

PROPRIETARY FUNDS

Note: The following questions and answers were formulated using ASBO International's GASB Statement No. 34 Implementation Recommendations for School Districts (hereafter, referred to as ASBO's Implementation Recommendations). OPI supports ASBO's recommendations and encourages the use of this publication for further information and guidance. Other resources are GASB Implementation Guides (see GASB website at <http://www.gasb.org/repmoel/index.html>) and the AICPA (September 2002) Audits of State and Local Governments (GASB 34 Edition).

Q: What is the definition of an "enterprise fund" under GASB 34?

- A: An enterprise fund must be used to report activities described as business-type activities:
- a. The activity is financed with debt that is to be repaid solely with the net revenues and charges of the activity, or
 - b. Laws and regulations require that costs be recovered by revenues of the activity, or
 - c. The pricing policies of the activity are designed to fully recover all costs.

For Montana schools, enterprise funds are numbered 70 – 79 and include:

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| 70 | Day Care/Preschool |
| 71 | Industrial Arts |
| 72 | Enterprise – Miscellaneous |
| 73 | Data Processing |
| 74 | Purchasing |
| 75 | Central Transportation |
| 76 | Instructional Materials Center |
| 77 | Miscellaneous Internal Service |
| 78 | Self Insurance Fund - Health |
| 79 | Self-Insurance Fund – Liability |

Q: What statements are included in the proprietary funds statements?

A: The proprietary funds statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows. The statements are presented using the accrual basis of accounting. The Statement of Net Assets is required to be presented using the classified format (assets and liabilities categorized as current and non-current) and the Statement of Cash Flows is prepared using the direct method. The Statement of Revenues, Expenses and Changes in Fund Net Assets separates business-type activities (enterprise funds) from governmental-type activities (internal service funds). Major funds are listed in separate columns and non-major funds are reported in aggregate in a separate column.