

COUNTY OF SANTA CRUZ, CALIFORNIA
Notes to the Budgetary Comparison Schedules
Year Ended June 30, 2004

Budget and Budgetary Accounting

General Budget Policies

In accordance with Chapter 1, Division 3, Title 3, of the Government Code of the State of California, known as the "Budget Act", the County prepares and adopts a budget for each fiscal year. The budget is a compilation of operating budgets from: individual functional units within the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Funds (operating plans). Budgets are adopted for all funds except for Debt Service Funds and certain special revenue funds, namely, Public Financing Authority, Health Services, and Health and Sanitation Funds.

The County follows these procedures in establishing the budgetary data reflected in the financial statements.

- Prior to July 1, the County Administrative Officer submits to the Board of Supervisors a proposed program budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. In addition, the Auditor-Controller submits a proposed budget containing the line items of revenue and appropriations based upon the County Administrative Office budget proposal.
- On or before August 20, public hearings are conducted to obtain public comments. Such hearings shall be concluded within 10 calendar days.
- On or before October 3, the budget is legally enacted through passage of a resolution.
- On or before November 1, the Auditor-Controller publishes a final budget as recommended by the County Administrative Officer and adopted by the Board of Supervisors.
- Budget units are expenditure classifications which identify accounting or cost centers necessary or desirable for control of the County financial operation. The Board of Supervisors approves all transfers of budgeted appropriation amounts between budget units within any fund or between expenditure objects.
- The County of Santa Cruz uses formal budgetary integration as a management control device during the year for the primary government and all blended component units, except the Bostwick Lane, Mansfield Street, Pajaro Dunes, Fire Station, Local Assessment Districts, and the Public Financing Authority that do not annually adopt a budget.
- Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

COUNTY OF SANTA CRUZ, CALIFORNIA
Notes to the Budgetary Comparison Schedules
Year Ended June 30, 2004

Budget and Budgetary Accounting - Continued

- Budgetary control is maintained at the character level, except for capital assets and other charges which are controlled by line item. Character levels are appropriation totals for salaries and employee benefits, services and supplies. All budgetary changes during the budget year require Board action as set forth in the "Budget Act". Unencumbered appropriations at year-end lapse into fund balance. See the following paragraph for encumbered appropriations at year-end.

The County Board of Supervisors made several supplemental budgetary appropriations throughout the year, primarily to the Special Revenue, Capital Project, and Enterprise Funds. Other supplemental budgetary appropriations in other funds were not considered material.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the General and Special Revenue Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances at year-end are rebudgeted in the new year.