

THE BUDGET PROCESS

BUDGETING BY FUND

The City's budget is organized on the basis of funds, or account groups, and each is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts.

Governmental funds finance most of the City's functions and include the general fund, special revenue funds, debt service fund, and capital projects funds. Proprietary funds are used to account for the City's activities that are similar to those often found in the private sector and include enterprise and internal service. All of the City funds in the budget document are listed below and are appropriated.

Major funds represent the significant activities of the City and basically include any fund whose revenues or expenditures, excluding other financing sources and uses, constitute more than 10% of the revenues or expenditures of the appropriated budget.

Governmental Funds

GENERAL FUND	General Fund (Major Fund)
RESERVE FUND	Capital Reserve Fund; and Capital Reserve Water Fund
SPECIAL REVENUE FUNDS	Trolley Fund; Tourism Fund; Street Fund (Major Fund); Building Fund; Public Art Fund; Bicycle Path Fund; Systems Development Charges Fund; Library Endowments Fund; and ACC Endowment Fund
DEBT SERVICE FUNDS	Bonded Debt Service Fund; and City/LORA Debt Service Fund
CAPITAL PROJECTS FUND	Assessment Project Fund; Parks Bond Fund; and Parks Recreation Center Fund

Proprietary Funds

ENTERPRISE FUNDS	Water Fund (Major Fund); Lake Oswego – Tigard Water Partnership Fund; Sewer Fund (Major Fund); Stormwater Fund (Major Fund); and Tennis Facility Fund
INTERNAL SERVICE FUNDS	Engineering Fund; Public Works Support Services Fund; and Operations Building Fund

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BASIS OF ACCOUNTING

Budget Basis

All of the funds are budgeted using the modified accrual basis of accounting in accordance with budgetary accounting practices. In modified accrual, revenues are recognized when they become measurable and available. Measurable means that the dollar value of the revenue is known. Available means that it is collectible within the current period or soon enough after the end of the current period to pay off liabilities of the current period.

Significant revenues that are considered to be measurable and available under the modified accrual basis of accounting are property taxes, franchise fees, and assessment lien installments received within approximately 60 days of the end of the fiscal year. Expenditures are recognized when the liability is incurred, except for interest on general long-term obligations which is recorded when due.

Audit Basis

The audit, as reported in the Comprehensive Annual Financial Report (CAFR), accounts for the City's finances on the basis of generally accepted accounting principles. Generally Accepted Accounting Principles or GAAP is defined as conventions, rules, and procedures necessary to describe accepted accounting practice at a particular time. The modified accrual basis of accounting, a GAAP-approved method, is also used in the audit for all funds except for the Proprietary Fund Types (i.e., Water, LO-Tigard Water Partnership, Sewer, Stormwater, Tennis, Engineering, and Public Works Support Services). The audit uses the full-accrual method of accounting for the Proprietary Funds. The CAFR shows all of the City's funds on both a budgetary and GAAP basis for comparison purposes.