

**CITY OF HAYS, KANSAS**

Hays, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2008

**CITY OF HAYS, KANSAS**  
Financial Statements with Independent Auditors' Report  
For the Year Ended December 31, 2008

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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Hays, Kansas**, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Hays, Kansas**' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

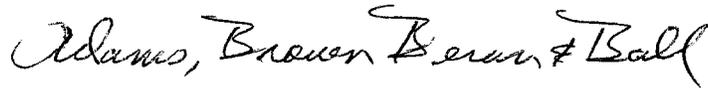
The City is in compliance with K.S.A. 12-5040 in which the City is subsidizing health insurance premiums regardless of age and, as a result, the City is not accounting for post employment benefits other than pensions in the General Fund and the Water and Sewer Fund. Accounting principles generally accepted in the United States of America require that accounting and financial reporting of post employment benefits other than pensions be included in the **City of Hays, Kansas** financial statements, which would increase the liability and the expenditures in the above funds. The amount by which this departure would affect the liabilities, fund balances and expenditures is not reasonably determinable. In our opinion, except for the departure noted above, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Hays, Kansas**, as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, the Employee Benefit Fund, Bond and Interest Fund and the Capital Project Fund, and the aggregate remaining fund information of the **City of Hays, Kansas** as of December 31, 2008 and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 44 through 73, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We, and the other auditors, have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Hays, Kansas**' basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us, and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



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

October 08, 2009

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

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The discussion and analysis of the **City of Hays'** financial performance provides an overview of the City's financial activities for the year ended December 31, 2008. Please read in conjunction with the City's financial statements, which begins after this letter.

**FINANCIAL HIGHLIGHTS**

As reflected in this audit, the **City of Hays'** overall financial position continues to improve. The **City of Hays'** unreserved fund balance on all major funds increased \$1,612,597 over the previous year.

The General Fund's unreserved fund balance has increased \$724,891 over the previous year and \$1,177,804 over the past two years. This continued increase is directly reflective of the current management environment and accountable to increased oversight and new policies. The Comprehensive Financial Management Policy continues to ensure the wise use and investment of excess funds. This policy gives the citizens of Hays and future City leaders a defined process for the handling of City debt and excess revenue. In 2004, through a general election, the City passed a 3/4% sales tax to replace the property tax levy for the General Fund. In 2008 this additional sales tax generated \$3,994,691, or the equivalent of 23.51 mills. The replacement of property tax revenue with sales tax revenue has spread the cost of funding general City operations across a broader tax base and helped to alleviate the tax burden for local property owners. With changes made at the State level this may become even more crucial with the elimination of personal property tax on new commercial purchases.

Over the last two years, the Water and Sewer Fund has shown a steady increase totaling \$972,121 in unreserved fund balance. A majority of the increase is attributable to a change in water conservation rate structures and sewer fees implemented recently. After a comprehensive review of operating expenditures staff recommended a gradual increase in water rates to cover projected future increases in operating costs and infrastructure investment. This coupled with the issuance of revenue bonds for new projects should ensure continued financial stability in the future.

Staff completing an evaluation of the Solid Waste Division and making recommendations for a new rate structure as well as changing to an automated collection process has contributed to a nice increase in unreserved fund balance of \$175,059 for 2008. Staff is confident that this fund is now headed in the right direction and will continue to monitor trends to ensure the financial stability of the Solid Waste Fund.

The Capital Projects Fund is a consolidated fund for all major City projects so that all expenditures may be tracked by project and funded appropriately. This fund currently shows a negative cash balance of \$1,073,805 as funds have been expended and debt has not yet been issued. In the past the City used temporary financing for these projects until their completion at which time General Obligation Bonds were issued and the temporary financing was paid off. A change in requirements for Temporary Notes increased costs associated with their issuance. Subsequently staff determined that it is more beneficial for the City to utilize idle funds for the temporary financing and bypass issuance costs and finance charges. The City does forgo any interest it might have earned on these idle funds, but the savings received is greater than any interest that would have been earned especially in the prevailing low interest rate environment.

**USING THIS ANNUAL REPORT**

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

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

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

## **REPORTING THE CITY AS A WHOLE**

### **The Statement of Net Assets and the Statement of Activities**

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

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

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

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

Analysis of the City's major funds begins on page 13. The fund financial statements begin on page 44 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenant. However, the City Commission establishes other funds to help or control money for particular purposes or to show that it is meeting legal responsibility for using certain taxes, grants and other monies. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

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

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

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

**THE CITY AS TRUSTEE**

**Reporting the City's Fiduciary Responsibilities**

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

**THE CITY AS A WHOLE**

**TABLE 1**  
**NET ASSETS**

	Governmental Activities	Business Type Activities	2008 Total Primary Government	2007 Total Primary Government
Current and Other Assets	\$ 18,031,632	26,718,984	44,750,616	43,157,247
Capital Assets	<u>76,173,186</u>	<u>21,545,416</u>	<u>97,718,602</u>	<u>98,907,349</u>
Total Assets	<u>94,204,818</u>	<u>48,264,400</u>	<u>142,469,218</u>	<u>142,064,596</u>
Long Term Debt				
Outstanding	17,602,840	92,160	17,695,000	21,482,154
Other Liabilities	<u>7,900,674</u>	<u>3,969,231</u>	<u>11,869,905</u>	<u>8,939,859</u>
Total Liabilities	<u>25,503,514</u>	<u>4,061,391</u>	<u>29,564,905</u>	<u>30,422,013</u>
Invested in Capital Assets				
Net of Related Debt	57,012,691	18,048,898	75,061,589	74,317,791
Restricted	5,851,873	1,485,685	7,337,558	10,845,869
Unrestricted	<u>5,836,740</u>	<u>24,668,426</u>	<u>30,505,166</u>	<u>26,478,923</u>
Total Net Assets	<u>\$ 68,701,304</u>	<u>44,203,009</u>	<u>112,904,313</u>	<u>111,642,583</u>

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

**TABLE 2  
STATEMENT OF ACTIVITIES**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Totals	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		2008	2007
					Governmental Activities	Business-Type Activities		
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General Government	\$ 10,102,046	673,269	47,185	35,000	(9,346,592)	-	(9,346,592)	(9,484,779)
Highway and Street	4,823,524	-	-	50,169	(4,773,355)	-	(4,773,355)	(370,031)
Culture and Recreation	3,018,773	193,806	-	-	(2,824,967)	-	(2,824,967)	(2,290,210)
Airport	963,890	67,925	-	299,319	(596,646)	-	(596,646)	(274,433)
Interest on Long-Term Debt	1,164,478	-	-	-	(1,164,478)	-	(1,164,478)	(844,208)
Capital Outlay	-	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>20,072,711</b>	<b>935,000</b>	<b>47,185</b>	<b>384,488</b>	<b>(18,706,038)</b>	<b>-</b>	<b>(18,706,038)</b>	<b>(13,263,661)</b>
<b>Business-Type Activities</b>								
Water and Sewer	4,818,368	4,514,801	-	-	-	(303,567)	(303,567)	1,859,194
Solid Waste	785,154	1,261,250	-	-	-	476,096	476,096	555,291
<b>Total Business-Type Activities</b>	<b>5,603,522</b>	<b>5,776,051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>172,529</b>	<b>172,529</b>	<b>2,414,485</b>
<b>Total Primary Government</b>	<b>\$ 25,676,233</b>	<b>6,711,051</b>	<b>47,185</b>	<b>384,488</b>	<b>(18,706,038)</b>	<b>172,529</b>	<b>(18,533,509)</b>	<b>(10,849,176)</b>
<b>Component Units</b>								
Housing Authority of the City of Hays, Kansas	\$ 366,430	56,845	269,963	22,307	-	-	-	-
Hays Public Library	1,378,549	5,090	13,200	45,826	-	-	-	-
<b>Total Component Units</b>	<b>\$ 1,744,979</b>	<b>61,935</b>	<b>283,163</b>	<b>68,133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>General Revenues</b>								
Property Taxes					\$ 4,691,728	-	4,691,728	4,315,762
Sales Tax					6,657,818	2,663,126	9,320,944	8,751,007
Franchise Taxes					1,414,052	-	1,414,052	1,344,654
Motor Fuel Taxes					615,661	-	615,661	614,828
Alcoholic Liquor Taxes					383,332	-	383,332	316,185
Transient Guest Taxes					735,836	-	735,836	481,846
Special Assessments					412,758	-	412,758	366,339
Unrestricted Interest Income					714,694	972,813	1,687,507	1,841,227
Miscellaneous					-	268,385	268,385	311,910
Reimbursements					245,888	-	245,888	172,373
Special Items					19,148	-	19,148	26,926
<b>Transfers</b>					<b>2,229,610</b>	<b>(2,229,610)</b>	<b>-</b>	<b>-</b>
<b>Total General Revenues, Special Items &amp; Transfers</b>					<b>18,120,525</b>	<b>1,674,714</b>	<b>19,795,239</b>	<b>18,543,057</b>
Change in Net Assets					(585,513)	1,847,243	1,261,730	7,693,881
Net Assets - Beginning					69,286,817	42,355,766	111,642,583	103,948,702
<b>Net Assets - Ending</b>					<b>\$ 68,701,304</b>	<b>44,203,009</b>	<b>112,904,313</b>	<b>111,642,583</b>

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At the end of 2008, the City had \$97,718,602 invested in capital assets less depreciation.

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

	Governmental Activities	Business Type Activities	2008 Total Primary Government	2007 Total Primary Government
Land	\$ 24,332,900	110,489	24,443,389	24,443,389
Infrastructure	42,652,945	8,228,139	50,881,084	50,881,084
Circle K Ranch	-	3,569,396	3,569,396	3,653,116
Building and Equipment	9,187,341	9,637,392	18,824,733	19,929,760
<b>Total</b>	<b>\$ 76,173,186</b>	<b>21,545,416</b>	<b>97,718,602</b>	<b>98,907,349</b>

The City reports its governmental-type infrastructure assets (e.g., streets, bridges, traffic signals, signs and storm sewer systems) using the modified approach as defined by GASB No. 34. Infrastructure assets reported by the modified approach are not required to be depreciated as long as the City manages the eligible infrastructure assets using an asset management system that meets certain criteria and documents that infrastructure assets are being preserved approximately at a condition level established by the City. It is the City's policy to maintain and preserve infrastructure assets at a minimum condition level of "Fair". All infrastructure assets were assessed at condition levels of "Fair" to "Excellent" during 2008. 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 2008. The City's estimated annual amount of expenditures was \$752,742 compared to the actual expenditures of \$744,590.

**DEBT**

At the end of 2008, the City had the following debt:

**TABLE 4**  
**OUTSTANDING DEBT AT YEAR-END**

	Governmental Activities	Business Type Activities	2008 Total Primary Government	2007 Total Primary Government
Capital Leases	\$ 1,557,655	393,186	1,950,841	2,100,029
G.O. Bonds	17,602,840	92,160	17,695,000	18,040,000
Revenue Bonds	-	3,004,956	3,004,956	3,901,977
<b>Total</b>	<b>\$ 19,160,495</b>	<b>3,490,302</b>	<b>22,650,797</b>	<b>24,042,006</b>

**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**  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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



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**Toby Dougherty**  
City Manager  
City of Hays, Kansas

CITY OF HAYS, KANSAS  
Statement of Net Assets  
December 31, 2008

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

ASSETS	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Totals		Housing Authority of the City of Hays, Kansas	Hays Public Library
			2008	2007		
Cash and Cash Equivalents	\$ 10,031,659	24,298,486	34,330,145	32,272,806	136,249	843,415
Investments	-	-	-	-	31,816	-
Receivables (Net of Allowance for Uncollectibles)	4,619,271	259,641	4,878,912	4,664,920	7	1,336,268
Internal Balances	71,630	33,623	105,253	29,204	-	-
Due from Other Governments	64,584	-	64,584	57,463	-	-
Prepaid Insurance	-	-	-	-	1,004	-
Inventory	-	-	-	-	836	-
Restricted Assets-Cash and Cash Equivalents	3,244,488	-	3,244,488	3,266,425	-	-
Budget Stabilization	-	-	-	183,114	-	-
Customer Deposits	-	154,005	154,005	346,440	27,833	-
Revenue Refunding Bonds - Series 2003	-	345,879	345,879	303,480	-	-
Revenue Sales Tax Bonds - Series 2003	-	222,200	222,200	2,000,414	-	-
Reserve for Capital Improvements	-	1,384,753	1,384,753	-	-	18,439
Beach Donation	-	-	-	-	-	-
Capital Assets (Note 1) - Net of Depreciation	66,985,845	8,338,628	75,324,473	75,345,986	144,879	-
Land and Infrastructure	9,187,341	9,637,392	18,824,733	19,908,247	845,655	3,906,011
Depreciable Buildings and Equipment	-	3,569,396	3,569,396	3,653,116	-	-
Circle K Ranch	-	20,397	20,397	32,981	-	-
Issuance Costs - (Net of Amortization)	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 94,204,818</b>	<b>48,264,400</b>	<b>142,469,218</b>	<b>142,064,596</b>	<b>1,188,279</b>	<b>6,104,133</b>

