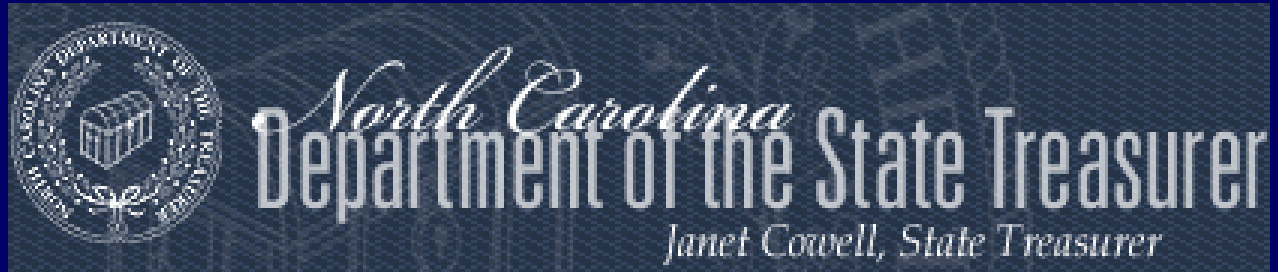


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# How to Get The Most Out of Your Enterprise Fund

Sara Shippee, Assistant Director  
Fiscal Management





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# How to Get the Most Out of Your Enterprise Fund

- What is an Enterprise Fund?
- Why does government use them?
- Why are there so many different statements in my audit report?
- What do these statements really tell me?



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# How to Get the Most Out of Your Enterprise Fund

- ❑ Enterprise Fund – may be used to report any activity for which a fee is charged to external users for goods and services.
- ❑ Required for activity financed by debt secured by pledge of revenue from fees and charges for the activity i.e. revenue bonds
- ❑ Used when you want to treat the service as an “enterprise” or business



# How to Get the Most Out of Your Enterprise Fund

- In NC, most common enterprise fund is Water and Sewer
  - Others include Electric Funds, Solid Waste, Airports, Public Hospitals, School Food Service, Public Transportation, and a few recreation facilities
- Intended to be self-supporting
  - Not subsidized by tax revenues
- Enterprise Fund accounting helps measure full cost of providing the service
- Very similar to accounting for private business without income tax implications



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# How to Get the Most Out of Your Enterprise Fund

## □ Required Financial Statements

### ■ Full Accrual Basis of Reporting

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows

### ■ Budgetary Basis of Reporting

- Schedule of Revenues and Expenditures
- Capital Project Schedule of Revenues and Expenditures



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# How to Get the Most Out of Your Enterprise Fund

- What is the difference between full accrual and budgetary reporting?
  - Full accrual accounting records revenue when it is earned and expenses when they are incurred – when cash is received or disbursed is irrelevant
    - Statement of Net Assets
    - Statement of Revenues and Expenses



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# How to Get the Most Out of Your Enterprise Fund

- Financial measures using Statement of Net Assets
  - Quick Ratio – See Appendix 1
- Financial measures using Statement of Revenues and Expenses
  - Operating income/loss
  - Income/loss before capital contributions



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# How to Get the Most Out of Your Enterprise Fund

## □ Budgetary Reporting

- Modified Accrual records resources when measurable and available and expenditures when paid and those that will be paid from current resources

## □ Advantages and disadvantages to both



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# How to Get the Most Out of Your Enterprise Fund

## □ Cash Flow Statement

- What does it tell me?
  - Cash flow from operations
  - Cash flows from non-capital financing activities
  - Cash flows from capital financing activities



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# How to Get the Most Out of Your Enterprise Fund

## □ Budgetary Schedules

- Primarily a management tool
- Also reports compliance with budget
- Use of fund balance to balance budget
- Calculating fund balance available in an Enterprise Fund – Appendix 1



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# How to Get the Most Out of Your Enterprise Fund

- Enterprise Capital Project Funds
  - Budgetary schedule
  - Why does this fund “disappear” when you do the full accrual statements?
  - Why do we use separate schedules and budgets for capital projects?



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# How to Get the Most Out of Your Enterprise Fund

- Interim reporting for Enterprise Funds
  - Budgetary report
  - Accounts receivable and payable
  - Other current assets and current liabilities
  - Cash



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# How to Get the Most Out of Your Enterprise Fund

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## □ QUESTIONS ?