	<u>39,452,644</u>	<u>21,065,430</u>
Other Assets							
Early Retirement on Debt Refunding (Net)	63,557	27,239	-	-	-	90,796	108,956
Total Assets	<u>\$ 14,177,326</u>	<u>26,851,508</u>	<u>253,473</u>	<u>753,811</u>	<u>248,463</u>	<u>42,284,581</u>	<u>23,671,861</u>

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CITY OF HAYS, KANSAS
Enterprise Funds
Combining Balance Sheet
December 31, 2018
(With Comparative Totals as of December 31, 2017)

	2018					Total	2017
	Water Production and Distribution Fund	Wastewater Treatment and Collection Fund	Water Conservation Fund	Solid Waste Fund	Stormwater Management Fund		
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts Payable	\$ 51,629	95,089	30,082	35,394	18,832	231,026	153,107
Sales Tax	7,579	-	-	-	-	7,579	6,000
State Water Fee	7,565	-	-	-	-	7,565	8,138
Accrued Payroll	25,560	21,883	2,618	16,333	4,040	70,434	61,139
Accrued Paid Time Off	46,619	32,423	3,311	28,013	5,679	116,045	100,432
Total Current Liabilities	138,952	149,395	36,011	79,740	28,551	432,649	328,816
Current Liabilities Payable From Restricted Assets							
KDHE Wastewater Revolving Loan	-	1,224,447	-	-	-	1,224,447	-
2016-A GO Refunding Bonds	192,500	82,500	-	-	-	275,000	265,000
Customer Deposits	345,041	-	-	-	-	345,041	325,846
Monitoring Well Deposits	4,500	-	-	-	-	4,500	4,500
Accrued Interest - Bonds	12,495	124,596	-	-	-	137,091	21,411
Total Current Liabilities Payable From Restricted Assets	554,536	1,431,543	-	-	-	1,986,079	616,757
Noncurrent Liabilities							
2016-A GO Refunding Bonds	1,057,000	453,000	-	-	-	1,510,000	1,785,000
KDHE Wastewater Revolving Loan	-	17,326,163	-	-	-	17,326,163	2,298,734
Bond Premium (Net)	67,164	28,784	-	-	-	95,948	115,137
Total Noncurrent Liabilities	1,124,164	17,807,947	-	-	-	18,932,111	4,198,871
Total Liabilities	1,817,652	19,388,885	36,011	79,740	28,551	21,350,839	5,144,444
Equity							
Reserve for Encumbrances	63,010	121,082	31,204	8,256	26,585	250,137	118,645
Contributed Capital	3,568,849	1,089,626	-	308,563	77,472	5,044,510	3,818,542
Unreserved	8,727,815	6,251,915	186,258	357,252	115,855	15,639,095	14,590,230
Total Equity	12,359,674	7,462,623	217,462	674,071	219,912	20,933,742	18,527,417
Total Liabilities and Equity	\$ 14,177,326	26,851,508	253,473	753,811	248,463	42,284,581	23,671,861