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

CITY OF HAYS, KANSAS  
Statement of Net Assets  
December 31, 2008

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Housing Authority of the City of Hays, Kansas	Hays Public Library
<b>LIABILITIES</b>					
Accounts Payable	\$ 289,424	132,435	421,859	573	17,744
Accrued Payroll	289,200	52,118	341,318	1,154	4,999
Accrued Vacation	-	-	-	725	-
Accrued Paid Time Off (Note 1J)	372,761	82,021	454,782	-	-
Accrued Sick Leave Payout	36,528	-	36,528	-	-
Accrued Interest Payable	857,172	-	857,172	-	-
Internal Balances	-	105,253	105,253	1,106	-
Accrued Interest - Revolving Loan	-	24,122	24,122	-	-
Deferred Revenue	4,497,934	-	4,497,934	3	1,336,268
Restricted Assets					
Customer Deposits	-	154,005	154,005	4,750	-
Accrued Interest - Revenue and Sales Tax Bonds	-	21,135	21,135	-	-
Compensated Absences (Note 1J)	-	-	-	2,900	144,180
State of Kansas Waste Water Revolving Loan (Note 3)					
Due Within One Year	-	324,596	324,596	-	-
Due in More Than One Year	-	1,630,359	1,630,359	-	-
Revenue Refunding Bonds - Series 2003 (Note 3)					
Due Within One Year	-	275,000	275,000	-	-
Due in More Than One Year	-	615,000	615,000	-	-
Sales Tax Refunding Bonds - Series 2003 (Note 3)					
Due Within One Year	-	160,000	160,000	-	-
Due in More Than One Year	-	-	-	-	-
Capital Leases (Note 2)					
Due Within One Year	119,352	39,041	158,393	-	-
Due in More Than One Year	1,438,303	354,146	1,792,449	-	-
G.O. Bonds Payable (Note 3)					
Due Within One Year	1,587,040	12,960	1,600,000	-	-
Due in More Than One Year	16,015,800	79,200	16,095,000	-	-
<b>Total Liabilities</b>	\$ 25,503,514	4,061,391	29,564,905	11,211	1,503,191

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, 2008  
 (With Comparative Totals for the Year Ended December 31, 2007)

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
	2008	2007	2008	2007	Housing Authority of the City of Hays, Kansas	Hays Public Library
<b>Primary Government</b>						
Governmental Activities						
General Government	\$ 10,102,046	673,269	47,185	35,000	(9,346,592)	(9,484,779)
Highway and Street	4,823,524	-	-	50,169	(4,773,355)	(370,031)
Culture and Recreation	3,018,773	193,806	-	-	(2,824,967)	(2,290,210)
Airport	963,890	67,925	-	299,319	(596,646)	(274,433)
Interest on Long-Term Debt	1,164,478	-	-	-	(1,164,478)	(844,208)
Capital Outlay	-	-	-	-	-	-
Total Governmental Activities	<u>20,072,711</u>	<u>935,000</u>	<u>47,185</u>	<u>384,488</u>	<u>(18,706,038)</u>	<u>(13,263,661)</u>
Business-Type Activities						
Water and Sewer	4,818,368	4,514,801	-	-	(303,567)	1,859,194
Solid Waste	785,154	1,261,250	-	-	476,096	555,291
Total Business-Type Activities	<u>5,603,522</u>	<u>5,776,051</u>	<u>-</u>	<u>-</u>	<u>172,529</u>	<u>2,414,485</u>
<b>Total Primary Government</b>	<b>\$ 25,676,233</b>	<b>6,711,051</b>	<b>47,185</b>	<b>384,488</b>	<b>(18,533,509)</b>	<b>(10,849,176)</b>
<b>Component Units</b>						
Housing Authority of the City of Hays, Kansas	\$ 366,430	56,845	269,963	22,307	-	(17,315)
Hays Public Library	1,378,549	5,090	13,200	45,826	-	(1,314,433)
<b>Total Component Units</b>	<b>\$ 1,744,979</b>	<b>61,935</b>	<b>283,163</b>	<b>68,133</b>	<b>-</b>	<b>(1,314,433)</b>
<b>General Revenues</b>						
Property Taxes	\$ 4,691,728	4,691,728	-	-	4,691,728	4,315,762
Sales Tax	9,320,944	6,667,818	2,663,126	-	9,320,944	8,751,007
Franchise Taxes	1,414,052	1,414,052	-	-	1,414,052	1,344,654
Motor Fuel Taxes	615,661	615,661	-	-	615,661	614,828
Alcoholic Liquor Taxes	383,332	383,332	-	-	383,332	316,185
Transient Guest Taxes	735,836	735,836	-	-	735,836	481,846
Special Assessments	412,758	412,758	-	-	412,758	366,339
Unrestricted Interest Income	714,694	714,694	972,813	-	1,687,507	1,841,227
Miscellaneous	-	-	268,385	-	268,385	311,910
Reimbursements	245,888	245,888	-	-	245,888	172,373
Special Items	19,148	19,148	-	-	19,148	26,926
Transfers	2,229,610	2,229,610	(2,229,610)	-	-	-
<b>Total General Revenues, Special Items &amp; Transfer</b>	<b>18,120,525</b>	<b>18,120,525</b>	<b>1,674,714</b>	<b>18,543,057</b>	<b>19,795,239</b>	<b>18,543,057</b>
Change in Net Assets						
Net Assets - Beginning					(585,513)	1,261,730
Net Assets - Ending					69,286,817	103,948,702
<b>Net Assets - Ending</b>	<b>\$ 68,701,304</b>	<b>44,203,009</b>	<b>112,904,313</b>	<b>111,642,583</b>	<b>1,177,068</b>	<b>4,600,942</b>

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

CITY OF HAYS, KANSAS  
Balance Sheet  
Governmental Funds  
December 31, 2008

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

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Capital Projects Fund	Other Governmental Funds	Totals	
						2008	2007
<b>ASSETS</b>							
Cash and Investments	\$ 6,777,591	1,185,290	702,022	(2,736,008)	4,102,764	10,031,659	10,685,928
<b>Receivables - Net</b>	-	-	-	-	121,337	121,337	242,445
Accounts Receivable	64,584	-	-	71,630	-	136,214	856,444
Due from Other Governments	-	1,559,110	1,247,471	-	1,691,353	4,497,934	4,119,171
Taxes	3,244,488	-	-	-	-	3,244,488	3,266,425
Reserved Cash	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 10,086,663</b>	<b>2,744,400</b>	<b>1,949,493</b>	<b>(2,664,378)</b>	<b>5,915,454</b>	<b>18,031,632</b>	<b>19,170,413</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>	\$	17,514	-	-	149,152	289,424	319,166
Accounts Payable	122,758	-	-	-	12,869	289,200	242,724
Accrued Payroll	276,331	-	-	-	10,602	372,761	320,752
Accrued Paid Time Off	362,159	-	-	-	-	36,528	46,048
Accrued Sick Leave Payout	36,528	-	-	-	-	4,497,934	4,119,171
Deferred Revenues	-	1,559,110	1,247,471	-	1,691,353	5,485,847	5,047,861
<b>Total Liabilities</b>	<b>797,776</b>	<b>1,576,624</b>	<b>1,247,471</b>	<b>-</b>	<b>1,863,976</b>	<b>5,485,847</b>	<b>5,047,861</b>
<b>Fund Balance Reserved</b>	341,127	-	-	844,228	564,393	1,749,748	4,018,658
Reserved for Encumbrances	3,218,568	-	-	-	-	3,218,568	3,266,425
<b>Unreserved</b>	1,176,071	969,360	695,517	-	1,423,569	4,264,537	6,307,279
Designated for Subsequent Year's Expenditures	4,553,121	198,416	6,505	(3,508,606)	2,063,496	3,312,932	530,190
Undesignated	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>9,288,887</b>	<b>1,167,776</b>	<b>702,022</b>	<b>(2,664,378)</b>	<b>4,051,478</b>	<b>12,545,785</b>	<b>14,122,552</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 10,086,663</b>	<b>2,744,400</b>	<b>1,949,493</b>	<b>(2,664,378)</b>	<b>5,915,454</b>	<b>18,031,632</b>	<b>19,170,413</b>

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

**CITY OF HAYS, KANSAS**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Government-Wide Statement of Net Assets  
 December 31, 2008

Amounts reported for governmental activities in the Statement of Net Assets differ from the fund balances of Governmental Funds on the preceding balance sheet as shown in the following reconciliation:

Fund Balances of Governmental Funds from the Balance Sheet	\$	12,545,785
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.		76,173,186
Long-Term debt, and capital leases, have not been included in the Governmental Fund activity on the Balance Sheet.		
G.O. Bonds		(17,602,840)
Capital Leases		(1,557,655)
Accrued interest payable for the current portion of interest due on the bonds and the capital leases have not been reported in the Governmental Funds on the Balance Sheet.		<u>(857,172)</u>
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (Statement 1).	\$	<u><u>68,701,304</u></u>

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

**CITY OF HAYS, KANSAS**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	General Fund	Employee Benefit Fund	Bond and Interest Fund	Capital Projects Fund	Other Governmental Funds	Totals
	2008	2008	2008	2008	2008	2007
<b>Revenues</b>						
Taxes	\$ 6,532,873	2,145,716	1,092,115	-	1,992,004	10,932,243
Intergovernmental	174,671	-	-	-	1,906,662	2,560,249
Licenses & Fees	1,509,195	-	-	-	-	1,463,496
Fines and Forfeitures	570,071	-	-	-	-	469,923
Use of Money & Property	595,397	-	-	-	72,600	687,212
Collections	197,186	-	-	-	-	290,709
Donations	35,000	-	-	-	-	135,000
Prior Year Encumbrances Voided	23,807	-	-	39,393	-	30,129
Developer Contributions	-	106,003	-	-	157,473	682,562
Miscellaneous	88,274	-	-	-	-	252,327
<b>Total Revenues</b>	<b>9,726,474</b>	<b>2,251,719</b>	<b>1,092,115</b>	<b>39,393</b>	<b>4,128,739</b>	<b>17,238,440</b>
<b>Expenditures</b>						
<b>Current -</b>						
General Government	6,594,509	2,423,852	-	-	579,486	9,494,200
Highway and Street	1,657,357	-	-	3,549,497	846,670	4,293,072
Culture and Recreation	1,417,596	-	-	-	1,281,011	2,169,648
Airport	-	-	-	-	901,740	766,539
Debt Service	-	-	2,165,675	-	206,805	2,243,305
Capital Outlay	116,269	-	-	-	553,498	565,259
<b>Total Expenditures</b>	<b>9,785,731</b>	<b>2,423,852</b>	<b>2,165,675</b>	<b>3,549,497</b>	<b>4,369,210</b>	<b>19,532,023</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(59,257)</b>	<b>(172,133)</b>	<b>(1,073,560)</b>	<b>(3,510,104)</b>	<b>(240,471)</b>	<b>(2,028,173)</b>
<b>Other Financing Sources (Uses)</b>						
G.O. Bond Proceeds	-	-	-	1,230,000	-	1,540,000
Capital Lease Purchase Proceeds	-	-	-	-	-	776,000
Sale of Equipment	19,148	-	-	-	-	26,926
Transfers In	1,711,360	521,870	575,400	-	557,600	3,960,276
Transfers Out	(925,100)	-	-	-	(211,520)	(1,916,176)
<b>Total Other Financing Sources (Uses)</b>	<b>805,408</b>	<b>521,870</b>	<b>575,400</b>	<b>1,230,000</b>	<b>346,080</b>	<b>4,387,026</b>
<b>Net Change in Fund Balances</b>	<b>746,151</b>	<b>349,737</b>	<b>(498,160)</b>	<b>(2,280,104)</b>	<b>105,609</b>	<b>2,358,853</b>
<b>Fund Balance - January 1</b>	<b>8,542,736</b>	<b>818,039</b>	<b>1,200,182</b>	<b>(384,274)</b>	<b>3,945,869</b>	<b>11,763,699</b>
<b>Fund Balance - December 31</b>	<b>\$ 9,288,887</b>	<b>1,167,776</b>	<b>702,022</b>	<b>(2,664,378)</b>	<b>4,051,478</b>	<b>14,122,552</b>

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

**CITY OF HAYS, KANSAS**  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2008

Net Changes in Fund Balances - Total Governmental Funds (Statement 4)	\$	(1,576,767)
<p>Amounts Reported for Governmental Activities in the Statement of Activities          (Statement 2) are different because:</p>		
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$744,590) exceeded depreciation (\$961,338) in the current period.</p>		(216,748)
<p>Governmental Funds report the total proceeds from the disposal of assets as revenue. However, in the Statement of Activities, the disposal of assets is reported net of the adjusted basis of the assets. This is the amount of the total adjusted basis of assets disposed.</p>		(12,447)
<p>Capital Lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of the capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which capital lease proceeds (none in the current year) exceeded capital lease repayments (\$203,977) recorded in the General Governmental Funds.</p>		203,977
<p>Internal balances between the Governmental and Business-Type Activities is eliminated on the Statement of Net Assets</p>		798,981
<p>Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which bond proceeds (\$1,230,000) exceeded bond repayments (\$1,470,600) recorded in the General Governmental Funds.</p>		240,600
<p>Accrued interest payable increased (\$23,109) from the prior year. These balances are not accounted for in the General Governmental Funds. However, the changes are reflected in the Statement of Activities.</p>		<u>(23,109)</u>
Change in Net Assets of Governmental Activities (Statement 2)	\$	<u><u>(585,513)</u></u>

