

4. REPORTING

4.3 Fund Financial Statements

4.3.4 Proprietary Funds Financial Statements

4.3.4.10 The following are required fund financial statements for proprietary funds:

- Statement of net position,
- Statement of revenues, expenses, and changes in fund net position, and
- Statement of cash flows (see [Statement of Cash Flows](#)).

Proprietary funds are presented using the economic resources measurement focus and the full accrual basis of accounting. They are reported the same way as in the government-wide financial statements. However, internal service funds should be reported as a fund type (aggregated) in a separate column. Major enterprise funds are reported in separate columns and nonmajor enterprise funds are aggregated in a single column. A combined total column for all enterprise funds should be presented. By reporting the internal service funds separately from the proprietary funds, the information in the *Totals* column in these statements flows directly to the *Business-Type Activities* column on the government-wide statement of net position. The interfund eliminations within enterprise funds are not required.

Proprietary Fund Statement of Net Position

4.3.4.20 Governments have two options for layout:

- 1) Statement of Net Position
Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, or
- 2) Balance Sheet
Assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources plus net position.

4.3.4.30 Assets and liabilities should be presented in a classified format. This requires reporting assets and liabilities as either current or noncurrent. A one-year cut-off is typical when determining if assets are expected to be realized in cash or consumed and liabilities are expected to be paid. Current assets include: cash available from current operations, receivables, inventories, prepaid expenses, and investments, etc. Current liabilities include accounts payable, notes payable, amounts due to other funds, current portion of long-term debt, current portion of compensated absences, claims, and judgments, etc.

4.3.4.40 Any asset that normally would be available for use in operations but which use is restricted by externally enforceable constraints should be reported as restricted assets. Examples: cash held by a trustee in escrow for future debt service payments, assets that are restricted for the acquisition or construction of noncurrent assets, etc. Most of the restricted assets are noncurrent. However, restricted assets that will be used in current operations (e.g., certain grants, etc.) should be reported as current assets. Liabilities payable from restricted assets should be reported separately as current or noncurrent.

4.3.4.50 Governments have two options for presentation:

1) Single column presentation

In this presentation all activities are combined into one column.

2) Multiple column presentation

In this option each activity should be reported separately. All duplicating transactions should be eliminated. The elimination may be presented in a separate column on the face of the financial statements or in the notes. The government must also present a *total* column for all underlying activities.

4.3.4.60 The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is called net position. Net position should be reported in three components:

1. Net investment in capital assets
2. Restricted (listed by major restrictions)
3. Unrestricted

For classification of the net position refer to the [Net Position](#).

4.3.4.70 The account titles shown on the statement are for references and are sufficient for most local governments operations. The line items presented are an example and may need to be customized. The accounts listed are deemed to be at the appropriate level of detail for most reporting local governments' activities. Before deleting any lines make sure the local government does not have activity in that area. In some instances additional accounts may be required. Adjust the statement appropriately.

4.3.4.80 If amounts reported for enterprise funds differ¹ from those reported on government-wide financial statements in the business-type activities column, the government should present a summary reconciliation on the bottom of the proprietary funds statement of net position.

4.3.4.81 Additional instructions for the public entities risk pools are provided [here](#).

4.3.4.82 Additional instructions for the housing authorities are provided [here](#).

¹ The difference may be due to the internal service funds, which can be included in the business-type of activities in the government-wide statement of net position.

Example 1: General Governments

Statement of Net Position
Proprietary Funds
December 31, 20__

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Enterprise Fund	Major Enterprise Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund(s)
ASSETS					
Current Assets:					
Cash and Cash Equivalents					
Investments					
Account Receivables (Net)					
Taxes Receivable					
Notes/Contract Receivable					
Restricted Assets					
Due from Other Governments					
Inventories					
Prepayments					
Other Current Assets					
<u>Total Current Assets</u>					
Noncurrent Assets:					
Investments					
Investment in Joint Venture(s)					
Restricted Assets					
Capital Assets not Being Depreciated ² :					
Land					
Construction in Progress					
Capital Assets Being Depreciated:					
Improvements to Land					
Buildings					
Equipment					
Intangible Assets					
Less Accumulated Depreciation					
Total Capital Assets (Net)					
<u>Total Noncurrent Assets</u>					
TOTAL ASSETS					
DEFERRED OUTFLOWS of RESOURCES					
Accumulated Decrease in Fair Value of Hedging Derivatives					
Deferred Loss on Refunding					
Grants Paid in Advance					
TOTAL DEFERRED OUTFLOWS of RESOURCES					

