

COUNTY OF JAMES CITY, VIRGINIA

Note to Required Supplementary Information (Unaudited)

June 30, 2004

(1) Budgeting and Budgetary Accounting

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

Prior to April 1, the County Administrator submits to the board of supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget include proposed expenditures and the means of financing them. Public hearings are then conducted to obtain citizen comments.

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund and function level. The appropriation for each fund and function can be revised only by the board of supervisors; however, the County Administrator may amend the budget within functions. Supplemental appropriations in addition to the appropriated budget were necessary during the year.

Formal budgetary integration is employed as a management control device during the year for those funds with legally adopted annual budgets which are the General Fund, Special Revenue Fund – Virginia Public Assistance, and Debt Service Fund, and these funds are integrated only at the level of legal adoption. Program and project budgets are utilized in the Capital Projects; Colonial Community Corrections; Williamsburg Area Transport Company; Community Development; Route 5, Phase II; Transportation District and Revolving Loan Funds where appropriations remain open and carry over to the succeeding year.

All budgets are adopted on a basis consistent with GAAP. There were approximately \$740,000 of supplemental appropriations relating to prior year encumbrances during the fiscal year ended June 30, 2004. All appropriations lapse on June 30 for all County funds, except the funds referenced above. All budget data presented in the accompanying basic financial statements represents the appropriated budget as of June 30, 2004, as adopted and amended by supplemental appropriations.

Unaudited – see accompanying auditors' report.