NEMRC FUND ACCOUNTING GENERAL LEDGER

General Ledger – Post Transactions

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What is a transaction ?

Definition: Any business activity that results in a direct effect on the financial status and financial statements of the Municipality.

Examples of Transactions:

▶ Paying a bill

▶ Receiving a property tax payment

▶ Moving an expense to a different line item

▶ Recording bank interest earned

Why would I need to post a transaction?

Many transactions are already posted to General Ledger through automated process such as writing a check in Accounts Payable or Payroll or posting a payment in Cash Receipts. There are times however you will have to post a transaction directly to the General Ledger. This is when you would use the menu item #1. Post Transactions

Examples:

▶ Bank Interest

▶ Adjusting Entries to fix a mistake

▶ Journal entries given to you by your CPA

▶ Any transaction that you are not processing through another NEMRC module that is linked to General Ledger
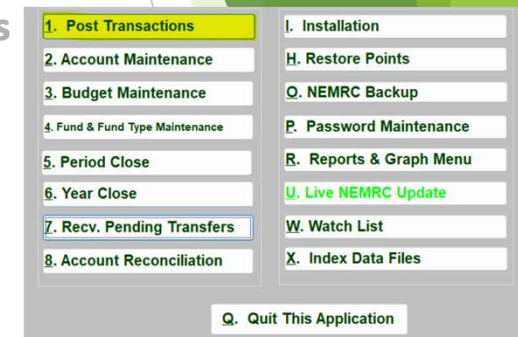
Accounting Terms, Types and Definitions

Financial Statements are made up of five main types of accounts:

▶ Assets

▶ Liabilities

▶ Revenues

▶ Expenses

▶ Equity(Fund Balance)

• **Fund Accounting:** Separates financial resources into distinct funds with individual financial statements.

• **Fund Balance:** Total accumulation of operating surpluses and deficits since the beginning of the setting up of the fund. (Equity)

Accounting Terms, Types and Definitions

- **Assets:** Anything that has current or future value to a business/municipality.

    - Receivables: Examples: Property Taxes, Water/Sewer Outstanding Balances, Grants

    - Bank Accounts/Investments: Examples: Checking Accounts, Money Markets, CDs, Stocks

    - Prepaid Expenses: Examples: VLCT Dues for next fiscal year

- **Liabilities:** What the business/municipality owes

    - Payroll Liabilities: Examples: VMERS, Federal Taxes, State Taxes

    - Accounts Payable: Vendor bill received, not yet paid.

    - Due to Taxpayers/Overpayments: Prepaid taxes or overpayments on taxes

    - Debt: Example: Long Term Bond for Water Fund

- **Revenues and Expenses**

    - Revenues: Income

    - Expenses: Cost in operations

What does a transaction include ?

Every transaction includes an account in one of the categories on the previous slide and every transaction must have a debit and a credit that are equal but opposite entries. Some accounts will increase by a debit entry, and some will decrease. Sometimes its tricky to know if you should debit or credit an account but the guide below will help you determine the correct choice.

ACCOUNT	INCREASED BY	DECREASED BY
Assets	Debit	Credit
Expenses	Debit	Credit
Liabilities	Credit	Debit
Equity	Credit	Debit
Revenue	Credit	Debit