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

CITY OF HAYS, KANSAS  
Balance Sheet  
Proprietary Funds  
December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

ASSETS	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2008	2007
<b>Current Assets</b>				
Cash & Cash Equivalents				
Operating Account	\$ 3,121,525	621,018	3,742,543	2,736,789
Local Sales Tax Account	20,555,943	-	20,555,943	18,850,089
Accounts Receivable (Net)	259,641	-	259,641	303,304
Due From Water and Sewer Fund	-	33,623	33,623	29,204
<b>Total Current Assets</b>	<u>23,937,109</u>	<u>654,641</u>	<u>24,591,750</u>	<u>21,919,386</u>
<b>NonCurrent Assets</b>				
<b>Restricted Cash and Cash Equivalents</b>				
Customer Deposits	154,005	-	154,005	183,114
Reserve for Capital Improvements	1,275,418	109,335	1,384,753	2,000,414
Revenue Refunding Bonds - Series 2003				
Principal & Interest Account	152,879	-	152,879	153,440
Bond Reserve Account	193,000	-	193,000	193,000
Sales Tax Refunding Bonds - Series 2003				
Principal & Interest Account	82,200	-	82,200	163,480
Bond Reserve Account	140,000	-	140,000	140,000
<b>Total Restricted Cash and Cash Equivalents</b>	<u>1,997,502</u>	<u>109,335</u>	<u>2,106,837</u>	<u>2,833,448</u>
<b>Capital Assets</b>				
<b>Water</b>				
Land & Right-of-Ways	110,489	-	110,489	110,489
Infrastructure	13,341,013	-	13,341,013	13,275,706
Equipment	10,236,836	-	10,236,836	10,236,836
Water Banking Plan	2,082,834	-	2,082,834	2,082,834
R-9 Ranch	4,262,040	-	4,262,040	4,262,040
<b>Sewer and Solid Waste</b>				
Building & Structures	11,782,910	253,434	12,036,344	12,036,344
Equipment	-	1,508,495	1,508,495	1,501,991
	<u>41,816,122</u>	<u>1,761,929</u>	<u>43,578,051</u>	<u>43,506,240</u>
<b>Less - Accumulated Depreciation</b>	<u>(21,485,274)</u>	<u>(547,361)</u>	<u>(22,032,635)</u>	<u>(21,001,272)</u>
<b>Total Capital Assets</b>	<u>20,330,848</u>	<u>1,214,568</u>	<u>21,545,416</u>	<u>22,504,968</u>
<b>Other Assets</b>				
Issuance Costs Net of Applicable Amortization	20,397	-	20,397	32,981
<b>Total NonCurrent Assets</b>	<u>22,348,747</u>	<u>1,323,903</u>	<u>23,672,650</u>	<u>25,371,397</u>
<b>Total Assets</b>	<u>\$ 46,285,856</u>	<u>1,978,544</u>	<u>48,264,400</u>	<u>47,290,783</u>

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



**CITY OF HAYS, KANSAS**  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	Water and Sewer Fund	Solid Waste Utility Fund	Totals	
			2008	2007
<b>Operating Revenues</b>				
<b>Charges for Sales &amp; Services</b>				
Water Sales	\$ 2,337,691	-	2,337,691	2,364,536
Water Sales Conservation Rate	244,758	-	244,758	256,129
<b>Sub-Total Water Sales</b>	<u>2,582,449</u>	<u>-</u>	<u>2,582,449</u>	<u>2,620,665</u>
Sewer Charges	1,859,134	-	1,859,134	1,894,523
Refuse Collections	-	1,195,857	1,195,857	1,147,268
Tap Fees	40,586	-	40,586	33,915
Sales & Other Charges	32,632	65,393	98,025	95,753
<b>Total Operating Revenues</b>	<u>4,514,801</u>	<u>1,261,250</u>	<u>5,776,051</u>	<u>5,792,124</u>
<b>Operating Expenses</b>				
Water Production	1,188,817	-	1,188,817	973,848
General Administration	24,791	-	24,791	22,057
Wastewater Treatment	717,837	-	717,837	672,054
Refuse Collection	-	662,170	662,170	593,059
Amortization	12,584	-	12,584	12,584
Depreciation	927,002	104,361	1,031,363	1,000,075
<b>Total Operating Expenses</b>	<u>2,871,031</u>	<u>766,531</u>	<u>3,637,562</u>	<u>3,273,677</u>
<b>Operating Income</b>	<u>1,643,770</u>	<u>494,719</u>	<u>2,138,489</u>	<u>2,518,447</u>
<b>Non-Operating Revenues (Expenses)</b>				
Local Sales Tax	2,663,126	-	2,663,126	2,500,286
Interest Income	953,517	19,296	972,813	1,095,634
Rent on Circle K Ranch	250,000	-	250,000	250,000
Prior Year Encumbrances Voided	18,040	345	18,385	61,910
Interest Expense	(132,171)	(18,623)	(150,794)	(156,406)
R-9 Ranch Expenses	(248,944)	-	(248,944)	-
Water Exploration	(764,433)	-	(764,433)	(160,714)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>2,739,135</u>	<u>1,018</u>	<u>2,740,153</u>	<u>3,590,710</u>
<b>Income (Loss) before Contributions and Transfers</b>				
Transfers Out	(2,011,630)	(407,980)	(2,419,610)	(2,044,100)
<b>Change in Net Assets</b>	<u>2,371,275</u>	<u>87,757</u>	<u>2,459,032</u>	<u>4,065,057</u>
<b>Change in Capital Improvement Reserve Fund</b>	<u>100,000</u>	<u>87,192</u>	<u>187,192</u>	<u>213,158</u>
<b>Total Net Assets - Beginning of Year</b>	<u>40,210,520</u>	<u>1,346,265</u>		
<b>Total Net Assets - End of Year</b>	<u>\$ 42,681,795</u>	<u>1,521,214</u>		
Internal balances between the Governmental and Business-Type Activities is eliminated on the Statement of Net Assets.			(798,981)	-
<b>Change in Net Assets of Business-Type Activities (Statement 2)</b>			<u>\$ 1,847,243</u>	<u>4,278,215</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, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2008	2007
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers	\$ 4,529,355	1,256,831	5,786,186	5,667,022
Payments to Suppliers	(1,174,654)	(338,546)	(1,513,200)	(1,114,777)
Payments to Employees	(746,852)	(292,420)	(1,039,272)	(1,040,324)
<b>Net Cash Provided by Operating Activities</b>	<u>2,607,849</u>	<u>625,865</u>	<u>3,233,714</u>	<u>3,511,921</u>
<b>Cash Flows from NonCapital Financing Activities</b>				
Transfers to Other Funds	(1,911,630)	(320,788)	(2,232,418)	(2,044,100)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase & Construction of Cap. Assets	(774,618)	(6,504)	(781,122)	(1,858,329)
Lease Obligation Proceeds	-	-	-	430,557
Lease Obligation Retired	-	(37,370)	(37,370)	-
Water Exploration	(764,433)	-	(764,433)	(609,131)
Interest Paid	(142,484)	(18,623)	(161,107)	(167,479)
Principal Payments - Revolving Loan	(312,022)	-	(312,022)	(299,935)
Principal Payments - Bonds	(585,000)	-	(585,000)	(570,000)
Local Sales Tax	2,663,126	-	2,663,126	2,500,286
GO Bond Proceeds (Retired)	(12,240)	-	(12,240)	(11,520)
<b>Net Cash (Used) Provided for Capital and Related Financing Activities</b>	<u>72,329</u>	<u>(62,497)</u>	<u>9,832</u>	<u>(585,551)</u>
<b>Cash Flows from Investing Activities</b>				
Rental Income	250,000	-	250,000	250,000
Rental Expenses	(248,944)	-	(248,944)	(160,714)
Interest on Investments	953,517	19,296	972,813	1,095,634
<b>Net Cash Provided by Investing Activities</b>	<u>954,573</u>	<u>19,296</u>	<u>973,869</u>	<u>1,184,920</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,723,121	261,876	1,984,997	2,067,190
<b>Balances - Beginning of Year</b>	<u>23,951,849</u>	<u>468,477</u>	<u>24,420,326</u>	<u>22,353,136</u>
<b>Balances - End of the Year</b>	<u>\$ 25,674,970</u>	<u>730,353</u>	<u>26,405,323</u>	<u>24,420,326</u>
<b>Cash and Cash Equivalents Per Statement 5</b>				
Operating Account			\$ 3,742,543	2,736,789
Local Sales Tax Account			20,555,943	18,850,089
Total Restricted Cash and Cash Equivalents			<u>2,106,837</u>	<u>2,833,448</u>
<b>Total Cash and Cash Equivalents at Year End per Statement 5</b>			<u>\$ 26,405,323</u>	<u>24,420,326</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, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	Enterprise Funds		Totals	
	Water and Sewer Fund	Solid Waste Utility Fund	2008	2007
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	\$ 1,643,770	494,719	2,138,489	2,513,611
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation and Amortization	939,586	104,361	1,043,947	997,422
<b>Change in Assets &amp; Liabilities</b>				
(Increase) in Accounts Receivable	43,663	-	43,663	24,094
Increase (Decrease) in Accounts Payable	(44,098)	29,307	(14,791)	(1,454)
Increase (Decrease) Due to Other Funds	4,419	-	4,419	690
(Increase) Due from Other Funds	-	(4,419)	(4,419)	(690)
Increase (Decrease) in Accrued Liabilities	20,509	1,897	22,406	(14,610)
<b>Total Adjustments</b>	<u>964,079</u>	<u>131,146</u>	<u>1,095,225</u>	<u>1,005,452</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 2,607,849</u>	<u>625,865</u>	<u>3,233,714</u>	<u>3,519,063</u>

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

**CITY OF HAYS, KANSAS**  
Statement of Fiduciary Net Assets  
Agency Funds  
December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	<u>Police Judge</u>	<u>TDD Sales Tax Revenue</u>	<u>Totals</u>	
			<u>2008</u>	<u>2007</u>
<b>ASSETS</b>				
Cash and Investments	\$ 112,805	41,091	<b>153,896</b>	93,089
Restricted Cash	1,065	-	<b>1,065</b>	1,729
<b>Total Assets</b>	<u>113,870</u>	<u>41,091</u>	<u><b>154,961</b></u>	<u>94,818</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts Payable	41,776	41,091	<b>82,867</b>	23,946
Due to Other Funds	64,584	-	<b>64,584</b>	56,826
<b>Total Liabilities</b>	<u>106,360</u>	<u>41,091</u>	<u><b>147,451</b></u>	<u>80,772</u>
<b>Net Assets</b>				
Reserved for Debt	6,445	-	<b>6,445</b>	12,317
Reserved for ADSAP	1,065	-	<b>1,065</b>	1,729
<b>Total Net Assets</b>	<u>\$ 7,510</u>	<u>-</u>	<u><b>7,510</b></u>	<u>14,046</u>

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

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**1. Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

The **City of Hays, Kansas** is a municipal corporation governed by an elected five-member commission. The City receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources.

The financial statements of the City consist of all the funds of the City and governmental entities that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The **City of Hays, Kansas** is the primary government as defined in GASB #14 and further amended by GASB #39. The City Commissioners are elected by the public. The Commission has the authority to make decisions, levy taxes, influence operations, and has the primary accountability in fiscal matters. The following are the component units of the **City of Hays, Kansas**. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City (as distinct from legal relationships).

**Housing Authority of the City of Hays, Kansas**

The Housing Authority of the **City of Hays, Kansas** operates a subsidized public housing project. The five-member board is appointed by the City, and the City is entitled to the resources of the Housing Authority. Contact the City office for information on how to obtain a copy of the financial statements and audit report.

**Hays Public Library**

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

**B. Government-Wide and Fund Financial Statements**

The Government-Wide Financial Statements, the Statement of Net Assets, and the Statement of Activities report financial information for the City as a whole excluding fiduciary activities. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

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**B. Government-Wide and Fund Financial Statements (cont.)**

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

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The operating statements present increases and decreases in net total assets. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to incurring a qualifying expenditure. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

The **City of Hays, Kansas** reports the following major governmental and proprietary funds:

**Major Governmental Funds**

**General Fund** – The General Fund is the main operating fund of the City. This fund accounts for all unrestricted resources except those required to be accounted for in another fund.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

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

Bond and Interest Fund – This fund accounts for the accumulation of resource for, and the payment of interest and principal on general long-term debt, and the financing of special assessments, which are general obligations of the City.

Capital Projects Fund – This fund accounts for financial resources segregated for the acquisition or construction of major capital facilities and infrastructure for the City.

