

THE CITY OF SEDAN, KANSAS

STATE OF KANSAS 2012 CITY BUDGET FORMS

with

ACCOUNTANTS' COMPILATION REPORT

and

NOTES TO PRESCRIBED FORMS

Years ending December 31, 2012, 2011 (Forecasted) and 2010 (Historical)

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Accountants' Compilation Report

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ACCOUNTANTS' COMPILATION REPORT

*Members of American Institute and
Kansas Society of Certified Public Accountants*

To The City Council
City of Sedan, Kansas

We have compiled the forecasted budget information and memoranda items of the City of Sedan, Kansas, for the years ending December 31, 2012 and 2011, in the accompanying prescribed forms, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the forecasted information in the accompanying prescribed forms or assumptions. Furthermore there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We have also compiled the historical statements of cash receipts and expenditures and memoranda items of the City of Sedan, Kansas for the year ended December 31, 2010, in the accompanying prescribed forms. We have not audited or reviewed the statements of cash receipts and expenditures and memoranda items, and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United states of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the State of Kansas and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

These statements of cash receipts and expenditures and memoranda items are presented in accordance with the requirements of the state of Kansas, which differ from accounting principles generally accepted in the United States of America. Accordingly, these financial statements are not designed for those who are not informed about such differences.

Management has elected to omit substantially all the disclosures normally required by the State of Kansas statutory basis of accounting. If the omitted disclosures were included with the historical budgetary information and memoranda items in these prescribed forms, they might influence the user's conclusions about the City's historical financial position and results of operations. Accordingly, the historical budgetary information and memoranda items in these prescribed forms are not designed for those who are not informed about such matters.

Thomas H. Sewell, CPA, LLC

Independence, Kansas
July 28, 2011

2012

CERTIFICATE

To the Clerk of Chautauqua County, State of Kansas

We, the undersigned, officers of

The City of Sedan, Kansas

certify that: (1) the hearing mentioned in the attached publication was held;
(2) after the Budget Hearing this budget was duly approved and adopted as the
maximum expenditure for the various funds for the year 2012; and

(3) the Amount(s) of Amount of 2011 Ad Valorem Tax Ad Valorem Tax are within statutory limitations.

		2012 Adopted Budget			
		Page No.	Budget Authority for Expenditures	Amount of 2011 Ad Valorem Tax	County Clerk's Use Only
Table of Contents:					
Computation to Determine Limit for	2012	2			
Allocation of MVT, RVT, 16/20M Veh & Slider		3			
Schedule of Transfers		4			
Statement of Indebtedness		5			
Statement of Lease-Purchases		6			
Fund	K.S.A.				
General	12-101a	7	508,000	74,675	
Employee benefits		8	148,500	92,965	
Library		9	21,000	17,667	
Special Equipment		9	7,000	2,624	
Special Highway		10	42,839		
Special Parks		10	4,000		
Water		11	370,000		
Sewer		11	121,811		
Non-Budgeted Funds		12			
Totals		xxxxxx	1,223,150	187,931	
Is an Ordinance required to be passed, published, and attached to the budget?				No	County Clerk's Use Only
Budget Summary		13			
Neighborhood Revitalization					Nov 1, 2011 Total Assessed Valuation

Assisted by:

Thomas H. Sewell, CPA, LLC

Address:

118 W Locust, PO Box 783

Independence, KS 67301

Date Attested: _____, 2011

County Clerk

Governing Body

See Accompanying Summary of Significant Assumptions and Accounting Policies and Accountant's Compilation Report.

