



Municipal Technical Advisory Service
INSTITUTE *for* PUBLIC SERVICE

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Definitions: Utilities

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Enterprise Fund: This type of fund is used to report any activity for which a fee is charged to external users for goods or services, and is accounted for in a manner similar to private business. The costs (expenses, including depreciation) of providing the service is recovered through user charges. Some audits use the term Proprietary Fund instead of Enterprise Fund.

Statement of revenues, expenses, and changes in Net Position: This statement is known as the income statement for a private business. It analyzes revenues and expenses in order to determine the change in net position (profit or loss).

Statement of Net Position: This statement is known as the balance sheet for a private business, and is a statement of assets, liabilities, and net assets.

Depreciation: The orderly expensing of a long-term asset over its useful life rather than it being totally expensed at the time it is acquired.

Long-term Asset: These are assets that have a useful life of more than one year. Examples in a water and sewer system are pumps, pipes, and vehicles.

Capital Budget: This is an informal budget used to plan new water and sewer projects and equipment purchases over the next several years.

Note about accounting changes: In recent years the Governmental Accounting Standards Board (GASB) issued changes to the terminology and presentation of certain financial information. One of the biggest changes affecting utilities is that grants now appear as part of the profit and loss of the utility rather than as an adjustment to equity (retained earnings/net assets/net position).

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