² When detailed information regarding capital assets is provided in the notes, the government can use here one line for presentation of capital assets. However, if the government has a significant amount of nondepreciable capital assets, they have to be presented separately from depreciable ones on the face of financial statements, regardless of level of details in the notes.

LIABILITIES					
Current Liabilities:					
Accounts Payable					
Payable from Restricted Assets					
Deposits					
Compensated Absences					
Claims and Judgements					
Bonds, Notes, and Loans Payable					
Other Current Liabilities					
<u>Total Current Liabilities</u>					
Noncurrent Liabilities:					
Compensated Absences					
Payable from Restricted Liabilities					
Claims and Judgements					
Bonds, Notes, and Loans Payable					
Other Noncurrent Liabilities					
<u>Total Noncurrent Liabilities</u>					
TOTAL LIABILITIES					
DEFERRED INFLOWS of RESOURCES					
Accumulated Increase in Fair Value of Hedging Derivatives					
Deferred Service Concession Arrangement Receipts					
Deferred Property Tax					
Advance Payments of Property Tax					
Advance Payments of Special Assessments					
Deferred Gain on Refunding					
Grants Received in Advance					
TOTAL DEFERRED INFLOWS of RESOURCES					
NET POSITION					
Net Investment in Capital Assets					
Restricted for _____ ³					
Unrestricted					
TOTAL NET POSITION					
Some amounts reported for <i>business-type activities</i> in the statement of net position are different because ⁴ _____					
Net position of business-type activities					

The notes to financial statements are an integral part of this statement.

³ When permanent endowments are included, restricted component of net position should be displayed in two additional components: expendable and nonexpendable.

⁴ For more details see [Conversion and Reconciliation between Government-Wide and Fund Financial Statements](#).

Example 2: Stand-Alone Enterprise Fund

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Statement of Fund Net Position
December 31, 20____

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ASSETS

Current Assets:

Cash and Cash Equivalents	\$ _____
Investments	_____
Accounts Receivables (Net)	_____
Taxes Receivable	_____
Notes/Contracts Receivable	_____
Receivables from Third Party Payers (Net)	_____
Pledges and Other Receivables (Net)	_____
Restricted Assets	_____
Inventories	_____
Prepayments	_____
Other Current Assets	_____
TOTAL CURRENT ASSETS	_____

Noncurrent Assets:

Investments	_____
Investment in Joint Venture(s)	_____
Other Assets	_____
Restricted Assets	_____
Capital Assets Not Being Depreciated ⁵	
Land	_____
Construction in Progress	_____
Capital Assets Being Depreciated:	
Improvements to Land	_____
Buildings	_____
Equipment	_____
Intangible Assets	_____
Less Accumulated Depreciation	(_____)
Total Capital Assets (Net)	_____
TOTAL NONCURRENT ASSETS	_____
TOTAL ASSETS	\$ _____

DEFERRED OUTFLOWS OF RESOURCES

Accumulated Decrease in Fair Value of	
Hedging Derivatives	\$ _____
Deferred Loss on Refunding	_____
Grants Paid in Advance	_____
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ _____

⁵ When detailed information regarding capital assets is provided in the notes, the government can use here one line for presentation of capital assets. However, if the government has a significant amount of nondepreciable capital assets, they have to be presented separately from depreciable ones on the face of financial statements, regardless of level of details in the notes.