**Major Proprietary Fund**

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

**Non-Major Governmental Funds**

The City reports the following non-major Governmental Funds:

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to be expensed for specified purposes.

Capital Project Funds – To account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

Economic Development Fund – This fund accounts for the accumulation of resources for, and the payment of interest and principal on general obligation bonds, which were used to finance the Home Depot Construction.

**Non-Major Proprietary Fund**

The City reports the following non-major Proprietary Fund:

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

Additionally, the City reports the following fund category:

**Fiduciary Funds**

Agency Funds – To account for assets held by the City either as a trustee or as an agent for other funds, governmental entities, or private entities. Agency funds are custodial in nature and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued before December 1, 1989, generally are followed in both the government-wide and Proprietary Fund financial statements, to the extent that those standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent guidance from the Financial Accounting Standards Board applicable to private sector entities. The City has elected not to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

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

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

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

**D. Deposits and Investments**

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet.

As of December 31, 2008, the City had no investments.

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

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

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2008. All deposits were legally secured at December 31, 2008.

At December 31, 2008, the City's carrying amount of deposits including certificates of deposit was \$39,833,865. The bank balance was \$40,108,783. Of the bank balance, \$1,001,001 was covered by FDIC insurance and the remaining \$39,107,782 was collateralized with securities held by the pledging financial institutions' agents in the City's name. In addition, the City had cash on hand of \$1,500.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

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**E. Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**F. Receivables and Payables**

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

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City; and therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenues.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1<sup>st</sup> are due one-half by December 20<sup>th</sup> and one-half by May 10<sup>th</sup>. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

The City records utility revenues on a monthly basis. The balance shown as accounts receivable at December 31, 2008 is comprised of accounts considered to be collectible by management. Balances are stated at net of anticipated uncollectible accounts.

**G. Inventories and Prepaid Items**

In both government-wide and fund financial statements, payments made to vendors for goods or services that will benefit periods beyond the current year, are recorded as inventory or prepaid items when they are deemed material and it is considered appropriate.

**H. Restricted Assets**

These assets consist of cash restricted for certain Enterprise, Debt Service, and Agency Funds. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**I. Accounting for Capital Assets and Depreciation**

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

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**I. Accounting for Capital Assets and Depreciation (cont.)**

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

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

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

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

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

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

The City prepares a long-range Capital Improvement Plan each year to ensure that infrastructure capital assets are being preserved approximately at or above the desired condition assessment levels set by the City. It is updated annually and now extends through 2016. The Capital Improvement Plan is developed by the Public Works Department, reviewed by the City Manager, Assistant City Manager, and Director of Finance, and approved by the City Commission.

In this plan, the Public Works Division staff and outside engineers contracted by the City assess the condition of infrastructure assets annually and determine the estimated amounts of expenditures needed to preserve and maintain these assets at the predetermined condition levels.

The City has created a condition level measurement scale that is comprised of four performance levels of condition. Performance Level 1 is denoted as a condition level of "Excellent", which denotes that the infrastructure is fully operational and has no defects. This condition level does not require any corrective action or preventative maintenance. Performance Level 2 is denoted as a condition level of "Good" which requires that infrastructure is operational and has few defects. This category does not require corrective action but may require preventative maintenance to prolong this good condition. Performance Level 3 is denoted as a condition level of "Fair". This performance level condition is representative of infrastructure which requires routine maintenance to improve operation and correct moderate defects. Performance Level 4 is denoted as a condition level of "Poor". Infrastructure assessed at this level requires rehabilitative action beyond routine maintenance. It is the City's policy to maintain and preserve infrastructure at a minimum condition level of "Fair".

During 2008, the infrastructure was assessed, and it was determined that the infrastructure was at condition levels of "Fair" to "Excellent". No significant deterioration of the infrastructure had occurred, and there were no significant changes in condition levels from the previous year's assessments.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

**I. Accounting for Capital Assets and Depreciation (cont.)**

The following schedule shows the estimated annual amount of expenditures calculated during June 2007 to maintain and preserve the infrastructure at a minimum condition level of "Fair" for 2008. It also shows the amounts actually expended for each of the past four reporting periods.

		<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Totals</u>
Estimated	\$	3,881,304	4,268,191	2,878,229	752,742	\$ 11,780,466
Actual	\$	6,041,805	4,292,963	2,970,230	744,590	\$ 14,049,588

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

**Primary Government**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Non - Depreciable Capital Assets:</b>				
Land & Right of Ways	\$ 24,332,900	-	-	24,332,900
Infrastructure (Modified Approach)	42,652,945	-	-	42,652,945
<b>Total Non - Depreciable Capital Assets</b>	<b>66,985,845</b>	<b>-</b>	<b>-</b>	<b>66,985,845</b>
<b>Depreciable Capital Assets:</b>				
Buildings	12,228,134	-	-	12,228,134
Machinery and Equipment	5,485,884	744,590	(161,416)	6,069,058
<b>Total Depreciable Capital Assets</b>	<b>17,714,018</b>	<b>744,590</b>	<b>(161,416)</b>	<b>18,297,192</b>
<b>Less Accumulated Depreciation</b>	<b>(8,297,481)</b>	<b>(961,338)</b>	<b>148,968</b>	<b>(9,109,851)</b>
<b>Depreciable Capital Assets,- Net of Accumulated Depreciation</b>	<b>9,416,537</b>	<b>(216,748)</b>	<b>(12,448)</b>	<b>9,187,341</b>
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 76,402,382</b>	<b>(216,748)</b>	<b>(12,448)</b>	<b>76,173,186</b>

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

**I. Accounting for Capital Assets and Depreciation (cont.)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business - Type Activities:</b>				
<b>Non - Depreciable     Capital Assets:</b>				
Land	\$ 110,489	-	-	110,489
<b>Depreciable Capital     Assets:</b>				
Circle K Ranch	4,262,040	-	-	4,262,040
Infrastructure	15,358,540	65,307	-	15,423,847
Buildings	12,036,344	-	-	12,036,344
Machinery and Equipment	11,738,827	6,504	-	11,745,331
<b>Total Depreciable         Capital Assets</b>	<b>43,395,751</b>	<b>71,811</b>	<b>-</b>	<b>43,467,562</b>
<b>Less Accumulated     Depreciation</b>	<b>(21,001,272)</b>	<b>(1,031,363)</b>	<b>-</b>	<b>(22,032,635)</b>
<b>Depreciable Capital     Assets, Net of     Accumulated     Depreciation</b>	<b>22,394,479</b>	<b>(959,552)</b>	<b>-</b>	<b>21,434,927</b>
<b>Business - Type     Activities Capital     Assets,     Net of Accumulated     Depreciation</b>	<b>\$ 22,504,968</b>	<b>(959,552)</b>	<b>-</b>	<b>21,545,416</b>

**J. Paid Time Off**

In 2005, the City implemented a general leave policy of paid-time-off (PTO). PTO shall be accrued by full-time employees, and all employees shall have a maximum amount of PTO accrual equal to the number of hours they accrue during their anniversary year. Employees who exceed the accrual maximum shall not be credited with further PTO accrual until their accruals are reduced below the maximum level. Upon separation from employment with the City, employees who terminate in good standing will be paid for all accrued but unused PTO at their current rate of pay. The City's maximum potential liability under the plan at December 31, 2008 has been estimated at \$389,124.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

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**K. Encumbrances**

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

**L. Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specifically exempted by statute), Debt Service Funds, and Enterprise Funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There was a budget amendment for this year in the Library Fund.

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

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

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

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

**L. Budgets (cont.)**

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

Fund	Expenditures Transfers Out Per Fund Statement	Less Beginning Encumbrances	Less Beginning Reserve for Budget Stabilization	Plus Ending Encumbrances	Plus Ending Reserve for Budget Stabilization	Expenditures Transfers out Per Budget Basis
General Fund	\$ 10,710,831	272,010	3,266,425	341,127	3,218,568	10,732,091
Bond and Interest Fu	\$ 2,423,852	-	-	-	-	2,423,852
Employee Benefit Fu	\$ 2,165,675	-	-	-	-	2,165,675

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

**Water and Sewer Fund**

	Statutory Basis	Statutory Adjustments	Encumbrances Prior Year	Encumbrances Current Year	GAAP Basis
<b>Operating Revenues</b>					
<b>Charges for Sales &amp; Services</b>					
Water Sales	\$ 2,337,691	-	-	-	2,337,691
Sewer Charges	1,859,134	-	-	-	1,859,134
Tap Fees	40,586	-	-	-	40,586
Water Conservation Rate	244,758	-	-	-	244,758
Sales & Other Charges	32,632	-	-	-	32,632
<b>Total Operating Revenues</b>	<u>4,514,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,514,801</u>
<b>Operating Expenses</b>					
Water Production	1,143,216	-	61,888	(31,287)	1,173,817
General Administration	24,791	-	-	-	24,791
Wastewater Treatment	717,837	-	-	-	717,837
Amortization	-	12,584	-	-	12,584
Depreciation	-	927,002	-	-	927,002
<b>Total Operating Expenses</b>	<u>1,885,844</u>	<u>939,586</u>	<u>61,888</u>	<u>(31,287)</u>	<u>2,856,031</u>
<b>Operating Income</b>	<u>2,628,957</u>	<u>(939,586)</u>	<u>61,888</u>	<u>(31,287)</u>	<u>1,658,770</u>
<b>Non-Operating Revenues (Expenses)</b>					
Local Sales Tax	2,663,126	-	-	-	2,663,126
Local Sales Tax Transfer	(2,470,287)	2,470,287	-	-	-
Capital Outlay	(80,307)	65,307	-	-	(15,000)
Interest Income	953,517	-	-	-	953,517
Rent on R-9 Ranch	250,000	-	-	-	250,000
Prior Year Encumbrances Voided	18,040	-	-	-	18,040
R-9 Ranch Expenses	(256,438)	7,494	-	-	(248,944)
Transfers (Out)	(2,011,630)	-	-	-	(2,011,630)
Interest on Deposits	(4,418)	4,418	-	-	-
Principal Debt Service Payments	(897,022)	897,022	-	-	-
Water Sales Tax Fund Reserve Expenses	-	(764,433)	-	-	(764,433)
Interest Expense	(132,171)	-	-	-	(132,171)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(1,967,590)</u>	<u>2,680,095</u>	<u>-</u>	<u>-</u>	<u>712,505</u>
<b>Net Income</b>	<u>\$ 661,367</u>	<u>1,740,509</u>	<u>61,888</u>	<u>(31,287)</u>	<u>2,371,275</u>

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

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**M. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation. Designations of fund balance represent tentative management plans, which are subject to change.

**N. Deficit Fund Equity**

The Capital Projects Fund, which is a major fund, had a deficit fund balance of \$2,664,378 at December 31, 2008. The City anticipates funding this deficit through the issuance of debt in subsequent accounting periods when the construction projects are completed and the associated assets are capitalized.

**O. Net Assets - Restricted**

Certain resources of the Water and Sewer and Solid Waste Utility Funds are classified as restricted assets on the balance sheet because their use is limited by action of the City Commission and by the Bond Covenants. The equipment reserve account is used to report resources set aside to meet unexpected contingencies or to fund asset replacements. The governmental activities are restricted by the amounts to fund capital projects and the current debt service.

**P. Special Assessments**

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

**Q. Defined Benefit Pension Plan**

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

*Funding Policy* – K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERs employer rate established by statute for calendar year 2008 is 5.93%. The **City of Hays, Kansas'** employer contributions to KPERs for the years ending December 31, 2008, 2007, and 2006 were \$229,476, \$192,787, and \$159,292, respectively, equal to the required contributions for each year. The KP&F employer rate established for the calendar year 2008 was 13.88%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The **City of Hays, Kansas** contributions to KP&F for the years ending December 31, 2008, 2007 and 2006, was \$332,272, \$303,868, and \$265,772 respectively, equal to the required contributions for each year.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

**R. Deferred Compensation Plan**

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

**S. Other Post Employment Benefits**

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

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

**2. Capital Leases**

As of December 31, 2008, the **City of Hays, Kansas** had the following capital leases:

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

The following is a schedule by years of future minimum lease payments for the governmental activities funds capital leases together with the present value of the net minimum lease payments as of December 31, 2008.