The City of Sedan, Kansas

2012

Computation to Determine Limit for 2012

	Amount of Levy
1. Total Tax Levy Amount in 2011 Budget	+ \$ <u>193,204</u>
2. Debt Service Levy in 2011 Budget	- \$ <u>0</u>
3. Tax Levy Excluding Debt Service	\$ <u>193,204</u>
 2011 Valuation Information for Valuation Adjustments:	
4. New Improvements for 2011 :	+ <u>4,444</u>
5. Increase in Personal Property for 2011 :	
5a. Personal Property 2011	+ <u>116,121</u>
5b. Personal Property 2010	- <u>123,957</u>
5c. Increase in Personal Property (5a minus 5b)	+ <u>0</u>
	(Use Only if > 0)
6. Valuation of annexed territory for 2011 :	
6a. Real Estate	+ <u>0</u>
6b. State Assessed	+ <u>0</u>
6c. New Improvements	- <u>0</u>
6d. Total Adjustment (Sum of 6a, 6b, and 6c)	+ <u>0</u>
7. Valuation of Property that has Changed in Use during 2011 :	+ <u>28,162</u>
8. Total Valuation Adjustment (Sum of 4, 5c, 6d & 7)	<u>32,606</u>
9. Total Estimated Valuation July 1, 2011	<u>3,246,240</u>
10. Total Valuation less Valuation Adjustment (9 minus 8)	<u>3,213,634</u>
11. Factor for Increase (8 divided by 10)	<u>0.01015</u>
12. Amount of Increase (11 times 3)	+ \$ <u>1,960</u>
13. Maximum Tax Levy, excluding debt service, without an Ordinance (3 plus 12)	\$ <u>195,164</u>
14. Debt Service Levy in this 2012 Budget	<u>0</u>
15. Maximum levy, including debt service, without an Ordinance (13 plus 14)	<u>195,164</u>

Allocation of Motor (MVT), Recreational (RVT), 16/20M Vehicle Tax & Slider

Budgeted Funds for 2011	Budget Tax Levy Amt for 2010	Allocation for Year			
		MVT	RVT	16/20M Veh	Slider
General	83,797	18,512	395	143	0
Employee benefits	91,133	20,133	431	155	0
Library	17,477	3,861	83	30	0
Special Equipment	797	176	4	1	0
TOTAL	193,204	42,682	913	329	0

County Treas Motor Vehicle Estimate	<u>42,682</u>			
County Treasurers Recreational Vehicle Estimate		<u>913</u>		
County Treasurers 16/20M Vehicle Estimate			<u>329</u>	
County Treasurers Slider Estimate				<u>0</u>
Motor Vehicle Factor	<u>0.22092</u>			
Recreational Vehicle Factor		<u>0.00473</u>		
16/20 Vehicle Factor			<u>0.00170</u>	
Slider Factor				<u>0.00000</u>

The City of Sedan, Kansas

2012

Schedule of Transfers

Expenditure Fund Transferred From:	Receipt Fund Transferred To:	Actual Amount for 2010	Current Amount for 2011	Proposed Amount for 2012	Transfers Authorized by Statute
Water	General	20,000	30,000	10,000	12-825d
Water	Employee benefits	35,000	32,000	24,000	12-825d
Water	Muni Equip Reserve	10,000	5,000	5,000	12-1117
Water	Capital projects	-		-	12-1118
Water	Special highway	-	-	8,000	12-1,119
	Totals	65,000	67,000	47,000	
	Adjustments*		5000	5000	
	Adjusted Totals	65,000	62,000	42,000	

*Note: Adjustments are required only if the transfer is being made in 2011 and/or 2012 from a non-budgeted fund.

See Accompanying Summary of Significant Assumptions and Accounting Policies and Accountant's Compilation Report.

STATEMENT OF INDEBTEDNESS

Type of Debt	Date of Issue	Date of Retirement	Interest Rate %	Amount Issued	Beginning Amt Outstanding Jan 1, 2011	Date Due		Amount Due 2011		Amount Due 2012	
						Interest	Principal	Interest	Principal	Interest	Principal
General Obligation:											
none											
Total G.O. Bonds					0			0	0	0	0
Revenue Bonds:											
none											
Total Revenue Bonds					0			0	0	0	0
Other:											
KDHE loan C20-1268-01	8/1/1994		3.34	236,000	74,264	03/01, 09/01	03/01, 09/01	2,365	13,885	1,898	14,353
KDHE loan C20-1496-01	8/1/99		3.19	702,600	387,467	03/01, 09/01	03/01, 09/01	12,095	33,465	11,019	34,541
Total Other					461,731			14,460	47,350	12,917	48,894
Total Indebtedness					461,731			14,460	47,350	12,917	48,894

See Accompanying Summary of Significant Assumptions and Accounting Policies and Accountant's Compilation Report.