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CITY OF HAYS, KANSAS
Water Production and Distribution Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			2017 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Water Sales	\$ 3,274,250	3,114,267	(159,983)	2,970,540
Water Tap - Turn-Ons	65,100	30,218	(34,882)	39,046
Water Sales Conservation Rate	376,350	331,624	(44,726)	356,116
Sales and Other Charges	10,000	71,079	61,079	17,805
Penalty	15,500	17,656	2,156	17,600
Interest on Investments	18,000	23,373	5,373	16,719
GO Bond Proceeds	-	-	-	1,440,420
GO Bond Premium	-	-	-	94,029
Prior Year Encumbrance Cancelled	-	85	85	640
Total Revenues	\$ 3,759,200	3,588,302	(170,898)	4,952,915
Expenditures				
Personal Services				
Salaries	\$ 622,335	650,858	(28,523)	567,392
Contractual Services				
Communications	6,250	6,675	(425)	3,277
Publications	800	357	443	-
Heat, Light and Power	284,505	232,522	51,983	232,026
Professional Services	10,000	17,476	(7,476)	33,929
Travel and Training	8,500	5,100	3,400	16,655
Other Contractual Services	117,000	125,764	(8,764)	97,020
Total Contractual Services	427,055	387,894	39,161	382,907
Commodities				
Office Supplies	1,200	1,521	(321)	1,336
General Supplies and Materials	60,000	71,047	(11,047)	45,160
Chemicals	450,000	313,004	136,996	297,037
Repairs to Buildings and Structures	17,750	19,780	(2,030)	12,599
Equipment Expense	150,000	401,903	(251,903)	94,453
Projects	96,400	94,582	1,818	17,023
Uniforms	5,500	6,069	(569)	6,583
Total Commodities	780,850	907,906	(127,056)	474,191
Debt Service				
GO Bond - Cost of Issuance	-	-	-	33,978
GO Bond - Transfer to Escrow	-	-	-	1,495,723
Principal Payment - 2009 Revenue Bond	210,000	185,500	24,500	210,088
Interest Payment - 2009 Revenue Bond	24,826	44,964	(20,138)	39,128
Total Debt Service	234,826	230,464	4,362	1,778,917
Nonoperating Expenditures				
Water Taps, Hydrants, Meters	150,000	117,895	32,105	102,938
Contingency	50,000	12,782	37,218	7,004
Interest on Deposits	1,300	5,357	(4,057)	2,353
Clean Drinking Water Fee	17,000	15,885	1,115	15,724
Transfer to Water Reserve	922,363	711,783	210,580	1,330,000
Transfer to General	563,655	563,655	-	546,354
Transfer to Employee Benefits	261,600	261,530	70	244,577
Transfer to New Equipment Reserve	15,824	15,824	-	22,706
Total Nonoperating Expenditures	1,981,742	1,704,711	277,031	2,271,656
Total Expenditures	\$ 4,046,808	3,881,833	164,975	5,475,063

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CITY OF HAYS, KANSAS
Water Reclamation and Reuse Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			2017 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Sewer Service Charges	\$ 3,354,700	3,580,426	225,726	3,087,056
Sales and Other Charges	6,000	77,884	71,884	5,870
Penalty	16,000	17,458	1,458	16,999
Interest on Investments	15,000	27,454	12,454	21,409
Prior Year Cancelled Encumbrances	-	52,764	52,764	1,774
KDHE Loan Proceeds	-	17,082,499	17,082,499	-
GO Bond Proceeds	-	-	-	615,000
GO Bond Premium	-	-	-	40,298
Total Revenues	\$ 3,391,700	20,838,485	17,446,785	3,788,406
Expenditures				
Personal Services				
Salaries	\$ 448,330	460,040	(11,710)	394,838
Contractual Services				
Communications	5,250	6,186	(936)	3,380
Heat, Light and Power	241,767	197,512	44,255	192,630
Travel and Training	8,500	5,197	3,303	7,329
Other Contractual Services	45,000	55,579	(10,579)	29,266
Professional Services	35,000	22,114	12,886	36,034
Total Contractual Services	335,517	286,588	48,929	268,639
Commodities				
Office Supplies	600	344	256	593
General Supplies and Materials	35,000	14,545	20,455	23,410
Chemicals	70,000	52,017	17,983	57,568
Equipment Expense	90,000	114,277	(24,277)	71,053
Uniforms	5,000	4,393	607	4,767
Projects	-	17,082,499	(17,082,499)	-
Repairs to Buildings and Structures	210,000	209,410	590	157,972
Total Commodities	410,600	17,477,485	(17,066,885)	315,363
Debt Service				
KDHE Loan Payment	945,388	972,420	(27,032)	32,117
KDHE Service Fee	-	17,549	(17,549)	3,975
GO Bond - Cost of Issuance	-	-	-	4,804
GO Bond - Transfer to Escrow	-	-	-	650,494
Principal Payment - 2009 Revenue Bond	90,000	79,500	10,500	91,500
Interest Payment - 2009 Revenue Bond	10,640	19,270	(8,630)	12,985
Total Debt Service	1,046,028	1,088,739	(42,711)	795,875
Nonoperating Expenditures				
Contingency	50,000	31,545	18,455	28,923
Transfer to Water Reclamation Reserve Fund	220,075	300,000	(79,925)	1,625,000
Transfer to General Fund	507,555	507,555	-	468,390
Transfer to Employee Benefits Fund	178,000	179,286	(1,286)	169,216
Transfer to New Equipment Reserve	38,182	38,182	-	27,470
Total Nonoperating Expenditures	993,812	1,056,568	(62,756)	2,318,999
Total Expenditures	\$ 3,234,287	20,369,420	(17,135,133)	4,093,714
(a) Adjustment for Qualifying Budget Credits				
Reimbursed Revenue - Waterline			68,782	
KDHE Loan Proceeds			17,082,499	
Total			17,151,281	