Year Ending December 31:	Governmental Activities			Business Type Activities
	HRC Building Facility	Welcome Center	Total	Sanitation Trucks
2009	\$ 106,312	100,582	206,894	55,993
2010	106,312	100,582	206,894	55,993
2011	106,312	100,582	206,894	55,993
2012	106,312	100,582	206,894	55,993
2013	106,312	100,582	206,894	55,993
2014-2018	532,528	426,973	959,501	195,975
Total Minimum Lease Payments	1,064,088	929,883	1,993,971	475,940
Less: Amount Representing Interest	(232,503)	(203,814)	(436,317)	(82,753)
Present Value Of Future Minimum Lease Payments	\$ 831,585	726,069	1,557,654	393,187

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

**3. Long-Term Debt**

**General Obligation Bonds**

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	3.45 – 6.50%	\$17,602,840
Business – Type Activities	4.50 – 6.50%	92,160
		<u>\$17,695,000</u>

The annual requirements to retire G.O. Bonds as of December 31, 2008, are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Bond Interest Due</u>	<u>Total</u>
2009	\$ 1,600,000	769,630	<b>2,369,630</b>
2010	1,635,000	703,316	<b>2,338,316</b>
2011	1,345,000	632,684	<b>1,977,684</b>
2012	1,090,000	574,770	<b>1,664,770</b>
2013	945,000	527,396	<b>1,472,396</b>
2014-2018	5,150,000	1,988,593	<b>7,138,593</b>
2019-2023	4,480,000	885,683	<b>5,365,683</b>
2024-2026	1,450,000	115,125	<b>1,565,125</b>
Total	<u>\$ 17,695,000</u>	<u>6,197,197</u>	<u><b>23,892,197</b></u>

**Revenue Bond and Revolving Loan**

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business – Type Activities	3.60 – 5.25%	\$3,004,955

The annual requirements to retire revenue bonds and the revolving loan as of December 31, 2008 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2009	\$ 759,596	100,745	<b>860,341</b>
2010	627,677	76,659	<b>704,336</b>
2011	641,284	55,204	<b>696,488</b>
2012	400,440	32,945	<b>433,385</b>
2013	380,167	18,021	<b>398,188</b>
2014	195,791	3,662	<b>199,453</b>
Total	<u>\$ 3,004,955</u>	<u>287,236</u>	<u><b>3,292,191</b></u>

**Transportation Development District Sales Tax Revenue Bonds**

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

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

**3. Long-Term Debt (cont.)**

Long-term debt activity for the year ended December 31, 2008 was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
G.O. Bonds	\$ 17,935,600	1,230,000	(1,562,760)	17,602,840	1,587,040
Capital Leases	1,669,472	-	(111,817)	1,557,655	119,352
<b>Total Governmental Long-Term Liabilities</b>	<b><u>19,605,072</u></b>	<b><u>1,230,000</u></b>	<b><u>(1,674,577)</u></b>	<b><u>19,160,495</u></b>	<b><u>1,706,392</u></b>
<b>Business - Type Activities:</b>					
G.O. Bonds	104,400	-	(12,240)	92,160	12,960
Capital Leases	430,557	-	(37,371)	393,186	39,041
Revenue Bonds	1,635,000	-	(585,000)	1,050,000	435,000
State Revolving Loan	2,266,978	-	(312,022)	1,954,956	324,596
<b>Total Business-Type Long-Term Liabilities</b>	<b><u>4,436,935</u></b>	<b><u>-</u></b>	<b><u>(946,633)</u></b>	<b><u>3,490,302</u></b>	<b><u>811,597</u></b>
<b>Total Long- Term Liabilities</b>	<b><u>\$ 24,042,007</u></b>	<b><u>1,230,000</u></b>	<b><u>(2,621,210)</u></b>	<b><u>22,650,797</u></b>	<b><u>2,517,989</u></b>

**4. Compliance with Revenue Bond Provision Water Utility Fund**

The Water and Sewage System Revenue Refunding Bonds - Series 2003 requires that water rates charged in each year will enable the City to have in each fiscal year Net Operating Revenues from the System equal to 125 percent of the maximum amount required to be paid by the City in such fiscal year on account of both principal and interest on all Water and Sewage System Revenue Bonds then outstanding. This provision was complied with for the year ended December 31, 2008. Excess revenues totaled \$29,728 for the prior year.

Gross Revenues	\$ 4,514,801
Adjustments -	
Less - Operating Expenses	\$( 1,931,445)
Transfers Out	( 2,111,630)
Add - Interest Earned	<u>274,716</u>
Net Adjustments	<u>( 3,768,359)</u>
<b>Net Revenues</b>	<b>746,442</b>
Maximum Amount of Principal and Interest	303,278
	<u>125%</u>
Net Revenues Required	<u>379,098</u>
<b>Excess</b>	<b><u>\$ 367,344</u></b>

**5. Transfers and Payments**

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas Statutes. The City's operating transfers and statutory authority for the year 2008 were as follows.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

**5. Transfers and Payments (cont.)**

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
Water & Sewer	General	12-825d	\$ 1,446,530
Solid Waste	General	12-825d	186,480
Convention & Tourism	General	79-2925	53,500
Special Alcohol	General	79-41a04	24,850
Solid Waste	Employee Benefit	12-825d	131,500
Water & Sewer	Employee Benefit	12-825d	280,800
Convention & Tourism	Employee Benefit	79-2925	59,400
Airport	Employee Benefit	79-2925	39,750
Special Alcohol	Employee Benefit	79-41a04	10,420
Water & Sewer	Bond & Interest	12-825d	17,800
General	Bond & Interest	79-2925	557,600
Solid Waste	Solid Waste Reserve	12-825d	90,000
Water & Sewer	Capital Improvement Reserve	12-825d	100,000
General	New Equipment Reserve	12-1,117	367,500
Airport	New Equipment Reserve	12-1,117	23,600
Water & Sewer	New Equipment Reserve	12-1,117	166,500
<b>Totals</b>			<b>\$ 3,556,230</b>

In the fund financial statements, total transfers of \$2,229,610 are equal to the total transfers out of \$2,229,610 from Business-Type Funds.

**6. Capital Projects**

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expenditures to Date</u>
Vine Street Reconstruction	\$ 2,755,824	2,755,824
8 <sup>th</sup> Street Reconstruction	1,108,174	1,106,993
22 <sup>nd</sup> Street Construction	1,014,956	988,991
Golden Belt Estates 3 <sup>rd</sup> Addition	449,893	14,500
Wastewater Plant	531,754	505,949
Airport Improvements – Grants 17, 19, 20, 21	-	1,970,819
Golden Belt 2 <sup>nd</sup> Addition – Vista Drive	234,613	234,613
Waste Water Plant – SCADA	170,064	170,064
2007 Waterline Upgrades	2,696,000	2,315,869
Repair and Paint Water Tower	114,200	114,200
WTP Filter Controls & SCADA	284,630	194,950

**7. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF HAYS, KANSAS**  
Notes to Financial Statements  
December 31, 2008

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**8. Risk Management – Claims and Judgments**

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

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

The City has elected to obtain comprehensive and collision coverage on City owned motor vehicles that the City has determined would be cost beneficial. Comprehensive and collision coverage was not obtained for vehicles considered obsolete based on their year and value by the City.

The City also participates in the Kansas Municipal Insurance Trust (KMIT) to provide workers compensation insurance. The City joined KMIT in January 2005. The City, along with other participating cities, contributes annual amounts determined by KMIT management. As claims arise they are submitted to and paid by KMIT. During 2008, the City contributed \$171,377 to the fund for this insurance coverage.

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of December 31, 2008, the financial statements do not include liabilities for anticipated costs.

**9. Litigation**

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

**10. Grants and Shared Revenues**

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

**11. Comparative Data and Reclassifications**

Comparative totals for the prior year are presented in the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. The comparative totals appear in the government-wide financial statements and the accompanying supplemental financial statements.

**CITY OF HAYS, KANSAS**  
**General Fund**  
 Balance Sheets  
 December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Cash and Investments</b>	\$ <u>6,777,591</u>	<u>5,908,426</u>
<b>Receivables</b>		
Due From Other Governments	<u>64,584</u>	<u>57,463</u>
<b>Other Asset</b>		
Reserved Cash - Budget Stabilization	<u>3,244,488</u>	<u>3,266,425</u>
<b>Total Assets</b>	\$ <u><u>10,086,663</u></u>	<u><u>9,232,314</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 122,758	108,379
Accrued Payroll	276,331	231,343
Accrued Paid Time Off	362,159	306,664
Accrued Sick Leave Pay Out	<u>36,528</u>	<u>43,192</u>
<b>Total Liabilities</b>	<u>797,776</u>	<u>689,578</u>
<b>Fund Balance</b>		
Reserved for Encumbrances	341,127	272,010
Reserved for Budget Stabilization	3,218,568	3,266,425
<b>Unreserved -</b>		
Designated for Subsequent Year's Expenditures	1,176,071	2,953,155
Undesignated	<u>4,553,121</u>	<u>2,051,146</u>
<b>Total Fund Balance</b>	<u>9,288,887</u>	<u>8,542,736</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u><u>10,086,663</u></u>	<u><u>9,232,314</u></u>

See Accountants' Report.

## CITY OF HAYS, KANSAS

## General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2008  
 (With Comparative Totals for the Year Ended December 31, 2007)

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Original and Final Budget	Actual		
Revenues (Page Four)	\$ 9,051,576	9,726,474	674,898	9,296,710
Expenditures (Page Four)	11,695,307	9,806,991	1,888,316	9,415,897
Excess of Revenues Over (Under) Expenditures	(2,643,731)	(80,517)	2,563,214	(119,187)
Other Financing Sources (Uses)				
Sale of Property	-	19,148	19,148	26,926
Transfers In	1,745,560	1,711,360	(34,200)	1,567,000
Transfers Out	(937,100)	(925,100)	12,000	(968,256)
Total Other Financing Sources (Uses)	808,460	805,408	(3,052)	625,670
Excess Revenues and Other Sources Over Expenditures & Other (Uses)	(1,835,271)	724,891	2,560,162	506,483
Fund Balance - January 1	2,953,155	8,542,736	5,589,581	8,085,570
Increase (Decrease) in Reserve for Encumbrances	-	69,117	69,117	(34,514)
Increase (Decrease) in Reserve for Budget Stabilization	-	(47,857)	(47,857)	(14,803)
Fund Balance - December 31	\$ 1,117,884	9,288,887	8,171,003	8,542,736

See Accountants' Report.

CITY OF HAYS, KANSAS  
General Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
<b>Taxes</b>				
Delinquent	\$ -	4,185	4,185	4,859
Motor Vehicle	-	-	-	56,813
Recreational Vehicle	-	-	-	689
16/20 M Truck Tax	-	-	-	1,852
Local Sales	6,173,000	6,528,688	355,688	6,149,264
<b>Total Taxes</b>	<b>6,173,000</b>	<b>6,532,873</b>	<b>359,873</b>	<b>6,213,477</b>
<b>Intergovernmental</b>				
Liquor Tax	112,776	127,486	14,710	105,395
State Grant	-	45,097	45,097	5,841
Federal Grant	-	2,088	2,088	26,740
<b>Total Intergovernmental</b>	<b>112,776</b>	<b>174,671</b>	<b>61,895</b>	<b>137,976</b>
<b>Licenses and Permits</b>				
Franchise Tax	1,250,000	1,414,052	164,052	1,344,654
Licenses	37,100	32,747	(4,353)	51,096
Permits	60,000	62,396	2,396	67,746
<b>Total Licenses and Permits</b>	<b>1,347,100</b>	<b>1,509,195</b>	<b>162,095</b>	<b>1,463,496</b>
<b>Fines and Forfeitures</b>				
Fines and Court Fees	435,000	570,071	135,071	469,923
<b>Use of Money and Property</b>				
Interest Income	540,000	594,197	54,197	686,012
Rent	1,200	1,200	-	1,200
<b>Total Use of Money and Property</b>	<b>\$ 541,200</b>	<b>595,397</b>	<b>54,197</b>	<b>687,212</b>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**General Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	2008			2007 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
<b>Miscellaneous</b>				
Golf Course Fees	\$ 210,000	189,131	(20,869)	198,071
Cemetery Receipts	15,500	8,055	(7,445)	15,295
Donations	-	35,000	35,000	35,000
Capital Credits	-	13,279	13,279	14,199
Miscellaneous Receipts	217,000	74,995	(142,005)	59,193
Prior Year Encumbrances Voided	-	23,807	23,807	2,868
<b>Total Miscellaneous</b>	<u>442,500</u>	<u>344,267</u>	<u>(98,233)</u>	<u>324,626</u>
<b>Total Revenues</b>	<u>\$ 9,051,576</u>	<u>9,726,474</u>	<u>674,898</u>	<u>9,296,710</u>
<b>Expenditures</b>				
City Commission	\$ 75,500	45,962	29,538	41,077
Financial Policy Project	1,051,014	243,906	807,108	689,952
City Manager	821,100	627,471	193,629	547,152
Human Resources	182,700	155,811	26,889	142,762
Information Technology	417,030	380,886	36,144	337,454
City Attorney	101,000	91,960	9,040	94,698
City Clerk	350,150	352,831	(2,681)	311,917
Intergovernmental	283,000	274,617	8,383	262,666
Police Department	2,266,400	2,169,330	97,070	2,016,958
Municipal Court	139,700	134,351	5,349	132,596
Public Works-General Administration	251,600	231,301	20,299	213,185
Service Division	772,240	736,382	35,858	762,877
Planning, Inspection, & Enforcement	223,558	204,646	18,912	191,371
Building & Grounds	435,900	442,398	(6,498)	391,274
Fleet Maintenance	729,250	697,243	32,007	537,055
Fire Department	1,345,815	1,108,649	237,166	1,081,523
Parks & Playgrounds	904,800	836,173	68,627	711,855
Golf Course	621,100	471,410	149,690	245,293
Swimming Pool	119,700	89,008	30,692	76,274
Ballfield Maintenance	73,000	42,219	30,781	47,875
Cemeteries	12,800	6,845	5,955	51,821
Social Services	159,900	159,900	-	156,000
Economic Development	326,550	272,192	54,358	306,162
Quality of Life	31,500	31,500	-	66,100
<b>Total Expenditures</b>	<u>\$ 11,695,307</u>	<u>9,806,991</u>	<u>1,888,316</u>	<u>9,415,897</u>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Library Fund**  
 Balance Sheets  
 December 31, 2008 and 2007

