

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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Types of Differences

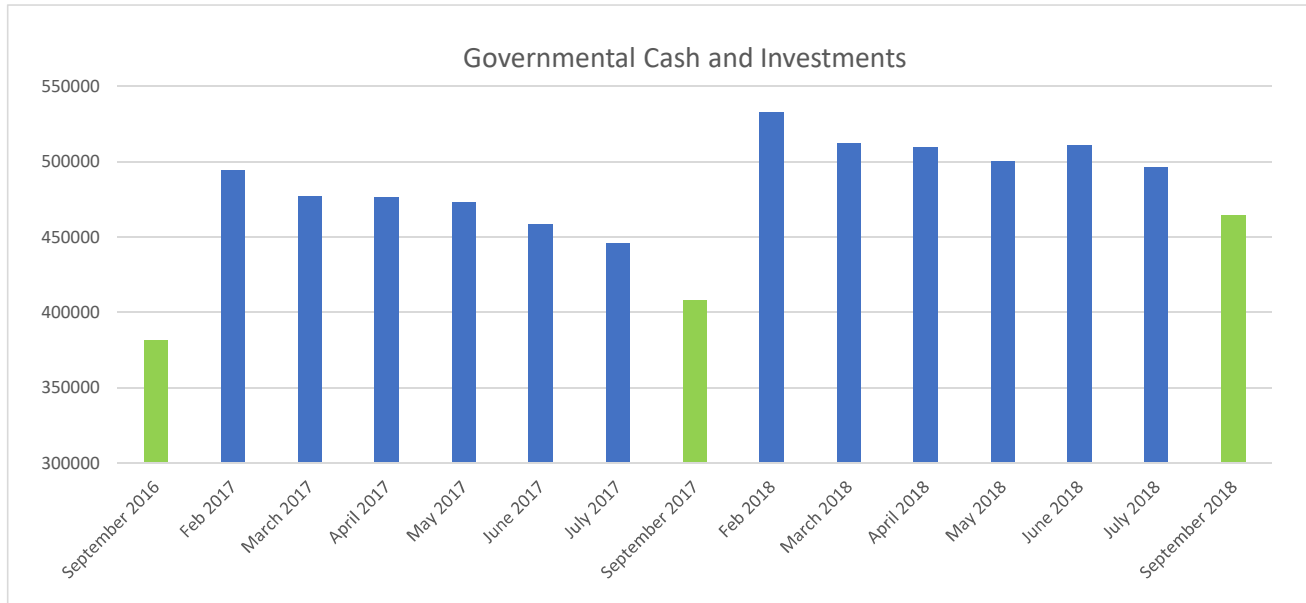
Private Sector

Government Reporting GAAP Financial Statement (Clerk of Court)

Government Budget

* 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.
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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 style="text-align: center;"><i>Please see above for GFOA national recommendations on Fund Balance calculation for reserves.</i></p>

Note * indicates common areas of misconception