Financial Terms

GASB – Government Accounting Standards Board

GASB is an independent private-sector organization based in Norwalk, Connecticut that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP). For more information on GASB visit their website at - http://www.gasb.org/home\

GAAP – Generally Accepted Accounting Principles

GAAP are a common set of accounting principles, standards and procedures that companies follow when they compile their financial statement.

FASB – Financial Accounting Standards Board

FASB is responsible for standards for public and private companies and non-profit organizations.

GASB Statement 68 established the accounting and financial reporting for pensions. This statement along with GASB 67 improved the accounting and reporting of public employee pensions by local and state governments. The result of these statements is a more accurate representation of the impact of this obligation. It requires an agency to recognize, on its balance sheet, the long term debt of this pension liability.

OPEB – Other Post Employment Benefits

OPEB are benefits (not pensions) that have been provided to a retired employee. These usually include such things as medical and dental care but they could include other benefits such as life insurance, disability, legal and other services. Reporting requirement is now in effect.

GASB Statement 74 & 75 establishes the accounting and financial reporting for OPEB. As with GASB 67 & 68 the result, when implemented will be a more accurate representation of the impact if this obligation. It requires an agency to recognize, on its balance sheet, the long term debt of this benefit liability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. For more information visit http://gasb.org/opeb

Accrual Accounting

Revenues are recognized when earned and expenses are recognized when incurred.

Cash Accounting

Revenues are recognized when the cash is received and expenses are recorded when cash is paid.

Balance Sheet - a statement of the assets, liabilities, and capital of an organization at a particular point in time, detailing the balance of income and expenditure over the preceding period. This is a snapshot of the business' asset (what it owns or is owed) and its liabilities (what it owes) at a particular time, usually the last day of the month.

Current Assets - Items on the balance sheet that are either cash, cash equivalent or which can be converted into cash within one year.

Accounts Receivable – money owed to the organization.

Deferred Charges – money owed by the organization but not in the current period. For example: you are attending the WFA Convention in January 2017 but you paid for registration in October 2016, the charges would be deferred until January 2017.

Fixed Assets – items with a useful life greater than one reporting period. Fixed assets are long-term, tangible **assets** such as land, equipment, buildings, furniture and vehicles.

Construction in Progress - entry records the cost of construction work, which is not yet completed (typically, applied to capital budget items). This item is not depreciated until the construction is completed.

Land – the value of the land at time of purchase/donation.

Building and Improvements – the value of the buildings when built/completed.

Accumulated Depreciation – this is the accumulation of the years of annual depreciation of the building and improvements.

Equipment – the value of the equipment at time of purchase.

Accumulated Depreciation – Equipment – this is the accumulation of the years of the annual depreciation of the equipment.

Liabilities -

The financial debt or obligations that arise during the course of business operations. Liabilities are settled over time through the transfer of economic benefits including money, goods or services.

Deferred Revenue – this is money that is not yet recognized. For example: Your annual fair is June and you receive some vendor space fees in December this revenue would not be booked until the next year.

Guarantee Deposits – this is deposit money given to you by interim renters and held in a liability account until the event is over. This money is then either returned to the renter or transferred to an income account due to damage or cleaning the organization had to do.

Leave Liability – also known as compensated leave expense. This is what the organization owes its employees in vacation and comp time. This is the earned time that an employee would be paid for if they left your organization.

Long-term Debt – This is for an obligation that will be paid out over time such as a loan or a lease. This will be where the net of the pension liability and OPEB expense will appear in your reports.

Retained Earnings

A statement of retained earnings is a financial statement outlining the changes in retained earnings for a specified period. It reconciles the beginning and ending retained earnings for the period, using information such as net income from the other financial statements.

Junior Livestock Auction Reserve – This is the money that is remaining at year-end once all expenses have been paid and income had been received. The difference of income versus expense will be booked to this account. For example: If as January 2016 your reserve was at $10,000 and as of December 31, 2016 your revenue from the JLA was $50,000 and your expense was $52,000 then -$2,000 **(JLA Net Income*)*** would go into that account making your reserve now $8,000. If you ended in the positive then that would affect it in a positive way adding to the reserve.

Internal Controls

Is the practice, policies and procedures that an organization puts in place to maximize value and minimize risk. Separation of duties is an example of internal controls.

Segregation of Duties (Separation of Duties)

Is the concept of having more than one person required to complete a task. In business the separation by sharing of more than one individual in one single task is an internal control intended to prevent fraud and error. Example: the person receiving money from a customer at the fair should not be the same person depositing the money. The person depositing the money should not be the same person reconciling the books. For many small fairs this type of separation is a challenge due to lack of staff.