		2008	2007
<b>ASSETS</b>			
Cash and Investments	\$	-	28,413
Taxes Receivable		<b>1,037,912</b>	1,003,769
<b>Total Assets</b>	<b>\$</b>	<b>1,037,912</b>	<b>1,032,182</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Deferred Revenues	\$	<b>1,037,912</b>	1,003,769
<b>Fund Balance</b>			
Undesignated		-	28,413
<b>Total Fund Balance</b>		-	<b>28,413</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$</b>	<b>1,037,912</b>	<b>1,032,182</b>

**Library Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2008  
 (With Comparative Totals for the Year Ended December 31, 2007)

	2008			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
<b>Revenues</b>				
<b>Taxes</b>				
Ad Valorem	\$ 1,019,520	<b>988,345</b>	(31,175)	903,150
Delinquent	-	<b>6,179</b>	6,179	6,473
Motor Vehicle	103,102	<b>116,278</b>	13,176	113,651
Recreational Vehicle	1,128	<b>1,576</b>	448	1,409
16/20M Truck Tax	819	<b>950</b>	131	922
<b>Total Revenues</b>	<b>1,124,569</b>	<b>1,113,328</b>	<b>(11,241)</b>	<b>1,025,605</b>
<b>Expenditures</b>				
Distributions to Library Board	1,152,982	<b>1,141,741</b>	(11,241)	1,030,982
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	(28,413)	<b>(28,413)</b>	(56,826)	(5,377)
<b>Fund Balance - January 1</b>	28,413	<b>28,413</b>	-	33,790
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>-</b>	<b>(56,826)</b>	<b>28,413</b>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Library Employee Benefit Fund**  
 Balance Sheets  
 December 31, 2008 and 2007

		2008	2007
<b>ASSETS</b>			
Cash and Investments	\$	3,209	4,128
Taxes Receivable		134,454	101,762
<b>Total Assets</b>	\$	137,663	105,890
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Deferred Revenues	\$	134,454	101,762
<b>Fund Balance</b>			
Designated for Subsequent Year's Expenditures		1,481	1,677
Undesignated		1,728	2,451
<b>Total Fund Balance</b>		3,209	4,128
<b>Total Liabilities and Fund Balance</b>	\$	137,663	105,890

**Library Employee Benefit Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2008  
 (With Comparative Totals for the Year Ended December 31, 2007)

	2008			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
<b>Revenues</b>				
<b>Taxes</b>				
Ad Valorem	\$ 103,359	101,635	(1,724)	85,538
Delinquent	-	646	646	716
Motor Vehicle	9,764	11,537	1,773	12,934
Recreational Vehicle	107	156	49	160
16/20M Truck Tax	93	107	14	107
<b>Total Revenues</b>	113,323	114,081	758	99,455
<b>Expenditures</b>				
Distributions to Library Board	115,000	115,000	-	100,000
<b>Excess Revenues Over (Under) Expenditures</b>	(1,677)	(919)	758	(545)
<b>Fund Balance - January 1</b>	1,677	4,128	2,451	4,673
<b>Fund Balance - December 31</b>	-	3,209	3,209	4,128

See Accountants' Report.

CITY OF HAYS, KANSAS  
Special Highway Fund  
Balance Sheets  
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ <u>462,471</u>	<u>599,829</u>
<b>Total Assets</b>	<b>\$ <u>462,471</u></b>	<b><u>599,829</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ <u>176</u>	<u>320</u>
<b>Fund Balance</b>		
Reserved for Encumbrances	<u>95,239</u>	<u>12,220</u>
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	<u>345,681</u>	<u>420,368</u>
Undesignated	<u>21,375</u>	<u>166,921</u>
<b>Total Fund Balance</b>	<b><u>462,295</u></b>	<b><u>599,509</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>462,471</u></b>	<b><u>599,829</u></b>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Special Highway Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	2008			2007 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
<b>Revenues</b>				
<b>Intergovernmental</b>				
State Gasoline Tax	\$ 593,890	572,897	(20,993)	578,108
Connecting Link Maintenance	36,000	42,764	6,764	36,720
Prior Year Encumbrance Voided	-	10,776	10,776	358
<b>Total Revenues</b>	<u>629,890</u>	<u>626,437</u>	<u>(3,453)</u>	<u>615,186</u>
<b>Expenditures</b>				
Contractual Services	250,000	-	250,000	-
Capital Outlay	800,258	846,670	(46,412)	206,374
<b>Total Expenditures</b>	<u>1,050,258</u>	<u>846,670</u>	<u>203,588</u>	<u>206,374</u>
<b>Excess Revenues Over (Under) Expenditures</b>	<u>(420,368)</u>	<u>(220,233)</u>	<u>200,135</u>	<u>408,812</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	-	-	-	(745,320)
<b>Total Other Financing (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(745,320)</u>
<b>Excess Revenues &amp; Other Sources Over (Under) Expenditures</b>	<u>(420,368)</u>	<u>(220,233)</u>	<u>200,135</u>	<u>(336,508)</u>
<b>Fund Balance - January 1</b>	420,368	599,509	179,141	949,423
<b>Increase (Decrease) in Reserve for Encumbrances</b>	<u>-</u>	<u>83,019</u>	<u>83,019</u>	<u>(13,406)</u>
<b>Fund Balance - December 31</b>	<u>\$ -</u>	<u>462,295</u>	<u>462,295</u>	<u>599,509</u>

See Accountants' Report.

CITY OF HAYS, KANSAS  
Employee Benefit Fund  
Balance Sheets  
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ 1,185,290	834,737
Taxes Receivable	<u>1,559,110</u>	<u>1,983,676</u>
<b>Total Assets</b>	<b>\$ <u>2,744,400</u></b>	<b><u>2,818,413</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 17,514	16,698
Deferred Revenues	<u>1,559,110</u>	<u>1,983,676</u>
<b>Total Liabilities</b>	<b><u>1,576,624</u></b>	<b><u>2,000,374</u></b>
<b>Fund Balance</b>		
Designated for Subsequent Year's Expenditures	969,360	646,188
Undesignated	<u>198,416</u>	<u>171,851</u>
<b>Total Fund Balance</b>	<b><u>1,167,776</u></b>	<b><u>818,039</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>2,744,400</u></b>	<b><u>2,818,413</u></b>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Employee Benefit Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	2008			2007 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
<b>Revenues</b>				
<b>Taxes</b>				
Ad Valorem	\$ 2,045,027	1,979,983	(65,044)	1,258,476
Delinquent	-	5,872	5,872	7,331
Motor Vehicle	143,666	156,593	12,927	130,884
Recreational Vehicle	1,572	2,125	553	1,624
16/20M Truck Tax	985	1,143	158	920
Interest Income	26,000	52,882	26,882	59,581
Miscellaneous	-	53,121	53,121	16,363
<b>Total Revenues</b>	<u>2,217,250</u>	<u>2,251,719</u>	<u>34,469</u>	<u>1,475,179</u>
<b>Expenditures</b>				
Workmen's Compensation	195,000	171,377	23,623	201,085
Unemployment Compensation	21,652	12,182	9,470	8,824
Social Security	552,123	505,112	47,011	489,504
Employee Retirement	638,533	561,804	76,729	505,490
Contingency	600,000	31,622	568,378	27,506
Health Insurance	1,368,000	1,135,355	232,645	1,022,386
Contractual Services	10,000	6,400	3,600	5,793
<b>Total Expenditures</b>	<u>3,385,308</u>	<u>2,423,852</u>	<u>961,456</u>	<u>2,260,588</u>
<b>Excess Revenues Over (Under) Expenditures</b>	<u>(1,168,058)</u>	<u>(172,133)</u>	<u>995,925</u>	<u>(785,409)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	521,870	521,870	-	448,300
<b>Total Other Financing Sources</b>	<u>521,870</u>	<u>521,870</u>	<u>-</u>	<u>448,300</u>
<b>Excess Revenues &amp; Other Sources Over (Under) Expenditures</b>	(646,188)	349,737	995,925	(337,109)
<b>Fund Balance - January 1</b>	646,188	818,039	171,851	1,155,148
<b>Fund Balance - December 31</b>	<u>\$ -</u>	<u>1,167,776</u>	<u>1,167,776</u>	<u>818,039</u>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Public Safety Equipment Fund**  
 Balance Sheets  
 December 31, 2008 and 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ 436,507	289,572
Taxes Receivable	<u>345,991</u>	<u>329,645</u>
<b>Total Assets</b>	<b>\$ <u>782,498</u></b>	<b><u>619,217</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Deferred Revenues	\$ <u>345,991</u>	<u>329,645</u>
<b>Fund Balance</b>		
Reserved for Encumbrances	201,497	7,210
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	195,761	251,003
Undesignated	<u>39,249</u>	<u>31,359</u>
<b>Total Fund Balance</b>	<b><u>436,507</u></b>	<b><u>289,572</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>782,498</u></b>	<b><u>619,217</u></b>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Public Safety Equipment Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2008

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

	<b>2008</b>			2007 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
<b>Revenues</b>				
<b>Taxes</b>				
Ad Valorem	\$ 339,840	328,954	(10,886)	332,155
Delinquent	-	1,895	1,895	1,846
Motor Vehicle	37,918	42,331	4,413	35,077
Recreational Vehicle	415	574	159	436
Miscellaneous Revenue	-	375	375	-
16/20M Truck Tax	289	335	46	162
<b>Total Revenues</b>	<u>378,462</u>	<u>374,464</u>	<u>(3,998)</u>	<u>369,676</u>
<b>Expenditures</b>				
Capital Outlay	629,465	421,816	207,649	126,239
<b>Excess Revenue Over (Under)</b>				
<b>Expenditures</b>	(251,003)	(47,352)	203,651	243,437
<b>Fund Balance - January 1</b>	251,003	289,572	38,569	337,260
<b>Increase (Decrease) in   Reserve for Encumbrances</b>	-	194,287	194,287	(291,125)
<b>Fund Balance - December 31</b>	<u>\$ -</u>	<u>436,507</u>	<u>436,507</u>	<u>289,572</u>

See Accountants' Report.

CITY OF HAYS, KANSAS  
Airport Fund  
Balance Sheets  
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ 311,678	290,764
Taxes Receivable	<u>172,996</u>	<u>164,822</u>
<b>Total Assets</b>	<b>\$ <u>484,674</u></b>	<b><u>455,586</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 7,709	3,398
Accrued Payroll	4,344	3,915
Accrued Paid Time Off	3,098	6,557
Accrued Sick Leave Pay Out	-	2,856
Deferred Revenues	<u>172,996</u>	<u>164,822</u>
<b>Total Liabilities</b>	<b><u>188,147</u></b>	<b><u>181,548</u></b>
<b>Fund Balance</b>		
Reserved for Encumbrances	21,920	8,788
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	149,990	243,751
Undesignated	<u>124,617</u>	<u>21,499</u>
<b>Total Fund Balance</b>	<b><u>296,527</u></b>	<b><u>274,038</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>484,674</u></b>	<b><u>455,586</u></b>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Airport Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
<b>Taxes</b>				
Ad Valorem	\$ 169,920	<b>164,559</b>	(5,361)	167,905
Delinquent	-	<b>1,127</b>	1,127	1,138
Motor Vehicle	18,950	<b>21,158</b>	2,208	18,120
Recreational Vehicle	207	<b>287</b>	80	248
16/20M Truck Tax	144	<b>168</b>	24	162
Licenses and Fees Collected	73,500	<b>67,925</b>	(5,575)	73,193
Farming Leases	9,000	<b>12,601</b>	3,601	10,010
Miscellaneous	8,500	<b>13,836</b>	5,336	10,581
Prior Year Encumbrances Voided	-	-	-	579
<b>Total Revenues</b>	<u>280,221</u>	<u><b>281,661</b></u>	<u>1,440</u>	<u>281,936</u>
<b>Expenditures</b>				
Personal Services	122,500	<b>75,642</b>	46,858	87,384
Contractual Services	177,122	<b>89,894</b>	87,228	65,701
Commodities	29,800	<b>29,018</b>	782	13,051
Capital Outlay	97,000	<b>14,400</b>	82,600	6,292
<b>Total Expenditures</b>	<u>426,422</u>	<u><b>208,954</b></u>	<u>217,468</u>	<u>172,428</u>
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	(146,201)	<b>72,707</b>	218,908	109,508
<b>Other Financing (Uses)</b>				
Transfers Out	(97,550)	<b>(63,350)</b>	34,200	(83,300)
<b>Excess Revenues &amp; Other (Uses)</b>				
<b>Over Expenditures</b>	(243,751)	<b>9,357</b>	253,108	26,208
<b>Fund Balance - January 1</b>	243,751	<b>274,038</b>	30,287	242,402
<b>Increase (Decrease) in</b>				
<b>Reserve for Encumbrances</b>	-	<b>13,132</b>	13,132	5,428
<b>Fund Balance - December 31</b>	<u>\$ -</u>	<u><b>296,527</b></u>	<u>296,527</u>	<u>274,038</u>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Park Development Fund**  
 Balance Sheets  
 December 31, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
Cash and Investments	\$ <u>64</u>	<u>64</u>
<b>FUND BALANCE</b>		
<b>Fund Balance</b> Undesignated	\$ <u>64</u>	<u>64</u>

