



## Statewide Accounting Policy & Procedure

### **Accounting Manual Reference:**

Section: Debt and Related Items  
Sub-section: Notes and Bonds Payable/Bond Premiums and Discounts

**Effective Date:** 07/01/1999

**Revision Date:** 07/01/2004

### **Georgia Laws**

- Georgia Constitution Article VII, Section IV, Paragraph I: Purposes for which debt may be incurred
- Georgia Constitution Article VII, Section IV, Paragraph VII: Georgia State Financing and Investment Commission; duties

### **General Procedures**

Bonds, notes payable and bond premiums and discounts should be accounted for in accordance with generally accepted accounting principles (GAAP).

#### *Governmental Funds*

Bonds and notes payable are defined by GAAP as long-term debt and should be recorded in the governmental activities column in the government-wide statement of net assets under the accrual basis of accounting, but they should not be reported as liabilities on the governmental funds balance sheet. When long-term debt becomes due and payable the liability should be recorded in the fund from which payment will be made.

Under the modified accrual basis of accounting, expenditures are usually recognized at the same time as the related liability. This guidance does not apply, however, to debt service principal and interest payments. Principal and interest payments on long-term debt usually should not be reported as expenditures under the modified accrual basis of accounting until due. The one exception to this rule would be in the case where a debt service fund is utilized to account for resources that will be used to service the long-term debt. If financial resources have been transferred into the debt service fund for payment of unmatured principal and interest obligations due early in the following fiscal year principal and interest liabilities can be recorded. It should be noted, however, that even when funds have been transferred for subsequent year payment, recognition of the unmatured debt service principal and interest is not required but is strictly optional under GAAP.

#### *Proprietary Funds and Component Units*

When bonds or notes are a direct obligation and/or are expected to be repaid from proprietary fund resources, they should be recorded as a liability of the proprietary fund at face value.

When market conditions change before a bond with a stated interest rate is issued, a premium or a discount may result from the sale. Bond premiums and discounts should be recorded in either account 284001 (Unamortized Premiums on Bonds) or account 285001 (Unamortized Discounts on Bonds) and amortized over the life of the bond issue. Bond issuance cost should be recorded as a deferred charge (account 164052) and amortized over the life of the bond issue.

**Synopsis of Significant Variances between GAAP and Budgetary Basis**

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

Proprietary and government-wide statements should reflect a liability for debt payable, a contra-liability for bond discounts and a deferred charge for issuance costs. Principal payments should reduce the liability (provide information on all debt issued during the year. Also, provide a detail of principal payments made and a schedule of remaining payments due on the debt).

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