



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Debt and Related Items
Sub-section: Interest Payable

Effective Date: 07/01/1999

Revision Date: 07/01/2004

General Procedures

There are differences between the State's budgetary accounting practices for interest payable transactions and accounting practice prescribed by GAAP. Significant variances between GAAP and the State's budgetary basis are discussed below.

Governmental Funds

Expenditures generally should be accrued when current financial resources will be used to liquidate the liability. An exception to this rule involves accounting for interest payments related to long-term debt. Interest payments on long-term debt generally should not be reported as expenditures in governmental funds until due. This special treatment for debt service expenditures is based on the premise that financial resources are usually appropriated in other funds for transfer to a debt service fund in the period in which maturing principal and interest must be paid. To accrue debt service expenditures in one period and record the transfer in the subsequent period would lead to an overstatement of debt service fund expenditures and liabilities and understatement of the fund balance. This situation is somewhat different if the government has already provided resources for debt service payments due *early* in a subsequent fiscal period. If such resources have been provided during the current year for principal and interest due early in the following year, the expenditure and related liability *may* be recognized. Reporting of subsequent period principal and interest in this manner is optional and not required even if funds are available for payment.

Proprietary Funds, Fiduciary Funds and Component Units

Accrual basis funds should accrue interest when the liability is incurred. For instance, interest due on revenue bonds at the end of a fiscal year should be accrued for the amount of interest earned by the bondholder even if the actual payment is not due until the subsequent fiscal year (e.g., if interest is paid at the end of September and March and the fiscal year ends June 30, the governmental unit would accrue three months of interest expense at fiscal year-end).

Budget Fund

In general interest is not accrued between due dates. If interest is due, but payment has not been made, a liability for accrued interest should be recorded (account 241000).

Synopsis of Significant GAAP Variances from Budgetary Basis

If GAAP financial statements are not provided, SAO must be furnished with information to meet the following GAAP reporting requirements:

Modified accrual basis funds should accrue expenditures for interest, for other than long-term debt, when due or when available financial resources will be utilized to make payment early in the subsequent year. Modified accrual basis funds should accrue interest expenditures for long-term debt when due.

In accrual basis funds and the government-wide financial statements interest should be accrued when the liability is incurred (provide a schedule of all payments of which interest is a part).

Year-end reporting forms are provided on the SAO website at SAO.Georgia.gov > [Reporting](#) > [Year-End Reporting](#) > [Reporting Forms](#).