**Park Development Fund**  
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2008  
 (With Comparative Totals for the Year Ended December 31, 2007)

	2008			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
<b>Expenditures</b>				
Contractual Services	\$ -	-	-	-
<b>Excess Revenues Over (Under) Expenditures</b>	-	-	-	-
<b>Fund Balance - January 1</b>	-	64	64	64
<b>Fund Balance - December 31</b>	\$ -	<u>64</u>	<u>64</u>	<u>64</u>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Convention and Tourism Fund**  
 Balance Sheets  
 December 31, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
Cash and Investments	\$ <u>363,223</u>	<u>214,950</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 3,962	8,657
Accrued Payroll	8,525	7,466
Accrued Paid Time Off	<u>7,504</u>	<u>7,531</u>
<b>Total Liabilities</b>	<u>19,991</u>	<u>23,654</u>
<b>Fund Balance</b>		
Reserved for Encumbrances	9,729	5,020
<b>Unreserved -</b>		
Undesignated	173,127	-
Designated for Subsequent Year's Expenditures	<u>160,376</u>	<u>186,276</u>
<b>Total Fund Balance</b>	<u>343,232</u>	<u>191,296</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 363,223</u>	<u>214,950</u>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Convention and Tourism Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
<b>Intergovernmental</b>				
Guest Tax	\$ 615,000	735,836	120,836	481,846
Prior Year Cancelled Encumbrances	-	116	116	-
Miscellaneous	35,000	35,661	661	5,961
<b>Total Revenues</b>	<u>650,000</u>	<u>771,613</u>	<u>121,613</u>	<u>487,807</u>
<b>Expenditures</b>				
Personal Services	204,500	197,664	6,836	167,702
Contractual Services	466,448	267,003	199,445	175,310
Commodities	56,500	46,819	9,681	55,568
<b>Total Expenditures</b>	<u>727,448</u>	<u>511,486</u>	<u>215,962</u>	<u>398,580</u>
<b>Excess Revenues Over (Under) Expenditures</b>	(77,448)	260,127	337,575	89,227
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(112,900)	(112,900)	-	(93,500)
<b>Excess Revenues &amp; Other Sources Over (Under) Expenditures</b>	(190,348)	147,227	337,575	(4,273)
<b>Fund Balance - January 1</b>	190,348	191,296	948	199,453
<b>Increase (Decrease) in Reserve for Encumbrances</b>	-	4,709	4,709	(3,884)
<b>Fund Balance - December 31</b>	<u>\$ -</u>	<u>343,232</u>	<u>343,232</u>	<u>191,296</u>

See Accountants' Report.

CITY OF HAYS, KANSAS  
**New Equipment Reserve Fund**  
 Balance Sheets  
 December 31, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
Cash and Investments	\$ <u>1,638,077</u>	<u>1,538,009</u>
<b>FUND BALANCE</b>		
<b>Fund Balance</b>		
Reserved for Encumbrances	\$ 72,200	34,816
<b>Unreserved -</b>		
Undesignated	<u>1,565,877</u>	<u>1,503,193</u>
<b>Total Fund Balance</b>	<u><u>1,638,077</u></u>	<u><u>1,538,009</u></u>

**New Equipment Reserve Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2008  
 (With Comparative Totals for the Year Ended December 31, 2007)

	2008	2007
<b>Revenues</b>		
Interest Income	67,615	44,153
Insurance Reimbursements	-	23,502
<b>Total Revenues</b>	<u>67,615</u>	<u>67,655</u>
<b>Expenditures</b>		
Capital Outlay	<u>562,531</u>	<u>366,055</u>
<b>Total Expenditures</b>	<u>562,531</u>	<u>366,055</u>
<b>Excess Revenues Over (Under)</b>		
Expenditures	(494,916)	(298,400)
<b>Other Financing Sources (Uses)</b>		
Transfers In	<u>557,600</u>	<u>679,600</u>
<b>Excess Revenues and Other Sources</b>		
Over Expenditures and Other (Uses)	62,684	381,200
<b>Fund Balance - January 1</b>	1,538,009	1,121,993
<b>Increase (Decrease) in</b>		
Reserve for Encumbrances	<u>37,384</u>	<u>34,816</u>
<b>Fund Balance - December 31</b>	<u><u>1,638,077</u></u>	<u><u>1,538,009</u></u>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Special Alcohol Program Fund**  
 Balance Sheets  
 December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ <u>197,141</u>	<u>172,925</u>
<b>FUND BALANCE</b>		
<b>Fund Balance</b>		
Designated for Subsequent Year's Expenditures	\$ <u>179,431</u>	170,530
Undesignated	<u>17,710</u>	<u>2,395</u>
<b>Total Fund Balance</b>	\$ <u><u>197,141</u></u>	<u><u>172,925</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, 2008  
 (With Comparative Totals for the Year Ended December 31, 2007)

	<u>2008</u>			<u>2007</u> Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
<b>Revenues</b>				
<b>Intergovernmental</b>				
Liquor Tax	\$ 112,776	127,486	14,710	105,395
<b>Expenditures</b>				
Contractual	248,036	68,000	180,036	60,000
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	(135,260)	59,486	194,746	45,395
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(35,270)	(35,270)	-	(25,800)
<b>Excess Revenues &amp; Other Sources</b>				
<b>Over (Under) Expenditures</b>	(170,530)	24,216	194,746	19,595
<b>Fund Balance - January 1</b>	170,530	172,925	2,395	153,330
<b>Fund Balance - December 31</b>	\$ <u><u>-</u></u>	<u><u>197,141</u></u>	<u><u>197,141</u></u>	<u><u>172,925</u></u>

See Accountants' Report.

CITY OF HAYS, KANSAS  
Special Park and Recreation Fund  
Balance Sheets  
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ <u>425,263</u>	<u>344,802</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ <u>100</u>	<u>409</u>
<b>Fund Balance</b>		
Reserved for Encumbrances	3,500	44,300
<b>Unreserved</b>		
Designated for Subsequent Year's Expenditures	390,869	288,501
Undesignated	<u>30,794</u>	<u>11,592</u>
<b>Total Fund Balance</b>	<u>425,163</u>	<u>344,393</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u>425,263</u>	<u>344,802</u>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Special Park and Recreation Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	<b>2008</b>		Variance Favorable (Unfavorable)	2007 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
<b>Intergovernmental</b>				
Liquor Tax	\$ 112,776	128,360	15,584	105,395
<b>Expenditures</b>				
Contractual Services	-	-	-	613
Capital Outlay	401,277	6,790	394,487	6,190
<b>Total Expenditures</b>	401,277	6,790	394,487	6,803
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	(288,501)	121,570	410,071	98,592
<b>Fund Balance - January 1</b>	288,501	344,393	55,892	245,201
<b>Increase (Decrease) in Reserved For Encumbrances</b>	-	(40,800)	(40,800)	600
<b>Fund Balance - December 31</b>	\$ -	425,163	425,163	344,393

See Accountants' Report.

CITY OF HAYS, KANSAS  
Bond and Interest Fund  
Balance Sheets  
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and Investments	\$ 702,022	1,200,182
Taxes Receivable	<u>1,247,471</u>	<u>535,497</u>
<b>Total Assets</b>	<b>\$ <u>1,949,493</u></b>	<b><u>1,735,679</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Deferred Revenues	\$ <u>1,247,471</u>	<u>535,497</u>
<b>Fund Balance</b>		
Designated for Subsequent Year's Expenditures	695,517	1,145,830
Undesignated	<u>6,505</u>	<u>54,352</u>
<b>Total Fund Balance</b>	<b><u>702,022</u></b>	<b><u>1,200,182</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>1,949,493</u></b>	<b><u>1,735,679</u></b>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Bond and Interest Fund**

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2008  
(With Comparative Totals for the Year Ended December 31, 2007)

	2008		Variance Favorable (Unfavorable)	2007 Actual
	Original and Final Budget	Actual		
<b>Revenues</b>				
<b>Taxes</b>				
Ad Valorem	\$ 552,059	534,530	(17,529)	929,177
Delinquent	-	9,905	9,905	15,009
Motor Vehicle	106,074	131,373	25,299	167,545
Recreational Vehicle	1,160	1,776	616	2,076
16/20M Truck Tax	1,180	1,369	189	1,454
Special Assessments	423,860	412,758	(11,102)	366,339
Interest Income	-	-	-	1,990
Miscellaneous	-	404	404	-
<b>Total Revenues</b>	<u>1,084,333</u>	<u>1,092,115</u>	<u>7,782</u>	<u>1,483,590</u>
<b>Expenditures</b>				
Bond Principal	1,700,000	1,495,000	205,000	1,295,000
Interest Coupons	691,719	670,675	21,044	747,738
Levy Stabilization	353,844	-	353,844	-
Cash Basis Reserve	60,000	-	60,000	-
<b>Total Expenditures</b>	<u>2,805,563</u>	<u>2,165,675</u>	<u>639,888</u>	<u>2,042,738</u>
<b>Excess Revenues Over (Under) Expenditures</b>	<u>(1,721,230)</u>	<u>(1,073,560)</u>	<u>647,670</u>	<u>(559,148)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	575,400	575,400	-	1,265,376
<b>Total Other Financing Sources (Uses)</b>	<u>575,400</u>	<u>575,400</u>	<u>-</u>	<u>1,265,376</u>
<b>Excess Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(1,145,830)</u>	<u>(498,160)</u>	<u>647,670</u>	<u>706,228</u>
<b>Fund Balance - January 1</b>	<u>1,145,830</u>	<u>1,200,182</u>	<u>54,352</u>	<u>493,954</u>
<b>Fund Balance - December 31</b>	<u>\$ -</u>	<u>702,022</u>	<u>702,022</u>	<u>1,200,182</u>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Economic Development Bond Fund**  
 Balance Sheets  
 December 31, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
Cash and Investments	\$ <u>58,890</u>	<u>62,863</u>
<b>FUND BALANCE</b>		
Fund Balance Undesignated	\$ <u>58,890</u>	<u>62,863</u>

**Economic Development Bond Fund**  
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2008  
 (With Comparative Totals for the Year Ended December 31, 2007)

	2008			
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
<b>Revenues</b>				
<b>Taxes</b>				
Ad Valorem	\$ 42,575	73,702	31,127	52,175
<b>Intergovernmental</b>				
Local Sales Tax	135,000	129,130	(5,870)	101,457
<b>Total Revenues</b>	177,575	202,832	25,257	153,632
<b>Expenditures</b>				
Bond Principal	80,000	80,000	-	70,000
Interest Coupons	126,805	126,805	-	130,567
<b>Total Expenditures</b>	206,805	206,805	-	200,567
<b>Excess Revenues Over (Under) Expenditures</b>	(29,230)	(3,973)	25,257	(46,935)
<b>Fund Balance - January 1</b>	29,230	62,863	33,633	109,798
<b>Fund Balance - December 31</b>	\$ -	58,890	58,890	62,863

See Accountants' Report.

