

TOPIC	GAAP REPORTING	SUB-SECTION 27.60.10
SECTION	PROPRIETARY FUNDS	ISSUANCE DATE June 30, 2011
SUB-SECTION	OVERVIEW	REVISED - 2019

## OVERVIEW

### GENERAL

A proprietary fund is classified as a GAAP enterprise fund. These funds operate similar to private enterprise, and thus use the full accrual basis of accounting. Enterprise funds account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

There are some major differences in financial statement presentation of GAAP proprietary funds as opposed to GAAP governmental funds. Some of these are:

Capital assets are included in the assets of the proprietary funds, but not in the assets of GAAP governmental funds.

Long-term debt is included in the liabilities of the proprietary funds, but not in the liabilities of GAAP governmental funds.

Proprietary funds depreciate capital assets; governmental funds do not.

Proprietary funds record inventories as consumed; therefore, these funds will have an inventory asset shown on the balance sheet, whereas governmental funds only reflect inventory when the amount is material.

Proprietary funds separate revenue into operating revenue and non-operating revenue; governmental funds do not.

Proprietary funds separate expenses into operating expenses and non-operating expenses; governmental funds reflect total expenditures.

Proprietary funds recognize an operating income/loss and a net income/loss; governmental funds recognize excess of revenues over/under expenditures.

Proprietary funds must include a Statement of Cash Flows as part of the financial statements; governmental funds do not.

Proprietary funds do not record encumbrances; governmental funds report encumbrances in a note disclosure.