STATEMENT OF CONDITIONAL LEASE-PURCHASE AND CERTIFICATE OF PARTICIPATION*

Item Purchased	Contract Date	Term of Contract (Months)	Interest Rate %	Total Amount Financed (Beginning Principal)	Principal Balance As Beginning of 2011	Payments Due 2011	Payments Due 2012
Backhoe	6/16/2006	60	4.95	36,500	8,038	8,446	0
Street sweeper	9/10/2009	36	5.50	27,000	16,288	9,784	7,339
Tractor/JD	9/7/2007	36	0.00	24,000	0	0	9,000
Totals					24,326	18,230	16,339

***If you are merely leasing/renting with no intent to purchase, do not list--such transactions are not lease-purchases.

See Accompanying Summary of Significant Assumptions and Accounting Policies and Accountant's Compilation Report.

OPTIONAL DETAIL PAGE FOR ANY FUND

Adopted Budget Fund - Detail Expend	Prior Year Actual 2010	Current Year Estimate 2011	Proposed Budget Year 2012
Expenditures:			
General administrative			
Salaries	37,348	40,000	43,000
Contractual	12,437	12,000	14,500
Commodities	10,436	10,000	12,000
Capital Outlay	0	5,000	2,000
Total	60,221	67,000	71,500
Street department			
Salaries	23,478	28,000	31,000
Contractual	6,417	9,000	9,500
Commodities	11,555	13,000	13,000
Capital lease pmts	1,000	5,000	5,000
Capital Outlay			1,500
Total	42,450	55,000	60,000
Police			
Salaries	78,499	83,000	81,000
Contractual	10,097	11,000	14,000
Commodities	28,993	29,000	31,000
Capital Outlay	(6,010)	5,000	3,000
Lease payments	2,211	0	0
Total	113,790	128,000	129,000
Fire department			
Contractual	2,259	3,500	3,500
Commodities	3,177	3,300	3,500
Capital Outlay		1,000	2,000
Total	5,436	7,800	9,000
Pool			
Salaries	13,107	16,000	16,000
Contractual	5,839	11,000	10,000
Commodities	4,764	5,000	5,000
Capital Outlay			
Total	23,710	32,000	31,000
Park			
Contractual	1,861	3,000	2,500
Commodities	4,828	3,000	5,500
Total	6,689	6,000	8,000
Page Total	252,296	295,800	308,500

See Accompanying Summary of Significant Assumptions and Accounting Policies and Accountant's Compilation Report.

FUND PAGE FOR FUNDS WITH A TAX LEVY

Adopted Budget	Prior Year Actual 2010	Current Year Estimate 2011	Proposed Budget Year 2012
Unencumbered Cash Balance Jan 1			
Receipts:			
Ad Valorem Tax			xxxxxxxxxxxxxxxxxxxxxxxx
Miscellaneous			
Total Receipts	0	0	0
Resources Available:	0	0	0
Expenditures:			
Miscellaneous			
Total Expenditures	0	0	0
Unencumbered Cash Balance Dec 31	0	0	xxxxxxxxxxxxxxxxxxxxxxxx
2010/2011 Budget Authority Amount:			xxxxxxxxxxxxxxxxxxxxxxxx
		Non-Appropriated Balance	
		Total Expenditure/Non-Appr Balance	0
		Tax Required	0
	Delinquent Comp Rate: 5.000		0
		Amount of 2011 Ad Valorem Tax	0

Adopted Budget	Prior Year Actual 2010	Current Year Estimate 2011	Proposed Budget Year 2012
Employee benefits			
Unencumbered Cash Balance Jan 1	5,214	16,843	14,743
Receipts:			
Ad Valorem Tax	65,357	86,000	xxxxxxxxxxxxxxxxxxxxxxxx
Delinquent Tax	22	500	500
Motor Vehicle Tax	16,718	16,400	20,133
Recreational Vehicle Tax			431
16/20M Vehicle Tax			155
			0
Transfers from Water	35,000	32,000	24,000
Miscellaneous	4,874		
Does miscellaneous exceed 10% of Total Rec	no	no	no
Total Receipts	121,971	134,900	45,219
Resources Available:	127,185	151,743	59,962
Expenditures:			
Contractual	110,342	137,000	148,500
Miscellaneous			
Does miscellaneous exceed 10% of Total Exp	no	no	no
Total Expenditures	110,342	137,000	148,500
Unencumbered Cash Balance Dec 31	16,843	14,743	xxxxxxxxxxxxxxxxxxxxxxxx
2010/2011 Budget Authority Amount:	122,000	137,200	xxxxxxxxxxxxxxxxxxxxxxxx
		Non-Appropriated Balance	
		Total Expenditure/Non-Appr Balance	148,500
		Tax Required	88,538
	Delinquent Comp Rate: 5.000		4,427
		Amount of 2011 Ad Valorem Tax	92,965

