



GUIDE TO READING THE BUDGET

GOVERNMENTAL ACCOUNTING

Governmental accounting is different from business activity or enterprise accounting, where a single set of accounting books are kept for the enterprise. Instead, separate sets of books or “funds” are maintained. The fund system is geared to the governmental budgetary system, which accounts for activities on a periodic or budgetary basis. A governmental entity such as a City is not considered to be a single entity for accounting or financial reporting purposes, rather it is considered to be a collection of separate accounting entities referred to as funds. The funds are reported on both separately and collectively in summary statements in financial reports. In addition to the individual fund statements, the summary statements should be reviewed for the overall City’s financial position.

GOVERNMENTAL ACCOUNTING TERMINOLOGY

Each of the City’s funds is considered a separate accounting entity with a self-balancing set of accounts that records assets, liabilities, fund equity, revenue and expenditures.

Assets: Resources owned or held by the City, which have monetary value. Assets are accounted for on the Balance Sheet.

Liabilities: Obligations of the City from past transactions or events. Liabilities are accounted for on the balance sheet.

Fund Balance: The Fund Balance, or excess of current assets over current liabilities, represents the cumulative effect of revenues and other financing sources over expenditures and other financing uses. The equity, or accumulated fund balance, can be used to finance budgetary expenditures at the Council’s discretion. This is a balance sheet account.

Reserve: An account used to indicate that a portion of a fund’s balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation. The General Fund Reserve is set aside to take care of future needs and also acts as a cushion when economic conditions result in lower than expected Revenues. This is a balance sheet account.

Revenues: Funds the government receives as income. Revenues include items such as tax payments, fees from specific services, receipts from other governments, fines, forfeitures, grants, shared revenues and interest income.

Expenditures: The amounts authorized by the City Council to incur obligations and make payments out of City funds. For budgeting purposes, objects of expenditure are categorized into groups of similar types called major objects of expenditure. The City’s major objects of expenditure are: Personnel Services, Professional & Technical Services, Property & Other Services, Supplies, and Capital Outlay.



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DESCRIPTION OF FUNDS

Funds are established and segregated for the purpose of recording specific programs or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are used by the City of Aliso Viejo:

General Fund: As the City's primary operating fund, the General Fund is used to account for all revenues *not* accounted for elsewhere in the Budget. With the exception of subvention or grant revenues restricted for specific purposes, General Fund resources can be utilized for any legitimate governmental purpose.

General Fund revenues include property tax, sales and user taxes, licenses, permits, franchise fees, fines and forfeitures, transfers from other governmental agencies, and fees for services.

Departmental budgets funded by the General Fund include the City Council, City Manager, Economic Development, City Clerk, City Attorney, Financial Services, Non-Departmental, Community Services, Planning, Public Works, Public Safety and City Hall.

Special Revenue Funds: Special Revenue funds are used to account for certain monies which are legally restricted to specific purposes. In many cases, these funds represent activities that are grant funded or provided for via specific fees, charges, and taxes. Examples include: Gas Tax Fund, Measure M Fund, Air Quality Improvement Fund, and Integrated Waste Management Fund.

Capital Improvement Funds: Capital Improvement Funds are used to account for the purchase or construction of major capital projects, which are not financed by proprietary, special assessment or trust funds. The City's three Capital Improvement Funds provide for street improvements, storm water projects, and other capital improvement projects that are general in nature.

Debt Service Funds: Debt Service Funds are used to account for debt payments owed by the City. Certificates of Participation were issued in 2006 to finance the acquisition of City Hall.

Trust and Agency Funds: Also known as Fiduciary Fund types, these funds are used to account for assets held by the City in a trustee capacity for organizations or other governmental agencies.



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OTHER KEY SECTIONS OF THE BUDGET DOCUMENT

The **City Manager's Budget Message to the City Council** outlines the key contents of the budget and provides a narrative description of the fiscal health of all the fund types, as well as the City as a whole.

The **Budget Guide** provides the reader with a brief overview and introduction to the City of Aliso Viejo as well as further information as to how to understand, read, and use the Budget document.

The **City Resources and Appropriations Summary** section provides an easy-to-read overview of the City's sources of funds and budget appropriations for all funds.

The **General Fund Budget Summary** section provides an easy-to-read overview of the City's General Fund, including sources of funds and budget appropriations.

The **Budget Detail** section provides a detailed account of each fund's estimated revenues and expenditures. It is important to note that the City's revenue estimates are fairly conservative and make assumptions based on actual experience and current knowledge of impending circumstances. Appropriations, in turn, are based on these assumed revenues and current service levels.

Appendices included in the budget document:

- City Council Management and Budget Policies
- City's Chart of Accounts, which lists the various funds, general ledger, revenue, and expenditure accounts
- Glossary of Budget Terms to familiarize the reader with some of the budgetary and financial vocabulary found throughout the Budget document. The Glossary also contains descriptions of all the fund types, budget terms, and acronyms used within the budget document.