CITY OF HAYS, KANSAS  
Enterprise Funds  
Combining Balance Sheets  
December 31, 2008 and 2007

	2008		2007	
	Water and Sewer Fund	Solid Waste Utility Fund	Total	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash & Cash Equivalents	\$ 3,121,525	621,018	3,742,543	2,736,789
Operating Account	20,555,943	-	20,555,943	18,850,089
Local Sales Tax Account	259,641	-	259,641	303,304
Accounts Receivable (Net)	-	33,623	33,623	29,204
Due From Water and Sewer Fund	23,937,109	654,641	24,591,750	21,919,386
<b>Total Current Assets</b>			<b>24,591,750</b>	<b>21,919,386</b>
<b>Restricted Assets</b>				
Customer Deposits	154,005	-	154,005	183,114
Reserve for Capital Improvements	1,275,418	109,335	1,384,753	2,000,414
Revenue Refunding Bonds	152,879	-	152,879	153,440
Principal & Interest Account	193,000	-	193,000	193,000
Bond Reserve Account	82,200	-	82,200	163,480
Sales Tax Refunding Bonds	140,000	-	140,000	140,000
Principal & Interest Account	1,997,502	109,335	2,106,837	2,833,448
<b>Total Restricted Assets</b>			<b>2,106,837</b>	<b>2,833,448</b>
<b>Capital Assets</b>				
<b>Water</b>				
Land & Right-of-Ways	110,489	-	110,489	110,489
Infrastructure	15,423,847	-	15,423,847	15,358,540
Equipment	10,236,836	-	10,236,836	10,236,836
R-9 Ranch	4,262,040	-	4,262,040	4,262,040
<b>Sewer and Solid Waste Building &amp; Structures Equipment</b>				
Building & Structures	11,782,910	253,434	12,036,344	12,036,344
Equipment	-	1,508,495	1,508,495	1,501,991
<b>Less - Accumulated Depreciation</b>	<b>41,816,122</b>	<b>1,761,929</b>	<b>43,578,051</b>	<b>43,506,240</b>
	(21,485,274)	(547,361)	(22,032,635)	(21,001,272)
<b>Net Capital Assets</b>	<b>20,330,848</b>	<b>1,214,568</b>	<b>21,545,416</b>	<b>22,504,968</b>
<b>Other Assets</b>				
Issuance Costs Net of Applicable Amortization	20,397	-	20,397	32,981
<b>Total Assets</b>	<b>\$ 46,285,856</b>	<b>1,978,544</b>	<b>48,264,400</b>	<b>47,290,783</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 89,056	30,353	119,409	105,436
Due to Capital Projects	71,630	-	71,630	798,981
Sales Tax	4,092	-	4,092	1,650
State Water Fee	8,934	-	8,934	9,226
Accrued Payroll	38,449	13,669	52,118	45,511
Accrued Paid Time Off	61,900	20,121	82,021	68,372
Current Portion - Lease Obligation	-	39,041	39,041	37,370
Current Portion - Revolving Loan	324,596	-	324,596	312,022
Accrued Interest - Revolving Loan	24,122	-	24,122	28,012
G. O. Bonds - Building	12,960	-	12,960	12,240
Due to Solid Waste Fund	33,623	-	33,623	29,204
<b>Total Current Liabilities</b>	<b>669,362</b>	<b>103,184</b>	<b>772,546</b>	<b>1,448,024</b>
<b>Current Liabilities Payable From Restricted Assets</b>				
Customer Deposits	149,505	-	149,505	178,614
Monitoring Well Deposits	4,500	-	4,500	4,500
Accrued Interest - Bonds	21,135	-	21,135	27,568
Revenue Refunding Bonds	275,000	-	275,000	270,000
Sales Tax Refunding Bonds	160,000	-	160,000	315,000
<b>Total Current Liabilities Payable From Restricted Assets</b>	<b>610,140</b>	<b>-</b>	<b>610,140</b>	<b>795,672</b>
<b>Noncurrent Liabilities</b>				
G. O. Bonds - Building	79,200	-	79,200	92,160
Lease Obligation Payable	-	354,146	354,146	393,187
State of Kansas - Water Revolving Loan	1,630,359	-	1,630,359	1,954,955
Revenue Refunding Bonds	615,000	-	615,000	890,000
Sales Tax Refunding Bonds	-	-	-	160,000
<b>Total Noncurrent Liabilities</b>	<b>2,324,559</b>	<b>354,146</b>	<b>2,678,705</b>	<b>3,490,302</b>
<b>Total Liabilities</b>	<b>3,604,061</b>	<b>457,330</b>	<b>4,061,391</b>	<b>5,733,998</b>
<b>Equity</b>				
Reserve for Capital Improvements	1,275,418	109,335	1,384,753	1,197,561
Reserve for Encumbrances	99,880	1,052	100,932	169,249
Contributed Capital	3,215,105	115,383	3,330,488	3,330,488
Unreserved	38,091,392	1,295,444	39,386,836	36,859,487
<b>Total Equity</b>	<b>42,681,795</b>	<b>1,521,214</b>	<b>44,203,009</b>	<b>41,556,785</b>
<b>Total Liabilities and Equity</b>	<b>\$ 46,285,856</b>	<b>1,978,544</b>	<b>48,264,400</b>	<b>47,290,783</b>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Water and Sewer Utility Fund**  
**Comparison of Actual Revenues and Expenditures to Budget**  
For the Year Ended December 31, 2008  
(With Comparative Totals for December 31, 2007)

	2008			2007 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
<b>Revenues</b>				
Local Sales Tax	\$ 2,504,000	2,663,126	159,126	2,500,286
Water Sales	2,446,000	2,337,691	(108,309)	2,364,536
Sewer Service Charges	1,854,000	1,859,134	5,134	1,894,523
Water Tap - Turn-Ons	38,000	40,586	2,586	33,915
Water Sales Conservation Rate	260,000	244,758	(15,242)	256,129
Sales & Other Charges	25,000	10,385	(14,615)	16,190
Penalty	24,000	22,247	(1,753)	21,772
Rent on R-9 Ranch	328,000	250,000	(78,000)	250,000
Interest on Investments	330,000	274,716	(55,284)	323,620
Interest on Sales Tax Reserves	700,000	678,801	(21,199)	753,138
Prior Year Encumbrances Voided	-	18,040	18,040	61,845
<b>Total Revenues</b>	<b>\$ 8,509,000</b>	<b>8,399,484</b>	<b>(109,516)</b>	<b>8,475,954</b>
<b>Expenditures</b>				
<b>Water Production Costs</b>				
<b>Personal Services</b>				
Salaries	\$ 368,000	383,531	(15,531)	387,460
<b>Contractual Services</b>				
Communications	2,627	3,187	(560)	2,698
Publications	3,000	2,704	296	-
Heat, Light & Power	222,520	210,213	12,307	190,886
Travel & Training	2,500	1,519	981	1,728
Other Contractual Services	99,405	98,824	581	32,050
Professional Services	536	417	119	-
<b>Total Contractual Services</b>	<b>330,588</b>	<b>316,864</b>	<b>13,724</b>	<b>227,362</b>
<b>Commodities</b>				
Office Supplies	1,000	994	6	420
General Supplies	27,000	17,813	9,187	18,215
Chemicals	355,000	381,307	(26,307)	317,520
Equipment Expense	54,500	37,310	17,190	49,490
Uniforms	1,530	1,530	-	1,013
Repairs to Buildings & Structures	4,500	3,867	633	-
<b>Total Commodities</b>	<b>443,530</b>	<b>442,821</b>	<b>709</b>	<b>386,658</b>
<b>Capital Outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,985</b>
<b>Total Water Production Costs</b>	<b>\$ 1,142,118</b>	<b>1,143,216</b>	<b>(1,098)</b>	<b>1,004,465</b>

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Water and Sewer Utility Fund**  
**Comparison of Actual Revenues and Expenditures to Budget**  
For the Year Ended December 31, 2008  
(With Comparative Totals for December 31, 2007)

	<b>2008</b>		Variance Favorable (Unfavorable)	2007 Actual
	Original and Final Budget	Actual		
<b>General Administration</b>				
<b>Personal Services</b>				
Transfer to Employee Benefit Fund \$	280,800	<b>280,800</b>	-	248,000
<b>Contractual Services</b>				
Other Contractual Services	-	<b>6,729</b>	(6,729)	3,577
Interest On Deposits	25,000	<b>4,418</b>	20,582	8,581
Clean Drinking Water Fee	20,000	<b>18,062</b>	1,938	18,480
Transfer to General Fund	901,850	<b>901,850</b>	-	1,288,300
<b>Total Contractual Services</b>	946,850	<b>931,059</b>	15,791	1,318,938
<b>Total General Administration</b>	1,227,650	<b>1,211,859</b>	15,791	1,566,938
<b>Wastewater Treatment</b>				
<b>Personal Services</b>				
Salaries	367,000	<b>381,680</b>	(14,680)	387,801
<b>Contractual Services</b>				
Communications	4,800	<b>3,470</b>	1,330	4,087
Heat, Light & Power	174,700	<b>198,054</b>	(23,354)	172,383
Professional Services	16,480	<b>12,904</b>	3,576	8,456
Travel & Training	2,575	<b>1,458</b>	1,117	1,606
Other Contractual Services	32,754	<b>21,380</b>	11,374	18,249
<b>Total Contractual Services</b>	231,309	<b>237,266</b>	(5,957)	204,781
<b>Commodities</b>				
Office Supplies	600	<b>586</b>	14	698
General Supplies	22,042	<b>20,639</b>	1,403	14,071
Chemicals	56,600	<b>38,148</b>	18,452	29,687
Projects	3,000	<b>950</b>	2,050	-
Equipment Expense	54,590	<b>37,568</b>	17,022	34,120
Uniforms	1,000	<b>1,000</b>	-	409
<b>Total Commodities</b>	137,832	<b>98,891</b>	38,941	78,985
<b>Total Wastewater Treatment</b> \$	736,141	<b>717,837</b>	18,304	671,567

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Water and Sewer Utility Fund**  
**Comparison of Actual Revenues and Expenditures to Budget**  
For the Year Ended December 31, 2008  
(With Comparative Totals for December 31, 2007)

	<u>2008</u>		Variance Favorable (Unfavorable)	2007 Actual
	Original and Final Budget	Actual		
<b>Capital Outlay Expenditures</b>				
Water Taps, Hydrants, Meters, and Projects	\$ 120,416	<b>80,307</b>	40,109	90,032
Transfer - Bond & Interest Fund	17,800	<b>17,800</b>	-	17,800
Transfer - Capital Improvement	100,000	<b>100,000</b>	-	1,089,800
Transfer - New Equipment Reserve	166,500	<b>166,500</b>	-	190,000
<b>Total Capital Outlay Expenditures</b>	<b>404,716</b>	<b>364,607</b>	40,109	1,387,632
<b>Debt Service Expenditures</b>				
Principal Payment - Revenue Bond	270,000	<b>270,000</b>	-	265,000
Interest Payment - Revenue Bond	32,580	<b>32,580</b>	-	38,278
Principal Payment - Revolving Loan	299,935	<b>312,022</b>	(12,087)	299,935
Interest Payment - Revolving Loan	99,465	<b>87,631</b>	11,834	99,458
Principal Payment	237,500	-	237,500	-
Interest Payment	176,600	-	176,600	-
<b>Total Debt Service</b>	<b>1,116,080</b>	<b>702,233</b>	413,847	702,671
<b>Sales Tax Expenditures</b>				
Principal Payment - Sales Tax Bond	315,000	<b>315,000</b>	-	305,000
Interest Payment - Sales Tax Bond	11,960	<b>11,960</b>	-	18,670
Transfer Sales Tax Reserve	3,300,000	<b>2,470,287</b>	829,713	2,504,553
Transfer to General Fund	544,680	<b>544,680</b>	-	-
R-9 Ranch Expenditures	-	<b>256,438</b>	(256,438)	160,714
<b>Total Sales Tax Expenditures</b>	<b>4,171,640</b>	<b>3,598,365</b>	573,275	2,988,937
<b>Total Expenditures</b>	<b>\$ 8,798,345</b>	<b>7,738,117</b>	1,060,228	8,322,210

See Accountants' Report.

**CITY OF HAYS, KANSAS**  
**Solid Waste Utility Fund**  
**Comparison of Actual Revenues and Expenditures to Budget**  
For the Year Ended December 31, 2008  
(With Comparative Totals for December 31, 2007)

	2008			2007 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
<b>Revenues</b>				
Refuse Collections	\$ 1,130,000	1,193,694	63,694	1,144,254
Interest on Investments	3,000	19,296	16,296	18,876
Yard Waste Tags	2,500	2,163	(337)	3,014
Miscellaneous Revenue	30,000	65,393	35,393	57,791
Prior Year Encumbrances Voided	-	345	345	65
<b>Total Revenues</b>	<u>\$ 1,165,500</u>	<u>1,280,891</u>	<u>115,391</u>	<u>1,224,000</u>
<b>Expenditures</b>				
<b>Personal Services</b>				
Salaries	\$ 270,000	294,317	(24,317)	306,642
Transfer - Employee Benefit	131,500	131,500	-	120,000
<b>Total Personal Services</b>	<u>401,500</u>	<u>425,817</u>	<u>(24,317)</u>	<u>426,642</u>
<b>Contractual Services</b>				
Communications	650	779	(129)	676
Publications	4,000	2,433	1,567	4,105
Utility - Water, Light & Power	8,062	7,215	847	7,088
Professional Services	-	-	-	5,898
Tipping Fees	352,280	307,678	44,602	276,547
Transfer to Reserve	90,000	90,000	-	88,000
Travel & Training	600	389	211	694
Transfer - General Fund	186,480	186,480	-	180,000
<b>Total Contractual Services</b>	<u>642,072</u>	<u>594,974</u>	<u>47,098</u>	<u>563,008</u>
<b>Commodities</b>				
Office Supplies	500	169	331	974
General Supplies	11,882	11,645	237	9,997
Equipment Expense	9,124	7,996	1,128	1,818
Uniforms	1,040	1,040	-	1,034
Repairs to Buildings & Structures	1,800	1,694	106	1,635
<b>Total Commodities</b>	<u>24,346</u>	<u>22,544</u>	<u>1,802</u>	<u>15,458</u>
<b>Capital Outlay</b>	<u>6,500</u>	<u>6,504</u>	<u>(4)</u>	<u>34,246</u>
<b>Debt Services</b>	<u>62,500</u>	<u>55,993</u>	<u>6,507</u>	<u>-</u>
<b>Total Expenditures</b>	<u>\$ 1,136,918</u>	<u>1,105,832</u>	<u>31,086</u>	<u>1,039,354</u>

See Accountants' Report.