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CITY OF HAYS, KANSAS
Water Conservation Fund

Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			2017 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Local Sales Tax	\$ 2,964,000	2,929,331	(34,669)	2,911,624
Rent on R-9 Ranch	115,000	146,590	31,590	126,085
Sales and Other Charges	-	205	205	365
Interest on Sales Tax Collections	270,000	400,504	130,504	239,969
Prior Year Cancelled Encumbrances	-	-	-	80,975
Total Revenues	\$ 3,349,000	3,476,630	127,630	3,359,018
Expenditures				
Personal Services				
Salaries	\$ 55,283	58,914	(3,631)	47,755
Contractual Services				
Communications	500	642	(142)	1,461
Publications	2,000	1,184	816	157
Travel and Training	2,450	3,759	(1,309)	1,612
Other Contractual Services	2,500	2,382	118	-
Total Contractual Services	7,450	7,967	(517)	3,230
Commodities				
General Supplies and Materials	2,000	4,692	(2,692)	1,882
Projects	197,000	144,816	52,184	144,652
Uniforms	200	126	74	172
Total Commodities	199,200	149,634	49,566	146,706
Nonoperating Expenditures				
R-9 Ranch Expenditures	198,500	160,648	37,852	152,481
Grant Funding	5,000	-	5,000	-
Transfer to Water Sales Tax Reserve Fund	2,463,233	2,545,922	(82,689)	2,429,979
Transfer to General Fund - Water Sales Tax	444,600	444,600	-	450,776
Transfer to Employee Benefits Fund	18,325	23,906	(5,581)	19,510
Transfer to New Equipment Reserve	2,802	2,802	-	2,802
Total Nonoperating Expenditures	3,132,460	3,177,878	(45,418)	3,055,548
Total Expenditures	\$ 3,394,393	3,394,393	-	3,253,239

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CITY OF HAYS, KANSAS
Solid Waste Fund

Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			2017 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Refuse Collections	\$ 1,290,000	1,299,670	9,670	1,292,863
Interest on Investments	1,000	12,078	11,078	4,532
Yard Waste Tags	1,300	730	(570)	961
Recycling Revenue	40,000	9,407	(30,593)	48,473
Prior Year Encumbrances Cancelled	-	-	-	3
Total Revenues	<u>\$ 1,332,300</u>	<u>1,321,885</u>	<u>(10,415)</u>	<u>1,346,832</u>
Expenditures				
Personal Services				
Salaries	\$ 367,642	372,733	(5,091)	349,074
Transfer to Employee Benefits Fund	171,555	167,616	3,939	164,078
Total Personal Services	<u>539,197</u>	<u>540,349</u>	<u>(1,152)</u>	<u>513,152</u>
Contractual Services				
Communications	1,160	1,038	122	928
Publications	3,500	1,893	1,607	1,565
Utility - Water, Light and Power	6,830	6,598	232	6,504
Contingency	50,000	9,477	40,523	-
Other Contractual Services	398,692	431,191	(32,499)	375,654
Travel and Training	1,300	1,020	280	703
Transfer to Solid Waste Reserve Fund	200,909	184,734	16,175	150,000
Transfer to General Fund	226,491	226,491	-	245,367
Total Contractual Services	<u>888,882</u>	<u>862,442</u>	<u>26,440</u>	<u>780,721</u>
Commodities				
Office Supplies	550	148	402	76
General Supplies	23,240	21,809	1,431	21,218
Equipment Expense	10,000	24,300	(14,300)	9,648
Uniforms	3,400	3,208	192	3,477
Repairs to Buildings and Structures	3,600	3,945	(345)	1,413
Total Commodities	<u>40,790</u>	<u>53,410</u>	<u>(12,620)</u>	<u>35,832</u>
Total Expenditures	<u>\$ 1,468,869</u>	<u>1,456,201</u>	<u>12,668</u>	<u>1,329,705</u>