See Accompanying Summary of Significant Assumptions and Accounting Policies and Accountant's Compilation Report.

FUND PAGE FOR FUNDS WITH A TAX LEVY

Adopted Budget	Prior Year Actual	Current Year Estimate	Proposed Budget Year
Library	2010	2011	2012
Unencumbered Cash Balance Jan 1	0	0	0
Receipts:			
Ad Valorem Tax	15,945	16,600	xxxxxxxxxxxxxxxxxxxx
Delinquent Tax	5	200	200
Motor Vehicle Tax	3,551	4,000	3,861
Recreational Vehicle Tax			83
16/20M Vehicle Tax			30
Miscellaneous			
Does miscellaneous exceed 10% of Total Rec	no	no	no
Total Receipts	19,501	20,800	4,174
Resources Available:	19,501	20,800	4,174
Expenditures:			
Appropriations	19,501	20,800	21,000
Miscellaneous			
Does miscellaneous exceed 10% of Total Rec	no	no	no
Total Expenditures	19,501	20,800	21,000
Unencumbered Cash Balance Dec 31	0	0	xxxxxxxxxxxxxxxxxxxx
2010/2011 Budget Authority Amount:	21,000	21,000	xxxxxxxxxxxxxxxxxxxx
Non-Appropriated Balance			
Total Expenditure/Non-Appr Balance			21,000
Tax Required			16,826
Delinquent Comp Rate: 5.000			841
Amount of 2011 Ad Valorem Tax			17,667

Adopted Budget

Adopted Budget	Prior Year Actual	Current Year Estimate	Proposed Budget Year
Special Equipment	2010	2011	2012
Unencumbered Cash Balance Jan 1	10,128	9,485	4,270
Receipts:			
Ad Valorem Tax	5,884	750	xxxxxxxxxxxxxxxxxxxx
Delinquent Tax	2	50	50
Motor Vehicle Tax	1,756	1,450	176
Recreational Vehicle Tax		30	4
16/20M Vehicle Tax		5	1
Miscellaneous			
Does miscellaneous exceed 10% of Total Rec	no	no	no
Total Receipts	7,642	2,285	231
Resources Available:	17,770	11,770	4,501
Expenditures:			
Capital outlay	4,009	3,000	3,000
Capital lease payments	4,276	4,500	4,000
Miscellaneous			
Does miscellaneous exceed 10% of Total Rec	no	no	no
Total Expenditures	8,285	7,500	7,000
Unencumbered Cash Balance Dec 31	9,485	4,270	xxxxxxxxxxxxxxxxxxxx
2010/2011 Budget Authority Amount:	14,000	8,000	xxxxxxxxxxxxxxxxxxxx
Non-Appropriated Balance			
Total Expenditure/Non-Appr Balance			7,000
Tax Required			2,499
Delinquent Comp Rate: 5.000			125
Amount of 2011 Ad Valorem Tax			2,624

See Accompanying Summary of Significant Assumptions and Accounting Policies and Accountant's Compilation Report.