LIABILITIES

Current Liabilities:

Accounts Payable	\$ _____
Payable to Third Party Payers	_____
Payables from Restricted Assets	_____
Compensated Absences	_____
Claims and Judgments	_____
Bonds, Notes and Loans Payable	_____
Accrued Expenses	_____
Other Current Liabilities	_____
TOTAL CURRENT LIABILITIES	_____

Noncurrent Liabilities:

Payables from Restricted Assets	_____
Compensated Absences	_____
Claims and Judgments	_____
Bonds, Notes and Loans Payable	_____
Other Noncurrent Liabilities	_____
TOTAL NONCURRENT LIABILITIES	_____

TOTAL LIABILITIES \$ _____

DEFERRED INFLOWS OF RESOURCES

Accumulated Increase in Fair Value of Hedging Derivatives	_____
Deferred Service Concession Arrangement Receipts	_____
Deferred Property Tax	_____
Advance Payments of Property Tax	_____
Advance Payments of Special Assessments	_____
Deferred Gain on Refunding	_____
Grants Received in Advance	_____

TOTAL DEFERRED INFLOWS OF RESOURCES \$ _____

NET POSITION

Net Investment in Capital Assets	_____
Restricted for _____ ⁶	_____
Unrestricted	_____
TOTAL NET POSITION	\$ _____

The notes to financial statements are an integral part of this statement.

⁶ When permanent endowments are included, restricted component of net position should be displayed in two additional components: expendable and nonexpendable.

Statement of Revenues, Expenses, and Changes in Fund Net Position

4.3.4.90 There is a specific format for this statement:

Operating revenues (detailed)⁷

Total operating revenues

Operating expenses (detailed)⁸

Total operating expenses

Operating income (loss)

Nonoperating revenues (detailed)

Nonoperating expenses (detailed)

Income before capital contributions, additions to permanent or term endowments,
special/extraordinary items and transfers

Capital contributions (grants, developer, and other)

Additions to permanent or term endowments

Special/extraordinary items (detailed)

Transfers

Increase (decrease) in net position

Net position – beginning of period

Net position – end of period

This is an all-inclusive format. All transactions (including capital contributions) that affect net position should be included. No amounts may be reported as direct addition to net position. All transactions, including capital contributions⁹, additions to permanent funds, equity transactions involving joint ventures have to be reported in the statement of changes.

⁷ Examples: power, water sales (PUDs); patient revenue (hospitals); airport, marina, marina terminal charges (ports); passenger or special fares (transits); member assessments/contributions, supplemental assessments, application fees (risk pools); tenants revenues (housing authorities).

⁸ Examples: Incurred loss/loss adjustment expenses, claims paid, change in unpaid claims liability, unallocated loss adjustment expenses, excess/reinsurance premiums (risk pools);

⁹ Capital contribution include revenues received in the form of contributed capital assets, nonexchange grants and contributions restricted to capital purposes, fees and charges restricted to capital assets acquisition.

- 4.3.4.100 The local governments have two options for presentation:
- 1) Single column presentation
In this presentation all activities are combined in one column.
 - 2) Multiple column presentation
In this option each activity should be reported separately. All duplicating transactions should be eliminated. The elimination may be presented in a separate column on the face of the financial statements or in the notes. The governments must also present a *total* column for all underlying activities.¹⁰ Elimination is also done to minimize the *grossing up* effect on assets (receivables) and liabilities (payables) on the statement of net position.
- 4.3.4.110 Revenues should be reported by major source. All revenues should be reported net of discounts and allowances (they should be disclosed in parenthesis or in the notes to the financial statements). Uncollectible amounts should not be reported as expense but as adjustments to revenue.
- 4.3.4.120 Revenues and expenses should distinguish between operating and nonoperating. Governments should establish their own policy for defining operating and nonoperating revenues and expenses and the policy should be disclosed in the notes to the financial statements. Operating revenues and expenses should be directly related to the primary function of the entity. It is the source of revenue not its purpose that defines the revenue as operating in the statement of changes.
- 4.3.4.130 Although there is not a specific definition for the operating or nonoperating revenues, the following revenues should be considered as nonoperating:
- Operating grants and contributions and grants and contributions that are not restricted to either operating or capital functions.
 - Property or other taxes.
 - Exchange-like transactions which are restricted for capital or financing purposes.
 - Interest and dividends and realized and unrealized gains or losses on investments.
 - Interest expense, debt issue expenses, and premium or discount on debt.
- 4.3.4.140 The government should present a summary reconciliation on the bottom of the statement of changes if the amounts reported for enterprise funds differ from those reported on government-wide financial statements in the business-type activities column. For more details see [Conversion and Reconciliation between Government-Wide and Fund Financial Statements](#).
- 4.3.4.150 The following forms do not contain provisions for component units. If the government has a component unit as defined by [GASB Statement 14](#)¹¹, make the appropriate modifications to its statement. The Manual discusses the reporting entity and potential component units in [GAAP Reporting Requirements](#) and provides examples of financial statements which include component units. For further information, refer to the Manual and [GASB Statement 34](#), paragraph 126.
- 4.3.4.160 Additional instructions for the public entities risk pools are provided [here](#).
- 4.3.4.170 Additional instructions for the housing authorities are provided [here](#).

