COUNTY OF PLACER, CALIFORNIA
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 – BUDGETARY AND LEGAL COMPLIANCE

In accordance with provisions of Sections 29000 through 29144 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, the appropriations are governed by the adopted proposed budget approved by the Board of Supervisors.

A balanced operating budget is adopted each fiscal year for the General, Special Revenue, Capital Projects, Debt Service, Enterprise and Internal Service Funds, except for Public Facilities Fees and Park Dedication Fees Capital Projects Funds and the Placer County Public Finance Authority and Gold Country Settlement Corporation Debt Service Funds. The budget is adopted on a modified accrual basis for the General, Special Revenue, Capital Projects and Debt Service Funds including encumbrances to reflect estimated revenues and expenditures. For the purposes of a budgetary presentation, actual GAAP expenditures have been adjusted to include current year encumbrances. The budget is adopted on an accrual basis for Enterprise and Internal Service Funds. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. The prior year fund balance is used as part of the balancing formula. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Supplemental appropriations may be made during the year by the Board if revenues are received from unanticipated sources, or from anticipated sources, but in excess of estimates thereof. Management cannot amend the budget without the Board's approval. Budget amounts reported in the accompanying basic financial statements reflect the original budget and the final budget, as amended. All unencumbered budget appropriations lapse at the end of the fiscal year.

The legal level of budgetary control is exercised at the budget unit (departmental) level. Amendments and transfers of appropriations between budget units or that involves the addition or deletion of a project or piece of equipment must be approved by the Board. Management can make adjustments of appropriations, at their discretion, within or between objects within the same budget unit. For the fiscal year ended June 30, 2006, there were no expenditures in excess of the adopted appropriations.

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 in the governmental funds. Amounts remaining encumbered at year-end are reappropriated and honored during the subsequent year until expended or canceled. The results of operations presented for budgetary purposes for the General Fund and major Special Revenue Funds include the effects of both expenditures and encumbrances. Encumbrances at year-end are reported as reservations of fund balances on a GAAP basis.