The City of Sedan, Kansas

2012

FUND PAGE FOR FUNDS WITH NO TAX LEVY

Adopted Budget	Prior Year Actual	Current Year Estimate	Proposed Budget Year
Special Highway	2010	2011	2012
Unencumbered Cash Balance Jan 1	26,383	16,194	5,410
Receipts:			
State of Kansas Gas Tax	31,192	31,000	31,860
Transfers from Water			8,000
Miscellaneous			
Does miscellaneous exceed 10% of Total Rec			
Total Receipts	31,192	31,000	39,860
Resources Available:	57,575	47,194	45,270
Expenditures:			
Wages	32,827	33,000	34,500
Commodities	255	3,000	2,700
Contractual	407	1,000	1,339
Capital lease payments	7,892	4,784	4,300
Miscellaneous			
Does miscellaneous exceed 10% of Total Exp			
Total Expenditures	41,381	41,784	42,839
Unencumbered Cash Balance Dec 31	16,194	5,410	2,431
2010/2011 Budget Authority Amount:	51,000	45,233	

Adopted Budget	Prior Year Actual	Current Year Estimate	Proposed Budget Year
Special Parks	2010	2011	2012
Unencumbered Cash Balance Jan 1	45	45	3,045
Receipts:			
Donations	0	6,000	1,000
Interest on idle funds	0		
Miscellaneous			
Does miscellaneous exceed 10% of Total Receipts			
Total Receipts	0	6,000	1,000
Resources Available:	45	6,045	4,045
Expenditures:			
Park repairs	0	3,000	4,000
Miscellaneous			
Does miscellaneous exceed 10% of Total Expenditures			
Total Expenditures	0	3,000	4,000
Unencumbered Cash Balance Dec 31	45	3,045	45
2010/2011 Budget Authority Amount:	3,466	0	

See Tab C

See Accompanying Summary of Significant Assumptions and Accounting Policies and Accountant's Compilation Report.

The City of Sedan, Kansas

2012

FUND PAGE FOR FUNDS WITH NO TAX LEVY

Adopted Budget	Prior Year Actual	Current Year Estimate	Proposed Budget Year
Water	2010	2011	2012
Unencumbered Cash Balance Jan 1	252,466	221,247	160,301
Receipts:			
Charges to Customers	322,728	325,000	325,000
Other fees	25,487	25,000	25,000
Interest	4,929	5,000	5,000
Miscellaneous			
Total Receipts	353,144	355,000	355,000
Resources Available:	605,610	576,247	515,301
Expenditures:			
Salaries & wages	73,969	74,000	77,000
Commodities	229,764	230,000	227,576
Contractual	14,630	12,615	12,000
Capital lease payments	1,000	7,331	6,424
Transfers to General	20,000	30,000	10,000
Transfers to Employee benefits	35,000	32,000	24,000
Transfers to Capital projects	0	5,000	0
Transfers to Municipal equipment	10,000	5,000	5,000
Transfers to Special highway			8,000
Capital outlay		20,000	
Total Expenditures	384,363	415,946	370,000
Unencumbered Cash Balance Dec 31	221,247	160,301	145,301
2010/2011 Budget Authority Amount:	388,000	375,000	

Adopted Budget	Prior Year Actual	Current Year Estimate	Proposed Budget Year
Sewer	2010	2011	2012
Unencumbered Cash Balance Jan 1	62,455	80,879	90,068
Receipts:			
Charges to Customers	121,842	122,000	122,000
Miscellaneous	3,359	2,000	2,000
Does miscellaneous exceed 10% of Total Rec	no		
Total Receipts	125,201	124,000	124,000
Resources Available:	187,656	204,879	214,068
Expenditures:			
Salaries & wages	28,830	34,000	38,000
Commodities	9,414	11,000	12,000
Contractual	6,107	7,385	9,385
Capital leases	615	615	615
KDHE loan payments	61,811	61,811	61,811
Total Expenditures	106,777	114,811	121,811
Unencumbered Cash Balance Dec 31	80,879	90,068	92,257
2010/2011 Budget Authority Amount:	134,812	142,811	

See Accompanying Summary of Significant Assumptions and Accounting Policies and Accountant's Compilation Report.

NOTICE OF BUDGET HEARING

The governing body of
The City of Sedan, Kansas

will meet on August 15, 2011 at 7 p.m. at City Hall for the purpose of hearing and answering objections of taxpayers relating to the proposed use of all funds and the amount of ad valorem tax.

Detailed budget information is available at City Hall and will be available at this hearing.

BUDGET SUMMARY

Proposed Budget 2012 Expenditures and Amount of Current Year Estimate for 2011 Ad Valorem Tax establish the maximum limits of the 2012 budget.

