

ACCOUNTING INTERPRETATION NO. 4

Subject: Accounting for Long-Term Liabilities

General obligation bonds and other forms of long-term liabilities which are supported by general revenues are obligations of the county as a whole and not its individual funds. The amount of unmatured long-term debt should be recorded and accounted for in the General Long-Term Liabilities Accounts. Long-term debt of an enterprise fund which is to be retired from the operations of the enterprise fund is not recorded as a liability of the General Long-Term Liabilities Accounts. The obligation for general obligation bonds should never appear in more than one fund or account group.

Whenever general obligation debt is incurred, the liability is recorded in the General Long-Term Liabilities Accounts by a credit to accounts such as bonds payable or installment purchase contracts payable. The debits are Amount Available for Payment of Long-Term Liabilities and Amount to be Provided for Payment of Long-Term Liabilities.

After the debt has been recorded, transactions in the General Long-Term Liabilities Accounts parallel those in the appropriate Debt Service fund if a Debt Service fund is established. An increase in the Debt Service fund balance is reflected in the General Long-Term Liabilities Accounts by a debit to Amount Available for Payment of Long-Term Liabilities and a credit to Amount to be Provided for Payment of Long-Term Liabilities.

As debts are retired by a Debt Service Fund, a simultaneous entry is made in the General Long-Term Liabilities Accounts debiting the account for the type of debt payable and crediting Amount Available for Payment of Long-Term Liabilities.