

DIFFERENCES BETWEEN PRIVATE SECTOR AND GOVERNMENTAL SECTOR REPORTING AND BUDGETING

| Types of Differences | Private Sector | Government Reporting GAAP Financial Statement <i>(Clerk of Court)</i> | Government Budget |
|---------------------------------|---|---|---|
| Primary Purpose | For-profit business enterprises focus primarily on wealth creation for shareholders | Governments primary purpose is to enhance or maintain the well-being of citizens by providing services in accordance with public policy goals such as public safety, social services, and transportation. | |
| Who do they serve | Serve private investors, corporate, and stockholders | Serve taxpayers, citizens, elected representatives, oversight groups, bondholders, and others in the financial community | |
| Accounting Standards | Generally Accepted Accounting Principles (GAAP) | Generally Accepted Accounting Principles (GAAP) | Generally Accepted Accounting Principles (GAAP) |
| Additional Accounting Standards | Financial Accounting by Financial Accounting Standards Board (FASB) | Governmental Accounting by Governmental Accounting Standards Board (GASB) | Governmental Accounting by Governmental Accounting Standards Board (GASB) |
| Accounting | General Accounting | Fund Accounting | Fund Accounting |
| Reporting Differences | Statement of Activities Statement of Cash Flows Statement of Financial Position | Statement of Activities Statement of Cash Flows Statement of Net Position | |
| Audited Annual Reporting | Not mandated by law | Required Comprehensive Financial Statement (CAFR) must conform to GAAP | |

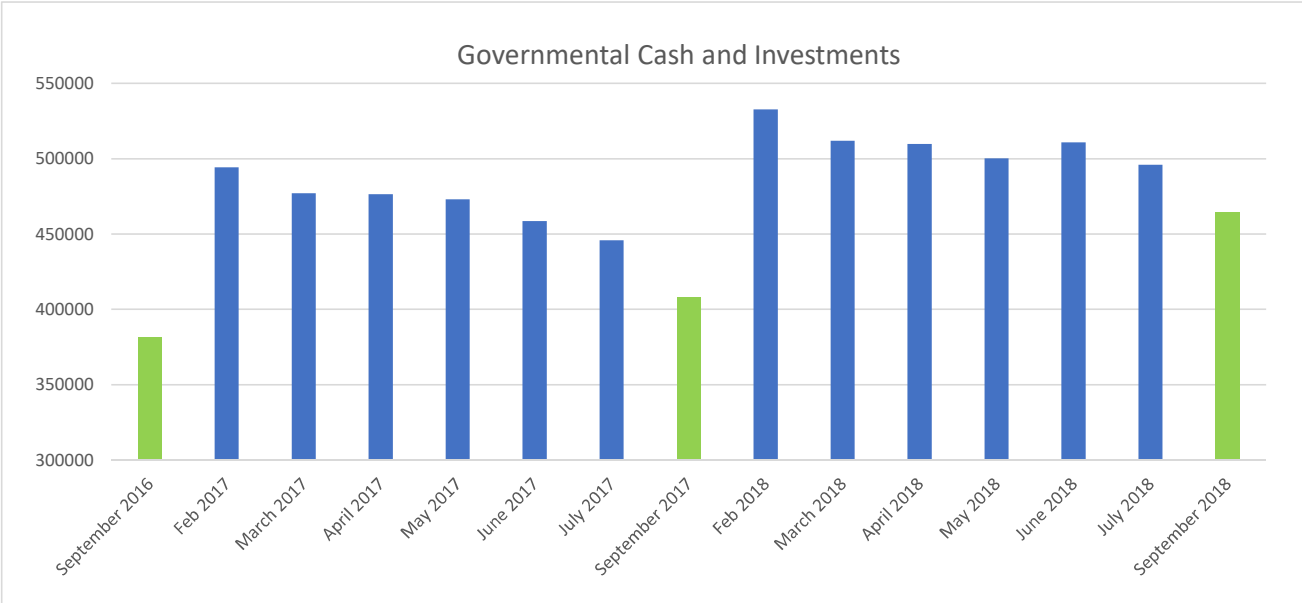
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| * How do you account for Capital Projects | <p>Enter a contract when: All of cash is on hand or plan of "Pay As You Go"</p> <p>Example: Three Year Contract at \$50,000 per year</p> <p>*Organization only has to have \$50,000 each year as the payment is due</p> | <p>Enter a contract when: All of cash is on hand but expenses are acknowledged as incurred.</p> <p>Example: Three Year Contract at \$50,000 per year</p> <p>*Organization has to have \$150,000 cash on hand when the contract is signed but only recognizes as expense occurs.</p> | <p>Enter a contract when: All of cash is on hand and cash is recognized for dedication to the contract</p> <p>Example: Three Year Contract at \$50,000 per year</p> <p>*Organization has to have \$150,000 cash on hand when the contract is signed and acknowledges full amount.</p> |
| * Construction Expenses | Construction expenses identify only expenses incurred | Construction expenses identify only expenses incurred | Construction expenses identify total cost of project which includes incurred expenses and planned expenses |
| Use of a Budget | Internal document | | Legal document which is an expression of public priorities and regulated by the State |
| * Timing of Revenue | Revenues are recorded when earned and not planned to be received | Revenues are recorded when earned and not planned to be received | Revenues are acknowledged when identified to be received |
| * Timing of Expenses | Expenses are recorded when incurred | Expenses are recorded when incurred and does not include encumbrances or appropriated amounts | Actual expenses, encumbrances, and unused appropriation are recognized |

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| * Collection of Revenues and Expenses | Usually revenues and expenses are received in seasons or evenly throughout the year | 90% of an entire year of Property Taxes are recognized in the first six months of the fiscal year. Expenses are incurred more systematically over a twelve month period. | Recognizes one year plan of revenues to be received and expenses to be incurred. |

EXAMPLE OF TWO CASH CYCLE FOR GOVERNMENTAL CASH ON HAND



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| * Recommended Practice for Reserves | Commonly 3 to 6 months depending on the expense patterns | | <p>GFOA recommends at minimum 2 months or 16.7%(2/12). GFOA recommends higher than the minimum 2 months or 16.7% if the government is vulnerable to:</p> <ul style="list-style-type: none"> * natural disasters (hurricanes/coastal issues) * dependent on a volatile revenue sources (i.e. property taxes) * subject to cuts in state aid and/or federal grants <p>Manatee currently follows Resolution R-10-098</p> |
| * Limitations on Reserves by Florida Statute | Not Applicable | | <p>Florida Statute 129.01 (c)</p> <p><u>1. Reserve for Contingencies -10%</u> may be provided which does not exceed 10% of total appropriations</p> <p><u>2. Reserve for Cash Balance - 20%</u> may be provided for the purpose of paying expenses from October 1 of the next fiscal year until the revenues are expected to be available. Bond Interest and Sinking Fund Budget, the reserve may not exceed maturity of debt.</p> <p>Florida Statute 129.02 4(a)</p> <p><i>Please see above for GFOA national recommendations on Fund Balance calculation for reserves.</i></p> |

Note * indicates common areas of misconception