

The CPA's Role in the Bonding Process

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Typically, the Surety will also require the owners to give personal indemnity to obtain the surety credit. The Surety may also require a resume, personal financial statement, and income tax returns of the owners.

By maintaining a strong relationship with your Bonding Agent and Surety and by developing accounting systems that provide timely and accurate financial statements, not only will you obtain your contract bonds more quickly, but you may even find that the accurate records produce a lower bonding cost.

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FIRM PHILOSOPHY CPA CONSULTANTS PA

“Arranging”

In the words of Judge Learned Hand ~

"Over & over again courts have said there is nothing sinister in so "arranging" one's affairs to keep taxes as low as possible. Everybody does so, rich or poor, and all do right, for nobody owes more tax than the law demands; taxes are enforced exaction, not voluntary contributions."

Quote from the honorable Judge Learned Hand, Justice, Appellate Court of the United States.

Limited liability companies, real estate, trusts, limited partnerships, C and S corporations, tax-free exchanges, pension and profit sharing plans, estates, international ~

We advise as to the correct tax and financial structure for your business ventures. We "arrange" your business structures.

CPA Consultants PA
SARASOTA FLORIDA, USA
Certified Public Accountants
and Consultants

PERFORMANCE
BONDING &
FINANCIALS

the Contractor



CPA Consultants PA

the CPA's Role in the Bonding Process

Since the Contractor's financial statements are one of the most important parts of the Surety and Bonding Agent's decision to underwrite a bond, it is important that the financial statements be accurate, timely and complete. The financial statements should also comply with generally accepted accounting principles (GAAP).

Typically, these financial statements must be reviewed or audited. The greatest assistance a CPA can provide is to develop and implement an accounting system that produces accurate records, and prepare the financial statements in accordance with the requirements of the Surety.

Often, this requires the CPA to have a thorough knowledge of various construction accounting software packages, such as Timberline, Master builder, QuickBooks Pro, Gemini, and Buildsoft, Foundation.

The goal is to increase Bonding Agent and Surety confidence in the contractor. Therefore, financial statements that can be generated quickly and accurately will greatly support the Agent and Surety's decision to grant the bond. Financial statements should be available within 90 days after balance sheet date. The Agent might perceive a problem if it takes any longer.

It is important that a contractor maintain a close relationship with the bonding agent. If there is a problem, the Agent should be alerted quickly and advised of the course of action to correct the problem.

Since many contractors do not have sophisticated accounting staffs, it is common that a contractor needs the CPA's assistance in preparing financial statements in accordance with GAAP. Therefore it is incumbent upon

the Contractor to request that his CPA make sure the internal staff has the system and training to provide the data needed to complete the financial statements.

In addition to the standard financial statements - income statement, balance sheet, statement of changes in stockholders equity, and statement of cash flow, - the Surety may also request the following:

1. Contract earnings showing income from contracts completed and contracts in progress.
2. Completed contracts showing revenues and costs.
3. Contracts in progress.
4. Back log information.

The Surety may also require the following information:

1. A detailed list of unallocated indirect costs.
2. A detailed list of general and administrative expense.
3. An aging of accounts payable and contracts payable.
4. An aging of accounts, contracts, and retainage receivable.
5. A list of inventory.
6. Significant under and over billings with explanations.
7. A schedule of fixed assets.

When new bonds are being written, the agent may require interim financial statements such, as a mid-year review. The agent may also require some non-financial information such as a description and history of the company, a business plan, a succession plan, budgets, copies of significant agreements, descriptions of lawsuits in progress, insurance coverage, and the names of references such as banker, attorney, and consultants.

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Biographies of Certified Public Accountants

C. Ray Burnett III CPA

Ray Burnett has thirty years experience as a Certified Public Accountant. Ray specializes in corporate, individual, estate, LLC, and partnership taxation and business financial statements.

Member: American Institute of Certified Public Accountants; Florida Institute of Certified Public Accountants; Life Director Home Builders Association of Manatee County; Home Builders Association of Sarasota; Past President Four H Foundation of Manatee County; Leadership Manatee Alumnus