Estimated Tax Rate is subject to change depending on the final assessed valuation.

FUND	Prior Year Actual for 2010		Current Year Estimate for 2011		Proposed Budget for 2012		
	Expenditures	Actual Tax Rate*	Expenditures	Actual Tax Rate*	Budget Authority for Expenditures	Amount of 2011 Ad Valorem Tax	Estimate Tax Rate*
General	439,990	27.163	482,900	25.500	508,000	74,675	23.004
Employee benefits	110,342	20.321	137,000	27.732	148,500	92,965	28.638
Library	19,501	4.997	20,800	5.318	21,000	17,667	5.442
Special Equipment	8,285	1.820	7,500	0.243	7,000	2,624	0.808
Special Highway	41,381		41,784		42,839		
Special Parks			3,000		4,000		
Water	384,363		415,946		370,000		
Sewer	106,777		114,811		121,811		
Non-Budgeted Funds	8,985						
Totals	1,119,624	54.301	1,223,741	58.793	1,223,150	187,931	57.892
Less: Transfers	65,000		62,000		42,000		
Net Expenditure	1,054,624		1,161,741		1,181,150		
Total Tax Levied	180,606		193,204		xxxxxxxxxxxxxxxxxxxx		
Assessed Valuation	3,326,026		3,286,255		3,246,240		

Outstanding Indebtedness,

	2009	2010	2011
January 1,			
G.O. Bonds	0	0	0
Revenue Bonds	0	0	0
Other	551,995	507,588	461,731
Lease Purchase Principal	31,499	42,788	24,326
Total	583,494	550,376	486,057

*Tax rates are expressed in mills

City Official Title: City Clerk

See Accompanying Summary of Significant Assumptions and Accounting Policies and Accountant's Compilation Report.

CITY OF SEDAN, KANSAS

**NOTES TO PRESCRIBED FORMS
December 31, 2012, 2011 (Forecast) and 2010 (Historical)**

**SELECTED INFORMATION - SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY
THE KANSAS STATUTORY BASIS OF ACCOUNTING ARE NOT INCLUDED**

NOTE 1. SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

This financial forecast presents, to the best of management's knowledge and belief, the City's expected results of operations for the forecast periods. Accordingly, the forecast reflects management's judgment as of July 22, 2011, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Assessed valuation - The valuations of property in the City are estimates determined by the Chautauqua County, Kansas Appraiser's office.

Receipts - Advalorem tax revenues are based on expected collection of taxes levied for the 2011 and 2012 budget year and assume a 5% delinquency rate. Motor vehicle, recreational, 16/20M vehicle, and state gas taxes are based on collection estimates supplied by Chautauqua County, Kansas and the State of Kansas. Other revenues are assumed to be approximately the same as historical receipts for the year 2010 with the exception of Water, which raised rates in 2010.

Expenditures - Personal services (wages) are expected to increase by approximately 3-4% per year. The actual amount of increase may vary dependent upon the number of personnel assigned to each department within the City and the hiring of or dismissal of employees.

Employee benefits, which include payroll taxes and medical insurance, are projected to increase 5-10% over 2010 historical costs due to raises in medical insurance premiums for 2011 and 2012.

Commodities, contractual and capital outlay expenditures are projected to increase 2-5% per year due to expected inflationary factors.

Debt service expenditures are based on the scheduled payments in the debt agreements or ordinances for debt that existed as of December 31, 2010.

NOTE 2. BASIS OF ACCOUNTING

The statutory basis of accounting, as used in the preparation of the budgetary information in these prescribed forms, is designed to demonstrate compliance with the cash-basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

CITY OF SEDAN, KANSAS

**NOTES TO PRESCRIBED FORMS
December 31, 2012, 2011 (Forecast) and 2010 (Historical)**

**SELECTED INFORMATION - SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY
THE KANSAS STATUTORY BASIS OF ACCOUNTING ARE NOT INCLUDED (Continued)**

NOTE 2. BASIS OF ACCOUNTING - Continued

DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES - The basis of accounting described above results in a presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures. Balance sheets that would have shown non-cash assets such as receivables, inventories, prepaid expense; liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America.