¹⁰ This presentation requires additional audit procedures due to the multiple opinion units and it may result in an increased audit time.

¹¹ As updated by [GASB Statement 30, Determining Whether Certain Organizations are Component Units](#).

Example 1: General Governments

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 20__

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Enterprise Fund	Major Enterprise Fund	Nonmajor Enterprise Fund	Totals	Internal Service Fund(s)
OPERATING REVENUES					
Charges for Services					
Other Operating Revenues					
Total Operating Revenues					
OPERATING EXPENSES					
Depreciation					
Other Operating Expenses					
Total Operating Expenses					
Operating Income (Loss)					
NONOPERATING REVENUES (EXPENSES)					
Interest Income					
Miscellaneous Revenues					
Interest Expense					
Gain/Loss on Sale of Capital Assets					
Total Nonoperating Revenues (Expenses)					
Income (Loss) before Contributions, Transfers and Special Items					
CAPITAL CONTRIBUTIONS					
TRANSFERS-IN					
TRANSFERS-OUT					
SPECIAL ITEMS					
Change in Net Position					
Total Net Position-Beginning					
Total Net Position-Ending					
Some amounts reported for <i>business-type activities</i> in the statement of activities are different because ¹² _____					
Change in net position of business-type activities					

The notes to financial statements are an integral part of this statement.

¹² For more details see [Conversion and Reconciliation between Government-Wide and Fund Financial Statements](#).

Example 2: Stand-Alone Enterprise Fund

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**Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 20__**

OPERATING REVENUES:

Sales and Service Fees	\$ _____
_____	_____
_____	_____
Other Operating Revenue	_____
_____	_____
Total Operating Revenue	_____

OPERATING EXPENSES:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
Depreciation	_____
Other Operating Expenses	_____
_____	_____
Total Operating Expenses	_____

OPERATING INCOME (LOSS)	\$ _____
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NONOPERATING REVENUES (EXPENSES):

Operating Assessments	_____
Tax	_____
External Operating Subsidies ¹³	_____
Investment Income	_____
Interest Expense and Related Charges	_____
Equity in Income (Loss) of Joint Ventures/ Subsidiaries	_____
Gains (Losses) on Capital Asset Disposition	_____
Other Nonoperating Revenues	_____
Other Nonoperating Expenses	_____
 Total Nonoperating Revenues (Expenses)	 _____
 Income before Capital Contributions, Contributions to Term and Permanent Endowments Extraordinary and Special Items	 _____
 Capital Contributions	 _____
Contributions to Term and Permanent Endowments	_____
Extraordinary Item	_____
Special Item	_____
 CHANGE IN NET POSITION	 _____
 TOTAL NET POSITION, January 1	 \$ _____
 PRIOR PERIOD ADJUSTMENTS ¹⁴	 _____
 TOTAL NET POSITION, December 31	 \$ _____

The notes to financial statements are an integral part of this statement.

¹³ If operating grants and subsidies are shown as operating revenues (optional presentation) note disclosure is required in the summary of significant accounting policies.

¹⁴ Note disclosure needs to be given for a prior period adjustment. Direct adjustments to net position should be limited to corrections of errors and changes in accounting principles.