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CITY OF HAYS, KANSAS
Stormwater Management Fund
Comparison of Actual Revenues and Expenditures to Budget
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			2017 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
Revenues				
Stormwater Fee	\$ 788,000	793,588	5,588	790,219
Prior Year Encumbrances Cancelled	-	3,158	3,158	2,802
Transfer From General Fund	16,500	16,500	-	16,500
Total Revenues	\$ 804,500	813,246	8,746	809,521
Expenditures				
Personal Services				
Salaries	\$ 97,264	102,379	(5,115)	46,539
Transfer to Employee Benefits Fund	40,852	38,843	2,009	19,306
Total Personal Services	138,116	141,222	(3,106)	65,845
Contractual Services				
Communications	500	469	31	417
Other Contractual Services	20,000	11,916	8,084	19,028
Contingency	50,000	5,000	45,000	-
Professional Services	30,000	49,888	(19,888)	-
Travel and Training	1,000	435	565	392
Transfer to General Fund	66,980	66,980	-	65,674
Total Contractual Services	168,480	134,688	33,792	85,511
Commodities				
General Supplies	50,000	23,225	26,775	6,299
Uniforms	500	448	52	383
Sewer Line Project	250,000	250,000	-	250,000
Transfer to Stormwater Reserve Fund	359,260	359,260	-	300,000
Transfer to New Equipment Reserve Fund	38,712	38,712	-	36,028
Total Commodities	698,472	671,645	26,827	592,710
Total Expenditures	\$ 1,005,068	947,555	57,513	744,066

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CITY OF HAYS, KANSAS
Water Production and Distribution Reserve Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ <u>1,458,829</u>	<u>2,076,379</u>
 <u>FUND BALANCE</u> 		
Liabilities		
Accounts Payable	\$ <u>5,990</u>	<u>-</u>
Fund Balance		
Assigned - Reserved for Encumbrances	<u>38,339</u>	312,000
Assigned	<u>1,414,500</u>	<u>1,764,379</u>
Total Fund Balance	<u>1,452,839</u>	<u>2,076,379</u>
Total Liabilities and Fund Balance	\$ <u>1,458,829</u>	<u>2,076,379</u>

Water Production and Distribution Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Revenues	\$ -	-
Expenditures		
Capital Outlay	<u>529,826</u>	<u>460,747</u>
Excess Revenues Over (Under) Expenditures	<u>(529,826)</u>	<u>(460,747)</u>
Other Financing Sources (Uses)		
Transfers In	<u>711,783</u>	1,330,000
Transfers Out	<u>(531,836)</u>	<u>(30,174)</u>
Total Other Financing Sources (Uses)	<u>179,947</u>	<u>1,299,826</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>(349,879)</u>	839,079
Fund Balance - Beginning	<u>2,076,379</u>	925,300
Increase (Decrease) in Reserve for Encumbrances	<u>(273,661)</u>	<u>312,000</u>
Fund Balance - Ending	\$ <u>1,452,839</u>	<u>2,076,379</u>

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CITY OF HAYS, KANSAS
Water Reclamation and Reuse Reserve Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>		
	2018	2017
Cash	\$ 3,184,552	2,882,684
<u>FUND BALANCE</u>		
Fund Balance		
Assigned - Reserved for Encumbrances	198,380	-
Assigned	2,986,172	2,882,684
Total Fund Balance	\$ 3,184,552	2,882,684

Water Reclamation and Reuse Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018	2017
Revenues		
Miscellaneous	\$ 1,868	467
Expenditures		
Capital Outlay	198,380	163,154
Excess Revenues Over (Under) Expenditures	(196,512)	(162,687)
Other Financing Sources (Uses)		
Transfers In	300,000	1,625,000
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	103,488	1,462,313
Fund Balance - Beginning	2,882,684	1,475,846
Increase (Decrease) in Reserve for Encumbrances	198,380	(55,475)
Fund Balance - Ending	\$ 3,184,552	2,882,684

See independent auditors' report.

