

SECTION XII--INTERPRETATIONS

ACCOUNTING INTERPRETATION NO. 5

Subject: Accounting for Long-Term Liabilities

General obligation bonds and other forms of long-term debt which are supported by general revenues are obligations of the municipality as a whole and not its individual funds. The amount of unmatured **long-term liabilities** should be recorded and accounted for in the General **Long-Term Liability 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 Liability 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 Liability Accounts** by a credit to accounts such as bonds payable or installment purchases 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 **Liability 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 **Liability 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 **Liability Accounts** debiting the account for the type of debt payable and crediting Amount Available for Payment of Long-Term **Liabilities**.