Chapter 6

Accounting for General Long-Term Liabilities & Debt Service
General Long Term Debt

- Governmental Unit Not Individual Funds
- Reported in Government-Wide Financial Statements
...General Long-Term Debt

- General Obligation Debt
- Limited Obligation Debt
- Special Assessment Debt
- Bond Anticipation Notes
- Capital Leases
- All Other L-T Debt (Governmental)
Special Long-Term Liability Issues

- Debt Limit
- Debt Margin
- Overlapping Debt
- Contingent Liabilities
Debt Service Fund

- Governmental Fund
- Fund Not Required by GAAP
- Budgetary Accounting
  Not Required
  But Recommended
- Independent or Common Fund(s)
Debt Service Fund

- Payments of Principal & Interest
- Not Debt Until Legally Due
- Interest Revenue Accrued; held @ FV
Debt Service Fund

- Revenue
  - Interest Revenue
  - Earmarked Taxes
  - Special Assessments
Debt Service Fund

- Other Financing Sources
  - Transfers From General Fund
  - Transfers From Other Funds
  - Residual Transfers
Common Transactions

Receipt Transfer From Another Fund:

Journal Entry:

DSF: Cash

OFS - Interfund Transfer In

GA: No Entry
Common Transactions

Revenue Earned:

Journal Entry:

DSF: Cash / Receivable

Revenue

GA: Revenue-General
...DSF Common Transactions

♦ Payment of Interest & Principal:

♦ **Journal Entry:**

DSF: Expenditure - Interest
Expenditure - Principal

Cash

GA: Expense-Interest (indirect)
Payable

Cash
...DSF Common Transactions

- Legally Due:
- **Journal Entry:**
  DSF: Expenditure - Interest
  Interest Payable

GA: Expense-Interest
...DSF Common Transactions

♦ Equity Transfer from Another Fund:

♦ **Journal Entry:**
  
  DSF: Cash
  
  OSF: Interfund Transfer - In

  OSF: Interfund Transfer - In

  Fund Balance

GA: No Entry
Special Debt Servicing

Issues

♦ Bond Refundings
  ◆ Legal Defeasance
    • New Debt Replaces Old Debt
  ◆ In-Substance Defeasance
    • Risk Free Assets in Irrevocable Trust
Special Debt Servicing Issues

- Special Assessments
  - DSF Records Levy as Deferred Revenue (except for current portion)
  - As Collection Occurs Recognize as Revenue