

CITY OF SANTA CLARITA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

1. BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
- 2) The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. Actual expenditures may not exceed budgeted appropriations at the functional or program level. The City Manager is authorized to transfer budgeted amounts at the program level. The City has the following programs accounted for through its governmental funds: general government, public safety, public works, parks and recreation, community development, capital outlay and debt service expenditures.
- 3) Annual budgets for the governmental funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparison is presented for the Sewer Maintenance Special Revenue Fund, Redevelopment Agency Debt Service Fund and Public Financing Authority Debt Service Fund.
- 4) Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations at year-end lapse, and then re-appropriated amounts are added to the following year's budgeted appropriations. At June 30, 2006, governmental fund balances have been reserved for encumbrances carried forward.

See independent auditors' report.