CITY OF HAYS, KANSAS
Water Sales Tax Reserve Fund
 Balance Sheets
 December 31, 2018 and 2017

<u>ASSETS</u>		
	2018	2017
Cash	\$ 33,931,422	32,224,687
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 1,615	20,908
Fund Balance		
Assigned - Reserved for Fund Balance	47,590	-
Assigned	33,882,217	32,203,779
Total Fund Balance	33,929,807	32,203,779
Total Liabilities and Fund Balance	\$ 33,931,422	32,224,687

Water Sales Tax Reserve Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018	2017
Revenues	\$ -	-
Expenditures		
Capital Outlay	867,483	998,886
Excess Revenues Over (Under) Expenditures	(867,483)	(998,886)
Other Financing Sources (Uses)		
Transfers In	2,545,922	2,429,979
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	1,678,439	1,431,093
Fund Balance - Beginning	32,203,778	30,772,686
Increase (Decrease) in Reserve for Encumbrances	47,590	-
Fund Balance - Ending	\$ 33,929,807	32,203,779

See independent auditors' report.

CITY OF HAYS, KANSAS
Solid Waste Reserve Fund
Balance Sheets
December 31, 2018 and 2017

<u>ASSETS</u>		
	2018	2017
Cash	\$ 955,002	<u>882,063</u>
<u>FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ -	<u>12,525</u>
Fund Balance		
Assigned - Reserved for Encumbrances	673,076	18,375
Assigned	281,926	<u>851,163</u>
Total Fund Balance	955,002	<u>869,538</u>
Total Liabilities and Fund Balance	\$ 955,002	<u>882,063</u>

Solid Waste Reserve Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018	2017
Revenues		
Miscellaneous	\$ 89,000	4,020
Expenditures		
Capital Outlay	842,971	<u>30,900</u>
Excess Revenues Over (Under) Expenditures	(753,971)	(26,880)
Other Financing Sources (Uses)		
Transfers In	184,734	<u>150,000</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(569,237)	123,120
Fund Balance - Beginning	869,538	733,781
Increase (Decrease) in Reserve for Encumbrances	654,701	<u>12,637</u>
Fund Balance - Ending	\$ 955,002	<u>869,538</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
Stormwater Reserve Fund
Balance Sheets
December 31, 2018 and 2017

<u>ASSETS</u>		
	2018	2017
Cash	\$ <u>1,225,691</u>	<u>983,173</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ <u>-</u>	<u>78,530</u>
Fund Balance		
Assigned - Reserved for Encumbrances	88,600	-
Assigned	<u>1,137,091</u>	<u>904,643</u>
Total Fund Balance	<u>1,225,691</u>	<u>904,643</u>
Total Liabilities and Fund Balance	\$ <u>1,225,691</u>	<u>983,173</u>

Stormwater Reserve Fund
Summary Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018	2017
Revenues	\$ -	-
Expenditures		
Capital Outlay	<u>108,600</u>	<u>177,193</u>
Other Financing Sources (Uses)		
Transfers In	359,260	300,000
Transfers Out	<u>(18,212)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>341,048</u>	<u>300,000</u>
Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	232,448	122,807
Fund Balance - Beginning	904,643	781,836
Increase (Decrease) in Reserve for Encumbrances	<u>88,600</u>	<u>-</u>
Fund Balance - Ending	\$ <u>1,225,691</u>	<u>904,643</u>

See independent auditors' report.

CITY OF HAYS, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2018

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	Clean Water State Revolving Fund Cluster Capitalization Grants for Clean Water State Revolving Funds
20.106	Airport Improvement Program

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, 2018

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, 2018

No material findings or questioned costs for the year ended December 31, 2017 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, 2018

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>18,873,406</u>
U.S. Department of Transportation			
Direct Award			
Airport Improvement Program	20.106	AIP 3-20-0028-34	967,519
Airport Improvement Program	20.106	AIP 3-20-0028-35	377,297
Passed Through the Kansas Department of Transportation			
State and Community Highway Safety	20.600	SP-0931-18	3,449
State and Community Highway Safety	20.600	SP-0931-19	3,551
State and Community Highway Safety	20.600	SP-1300-18	3,075
National Priority Safety Programs	20.616	SP-4704-18	<u>4,469</u>
Total U.S. Department of Transportation			<u>1,359,360</u>
U.S. Department of the Interior			
Sport Fish Restoration Program	15.605	N/A	<u>1,030</u>
Total Expenditures of Federal Awards			\$ <u>20,233,796</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, 2018

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, 2018.

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.

<u>Approved Application Project Number</u>	<u>Unliquidated PFC Beginning Balance</u>	<u>PFC Collected</u>	<u>PFC Expended</u>	<u>Unliquidated PFC Ending Balance</u>
15-01-C-00-HYS	\$ -	140,197	140,197	-